The New Generation of Social Programs in Brazil*

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Comments Welcome

by

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Introduction

Brazil was the first country in Latin America to implement conditional cash transfer (CCT) programs. The Bolsa-Escola was the pioneer CCT in Latin America and served as the basis for a number of other CCTs, such as the Progresa in Mexico. CCT programs represented an important innovation in social policy, as they attempt to alleviate poverty while giving incentives to improve human capital, deviating the focus from social assistance to social development. For this reason, they have been called “a new generation of social programs”.

Between the mid 1960s and late 1970s, Brazil experienced the combination of a dictatorial regime and an average annual GDP growth of 10%, making anti-poverty policies a secondary priority. However, the lesson from the 1980s was clear: the high economic growth of the 1970s did not promote a sustainable reduction in poverty, since the low economic growth of the 1980s pushed poverty back to levels of the mid 1970s. Thus, the widespread belief that economic growth would eradicate poverty was weakened, highlighting the need to design effective anti-poverty policies.

Under a variety of economic and institutional scenarios, inequality has remained consistently high over the last thirty years. As a result, poverty levels in Brazil have been higher than in other countries with similar development levels, despite the fact that public social spending has been proportionally higher than in other middle-income nations. Thus, the Brazilian social policy was soon perceived as historically inefficient and ineffective in attacking poverty. It was in this context that the idea of social safety nets first appeared as a proposal of structuring the country's social assistance system.

This structuring consisted in changing the anti-poverty policies to consider Brazil's poverty profile to better target the most needy. In particular, the low human capital development was seen as a major cause of long-term poverty. To overcome this problem, proposals of CCT programs were designed and put into practice in the mid-90s.
The purpose of this article is to show the recent evolution of anti-poverty policies toward conditional cash transfer programs in Brazil. The thesis currently supported is that the emergence of such programs is a result of a learning process in social policy, rather than a mere reflex of the neo-liberal contour of the State. For this purpose, the rest of this article is organized as follows. The first Section describes how the ideas concerning social policy evolved during the 1980s. Section 2 investigates the appearance of the idea of CCTs as well as the proposal of the Bolsa-Escola Program. The first implementations of such proposal and the national spreading of other CCT programs are analyzed in Section 3. Section 4 is dedicated to a description of the recent integration of the federal CCTs into the Bolsa-Família Program. Section 5 concludes with a brief discussion of the current challenges faced by the Brazilian social policy.

During the 1980s, the ideas concerning social policy in Brazil underwent major changes, although social policy itself remained mostly unchanged. The end of the twenty-year military regime and the subsequent democratization process ruled the political agenda at that time. This process had deep effects on the ideas concerning the country's social policy system, which had been in place since the 1930s. Corporatist and clientelist patterns guided this system, with access being restricted to those sectors of the population with more bargaining force, notably, urban workers with formal jobs.

Even with the influx of new ideas, social policy itself did not change qualitatively during the 1980s, except for some specific innovations and an overall upward trend in social expenditures. The institutional structure inherited from the 70's began to change only with the Constitution of 1988, preventing vast improvements on the quality of social expenditures throughout the decade. One of the new features of the social policy was a growing concern for the need of a new social protection system, since the great economic growth of the 70's had not been fully translated into sustainable improvements in the standard of living of the poor.

The political liberalization of the late 1970s and early 1980s was accompanied by the emergence of a number of collective actors, organized and oriented by new forms of political action (Draibe, 2002). These actors consisted of newly organized oppositional political parties (such as the leftist Partido dos Trabalhadores, or PT), autonomous labor unions, middle-class activists, and social movements supported by progressist sectors of the Catholic Church (such as the Movimento dos Sem-Terra). Despite various ideological discrepancies among them, these actors built an anti-authoritarian consensus, pushing for democratization and political decentralization throughout the decade. These demands were reflected in the political debates about restructuringsocial policy and formed the political and social agenda that would be contemplated by the Constitution of 1988.
The New Constitution was ambitious: it settled social-democrat guidelines for social policy, stressing the universality of coverage and benefits, thus opposing the patterns prevailing until the 1970s. Nevertheless, the use of selectivity criteria to distribute benefits to the most needy was also introduced. Furthermore, the Constitution deepened the ongoing decentralization process, strengthening the fiscal and administrative autonomy of sub-national governments.

This political agenda clearly pushed for the expansion and decentralization of public social spending. Overall, social expenditures increased significantly throughout the decade, rising by 62% in a period over which the GDP and GDP per capita increased 22.2% and 2.3%, respectively. At the same time, the decentralization process the country was undergoing implied a reduction in the role of the federal government vis-à-vis that of sub-national governments in provisioning public goods and services. Thus, while the central government was responsible for nearly 66% of all social public expenditures in 1980, that percentage fell to 62% in 1985 and further to 57% in 1992. Although not steady, this process changed significantly the composition of social expenditures, having later impacts on the design and implementation of social policies.

Despite expenditures were decentralized, social policy design and implementation remained centralized at the federal level, due mostly to its institutional structure. For instance, the inherited Brazilian League for Social Assistance (LBA), created in the 1940s, continued to be the most clear face of the centralized and clientelistic public action in social assistance.

The increase in public social spending and the new poverty-alleviation programs were not accompanied, however, by reductions in poverty and inequality throughout the 1980s. The Gini coefficient climbed from 0.58 in 1980 to 0.64 in 1989, and the poverty headcount ratio followed its historical counter-cyclical behavior: at the lowest point of the early 1980s recession, in 1983, the percentage of the poor reached 49%, whereas in 1987, after two years and a 10% GDP growth, this number

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1 The only period in which social spending experienced a sharp drop was between 1982 and 84, when policy-based loans with the IMF were contracted. As the reduction of central government's public spending was among the measures used to achieve external stabilization, federal social expenditures fell by 23%, while GDP rose 2.3% and GDP per capita declined -1.8%.
dropped to 26%.

These figures reflect a historical feature of social spending in Brazil – its inability to reduce poverty and inequality, or even to act counter-cyclically, as a safety net, preventing their increase during macroeconomic shocks. This observation soon led to concerns about the effectiveness of social policy in Brazil. For instance, the World Bank published in 1988 a report showing that despite spending around 8.8% of its GDP on the social sector – one of the highest levels among middle-income developing countries – Brazil had a poor performance on social welfare indicators such as infant mortality and illiteracy.

The diagnosis for this ineffectiveness and inefficiency was clear: over-centralized structures and lack of selectivity should be attacked by policy makers in order to enhance the quality of social spending (WB, 1988). Even though these issues were addressed by the New Constitution, some factors prevented reforms from having full impacts on the country's social policy. The low economic growth and subsequent budgetary restrictions sharpened conflicts of interests between organized and non-organized groups. As a result, benefits of the latter remained untouched, as can be seen by the regressive aspect of social spending still visible today (Brazil, 2003). This regressive feature is also a reflex of the weight social security has on overall social policy in Brazil; as benefits in this sector are proportional to contributions, they are not progressive.

The search for efficiency and effectiveness led to the idea of safety nets. Proposals of new forms of social assistance in accordance with the New Constitution guidelines emerged from the newly formed political elites. The perception of the inefficiency of food programs led to their almost complete elimination in 1990. Meanwhile, debates on proposals of minimum income programs evolved in the direction of conditional cash transfers, which will be discussed in the next section.

Of course, other factors, such as real income gains resulting from a expansionist minimum wage policy, were crucial to this substantial but ephemeral reduction on poverty.
2. 1990-94: The Minimum Income Debate

In 1990, President Collor inherited a country under a hyperinflationary process with serious fiscal problems. The president had won the 1989 elections – the first direct presidential election since 1964 – with promises of combating corruption, controlling inflation and modernizing the country's economy. A series of corruption-related scandals led to the president's impeachment in 1992. In its three-year existence, the Collor administration implemented a tight macroeconomic policy, combined with liberalizing measures such as commercial and financial deregulation, which resulted in decreases in both the GDP and GDP per capita of 3.9% and 8.3%, respectively. Also, reducing public deficit as part of the strategy for controlling inflation affected the central government's social expenditures, which sharply fell between 1989 and 1993, reaching their lowest levels that year. Meanwhile, poverty and extreme poverty levels followed their historical counter-cyclical pattern, and in 1993 the percentage of poor and extremely poor reached 43% and 20%, respectively.

The reduction of social expenditures is perhaps the most striking evidence of the Collor administration's lack of commitment to social policy. Moreover, not only was the provision of public goods and services to the overall population substantially reduced, but the anti-poverty programs also suffered severe cuts: almost all the food and nutrition programs were ended in 1990. The low efficiency and effectiveness of those programs were the main reasons for their extinction, but the fact that no other compensatory program was put into practice - despite the increasing poverty levels - reveals how disastrous those years were in terms of social policy.

Some legal instruments which have had positive impacts on the social policy were, however, passed in Congress in that time. For instance, the Organic Social Assistance Law (LOAS) was approved in 1993. Moreover, a bill of law to introduce a minimum income program was presented in 1991 by Senator Eduardo Suplicy, of the leftist party PT. The proposal of the Programa de Garantia de Renda Mínima (PGRM) consisted in a negative income tax to every individual over 25 years of age.

\footnote{The LOAS consists essentially of cash transfers to poor old people living in rural areas and to handicap with no contributive counterpart.}
with a monthly income less than twice the minimum wage, which was used as a poverty line. In order to prevent incentives to reduce the individuals' labor supply, the benefit would correspond to just 30% of the difference between the minimum wage and the individual's income. Furthermore, because of budgetary restrictions, the PGRM would begin with the elderly and then gradually be extended to the younger population (RAMOS, 1994).

The PGRM, although not original, was to introduce several innovations in the Brazilian social protection system. First, it would benefit informal workers, breaking with previous trends of assisting only formal workers. Second, it was the first proposal of cash transfers targeted to the poorest, forming a safety net that protected beneficiaries from both macro- and microeconomic shocks. Third, it also broke with the clientelistic feature of the Brazilian social policy, as it was aimed to cover the entire poor population and not just interest groups. Finally, it was openly aimed to fight income inequality, a goal which had never been directly faced by policy makers in Brazil.

Although originally proposed by Milton Friedman, a well-known liberal thinker, the idea of a negative income tax as an anti-poverty policy was being supported by leftists in Brazil. This unusual mix of ideologies as well as the innovative features contained in this proposal drew the attention of policy makers and intellectuals from different backgrounds.

Even though the importance of cash transfer programs was largely recognized, a number of drawbacks in the PGRM design were pointed out. First, checking the income of informal workers, a group which represents nearly 50% of the Brazilian labor force, was extremely difficult. Thus, the PGRM was to generate incentives to sub-report income, increasing the chances of a program reaching non-poor individuals, which would mean a mis-targeted program. Furthermore, as non-poor informal workers would benefit from the program, formal workers would have the incentive to migrate to informal jobs, while informal workers would have the incentive to remain as such. That in turn would have potential negative consequences on overall economic efficiency and public accounts.
Some criticism also arose from the fact that the program was designed to begin with the elderly and, further, that it would benefit only individuals above 25 years of age. Besides questioning the program's affordability, critics pointed out that the incidence of poverty was greater for children than for older age groups. Furthermore, while people in older age groups tend to consume additional income, younger individuals have more propensity to invest resources in human capital. Hence, beginning the program with those families with children would be a better strategy in terms of poverty alleviation and human capital accumulation.

The very idea of complementing income was also an object of criticism, especially among leftists. It was argued that a mere cash grant was not sufficient to attack structural poverty-related problems, which weakened the program's legitimacy. According to this reasoning, anti-poverty programs should not be primarily concerned with poverty alleviation. Instead, they should be designed to have long-term effects, which made policies directed at employment opportunities the most appropriated ones.

These observations assume that the main cause of poverty is unemployment, overlooking the role that education plays in long-term poverty. Besides displaying one of the lowest intergenerational educational mobility in the world (WB, 2003), Brazil faces a strong inverse relationship between education level and poverty rates. Thus, there is a clear mechanism of intergenerational transmission of poverty that forms a continuing cycle of low schooling and poverty. Moreover, poor children do not attend school because they must work to contribute to their families' income. That is, poor families face a high opportunity cost in sending children to school. As the credit market is highly imperfect in Brazil, supply-side interventions in education are limited as they hardly address this opportunity cost.

In light of these criticisms and perceptions, Camargo (1993) suggested two key changes in the PGRM design. First, in order to ensure its effectiveness and affordability, the program should be targeted not on poor individuals, but on poor families with children of school-going age. Second, in order to break the vicious poverty cycle, families should invest in the education of their offspring. Thus, so as to receive stipends, beneficiaries should not only meet the eligibility criteria, but they
should also enroll all their children in school, and assure a minimum school attendance. That is, a conditionality was added to the program's design, with the aim of guaranteeing investments in human capital, which in turn would promote a sustainable reduction of long-term poverty. This first proposal of a conditional cash transfer was soon called Bolsa-Escola Program (BEP).

The conditionalities can be understood in a number of ways. From a liberal perspective, they represent social counterparts; in order to “deserve” society's aid, potential beneficiaries must take certain definite actions from which stem social returns. This view emphasizes the choices made by the poor as a central cause of poverty. On the other hand, social-democratic positions think of conditionalities as a way of guaranteeing that the universal right of access to basic education is being met. That is, the BEP is seen as a way to strengthen universal principles by taking a selective and focused approach. (Lavinas, 2001)

The central idea of the BEP is thus to alleviate current poverty and attacking long-term poverty by giving money incentives to improve schooling. Objectives can thus be summarized as follows: (i) to improve schooling levels of the beneficiaries; (ii) to promote immediate poverty reduction; (iii) to reduce the incidence of child labor; (iv) to constitute safety nets, thus minimizing the negative effects of both macro- and micro-economic shocks. (Ferreira et al, 2002)

From investments in education, the generalization towards other forms of investment in human capital was straightforward. In fact, various CCTs that were implemented from 1995 onwards, which will be discussed in the next section, used conditionallities linked to investments not only in education but in health care and nutrition as well.
3. The new generation of programs

In 1995 President Cardoso inherited a country that had managed to reduce inflation from a 40% monthly rate to less than a 10% annual rate through the *Plano Real* stabilization program. Liberalizing measures such as privatization, commercial and financial deregulation and institutional reforms were deepened, attesting the neo-liberal contour of the Cardoso administration. Stabilization played a central role in reducing poverty for it ended the well known "inflationary tax", which falls mostly over the poor. Also, a significant real increase in the minimum wage rose considerably the purchasing power of the poorest population. Furthermore, despite its neo-liberal profile, the administration implemented an expansive fiscal policy, increasing social spending steadily. These elements boosted a short but significant period of economic growth contributing to poverty reduction: in 1993, the poverty headcount ratio was 43%, while in 1995 that fraction was 35%, reaching 34% in 1998, the end of *Plano Real*’s first phase and Cardoso first tenure.

The success of the *Plano Real* in achieving macro stability reelected President Cardoso. However, the very beginning of his second tenure was marked by threats of high rates of inflation. Monetary and fiscal policies where then tighten: nominal interest rates reached 45% per year, whereas policy-based loans with the IMF fixed goals for fiscal primary surplus, constraining social expenditures. As a result, GDP and GDP per capita grew less than 0.1% between 1999 and 2002, while poverty headcount ratio fluctuated between 35% and 31%.

During the two Cardoso administrations, social policy in Brazil experienced major progresses. The decentralization process reinforced by the New Constitution went finally beyond spending, affecting also policy design and implementation. While central government stimulated partnerships with other sub-national governments as well as with civil-society organizations and the private sector, municipalities accounted for important innovative programs. The implementation of BEPs is perhaps the main contribution municipalities have given to the Brazilian social policy in the
3.1 The Municipal Bolsa Escola Programs.

The proposal of the Bolsa-Escola Program (BEP) was first put into practice in Brazil in 1995. The initial programs were designed and implemented by municipal governments, which constituted an exception among Latin American experiences, where central governments were typically responsible for CCT programs. Despite support given by the federal government that began in 1997, the BEPs remained run by municipal governments until 2001, when the National Bolsa-Escola Program (NBEP) was launched. As these local experiences blossomed, some federal actions accounted for major innovations in the social policy, contributing to the NBEP implementation and design. These included the Comunidade Solidária Program (CSP), launched in 1995, and the Programa de Erradicação do Trabalho Infantil (PETI), another CCT initiated in 1996.

The first two CCT programs launched in Brazil took place in the Federal District (DF) and in the city of Campinas, both in the form of BEPs\(^4\). After these two pioneering experiences, municipal BEPs were implemented throughout Brazil. While at the end of 1995 only six BEPs existed, including those in DF and Campinas, 58 separate programs were in operation by 1999.

Even though the various local BEPs displayed a number of differences between them, a common set of essential features existed among them (see box below). It is noteworthy the fact that all of BEPs were pure demand-side interventions, meaning that no resources were given to the particular schools that served beneficiaries.

Interestingly, but perhaps not surprisingly, the heterogeneity of ideas presented in the conception of the BEP was translated into the political action used to implement the municipal BEPs. The unusual combination of left-wing and liberal positions, which resulted in the BEP proposal, was reflected in the diversity of the political actors that first supported and adopted the BEP. For example, in 1995 while Campinas

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\(^4\) The Campinas program was actually called Programa de Garantia de Renda Familiar Minima, just as the original proposal by Senator Eduardo Suplicy. However, as most of the subsequent programs adopted designs similar to that of the DF, they are commonly called Bolsa-Escola, regardless of their actual name.
was administered by the Brazilian Social-Democratic Party (PSDB), its main political rival, the Labor Party (PT), administered the DF.

This broad political support can be seen as a reflex of the overall favorable reception of BEPs by society. Among the national elites there was a consensus that the country's main problems stemmed from its low levels of schooling and health care and high levels of poverty and income inequality. This became clear in a study conducted by Reis (2001), where members of political, entrepreneurial, bureaucratic and rural elites were surveyed on poverty and inequality-related issues. Accordingly, from the standpoint of these elites, improving educational levels should constitute the main national goal in the mid-term. Put another way, the need of more effective educational policies was seen as a priority by the political actors and policy makers.

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**Box 1: Municipal Bolsa Escola Programs**

This Box describes more explicitly some details on programs' criteria, design and implementation of the 58 local BEPs in operation by 1999, listed in World Bank (2001).

**Eligibility criteria:** In order to be eligible to a BEP, families must meet the following criteria:

i) *per capita income below a certain threshold:* the majority used a threshold of between $\frac{1}{2}$ and $\frac{3}{4}$ of the minimum wage, while others used R$35 or R$60.

ii) *have children in school age:* the programs outside the state of São Paulo typically required children to be in the 7-14 age bracket. Municipalities within the state of São Paulo usually adopted broader brackets, including the 0-7 age group.

iii) *residency requirements:* most municipalities limited access to the program by requiring a minimum time of residency. Forty three out of the 58 programs listed by the World Bank (2001) required a minimum of two years of residency, while other programs required from 1 to 5 years.

iv) *mother head of the family:* 19 out of the 58 programs give priority to mother-headed families.

**Benefits:** In most programs, stipends were fixed at 1 or $\frac{1}{2}$ minimum wage and paid monthly. The main exception was perhaps Campinas, which implemented a truly minimum income program, as the benefit was calculated according to the difference between the per capita family income and a minimum of XX minimum wage. Furthermore, few programs provided in-kind benefits along with, or not, cash grants.
**Program Duration**: in all municipal BEPs individuals received benefits during the period of one year, after which they should re-apply for benefits, meeting again all the eligibility criteria.

**Conditionalities**: In all BEPs stipends were paid on the condition that all children in school-going age were enrolled and attending school for a minimum number of days per month. Some BEPs also required scholastic performance, and few required participation in other programs. For example, the DF program required unemployed parents to participate in National Employment System (SINE), while Campinas required children medical care monitoring.

**Monitoring**: Municipalities asked schools to report students compliance with conditionalities. For this end, the engagement of teachers was crucial.

**Implementation**: The processes of implementation of program used by municipalities showed to be quite similar. Typically, local governments identify the most needy areas in the municipality, and send their staff to those areas in order to carry on a register.

Besides recognizing the ineffectiveness of educational policies, the elites also pointed out the inefficiency and ineffectiveness of the overall Brazilian social policy. When respondents were asked about the causes of public policies' failures in reducing poverty and inequality, 29.3% blamed poor policy planning and execution, which shows that the road to innovative policies was politically opened.

Furthermore, at the same time that the BEP was well received by the elites, it also had a wide acceptance among the middle class, despite their exclusion from the program. In fact, the argument that the program was designed to reach the most needy, as well as its effective little leakage to the non-poor, was used to generate both domestic and international political support (WB, 2003). The fact that the BEP did not create domestic political conflicts around distributional issues shows that despite being a redistributive policy, the program has not been seen as a zero-sum policy.

In addition to this wide acceptance of the BEP idea, several studies showed overall positive impacts of the municipal BEPs, although systematic evaluations of the
programs were not made. Studies estimating the impact of BEPs on educational indicators such as enrollment, attendance, drop-out rates and scholastic achievement show that beneficiaries performed better than non-beneficiaries. Results on child labor, on the other hand, have not been so conclusive. Furthermore, the evidence demonstrates that the program was well targeted; that is, the beneficiaries' characteristics did match the selection criteria.

Despite these positive evaluations of the municipal BEPs, the increase in the number of municipalities adopting these programs was accompanied by some factors which called for coordination of actions at the national level. First, a great variation in the coverage of the BEPs could be observed (Ferreira and Camargo, 2001): while certain municipalities managed to benefit only 6.5% of the their families with per capita income below the threshold, others delivered the program to more than 45% of the potential beneficiaries.

Moreover, BEPs were primarily implemented by those municipalities that had the available resources to afford them. However, these municipalities are exactly the ones with better development indicators and with less poverty incidence. For instance, Rocha (1999) estimated that the adoption of the BEP by Northern and Northeastern metropolitan municipalities would represent 11.5% to 19.2% of the local governments' revenue. For Southern and Southwestern metropolitan municipalities, however, the cost of a BEP was estimated by the author at 0.2% to 3.6% of municipals' revenues. This was a clear evidence of mis-targeting between municipalities, even though the programs were well targeted within the municipalities.

Therefore, national funding aimed to finance BEPs in poorer regions was seen as the appropriate solution to guarantee the programs' targeting as well as their effectiveness in fighting poverty. In fact, several studies (Lavinas, 1998; Rocha, 1999; Rocha, 2000; WB, 2001) recommended federal subsidies in order to assure programs' targeting.

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5 Differently from other Latin American CCT programs, like the Mexican Progresa and the Nicaraguan RPS, the BE did not have built-in experimental evaluation designs, which makes the program harder of evaluating from a methodological standpoint.


7 Rocha (1999) simulates the impacts of a BEP using the following eligibility criteria: per capita family income less than ½ minimum wage, children in the 7-14 age bracket, and 5 years or more of residence in the municipality. The benefit is 1 minimum wage, regardless of the number of children in the family.
affordability and sustainability.

### 3.2 The National Bolsa Escola Program

The interaction of positive evaluations with the variations in performance of the various municipal BEPs, and the growing consensus on the need of educational and anti-poverty policies, created a favorable (political) environment for federal interventions in the BEPs' financing. In fact, this favorable environment led to the opportunistic behavior of the President of Senate of the right-wing party, *Partido da Frente Liberal* (PFL), who proposed the creation of the Fundo de Combate e Erradicação da Pobreza. This fund later financed the main anti-poverty federal programs.

It was in this context that President Cardoso launched the National Bolsa-Escola Program (NBEP) in 2001, increasing significantly the amount of resources directed at the program\(^8\). Nevertheless, the US$680 million directed at the NBEP represented a mere 0.7% of federal social expenditures in 2001.

Overall, the NBEP introduced two sets of changes to the existing BEPs, the first of which was the unification of the various BEPs' designs and parameters. Thus thresholds, eligibility criteria, conditionalities, and benefits were made common to all municipalities. The second set of changes introduced by the NBEP concerned the program's functioning and funding. The NBEP was based on partnerships between the federal and municipal governments in a way to avoid shortcomings of over-centralized structures. In these partnerships, municipalities were responsible for the execution of the programs, while the federal government designed, coordinated and financed benefits. Furthermore, stipends were paid directly to the beneficiaries from the federal government, preferably to the mother, through the use of electronic cards. Finally, most of the spending was directed at poor municipalities within the 14 states with the lowest HDI.

One controversial point about the NBEP was its low cash allowance of R$15

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\(^8\) While in 1997 total spending with BEPs amounted R$ 10 million, this number increased to R$ 1.5 billion in 2001.
per child, up to a maximum of R$45 per family. Ferreira et al (2002) estimated that this amount reduced the short-term headcount poverty ratio by only 1 percentage point. Nevertheless, the program was well targeted, indicating that transfers should be increased so as to accomplish the objective of reducing current poverty. However, it should be noted that municipalities were allowed to increase stipends using their own resources, thus enhancing the impact of the NBEP on poverty.

3.3 Other Innovative Federal Programs.

Concurrent to the implementation of BEPs at local levels, some innovative policies also took place at the federal level. Launched in 1995, the Comunidade Solidária Program (CSP) changed the form and content of the anti-poverty agenda by replacing the LBA\(^9\). The CSP had two streams of action. The first held an immediate poverty alleviation nature, and actions in this stream consisted primarily of food handouts to poor regions adversely hit by shocks such as droughts. A federal agency with its own budget was responsible for these compensatory policies. The second stream can be seen as a strategy of providing access to universalistic policies for the needy population through partnerships between the three levels of government and civil-society organizations. These are presided over by a Council that carried out programs requiring low state fundings. For instance, the Alfabetização Solidária Program consisted of literacy classes taught by local University students and was jointly funded by the Ministry of Education and private sector donors (Ferreira et al, 2000; Draibe, 2002).

At least three innovations conducted by the CSP were of major importance for the NBEP. First, the CSP was one of the first federally structured policies to use sound selection and targeting criteria; the geographical areas assisted by the program were chosen according to their poverty incidence. This strategy was also adopted by the NBEP, which used the HDI to select and prioritize the states and municipalities to be assisted. Second, the NBEP inherited the partnership-based structure of the CSP, as it was jointly operated by federal and municipal governments, with clear rules for resource transferences from federal to municipal governments. Finally, both the CSP

\(^9\) The LBA had traditionally centralized financial resources, formulation and management of the Brazilian social assistance system, and was marked by clientelism and inefficiency. See Section 2.
and the BEP are aimed to extend universal policies by targeting the poor.

Along with the CSP, the PETI was also an innovative federal program. Launched in 1996, it was the first federal CCT program implemented, and it had the similar basic objectives of the later NBEP: reducing child labor by improving school attendance. The program was focused, however, on those children who actually worked on risk labor activities, and required that these children did not work during the program. Also, children were required to attend to after-school activities (the *Jornada Ampliada*), in order to keep them away from labor activities. For that, municipalities were eligible to receive additional resources to create, expand and improve those after-school activities and for tutoring, transportation, feeding and recreation services. That is, supply-side interventions were present in the PETI design, a feature which as not passed to other CCTs in Brazil. The budget program in 1998 was R$25 million and its evaluation have been positive, emphasizing the support of civil society organizations in selecting and monitoring the program (WB, 2001).

At the same time that the NBEP intended to expand the coverage of the previous municipal BEPs, it did not puzzled out the problem of excluding vulnerable families with no children or with children outside the 6-15 age bracket. With the purpose of assisting such families, in particular those with pregnant or lactating women and/or with children below six years of age, the federal government launched, in the same year as the NBEP, the Bolsa-Alimentação Program (BAP). As a CCT, the BAP followed the strategy of simultaneously alleviating current poverty and attacking long-term poverty by promoting human capital development. However, instead of focusing on education, the conditions to be met by the BAP beneficiaries were health care and nutrition-related.

The BAP design was very similar to the NBEP one; besides using the same parameters (see box below), the BAP also adopted geographic targeting. Also, both of the programs used a common register to select beneficiaries. The impact of such a program was evaluated by the IFPRI, by comparing children under 7 years of age from program beneficiary households in four municipalities in Northeast matched with non-beneficiaries selected to receive the program, but excluded due to administrative errors. (IFPRI, 2003) Positive impacts on a number of indicators were shown.
**Box 2: Federal CCTs**

<table>
<thead>
<tr>
<th>Program</th>
<th>Launched</th>
<th>Target</th>
<th>Objectives</th>
<th>Benefits</th>
<th>Conditionality</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PETI</td>
<td>1996</td>
<td>Families with working children. Priority is given to: families with per capita income &lt; ½ of the minimum wage, and for children working in risky activities.</td>
<td>Eradicate child labor; improve school attendance</td>
<td>R$ 25 per month per children in rural areas; R$ 40 per month per children in urban areas.</td>
<td>Children must have at least 85% of attendance to school and attendance to after-hours activities.</td>
<td>In 1996 the program was implemented in 17 municipalities and benefited 3710 children. In 2003, more than 809,000 children in 2601 municipalities received monthly stipends.</td>
</tr>
<tr>
<td>National Bolsa-Escola</td>
<td>2001</td>
<td>Poor families (&lt; R$90.00 per capita) with children between 6 and 15 years old.</td>
<td>Improve schooling levels; reduce child labor.</td>
<td>R$ 15 per month per children, up to three children per family.</td>
<td>Children must have at least 85% of attendance to school.</td>
<td>In 2001, the NBEP 5 million families. In 2003, this numbers climbed to 5.6 million.</td>
</tr>
<tr>
<td>Bolsa Alimentação</td>
<td>2001</td>
<td>Families with pregnant/ lactating women or with children between 0 and 6 years old.</td>
<td>Improve children nutrition status.</td>
<td>R$ 15 per month per beneficiary, up to three beneficiaries per family.</td>
<td>Women must attend to pre-natal care; growth monitoring; vaccination schedules; sending children to day-care and pre-school activities.</td>
<td>In 2003, the program benefited nearly 1.7 million families.</td>
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First, the marginal propensity to food consumption – the percentage of one more Real to family income for food purchase – was very high comparing to programs as Food Stamps in the USA or Food for Education in Bangladesh. This means that stipends were mostly spent on food, which was in accordance with the programs' objectives. Moreover, beneficiaries improved their eating habits by consuming a greater variety of foods thus balancing their nutritional regime. Finally, the anthropometric indicators evolved faster for beneficiaries than for the non-beneficiaries. The study concluded that the positive impacts were directly related to the conditionalities of the program, emphasizing the importance of health care visits and the nutritional education workshops.

Along with other federal targeted programs, all the federal CCTs were incorporated in an umbrella program, namely, the Alvorada Project (PA). However, the PA was aimed at reducing regional inequalities by offering the programs to the poorest municipalities, rather than integrating the administrative structures of the three existing CCTs. Thus, the issue of avoiding the waste of resources with superposition of administrative efforts in the execution of these CCTs remained untackled. The next section analyzes the paths to unification the federal CCT programs into the Bolsa Família within the Lula administration.
4. The integrated Bolsa-Família Program

On his fourth attempt, Lula was finally elected President in 2002. The election of President Lula was marked by high expectations on social progress that could rapidly improve the quality of life for those that seemed to be excluded from the process of economic development. Brazil’s governmental strategy was twofold: to guarantee macroeconomic stability and to achieve more equitable growth with more rapid social progress. The economic policy of the Lula administration has not been qualitatively different from the previous administration's: inflation control through tight fiscal and monetary policies remains the main guideline. Social policy, however, was about to disregard its past progress.

Instead of enhancing the existing CCTs, the Lula administration first opted for launching, and heavily pushing, a new but old-fashioned program, namely, the Fome Zero Program (FZP). The FZP consisted mostly in food handouts and incentives/subsidies to local food production, and was financed by both the administration and by private donors. The immediate support received by the FZP from society in the form of donations must be seen more as a result of the Government's propaganda than as an actual preference for this sort of policy. When considering the technologies available for social policy, the FZP in fact represented an involution. However, the program did have success in achieving society's engagement of the problem of extreme poverty and hunger. (Neri, 2004).

This conceptualization was, however, doomed to deliver an inefficient program: indeed, the difficulties of the FZP in reaching its objectives soon became evident. The Government then shifted its strategy regarding the social area, diverting more attention to the existing CCTs programs. The failed idea of a new social policy to combat extreme poverty and hunger with the FZP was substituted by upgrading the existing structure of CCTs. The NBEP and the BAP were integrated with two other federal targeted transfer schemes, namely, the Cartão-Alimentação and the Auxílio Gás. From this integration emerged the Bolsa-Família Program (BFP).

The Cartão-Alimentação was a monthly cash allowance to poor families of R$50
aimed at food consumption. It was part of the FZP and thus it was both recent and relatively small, as it benefited about 774 thousand families. The Auxílio-Gás was a bi-monthly cash transfer of R$15 to families with a per capita income less than half of the minimum wage. The idea was to compensate those families for the elimination of a subsidy on cooking gas. Launched in 2001, the program benefited more than 9.7 million families by 2003.

Two key arguments supported the integration of these four programs into one. First, integration would allow for a more comprehensive treatment of poverty, as the program is jointly an educational, health and nutrition policy. Besides that, a unified benefit schedule with higher allowances could be offered instead of the fragmented pre-reform schedule. Thus, the overall effectiveness could be enhanced both in terms of poverty alleviation and long-term poverty reduction. Second, integrated programs would be more efficient, as there are scale gains that stem from using a single registry to select the beneficiaries. Furthermore, unification of CCTs would mitigate the waste from disjoint and duplicative programs.

The BFP redefined the target population of the pre-reform programs. In addition to poor families with children, extremely poor families are also eligible to the BFP regardless of the presence of children. Extremely poor families receive a base monthly transfer of R$50 aimed at food consumption, while both extremely poor and poor families with children can receive up to three transfers of R$15 based on compliance with conditionalities (see box below). The average family benefit was thus increased by the new benefit schedule, jumping from R$24 (US$8) to R$71 (US$24). Furthermore, the BFP required all members of the families to comply with conditionalities.

The BFP inherited many features of the pre-reform CCTs. Not accounting for supply-side interventions; not establishing rigid time limits for the participation of beneficiaries in the program; decentralized implementation and the use of federal-municipal partnerships and the inexistance of a built-in program evaluation design are but a few to be mentioned.

In 2003, the BFP reached 3.6 million families and the goal was to increase it to
11.2 million (44 million beneficiaries) in 2006, “which will represent a significant scaling up of social assistance as compared with the (overlapping) coverage of its predecessors.” (WB, 2004)
5. Conclusions

Brazil's anti-poverty policy in the past twenty years has experienced a major learning process. The end of the widespread belief that economic growth would generate a sustainable poverty reduction led policy makers to concentrate more efforts on the design of anti-poverty policies. The macroeconomic shocks the country underwent in the 1980s reinforced this notion, leading to the idea of social safety nets to protect the people most vulnerable from economic fluctuations. This idea soon incorporated human capital development incentives, leading to the proposal of CCT schemes. After that, a period of local implementations of this kind of program served as a basis for a more comprehensive use of CCTs as a national strategy for poverty reduction.

Along with combating current and future poverty, CCTs introduced a series of innovations via-à-vis the previous social assistance policies. The first innovation was the use of technical criteria to define and select the families and geographic areas to benefit from the program. Second, they allow for combining demand-side and supply-side interventions, as in the PETI. Third, CCTs permit the inclusion of built-in program evaluation designs although this has not been extensively used in Brazil. Finally, CCTs using different transfer components can be combined under one program umbrella, allowing for integration, as happened to BFP.

This series of innovations represented a shift on the paradigm concerning anti-poverty policies. The learning process that resulted in the change from the concept of social assistance to social development culminated in a new generation of programs.

It would be rather simplistic to state that the emergence of CCT programs in Brazil was solely a reflex of the neo-liberal ideology that shaped the State in the 1990s. The neo-liberal economic adjustments were certainly important in the selection of CCTs to other more costly programs, as they imposed budgetary restrictions on social spending. In this sense, CCTs can be seen as innovative policies in search of efficiency and effectiveness.
There was nevertheless a consensus among the different political perspectives that CCTs should be used as the national anti-poverty strategy. The recognition that supply-side interventions were not enough to guarantee access to basic public goods and services led social-democrats to support CCTs as a way of strengthening universal principles by targeting the poor. The fact that leftist mayors were pioneers in the implementation of CCTs further shows the broad political support.

Despite representing substantial progress towards a consistent strategy for poverty reduction, the implementation of CCTs in Brazil still has various drawbacks, which have prevented these initiatives from gaining more effectiveness. These can be summarized as follows:

- CCTs have not gained much relative importance within the Brazilian social policy. Resources directed to the BFP represented only 1.9% of federal social spending. Moreover, CCTs have gained more relative importance within other countries' social policies than they have in Brazil's.
- There is a scale problem: as a result of its relatively low budget, the BFP has reached nearly 25% of its target population. Even though this figure represents 14 million individuals nationwide, the coverage is still low for a program intended to be the main national anti-poverty policy.
- There is a scope problem: actions within the BFP are limited to education, health and nutrition. While these are certainly some of the major causes of poverty, they are not the only ones. More comprehensive action is required in sectors like microcredit and job training.
- Apart from the PETI, CCTs in Brazil have not been accompanied by supply-side interventions for improvement of quality of services for beneficiaries. Even though substantial investments were made in the education and health sectors in the 1990s, they should have been more closely attached to the expansion of the BFP to assure the proper development of human capital.
- Many problems concerning the monitoring of conditionalities have been reported. Shortly after the BFP was launched, program officials began to question the importance of checking conditionalities. Furthermore, no incentives were created for schools to report children's attendance.
that children are actually attending school is crucial to the programs' long-term objectives; if a program loses its conditional feature, it is unlikely to meet those objectives.

- Brazilian CCTs have not used built-in program evaluation designs. Furthermore, the BFP is not being evaluated by non-governmental institutions. As a result, the knowledge of the program impacts and targeting outcomes, has been limited.

Policy makers have a tough road ahead if they wish to make the Brazilian social policy more effective in combating poverty. After a decade of major innovations, it is now time to focus on the existing shortcomings of the new generation of programs. Consolidating CCTs as a strategy of poverty reduction in Brazil is an opportunity to start breaking with the country's history of inequality and poverty. Redistributing human capital is essential to ensure that the poor can benefit from, and contribute to, economic growth. In this sense, the Lula administration has the ideas in place to start a process of equitable growth that has yet to be seen in Brazil.
References


