

# **Social Development through Efficient Policies, Evaluating the Impact of Bolsa Familia**

by

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### **Declaration**

By submitting this thesis electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the sole author thereof (save to the extent explicitly otherwise stated), that reproduction and publication thereof by Stellenbosch University will not infringe any third party rights and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

Date: 1<sup>st</sup> November 201

**Abstract:**

The Brazilian welfare state has developed over time in relation to national and global trends. This study analyses the creation of Latin America's largest Conditional Cash Transfer program in relation to these trends. The thesis provides an historical overview of the creation of Conditional Cash Transfers in the country that lastly ended with Bolsa Familia. Alongside events that led to Bolsa Familia, the nation witnessed the development of social welfare initiatives as well as alternative poverty reducing programs. The study analyses this in the context of the creation of the Brazilian welfare.

The question guiding the study is: Has the Bolsa Familia programme helped to reduce poverty in Brazil? It is argued that Brazil has been successful in reducing its poverty rate as a result of the programme. The study looks deeper into the structure of Bolsa Familia in order to view its results and effects both advantages and disadvantages of the programme are assessed.

**Opsomming:**

Die Brasiliaanse welvaart staat het in verhouding tot nasionale en internasionale tendense ontwikkel. Hierdie studie analiseer hoe Latyns-Amerika se grootste voorwaardelike kontant oordrag program in die lig van hierdie tendense ontwikkel het. Die tesis verskaf 'n historiese oorsig tot die inwerkingstelling van voorwaardelike kontant oordrag programme en die wyse waarop dit meer spesifiek uitgeloop het op die Bolsa Familia program.

Die studie is gelei deur die vraag: Het die Bolsa Familia program daartoe bygedra dat armoede in Brasilië verminder het? Benewens die feit dat hierdie vraag positief beantwoord word, bekijk die studie in groter detail die struktuur van die program asook die program se voordele en nadele.

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**List of Abbreviations:**

BA: Family Food Program (*Bolsa Alimentação*)

BE: Family School Program (*Bolsa Escola*)

BPC: Benefits for Elderly and Disabled (*Benefício de Prestação Continuada*)

CA: Food Card or National Access to Food Program (*Cartão Alimentação*)

CCT: Conditional Cash Transfer

IDG: Decentralized Management Index

IPEA: Brazilian Institute for Applied Economic Research

MDS: Ministry of Social Development (*Secretario Nacional Desenvolvimento Social e Combate á Fome*)

PETI: Child Labor Eradication Program (*Programa de Erradicação do Trabalho Infantil*)

PGRFM: Guaranteed Minimum Family Income Program (*Programa de Garantia de Renda Familiar Mínima*)

PGRM: Education-Related Minimum Income Guarantee Program (*Programa de Garantia de Renda Mínima Vinculada á Educação*)

Pnad: Brazilian National Household Survey

PSDB: Brazilian Social Democratic Party (*Partido da Social Democracia Brasileira*)

PT: Workers Party (*Partido dos Trabalhadores*)

SENARC: National Citizen Income Secretary (*Secretaria Nacional de Renda de Cidedania*)

## ***Chapter 1 – Introduction***

### ***1.1 Background for Study***

Much has been written about poverty in Latin America. Brazil is a nation known for its gap between rich and poor. The large division between classes has caused many Brazilians to live a life in extreme poverty despite times of economic growth in the nation (World Bank, 2012). Through recent history, attempts have been made to secure welfare for the nation's inhabitants. Theory presented by Seekings (2005) suggests that the creation of welfare in countries like Brazil is a result of historical changes that led to existing models of welfare regimes. This theory is can be strongly related to redistribution current initiatives within Brazil today.

The most known initiative in Brazil's fight against poverty is the nation's federal conditional cash transfer (CCT) program: Bolsa Familia. A CCT program is a payment provided to a receiver in exchange for conditions that the receiving part needs to fulfil. It can be described as having four common features: a targeting mechanism, cash benefits, compliance with a set of co-responsibilities, and also a double objective of alleviating poverty in the short term, through the transfers, and preventing the intergenerational transmission of poverty in the long term (Soares and Silva, 2010: 5). As the largest CCT program in Latin America, Bolsa Familia has been praised as a "magic bullet" against poverty, but has also been brought under scrutiny. The study aims to analyse the program in order to understand if Bolsa Familia has been successful in fighting poverty in Brazil. Brazil's implementation of Bolsa Familia is an excellent example of how a large developing country has established a wide-ranging program that combats poverty. It moves beyond the traditional forms of social welfare in the nation, and has been given much attention both within and outside the country. This is why the study has chosen to analyse Bolsa Familia in more depth.

### ***1.2 Rationale and Research Question***

The rational of this study is twofold. Firstly, it draws upon theory presented by Seekings (2005) and his understanding of developing nations' welfare regimes in the

southern hemisphere: “the south”. Excluding developed nations like Australia and New Zealand, he applies Esping-Andersen’s (1990) theory regarding welfare regimes to “the south”. The thesis makes use of the theory in order to understand the creation and development of welfare in Brazil. The study analyzes the rise of CCT programs and other forms of social assistance in Brazil. This is important in order to understand the background as well as the sustainability of such initiatives in the country.

Secondly, Brazil has experienced steady economic growth (World Bank, 2011) over the last decade. Simultaneously, initiatives have been taken in order to secure a more even economic growth within the population. The study will analyze the extent to which Bolsa Familia has been effective in terms of being part of a more complex welfare system. In order to understand this, the thesis identifies and unpacks alternative CCT programs in order to find out whether Bolsa Familia is a useful approach to fight poverty in the country. Further, the study analyzes the structure, methods and results of the CCT program in order to understand the potential successes and failures of Bolsa Familia. The study aims to explore the achievements of the Bolsa Familia program, and will take into consideration its historical background, its ability to meet challenges regarding poverty and its current place within the nation, in order to answer the following research question:

*Has Brazil experienced a reduction in poverty due to the effects of Bolsa Familia?*

### **1.3 Aims and Significance**

The study wishes to find out how effective Bolsa Familia has been in terms of reducing poverty. The CCT program is part of a rather complex welfare system. Combined with economic development, social assistance to the nation’s poor has lifted families out of poverty. The thesis will analyze Bolsa Familia in the contexts of Brazilian welfare history. The development of CCT programs, as well as other alternatives to CCT programs, will help the study to locate Bolsa Familia within the Brazilian progress towards poverty reduction. In order to accomplish this, the thesis will view how democratization shifted political priorities towards a more universal welfare system. Through looking at studies focusing on Brazil’s democratic development through the creation of social welfare systems, the study will aim

to understand the natural place of Bolsa Familia in Brazil and its significance. The study will further analyze secondary data and statistics in order to determine its success in reducing inequality and poverty. Results from poverty statistics and studies conducted on Bolsa Familia and CCT programs will be able to measure the accomplishments of the program as well as the reason for its success. The study aims to understand how Bolsa Familia places itself in the Brazilian welfare state and if the program has succeeded to accomplish its long term and short term goals of poverty reduction.

#### ***1.4 Conceptualization***

The study has set out the essential concept of CCT programs. Further, the thesis will conceptualize the term conditionalities as: the conditions that are to be met by the receiver of the cash component of Bolsa Familia (Soares, 2011). It is compliance with this component that was previously mentioned to be one of the main features of a CCT program (Soares and Silva, 2010: 5). The consequences of conditionalities will be discussed in depth in this thesis. They may lead to a change in people's behavior and life choices as they follow the conditions that are tied to Bolsa Familia. The consequences of these changes can go beyond the receiver and affect other elements of society that are not directly related to the program, known as externalities (Ribas et al., 2010A). This concept becomes important when the study discusses the effect Bolsa Familia has had on the Brazilian Society. Further, the thesis has mentioned Seekings (2005) analysis of "the south". This term, that has been tied to developing nations in the southern hemisphere, and stands in contrast to Esping-Andersen's (1990) analysis of advanced developed economies in the "the north".

#### ***1.5 Literature review***

Theory regarding the categorization of welfare states has largely derived from the work of Esping-Andersen (1990; 1999). Also, at a later stage Seekings (2005, 2008) has developed the theory in order for it to become more applicable for the developing world. Esping-Andersen (1990) first presented his theory of the welfare capitalism. This has contributed to the understanding of how welfare states differ in nature, and how different

categories of welfare states exist. He understood that states responded differently to fiscal, demographic and political pressure (Seekings, 2005: 3). Further, Esping-Andersen was able to identify three patterns of state intervention. He further analyzed how the states intervened through social and labor market policies in order to reduce inequality. The term welfare regime was created in order to conceptualize the different types of welfare states: liberal, conservative and social democratic. "A welfare regime can be defined as the combined, interdependent way in which welfare is produced and allocated between state, market and family" (Esping-Andersen, 1999: 34-35 in Seekings, 2005: 4). The form of intervention can differ in scale of public expenditure and how the state displaces market and family in determining redistribution of wealth among its citizens (Seeking, 2008: 19-20). However, this theoretical background has proven to be more applicable for advanced capitalist states. The categorization of the "three worlds" of welfare regimes can therefore be seen as somewhat less applicable in regards to developing states.

The work of Esping-Andersen has however inspired other scholars to develop his theory further in order to make it more applicable for the developing world. Seekings (2005; 2008) is among the scholars that have contributed in this field. He views different types of welfare regimes to be defined by packages of welfare, labor market and growth path policies. When analyzing nations in the southern hemisphere, he states that the relationship between these characteristics can help define the type of welfare regime. What becomes essential in relation to the subject at hand is Seekings' (2005: 17) view of the roles of family, employment and state. The role of these actors helps Seekings understand the way in which wealth is redistributed.

Further, it becomes essential to view certain factors that contribute to the development and progress of the welfare regime in a given country. Seekings (2005: 18-19) looks at the possible existence of an immigrant working class in order to determine if the welfare regime would move towards a mix between state and market welfare distribution. He also considered, is there an agrarian crisis? This would further contribute to the change of employment and welfare in a nation. Is it an economy an open? Open economies pass the cost of social assistance onto consumers. Seekings (2005) also considers the possibility that a nation is exposed to the influence of British liberal welfare tradition. Most importantly according to this study, are there free elections? Electoral competition

contributes to the promotion of non-conditional social assistance as well as the extension of social assistance for the non-unionized poor. This is mostly due to the shift in power, as politicians must fight for votes from the whole population. The theoretical background will help the thesis understand the background for Bolsa Familia and social assistance in Brazil.

Literature regarding CCT programs has mostly been dominated by scholars supporting these types of initiatives. There exists much literature on the subject, mostly in regards to effects on short term poverty reduction and the improvement of human capital for the next generation. The literature was first dominated by analysis of this very notion as the concept of CCT programs emerged in the beginning of the 1990s. Further, as the effects of CCT programs began to emerge, the literature developed into becoming more focused on the results and structure of the initiatives (Soares and Zepeda, 2007; 2011; 2012). The research that has emerged during the development of CCT programs has been largely related to the subject of poverty (Lindert et al., 2007). However, during the last decade, research has shifted its focus towards analyzing the effects of CCT programs on people's lives (Ribas et al., 2010B; Soares, 2011). Scholars have devoted much of their research towards analyzing the conditions related to CCT programs. Further, the effects on families can move beyond the receivers and the elements they are meant to cover. Therefore literature has also covered the subject of so-called externalities (Soares, 2010; Teixeira et al., 2011).

The research devoted specifically to Bolsa Familia has been symptomatic to that of CCT programs. However, scholars have to some degree focused on challenges related to Brazil as a nation. Bolsa Familia is a well-documented program. Nevertheless, it is only since the creation of Bolsa Familia that literature has been published regarding the programs bureaucratic structure, ability to target receivers of grants, control mechanisms preventing fraud and misuse, and its shortcomings. This literature flourished in a large degree after an institutional change in Brazil following the year of the inauguration of President Lula da Silva (2003-2010) and the creation of Bolsa Familia (Soares, 2012; Jaccoud et al., 2010).

Scholars have also analyzed alternatives to Bolsa Familia (Suplicy, 2005). Bolsa Familia is far from the only initiative presented in Brazil to reduce poverty, and there are

both established and proposed alternatives. The literature regarding these alternatives has been argued from the point of view of policy makers like Senator Suplicy (2005), as well as scholars (Soares and Zepeda, 2007; Kingdon, 2003).

Attention has also been given to the subject of exit strategies from the program in the recent years. The Ford Foundation (2007) is among the largest contributors to the literature on this aspect presented in this study. However, several scholars have researched the subject of exit strategies. This study will utilize their findings in order to help explore whether there is a necessity for exit strategies from Bolsa Familia. The subject regarding exit strategies will also be analyzed from a theoretical perspective. Franzoni (2008) makes use of literature from Esping-Andersen (1999) when he analyzes the labor markets role in welfare regimes. His analysis regarding the labor markets ability to absorb the labor force becomes useful when viewing alternatives to the poor remaining in the Bolsa Familia program.

### ***1.6 Research Design and Methodology***

The methodology that will be made use of in this thesis is a qualitative approach. This will allow the study to unpack findings by previously analyzed material without excluding the unanticipated. It is a flexible approach that will allow the thesis to take into account altering research paths (Bryman, 1984: 77). The research will not make use of self-collected data, or base its findings purely on numbers, as would be far more familiar with quantitative research. The study will make use of a deductive approach, or the “top down approach”. This study will start by viewing the more general theory and literature on the subject, and further move towards specific conclusions after making observations. This is in contrast to the inductive approach that departs from more specific observations and moves towards developing theory after analyzing patterns regarding the subject (Babbie and Mouton, 2001: 273). The research will develop from an idea of Brazil’s efforts to combat poverty with conditional social assistance as a creation of an effective effort to drive and modify a welfare state. The study will move towards sampling literature on theory and secondary data on the subject at hand. The study will make use of the theory on welfare states and further tie this to previously published research on Bolsa Familia. The thesis will make use of secondary data, relying on published literature and reports, as well as statistics

published from the databases of international institutions (Babbie and Mouton, 2001: 76). Further, the study will be largely positivist as it attempts to test theory and enlarge a predictive understanding of the subject. The thesis will carry out a case study research method as it investigates a contemporary phenomenon

Firstly, the thesis draws upon theory regarding welfare regimes. Secondly, in order to understand the results of social assistance in Brazil, the thesis makes use of secondary literature regarding CCT programs, Bolsa Familia, as well as other social assistance programs in the Latin American nation. Poverty in Brazil is an important subject in this thesis. Statistics regarding poverty, inequality and economic growth have been well documented by international organizations as well as scholars. The World Bank and the United Nations are among the organizations that publish statistical material regarding poverty (UNDP, 2011; World Bank, 2011). These numbers have further been analyzed by researchers who have devoted their time to understand the tendencies behind the statistics.

It is also important to understand the development of wealth redistribution in regards to economic growth. The study makes use of research explaining the result of Bolsa Familia on the Brazilian society. Soares (2011; 2012) is one of many authors who have contributed vastly to the analysis of Bolsa Familia. The literature presented will view the structure of the program. Further, many scholars have gone into depth on subjects regarding conditions for receiving the grant, as well as external effects on society as a whole. This will in a large degree be made use of throughout the thesis. Statistical analysis will explore certain effects that Bolsa Familia has had on poverty and inequality, but only to support literature drawn from secondary research. Finally the study will make use of its findings to understand if Brazil has experienced a reduction in poverty as a result of the Bolsa Familia program. This form of research resembles the theory-before-research model.

### **1.7 Limitations**

CCT programs have become a common way to address the reduction of poverty, not only in Brazil, but in other parts of the world. Although they are often found in Latin American middle income countries, they have also spread to other continents, including Africa and North America (World Bank, 2011). Even if it can be argued that there are several



similarities between the different programs, they are often quite different in nature. The structure and implementation may differ in a large degree (Soares and Silva, 2010: 5). This thesis limits itself to the Brazilian case of Bolsa Familia. Although the study refers to CCT programs throughout, and in many cases makes use of literature based on CCT programs in general, the thesis views Bolsa Familia as its main focus. Also, although several of the characteristics regarding Bolsa Familia may be transferrable to other nations' CCT programs, the thesis will limit itself to analyze Brazil exclusively.

### ***1.8 Outline of study***

Chapter one has introduced the research question, hypothesis, as well as the central key terms and definitions. The chapter has also explained the methodology behind the research in this study and provided a background for the study.

Chapter two will expand on the subject regarding Bolsa Familia. This chapter will dig deeper into the history of the Brazilian welfare regime, the history of social assistance in the country and the creation of Bolsa Familia. Chapter two also analyses the different CCT programs that have been implemented in country in recent years.

Chapter three will analyse the effects of Bolsa Familia on Brazilian families. The chapter will discuss poverty in the nation and present statistics regarding poverty trends and economic growth. Further, conditionalities and externalities will be analysed in depth in order to understand the full effect of Bolsa Familia as a CCT program. Finally, the study will look deeper into the exit strategies that exist in regards to assisting families towards a self-sustaining life.

Chapter four concludes the discussion presented in the study. The conclusion will be based on the theoretical and historical creation of Bolsa Familia. It will base its arguments on the results of payments, conditionalities, externalities, as well as structure of the program. Further, the conclusion will also take into consideration the discussion regarding exit strategies for Bolsa Familia.

## ***Chapter 2 – Why Bolsa Familia Was Created and How It Works***

### ***2.1 Why Bolsa Familia Was Created***

#### ***2.1.1 Introduction***

This chapter will provide a theoretical approach to understanding Bolsa Familia. This CCT program was created as Brazil developed its national social security system. The first section explores theoretical development of Latin American welfare regimes in order to understand the creation of Bolsa Familia. Further, the chapter will take a look into previous programs that existed before the Bolsa Familia was implemented. In order to understand the effect of Bolsa Familia, the thesis will present literature on how the program targets the poor in Brazil. Also, the conditionalities will be explained in more detail in order to understand how the CCT program is set up. Finally, the study will explore the financial cost related to this CCT program. The chapter will provide a thorough explanation of the program. Throughout the chapter it will be argued that Bolsa Familia is well rooted in Brazilian history, and that it has been developed through time due to existing factors that are in place in Brazilian society. It will also be argued that the program is well targeted, but that it has its limits in terms of implementation capabilities. The conditionality criteria's and effects will be explained in terms of structure, and the study will analyze the effect of conditionalities through evaluating its results.

#### ***2.1.2 Brazilians' Normative View on Poverty***

In order to understand the development of a social protection system in Brazil, this chapter will explore the theoretical background regarding welfare regimes. "A welfare regime can be defined as the combined, interdependent way in which the welfare is produced and allocated between state, market and family (Esping-Andersen, 1999: 34-35 in Seekings, 2005: 4)". Seekings (2005) identifies a move towards social assistance in "the south" by analysing the work of Esping-Andersen and his typology of welfare regimes (1990; 1999). Esping-Andersen (1999) puts forward that there is a pattern in different welfare states that has developed throughout history. However, his study views the redistribution of wealth respectively in what he categorizes as liberal, social democratic and conservative

welfare states: the “three worlds” (Seekings, 2005: 6). Seekings recognizes that the traditional categorization applies more to developed states in “the north” yet suggests that one can view development in developing states in a similar way. This section utilizes theory presented by Seeking (2005) and Esping-Andersen (1990; 1999) to help explain development in the Brazilian welfare system.

In comparison with “the north”, Seekings (2005: 10-17) suggests that welfare regimes in “the south” are characterized by packages of welfare, labour market and “growth path”, and specific emphasis is placed upon the role of institutions, family, employment and the state. Making use of this theory in terms of Brazil, he states that there has been a desire to secure welfare for those in formal employment, rather than poverty all together, in the creation of a welfare regime. Latin American cases of welfare have traditionally been recognized by the state’s role in distribution towards people in formal sector jobs. This is an important point as people in formal jobs are often regarded as privileged. When Brazil’s welfare system emerged in the 1920s, it was in response to industrial sections of the working class. However, at this point there was no sign of social assistance for individuals who had not contributed to a social insurance scheme (Seekings, 2005: 20-21). This is an important notification as it would mark a difference in social protection for those within and outside the formal sector. This exact trend has been allowed to develop in Brazil as the fight for social protection has been based on formal unions negotiating social insurance.

Further, as pensions were introduced for those who had enjoyed formal employment, the relationship between employment, the state and family came into play. The state paid out a large percentage of its social security budget through pensions and other social insurance to family’s employed in the formal sector. They all benefitted at the expense of the uninsured. There was no real incentive to expand social insurance from the point of view of the formally employed, as this would only decrease their ability to gather social benefits. As the times called for a growth path involving creation of jobs, the industrialized workers enjoyed social benefits while leaving other poor people behind. The more industrialized areas benefitted more than rural areas (Seekings, 2005: 32-35). It is in this context we must understand the development of social protection up until the implementation of democracy.

As one of the first Latin American nations to impose CCT programs, Brazil has created an instrument in response to the country's widespread belief that poverty is due to the "fault of society". The notion that society is in debt to the country's poor is explained through the result of the World Value Survey, which show that 76 per cent of Brazilians believe the poor are poor because "society is unjust", not because "the poor are lazy". Further, the same survey shows that 70.5 per cent of Brazilians believe that "the poor have very little chance of escaping poverty". As one of the countries with the world's highest levels of income inequality, the population shows concern towards issues regarding poverty and inequality. In all levels of Brazil's society, there exists a common understanding that poverty and inequality remain one of greatest obstacles to greater democracy (Lindert et al., 2007: 9-10; World Value Survey, 2005). Although this recent survey reveals certain opinions within the Brazilian society, the idea of a social policy instrument that fights inequality has existed for quite some time.

When the discussions regarding a minimum level of income started in post dictatorship Brazil, the country had a long way to go before reaching the social system in place today. Through the history of the program we have seen changes in both theoretical background and tactics to overcome poverty. As previously mentioned, the Bolsa Familia tactic has evolved and been tested against basic income guaranties as well as minimum pension plans. What makes Bolsa Familia differ from other tactics is the simple fact that it is conditional. It therefore becomes more than a cash handout (Lindert et al., 2007; Teixeira and Soares, 2011). Further, CCT programs are common across Latin America and have become widespread across the world, including the United States (Hailu and Soares, 2008: 3-5). However, the creation of Bolsa Familia has undergone a development through social political debate within Brazil.

As previously mentioned, a general understanding among Brazilians that poverty and education are strongly interlinked in nature exists: through addressing the structural sources of poverty, one could go beyond the symptoms. Further, by understanding this, grants could be linked to fight the sources of poverty rather than supplementing the lasting cycle. As stated by Lindert (et al., 2007: 10-11) the concept for poverty reduction in Brazil can be divided into two strategies. First, providing a minimum income to the poor, and secondly, fighting the structural sources of poverty. The first strategy is put in effect through

cash donations. The second strategy is brought forward through the conditionalities that are put in place in order to receive grants. This thesis will now analyze what lies behind these strategies, in order to assist the later analysis of Bolsa Familia's ability to reach its goals as a program.

### **2.1.2 Earlier Programs**

Modern social protection in Brazil has its roots in several programs and initiatives that have slowly emerged. They differ in theory and background, but in recent years have started to merge and become an overall strategy towards fighting poverty on a national level. Early discussions regarding a minimum income level was put forward by Senator Eduardo Suplicy in Brazil during the 1970s. Although a minimum income level is principally different from CCT programs, the thought of securing a minimum standard of living for the poor was born (Britto and Soares, 2011A: 2). This initiative was not fully realized but was rather a first attempt to secure unconditional social protection for the bottom level of society.

The development of democracy alongside globalization caused a change in power constellations. Trade liberalization made it easier for employers to pass on the cost of social insurance on to the consumer, taking some of the pressure of the state. This came in relation to the state having to reassess their substitutions due to fiscal pressure. However, the main change was due to the power of democracy: elections politicised welfare provision. The first presidential election took place in 1989 after re-democratization, providing the non-unionized poor with a voice through voting. The shift in welfare development in Brazil the last decades may have benefited from the open economy making it easier to consider tax-funded welfare reforms rather than contribution funded social insurance for the formal sector (Seekings, 2005: 34-35).

Parallel to this discussion of minimum income, the 1971 Rural Pension Scheme, which provided non-contributory pensions for all rural workers, was introduced as the first contribution to the social protection equation. However, the Rural Pension Scheme was largely taken from Brazil's first pension fund in the 1920s, created for workers in the urban

areas (Machado et al., 2011: 5). The 1920s pension fund differs vastly in nature from later efforts to create social schemes due to the fact that it was largely focused on one part of society, mainly the formal sector. Although the 1971 pension scheme was not a huge step, it did provide some contribution to the welfare of the rural elderly. Social protection had just begun and it was not before social rights were guaranteed in the 1988 constitution that the notion was really put into action on a larger level. This time Brazil offered the Benefits for Elderly and Disabled (*Benefício de Prestação Continuada*, BPC) that targeted the elderly and disabled living in poverty (Soares, 2012: 2). The program can be seen as a step towards addressing poverty through social protection, even if it only occurs in tandem with other conditions such as old age or disability.

In 1991, Senator Eduardo Suplicy, the first senator elected for the workers party, put forward a bill to create a negative tax income (Britto and Soares, 2011B). This “Income Guarantee” was to be given to every individual with a monthly income below US \$150.00. These individuals would receive a supplement of 30 percent to 50 percent of the difference between US \$150.00 and their income through negative income tax. The program would be introduced gradually over eight years, starting with individuals over 60 years of age. The initiative was unanimously approved by the Brazilian Senate in 1991, before being passed to the Chamber of Deputies in 1992 where it was defeated. Although it was stopped, the bill fueled a rather large debate that would lead to other basic income guarantee programs in later years (Suplicy, 2005: 249). The halt can be seen as a reflection of a time when Brazil was not yet ready to expand social policies beyond the limits of the formal sector. This proposal was later changed to a minimum income guarantee for all individuals. The setup was different, especially since the benefit was completely universal and not based on a person’s income. However, the notion of unconditional a benefit was the same. Although basic income guarantee is not the main focus in this study, it is explained in some degree due to its relation to social security in Brazil. The process that led up to 1992 gave birth for a new focus on poverty-reduction strategies. The mid- 1990s saw the Continuous Cash Benefit, provided for in the 1988 constitution, begin to be implemented. This monthly contribution was aimed at extremely poor single elderly and disabled people (Britto and Soares, 2011A: 2; Jaccoud et al., 2010). This can be viewed as a step towards pockets of welfare in a grander scheme than previous attempts towards securing welfare to formal

employment groups. As the traditional welfare schemes in Brazil have certainly been directed towards securing growth in the formal economy by offering social assistance through pension schemes, the shift towards assisting extremely poor through unconditional cash benefits, can be viewed as a shift towards more universal welfare. However, as Seekings (2005: 10-17) points out, the role of the family institution remains important. The single and elderly poor may therefore fall outside the traditional safety net of society. In line with democratic development, new ways of securing welfare for the poor had emerged.

Further, politicians and academics were starting to discuss a minimum income level proposal related to education. This is not surprising, as this chapter will discuss later, due to the general understanding among Brazilians that poverty and education are strongly interlinked in nature. By addressing the structural sources of poverty, one could go beyond the symptoms. When understanding this, grants could be linked to fight the sources of poverty rather than supplementing the lasting cycle. Up to this point, the concept for poverty reduction in Brazil can be divided into two strategies. First, providing a minimum income to the poor, and secondly, fighting the structural source of poverty. When fighting the intergenerational cycle of structural poverty, primarily through education, a new problem emerged: attendance among poor school students was too low. The idea of providing an incentive for families to send their children to school emerged, and so did the idea of CCT programs (Lindert et al., 2007: 10-11).

Why is the Basic Income Guarantee important in relation to Bolsa Familia? As touched upon, Senator Eduardo Suplicy proposed to make the idea of a Basic Income Guarantee law in Brazil. He has later changed the original structure of Basic Income Guarantee. The idea developed into a new initiative during the start of the millennium, which he further advocated as Citizen's Basic Income. His latest proposal differs from his initial proposal for a negative tax. However, today this law remains to be sanctioned and enforced. According to Suplicy (2007: 1-4), a sum will have to be paid out to every Brazilian national monthly. This amount will be paid out to everyone regardless of income or status.

The two initiatives, Bolsa Familia and Citizen's Basic Income, vary in nature. However, they have been linked in discussions regarding securing a certain standard of living for the poor. The very thought surrounding this subject has been so interlinked that

Bolsa Familia was thought to be the first step towards Citizen's Basic Income (Kingdon, 2003). The two initiatives will, however, not converge according to Britto and Soares (2011A).

The idea of the Citizen's Basic Income is rooted in the thought that it is universal. As Suplicy (2007) states, the idea that everyone will be guaranteed a certain amount regardless of income, wealth and background, will eliminate targeting errors and bureaucratic delay. Further, the fact that it reaches everyone will end the need for people to claim benefits from government. He also states that Citizen's Basic Income will increase demand for goods and services, similar to the notion explained earlier in this thesis (Suplicy, 2006; Suplicy, 2007). However, there is little mention of the "inflation ghost" that has haunted the nation in previous years.

The fact that Citizen's Basic Income is universal is one of several characteristics that separates it from Bolsa Familia. As a CCT program, Bolsa Familia met strong criticism in its initial period for reaching people who did not meet the proper requirements (Britto and Soares, 2011A: 6). As discussed later, the targeting plays an important role in justifying the cause of Bolsa Familia. As pointed out by Britto (2008), this criticism came from the media after internal leakage. This issue highlighted that Bolsa Familia differs in its targeting of the poor rather than operating as a universal income guarantee. Also, Bolsa Familia has in a large degree enjoyed sponsors in parliament. However, none of the same parliamentarians have made any reference to Citizen's Basic Income. In cases where Bolsa Familia has enjoyed political support from several political parties, Citizen's Basic Income has not seen the same broad support (Britto and Soares, 2011A).

Furthermore, Bolsa Familia is family oriented. As a gender-bias program, largely directed towards the woman of the household, the CCT program aims to help towards supporting a family. Basic Income has an individual targeting. CCT programs in Brazil have been focused on family solidarity in regards to securing livelihood, not the individual's right for income (Britto and Soares, 2011A: 6). The principal differences are evident. Further, the main difference is, however, the notion of conditions. By setting conditions for the cash benefits the government has secured a contract with every recipient that emphasizes co-responsibility. The cash benefit is simply a grant that requires the recipient to act in a



certain way. This will provide assistance for future generations to avoid the main challenges that are synonymous with poverty. However, Basic Income becomes a right for cash handouts. The emphasis is, as Suplicy (2006; 2007) states, to help people out of poverty. Therefore the Basic Income has no clear strategy to attack the main root causes of poverty.

This study recognizes the main differences between Bolsa Familia and other cash benefits to be large. As explained, Basic Income Guarantee is an example of cash handouts that has challenged Bolsa Familia in terms of it being a solution to poverty issues in Brazil. However, as mentioned above, the ideas are principally different. Although Basic Income Guarantee has not been put to the test, this study views Bolsa Familia as a more sufficient and successful program to tackle the challenges Brazil is facing. This thesis will now further analyze the importance of the conditionalities related to Bolsa Familia. By analyzing the importance of the conditionalities, the study can assess whether Bolsa Familia can be regarded as successful in relation to challenging the root causes of poverty.

In 1995 Brazil pioneered the first CCT program under the Cardoso government (1994-2002). In the Federal District in Brazil, Workers Party (*Partido dos Trabalhadores*, PT) Governor Cristovam Buarque launched a program called Bolsa Escola. It was a local CCT program promoting education. The same week, Brazilian Social Democratic Party (*Partido da Social Democracia Brasileira*, PSDB) Mayor José Roberto Magalhães Teixeira launched the “Guaranteed Minimum Family Income Program (*Programa de Garantia de Renda Familiar Mínima*, PGRFM)” in the Campinas Municipality. These programs became models for many other programs launched locally in Brazil. By 2001 over one hundred municipalities and several states were operating CCT programs, covering around 200,000 families (Lindert et al., 2007: 11-12). However, the process that led up to the creation of national programs was driven by a rather complex debate.

Already in 1995 and 1996, bills were introduced to congress in order to establish nationwide cash transfers. It became evident that people presenting these bills were representatives from various positions of each side of the political scale. Although the programs were always linked to educational conditionalities, they were based on different social-protection paradigms. Further development towards making CCT programs national started in 1997, when the minimum income proposal became a government project.

Although several local CCT programs did already exist at this point, mostly related to education, the federal government started looking towards promoting a nationwide project. The “Education-Related Minimum Income Guarantee Program (*Programa de Garantia de Renda Mínima Vinculada á Educação, PGRM*)”, providing financial support to local, education related, minimum-income programs in municipalities whose tax revenues were lower than the state average, turned out to be difficult to manage. The main problem was related to the structure of the program. Since municipalities were required to provide funds equivalent to 50 percent of those provided by the federal government, most of the municipalities for which the program was intended were reluctant to participate (Britto and Soares, 2011A: 2-3).

In parallel to PGRM, the Child Labor Eradication Program (*Programa de Erradicação do Trabalho Infantil, PETI*) began as the first federal program in 1996. This program aimed to tackle the worst forms of child labor. It was a CCT model that targeted a specific population group which consisted of “out-of-school-hours” activities, as well as cash benefits and conditions related to school attendance. It aimed to target children working in dangerous fields. Examples of high risk child labor in Brazil included sugar cane harvesting and burning wood to make coal. These jobs were seen as unhealthy and dangerous for anyone, even more so for children. Targeting children less than 15 years of age, it demanded that children stopped working with a school attendance of at least 75 percent. In exchange families would receive a monthly grant of approximately US \$35 and UD \$55 (Soares, 2012: 3).

The wheels were now in motion as several municipality-driven CCT programs were established. In the year that followed, Brazil saw an explosion of CCT programs. This in turn gave the country an incentive to fight poverty on a national level, much due to the change in priorities regarding social security after democratization. As part of a process to do this, congress set up a joint community in 1999 in order to further “study the structural and environmental causes of social inequality and present legislative solutions to eradicate poverty and marginalization and reduce social and regional inequality” (Britto and Soares, 2011A: 3). The widespread debates and hearings that followed were integral to reaching consensus around CCT programs being the desirable approach to fight poverty and inequality. Given this consensus, funds were raised and in 2001 the PGRM was transformed into the federal Family School Program (*Bolsa Escola, BE*) as well as the creation of the

Family Food Program (*Bolsa Alimentação*, BA) (Britto and Soares, 2011A: 3). BE became the second federal program in Brazil, and was initially named Bolsa Escola Federal. BA was introduced shortly after and was thereby the country's third federal program. As of 2003 President Lula da Silva was sworn into power, and the creation of the fourth federal program was in action. This program, Food Card or National Access to Food Program (*Cartão Alimentação*, CA), was transferred to families in order to subsidize food. However, it was without behavior conditionality, and families could receive it without having to follow a set of roles.

At this time Brazil found itself in a situation of administrative confusion. By mid-2003 the country had four federal programs in addition to thirty-something local and state programs. Further, the programs were all organized under different administrative bodies, without any communication between institution and different levels of government, and lastly with very little transparency and overview. One family could receive payments from all federal programs as well as local initiatives, while the family next door in the exact same financial situation could receive nothing (Soares, 2012: 3-4). Needless to say, Brazil was in need of administrative reorganizing. It would turn out to be the federal government who would call for a better run system. The answer was found in the creation of a single joint federal CCT program, the federal program Bolsa Familia. The thesis will now view the creation of Bolsa Familia.

By mid-2003, Brazil was running four federal CCT programs simultaneously. This section will first explore the functions of these CCT programs in order to analyze the creation of the current federal program Bolsa Familia. Afterwards, it will discuss the importance of the groundwork that was done in the creation of these individual programs, and their importance in the creation of social justice within Brazil.

As previously mentioned, the first federal CCT program to be introduced was PETI. The program was launched in 1996 as part of the social assistance policy of the Federal Government. It was developed to eradicate child labor involving children from 7 to 14 years of age who worked in dangerous and unhealthy employment sectors, both in urban and rural areas. It was a family oriented program that relied on the support of the local community and schools. The target was families earning up to half of the minimum wage

with children within the dedicated age bracket. Therefore, the conditions for receiving the payment rested on the school attendance of the family's children, respectively a minimum attendance of 75%, and also that children were able to attend extended hours in after school activities. The payment handed out for successful participation in the program was either \$35 or \$55 dollars per family (Brazilian Court of Audit, 2003: 8-10). This payment handed out to families was a not a large amount, yet it could make a significant difference in a poor Brazilian household. The amount received was dependent on the number of children participating in the program.

PETI was first launched as a pilot experiment in coal production areas in 14 municipalities. By 1997 it expanded to other states in sectors covering the sugarcane plantations, before expanding to cover regions involved in the mining industry. Brazil's citrus region was covered from 1998. In 1999 it was deemed efficient enough to be expanded to various activities across other states of the country. In 1996 the number of children assisted by PETI was registered to be 3710. However, by 2001 the number had significantly increased to 749 353 children. Regardless of the increased number of participants, the Brazilian government admits that there in 2001 were an undetermined number of children involved in labor activities, which in turn made it more difficult to assess the success of the program (Brazilian Court of Audit, 2003: 10-11).

The second federal CCT program to be implemented was BE. The program has strong similarities to PETI in that it targeted families with children and championed the right for a child to obtain a sufficient education. Although similar to PETI, it is worth noting that BE was directed at getting child attendance up in poor families while PETI was aimed towards eradication child labor. However, it should be mentioned that BEs four targets were increased educational attainment and long term poverty reduction, short term poverty reduction, child labor reduction and lastly to act as a safety net (de Ferranti, 2001B). The notion that children do not study because they have to work is the background for the creation of BE. By providing families a financial incentive to keep their children in school rather than at work, the objective of the program was that children would stop working and attend school. All children of school age had to be enrolled in school. If a child was absent more than the two maximum days per month, the family would not receive payment that given month (Buarque, 2000). When the program was made into a national program, it was

aimed at families with children from 6 to 15 years of age. The program provides subsidies of R\$ 15 per child with a maximum rate of R\$ 45 per month. All children of school age had to be enrolled in school. Further, the program supported children who were forced to be held back a year by providing support during school breaks in order to improve chances of catching up (Denes, 2003: 140-141).

The BA program was a CCT program of a different nature than PETI and BE. Although directed at the poor, its main purpose was not to increase enrollment in school or attack issues regarding child labor. Launched in 2002, the program aimed to confront sources of malnutrition and to reduce nutritional deficiencies and infant mortality among the poorest households in Brazil. As the nation was phasing out cooking gas subsidies, BA functioned as a smooth compensation for many families in need (Santos et al., 2011: 6-7). BA began as a complementary program to BE in terms of maternal and infant coverage. The targeted population was the people in the same financial category as BE. As with BE the amount paid out was the same. Further, the conditions for receiving the payment were tied to the mother's ability to attend scheduled vaccination programs for the infant as well as pre-natal care. By the end of 2002 the program covered over one million families (Britto and Soares, 2011A: 4).

The democratic wheels were in motion in Brazil during the national election of 2003. Seekings (2005) has levels of democracy is of high importance in regards to development of a welfare regime. As President Lula (2003-2010) was sworn into power in 2003, it became clear that strategies towards developing CCT programs had only just begun. As President, Lula declared a fight against hunger in the country. Soon after taking office Lula launched his so-called Zero Hunger strategy that would turn out to become the core of the administration's social policies. Expectations were high as president Lula had built his political campaign on his poor background and understanding of the struggles of the poor. The promises made to reform and redistribute resources may to a large degree have been the root to his success, similar to Seekings (2005) understanding of the power of democracy in terms of welfare creation. Votes may indeed force through more universal welfare reforms as politicians relay popular opinion from all parts of society.

A big part of President Lula's strategy was to implement a fourth federal CCT program aiming toward fighting food insecurity. CA was unlike previous programs as it had a time-cap. Those receiving the benefits could do so for a six month period. This period could be further extended for up to two more six month periods. In relation to other CCT programs, its aim was the poor and those vulnerable to food insecurity. At first, the aim was to provide food stamps, similar to those in the United States. The thought behind the stamp strategy was to impose the Zero Hunger initiative and its stated right to food, not right to income. However, the academic and political arena was at this time dominated by the notion of CCT programs, as will be analyzed further in this thesis. This notion did in turn lead to the program becoming another cash handout to those participating in it. The transfer consisted of a flat R\$ 50 cash transfer a month (Britto and Soares, 2011A: 4; Hall: 802-803; Soares, 2012: 3). Although this federal program is not a conventional CCT in terms of the lack of conditions, one can argue that the time limit set to how long someone could receive CA is a condition in itself.

With four CCT programs all in place, President Lula finally introduced the overall CCT in October 2003 that would improve its ability to handle social development. The implementing agency for the newly developed Bolsa Familia program would be the brand new National Citizen Income Secretary (*Secretaria Nacional de Renda de Cidadania*, SENARC) of the Ministry of Social Development (*Secretario Nacional Desenvolvimento Social e Combate á Fome*, MDS) (Soares, 2012:3-4). The creation of this ministry can be understood as a reaction to the development of a more universal social security system. Brazil had reached a point in time where voters encouraged the federal government to move over from more employee-based welfare institutions towards universal welfare on a national level (Seekings, 2005: 18-20).

Although other forms of social assistance and initiatives exist in the nation, Bolsa Familia is a major step in fighting the country's poverty as this study will analyze further. It is the sum of early initiatives for social welfare further developed into discussions of poverty fighting measures and transformed to local CCT programs. Later on as the federal government got involved, nationwide CCT programs flourished and were subsequently transformed into a single federal program. By 2012 there were 21,5 million families enrolled in Bolsa Familia and it is also the world's largest CCT program (Jaccoud et al., 2010:7-8;

Soares, 2012: 5). Nevertheless, Bolsa familia has faced some challenges since its creation. These issues will be discussed further in Chapter Three.

This chapter has explained the development of social security in Brazil by making use of theory explaining the creation of the Brazilian welfare regime. Further, the chapter has argued that the development of Bolsa Familia has been a path through several programs, a movement from employee-based welfare towards universal packages of welfare, and lastly how the process has been rooted in Brazilian society.

## ***2.2 How Bolsa Familia Works***

### ***2.2.1 Administration and Targeting***

The main responsibility of SENARC in regards to administrating Bolsa Familia is to establish norms and regulations for program execution, as well as maintaining a dialogue with federal states and municipalities. Further, they define how much each family is paid, define conditionalities, establish how each family is monitored and determine sanctions for non-compliance. They also establish coverage targets and the budget for Bolsa Familia. In addition they establish municipal targets and limits. In regards to the targets that are set, SENARC is dependent on a close dialogue with other parts of the federal government. Lastly, the department is in charge of monitoring program execution and conducting regular evaluations (Soares, 2012: 4). Only a couple of hundred people work in SENARC, and the actual payments are run through a federal bank.

Moreover, the main advantage of the new organizational structure is to have federal CCT programs organized under one umbrella. As such Bolsa Familia runs as a single entry system. This differs largely from former federal CCT programs as families could be registered under several programs. As stated by Soares (2012, 5-6), Bolsa familia can be defined by its two components, single registry and an ATM card. The ATM card is provided to families from the federal bank distributing the funds. Through this system the secretary and its agents can more closely monitor the program. The information is gathered by social workers located in the different municipalities and forwarded to SENARC. Bolsa Familia is targeted

towards the poorest members of society. This tactic alone contributes to the reduction of poverty as long as the target group is effectively located. (Lichand, 2010: 15-16).

The notion behind targeting the poor is to limit the exclusion and inclusion as much as possible. This would have to be measured to a set of criteria. Bolsa Familia has driven towards a universal selection method. This is strongly linked to the rather universal strategy for fighting poverty in the last decades. However, they have been forced to set limits of how universal a CCT would be. The total universal benefit would only be a move towards Basic Income. When measuring the part of the population who are targeted correctly and incorrectly, the statistics use the terms inclusion and exclusion. The terms refer to inclusion, meaning families benefitting without being eligible and exclusion, meaning families not benefitting but who are eligible (Soares and Zepeda, 2007). Both groups are of concern in relation to targeting goals.

When the Federal Government went forward with budgeting the program they made use of the Brazilian National Household Survey, referred to as Pnad. Further, in order to keep control over budget, the amount of people in need had to reflect the number the budget could afford to cover. The number of beneficiaries set as a ceiling for Bolsa Familia was 11,1 million. This number would be highly criticized as there are several factors left out in the calculation (Soares et al., 2010). Firstly, Bolsa Familia did not start at zero poor. As the single register was created, it had to extract data from already existing programs. The amount of people entitled to the benefit is rather large. Secondly, to set a ceiling on the amount of funds, as well as the amount of poor, is simply opening for exclusion (Soares, 2012: 14).

Soares (2012: 14) claims that the statistics from Pnad are simply incorrect. He claims that the income of the poor is volatile, even more than for the rich. By making use of other methods of calculating the amount of poor, also keeping in mind that their income is volatile, he states that the number that could be used as a reflection for the budget was closer to twice as much. His method of calculating this was simply by making sure that he calculated the amount of people in poverty within a time span of four months. If someone found themselves under the poverty line in at least one of these months, then that person can be regarded as poor. Further, income must be calculated net of benefits (Soares, 2012:



15). He claims this number is closer to correct as it also takes into account people vulnerable to the risk of falling into poverty.

The number of poor according to the calculations provided by Pnad would prove to be too far from the reality. In 2009, the number ceiling was exceeded. Fortunately the bar was raised. The budget was again increased in 2011. However, this was at the cost of people being left out and excluded from original budget. The numbers set to find the amount of people in need of assistance was indeed subject to priorities. However, as the budget has increased it can largely be blamed on implementation and organizational issues (Soares, 2010; Soares, 2012: 14-15).

As mentioned, exclusion can be as much to do with budgeting as with reaching out to the poor. This study has previously noted that exclusion has occurred as some municipalities find it hard to meet targets, some fail to stick within their budget, and in some cases administrative errors can be the cause of exclusion. However, the largest amount of families excluded from benefits may simply be from the calculation itself. Surely, finding poor people must be an easy task in Brazil. Nevertheless, finding the last poor person would not be such an easy task (Soares, 2010).

In regards to registration and targeting, Bolsa Familia relies heavily on social workers in order to find people. This causes some concern. Firstly, there are several municipalities where the link between social worker and beneficiary can be quite close. Further, especially in rural parts of Brazil, it might be challenging for social workers to reach the whole community. Nevertheless, the social workers are on the front line if the authorities attempt to register and supply the municipalities with information. Further, municipalities sign agreements with the federal state regarding the division of responsibilities. This is referred to as the shared management model (Soares, 2011: 57). It becomes evident that the shared management model is important, not only in order to divide responsibilities, but also for overview and implementation.

The municipalities not only register the family information provided by the social workers, but also supply information regarding health and education as well as following up on compliance. Municipalities are clearly in control of much of the compliance and registration. This would lead this thesis to assume that corruption would be widespread in

several municipalities. However, there are control mechanisms that keep the local government in line from the point of view of the federal state. Municipalities are measured on an index in order to view how effective targeting is in each municipality. The index, 0 to 1, is referred to as the “Decentralized Management Index” (IDG). In order to understand how mayors comply with the index, the value of the index must be viewed as a financial incentive. They are simply measured by two indications; firstly the quality of the information provided and secondly, the age of the information. The information should not be older than two years old. As previously mentioned, the two year cycles are regarded as key when over-viewing compliance. The index further provides a value that is referred to as IDG. The higher the IDG, the higher the federal government rewards municipalities. The municipalities with highest IDG receive additional benefits. These can be used freely by the local government. However, it must be used for something related to Bolsa Familia. This can for example be new computers for schools or improved conditions for health centers. The amount is decided by multiplying the IDG with the number of beneficiaries (Soares, 2011: 57). The shared management model has been part of the reason for Bolsa Familia’s success and why the inclusion and exclusion rates are rather low. There will always be challenges. However, Bolsa Familia has managed to develop a system based on self-declaration in South America’s largest country.

Social assistance on a local level also becomes important in order to follow up on non-compliers. For families who fail to comply, there is a “gradual repercussion” system. This consists of a 5-stage program helping families avoid exclusion from Bolsa Familia. Again, social workers become essential in assisting families who have trouble complying with the conditions. As previously mentioned, families failing to comply with conditions may be a sign that they are facing new challenges that can be overcome with assistance. Therefore, without local government being involved in regards to assisting families comply with conditionalities, the exclusion rates would increase. Social workers are actively involved in this process. Due to this, eviction from the program is rare and Bolsa Familia has successfully provided a system to avoid poor families from becoming excluded due to a difficult situation (Soares, 2011: 58).

Bolsa Familia has seen little change in the way it has been run since the program was established. Although it is likely that improvement and system changes may occur, Bolsa

Familia and the way it is run is increasing in size and importance. Social welfare in Brazil has through time expanded and developed into the current Bolsa Familia program. In 2008-2009 the government launched a program known as “the next step” (*Próximo Passo*). This program can somehow be seen as an extension of Bolsa Familia. Three ministries and the private sector aim to provide technical training for adults in families who receive Bolsa Familia in order to guarantee them jobs in government construction projects (Santos et al., 2011: 3). This extension of the Bolsa Familia is linked to the thought of making the program into a temporary solution as this study will further discuss.

### **2.2.2 Conditionalities**

The conditions put in place can serve several purposes, also in regards to the programs approval rate among the general public. According to the attention the program has been given in press articles, conditionalities are more important than the grants provided. It is mostly the two reasons, conditionalities structural role in reducing poverty and promoting human capital, and their political role in reducing perceptions of political careless spending. The conditionality that catches the most interest is related to education (Lindert and Vincensini, 2008), not surprising due to the population’s opinion about poverty and lack of education. This research reflects the attention the program has been given in the news. Therefore, one can view the conditionalities as important in regards to public opinion and support for the policies. As stated by Lindert and Vincensini (2008), the program has a political aspect to it. Bolsa Familia will, as will any policy, be evaluated among its population. If conditionalities play an important role in the public opinion, due to the attention it is granted, will it not be important for poverty reduction as a whole to promote these conditions?

As education is such an important factor, it is no wonder that Bolsa Familia has a large focus on school enrollment amongst its conditionalities. Since the 1988 constitution the educational system in Brazil has undergone extensive reforms in order to deal with the country’s poorly educated population. In recent years this effort has increased even more with the creation of CCT programs. Bolsa Familia is by far the most renowned cash transfer in Brazil. It has as previously mentioned two target groups within the country, the poor and

the extremely poor (de Souza, 2012: 14). This allows the program to focus on fighting poverty directly by evaluating the needs of the recipients. As the root causes of poverty are related to education, the fight against the everlasting cycle of poverty is firmly targeted by isolating the target group and adding conditions related to improving school enrollment. When discussing the effects of conditionalities, the study will provide a better argument for the reason behind this tool. However, conditionalities can for now be mentioned as the main structure behind Bolsa Familia, and the largest contributor to fighting the lasting cycle of poverty.

The main point dividing Bolsa Familia from other social grants, most importantly Citizen's Basic Income, is described in the previous section. However, this thesis views the conditions linked to Bolsa Familia as the most important characteristic. As mentioned in a previous chapter, the conditions are somewhat disputed by scholars. Soares (2012: 2) argues that assistance to the poor first and foremost should be considered social protection. Therefore, the conditions are simply unreasonable in principle. This argument can in some form reflect the popular attitude among Brazilians, where a larger part of the population feels society owes a certain debt to the poor. The conditions are, to a large degree, a hindrance to the rescue of the poor. As argued in the last section regarding Basic Income, cash handouts should be a priority in order to prevent the population from falling below the poverty line.

A second issue raised by Soares (2012: 2) is related to the monitoring of conditions. As the conditions are set for a reason, the government will monitor the recipients in order to ensure that the contract is held. This will in some sense defeat the program's purpose. The most vulnerable families are the ones that find it hardest to live up to the conditions. If the result is to exclude the family in question, Bolsa Familia has failed its initial task to secure a minimum standard of living for the most vulnerable families in Brazil. Soares (2012: 2) recognizes on the other hand that exclusion is rare. There are few registered cases where families are excluded as a result of breaking obligations to fulfill the conditions.

Also, the conditions can be more challenging for some recipients than others. In some cases the conditions set under Bolsa Familia may differ to a large degree from the normal behavior of a family and large changes must be made in order for the family to meet

the conditions. If this turns out to be the case, the conditions may result in a decline in welfare. Some families have cultural backgrounds that do not correspond with the streamlined understanding of the policymaker. If the conditions force families to restructure their lives, causing them to give up their cultural background, the conditions may seem more like a punishment for being poor (Adato and Hoddinott, 2007: 304).

Further on, study from Soares (2012: 9) shows that receiving families find it more difficult to comply with conditions when they have a weaker link with formalities. In order for some families to comply, they will have to establish formal relationships with institutions they normally would not communicate with. Examples are schools, health institutions and public offices. Although this might seem like a small task for most families, the task may be more challenging for people who have no experience of such institutions, for example, indigenous people in rural areas. Bolsa Familia will, therefore, possibly exclude families in a vulnerable situation.

In a large country like Brazil, there will always be questions regarding access to public services. These questions remain even in central urban places, as many public services may be poorly funded. Therefore, conditions set by the government will have to be met by an increased investment in the public sector. Without the proper public services in place, the government will have to meet their part of the conditions. The quality, access and capacity of public services must be maintained in order to meet the increased demand and to secure the services for the population already using these public services. If not, the conditions may defeat its purpose (Soares, 2012: 9). However, the conditionalities have certain effects on the population that fight the long lasting cycle of poverty. Therefore, as discussed later, the results will have to define whether they are a necessary burden with regard to poverty reduction.

### **2.2.3 Cost and Efficiency**

Bolsa Familia is surely a social expenditure, and one that has gained a lot of attention in the country. As mentioned it is not the only social expenditure in the country either. However, the previous section has mentioned some main characteristics that separate Bolsa

Familia from other benefits. This section will further analyse the structure and implementation of the CCT. First the thesis will look into some issues regarding cost and social expenditure.

Bolsa Familia is state funded and derives for the most part from the tax payers' pockets. Besides initiative from voluntaries and other charitable organizations, the program is funded by the Federal Government, often through loans from international institutions (World Bank, 2010). As with any social expenditure, Bolsa Familia will have to be evaluated thereafter. It has the political and popular support, but there certainly must be room for discussion as Brazil must keep financial priorities in order. However, when viewing the cost of Bolsa Familia, the price tag simply comes down to 0,4 percent of the nation's GDP (Adato and Hoddinott, 2007: 2; Soares, 2011: 58). Certainly this proves the cost of the program to be quite small. Nevertheless, the program has grown in size, and keeping Brazil's track record in mind regarding social spending, there is every reason to understand cost concerns.

The cost of 0,4 percent of GDP is only a random number until it is measured in association with other expenditures. The first concern is the fact that the biggest cost within Bolsa Familia is administrative costs. As the study will analyze further, Brazil is a large and populace country. A complex program like Bolsa Familia does in a large degree demand a rather big administrative post in its budget. Therefore the administrative cost in 2010 made up 2.6 percent of the programs total budget. If this does not seem like a large number, the amount behind this percentage is not less than R\$232 million (Soares et al., 2010). Going back to 2007, Adato and Hoddinott (2007) claimed that the cost of Bolsa Familia was less than a tenth of that spent on covering the deficit in pensions. It should also be mentioned that pensions are not exclusively for the poor. At the time the statistics showed that 50 percent of pensions were provided to people who were not regarded as poor. However, this study does not fully agree with the notion of pensions being an expensive post on the national budget. The thesis also questions Adato and Hoddinott (2007) in their understanding of pension deficit cost as well as their understanding of the poor. This is mostly due to the fact that it would be hard to measure poverty when individuals receive a pension payment. The payment itself would bring individuals over the poverty line. Further, Soares (et al., 2010) states that Bolsa Familia and pensions all together make up 0,76 percent of GDP. As Bolsa Familia and the Minimum Pension Plan are both administrated

through the single entry system, there must surely be shared administration costs. However, the numbers presented indicate that Bolsa Familia is a rather affordable program.

In regards to the cost itself, the study has mentioned in previous sections that there are returns to the expenditure. In fact, as far as social expenses go, Mourão and Jesus (2011) claim that it is a rather good investment in terms of “cash back” for the government. It is their understanding that 56 percent of costs in social programs are returned through taxes. The thesis has also mentioned earlier that Bolsa Familia contributes positively to the economy. As far as the discussion regarding government spending and its effect on the economy, this thesis supports the notion that it must not stand in the way of private initiatives but complement natural growth. However, Mourão and Jesus (2011) claim that Bolsa Familia has such a positive effect on the economy that the benefits economically are greater than it costs. The study has previously presented some arguments that suggest that this notion is not a shared belief, however, it will limit itself to view the cost of Bolsa Familia as low and affordable.

When analyzing the cost of Bolsa Familia, one must keep in mind the return on investment. Bolsa Familia has previously held a limit to its size that will be studied further. However, Bolsa Familia has recently been expanded in order to meet further demand. Therefore the size of the program grew to an R\$13 billion budget post in 2010 that covered 25 percent of Brazil’s population. No matter how affordable the program is, it is certainly a large CCT program. It is how this money is spent that will determine its success, not the amount itself. As the previous section has mentioned some of the results of Bolsa Familia, the study will further go into detail regarding the structure and implementation of the program (Soares, 2011).

In a previous chapter, this thesis has viewed the creation of Bolsa Familia from its origin of several CCT programs. Further, the study has covered some basic background in relation to its single entry register and the function of SENARC. Before the single entry system, there were several programs that were all run simultaneously with little cooperation that in turn resulted in errors and inconsistencies. The many implementing agencies and financial sources have of course been brought under one umbrella (Soares et

al., 2010; Lindert et al: 2007) and this should lead to a more efficient implementation process.

When Bolsa Familia was originally implemented, the government set a target to cover those families in need. According to Soares (et al., 2010) this has led to some room for error and exclusion. The study will analyze the expulsion rates in depth later. However, it should be mentioned that the estimate of resources needed have been under some criticism much due to initial planning based on numbers from Pnad. Since the many different registers that existed before Bolsa Familia could lead to high inclusion rates, the budgeting based on Pnad caused a somewhat opposite effect.

Nevertheless, the single registry system led to a more efficient way of mapping the challenge ahead. This has made cooperation regarding Bolsa Familia possible for several levels of government. Bolsa Familia has successfully become a joint task for Federal and State government along with the individual municipalities (Soares et al., 2010).

Further, there are set targets for both national levels as well as municipalities. It becomes evident that this is essential in order to secure an effective implementation of Bolsa Familia. Due to the joint task on different levels of government, it would become difficult to implement an overall successful program the size of Bolsa Familia without these targets. They are based on budget and the ability to provide funds relative to the amount of poor (Soares et al., 2010). This is especially important since the municipalities supply SENARC with information for the single registration. Nevertheless, the quality of registration may vary from the municipalities (Lindert et al., 2007: 24). This study argues that the trust provided to lower levels of government must be limited through oversight.

Although the levels of poverty in Brazil are severe, there may be cases where some municipalities fail to fulfill requirements. This may be because they fail to find enough poor people, or because they run out of funds. In order to meet targets on a municipality level, negotiations are required. Some municipalities failing to find enough recipients can transfer to other municipality in need of funds. Cooperation will then be reflected in the targets. These targets are important in order to help Mayors to keep track of cost. To not keep limits to tight would be to keep cost, and therefore avoid creating exclusion rates (Soares et al., 2010). In regards to the targets set on both national and municipality level, this study argues



that Bolsa Familia has come a long way in creating a valid system that assures an effective process.

The process surrounding registration is somewhat complex. As mentioned there exists a high cooperation between national and local government in reporting to the single register. Although this might seem somewhat risky due to the size of Bolsa Familia, it has control mechanisms to ensure a level of honesty. However, this thesis views the lowest levels of the process to be the most challenging. Bolsa Familia is based on a self-declaration process. Social workers assist beneficiaries to declare income and assess whether they are eligible. Certainly there must be a high level of fraud. Suspicion aside, Soares (et al., 2010) claims that Bolsa Familia proves itself more effective than other similar programs in Latin America. Study shows that 80 percent of transfers go to 23 percent of the poorest. These numbers beat similar programs in Mexico and Argentina that do not have the same self-declaration system.

It may seem risky to allow individuals to declare their own income. Also, the government depends on the numbers of self-declared beneficiaries to match the number of poor. However, it would be far more costly to use verified means of testing to identify families (Soares et al., 2007: 25). Moreover, in order to effectively reach as many as possible the government must be careful to keep administrative cost low. The current system has developed from several units with an inefficient and costly bureaucracy, to a rather efficient system according to the number of poor recipients. The system serves well as far as statistics show and the same system serves all benefit programs in the nation (Soares, 2011: 57). There will always be risks related to a register of this size. Nevertheless, the development towards the single register system has proven to be a positive move.

### **2.3 Conclusion**

In this chapter the study has analyzed the theoretical background of Bolsa Familia. The chapter has also explained the history behind the implementation of CCT programs in Brazil. The thesis has so far analyzed the structure of the program and how Bolsa Familia is organized in terms of conditionalities and targeting. It becomes evident that Bolsa familia is

embedded in Brazilian society and has its historical roots in the regional development. Through Seekings (2005) theory, we have seen that the creation of Bolsa Familia, as well as other attempts of social assistance, has developed as certain factors have come into play. From being a mostly employee-based welfare regime, Brazil has developed into more universal forms of welfare. This shift is particularly evident after democracy emerged in the nation. Bolsa Familia is also supported by a well-structured organization that has developed from other previous CCT programs. This study argues that the low cost and effective organization has contributed to the reduction of poverty and the popular support of the nation's voters.

### **Chapter 3 – Has Bolsa Familia Helped to Alleviate Poverty?**

#### **3.1 The Effects of Bolsa Familia**

##### **3.1.1 Introduction**

This chapter will discuss the effects Bolsa Familia has had on poverty as well as people's lives. Firstly, the Thesis will analyse Bolsa Familia's effect on poverty and any reduction in inequality. The study will present arguments that support the notion that Bolsa Familia has contributed to the reduction of poverty. Bolsa Familia has been a move towards a more universal form of social security that has, in combination with economic growth, contributed to a more pro-poor development (Seekings, 2005). Also the study will go further into the discussion regarding the effects of conditionalities on families and communities. Arguments will be presented in order to understand what some scholars view as negative effects. However, this thesis will argue that conditionalities and the externalities that follow, have had a largely positive effect on the fight against the inherent cycle of intergenerational poverty. The study will further analyse the possibilities within Bolsa Familia for an exit strategy. The thesis will argue that such a strategy is lacking, and that there is room for development within the program in order to explore such strategies. A tactic towards developing an exit strategy can be to expand and develop existing programs that support families to develop skills they can make use of in formal or informal employment. Further, the strategies towards developing the labor-market in order to absorb the labor force will lead to a reduced role for the state and eventually Bolsa Familia (Franzoni, 2008: 68).

##### **3.1.2 The Effect on Poverty**

Brazil enjoys a steady decline in income inequality. From 2003 to 2009 household *per capita* income grew by 7 per cent per year. Even if the income was unevenly distributed, the gains this time, unlike previous decades, was accrued disproportionately to the bottom half of income distribution. Although the ratio in average income between the top 20 per cent and the bottom 20 per cent is still high in Brazil, it plummeted from 27 to 18 times. Poverty eradication is now high on the Brazilian agenda as current President Dilma Rousseff has stated (de Souza, 2012: 3-6). As her predecessor claimed to fight hunger and reduce

inequality, President Rousseff wishes to eradicate extreme poverty in the nation. As de Souza (2012: 6) has emphasized, there can be several reasons for Brazil's situation in recent years. The country has not only been fighting poverty domestically, but also enjoyed high economic growth. Much of the growth can be related to its increased domestic consumption. Brazil is today considered an emerging market. Much of the growth in household income and decline in poverty can be related to the current economic situation.

Nevertheless, some scholars view Bolsa Familia as a vital tool against the fight against inequality and poverty. Soares (2012) states that Bolsa Familia accounts for between 16 to 21 per cent in the total fall in Brazilian inequality since 2001. He further claims that its impact on overall poverty has been somewhat modest. This is due to the rather small amounts that are provided through Bolsa Familia. These amounts are often not enough to cross the poverty line (Soares, 2012). Even if the grants may make a difference to a Brazilian household, the poverty line marked down by the World Bank will be an indication of the amount of people Bolsa Familia has raised out of poverty. As Soares (2012) argues, the amounts will have to be larger in order to make a bigger dent in the poverty numbers. However, it will again come down to priorities and finances. But as the priorities shift in an emerging economy, the state institution may see fit to include more people into a formal economic structure. This will be in line with Seekings (2005) understanding of a reformed welfare state.

As previously mentioned Brazil has experienced a year of economic growth, and is now considered an emerging economy. Although Brazil has enjoyed economic growth due to international circumstances, the growth in the country differs largely from the past in terms of being "pro-poor growth". The consumer-led growth has not only benefited the rich, but has been contributing to redistribution of wealth, largely due to social policies. Extreme poverty has declined 14 per cent from 2001 to 2009, taking in consideration the World Bank's US\$ PPP 1,25/day poverty line. It is claimed by de Souza (2012: 13-15), that BPC and Bolsa Familia are responsible for over 18 per cent of the reduction in the income inequality. Recent positive trends in the labor market are due to the fact that Brazil has managed to increase the overall educational attainment while diminishing the inequality of educational opportunities. The change in educational attainment of the workforce contributed to the decline in earnings inequality (de Souza, 2012). Taking these arguments

into account, there seems to be a difference in opinion of whether the decline in poverty and inequality is due to social policies, economic circumstances, or simply a combination of government policies and economic growth.

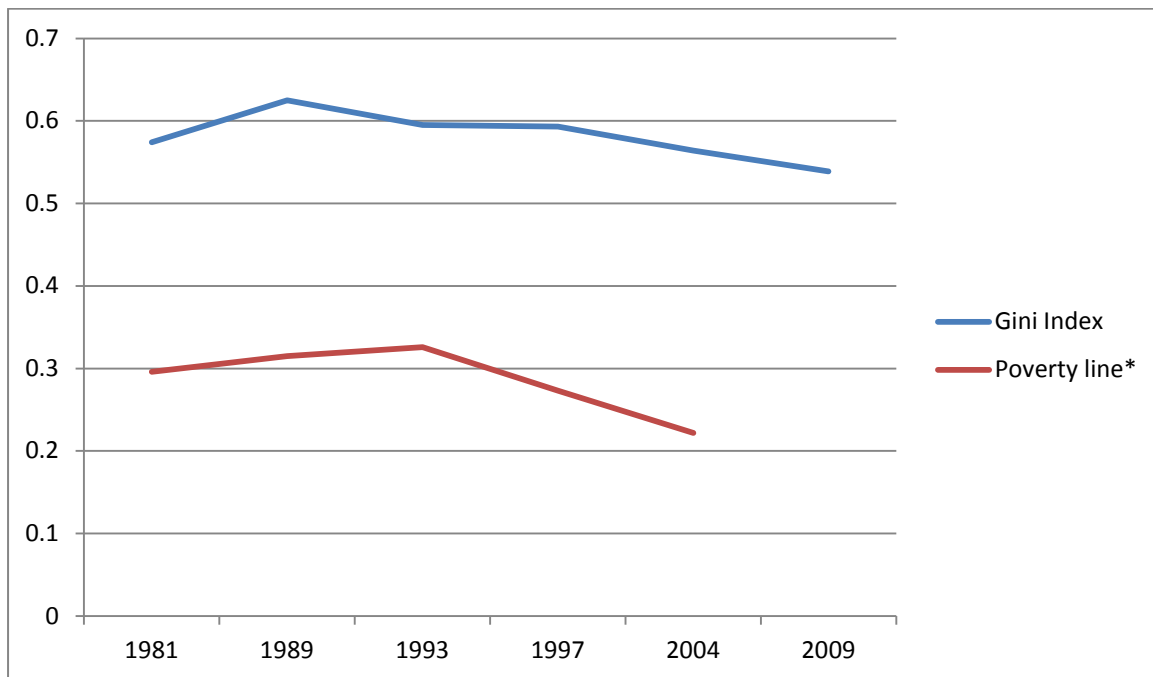
With regards to redistribution to the poor, Bolsa Familia has first and foremost had an income effect that allows families to consume more. Further, studies show that cash transfers do not only increase consumption, but might also have an effect on consumption choices. This is most evident in respect of conditional cash transfers, as pure unconditional cash transfers seem to have little effect on consumption choice. The presence of conditionalities leads to a consumption pattern that is in line with the CCT-programs goals. Taking this into account, creators of CCT programs should be aware of the behavior pattern among recipients when outlining conditions (Ribas et al., 2010A; Ribas et al., 2010B). When analyzing economic redistribution, it becomes evident that conditionalities have formed a behavior pattern among Brazilian consumers that play a key role in how social grants are distributed. It can be argued that conditionalities can direct consumers in poor poverty struck areas to behave differently when considering their household finances, a way that is more in line with social policy. This behavior may go beyond the conditions in place in order to receive the grants.

According to research on CCT programs impact on society, it has been argued that Bolsa Familia has several effects that may go further than the recipient. Although scholars often differ in their opinion over the impact on CCT programs spillover effect, studies show that communities benefit largely from CCT programs, even people who are non-beneficiaries. Studies from countries with established CCT programs, including Brazil, show that non-beneficiaries and beneficiaries often do not differ largely in household income on many areas. Since the spillover effect is likely to have a positive effect, some countries are going forward with information about the benefits families gain from conditionalities. This way the information is likely to reach non-beneficiaries as well. The notion is especially popular in regards to education. Lower income households have a tendency towards underestimating the future benefits of the conditions of their CCT programs. This suggests that the conditions set in CCT programs often contribute largely to increase in human capital, not only for the families who benefit, but also for communities as whole (Lehmann, 2010).

Lehmann (2010) has suggested that the conditions put on some families, who receive grants, are helpful to communities that they live in. Further, recipients hold a responsibility through receiving grants, not only in regards to their own family, but to their fellow members of society. Recipients may act as agents of good policy. The question is whether this responsibility should be put on the poor. As previously mentioned, it can be argued that paying the social debt to the poor should be a higher priority than making them agents for social policy.

In the previous chapter this study viewed the overall discussion regarding Bolsa Familia and the recent events leading up to the current system. This thesis will now focus on the discussion surrounding inequality in Brazil and tactics towards reducing poverty. To analyze this, the study will present some facts regarding poverty in the country. Further, the study will go deeper into the analytical discussion regarding poverty reduction in Brazil. This will then be followed by a deeper discussion regarding Bolsa Familia being a conditional program. Lastly this will help the study to conclude whether Bolsa Familia has been successful in its goal to reduce poverty in South America's largest country.

Historically Brazil is a country that has struggled with high levels of poverty and inequality. Viewing the evidence regarding development in Brazil shows that the country is going in the right direction. Using the international poverty line of two dollars per day, Brazil's poverty rate was 21,2 percent in 2004. Overall Brazil reduced its poverty from the years 1983 to 2006, from 38 to 19 percent (Ferreira and Leite, 2009: 355-356). This is evidence that the country has undergone massive changes in its distribution of wealth. However, large challenges still remain.

Table 3.1: Country data for Brazil on poverty<sup>1</sup>:

(Ferreira et al., 2007; UNDP, 2011; World Bank, 2011).

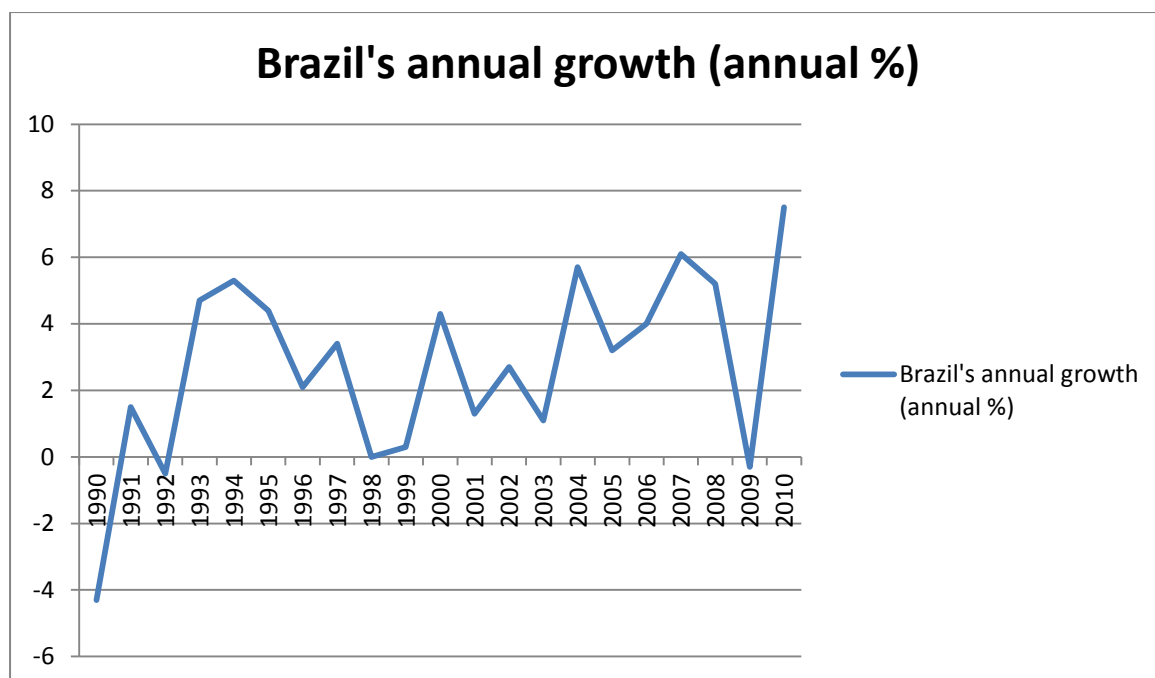
The number of poor in Brazil has decreased by 27 percent, from 15,4 million in 2003 to 11,3 million in 2008 according to the Brazilian Institute for Applied Economic Research (IPEA). The number of extremely poor fell by 48 percent during the same period (IPEA, 2012; da Silva, 2009: 369). IPEA lists three main reasons for the decline in poverty: Economic growth, increased minimum wages and cash transfer programs. However, it is noteworthy that the reasons mentioned by IPEA are in line with government policy in Brazil. Strongly supportive of the former administration policy, the statistics presented are in line with the Zero Hunger strategy mentioned in chapter 2.

Brazil has already achieved its first UN Millennium Development goal following the United Nations Millennium Declaration in the year 2000. This goal was to half extreme poverty by 2015. In 1992, 11,7 percent of the population had less than one dollar a day. By

<sup>1</sup> \*Poverty line is set as R\$100 per person per month, in September 2004 values. R\$100 per month (in 2004 values) is also means-test in Brazil's main cash assistance program, Bolsa Familia (Ferreira et al., 2007).

2006, this number was 4,7 percent (de Souza, 2009: 384). Further, the current administration in Brasilia has now pledged to eradicate extreme poverty altogether. These ambitious goals are a result of the success of the past decade. According to this evidence, one can view Bolsa Familia as a success. As a contributor to equality and poverty reduction it has made Brazil into a more just society. However, this view is not necessarily shared by all. Although Brazil has come a long way in fighting poverty and inequality in recent decades, the statistics prove that the country still has a long way to go. With great economic growth as one of the country's main advantages, the reduction in poverty can be even greater. Bolsa Familia is after all a social expense that does not necessarily create economic growth at once. Surely Brazil's latest success as an emerging market and economic locomotive must have played a substantial role in the country's social development (Morley, 2005: 1-3). Although Brazil's growth has slowed down recently, the country has experienced a steady economic growth.

Table 3.2: Annual growth in total gross domestic product:



(World Bank, 2012)

Samuel A. Morley (2005) reported that Brazil would have to focus on a balanced budget. Lessons learned from previous decades have shown that a large government



without a balanced budget can cause mass inflation. Morley (2005) recognizes the rather large investments Brazil has been making in regard to its social spending, as well as the positive results this has provided. However, the argument presented by Morley is simply that a focus on continued growth and trade liberalization will be the main tool to secure continued poverty reduction. The traditional role of a Latin American welfare regime has indeed been through the labor market and a secure “growth path” (Seekings, 2005: 10-17). When Brazil recently has shifted its focus towards a more universal welfare regime, it should be recognized that the role of the state in redistributing the economy is a response to a development towards democratization. Taking this argument in to account, this study argues that continued growth may play a significant role in poverty reduction. However, economic growth must be accompanied by tools to ensure that all levels of society can be part of the progress. The process that has led up to the current situation has in many ways been a natural process that has caused the state institution to become more accessible to all levels of society.

It is not the first time Brazil has seen economic growth. Rapid economic growth occurred all the way from the 1950s to 1980. As pointed out by Morley (2005: 1-2), Brazil was indeed one of the success stories from after the Second World War. The years after 1980 were a different story all together. The hyperinflation and increasing debt marked the end of economic growth the country has yet to return to. Morley (2005) further claims that any attempt to analyze inequality and poverty reduction must be viewed in light of the past economic performance. This thesis does, however, argue that a focus on pure economic growth may only lead to repeat the cycle from the past. Even during the years before economic decline in the 1980s, the impressive economic growth did not contribute to equality and poverty reduction (Morley, 2005: 1-4). This can be traced back to the buildup of the Brazilian welfare regime. Before Brazil transferred itself into a democracy, incentives were small to create social security for the poor outside the formal sector. However, democracy has changed how political power is divided in Brazil. Therefore, under today’s welfare regime, Bolsa Familia has contributed in a large degree to promote a sustainable growth and secure an investment in human capital. The immediate effects of poverty reduction may, however, be in a combined effort along with economic growth. As the study mentioned in a previous chapter, it has been the historical changes to Brazil’s political arena

along with globalization and trade liberalization that eventually shifted the priority towards the welfare system we see today.

### **3.2 Results of Bolsa Familia**

#### **3.2.1 The Effects of Conditionalities**

Challenges for Bolsa Familia still remain and the program may have potential improvements to make. As previous CCT programs before it, Bolsa familia may face challenges in regards to design, affordability and sustainability in its administrative design. It may also face challenges in its design to reach the non-covered population (de Ferranti et al., 2001A: 27).

A clear example of design issues facing the program is related to the question of targeting. Studies suggest that errors can be found in regards to targeting in cases where families above the respective income have received grants (Medeiros et al., 2008: 3-4). This will in some sense indicate that there are families who make benefit from the program when priority should be given to others. Such indications will contribute to the assessment of Bolsa Familia and its success. As of 2011, studies regarding targeting of Bolsa Familia suggest that inclusion errors are far lower than exclusion errors. This simply means that Bolsa Familia, if anything, should expand in order to catch its total target group (de Souza, 2012: 15). Arguing for an expansion of Bolsa Familia based on data implying that exclusion is larger than inclusion invites further arguments to be presented. This will imply that the cost of errors regarding inclusion is simply “worth it” in order for the program to reach its targets. One can argue that improvement will serve the program best if there is a larger focus on including more families.

This study has previously discussed the meaning of conditionalities and their place in CCTs. However, criticism has been aimed towards conditionalities as well. First and foremost because they might become too harsh. This is simply because they are conditions in themselves. The first priority should be to reduce poverty rather than exclude those who do not fulfill the requirements. No new conditionalities have been created since the program started. (Soares, 2012: 9-10). Soares argues further that imposing conditions on people in

order for them to receive grants to survive is wrong. This is simply because people living in poverty should be rescued out of this situation rather than having to prove that they are able to uphold conditions. As the thesis will discuss in chapter 3.2.2, the study will argue the results of conditionalities. However, Soares does present an interesting argument in relation to principles of humanity.

The conditions related to Bolsa Familia also have other bi-effects. This is not to claim that the study dismisses the notion of CCTs, however it is noteworthy that there is room for discussion. For example, by adding conditions to the cash transfer, we are also adding additional costs to the poor as some conditions are costly to comply with. A family living in a rural area will find it costly to send their children to school when considering the cost of transportation, school uniforms and other additional costs. These expenses might seem small for some, but they may be large for a family living in poverty. There is a question of whether CCT programs actually provide the right incentives to the poor and if they are a correct use of resources (Fiszbein and Schady, 2009: 45-47). For example, taking a child out of work to send him to school is a costly affair. There will be a reduction in family income. Further, the bus to school, books as well as uniforms may cost more than the family receives in grants. In fact, in such a case the Bolsa Familia will immediately lead the family into further poverty due to costly conditions related to the program. However, the expenses related to these conditionalities are meant to help break the intergenerational cycle of poverty, and serve as an investment for the future.

Bolsa Familia's conditionalities are reflected in basic rights for youth and are in most cases directed towards the children in the family. Therefore, it can be seen as a poverty reduction tool rather than a social assistance. However, there is a need for following up on monitoring of conditionalities according to Lindert (et al., 2007: 118). A topic that is widely debated is whether there is a need to stop payments when conditions are not met. The discussion can be traced back to the necessity of conditions. As conditions are linked to human rights for children, and the cash benefits are handed out to the poor in need of assistance to survive, it can be argued that the conditions themselves are unjust. As argued by Soares (2012: 9-10), tying conditions to payments that are linked to helping people out of extreme poverty can be somewhat harsh. Nevertheless, if conditions are benefiting society

as a whole, the conditions are in themselves a benefit. The conditions are after all the main criteria that distinguish Bolsa Familia from other benefits.

The question regarding CCT programs is then whether conditionalities are necessary tools to fight poverty. They remain to be the main ingredients for fighting the inherent nature of poverty and also they may detrimentally affect children from poverty stricken families. As a result an argument popular with the media is that they are an obstacle to providing economic “rights” for the poor. The effects of conditionalities will become essential to argue when analyzing Bolsa Familia.

Not all scholars support research confirming Bolsa Familia’s contribution to the reduction in inequality. Hogg and Kumar (2012) have viewed data that suggests that the effects of Bolsa Familia might be somewhat overstated. They suggest there has been a boom in sales of consumer goods in Brazil, which in turn has helped push productivity and create jobs. Although, data from Brazil’s National Household Survey 2011 (sited in Hogg and Kumar, 2012: 3) shows that the fall in income inequality in areas with high unemployment has been more pronounced in areas with high per capita income. This leads Hogg and Kumar (2012) to claim that the fall in income inequality should largely be attributed to the provision in salaries and pension plans that have exceeded the minimum wage for people already in formal sector jobs. This clashes somewhat with the existing belief among several scholars that the fall has been due to social grants like Bolsa Familia. The research shows that reduction in inequality has been credited to a large degree to cash transfers, although this has simply reduced absolute poverty, not addressed inequality or provided a lasting solution for the poor.

It is argued that it is difficult to understand how much of the effect is caused by the cash aspect, and how much is caused by the conditionalities. However, the research presented did suggest that there was indeed a negative effect on labor supply. The result was that reduction in work hours added up to 0,5 to 3,5 hours per week for each adult. Further, the recipients regarded as extremely poor had a larger reduction than those who were regarded as poor. This research included work in the informal as well as the formal sector. In addition to this, Teixeira (et al., 2011) argues that women are more sensitive to the effects. This is mostly due to the intra-household work division. As the women are more

prone to spend time with child care, much of the responsibility for meeting the conditions will fall on them. The cash aspect will of course play a certain role in the reduction of labor. However, as the requirement for meeting the conditions will cost time and effort, one can argue that this will affect the time spent on work. This study views that part of this reduction is caused by an alternative cost related to meeting conditions regarding Bolsa Familia.

The results of the conditions are, as mentioned, hard to measure exactly. Although scholars are working continually to analyze the exact effects, it will be hard to evaluate how much of the change in family behavior is caused by conditionalities. Signorini and Queiroz (2012) have analyzed the effect of Bolsa Familia on fertility. It becomes evident that women are more affected by the conditionalities than men. However, their research shows that there is a significant effect, however small. They have not devoted much time to evaluate exactly why conditions affect fertility, but , it should be mentioned that there is a small reduction in the amount of children being born among women in the Bolsa Familia program.

This study has now viewed some research suggesting that conditionalities affect families included in Bolsa Familia. The effects, often praised by media and scholars, can, however, be of a negative nature. This should lead to a cause for concern for politicians and bureaucrats as often conditionalities are guided by politician's policies (Adato and Hoddinott, 2007: 304). Therefore, when policies are made in order to improve society as a whole, certain families may fall outside what is regarded as improved development from the point of view of the policy maker.

Ribas (et al., 2010A) has argued that it would be important for program managers, or policy makers, to study the effect of the desired outcome of the conditionalities. As pointed out earlier in this thesis, what may seem like a perfectly good condition behind receiving a grant, may cause difficulties for certain families. Further, the externalities may have negative consequences. This study has so far listed some examples of these consequences. However, the study argues that the main challenge with providing a conditional payment would be the notion of withholding payment to the poor if they do not fulfill requirements from policymakers. As argues by Soares (2012: 9), the main focus should be to help the poor

out of poverty. However, Bolsa Familia must be considered in relation to its objectives of fighting poverty in the short term, as well as fighting the intergenerational circle of poverty.

### **3.2.2 Results**

This section will attempt to discuss the results of Bolsa Familia with regards to the challenges mentioned in the previous section. Although some criticism has been directed towards the notion of conditionalities, this section will present a more positive view through the results of the program. With regard to a long term perspective on poverty reduction, the conditionalities certainly seem to play a vital role. As mentioned in previous chapters, the conditionalities are in place to fight the inherent root cause of poverty. However, this study has presented arguments that suggest that helping the poor on certain conditions may be somewhat unfair and ineffective. Nevertheless, through studying the result of state intervention on poverty, Fajth and Vinay (2010: 2-4) argue that cash handouts may seem suspicious for the general population. Even if Bolsa Familia is rather popular among the population in Brazil, the conditionalities may be part of this reason. As argued in a previous section, other proposed unconditional cash handouts do not enjoy the same political popularity as Bolsa Familia. Further, since Bolsa familia is a CCT with conditionalities related to social services, it can be viewed as a contract between the state and the recipient. Families will be provided money as long as they make use of the necessary social institutions related to children. The state will be responsible for providing these social services that the poor will make use of. The contract also includes the obvious cash transfer to assist families with escaping poverty (Fajth and Vinay, 2010: 2-4).

Research also shows that conditionalities affect the behavior of the recipient. As explained in the previous section, these effects may have a negative impact. However, this thesis supports research that suggests that the impact is more often positive. When families receive a set amount of money, the conditions related to the cash transfer make families spend “wisely” on products related to conditionalities. Families who receive money with no strings attached are more likely to consume products that are not related to their children (Das et al., 2005: 57). However, in this case the study notes that it has become the policymaker who decides what it is wise to spend money on. As pointed out by Basu (2003),

people are impatient. Often families want too much at once. When struggling in poverty, some financial aid may lead people to make decisions that may not be in their best interests. Therefore, Basu (2003) argues that people need to be protected from their own rationality. Although it may seem somewhat degrading that the government provides assistance in terms of conditions and some cases financial advice, it will in the end, to a larger degree, lead families to make decisions that are in their children's best interests.

The notion that policymakers may have to advise the recipients of Bolsa Familia through conditionalities is shared by several scholars. Adato (2007) states that policy makers are after all interested in developing society as a whole. In regards to this, parents in receiving families do not necessarily consider what is best for society. As discussed both previously and later in this study, Bolsa Familia has contributed to improvement in society for the poor. This development is reflected in the aforementioned poverty statistics as well as statistics related to school enrollment and child health. The cash may be an instrument to help people out of poverty in the short term. However, it is the actions that people make that will improve their lives in the long term. After all, conditionalities provides incentives for families to take actions they normally would not do (Das et al., 2005: 63). The actions may lead to improvement in society and can in many ways be viewed as a benefit in itself. Bolsa Familia has indeed proven to be a CCT that has contributed to improving Brazilian society.

One of the main issues regarding the assessment of Bolsa Familia is to be able to identify the effects of conditionalities and cash transfers. It is a challenge for scholars to differentiate between the positive effects that are triggered by cash from those triggered by conditions (Teixeira et al., 2011). Also, as this study will analyze further, poor people can be hard to identify. This will also affect any statistics regarding the subject (Das et al., 2005: 63-64). In regards to school enrollment, this thesis understands that it would be hard to present any exact evidence on the effect of conditionalities. Nevertheless, education related conditionalities are among the main criteria's in Bolsa Familia. Therefore, it is important to view the results of studies regarding enrollment in order to establish if Bolsa Familia can be regarded as a success. Further on, Medeiros (et al., 2008) states that although Bolsa Familia may affect school enrollment, it is hard to tell if it is a result of Bolsa Familia or an individual trend. Similar trends will apply when viewing poverty rates and child health care.

Statistics from several countries in the world show that state intervention has a positive reaction in reducing the child poverty rate in several countries. Although, the same studies show that when conditions are linked to the efforts from the government, there becomes an increase in demand for social services. As previously mentioned, it is vital for Brazil to maintain a sufficient service to its population in order to keep its side of the social contract. The study by Faith and Vinay (2010: 2-4) provides evidence that conditionalities have a positive effect on children's wellbeing.

Das (et al., 2005: 58-60) argues that conditionalities are used to secure increased schooling and use of health resources. This argument is backed further by the research conducted by Glewwe and Lucia (2010). They have found that Bolsa Familia has increased enrollment rates with 5,5 percent in grades 1-4. Further, they found an increase in enrollment in grades 5-8 by 6,5 percent. The study that was completed in 2010 supports the notion that Bolsa Familia increases enrollment. Further on, dropout rates lowered with 0,5 percent for grades 1-4 and 0,4 percent for grades 5-8. Teixeira (et al., 2011) has provided the same argument. However, they also claim that externalities play a positive role in school attendance and healthcare as well.

Externalities have been discussed to some degree earlier in this study. Research mostly supports externalities positive effect on society. Ribas (et al., 2010A) have studied externalities effect on the local economy. They find that externalities have an effect on the general equilibrium, which changes prices and opportunity cost. Social interaction between beneficiaries and non-beneficiaries affects household preferences. When consumption choice changes with the beneficiary, these changes transmit to other members of the community. The study supports the notion that Bolsa Familia has a positive effect on the economy, not only for the beneficiaries, but for the community as a whole in regard to changing the behavior of poor families in less fortunate communities.

Ribas (et al., 2010A) found the effect of externalities to move beyond the subjects related to conditionalities. When analyzing the economic consequences, they found that unconditional cash would increase consumption. However, this would not affect consumption choice. This is in line with previous arguments presented in this study. However, the research also provided evidence that conditional cash affected family's



consumption choice, and at the same time affects the consumption choice of non-beneficiaries in the same community. This suggests that externality has a positive effect on communities as a whole in regards to their consumption. As suggested by other scholars, Ribas (et al., 2010A) agree that conditionalities lead families to spend more on their children as well as products related to the effect of Bolsa Familia. The research leads this study to suggest that conditionalities provide externalities that have a positive effect on whole communities.

Conditionalities have also proven to increase formalization in the job market. Machado (et al., 2011) have studied the reduction in unemployment in Brazil. They further find that there is a link between Bolsa Familia and the reduction in unemployment. Although the research is based on a study performed in areas where there are a large number of beneficiaries, this thesis still understands that it would be hard to find out exactly how much of the reduction that stems from Bolsa Familia even if the study supports the notion that there seems to be a positive trend between Bolsa Familia and economic growth. Therefore it is not unlikely that the increased employment may be caused by the CCT. Further, there is a positive effect of formalization of employment. As more Brazilians go to work, more people are employed in the formal sector. The study has viewed formalization of employment from 2002 to 2008. This thesis supports the notion that conditionalities may not have a large effect on peoples work hours as previously suggested. If any, there has been presented some arguments suggesting a reduction in work hours among beneficiaries. However, the positive economic effects through increased consumption seems to contribute positively to the labor market through an increased demand for labor. Nevertheless, the study recognizes that it would be hard to be sure of the exact effects.

This study has now analyzed the effects of conditionalities and externalities. It seems clear that externalities trigger a broader change in a community. These externalities are often an effect of conditionalities rather than cash. The broader change is caused by interaction in society (Teixeira et al., 2011). As stated earlier in this thesis, economic changes related to consumption, job creation, formalization and savings are externalities that caused by conditionalities related to Bolsa Familia. Teixeira (et al., 2011) also states that externalities effect prices and stimulate transfers and loans. Surely Bolsa Familia has economic consequences beyond the cash transferred to the recipient.

By analyzing the conditionalities and externalities related to Bolsa Familia, this study has found that there may be some negative effects related to the program. However, findings presented have also revealed the positive effects from conditionalities. They would not necessarily exist with unconditional cash transfers. As stated by Lehmann (2010, 2-3), externalities have a positive effect among families that do not even receive any grants or interact with the social workers. This effect may even spill over further than the community where beneficiaries exist. This is due to the fact that people travel and interact over rather large distances.

Through this chapter, the study has so far analysed the progress in the Brazilian society. There is, however, reason to believe that Brazil is not the successful society scholars make it out to be. Firstly, even if a lot of progress has been made in terms of fighting poverty and inequality, the challenge of inequality still remains. Brazil is far from close to solving its socioeconomic challenges. The trade liberalization and an inflation rate that has been put in check has been part of the main economic tactic to secure growth. Further, social benefits, such as Bolsa Familia, have been implemented to fight poverty. However, as argued by Hogg and Kumar (2012), growing wealth of a nation does not automatically improve the situation for the poor. For a decade ago, most of the world's poor lived in poor countries. However, today so-called middle income countries make up 75 % of the world poor. Brazil is, as previously explained, a part of this. As many of these middle income countries become more democratic, and welfare regimes change within, the trend seems to be developing towards shift in economic priorities. The welfare regimes have, like in Brazil, moved somewhat away from the traditional "growth path" where welfare is limited to the formal sector of employment.

Despite the statistics presented in this study arguing the progress made in Brazil, the nation still struggles with one of most unequal societies in the world. Still today, 21.4 % of Brazil lives under the poverty line. Hogg and Kumar (2012) claim that even if both poverty and extreme poverty has been reduced, Brazil has failed to challenge structural inequality that divides Brazil. Economic growth can in often exacerbate inequality. In this case, CCT programs alleviate hardship without addressing inequality.

Further, statistics can be somewhat flawed. Even if inequality has fallen there is still a big gap in the Brazilian population. Nevertheless, the largest tool presented in Brazil in order to fight this gap has been Bolsa Familia. The CCT has been more effective in fighting structural poverty than other social assistance. However, the “miracle” of Bolsa Familia faces scrutiny as its contribution to reduction in inequality is claimed to be limited. As previously mentioned increased salaries and pension also claim a large part of the inequality reduction (Hogg and Kumar, 2012).

Further, as mentioned there have been an increase in jobs as a result of Bolsa Familia. Even if it is hard to completely understand how much of this contribution stems from the CCT program, the evidence presented in this chapter suggests that Bolsa Familia has had a positive effect. 90 per cent of the jobs created in recent years have been on the lower end of the income scale. In other words, inequality remains evident, even in the labour market (Hogg and Kumar, 2012).

Productivity has grown. Despite this, workers earnings have not held pace. Numbers from Hogg and Kumar (2012) prove that the reduction in unemployment has been largely overstated as a contribution to poverty reduction. This is not to say that that Bolsa Familia has proven to be a failure. As mentioned, their research shows that programs addressing the root causes of poverty have had some effect. Or as stated by Drinkwater (2012) from Christian Aid, growth must go hand in hand with active measures to address structural factors that will otherwise continue to consign millions to hunger and other hardships. In that regard, this thesis supports the notion that Bolsa Familia contributes effectively to fight poverty through its focus on root causes.

This section has analysed poverty in Brazil. Further, the thesis has provided some statistics regarding poverty, inequality and growth. The literature presented has discussed the effect Bolsa Familia has had on the reduction in poverty. Some of the literature has suggested that economic growth is the main cause of poverty reduction. This study has, however, supported the notion that effective redistribution measures in relation to economic growth are needed. This is based on the historic background and literature that growth can contribute to inequality without solving issues regarding poverty.

As poverty and inequality has been reduced in Brazil, scholars have debated to what degree this can be credited to the CCT program. Some arguments presented have suggested that making payments to the poor conditional should not be a priority. This argument differs from much of the literature presented in this section, suggesting that conditions have had a positive effect on fighting the root causes of poverty. The thesis supports the notion that Bolsa Familia has a better effect on fighting poverty in the long run than other unconditional alternatives. Bolsa Familia is also far better rooted in society, a fact that contributes to its political and popular support.

Further, some scholars have questioned the effects of conditionalities, so-called externalities. The study supports the thought that externalities must be well understood. Also, it is important for policy-makers to understand the consequences of the conditionalities related to Bolsa Familia. Nevertheless, research shows that Bolsa Familia has had many positive effects on society in terms of conditionalities and externalities. In regards to this, this study views Bolsa Familia as a success in terms fighting both the immediate and root causes of poverty. However, the arguments presented suggest that the effect is limited and that Bolsa Familia is not necessarily the “magic bullet” that will eradicate poverty.

Furthermore, it is stated by Soares (et al., 2010) that inclusion rates gather more attention than exclusion rates. This is linked to the thought that inclusion is related to theft of the tax-payers money. As explained in this section, this is not necessarily true since numbers reflecting fraud are rather low. In 2006, 60 per cent of Brazil’s poor were not reached by Bolsa Familia (Soares et al., 2007; Soares et al., 2010). This high exclusion rate is largely as a result of the wrong measurement of poverty rather than the CCT program’s targeting issues: some families below the poverty level meet the criteria for the program, yet others do not. However, even if the financial capacity of Bolsa Familia has been expanded several times, there are still families left out (Mourão and Jesus, 2011). Sadulet and Janvry (2006) have described the exclusion issue in relation to alternative cost. The benefit of Bolsa Familia is simply so low that opportunity cost for changing behavior becomes high. This is not to say that people would not benefit from the program. However, some families are hesitant as they are not aware of the total benefits related to the program. This might not be an argument in relation to availability. However, if there was a

larger effort made by municipalities to include families hesitant to join, the results would be even lower exclusion rates.

In relation to inclusion, the debate surrounding targeting is far more complicated. How does one define if a family is non-eligible? Surely there are set standards for this. Looking at the numbers, the years 2004 and 2006 had 42.5 per cent and 49.2 per cent families in the program whose income was over the limit (Soares et al., 2010). By 2011 the inclusion level was 49 per cent (Mourão and Jesus, 2011). Fraud can explain some of these high rates, however, the levels of inclusion are only high if we consider the remaining percentage to be rich and not vulnerable to poverty.

Although fraud exists, the explanation for the high rates can also be found in less dramatic explanations. Honest and semi-honest mistakes by social workers is a lightly explanation. This might not be related to fraud, but rather a judgment call by the social worker. The person who is assessing a family might identify a family as poor, even if the family is not. The social worker might even assist a family to understate their income, as they know that the family will have times ahead with little income, for example after harvesting. Also, there are many families just over the poverty line in danger of falling under. The poverty return rate is also high. In 2005, 46 per cent returned to Bolsa Familia one month after leaving the program (Soares et al., 2010). This will, however, be analyzed further in a later section of this thesis. This study supports the notion that the high inclusion rates can be linked to several issues rather than fraud. The overview of the program does allow for some fraud. Nevertheless, for the most part the benefits reach receiving families in need. In regards to lowering the inclusion rate, the World Bank (2010) has called for strengthening of program management, consolidate program monitoring and program integration.

As the average income among families participating in Bolsa Familia is lower than the minimum wage, Mourão and Jesus (2011) have stated that Bolsa Familia can be regarded as successful in its targeting of the poor. In fact there seems to be a level of unmet demand. Zimmermann (2006 in Mourão and Jesus, 2011) claims that everyone lacking resources must be considered eligible. This is in line with arguments presented previously in this thesis that Bolsa Familia is first and foremost a tool to reduce poverty. As the main risk of inclusion

remains the registration process, this would be a main point of improvement (Lindert, 2007: 70). However, as the main reasons for exclusion is funding and highly specific criteria's for eligibility, efforts should be made in order to improve the CCT program in these fields. Soares (et al., 2010) claim that Bolsa Familia has not reached its full potential in terms of impacting the poverty levels of Brazil. There seems to be a clear demand for increased coverage, control of leakage, and lastly an incentive for exiting the program.

It will be extremely hard to find the last poor family in Brazil in order to obtain a 100 per cent inclusion rate (Soares et al., 2010). However, if Bolsa Familia could develop an exit strategy for families, the goal could change towards focusing on lowering the poverty rate rather than the inclusion of poor in the program. This will be analysed further in the next section of the thesis.

This section of the thesis has analysed structural issues related to Bolsa Familia. The CCT program is certainly well organized and developed. It is an impressive mechanism that has been created in order to limit cost and maximize efficiency. As a rather cheap program, Bolsa Familia is only 0.4 percent of total GDP expenditure. The cost of the program is almost too low. This study argues that the program has been successful in terms of keeping cost control. Further, the structure of the program has had a healthy development since the single registry was created. The relationship between local and federal government is a good one: in terms of overview and control, the levels of government function successfully in terms of administration and delivery of the program. However, this thesis argues that the program would benefit from increasing in size in order to limit exclusion rates. Further, inclusion rates are relatively low due to a well-organized structure of the program. Nevertheless, inclusion rates may drop further if even more effective frameworks for detecting fraud were developed on a municipality level. In regards to the program expanding to include the poor just over the current eligible income-levels, this study argues that the larger part of these recipients should rather be included since there are few differences between this income group and the one just below the eligibility level. This thesis will now view Bolsa Familia and its plan for lifting families out of poverty on a permanent basis. The study will analyze efforts to avoid families to return to poverty once they have achieved a more self-sustaining life. The thesis will also view the exit routes set up in order to assist people to become independent from these CCT benefits.

### **3.2.3 Exit Route**

In order for Bolsa Familia to be regarded as successful in reducing poverty in Brazil, the program should be measured up against its ability to lift families out of poverty over the long term. The program certainly has reached its main objectives in tackling problems related to poverty. However, the long term aim has been to fight the root causes of poverty rather than supplementing the lasting cycle of poverty rooted in society. Therefore, a successful exit from the Bolsa Familia program should be considered the final goal. Also, in regards to the pressure put on the program's resources, it would be beneficial to make room for new beneficiaries by excluding those who are no longer in need (Yaschine and Davila, 2008: 8).

Developing exit strategies can, however, be a complicated issue. Fiszbein and Schady (2009: 24-26) warns about too harsh exit strategies. As mentioned in the previous section, families may be vulnerable to poverty even though they do not fall below the poverty line. If harsh criteria are imposed, the process of getting families to exit the program might lead them to return just as quickly. There is also evidence that shows that families in many cases would put themselves in situations where they are eligible for benefits as they fear to be excluded from the program (Fiszbein and Schady, 2009: 24-26). Families may make their child fail a class in order to receive an additional year of benefits. Policymakers therefore have to be aware of the risk of trying to get families to leave the program.

There is also some criticism levied towards how sustainable exit strategies are defined. It is stated that exit strategies can take several forms and have different objectives, not always leading to the initial goal (Ford Foundation 2007: 8). This becomes evident when analyzing Bolsa Familia. Exit strategies can range between anything from lifelong programs to strategies towards shifting peoples' lives to lead them out of poverty (Samson et al., 2006: 48). An exit strategy can have the simple goal of processing people through certain criteria's, yet never reach the goal of getting families to come off the benefit support. Additionally, people can leave the benefit without having been lifted out of poverty, for example with Bolsa Familia, families no longer fulfill the criteria (due to children being over the school age for example) are therefore no longer eligible. This can be seen as an exit strategy itself as the goal of the program was to assist the family as long as the children

could be used as conditions (Samson et al., 2006: 76). Enforcement can be difficult and (as in this instance) the exit route may undermine the objective of the program.

The current exit route from Bolsa Familia, as far as an exit route goes, is through complementary programs (Ford Foundation, 2007: 8). As pointed out by Samson (et al., 2006: 80), providing skills, boosting job-creating economic growth and providing assistance for entry into work force are essential tasks that must be accomplished in order to move people from lives dependent on benefits into self-sustaining lives. As this study has argued earlier, Bolsa Familia has a positive effect on job creation. However, poverty must be fought by contributing to economic growth as well as providing benefits for the poor.

Santos (et al., 2011: 3) claims that the effects of Bolsa Familia in regards to economic inclusion are not seen immediately due to the complex variables influencing economic inclusion and the challenges in implementing specific policies. Although this thesis argues that Bolsa Familia has had a positive effect on economic inclusion, the study does recognize that more could be done in regards to establishing more effective programs to assist families to exit from Bolsa Familia to a self-sustaining life. So far the response to the challenge has been “the next step” (*Próximo Passo*). The program was launched in 2008-2009 and aims to provide technical training for adults from families in the Bolsa Familia program. This will further guarantee them jobs in the formal sector through government construction projects. By 2011, 65,000 adults had concluded their training and over 20,000 were in training. A total of 229 municipalities were running the program. This proves as a step in the right direction in order to make Bolsa Familia a more effective program in contributing to poverty reduction in Brazil. However, “the next step” is well integrated in Bolsa Familia, but the size of the program is rather small (Santos et al., 2011: 3). More is needed in order to develop a more effective exit strategy.

This study argues that the lack of a more extensive exit strategy has weakened the program and its potential effect due to the fact that 46 per cent returned to Bolsa Familia one month after leaving the program in 2005. It is necessary with a strong oversight and complementary programs in order to assist families through the process of exiting poverty (Holmes and Jones, 2010: 4). Homes and Jones (2010) further argue that a link between a



CCT and self-sustaining lives is essential. The study argues that Bolsa Familia has still proven somewhat unsuccessful in this area.

Soares (2011: 59) has stated that Bolsa Familia should adopt more permanent solutions in terms of keeping people on benefits for as long as they should want. As this thesis has mentioned, a lifelong program would in itself be an exit strategy. However, this would bring Bolsa Familia closer to Basic Income. This study further argues that Bolsa Familia should view possibilities to implement improved exit strategies into the program. Better coordination between existing institutions, local and federal government, can help to provide conditionalities linked to an exit from the program.

As explained earlier, policy changes can improve welfare regimes "architecture". If labor markets are well organized and able to absorb the labor force, the lesser the role the state will have to play in terms of redistribution (Franzoni, 2008: 67-68). This is however dependent on a larger formal labor market. Without proper exit strategies, Bolsa Familia will fail to shift some of the responsibility of redistribution away from the state. The result could be a population that is more dependent on markets and primary distribution as far as social security goes.

As previously discussed, families must have the opportunity to enter supplementary programs or benefits from the overall economic and labor market in order to overcome poverty. Yaschine and Davila (2008: 8) argue that this simply is a social right. Nevertheless, Bolsa Familia is not an entitlement. Even if one should argue that the poor have a right to a steady income, it would be more rational to support an argument for Basic Income. Bolsa Familia is not an entitlement and that is simply a limitation that categorises the benefit outside a universal social assistance to the population.

An exit strategy, however, would have to be assisted from society. A goal of the social assistance should be movement to formal employment and a steady income. There are several strategies towards reaching this goal. Government should encourage the private sector, and contribute themselves to let individual set up enterprises, farms or other productive activity that will create steady income and jobs (de Ferranti et al., 2003: 42). As argued by Samson (et al., 2006: 77), a successful exit route may require intervention from outside the program itself. They list agricultural extension, micro-credit, infrastructure

investment and human capital services as some examples of productive services. This argument is in line with the previously mentioned argument that government subsidies should encourage private initiatives in order to create jobs and opportunity.

There is certainly a need to adjust exit schemes as CCT programs continue to fight poverty in the long term as well as the short term (Yaschine and Davila, 2008: 8). A graduation from poverty should be the final goal rather than gaining continuity of the existing benefits. However, this will depend on the willingness of the population and the development of the Brazilian welfare regime. Other programs must supplement the CCT program and even integrate into it. Further, future attention to long term design may improve long term social impact (Samson et al., 2006: 77).

The Ford Foundation (2007: 17) has suggested that Bolsa Familia needs to go beyond the current program and look towards the future. The solution presented might be “the next stage” of social development in Brazil. As social security has come only so far in the nation, one can only speculate to what the future brings. By betting on the next generation, the strategy in the long term would be to invest in a child’s future through providing a scholarship. A savings account could be set up in order to provide an incentive for higher education. Although this can be seen as a radical thought in terms of social assistance in Brazil, the current development in power relations has provided the poor with a voice in political Brazil (Seekings, 2005). The trend has shifted towards the development of a stronger welfare regime.

The example provided by the Ford Foundation (2007: 17) has been seen as an investment in a child’s future, supported through certain conditionalities. As stated by Samson (et al., 2006: 114), exit strategies can be resource-intensive, yet proven worthwhile by the social gains achieved thereafter. Brazilian society may develop as the social protection continues to grow in the nation. The country has already seen huge redistribution. Even though Bolsa Familia is not a perfect program, it has still contributed to some degree as explained in the previous sections. A commitment from society must exist in order to obtain economic stability for the poor. This commitment must be even more profound than it is today. The commitment must also come from the poor themselves as a clear goal of graduating from poverty (Ford Foundation, 2007: 17).

Graduation from poverty is not guaranteed with any existing program. The commitment must come from the poor. However, creating a children's savings account and a time bound CCT program would be a step further from the existing program (Ford Foundation, 2007: 17). The Ford Foundation (2007: 17) argues that the current public transfers to vulnerable family's needs to seek mechanisms that combine CCT programs with instruments that protect families against coming risks related to poverty. This will be done by making incentives for families to create assets, mobilize savings, and tools to help youth and adults choose more productively. Although this is exactly what Bolsa Familia has done as a CCT program, the investment has not been great enough. This argument is rooted in the statistics that show the return rate to poverty.

This section has argued that there is a lack of a clear exit route to a self-sustainable income for the poor receiving benefits from the Bolsa Familia program. Many return to poverty after their benefits from Bolsa Familia end, and the benefits are limited in ability to provide long term solutions to the poor. Even if research has proven that Bolsa Familia has had the ability to change a poor family's choices and assist them out of poverty, it is evident that the program lacks a proper exit strategy. This study argues that this is a development area for the future.

### **3.3 Conclusion**

This chapter has evaluated the results of the Bolsa Familia program. Firstly, the paper has presented statistics from the CCTs contribution to fight poverty. The paper has argued that Bolsa Familia has contributed significantly to poverty reduction in Brazil. However, the reduction of poverty cannot be credited to Bolsa Familia alone. A healthy financial growth together with well-organized redistribution policies have resulted in a more even financial growth in Brazil. Secondly, some scholars argue that conditionalities can be seen as somewhat unfair and unjust. In some cases conditionalities can go against its purpose. However, this paper has argued that conditionalities have contributed positively to the long term fight against the inerrant circle of poverty. Also, the conditions have affected non-beneficiaries as well, through externalities that have benefitted communities as a whole. The targeting has of eligible receivers has been good, although there is a possibility

for expansion. Finally, the paper has argued that much work still remains in order to develop effective exit strategies from Bolsa Familia. As argued, initiatives need to be taken in order assist people to become self-sustainable, for the labor market to improve and be able to absorb the total labor force, and for the program to expand further.

## **Chapter 4 – Conclusion**

### **4.1 Introduction**

This chapter will conclude on the findings presented in the paper. The conclusion will be presented through three main arguments that will answer the initial research question, has Brazil experienced a reduction in poverty due to the effects of Bolsa Familia? The chapter will first provide an overview of the study.

### **4.2 Overview of Study**

This paper has analyzed the effect of Bolsa Familia on the Brazilian society. In order to discover if Bolsa Familia has reduced poverty in Brazil, this paper has provided extensive analysis of the program. In order to understand the background for the creation of Brazilian social security and the Bolsa Familia program, the paper has made use of theory provided by Esping-Andersen (1990; 1999) and Seekings (2005; 2008). The theory has explained the notion of welfare regimes. Esping-Andersen (1990) developed the theory based on how states responded differently to fiscal, demographic and political pressure. He further analyzed how the states intervened through social and labor market policies in order to reduce inequality. The paper has explained how Seekings (2005) applied Esping-Andersen's theory to "the south". By making use of the theory, the paper has explained how Brazil has moved towards a more universal welfare system. Seekings' theory has proven to be applicable in order to explain how social security has gone from being limited to citizens in formal employment towards being extended to the poor outside the formal sector.

The paper has presented the historical background of CCT programs in Brazil. The process of developing a social security system in Brazil has been long. As explained, the first steps of social assistance have developed from pensions for the labor force in the formal sector towards a structural fight against poverty. There exists an understanding within Brazil that the poor are poor because society is unjust. Also, as the Brazilian society has developed into a democracy, the understanding that there is a need to fight the structural sources of poverty has expanded with the right to vote. CCT programs have therefore gained ground. CCT programs provide grants in order to fight the direct causes of poverty, but have also

contributed to fight against the circle of intergenerational poverty through conditions attached to the grants (Lindert et al., 2007: 10-11).

The paper has provided a historic overview of CCT programs in Brazil in order to explain the development of Brazil's social security system leading up to the current system. Through exploring other key social programs, predominantly the Basic Income Guarantee, chapter two identified how Basic Income Guarantee has come about as a possible alternative and even a supplement to Bolsa Familia. However, the paper has identified and asserted that the two programs differ in nature (Suplicy, 2005; Kongdon, 2003).

Chapter two has provided a thorough evaluation of the structure of Bolsa Familia. The program has a rather complex setup. As explained, the criteria's for receiving the grant has become rather simple. However, the administrative structure has developed from multiple programs working without coordination, to the current single register system. The paper has also explained how policymakers have managed to provide more efficient solutions to the bureaucracy surrounding the program (Soares, 2012).

The paper has further explained how Bolsa Familia targets its population. It is essential that the program reaches families that are eligible in order for the program to effectively fight poverty in the country (Soares, 2010: 2012). This subject has also been related to the conditionalities tied to Bolsa Familia. Further, the paper has presented extensive literature regarding cost of the program as well as how capable the organizational structure is in meeting the demands of the program. Chapter three has measured poverty levels and trends, and further analyzed the effects Bolsa Familia has had on society. This has been done through analyzing the main features and implications of the program, mainly conditionalities, targeting, inclusion and exclusion, as well as externalities. Chapter three studied the subject regarding exit strategies.

#### ***4.3 Concluding Remarks***

This paper has analysed different aspects of poverty eradication methods in order to answer the research question: has Brazil experienced a reduction in poverty due to the effects of Bolsa Familia? The conclusion presented in order to answer the question is

threefold. Firstly, the paper has determined that the program and its development within Brazil are firmly rooted in society. The paper has analysed the place of Bolsa Familia in Brazil through considering the background, development and structure. Secondly, the paper has analysed the results of Bolsa Familia through observing statistics and trends among the poor in relation to structural efficiency, conditionalities and targeting, inclusion and exclusion, and externalities. Finally, the paper has presented arguments regarding an exit strategy from the program.

Bolsa Familia has emerged through a natural process within Brazilian welfare development. It becomes evident that Bolsa Familia is embedded in Brazilian society and has its historical roots in the regional development. Through Seekings (2005) theory, we have seen that the creation of Bolsa Familia, as well as other attempts of social assistance, has developed as certain factors have come into play. From starting out as a mostly employee-based welfare regime, Brazil has developed more universal forms of welfare. This shift is particularly evident after democracy emerged in the nation. Bolsa Familia is also supported by a well-structured organization that has developed from other previous CCT programs. This paper argues that the low cost and effective organization has contributed to the reduction of poverty and the popular support of the nation's voters. However, as stated by Soares (2012) the targeting of the poor has had its limitations due to cost concerns. As stated in chapter two, these issues have later been addressed, and Bolsa Familia has continued to develop through the organizational structure that has emerged the recent decade. The paper argues that the structure of the program has been allowed to develop into an efficient mechanism that has proven to be successful in Latin America's largest country.

Brazil has experienced a steady growth along with a steady decline in income inequality (Ferreira et al., 2007; UNDP, 2011; World Bank, 2011). Much of this can be credited to the redistribution program, namely Bolsa Familia and its predecessors. The effect of Bolsa Familia is hard to measure exactly. Further, the research that has been presented in regards to Bolsa Familia's contribution has been somewhat disputed. Broadly speaking this is because the decline in inequality has also been credited to other social programs, like pension schemes (Hogg and Kumar, 2012). Nevertheless, as stated by de Souza (2012) the paper recognizes the large contribution of Bolsa Familia along with other

social programs that have assisted poor families. There is no doubt Bolsa Familia has contributed through providing financial aid that has lifted families over the poverty line.

The program is also unique in Brazil as a CCT program, because it contributes to the fight against the direct consequences of poverty, as well as the intergenerational circle of poverty. This is as mentioned, done effectively through conditionalities. However, the positive effects of conditionalities have been somewhat disputed by scholars. This is largely because providing conditions to assist people out of poverty can be too harsh (Soares et al., 2010). The study has explored the literature that identifies the varying effects of conditionalities. Conditionalities can have a positive effect on school enrollment, child nutrition, preventing child labor, and health related issues (Faith and Vinay 2010: 2-4; Teixeira et al., 2011). They have proven to have a positive effect on consumption choice, and have contributed to so-called externalities that have had positive effect on society as a whole (Das et al., 2005: 57). The paper does however emphasize the importance of evaluating conditionalities to avoid negative effects for vulnerable poor families (Ribas et al., 2010A).

In addition to conditionalities, targeting remains one of the main factors of Bolsa Familia. The paper argues that Bolsa Familia's structure has contributed to a minimum of inclusion errors. The targeting mechanism does resulted in some inclusion errors, yet the monitoring of the program has proven to be more efficient than other programs that are similar to Bolsa Familia, even if suspicion of fraud and corruption remains. However, the paper argues that there is a need to include those who lie just above the poverty line, as well as those who are vulnerable in term of the risk of falling below (Soares et al., 2010).

The biggest challenge may be the exclusion rates. On this regard, the paper supports the notion that there may potential for some development in order to expand the program even further. Finally, the paper has argued that although an exit strategy exists through "the next stage", there is a need to develop further exit strategies in order to fight the intergenerational circle of poverty.



The paper concludes that Brazil has experienced a reduction in poverty due to the combination of steady economic growth alongside effective social security programs. It is within this process that Bolsa Familia has played an important role both in terms of the historical development of Brazilian welfare, and as an effective tool to redistribute wealth and tackle the structural challenges of poverty in Brazil. Only time will prove if social equality will improve further in the nation, although much has been done in order to lay the groundwork for further development. Therefore, the paper argues that Bolsa Familia has proven to be successful in regards to reducing poverty in Brazil, yet there is scope to further improve its effectiveness. Although Bolsa Familia has proven to be effective in reducing poverty in Brazil, the program can look towards expanding its initiative in order to assist families towards a self-sustainable life, both for the current and future generations (Ford Foundation, 2007: 17).

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