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# Bolsa Família, poverty and inequality: Political and economic effects in the short and long run

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## Abstract

Created in 2003 by the unification of four earlier initiatives, Bolsa Família currently provides cash transfers to 13 million people and supports more than one-third of the children that go to primary school in Brazil. This article extends and expands previous reviews on the origins, development and impact of the programme. The authors consider the political and economic dimensions in their evaluation of Bolsa Família's contribution to the reduction of poverty and inequality. They argue that Bolsa Família's ultimate impact will partly depend on a reduction of inequalities in public provision of health and education, which in turn may require a more active political role for the poor.

## Keywords

Bolsa Família, CCTs, inequality, poverty, social policy

## 1. Introduction

Conditional cash transfers (CCTs) have become star social programmes in Latin America. According to the World Bank (2009: 2), 'CCT programs often have provided an entry point to reforming badly targeted subsidies and upgrading the quality of safety nets'. For the Economic Commission for Latin America and the Caribbean (ECLAC), these programmes are attractive because 'they aim to intervene in the causes of poverty and not just in the symptoms' (Cecchini et al., 2009: 20).<sup>1</sup> CCTs have expanded rapidly all over

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the region in the last decade and by 2008 all Latin American countries but Uruguay and Venezuela had one.

The popularity of CCTs goes beyond their short-term impact on poverty reduction. Some of these programmes have incorporated millions of people into welfare systems that had historically excluded them, instead concentrating on the needs of the middle class and the elite. Referring to Brazil's Bolsa Família, the World Bank argues that it 'may be the one [social program] that is having the greatest impact on the lives of millions of low-income Brazilians', and its positive results demonstrate 'that it is possible to deal with poverty and income inequality in a sustained manner, integrating millions of people into the economic and social mainstream of the country, without giving up economic development'.<sup>2</sup>

This article reviews recent studies on the origins, development and political economic effects of Bolsa Família – one of the oldest, largest and most popular CCT programmes in the world. Our analysis extends and expands previous reviews of the programme (see, for example, Veras et al., 2010). We explicitly consider both political and economic dimensions when evaluating Bolsa Família's contribution to the reduction of poverty and inequality. We contend that its long-term effects will partly depend on a reduction of inequalities in public health and education, which in turn may require a more active political role for the poor.

The success of Bolsa Família – like that of other CCT programmes – will depend on many other factors, including the creation of more employment opportunities for the poor (Hall, 2006) and progressive reforms in the pension system. In this article we concentrate on the health and education sectors because they are explicitly linked to Bolsa Família through the conditionalities, and because they are partly responsible for some of its current shortcomings (Hall, 2008; Veras et al., 2010).

The article is divided into six sections. Section 2 discusses the historical failures of Latin America's social policy regimes, paying particular attention to the Brazilian experience. Sections 3 and 4 describe the creation, development, characteristics and performance of Bolsa Família. We highlight its positive contribution to poverty and inequality but also the problems of unsatisfied demand (i.e. people in need of the transfer that the programme has not reached). Section 5 explores the relationship between Bolsa Família and the provision of health and education services, calling attention to both the recent advances and remaining shortcomings in these areas. Section 6 reviews the political effects of Bolsa Família. The programme has secured electoral support and has enhanced Brazil's notion of citizenship, but its impact on broader social coalitions is still unknown. The article finishes with some reflections on future research agendas and policy challenges in Brazil and other Latin American countries.

## **2. Brazil's social policy: Historical shortcomings and recent contradictions**

Latin America's social systems have historically been highly segmented and have failed to incorporate large segments of society, including the poor. According to Molyneux (2006: 427), 'despite the expansion of social provision from the 1960s, most of the region still suffered from poor and skewed coverage and low quality services. Entitlements

remained for the most part tied to formal employment.' Tax systems were also inefficient and not particularly progressive, with over-reliance on taxes on foreign trade and ineffective indirect taxes.

The truncated nature of industrial modernization, the uneven capacity of state bureaucracies and the high levels of economic and political inequality all contributed to the failure of social policy (Filgueira and Filgueira, 2002: 129). A welfare regime based on labour entitlements could not work adequately in economies with dual labour markets and high levels of informality as many people were excluded from social programmes. Most services were of uneven quality and there were few incentives to develop universal programmes with low levels of segmentation. Nowhere was this clearer than in Brazil. Since its creation in the 1930s, social provision has faced problems of unequal and segmented provision, with excessive concentration of benefits – particularly pensions and tertiary education – on high-income groups.

While social insurance funds for a small number of workers first appeared at the end of the 19th century, it was not until the government of Getulio Vargas (1930–45) that a real effort towards the creation of a social protection system was undertaken (Lewis and Lloyd-Sherlock, 2009). With the implementation of a pension fund for industrial workers in 1937, the Vargas government tried to secure urban workers' support for the new socio-economic model, promote the segmentation of all workers along occupational lines and reduce opportunities for broad-based social mobilization (Haggard and Kaufman, 2008). Brazil thus established a dual social system 'centered on regulating industrial relations between labor and capital and providing protection only for labor that was engaged in such modern labor–capital relations (and of course public employees)' and marginalized a majority of workers in the rural and informal sectors (Filgueira, 2005: 27). The post-Second World War era did not see dramatic changes to this model, and Brazilian social policies remained subordinated to the country's economic strategy based on rapid manufacturing modernization – a trend that was particularly evident after the 1964 military coup (Henrique, 1999).

From 1964 to the early 1980s the military regime promoted the centralization of decision-making and impeded an active involvement of social movements in the definition of economic and social policies. There were some top-down efforts to expand social insurance – including health and non-contributory pensions – to the rural sector through the Rural Worker Assistance Plan (FUNRURAL in the Portuguese acronym). Nevertheless, pensions for selected groups (public servants, the military) grew faster than rural ones and education remained skewed towards tertiary education. As Ferreira and Vernengo (2008: 75) put it, 'the Brazilian system of social protection was concerned with social rights and citizenship only to a minimum extent'.

This social model – as well as the overall development strategy – showed signs of exhaustion in the 1980s and since then has faced contradictory pressures. On the one hand, successive economic crises – together with the focus on macroeconomic stability in policy-making – have restricted the fiscal flexibility of the government to expand services to new social actors (Fagnani, 1999). On the other, the process of democratization has intensified the number of progressive initiatives aimed at expanding less segmented social services at the local and state level and has opened new spaces for social movements.

The first evidence of the importance of democratization was the Federal Constitution of 1988, which contained a specific chapter on social security reform. Ambitious guiding principles were either created or reinforced, including universal coverage, the commitment to equal benefits and services for the urban and rural population and the creation of new financing mechanisms. The Constitution also defined new sources of financing for the national social security system based on contributions from employers, workers and the state and promoted decentralization. Yet implementation of this ambitious, universalistic agenda was initially slow and incomplete as a result of political fragmentation within the forces in support of the Sarney administration (the so-called ‘Democratic Alliance’), clientelistic politics and difficult economic conditions.

The contradictory nature of social policy reforms continued during the 1990s as successive governments expanded services (see Section 5) but also adopted a market-friendly development model. The Collor administration (1990–2) pursued a conservative political agenda based on a gradual and asymmetric reduction in state intervention. Unfulfilled promises towards the poor and a slow-down in the implementation of the social guarantees established in the Constitution characterized this period. The need to find ways to finance the public deficit generated significant distortions in public spending and contributed to a deterioration of the social security’s financial position (Marques, 1992).

The adoption of the Real Plan to curtail inflation and the commitment to the precepts of the Washington Consensus during the Cardoso administration (1995–2002) moved the country further towards a market-led economic model. At the same time, some ambitious social policy principles based on universalism were elaborated (Faria, 2002). In 1996, for example, the government launched a new social development programme that deepened the process of decentralization and promoted more efficient links between the federal, state and municipal governments. Yet these objectives were never totally compatible with macroeconomic adjustment and a restrictive monetary policy (Fagnani, 1999); as a result, the nature of social policy reforms remained contradictory and service segmentation high.

### 3. Bolsa Família: Origins and characteristics

Experimentation and innovation in social policy during the 1990s was more intense in the states and municipalities than at the federal level. New cash transfer programmes were introduced, inspiring the subsequent adoption of Bolsa Família. This section reviews the origins of the programme and its main characteristics with a double aim. First, it provides useful background for the subsequent discussion of the economic and political effects of Bolsa Família. Second, it reveals the growing consensus around CCTs among different political parties and different levels of governments, which is important for the evaluation of future trajectories.<sup>3</sup>

The initial experiments with cash transfers occurred in the cities of Campinas (SP) and Ribeirão Preto (SP) and in the Federal District of Brasília (Cunha and Camara-Pinto, 2008; Hall, 2008; IPEA, 2008; Oliveira et al., 2007; Rocha, 2008a; Soares and Sátyro, 2009). These early initiatives were not grounded on targeting principles, but were influenced by debates on the ‘Basic Citizen’s Income’ (Renda Básica de Cidadania – RBC)

– a universal monetary transfer to all citizens proposed within a ‘rights-based’ approach. The RDC had become popular in Brazil, partly as a result of the efforts of the leftist Senator Eduardo Suplicy from the Workers Party (Partido dos Trabalhadores – PT). Influenced by European debates, Senator Suplicy became an ardent defender of the RDC (see, for example, Suplicy, 2002) and promoted a law that set basic income as a long-term goal for the Brazilian government.

The initiative of the Federal District, which implemented a cash transfer programme to promote education in 1995, was probably the most important. Named Bolsa Escola (school allowance), the programme was the first to adopt a conditionality rule (i.e. attendance at a local school) for beneficiary families.

At the federal level, the first cash transfer programme was created in 1997 within the broader Comunidade Solidária (‘supportive community’) initiative promoted by the Cardoso administration. Comunidade Solidária was an umbrella programme to promote reforms in various social sectors (healthcare, education, pensions, housing and social services) through a more focused and cost-effective approach. It included a new National Education Law, modifications in the Brazilian National Health Care System (Sistema Único de Saúde – SUS) and the implementation of the Organic Law of Social Assistance (LOAS) from 1993.

CCTs became an increasingly popular instrument during this period of macroeconomic orthodoxy and received support from different political parties. In 2001 Brazil launched three different cash transfer programmes at the national level: Bolsa Escola – under the management of the Ministry of Education; Bolsa Alimentação – managed by the Ministry of Health; and the Auxílio Gás programme – a gas subsidy with no conditions managed by the Ministry of Mines and Energy. The first two programmes included the following conditions: (1) a minimum school attendance of 85 percent for children between six and 15 years of age; (2) periodic vaccinations for those same children; and (3) regular health check-ups for the mothers of beneficiary households. Bolsa Escola was the most popular of the three programmes and soon became an example for other countries within and outside Latin America (Hunter and Sugiyama, 2009).

On becoming president in 2003, Lula maintained these three programmes and added a fourth, the Food Hunger Combat Card. This initiative, managed by the Ministry of Social Development, aimed to transfer small amounts of cash to people who suffered from food and nutritional insecurity. Lack of coordination between different institutions, however, made the management of all these programmes chaotic. In 2003 some households received benefits from four different transfer programmes, while others with similar income levels did not ‘qualify’ for any support at all (Soares and Sátyro, 2009).

The Lula administration responded to these problems with the creation of Bolsa Família in October 2003 as an umbrella programme for all social cash transfers (Bolsa Escola, Bolsa Alimentação, Cartão Alimentação and Auxílio Gás). Bolsa Família aimed to create a more effective system of monthly transfers to beneficiaries, reduce bureaucratic inefficiencies and facilitate transparency and control. The new umbrella programme was built around three basic principles: (1) the expansion of healthcare, education and nutritional services through conditional mechanisms; (2) the integration of cash transfer programmes with the rest of the social protection system; and (3) the

reduction of poverty through the transfer of cash to selected households. The Lula administration aimed to expand the programme progressively from 6.5 million households in 2004 to 9 million families by 2006. These goals were successfully met and by 2010 there were more than 13 million households recipients (see later).

### *Beneficiaries, conditions and management*

Federal Law 10.836 made the Bolsa Família programme official on 9 January 2004. The initial beneficiaries were households registered in the four major programmes (Bolsa Escola, Bolsa Alimentação, Cartão Alimentação and Auxílio Gás), as well as new families who met the income requirements and were registered in their own municipality. New families qualified if they had per capita monthly income of R\$100 or less, while households with total monthly income of R\$50 were considered 'extremely poor' and received additional benefits.

When the programme began in 2004, there were two types of benefits: basic and variable. Households in extreme poverty received a monthly cash allowance of R\$50 – thus doubling their monthly income – independently of household characteristics. They could also receive an additional R\$15 per child below 15 years of age with a maximum of three children per family. Households with a monthly income per capita between R\$50 and R\$100 could only benefit from the variable, children-based allowance.

Both the cut-off points and the amount received per child experienced changes in 2006, 2009 and in 2011. Following the latest reform, the cut-off point to receive benefits is R\$70 for extremely poor and R\$140 for poor households. The fixed transfer for extremely poor families is R\$70 while the cash transfer per child in school has increased to R\$32 (with the same limit of three children per family). There is also a third type of benefit – first introduced in 2009 – for registered households with children between 15 and 17, of R\$38 per child (with a maximum of two) to encourage continuing secondary schooling. With these reforms, the total value of benefits transferred varies between R\$32 (US\$20) and R\$242 (US\$152).

Like many other CCT programmes in Latin America (Valencia Lomeli, 2008), Bolsa Família has created a new and relatively complex management structure in which many different institutions are involved. The Ministry of Social Development and Hunger Assistance (MDS) is responsible for setting the rules of the programme and coordinating the efforts of different institutions. The MDS defines the rules of operation, establishes the benefit levels and promotes partnerships between the federal, state and municipal governments through the National Citizen Income Secretary (SENARC). The management of Bolsa Família also involves other institutions, including the Ministries of Education and Health, which are responsible for the supervision of the various conditions. Monthly benefits are granted to mothers by the public bank Caixa Econômica Federal. States and municipalities manage the registration of the households and should solve any problems that families may face. Participation of the municipalities was voluntary but most decided to participate: by 2008 only four out of the 5564 municipalities had not signed an agreement with the Ministry.

**Table 1.** Bolsa Família: Beneficiaries, annual expenditure (in nominal reales) and average value per household (in reales of 2004), 2004–10

| Years | Number of households | Annual expenditure | Average value per household |
|-------|----------------------|--------------------|-----------------------------|
| 2004  | 6,571,839            | 5,621,199,080,00   | 66.93                       |
| 2005  | 8,700,445            | 6,386,260,128,00   | 59.50                       |
| 2006  | 10,965,810           | 7,638,053,493,00   | 56.17                       |
| 2007  | 11,043,076           | 8,755,556,795,00   | 65.66                       |
| 2008  | 10,557,996           | 10,522,086,121,00  | 71.18                       |
| 2009  | 12,370,915           | 11,844,280,000,00  | 73.96                       |
| 2010  | 12,778,220           | 13,457,000,002,00  | 72.57                       |

Source: SAGI/MDS.

#### 4. The effects of Bolsa Família: Reduction of poverty and inequality but with contradictions

The expansion of Bolsa Família has contributed to the reduction of poverty and inequality and to an expansion in the use of health and education services. Bolsa Família has also shown a positive effect on some nutritional outcomes. Yet the programme has not made a significant contribution to the improvement of health and educational outcomes for most age groups – a problem which signals deficiencies in the quality of provision.

##### *Number of beneficiaries and unmet demand*

Bolsa Família expanded rapidly in the initial years: between 2004 and 2007, the number of beneficiaries increased by 68 percent and the government met all of the targets (see Table 1). The Cadastro Único ('single registry'), created in 2001 to collect basic information from poor households, contributed to this rapid expansion. The Cadastro is a somewhat incomplete census of the Brazilian poor based on a standard questionnaire elaborated by the National Secretary of Income and managed by the municipalities (Soares and Sátyro, 2009).

Despite improvements in the registration of the poor and the rapid expansion in the number of beneficiaries, unmet demand is still high. Studies based on information from the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE) have found a high percentage of exclusion – i.e. the percentage of eligible families that do not receive transfers – from the programme (Kerstenetzky, 2009; Rocha, 2008b; Soares and Sátyro, 2009; Soares et al., 2007). According to most estimates, the exclusion error was around 56 percent in 2004 and 46 percent in 2006 with more recent data, unfortunately, still unavailable.<sup>4</sup>

Previous studies have pointed out different factors to explain the exclusion error. The programme depends on self-reporting, but the poor may not be willing or able to do all the required paperwork. Poor households may be afraid of the stigmatizing effects of participating in this kind of programme (Kerstenetzky, 2009). Income volatility and difficulties to accurately calculate total income may have also prevented some families from participating (Soares and Sátyro, 2009). Finally, there are some cases of corruption and political favouritism in the elaboration of the list of beneficiaries at the local level



**Table 2.** Poverty rates in Brazil and Latin America, 1990–2009

|               | 1990 | 2002 | 2005 | 2007 | 2008 | 2009 |
|---------------|------|------|------|------|------|------|
| Brazil        | 44.9 | 38.2 | 34.1 | 29.0 | 25.8 | 24.9 |
| Latin America | 48.3 | 44.0 | 39.8 | 34.1 | 33.0 | 33.1 |

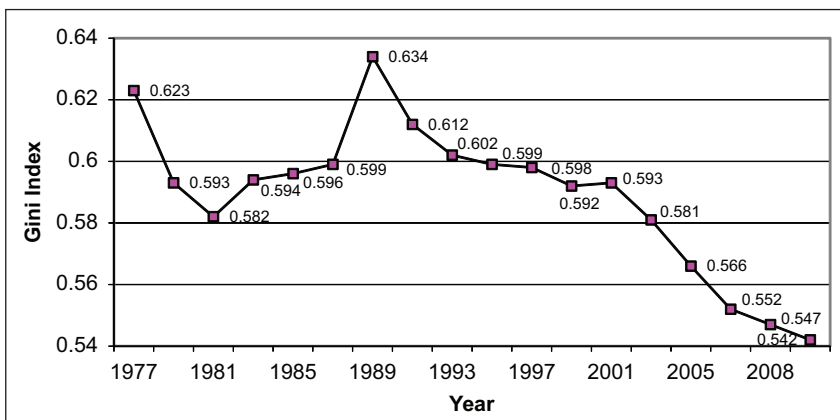
Source: ECLAC (2009) and IPEA (2008).

(Kerstenetzky, 2009) – even if the programme has been better managed than many others (Hunter and Sugiyama, 2010).

### Poverty and inequality

Although Brazil remains one of the most unequal countries in the world and poverty is high, it has recently experienced significant improvements in these areas. Table 2 compares the evolution in poverty rates in Brazil and Latin America (regional average) between 1990 and 2009 using data from ECLAC. The proportion of people in poverty decreased in Brazil by 44 percent between 1990 and 2009 with most of the reduction taking place between 2002 and 2009 after Bolsa Família was introduced and economic growth accelerated. Poverty rates went down faster than in the rest of Latin America, particularly after the global financial crisis.

Improvements in income distribution have played a significant role in poverty reduction.<sup>5</sup> Between 2002 and 2007 household income per capita for poor families increased by an annual average rate of 9 percent compared to a national average of 5.4 percent and 4 percent for rich families (IPEA, 2008).<sup>6</sup> As a result, the Gini coefficient experienced an annual average reduction of 1.12 percent between 2001 and 2009, going from 0.593 to 0.542 (Figure 1).

**Figure 1.** Evolution of Gini Index in Brazil (1977–2009)

Source: IPEA.

How much did Bolsa Família and previous CCT programmes contribute to this reduction in poverty and inequality? There has been an intense debate on this question. While different studies vary in their interpretation of the data and their policy recommendations, a consensus is emerging on the impact. Most studies decompose income between work income and other sources – including social security benefits and social assistance like Bolsa Família – and calculate the relative share of each of the two. The IPEA (2009), for example, estimates that work-related income was responsible for approximately 65 percent of the reduction in the Gini coefficient between 2001 and 2008, while the impact of all social benefits combined represented close to 34 percent. Since social security – including non-contributory pensions, which have increased rapidly in recent years – accounts for 70–80 percent of total transfers, we estimate that Bolsa Família was responsible for around 10 percent of the overall reduction of inequality during these seven years.

Soares (2006), who uses a similar methodology, arrives at a similar result for the period 2001–4. He estimates that work income was responsible for 68 percent of the reduction of income inequality while other income – including public transfer, interest receipts, dividends and rent income – accounted for 27 percent of this reduction. After subtracting the effects of social security transfers and rents, the author concludes that the Bolsa Família programme was responsible for approximately 12 percent of the improvement in income reduction in those three years. Barros et al. (2006) also present similar numbers: in their estimation, the contribution of total transfers and Bolsa Família to the decrease in inequality was 33 percent and 11 percent respectively.

Most studies identify an even larger impact on poverty reduction in most parts of Brazil, with the exception of the northeast. According to Hoffmann's (2006) calculations, between 2002 and 2004 government cash transfers contributed to 30 percent of the reduction in the share of the poor in the total population. When one uses a broader notion of poverty as measured by Sen's Poverty Index, the contribution of transfers increased to 52 percent, highlighting the significant influence that Bolsa Família and the Benefício de Prestação Continuada (Continuous Service Provision – BPC) have had on the lives of the poor.<sup>7</sup>

Yet some studies also identify problematic areas in terms of poverty outcomes. Rocha (2008b) shows that the impact of public transfers on poverty reduction may partly depend on the location of the poor. According to his calculations for 2004, the relative effect of the transfers on the urban poor was smaller than in rural areas and the contributions were often insufficient to move households out of poverty.

### *Access to health, education and nutrition*

Various evaluations of Bolsa Família have shown a mixed impact in nutritional conditions and access to health and education. The first evaluation of the impact of the Bolsa Família programme at the national level carried out by the Centro de Desenvolvimento e Planejamento Regional (CEDEPLAR) in 2005–6 showed that the obligation to vaccinate all children aged 0–6 years old did not have any real impact on the behaviour of the beneficiaries. The difficulties that the poor faced to access high quality healthcare services were probably behind this failure. As Soares et al. (2007: 5) put it, 'the absence of impact suggests that supply-side impediments could have been an important constraint'.

According to the CEDEPLAR study, Bolsa Família was successful in promoting school attendance and truancy was lower for children benefiting from Bolsa Família than for those that did not. Unfortunately, however, the programme had little impact on class performance: children from benefiting households were less likely to pass their classes than those who did not participate in the programme.

Another large-scale study published in 2007 evaluated various nutritional indicators among 16,239 children up to five years of age (35 percent of whom came from beneficiary families) in 277 municipalities in the semi-Arid region, which spans nine states in Brazil (Santos et al., 2007). The study found that Bolsa Família had a significant positive effect on infant malnutrition, particularly among children between six and 11 months of age. The impact of the programme in other age groups was smaller: for children aged one to three years, for example, the impact was very small. Soares et al. thus concluded that:

... this is the critical age for nutritional vulnerability because of children's increasing demand for nutrients. The lack of impact might be related to the failure to monitor children's growth through regular visits to health care centers, even though such visits are a conditionality of the program. As in the case of immunization, the underlying problem is likely to be a lack of health care services rather than an unwillingness of households to send their children for check-ups. (Soares et al., 2007: 6; see also Veras et al., 2010)

## 5. Bolsa Família and the provision of health and education services in Brazil

Bolsa Família's positive effect on poverty and inequality is just a one-time effect: if the real value of the transfer per family and the number of beneficiaries remain relatively stable in the future – something likely to happen given the large size of the programme and rapid recent expansion – Bolsa Família will not contribute to direct additional reductions in the Gini coefficient and the poverty rate.

To sustain its positive impact on income distribution, Bolsa Família will need to improve the level of human capital of participating children. This, in turn, will depend on the expansion of health and education services across Brazil and upgrading the quality of provision. As Hall (2008: 817) rightly puts, CCTs 'can themselves only function properly in terms of strengthening demand for and democratizing access to basic social services such as education and health if the actual supply of such services is adequate in the first place'. High-quality services would lead to a more educated labour force, higher wages at the bottom of the income distribution and a long-term reduction of poverty and inequality.

Brazil's health and education provision has historically been highly segmented with deprived areas receiving insufficient services of poor quality (see Section 2). In the last two decades a number of reforms have expanded provision significantly so that primary education and primary healthcare are now almost universal. Yet their quality is still highly unequal – with particularly poor services in the northeast where the largest number of Bolsa Família beneficiaries are located. In this section we discuss the recent improvements and the remaining shortcomings. We also show that the speed of reforms has decelerated in recent years as the Lula administration concentrated on expanding social transfers and the minimum wage.

The creation of the Unified Health System (SUS) in 1988 represented a radical innovation in the provision of health services in Brazil. The SUS provides universal health coverage free of charge through a network of health facilities run by the municipal, state and federal governments as well as non-profit and private providers. The system is highly decentralized at the municipal level and the Ministry of Health maintains mainly a coordinating role (Arretche, 2004; Paim et al., 2011). The SUS is complemented by the Family Health Programme (FHP) created in 1994 to offer primary health services through locally based teams of health professionals (including a physician and a nurse). The FHP currently serves around half of the Brazilian population with coverage concentrated in the poorest areas of the country – 72 percent in the northeast vs 36 percent in the southeast (Guanais, 2010).

There is little doubt that the creation of the SUS and the FHP has enhanced the access of the poor to health services and improved health outcomes. Between 1998 and 2008, for example, the number of people that consulted a doctor regularly increased from 58 percent to 68 percent and in the later years 93 percent of the people that needed health-care treatment received it (Paim et al., 2011). Infant mortality rates have decreased rapidly and the country is likely to meet the health-related Millennium Development Goals.

Yet Brazil's health system remains highly segmented with worse services precisely in the regions where *Bolsa Família* is most popular. In 2004, public health per capita in the southeast was 42 percent higher than in the northeast and 38 percent higher than in the north – and the differences had actually widened since 2000 (McCullough, 2009). The best hospitals are concentrated in the southeast and the metropolitan areas while citizens in the northeast have little access to the most complex procedures (Hunter and Sugiyama, 2009). In addition, in 2008, 81 percent of the richest income bracket had additional private insurance compared to just 2 percent in the poorest income group (Guanais, 2010).<sup>8</sup> Patients with private insurance have preferential access to many services offered exclusively by private hospitals (with subcontracted arrangements with the public sector). As a result, health outcomes are still extremely unequal: in 2007, infant mortality in the northeast was more than twice that in the south (27.8 per thousand compared to 12.9) (Hennigan, 2010).

There is also limited integration between different components of the system. For example, there are some municipalities where traditional primary health clinics coexist with FHP clinics and patients use one or the other depending on convenience. Management capacities at the municipal level are generally low (Paim et al., 2011) – particularly in poorer municipalities – and coordination with *Bolsa Família* is generally weak.

Brazil has also witnessed significant improvements in the education system – although quality concerns remain. The most significant change in the sector took place with the creation of the Fund for the Maintenance and Development of Primary Education and Valuation of Teachers (FUNDEF in the Portuguese acronym). Its aim was to reduce inequalities within and between states in the provision of primary education and to accelerate decentralization. The new fund received resources from the three levels of government (federal, state and municipalities) and redistributed them to every school on a per capita basis. FUNDEF allowed per capita spending across states to differ but established a national minimum per student and created incentives to increase wages in the sector (Draibe, 2004).

FUNDEF contributed to an expansion of coverage rates, teachers' wages and some redistribution of spending in primary education among states. Nevertheless, education outcomes remain unimpressive and inequalities in the sector pervasive. Comparative international studies undertaken by the Organization for Cooperation and Development (OECD) have shown that Brazil's educational system is one of the worst of the 57 countries evaluated (OECD, 2006, 2007). In 2000 spending in education per capita was three times higher in Roraima than in Pará and all the states in the northeast were below the Brazilian average. Unfortunately, differences in spending have changed little in the last decade (Rodrigues, 2011). In addition, large segments of the young population still lack proper education: in 2009, 27 of those between 18 and 24 had not finished primary school and an additional 27 percent had not finished secondary school.<sup>9</sup>

Reforms in health and education actually slowed down over the course of Lula's two governments. According to Do Rosario (2009: 703), the 'Lula administration promoted a change in the federal government's social policy priorities, expanding an important innovation of targeting the poor, with evident limitations to the growth of expenses with universalist policies, implemented in the democratization wave, especially the health, sanitation and education policies'.

The federal government's concentration on social assistance is evident when one considers the distribution of the social budget between 2000 and 2010 (Table 3). Social assistance programmes targeted at specific groups – including the poor and the elderly – have grown over the period, from 5.7 percent to 11.8 percent of the total social budget.

**Table 3.** Total social spending, social assistance and household transfers, in millions of reales and various percentages, 2000–10

| Year | Total social spending <sup>a</sup> |       | Social assistance <sup>b</sup> |       |       | Household transfers |       |      |       |
|------|------------------------------------|-------|--------------------------------|-------|-------|---------------------|-------|------|-------|
|      | Total                              | % GDP | Total                          | % GDP | % SS  | Total               | % GDP | % SS | % SA  |
| 2000 | 144,820                            | 12.28 | 8,266,4                        | 0.70  | 5.71  | 0                   | 0.00  | 0.00 | 0.00  |
| 2001 | 165,592                            | 12.72 | 10,085,0                       | 0.77  | 6.09  | 0                   | 0.00  | 0.00 | 0.00  |
| 2002 | 188,545                            | 12.76 | 14,048,6                       | 0.95  | 7.45  | 1,689               | 0.11  | 0.90 | 12.02 |
| 2003 | 217,376                            | 12.79 | 18,280,3                       | 1.08  | 8.41  | 3,357               | 0.20  | 1.54 | 18.36 |
| 2004 | 254,076                            | 13.09 | 22,669,5                       | 1.17  | 8.92  | 5,621               | 0.29  | 2.21 | 24.80 |
| 2005 | 291,913                            | 13.59 | 27,099,8                       | 1.26  | 9.28  | 6,386               | 0.30  | 2.19 | 23.57 |
| 2006 | 334,017                            | 14.10 | 34,118,9                       | 1.44  | 10.21 | 7,638               | 0.32  | 2.29 | 22.39 |
| 2007 | 373,487                            | 14.03 | 40,180,5                       | 1.51  | 10.76 | 8,756               | 0.33  | 2.34 | 21.79 |
| 2008 | 419,040                            | 13.82 | 46,858,1                       | 1.55  | 11.18 | 10,522              | 0.35  | 2.51 | 22.46 |
| 2009 | 481,215                            | 15.11 | 57,691,8                       | 1.81  | 11.99 | 11,844              | 0.37  | 2.46 | 20.53 |
| 2010 | 553,360                            | 15.06 | 65,190,6                       | 1.77  | 11.78 | 13,457              | 0.37  | 2.43 | 20.64 |

Notes: <sup>a</sup> Includes spending in health, education, social assistance, housing and sanitation, culture and social security.

<sup>b</sup> Includes benefits of LOAS/RMV, cash transfer programmes (BF and BPC) and unemployment insurance. Data in million of reales, percentage of GDP and percentage of social spending (SS). SA stands for social assistance.

Source: SIAFI (Sistema Integrado de Administração Financeira do Governo Federal)/Ministério do Planejamento (Planning Ministry).

Meanwhile, federal health spending has decreased in relative terms during Lula's time in office, from 13.3 percent of the public social budget before his election in 2002, to 11.0 percent in 2010.<sup>10</sup>

In education, reforms under Lula were timid and did not always pursue universal goals. The government replaced FUNDEF with the Fund for the Maintenance and Development of Basic Education and Valuation of Education Professionals (FUNDEB).<sup>11</sup> Like its predecessor, FUNDEB committed a share of the revenues from municipal and state governments to education and set a federally guaranteed minimum expenditure per student for all states. The main innovations were the incorporation of secondary education and a small expansion in subnational resources to education. The reform did not involve additional federal resources for education and failed to create adequate mechanisms and resources to secure improvements in the quality of services (Burton, 2009; Hunter and Sugiyama, 2009).<sup>12</sup>

In the health sector, the Lula administration continued some of the previous expansionary trends: the number of family health teams, for example, increased from 8503 in 2000 to 33,000 in 2010 and new oral services were added (Paim et al., 2011). There were no significant reforms, however, and the system remains in need of additional resources, better infrastructure and a more equal provision of services among regions and income groups.

This section has not aimed to provide an exhaustive description of all the changes in Brazil's public health and education, as this would require several additional articles. Instead, we have simply shown that the amount of spending and the quality of services are still uneven, despite significant improvements in recent decades. The growing number of Bolsa Família recipients generally receive poor quality health and education services and, as a result, may enter the labour market in a weaker position than higher income groups. The ultimate success of the programme will thus require a continuation of reforms in both sectors, something increasingly difficult unless the poor gain a larger political voice (Hunter and Sugiyama, 2009).

## **6. The political economy of Bolsa Família and future prospects**

The long-term impact of Bolsa Família may thus depend on the incorporation of the poor into the process of social policy making. How likely is Bolsa Família to promote this? Based on a review of recent research, in this section we argue that Bolsa Família has increased the electoral influence of the poor and consolidated a more rights-based notion of citizenship. The extent to which this will translate into new social coalitions in support of more encompassing reforms, however, is still unclear.

Recent studies by Timothy Power, Wendy Hunter, Cesar Zucco and others indicate that Bolsa Família has contributed to the expansion of participation rates in presidential elections. According to Hunter and Power (2007: 20), 'comparing the 2006 runoff to that of 2002 across Brazil's 27 states, interelection increase in turnout correlates at .544 with Bolsa penetration'. They also show that Lula's election effort received ample support in regions with a large number of Bolsa Família recipients.<sup>13</sup> Zucco's (2008) econometric model, which relies on municipal-level data and includes a significant number of control variables, shows that incumbents have always received substantial support in poor areas

of the country but that this effect was reinforced in 2006 by the expansion of CCTs. Effects for the 2010 elections are slightly lower in size but also statistically significant (Zucco, 2011).<sup>14</sup>

Some authors worry that the connection between Bolsa Família and electoral results may signal a replication of traditional clientelistic patterns in Brazil. As in the past, the poor could be supporting 'patrons' who guarantee favours in exchange for votes. In his critical review of Bolsa Família, for example, Hall argues that the programme can create a culture of dependence among the poor, strengthen clientelistic practices and consolidate 'a short-term perspective among politicians and policy makers, encouraging a relatively inexpensive yet highly effective mechanism for capturing votes' (2008: 814).

Yet there is growing evidence that Bolsa Família is not replicating traditional clientelistic patterns and that beneficiaries see it as a social right. Zucco (2011), for example, explores the extent to which Bolsa Família has reproduced clientelism by studying (1) whether the programme has been targeted to places where the party in power has local offices; and (2) whether the governing party (the PSDB in 2002 and the PT in 2006 and 2010) received a disproportionate number of votes in the local and legislative elections in areas with large number of beneficiaries. He rightly assumes that clientelistic practices take place at the local level, and thus will be manifested at the local level (e.g. governing parties need a local political machinery to secure the exchange of favours for votes). Yet he failed to find any local effects and thus concludes 'that presidents, or their sponsored presidential candidates, can ride the popularity of CCTs and reach voters wherever they are, without the need of intervention by political machines' (Zucco, 2011: 22).

One of the reasons why clientelism may be difficult in the case of Bolsa Família is programme design. The programme is managed by two different levels of government (the federal and the local governments), each with different responsibilities; there are ample checks and balances; and the press has been particularly vigilant (Zucco, 2011). The impact on the behaviour and expectations of the beneficiaries may be the more important effect.

This is evident in the fieldwork research that Hunter and Sugiyama (2010) have recently undertaken in three different Brazilian municipalities (Camaragibe and Jaboatão dos Guararapes, in Pernambuco, and Pau Brasil in Bahia) to see whether Bolsa Família has strengthened broad notions of citizenship based on social and political rights or whether it has consolidated patronage at the local level. They find that most participants learned about the programme through government announcements or through neighbours; used institutionalized channels to solve any problems related to the programme; saw the cash transfers as a right that they were willing to protect; and believed that Lula had been instrumental in the creation or expansion of Bolsa Família. They conclude that 'Bolsa Família provides tangible benefits to the poor without subjecting them to manipulation by local political patrons or arguably even to concerns of such a prospect occurring. Although the program is not without problems, one of its many positive features is the sense of political empowerment and social inclusion that it has contributed to creating' (Hunter and Sugiyama, 2010: 29).

Will the changes in the behaviour of beneficiaries translate into heightened demands for high quality health and education services? There are some grounds for pessimism. The poor still face significant problems, including asymmetric information regarding the

expected quality of the services and lack of resources to mobilize. Moreover, further improvements in health and education may require a reallocation of resources away from more expensive services (e.g. publicly funded private health services and free public universities), which will be opposed by powerful interest groups (Hunter and Sugiyama, 2009).

Yet there are also grounds for optimism. The growing role of the poor as consumers of public goods could increase their desire to become involved in politics. Health and education could thus become key issues in future presidential elections and influence the agenda of the PT and other parties in years to come. Bolsa Família could also strengthen the bargaining power of public employees who work, particularly, in the health sector such as nurses working in local clinics who can use the expansion of service demand to ask for more and better resources.<sup>15</sup> The extent to which any of these processes are taking place should be a central objective of future research on Bolsa Família and other large CCT programmes.<sup>16</sup>

## 7. Conclusion

Most of the evidence points out to Bolsa Família's positive contribution to the reduction of poverty and inequality in the short run. The programme has given financial support to a significant share of the Brazilian poor, who were previously excluded from social provision. Bolsa Família cannot, however, deliver a sustained improvement in health and education outcomes and a reduction of poverty and inequality in the long run. These goals will only be met through an expansion in health and education services and, especially, an improvement in their quality – together, of course, with the transformation of the economic system. To be sure, some significant reforms in these areas have already taken place in the last two decades and the poor have more access to health and education than ever before. As Hunter and Sugiyama (2009) rightly argue, however, deeper reforms that reduce inequalities in provision between regions and classes are increasingly important.

Future research and debate thus needs to move beyond debates on the short-term effects of Bolsa Família – and most other CCT programmes for that matter – and consider the way they overlap with the rest of the social policy regime. We must explore the extent to which the programmes are consolidating residual social systems in some instances while contributing to the expansion of universal services in others. The ultimate impact of CCTs will not only depend on their specific design but, more significantly, on the way they influence the political behaviour of the poor and the opportunities for broader and more encompassing social coalitions.

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## Notes

1. See also Lindert et al. (2006). All translations from Spanish and Portuguese sources are ours unless otherwise stated.
2. Quotes from the World Bank webpage. Available at: [go.worldbank.org/M4EQDZNX0](http://go.worldbank.org/M4EQDZNX0).
3. Power (2010) believes that there is a growing consensus between Brazil's two main political parties around a social-democratic political agenda and sees Bolsa Família as a central component of this consensus.
4. The exclusion error is even higher in other CCT programmes. According to calculations reported by Veras et al. (2010), Oportunidades' exclusion error in 2004 was 70 percent, compared to 56 percent for Bolsa Família. Like our article, their review of Bolsa Família only offers error numbers up to 2006.
5. In fact, according to the IPEA (2009), the reduction in income inequality was responsible for half of the fall in the poverty rate in recent years.
6. The IPEA defines poor families as those that have an income per capita below 50 percent of the minimum wage. Rich families are those that have an income per capita that is at least 25 times higher than the minimum wage.
7. The BPC is a pension created in the 1988 Constitution for the elderly poor and for those with incapacities. The actual implementation of the programme started in 1996 and has involved a monthly transfer equivalent to the minimum wage.
8. The poorest group receives less than one-quarter of the minimum wage per month while the richest group receives at least five times the minimum wage.
9. Information from a research study from the Universidade Estadual de Campinas. Available at: [www.unicamp.br/unicamp/divulgacao/2011/04/28/atraso-escolar-restringe-12-milhoes-de-jovens-brasileiros-do-ensino-superior-a](http://www.unicamp.br/unicamp/divulgacao/2011/04/28/atraso-escolar-restringe-12-milhoes-de-jovens-brasileiros-do-ensino-superior-a).
10. We concentrate here on the federal level alone because we are exploring the priorities of the Lula administration, which, as discussed by Hunter and Power (2007), was more an administration of programmes than reforms. There is also little doubt that efforts at the subnational level must be accompanied by higher transfers from the central administration, particularly if services are going to become less unequal among regions.
11. Lula has also introduced measures for the evaluation of basic education through comparable exams (see [portal.inep.gov.br/web/saeb-e-prova-brasil/saeb-e-prova-brasil](http://portal.inep.gov.br/web/saeb-e-prova-brasil/saeb-e-prova-brasil)).
12. More problematic was the creation of ProUni, a programme to support the university studies of a small number of low-income students. The problem with ProUni is that it only supports studies in private universities, which are of significantly lower quality than public ones (Burton, 2009), and thus increases segmentation.
13. This does not mean that Bolsa Família was the only factor behind Lula's re-election or that the poor were the only sector supporting Lula. We simply argue that the programme may have succeeded in promoting programmatic voting among the poor and thus making this group more active than ever before.
14. Bohn (2011) disagrees with these results and argues that Bolsa Família did not have any significant effect on the behaviour of voters. Yet her own data demonstrate that low educated voters supported Lula's re-election massively in 2006 when they had not done it in the past. Her analysis also relies on a survey of 2007 to analyse the 2002 results – which is methodologically problematic – and offers little evidence that directly contradicts previous work on the topic.
15. We thank Wendy Hunter for this latest suggestion.
16. Of course, the creation of new social coalitions that incorporate the poor does not only depend on Bolsa Família. Singer (2010) mentions other policy instruments like the growth of the minimum wage and the implementation of the Growth Acceleration Programme to argue that Brazil is experiencing a political realignment. In his view, the poor have played a central

political role in the successive elections of PT presidents and will continue to influence public policy in the future. This may all be true – measuring political realignment is complicated – but there is little doubt that the connection between Bolsa Família and health and education services is particularly important and direct.

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## Résumé

### Bolsa Família, pauvreté et inégalité: Effets politiques et économiques dans les court et long termes

Créé en 2003 par l'unification de quatre initiatives antérieures, Bolsa Família fournit actuellement des transferts en espèces à 13 millions de personnes et soutient plus d'un tiers des enfants qui vont à l'école primaire au Brésil. Ce document prolonge et élargit les commentaires sur les origines, le développement et l'impact du programme. Nous considérons les dimensions politiques et économiques dans notre évaluation de la contribution de Bolsa Família à la réduction de la pauvreté et de l'inégalité. Nous soutenons que l'impact final de Bolsa Família dépendra en partie sur une réduction des inégalités

face aux services publics de la santé et de l'éducation, qui à son tour peut exiger un rôle politique plus actif pour les pauvres.

## Mots-clés

Bolsa Família, les CCT, l'inégalité, pauvreté, politique sociale

## Resumen

### Bolsa Família, pobreza y desigualdad: Efectos políticos y económicos a corto y a largo plazo

Creada en 2003 por la unificación de cuatro iniciativas anteriores, Bolsa Família proporciona transferencias de renta a 13 millones de personas y da apoyo a más de un tercio de los niños que asisten a la escuela primaria en Brasil. Este artículo discute y expande trabajos anteriores sobre los orígenes, desarrollo e impacto del programa. Consideramos las dimensiones políticas y económicas en nuestra evaluación sobre la contribución de Bolsa Família a la reducción de la pobreza y la desigualdad. Exponemos que el impacto de Bolsa Família dependerá, en parte, de la reducción de desigualdades en la provisión pública de salud y educación, que por su parte requerirá un rol político más activo por parte de los más desfavorecidos.

## Palabras clave

Bolsa Família, desigualdad, pobreza, política social, TCE

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