



**Bolsa Familia Programme:  
Economic and Social Impacts under the  
Perspective of the Capabilities Approach**

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### Abbreviations and acronyms

- BF – Bolsa Familia Program (Family Grant Program)
- CadÚnico – Cadastro Único (Unified Household Registry)
- CCT – Conditional cash transfer
- HDI – Human Development Index
- HDR – Human Development Report
- IBGE – Instituto Brasileiro de Geografia e Estatística (Brazilian Institute of Geography and Statistic)
- IMF – International Monetary Fund
- IPEA – Instituto de Pesquisa Econômica Aplicada (Institute of Applied Economic Research)
- MDS – Ministério do Desenvolvimento Social (Ministry of Social Development)
- MF – Ministério da Fazenda (Ministry of Economy)
- MDG – Millennium Development Goals
- NIC – New industrialized countries
- PNAD – Pesquisa Nacional por Amostra de Domicílio (Household Sample National Survey)
- SAP – Structural adjustment programmes
- SPE – Secretaria de Política Econômica (Secretary of Economic Policy of Ministry of Economy)
- SIBEC – Sistema de Gestão de Benefícios (Benefits Management System)
- UNDP – United Nations Development Program
- WB – World Bank
- WC – Washington Consensus

## **Bolsa Familia Programme: Economic and Social Impacts**

### **Under the Perspective of the Capabilities Approach**

"I am often asked what is the most serious form of human rights violation in the world today and my reply is consistent: extreme poverty."

(Mary Robinson, 2002)

"People are meant to shine not to starve"

(Caetano Veloso, 1977)

**Abstract:** Extinguishing poverty remains being a challenge for the humanity and an impeditive to development. It is clear that it is necessary a bunch of initiatives and policies to tackle its different aspects. Among the several alternatives already tried, the conditional cash transfer programmes (CCT) have been considered one of the most powerful tools to reach this aim. Indeed, more than one hundred programmes have been implemented all over the world, mainly, but not only, in developing countries. Still there is a debate regarding their potentialities and limits. However, evidence coming from Brazilian Bolsa Familia Programme (Family Grant Programme) shows a considerable impact on poverty and inequality. Also, there is evidence of spill over effects on low-income classes' consumption and on GDP growth of the poorest states, which suggest the country has promoted equity and prosperity. Considering that the improvements have foster social and economic improvements, it is plausible to suppose the BF has increased people's capabilities.

#### **1. Introduction**

After decades of different initiatives, the solution to extinguishing poverty remains a challenge for the human being. Indeed, there are billions of people living in poor conditions, and many of them starving. During this time, the debate about development has changed substantially. As a result, the social policies have applied different solutions, following an ideological debate. Among them, the Conditional Cash Transfer (CCT) programmes have been granted special attention. These programmes gained importance during the 1980s when they were introduced in many countries in order to compensate the negative impacts of the structural adjustment programmes (SAP) supported and promoted by international institutions like the World Bank (WB) and the International Monetary Fund (IMF).

Since then, many specialists on the left and right have defended CCT as one of best ways to "make poverty history"<sup>1</sup>. Those who advocate minimum participation of the state in the economy argue that those programmes are efficient in focusing on the poor, and in avoiding problems related to bad governance, weak governments, corruption, bribes, and excess of bureaucracy. On the other side, those who support a more active role of the state in the economic arena also

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<sup>1</sup> For more on the campaign Make Poverty History see [www.makepovertyhistory.org](http://www.makepovertyhistory.org).

defend the cash transfers as an important tool to reduce poverty and inequality as part of the social safety net. Alongside the debate, many programmes have been launched all over the world mainly, but not only, in developing countries. With different magnitudes and approaches they have also presented different outcomes and problems. Although their impacts are still being studied, positive results have emerged.

Some of the apparent evidence has come from the Brazilian Bolsa Familia Programme (BF). It is one of the largest programmes in the world, distributing around 7.6 billion USD in 2010 to approximately 12.4 households (49.5 million people or 26% of the population). The results are clear: since it was launched, the poverty in Brazil has notably decreased, more than four million people have left the indigence and another three million are no longer poor. In addition, income distribution has improved, the Gini<sup>2</sup> and HDI<sup>3</sup> indexes have ameliorated and consumption, mainly in the retail sector, has increased. Moreover, the greatest results have been achieved in Brazil's poorest region. Part of these positive results is due to the BF and showing them is the objective of this paper. It consists of five chapters, divided as follow: the second chapter presents the theoretical framework used here; the third chapter localize de conditional cash transfers within the broader debate about social policies and the combat to poverty and inequality; the fourth chapter will present facts and figures about Brazil and their recent social improvements; the sixth chapter examines the case of the Bolsa Familia Programme, its social and economic impacts and their consequent positive results on inequality and poverty. The findings will then be summarized on the seventh chapter.

## **2. Theoretical Framework**

In this chapter will be determined the main concepts to be used in this paper, namely poverty and inequality, and their connexion with development. It is not the objective to discuss every concept in depth. Instead, the aim is to define a minimum framework to support the discussion of the case.

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<sup>2</sup> Cf. World Bank definition, Gini-coefficient of inequality is "the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality". <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20238991~menuPK:492138~pagePK:148956~piPK:216618~theSitePK:430367,00.html>

<sup>3</sup> Cf. UNDP the HDI – human development index – "is a summary composite index that measures a country's average achievements in three basic aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita (PPP US\$)". <http://hdr.undp.org/reports/global/2003/faq.html#21>

## **Poverty**

First of all, let's define the concept of poverty. Barrientos, Hulme & Shepherd (2005) consider the income dimension to associate poverty with level of income. They define transitory poverty as being a lack of asset returns, and structural poverty as the lack of assets themselves. Sen (1992) goes beyond when define poverty as being 'inadequacy for generating minimally acceptable capabilities'<sup>4</sup>. On their turn, Narayan (in Beall 2005), poverty is a multidimensional problem associated with risk and vulnerability and is related to absence of empowerment or political voice<sup>5</sup>.

So, poverty is not only a social problem due to absence of economic resources, but also due to a lack of access to the political decision spheres. Diminishing poverty means increasing the conditions poor households have to amplify their influence on the decision-making processes, as well.

Summing up all these different approaches, we have a more complete concept of poverty that includes social inclusion (housing, health, education, sanitation, etc), economic participation, (consuming goods and services and selling their work force), and political voice (influencing the decision-making process).

## **Economic Inequality**

To the question posed by Sen (1992) 'equality of what?', here we adopt the idea of equality of opportunities, which includes social, economic and political participation.

Let's explore a little bit the economic dimension of inequality. Economic inequality is the concentration of the wealth in the hands of fewer people than otherwise could be. Economic development implies people participating actively in the market either as consumers or producers: the more people playing an economic role, the bigger the market, the higher the economic activity, and the higher the growth and consequently the wealth.

Also, since the propensity to consume diminishes to increases in income, concentrating wealth limits the potential growth in consumption and so the expansion of economy. On the other

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<sup>4</sup> Sen (1992), p. 111.

<sup>5</sup> Beall (2005), p. 20.

hand, distributing the financial resources allow more people to consume, since their income level is lower and so is higher their propensity to consumption.

Evidence shows that inequality is an important issue for both economic growth and development. Engerman and Sokoloff (1994) discuss the role of inequality as an impeditive for development. Easterly (2002) confirms that diminishing inequality is an important factor for development, since it causes underdevelopment. He finds that commodity endowments can anticipate the middle class' share of income and their share anticipates development. Kakwani, Neri and Son (2006) defend the position that poverty better answers to growth when the distribution of income is more egalitarian. The same way, there is a loss in the growth rate due an increase in inequality. Still worse is poverty, which impedes people from participating in the market.

All evidences kept together, it is largely recognized that pro-poor growth in developing countries increases the chances to overcome poverty and promote sustainable growth. As mentioned in POVNET (2006) "rapid and sustained poverty reduction requires pro-poor growth, i.e. a pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to, and benefit from the growth". Pro-poor growth happens when the income of the poorer stratus increases more than the average or, in other words, if the impact is relatively higher for the poor than to the rich.

So, if not impeditive, inequality and poverty are barriers to development. When every person has opportunity to reach all its potential, a society guarantees that all their human resources will be explored in the highest level, with general gains for everybody.

### **Inequality and Development**

Fortunately, the debate is not restricted to those pure-economic-related. Sen (1999) took a step further when puts the human being and its individuality at the centre of the debate. According to him, development is a process of expansion of freedom, which is at the same time an end, means and prerequisite of development. It should be the focus of a development process and not only an outcome. Freedom is intrinsically important and instrumentally effective. There is positive freedom (freedom to do) and negative freedom (freedom from). The first represents the access to conditions that permit exercise of freedom, like food, housing and education. The second is protection from unjustified coercion, like the rights of speech, movement and expression.

Among these freedoms are: political freedom, economic roles, social participation, transparency guarantees, and security. They are inter-connected, reinforce and complement each other. After Sen, social policies seem to have been passing through changes, but the Millennium Development Goals still remain a dream. Yet, under Sen's concept, as freedom is an individual process, everyone should determine when, where and how they want to incorporate development to their culture and what they want to discard.

In this process, people use their capabilities - the things they can do or be – to acquire 'functionings' – valuable doings and beings. Put in a different way, people should have the capacity to formulate a life plan and the practical ability to pursue it in different combinations, according to their choices. The observable, measurable, comparable results reflect their actual achievements such as life expectancy and literacy.

So, equality would be having the same opportunity "to achieve valuable functionings that make up our lives, and more generally, and more generally, our freedom to promote objectives we have reasons to value"<sup>6</sup>. Under this approach the state plays a central role<sup>7</sup>. It is responsible for expanding and protecting freedom by assuring opportunities for every citizen to expand their capabilities. In this way, welfare programmes are tools to provide people the conditions to freely and completely exercise their capabilities. They improve quality of life and productivity. In this context, economic growth is necessary but works through social policy. Therefore, in order to provide the society opportunity to explore its capabilities, the social policies should necessarily adopt multidisciplinary approaches and different strategies. Hence, this is the conception of development adopted here for the follow discussion about the CCT within the context of a developing country<sup>8</sup>.

### **3. CCTs: the current debate**

This section provides a rapid panorama of some social policy subjects that are currently being debated. In all of them, the cash transfers are underlined. It is important to highlight that

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<sup>6</sup> Sen (1992), p. xi.

<sup>7</sup> Regarding the role of government in the economy and in the development of a country see: Chang 2002 and 2003, Lindauer & Pritchett 2002, Easterly 2001, Lal 1985, Corbridge & Harriss 2000, Krugman 1995, Wade 1990 and Makandawire 2005, among many others. Also, Rodrik (1998) shows that countries with more opened economies tend to have bigger governments.

<sup>8</sup> See Todaro (1994) and Harriss (2002a and 2002b) for other concepts of development; Martinussen (1997) explores different theories of development; Little (2003) analyses ethical dilemmas of global development; and the HDR website for concepts of human development <http://hdr.undp.org/hd/default.cfm>, which are analysed by Ravallion (1997).

there is always something else to complement the CCTs impact. This consideration corroborates the hypothesis defended here that they are only a mighty tool, not the solution for all the problems regarding poverty and inequality.

The conditional cash transfers are but one instrument within a broader system of policies, which constitutes the welfare state of a country. The debate of different forms of welfare began with the Greek philosophers. Basically it deals with the ways a given society can promote general well fare (*lato sensu*)<sup>9</sup>. Initially thought as a way to guarantee life security<sup>10</sup>, it grown up to provide a broader range of services like health, housing, education, social security, etc, which have been usually classified into three very general categories: social assistance, social insurance and universal policies. This was the model implemented in Europe during the last century, mainly in the post-war period when, as part of this rebuilding process, the social protection net was amplified in order to compensate the losses caused by the war.

However, during the 1970s and mainly after the oil crisis, the huge welfare apparatus faced raising budget constraints. Critics about its efficiency were constantly on the headlines. The quality of services provided was far from the cost of maintenance. Therefore the system began to be confronted by the society, mainly the right-wing politicians, which defended market-driven solutions, letting to the government only basic services directly focused on those poorer extracts of population. At the same time, the USA increased the interest rates and many of the indebted developing countries faced more problems. In 1982, the first strong sign of collapse was seen in the Mexico crisis, followed by defaults of Brazil and Argentina.

As response, the International Monetary Fund (IMF) and the World Bank re-negotiated the debts and offered new loans. As a counterpart, they also financed, supported and, in a certain way, obligated those countries to implement market-based structural adjustments programmes (SAP), which was compounded basically of privatization, tax reform, deregulation, financial and trade liberalization, openness to direct foreign investment (DFI) and rule of law, alleviating the burden of inefficient state apparatus (World Bank 2001b). Those measures were summarized later as the Washington Consensus, a recipe every nation should follow to develop (Williamson 1990 and 1993). The official objective was to diminish the presence of the state in the market, concentrating the expenditures in education, health, and infrastructure (Williamson 1993). However, the results were far from what could be claimed a success (Rodrik 1996). Among the

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<sup>9</sup> Cf. Plato's The Republic.

<sup>10</sup> Cf. Maquiavel's The Prince and Hobbes' Leviathan.

consequences were budget constraints, financial austerity, and diminishing of social expenditures, with strong negative impacts on poor (Burnside & Dollar 1997, Easterly 2002, Stiglitz 2002 and Perkins 2004).

The problem was that before benefiting from growth, the countries suffered with the strong austerity. Most dramatically, the poor people were the most affected. Indeed, the decrease in public expenditure, higher interest rates, exchange rate devaluation, unemployment and lower wages showed their effects. So, the countries discovered that the market could not provide all the people's needs (actually, after financial crisis, many are discovering that even the capital needs can not be provided exclusively by the market). Many authors criticized the extent of the reforms (Easterly 2002, Stiglitz 2002 and Chang 2003 just to name some of them). It is largely agreed that the SAP lowered inflation, and in some specific cases provided the conditions for growth, but on the other hand increased poverty and inequality. So, in order to alleviate the negative impact, the IMF and the WB sponsored temporary transfers to relieve the poor. Those supposed short-term funds became popular<sup>11</sup> and were incorporated as part of a social protection net. Since then, the CCTs have adopted the conditions and become the new "panacea" to solve the problem of poverty.

The impact on the policies was the spread of focused policies, in opposite to the universalist approach of the welfare states. The admitted justification to switch to targeted policies was gains in efficiency: to reach the poor using fewer resources. "A comprehensive approach to poverty reduction (...) calls for a programme of a well targeted transfers and safety net as an essential complement to the basic strategy"<sup>12</sup>.

Defended by traditional opponents, the advantages and limits of CCT are still not clear (Britto 2005). Some critics say that the CCTs are only assistentialists. They do not provide a definite way out of poverty, which is only allowed by generation of employment in consequence of economic growth. The supporters claim that new jobs are not sufficient to surpass the gap created by the lack of education. So, improving standards of life is a necessary further step to surpass poverty. Others say that CCTs are only an important tool but not the one and only solution. In a certain way all of them are correct. Indeed, the CCTs are not a panacea. They cannot be considered as the one and only kind of solution. They should be considered as an important part of an ampler strategy of a social policy, broadly conceived, to definitely make overcome poverty.

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<sup>11</sup> Many programmes were launched with different characteristics but the same basic principle of transferring cash for people. Two of the most famous are the South Africa Basic Income Grant and the Mexican Oportunidades (former Progresra).

<sup>12</sup> World Bank (1990).

Actually, propositions of a minimum income granted by the government to guarantee minimum levels of dignity for the citizens is much older. In fact, this idea is not a novelty, since it comes from the 16<sup>th</sup> century<sup>13</sup>. However, for different reasons, in the 20<sup>th</sup> century eminent people from both sides of the political range, like Bertrand Russell, Milton Friedman, James Tobin, Joan Robinson, John Galbraith, just to mention some, supported the idea in order to re-establish the social balance. Indeed, some programmes of minimum income were implemented with positive results, like in the state of Alaska, USA, in 1970, which have fostered other governments to do the same.

In reality, cash transfer is the most common policy tool adopted by developed countries. Among the different forms of transfer we can name basic income, social dividend (aka demogrant), minimum income, negative income tax, social assistance, insurance, unemployment security, and disability assistance, and conditional cash transfer. The first characteristic that distinguishes it from other policies is that it provides cash instead of services or in-kind goods. A second feature is the targeting: instead of being universal, benefiting the whole population, it focuses on a specific public, e.g. the poor households. The third point is the conditionality: the cash is transfer only if the beneficiary follows some pre-defined conditions or behaviour. But, before debating the conditional cash transfers Programmes, let's localize it within the social policies debate.

### **Social Policy debate: from Universalism to Targeted Policies**

One of the main trends of the last decades was the shift from universal policies to targeted ones. Mkandawire (2005) criticizes this change because it was imposed by ideological reasons not by budget constraints, as claimed by their supporters. The adoption of the Washington Consensus formula implied that public investments and social policy would follow the budget constraint established by the macroeconomic adjustment processes. The argument pro-targeting was based on efficiency: to reach the poorest people with less resource. However many results have shown that the cost of transaction is higher than in universalism, so targeting is less efficient.

Another complaint is that focusing on poverty narrows the role of social policy. Even though the eradication of poverty is a fundamental objective for every government, public policies should create social cohesion and equity, as well (Mkandawire 2005, Wood 2000, Townsend

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<sup>13</sup> Cf. Thomas More's Utopia.

2002). "Social policies have served not only as an instrument of development, but also as a guarantee that the development process will ensure, contemporaneously, the wide range of 'ends' of development and nation-building. The arguments include the 'human capital' effects, such as better education and health"<sup>14</sup>. Therefore, the one and only solution of increasing the households' income is not sufficient to overcome poverty. The natural conclusion is that the direct cash transfers are not the panacea they have been considered by governments (Britto 2005), but only one of the tools available to achieve this aim.

In this way, different strategies are necessary to overcome both transitory and structural poverty, considering that many households usually switch from one to the other. Thus, more complex policies are required compounding a whole social security system to match the different necessities. For example, without improvements in their human capital, the households are doomed to work in under-paid jobs, so an education system is fundamental to surpass the trap.

Townsend (2002) in his turn presents a social policy agenda showing some main issues the world should deal with. Some of them are the concept and measure of poverty: "Without good comparable measures (...) it will be impossible to determine if any anti-poverty policies are working effectively and efficiently". Another point highlighted is the need to study the institutions as agents that direct and promote policies. He is talking about governments but also international agencies, market institutions, companies and corporations, religious institutions and charitable or voluntary organisations. Their role and the impact of their actions are not yet clear. Moreover, reliable evidence shows that the substitution of the welfare state for these private institutions within and among countries has not benefited the poor. Indeed, international and national policies are not likely to reduce poverty, which indicates that a radically different approach is needed.

Mkandawire (2005) points out more problems that are at the core of targeted policies. Since poverty was at the centre of attention, social policy, international aid and World Bank programmes have shifted to specify their objectives more and more: "a comprehensive approach to poverty reduction (...) calls for a programme of well-targeted transfers and safety nets as an essential complement to the basic strategy"<sup>15</sup>. In other terms, the problem was understood as being helping the poor, not the countries.

However, the lessons were bitter. Targeting involves mechanisms of selection where errors are much more common than desirable. It can deny benefits to someone who deserves them

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<sup>14</sup> Mkandawire (2005), p. 8.

<sup>15</sup> World Bank (1990).

(error type 1), and, on the contrary, give benefits to those who do not deserve it (error type 2). In order to avoid these errors, the administration costs, the sophistication of mechanisms and the system of control are necessarily higher (even though the technological advances have improved these systems and decrease their costs).

Besides, in this kind of discretionary policy much power is put in the hands of bureaucrats, which can lead to deviations, or even corruption. In this way, efficiency and effectiveness are threatened. Moreover, these deviations can create perverse incentives, created by changes in people's behaviour as they attempt to keep receiving benefits. Another related point is the vulnerability of the poor. As benefits are not guaranteed, vulnerability, a very important component of poverty, remains present.

Finally, Besley and Burgess (2003) present an agenda for halving global poverty. They select specific policy areas that should be privileged and some consensus around them. Namely, human capital, credit, property rights and contracts, regulation, responsiveness and accountability of government.

### **Impacts of CCTs on development**

The impact of CCT programmes on poverty has spread to other areas. That is the case of health, under-nourishment, inequality, gender issues, among others. These effects suggest the cash transfers have greater impacts than expected. Indeed, considering the capabilities approach, evidences has shown overall positive impacts.

Even though the programmes are quite recent, the initial evaluations show positive impacts on school enrolment and nutrition patterns (Sedlacek et al 2000, Morley & Coady 2003, Rawlings & Rubio 2004). Impact on child labour is not conclusive, since many households maintain their children in both school and work (Bourguignon et al 2002). The extent of the impact on reduction of poverty is not so clear. In the short run the effects vary according to the programme. In the long run, results depend on other factors like quality of education, rates of employment, rate of absorption of skilled labour in the economic structure and rates of return of education (Bourguignon et al 2002).

One positive point of CCTs is that it tackles several problems at once. Effectively, it provides additional earnings to poor households and the conditionalities direct impact on schooling (Britto 2005). Coady (2003) shows that the Mexican programme Progresa have had substantial impact on

infant nutrition, household health standards, and increased enrolments in the lower secondary education (an usual point of drop-out) by a rate around 7% and 9%. These gains in education can be considered permanent benefits, even after ceasing the benefits (Székely 2001).

Some have advocated that direct cash transfers can be the response for many countries with weak institutions. Historically rich countries, donors and international agencies have granted financial resources to governments. However, most of them lack at least one of the following basic conditions: structure, human resources, and governance, to put in action the policies that would turn them into a sustainable development path.

Giving money directly to the poor would avoid the cost of transactions caused by weak democracies, corruption, bribes, despotism, excess of bureaucracy, and so on, which create barriers to development. Bypassing the governments can be a smart and effective way to help the poor. Nevertheless, direct transfers are just one part of the debate.

Hanlon (2004) defend the idea of giving money directly to the poor in order to avoid these problems. He provides two practical examples from Mozambique to show how the direct transfers are useful tools to surpass poverty: the 93,000 demobilized soldiers after the civil war and the 106,000 families affected by a flood. Both cases show positive results. As Hanlon states, experience shows that the money is used mainly to increase the basic conditions of life, mainly housing and health, and furthermore it creates dynamism for the economy as a result of increasing consumption.

Another example is the case of South Africa's basic income grant. There, all people receive unconditionally an amount of around US\$10 per month. As it is a universal benefit the administrative cost per capita is much lower, the control is easier, and there are less problem with moral hazard and corruption. The state of Alaska in the United States also has a very important and successful programme of universal basic income<sup>16</sup>.

On their turn, Burnside and Dollar (1997) published a very influential paper analysing a database of foreign aid to conclude that most of the financial help was worthless to establish a relationship between foreign aid, economic policies and growth per capita. They found that the aid had a positive impact on growth only in those countries with good fiscal, monetary and trade policies. Besides, there is no evidence that aid has a positive impact on public policies. According to them , if the donors had invested all the aid resources since 1970 in the US stock market, the

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<sup>16</sup> Cf. (Suplicy 2005), p. 253.

return in 1998 for this hypothetical portfolio could give African people a standard of life much better than that achieved with the regular supply of money. So, the wasteful use of the money has been critical for the lack of results of social policies around the world.

### **Limits of CCTs**

Although being largely used by governments, the advantages and limits of the conditional cash transfers are not clear, yet. “As much as CCTs might have an important role in structural poverty reduction, there are limits to what these interventions can achieve. Although low levels of human capital are a central reason for the low incomes of the poor in Latin America, this is only part of the story. Complementary macroeconomic policies, which take into account the balance between social protection and macroeconomic stabilization, are essential for long-term sustainable poverty reduction (Cornia 2002). Also crucial are interventions to alter deeply rooted and reproduced inequalities, as well as to foster the accumulation of other assets by the poor (Székely, 2001)” (Britto 2005 p. 25).

Most common criticisms mention the assistentialist character and the unsustainability. Certainly, the CCTs cannot be considered the only and definitive solution. Instead, it is a complementary tool that can be used to alleviate poverty while other structural policies, like education, are implemented, expanded, improved or promoted. Moreover, economic growth is fundamental to create jobs and give room to the demographic pressures. As we can see, overcoming poverty and reaching development is the result of a compound of complementary initiatives and policies with different roles, timing and impacts.

There is not much polemic regarding that a basic income can be the difference between survive or die of starvation. However, solving the problem of poverty is more complex than that. Giving money, even if a good instalment, do not guarantee the person will increase its assets, human capital or improve its capabilities. As stated before, empirical evidences show that overcoming structural poverty requires a complex set of solutions (Wood 2000, Townsend 2002 and Beal & Piron 2005). Barrientos, Hulme & Shepherd (2005) sustain that only a complete social protection system can faces the poverty issue as whole. It involves solving the urgencies (e.g. cash transfer), create conditions for people to sustain their condition out of poverty (e.g. job creation), and offer opportunities for them to increase their capabilities.

This false image of super policy the CCTs have acquired has contributed to shrink the role of social policies. The closer the focus, the narrower the point of view. Instead, the social policies should be seen as a source of cohesion and equity for a nation. As defended by Mkandawire (2005), “social policies have served not only as an instrument of development, but also as a guarantee that the development process will ensure, contemporaneously, the wide range of ‘ends’ of development and nation-building. The arguments include the ‘human capital’ effects, such as better education and health”<sup>17</sup>. The boom of CCTs has weakened this vision.

#### **4. Poverty and inequality in Brazil**

##### **Poverty and Inequality: Facts and figures**

Brazil is a country with high levels of poverty and inequality. Also, they have implemented one of the largest CCT programmes in the world to tackle these problems. Let’s present, first, the country’s facts and figures. They stand alongside Russia, India and China, called by their acronym BRICs, which are some of the few countries with a big population and large territory<sup>18</sup> predestined to play an important role this century. At least that is what the Goldman Sachs thinks about them (Wilson & Purushothaman, 2003). However, having an important role does not mean becoming developed in the more broad sense we are working with. Indeed, Brazil is famous for its football, music, forests, and how badly its wealth is distributed.

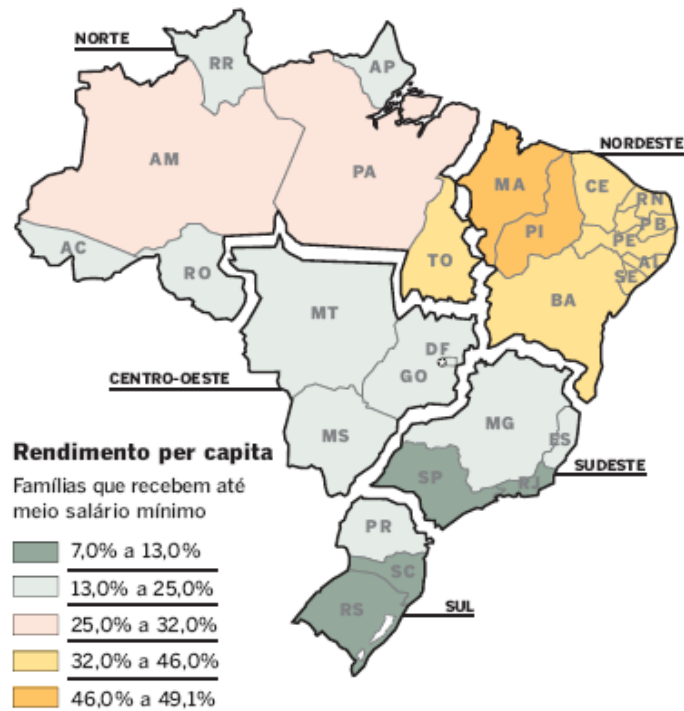
For many years the country had held the last place in terms of world income distribution with South Africa (World Bank 2005). According to Pochman, Campos & Amorim (2003) the richest one per cent appropriates almost the same share of income as the bottom 50 per cent. In addition, a great part of the population was condemned to extreme poverty. Considering the poverty line in R\$60.00 per capita per month (roughly equivalent to 30.00 USD in 2005 and 2006), 35% of population was believed to be poor (about 65.45 million people, considering the population of 187 million estimated by IBGE)<sup>19</sup>. The poorest regions are the north and northeast with 13.8 million people living in extreme poverty, from which 10.2 millions are in urban areas (Marques 2005). The map below shows the percentage of households with monthly income per capita equal to half of the minimum wage or less for each state.

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<sup>17</sup> Cf. Mkandawire (2005), p. 8.

<sup>18</sup> According to the World Atlas Brazil has the world’s 5<sup>th</sup> biggest population (186 millions) and land area (8.5 Sq Km).

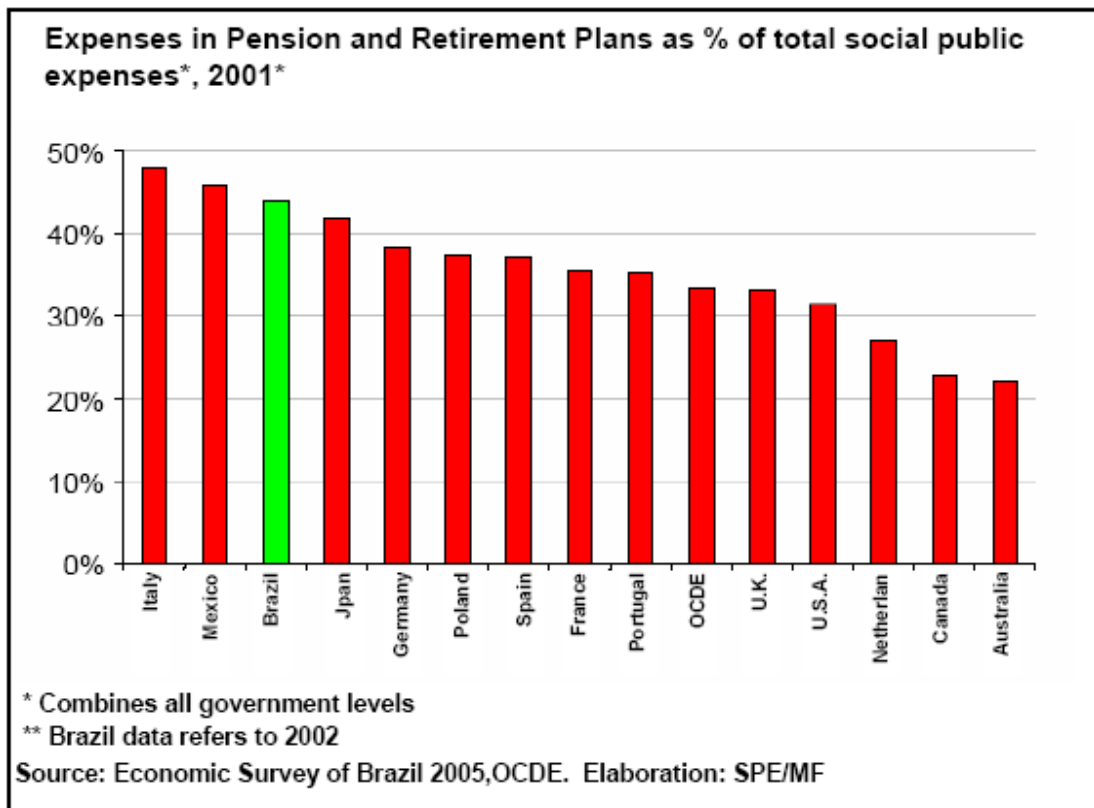
<sup>19</sup> Cf. [www.ibge.gov.br](http://www.ibge.gov.br).



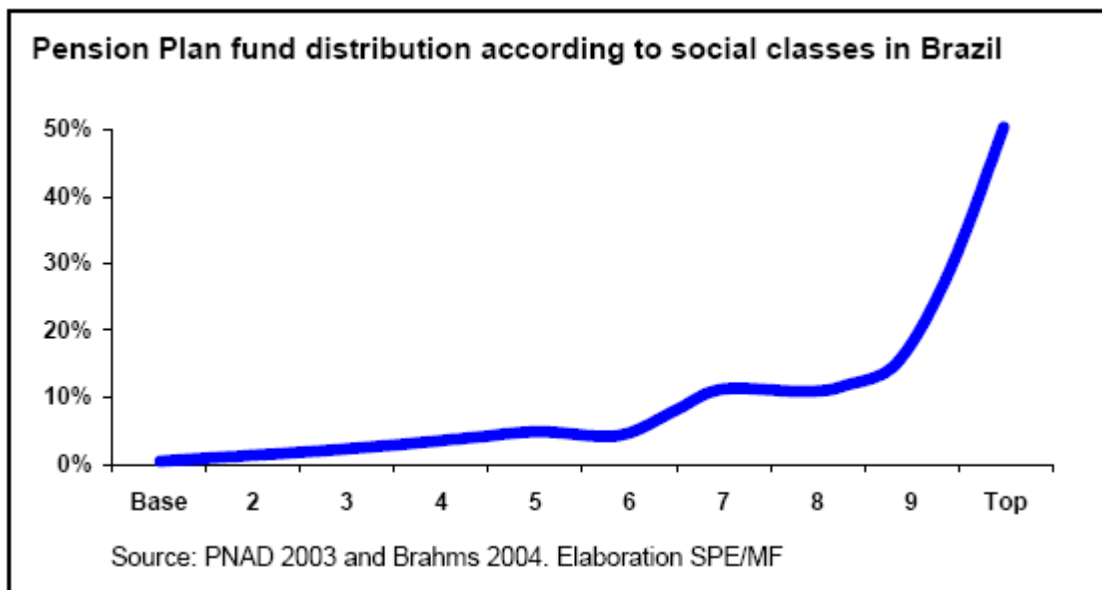
Source: OESP 04/10/05 from Atlas IBGE 2000, MDS (08/2005), PNAD 2003 and IBOPE (10/2005)

Using the World Bank poverty line of USD1.08 per capita per day adjusted by the Brazilian Government (Fome Zero Programme) to different regional levels of living cost, the poor population would be 44.043 million (9.32 millions households), which is equivalent to 27.8% of country's population or 21.9% of families.

The social protection and social assistance net in Brazil is largely scattered. Nevertheless, historically it has achieved poor results in decreasing poverty and inequality (World Bank 2001b and 2005). The expenditures have been kept in international patterns. The budget of social protection is about 3.91% of GDP (Ministério da Fazenda 2005), which is more than what is spent by developed countries like Denmark (2.9%), Belgium and France (2.2%), Portugal (0.8%) and Spain (0.1%) (Subbarao et al 1997). However, the benefits reach mainly the better-off groups. The richer 1% appropriates 50% of total benefits of the in social security while the poorest 10% receives only 1%.

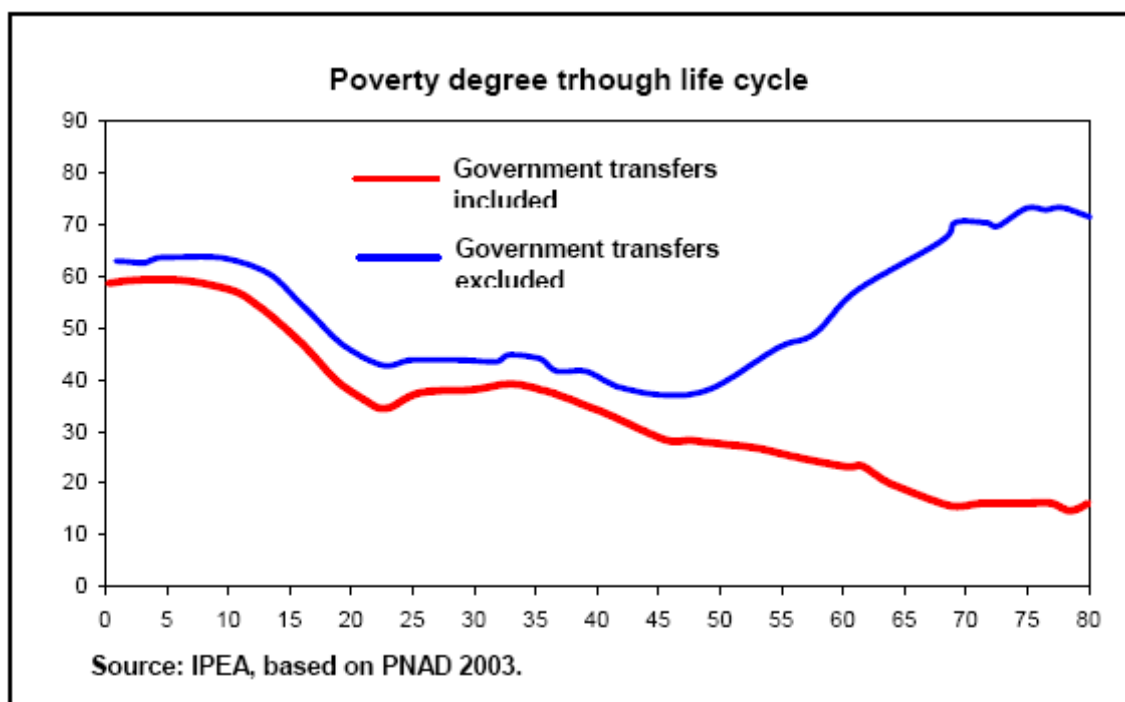


Source: 84815 (2005)



Source: 84815 (2005)

As pensions, retirement plans and other benefits account for 51.6% of the social budget, the elderly have mostly benefited by this programme (Ministério da Fazenda 2005).



Source: 84815 (2005)

The graph above shows the importance of the government transfers in reducing poverty. However, the majority of these benefits are part of the old welfare system, which privileges the selective formal labour market. The informal sector, which accounts for around one third of the Brazilian labour force, is excluded from the government reassignments. So, the social protection system as whole is not focused on the poorest social stratum and does not propitiate alternatives for the new generations to escape from the poverty trap.

### The Recent Social Improvement

However, some important changes have been observed in the last years. From 2003 to 2006 the Brazilian HDI increased 2.28%, from 0.789 to 0.807. Measured by the Gini coefficient, since 1993 the inequality has fallen from 0.602 to 0.569 in 2004 (IPEA 2006b), a decrease of 5.5%. In the same period, the income of the 20% poorest grew about 5% per year whilst the earnings of the 20% richest decreased by 1% (IPEA 2006b).

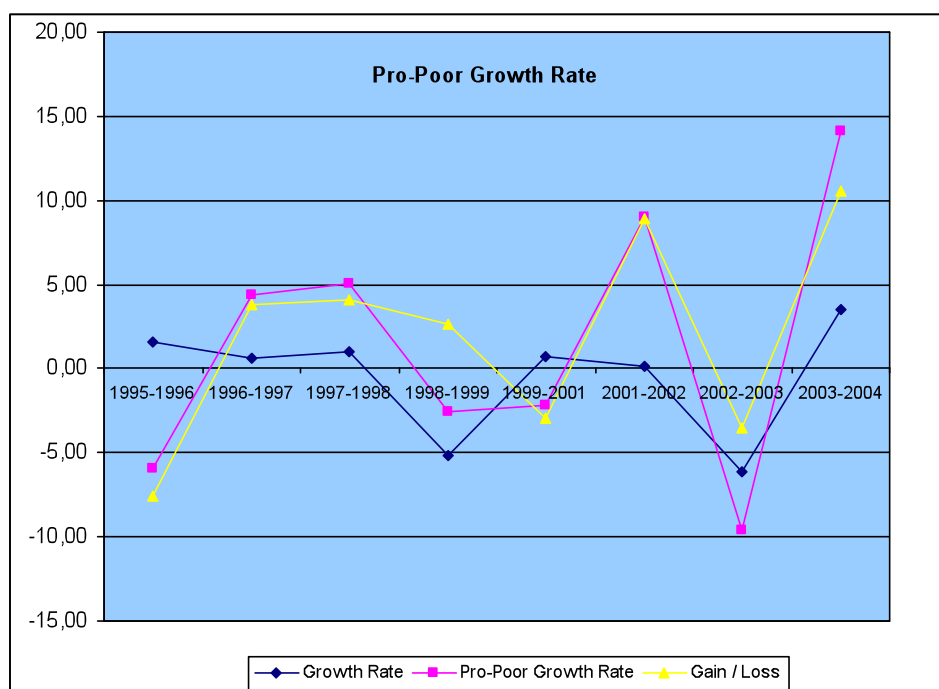
This performance catches the attention even more when compared with the opposite international trend (Milanovic 2002). The main factors for this decrease were the declines in educational returns, rural-urban convergence, possible decline in racial inequality, and the increase in targeted cash transfers to the poor people (Ferreira, Leite & Litchfield 2006).

## Evolution of the Gini Coefficient in Brazil

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
0,594	0,594	0,596	0,589	0,583	0,572	0,569	0,563	0,556	0,548

Source: IPEAdata.

Kakwani, Neri and Son (2006) argue that there was a pro-poor growth in Brazil<sup>20</sup>. They propose a measure that links the growth rates of average income and the changes in income distribution. In this case, the growth would be pro-poor if proportionally the benefits are higher for the poor than the rich. They applied the measure to the PNAD in the period between 1995 and 2004. For them, even though the income per capita has fallen, this period had not seen a poverty crisis. Specifically, from 2001 to 2004 the social gain was equivalent to 4.42% per year. They argue that even if the labour market has been negatively affected other sources like social security and the expansion of government transfer programmes played a crucial role as a compensatory force for the poor. Indeed, there is a strong association between growth and reduction of poverty. However, the extension of this effect depends on various factors like inflation, external checks, unemployment, a minimum wage and social policies. Among them, one of the most important is the level of inequality, which can obstruct a faster growth.



Pro-Poor Growth in Brazil

Period	Current Growth Rate	Pro-poor Growth Rate	Growth Gain(+)/Loss(-)
1995-2001	-0.30	0.10	0.40
<b>2001-2004</b>	<b>-1.35</b>	<b>3.07</b>	<b>4.42</b>

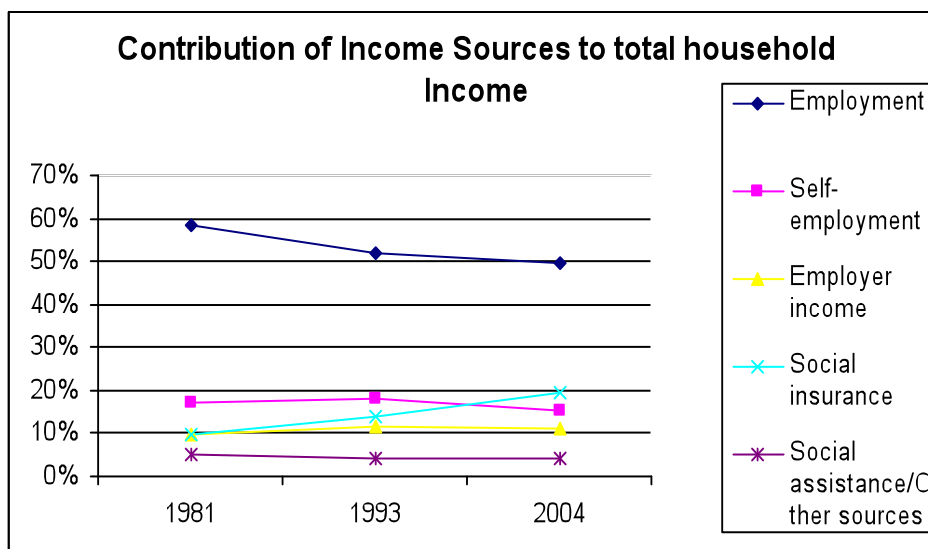
Source: Kakwani, Neri & Son (2006).

<sup>20</sup> Kraay (2004) defines pro-poor growth through the fall of poverty measure of interest. So, there are three potential sources of pro-poor growth: high growth rate of average incomes; a high sensitivity of poverty to growth in average incomes; and a poverty-reducing pattern of growth in relative incomes.

Also, Ferreira, Leite and Litchfield (2006) analyse the contribution of income sources to total household income inequality. The main source is the earning from employment. However, after 25 years of random growth, the share of employment has decreased (from 58% to 50%) with more importance being put on social insurance, which increased from 10% to 20%, mainly after the introduction of rural pensions in the beginning of 1990's as shown by Delgado and Cardoso Jr. (2000). Since social assistance is included in "Other Sources" it is not possible to gauge its behaviour and impact over the years. However, they agree that recent increases in volume and better targeting have had an impact on inequality. Also, they make a dynamic deconstruction of Brazilian inequality and confirm their results. The authors argue that the most important determinant of Brazilian inequality is the level of education of the head of household, which accounts for 35% to 38% of differences in income. In this case, the condition would be ensuring the household heads of the future would reach higher levels of education. It is harder to lift the current generation as adult attainment is more difficult and as they have scarce time to study.

<b>Contribution of Income Sources to Total Household Income Inequality</b>			
	<b>1981</b>	<b>1993</b>	<b>2004</b>
Employment	58%	52%	50%
Social insurance	10%	14%	20%
Self-employment	17%	18%	15%
Employer income	10%	12%	11%
Social assistance/Other sources	5%	4%	4%
	100%	100%	100%

Source: Ferreira, Leite & Litchfield (2006)



Source: Author's elaboration from Ferreira Leite & Litchfield (2006).

The Instituto de Pesquisa Economica Aplicada (IPEA) issued a report<sup>21</sup> analysing the PNAD in 2004, with contributions from some of the most important Brazilian experts in inequality, IPEA researchers and an international committee. They analyse the decrease in Brazilian inequality and propose paths to maintain this trend. The inequality in Brazilian income had decreased by 4% in the period from 2001 and 2004. Also, even though the growth had been modest and the GDP per capita had decreased 0.8%, Brazil had succeeded in diminishing their levels of poverty and extreme poverty by two percent points. So, the positive result was achieved through the decrease in wealth inequality.

According to the report, the result would have been equivalent to a 5% annual growth. Yet, 30% of the success is due exclusively to the government transfers, 14% being due the BF. The authors also identify two other important factors related to labour earnings: decrease in the income differences resulting from educational inequality (16%); and imperfections in the market labour (12%), mainly segmentation (urban-rural, big-small cities, formal-informal, regional, etc).

In this way, the first front in the combat against inequality is guaranteeing even access to opportunities in order that the labourers can acquire capacities and sources of production. As this objective is hard to reach, the government should take direct action against inequality. Specifically, a socially fairer tax system and a poor-targeted redistributive system.

Barros et al (2006) find that several determinants were responsible for the decline of inequality. They highlight, however, that one third of the decrease were due to the evolution of the income not derived of labour. Also important for the result were changes in the distribution in labour incomes. Briefly, the positive result was determined by factors related to both the labour market and the development of the social protection net.

From those findings, some common features in every analysis presented above are that the country has reached important victories in the fight against poverty and inequality, and the government transfers have an important role in these achievements.

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<sup>21</sup> IPEA (2006a).

## 5. *Bolsa Familia impacts*

### **Bolsa Familia: history, rationale, structure and functioning**

The Bolsa Familia (Family Bonus Programme) was launched in October 2003 under the umbrella of the Ministry of Social Development (MDS) by the integration of four cash transfer programmes, namely Bolsa Escola (School Bursary from the Ministry of Education), Bolsa Alimentação (Food Allowance from the Ministry of Health), Cartão Alimentação (Food Card), and Auxílio Gas (Gas Allowance from the Ministry of Mines and Energy). Although with different emphasis, the programmes were redundant. As the target population was roughly the same, by fusing those programmes the government tried to decrease the costs of administration, improve management, and create synergies<sup>22</sup>.

The first programmes of this kind were implemented in the municipality of Campinas and in Brasília, the Federal District, in 1995. By November 1998 there were more than 60 programmes in action over the country. After the success of most of the programmes, the Federal Government tried to extend and integrate the separate cash-grant initiatives, which included the Bolsa Escola<sup>23</sup>. This was the most famous and that one with best results. It was a poverty-targeted programme, which transferred funds to poor families with school-age children.

The BF has two main objectives: to reduce current poverty and inequality and avoid future poverty related problems. So, it combines compensatory and structural components through incentives for families to invest in their human capital. This is achieved by a social contract that includes the so called conditionalities, and commit the families to keep their children in school; to attend health centres regularly for vaccines, pre-natal and other exams; and other campaigns organized by the government.

The BF was built on four key concepts: i) the innovative presumption that the family unit and not the individual should be the base of the programme; ii) the conditionalities through which the families increase their human capital in order to break the inter-generational poverty; iii) vertical integration through which complementary decentralized partnerships can be developed;

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<sup>22</sup> For more information about the BF see Ministry of Development website <http://www.mds.gov.br/programas/transferencia-de-renda/programa-bolsa-familia> >, Brazilian Government <<http://www.brasil.gov.br/ingles>> and (Lindert 2005).

<sup>23</sup> Cf. (World Bank 2001) for an assessment of Bolsa Escola Programme.

iv) a Unified Household Registry (Cadastro Único or CadÚnico) where it is possible to improve the targeting techniques and provide more efficiency to the programme.

The programme is inspired by a Keynesian approach<sup>24</sup> which advocates that government expenditures generate a bigger income than the original expenditure, because of the multiplier effect. A new expenditure increases the demand, so too the production. The producers buy more raw materials and hire more labour force. The new salaries are used to buy more products, creating more demand, more production, more jobs, and so on. The intensity of this process is higher as is the marginal propensity to consume. In the case of BF, as the target population is very poor people, this propensity is the highest possible, so the money is almost entirely used in consumption. Further, part of the extra-income returns to the Federal Reserve as increment in tax collection.

Every head of household (with priority for the women) receives a card from the Caixa Econômica Federal – CEF (Federal Savings Bank) with which he/she can withdraw money like any other customer. The CEF administrates the Benefit Payment Network (Rede de Pagamento de Benefícios). In every municipality attended by the BF, there is at least one branch responsible for providing the payments with alternatives like withdrawing cash machines and authorized lottery-houses.

The main eligibility criteria is that the household income per capita should be up to R\$140 a month (about 78USD<sup>25</sup>). The head of family should register in the CadÚnico. The families are selected according to the programme goals, the expansion plan and the estimated target population of their region. This estimate was elaborated by an inter-ministries task force with the collaboration of IBGE and IPEA, based in the Censo and PNAD. Those families with pregnant women, babies, children and teenagers have priority in entering the programme, after a city reaches its limit.

There are four different kinds of benefits, fixed and variable, according to the poverty situation and number of children. The amounts transferred vary between R\$22 and R\$200 (12 USD to 111 USD). Families in extreme poverty, with income per capita of R\$70 (39 USD) or less per month, receive the basic benefit, R\$68 (38 USD), independently of family composition. Currently, the Programme distributes around 7.6 billion USD per year (Federal Government Budget 2010) to approximately 12.4 households (49.5 million people or 26% of the population).

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<sup>24</sup> Cf. analysis made by (Marques 2005).

<sup>25</sup> Exchange rate at 1.8R\$ per dollar.

**Amount effectively transferred as benefits by the BF<sup>26</sup> (R\$ Billion)**

Year	2003	2004	2005	2006	2007	2008	2009	2010
Total per year	0,57	3,79	5,69	8,23	9,95	10,85	13,20	13,68

Source: IPEA Data

Although the grant is given direct to the household head, all the three federation entities participate in the programme management. In very general terms: the Federal Government is responsible for the general management, the control of CadÚnico, the deposits to the families, the technological and managerial improvements, the promotion of transparency and accountability; the state governments are responsible mainly for coordinating the municipality actions inside their territories; and the local governments are responsible for the relationship between the programme and the families, identifying social and economic changes which can lead to changes in the CadÚnico, in the quantity and in the amount of benefits, among others.

The management is made through the Benefits Management System (SIBEC – de Sistema Gestão de Benefícios), which can be accessed from any computer linked to the internet. This makes it easy to insert any necessary alterations like blocks, unblocks, cancellations and reversions of benefits. The SIBEC allow to interrupt temporarily or permanently the payment of benefits without necessity of sending a document to the MDS. Besides, the system allows the consultation of family cadastre, an updated benefit situation, and resumed managerial reports, among other possibilities. Not less important, since all instances of management and control can access the information on-line, it facilitates accountability and social control.

**Social Impacts**

The assessment of BF impacts is not an easy task. First, its short lifetime does not recommend definitive conclusions. Besides, the figures are not yearly comparable as the programme has increased its dimensions. However, there are some evidences of its economic and social impacts.

Evidence shows that the BF has had an important role in diminishing poverty. The 4<sup>th</sup> Millennium Goals Report shows that the extreme poverty in Brazil decreased from 12% in 2003 to 4.8% in 2008. The Radar Social Report (IPEA 2006b) shows that the general conditions of the poor improved between 2001 and 2004, a period when the figures related to inequality, poverty and extreme poverty clearly decreased. More precisely: the proportion of indigents fell from 14.3% to

<sup>26</sup> Bolsa Família Programme statistics, <http://www.mds.gov.br/programas/transferencia-de-renda/programa-bolsa-familia>

11.3% (a decrease of 20.9%), decreasing the quantity of indigents from 23.883 to 19.769 million; the proportion of poor decreased from 33.3% to 30.1% (a decrease of 9.6%), from 55.596 to 52.458 million. From them more than 26 million people were reached by the programme. In July 2006 the Programme reached its goal of more than 11 million households (around 44 million people) benefited, which were equivalent to 99.2% of poor<sup>27</sup>. Another evidence of its impact is that the improvement was bigger for the indigents than for poor: 17.2% against 5.6%.

In the same period Brazilian GDP per capita accumulated a 2.9% real loss, which mirrored the oscillating evolution of the country's economy. Also, the 10% richest lost 7.4% of their income and the 1% richest lost 9.8%. On the opposite side the 50% poorest earned 7.3%. The evidence is clear: there was an improvement in the distribution of wealth in Brazil. Among the causes were the prominence of changes in the labour market, mainly the increase in the minimum salary, and the government transfers.



A family granted by the BF in Araióses, Maranhão, one of the poorest cities in Brazil.  
Source: Sergio Castro Agência Estado

Yet, regional inequality is another important issue. Overall, the northeast region remains the poorest. Eight of its nine states are among the ten poorest. In the northeast, 53.7% of population is considered poor compared to 36.9% in the north, 23.3% in the centre-west, 19.3% in the southeast and 16.9% in the south. Among the poorest states some improved and some decreased (mainly in the north region). On the other side, four of the five richest states decreased.

In December, 2003, around 69% of the benefited population were living in the northeast region (Marques 2005). Indeed, one of the main criteria adopted by BF was to privilege the cities with worst HDI and most of them are in the northeast (where average HDI of municipalities is

<sup>27</sup> MDS website <[www.mds.gov.br](http://www.mds.gov.br)>.

0.61). There, in some cities, almost half of the population is benefited from the BF e.g. 45% in the city of Várzea-PB. In Pedra Branca-CE the BF represents 43% of the total municipality budget (own resources, plus Constitution determined transfers). These cities are not exceptions. The most recent figures<sup>28</sup> show that 49.7% of the benefited population lives in the northeast region.

Municipalities IDH	1991	2000
PI - Curral Novo do Piauí	0,32	0,54
PI – Guaribas	0,36	0,48
PI - Cocal dos Alves	0,36	0,51
PE – Manari	0,36	0,47
PB – Damião	0,36	0,53
PI – Murici dos Portelas	0,36	0,49
MA – Lagoa Grande do Maranhão	0,37	0,49
AL – São José da Tapera	0,37	0,53
PI – Massapê do Piauí	0,37	0,50
PI – São Francisco de Assis do Piauí	0,37	0,52
PB – Marcação	0,37	0,53

Source: IBGE

## Economic Impacts

The transfers have had spill over effects on economic activities, as well. The amount transferred reaches the low-income classes, the part of population with highest marginal propensity to consume. So the amount is destined mainly to consumption, notably of non-durable goods. This fact can be seen in the changes in the figures for retail sales in comparison with GDP and Industry Production. From 2003 the retail sales faced a consistent increase in relation to other indexes, as showed in the table below.

**Real variation of GDP, industrial production and retail sales**  
(% in relation to previous year)

	2001	2002	2003	2004	2005	2006	2007	2008
GDP	1.31	2.66	1.15	5.71	3.16	3.96	6.09	5.14
Industrial Production	-6,44	8,14	4,78	8,33	2,75	0.28	6.32	-14.74
Retail Sales	-2,78	-5,07	3,21	11,42	4,94	5.64	9.49	3.80

Source: IPEA Data <<http://www.ipeadata.gov.br>>

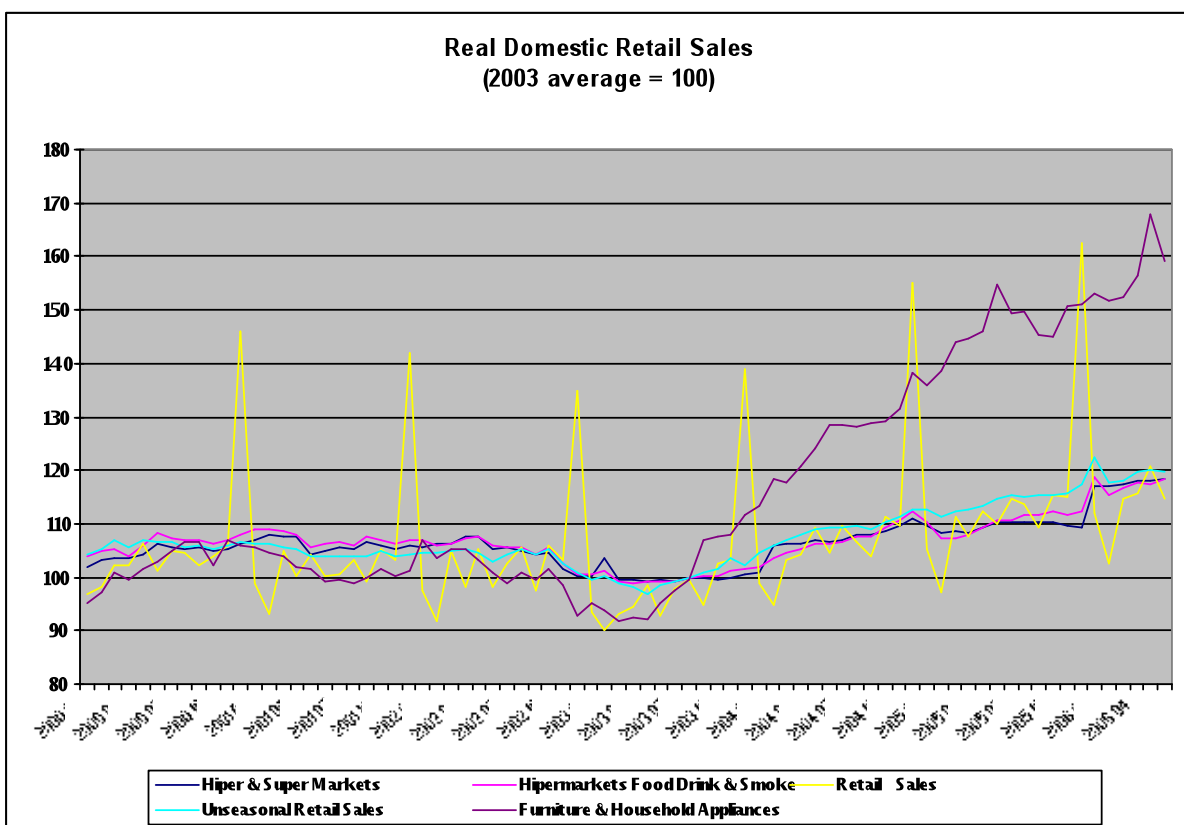
As we can see in the graph, just after the launching of the BF in 2003 the retail figures changed radically from a poor performance compared to GDP and industrial production to a much better situation. Also, the most recent figures show the same tendencies. We can see that from

<sup>28</sup> MDS website <[www.mds.gov.br](http://www.mds.gov.br)>.

2004 the retail sales had a more consistent performance than the industrial production. One possible explanation is that the retail sector suffers a stronger impact by changes in the low extracts of society than the manufacture sector. The industrial production is more dependent on other variables like level of interest rates and exchange rates.

Observing the domestic retail sales performance in more depth brings more evidence. In the graph below we can see there was a consistent growth of furniture and household appliances sales from 2003 on. As most of these sales are made using credit, the explosion of sales in these sectors can be explained by a guaranteed future flow of resources. As the BF gives the households this guarantee of resources (respecting the conditionalities and criteria of entrance), it is plausible to consider the possibility that there is a relationship between the programme and the increase in the sales.

Other behaviour changes can be observed. The retail sales (yellow line) in general have grown. The sky-blue line shows the retail sales without the seasonal variations and the trajectory remains consistent. The sales made in super and hyper-markets (deep-blue line) and the one specifically related to food, drink and smoking products (pink line) have a very similar trajectory. So, all the data show that after 2003 the retail sales have increased consistently. Not coincidentally, at the same time of BF launching.



Source: IPEA Data <<http://www.ipeadata.gov.br>>

The table below shows the importance of the transfers for the region. Although it compares different periods, it is possible to gain an idea about the dimension of the programme compared to the state government budgets. The result can be seen in the decrease in poverty and inequality. Also, the highest impact was on those states where the BF transfers represent a bigger share of their GDP. Even though the BF budget represents only 0.5% of the national GDP, the figures for the Northeastern states is very different. In this region, there are so poor municipalities that in some cases the cash transferred represents more than 50% of their budgets and half of the population is beneficiary. The table below shows the impact of the BF transfers after its first year compared to the North-east states government budgets.

States	Public Budget 2003	BF 2004	BF04/PB03
Alagoas	1.875.104.870	137.724.223	7%
Bahia	6.644.491.750	541.949.496	8%
Ceará	4.328.968.240	392.696.286	9%
Maranhão	2.211.151.180	264.708.557	12%
Paraíba	2.669.454.820	194.184.458	7%
Pernambuco	6.544.227.630	145.552.629	2%
Piauí	1.565.508.180	94.239.719	6%
Rio Grande do Norte	2.365.597.750	112.379.849	5%
Sergipe	1.465.023.760	34.160.467	2%
<b>Northeast</b>	<b>29.669.528.180</b>	<b>1.917.595.684</b>	<b>6%</b>

Source: Elaboration of author from IPEA Data and Ministry of Social Development tables.

There is no doubt that the country needs to grow in order to create opportunities for new business and jobs. Nevertheless, the results presented here are an example that redistribution of income can create a better-off situation. It would be important to use more sophisticated quantitative methods to confirm this evidence, which is already subject of further research. However, not only have the social indicators improved, the economic activities have faced a new dynamism, as well. The impact was stronger in those sectors directly related to the poor, like in the retail sector. Moreover, the results were stronger in the Northeast, the poorest Brazilian region. There have been two new facts: the way the government has made its expenditures, incrementing the cash transfers mainly through BF; and the population targeted, which now is more focused on the poor. After all this evidence, it is clear that something has happened in Brazil and the BF has accounted for an important part of these changes.

## **6. Conclusion**

The answer for overcoming poverty is not just based on subsistence funds. Rather, cash transfers are only a real path for development when they guarantee the amplification of freedoms. In other words, the extra money enables the households to have food, which allows them keep their children studying. By children attending schools, there is an investment in human capital, which will allow households to increase their productivity and consequently their incomes.

Considering that the Bolsa Familia transfers have promoted social and economic improvements and analysing these figures under the light of the capabilities approach, it is possible to infer that it is also increasing the beneficiaries' capabilities. Indeed, the transfers increase the beneficiary households' capacity to participate in the economy as customers. Also, the conditionalities incentive them to take care of their health and improve their education, which ameliorate their general health conditions and investment human capital, which in the future can increase their level of functionalities.

In this way, the programme adopts an approach based on Sen's (1999) concept of development, where freedom is the end, but also a pre-requisite. It works by the provision of positive freedoms, like basic conditions of life (food, health and education). In other words, as it guarantees the households' basic education and health services, it permits them to expand their capabilities, which will impact on their functioning, like the increase in their human capital. In this manner, the conditions are important to create a bridge out of poverty through investment in human capital.

The programme puts together typical concerns from both state-based universalistic policies and market-based approaches, which put the responsibility on the individual. It tries to link the benefits of direct transfer of money and the provision of a minimum income with the quality of a more complex social intervention. Thus, the programme considers the role of a social protection network. In this case, the Brazilian Federal Government provides a comprehensive health and education system. Although both present a visible lack in the quality of services, without them it would be impossible to reach the expected results in terms of reducing social inequality. So, the BF should increase its connections with other government programmes.

The results of BF are clear. In a period of low GDP growth, the social increments, measured by Gini and HDI indexes were high. This means that, beyond a poor economic performance, the

change in the pattern of appropriation of income was fundamental to promote a pro-poor growth and avoid decreases in the social indicators. Furthermore, in the poorest regions it is not only the social indicators that get better. The economic activity is more dynamic, mainly in those sectors more impacted by changes in the bottom stratum of society. This is clear in the figures of retail sales and in the production of non-durable goods. Also, the redistribution of income creates a better environment for future growth, which remains fundamental for the definitive extinguishing of poverty. Besides, a socially fairer tax system would help the country to reach its goals.

In conclusion, persistent inequality and poverty have shown that different and more complex solutions are necessary. The Bolsa Familia Programme is a good example of one path to follow, though. Its results are clear: the distribution of income improved the Brazilian social indicators as well as helped to create an environment more propitious to economic growth. Put them together, the Programme improve the capabilities of the people, allowing them to look forward to acquire more functionalities.

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