



Development Progress



Social protection in Brazil:

Impacts on poverty, inequality and growth

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List of abbreviations

CASEN	Encuesta de Caracterización Socioeconómico Nacional (National Socioeconomic Characterisation Survey) (Chile)
CCT	Conditional Cash Transfer
GDP	Gross Domestic Product
IDPM	Institute of Development and Policy Management
ILO	International Labour Organization
INSS	Instituto Nacional do Seguro Social (National Social Security Institute)
IPC-IG	International Policy Centre for Inclusive Growth
IPEA	Instituto de Pesquisa Econômica Aplicada (Institute for Applied Economic Research)
LSE	London School of Economics
M&E	Monitoring and Evaluation
ODI	Overseas Development Institute
PETI	Programa de Erradicacao do Trabalho Infantil (Programme for the Eradication of Child Labour)
PNAD	Pesquisa Nacional por Amostra de Domicilios (National Household Sample Survey)
PPP	Purchasing Power Parity
SEDLAC	Socio-Economic Database for Latin America and the Caribbean
SENARC	Secretaria Nacional de Renda de Cidadania (Secretariat of National Citizens' Income)
WDI	World Development Indicators

1. Introduction

Brazil is one of the richest countries in the world. It is the world's ninth-largest economy, with a per capita gross domestic product (GDP) of \$10,427 in 2009.¹ The country has been growing since the late 1990s: between 1998 and 2008, annual growth rates increased from 1.9% to 5.1%.²

Yet the country also has one of the highest rates of inequality in the world, and poverty rates are high. Over 20% of the population – 40 million people – live under the poverty line, and 7% are extremely poor.^{3/4} Over the past two decades, however, levels of inequality and poverty have been declining steadily. The Gini coefficient has fallen significantly, by 5.2 points, from 59.4 to 54.2, and the percentage of households living below the poverty line halved between the early 1990s and 2008, falling from 36.0% to 17.2% (ibid).

Brazil has made considerable efforts to address the structural causes of poverty and inequality since the Constitution was formed in 1988. Important policies include real increases to the minimum wage; a commitment to reducing child labour and regulating the labour market; provision of subsidised credit for agriculture; and improving the efficiency of public services and increasing federal expenditure on social policies such as social work, health care, education, employment and income, land development, housing, food and nutrition (Beghin, 2008).

Brazil has also made notable legislative and programmatic changes in its social protection sphere, which have contributed to reductions in poverty and inequality.⁵ The country now has one of the best-developed social protection systems among middle-income countries. Constitutional amendments in 1988 had two important implications for the system as a whole. The first involved a move away from focusing solely on insurance-related programmes, based on contributions and used only by formal workers, to cover more inclusive non-contributory provision of social assistance transfers to the poor. The second implication was that social assistance was made universal for some groups (e.g. the elderly) and targeted to the most vulnerable (Bastagli, 2008).

As a result of the revision of the Constitution and of subsequent changes, initiated under Lula da Silva's administration in 2003/04, the current social protection system has expanded rapidly and now reaches approximately 25% of the population, the majority of whom are poor. It encompasses a broad range of instruments: the four main components are social insurance (contributory pensions, maternity benefits, etc.); health (national health system); social assistance (means-tested and age-related cash benefits); and food security (distribution of food, etc.). A high share of GDP is spent on social protection: 8.4% goes on cash transfers (2.5% on non-contributory cash transfers) (ILO, 2009).

This paper examines the impacts of social assistance on inequality, poverty and economic growth, focusing on three specific instruments: Bolsa Família and its predecessors (conditional cash transfers (CCTs) targeted at extreme poor households and poor parents with children living at home); the Benefício de Prestação Continuada, a means-tested disability and old age pension; and the Previdência Rural, an old age pension provided to rural informal sector workers.

¹ Measured in purchasing power parity (PPP) which takes into account local living standards.

² With the exception of 2003, when Brazil experienced a dip in its growth rate, although it recovered quickly (Figure 1).

³ Number of poor people is defined as the number of people with a monthly per capita household income of less than half the minimum wage; number of extremely poor people is defined as the number of people with a monthly per capita household income of less than one-quarter of the minimum wage (Beghin, 2008).

⁴ IPEAdata, available at www.ipeadata.gov.br (accessed November 2010).

⁵ Social protection refers to social assistance (e.g. cash transfers, in-kind transfers, fee waivers) and social insurance (e.g. health insurance).

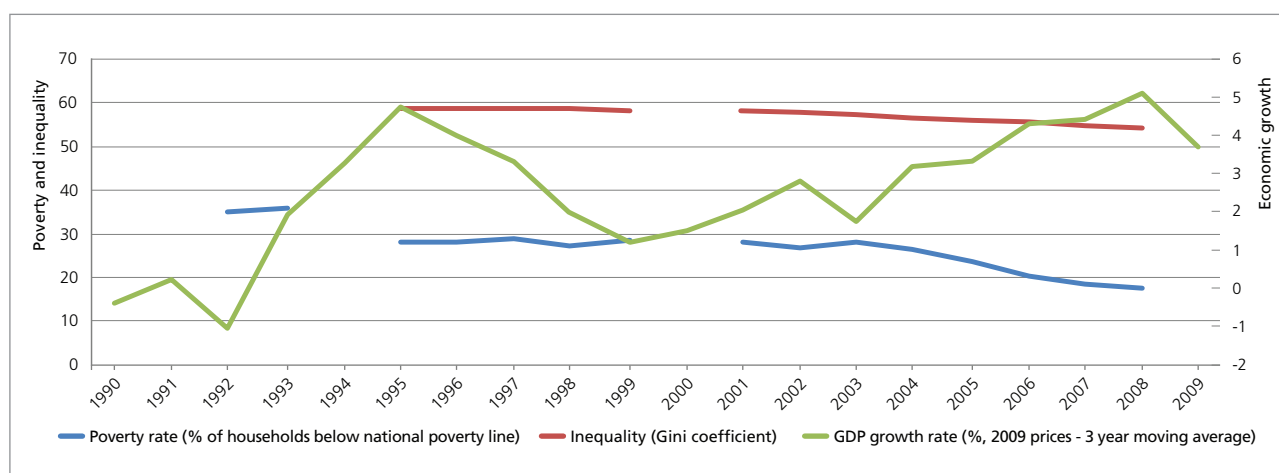
2. Context

2.1 Poverty, inequality and growth

In many countries over the past few decades, economic growth has been coupled with rising inequality. Several countries have seen inequality rise from already high levels (e.g. South Africa and Colombia).⁶ Reducing inequality is a difficult policy objective to achieve, but Brazil has made significant progress coupling this with economic growth.⁷ In Latin America, only Chile and Brazil have seen sustained reductions in inequality since 1990,⁸ with inequality as measured by the Gini coefficient falling from 59.4 to 54.2 in Brazil between 1993 and 2008. Despite remaining one of the most unequal countries in the world, this drop of 5.2 points is significant.

Why does it matter? While classic economic theory has suggested that inequality is a natural by-product of rapid growth, more recent research has shown that high levels of inequality and poverty can undermine economic growth through several channels, including weak social cohesion (and crime related to this); fiscal instability; biased social spending; elite domination; insecure property rights and legal rights; etc. (Birdsall, 2007; Santos, 2010; van der Hoeven, 2008).⁹ Ravallion (2007) also makes the case that inequality is not only bad for growth but also for poverty reduction, suggesting that countries with higher initial inequality will tend to experience lower growth rates, and that the growth that does occur will have less impact on poverty. Thus, a more equal distribution of income and assets can enable higher rates of poverty reduction alongside economic growth. Among economists, this is termed the poverty elasticity of growth. In other words, for every unit increase of economic growth in more equal societies, the rate of poverty reduction is higher. This means that reductions in inequality, as Brazil is achieving, can enable higher poverty reduction as a result of economic growth.

Figure 1: Trends in poverty, inequality and economic growth in Brazil, 1990-2009



Note: Gaps in trends owe to the unavailability of survey data from sources for the relevant years.

Source: Poverty and inequality data: SEDLAC (<http://sedlac.econo.unlp.edu.ar/eng/>, accessed September 2010); GDP growth data: based on WDI Database (<http://databank.worldbank.org/ddp/home.do?Step=12&id=4&CNO=2>, accessed November 2010).

⁶ In South Africa between 1993 and 2008, the Gini coefficient rose from 66 to 70 (Leibbrandt et al., 2010); in Colombia, it rose from 57.9 to 58.5 in 2000-2006 (see <http://hdrstats.undp.org/en/indicators/67106.html>, accessed Dec 2010).

⁷ IPEADATA, available at www.ipeadata.gov.br (accessed November 2010).

⁸ In recent years, Chile's trend has shifted. In contrast with the latest Brazilian National Household Sample Survey (PNAD), which shows a decrease in both poverty and inequality in recent years, the latest National Socioeconomic Characterisation Survey (CASEN) of Chile shows an increase in poverty between 2006 and 2009 from 13.7% to 15.1% and unchanged inequality.

⁹ Santos (2010) notes that one of the most important factors obstructing faster growth in Brazil is high inequality. It follows, therefore, that recent reductions in inequality should foster higher growth rates. Birdsall (2007) and van der Hoeven (2008) review and synthesise the literature on the effects of income distribution on growth.

The rate of poverty in Brazil has also reduced dramatically, as Figure 1 shows. Between 1990 and 2008, the proportion of households beneath the national poverty line halved, falling from 36.0% to 17.2%. The absolute number of poor individuals and households also decreased during the period.¹⁰ However, out of a population of 180 million people, almost 40 million remained poor, and more than 13 million lived in extreme poverty in 2009 (ibid). After a period of high unemployment in the 1990s, peaking at around 9%, unemployment has declined since 2000, falling to 7.9% in 2008. It is concentrated among people with only primary school education, who account for more than 50% of all the unemployed.¹¹ Female unemployment figures are much higher than those for males, peaking at 32% in 2000, according to official statistics (ibid).

Brazil is an international leader in the large-scale rollout of social protection provision over the past few years. Notable milestones include the 1988 constitutional provision that social security be the right of every citizen and a state duty; the creation of the Ministry of Social Development and its Fight Against Hunger strategy in 2003, to tackle food insecurity and extreme poverty and consolidate and expand cash transfers targeted at the poor; and the 2004 Basic Income Law, which declares that all Brazilian citizens or foreign residents for five years or more have a right to basic income that will be of equal value and should be sufficient to cover 'minimal expenses in food, housing, education and health care.' Financed domestically through tax mechanisms, Brazil's approach to social protection has successfully integrated a wide-ranging package of instruments, including social insurance, social services and social assistance instruments (Box 1). Policies and programmes have been celebrated internationally for their scope and innovation, as well as their achievements with regard to poverty reduction and facilitative increased use of health and education services.

Box 1: Social protection in Brazil

Social protection in Brazil includes the following elements:

- **Social insurance** (e.g. contributory pensions and benefits)
- **Social services** (e.g. education and health)
- **Social assistance** (e.g. Previdência Rural, an old age pension provided to rural informal sector workers)
- School feeding and community restaurants
- Programme for the Eradication of Child Labour (PETI)
- Benefício de Prestação Continuada, a means-tested disability and old age pension
- Bolsa Família, a means-tested CCT

¹⁰. IPEADATA, available at www.ipeadata.gov.br (accessed November 2010).

¹¹. WDI Database <http://databank.worldbank.org/ddp/home.do?Step=12&id=4&CNO=2> (accessed November 2010).

2.2 Social assistance programmes

This paper discusses in more detail the impacts of the main social assistance programmes: the two pension schemes, Benefício de Prestação Continuada and Previdência Rural, and Bolsa Família. Table 1 presents some basic statistics regarding these schemes.

Table 1: Bolsa Família, Benefício de Prestação Continuada and Previdência Rural, 2007

Programme	No. of beneficiaries	Benefit level	Requirements	Cost as % of GDP
Bolsa Família	12.5 million households	Basic benefit for extremely poor + variable benefit/child R\$22-200 (\$13-114)	<ul style="list-style-type: none"> Income <R\$70 (\$39) or income <R\$140 (\$78) and children <17 Adherence to health and education conditions 	0.4%
Benefício de Prestação Continuada	3.1 million individuals	One minimum wage per month R\$460 (\$265)	<ul style="list-style-type: none"> >65 years for old age pension Family income <a quarter of minimum wage (\$66) 	0.6%
Previdência Rural	4.6 million individuals	One minimum wage per month R\$460 (\$265)	<ul style="list-style-type: none"> >15 years work in agriculture >55 years (women) >60 years (men) 	1.5%

Source: Barrientos, personal communication (2010); ILO (2009); Soares and Silva (2010)..

The **Benefício de Prestação Continuada** is a means-tested old age and disability pension scheme provided to those aged 65 and over, or to those who are disabled and living in households where per capita income is less than a quarter of the minimum wage. It was initiated in 1996 to replace and expand on a previous urban-focused social pension that depended partially on contributions, and to conform to the constitutional change of 1988, which made this programme a constitutional right.

The **Previdência Rural** is a pension for the elderly (55 for women and 60 for men) in rural areas, including informal workers, and is part of the social insurance benefits located in the Ministry of Social Insurance and administered by the National Social Security Institute (INSS). It stands out from other social insurance benefits, such as survivor pensions, unemployment benefits and sickness and maternity benefits, which are contributory and cover the formally employed population, with special provisions for civil servants. The Previdência Rural was originally to be financed by contributions from rural informal workers and a produce tax in rural areas, but this was first postponed and then abandoned. Consequently, the pension is financed from general tax revenues and is therefore actually seen as a social assistance scheme.

Bolsa Família was launched in 2003 by merging four existing programmes: Bolsa Escola, a school grant from the Ministry of Education; Bolsa Alimentação, a food allowance from the Ministry of Health; Cartão Alimentação, a food ration card; and Auxílio Gas, a gas allowance from the Ministry of Energy and Mines. PETI was incorporated at a later date.

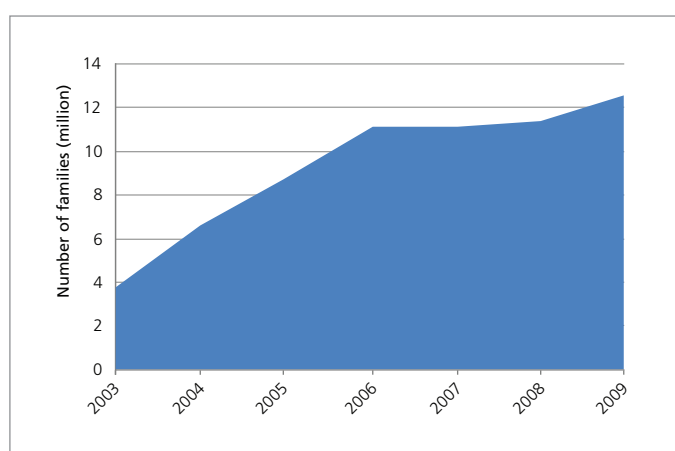
Bolsa Família is means-tested and is targeted to the poor and extreme poor, based on self-declared income. As income can fluctuate in the short run, households receive the benefit for at least two years, after which their income is reassessed. Families are required to adhere to a number of conditions in order to receive the benefit. Children between the ages of 0 and 7 must be taken to health clinics at regular intervals to be monitored and to receive vaccinations. Mothers must attend pre and postnatal checkups at health clinics and participate in nutrition seminars. All children between the ages of 6 and 15 are required to be enrolled in schools and have to attend at least 85% of classes. Compliance is monitored by school and health centres and is registered in a central database – the single registry system. Unlike other CCT programmes, Bolsa Família has a system of ‘gradual repercussion’ in the case of non-compliance, allowing the family an opportunity to get back on track before benefits are eventually cut off.

2.3 Expansion of social assistance and transfer levels

Social assistance in Brazil has expanded rapidly in the past decade. In particular, the provision of social assistance through cash transfers has grown significantly, now reaching over 25% of the population. Apart from universal health insurance, the three most important social assistance schemes in terms of coverage are the three programmes discussed here: Bolsa Família, the Previdência Rural and the Benefício de Prestação Continuada.

Bolsa Família is now the largest CCT programme in the world (Santos, 2010). It expanded rapidly from the initial 3.8 million families (many of whom had been beneficiaries of municipality-led CCT programmes) at its inception in December 2003 to 11.1 million households in 2006. It was scaled up again in response to the recent global financial crisis, and by October 2009 had reached 12.5 million families (approximately 50 million people) (Soares and Silva, 2010) (Figure 2). As such, the coverage of Bolsa Família tripled in just over five years.

Figure 2: Number of Bolsa Família beneficiary households, 2009



Source: ILO (2009).

The coverage of the pensions is also high. The Benefício de Prestação Continuada currently reaches over 3 million beneficiaries: 1.6 million based on disability and 1.4 million based on age. The Previdência Rural has approximately 6 million beneficiaries in total, of whom 4.6 million beneficiaries are receiving the pension without ever having contributed.¹² The transfer levels of both schemes are set at \$265 (around 39% of GDP per capita), and are linked to the minimum wage, which has been raised in real terms on a number of occasions since 1995: the pension transfer levels have therefore increased in line with the minimum wage. The value of the Benefício de Prestação Continuada has doubled in real terms over the last 10 years (ILO, 2009).

The benefit level of Bolsa Família, however, is relatively low in comparison with the two pension transfers, because it is regarded as an income supplement rather than an income replacement: the maximum benefit level is 50% of the pension.¹³ The benefit level is dependent on household income and number of children. For example, households receive \$12 for up to three children between the ages of 0 and 15 and \$18.50 for up to two teenagers between the ages of 16 and 17. A basic benefit of \$38 is provided for the extreme poor regardless of the number of children.

¹². Barrientos, personal communications (2010).

¹³. The Bolsa Família transfer level is also relatively low compared with similar CCT programmes in the region (Bastagli, personal communication, 2010).

3. What has been achieved

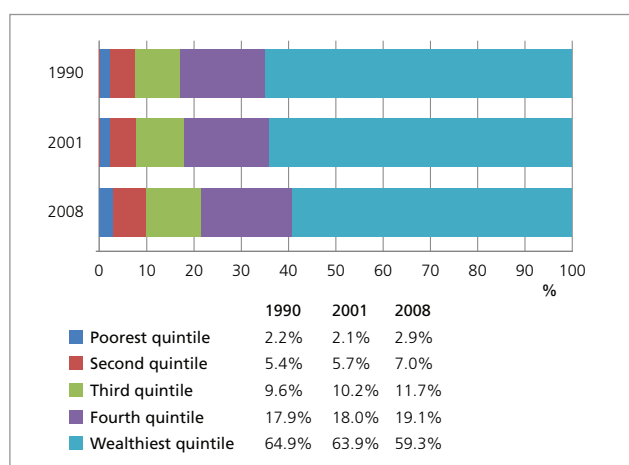
3.1 Improvements in income equality, poverty reduction and growth

Among the most important factors influencing the impact of growth on poverty in Brazil is the degree of inequality in the country (see Nissanke and Thorbecke, 2010; Schwarzer and Querino, 2002).¹⁴

3.1.1 Inequality

Achieving reductions in the level of inequality involves addressing its structural underpinnings, including reforming health, education programming and tax policy to achieve equitable access to public services, or limiting the benefits accruing to privileged special interest groups. This is a slow process, and changes in inequality tend to occur over long periods of time.¹⁵ However, the provision of social assistance can contribute to this. Figure 3, based on the nationally representative household survey, demonstrates improvements in the distribution of income in Brazil over the past two decades as a result of multiple policy interventions.¹⁶ The share of income held by the top quintile fell from 65% to 60% between 1990 and 2008; middle-income earners saw their share increase, from 10% to 12%,¹⁷ over the same period. The bottom quintile saw their income share increase by half – from 2% in 1990 to 3% in 2008.

Figure 3: Distribution of household per capita income (share of income quintiles)



Source: Calculated by authors based on SEDLAC data (accessed September 2010).

¹⁴ This relationship is also mediated by several factors, including food price inflation, external and national shocks, unemployment, minimum wages, social programmes, etc.

¹⁵ High levels of inequality are not only structurally embedded in national policy processes but also associated with the entrenchment of special interests in policymaking. High levels of inequality inhibit economic growth because they entrench special interests and delay policy reforms (Behrman et al., 2009; Birdsall et al., 2008). In a study examining the links between structural inequality and financial liberalisation in developed and developing countries, Behrman et al. (2009) find that higher schooling inequality reduces the impetus for policy change. They conclude that, 'in a highly unequal setting, powerful interests are more likely to dominate politics, pushing for policies that protect privileges.' Brazil's reductions in inequality point to its successful addressing of the structural underpinnings of high levels of inequality. Indeed, for governments to reduce inequality and overcome the structural and political factors driving it, policymakers must go beyond 'business as usual.'

¹⁶ PNAD is a nationally representative survey that the Brazilian government conducts annually (with the exception of 1991, 1994 and 2000) in September/October. Modules include demographics, housing, education, employment, income, expenditure, health, social programmes, anthropometrics, migration, etc. In 2008, it covered 125,224 households and 391,868 individuals. For additional information, see www.ibge.gov.br.

¹⁷ Income growth among middle-income earners is essential for sustained development and economic growth. For example, Birdsall et al. (2000) highlight that, 'a healthy market economy requires the active involvement of middle groups – as stakeholders, entrepreneurs, skilled workers, and consumers.' In a cross-country study, Easterly (2001) shows that 'per capita income and growth depends positively on [the] middle class share.'

While a number of policy interventions, such as increases in the minimum wage, have made significant contributions to reducing inequality,¹⁸ several studies identify social transfers as having played a key role (see Hailu et al., 2009).¹⁹ According to an analysis of 2004 PNAD data, in the context of moderate growth between 2001 and 2004 and a fall in per capita GDP of 0.8%, Brazil enjoyed a reduction in poverty from 33.3% to 31.5% and in extreme poverty from 14.3% to 12.0% over the same period (IPEA, 2006, in Santos, 2010). The same report finds that these positive results in poverty reduction were achieved through a decrease in wealth inequality. Different authors have different estimates as to the total attribution effect of cash transfers. IPEA (2006, in Santos, 2010) attributes 30% of the reduction between 2001 and 2004 exclusively to government transfers, and 14% to Bolsa Família. Paes de Barros (2006, in ILO, 2009) finds Bolsa Família accounted for a 12% share of Brazil's total reduction in inequality between 2001 and 2005. And S. Soares et al. (2007) find Bolsa Família was responsible for 21% of the total fall in the Gini coefficient between 1995 and 2004.²⁰ Although the transfers represented only 0.5% of total Brazilian household income, they have been found to be the second-most-important factor in reducing inequality (F.V. Soares et al., 2007).

3.1.2 Poverty

Expanding the coverage and increasing the value of social assistance programmes has had a significant impact on poverty, particularly extreme poverty, in Brazil. Between 2001 and 2005, social pensions contributed 26% of the total reduction in extreme poverty. Bolsa Família had a lesser impact, contributing 12% of the total reduction (Paes de Barros, 2006, in ILO, 2009). Social transfers represent 10% or more of the total income of the poorest 5% of the population, and are said to have positive effects on the extreme poverty and poverty gap measures: Bolsa Família has been responsible for a 12% reduction in the poverty gap and a 19% reduction in the poverty severity measure (F.V. Soares et al., 2007).²¹ According to Barrientos (2003), 'the poverty headcount would be 4.2 per cent higher for the Brazil sample [...] if pension income is removed [...]. Indigence headcount would rise by around 9.6 per cent in the Brazil sample, all else being equal.'

3.1.3 Growth

While there is evidence of positive impacts of social transfers on incomes at the household and community level, there is little robust evidence to indicate a direct relationship between social transfers and aggregate growth. Theory indicates that by reducing inequality and poverty, social assistance programmes may contribute indirectly to growth. However, empirical studies explicitly evaluating the impact of Brazil's social assistance on local or aggregate levels of growth are not yet available.

Box 2: A beneficiary's viewpoint



Photo: © World Bank/Fernando Bezerra

Dinalva Pereira de Moura is a Bolsa Família beneficiary.

'This program has been a wonderful thing for me and my family. I have three kids and my husband is unemployed. The Bolsa Família money helps me buy food. Sometimes we can even afford to buy fruit for the children and they like that. My kids know that when we get the money they will have more to eat so they look forward to it. The program also helps keep the kids in school because they know how important it is for us to get the money and that this depends on them attending school.'

¹⁸. Santos, personal communication (2010).

¹⁹. Hailu et al. (2009) is based on a research paper (Veras et al., 2006) that separates out the income of different cash transfer programmes, crosschecks the survey information with administrative records, evaluates the incidence of programmes, calculates their concentration indexes and decomposes the Gini into the contribution of each income source.

²⁰. In 2003, Bolsa Família was created to merge and organise various federal CCTs. For estimation purposes, Soares et al. (2007) consider that any family receiving a federal CCT, regardless of the programme, was receiving Bolsa Família.

²¹. The poverty severity measure analyses the gap between the poverty line and the average income of poor people. The greater the gap, the deeper poverty is in the country.

3.2 Improvements in education and health in Brazil

The above sections focused on income poverty reduction, but social assistance programmes can also have direct and indirect effects on broader human capital outcomes. CCTs can have three potential types of effects on educational achievements and health status. First of all there is the income effect: the transfer directly increases the income of beneficiary households, which means they might be able to afford to send their children to school or spend more money on food. Second, the conditions attached to some of the transfers for example directly increase school attendance or the number of vaccinations received. Third, by receiving cash transfers, beneficiaries are exposed to more information on health and education services, which may also increase school or health centre attendance. In practice, these effects are difficult to disentangle, and there is little evidence directly attributing them to conditionality compared with other factors. This indicates that any conditionality may not be central to the attainment of human capital benefits arising from cash transfers (Samson et al., 2006). All three effects are likely to have a positive impact on outputs (e.g. school attendance), but impacts and outcomes depend on a number of factors, including service quality, which again are difficult to measure independently.

Children in school at Vila Varjão where many families are beneficiaries of Bolsa Família



© World Bank/Fernando Bezerra.

Qualitative research in Brazil shows that pensions can lead to improvements in terms of accessing education and health services, as recipients almost always share them with other household members (e.g. Lloyd-Sherlock and Saboia, 2010). Previous research suggests that transfers have had a positive effect on school attendance (e.g. Bastagli, 2008). The expansion of Brazil's old age pension programme was found to have led to an increase in educational attainment among girls aged 12-14 living with grandparents (Carvalho Filho, 2001, in Bastagli, 2008). Previdência Rural has also been found to have increased school registration and school attendance (in Medeiros et al., 2008).

Meanwhile, a survey of Bolsa Família beneficiaries and non-beneficiaries in 2007 found a positive impact on school attendance (ILO, 2009). Children living in Bolsa Família beneficiary households have a lower probability of absence from school and a lower probability of dropping out compared with children living in similar households. However, higher attendance does not necessarily lead to better outcomes in terms of educational achievement. One study finds that Bolsa Família children are more likely to fail to advance in school (Oliveira et al., 2007, in Soares and Silva, 2010). This can be attributed to Bolsa Família enrolling more underachieving students who had previously dropped out of school. This suggests that cash transfers alone may not be sufficient to improve education outcomes: it will also be necessary to address the quality of services provided and other factors that influence education outcomes, such as child labour and gender inequality.

In terms of health care, however, there is no evidence Bolsa Família has had a positive impact on the rate of child vaccinations, despite conditions attached to receiving them. This is likely because of supply-side constraints (Soares and Silva, 2010), as the supply of health care has not grown together with Bolsa Família enrolment. This highlights the importance of ensuring service supply and quality alongside provision of cash transfers. However, qualitative research suggests that pensions have helped the elderly poor access health care and buy medication (in Lloyd-Sherlock and Saboia, 2010).

Some studies have found positive health effects in isolated communities. In the Amazon, for instance, beneficiary family children were found to be more likely to have appropriate age/weight or age/height ratios than children of non-beneficiary families, as a higher disposable income allowed for higher expenditure on food (Paes-Sousa and Santos, 2009). However, other studies have found no impact of Bolsa Família on stunting and wasting indicators of children (Soares and Silva, 2010).

The evidence on the impact of cash transfers on child labour has also been mixed. One study shows pension reform led to a 10% labour force participation rate reduction among boys (Carvalho Filho, 2001, in Bastagli, 2008). Meanwhile, evidence from Bolsa Família suggests that, while the programme has not been able to reduce child labour (Bastagli, 2008; ILO, 2009), children are now combining work with increased school attendance.²²

3.3 Sustainability

The Brazilian government has received much criticism relating to the fiscal sustainability of its social spending, in particular with respect to its costly pension schemes for civil servants.²³ While contributory social protection expenditure in Brazil is exceptionally high,²⁴ the cost of non-contributory transfers remains relatively low compared with other government expenditure (Medeiros et al., 2008). Expenditure on education in 2005 was 4.3% of GDP and on health 4.4% of GDP (Lindert et al., 2007). Meanwhile, the three major social assistance programmes described here are all tax-financed. The Previdência Rural is the costliest, at 1.5% at GDP (Soares and Silva, 2010).

Bolsa Família is the least expensive, despite its larger coverage of beneficiaries than other social assistance programmes, costing only 0.4% of GDP. Institutional reform and the consolidation of the programmes reduced its administration costs greatly. In 2005, federal administration costs were down 2.6% from the pre-merger costs of 5.3%, demonstrating a large efficiency gain (Lindert et al., 2007). The cost-transfer ratio decreased from 5.6 (for Bolsa Escola in 2002) to 2.7 for Bolsa Família in 2005 (ibid). However, it is also important to note that the slim structure of Bolsa Família does not include any related investments in ensuring and improving the quality and delivery of the associated conditional and complementary programmes and services, such as in health and education. Preliminary results suggest that local governments have adapted the supply of education services (consolidating smaller schools, increasing the number of secondary schools and teachers, etc.) in line with the rollout of Bolsa Família (Leite and Olinto, 2008, in Fiszbein and Schady, 2009). However, the limited impacts of Bolsa Família in terms of progress towards improved health and education to date highlight the need for additional investment in the supply side of services, as well as the importance of tackling the structural causes of poverty and inequality in order to reduce poverty sustainably.

²². Bastagli, personal communication (2010),

²³. Soares, personal communication (2010).

²⁴. Contributory pensions amounted to 5.9% of GDP in 2007 and non-contributory cash transfers (Bolsa Família, the Benefício de Prestação Continuada and the Previdência Rural) accounted for 2.5% of GDP in 2007 (ILO, 2009).

4. Drivers of progress

Successes in the expansion of Brazil's social assistance programmes and their contribution to reductions in poverty and inequality in the country have been a result of a number of factors, including the 1988 Constitution, political attitudes towards poverty and inequality resulting in effective social assistance policies, institutional reform and strong monitoring and evaluation (M&E), particularly in the case of Bolsa Família.

4.1 Governance and the Constitution

One of the most important factors shaping social policy in Brazil was the adoption of the Federal Constitution in 1988. Until the 1980s, Brazil's social policies consisted mainly of contributory social insurance mechanisms. The Constitution marked a significant change in the direction of social policy by making the state responsible for poverty reduction and the creation of a more 'just and equitable' society (Bastagli, 2008; Jaccoud et al., 2010). The Constitution laid a legal foundation for the state to provide health and education services as a basic right of all citizens, as well as guaranteeing social assistance as a right for the poor (Bastagli, 2008; Lindert et al., 2007). Importantly, it therefore set the basis for two important features for the future social policy system: universality of coverage and selectivity to reach the most vulnerable; and a new emphasis on social assistance within a predominantly insurance-based system (Bastagli, 2008). These features were reflected in the changes made to turn the Previdência Rural into a non-contributory and age-based pension, which demonstrated commitment to the inclusion of previously excluded groups in the social protection system (Bastagli, 2008), as well as in changes to the Benefício de Prestação Continuada, which raised the benefit level from half to the full minimum wage per month and dropped the contributions requirements, in effect, 'establishing a pure social assistance programme' (ibid).

While the two pension schemes are embedded in the Constitution, Bolsa Família is not. Bolsa Família, unlike the pensions, was created in 2004 through an initial presidential provisional measure at the same time the Brazilian Congress passed the Basic Income Law. The secretariat that houses Bolsa Família was symbolically named the Secretariat of National Citizens' Income (SENARC) (Lindert et al., 2007) and, for some, the programme represents an initial step in the direction of universalism under the Basic Income Law. However, the debate is highly controversial: others see the targeted nature of the programme as betraying the principles of universalism enshrined in the 1988 Constitution (Bastagli, 2008).²⁵

The legal frameworks for both types of social assistance programmes are therefore distinct, resulting in a number of important implications with regard to access to programme benefits as well as fiscal and political independence. While the Benefício de Prestação Continuada and the Previdência Rural are a constitutional right, and any individual who meets the eligibility criteria can receive the benefit and demand it judicially, the selection of beneficiaries under Bolsa Família is dependent on the budgetary allocations to the programme, as well as on the coordination between municipalities and the federal government (Medeiros et al., 2008). As such, even if a household meets the eligibility criteria, there is no guarantee it will receive Bolsa Família benefits (Medeiros et al., 2008).²⁶

The pension schemes, as part of the constitutional framework, are protected from budgetary fluctuations, as well as from political interference. The basic principles of the Benefício de Prestação Continuada, for instance, cannot be altered at a government's own discretion, and are therefore relatively immune to fiscal adjustments, budgetary cuts and contingencies. Bolsa Família, however, is not constitutionally protected in the same way. Created by a presidential measure, the programme is highly associated with the Lula de Silva administration (Medeiros et al., 2008).

²⁵ According to Senator Suplicy, Bolsa Família is a first step towards citizenship basic income, although other supporters of basic income, like Lavinhas (2008), point out that Bolsa Família does not come from a rights-based perspective, since it is targeted and conditional and, therefore, excludes the poor who are not selected through the targeting mechanism or who fail to comply with conditionalities (in Soares and Silva, 2010).

²⁶ In 2009, estimates suggested that approximately 3 million families were waiting to be enrolled in Bolsa Família (ILO, 2009). However, as Soares et al. (2010) suggest, the recent food price crisis provided a reason to increase the coverage of the programme to incorporate families that should have been included in the programme as a result of income volatility (see Soares et al., 2010, for further discussion on this).

Econometric analysis also suggests it had a significant impact on voters' behaviour in the 2006 presidential elections. This means that, while politicians of all political and ideological backgrounds support Bolsa Família, and while presidential candidates in the October 2010 elections competed with statements on who would expand it more (The Economist, 2010), changes in government could compromise its design, implementation and expansion, as has been the case in previous programmes in the country and in the region (ILO, 2009).²⁷

As a result of this unpredictability, some argue that Bolsa Família should be integrated into a rights-based legislative framework, to convert it into an unconditional basic income policy. The Brazilian government remains cautious of such a commitment, and is constrained because it must pay heed to the Law of Fiscal Responsibility (ILO, 2009). However, a number of other mechanisms have been put in place in an attempt to mitigate political risk, reduce corruption and minimise political interference at the municipal level, by disassociating the programme from individual politicians or political parties (ibid). Such measures have included closing the programme to new registrations for three months during the municipal elections, under sanctions specified in the electoral law, and taking measures and controls to improve accuracy in the selection of beneficiaries.

4.2 Political perceptions towards poverty and inequality

The 1988 Constitution set the new legal framework for social protection in Brazil and reflected a broader trend of political commitment to social assistance programmes as an effective poverty reduction tool. Such commitment is highly dependent on dominant ideologies about society and the poor, by both the polity and the public. In Brazil, the majority of the general public believe poverty is the 'fault of an unjust society',²⁸ and politicians have framed debates on poverty around inequality and the need for redistribution. These perceptions have strongly influenced the types of social policy and programmes seen as appropriate to tackle poverty and inequality in the country.

The concept of CCTs first emerged in policy debates in Brazil in the late 1980s and early 1990s, at the same time the Constitution was being drafted, reflecting widespread beliefs about society's 'debt to the poor' (Lindert et al., 2007). Framed around arguments to reduce the high income inequality in the country, which was hampering progress towards poverty reduction and redistribution (Camargo and Ferreira, 2001, in Bastagli, 2008), by 1999, 60 municipalities were implementing different CCTs, which shared a common basic structure.²⁹ This was unrolling amid growing consensus demonstrated by the municipal experience that school-aged children should be required to attend school.³⁰ Indeed, numerous research studies also indicated that a substantial part of Brazil's inequality could be attributed to unequal opportunities in education (Velez et al., 2004, in Bastagli, 2008), and there was a common perception that the concentration of resources on families with children with the requirement that they send their children to school would improve impacts, especially in the long run, on inequality and poverty (Bastagli, 2008). Arguments in favour of targeting and conditionality were fuelled also by a general perception that universal policies had failed to reach the poor and reduce poverty (ibid). CCTs – as a broad policy category – appealed to politicians and policymakers across the political spectrum: those on the left saw the conditions as reinforcing basic human rights, whereas right-wing politicians saw them as an enforceable contract (Fiszbein and Schady, 2009).

4.3 Institutional reform and strong institutional capacity

In the context of broad political commitment to social assistance in 1990s, President Lula da Silva's administration, brought into power in 2003, emphasised poverty reduction in the form of consolidating existing CCT programmes through institutional reform. Indeed, the Fome Zero (Zero Hunger) programme was established soon after Lula's administration took office in 2003, and was launched as the new government's flagship umbrella initiative, reflecting its aims to eradicate the most extreme forms of poverty and hunger in Brazil through a multidimensional approach based largely on income transfers to the poor (Lindert et al., 2007).

²⁷ Brasília's Bolsa Escola, for instance, failed to survive a political change. A similar programme in Nicaragua was also discontinued, despite its internationally recognised achievements (ILO, 2009).

²⁸ Results of the World Values Survey show that 76% of Brazilians believe the poor are poor because 'society is unjust' and that the poor 'have very little chance to escape from poverty' on their own (in Lindert et al., 2007). In a survey of 320 randomly selected individuals from four sectors of Brazil's elite (politics, government, private sector and union leaders), close to half ranked these issues as the main obstacles to greater democracy in Brazil and close to 40% ranked them as the priority issues facing the nation (ibid).

²⁹ Targeting poor households with school-aged children and requiring beneficiaries to send their children to school, but typically displaying different eligibility rules, coverage and threshold levels to reflect local resources (World Bank, 2001, in Bastagli, 2008).

³⁰ The first documented CCT programme in Latin America was Bolsa Escola. This initiative was first implemented in early 1995 at the local level in the suburbs of Brasília and in the city of Campinas (São Paulo), spreading subsequently to more than 100 municipalities and states. It was taken under the aegis of the federal administration in 2001 and extended to the whole country (ILO, 2009).

Later in 2003, Lula's administration spearheaded a major process of institutional reform to consolidate the numerous cash transfers in the country into a single programme, Bolsa Família. The reform introduced Bolsa Família as the single national cash transfer and created the Citizen's Income Unit at the Ministry of Social Development to centrally coordinate policy (Bastagli, 2008). The reform aimed to promote efficiency in the use of public resources, to improve the system for identifying the target population, to leverage synergies from jointly promoting education and health incentives, to strengthen M&E and to leverage opportunities to systematise complementarities in the social safety net between federal and sub-national programmes (Lindert et al., 2007).

The institutional reform was possible because of an existing decentralised institutional framework, and was strengthened as a result of progressive investment in building institutional capacity and coordination across the country. The capacity to deliver timely and predictable transfers and to target effectively the poor with minimum leakages (Soares et al., 2010) has been a critical factor in the success of the programmes in reducing poverty and inequality.

Indeed, Bolsa Família is managed centrally by the Ministry of Social Development, yet numerous other agencies, both centralised and decentralised, are involved in the implementation of the programme (see Annex 3). The development of the single registry system has enabled beneficiaries to access additional programmes and services – such as health, primary education and social assistance – as well as enhancing both horizontal (between sectors) and vertical (across different government levels) coordination among institutions. This is a significant departure from a historically fragmented social policy institutional framework in Brazil. The single registry system, initially started in 2001, has been identified as 'the single most important management tool' available to Bolsa Família: the single social assistance database is based on a system of unique identification numbers, to serve as a targeting and monitoring instrument to reduce both duplicate registrations and administrative costs, to monitor eligibility requirements, to improve efficiency and to ensure horizontal coordination between social policies (ILO, 2009).

However, the relatively complex institutional structure is also associated with a number of complex challenges. These include managing third party implementers to ensure quality implementation by actors other than the federal government, namely, the 5,564 municipalities responsible for registration in the single registry system, monitoring of conditionalities and making payments. Administrative and financial capacity and levels of political commitment to delivering the programme vary vastly across the thousands of municipalities. In addition, given the multiple array of municipal-level programmes, sub-national CCTs mean Bolsa Família faces an additional challenge in relation to potential duplications (Lindert et al., 2007).

A number of solutions have been put in place to try to overcome these key challenges. These include:

- Establishing formal joint management agreements between the Ministry of Social Development and all municipalities in order to formalise municipal implementation roles and responsibilities, setting up minimum standards for programme operation and carrying out audits (Lindert et al., 2007).
- Developing an Index of Decentralised Management to assess municipal quality of implementation, in order to enable provision of performance-based financial incentives (administrative cost subsidies) and better quality implementation (Bastagli, 2008). Targeted training and capacity building is given to municipalities with low scores (Lindert et al., 2007).
- Agreeing performance-based contracts, e.g. with the Caixa Econômica Federal, which is also subject to audits under the oversight and controls network (Lindert et al., 2007).
- Agreeing joint cooperation contracts with other sub-national programmes in order to avoid duplications and to enable the facilitation of vertical integration and/or linking Bolsa Família beneficiaries to complementary services (Lindert et al., 2007).
- Knowledge sharing across municipalities to promote an exchange of municipal experiences, including field visits as part of the awards process for good practices (Lindert et al., 2007).

4.4 Monitoring and evaluation

Bolsa Família has received much more political and public attention than other social assistance programmes in Brazil. In Bolsa Família, M&E is carried mostly out by external actors and, most significantly, efforts to evaluate the programme by external institutions are perceived to have had a much larger impact on public and political debates on the programme.³¹ Positive findings from evaluation studies, including on the efficiency and accuracy of targeting, have been disseminated through national research institutions such as the Institute for Applied Economic Research (IPEA) and the Getúlio Vargas Foundation. The media has also contributed to the acceptability of the programme among policymakers and the public.³²

³¹. The total cost of Ministry of Social Development-contracted evaluations (all studies plus one year of data collection for the longitudinal study) amounts to approximately R\$6.4 million (about \$3 million), or less than 0.08% of total programme costs (Lindert et al., 2007).

³². Santos, personal communication (2010); Soares, personal communication (2010).

5. Conclusions

5.1 Key lessons

The experience of Brazil's social assistance programmes demonstrates that cash transfers can contribute to reducing inequality and poverty. In addition, the high level of national debate on appropriate types of social assistance, financed out of domestic tax revenue, means that the social assistance system, even programmes outside of the Constitution, is likely to be sustainable in the long term. Specific lessons that may be drawn from the Brazilian experience for other countries are as follows:

- High pension transfers that are linked to the minimum wage can ensure an increase in real values of transfers.
- The positive impacts of social assistance on poverty and inequality reduction have been achieved as part of a broader social policy package that complements investments in education and health as well as economic policies such as the minimum wage.
- The large coverage and accurate targeting of Bolsa Família has contributed to the effectiveness of the programme in terms of contributing to reductions in inequality and poverty.
- Political economy can make a difference. A strong rights-based framework, concern from political parties to reduce inequalities and poverty and a government capable and willing to implement inequality-reducing policies have created an enabling environment for effective social assistance.
- Institutional reform in the social policy arena created a national ministry to provide oversight and institutional coordination, and enabled the single registry system to integrate multiple services and programmes accessible by the poor.
- Investing in the capacity of institutions at all levels and providing institutional incentives has been key to improving the delivery of social assistance and the efficiency of targeting.

5.2 Challenges

Brazil remains one of the most unequal countries in the world, and almost a quarter of the population continues to live below the poverty line. Meanwhile, despite Bolsa Família's objectives relating to breaking the intergenerational cycle of poverty through investment in human capital development, there is as yet limited evidence on the positive impacts in terms of improved health and education for poor children beyond simply increased access to services. Moreover, it is not possible to identify a causal relationship between social assistance provision and growth in the country. Specific challenges remaining in Brazil include the following:

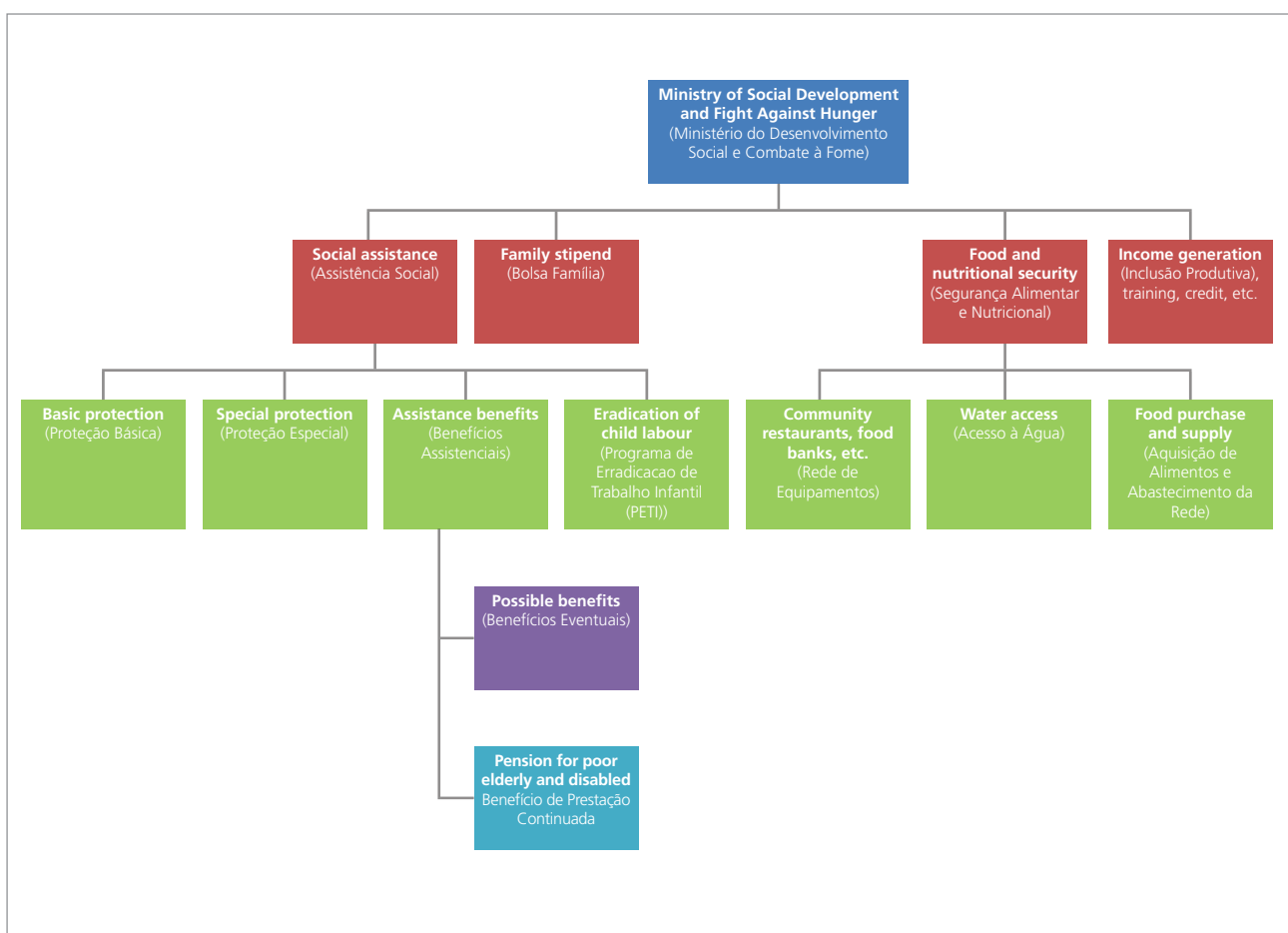
- There is a need for simultaneous investment in improving the quality of education and health services for better schooling and health impacts. It is important to generate evidence on the impact of social assistance on poverty outcomes, not just behaviour change, and to interrogate the underlying causes and barriers to improved outcomes.
- The transfer value of Bolsa Família is low relative to household income, and is not linked to the minimum wage or to inflation, which reduces the real value of the transfer. While the pensions have increased in line with increases in the minimum wage, the real value of Bolsa Família has not kept up with changes in living costs.
- Owing to the small value of the Bolsa Família transfer, families will not exit the programme – or poverty – on their own. Linking beneficiaries with more strategic economic and income-generating programmes and services could support a more sustainable trajectory out of poverty.
- Embedding Bolsa Família in the Constitution, like the pensions, would ensure the poor had the right to access the programme.

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Annex 1: Programmes located in the Ministry of Social Development and Fight Against Hunger



Annex 2: Poverty, inequality and growth trends in Brazil, 1990-2009

	Poverty rate (% of poor households below national poverty line)	Inequality (Gini coefficient)	GDP growth rate (% , 2009 prices – 3-year moving average)
1990	36.0	n/a	-0.4
1991	n/a	n/a	0.2
1992	35.0	n/a	-1.1
1993	35.5	59.4	1.9
1994	n/a	n/a	3.2
1995	28.1	58.6	4.8
1996	28.2	58.7	4.0
1997	28.4	58.8	3.3
1998	27.1	58.6	1.9
1999	28.2	58.2	1.2
2000	n/a	n/a	1.5
2001	28.1	58.5	2.0
2002	27.0	57.9	2.8
2003	28.2	57.4	1.7
2004	26.4	56.4	3.2
2005	23.6	56.3	3.3
2006	20.3	55.6	4.3
2007	18.5	54.7	4.4
2008	17.2	54.2	5.1
2009			3.7

Source: Poverty and inequality data: SEDLAC (<http://sedlac.econo.unlp.edu.ar/eng/>, accessed September 2010); GDP growth data: based on WDI Database (<http://databank.worldbank.org/ddp/home.do?Step=12&id=4&CNO=2>, accessed November 2010).

Annex 3: Roles and responsibilities of actors involved in implementing Bolsa Família

The **Ministry of Social Development** is the programme's policy and supervision agency.

Municipalities carry out many aspects of programme implementation. They are responsible for maintaining a local coordinator for the programme (local programme point-of-contact); registering *potential* beneficiaries in the single registry system; monitoring health and education conditionalities and consolidating associated information; prioritising Bolsa Família beneficiaries for other complementary services; and establishing social control councils.

The **Caixa Econômica Federal** is the programme's operating agent, which pays out the benefits.

The **Ministries of Health and Education** are responsible for establishing technical and operational guidelines regarding school attendance (Ministry of Education) and health conditionalities (Ministry of Health). They are also responsible for promoting the training of state and municipal managers in monitoring human capital conditionalities. Finally, they are responsible for consolidating conditionality compliance information and reporting this information to the Ministry of Social Development.

State governments provide technical support and training to municipalities (particularly for smaller municipalities). They also provide basic and complementary services, along with the municipalities. Finally, states are responsible for providing identification documentation for all families in the single registry system registered in their jurisdiction.

Three controls agencies – the General Controllers Office, the Federal Audits Court and the Office of the Public Prosecutor – are responsible for formal oversight and controls of the Bolsa Família programme.

Source: Lindert et al. (2007).