



International Labour Office  
Social Security Department

## **Bolsa Família in Brazil: Context, concept and impacts**

Geneva, March 2009



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## Contents

	<i>Page</i>
1. Introduction .....	1
2. Cash transfers in Brazil .....	4
3. <i>Bolsa Família</i> at a Glance .....	8
Rationale .....	8
Historical context and institutional framework .....	8
Benefits, selection process and targeting .....	9
Conditionalities .....	11
Roles and responsibilities .....	13
3. Impact evaluations .....	13
Targeting .....	14
Household consumption .....	14
Employment .....	15
Education .....	15
Child Labour .....	15
Vaccinations and nutrition .....	16
4. Concluding remarks and debate on the future .....	16
Linking but not replacing other social policies .....	16
From an incentives-based to a rights-based approach? .....	17
Annex. Conditional cash transfer programmes in Latin America by year of establishment and coverage .....	19
References .....	21



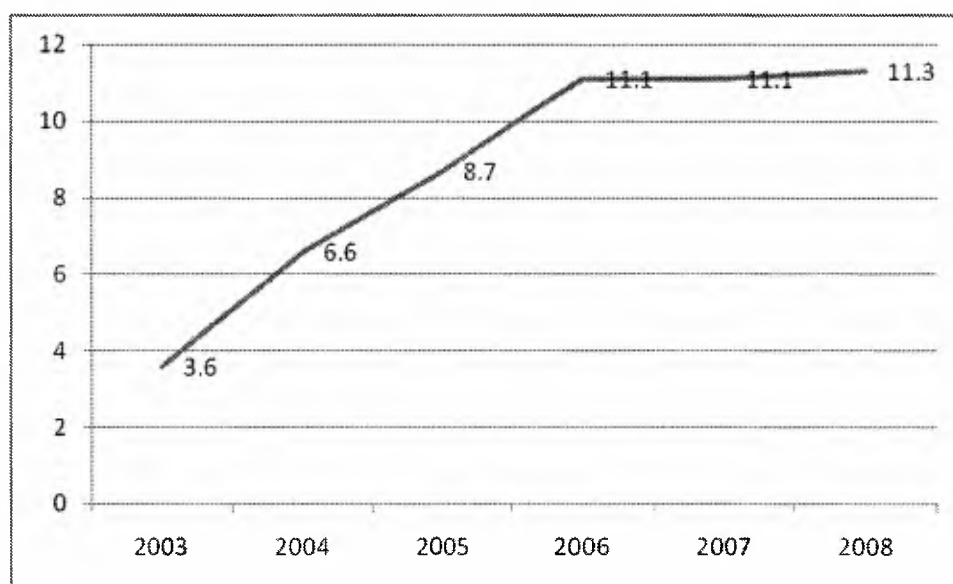
## 1. Introduction

*Bolsa Família* is the largest conditional cash transfer programme in the world. By the end of 2008, it had reached around 11.3 million families, 46 million people, corresponding to a quarter of Brazil's population at an annual cost of US\$ 4.5 billion<sup>1</sup> (0.4 per cent of the GDP).

Launched in 2003, the programme provides income support to poor families, subject to their fulfilling of certain human development requirements, such as child school attendance including participation in supplementary socio-educational activities, vaccinations, nutritional monitoring, prenatal and post natal tests. Since its creation, coverage has expanded rapidly. The number of beneficiaries tripled in four years rising from 3.6 million in 2003 to 11.1 million in 2006 (Graph 1) reaching around 75 per cent of the estimated number of poor families.

Recently, the government announced further extension of the programme as one of the core measures of the anti-crisis package. This counter-cyclical initiative is expected to include 1.3 million additional families and contribute to mitigate the impact of the crisis among those more vulnerable and to stimulate consumption. Since low income families have high propensity to consume, this measure can contribute to boost demand for food and basic consumer goods produced mostly locally.

Graph 1. Number of *Bolsa Família*'s beneficiary families in December of each year



Source: Ministério do Desenvolvimento Social e Combate à Fome, 2009.

Similar programmes have by now been implemented in 16 Latin American countries covering around 70 million people or 12 per cent of the population in the region (Annex1). As interest in the concept has extended even more widely, in 2007 an experimental conditional cash transfer initiative was launched in New York City to reduce urban poverty through provision of financial incentives for enhancing health, children's education, and

<sup>1</sup> MDS, 2009.

UN exchange rate for January 2009: US\$ = R\$ 2.3.

adults' skills and employability. Other US cities are following its development and plan to implement similar strategies.<sup>2</sup>

In Brazil, *Bolsa Família* has contributed strongly to the improvement of income distribution and to poverty reduction. Until the late 90's, the country remained persistently in the group of five countries with the world's most unequal distributions of income, having a Gini coefficient close to 0.6. Since 2001, this indicator has declined steadily reaching the level of 0.55 in 2007, which is the lowest rate in the country's recent history.<sup>3</sup>

The country was able, moreover, to celebrate the achievement of the millennium development goal on poverty reduction ten years before the 2015 UN deadline. Compared to 1990, the number of people living on one US\$ a day PPP<sup>4</sup> was more than halved, declining from 8.8 per cent in 1990 to 4.2 per cent in 2005.<sup>5</sup>

Given its multidimensional and integrated approach, the Brazilian experience in relation to its cash transfer programme can be seen as a strong reflection of a national Decent Work Agenda. The achievement of the programme in extending social protection at an affordable level of cost, and within a very short time frame, should be seen as a remarkable step forward for the country. Within four years, 11.1 million poor people have been provided with safety net coverage through enrolment into a basic social protection income support scheme at a cost equivalent to 0.4 per cent of the GDP. Thus the Brazilian model is a shining example of how it is possible to carry out a massive and rapid social inclusion process at a relatively low cost. The Brazilian experience is consistent with several studies and simulations carried out by ILO that show that developing countries can afford to build appropriate and relatively comprehensive, even if basic, social protection packages.<sup>6</sup>

The programme contributes to mainstream gender. Benefit payments are made preferably to mothers or pregnant women. In 2005, 93 per cent of the beneficiaries were females and 27 per cent were single mothers.<sup>7</sup> This suggests gains in empowering women, strengthening their position in the households and communities, increasing their influence within the family, raising self-esteem and reducing domestic violence.

A further set of initiatives which have been implemented alongside *Bolsa Família* relate to employment and skills development. The Ministries of Labour and Social Development together with local governments are currently working on supplementary policies to overcome entrance barriers in the labour market and improve beneficiaries' labour skills. Through linking employment and social protection policies, it is envisaged that the programme will become an example of good practice, showing how policy objectives of income support and job insertion can be promoted in a mutually consistent and coherent framework of poverty reduction and human development.

<sup>2</sup> Financial Times, 2008 and Sá e Silva, 2008.

<sup>3</sup> IPEA, 2008.

<sup>4</sup> The PPP rate is the number of units of domestic currency that are necessary to obtain a purchasing power that is equivalent to one US\$ in the United States.

<sup>5</sup> Brazil, 2007.

<sup>6</sup> ILO, 2009.

<sup>7</sup> Ministério do Desenvolvimento Social e Combate à Fome, 2008.

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A particularly important contingent benefit of the programme is that of “financial inclusion”. Because payments are made via the banking system, a significant proportion of Brazil’s poor population has gained access to a bank account, debit and credit cards and financial services. In addition, microcredit initiatives and business development services for micro enterprises have been piloted on an experimental basis.

*Bolsa Família* has also been functioning for many Brazilians as an exit door from forced labour. As of December 2005, victims saved from forced labour automatically receive unemployment benefits, and those who have children are enrolled in the conditional cash transfer programme.

A major challenge to be addressed through *Bolsa Família* is the fight against child labour. The earlier *Programme for the Eradication of Child Labour* (PETI) was merged into the new conditional cash transfer scheme in order to optimise the rationalization of bureaucratic procedures and efficiency. A range of supplementary socio-educational measures have also been implemented in cooperation with the Ministry of Education and the participation in such activities is one of the *Bolsa Família*’s conditionalities.

Finally, the programme’s aims include outcomes in areas including health, education, nutrition and food security which all reflect aspects of the Decent Work Agenda, and have, moreover, drawn the attention of other UN agencies such as WHO, FAO and UNESCO.<sup>8</sup>

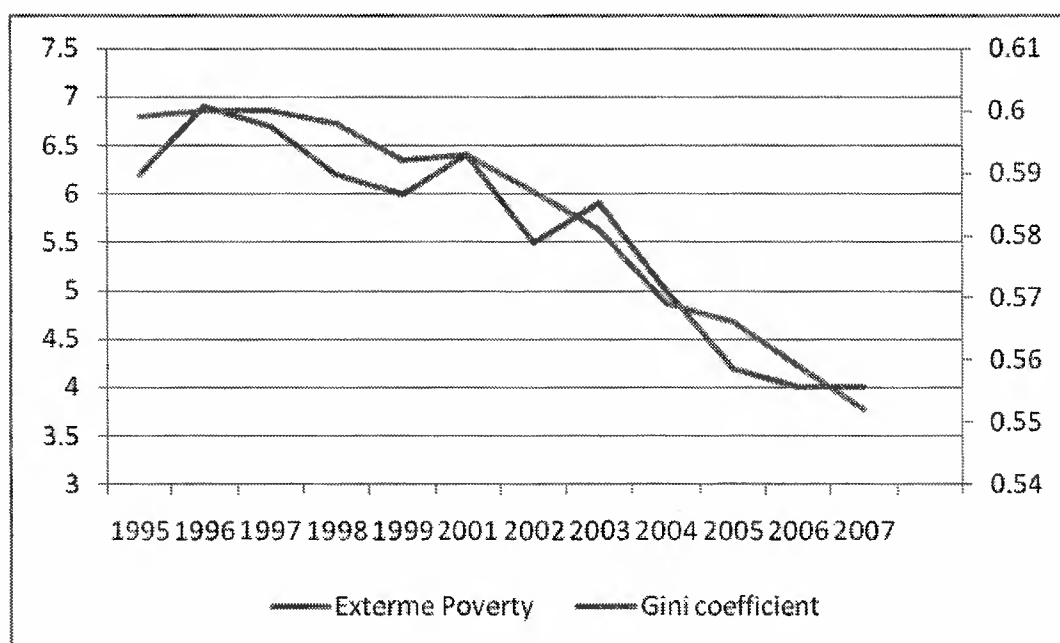
This paper provides a brief overview of the rationale, design and management of the *Bolsa Família* as one programme amongst several Brazilian cash transfer schemes. It includes a review of the main studies and impact evaluations recently undertaken by Brazilian and international institutions and universities. It aims to identify strengths and limitations that could be taken into consideration in future discussions in the framework of the ILO South – South technical cooperation agenda.

<sup>8</sup> See for example: Handa, S. and Benjamin Danvis. 2006; Reimers, F et al., 2006.

## 2. Cash transfers in Brazil

Over the last decade, Brazil has experienced a remarkable and rapid improvement in income distribution driven mostly by the reduction of extreme poverty (Graph 2). In a range of countries, including Sweden, the Netherlands, Canada and France, the development of their welfare states was associated with sustained decreases in the Gini Coefficient at an average rate of 0.3-0.5 percentage points per year for long periods (20-25 years). In Brazil this measure of inequality fell by 0.7 points per year from 2001 to 2007.<sup>9</sup>

**Graph 2. Brazil: Evolution of the Gini Coefficient and Extreme Poverty (Income per capita less than 1 US\$ PPP per day) as Percentage of the Total Population (1995-2007)**



Source: Brazil 2007 and IPEA, 2008.

The strong progress of Brazilian social indicators has been driven by the extension of social protection through cash transfers programmes, including *Bolsa Família*, and broader social security policies. During the 90's, while most Latin American countries were privatizing their social security schemes, the Brazilian reform strategies centred on strengthening the public pay-as-you-go system and extending social security coverage.<sup>10</sup>

Since the 1988 constitutional reform, consecutive governments have implemented measures to build up a basic social protection cash transfer package which combines three major components: (i) a non contributory social security scheme for rural workers, (ii) a means-tested social assistance old age and disability pension scheme, and (iii) the conditional cash transfer programme which is the focus of this paper.

In 2007, these cash transfers accounted in total for 2.5 per cent of the GDP and 11 per cent of the federal government expenditure, benefiting directly 21.9 million people (Table 1). Including the urban social insurance scheme, social security expenditures amount to 37.5 per cent of federal public expenditure and 8.4 per cent of the GDP.

<sup>9</sup> Soares, 2008.

<sup>10</sup> See Pinheiro, 2005.

**Table1. Cash Transfers in Brazil – 2007**

	Beneficiaries (millions)	% of federal government expenditure	% of GDP
Social security pension scheme for private sector workers	22.1	33.0	7.4
Urban social insurance scheme	14.6	26.5	5.9
Rural non contributory scheme	7.5	6.5	1.5
Social assistance scheme	3.1	2.7	0.6
<i>Bolsa Família</i>	11.3	1.8	0.4
Total	36.5	37.5	8.4

Sources: Ministério da Previdência Social. 2008a, Ministério do Desenvolvimento Social e Combate à Fome, 2008 and Banco Central do Brasil, 2008.

The rural non contributory pension scheme reaches 7.5 million people at a cost of 1.5 per cent of the GDP and provides old-age, survivors', disability, and work injury pensions, together with maternity and sickness benefits. The scheme protects rural workers and dependants living in an informal economy, or "peasant family" environment. The eligibility criteria for the old age pension are the attainment of 60 years of age for men and 55 for women and at least 15 years of service in agriculture, the fishery sector or similar activities. The benefit is linked to the minimum wage which is equivalent to US\$ 202 per month. The programme is largely financed by general taxation. A special contribution on sales of agriculture products accounts for 12.5 per cent of the total rural expenditures.

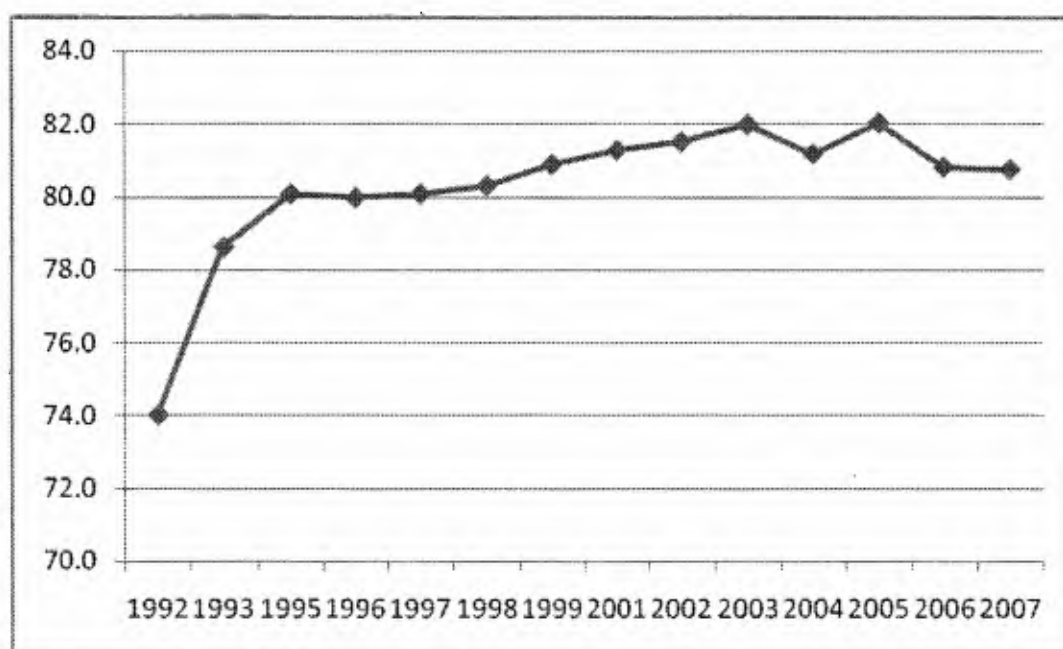
The means tested social assistance pension, known as the Continuous Cash Benefit Programme (BPC), is paid to disabled and elderly people with family income per capita lower than on quarter of the minimum wage (US\$ 50). The age threshold is 65 for men and women and the benefit is also indexed to the minimum wage and financed by general taxation. By the end of 2007, 3.1 million beneficiaries were enrolled at a cost of 0.6 per cent of GDP.

The non-contributory rural pensions and the social assistance scheme together cost more than 5 times the budget allocation to *Bolsa Família* and reach almost the same number of people. The amount of *Bolsa Família's* benefit is much lower because it was designed to function as an income supplement while the other benefits should serve as income replacement.<sup>11</sup>

The unconditional cash transfer programmes are responsible for a remarkable extension of social protection coverage among the elderly. According to a range of household surveys the percentage of the population over 60 years old receiving a social security benefit or making a contribution to a pension scheme increased from 74 per cent in 1992 to 81 per cent in 2007 (Graph 3).

<sup>11</sup> Medeiros et al., 2008.

**Graph 3. Brazil: Percentage of the population over 60 years old receiving social security benefits or contributing to the pension scheme (1992-2007)**



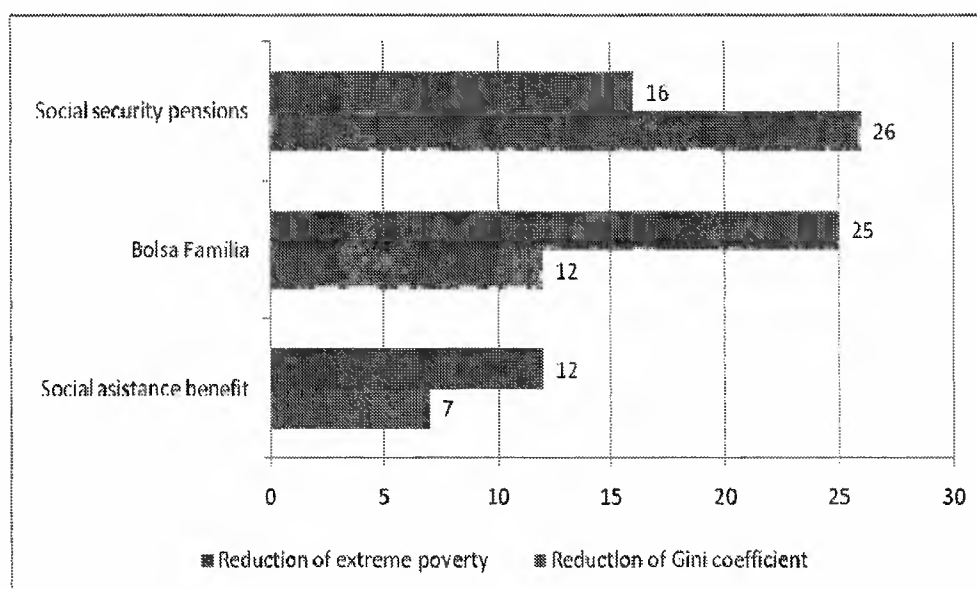
Source: Ministério da Previdência Social, 2008b.

More than one half of the total number of social security beneficiaries receive the minimum pension (pension floor), which is linked to the minimum wage (US\$ 202). Since 1995, consecutive governments have adjusted benefits in proportion to real increases in the minimum wage, effectively pushing up the social security floor and therefore doubling its real value over the last 10 years.

The combination of the extension of coverage and the increase in the benefit values has resulted in a significant impact on poverty levels. Cash transfers alone explain barely half of the income distribution and poverty improvements from 2001 to 2005. Up to 25 per cent of the reduction in extreme poverty (1 US\$ PPP a day) can be attributed to *Bolsa Família*<sup>12</sup>, while the adjustments in the social security floor linked to the minimum wage explains 26 per cent of the improvement of income distribution (Graph 4).

<sup>12</sup> Ministério do Desenvolvimento Social e Combate à Fome, 2008.

**Graph 4. Contribution of governmental cash transfers in the fall of inequality and extreme poverty 2001-2005 (%)**



Source: Paes de Barros. 2006.

*Bolsa Família* has, however, delivered a greater impact in terms of the alleviation of extreme poverty compared to the other programmes because of its targeting features. The social security pension transfers represent a larger share of overall family income and accordingly deliver a higher impact on income distribution.

Several studies were carried out to assess other quantitative and qualitative impacts of the unconditional non-contributory pensions in Brazil. ILO and HelpAge International found that although non-contributory pensions are targeted towards the elderly, in Brazil they are in fact shared within households, thus encouraging co-residence. The authors of this study argue that the benefit plays an important role in reducing family vulnerability, thus promoting financial stability and reducing the probability a decline in living standards.<sup>13</sup>

Another study undertaken amongst communities living in extractive reserves in the Brazilian Amazon region, found that benefits can serve as a form of insurance against seasonal variability or loss of income, and so discourage migration to urban areas. In indigenous areas, cash transfers are used to finance public goods benefiting the entire community, including not only food, medicines and transportation (e.g. fuel, boats and motors), but also religious rituals and festivities strengthening the traditions and the role of the senior members within the group. Child mortality rates are likely to be lower as a result of the prenatal tests which are required as a condition of accessing maternity benefits. This research has also shown that regular income can serve to boost local development, and to finance small rural enterprises and informal microcredit arrangements. Rural pensions have, moreover, strengthened the role of the unions and political associations representing rural workers in the rainforest, arising principally from the affiliation certificate which is part of the material proofs utilised by the social security system to validate the entitlement of rural workers<sup>14</sup>.

<sup>13</sup> HelpAge International, 2003. Bertranou et al., 2002.

<sup>14</sup> Pinheiro and Alvarez, 2001.

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*Bolsa Família* is part of a family of major cash transfer programmes that have been implemented over recent decades, which have established several forms of basic income support for families exposed to different contingencies in the life cycle. While the non-contributory pensions are targeted to the elderly and disabled people and have an income replacement function, *Bolsa Família* focuses on poor families with children and combine income supplement and human development functions.

### 3. *Bolsa Família* at a Glance

#### Rationale

The programme seeks to address objectives concerned with immediate poverty relief, together with the promotion of the longer term development of human capital. Income support cash transfers are provided to poor families contingent upon beneficiaries satisfying certain behavioural obligations such as ensuring children school attendance, prenatal and postnatal monitoring, and participation in nutritional and vaccination schedules.

The rationale for designing the programme in this way is that poor families are likely to become trapped into poverty over several generations if they are not able to access resources (i.e., education, health, financial capital and networks) of a kind which will increase their social mobility. Poor children are likely to become poor adults unless steps are taken to improve their skills, avoid child labour and enable them to overcome the social and economic barriers faced by their parents. By conditioning the income support to the low income families on investment in the human capital of the next generation, *Bolsa Família* aims to break this cycle of intergenerational deprivation and poverty.

The programme accordingly combines traditional social assistance with social investment. It is designed simultaneously to increase the income of poor household and provide incentives for human capital formation. Its interventions prioritize specific phases of the human life cycle, focusing for example on nutrition and health care during pregnancy and in the early years of life, and also on primary and secondary education.

Historically, the institutional framework for social policy in Brazil has been fragmented. However, *Bolsa Família* calls for integration, both vertical and horizontal, between social sectors — health, primary education, social assistance — and across different government levels — national, state and municipality, focusing on the basic needs of the most vulnerable families, so as to bring about coherence and effectiveness of social policies.

#### Historical context and institutional framework

The first documented conditional cash transfer 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 one hundred municipalities and states. In 1996, the Child Labour Eradication Programme [PETI] was established at the federal level, similar in character but with the specific objective implied in its name. *Bolsa Escola* was taken under the aegis of the federal administration in 2001 and extended to the whole country. In 1997, meanwhile, Mexico

became the first country to establish a nationwide programme, which was initially called Progresa and later renamed as *Oportunidades*<sup>15</sup>.

*Bolsa Família* was created in 2003 under the framework of the Fome Zero (Zero Hunger) programme to eradicate hunger and extreme poverty, through the merging of *Bolsa Escola* with three other programmes designed to ensure security of access to food and fuel. In 2006, PETI was also integrated into this broader programme of conditional cash transfers.

It is important to note that in 2004, the Brazilian Congress approved a law establishing the right to a universal basic income for all citizens living in the country for at least 5 years. Faced, however, with budgetary constraints, it was decided that the law should be implemented gradually, focusing initially on the most vulnerable groups. Some political groups and commentators support, in fact, the concept that the *Bolsa Família* should represent a first step towards a fully comprehensive, universal basic income programme<sup>16</sup>.

## Benefits, selection process and targeting

*Bolsa Família* is managed by the Ministry of Social Development and Fight against Hunger (MDS), in coordination with Ministries of Health and Education, the state-owned bank *Caixa Econômica Federal*, the states, municipalities and social partners at the local level.

Until the end of 2007, the programme was partially financed by a provisional levy on financial transactions (CPMF); this might be seen as a form, in the Brazilian context, of "Tobin Tax". In 2008 the proposal to renew the contribution in this form was, however, rejected by the Congress, with the result that the government is currently reallocating resources from elsewhere within the overall social sector budget.

An important feature is its focus on the family unit, rather than on the individual or on the community. While, accordingly, the entitlement to benefits is established at the level of the family unit, it is expected that the family as a whole should bear the responsibility for meeting the corresponding requirements. The benefit is paid preferably to women.

The programme targets households with monthly income per capita lower than US\$52 considered for the purposes of the programme as poor families. This value is approximately one-fourth the level of the current minimum wage and forty percent lower than urban poverty line for Brazil established by the Economic Commission for Latin American and the Caribbean (ECLAC).<sup>17</sup>

The value of the benefits varies according to family income, the number of family members who are children, including teenagers up to 17 years old, and/or pregnant women. The monthly benefits paid by *Bolsa Família* are calculated at the amount of US\$ 8.70 per child (up to 15 years old) or pregnant woman and US\$ 13 per teenager (16-

<sup>15</sup> Lindert et al., 2007.

<sup>16</sup> Lavinias, 2006. Suplicy, 2009.

<sup>17</sup> According to the Economic Commission for Latin America and the Caribbean (ECLAC), the Brazilian urban poverty line for 2007 (latest figure) was R\$ 222 per capita and the indigence line was R\$89 per capita. CEPAL, 2008.

17 years old).<sup>18</sup> An additional monthly benefit equivalent to US\$ 27 is available to households with per capita income lower than US\$ 26 (considered as extremely poor families), regardless of the family composition. In total, an extremely poor family may receive a monthly amount ranging between about US\$ 27 and US\$ 79, depending on the number of eligible members, while the benefit for poor households varies from about US\$ 17 to US\$ 52. Thus for poor households, the cash transfer can more than double the disposal income and for the extremely poor the disposal income can be multiplied by four.

The legal instruments do not provide for any automatic indexation of the benefits, in proportion to either price inflation or wages. It is envisaged that benefit adjustments will be made from time to time on a discretionary basis, which in practice will have regard to prevailing fiscal constraints and political pressures. To date only one such adjustment has been made, in 2007, which was determined on the basis of the variation of the accumulated increase to that point in the consumer price index. Another adjustment is foreseen to 2009 in the framework of the anti-crisis package.

Enrolment of participating families is conducted at the municipal level through process which is subject in principle to means-testing, but in practice is by no means fully verified. Families meeting the eligibility criteria present themselves to the appropriate local authorities, accredited and trained by MDS, to be registered into a unified central database registry of households called the *Cadastro Unico* (Unified Registry).

In the interviews with local officials, applicants self-declare their household income and municipalities are required to conduct ex-post random home visits to at least 10 percent of the beneficiaries to validate the information. By way of broad confirmation of the patterns and trends of eligibility, MDS has its own statistical database information on poverty and vulnerability based on household surveys and censuses, disaggregated by municipalities and micro regions. This database is used to estimate local benefit quotas per municipality. Beneficiary selection is centralised in the MDS and is based on the combination of the estimated quotas with the analysis of the information registered by municipalities.

The Ministry has also, in cooperation with the Brazilian Applied Research Institute (IPEA), developed an Index of Family Development as a tool to assess the degree of a household's degree of vulnerability, in the light of its composition, access to knowledge, income, child development, job opportunities, housing and child development. This index is presently being used to improve targeting ratios.

The Unified Registry is the single most important management tool available to *Bolsa Família*. The task of building a single social assistance database based on a system of unique identification numbers, to serve as a targeting and monitoring instrument, started in 2001. The objective was to reduce both duplicate registrations and administrative costs, to monitor eligibility requirements, to improve efficiency and to ensure horizontal coordination between social policies.

One criticism put forward by a number of authors is that the combination of a highly decentralized registration processes with an income test which is difficult to verify in practice may expose the selection process to patronage and leakage risks.<sup>19</sup> These factors can pose considerable challenges in terms of targeting effectiveness. Some specific

<sup>18</sup> Families can enrol a maximum of 3 children and 2 teenagers in the programme; this provision is designed to discourage higher fertility rates.

<sup>19</sup> Soares et al., 2007.

measures have been taken to mitigate political risk, particularly during pre-electoral periods. In 2006, the programme was closed to new registrations for the three months before the municipal election, while publicity and political meetings or events related to the programme were forbidden; under sanctions specified (in this case) in the electoral law. Beneficiaries' identification and registration is decentralized, but the benefit calculation and granting is centralized in the MDS, who has taken further measures and controls to improve accuracy in the selection of beneficiaries and to minimize political interference.

Once the eligibility of a beneficiary family is approved, payment is initiated through the banking system by state-owned bank *Caixa Econômica Federal*. Benefits are paid preferably to women on a monthly basis directly to the families without intermediaries, through the electronic transaction system.

Beneficiaries are able to withdraw the cash transfer through a nationwide network comprising local branches, lottery and other outsourced agencies, using a benefit card that can also be used as payment card. There are presently more than 32 thousand points where the benefits can be withdrawn. This system helps to reduce corruption, in particular by ensuring that the receipt of money is dissociated from individual politicians or political parties.

For many Brazilians, *Bolsa Família* has provided the door through which they have gained entry to the banking and financial system. Financial inclusion brings access to a range of financial goods and services, including bank accounts, microcredit, insurance, savings and advice. Pilot projects offering even broader financial services to *Bolsa Família* beneficiaries have been undertaken in some municipalities. Most recently, the Ministries of Labour and Social Development have signed an agreement to implement microcredit initiatives targeted to beneficiaries of the conditional cash transfer programme.

According to MDS, 54 per cent of the beneficiaries are rural workers.<sup>20</sup> The most part of them are women working in domestic and subsistence schemes. In the rural areas, the programme reaches some groups such as indigenous populations and *Quilombola*<sup>21</sup> communities where undocumented women, without even birth certificates or ID cards, receive special assistance to issue the necessary documents to be enrolled and gain access to the benefit and supplementary services.

## Conditionalities

The families enrolled in the programme are required to fulfil three conditions: (i) attendance for prenatal and postnatal monitoring; (ii) ensuring access to nutrition and vaccination monitoring for their children from 0 to 7 years old and (iii) ensuring school attendance levels of at least of 85 percent plus participation in socio-educational activities for children aged 6 to 15 years and 75 per cent attendance for teenagers from 16 to 17 years old.

Since in Brazil both public health care and education are universal and free of charge, these requirements entail no direct financial burden on beneficiaries, and in fact serve broadly as

<sup>20</sup> MDS, 2009.

<sup>21</sup> *Quilombolas* are descendents of former slaves that escaped from plantations until the end of the nineteenth century and remained isolated in communities located in rural areas living in subsistence economy arrangements.

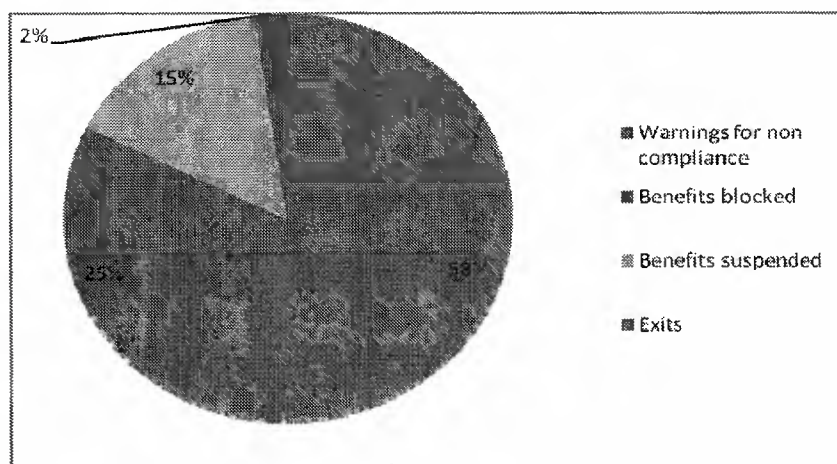
a mechanism to control and identify shortfalls and gaps in the supply of public services, especially to vulnerable families living in rural areas. According to MDS, the “conditionality clause” should be seen not as a basis for punishing beneficiaries, but as a means to develop the sense of common responsibility in the implementation of public policies.

The fulfilment of the requirements is jointly monitored by Ministries of Social Development, Education and Health in coordination with local authorities. In case of non-fulfilment, the relevant policies require that steps are taken to assess the situation of the family concerned, and their access public social services, so that suitable action can be taken, especially to help those who are judged most vulnerable.

In case it is found that benefit should be terminated, it is probable that this will not happen within less than 180 days. When any non-fulfilment of the rules is first noted, the beneficiary family receives a warning notification without any sanction and the benefit entitlement continues. Following a second such warning, benefit may be blocked for 30 days but can be withdrawn unblocked once the situation is regularized. In case of a third or fourth warning, benefit is suspended for 60 days. It is only following a fifth default and warning that the benefit is cancelled and the family removed from the programme.

In 2007, 1.5 million cases of non-fulfilment were registered, corresponding to 14 per cent of the total number of beneficiaries. The majority of the cases were simple warnings, and only 34,050 (2 per cent of the total) cases resulted in cancellation of benefits (Graph 5).

**Graph 5. *Bolsa Família* – Actions taken by the programme in case of non-fulfilment of the conditionalities 2007**



Source: Ministério do Desenvolvimento Social e Combate à Fome, 2008.

As part of the government’s effort to move families off of *Bolsa Família* by creating the means for economic independence, the government announced in 2008 a vocational training programme called *PLANSEQ Bolsa Família*. The joint programme will train *Bolsa Família* beneficiaries for jobs in the construction and tourism sectors. It is expected that 212 thousand people will be trained by the end of 2009. A target of 30 percent participation of women has been set, with the purpose of rectifying the historically low levels of women’s employment in this sector<sup>22</sup>.

<sup>22</sup> MDS, 2009.

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## Roles and responsibilities

A very wide range of institutions have different roles in the implementation of *Bolsa Família*. The leading actor is the Ministry of Social Development (MDS). The major responsibilities of this Ministry include policy making, general coordination, oversight, implementation and evaluation of the programme.

MDS interacts directly with 5,564 municipalities. The municipal administrators, in turn, provide the principle contact point between the programme and the community. They are responsible for registering vulnerable families in the Unified Registry, establishing social control councils, monitoring health and education requirements, designating and maintaining coordinators (one per locality) to serve as focal points of the programme. Municipalities should also promote complementary services and eventually “vertical” merging of their own local income support programmes into the *Bolsa Família*, so as to minimise duplication of benefits, reduce costs and promote synergies. The 27 state governments are responsible for support the municipalities, for issuing identification documents to all families enrolled in the programme, and also for integrating their own state level programmes into the national framework of income support.

In the light of their rights to autonomy in the federal framework, each municipality enters an acceptance and accession agreement that governs the overall management process, clarifies roles and responsibilities and determines minimum operational standards. The national government issues guidelines and provides facilities for training and knowledge sharing to municipal agents its local partners, together with performance based risk management tools which have been developed to measure performance and evaluate the implementation of the programme. A system of financial incentives has been designed to reward good results and direct technical intervention in support of critical cases, while mitigating risks of fraud and inefficiency. Cooperation agreements and knowledge sharing initiatives are also being promoted in order to develop the integration of social programmes and complementary measures at the sub-national levels.

The Ministries of Health and Education are responsible for issuing regulations and for providing training to municipalities on the conditionalities and how these should be managed. They are responsible for consolidating information regarding compliance issues, and for sending this to the Ministry of Social Development so that in the longer term gaps and shortfalls in the provision and quality of health and education services available to the beneficiaries can be identified and overcome.

The functions of financial control and auditing are carried out at national level by the Federal Audits Court (TCU), the General Controllers Office (CGU) and the Office of the Public Prosecutor (MP). Random sample audits in municipalities are conducted on a monthly basis. MDS also has its own oversight mechanisms and has established hotlines for complaints and reporting of benefit abuse. The task of general oversight of the programme at the municipal level rests with Social Controls Councils, composed of local representatives from government and civil society. To increase transparency, MDS made available to the public in its website the full list of beneficiaries.

## 3. Impact evaluations

Unlike many social programmes, *Bolsa Família* has since its early years been the subject of impact evaluations carried out by institutions and looking at the multiple dimensions of the programme. These assessments include those commissioned directly by MDS as part of the regular monitoring process. A range of international organizations, research institutions, universities and NGOs continue to take a close interest in the programme and to publish specific evaluations based on household surveys administrative data, and in

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some cases have undertaken original research based on sampling and control group methods.

## Targeting

Empirical evidence indicates that the *Bolsa Família* increasingly faces a trade-off between the objectives of extending coverage and improving targeting accuracy. The rapid expansion of the programme in its early phase has succeeded in reaching the poor, but has also resulted in the inclusion of households with per capita income above the specified threshold. An evaluation by CEDEPLAR in 2005, based on their own survey, found that the programme was by then reaching 75 per cent of the families classed as being extremely poor.<sup>23</sup> Using household surveys, meanwhile, Soares et al. found the inclusion or leakage error, measured by the ratio of non-poor beneficiaries to the total beneficiary population, of 21 per cent in 2004 and 45.1 per cent in 2006.<sup>24</sup> This suggests that almost half of the beneficiaries have income per capita higher than the income test threshold. Part of this leakage error can be explained by income fluctuations experienced by low income workers as a result of job instability, and by statistical errors intrinsic to the survey. Nevertheless, a significant part can be attributed to lack of precision in the selection process.

However, targeting efficiency may be assessed in other ways, for example by measuring the allocation of the benefits paid across income quintiles. A World Bank study showed that 75 per cent of the *Bolsa Família*'s transfers reached families in the poorest quintile, while those in the two poorest quintiles received 94 per cent of the benefits. The authors concluded from these results that the targeting accuracy of the *Bolsa Família* is in fact far superior to similar programmes in Latin America and indeed to other cash transfer policies in Brazil.<sup>25</sup>

It is important to note that these studies referred to date collected during the early years of the programme (2004-2006) and should be considered preliminary. Further analysis should be undertaken to verify targeting rates in the expansion 2006-2008.

## Household consumption

It is a question of considerable interest as to how the beneficiaries may be spending their extra income. Attempts to isolate the effects of the cash transfer on the aggregated household consumption level have not been successful, at least in the short term. Nonetheless, changes in the structure of consumption have been observed. Both CEDEPLAR showed that the shares of the income spent on food and child health, education (school books and stationery) and child clothing and shoes have increased significantly. A study conducted by the University of Pernambuco in the rural areas inferred that 87 per cent of the money is in fact used to buy food.<sup>26</sup> Given the high propensity to consume of poor families, it is expected that further expansions in the programme will impact positively local development.

<sup>23</sup> CEDEPLAR, 2007.

<sup>24</sup> Soares et al., 2007.

<sup>25</sup> Lindert et al., 2007.

<sup>26</sup> Duarte et al., 2008.

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## Employment

A number of commentators have raised concerns that on the programme may have a potentially negative impact on the labour supply. These critics argue that the social assistance policy affects labour market behaviour, creating dependency on cash transfers programme and reducing labour participation rates.

However, the available evidence is to the contrary. Data from 2004 household surveys showed that participation rates in beneficiary families are in fact 2.6 percentage points higher than for non beneficiaries. This result is robust to the factors of both gender and income. Female labour participation is 4.3 percentage points higher in beneficiary families compared to non beneficiaries, while participation rates were found to be 8 percentage points higher for beneficiary families in the poorest income distribution decile.<sup>27</sup>

In some cases adults may in fact work harder when covered by safety nets, because they are encouraged to assume greater entrepreneurial risks in their activities. Cash transfers can also empower low income workers to overcome entrance barriers in the labour market. In addition, it may be noted that the federal and municipal governments have linked *Bolsa Família* to complementary employment and microcredit policies targeted to the families listed in the Unified Registry.

## Education

The impact assessment prepared by CEDEPLAR indicates that attendance, dropout rates and school progression indicators are generally better for children in families assisted by the programme compared to children living in similar households that do not receive benefits. The probabilities of absence and dropping out are respectively 3.6 and 1.6 percentage points lower within the beneficiary families. Nonetheless, it was found that children in families benefiting under *Bolsa Família* are 4 percentage points more likely to fail to advance from primary to secondary school in similar socioeconomic conditions; this finding seems to reflect the fact that some of these students never entered the foundation stages of primary education.<sup>28</sup> However, it is difficult to distinguish the income increase effect and the conditionality effect. Studies on the impact of the parallel programme providing unconditional rural pensions have also indicated an increase in the level of school attendance. In other words, raising income can, itself, lead to better education for children.<sup>29</sup> But, on other hand, the conditionality clause has played an important role on the identification of supply shortfalls.

## Child Labour

According to IPEA, the latest 2007 household survey shows that, while the impact of *Bolsa Família* might include a significant increase in school attendance levels, is nevertheless not reaching its potential in eliminating child labour. The survey shows that 7 per cent of children aged 5 to 15 were working and studying and 2 per cent, equivalent to approximately 600 thousand children, were only working (including domestic workers) and not attending the school. This indicator has remained constant despite of the expansion of the programme. The explanation is likely to lie in the fact that the programme offers

<sup>27</sup> Soares et al., 2008.

<sup>28</sup> CEDEPLAR, 2007.

<sup>29</sup> Soares et al., 2008.

insufficient monetary incentives to deter the participation of children in the labour market. The estimated earnings of a typical child worker can be as much as 11.5 times greater than the level of benefit offered by the programme to a poor family<sup>30</sup> In addition, to enhance the impact on child labour, the cash transfer should be complemented within the overall child labour policy by measures including after-school components with specific socio-educational activities targeted at particular groups and economic sectors. The rapid expansion of the programme combined with its decentralized implementation has probably generated shortfalls in terms of infrastructure and provision of such activities in the municipalities.

## Vaccinations and nutrition

The evaluation by CEDEPLAR found no impact of the programme on levels of vaccination of children. This might reflect limitations in the quantum of health services available, or the difficulties faced by poor families in accessing such services. This reinforces the argument that conditional cash transfers can achieve their fundamental objectives only if there is already an appropriate social, health and educational infrastructure in place offering good and accessible services.<sup>31</sup>

However, the impact on nutritional indicators has been remarkable. Surveys conducted in isolated areas such as the Northwest semi-arid region, agrarian reform settlements and *Quilombola* communities in the Amazon show that children *Bolsa Família* are 26 per cent more likely to have achieved appropriate height/age and weigh/age indicators compared to non-beneficiaries. The authors conclude that this improvement is explained by the increase in the proportion of a family's disposable income which is redirected mainly to buy food. Further evidence can be derived from the analysis of national household data on food security. The results for 2004 show that the income transferred by *Bolsa Família* increased the probability that a family can achieve food security by 52 per cent. The outcome of this increase is the reduction of chronic malnutrition for children from 0 to 6 years old by an estimated 30 per cent and for children from 6 to 11 months by 62 per cent.

It is difficult to assess whether the conditionality requirements have any effect in this regard, since a similar impact can also be observed in unconditional transfer programmes. The authors also argue that the impact on health indicators may be limited as a result of inadequate basic health care coverage.<sup>32</sup>

## 4. Concluding remarks and debate on the future

### Linking but not replacing other social policies

Concerns have been raised regarding the possibility of "crowding out" effects related to the increase in the *Bolsa Família* budget allocation. In Brazil, provisions by way of pensions, health and social assistance, including *Bolsa Família*, are financed by resources within the social security budget, which itself forms part of the general fiscal budget. The government has suggested that an increased allocation to the new programme should not be at expense

<sup>30</sup> IPEA, 2008.

<sup>31</sup> Duarte et al., 2008.

<sup>32</sup> Idem.

of cuts in other programmes. Investment in health infrastructure and education is a prerequisite for the successful functioning of the conditional cash transfer in this regard. In a context of severe budget constraints, the expansion of *Bolsa Família* should be made dependent on the availability of additional funds sourced in such a way as not to undermine the social investments in other social areas.

Recent worldwide UNESCO survey on conditional cash programmes found that in schools located in poor areas drop out and failure are associated fundamentally with poorly-trained teachers, insufficient instructional material and lack of appropriated educational infrastructure, such as classrooms and libraries. In these cases, providing financial incentives to school attendance can retain children in school, but does not address the structural bottlenecks in the quality and supply of public services.<sup>33</sup>

The same supply-side constraint argument can be made for the health sector. A recent World Bank review of the impacts of conditional cash transfers on undernutrition in Latin America concluded that the lack of substantial investment in the supply of health services can jeopardize the effectiveness of the programmes.<sup>34</sup>

In further ILO technical cooperation on conditional cash transfers, it is recommended that opportunity costs analysis using social budget modelling should be carried out at the national level to assess the efficiency of the potential alternative uses for the resources allocated to conditional cash transfers programmes in the overall budget.

## From an incentives-based to a rights-based approach?

While the majority of the social rights to social protection programmes derive from provisions in the Brazilian Constitution, *Bolsa Família* was created by a presidential provisional measure (*medida provisória*) which was later converted into law. Accordingly, access to income support lacks the status of a constitutional social right as is the case with pensions, health, education and social assistance schemes. Meeting the eligibility criteria does not ensure access to the benefit. The selection of the beneficiaries depends on budgetary constraints, federal quotas allocated to municipalities and coordination between federal and municipal governments.

*Bolsa Família* is administered in such a way that a number of basic parameters, such as the adjustment of the benefits and of the income test thresholds, are determined on a discretionary basis. As a result, the programme could be more vulnerable to external shocks, fiscal adjustments, budgetary contingencies and electoral cycles, than if these items were determined in accordance with a constitutional rights-based policy framework.

Evidence of the positive impacts on educational and nutritional indicators have been found both for *Bolsa Família* and for unconditional cash transfer programmes such the rural pensions or the social assistance benefit (BPC). It seems that an increase in household income quite naturally leads to improvements in social indicators, with families showing a fully rational approach to the use of benefit monies in such a way that it improves the human capital of their children. On the other hand, the approach of the programme through conditionality requirements control has in practice been very flexible. Very few beneficiaries have been excluded from the programme by reason of non-compliance.

<sup>33</sup> Reimers et al., 2006.

<sup>34</sup> Basset, 2008.

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Although the actual application of the conditionality clauses is soft, beneficiaries can be disqualified if they fail to respond correctly to the incentives. According to recent estimates there are 3 million families on the waiting list for enrolment, even though all the relevant information has already been lodged in the Unified Registry. While some of these families might be needier than others who are receiving benefits, unlike other social security programmes they have no legal or judicial claim to benefit rights.

Moreover, notwithstanding the lengthy heritage of *Bolsa Escola*, the *Bolsa Família* programme has been strongly associated with the current administration. Econometric analyses suggest that the programme had a significant impact on the voters' behaviour in the 2006 presidential elections.<sup>35</sup> It is possible, therefore, that changes in government could compromise the design, implementation and expansion of the programme. At the local level, the first documented Latin American conditional cash transfer, Brasilia's *Bolsa Escola*, failed to survive a political change. A similar programme in Nicaragua was also discontinued despite its internationally recognized achievements. One of the key challenges of the programme is to be perceived as a permanent state policy and gain political sustainability.<sup>36</sup>

In this regard concerns have been expressed that the programme should progress gradually from an incentive-based to a rights-based approach. Some commentators argue indeed that *Bolsa Família* should be converted into an unconditional basic income policy.<sup>37</sup> Whilst there is widespread and substantial support for a move such as this, the Brazilian government is constrained by the fact that it must pay heed to the law of Fiscal Responsibility.

<sup>35</sup> See Abensur et al 2008; Azzoni et al., 2008.

<sup>36</sup> Brito, 2008.

<sup>37</sup> Lavinas, 2006.

## Annex

### Conditional cash transfer programmes in Latin America by year of establishment and coverage

Country	Name	Year	Coverage (in thousands)
Argentina	Plan Jefas y Jefes	2002	1,991 persons (2003)
	Plan Familias por la Inclusión Social	2005	
Brazil	<i>Bolsa Família</i>	2003	11,200 families (2006)
			44,000 persons (2006)
Colombia	Familias en Acción	2001	515 persons (2005)
Costa Rica	Superémonos	2000	12 families (2001)
	Programa de Transferencias Monetarias condicionadas	2006	
Chile	Chile Solidario	2002	157 families (2004)
Ecuador	Bono de Desarrollo Humano	2004	1,060 families (2006)
El Salvador	Red Solidaria	2005	35 families (2007)
Honduras	Programa de Asignación Familiar	1998	629 persons (2005)
Jamaica	Program of Advancement Through Health and Education	2001	175 persons (2005)
Mexico	Progres a/Oportunidades	1997	5,000 families (2005)
			24,060 persons (2005)
Nicaragua	Red de Protección Social	2000	24 families (2006)
Panama	Red de Oportunidades	2006	34 families (2006)
Paraguay	Red de Promoción y Protección Social	2005	5 families (2005)
Peru	Perú Juntos	2005	71 families (2006)
Dom. Rep.	Plan de Solidaridad	2005	230 families (2006)
Uruguay	Plan de Atención Nac. a la Emergencia Social	2005	83 persons (2005)

Source: Lomellí, E V. 2008.



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