

Bachelor Thesis
Final Draft

*What has been the Impact of the Bolsa Familia Program on the
Reduction of Poverty and Inequality in Brazil throughout Lula's
Presidency (2003-2010)?*



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Introduction

Conditional cash transfer (CCT) programs have existed since the mid 1990's. They vary considerably in scope and their essential purpose is to reduce poverty on local or national scales through the use of social assistance and benefit programs. They are conditional in the sense that their recipients must make specific “investments in the human capital of their children”, in order for them to become beneficiaries (Fiszbein and Schady, 2009: 1). Cash would therefore be transferred to families under the condition that they would begin, or continue to participate in both health services and education, with the intention of interrupting the “intergenerational transmission of poverty” (Hall, 2006: 691). Since the first conditional cash transfer programs began to emerge in Brazil and Mexico, there has been a generally positive attitude amongst scholars with regards to the impact that these programs have on poverty and inequality. However, there would not be much of a debate if it wasn't for the economists and scholars who criticize the programs' inefficiencies and identify both limitations and areas for improvement.

Brazil's conditional cash transfer program known as *Bolsa Familia* was officially established in October 2003 when president Luiz Inácio "Lula" da Silva consolidated some of the previous social assistance programs that had been set up by his predecessor, Fernando Henrique Cardoso (1995 – 2002). Since then, several scholars who are specialized in Brazil and Latin America have recognized this program as an exemplary model of its kind (Fiszbein and Schady, 2009: 32), and numerous countries have adopted similar methods.

There are a couple of reasons why the period under Lula's reign will be the main focus of this thesis paper. First comes into play the societal relevance of this research topic, which predominantly lies in the idea that poverty and income inequality are as pertinent in today's political discussions as they have ever been. Income inequality hasn't been this grave an issue before, and with Brazil consistently ranking as one of the top 20 countries with the highest income inequalities in the world (World Bank, 2015), it is critical to look at programs like *Bolsa Familia*, in order to determine whether this can also become a possible solution in other countries with similar rates of poverty and inequality. Many countries have, since the induction of this program, also copied *Bolsa Familia*, illustrating even more how significant and influential it has become. Secondly, though the socio-economic changes – including preeminent drops in poverty and income inequality – witnessed under Lula have been significant and the *Bolsa Familia* program has been universally praised as the greatest CCT program in the world, it does constitute inefficiencies, and stirs both political and academic debate. This thesis aims to scrutinize both the positive and negative aspects of this CCT program, despite it still being in the current process of alleviating poverty and reducing income inequality under current President Dilma Rousseff.

This thesis paper aims to explore the impact that the *Bolsa Familia* program and its use of conditional cash transfers have had on the reduction of poverty and inequality in Brazil, throughout President Lula's two terms in office, between the years 2003 and 2010. It will start with a theoretical framework chapter, outlining the academic debate surrounding conditional cash transfers, including their purpose and effectiveness. Through the use of academic literature on the *Bolsa Familia* program as well as on other CCT programs – especially in Latin America – the political discussion encircling this phenomenon will be compared and analyzed. Policy research reports and academic articles will be used to define the scope and trends applicable to CCT programs and how they differ to for example unconditional cash transfers. Furthermore this first chapter will also focus on the political support that is necessary in order for CCTs to function or come to life.

The second chapter will look into the historical context of Brazil's political and socio-economic situation prior to Lula's presidency. This will begin at the start of Cardoso's presidency in 1995, including Governor Cristovam Buarque's initiative to introduce the first CCT program in the world, *Bolsa Escola*. This chapter will end with Lula's *Fome Zero* strategy and the months leading up to his election as president. The third and final chapter of this thesis, will consist of an in depth case study on the *Bolsa Familia* program and the extent to which it has aided the reduction of poverty and income inequality. Specific notions that will be touched upon are the scope and manner in which the *Bolsa Familia* program was instituted by Lula, and the degree to which this CCT program was able to realize its purpose over the course of nearly a decade. Like any other social assistance program, *Bolsa Familia* will have its limitations and it is therefore also necessary that these be identified and evaluated.

Chapter 1

Discussions on Conditional Cash Transfers and their Impact

1.1 Introduction to Conditional Cash Transfers

Conditional cash transfer (CCT) programs have become increasingly popular in Latin America since the emergence of Brazil's *Bolsa Escola* and Mexico's *Progresa* program during the mid-1990's. In a 2009 World Bank policy research report titled *Conditional Cash Transfers: Reducing Present and Future Poverty*, CCTs are defined as “programs that transfer cash, generally to poor households, on the condition that those households make pre-specified investments in the human capital of their children” (Fiszbein and Schady, 2009: 1). Regardless of the notion that CCTs have generally been a success in reducing poverty and income inequality, as well as the fact that they have managed to encourage parents to invest in the health and education of their children (*Ibid*: xi), there will assuredly also be scholars and economists that find the limitations of CCTs to weigh heavier than its benefits, or that these type of programs are not the optimum strategy to combat poverty. This chapter will explore the academic debate surrounding the adoption and the implementation of CCT programs in developing countries, with a particular focus on Latin America, and subsequently – as will be investigated in the latter chapters of this thesis paper – the case of the *Bolsa Familia* program in Brazil, under Lula's presidency.

1.2 CCTs and the Differences in their Intentions and Design

Conditional cash transfer programs differ per country in their scale and intended goals. Bello (2013) argues that CCT programs are in most cases not so much about poverty reduction as they are about poverty containment (Bello, 2013: 1). CCTs are also implemented in order to address issues such as income inequality, hunger and malnutrition and poor education – by predominantly targeting families with an aim towards ultimately reducing the probability that their children also remain poor as adults (Adato and Hoddinott, 2007: 3). Not all CCT programs have however functioned in the way that they were originally intended to. In Nicaragua and Honduras, CCT programs were specifically designed for the purpose of consolidating the social safety net as well as “strengthening its administrative and implementation capacity” (Handa and Davis, 2006: 514). These programs were therefore also smaller in scale, making it in turn apparent that countries are in need of their own design suitable to their respective economic capacity and their governments' ability to administer it, and that there is unlikely an identical CCT model that can be implemented in two distinctive countries. On the other hand, several CCT programs have also managed to generate impacts in areas for which they were not designed to have an effect on

(Soares *et al.*, 2009: 208). An example of this would be the impact that CCTs have had on lowering the recurrently high levels of income inequality in Latin America. Though the inequality of countries such as Honduras and Colombia has been fluctuating in the last couple of decades, for the cases of Brazil, Nicaragua, and Peru these have all shown declining trends, which also all happen to be countries that make use of CCT programs, albeit on different scales (Solt, 2014).

1.3 CCTs and their Different Forms of Implementation

While CCT programs have become a popular tool to combat poverty in Latin America, it is vital that they are implemented effectively (Fried, 2012: 1042). It is necessary to for instance predetermine its conditions as to avert any confusion about who is, and who is not a potential beneficiary of these cash transfers. Countries that have faced problems with effective administration of their programs in similar ways include Colombia, Nicaragua and Honduras. For all three of these Latin American countries, the administrative capacity and ability to be able to finance these CCT programs is low, whereas the poverty in these countries is widespread (Handa and Davis, 2006: 516). Also a crucial aspect of implementation is determining whether a CCT program will be applied for the long run or short run. These programs have become so popular precisely because of their multidimensional characteristic in regards to their goals and scale. They could as a result either be used “by redistributing income to poorer households”, but also in order to help build the poorer children’s human capital (Fiszbein and Schady, 2009: 167).

1.4 The Effect on Education

Since conditional cash transfers are “conditional”, it is in many cases required that its beneficiaries for example send their kids to school, and for the applicable cases, it is thus enrolment in education that has been one of the program’s most successful attributes (Bello, 2013: 1), in addition to its primary objective of alleviating poverty (Doetinchem *et al.*, 2008: 1). In Latin America, countries such as Bolivia, Colombia and Brazil – with their *Juacinto Pinto*, *Subsidio Condicionado a la Asistencia Escolar-Bogota* and *Bolsa Escola* programs respectively – have even set up CCT programs with improvement in education as their main focus. When looking at the overall CCT program effects in regards to school enrolment and attendance, a large number of evaluations made by countries in Latin America suggest that CCT programs have had a positive effect. Countries in this region that for instance make use of these evaluations include Chile, Colombia, Ecuador, Honduras and Mexico, most of which identify the effects from these programs on the basis of random selection (Fiszbein and Schady, 2009: 130). Education therefore remains a primary determinant for beneficiaries to receive CCTs as a child’s attendance at school

will likely have a direct indication of him or her being able to participate “in the labour market and domestic work” (Kabeer *et al.*, 2012: 14).

Although education is a primary determinant when defining the target population for CCT beneficiaries, these programs haven’t necessarily shown to make a positive impact in regards to test scores, nor has the quality of education “been incorporated into the design of CCT programs” – creating a significant deficiency (Lomeli, 2008: 481). Reimers *et al.* (2006) argue that this exclusion in the design of CCTs implicates that “the accumulation of human capital is the same as the accumulation of years of schooling” (Reimers *et al.*, 2006), thus leaving doubt as to whether CCT programs contribute significantly to the improvement of poor students participation in education. Kabeer *et al.* (2012) further add to this discussion by claiming that even though educational attainment levels have shown compelling positive effects, there has been little impact on for instance achievement tests. Seeing as education is a primary determinant of whether CCT programs are efficient, one may question to how much of an extent CCT programs can be considered a success in this area, if they only help to improve enrolment and attendance rates? Morley and Codey (2003) argue that this is not of much significance anyway as these programs were put into action to at least make education available to more children that don’t have access to it, and that improving the quality of education is not an explicit objective of most CCT programs in Latin America (Morley and Coady, 2003).

1.5 The Conditionality Question: CCTs vs. UCTs

Even though the aspect of conditionality in CCTs does have a couple of strengths in that it increases the credibility of programs and the “social contract between beneficiaries and the state” (Adato and Hoddinott, 2007: 2), it also raises a handful of concerns. Families and individuals in need of cash transfers must have access to schools and clinics in the first place. Handa and Davis (2006) argue that one of the most common criticisms of CCT programs is how they almost exclusively target human capital accumulation for children, which could ultimately take “years – and sometimes even an entire generation – to develop” (Handa and Davis, 2006: 517). Furthermore, while the conditionality of CCTs may be one of the more appealing characteristics of these types of programs, it is simultaneously also one of the more difficult aspects to execute (*Ibid.*: 522). Adato (2007) questions whether conditionality is in fact necessary – a question that has been present in the debate since the first CCT programs began to emerge – and whether “conditional” cash transfers are more effective than “unconditional” cash transfers. The reason why unconditional cash transfers (UCT) have been favoured over CCTs – especially in the cases of African countries such as Kenya and Nigeria – is that they are easier to implement seeing as

there are no credit constraints and the beneficiaries decide themselves how they can invest the money. What UCTs don't however provide is a structured investment into education and the labour force (Kabeer, Piza, Taylor, 2012).

Despite having praised the innovative nature of conditional cash transfers and the way in which they target and supply benefits to its recipients, Glas (2014) points to some of the more unfavourable outcomes of these programs. The idea of social security – which in this case comes in the form of conditional cash transfers – is a human right, which according to her should always remain unconditional (Glas, 2014: 1). But by making the transfer of cash conditional, governments are essentially excluding any beneficiaries that do not fulfil this condition or criteria, even if they do not have the required availability to make use of the social services that could enable them to be eligible for CCTs in the first place.

1.6 The Necessity of Political Support

Though Adato and Hoddinott (2007) for the most part find CCTs to be one of the more prominent poverty alleviating strategies, they withhold from characterizing them as impassable strategies. In order for CCT programs to work, they argue that there must be a high enough level of political support. In the case of Mexico and its *Oportunidades* program, having the support of the Ministry of Finance was an important step to obtaining the sufficient administrative resources necessary to put it into practice (Adato and Hoddinott, 2007: 4). Just like in the case with Brazil, both countries' programs have survived changes in their respective presidential administrations (Handa and Davis, 2006: 531). Another country that also managed to gather sufficient political backing besides Brazil and Mexico, is Colombia, who's *Familias en Accion* program is financed through loans from the IDB and World Bank (*Ibid*). This is not however the case for all developing countries and many governments in poor countries are also not able to afford CCT programs (Adato and Hoddinott, 2007: 2).

1.7 Conclusion

To sum up this chapter on the discussions of conditional cash transfers, though the purpose of these programs is clear in that they are designed to alleviate poverty by granting cash transfers to poorer people under the condition that these invest into the human capital of their children, CCTs do pose their limitations. The conditionality factor disables many poorer people to not be able to benefit from these cash transfers simply because they do not possess the qualifications that beneficiaries do. Furthermore it has also been evidenced that CCTs need sufficient political support and funding in order to be implemented effectively and that this can come as an obstacle

for countries with smaller economies. Moreover, several scholars do argue for the benefits of CCTs and how they outweigh their limitations. Kabeer, Piza and Taylor support their arguments in favour by pointing to the long-term effect of CCTs in regards to both education and creating a more efficient work force. On account of the impact that large-scale programs such as *Bolsa Familia* and *Oportunidades* have had, more developing countries are deciding to introduce CCT's in the hope of alleviating poverty and reducing inequality.

Chapter 2

Brazil's Social Policies during the 1990's

2.1 Introduction

In 1995, the World Bank pointed to Brazil as the country with the highest income inequality in the world when measured by the Gini coefficient (Matarrazo and Buarque, 1997: 79). A numerical example that illustrates this outstanding dispersion in income distribution can be seen in how the richest tenth of the country's population received 51.3 percent of the total GDP, whereas the poorest 40 percent received only 7 percent of the total GDP. Since Brazil's rise in inequality during the 1960's, it had remained high and stable up until this point – a period that can also largely be characterized by macroeconomic fluctuations and inflation (Neri, 2014: 104). What President Cardoso however managed to do during his presidency is stabilize the currency as well as the levels of poverty (*Ibid.*: 107). These achievements can to a large extent be linked back to the impacts of the *Plano Real* program – initiated during Itamar Franco's Presidency (1992 – 1995) and then later continued by Cardoso – but also to the conditional cash transfer programs that the latter president introduced. Sola (2009) points out that the promise to confront the issue of Brazil's staggeringly high income inequality has existed and was planned out well before the inception of the *Bolsa Familia* program. In fact, it could even be argued that it was a problem that was on the governments agenda since the end of the military regime and the start of the phase known as the New Republic in 1985 (Sola, 2009: 99). The three conditional cash transfer (CCT) programs introduced by Cardoso would subsequently also become the pillars and predecessors to the *Bolsa Familia* program, initiated by President Lula in 2003. This chapter will place into context the period prior to the when the *Bolsa Familia* program was established, and will outline the steps to how the largest CCT program in the world came into existence.

2.2 Buarque and the Creation of the first Local Conditional Cash Transfer Program

Even though the conceptual foundations of the *Bolsa Escola* program had already been originated under the coordination of Professor Cristovam Buarque during the early 1980's (Denes, 2003: 141), it wasn't until January 1995 – a few weeks after President Fernando Henrique Cardoso had been elected as Brazil's 34th president – that Buarque (then Governor of the Federal District) presented *Bolsa Escola* or “School Allowance”, as the first ever conditional cash transfer program (Matarrazo and Buarque, 1997: 86).

A minimum wage would be given to every poor family that included children between the ages of seven and fourteen, as long as they fulfilled a certain set of conditions, amongst which the

most important one was that they would be registered to a public school. The remaining conditions would include having to attend 90 percent of their classes and – if their parents would be unemployed – that they would at least be actively looking for a job by registering with the National Employment System (SINE) (Buarque, 1997: 86). This allowance was essentially allocated to compensate for the fact that these children would not be working or earning money whilst going to school.

Though this program would serve to many as an incentive to keep their children in school, by failing to maintain these requirements it could mean that they were stripped of this programs benefits. Under the program's slogan "all children in school and all schools with quality", Buarque's primary objective was to reduce child labour by sending children to school under the required conditions, and in the process have them invest in their own future job prospects (*Ibid*). For its first 16 months in operation, *Bolsa Escola* amounted to a cost of R\$13.5 million. There was however a significant increase in income among the poorest tenth of the population and by 1998 over 10,000 families were pulled out of acute poverty (Denes, 2003: 143).

Even though *Bolsa Escola* had a positive impact on school attendance, Hall (2006) does however point to the fact that there has been no significant effect on child labour due to the fact that children were induced to go to school simultaneously considering that these cash transfers were too small an incentive to convince families to give up child labour (Hall, 2006: 700). Moreover Hall asserts that because *Bolsa Escola* was still a program under development with no real forerunners to be modelled after, the children for which it was aimed at – between the ages of six and fifteen – were poorly targeted and that it would hardly benefit families whose children are "more likely to be persuaded to attend school by a cash stipend"(*Ibid*).

2.3 *Cardoso and the Introduction of CCT Programs on a Federal Level*

Since *Bolsa Escola's* induction, many other conditional cash transfer programs were introduced in Brazil, most of which were "at a municipal level or in the federal district" (Wiesebron. 2014: 129). With the primary objectives of providing a minimum income for families or grants for education, each CCT program had their own particular set of conditions. After several CCT programs were set up in the capital as well as in municipalities such as Campinas – a majority of which were education programs – these programs would now also get introduced on a federal level. Following the introduction of *Programa de Erradicação do Trabalho Infantil* (PETI) – which served predominantly to send children between the ages of seven and fourteen to school, rather than to have them keep working in low conditioned jobs – Cardoso's administration also developed the *Bolsa Escola Federal* and *Bolsa Alimentação* programs. While the first two programs focused

principally on increasing attendance in education and having families compensated for the fact that children would not have a job, the *Bolsa Alimentação* program, introduced by the Ministry of Health, handed out cash transfers for women's medical exams and children vaccinations (Wiesebron, 2014: 130). Moreover they were implemented to reduce nutritional deficiencies and infant mortality, two common issues faced by the country's poorest households.

Despite the fact that these three CCT programs would carry out their own specific purposes, all with the greater goal of working towards fighting poverty, communication between the different ministries that managed these programs was limited under Cardoso's administration, leaving very little room for coordination. It wasn't until President Lula launched the *Bolsa Familia* program in 2003 that one ministry took responsibility and full charge of generating an improvement in the coordination of these CCT programs. With Lula setting up the new Ministry of Social Development and Fight against Hunger (Ministério do Desenvolvimento Social e Combate à Fome) the *Fome Zero* program was also introduced (Haddad, 2009: 187).

2.4 Lula and the Induction of Projeto Fome Zero

While *Bolsa Familia*, the subject of the next chapter's case study, comes in the form of financial aid transfers to the poorest families, the *Fome Zero* program encompasses not only the CCT program of *Bolsa Familia* itself, but also other strategies and forms of social assistance. These include educating people about health, granting access to food, the strengthening of family farming, in addition to income generation (Aranha, 2011: 95). Although this program has been organized into separate axes, all elements form part of the same strategy and despite the name given to the program, "none of them, individually, would be able to achieve the target of reducing hunger to zero" (Aranha, 2011: 95).

The impacts of *Fome Zero* stand out in their amplitude as well as the timeframe during which they have been accomplished. The first Millennium Development Goal outlined by the United Nations – eradicating extreme poverty and hunger – has for the case of Brazil, already been reduced by half, and also been achieved ten years before its originally intended deadline (Cassel, 2011: 9). Furthermore the need to resume an agricultural policy formed a crucial component in the goal of reducing hunger as this would provide incentives for families in rural areas to increase food production and income insurance (Graziano Da Silva *et al.*, 2011: 308). Considering that 74% of people in rural areas worked in family establishments, it was crucial that family farming in the country would need the involvement of the *Zero Fome* Program (*Ibid*, 309). The structural policy of income generation increased the minimum wage and expanded the social

security system for the poor, while at the same time “creating dynamic mechanisms in other areas of the economy”, including the generation of work and income in rural areas (*Ibid.*: 45).

Even though Lula launched *Fome Zero* in October 2001 – two years before *Bolsa Familia* had been introduced – it was only after his electoral victory in 2003 that the program became the Brazilian government’s main strategy for socio-economic policies (Cassel, 2011: 10). With the setup of this program, Lula would however ensure that the notion of eradicating hunger and ensuring the human right to food would remain a central matter in Brazil’s agenda for the years to come.

2.5 Conclusion

Summing up this chapter on the historical context of Brazil’s use of conditional cash transfers programs, a few aspects stand out. The socio-economic climate during the 1990’s presented Brazil’s government with some important and necessary decisions in regards to the highest rates of poverty and income inequality that the country had faced in decades. What began in 1995 as small-scale program to alleviate poverty on a local level soon culminated into a national solution.

Important to point out is the progress that had already been building up prior to Lula’s election into office. In the eight year period when Cardoso was president, the CCT programs that were set up on a federal level laid the foundations for what Lula and his administration would develop further in the areas of poverty, hunger and income inequality. Before Lula came into power, Cardoso’s administration managed to stabilize the currency and inflation. This gave Lula a head start in continuing this process and being able to redistribute the “stable currency through social programs”(Neri, 2014: 105). Had inflation not been stabilized during Cardoso’s years in office, the consistent reduction in inequality during Lula’s reign would have been near to impossible.

In light of what can be considered the most crucial initiative to combat hunger in Brazilian history, the next chapter will present a case study of the *Bolsa Familia* program during the years in which Brazil faced a significant reduction in both poverty and income inequality. As a continuation of the programs that were discussed in this chapter, the *Bolsa Familia* not only managed to bring food supply and money aid to over 50 million Brazilians, but has since also been able to influence and garner international recognition.

Chapter 3

***Bolsa Familia* and its Impact on Income Inequality and Poverty during Lula's Presidency**

3.1 Introduction

On October 20, 2003, ten months after Lula was elected into office, he officially unified the *Auxílio Gas*, *CadUnico* and *Cartão Alimentação* with the two other CCT programs that Cardoso had previously implemented; *Bolsa Escola* and *Bolsa Alimentação*, to establish what is now known as the *Bolsa Familia* program (Wiesebron, 2014: 132). Lula's main goals and objectives with this program were to eradicate extreme poverty and to guarantee poorer people sufficient food by promoting a balanced and healthy diet. Moreover, Brazil's recently elected president also aimed to bring about improvements in the areas of education and social assistance and not to mention promote citizenship for the lower classes.

Lula ran for president three times before finally succeeding during general elections on October 27, 2002. For the first time in Brazil's history, a representative of the Workers' Party was inaugurated as president. Undoubtedly, his aims and ambitions of fighting poverty and hunger – outlined during his presidential campaign – can be linked back to his own personal background as being the first president to not come from the Brazilian elite and having worked as a manual labourer (Wiesebron, 2014: 127). Branford depicts Lula's intentions by quoting from a televised interview that took place on that election night. When Lula is asked a question about his views on the currency's market, foreign investors and the impact of the country's biggest stock market, he replies by asking if there aren't more important things to talk about, specifically pointing to the issues of hunger, unemployment and social injustice that were troubling the country at that time (Branford, 2003: 81). Haddad (2009) argues that Lula's determination to focus on the issue of social inequality made him stand out in that he would aim more attention on this issue than his predecessors. The tackling of this issue, together with his popular identification is what became Lula's most "unshakeable political asset" (Anderson, 2011).

This chapter will first outline the mechanics of *Bolsa Familia* and its evidenced impact during the eight years that Lula was President of Brazil. It will then evaluate both the positive and negative elements of the program, weighing in on how it has brought about several important changes by bringing access to food, improving and promoting health and education incentives, alleviating poverty and reducing income inequality, although there could also still have been room for improvement in the areas of monitoring and effective management, as well as its

conditionality. Finally, this chapter will also illustrate the economic impact that *Bolsa Familia* has had, and the role that Lula played since the creation of the program.

3.2 *Bolsa Familia's Conditionalities and Payment System*

For someone to become a beneficiary of *Bolsa Familia's* cash transfers, certain conditions have to be met, or fulfilled. Firstly, children under the age of fifteen must be sent to school, as an investment in their families' human capital. Children under the age of seven must also be medically monitored and receive vaccinations before going to school as well as one healthy meal at school per day and two balanced meals in the case of extreme poverty (Wiesebron, 2014: 133) This also includes monitoring the growth of children and regular health check-ups. Furthermore women must seek both pre-natal and post-natal care as well as participate in educational health and nutritional seminars, in order for them to qualify to receive the programs benefits. Lastly, parents must also fulfil the stipulated conditions of education by informing the school, with the reason of a child's absence and if applicable, informing the local *Bolsa Familia* program coordinator if his or her child changes schools (Lindert *et al.*, 2007: 16).

For families to enrol into the program, they must fill out an application at their municipality's town hall and once the requested information on income and household composition has been processed, their eligibility is either approved or rejected. (Glewe *et al.*, 2010: 6). Selection is done by the Ministry of Social Development after a complete registration has been made on the *CadUnivo* (single registry) database. Each municipality then registers, maintains, and updates the conditions of that household, hoping to eventually develop a poor household into one that is in a situation of no longer requiring financial aid. The procedure of monitoring and determining whether a household is eligible to become a beneficiary is done by sending a social worker from the municipality to a household in order to observe the economic conditions in that home (Bruha, 2014). The available budget for each municipality is both determined and financed by the Federal Government, based on the number of families in each municipality (Glewe *et al.*, 2010: 6)

Brazilian households in an extreme poverty situation – where each family member's income is lower than R\$77 per month – are transferred the basic corresponding income in monthly instalments, regardless of the composition of the household (Bruha, 2014). Depending on whether a household has over 20 members – though this is rarely the case – a maximum aid of R\$1540 can be received if there is no other form of income. Furthermore households with one or more children under the age of 15, or households with pregnant or lactating women, are granted with a monthly cash transfer of R\$35 for each person that qualifies, as long as the

household has no more than 5 members in it (Bruha, 2014). Just like in Ecuador with the *Bono de Desarrollo Humano* (BDH) subsidy, *Bolsa Familia*'s beneficiaries receive their cash transfers through bank accounts specifically created for this purpose (Fiszbein and Schady, 2009: 122). Using a banking system not only increases transparency and efficiency, but public authorities are not involved in the process of handing out the benefits directly to recipients, reducing the likelihood of corruption (Lindert *et al.*, 2007: 51).

3.3 The Impacts of Bolsa Familia on Health and Education

According to evaluations from the International Food Policy Research Institute (IFPRI), the *Bolsa Familia* program managed to have an impact on education by increasing school attendance by 4% – for all children between the ages of six and 17 – and also by increasing rates of grade progression by 6% (De Brauw, 2014: 8). Furthermore it also had a large effect on keeping children in school after they have turned 14. A 15-year-old girl is for example also 21 percent more likely to stay in school if her parents are beneficiaries of the *Bolsa Familia* program, whereas a boy's age of entry into the labour market is held up by an average of 18 months (*Ibid.*: 8). The change brought about in rising percentages can therefore largely be ascribed to the crucial role that the conditionality of the *Bolsa Familia* program plays. Bourguignon *et al.* (2002) argue that for *Bolsa Familia*'s predecessor, *Bolsa Escola*, a similar impact on education was found and that this would not have been possible without its aspect of conditionality (Bourguignon *et al.*, 2002: 20). Fiszbein and Schady (2009) further add to this by claiming that the idea of giving *Bolsa Familia* conditions, makes the program more politically palatable (Fiszbein and Schady (2009: 62). This is evident in the fact that for families who are vulnerable – and those who are not complying with conditions – the program has begun “to encourage more explicit links to social worker support services” (*Ibid.*: 316).

In regards to its effects on health care and nutrition, the *Bolsa Familia* program increased the probability that children receive all seven necessary vaccines by at least 12%, even though the rate at receiving these vaccinations on time remain low for both beneficiaries and households outside the program (De Brauw, 2014: 9). A limitation of the evaluations conducted by the IFPRI is the time gap during which the data was surveyed and the possible changes in data collection that might have been undertaken between 2005 and 2009 (*Ibid.*: 4).

3.4 Positive Impacts and Evaluation of the Bolsa Familia Program

The unification of the various programs that were used earlier, to form the current *Bolsa Familia* program has brought a couple of major advantages. Creating an improved overview of the

different family's needs, made the program less bureaucratic and more transparent (Wiesebron, 2014: 133). This also enabled payments to be made easier and that data collection by *CadUnico* is more centralized (Lindert *et al.*, 2007: 36). Haddad (2009) believes that there is no urgent need to change the structure of *Bolsa Familia's* allocation system as it targets the counties with the populations that are in need of this program the most. A case could however be made for specific locations – predominantly including geographical outliers – that could constructively use some scrutiny in order to better benefit from the conditional cash transfer allocation (Haddad, 2009: 200). With regards to the children's profile, the social programs that are in charge of targeting child poverty should insure that they reach children groups that are at the highest risk – primarily including orphans, street children and those “which are detached from adult-headed households” (*Ibid.*: 200).

Lindert *et al.* (2007) point to the fact that over 96% of beneficiaries have found the bank system payment method “very easy” to use and that three quarters of families have the legal responsible beneficiary withdraw the transferred cash, which in many cases is the woman in the family (Lindert *et al.*, 2007: 53). Considering that 93% of legally responsible beneficiaries are women, it is worth noting why certain municipalities, such as for instance Campinas, prefer to transfer the benefits to women. Not only does this empower them with the decision on how to use the money, but research has shown that women are also more likely to spend money on their families well-being “than on personal expenditure” (Wiesebron, 2014: 136). The downside of this is that not only might the male providers in families feel less compelled to provide for their family but that women would miss out on employment opportunities outside their domestic establishment (*Ibid.*: 136). De Brauw *et al.* (2014) further point to how this feature shows a greater control over resources and decision-making power among women and that it also has improved outcomes for children (De Brauw *et al.*, 2014).

3.5 Criticisms and Limitations of the Bolsa Familia Program

Numerous key operational dimensions have however raised uncertainty about the *Bolsa Familia* program. These do not only include the effectiveness of conditionality, “weak local institutional capacity” and growing dependency but also the degree of its transparency and “the targeting and selection procedures” (Hall, 2006: 700). Registration quotas have also had drawbacks in that they increase the opportunity for political manipulation – by for example registering households with specific political affiliations rather than remaining neutral – as well as the possibility of having existing inequalities replicated. Finally, Lindert *et al.* (2007) argue that during *Bolsa Familia's* initial

years, there was a lack of transparency with regards to households getting interviewed (Lindert *et al.*, 2007: 34).

Haddad (2009) questions *Bolsa Familia's* effectiveness and the way in which it is managed. Even though she does not doubt Lula's genuine intentions to help fight hunger and alleviate poverty, she does for instance question whether the investments are distributed among families that are in need of it the most and if this is otherwise not just augmenting the traditional patterns of social inequality and poverty which Lula's policies were intended to combat in the first place (Haddad, 2009: 188). Hall (2006) further enquires whether safety nets such as the *Bolsa Familia* program actually challenge poverty in the context of countries with such a high income inequality such as Brazil (Hall, 2006: 703).

The monitoring of the conditions could have been improved throughout a number of municipalities, especially during the first half of Lula's presidency (Wiesebron, 2014: 139). Unlike Mexico for instance, Brazil has – since it began making use of CCTs – not incorporated evaluations on the impact of *Bolsa Familia*. There wasn't a systematic attempt to combine the evaluation of its CCT programs' impact into its design, which Mexico had for example done by collecting waves of data. Though this has progressed significantly since 2006, keeping track of those that live in extreme poverty has remained difficult as many families often tend to live very isolated and in some cases this includes street dwellers with no fixed housing (Hall, 2008: 807). The program has further been criticized for the manner in which it takes advantage of places in which conditions are loosely monitored since these become target of paternalism, which in the process “encourages clientelism and manipulation for electoral ends” (*Ibid.*: 815).

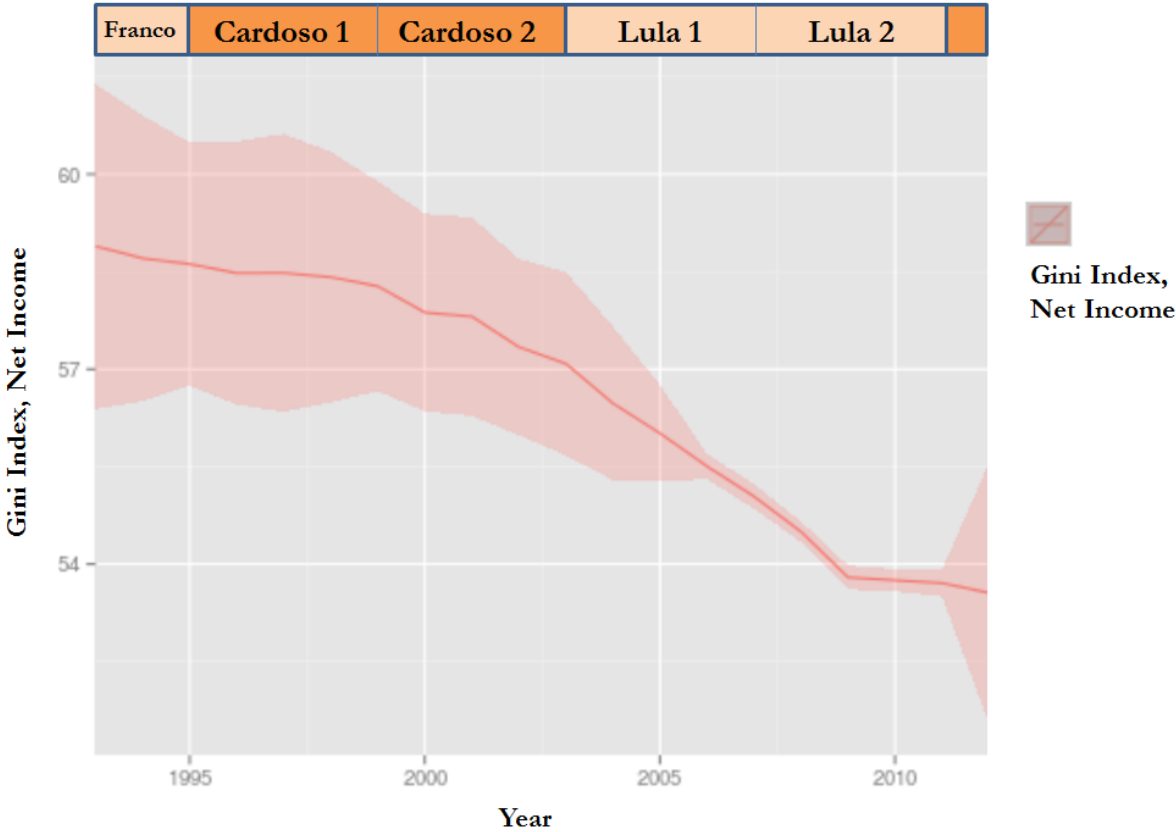
Though the *Bolsa Familia* program has to a large extent helped to alleviate extreme poverty, it has faced criticism from both sides of the Brazilian political spectrum according to Margolis (2009). Extreme leftists criticize the program for the manner in which it is “mollifying the poor with scraps”, while the right claims the government is overprotecting – and to some extent even “encouraging people to stay on the dole” (Margolis, 2009: 2). This claim being supported by the idea that whilst some beneficiaries have graduated to the job market, this figure has only been a mere 25 percent of those that are beneficiaries of the conditional cash transfer program. In the long run, an exit strategy needs to be implemented in order to avoid dependency amongst those that have become comfortable enough to largely rely upon the benefits alone.

3.6 *Bolsa Familia's Economic Effects on Poverty and Income Inequality*

Brazil witnessed several critical changes throughout Lula's first term in office, many of which can be strongly linked with, or attributed to the implementation of the *Bolsa Familia* program. First, a

significant drop in income inequality is evident when looking at the Gini coefficient index presented in *Figure 1*. Even though this drop already began under Cardoso, it was during Lula’s presidency that the rate of decline multiplied. During Cardoso’s presidency, income inequality dropped consecutively every year at an average rate of 0.27%. In 2002 – a year before Lula’s presidency began – the index measured 57.4 (1.0 being perfect inequality) whereas ten years later this figure had dropped to 53.6, generating an average decline of 0.6% annually throughout this period. Neri ascribes this reduction in inequality to pertain for 55 percent to the relative contribution of income from work, while the *Bolsa Familia* program alone had a weight of 12.2 percent in that reduction (*Ibid*).

Figure 1: Income Inequality in Brazil between 1993 and 2012



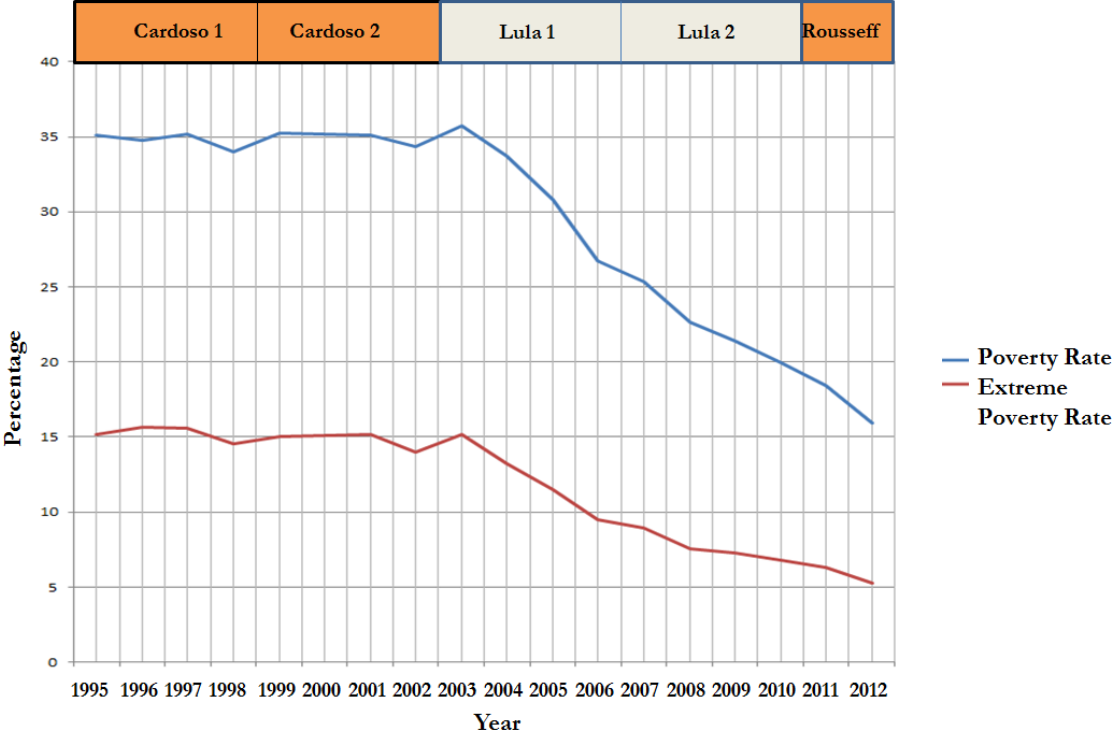
Source: Standardized World Income Inequality Database v5.0 (Solt, 2014)

Note: the solid lines indicate mean estimates; the shaded regions indicate the associated 95% confidence intervals.

Second, extreme poverty – referring to earnings below \$1.25 a day – also dropped by 50 percent between 2003 and 2008, whereas the number of people living in poverty was reduced from 28 percent of the country’s total population in 2003, to 16 percent in 2008, two years into Lula’s second presidential term (Nye, 2011: 177). *Figure 2* below also shows that even though Lula’s

second term presented a slower drop in extreme poverty, throughout his entire presidency this figure almost decreased by 60 percent. Both poverty and extreme poverty managed to drop steadily throughout Lula’s entire presidential reign after having started at a peak in the year that Lula had become president.

Figure 2: Poverty and Extreme Poverty in Brazil between 1995 and 2013



Source: IBGE data (2014)

With the *Bolsa Familia* program only accounting for 2.3 percent of direct monetary transfers in the country – as opposed to the 82 percent pertaining to pensions (Hall, 2006: 694) – it is striking to note that social programmes have attributed to almost half of the greatest reduction in poverty in Brazilian history (Anderson, 2011). Degol and Soares (2009) argue that besides the use of conditional cash transfers that are directly handed to the poorest families, improvements in education have also caused inequality to fall together contributing to at least two-thirds of the fall in the Gini coefficient since 2001 (Degol and Soares, 2009).

In comparison to other Latin American countries such as Costa Rica, Mexico, Paraguay Chile and Colombia – as well as the United States – which might not currently have income inequalities that are as high, Brazil is the only country with a consistently declining income inequality (World Bank, 2015). All the aforementioned Latin American countries have witnessed the distribution of wealth grow more disperse in the last two decades, and thus having them focus on social policies and the adoption of CCT programs such as the exemplary *Bolsa Familia* could be a potential solution.

3.7 Evaluation of Lula's Involvement

Despite Brazil having entered a “technical recession with two consecutive terms of no growth” Lula’s first term in office allowed him to become – as described by *The Economist* – an icon of Latin America’s responsible left during the 2006 re-election campaign period (Gomez Bruera, 2013: 113). As Hall (2006) interprets it, Lula’s administration came to depend heavily on the *Bolsa Familia* program in order to bolster its political support and generate votes for his second term in office, backed up by the fact that in 2005, the program was estimated to bring up to 22 million votes for Lula’s 2006 election campaign (Hall, 2006: 704). Especially in the Northeast – Brazil’s poorest region – wherein three-quarters of the programs recipients are established, political backing for Lula increased significantly. As three-quarters of Brazil’s absolute poor also benefit in some way from cash transfers, it comes as no surprise that Lula’s support is much higher amongst beneficiaries than those that are not recipients. Even though Lula himself acknowledged that the program is not Brazil’s salvation, but merely an act of necessity, and that ideally “*Bolsa Familia* will no longer be necessary” in a few years time, he is still very much personally identified with the program given his origins and commitment to poverty alleviation since his first day in office (*Ibid*, 2006: 704).

3.8 Conclusion Bolsa Familia Program

A number of conclusions can be drawn from this case study on the *Bolsa Familia* program. Although the program possessed a few weaknesses in the way it was implemented, especially during earlier stages, its overall positive impact – in what is still an on-going process to alleviate poverty and reduce income inequality – has certainly outweighed its small inefficiencies. Nonetheless, the cost of this program proves that with only half a percent of the country’s GDP (Nye, 2011: 176), Brazil is still able to alleviate at least a quarter of its nearly 200 million inhabitants from extreme poverty during the eight year period that Lula was in office.

In comparison to other Latin American countries *Bolsa Familia* has succeeded in providing its beneficiaries with health care and financial aid, under the conditions that children are sent to school and are given regular health check-ups. The impacts on education have also been positive in that school attendance rates have increased and that entry into the labour market has been deferred, indicating that the conditions set by the *Bolsa Familia* program have worked in their role as incentives. Regardless of these positive attributes, the conditionality factor of the program has excluded potential beneficiaries from the program, as have the targeting selection procedures. The monitoring of conditions and effective management would therefore need improvement in

order to allocate the benefits amongst families that are in need of it the most. A lack of transparency in obtaining data on households has caused for benefit allocations to be distributed unequally amongst those that still remain in extreme poverty and it is therefore critical that exit policies be implemented to avoid this, as well as a growing dependency.

Conclusion

To answer the central research question of this thesis paper, the *Bolsa Familia* program has had a considerable impact on both poverty and income inequality, in a number of ways. The first chapter of this paper presented the discussions from various scholars on the differences in the goals and designs of conditional cash transfer programs. While CCTs are essentially implemented to contain poverty, they are also initiated in countries with high income inequality, hunger and poor education, such being the case with Brazil. Furthermore, the academic debate surrounding conditional cash transfers has shown that though these type of social safety nets have become a crucial tool for increasing the investment of human capital – which in turn also aid the alleviation of poverty as well as the inter-generational transmission of inequality – they do face limitations in a couple of aspects, just like *Bolsa Familia* does. Their conditionality might for instance end up excluding population groups who do not possess the qualifications that beneficiaries do, or who do not live in places where these programs are implemented. Furthermore conditional cash transfers could generate dependency in the long run, leaving the question of whether CCTs will keep improving levels of poverty and income inequality, or whether this will eventually stagnate over time. It is evident that Lula aimed to achieve several goals with the *Bolsa Familia* program, many of which can be linked with the the intentions and implementation strategies identified in the academic debate.

For the case of Brazil, what started off as a local level program with *Bolsa Escola*, ultimately culminated into a nationwide plan with *Bolsa Familia*. The issues that were addressed in the process were hunger and malnutrition, income inequality and poor education. In outlining the successes of the *Bolsa Familia* program, one must however acknowledge the socio-economic conditions present in Brazil prior to Lula's presidency and the circumstances under which these were achieved. The second chapter therefore showed that while Cardoso's administration managed to stabilize the currency and inflation, the CCT programs that were set up on a national scale would lay the groundwork for Lula's fight against poverty, income inequality and hunger. With the introduction of the *Bolsa Escola* program by Buarque, the first step was taken into bringing school attendance rates up on local scales and setting the prototype for the national level CCT program introduced by Lula as the *Bolsa Familia* program.

Through the conditions set by *Bolsa Familia*, the program persuaded more parents in poverty to send their kids to school rather than to have them be involved in child labour, and in turn they obtained access to a provision of vaccinations and regular medical check-ups for children. Mothers were given both pre-natal and post-natal care as well as health and nutritional

seminars whilst women were empowered with the decision on how to spend the benefits for the better of their household.

Though without conditionality, school attendance and delayed entry into the labour market wouldn't have increased as swiftly, the conditionality factor of the *Bolsa Familia* program did impede for all people living in extreme poverty to become potential beneficiaries, simply because they did not fulfil all conditions. Other drawbacks include the targeting selection procedures as well as the monitoring of conditions. Haddad questioned whether *Bolsa Familia's* benefits were in fact distributed amongst families that needed it the most, considering that there had been evidenced political manipulation of registration quotas. On the other hand, there is the dependency that *Bolsa Familia* might generate if exit policies are not implemented when progress is made, in terms of reducing extreme poverty and pushing beneficiaries out of poverty and into the middle class. An improvement in transparency over the allocation of benefits would in turn add to the revised use of evaluations adopted in Lula's second term, and thus speeding up the process of poverty reduction and income equality even more.

All in all, Brazil under Lula (2003 – 2010) was a unique period considering the staggering drops in both poverty and income inequality. With the government's *Zero Hunger* strategy and the implementation of the *Bolsa Familia* program, Lula achieved significant progress with his initial priority of fighting against poverty and hunger. During Lula's first term, poverty levels already declined by 33%. By 2007, not only had 16 and a half million people overcome poverty, but income inequality had reached its lowest point in over 30 years. Even though Brazil's numbers of poverty and income inequality still remain among the highest in the world, it is one of the few countries in its region that is still witnessing a consistent decline in both components (even under Brazil's current President Dilma Rousseff).

Linking the academic debate back to the *Bolsa Familia* program under the presidency of Lula, it is evident that many but not all of the discussions presented in the first chapter are relevant and applicable for the case of Brazil's program. The conditionality question, examined at the start of this paper, has resurfaced in the case of *Bolsa Familia* and it might in fact even be one of the program's major drawbacks when considering that not all population groups for whom this program was intended, have been targeted in the time that Lula was president. On the other hand, while many programs rely on political backing to be established and continue growing, Lula's administration came to depend heavily on the *Bolsa Familia* program in order to strengthen its political support for a second term. Moreover, with *Bolsa Familia* adding up to costs under a percent of the country's GDP, Brazil can afford to set up programs of this scale, unlike its neighbouring countries with a much smaller economic capacity.

Although *Bolsa Familia* is still a conditional cash transfer program in process under President Dilma Rouseff's current administration, it is vital to avoid creating a dependency amongst the beneficiaries of the program, who might begin to feel overly comfortable with the system. It is also crucial to determine when the program is no longer having the originally intended effect of reducing poverty and income inequality, the reason why it was introduced in the first place. This program was never introduced as a permanent strategy and will eventually become obsolete. For the time being, countries with high rates of income inequality and poverty in particular, have, and should however continue to see the *Bolsa Familia* program as an exemplary CCT program, being one of the reasons why it has become increasingly popular, especially in Latin America. Since the impact in both poverty alleviation and inequality reduction has been predominantly positive, this strategy should continue to be given deliberate consideration on an international scale.

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