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Brazil's *Bolsa Família*: A Double-Edged Sword?

Anthony Hall

ABSTRACT

In common with most Latin American countries, as governments embrace safety nets to attack poverty, conditional cash transfer (CCT) programmes have become part of mainstream social policy in Brazil. Under president Fernando Henrique Cardoso (1995–2002), and especially since Luiz Inácio Lula da Silva took office in 2003, targeted assistance in education, health and nutrition, now united under *Bolsa Família*, have expanded rapidly to benefit forty-four million (24 per cent of the total population), absorbing almost two-fifths of the social assistance budget earmarked for the poorest sectors. Despite its operational problems, *Bolsa Família* appears to have been effective in providing short-term relief to some of the most deprived groups in Brazil. Yet it could prove to be a double-edged sword. There is a risk that, due to its popularity among both the poor and Brazil's politicians, *Bolsa Família* could greatly increase patronage in the distribution of economic and social benefits and induce a strong dependence on government handouts. There are also early signs that it may be contributing to a reduction in social spending in key sectors such as education, housing and basic sanitation, possibly undermining the country's future social and economic development.

INTRODUCTION

Brazil has enthusiastically embraced conditional cash transfer (CCT) programmes as part of mainstream social policy in the fight against poverty and exclusion. Although this process started in the 1990s at sub-national level, Presidents Fernando Henrique Cardoso or FHC (1995–2002) and especially Luiz Inácio 'Lula' da Silva (2003–) rapidly expanded and consolidated a number of such schemes into what today is known as *Bolsa Família* (Family Grant). This follows a major recent international trend in policy making, especially evident in Latin America, towards constructing targeted social safety nets to protect the poor (Barrientos and Hulme, 2008; Hall and

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Midgley, 2004; ILO, 2006; Rawlings, 2004).[1] CCT programmes have been implemented in a number of middle-income countries apart from Brazil, including Mexico (*Progresa/Oportunidades*), Chile (*Chile Solidario*), Colombia (*Familias en Acción*), Argentina (*Jefes de Hogar*), Peru (*Juntos*), Ecuador (*Bono de Desarrollo Humano*) and elsewhere.[2]

In part, the use of targeted safety nets and social funds has represented a form of compensation for the adverse impacts upon the poor of stabilization and structural adjustment policies implemented throughout the 1980s and 1990s (Conway, 2000; Cornia et al., 1987). In Latin America, social spending cutbacks under adjustment eroded the social protection infrastructure in a region where effective and universal welfare systems had been developed in only a handful of countries.[3] Furthermore, the lion's share of state subsidies in key areas such as health, education and pensions was already monopolized by the middle and upper classes, leaving little fiscal space for directly benefiting the poor more broadly through redistributive social policies. The notion of providing universal benefits and citizenship rights, with the exception of Cuba, has been eschewed in favour of selective provision based on politically determined distribution by the state to more influential social groups (Abel and Lewis, 2002).

Conditional cash transfers have become increasingly popular for a number of reasons. They are designed to attack long-term poverty by making payments conditional upon school attendance and participation in health care, boosting effective demand and thus strengthening human capital in an expression of joint responsibility between government and families. By focusing on children and women, the expectation is that such measures go well beyond offering relief and can attack the inter-generational transmission of poverty by promoting synergies between education, health and other sectors. They are seen as a more cost-effective means of reaching the poor directly through efficient targeting while minimizing resource wastage. In the words of one major World Bank study, cash transfers are seen as 'an alternative to more traditional and paternalistic approaches to social assistance' (Rawlings, 2004: 6). Yet as will be discussed below, this remains a highly contentious issue in Brazil and indeed elsewhere in Latin America.

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1. 'Safety nets' is a broad label for short-term, targeted measures aimed at vulnerable individuals and households designed to mitigate the immediate effects of poverty and other risks. Assistance may be provided in the form of one or a combination of cash, food, housing, subsidies, fee waivers, scholarships and employment through public works programmes.
2. Some low-income countries have also been experimenting with CCTs on a smaller scale, including Bangladesh, Burkina Faso, Cambodia, Kenya, Lesotho, Mongolia, Honduras and Pakistan (ILO, 2006).
3. Namely: Argentina, Chile, Costa Rica, Cuba and Uruguay (Abel and Lewis, 2002).

SOCIAL SPENDING AND CASH TRANSFERS IN BRAZIL

Before examining the evolution and performance of *Bolsa Família* and its predecessors in Brazil, it is revealing to examine the evolution of spending on CCTs within the overall social budget. Total social expenditure in Brazil stands at almost 13 per cent of GDP (Table 1). During 2006, social security including pensions accounted for around 69 per cent of total social spending, health 14 per cent and education 6 per cent. Around 44 per cent is absorbed by pensions alone (compared with 33 per cent on average for OECD countries), a figure exceeded only by Mexico and Italy (Brazil, 2005a, 2005b; IPEA, 2006a).

'Social assistance' directed at the poorest remains a relatively small proportion of the total budget at some 7.5 per cent, with *Bolsa Família* accounting for two-fifths of this amount, or 2.9 per cent of total social expenditure. What is noticeable, however, is that there has been a steady expansion since the late 1990s in social spending for the poorest through general programmes and for cash transfers in particular (Table 1; Fig. 1). While social spending increased in real terms by 23 per cent between 2001 and 2004, direct income transfers of all kinds expanded at the significantly higher rate of 29 per cent (Lavinas, 2006). Under FHC (1995–2002) social assistance spending for the poor rose to 5.6 per cent (R$ 10.2 billion) of the total social budget. This grew significantly to 7.5 per cent (R$ 22 billion) under Lula by 2006.

The increase in spending on CCTs over this period has been even more marked. In 2002, the final year of the FHC administration, these accounted for almost one-quarter of spending on the poor (R$ 2.4 billion). Expenditure on CCTs rose sharply from 2003 to 2004 with the inauguration of *Bolsa Família* and by 2006, the last year of Lula's first government, this had increased significantly to take up 38 per cent (R$ 8.2 billion) of the social assistance budget, aimed at the poorest groups. Overall, spending on CCTs grew from less than 1 per cent of the total social budget in 2001 to 2.9 per cent in 2006. Under Lula, spending on *Bolsa Família* increased from 0.2 to 0.5 per cent of GDP by 2005 (Lindert, 2005). It would thus be fair to say that the rhetoric of increased financial support for the poor which has characterized President Lula's electoral campaigning and policy platform has indeed been matched by actual spending, at least as far as CCTs are concerned. Yet to keep matters in perspective, it should be borne in mind that these conditional cash payments remain a small percentage of total social spending and are, for example, far outweighed by pensions.[4]

FOME ZERO: THE EARLY DAYS

As Brazil's first working-class President, with a long history of trade union activity and opposition to military dictatorship behind him, Lula owed his

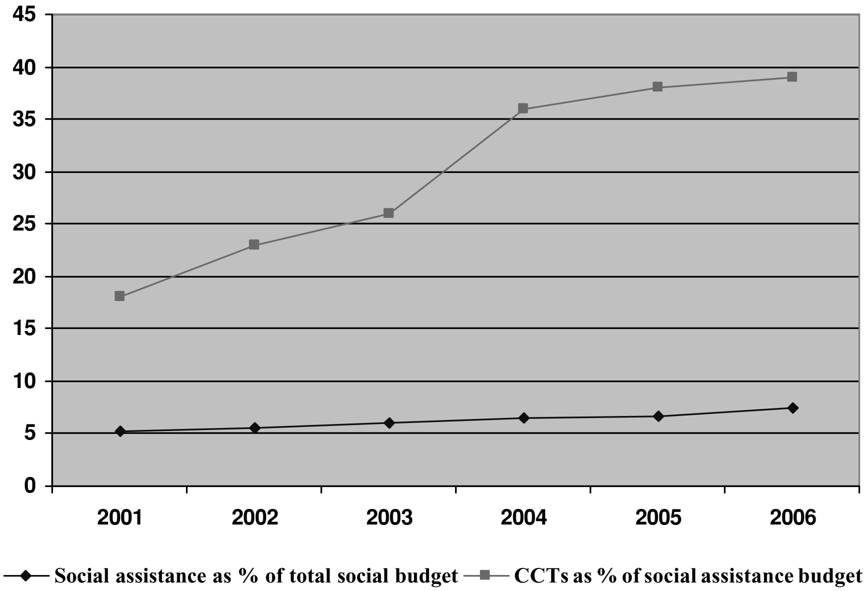
4. Pensions account for 82 per cent of cash transfers in Brazil although, unlike CCTs, they are highly regressive.

Table 1. Spending on Social Programmes in Brazil, 2001–2006

	Total social budget[a]		***Social assistance budget***[b]		***Bolsa Família***[c]		
	R$ (billions)	**% GDP**	**R$ (billions)**	**% total social budget**	**R$ (billions)**	**% social assistance budget**	**% total social budget**
2001	160	13.3	8.5	5.3	1.5	18.0	0.9
2002	182	13.5	10.2	5.6	2.4	23.0	1.3
2003	213	13.7	12.9	6.0	3.4	26.0	1.6
2004	249	14.1	16.2	6.5	5.9	36.0	2.3
2005	255	12.0	17.0	6.6	6.8	38.0	2.6
2006	293	12.7	22.0	7.5	8.2	38.0	2.9

Notes:
a. Direct costs of social security and pensions, health, education, social assistance, worker protection, housing and sanitation.
b. Direct costs of assistance to children and nutrition including Bolsa Família, school feeding, help for the elderly and physically disabled, indigenous groups, etc.
c. *Bolsa Escola, Bolsa Alimentação, Cartão Alimentação, Auxílio Gás* and PETI.
Sources: Brazil (2005a, 2005b); IPEA (2006a, 2007)

Figure 1. Trends in Funding for Social Assistance and CCTs, Brazil, 2001–2006



Sources: Brazil (2005a, 2005b); IPEA (2006a, 2007)

rise to power in large measure to support from less privileged sectors of society. He projected (and continues to project) a strong image of personal commitment to addressing the needs of poorer Brazilians. On taking office in January 2003, President Lula nailed his colours firmly to the mast when he famously declared that: 'If by the end of my term of office every Brazilian has enough food to eat three times a day, I shall have fulfilled my mission in life'. Early in the Lula administration, *Fome Zero* (Zero Hunger) was announced to mark out the Workers' Party (PT) as socially progressive and determined to attack poverty head-on.[5]

Despite the fanfare with which *Fome Zero* was launched, it was in fact an umbrella term for several programmes that had already been developed under the administration of Lula's predecessor, President Fernando Henrique Cardoso. These federal schemes had in turn evolved from earlier national

5. *Fome Zero* was the brainchild of José Graziano da Silva, former professor of agrarian studies at the University of Campinas, São Paulo, and appointed by Lula to head the new Ministry of Food Security and Fight against Hunger.

and state-level initiatives implemented during the 1990s.[6] Re-packaged as *Fome Zero*, four federal schemes were brought together under a single label: the flagship *Bolsa Escola* for boosting school attendance, *Bolsa Alimentação* for maternal nutrition, the PETI programme[7] against child labour and the *Auxílio Gás* cooking gas subsidy. A new food entitlement scheme known as *Cartão Alimentação* was added, which uses a special electronic card for the purchase of selected food items.

Bolsa Escola (School Grant) was the highest profile sub-programme, accounting for the bulk of spending. It provided mothers with a monthly stipend per child enrolled in return for their children attending school at least 85 per cent of the time. It had its origins in local school grant schemes implemented in Campinas, São Paulo and in the federal district of Brasília during the mid-1990s, and was adopted nationally in 2001. By 2003 it had spread to nearly all of Brazil's 5,561 municipalities, disbursing over US$ 500 million in grants to over 5 million families with 8.6 million children.

Consolidation of these safety net programmes under *Fome Zero* brought some innovations, however. Implementation of the programme was decentralized to municipal level in an attempt to promote greater efficiency, transparency and accountability, while the introduction of a food card system was meant to help eliminate fraud. The private sector also became involved as major companies such as Ford and Unilever, as well as supermarket chains, were invited to contribute in a gesture of corporate social responsibility.

At the same time, international donors such as the World Bank and the Inter-American Development Bank moved speedily to publicly endorse Lula's strong anti-poverty stance. *Fome Zero* fitted in nicely with an emerging international body of intellectual and financial support for the construction of safety nets as a major arm of social policy, adherence to which belied the PT administration's radical 'left-leaning' image. In the wake of the collapse of the Soviet Union and comprehensive social security schemes, along with the Asian crisis, targeted social protection measures couched in the terms of 'social risk management' became mainstreamed. In addition to providing short-term relief, CCT and similar schemes would strengthen livelihoods and build human capital as a 'springboard' for development (World Bank, 2000).[8]

Yet despite the initial enthusiasm for *Fome Zero* both at home and abroad, only a few months into the Lula administration disillusionment set in due

6. From 1993–2000 a food parcel distribution programme (*cestas básicas – PRODEA*) was designed to provide for family needs for one month but was heavily criticized for being unashamedly clientelistic in its use for vote-capturing. In addition, smaller CCT projects had been undertaken in a number of state capitals from 1995 (Graziano da Silva et al., 2005).
7. *Programa de Erradicão do Trabalho Infantil* (Plan to Eradicate Child Labour).
8. In 2000 the World Bank set up its Social Protection Unit within the Human Development Network. By 2005, social protection accounted for 12 per cent of total Bank lending, with US$ 2.5 billion invested in forty-five projects around the globe (World Bank, 2005).

to a number of serious problems with the programme. The sub-projects operated independently of each other with no overall co-ordination, separate administrative structures, beneficiary selection methods, reporting procedures and banking arrangements.[9] The unified data base inherited from the previous administration covered only 70 per cent of beneficiaries, resulting in widely acknowledged targeting errors and omissions, duplication and high implementation costs. Furthermore, there were widespread accusations of political manipulation in the selection of beneficiaries, harking back to the earlier *cesta básica* food distribution scheme of the 1990s. A new approach was urgently required.

***BOLSA FAMÍLIA* IS BORN**

With its credibility in the fight against hunger and poverty seriously undermined, in October 2003 the four separate schemes were unified under the new label of *Bolsa Família* (Family Grant), now the largest CCT programme in the world.[10] In 2006, the existing PETI anti-child labour scheme was added. Aside from strengthening administrative and targeting efficiency, it was hoped that this fusion would enhance synergies and complementarities at the family level in schooling, health and nutrition. Conditionalities for these three aspects were merged while unit benefits were increased. The household was defined as the operational unit and the female head became the targeted beneficiary. In January 2004, the Ministry of Food Security and Fight against Hunger was merged with the Ministry of Social Welfare to form the Ministry of Social Development and Fight against Hunger (MDS). José Graziano da Silva was replaced by Patrus Ananias as Minister of Social Development and the *Bolsa Família* management unit was transferred from the President's Office to the MDS to facilitate integration and co-ordination.

Bolsa Família targets two groups on the basis of self-declared household income: the 'very poor' with a monthly income of up to R$ 60 (US$ 36) and the 'poor' earning between R$ 60.01 and R$ 120 (US$ 73) a month.[11] The extremely poor now receive a flat payment of R$ 58 (US$ 35) per month regardless of household composition. Both groups have been eligible for monthly payments per child up to fifteen years of age to a maximum of three children. In December 2007 this limit was extended to include another two children per family up to age seventeen. The maximum monthly stipend per family now stands at R$ 172 (about US$ 104), although some families still

9. *Bolsa Escola* (Ministry of Education), *Bolsa Alimentação* (Ministry of Health), *Cartão Alimentão* (*Fome Zero*), *Auxílio Gás* (Ministry of Mines and Energy).
10. The *Fome Zero* label was retained to embrace Brazil's overall safety net programme involving some thirty projects in the areas of food security, farming and other forms of support. http://www.fomezero.gov.br
11. Figures are based on an exchange rate of US$ 1 = R$ 1.65 at the time of writing in May 2008.

receive additional benefits inherited from *Fome Zero*'s separately administered programmes.[12] Cash payments are conditional upon proof of regular school attendance, children's vaccination, visits to health clinics and other activities such as participation in nutrition and vocational training courses. The *Auxílio Gás* subsidy provides the same poor families with R$ 15 (US$ 9) every two months to purchase cooking gas cylinders. The food card system *Cartão Alimentação* was introduced in the Northeast, Brazil's poorest region, providing a further monthly supplement of R$ 50 (US$ 30) for basic food purchases. Although these payments may seem modest to the outside observer, they nevertheless represent a substantial boost to the household incomes of large sections of Brazil's poorest groups.[13]

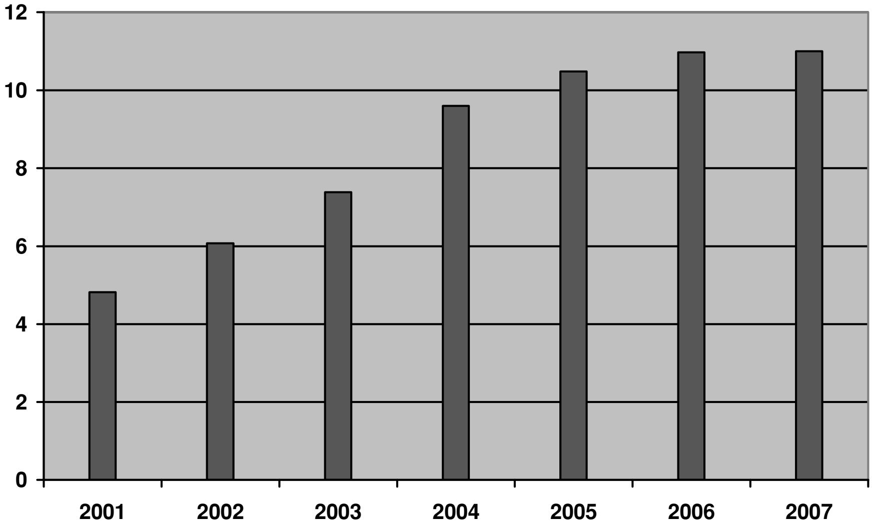
Following the restructuring of Brazil's safety net programmes, international support was rapidly forthcoming. A few months later in June 2004, the World Bank approved a US$ 572 million sector-wide loan to support *Bolsa Família*. It provides funding for cash transfers (96 per cent) as well as technical assistance to develop a unified database, improve targeting, develop a system for monitoring and evaluation and strengthen institutional capacity within the MDS (World Bank, 2004). Later that year, the Inter-American Development Bank (IDB) approved a loan of US$ 1 billion for the programme, with a promise of up to twice this amount depending on progress (IDB, 2004). These two commitments totalling US$ 2.57 billion represent almost one-quarter of the estimated funding of R$ 23 billion for *Bolsa Família* during the first Lula administration of 2003–06 (Table 1). By any standards this is a very firm international endorsement of the CCT approach to poverty reduction in Brazil.

Achievements

In numerical terms, the achievements of *Bolsa Família* are impressive. Figure 2 shows the steady rise in numbers of beneficiaries from 2001 to 2007. By the end of 2006, the programme had met its target of attending to the needs of 11.1 poor families or some 44 million Brazilians (MDS, 2007). While numerically impressive, however, the latest figures show that this equates to just 40 per cent of the eligible population (Soares et al., 2007). According to MDS data, in June 2006 alone, just three months before the Presidential elections, 1.8 million families joined the programme, concentrated in the more deprived Northeast of the country (FSP, 2006c).[14] Over half of these recruits had received no other federal transfers

12. http://www.mds.gov.br/ (accessed 23 May 2008)
13. Stipends in Brazil are comparable with CCT payments in other countries such as Mexico and Colombia (de la Brière and Rawlings, 2006).
14. This was facilitated by increasing the qualifying household income level from R$ 100 to R$ 120 and updating of the municipal database of eligible families (FSP, 2006c).

Figure 2. Growth in the Number of Families Benefiting from Major Cash Transfer Programmes (Bolsa Escola and Bolsa Família), Brazil, 2001–2007 (millions)



Source: IPEA (2007, 2008)

until then. Furthermore, the average level of benefit paid per household almost tripled from R$ 28 to R$ 75 per month from 2003–05 (Brazil, 2005a).

According to the World Bank, *Bolsa Família* is not only the largest but also the best targeted CCT scheme in Latin America, with 73 per cent of benefits reaching the poorest 20 per cent of the population, and 94 per cent falling within the lowest two quintiles (FAO, 2006).[15] Many which had in the past often been excluded from receiving social benefits such as street dwellers, *quilombola*[16] communities and even indigenous groups have also been drawn into the safety net for the first time.

Notwithstanding the more outlandish claims by some politicians and policy-makers, the evidence suggests that in Brazil CCT programmes have been effective in helping to reduce poverty and inequality. The first partial evaluations of direct impacts produced mixed results. A study was made in four north-eastern municipalities over eighteen months of the impact of *Bolsa Alimentação*, which gives mothers a stipend of R$ 25

15. Compared with Chile (58 per cent), Nicaragua (55 per cent), Honduras (43 per cent), Dominican Republic (35 per cent), Mexico (32 per cent) and Argentina (32 per cent).
16. Communities composed of the descendents of runaway slaves, typically established in relatively isolated areas of the Northeast and North of the country.

(US$ 15) conditional upon regular attendance at health clinics. It was found that the project had strengthened the food security and nutritional status of mothers and children compared with non-participants (Brazil, 2004).

Another investigation into the early *Bolsa Escola* (School Grant) component when it was implemented in selected municipalities in the 1990s found that it improved school attendance and had a minor but positive impact on poverty levels (Bourguignon et al., 2003). However, the scheme had no significant effect on child labour as the economic incentive was perceived by families as being too small (Cardoso and Souza, 2003). Further research concluded that *Bolsa Escola*, which is aimed at children aged six to fifteen years, had been poorly targeted. Most dropping out starts at age fourteen, the study concluded, and it would thus be in the fourteen to seventeen age group in which a cash incentive could be most effective in retaining children at school (Schwartzman, 2005). This error has now been corrected with the inclusion of adolescents up to the age of seventeen.

A process evaluation of *Bolsa Escola,* as it was implemented during 2004 in four states of Northeast Brazil in 261 municipalities, revealed the highly variable record of local authorities in terms of operational efficiency (de Janvry et al., 2005). While there is no information on impacts as such, the assessment was quite positive in terms of the transparency of procedures adopted for beneficiary screening and selection, although it was also found that this did not necessarily lead to greater accountability.

A more recent and comprehensive baseline study commissioned by the World Bank found that *Bolsa Família* produced no major variations in consumption levels in the sample group but noted increased consumption of food, educational materials and children's clothing (Soares et al., 2007).[17] Other results include a 3.6 per cent increase in school attendance and a lower drop-out rate amongst beneficiaries. However, there was found to have been little impact on child nutrition, especially in the critical twelve to thirty-six month age group. Labour market participation was also found on average to be 2.6 per cent higher amongst *Bolsa Família* participants, and 4.3 per cent higher amongst women. Anecdotal evidence suggests that the programme has given a significant boost to the local economies of areas which benefit from these cash transfers (IPEA, 2008). There are, therefore, some promising indications that the programme could have more beneficial economic spin-off than is sometimes assumed. It has also been strongly suggested that the success of *Bolsa Familia* in reaching the poorest sectors resulted in a

17. The same study notes, however, that this appears to have been at the expense of health items and adults' clothing purchases. The evaluation, carried out by CEDEPLAR of the Federal University of Minas Gerais, administered 15,240 questionnaires in 269 municipalities (MDS, 2007).

one-third reduction in land invasions by the MST landless movement during President Lula's first administration.[18]

In addition, there is evidence that cash transfer programmes have helped reduce levels of income inequality in Brazil. One major study noted that declining levels of poverty and inequality in Brazil since the 1980s are in part associated with the spread of non-contributory rural pensions and other cash-based social assistance programmes (Menezes-Filho and Vasconcellos, 2007). Independent research evidence from São Paulo also found that CCTs, including *Bolsa Família*, have been effective in targeting the poorest groups.[19] Since the 1990s there has been a gradual fall in the proportion of the population considered poor, but the drop has been especially marked since 2003 with the establishment of *Bolsa Família*. From 2003 to 2005, there was a fall in absolute poverty in Brazil of over 19 per cent. Furthermore, from 2001 to 2004, the poorest 10 per cent of Brazilians enjoyed an increase in household income of 23.5 per cent, while the richest experienced a drop of 7.5 per cent. Based on household survey data, it has been estimated that income inequality in Brazil fell by 4 per cent from 2001–04 (IPEA, 2006b). Furthermore, it is claimed that between 1995 and 2004, CCTs have helped reduce the Gini coefficient of income inequality by 21 per cent, comparable with results obtained by similar programmes in Mexico and Chile (Soares et al., 2007). These changes have been attributed to a number of factors including lower inflation rates, increases in the legal minimum wage and pensions indexed to the minimum wage as well as to the effects of targeted safety nets such as *Bolsa Familia* (IPEA, 2006b; Neri, 2006).

Notwithstanding this cautiously constructive judgement, the same study shed light on a number of operational problems with *Bolsa Escola* that have subsequently appeared in connection with the wider *Bolsa Família* programme. Clear evidence was found of political manipulation, with over a quarter of members of 'social control councils' (*conselhos*) themselves being direct beneficiaries of the programme, implying a major conflict of interest.[20] Furthermore, in 10 per cent of municipalities surveyed, one or more members of the legislature were programme beneficiaries, giving rise to the conclusion that, 'mayors used the *Bolsa Escola* program in exchange for support in the legislative branch. . .(and). . .the allocation of these *bolsas* is used as an explicit element of clientelism and political rents' (de Janvry et al., 2005: 29–30). The same study found that one-fifth of municipalities

18. According to research carried out by the State University of São Paulo, the number of families involved in land occupations by the MST (*Movimento dos Trabalhadoes Rurais Sem Terra*) fell from 65,552 in 2003 to 44,364 in 2006 (FSP, 2007c; IPEA, 2008).
19. Primary data collected by CEBRAP revealed that 95 per cent of CCT beneficiaries in São Paulo came from the poorest sectors (Figueiredo et al., 2006).
20. These *conselhos* were set up at municipal level to monitor implementation of social programmes and induce a degree of transparency and accountability. They comprise representatives from the community and authorities and in many instances members are nominated by the mayor, to whom they are not infrequently related (de Janvry et al., 2005).

sampled had no council to monitor activities, despite the fact that this was a legal requirement.

Monitoring of adherence to conditionalities has also been a contentious issue. In order to be effective in strengthening human capital, CCT benefits are contingent upon mothers meeting their obligations by sending their children regularly to school as well as undergoing health screening and receiving vaccinations, etc. Without such reciprocity, it could be argued that cash transfers are merely a form of thinly disguised charity designed primarily to capture votes. It is claimed in official figures that 80 per cent of *Bolsa Escola* recipients are monitored for school attendance and that a 97 per cent success rate has been registered, although the evidence is mixed.[21] In contrast, just 42 per cent of adherence to health conditionalities has been tracked (IPEA, 2008). Independent research notes that school teachers have been reluctant to register absentee pupils, although this has improved more recently under *Bolsa Família* (de Janvry et al., 2005). Social councils have been unwilling to perform a policing role, especially where their independence is compromised by local personal and political links. One independent study was quite categorical in its assessment of this aspect of *Bolsa Família*: 'The federal government is unable to supervise the behaviour of poor families throughout the country; local governments and municipalities are either inefficient or tied up with local elites, or both; and community grassroots organizations are easily captured by political parties and movements' (Schwartzman, 2005: 25). It is hoped that further evaluation will shed light on whether such obligations and the transaction costs involved are eventually reflected in a strengthening of human development indicators.

A major objective of *Bolsa Família* is to target women and children more directly to ensure that they secure maximum benefit; hence the policy of channelling cash transfers through female heads of household. The baseline study quoted above notes some subtle changes in household dynamics as a consequence (MDS, 2007; IPEA, 2008). It is claimed that women have become more 'empowered' through the increase in purchasing power gained and have thus experienced a strengthening of their authority in the household. Moreover, women participants consider that their citizenship rights have been strengthened as a result of having gone through the process of acquiring the official papers (such as an identity card or birth certificate) necessary to register for the programme.

BOLSA FAMÍLIA IN CONTEXT

Operational questions aside, there are wider issues to be considered relating to the effectiveness of *Bolsa Família* in seriously challenging poverty in such an unequal society. Major questions to be considered include: (i) the

21. This is based on a minimum attendance rate of 85 per cent of the time.

short- to medium-term poverty impact of *Bolsa Família*; (ii) use of CCTs as an instrument of political clientelism and patronage; (iii) growing economic dependence of the poor on government handouts, together with a lack of integration between CCTs and employment creation; and (v) the possible opportunity costs in terms of reduced longer-term human capital and social investment.

Poverty and Inequality

Although further evaluation evidence is needed to assess poverty impacts in greater detail, the popular enthusiasm which has greeted the programme testifies clearly to the fact that it has boosted household incomes of those on the lowest rungs of the social ladder. In São Paulo, survey data for 2004 revealed that 19 per cent of the population had access to CCTs, which accounted for 21 per cent of household income amongst the poorest groups (Figueiredo et al., 2006). This is an especially significant contribution to people's livelihoods as urban employment is becoming increasingly informal, irregular and diversified. In Northeast Brazil, one-third of all households receive cash transfers, including *Bolsa Família*, a figure which rises to 44 per cent in rural areas.

It has been suggested that *Bolsa Família* and other CCTs may thus be contributing to a gradual reduction in absolute levels of poverty. One study indicated that 35 per cent of the drop in income inequality in Brazil observed between 2001 and 2004 was attributable to the expansion of cash transfer programmes (IPEA, 2006b). This may in part be attributable to more recent programmes such as *Bolsa Escola* and *Bolsa Família*. However, the introduction in 1991 of non-contributory pensions (worth a full minimum salary, substantially more than CCT payments) has probably had a more substantial anti-poverty impact (Menezes-Filho and Vasconcellos, 2007). Nevertheless, evaluation results from comparable CCT programmes such as *Oportunidades* in Mexico (the second largest in the world after *Bolsa Família*) strongly suggest that, if properly implemented, they are an effective instrument for reducing absolute poverty and improving some social indicators in a relatively short space of time.[22]

Yet the redistributive potential of CCTs such as Brazil's must be kept within a realistic perspective. Brazil has the seventh most unequal income distribution in the world, in which the top 20 per cent of the population earns almost two-thirds of personal income and the bottom quintile just 2.3 per cent (Paes de Barros and Carvalho, 2003). Although a drop in income

22. Initiated in 1997, *Progresa/Oportunidades* has been successful in reducing household poverty, boosting school enrolments and reducing dropouts, stimulating higher levels of household consumption, improving child nutrition and cutting child labour (de Britto, 2008; Molyneux, 2006; Skoufias, 2005).

inequality was registered from 2001 to 2004 in Brazil, as noted above, there has been a steady rise in urban poverty since the 1990s. In 1995 some 13 per cent of the urban population lived in absolute poverty, rising to 15 per cent in 2004 (Torres et al., 2006).[23] Some 40 per cent of Brazilians (72 million people of a total 184 million) are classed as still living below the unofficial poverty line of one-half of the legal minimum salary (Jaccoud, 2006).[24]

Some economists argue that increases in the legal minimum wage across the board are far more effective than targeted cash transfers in attacking poverty. One study concluded that wage rises and employment generation had accounted for 78 per cent of the reduction in income inequality in Brazil from 1995 to 2004, while income transfer programmes accounted for the remaining 22 per cent, with *Bolsa Familia* alone responsible for three-quarters of this reduction (Soares et al., 2006).

As far as poverty alleviation in the longer-term is concerned, a major criticism of cash transfers is that on their own they have a limited impact because they are channelled into basic consumption and do not boost income-earning capacity or household assets. This is probably true of the vast majority of CCTs around the globe, including Brazil's, although exceptions have been noted in the cases of Mexico and Chile, for example (Rawlings, 2004). Reformers aiming to strengthen the impact of *Bolsa Família* should examine experiences in other countries where this challenge has been addressed. In Bangladesh, for example, BRAC's 'Targeting the Ultra-poor' (TUP) programme launched in 2002 adopts a livelihoods perspective. Building upon earlier social protection programmes, it now combines a one-off transfer with asset-building activities and economic promotion schemes (Hulme and Moore, 2008).

Politicization of Bolsa Família

Targeted safety nets are conventionally treated as a tool of technocratic planning but it is widely recognized that in practice they have a strong political dimension. This has been underlined as a perfectly rational course of action, since 'a policymaker who accurately takes into account the reaction of voters to targeting can always do better than one who ignores electoral politics' (Pritchett, 2005: 4). It is openly acknowledged even by President Lula himself that his electoral triumph in 2006 to win a second term was due in large measure to the success of *Bolsa Família*. In the run-up to the election, public opinion polls consistently showed that his popularity was growing fastest amongst populations benefiting from the programme; that is, among

23. Absolute poverty is defined in this source as a per capita income of up to half of the minimum salary. Brazil's ten largest metropolitan regions were covered in the survey.
24. As of 1 March 2008, the legal minimum salary stood at R$ 415 (US$ 251) per month. Figures are based on data from the National Household survey (PNAD).

the poorest groups generally, and especially in the Northeast.[25] There was a large expansion of the programme just three months before the election in order to meet the final target of over eleven million households.[26] Unsurprisingly, cases were reported in the press of the scheme being unashamedly used by local authorities for vote-capturing purposes.[27]

This particularly strong political support for Lula amongst *Bolsa Família* beneficiaries was confirmed in subsequent voting patterns in October 2006. In northeast Brazil, where up to half of households receive *Bolsa Família* stipends in some areas, the President won between 56 and 80 per cent of the vote by state, surpassing levels of support gained in 2002 (FSP, 2006e; Power, 2006). Indeed, so popular is the scheme that even opposition politicians vehemently supported *Bolsa Família*, promising to expand it further still should they be victorious.[28] For any contender to openly criticize *Bolsa Família* during campaigning would have constituted an act of political suicide.

Lula has played the populist card well, identifying himself with *Bolsa Família* and portraying it as his personal 'gift' to the deprived, claiming that 'never has a government concerned itself so much with the poor' (FSP, 2006d). This tactic may well have been essential for the President to capture votes in the context of the decline in popularity of the Workers' Party (PT) in the wake of several corruption scandals. This drove Lula to bypass the party structure and appeal directly to the poor, distancing himself from an increasingly discredited PT. In the words of one political scientist, this was a logical strategy to compensate for 'the absence of a political project structured within social movements and mass organisations which has sustained the PT since its foundations' (Flynn, 2005: 1245). The President's humble origins in the Northeast and role as a workers' leader, his personal charisma and popular appeal, together with his formidable communications skills, made such a choice that much more feasible.

It is hardly surprising that CCT programmes such as *Bolsa Família* should be politicized in view of their ability to rapidly benefit large and electorally important sectors of the population. Indeed, this broad principle applies not

25. As early as eight months before the October 2006 presidential election, *Datafolha* polls registered a rise in electoral support for Lula to 48 per cent, just as *Bolsa Família* was being expanded to reach its target population of forty-four million. In the poor Northeast region, support for Lula stood at 55 per cent, compared with 29 per cent in the wealthier Southeast of the country. While Lula had an eight point lead in the polls in the Northeast overall, he enjoyed a twenty-one point advantage among *Bolsa Família* beneficiaries (FSP, 2006b).

26. In June 2006 alone, about 1.8 million families (around 16 per cent of the total target) joined the scheme, one million of whom had received no cash transfers previously. Most were recruited from São Paulo and the more northerly states of Bahia, Pernambuco, Ceará and Maranhão as well as Minas Gerais (FSP, 2006c).

27. In one town the mayor sent a letter to all *Bolsa Família* recipients explaining that this was a personal initiative of the president himself (FSP, 2006a).

28. For example, Lula's main opponent in 2006, Geraldo Alkmin (PSDB), while campaigning in the Northeast, declared his unqualified support for *Bolsa Família* (ESP, 2006b).

just to developing countries but also to higher income, industrialized nations where the politicization and institutionalization of welfare provisioning on the policy agenda is generally welcomed as a sign of progress. Indeed, 'politicized' social policy, especially where it contains a strong redistributive element, may help stimulate economic growth and consolidate democracy through the social inclusion of traditionally ignored poorer groups. Be that as it may, however, a key question in the context of developing countries concerns the nature of this process and in what ways the politicization of social policy, CCTs in this case, might serve to actually undermine longer-term policy formulation and planning.

In the case of Brazil, the sheer popularity of *Bolsa Família* could serve to promote a short-term perspective among politicians and policy makers, encouraging them to employ it primarily as a relatively inexpensive yet highly effective mechanism for capturing votes. As discussed below, some critics accuse *Bolsa Família* of encouraging a 'culture of dependence' amongst the poor. In turn, there is a corresponding danger that longer-term policy priorities for investing in basic social infrastructure, especially in key areas such as education and health, might suffer. There could be a financial opportunity cost if resources are switched from social investments to income transfers, although this remains to be clearly demonstrated, as noted below.

A 'Culture of Dependence'?

The effectiveness of CCT programmes such as *Bolsa Família* in reducing poverty in the short term must be set against the inherent dangers of encouraging further dependence of the poor on government handouts and transfers. The potential political leverage available through cash transfers is underlined by the fact that average total monthly payments through *Bolsa Família* now amount to almost R$ 900 million or US$ 545 million (FSP, 18 March 2008). Some municipalities rely on the programme for up to 40 per cent of their overall budgets, with such dependence being especially strong in poorer north-eastern districts (Marques, 2005). Patrus Ananias, the Minister of Social Development, even accused some mayors of establishing a 'poverty industry'. That is, they would refrain from imposing local land and housing taxes in order to retain popular support, confident that the federal government would make up any budget deficit via cash transfers of various kinds, including CCTs (ESP, 2006a).

Not just mayors but also individuals and households appear to be increasingly dependent on federal transfers, including on CCTs. Longitudinal studies of the labour market and household incomes in São Paulo have revealed the growing informalization of employment in Brazil's largest city (Figueiredo et al., 2005). In 1991, 54 per cent of workers were formally registered, compared with only 30 per cent in 2004, while the informal sector doubled in size to 51 per cent over the same period. Even at that stage, the CCT precursors of *Bolsa Família*, as noted above, accounted for 21 per cent of family income amongst the poorest sectors in São Paulo. In 1995 according to census data, earnings from employment accounted for almost 90 per cent of household income in Brazil but by 2004 this figure had fallen to 48 per cent (FSP, 2005). In other words, Brazil's poorest families now derive over half their income from federal, largely non-contributory cash transfers, including *Bolsa Família* and rural pensions.

In the face of continued high structural unemployment amongst the poor this trend may be inevitable and will be reversed only when the economy is able to generate more jobs. It does not follow, therefore, that cash transfers are necessarily displacing paid work and encouraging 'idleness'. In fact, three-quarters of those in receipt of income transfers in Brazil are employed ('economically active'), an almost identical proportion to that of the wider population. However, unemployment is significantly higher amongst cash transfer recipients in urban areas (Jaccoud, 2006).[29] The targeted and means-tested nature of *Bolsa Família* could certainly stimulate a move towards informal employment since to accept paid formal jobs could disqualify beneficiaries.[30] In order to discourage such a trend and reinforce formal employment, there is thus an argument in favour of universalizing *Bolsa Família* and removing the means-tested element, as noted in the conclusions below.

Harsher critics have labelled *Bolsa Família/Bolsa Escola* as '*Bolsa Esmola*' ('charity' or 'alms') on the grounds that such transfers, especially where conditionalities are only loosely monitored, are merely an exercise in paternalism which encourages clientelism and manipulation for electoral ends. This would encourage the use of CCTs for short-term political gain and belie their supposed 'social risk management' aim to address longer-term development challenges through investment in livelihoods and the enhancement of human capital. This is not to say that short-term political aims and longer-run development objectives are necessarily incompatible. However, the temptation is to spend heavily on interventions to reward households for their immediate partisan support rather than investing in activities whose benefits will become apparent only several years down the line, well past the election date, and for which another political leader may even eventually claim credit.

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29. Household survey (PNAD) data for 2001–04 reveal that formal employment amongst the general population stands at 28 per cent, compared with 15 per cent for cash transfer recipients. Informal and other forms of self-employment account for 40 per cent of the general labour force, but 64 per cent amongst income transfer beneficiaries (Jaccoud, 2006).
30. Anecdotal evidence suggests that temporary rural workers in particular are reluctant to become registered and receive a legal minimum salary for a few months a year since under current regulations this would disqualify them from receiving *Bolsa Família* benefits altogether. See FSP (2007b).

The 'social risk management' approach to safety nets requires that 'springboards' be created to go beyond the provision of short-term relief, enhancing people's livelihoods and creating jobs (World Bank, 2000). However, CCTs have not been very successful to date in forging links with productive employment. Some programmes have adopted a more integrated approach as in Nicaragua, Mexico and Chile's *Programa Puente*, as well as in some state-level programmes in Brazil itself (Hall, 2006; Rawlings, 2004). The longer-term success of CCTs in fighting poverty, it is recognized, 'depends on insertion into the wider economy, notably through rural employment and labor market policies' (de la Brière and Rawlings, 2006: 25). Social protection and transfer payments 'can be growth-promoting where, for instance, it stimulates thrift and credit schemes, creates physical assets through employment schemes, and promotes personal insurance' (Farrington et al., 2004: v). The notion of 'Transformative Social Protection' argues that social policies can be a powerful tool for strengthening livelihoods (IDS, 2006). However, this remains to be demonstrated in the case of CCTs such as *Bolsa Família*.

Social Investment

Since its inception in 2003, *Bolsa Família* has absorbed a small but growing proportion of Brazil's overall social spending. Although this remains modest at just under 3 per cent, there is a risk that the imperative to make short-term electoral gains could compromise longer-term social investments in key areas such as education, health and sanitation. The emphasis on strengthening demand by the poor for health and education will not necessarily lead to an improvement in the supply or quality of these services, especially as public provision is frequently unresponsive to such pressures (Farrington and Slater, 2006). Furthermore, eventual success in strengthening human capital through *Bolsa Família* might be used perversely to actually justify lower levels of investment into basic education and health infrastructure in future on the grounds that poverty and inequality can be tackled most effectively through safety nets (Handa and Davis, 2006).

Independent research indicates that the notable expansion in non-contributory benefits in Brazil through CCTs and other welfare programmes has been accompanied by a significant drop in longer-term social investment in several sectors. For example, between 2002 and 2004, federal spending on basic sanitation and housing fell in real terms by 46 per cent. Over the same period at state level, investment in education saw a reduction of 12 per cent, housing by 14 per cent and basic sanitation by 18 per cent. Very similar results were recorded for social investments by municipal governments in terms both of overall as well as per capita spending (Lavinas et al., 2006). Other research noted that federal spending per capita between 2001 and 2005 fell significantly in sanitation (44 per cent), health (7.49 per cent) and education (5.4 per cent) while social assistance for the poorest grew by

11.11 per cent (Pochmann, 2005). It was concluded that: 'there has been no coordinated effort at federal or sub-national levels to provide essential public services indispensable for the reduction of inequalities in lifestyle and improvements in welfare alongside improvements in individual and family income and consumption' (Lavinas et al., 2006: 7).

It is also significant that, in a round of government spending cuts in early 2007, the Ministry of Social Development fared well. It maintained its budget virtually intact, whereas others faced reductions of up to 77 per cent.[31] This attests to the continuing high political importance attached to targeted social safety nets in Brazil. Whether the promotion of such cash stipends induces spending cutbacks in longer-term social investments either directly or indirectly remains to be seen. Another moot point concerns the impact of politically strategic CCTs such as *Bolsa Família* on the mind-set of policy planners. There could be subtle but serious consequences for national progress if short-term electoral preoccupations come to dominate thinking at the expense of pushing forward critical sector investment programmes essential for longer-term economic growth and social development. Cash transfers can only complement and not substitute mainstream social provisioning. Moreover, they can themselves only function properly in terms of strengthening demand for and democratizing access to basic social services such as education and health if the actual supply of such services is adequate in the first place.

CONCLUSION

Bolsa Família and other conditional cash transfer programmes have been hailed by many policy makers as something of a 'magic bullet' for rapidly reducing levels of absolute poverty while attempting to improve social indicators through increasing the effective demand for education and health care. Such schemes have proved extremely popular amongst national policy makers of all ideological persuasions due to the electoral support which can be harnessed. Furthermore, programmes which are apparently effective in attacking urban poverty, especially those which help keep poor children in school, are likely to gain the approval of wealthier citizens concerned with personal and public security. CCTs have also attracted growing technical and financial support from international donors as they appear to offer a 'win–win', highly visible and relatively conflict-free approach for addressing mass poverty.

Yet, as we have seen, there are inherent dangers which threaten to undermine the longer-term effectiveness and viability of CCTs as a means of

31. The Ministry of Social Development suffered a cut of just 2.5 per cent, compared with Tourism (77 per cent), Cities (59 per cent), Agriculture (45 per cent), Transport (23 per cent), Defence (17 per cent) and Justice (19 per cent). See FSP (2007a).

addressing deep-seated poverty and deprivation. These risks include operational problems of targeting and general effectiveness in reducing poverty, the quest for short-term political advantage at the expense of longer-run investment into social infrastructure, a lack of integration with labour markets, and the resulting creation of a dependency culture which might further encourage clientelism in the distribution of benefits and informalization of the labour market itself.

Insofar as safety nets are considered a valuable tool of social policy, critics have argued for a more radical approach. For example, it has been suggested, based on the experience of OECD countries, that economic development in the South could be supported through the adoption of more universal, social insurance and tax-financed group schemes which are not means-tested or selective (Townsend, 2004, 2007). Revenues to finance such an expansion would be raised through international taxation, and would help to eliminate inequalities between industrialized and poor countries. [32]

In Brazil more specifically, campaigners have long argued that income and cash transfers should be provided unconditionally as part of a universal basic income for all Brazilian citizens (Schwartzman, 2005; Suplicy, 2004). In fact, as the result of persistent campaigning by Eduardo Suplicy, senator for the state of São Paulo, in 2004 Brazil legalized the concept of a universal basic income for all its citizens, the only such instance in the world apart from the US state of Alaska.[33] Paradoxically, however, the law retains the principle of selectivity to favour the neediest and there is no specified deadline for the implementation of universal coverage. In practice, CCT programmes such as *Bolsa Família* are portrayed as the first step in this direction. However, it is generally accepted that there is little prospect of the final destination being reached in the foreseeable future.

Senator Suplicy has suggested that a citizen's income in accordance with the new law be provided to all members of the eleven million families presently eligible for benefits under *Bolsa Família*, a form of selective or stratified universality. However, this would result in a quintupling of the programme budget. Another proposal is for a universal benefit of R$ 80 (US$ 48) per month for all of Brazil's sixty million or so children up to the age of sixteen (Lavinas, 2006). This parallels similar proposals at the international level.[34] It is thought that in Brazil such a scheme could be funded largely from redirecting the existing social budget, at a total cost of R$ 18 billion. This would include *Bolsa Familia*, which cost R$ 8.2 billion in 2006 (and is expected to rise to R$ 11 billion in 2008).

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32. Such as the 1972 Tobin Tax on currency transfers (Townsend, 2007).
33. Law 10,835 was ratified on 8 January 2004, after having spent eleven years going through Congress.
34. Along similar but more ambitious lines, Townsend (2007, 2008) has suggested the progressive introduction of an international child benefit scheme. Starting with the poorest countries, it would be funded through employer contributions to social insurance programmes in OECD nations and a currency transfer tax.

There are persuasive arguments in favour of moving towards a more universal, non-means-tested, rights-based system of cash stipends embracing a much larger proportion of the relatively poor in specific categories, rather than just the 'poorest of the poor', or even to the entire population. This would help address problems inherent in CCTs, for example, of administrative complexity, high costs of mean-testing and monitoring compliance, and unfair distribution of benefits to less needy groups at the expense of the poorest.

Yet it is open to question whether such a universalistic approach would find acceptance in Brazil, even if the additional funding could be found. In the initial days of *Bolsa Família*, for example, cash payments were seen as more of a citizenship right or basic income approach and the monitoring of beneficiary adherence to conditionalities such as attendance at schools and health clinics was not strongly emphasized by the government, whether for reasons of political expediency or ideological persuasion. However, there was a strong backlash from the public, which 'repeatedly demanded that tighter and more transparent procedures be used to screen potential beneficiaries' (de Britto, 2008: 188). This reaction was presumably based on the general fear that the 'undeserving' poor might benefit or that the system might otherwise be abused.

In the meantime, *Bolsa Família* is likely to remain high on the social policy agenda in Brazil. It is estimated, for example, that 60 per cent of the eligible population remains untouched by the programme, leaving plenty of scope for expansion (Soares et al., 2007). There is thus little prospect at the moment that it will lose popularity as a major instrument of social policy. It serves the purpose of various domestic and international interests and, like many social protection programmes, is subject to a high level of path dependence from which reformers might find it difficult to deviate.

As a double-edged sword, however, it could cut both ways. Notwithstanding its obvious attractions, policy makers may well find that, in terms of attacking poverty and inequality, the longer-term costs of the world's largest CCT programme could outweigh its benefits. Forward-looking policy makers will be aware of these dangers and be considering how to build upon the progress witnessed to date. It is difficult to escape the conclusion that future incarnations of *Bolsa Família* will have to seriously address the challenge of integrating the programme into a wider development strategy which seriously attempts to link cash transfers more effectively with employment and income-generating initiatives.

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