



Bolsa Familia: Variations in Implementation and Human Development Outcomes

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UNIVERSITY OF MIAMI

BOLSA FAMILIA: VARIATIONS IN IMPLEMENTATION AND HUMAN
DEVELOPMENT OUTCOMES

By

Karina Brennan Barbosa

A DISSERTATION

Submitted to the Faculty
of the University of Miami
in partial fulfillment of the requirements for
the degree of Doctor of Philosophy

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BOLSA FAMILIA: VARIATIONS IN IMPLEMENTATION AND HUMAN
DEVELOPMENT OUTCOMES

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Bolsa Familia, one of the largest conditional cash transfer programs, is often considered among the most successful poverty-alleviation initiatives in the world. Despite major strides in reducing poverty across Brazil since its launch in 2003, there are important limitations and variations in outcomes observed across and within different regions in Brazil. This research will seek to identify the underlying factors that contribute or inhibit the success in implementation and outcomes of the Bolsa Familia program, including factors such as municipal capacity, electoral motivations, and social services. Utilizing a qualitative case study approach, this research will employ process tracing as a primary method, examining the Human Development Index (HDI) as the dependent variable. Understanding fluctuations in success in implementation can inform strategies to provide and ensure sustained progress in poverty alleviation efforts in Brazil with potential generalizability for other countries as well.

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Chapter 1

Introduction

Described by the World Bank in the 1990s as having a higher level of poverty than expected for a middle-income country, Brazil made great strides in combating both poverty and extreme poverty throughout the 2000s, particularly through the introduction and implementation of Bolsa Familia (BFP), a conditional cash transfer program. Widely touted as one of the most successful national poverty alleviation and reduction programs, the BFP in Brazil provided aid to approximately 50 million people between 2003 and 2013, helping raise them out of poverty and becoming a harbinger of success that other countries sought to adapt and implement in their own societies. In fact, during this period of transformative inclusive growth, Brazil achieved the Millennium Development Goal of reducing its poverty levels in half by 2005, a full ten years before the target deadline.¹ Moreover, over a twenty-year period, Brazil's Human Development Index improved by nearly 20 percent, jumping from 0.610 in 1990 to 0.723 by 2010.

Much of this success is credited to the targeted reach of conditional cash transfer (CCT) programs and their effectiveness in redistributing income to the poorest segments of the population. CCT programs provide a cash transfer to poor families contingent on compliance with specific stipulations, typically investments in human capital, such as education and health. Their structure implies a provision of cash in the short-term to

¹ Janine Berg, "Brazil: Conditional Transfers as a Response to the Crisis The Bolsa Familia Programme," *International Labor Office*, 2009, 1.

alleviate poverty and provide a minimum consumption floor, and the accumulation of human capital to break the vicious cycle of poverty in the long-term.²

However, a closer look reveals varied success and outcomes of conditional cash transfer programs both within and across countries, suggesting there are other underlying factors that influence their success.³ In Brazil, for instance, there is significant variation in the outcomes of the BFP in different regions. In the Southern region of Brazil, for example, the states of Parana, Santa Catarina, and Rio Grande do Sul all demonstrate high levels of human development following implementation of the BFP for nearly 20 years. In contrast, states in Brazil's Northeast region have not seen their human development levels fully converge to those of their Southern counterparts, even though this region represents the largest concentration of Bolsa Familia beneficiaries.⁴ While Northeastern states have

² Ariel Fiszbein, Norbert Rüdiger Schady, and Francisco H. G. Ferreira, *Conditional Cash Transfers: Reducing Present and Future Poverty* (World Bank Publications, 2009), 32.

³Karen Macours et al., “Long-Term Impacts of Conditional Cash Transfers: Review of the Evidence,” *World Bank Research Observer* 34, no. 1 (February 1, 2019): 119–59, <https://doi.org/10.1093/wbro/lky005>; Ariel Fiszbein, Norbert Rüdiger Schady, and Francisco H. G. Ferreira, *Conditional Cash Transfers: Reducing Present and Future Poverty* (World Bank Publications, 2009); Kathy Lindert, Emmanuel Skoufias, and Joseph Shapiro, “Redistributing Income to the Poor and the Rich : Public Transfers in Latin America and the Caribbean,” *The World Bank SP Discussion Paper*, no. 0605 (June 1, 2006), <https://documents1.worldbank.org/curated/en/413331468300691124/pdf/369661RedistributingIncome0SP00605.pdf>; Sudhanshu Handa and Benjamin Davis, “The Experience of Conditional Cash Transfers in Latin America and the Caribbean,” *Development Policy Review* 24, no. 5 (August 17, 2006): 513–36, <https://doi.org/10.1111/j.1467-7679.2006.00345.x>; Fabio Soares and Tatiana Britto, “Confronting Capacity Constraints on Conditional Cash Transfers in Latin America: The Cases of El Salvador and Paraguay,” *International Poverty Centre Working Paper* 38 (August 2007); Hyun Son, “Conditional Cash Transfer Programs: An Effective Tool for Poverty Alleviation?,” *ERD Policy Brief* (Asian Development Bank, July 2008); Natasha Borges Sugiyama, “The Diffusion of Conditional Cash Transfer Programs in the Americas,” *Global Social Policy* 11, no. 2–3 (December 1, 2011): 250–78, <https://doi.org/10.1177/1468018111421295>; UNDP India, “Conditional Cash Transfer Schemes for Alleviating Human Poverty: Relevance for India” (United Nations Development Programme, India, April 2009); Pablo Villatoro, “Conditional Cash Transfer Programmes: Experiences from Latin America,” *Cepal Review* 2005, no. 86 (September 22, 2005): 83–96, <https://doi.org/10.18356/1f688127-en>; Simone Cecchini and Aldo Madariaga, “Conditional Cash Transfer Programmes: The Recent Experience in Latin America and the Caribbean” (United Nations ECLAC, September 2011); Jere R. Behrman, Susan W. Parker, and Petra Todd, “Do Conditional Cash Transfers for Schooling Generate Lasting Benefits?,” *Journal of Human Resources* 46, no. 1 (December 22, 2010): 93–122, <https://doi.org/10.3368/jhr.46.1.93>.

⁴ “Investment in Brazil's Bolsa Família Reaches Record High in March – and Its Highest Average Value in History,” *Presidência Da República*, March 21, 2023, <https://www.gov.br/planalto/en/latest->

observed absolute improvements in human development, they remain ranked among the lowest developed states of all of Brazil consistently since the 1990s, despite interventions such as Bolsa Familia.

Indeed, even within states, there are significant variations in performance and effectiveness of the BFP. For example, in the state of Bahia, HDI values in 2000 ranged from a high of 0.654 in Salvador to a low of 0.283 in Monte Santo⁵; even by 2010, after a decade of sustained economic growth and intentional pro-poor policies, all municipalities improved their HDI, but there was still a wide variance among municipalities. Salvador again ranked as the municipality with the highest HDI in Bahia in 2010 at 0.759, compared to the lowest HDI of 0.486 in Itapicuru.⁶

While there is a broad consensus on the positive impact of conditional cash transfer (CCT) programs on poverty reduction and human development, the study of these programs elsewhere has shown that implementation is not a one size fits all nor does it render equal results even within a single country, region, or state. This dissertation seeks to shed more light on the factors that influence the implementation and thus condition the impact of CCTs. More specifically, this study explores the following research questions: Under what conditions are these CCT programs more likely to succeed? What political and institutional factors condition their effectiveness?

[news/investment-in-brazil2019s-bolsa-familia-reaches-record-high-in-march-2013-and-its-highest-average-value-in-history.](#)

⁵“Atlas of Human Development in Brazil,” n.d., <http://www.atlasbrasil.org.br/ranking>.

⁶“Atlas of Human Development in Brazil,” n.d., <http://www.atlasbrasil.org.br/ranking>.

Assessing Variation in Implementation

In answering these questions, I examine how political and social factors condition the implementation and hence the human development impact of Bolsa Familia. Given the decentralization of the management of Bolsa Familia, the empirical analysis focuses on the municipal level and combines quantitative and qualitative methods. Focusing on the state of Bahia, I first use a sample of 417 municipalities to explore the determinants of variation in HDI levels between 2000 and 2010. A simple linear regression model is used to explore the impact of institutional factors, such as municipal capacity, electoral cycles, and political participation, and social spending, on human development outcomes. The findings of this analysis show that both municipal capacity, total social spending, and political participation have a significant impact on local HDI levels. However, the effects of capacity are not linear but instead follow a U inverted shape, suggesting that the positive effects of municipal capacity on human development decline with higher levels of capacity. Moreover, the results uncover a positive interaction effect between capacity and social spending. In other words, strong municipal capacity increases the effectiveness of higher spending on both health and education outcomes.

While these findings are in line with some of my theoretical expectations, they are insufficient to draw definitive conclusions about the ways in which capacity influences and determines the effective implementation of CCTs. To complement this analysis, I thus use a qualitative case study approach to explain variations in outcomes in two municipalities in Bahia, Brazil: Itapicuru and Paratinga. Relying on a controlled comparison of these cases, the qualitative study examines the role of two types of political factors, institutional capacity, and electoral cycles. I also examine the intervening effects of health and

education policy in each municipality, focusing on the quality of education and health services.

The study shows that municipal capacity is critical to the delivery and success of better human development outcomes via the Bolsa Familia program. More specifically, the evidence from the two cases studied here suggests greater municipal capacity is associated with better social services, both in health and in education. This is in line with previous studies, which have emphasized that conditional cash transfer programs are constrained by the quality of social services, noting in particular that cash benefits can certainly relieve the effects of poverty, but cannot necessarily transform the public good infrastructure needed for sustained improvement in human development outcomes. In contrast, the findings of this study challenge the primacy of electoral considerations, such as the electoral cycle, in augmenting or diminishing the positive effects of conditional cash transfer programs. The cases of Itapicuru and Paratinga experienced similar electoral cycles, the same electoral calendar essentially, and yet still yielded different development outcomes.

Significance & Contributions

Conditional cash transfer programs, and Bolsa Familia in particular, have made great strides in combating poverty and promoting human development. Programs, like Bolsa Familia, are scalable, highly targeted to the poor, and cost-effective. This study seeks to contribute to the broader debates on the impact and effectiveness of conditional cash transfers and political factors that influence the implementation of conditional cash transfer programs. While existing studies have noted the importance of municipal, state, and/or

federal capacity in implementation, this study offers a unique contribution in that it provides a comparative examination of the sub-national mechanisms involved and influencing the success (or lack thereof) for the Bolsa Familia program. The structure of the Bolsa Familia program elevates the municipality's role in implementation and this very design narrows the lens for focus, reducing the complexities of multi-level government activities requiring coordination, carrying out, and outreach. By testing specific political and social factors, this study seeks to provide an insightful understanding on the critical micro-level dynamics at play because both the national and state levels will be constant with the municipal level under close examination. By assessing two municipalities within the same country and within the same state, this study can closely review and offer specific insights on how and why capacity is the most important factor for better or worse human development outcomes. Previous studies have compared conditional cash transfer programs across different countries or across states, but this research will provide a unique contribution in that it will focus on two municipalities within the same state of Brazil, narrowing in on the micro-level determinants of better human development outcomes. This study will also contribute to work on the local/municipal actor roles in implementing policies and promoting human development outcomes, a particularly important consideration in the case of Brazil's decentralized model of governance.

By underscoring the importance of capacity, this study can support national and sub-national levels of policy design to attempt to offset any factors that could hinder better human development outcomes. Institutional capacity, however, is difficult to influence or change exogenously.⁷ There is an emerging body of literature, however, on pathways and

⁷ Philippe Aghion, Alberto Alesina, and Francesco Trebbi, "Endogenous Political Institutions," *The Quarterly Journal of Economics* 119, no. 2 (May 1, 2004): 565–611,

frameworks for states to endogenously transform institutions, namely via the motivation to cooperate with others and follow social norms.⁸ The model developed recently by Robinson, Vostroknutov, and Vostroknutova indicates that lower quality of government leads actors to develop informal institutions that either create or reinforce distortions, such as clientelistic networks.⁹ Essentially, their model implies that better quality of public services leads to higher trust in government, which, in turn, fosters growth in the formal sector that can initiate a shift from a vicious cycle to a virtuous cycle.¹⁰ While this framework will not be directly tested, I will use its conclusions as a foundation for the implications of the findings of this study.

The Bolsa Familia program is funded by the federal government with funds directly transferred to beneficiaries and municipalities. The amount transferred is a function of the number of families enrolled, but also the municipal capacity score (IGD-M). This design, in theory, should incentivize local governments to seek ways to improve their administration of the program and strengthen capacity. There can be value in the structure of the BFP in how it incentivizes improvements in municipal capacity, but there is also inherent risk for the perpetuation of either a vicious cycle or a virtuous cycle. Municipalities with higher capacity scores receive more funding with restrictions to invest in the Bolsa Familia program and more capacity building. In contrast, municipalities with lower capacity scores receive less funding and thus have fewer opportunities and resources

<https://doi.org/10.1162/0033553041382148>; Erik O. Kimbrough and Alexander Vostroknutov, "A Theory of Injunctive Norms," *Social Science Research Network*, April 25, 2023, <https://doi.org/10.2139/ssrn.3566589>.

⁸ James Robinson, Alexander Vostroknutov, and Ekaterina Vostroknutova, "Endogenous Institutions and Economic Policy" (World Bank, November 18, 2022).

⁹ James Robinson, Alexander Vostroknutov, and Ekaterina Vostroknutova, "Endogenous Institutions and Economic Policy" (World Bank, November 18, 2022), 1, 28.

¹⁰ James Robinson, Alexander Vostroknutov, and Ekaterina Vostroknutova, "Endogenous Institutions and Economic Policy" (World Bank, November 18, 2022), 3-4, 23

to invest in the very same activities – yet these are the municipalities that likely need greater support for institutional transformation to change their trajectory and make the transition into a virtuous cycle. The qualitative case studies demonstrate these dynamics between 2000 and 2010 and influence the implications and policy recommendations presented in this study.

The World Bank has cited Bolsa Familia as a “reference point for social policy around the world” given its tremendous success even through the turbulent global economic crisis in the late 2000s.¹¹ As summarized by Wetzel, “Brazil’s experience is showing the way for the rest of the world. Despite its relatively short life, BF has helped stimulate an expansion of conditional cash transfer programs in Latin America and around the world – such programs are now in more than 40 countries. Last year alone, more than 120 delegations visited Brazil to learn about BF.”¹² These many positive characteristics and outcomes make programs like Bolsa Familia highly attractive to implement as a poverty alleviation and reduction strategy. Understanding variations in implementation is important as differences can limit outcomes and fossilize inequities if not recognized and accommodated or adequately addressed.

The subsequent chapters are organized as follows: Chapter 2 will present the theoretical debates on the evolution of the definitions of development and poverty as well as the political economy of conditional cash transfer programs; Chapter 3 will present the research design, including the methodological approach hypotheses, and variables that will provide the basis for this study; Chapter 4 will present a historical background of economic

¹¹ Deborah Wetzel, “Bolsa Família: Brazil’s Quiet Revolution,” *World Bank*, November 6, 2013, <http://www.worldbank.org/en/news/opinion/2013/11/04/bolsa-familia-Brazil-quiet-revolution>.

¹² Deborah Wetzel, “Bolsa Família: Brazil’s Quiet Revolution,” *World Bank*, November 6, 2013, <http://www.worldbank.org/en/news/opinion/2013/11/04/bolsa-familia-Brazil-quiet-revolution>.

development policies from a broader national context; a discussion of the impact of those policies and their impacts at the state level will follow in Chapter 5, accompanied by an overview of Bolsa Familia in Bahia and exploration of variations municipal HDI of all states in Bahia. Chapter 6 will present the two case studies – Itapicuru and Paratinga – including their socioeconomic profiles and an analysis of variations in their HDI outcomes; and finally, Chapter 7 will summarize the findings and provide concluding remarks, including opportunities for further study.

Chapter 2

Theoretical Framework: Political Economy of Conditional Cash Transfers

To what extent and in what ways do CCT programs contribute to poverty reduction and development outcomes? This study seeks to contribute to this question by analyzing the case of Brazil and its conditional cash transfer program, Bolsa Familia. In doing so, it draws upon a broad body of literature focused on the determinants of economic and human development.

Before considering conditional cash transfer programs as a policy to promote development, it is first important to understand the foundational aspects of development, namely defining it and understanding what drives it. Over the years, the term “development” itself has evolved from a narrow, income-based definition to an understanding that a broader definition is more appropriate to encompass all the aspects of human development. Even before the definition of “development” evolved to its current state, there has also been a long-standing debate and evolution on the causes, or drivers, of development, specifically on the economic, geographic, political, or social factors that might be at work.

Given that context, conditional cash transfer programs can be employed by governments as a mechanism to help promote development. This chapter will explore the more specific matter of conditional cash transfer programs as a poverty reduction strategy. In the context of development, the success of cash transfers has been debated as many scholars have highlighted the innovative nature and positive macroeconomic impact of these programs, particularly of those that premise the transfers on conditionality.

Alternatively, many others claim that cash transfers fall short in addressing poverty and are ultimately unsustainable. The political dynamics behind the success of conditional cash transfers represent another important debate in the literature of successful (or not) CCTs. The political debates center on whether and how municipal, state, or national capacity to implement CCTs matter and how political motivations to introduce and fund CCTs influence their success, while debates over social factors emphasize the quality of health and education services as an augmenting or constraining factor on the effectiveness of implementation.

This chapter presents the evolution of development strategies and definitions of “development,” and the theoretical debates in explaining variations in development, the effectiveness of cash transfers, as well as the debates on political and social factors that influence the implementation of CCTs both in general and specifically in Brazil. Based on this discussion, the chapter presents the main hypotheses for this study, which link the effectiveness of the BFP in Brazil to the role of institutional and electoral dynamic factors, and the quality of health and education services.

Development and Poverty: From Economic Growth to Capabilities

The definition and concept of development is one that has evolved over time, and with it, the importance of forming poverty reduction strategies and the promotion of human development has steadily increased through this evolution. The emphasis on specific policies to alleviate and solve poverty have only more recently risen to more prominence in the last three decades due to the experiences of the 1980s debt crisis, high inflations, plus the tightening of social expenditures in the Washington Consensus years. These events

culminated in the inclusion of poverty as a priority issue on international and national agendas. At first, to address these issues a variety of social safety net programs were introduced and implemented throughout the developing world – including, for example, food subsidies, employment programs, and infrastructure support. As developing countries achieved macroeconomic stability after the years of the debt crisis, there was a growing need to create better programs and models to better address poverty and development.¹³ Conditional cash transfers, as poverty reduction strategies and tools to support human development, emerged within this context and were an innovation that sought to address the expanded definition of poverty and development that resulted from this debate.

In the post-World War II era, development emerged as an important topic at the international level as a result of increasing economic divergence among developed and developing countries, increasing patterns of decolonization, and a philosophical shift in the world economy with the Bretton Woods institutions promoting increased economic interdependence. Utilizing an approach based on income growth as the main objective for economic development, development planning and policy-making emphasized neoclassical theories of growth, including the Rostow, Domar, and Solow models.¹⁴ These approaches emphasized the importance of investment, capital accumulation, technological innovation, and traditional factor endowments of a country. Proponents believed in convergence: poorer countries with lower levels of capital would experience higher growth

¹³ Natasha Borges Sugiyama, “The Diffusion of Conditional Cash Transfer Programs in the Americas,” *Global Social Policy* 11, no. 2–3 (December 1, 2011): 250–78, <https://doi.org/10.1177/1468018111421295>.

¹⁴ Anne O. Krueger and W. W. Rostow, “The Stages of Economic Growth: A Non-Communist Manifesto,” *Journal of the American Statistical Association* 55, no. 292 (December 1, 1960): 772, <https://doi.org/10.2307/2281618>;

Robert M. Solow, “A Contribution to the Theory of Economic Growth,” *Quarterly Journal of Economics* 70, no. 1 (February 1, 1956): 65, <https://doi.org/10.2307/1884513>;; Evsey Domar, “Economic Growth: An Econometric Approach,” *The American Economic Review* 42, no. 2 (May 1952): 479-495

rates as they invest in new capital as compared to their capital-rich counterparts; which would, in theory, culminate in poverty reduction.

However, by the 1970s, convergence was not realized, and instead the economic crises of the 1970s only exacerbated diverging growth and income across the developing world, followed by the debt crises of the 1980s. The era of the 1980s is often referred to as the ‘lost decade’ in Latin American given the sharp decline (and often negative) in economic growth.¹⁵ Simultaneously, strictly measuring income and economic growth was increasingly not sufficient to measure “development,” which evolved toward a broader concept that includes income, but also includes health, education, political freedom, and equality.

Beginning in the late 1980s and early 1990s, the United Nations Development Programme, drawing upon the ideas of Amartya Sen, shifted toward the idea that economic development needed to not only measure income, but also to focus on human development.¹⁶ In this critical shift, UNDP highlighted that national income figures were no longer the sole determinants of successful development planning nor were they the sole objectives of policy-making for two specific reasons: (1) national income does not capture the composition of the income or the distribution of that income; and (2) income cannot capture all achievements, such as “better nutrition and health services, greater access to knowledge, more secure livelihoods, better working conditions, security against crime and physical violence, satisfying leisure hours, and a sense of participating in the economic, cultural,

¹⁵ Dwight H. Perkins et al., *Economics of Development* (W. W. Norton, 2012), 44; Margaret McMillan and Dani Rodrik, “Globalization, Structural Change and Productivity Growth,” June 1, 2011, <https://doi.org/10.3386/w17143>.

¹⁶ UNDP (United Nations Development Programme), *Human Development Report 1990: Concept and Measurement of Human Development*, (New York. UNDP, 1990), 9; Amartya Sen, *Development as Freedom* (United Kingdom Oxford University Press, 1999).

and political activities of their communities.”¹⁷ Given this ideological basis, proponents of the human development approach argue for an expanded measurement of development, and thus a more encompassing plan and policy structure for development. The introduction of the “capabilities” approach emphasized human development as including the ability to make choices, to expand their capabilities, and to make use of those capabilities, all of which allow for a more robust measurement of quality of life. This shift set the path for the rise of policies like conditional cash transfer programs to take center stage in the development field as a means of expanding capabilities and addressing the more holistic concept of human development rather than income-based growth models. It is also through this expanded definition that social services, like education and health, also emerged at the forefront of development policy agendas.

Based on these overarching objectives, UNDP outlined three types of basic freedoms that also influenced the construction and composition of the Human Development Index (HDI): (1) ability to live long and healthy life; (2) ability to acquire knowledge; and (3) ability to access resources adequate for basic needs. The index constructed ranges from 0 to 1, where 0.5 and below indicates low human development, 0.5 to 0.699 indicates medium human development, 0.7 to 0.799 indicates a high level of human development, and 0.8 and above indicate very high level of human development. There were several shortcomings identified for the basic income approach that influenced the shift toward the human development approach, highlighting the advantages to using this new approach; these shortcomings identified were based on recent development experiences as: (1) high income (GNP) growth did not reduce inequality and

¹⁷ UNDP (United Nations Development Programme), *Human Development Report 1990: Concept and Measurement of Human Development*, (New York. UNDP, 1990), 9

thus there was still prevalent “socioeconomic deprivation”; income growth does not necessarily reduce drug use, disease, violence, and “breakdown of family relations”; “some low-income countries have demonstrated that it is possible to achieve high levels of human development” if resources are directed toward developing capabilities; and finally, the neoliberal policies of the 1980s and the later Washington Consensus negatively contributed to the human development efforts in many countries due to structural adjustments that negatively impacted government spending on social programs that in theory contribute to human development.¹⁸ Additionally, income is a means not an end and income itself does not predict future growth.

While this expanded definition emerged, there were (and are) some strong criticisms. First, given that this is an approach focused on human development, some have argued that the emphasis on mortality rates, knowledge, and access to resources (income) are too narrow, thus not fully encompassing of the broader concept of human development, ignoring important issues like gender, employment and political freedoms¹⁹; additionally, these three factors are weighted equally which has also draw criticism. More importantly, however, are the criticisms that the human development approach is not necessarily a better

¹⁸ Ilan Goldfajn, Lorenza Martínez, and Rodrigo Valdés, “Washington Consensus in Latin America: From Raw Model to Straw Man,” *Journal of Economic Perspectives* 35, no. 3 (August 1, 2021): 109–32, <https://doi.org/10.1257/jep.35.3.109>; Guillermo Ortiz, “Overcoming Reform Fatigue: Latin America and the Washington Consensus,” *Finance & Development* 40, no. 3 (2003): 14; José Antonio Ocampo, “The Latin American Debt Crisis in Historical Perspective,” in *Palgrave Macmillan UK eBooks*, 2014, 87–115, https://doi.org/10.1057/9781137411488_4; Márcio Moraes Valença, “The Lost Decade and the Brazilian Government’s Response in the 1990s,” *The Journal of Developing Areas* 33, no. 1 (1998): 1–52; John Williamson, “The Strange History of the Washington Consensus,” *Journal of Post Keynesian Economics* 27, no. 2 (December 8, 2014): 195–206, <https://doi.org/10.1080/01603477.2004.11051438>; Moisés Naím, “Fads and Fashion in Economic Reforms: Washington Consensus or Washington Confusion?,” *Third World Quarterly* 21, no. 3 (June 1, 2000): 505–28, <https://doi.org/10.1080/01436590050057753>.

¹⁹ Javier Bilbao Ubillos, “The Limits of *Human Development Index* : The Complementary Role of Economic and Social Cohesion, Development Strategies and Sustainability,” *Sustainable Development* 21, no. 6 (May 19, 2011): 400–412, <https://doi.org/10.1002/sd.525>; María Andreina Salas-Bourgoin, “A Proposal for a Modified Human Development Index,” *Cepal Review* 2014, no. 112 (December 3, 2014): 29–44, <https://doi.org/10.18356/ea3f94ea-en>.

measurement of development than income, and is thus not enough of an improvement in measurement to warrant the extra effort and attention to the human development aspects.²⁰ Quantitative studies to that end, for example, argued that income levels and human development demonstrated expected correlations – where rising income implies rising HDI.²¹

While Sen’s capabilities approach defines development as freedom, critics of this approach argue it is difficult to operationalize. Sen intentionally mentions that the capabilities approach is pluralistic and does not necessarily have one particular definition and is intentionally diverse.²² While this is admirable as an ideological approach and has influenced rhetoric and policy, as demonstrated by World Bank and UNDP annual reports, crafting policy based on capabilities, which vary per each individual is difficult, as there is no prioritization of factors like education or health.²³

Ultimately, the development experience of the 1970s, 1980s, 1990s, and more recent 2000s, have marked the importance and need for broadening how development is defined, measured, and pursued. The failure of neoliberal policies in the 1980s, and subsequent failure of Washington Consensus in the 1990s that contributed to increasing poverty, increasing inequality, and failed to produce the rapid economic growth and convergence predicted lead to a fundamental shift in development planning and policy. However, even as these broader human development and capabilities approaches began to

²⁰Dwight H. Perkins et al., *Economics of Development* (W. W. Norton, 2012), 47.

²¹ Dwight H. Perkins et al., *Economics of Development* (W. W. Norton, 2012), 48.

²² Amartya Sen, *Development as Freedom* (United Kingdom: Oxford University Press, 1999), 54.

²³ Frances Stewart, “Capabilities and Human Development: Beyond the Individual—the Critical Role of Social Institutions and Social Competencies,” *Social Science Research Network*, July 8, 2013, http://hdr.undp.org/sites/default/files/hdro_1303_stewart.pdf.

take shape within development policy, there is still a strong focus on income indicators in measuring development, though sensitivity to the human factors of development are now evidenced in important initiatives, such as the UN Millennium Development Goals and later Sustainable Development Goals.

Conditional Cash Transfers (CCTs) as Tools for Development

Since the 1950s, the definition of development and the causes of economic growth and human development have evolved, leading to richer, more nuanced understanding and contributions to these important debates. Moreover, the evolution of the concept of the development, influenced by historical events and awakenings, gave way for the rise of conditional cash transfer programs with the increased prominence of poverty reduction strategies on the international and national stages. Moreover, conditional cash transfers as an integrated policy tool rapidly spread throughout the developing world, especially Latin America. Only Brazil and Mexico had a CCT in the late 1990s, and a decade later, almost every single country in Latin America had their own program.²⁴ Previous approaches and definitions to development assumed economic growth would ultimately translate to poverty reduction, but an expansion of the definition called for greater emphasis on the role of the state (and institutions) in development; and the capacity for the provision of public goods at the center.

Beginning in the 2000s especially, development strategies for emerging markets and developing countries increasingly emphasized inclusive growth with the primary objective of reducing poverty. Ali (2007) presents the three pillars of inclusive growth,

²⁴ Natasha Borges Sugiyama, "The Diffusion of Conditional Cash Transfer Programs in the Americas," *Global Social Policy* 11, no. 2–3 (December 1, 2011): 250–78, <https://doi.org/10.1177/1468018111421295>.

each designed to distribute the benefits of economic growth and ultimately reduce poverty: (1) maximize economic opportunity; (2) ensure equal access to economic opportunities; and (3) ensure minimum economic well-being.²⁵ The first pillar rests on the goal to create full, productive, and decent employment with policies tailored to both rural and urban needs to generate and maximize economic opportunities. The second pillar centers on the promotion of mechanisms to broaden access to economic opportunities, specifically capability enhancements via education, health, and basic infrastructure. The third pillar, ensuring minimum economic well-being, includes social protection programs, including safety nets and springboards, to support the welfare of the vulnerable in a society.

With rising international priority and domestic pressure and social mobilization to address issues of poverty, conditional cash transfer programs emerged in the late 1990s and early 2000s, though they were not necessarily given that title and controversy remains over which was the first program (whether in Mexico or Brazil, and even within Brazil - Bolsa Escola or a municipal-run program from Campinas, Brazil.)²⁶ Cash transfer programs, whether conditional or unconditional, are an important example of social protection policy instruments and quickly became popular – they were widely viewed as effective in combating poverty because they are generally well-targeted to the poor, cost-effective, and, most importantly, viewed as an investment opportunity to promote a virtuous cycle between social protection and human development.²⁷ As summarized in a working paper published by the International Labor Organization, cash transfers are tools

²⁵ Ifzal Ali, “Inequality and the Imperative for Inclusive Growth in Asia,” *Asian Development Review* 24, no. 02 (January 1, 2007): 13, <https://doi.org/10.1142/s0116110507500060>.

²⁶ Michelle Morais De Sá E Silva, *Poverty Reduction, Education, and the Global Diffusion of Conditional Cash Transfers*, Springer eBooks, 2017, 10–11, <https://doi.org/10.1007/978-3-319-53094-9>.

²⁷ UNDP India, “Conditional Cash Transfer Schemes for Alleviating Human Poverty: Relevance for India” (United Nations Development Programme, India, April 2009), 10.

that allow families to maintain stable budgets and invest in their own productivity, health care, and education.²⁸ The result has been a global diffusion of cash transfer programs, including throughout Latin America, the Caribbean, Africa, Asia, and Eastern Europe.

Conditional cash transfer programs are designed with two objectives in mind: (1) immediate poverty relief through the provision of a cash benefit to families (often variable based on composition, size, ages, etc., of families); and (2) reducing poverty in the long-run through investment in human capital, typically in the areas of health, nutrition, and education.²⁹ There are several distinctive characteristics of conditional cash transfer programs. First, they are generally based on specific targeting to the poor, or extremely poor within each country, and in fewer instances to vulnerable populations, such as the disabled or elderly.³⁰ More importantly, conditional cash transfer programs are celebrated for this reach, particularly their ability to reach those who are not connected to social protection programs linked to formal employment.³¹ Transfers are cash and often provided to a female head of household, which studies have confirmed leads to greater investment in children and families.³² Benefits provided by a CCT scheme usually include a base

²⁸ Elaine Fultz and John Francis, “Cash Transfer Programmes, Poverty Reduction and Empowerment of Women: A Comparative Analysis,” *International Labour Office Working Paper 4* (December 23, 2013): 1, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---gender/documents/publication/wcms_233599.pdf.

²⁹ Kathy Lindert et al., “The Nuts and Bolts of Brazil’s Bolsa Familia Program: Implementing Conditional Cash Transfers in a Decentralized Context,” *The World Bank SP Discussion Paper*, no. 0709 (May 2007): 6, <https://documents1.worldbank.org/curated/en/972261468231296002/pdf/398530SP1709.pdf>.

³⁰ Simone Cecchini and Aldo Madariaga, “Conditional Cash Transfer Programmes: The Recent Experience in Latin America and the Caribbean” (United Nations ECLAC, September 2011), 13.

³¹ Benedicte De La Briere and Laura Rawlings, “Examining Conditional Cash Transfer Programs: A Role for Increased Social Inclusion?,” in *Social Protection and Inclusion: Experiences and Policy Issues* (Geneva, Switzerland: International Labour Office, 2006), 10.

³² For more on the role of women in conditional cash transfer programs, see: Esther Duflo, “Women Empowerment and Economic Development,” *Journal of Economic Literature* 50, no. 4 (December 1, 2012): 1073–74, <https://doi.org/10.1257/jel.50.4.1051>; Seth R. Gitter and Bradford L. Barham, “Women’s Power, Conditional Cash Transfers, and Schooling in Nicaragua,” *The World Bank Economic Review* 22, no. 2 (January 1, 2008): 271–90, <https://doi.org/10.1093/wber/lhn006>; Kaushik Basu, “Gender and Say: A Model of Household Behaviour with Endogenously Determined Balance of Power,” *The Economic Journal* 116, no. 511 (March 31, 2006): 558–80, <https://doi.org/10.1111/j.1468-0297.2006.01092.x>.

benefit supplemented by a variable benefit based on the number of children, pregnant or lactating mothers, and often change with children's age and gender; they also often include a tendency to offer higher transfers for girls than boys to encourage school attendance for girls and sometimes variable benefits based on level of schooling to promote continuation, especially for secondary education.³³

Conditional cash transfer programs have been viewed as an innovation in social protection, going beyond traditional measures, through their design intended to address both short-term and long-term poverty alleviation as well as demand-side barriers, including lack of information, costs to access health and education services, and opportunity costs for school attendance due to reliance on child labor.³⁴ Moreover, beneficiaries and the roles they play in the investment in human capital are more central than previous social policies. They also represent a marked shift from policies designed to provide relief from poverty and a movement towards policies focused on redistribution targeted to broader segments of the population. Through these mechanisms, proponents of CCTs argue that they contribute to reducing inequality (via redistribution) and vulnerability in ways that can ultimately support more sustainable poverty reduction as a nation's economy grows.³⁵

³³ Esther Duflo, "Women Empowerment and Economic Development," *Journal of Economic Literature* 50, no. 4 (December 1, 2012): 1073–74, <https://doi.org/10.1257/jel.50.4.1051> ; Simone Cecchini and Aldo Madariaga, "Conditional Cash Transfer Programmes: The Recent Experience in Latin America and the Caribbean" (United Nations ECLAC, September 2011), 13–14. For more general background on various configurations of CCT programs, including targeting, selection, registration, exit criteria, and structure of transfers, see Simone Cecchini and Aldo Madariaga, "Conditional Cash Transfer Programmes: The Recent Experience in Latin America and the Caribbean" (United Nations ECLAC, September 2011), 13–62

³⁴ Benedicte De La Briere and Laura Rawlings, "Examining Conditional Cash Transfer Programs: A Role for Increased Social Inclusion?," *The World Bank Social Protection SP Discussion Paper*, no. 0603 (June 2006): 9.

³⁵ Benedicte De La Briere and Laura Rawlings, "Examining Conditional Cash Transfer Programs: A Role for Increased Social Inclusion?," *The World Bank Social Protection SP Discussion Paper*, no. 0603 (June 2006): 10.

According to the literature on this topic, CCTs are usually based on the following assumptions: (1) insufficient income acts as a barrier for parents to enroll their children in school or utilize health and immunization services; (2) educational and healthcare facilities not only exist, but are operational and accessible to the poor; (3) regular attendance positively impacts educational achievements, enhancing the future prospects for enrolled children.³⁶ Likewise, consistent immunization and preventative care contribute to improved well-being for both children and mothers, thereby positively impacting their life trajectories.

By their design, conditional cash transfer programs link cash to behaviors via conditionalities. According to Hanlon, Barrientos, and Hulme (2010), conditionalities are imposed to overcome an assumed “shortsightedness” on investments in children’s health and education and to improve accessibility and rights to health and education services. Additionally, conditionalities may also provide an opportunity to garner greater public support for poverty-reduction programs supported by taxes or greater support from donors.³⁷

The conditionalities themselves are leveraged in different ways depending on their design. Some programs, such as Bolsa Familia for instance, use the conditionalities as an enforcement mechanism where successive violations can ultimately result in the termination of benefits. Other programs utilize conditionalities as mechanisms to identify

³⁶ UNDP India, “Conditional Cash Transfer Schemes for Alleviating Human Poverty: Relevance for India” (United Nations Development Programme, India, April 2009), 11; Ariel Fiszbein, Norbert Rüdiger Schady, and Francisco H. G. Ferreira, *Conditional Cash Transfers: Reducing Present and Future Poverty* (World Bank Publications, 2009), 11–13; Benedicte De La Briere and Laura Rawlings, “Examining Conditional Cash Transfer Programs: A Role for Increased Social Inclusion?,” in *Social Protection and Inclusion: Experiences and Policy Issues* (Geneva, Switzerland: International Labour Office, 2006), 15.

³⁷ Joseph Hanlon, Armando Barrientos, and David Hulme, *Just Give Money to the Poor: The Development Revolution from the Global South* (Sterling, VA, United States of America: Kumarian Press, 2010).

which families may need additional support. In some cases, conditionalities may be scaled to the practices of the community, such as in the case of indigenous populations.³⁸ Cecchini and Madariaga (2011) identify three types of conditionalities: strong, moderate, and light. Programs with strong conditionalities assume the conditionality is a primary driver of behavioral change, and thus are designed with the intent of close monitoring and coordination of payments based on compliance.³⁹ Examples of programs with strong conditionalities include Oportunidades in Mexico, PATH in Jamaica, and Families en Acción in Colombia. The next type, moderate, implies that either verification mechanisms are weak or sanctioning for failure to comply is modest. Scholars categorize Bolsa Familia as an example of moderate conditionalities because it emphasizes redirecting beneficiaries to health and education services rather than outright suspension of benefits.⁴⁰ Termination of benefits comes only after multiple violations and a gradual scale back (or temporary withholding) of payments. In programs with light conditionalities, the conditionalities themselves are often not associated with termination or suspension of benefits; rather they are much more flexible, often crafted based on input from the families and their own needs. An example is Solidarity Chile where the cash transfer is contingent on the family having engaged in at least one of seven areas identified as improving their standard of living.

More recently, the concept of “conditionality” has been increasingly presented as “co-responsibility,” indicating an acknowledgement that responsibility for outcomes is not

³⁸ Benedicte De La Briere and Laura Rawlings, “Examining Conditional Cash Transfer Programs: A Role for Increased Social Inclusion?,” in *Social Protection and Inclusion: Experiences and Policy Issues* (Geneva, Switzerland: International Labour Office, 2006), 15.

³⁹ Simone Cecchini and Aldo Madariaga, “Conditional Cash Transfer Programmes: The Recent Experience in Latin America and the Caribbean” (United Nations ECLAC, September 2011), 86–88.

⁴⁰ Simone Cecchini and Aldo Madariaga, “Conditional Cash Transfer Programmes: The Recent Experience in Latin America and the Caribbean” (United Nations ECLAC, September 2011), 86–88; Ariel Fiszbein, Norbert Rüdiger Schady, and Francisco H. G. Ferreira, *Conditional Cash Transfers: Reducing Present and Future Poverty* (World Bank Publications, 2009).

just on the beneficiaries, but also on the governments to reduce constraints on the supply-side of services that can lead to poorer development outcomes.⁴¹ For example, in the case of El Salvador, its commitments under the conditional cash transfer program, Red Solidaria, includes: the Ministry of Health to provide basic health services, the Ministry of Education to provide basic education up to 6th grade, and the government to provide lifelong learning opportunities for enrolled families, and provision of the cash transfer itself.

While a conditional cash transfer program is the primary focus of this dissertation, it is important to explore a debate in the field over whether conditionality is a necessary component to successfully deliver human development outcomes. From a public perspective, proponents argue conditional cash transfer programs typically provide specific benefits their unconditional counterparts do not, including: the government's ability to modify behavior to align with broader national objectives (such as educating girls), overcome information asymmetries (such as benefits of immunizations), and political benefits to elected officials via better performance of health and education indicators. There are also unique benefits from a private perspective, including: reduced household disagreement on allocation of resources because conditionalities limit choices; reduced stigma because conditionalities form a "social contract" rather than a handout; and conditionalities constrain decisions around present versus future consumption, encouraging long-term investment.

⁴¹ Fabio Soares and Tatiana Britto, "Confronting Capacity Constraints on Conditional Cash Transfers in Latin America: The Cases of El Salvador and Paraguay," *International Poverty Centre Working Paper 38* (August 2007): 12–13.; UNDP India, "Conditional Cash Transfer Schemes for Alleviating Human Poverty: Relevance for India" (United Nations Development Programme, India, April 2009), 12

In a study specifically on Mexico's cash transfer program, PROGRESA, deBrauw and Hoddinott (2010) tested the impact of conditionality on school enrollment and found that, on average, the absence of conditionality monitoring reduced the likelihood of children attending school, especially during the transition to lower secondary school.⁴² They argued their evidence illustrates that the debate over conditional versus unconditional is "overly simplistic" and should instead be focused on the question of more careful program design. Similarly, de Janvry and Sadoulet (2006) argue that conditional cash transfer programs should be targeted and calibrated in order to address specific concerns or challenges observed in implementation to boost efficiency gains. Analyzing Progresas, they identified school continuation rates were already high in primary and secondary schools before the program was implemented and the greatest area of opportunity to boost education achievement was entry into lower secondary school.⁴³ Essentially, de Janvry and Sadoulet argue that the design of Progresas was "paying people for what they were already going to do" and suggest there could be benefits to calibrating cash benefits to generate behavioral changes.⁴⁴

Along these lines, Son (2008) argued that a cash transfer on its own is not sufficient to increase school attendance, indicating that conditionality is necessary but that focus on quality of schooling and health services is also important for sustained poverty reduction. Thus, as states weigh implementing CCTs, Son argues there are important considerations

⁴² Alan De Brauw and John Hoddinott, "Must Conditional Cash Transfer Programs Be Conditioned to Be Effective? The Impact of Conditioning Transfers on School Enrollment in Mexico," *Journal of Development Economics* 96, no. 2 (November 1, 2011): 359, <https://doi.org/10.1016/j.jdeveco.2010.08.014>.

⁴³ Alain De Janvry and Élisabeth Sadoulet, "Making Conditional Cash Transfer Programs More Efficient: Designing for Maximum Effect of the Conditionality," *The World Bank Economic Review* 20, no. 1 (January 1, 2006): 5, <https://doi.org/10.1093/wber/lhj002>.

⁴⁴ Alain De Janvry and Élisabeth Sadoulet, "Making Conditional Cash Transfer Programs More Efficient: Designing for Maximum Effect of the Conditionality," *The World Bank Economic Review* 20, no. 1 (January 1, 2006): 6-7, <https://doi.org/10.1093/wber/lhj002>.

to incorporate into policy design, including: the creation and maintenance of compliance monitoring mechanisms; the essential role of good governance – with transparency and understanding to help minimize concerns about corruption and lack of trust; a high level of political support because of the multi-sector and multi-agency coordination needed to successfully introduce and maintain a CCT; a consideration of tradeoffs between targeting and conditionality as the less accurate targeting means more leakage and lower effectiveness/impact yet tighter targeting increases the cost per beneficiary; and finally the need to implement complementary policies to minimize supply-side constraints.⁴⁵

Arguments against conditionality are founded primarily on concepts from human rights and operational constraint perspectives. Using a human rights lens, the right to social protection without the requirement to meet certain conditions and the dynamics around enforcing conditionalities present the most substantial challenges. From this view, the imposition of conditionalities by its very nature is contrary to the principles of human dignity, equity, and non-discrimination.⁴⁶ Those who argue against conditionalities believe that in principle CCTs assume one of the primary obstacles in overcoming poverty is the decision-making of individuals (and households by extension), which fails to recognize that broader factors, such as economic and social barriers, are the primary obstacles to poverty alleviation and human development. In addition, the logic of CCTs, they argue, limits individual and household choices and is based on a faulty assumption of a

⁴⁵ Hyun Son, “Conditional Cash Transfer Programs: An Effective Tool for Poverty Alleviation?,” *ERD Policy Brief* (Asian Development Bank, July 2008), 7–8.

⁴⁶ United Nations, “Promotion and Protection of All Human Rights, Civil, Political, Economic, Social and Cultural Rights, Including the Right to Development. Report of the Independent Expert on the Question of Human Rights and Extreme Poverty” (UN General Assembly, May 21, 2010); Guy Standing, “Conditional Cash Transfers: Why Targeting and Conditionalities Could Fail” (International Poverty Centre, December 2007); Nicholas Freeland, “Superfluous, Pernicious, Atrocious and Abominable? The Case Against Conditional Cash Transfers,” *Institute of Development Studies Bulletin* 38, no. 3 (May 2007).

household's inability to make "wise choices."⁴⁷ As described by Schubert and Slater in the analysis of CCTs in Africa,

"Imposing conditions on people may smack of top-down attitudes of 'we know better' and 'the poor cannot be trusted.' Why should households receiving income from income-generating interventions, from a micro credit scheme or from pensions be free to spend their income according to their own priorities, while the beneficiaries of social transfers are exposed to conditions and threatened with sanctions if they do not comply? They may have good reasons for non-compliance which are beyond the understanding of scheme designers and operators, and attempts to change their behavior could damage their well-being."⁴⁸

Another critique of conditional cash transfers is that the conditionalities themselves may become unintended obstacles for the poorest segments of the population. The most vulnerable may face difficulties due to distance, disability, or discrimination, thus impacting their ability to fully comply and then suffering consequences of lost cash benefits as a result.⁴⁹ There is also a greater risk for corruption among the government officials responsible for verification and certification, according to one study.⁵⁰

Apart from human rights arguments against conditionalities, there are also functional, operational critiques of conditionalities, including supply-side constraints in health and education services, capacity constraints in implementation, and administrative costs. As will be explored later in this chapter, the quality of services at the national and sub-national are an important determinant in the effectiveness of conditional cash transfer

⁴⁷ "Conditionality in cash transfers: UNICEF's approach," Social Inclusion Summaries, UNICEF, February 2016

⁴⁸ Bernd Schubert and Rachel Slater, "Social Cash Transfers in Low-Income African Countries: Conditional or Unconditional?," *Development Policy Review* 24, no. 5 (August 17, 2006): 576, <https://doi.org/10.1111/j.1467-7679.2006.00348.x>.

⁴⁹ Shakra Razavi, *The Gendered Impacts of Liberalization: Towards "Embedded Liberalism"?* (Taylor & Francis US, 2009).

⁵⁰ Alan De Brauw and John Hoddinott, "Must Conditional Cash Transfer Programs Be Conditioned to Be Effective? The Impact of Conditioning Transfers on School Enrollment in Mexico," *Journal of Development Economics* 96, no. 2 (November 1, 2011): 359–70, <https://doi.org/10.1016/j.jdeveco.2010.08.014>.

programs, and this can also be one of the drawbacks to conditionalities. Since CCTs are designed to address demand-side barriers, they cannot solve the problem of supply-side deficits and thus may prove to be a barrier to receiving the transfer, or as will be discussed in a later section, it may inhibit development outcomes. Similarly, capacity constraints could render conditionalities problematic as administrative offices may lack the skills and/or resources to monitor conditionalities and is more systemic issues than can be addressed by the CCT program itself.

The monitoring of compliance carries with it a burden both in terms of financial and administrative capacities for the respective government bodies with that responsibility. Critics point out that this is especially problematic given the inconclusive evidence that conditionalities generate transformative effects in the long-run; thus, incurring significant cost and burden with outcomes perhaps more similar to their unconditional cash transfer counterpart. When conditionalities are an enforcement mechanism, monitoring becomes especially critical and more complex in effect because of the data, administrative capacity, and coordination required to report on compliance. The burden of these processes is highlighted by the experience in Mexico where transfers were often delayed by several months as officials worked to verify compliance with the conditionalities.⁵¹ Some estimates show that conditionality monitoring increases administrative costs by 20 percent when compared to unconditional programs.⁵²

⁵¹ UNICEF, “Conditionality in Cash Transfers: UNICEF’s Approach” (Social Inclusion Summaries, UNICEF, February 2016), 3.

⁵² Sudhanshu Handa and Benjamin Davis, “The Experience of Conditional Cash Transfers in Latin America and the Caribbean,” *Development Policy Review* 24, no. 5 (August 17, 2006): 513–36, <https://doi.org/10.1111/j.1467-7679.2006.00345.x>; Bernd Schubert and Rachel Slater, “Social Cash Transfers in Low-Income African Countries: Conditional or Unconditional?,” *Development Policy Review* 24, no. 5 (August 17, 2006): 576, <https://doi.org/10.1111/j.1467-7679.2006.00348.x>.

Effectiveness of Conditional Cash Transfers

Despite the debate over whether conditionality is a necessary component, there are also debates within the field over the impact of conditional cash transfer programs on poverty reduction and human development. Broadly speaking, this section will explore the debates on the effectiveness of CCTs and whether they can actually be successful in alleviating poverty. Those who argue these programs are effective emphasize the transformative effects of investment in human capital as conditionalities, the cost-effective nature, the focus on women as head of households (Duflo 2005), and the Keynesian economic effects; while those who argue CCTs having limited effectiveness point out the economic limitations and functional limitations of such programs, where macroeconomic effects play a more dominant role, the transfers providing more relief than development, and the challenges of underperforming social services (specifically health and education) constraining any potential positive effects. Following that discussion, this chapter will shift to the debate over the specific political and social factors that influence the quality of implementation of a conditional cash transfer program. Within this body of literature, the effectiveness of CCTs is either augmented or constrained by how well the program is implemented. Drawing from the literature that institutions matter in explaining variations in development, this study contributes to the debate by assessing the micro-level capacity mechanisms at play in the implementation of the Bolsa Familia program and human development outcomes.

Effectiveness of CCTs

The logic and theory behind conditional cash transfers is based on the assumptions that income is a critical component to combat poverty, even despite the broader definitions of poverty that include human and social development issues. According to the British Department for International Development, the success of cash transfers is based on smoothing consumption, assisting with spending on essential needs, such as food, education, and health. The effects then, are that, “Over time, transfer income can help households to build human capital (by investing in their children’s nutrition, health and education), save up to buy productive assets, and obtain access to credit on better terms.

Conditional cash transfers, as argued by Lindert et al., Hellman, Soares et al., IADB and World Bank studies, among many others, are especially effective as a poverty reduction strategy for several reasons.⁵³ First, the program is designed to address both economic and social aspects of poverty through providing cash with no strings on how it is spent, while encouraging investment in human capital, such as schooling and health in particular.⁵⁴ Several studies on the success of the BFP highlight reductions in infant

⁵³ Kathy Lindert, Emmanuel Skoufias, and Joseph Shapiro, “Redistributing Income to the Poor and the Rich : Public Transfers in Latin America and the Caribbean,” *The World Bank SP Discussion Paper*, no. 0605 (June 1, 2006), <https://documents1.worldbank.org/curated/en/413331468300691124/pdf/369661RedistributingIncomeSP00605.pdf>; Aline Gazola Hellman, “How Does Bolsa Familia Work?: Best Practices in the Implementation of Conditional Cash Transfer Programs in Latin America and the Caribbean” (Inter-American Development Bank, September 17, 2015), <https://doi.org/10.18235/0000141>; Fábio Veras Soares, Rafael Pérez Ribas, and Rafael Guerreiro Osório, “Evaluating the Impact of Brazil’s Bolsa Família: Cash Transfer Programs in Comparative Perspective,” *Latin American Research Review* 45, no. 2 (January 1, 2010): 173–90, <https://doi.org/10.1017/s0023879100009390>; Deborah Wetzal, “Bolsa Familia: Brazil’s Quiet Revolution,” *World Bank*, November 6, 2013, <http://www.worldbank.org/en/news/opinion/2013/11/04/bolsa-familia-brazil-quiet-revolution>; Michelle Morais De Sá E Silva, *Poverty Reduction, Education, and the Global Diffusion of Conditional Cash Transfers*, Springer eBooks, 2017, <https://doi.org/10.1007/978-3-319-53094-9>; José Cuesta, “On More Ambitious Conditional Cash Transfers, Social Protection and Permanent Reduction of Poverty,” *Journal of International Development* 19, no. 7 (January 1, 2007): 1016–19, <https://doi.org/10.1002/jid.1345>.

⁵⁴ Kathy Lindert, Emmanuel Skoufias, and Joseph Shapiro, “Redistributing Income to the Poor and the Rich : Public Transfers in Latin America and the Caribbean,” *The World Bank SP Discussion Paper*, no. 0605 (June 1, 2006),

mortality rates and child labor as well as success in boosting school attendance, higher passing rates for students at the secondary level, and increased visits to health clinics for all children within the household.⁵⁵ One study, for example, found that Bolsa Familia boosted utilization of health care services, with a notable difference in the health services related to the conditionalities, and generated positive spillover effects for siblings in the family (even if not required to comply with health conditionalities.)⁵⁶ Similar trends were observed in Mexico, Peru, and Nicaragua as well. Studies by Raella et. Al and Shei present evidence of improvements in child mortality rates as well.⁵⁷

Second, conditional cash transfers are often considered to be extremely cost-effective strategies for poverty reduction. A 2011 study by the British government found that thanks in part to their minimal administrative expenses, cash-transfer programs such as Bolsa Familia cost 30 percent less per person than more traditional aid programs.”⁵⁸

<https://documents1.worldbank.org/curated/en/413331468300691124/pdf/369661RedistributingIncome0SP00605.pdf>; Samuel A. Morley and David Coady, *From Social Assistance to Social Development: Targeted Education Subsidies in Developing Countries* (Peterson Institute for International Economics, 2003).

⁵⁵ See Kathy Lindert, Emmanuel Skoufias, and Joseph Shapiro, “Redistributing Income to the Poor and the Rich : Public Transfers in Latin America and the Caribbean,” *The World Bank SP Discussion Paper*, no. 0605 (June 1, 2006),

<https://documents1.worldbank.org/curated/en/413331468300691124/pdf/369661RedistributingIncome0SP00605.pdf>; Aline Gazola Hellman, “How Does Bolsa Familia Work?: Best Practices in the Implementation of Conditional Cash Transfer Programs in Latin America and the Caribbean” (Inter-American Development Bank, September 17, 2015), <https://doi.org/10.18235/0000141>; Alfredo Saad-Filho, “Social Policy for Neoliberalism: The Bolsa Família Programme in Brazil,” *Development and Change* 46, no. 6 (November 1, 2015): 1227–52, <https://doi.org/10.1111/dech.12199>; Inter-American Development Bank, “Annual Report 2006,” January 26, 2007, <https://publications.iadb.org/en/publication/inter-american-development-bank-annual-report-2006>; Deborah Wetzel, “Bolsa Familia: Brazil’s Quiet Revolution,” *World Bank*, November 6, 2013, <http://www.worldbank.org/en/news/opinion/2013/11/04/bolsa-familia-Brazil-quiet-revolution>.

⁵⁶ Amie Shei et al., “The Impact of Brazil’s Bolsa Familia Conditional Cash Transfer Program on Children’s Health Care Utilization and Health Outcomes,” *BMC International Health and Human Rights* 14, no. 1 (April 1, 2014): 5–7, <https://doi.org/10.1186/1472-698x-14-10>.

⁵⁷ Davide Rasella et al., “Effect of a Conditional Cash Transfer Programme on Childhood Mortality: A Nationwide Analysis of Brazilian Municipalities,” *The Lancet* 382, no. 9886 (July 1, 2013): 57–64, [https://doi.org/10.1016/s0140-6736\(13\)60715-1](https://doi.org/10.1016/s0140-6736(13)60715-1); Amie Shei, “Brazil’s Conditional Cash Transfer Program Associated With Declines In Infant Mortality Rates,” *Health Affairs* 32, no. 7 (July 1, 2013): 1274–81, <https://doi.org/10.1377/hlthaff.2012.0827>.

⁵⁸ Jonathan Tepperman, “Brazil’s Antipoverty Breakthrough: The Surprising Success of Bolsa Família,” *Foreign Affairs*, January 31, 2023, <https://www.foreignaffairs.com/brazil/brazils-antipoverty-breakthrough>.

Moreover, the conditionality is particularly effective in garnering public support as it “reassures taxpayers that no one is given too much money, too easily, or indefinitely.”⁵⁹ At the height of the program in 2013, for example, the Brazilian government reported that the BFP offers a 1.78 reais return for every 1 real, highlighting a return on investment that makes the program even more attractive.⁶⁰

Third, many argue that the conditionality, not only provides public buy-in, but also encourages behavioral changes geared toward substantial outcomes, such as regular school attendance and health check-ups.⁶¹ Regular school attendance as a condition for the transfer, for example, deters the need for children to be sent to work rather than school in order to help support the family, simultaneously providing the child with future opportunities that would not have been available without education. Fourth, CCTs, and BFP in particular, often distribute the transfer through the mother of the household as they are considered key decision-makers, particularly on issues related to children’s schooling and healthcare. The positive spillovers of the strategy to seek out women include less waste on funds distributed and the overall empowerment of women.⁶²

While alleviating poverty, those who argue that CCTs are effective also point out that cash transfers boost the economy of a state as well. Because the poorest families are

⁵⁹ Alfredo Saad-Filho, “Social Policy for Neoliberalism: The Bolsa Família Programme in Brazil,” *Development and Change* 46, no. 6 (November 1, 2015): 1227–52, <https://doi.org/10.1111/dech.12199>.

⁶⁰ Jonathan Watts, “Brazil’s Bolsa Família Scheme Marks a Decade of Pioneering Poverty Relief,” *The Guardian*, October 19, 2022, <http://www.theguardian.com/global-development/2013/dec/17/brazil-bolsa-familia-decade-anniversary-poverty-relief>.

⁶¹ Samuel A. Morley and David Coady, “From Social Assistance to Social Development: Targeted Education Subsidies in Developing Countries,” *RePEc: Research Papers in Economics*, January 1, 2003; Kathy Lindert, Emmanuel Skoufias, and Joseph Shapiro, “Redistributing Income to the Poor and the Rich : Public Transfers in Latin America and the Caribbean,” *The World Bank SP Discussion Paper*, no. 0605 (June 1, 2006), <https://documents1.worldbank.org/curated/en/413331468300691124/pdf/369661RedistributingIncome0SP00605.pdf>.

⁶² Esther Duflo, “Women Empowerment and Economic Development,” *Journal of Economic Literature* 50, no. 4 (December 1, 2012): 1051–79, <https://doi.org/10.1257/jel.50.4.1051>.

the recipients of the BFP benefits, a Keynesian approach would argue that their propensity to consume is higher than any other segment of the population, thus stimulating a demand that would otherwise be unmet.⁶³ As a result, the demand generated by this “new” segment of the population leads to increased production, which in turn, leads to more labor needs, more employment, and more tax revenue for government expenditures that can ultimately be re-invested to lift more people out of poverty. This benefit extends to the regional level as well, according to Limeorio (2015). As he writes, “The term ‘regional Keynesian effects’ refers (a) to the fact that income policies drive up aggregate demand, signaling to firms that consumption will increase and (b) to the fact that this effect is stronger in a specific region, the Northeast, as it is the largest recipient of income transfers.”⁶⁴ Additionally, like Santos (2010), because of the multiplier effect and the marginal propensity to consume, the Northeastern sections of Brazil were experiencing greater investment than in the past, leading Limeorio to conclude, “Income transfers have the potential to go beyond sheer poverty alleviation.”⁶⁵

While there are promising signs that conditional cash transfer programs can alleviate poverty and promote human development, many authors have commented that it is difficult to definitively evaluate their performance simply due to the relatively short

⁶³ Briefly defined, the Keynesian approach argues that state intervention is a tool to manage fluctuating economies; governments can manage their economies by increasing spending and consumption during downturns to stimulate demand, thus managing employment and the overall economy.

⁶⁴ Danilo Rocha Limoeiro, “Beyond Income Transfers: The Decline of Regional Inequality in Brazil during the 2000s,” *Progress in Development Studies* 15, no. 1 (January 1, 2015): 17, <https://doi.org/10.1177/1464993414546975>.

⁶⁵ Danilo Rocha Limoeiro, “Beyond Income Transfers: The Decline of Regional Inequality in Brazil during the 2000s,” *Progress in Development Studies* 15, no. 1 (January 1, 2015): 18, <https://doi.org/10.1177/1464993414546975>.

history of CCTs, having only been introduced in the last three decades.⁶⁶ The second objective of reducing the transmission of inter-generational poverty requires time and only the very early signs of those differences could have even accumulated to this point.

In contrast to these studies presenting the effectiveness of CCTs to address poverty from a multidimensional perspective and promote development in the long-run through stimulated demand, others have highlighted the potential limits of CCTs, and the BFP in particular, in promoting development. Those who caution on the limited effectiveness of CCTs often point to the functional and economic limitations of such programs, positioning them more as relief than as development. In terms of the functional limitations, CCTs themselves are not able to address structural challenges such as the quality of education and health care systems. Simply going to school, according to Morley and Coady (2003), Villatoro (2005), Levy and Rodriguez (2005), does not yield positive educational results for children.⁶⁷ Institutional constraints and challenges are still present in these developing countries with substantial reforms required for labor markets, education, social, and economic sectors. These structural considerations are still critical to development and are often beyond the scope of CCTs. Thus, these gaps challenge the central premise of the investment in human capital that is supposed to break the generational cycle of poverty.

Arguments on the economic limitations of CCTs are based on the position that Keynesian effects are not necessarily sufficient, and that the decline in extreme poverty is

⁶⁶ Benedicte De La Briere and Laura Rawlings, "Examining Conditional Cash Transfer Programs: A Role for Increased Social Inclusion?," in *Social Protection and Inclusion: Experiences and Policy Issues* (Geneva, Switzerland: International Labour Office, 2006), 10.

⁶⁷ Samuel A. Morley and David Coady, "From Social Assistance to Social Development: Targeted Education Subsidies in Developing Countries," *RePEc: Research Papers in Economics*, January 1, 2003; Pablo Villatoro, "Conditional Cash Transfer Programmes: Experiences from Latin America," *Cepal Review* 2005, no. 86 (September 22, 2005): 83–96, <https://doi.org/10.18356/1f688127-en>; Santiago Levy and Evelyne Rodriguez, *Sin Herencia de Pobreza: El Programa Progresas-Oportunidades de México* (Inter-American Development Bank, 2011).

related more to other macroeconomic factors, such as job growth, wages, and infrastructure investment. The broader health of the macroeconomy is also of concern when discussing the BFP. According to the Brazil Institute of Applied Economic Research, for example, “Bolsa Familia is not able to lift anyone above the poverty line unless at least one family member is connected to the labor market.”⁶⁸

Through a study of Brazilian macroeconomic trends, Saad-Filho writes, “Job growth, the formalization of employment and higher minimum wages explain two-thirds of the decline of the Gini coefficient, while transfers account for only one-third.”⁶⁹ In the 1990s, when extreme poverty hovered in the 17 percent range through the decade, only 11 million jobs were created; in contrast, in the 2000s, nearly twice as many jobs were created, a factor which may contribute more to the decline in extreme poverty than BFP itself. Serrano and Summa (2011) argue that “the external conditions facing the Brazilian economy improved suddenly and drastically from 2004” and that the reduction in inequality was due to economic growth, increases in formal employment opportunities, increases in the real minimum wages. In addition, additional studies indicate that cash transfer systems are effective once able to build a “sustainable tax base,” which provides the means for further redistribution of resources.⁷⁰

⁶⁸“Brazil’s Safety Net,” dw.com, November 20, 2013, <http://www.dw.com/en/ten-years-on-brazils-bolsa-familia-still-going-strong/av-17241829>.

⁶⁹ Anthony Hall, “Brazil’s Bolsa Família: A Double-Edged Sword?,” *Development and Change* 39, no. 5 (September 1, 2008): 812–15, <https://doi.org/10.1111/j.1467-7660.2008.00506.x>; Lauro Mattei, “Políticas Públicas de Combate à Pobreza: O Caso Do Programa Bolsa Família,” *Revista Da Sociedade Brasileira De Economia Política* 1, no. 33 (October 2012): 167–68; Alfredo Saad-Filho, “Social Policy for Neoliberalism: The Bolsa Família Programme in Brazil,” *Development and Change* 46, no. 6 (November 1, 2015): 1244, <https://doi.org/10.1111/dech.12199>.

⁷⁰ Margherita Scarlato and Giorgio D’Agostino, “The Political Dimension of Cash Transfers in Latin America and Sub-Saharan Africa: A Comparative Perspective,” *Politics & Policy* 47, no. 6 (November 25, 2019): 1125–55, <https://doi.org/10.1111/polp.12332>.

According to this perspective, CCTs are unsustainable without the broader macroeconomic structures in place to support growth and development. Economic benefits are mostly isolated to relief, rather than development, and positive trends in social indicators are to be more thoroughly vetted given the structural and/or institutional constraints that minimize the positive effects of such gains. Another criticism of conditional cash transfer programs is that they are perhaps too narrow in scope, focusing primarily on the investment in human capital for children.⁷¹ The result, then, is that the programs do not emphasize human capital or productive capacity for adults and lengthens the timeline for sustained impact.

Political and Social Factors in Implementation of Conditional Cash Transfers (CCTs)

Institutional capacity

While the economic debate on the effectiveness of CCTs as a poverty reduction strategy are important, there is also debate on the political and social factors that influence (and to what extent) the development, implementation, and future of CCT programs. The following section addresses debates on impact of government capacity, political motivations of policymakers, and quality of health and education services as determinants in the context of CCTs.

The question of institutional capacity and its impact on development outcomes is one that has been central to the field of International Political Economy and has included

⁷¹ Sudhanshu Handa and Benjamin Davis, “The Experience of Conditional Cash Transfers in Latin America and the Caribbean,” *Development Policy Review* 24, no. 5 (August 17, 2006): 517–18, <https://doi.org/10.1111/j.1467-7679.2006.00345.x>.

analysis of the interconnected roles of institutions, history, and geography have played in determining a state's level of development.

In their book *Why Nations Fail*, Acemoglu and Robinson present the examples of the two Nogales – Nogales, Sonora in Mexico and Nogales, Arizona in the US – as these two cities are separated only by national borders, sharing geography, culture, people, but with different national institutions, and thus measured divergences in levels of economic development. In general, institutional explanations emphasize the importance of how societies are organized and function for levels of economic development. Acemoglu and Robinson argue that it is both political and economic institutions that matter, though the political institutions help drive which economic institutions are adopted.

Generally, political institutions determine the distribution of power within a society and to what extent that power can be used, ranging from pluralistic (inclusive) to absolutist (extractive) institutions. Economic institutions determine the level of economic participation within society through the incentive and access structures, where inclusive institutions enforce property rights (providing incentive), allow for equal application of law through constraining the actions of elites, and allow for equal opportunity across society.⁷² Distinguishing between extractive and inclusive institutions, Acemoglu and Robinson argue that “economic growth and prosperity are associated with inclusive economic and political institutions, while extractive institutions typically lead to stagnation and

⁷² Daron Acemoglu, Simon Johnson, and James A. Robinson, “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,” *Quarterly Journal of Economics* 117, no. 4 (November 1, 2002): 1236, <https://doi.org/10.1162/003355302320935025>.

poverty.”⁷³ Moreover, institutions are influenced by the role of history and were impacted by a reversal of fortune due to the effects of colonization.⁷⁴

Acemoglu, Johnson, and Robinson (2001) offered an initial theory of institutional differences based on the geographical environment that affected mortality rates of European colonists shaped the type of colonization and settlements in the new world as in low-risk disease environments, Europeans were more likely to settle there, and thus produce more inclusive institutions; in contrast, “nonsettler colonies” were subject to extractive institutions.⁷⁵ Additionally, once these institutions were put in place, the nature of the institutions persisted for several reasons, including that it is difficult and costly to replace institutions even if it is so desired and elites are reluctant to relinquish power and wealth in favor of inclusive institutions.

Similarly, Sokoloff and Engerman also explore the interaction between institutions, geography, factor endowments, and history with particular attention to the reversal of fortune among countries, beginning with colonization. As Acemoglu et al. do, Sokoloff and Engerman argue for the need to determine both what and where the differences in institutions come from, and their argument rests on the role of factor endowments. According to their argument, Sokoloff and Engerman identify three types of New World

⁷³ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (Profile Books, 2012), 91.

⁷⁴ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (Profile Books, 2012), 49–50.; In a 2002 study, Acemoglu, Robinson, and Johnson presented their “Reversal of Fortune” argument that directly countered the Sachs-type geographical explanations of poverty. As they argued, those civilizations that were the richest and most prosperous in 1500 are now among the poorest countries today, including the regions of Central and South America that were once part of Aztec and Inca Empires; in contrast, those areas, such as the United States and Canada, that were less developed in 1500 are now among the richest countries today.

⁷⁵ Daron Acemoglu, Simon Johnson, and James A. Robinson, “The Colonial Origins of Comparative Development: An Empirical Investigation,” *The American Economic Review* 91, no. 5 (December 1, 2001): 1375, <https://doi.org/10.1257/aer.91.5.1369>.

colonies: (1) those with high inflows of slave labor to help with commodity production where the institution of slavery led to high inequality in wealth and human capital that led to extractive, elite-centric institutions; (2) those areas with high levels of natural resources (such as minerals) and large native populations but low levels of human capital that also led to unequal distributions of wealth, income, and later political power; and (3) those colonies low in labor, low in natural resources but abundant in land allowed for the development of independent proprietors, and thus more equal distributions of wealth and power.

As these studies and many others present, there is no longer a question of if history matters, but more so how history matters – not just for explaining initial institutional differences, but also for why those institutions are sustained over time. Colonialism has emerged as a significant explanatory factor for variances in economic development across countries today, and this variance in institutions has been explained mainly through factor endowments, historical origins of institutions, and the importance of legacies in the “transplanted” practices of the colonial powers onto the colonies, such as legal institutions.⁷⁶

The role of institutions, especially, factor into a broader concept of “good governance” that impact state capacity, a concept at the center of this study. Despite the

⁷⁶ Kenneth L. Sokoloff and Stanley L. Engerman, “History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World,” *Journal of Economic Perspectives* 14, no. 3 (August 1, 2000): 217–32, <https://doi.org/10.1257/jep.14.3.217>; Daron Acemoglu, Simon Johnson, and James A. Robinson, “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,” *Quarterly Journal of Economics* 117, no. 4 (November 1, 2002): 1231–94, <https://doi.org/10.1162/003355302320935025>; Daron Acemoglu, Simon Johnson, and James A. Robinson, “The Colonial Origins of Comparative Development: An Empirical Investigation,” *The American Economic Review* 91, no. 5 (December 1, 2001): 1369–1401, <https://doi.org/10.1257/aer.91.5.1369>; Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (Profile Books, 2012); Rafael La Porta et al., “Law and Finance,” *Journal of Political Economy* 106, no. 6 (December 1, 1998): 1113–55, <https://doi.org/10.1086/250042>.

lack of a commonly agreed upon definition of good governance, in concept, it refers to rule of law, political pluralism, and an efficient, legitimate, and effective public sector, in addition to human rights, equity, and sustainability.⁷⁷ As defined by the UN Human Rights Office of the High Commissioner, good governance is “the political and institutional processes and outcomes” necessary for development and directly connects this concept to a state’s capacity to deliver public goods and services.⁷⁸

The Washington Consensus reforms mandated structural adjustments to address aspects of fiscal and monetary policy, but more recently, focus has shifted to capacity building to lead to better policy-making processes. This became a key narrative of the United Nations and its related agencies. Acemoglu defines the concept of governance as three elements: the political institutions of a society, state capacity, and the regulation of economic institutions.⁷⁹ A similar definition came from Kaufmann, Kraay, and Zoido-Lobaton in a 2000 IMF journal article, defining good governance as: (1) process for government selection, accountability, and replacement; (2) capacity of the state to form and manage policies and regulations; and finally, (3) respect from both citizens and government of economic and social institutions.⁸⁰ Rodrik adds that good governance is in

⁷⁷ Anis Chowdhury and Jomo Kwame Sundaram, *Is Good Governance Good for Development?* (New York, United States of America: Bloomsbury Academic, 2012).

⁷⁸ OHCHR, “About Good Governance,” n.d., <https://www.ohchr.org/en/good-governance/about-good-governance>.

⁷⁹ Daron Acemoglu, “Interactions between Governance and Growth: What World Bank Economists Need to Know,” in Douglass North et al., *Governance, Growth, and Development Decision-Making* (Washington DC, United States of America: The World Bank, 2008), 1.

⁸⁰ Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton, “Governance Matters from Measurement to Action,” *Finance and Development* 0037, no. 002 (January 1, 2000), <https://doi.org/10.5089/9781451952827.022.a003>.

effect an end and a means – “a key goal of development, broadly construed, and it is also an instrument for achieving better policymaking and improved economic outcomes.”⁸¹

Others argue there are limitations to looking toward “good governance” as an approach to explain variations in development, (including Fukuyama 2008, Franz 2018, McMillan and Rodrik 2011)⁸² Even if good governance is a strong determinant of development, several scholars argue that there are many examples of development without good governance, suggesting further nuances for study, and that replicating or implementing “good governance” is a nearly impossible task; other Francis Fukuyama, for example, argues the importance of good governance, but more specifically argues state capacity is the most important determinant of development because there are many cases, such as South Korea in the 1960s-1970s, where strong economic and human development materialized despite a lack of “good” governance.⁸³

Brazil is a country that would be defined as one with extractive institutions given its history, geography, and resources. Typically, institutions are path dependent, but interestingly, Acemoglu and Robinson argue in their *Why Nations Fail* book that countries can change the trajectory of their development – though notably difficult – and argue Brazil is a case of this potential transformation. They discuss the rise of the Workers’ Party in the

⁸¹Dani Rodrik, “Thinking about governance,” in Douglass North et al., *Governance, Growth, and Development Decision-Making* (Washington DC, United States of America: The World Bank, 2008), 17–18.

⁸² Tobias Franz, “Why ‘Good Governance’ Fails: Lessons from Regional Economic Development in Colombia.” *International Journal of Urban and Regional Research* 43, no. 4 (2019): 776–85. <https://doi.org/10.1111/1468-2427.12742>;

Margaret S McMillan, and Dani Rodrik. “Globalization, Structural Change and Productivity Growth.” *NBER Working Paper Series*, (2011): 1-54. <https://doi.org/10.3386/w17143>; José Gabriel Palma, “Why Has Productivity Growth Stagnated in Most Latin-American Countries since the Neo-Liberal Reforms? (Revised 26-07-2011),” *RePEc: Research Papers in Economics*, May 29, 2010, <https://doi.org/10.17863/cam.1108>.

⁸³ Francis Fukuyama, “What Do We Know About the Relationship between the Political and Economic Dimensions of Development? in Douglass North et al., *Governance, Growth, and Development Decision-Making* (Washington DC, United States of America: The World Bank, 2008), 25–27.

years during and after the military dictatorship, where party leaders emphasized the creation of new inclusive institutions that impact the story of Brazil's development to the present. Systems, such as participatory budgeting, for example, forged broad coalitions, activated public engagement, and led to political and social mobilization. They note, in particular, that the empowerment of a broad base of society is the most important factor when building inclusive institutions. The social and political movements that expanded engagement, coupled with the decentralization of Brazil's governing structures, after 1985 set Brazil on a path of more inclusive institutions.

Today, Brazil's 5,564 autonomous municipalities execute some of the most critical functions in the implementation of Bolsa Familia. Leaders at the municipality level must organize and maintain the records in the Cadastro Unico, a survey tool utilized to collect and store the required information on the beneficiaries of the program. Municipalities oversee benefit distribution and conditionality compliance, while also coordinating with state and federal officials. In contrast, states are not directly responsible for these activities, but must function as a support for municipalities and provide for the broader data and analysis aspects of the program, including information on educational, health, and social assistance.⁸⁴ Given the greater demand, varied resources available at the municipal level, and the heterogeneity of the municipalities themselves, the capacity of a municipality to more or less successfully implement the Bolsa Familia program emerges as an important determinant.⁸⁵

⁸⁴ Aline Gazola Hellman, "How Does Bolsa Familia Work?: Best Practices in the Implementation of Conditional Cash Transfer Programs in Latin America and the Caribbean" (Inter-American Development Bank, September 17, 2015), <https://doi.org/10.18235/0000141>.

⁸⁵ Christian Van Stolk and S. V. Patil, "Understanding the Factors That Matter in the Implementation of Bolsa Família: Using an Analysis of Federal Datasets to Look inside the Programme's 'Black Box,'" *RAND Corporation*, January 28, 2015, https://www.rand.org/content/dam/rand/pubs/research_reports/RR700/RR705/RAND_RR705.pdf;

Bolsa Familia is essentially a federal program implemented by autonomous municipalities across the country. To manage this principal-agent dilemma as best as possible, Brazil's Ministry for Social Development has introduced several mechanisms, including formal joint management agreements with MDS, a measurement of a municipality's quality of implementation, performance-based incentives, and additional training for municipalities with lower capacity indicators.⁸⁶ In a 2019 project implementation report published by the World Bank on the "Second Bolsa Familia," the primary objectives of the second project included reinforcement of these management mechanisms. As outlined in the World Bank report, "Despite the Program's demonstrated impact on the welfare of poor families and its established role at the core of Brazil's social protection system, two main priorities remained: (a) further strengthening the Program's basic architecture within the complex federal structure, including the streamlining of processes and operations and its customization to very different local-level conditions; and (b) developing stronger links to other social interventions and employment and skills

Kaufmann and Ferrara, 2013; Fernanda Brollo, Katja Kaufmann, and Eliana La Ferrara, "Learning About the Enforcement of Conditional Welfare Programs: Evidence from Brazil," *Social Science Research Network*, January 1, 2017, <https://doi.org/10.2139/ssrn.2949070>; Anthony Hall, "The Last Shall Be First: Political Dimensions of Conditional Cash Transfers in Brazil," *Journal of Policy Practice* 11, no. 1–2 (January 1, 2012): 25–41, <https://doi.org/10.1080/15588742.2012.624065>; Fábio Resende De Araújo et al., "Uma Avaliação Do Índice de Gestão Descentralizada Do Programa Bolsa Família," *Revista De Administração Pública* 49, no. 2 (April 1, 2015): 367–93, <https://doi.org/10.1590/0034-7612119242>.

⁸⁶ Denilson Bandeira Coêlho and Antônio Sérgio Araújo Fernandes, "Regras Importam: Determinantes Do Controle Burocrático No Programa Bolsa Família," *Revista De Administração Pública* 51, no. 5 (October 1, 2017): 689–707, <https://doi.org/10.1590/0034-7612148139>; Margaret Grosh et al., "For Protection and Promotion: The Design and Implementation of Effective Safety Nets," *RePEc: Research Papers in Economics*, January 1, 2008, <https://econpapers.repec.org/RePEc:wbk:wbpubs:6582>; Kathy Lindert et al., "The Nuts and Bolts of Brazil's Bolsa Familia Program: Implementing Conditional Cash Transfers in a Decentralized Context," *The World Bank SP Discussion Paper*, no. 0709 (May 2007), <https://documents1.worldbank.org/curated/en/972261468231296002/pdf/398530SP1709.pdf>; "Home - The Reach Alliance," The Reach Alliance, October 25, 2023, <https://reachalliance.org/>.

development opportunities, so that BFP could become a platform for beneficiary families to escape poverty.”⁸⁷

Within the scholarship on this subject, the capacity of a municipality is often characterized as a combination of a municipality’s ability to provide quality data to the Cadastro Unico, to update that information regularly, to incorporate compliance information from education and health sectors, and to integrate and coordinate with state and federal level officials and agencies. In many studies, “capacity” often operationalized as the Decentralized Management Index, a metric developed by the Ministry for Social Development (MDS) as a means of monitoring implementation across municipalities.⁸⁸ While this index is effective at capturing several elements of capacity, there are some important shortcomings as identified by Lindert et al. (2007), including the inability to verify the quality of the data and ignoring social elements of municipal implementation.

Thus, while it is clear that municipalities matter in the implementation of the program, there is debate within the literature on which municipalities are most successful in implementation and why. Many contributions to the literature suggest that municipal capacity matters in the implementation of the program, primarily by underscoring the challenges of administration and compliance monitoring.

⁸⁷ “Implementation Completion and Results Report IBRD 7841-BR on a Loan in the Amount of US\$200 Million to the Federative Republic of Brazil for the Second Bolsa Familia Project” (The World Bank, August 29, 2019).

⁸⁸ Kathy Lindert et al., “The Nuts and Bolts of Brazil’s Bolsa Familia Program: Implementing Conditional Cash Transfers in a Decentralized Context,” *The World Bank SP Discussion Paper*, no. 0709 (May 2007), <https://documents1.worldbank.org/curated/en/972261468231296002/pdf/398530SP1709.pdf>; Cecilia Rocha, “Developments in National Policies for Food and Nutrition Security in Brazil,” *Development Policy Review* 27, no. 1 (December 9, 2008): 51–66, <https://doi.org/10.1111/j.1467-7679.2009.00435.x>; Aline Gazola Hellman, “How Does Bolsa Familia Work?: Best Practices in the Implementation of Conditional Cash Transfer Programs in Latin America and the Caribbean” (Inter-American Development Bank, September 17, 2015), <https://doi.org/10.18235/0000141>.

After initial issues with quality of data and compliance reporting, the Brazilian Ministry for Social Development created the IGD, a metric itself introduced to help overcome issues of municipal capacity based on the assumption that it was a precondition for better management and implementation of the program.⁸⁹ Without the right data collected and the conditionalities monitored, the very essence of the program would be at stake. Expanding on this issue of capacity and implementation, Sánchez-Ancochea and Mattei (2011) describe the difficulties of collecting data, noting a particularly high rate of exclusion for families who would otherwise be eligible, and argue reasons include a lack of willingness or ability to complete required documentation and issues of corruption or political favoritism.⁹⁰ The World Bank report by Fiszbein et al. and Bastagli (2010) similarly point out issues of reporting from hospitals and gathering individual health information, both of which remain a challenge.⁹¹ Further exploring the issues of municipal capacity and implementation, Fenwick (2009) observes that municipalities that had previously adopted Bolsa Escola (another conditional cash transfer and precursor to Bolsa Familia) tended to be associated with better capacity, while those municipalities that did not implement such programs tended to lag in their capacity over all.

Following these assumptions, in a study by the RAND Corporation, the authors began with the assumption that larger, better resourced municipalities would translate to better quality implementation of Bolsa Familia. According to their research, however,

⁸⁹ Ariel Fiszbein and Norbert R. Schady, *Conditional Cash Transfers: Reducing Present and Future Poverty* (World Bank Publications, 2009).

⁹⁰ Diego Sánchez-Ancochea and Lauro Mattei. “Bolsa Família, Poverty and Inequality: Political and Economic Effects in the Short and Long Run.” *Global Social Policy* 11, no. 2–3 (2011): 299–318. <https://doi.org/10.1177/1468018111421297>

⁹¹ Ariel Fiszbein and Norbert R. Schady, *Conditional Cash Transfers: Reducing Present and Future Poverty* (World Bank Publications, 2009); Francesca Bastagli, *Poverty, Inequality and Public Cash Transfers: Lessons from Latin America*. (London: London School of Economics and Political Science, 2010).

smaller municipalities with higher poverty levels appear to have more success in implementing BF than their larger counterparts. The reason for such a pattern, they argue, is that smaller municipalities “operate closer to the citizens and have a greater incentive from a political or democratic accountability point of view to provide better services to the beneficiaries.”⁹² A similar perspective within the debate argues that the budgetary dependency on smaller municipalities on Bolsa Familia funding motivates participation. Since Bolsa Familia is a federal program, the state level is mostly bypassed, and thus budget constraints are a motivating factor for smaller, poorer municipalities to participate to a greater extent with the federal government.⁹³ In addition, the performance-based financial incentives to meet implementation targets are particularly impactful for the poorer municipalities, influencing the administration of Bolsa Familia.

Coêlho and Fernandes look specifically at the role of a municipality’s fiscal capacity on the management quality of the BFP from a principal-agent perspective. While fiscal capacity initially did not demonstrate significance, they ultimately find that quality of Bolsa Familia management was associated with the political and geographic characteristics of the municipality – specifically that political competitive municipalities

⁹² “Assessing the Effectiveness of Conditional Cash Transfers as a Development Mechanism,” n.d., <https://www.rand.org/randeuropa/research/projects/conditional-cash-transfers.html>.

⁹³ Anthony Hall, “The Last Shall Be First: Political Dimensions of Conditional Cash Transfers in Brazil,” *Journal of Policy Practice* 11, no. 1–2 (January 1, 2012): 25–41, <https://doi.org/10.1080/15588742.2012.624065>; Moizza Binat Sarwar, “The Political Economy of Cash Transfer Programmes in Brazil, Pakistan, and the Philippines: When Do Governments ‘Leave No One Behind’?,” *ODI Working Paper*, no. 543 (December 2018): 1–38; Rosa Maria Marques, “A Importância Do Bolsa Família Nos Municípios Brasileiros” (Brasília, Brazil: MDS, 2005).

from the Northeast tended to demonstrate better quality management of the program – and that more developed municipalities overall tended to have better management as well.⁹⁴

Following this work, my first hypothesis is:

H1: The stronger the municipal capacity, the more likely BFP is to improve human development outcomes.

Electoral incentives

Beyond the impact of municipal capacity for implementation, there are additional political factors that may influence the success in outcomes of the Bolsa Familia program, including the political motivations of leaders in the implementation of the program and the response in political participation from various groups within society. In a 2008 study, Barrientos and Hulme attribute the rise in social protection programs as a result or response to three factors: (1) economic crises that often disproportionately impact the most vulnerable in society; (2) lack of short-term social safety nets; and (3) “growing awareness that in a globalized world large costs arise from the absence of social protection.”⁹⁵ To that end, in the 1990s, in response to economic crises on the 1980s, there was increased political pressure to introduce new social policies in order to “maintain electoral bases and political stability.”⁹⁶ In the case of Brazil, the early 2000s introduced a number of key social

⁹⁴ Denilson Bandeira Coêlho and Antônio Sérgio Araújo Fernandes, “Rules matter: determinants of bureaucratic control in the Bolsa Familia program,” *Brazilian Journal of Public Administration* 51, no. 5 (Sept-Oct 2017): 689-707

⁹⁵ Armando Barrientos and David Hulme, “Social Protection for the Poor and Poorest in Developing Countries: Reflections on a Quiet Revolution - GSDRC,” *Brooks World Poverty Institute Working Paper* 31 (2008), <https://gsdrc.org/document-library/social-protection-for-the-poor-and-poorest-in-developing-countries-reflections-on-a-quiet-revolution/>.

⁹⁶ Margherita Scarlato and Giorgio D’Agostino, “The Political Dimension of Cash Transfers in Latin America and Sub-Saharan Africa: A Comparative Perspective,” *Politics & Policy* 47, no. 6 (November 25, 2019): 3, <https://doi.org/10.1111/polp.12332>.

initiatives aimed at reducing poverty and supporting development, including Bolsa Familia.

Since its implementation, there is debate on how electoral cycles impact the implementation of the program – specifically, whether political motivations change how a municipality administers or manages the Bolsa Familia program. To review that debate, this next section will focus first on the nature and dynamics of the political gains at stake, followed by more specific context on the impacts on implementation.

The positive electoral effects for political officials who implemented or grew the Bolsa Familia program in their areas is a phenomenon that exists at both the national and municipal level. At the presidential level, Bolsa Familia is credited by many authors for extending the influence and popularity of the Workers' Party (PT) beyond Lula's two terms through to Dilma Rousseff's elections in 2010 and again in 2014. As detailed by Hunter and Power (2007), in the 2006 election, despite corruption scandals from 2005, Lula's reelection was aided by a dramatic shift in voting patterns:

“Lula's ability to sweep voters in the lowest education and income brackets and (relatedly) consolidate his support in the North and Northeast reverses a longstanding pattern. In his four previous bids for the presidency between 1989 and 2002, Lula's core support base lay with voters of higher education levels in the more urban industrial states of the South and Southeast. This stemmed from the PT's initial formation as a party of organized interests, intellectuals, and progressive middle-class urbanites.”⁹⁷

Some assessments of the 2006 election indicate that Bolsa Familia may have influenced up to 5 million votes in Lula's favor.⁹⁸ Much of this electoral success can be

⁹⁷ Wendy Hunter and Timothy J. Power, “Rewarding Lula: Executive Power, Social Policy, and the Brazilian Elections of 2006,” *Latin American Politics and Society* 49, no. 1 (January 1, 2007): 4, <https://doi.org/10.1111/j.1548-2456.2007.tb00372.x>.

⁹⁸ Cesar Zucco, ed., *Poor Voters vs. Poor Places: Persisting Patterns and Recent Changes in Brazilian Electoral Patterns* (Center for Metropolitan Studies, 2010),

attributed to the direct links cash transfer programs create between citizens and the federal government.⁹⁹ Sarwar writes, “By giving cash transfer programmes flagship under their jurisdiction, the governments in power at the time could take credit for the material benefits received by eligible citizens...Cash [in contrast to investment in other sections, such as education or health] as a social protection mechanism has the benefit of being a direct provision in-hand to individual eligible citizens.”¹⁰⁰ A direct link, like a cash transfer, has a tendency to foster clientelistic voting patterns, according to much of the research on this topic, that in the long-run can negatively impact overall political health and development.¹⁰¹ According to this perspective, social programs, like the Bolsa Familia, survive due to path dependency of institutions and the reach of the program. In both of these instances, once a program is in place, it is extremely unpopular for any national leader to attempt to reverse the program. Additionally, because of the direct link, just as there is the opportunity to take credit for the material benefits, any reduction in benefits would be connected just as directly. Facing reelection in 2022 and low approval ratings, Brazil’s

https://centrodametropole.fflch.usp.br/sites/centrodametropole.fflch.usp.br/files/user_files/noticias/ckeditor/003.2010-Zucco.pdf.

⁹⁹ Moizza Binat Sarwar, “The Political Economy of Cash Transfer Programmes in Brazil, Pakistan, and the Philippines: When Do Governments ‘Leave No One Behind’?,” *ODI Working Paper*, no. 543 (December 2018): 1–38.

¹⁰⁰ Moizza Binat Sarwar, “The Political Economy of Cash Transfer Programmes in Brazil, Pakistan, and the Philippines: When Do Governments ‘Leave No One Behind’?,” *ODI Working Paper*, no. 543 (December 2018): 20.

¹⁰¹ Anthony Hall, “The Last Shall Be First: Political Dimensions of Conditional Cash Transfers in Brazil,” *Journal of Policy Practice* 11, no. 1–2 (January 1, 2012): 25–41,

<https://doi.org/10.1080/15588742.2012.624065>; Margherita Scarlato and Giorgio D’Agostino, “The Political Dimension of Cash Transfers in Latin America and Sub-Saharan Africa: A Comparative Perspective,” *Politics & Policy* 47, no. 6 (November 25, 2019): 1125–55, <https://doi.org/10.1111/polp.12332>.

current President Jair Bolsonaro now affiliated with the right Partido Liberal, committed to expanding the Bolsa Familia program in June 2021.¹⁰²

At the state and municipal level, similar patterns exist: there can be political gains to be associated with the Bolsa Familia program, especially with better performance and management of the Bolsa Familia program. In a study by Power and Rodrigues-Silveira in 2019, they find that Brazilian municipalities historically have elected more center and right-leaning political leaders; however, the changing dynamics and political effects observed at the national level during the Lula era did materialize in the municipalities as the average ideological preferences crossed to center-left for the first time from 1994 to 2018.¹⁰³ This phenomenon, called the social inclusion model, was short-lived, however, and did not yield any sustained changes in the political preferences and orientations of the municipalities. As presented by Montero 2010, this period was also associated with the rise of leftist governors in Brazil's most conservative Northeast region, particularly in the states of Bahia, Ceará, and Maranhão; however, Montero argues that this shift in electoral outcomes was more the result of party-building strategies and alliances among state officials than of coattails effects of the social policies affiliated with Lula and the Workers' Party.¹⁰⁴

¹⁰² Reuters, "Brazil's Beefed up 'Bolsa Familia' Welfare Program to Be Less than 300 Reais a Month - Sources," *Reuters*, June 21, 2021, <https://www.reuters.com/world/americas/brazils-beefed-up-bolsa-familia-welfare-program-be-less-than-300-reais-month-2021-06-21/>.

¹⁰³ Timothy J. Power and Rodrigo Rodrigues-Silveira, "Mapping Ideological Preferences in Brazilian Elections, 1994-2018: A Municipal-Level Study," *Brazilian Political Science Review* 13, no. 1 (January 1, 2019), <https://doi.org/10.1590/1981-3821201900010001>.

¹⁰⁴ Alfred P. Montero, "No Country for Leftists? Clientelist Continuity and the 2006 Vote in the Brazilian Northeast," *Journal of Politics in Latin America* 2, no. 2 (August 1, 2010): 114, <https://doi.org/10.1177/1866802x1000200205>.

Municipalities, particularly smaller ones, according to several authors receive substantial federal funding for the purposes of Bolsa Familia.¹⁰⁵ According to Marques and Hall, this funding comprises up to 40% of the budgets for some of the poorer municipalities, particularly in the northeast region. As a result, municipal leaders can rely on this funding source for their budget, avoid imposing local taxes, and reap the boost to their popularity and benefit electorally.¹⁰⁶ With the ability to rely on this funding source, certain political incentives emerge for political leaders and the dynamics of their political calculus play out based on electoral cycles. For example, in Janvry et al. (2012), the authors analyze the impact of electoral incentives on the implementation of the transfer program, assessing the differences in program implementation between first-term and second-term mayors of municipalities. They find that the impact of Bolsa Familia was “36% larger in municipalities governed by mayors who faced reelection possibilities compared to those with lame-duck mayors.”¹⁰⁷ Notably, a lame-duck mayor has less urgency or motivation, according to these studies, to reap the benefits of the funding provided by the federal government for the Bolsa Familia program. Additionally, “first-term mayors with good program performance were much more likely to be reelected” as they were more likely to

¹⁰⁵ Anthony Hall, “The Last Shall Be First: Political Dimensions of Conditional Cash Transfers in Brazil,” *Journal of Policy Practice* 11, no. 1–2 (January 1, 2012): 25–41, <https://doi.org/10.1080/15588742.2012.624065>; Moizza Binat Sarwar, “The Political Economy of Cash Transfer Programmes in Brazil, Pakistan, and the Philippines: When Do Governments ‘Leave No One Behind’?,” *ODI Working Paper*, no. 543 (December 2018): 1–38.; Rosa Maria Marques, “A Importância Do Bolsa Família Nos Municípios Brasileiros” (Brasília, Brazil: MDS, 2005).

¹⁰⁶ Anthony Hall, “The Last Shall Be First: Political Dimensions of Conditional Cash Transfers in Brazil,” *Journal of Policy Practice* 11, no. 1–2 (January 1, 2012): 25–41, <https://doi.org/10.1080/15588742.2012.624065>.

¹⁰⁷ Alain De Janvry, Frederico Finan, and Élisabeth Sadoulet, “Local Electoral Incentives and Decentralized Program Performance,” *The Review of Economics and Statistics* 94, no. 3 (August 1, 2012): 672, https://doi.org/10.1162/rest_a_00182.

“adopt specific program implementation practices” associated with greater transparency and better BF performance.

Given the dynamics of the political motivations of political leaders to implement or expand the transfer program, the political participation of Brazil’s population has also shifted as a result of Bolsa Familia. Several authors have conducted research on political participation, particularly of Brazil’s poorer citizens, and found net increases in political participation¹⁰⁸. Overall, these studies find that Bolsa Familia contributed to higher turnout during presidential elections in 2006 and 2010 and amplified the support for incumbents at the municipal level when comparing elections before and after the implementation of the transfer program.¹⁰⁹ In their analysis of various aspects of the program, Sanchez-Ancochea and Mattei summarize the impact of the program as follows: “Bolsa Familia has increased the electoral influence of the poor and consolidated a more rights-based notion of citizenship.”¹¹⁰

Municipal capacity and political effects of conditional cash transfers in general, and Bolsa Familia, in particular, are important determinants of the success of how a program

¹⁰⁸ Wendy Hunter and Timothy J. Power, “Rewarding Lula: Executive Power, Social Policy, and the Brazilian Elections of 2006,” *Latin American Politics and Society* 49, no. 1 (January 1, 2007): 1–30, <https://doi.org/10.1111/j.1548-2456.2007.tb00372.x>; Cesar Zucco, ed., *Poor Voters vs. Poor Places: Persisting Patterns and Recent Changes in Brazilian Electoral Patterns* (Center for Metropolitan Studies, 2010), https://centrodametropole.fflch.usp.br/sites/centrodametropole.fflch.usp.br/files/user_files/noticias/ckeditor/003.2010-Zucco.pdf; Natasha Borges Sugiyama and Wendy Hunter, “Whither Clientelism? Good Governance and Brazil’s Bolsa Família Program,” *Comparative Politics* 46, no. 1 (October 1, 2013): 43–62, <https://doi.org/10.5129/001041513807709365>; Diego Sánchez-Ancochea and Lauro Mattei, “Bolsa Familia, Poverty and Inequality: Political and Economic Effects in the Short and Long Run,” *Global Social Policy* 11, no. 2–3 (December 1, 2011): 299–318, <https://doi.org/10.1177/1468018111421297>.

¹⁰⁹ Wendy Hunter and Timothy J. Power, “Rewarding Lula: Executive Power, Social Policy, and the Brazilian Elections of 2006,” *Latin American Politics and Society* 49, no. 1 (January 1, 2007): 1–30, <https://doi.org/10.1111/j.1548-2456.2007.tb00372.x>; César Zucco, “The President’s ‘New’ Constituency: Lula and the Pragmatic Vote in Brazil’s 2006 Presidential Elections,” *Journal of Latin American Studies* 40, no. 1 (February 1, 2008): 29–49, <https://doi.org/10.1017/s0022216x07003628>.

¹¹⁰ Diego Sánchez-Ancochea and Lauro Mattei, “Bolsa Família, Poverty and Inequality: Political and Economic Effects in the Short and Long Run,” *Global Social Policy* 11, no. 2–3 (December 1, 2011): 311, <https://doi.org/10.1177/1468018111421297>.

is implemented. By broadening the electoral base, as much of the literature indicates Bolsa Familia has done, there is a greater incentive for political leaders to work towards better implementation and expand influence for the poor in national and local politics, but this trend can also usher in clientelism and patronage that can distort poverty-alleviation strategies in favor of the pursuit of electoral rewards.

Thus, drawing on these arguments, my second hypothesis is:

H2: The greater the potential electoral gains for officials during the electoral cycle, the more likely BFP is to improve human development outcomes.

Quality of social services

More broadly, the expansion and improvement of health and education services is considered an important factor in effectively implementing a conditional cash transfer program. Alongside the implementation of conditional cash transfer programs, many countries that have implemented CCTs have also taken measures to expand capacity of the public sector, specifically to address the supply-side issues in health and education services. One report points out the case of Mexico, where the government invested in primary schools and expansion of access to basic health services, especially in rural areas, and other countries like Bangladesh and Cambodia followed suit.¹¹¹ Sánchez-Ancochea and Mattei (2011) argue that the impact of the Bolsa Familia program is contingent on reducing inequalities in the quality and provision of health and education services.¹¹² They

¹¹¹ Ariel Fiszbein and Norbert R. Schady, *Conditional Cash Transfers: Reducing Present and Future Poverty* (World Bank Publications, 2009).

¹¹² Diego Sánchez-Ancochea and Lauro Mattei, “Bolsa Família, Poverty and Inequality: Political and Economic Effects in the Short and Long Run,” *Global Social Policy* 11, no. 2–3 (2011): 299–318. <https://doi.org/10.1177/1468018111421297>.

argue there are substantial shortcomings in the health and education sectors that constrain the sustained success of the Bolsa Familia program, particularly because the conditionalities of the program are tied to these sectors:

“The expansion of Bolsa Familia has contributed to the reduction of poverty and inequality and to an expansion in the use of health and education services. Bolsa Familia 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.”¹¹³

Soares et al. (2007) expressed a similar argument, referring to this issue as a “supply side” impediment to effective program implementation.¹¹⁴ In the health sector, Sánchez-Ancochea and Mattei (2011) find that the conditionalities did not substantially change the behavior of BFP beneficiaries, and while education attendance improved as expected from the conditionalities, that alone did not necessarily translate into better education (schools or programs.) According to Hall (2008), Bolsa Familia can only effectively function, with its conditionalities designed to promote human development in the long-run, “if the actually supply of such services is adequate in the first place.”¹¹⁵ Additionally, Rocha (2009) found that, while school attendance was up, academic performance was not and child immunizations were not dramatically impacted either.¹¹⁶ Thus, without these

¹¹³ Diego Sánchez-Ancochea and Lauro Mattei, “Bolsa Família, Poverty and Inequality: Political and Economic Effects in the Short and Long Run,” *Global Social Policy* 11, no. 2–3 (2011), <https://doi.org/10.1177/1468018111421297>.

¹¹⁴ Fá Soares, Rafael Perez Ribas, and Rafael Guerreiro Osório, “Evaluating the Impact of Brazil’s Bolsa Familia: Cash Transfer Programs in Comparative Perspective.” *Latin American Research Review* 45, no. 2 (2010): 173-190, 268-269, 272-273.

¹¹⁵ Anthony Hall, “Brazil’s Bolsa Família: A Double-Edged Sword?” *Development and Change* 39, no. 5 (2008): 799–822. <https://doi.org/10.1111/j.1467-7660.2008.00506.x>.

¹¹⁶ Cecília Rocha, “Developments in National Policies for Food and Nutrition Security in Brazil,” *Development Policy Review* 27, no. 1 (December 9, 2008): 51–66, <https://doi.org/10.1111/j.1467-7679.2009.00435.x>.

prerequisites, the effectiveness of Bolsa Familia and its implementation in improving human development is a moot point from this perspective.

Moreover, some literature identifies the interdependencies that emerge between the capacity of a municipality and the quality of health and education services.¹¹⁷ Van Stolk and Patil (2015), for example, show a direct correlation between quality of services and the IGD score of a municipality. They write, “Those involved in designing CCTs appear to prioritize management the demand for a program and worry less about the supply of complementary services such as health and education, all of which affect a program’s success. This appears to be a mistake. There seem to be significant associations between the quality of some of these support services and good implementation in general.”¹¹⁸ Rocha (2009) makes a similar argument, emphasizing that conditionalities should inform the supply-side structural changes that require investment from various levels of government.

Guided by the debates in this literature, the third hypothesis is:

H3: If there are better quality health and education services, then the BFP is more likely to improve human development outcomes.

Far from perfect, conditional cash transfers are largely viewed as effective in alleviating poverty, but less consensus exists on their long-term impacts on health and

¹¹⁷ Christian Van Stolk and S. V. Patil, “Understanding the Factors That Matter in the Implementation of Bolsa Família: Using an Analysis of Federal Datasets to Look inside the Programme’s ‘Black Box,’” *RAND Corporation*, January 28, 2015,

https://www.rand.org/content/dam/rand/pubs/research_reports/RR700/RR705/RAND_RR705.pdf.

¹¹⁸ Christian Van Stolk and S. V. Patil, “Understanding the Factors That Matter in the Implementation of Bolsa Família: Using an Analysis of Federal Datasets to Look inside the Programme’s ‘Black Box,’” *RAND Corporation*, January 28, 2015,

https://www.rand.org/content/dam/rand/pubs/research_reports/RR700/RR705/RAND_RR705.pdf, 24

education outcomes specifically, and human development outcomes more broadly. The variance in outcomes across the world and in Brazil suggests other factors influence how well CCTs are implemented and how much they improve human development outcomes. The body of literature on this topic points to economic, political, and social factors as determinants of outcomes.

The overall aim of this dissertation is to test the factors that influence the implementation of the Bolsa Familia program and hence human development outcomes, and identify instances when implementation is more or less effective. The following chapter will present the research design to accomplish the objective of this study, including the methodological approach, the variables selected based on the hypotheses, and their operationalization.

Chapter 3

Research Design: Methodology, Variables, and Operationalization

The purpose of this study is to analyze the case of Brazil and its conditional cash transfer program, Bolsa Familia, to identify variations in implementation that affect human development outcomes in Brazil. Previous studies have compared conditional cash transfer programs across different countries or across states, but this research will provide a unique contribution in that it will focus on the municipal level, using the case of the state of Bahia in Brazil.

The specific research questions are: Under what conditions are these CCT programs more likely to succeed? What political and institutional factors condition their effectiveness? As discussed in chapter 2, I draw upon the broad body of literature on effectiveness of conditional cash transfer programs as well as determinants of quality of implementation, to pose three hypotheses – two focused on the political factors and one on the social factors that influence quality of implementation for Bolsa Familia and hence human development outcomes. This chapter discusses the research design and methodological approach that I will use to test these hypotheses and shed light on the municipal level factors that condition the effectiveness of CCT programs in Brazil.

Methods and Variables

This study relies on a combination of quantitative and qualitative methods. As a first cut, exploratory analysis, I use data from 417 municipalities in the state of Bahia to examine the correlates of human development outcomes in Brazil. Bahia is in Brazil's Northeast

region, which is made up of nine states and is the both the poorest and least developed region within Brazil. This region is home to 45 percent of total families enrolled in Bolsa Familia, while only representing 28 percent of Brazil's total population, highlighting the inequities and impoverished conditions. Bahia, more specifically, is an interesting state to examine given its history as not only home to the previous capital of Brazil, Salvador, but its former role as economic center of Brazil through the colonial era and its role as the largest economy in the Northeast.¹¹⁹ There are 417 municipalities within Bahia – the largest of which is Salvador, the current capital of the state. Data was collected to create a profile for each of Bahia's 417 municipalities, including population data, GDP per capita, and human development data.

In order to assess and measure the relative success of the BFP program, this research will focus on one dependent variable that provides insight into effectiveness of development within a country. The primary dependent variable will be the Municipal Human Development Index (MHDI, or IDHM in Portuguese.) This index is modeled after the Human Development Index developed by economist Mahbub ul Haq and introduced in the 1990 Human Development Report from UNDP.¹²⁰

The Human Development Index is a composite index, which broadens the definition of development beyond solely the economic metrics to encompass the human capabilities aspects of development as discussed in the previous chapter. There are three

¹¹⁹Instituto Brasileiro De Geografia E Estatística, “Produto Interno Bruto - PIB | IBGE,” n.d., <https://www.ibge.gov.br/explica/ PIB.php>.

¹²⁰Elizabeth Stanton, *The Human Development Index: A History* (Political Economy Research Institute, 2007);

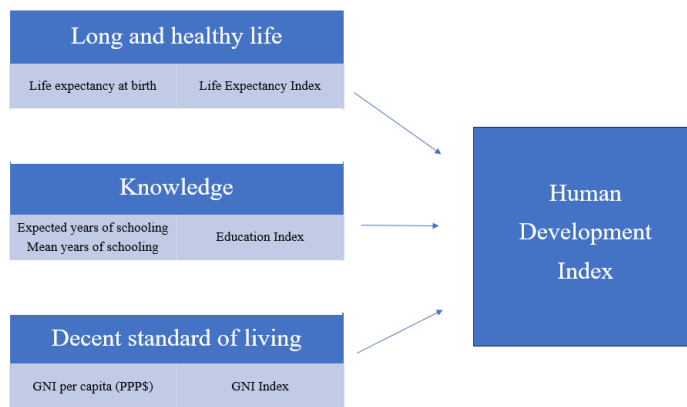
Sanjaya Baru, “Mahbub Ul Haq and Human Development: A Tribute,” *Economic and Political Weekly* 33, no. 35 (August 1998): 2275–79.

key dimensions captured in the HDI: a long and healthy life, knowledge, and a decent standard of living.¹²¹ To calculate this index score, HDI takes into account three indices reflective of each dimension. First, the longevity dimension factors in life expectancy at birth to calculate the Life Expectancy Index; second, the knowledge dimension measures expected years of school and mean years of schooling to create the Education Index; and finally, the decent standard of living dimension, measures GNI per capita and transforms it into an GNI Index that factors in the diminishing effects of income per capita. Together, each of these three dimensions comprise the final, overall Human Development Index. The MHDI varies only in the education dimension, which is comprised instead of five factors that reflect the level of education and school attendance, an adaptation to accommodate for the realities of available data. This data is available at the municipal level via Atlas of Human Development in Brazil, a data platform development and published by the United Nations Development Program (UNDP, or PNUD in Portuguese), the Institute of Applied Economy Research (IPEA), and the João Pinheiro Foundation (FJP).¹²² This platform includes over 200 indicators on democracy, education, labor, housing, and development in Brazil at the municipal, state, and regional level and is derived from data from the national censuses from 1991, 2000, and 2010.

¹²¹ United Nations, “Human Development Index,” Human Development Reports, n.d., <http://hdr.undp.org/en/content/human-development-index-hdi>.

¹²² “Atlas of Human Development in Brazil,” n.d., <http://www.atlasbrasil.org.br/ranking>; “The Human Development Atlas in Brazil,” n.d., <https://www.local2030.org/library/view/238>.

Figure 3.1 Human Development Index and its Dimensions



Source: <http://hdr.undp.org/en/content/human-development-index-hdi>

Derived from previous literature, the independent variables for this research fall into two categories: (1) state and political factors; and (2) social factors. The first, state and political factors, will include the institutional capacity of the municipality and the electoral cycles from the 2000 to 2010 period. Capacity for implementation at the municipal level will be operationalized as the Decentralized Management Index (IGD), which is compiled and available from Brazil's Ministry of Social Development.

Since the implementation of the Bolsa Familia in 2003, the Brazilian government has utilized the Unified Registry for Social Programs of the Federal Government (known in Portuguese as the Cadastro Único) as a national database to identify and collect information on low-income families throughout the country. Given its vast information and intentional efforts at maintaining the database, the Unified Registry has been lauded as “a mechanism to create visibility” for the most vulnerable in Brazil's society.¹²³ The IGD was

¹²³ “Unified Registry for Social Programs of the Federal Government” (World Without Poverty, June 23, 2015), <https://wpp.org.br/wp-content/uploads/2014/07/2.-Unified-Registry-Data-Sheet.pdf>.

developed as an indicator to measure a municipality's management of the Bolsa Familia program and the Unified Registry. Since it is among the primary metrics used to determine how much revenue is transferred from the federal government to the local level for implementation, there are built-in incentives to continually improve a IGD score; in addition, any revenue transferred can only be spent or invested on activities to further improve administration and monitoring of conditionalities.

Based on the IGD-M manual published by Brazil's Ministry for Social Development (MDS), the IGD (also referred to more specifically as IGD-M) is comprised of four factors calculated as Factor I x Factor 2 x Factor 3 x Factor 4¹²⁴:

- Factor I is an operational factor that measures: (1) the registration update rate (TAC), a measure of valid registrations logged in the Unified Registry divided by the total number of registrations of families with per capita income of up to half the minimum wage level; and (2) a second component, which is based on the conditionality monitoring of school attendance (the TAFE) and health requirements (the TAAS).
- Factor II is an adherence factor that measures whether a municipality complied with the Unified Social Assistance System (SUAS)
- Factor III is an information factor that measures the presentation of proof of expenditures for IGD-M related resources.
- Factor IV is another information factor that measures the approval of expenditures related to IGD-M related resources.

¹²⁴ “Caderno IDG-M: Manual do Índice de Gestão Descentralizada do Programa Bolsa Familia e do Cadastro Único,” (Ministério do Desenvolvimento Social, April 2018), https://www.mds.gov.br/webarquivos/publicacao/bolsa_familia/Guias_Manuais/ManualIGD.pdf

This measure is calculated on a monthly basis to inform transfers from the national government to the local level, but for the purposes of this study, an annualized version of the IGD-M will be used. Data is available for 2006, when this index was introduced, as well as 2010.

The electoral cycles will be operationalized as the electoral calendars, typified by the author based on information regarding term limits and candidate eligibility as well as from election results data available from Brazil's Superior Electoral Court (Tribunal Superior Eleitoral.)¹²⁵ Election result data is available at the federal, state, and municipal levels for elections from 1998 to 2002, and includes data on candidates, office, political party affiliations, candidate applications, election results, and total votes.

The second set of determinants to be tested, the social factors, will focus on the quality of health and education services. The literature on this topic suggests the quality of services provided by the government is an intervening factor in municipal capacity. Acemoglu, Vostroknutov, and Vostroknutova, in particular, argue that the quality of services foster greater trust in government and lead to the creation of better, inclusive institutions.¹²⁶ Essentially, by treating the quality of social services as an intervening variable, this study acknowledges its magnifying or augmenting effect on institutional capacity. Concepts of "good governance" or "inclusive institutions" often speak on the quality of government and its provision of services in general terms, including a broad set of factors such as transparency, trust, taxation, property rights, education, healthcare,

¹²⁵ Tribunal Superior Eleitoral, "Estatística de Votação," Data set, n.d., https://sig.tse.jus.br/ords/dwapr/r/seai/sig-eleicao-resultados/maiores-votacoes?p0_abrangencia=UF&clear=RP&session=334372849093715.

¹²⁶ James Robinson, Alexander Vostroknutov, and Ekaterina Vostroknutova, "Endogenous Institutions and Economic Policy" (World Bank, November 18, 2022).

sanitation, etc.¹²⁷ Thus, while some studies examine or treat health and education as separate factors, this study will treat the two components as one variable given their inventing effects on the level of capacity.

For both health and education, the variables will be operationalized as the committed expenditures to each sector by the municipalities with data available from 2000 to 2010, and the respective quality and capacity measures of the sector. In the education sector, the variable will be operationalized as the Basic Education Development Index (IDEB). As an indicator, the IDEB measures the quality of education on a scale from 0 to 10 based on two factors: (1) student performance on national assessments; and (2) school flow rates, which measure promotion, grade retention, and school evasion.¹²⁸ Intel gained from these measurements inform public policies to address lagging areas and/or any other identified shortcomings and is publicly available since 2007 with data going back to 2005. The IDEB assumes quality education to mean that students gain knowledge and perform at grade level.¹²⁹ Health services will be operationalized as expenditures committed at the municipal level as well as the overall capacity of healthcare facilities in each municipality, specifically the number of public and private facilities as well as number of hospital beds, though some of the data is limited. The expenditure data for the municipal budgets is available from the Institute of Applied Economic Research (IPEA), while the data for education quality and health sector capacity are taken from the Brazilian Institute of

¹²⁷ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (Profile Books, 2012); Douglass North et al., *Governance, Growth, and Development Decision-Making* (Washington DC, United States of America: The World Bank, 2008).

¹²⁸ Instituto Nacional de Estudos Pesquisas, “Index of Development of Basic Education,” Slide show, https://www.oecd.org/pisa/aboutpisa/3.%20Luiz%20Costa_June_2013%20-%20IDEB%20OCDE.pdf.

¹²⁹ Manoel Carlos de Oliveria Júnior, Américo Matsuo Minori, and Marcelo Souza Frota, “Resources for education and results achieved in the Ideb of a Brazilian capital city,” <https://www.scielo.br/j/cebape/a/LgyCkyD5d8rjbSN39zSCmzt/?format=pdf&lang=en>

Geography and Statistics (IBGE) Cidades data portal, another data platform which is an accumulation of data from censuses and other government databases presented at the municipal, state, and federal level.¹³⁰

The period under review will be from 2000 to 2010, the decade of the most transformative and inclusive growth for Brazil. The dependent variable, IDHM (HDI), will include values for 2000 and 2010. In terms of the independent variables, data is available for IGD from 2006 and 2010; electoral cycles from the 1996 race to 2012; IDEB from 2005 to 2011, healthcare facility information from 2005 and 2009; while municipal budget expenditures for both health and education include the 2003 to 2010 period. Since many studies indicate that economic factors are also important determinants of alleviating poverty rather than BFP or other programs, this study will control for those macroeconomic indicators as well to assess those claims directly. In the case selection process, the municipalities selected were comparable in terms of population size and GDP per capita. Another comparable variable to consider is the level of investment in the Bolsa Familia program, which will be presented in terms of total amount transferred and average benefit per family.

Case Study Selection

There is certainly great utility in large-N studies; however, this study will focus on developing deeper insights and knowledge into the context of the Bolsa Familia program in Itapicuru and Paratinga in Bahia, Brazil. Thus, I employ qualitative methods to test the

¹³⁰ Instituto de Pesquisa Econômica Aplicada, "IPEA Data," Data set, n.d., <http://www.ipeadata.gov.br/Default.aspx>; Instituto Brasileiro de Geografia e Estatística, "Cidades e Estados Do Brasil," Data set, n.d., <https://cidades.ibge.gov.br/>.

hypotheses presented; more specifically, a case study following a method of difference approach in which a comparative approach is taken to analyze two or more cases that have certain important characteristics in common, but vary in the phenomenon under observation.¹³¹ The benefits of a method of difference approach, according to Odell, include the ability to present an interesting puzzle with contrasting cases, and to provide a more rigorous foundation for causal hypotheses with appropriate (and more than one) case selection. The qualitative approach will also be supported by some quantitative data analysis to compare the two municipalities under review. In addition, this study will utilize the diagnostic model for case study selection.

Following the typology of case studies presented by Gerring (2017), this study will employ a diagnostic case study approach, which is designed to “confirm, disconfirm, or refine a hypothesis garnered from the literature on a subject...and to identify the generative agent (mechanism) at work in that relationship...All the elements of a causal model – X, Z, and Y – are generally involved in the selection of a diagnostic case.”¹³² More specifically, this diagnostic case study is a “most similar” type where N typically = 2 or more (and in this case will be the two selected municipalities.)

In terms of case selection, this study sought two municipalities in Brazil’s Northeast region, which is made up of nine states and is the both the poorest and least developed region within Brazil. This region is home to 45 percent of total families enrolled in Bolsa Familia, while only representing 28 percent of Brazil’s total population, highlighting the

¹³¹ John Stuart Mill, *A System of Logic*, 1843; J. S. Mill, “Two Methods of Comparison.” In *Comparative Perspectives: Theories and Methods*, edited by A. Etzioni and F. L. Dubow, Boston: Little Brown, 1970 ; John S. Odell, “Case Study Methods in International Political Economy,” *International Studies Perspectives* 2, no. 2 (May 1, 2001): 161–76, <https://doi.org/10.1111/1528-3577.00047>.

¹³² John Gerring, “Qualitative Methods,” *Annual Review of Political Science* 20, no. 1 (May 11, 2017): 23, <https://doi.org/10.1146/annurev-polisci-092415-024158>.

inequities and impoverished conditions. Bahia, more specifically, is an interesting state to examine given its history as not only home to the previous capital of Brazil, Salvador, but its former role as economic center of Brazil through the colonial era and its role as the largest economy in the Northeast.¹³³ There are 417 municipalities within Bahia – the largest of which is Salvador, the current capital of the state.

In beginning of the case selection process, data was collected to create a profile for each of Bahia's 417 municipalities, including population data, GDP per capita, and human development data. This served to inform the case selection and to ensure the cases were comparable in size and wealth, while identifying differences in the phenomenon under observation, namely human development. Improvements in human development between 2000 and 2010 were calculated to better understand the rate of change and to isolate cases with differences in the levels of improvement. From there, the cases were further segmented by: (1) similar population sizes in 2000 and 2010 so as to keep population constant; (2) similar GDP per capita levels of less than \$3,000; and (3) by comparable HDI values in the starting period of 2000. With these set of parameters, Itapicuru and Paratinga were identified. Through this process, Itapicuru and Paratinga were identified with population sizes around 24,000-25,000 in 2000, and both around 27,000 in 2010, plus a GDP per capita of less than \$3,000 each in the starting value from 2002. The only other case that met somewhat similar parameters was Barra do Choca, but its population grew at a much more rapid pace to over 40,000 people in 2010. The cases of Paratinga and Itapicuru both constitute a good selection for the method of difference because they control for the economic factors typically associated with poverty reduction and human development and

¹³³Instituto Brasileiro De Geografia E Estatística, “Produto Interno Bruto - PIB | IBGE,” n.d., <https://www.ibge.gov.br/explica/pib.php>.

ensure Bolsa Familia implementation was not negatively (or positively) impacted by substantial growth in population within a ten-year period; dramatic increases in population could be the result of economic incentives or activities within a certain region, or demographic changes that then impact human development outcomes.

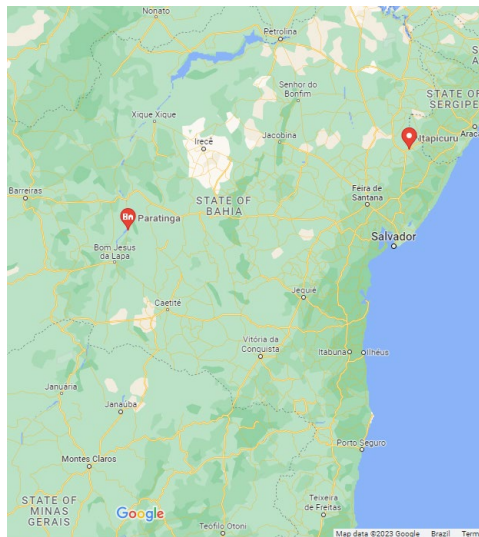
One notable difference, though, between the two municipalities that could not be controlled is their location. Itapicuru is in Northeastern Bahia, land-locked, but much closer to the coast (less than 150km) and approximately 3.5 hours (by car) north of Salvador, the hub of Bahia's economic activity. Paratinga, in contrast, is in the interior of Bahia but strategically located off one of Brazil's most important rivers, the São Francisco River. Scholars, including Jeffrey Sachs and Jared Diamond, argue that geography is the most relevant determinant of economic growth, even after controlling for other potential explanatory variables, as geography influences the disease burdens, natural resources, and transportation as well as accessibility issues of countries in the world economy.¹³⁴ Initiating their argument by highlighting two important correlations – that almost all of the countries in the tropic zones are poor and that landlocked countries tend to be poorer than their coastal counterparts – Sachs, Gallup, and Mellinger argue that geography matters and that there are four aspects in which geography impacts economic growth and development: (1) transportation costs; (2) human health; (3) agricultural productivity; and (4) proximity and ownership of natural resources.¹³⁵ Thus, in the case of these two municipalities, it is

¹³⁴ Jeffrey D. Sachs, "Institutions Matter, but Not for Everything," *Finance and Development* 0040, no. 002 (June 17, 2003), <https://doi.org/10.5089/9781451952926.022.a012>; Jeffrey Sachs, "Tropical Underdevelopment" (NBER Working Paper Series, February 1, 2001), <https://doi.org/10.3386/w8119>; Jared M. Diamond, *Guns, Germs, and Steel* (New York, United States of America: W.W Norton & Co., 1997).

¹³⁵ John Luke Gallup, Jeffrey D. Sachs, and Andrew D. Mellinger, "Geography and Economic Development," *International Regional Science Review* 22, no. 2 (August 1, 1999): 9, <https://doi.org/10.1177/016001799761012334>;

possible the regional differences could play an influencing role not explored in this dissertation.

Figure 3.2 Map of Itapicuru and Paratinga



Source: Google Maps

Testing Bolsa Familia and Human Development

Derived from the broad body of literature on effectiveness of conditional cash transfer programs as well as determinants of quality of implementation, this study poses three hypotheses – two focused on the political factors and one on the social factors that influence quality of implementation for Bolsa Familia and hence human development outcomes.

The first hypothesis seeks to test the relationship between municipal capacity and human development outcomes:

According to the geography-based explanations for development, geography can impede economic development as being landlocked leads to higher transportation costs which inhibits international trade and access to broader, non-domestic markets, thus reducing opportunity for economic growth. In terms of human health and agricultural productivity, the temperature and climate can have significant and direct impacts as tropical regions are most susceptible to experiencing disease burdens (such as malaria, zika, ebola, among others) and agricultural production can be negatively affected by lack of soil nutrients.

H1: The stronger the municipal capacity, the more likely Bolsa Familia is to improve human development outcomes.

Following this hypothesis, this study asserts the observed patterns should include a positive relationship between capacity and human development; higher capacity should yield higher levels of human development. Conversely, lower capacity should mean lower levels of human development. Capacity will be operationalized as the Decentralized Management Index (IGD), which is an objective, comparative measure calculated based on the municipality's ability to report on its activities. Capacity is also often associated with the ability to deliver on the provision of public goods, so the analysis should reveal examples of how each municipality demonstrates or enhances its capacity. Explaining the relationship between electoral cycles and human development outcomes is the aim of the second hypothesis:

H2: The greater the potential electoral gains for officials during electoral cycles, the more likely Bolsa Familia is to improve human development outcomes.

Previous studies have argued that lame-duck administrations are associated with poorer Bolsa Familia implementation since there are no electoral gains or motivations for the official on his or her way out of office. Conversely, an incumbent seeking re-election tends to be associated with better Bolsa Familia implementation since there are demonstrated electoral benefits from better provision of conditional cash transfer programs, specifically re-election, voter mobilization, and/or party loyalty. Thus, electoral gains are higher when there is an incumbent race, and this study will look to test how lame-duck versus incumbent cycles impact human development outcomes.

The final hypothesis explores the relationship between better quality of health and education services and human development outcomes.

H3: The better the quality of health and education services, the more likely Bolsa Familia is to improve human development outcomes.

Poor quality health and education services are often described in the debates on CCTs as constraining factors on the effectiveness of conditional cash transfer programs; in other words, cash transfers alone cannot deliver better human development outcomes and instead the supply-side of public services are ultimately the sustainable source of higher levels of human development. Following this hypothesis, the expected pattern would be that the municipality with a higher level of human development also has higher quality education and health services. “Better” for health and education services is based on standard measures of quality.

The following chart summarizes the three hypotheses, its observable implications, and the specifics about the independent variables for this study:

Table 3.1 Hypothesis Summary

Hypothesis	Observable Implications	Independent Variable(s)	Operationalization
H1: The stronger the municipal capacity, the more likely Bolsa Familia is to improve human development outcomes.	<p>Municipalities with higher capacity have higher levels of human development.</p> <p>Municipalities with lower capacity have lower levels of human development.</p>	Municipal capacity	Decentralized Management Index (IGD, or IGD-M)
H2: The greater the potential electoral gains for officials during electoral cycles, the more likely Bolsa Familia is to improve human development outcomes.	<p>Municipalities in a lame-duck cycle have worse Bolsa Familia performance, and thus lower levels of human development.</p> <p>Conversely, municipalities with incumbent electoral races have better Bolsa Familia performance, and thus higher levels of human development.</p>	Electoral cycles	Typology of electoral calendar (lame-duck, open contest, incumbent)
H3: The better the quality of health and education services, the more likely Bolsa Familia is to improve human development outcomes.	<p>Municipalities with better quality health and education services have higher levels of human development.</p> <p>Municipalities with lower quality health and education services have lower levels of human development.</p>	Quality of health services and quality of education services	<p><i>For health:</i> municipal expenditure commitments in health and number of health care facilities (public + private)</p> <p><i>For education:</i> municipal expenditure commitments in education and Basic Education Development Index (IDEB)</p>

Before delving into the specific details of each case study, the next chapter will provide a historical background of the economic development policies and strategies in Brazil from the beginnings of the import substitution industrialization through the 2000s when the Bolsa Familia program was introduced. This context will shed light on challenges and opportunities that informed Brazil's policymaking decisions as well as the external conditions that impacted Brazil's development experience.

Chapter 4

Economic Development and Poverty in Brazil

Regional inequities have been a long-standing characteristic and widely studied aspect of the Brazilian economy.¹³⁶ The Northeast region of Brazil, home to Bahia, continuously and historically lags in nearly all socioeconomic indicators since before the 1930s. To understand these patterns of underperformance, however, it is important to examine the history of economic development policies within the broader Brazilian context. This chapter provides a historical background to the empirical analysis of municipal outcomes in Bahia.

The ISI period

In the 17th and 18th centuries, Bahia was the political and economic powerhouse of Brazil. Salvador, the current capital of Bahia, was the capital of Brazil until 1763 and, during this era, Bahia was the agricultural center of Brazil, fueled by its sugarcane exports to Europe. However, over the next two centuries, the rise of the mining and coffee industries paved the way for Brazil's economic activity and prosperity to shift toward the southern regions.

¹³⁶ For more on regional disparities in Brazil, see: Carlos Góes and Izabela Karpowicz. "Inequality in Brazil: A Regional Perspective." *IMF Working Paper* 17, no. 225 (2017): 1-. <https://doi.org/10.5089/9781484324776.001>; Joaquim Bento de Souza Ferreira Filho and Mark Jonathan Horridge, "Economic Integration, Poverty and Regional Inequality in Brazil." *Revista Brasileira de Economia* 60, no. 4 (2006): 363–87. <https://doi.org/10.1590/s0034-71402006000400003>; Marcos Lima Marcelo Resende, "Banking and Regional Inequality in Brazil: An Empirical Note." *Brazilian Journal of Political Economy* 28, no. 4 (2008): 669–77. <https://doi.org/10.1590/S0101-31572008000400008>; Simone Affonso da Silva, "Regional Inequalities in Brazil: Divergent Readings on Their Origin and Public Policy Design." *EchoGéo*, 2023. <https://doi.org/10.4000/echogeo.15060>.

The coffee boom, especially, transformed the trajectory of the development of Brazilian states as profit from this sector allowed for accumulation of savings for capital investment, infrastructure development, and attracted immigration and accumulation of human capital.¹³⁷ São Paulo emerged as the leading industrial state and economic gravity shifted south. Between 1907 and 1939, the share of industrial production in the Northeast declined by 40 percent, while São Paulo's share alone almost tripled.

With the onset of import-substitution industrialization (ISI) as a development and growth strategy emerged in the 1930s, Brazil in general initially had great success with “sustained and rapid progress of steel, chemical and capital goods industries...combined with a ‘special institutional factor designed to increase supply of capital’ namely inflation, and even with the flowering of a ‘developmentalist’ ideology.”¹³⁸ This era of industrialization was based on import substitution supported by the creation of public companies for inputs and production plus the imposition of trade barriers to protect domestic producers.¹³⁹ Over 90 percent of consumer nondurables and durables were produced domestically by 1955.¹⁴⁰

In the early 1950s, the Brazilian government, under President Getúlio Vargas, created a national development bank (Banco Nacional de Desenvolvimento Economico), petroleum company (Petrobras), regional development banks, and power companies. The

¹³⁷ Werner Baer and Annibal Villela, “Industrial Growth and Industrialization: Revisions in the Stages of Brazil’s Economic Development,” *The Journal of Developing Areas* 7, no. 2 (1973): 217–34.

¹³⁸ Albert O. Hirschman, “The Political Economy of Import-Substituting Industrialization in Latin America,” *Quarterly Journal of Economics* 82, no. 1 (February 1, 1968): 1, <https://doi.org/10.2307/1882243>.

¹³⁹ Yoshinori Ōhara, “Brazilian Economic Development Since 1956: A Study on Policies Reflecting the Stages of Growth,” *The Developing Economies* 12, no. 2 (June 1, 1974): 133–54, <https://doi.org/10.1111/j.1746-1049.1974.tb00323.x>.

¹⁴⁰ Joel Bergsman, *Brazil: Industrialization and Trade Policies* (London, United Kingdom of Great Britain and Northern Ireland: Oxford University Press for the Development Centre of the OECD, 1970), 92.

Kubitschek administration followed and expanded, establishing national corporations in steel, electric power, and transportation sectors.¹⁴¹ These efforts culminated in rapid industrial growth – the share of manufacturing increased from 24 percent of Brazilian GDP in 1953 to 33 percent by 1965.¹⁴² Despite this structural shift, the distribution of labor was still skewed significantly toward the agricultural sector with 49 percent of the workforce in 1965 when agriculture made up only 19 percent of Brazil’s GDP.¹⁴³ In fact, in an evaluation of the impact of Brazil’s industrialization, Baer writes, “The percentage of the labor force employed in industry hardly changed between 1919 and 1960, while the share of industry in the GDP had grown to about 33 percent.”¹⁴⁴

The Brazilian Miracle to Debt Crisis

In April 1964, a military coup ousted President João Goulart, installing a military dictatorship until its collapse in 1985. Politically and socially- motivated repression ran rampant through the years of the military regime, led by five different military general-presidents, including detainment and torture of dissidents. The various presidents under the military regime pursued economic policies designed to promote infrastructure development and further industrialization.¹⁴⁵ During this era, Brazil experienced

¹⁴¹ Jeff Frieden, “Third World Indebted Industrialization: International Finance and State Capitalism in Mexico, Brazil, Algeria, and South Korea,” *International Organization* 35, no. 3 (January 1, 1981): 419, <https://doi.org/10.1017/s0020818300032525>.

¹⁴² Julio Ramundo, “A Practitioner’s Narrative of Brazil’s Industrialization and the Role of the Brazilian Development Bank,” in *Breaking the Oil Spell The Gulf Falcons’ Path to Diversification* (International Monetary Fund, 2016).

Werner Baer, Manuel Da Fonseca, and Joaquim Guilhoto, “Structural Changes in Brazil’s Industrial Economy, 1960-80,” *World Development* 15, no. 2 (1986): 276.

¹⁴³ Werner Baer, Manuel Da Fonseca, and Joaquim Guilhoto, “Structural Changes in Brazil’s Industrial Economy, 1960-80,” *World Development* 15, no. 2 (1986): 276–77.

¹⁴⁴ Werner Baer, “Evaluating the Impact of Brazil’s Industrialization,” *Luso-Brazilian Review* 15, no. 2 (1977): 179.

¹⁴⁵ Bruno Bocchini, Iolando Lourenço, and Paulo Virgilio, “Brazil’s Economic Miracle, Social Exclusion and State Violence,” Agência Brasil, April 1, 2014,

significant economic growth as a result of the economic policies implemented by the military regime. This period quickly became referred to as the “Brazilian miracle” and was considered a model for transforming an economy from an agrarian stage to an emerging industrial power.¹⁴⁶

While this rapid growth took place, the consequences of the Brazilian miracle included increased income inequality between rich and poor, rural and urban populations, education levels, and age; plus increases in real wages were dramatically outpaced by output per worker – in addition to the political repression and state violence carried out by the regime.¹⁴⁷ The top two deciles of the population of Brazil saw their share of income increase between 1960 to 1970, while the rest saw their share of income either remain the same or decline.¹⁴⁸ Additionally, there was hardly any change in absolute poverty levels despite the substantial economic growth, underscoring the limitations of this period on improving the lives of the poorest across Brazil.¹⁴⁹ This trend continued through until the 1990s. In the Northeast, the effects were magnified: in 1960, 40.8 percent of poor households in Brazil were in the Northeast, and by 1970, that figure grew to 48.1 percent, indicating a trend of concentrating poverty in this region. All in all, as described by Peter

<https://agenciabrasil.ebc.com.br/en/politica/noticia/2014-03/brazilian-economic-miracle-social-exclusion-and-state-violence>.

¹⁴⁶ Peter T. Kilborn, “Brazil’s Economic ‘Miracle’ and Its Collapse,” *The New York Times*, November 26, 1983, <https://www.nytimes.com/1983/11/26/business/brazil-s-economic-miracle-and-its-collapse.html>.

¹⁴⁷ Albert Fishlow, “Brazil’s Economic Miracle,” *The World Today* 29, no. 11 (November 1973): 474–81. Albert Fishlow, “Some Reflections on Post-1964 Brazilian Economic Policy,” in *Authoritarian Brazil: Origins, Policies, and Future*, ed. Alfred Stepan (New Haven, Connecticut, United States of America: Yale University Press, 1973).

¹⁴⁸ M. Louise Fox, “Income Distribution in Post-1964 Brazil: New Results,” *The Journal of Economic History* 43, no. 1 (March 1, 1983): 264–65, <https://doi.org/10.1017/s0022050700029259>.

¹⁴⁹ M. Louise Fox, “Income Distribution in Post-1964 Brazil: New Results,” *The Journal of Economic History* 43, no. 1 (March 1, 1983): 266, <https://doi.org/10.1017/s0022050700029259>.

Kingstone, the Brazilian miracle was “short-lived, culminating in a much longer period of debt, inflation, and declining wealth and welfare.”¹⁵⁰

The ISI development strategy and Brazilian miracle was a model of “indebted industrialization” as the state drove industrialization capitalized by accumulated debt to private financial institutions.¹⁵¹ The economic turbulence of the 1970s, spurred by the 1973 and 1979 oil crises, inflation, and the collapse of the Bretton Woods system, shifted the economic playing field and, by 1980, the trends of the previous decades were reversed. To combat inflation and manage a new floating currency exchange environment, central banks of industrialized countries raised interest rates, setting off the debt crisis as developing countries were unable to afford debts accrued. Developing countries, Brazil included, faced higher interest rates and lower export earnings. According to Valença, “debt repayment capacity and their ability to introduce structural adjustments to respond to the crisis were limited by unfavorable and worsening terms of trade.”¹⁵² The result was deep recession throughout Latin America as governments implemented structural adjustments to eliminate budget deficits, contributing to high levels of unemployment, declines in per capita income, and negative growth.¹⁵³ Domestically, Brazilians acknowledged the negative impact of external factors (rise in oil prices, rising interest rates, and loans) that caused the massive economic downturn, but also expressed frustration with the military regime and technocrats for having accepted the massive loans. According to a *New York Times* article from 1983,

¹⁵⁰ Peter Kingstone, “The Brazilian Miracle and Its Limits,” Paper prepared for presentation at the Conference on BRICs, Tower Center, SMU, March 29, 2012.

¹⁵¹ Jeff Frieden, “Third World Indebted Industrialization: International Finance and State Capitalism in Mexico, Brazil, Algeria, and South Korea,” *International Organization* 35, no. 3 (January 1, 1981): 408, <https://doi.org/10.1017/s0020818300032525>.

¹⁵² Márcio Moraes Valença, “The Lost Decade and the Brazilian Government’s Response in the 1990s,” *The Journal of Developing Areas* 33, no. 1 (1998): 6–7.

¹⁵³ Jocelyn Sims and Jessie Romero, “Latin American Debt Crisis of the 1980s,” Federal Reserve History, n.d., <https://www.federalreservehistory.org/essays/latin-american-debt-crisis>.

the reversal of the Brazilian miracle became a constant target in news reports and cartoons: one joke in particular underscoring the frustration with national planning: “There’s a drought in the northeast, and there’s flooding in the south so the technocrats decided that, on average, everything is fine.”¹⁵⁴ In this turbulent period for the global economy, Brazil experienced its worst year-over-year declines in GDP per capita in the 1980s and GDP only grew at an average annual rate of less than 0.5 percent from 1986 to 1992.

The 1990s: Hyperinflation and the Washington Consensus

After convergence never materialized from the policies implemented in 1950s and then the economic crisis of the 1970s followed by debt crisis in the 1980s, international institutions responded with the rise of neoliberalism and the introduction of the Washington Consensus. Identified as a concept in 1990 by John Williamson, the Washington Consensus was a set of ten policy prescriptions: (1) fiscal discipline; (2) redirection of public spending towards sectors with high economic returns; (3) tax reform; (4) interest rate liberalization; (5) competitive exchange rate; (6) trade liberalization; (7) FDI inflow liberalization; (8) privatization; (9) deregulation; and (10) property rights.¹⁵⁵ Through the years of the Washington Consensus, multilateral institutions, particularly the IMF, mandated structural adjustment programs for developing economics seeking assistance.¹⁵⁶

¹⁵⁴ Peter T. Kilborn, “Brazil’s Economic ‘Miracle’ and Its Collapse,” *The New York Times*, November 26, 1983, <https://www.nytimes.com/1983/11/26/business/brazil-s-economic-miracle-and-its-collapse.html>.

¹⁵⁵ John Williamson, “What Washington Means by Policy Reform,” in *Latin American Adjustment: How Much Has Happened?*, ed. John Williamson (Washington DC, United States of America: Institute for International Economics, 1990); John Williamson, “What Should the World Bank Think about the Washington Consensus?,” *World Bank Research Observer* 15, no. 2 (August 1, 2000): 252–53, <https://doi.org/10.1093/wbro/15.2.251>.

¹⁵⁶ John Williamson, “What Washington Means by Policy Reform,” in *Latin American Adjustment: How Much Has Happened?*, ed. John Williamson (Washington DC, United States of America: Institute for International Economics, 1990).

The neoliberal reforms brought little sustained relief to those in poverty, and particularly extreme poverty.¹⁵⁷ The expectation was that the reforms would provide macroeconomic stability and spur economic growth via trade liberalization, foreign direct investment, and privatization.¹⁵⁸ Rather, the fiscal discipline, privatization, increased economic openness, and deregulation brought increased inequality while poverty remained fairly stagnant throughout the 1990s in the case of Brazil. In practice throughout the 1990s, the Washington Consensus called for severe austerity measures that negatively and directly impacted government spending in developing countries on social programs, education, and other programs that would in theory contribute to human development.

In his article critiquing the Washington Consensus, Dani Rodrik commented on the “surprises of the 1990s.” Among the many observations, Rodrik writes that the any success of the Washington Consensus in Latin America was short-lived: “The 1990s as a whole saw less growth in Latin America in per capita GDP than in 1950–80, despite the dismantling of the state-led, populist, and protectionist policy regimes of the region.”¹⁵⁹ While absolute numbers of poverty did decline, the largest share of those declines came in China and India where the liberalization encouraged by the Washington Consensus was not implemented as designed, but instead with more state directed development. In the case of Brazil, in particular, the trend noted by Rodrik was the same: “Income per capita, which was growing at a brisk pace between the 1950s and 1970s, collapsed in the 1980s; the

¹⁵⁷ Guillermo Ortiz, “Latin America and The Washington Consensus: Overcoming Reform Fatigue,” *Finance & Development* 40, no. 3 (2003).

¹⁵⁸ Ilan Goldfajn, Lorenza Martínez, and Rodrigo Valdés, “Washington Consensus in Latin America: From Raw Model to Straw Man,” *Journal of Economic Perspectives* 35, no. 3 (August 1, 2021): 110, <https://doi.org/10.1257/jep.35.3.109>.

¹⁵⁹ Dani Rodrik, “Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank’s *Economic Growth in the 1990s: Learning from a Decade of Reform*,” *Journal of Economic Literature* 44, no. 4 (November 1, 2006): 976, <https://doi.org/10.1257/jel.44.4.973>.

recovery of the 1990s was very modest, and in the early years of the new millennium, notwithstanding the great gains in exports, annual per capita income growth was small.”¹⁶⁰

Brazil was one of many countries in the developing world that implemented the policy prescriptions of the Washington Consensus, though there is debate over the degree and extent of implementation, and certainly Brazil was considered a latecomer to neoliberal policy adaptations. After the end of the military regime in 1985, the first civilian administration, led by President Jose Sarney, faced the challenges of debt and inflation crises in addition to rebuilding democratic institutions. Under the Sarney administration, the Cruzado, Bresser, and Summer plans were Implemented as economic stabilization plans, centered on wage, price and exchange-rate freezes plus fiscal and monetary reforms.¹⁶¹ The military regime had introduced stabilization plans based on orthodox measures, but after their failures to materialize, the Sarney administration turned to heterodox measures in its efforts to stabilize the economy. The plans were initially designed based on the assumption that Brazil’s inflation experience was the result “inflation inertia,” requiring mechanisms to conquer the inertia and erase the “inflationary memory.”¹⁶² After some initial success tempering inflation, the Cruzado Plan fell short and inflation climbed again by later 1986 and into early 1987.

¹⁶⁰ Luiz Carlos Bresser-Pereira, *Developing Brazil*, Lynne Rienner Publishers eBooks (Boulder, CO, United States of America: Lynne Rienner Publishers, 2009), 30, <https://doi.org/10.1515/9781626371323>.

¹⁶¹ Nader Nazmi, “Inflation and Stabilization: Recent Brazilian Experience in Perspective,” *The Journal of Developing Areas* 29, no. 4 (July 1995): 491.

¹⁶² Joao Ayres, Marcio Garcia, Diogo Guillen, and Patrick Kehoe, “The Case of Brazil,” in *A Monetary and Fiscal History of Latin America, 1960-2017*, eds. Timothy Kehoe and Juan Pablo Nicolini, Minneapolis, MN: University of Minnesota, 2021, <https://manifesto.bfi.uchicago.edu/read/a-monetary-and-fiscal-history-of-latin-america-1960-2017/section/d4817b3c-0597-4889-b60a-2b319b725b25>; Nader Nazmi, “Inflation and Stabilization: Recent Brazilian Experience in Perspective,” *The Journal of Developing Areas* 29, no. 4 (July 1995): 492.

Sarney's second Minister of Finance, Dilson Funaro, adopted a hard-liner approach, suspending interest payments on Brazil's foreign debt in February 1987 and pledging to renegotiate foreign debts without IMF conditionalities.¹⁶³ When announcing the suspension of interest payments, President Sarney stated Brazil wanted to "negotiate a formula to meet our obligations without compromising our development, a formula that avoids the political instability that will inevitably follow a new recession, unemployment or social crisis."¹⁶⁴ Shortly after, in July 1987, the Bresser Plan was implemented under a new Finance Minister, Luiz Carlos Bresser-Pereira. This stabilization plan also addressed inflation inertia and fiscal and monetary policies, seeking only to lower inflation to manageable levels rather than eliminating entirely as intended by its predecessor. The Sarney administration's last attempt to curb inflation and restore economic stability came in the Summer Plan, which ultimately failed as the proposed reforms failed to garner the political support needed to be enacted.

Brazil's move toward neoliberal economic recommendations (i.e. Washington Consensus policy prescriptions) followed later than many of its Latin American peers, emerging in 1990 under the presidency of Fernando Collor de Mello.¹⁶⁵ His administration introduced the New Brazil Plan designed to stabilize the economy, but the plan largely failed due to political challenges and the tremendous inflationary pressure in his brief tenure. Despite negotiating terms for a stand-by arrangement with the IMF, one of two

¹⁶³ Glenn Fowler, "Dilson Funaro, 55, Brazil Aide," *The New York Times*, April 14, 1989, <https://www.nytimes.com/1989/04/14/obituaries/dilson-funaro-55-brazil-aide.html>.

¹⁶⁴ Alan Riding, "Brazil to Suspend Interest Payment to Foreign Banks," *The New York Times*, February 21, 1987, <https://www.nytimes.com/1987/02/21/business/brazil-to-suspend-interest-payment-to-foreign-banks.html>.

¹⁶⁵ Susan Cunningham, "Made in Brazil: Cardoso's Critical Path from Dependency via Neoliberal Options and the Third Way in the 1990s," *European Review of Latin American and Caribbean Studies* 67 (December 1999): 75–76.

required steps for debt relief, the Collor administration was not able to reach an agreement for commercial bank creditors under the Brady Plan.¹⁶⁶ A second attempt at negotiations was nearly successful in 1992, but ultimately collapsed in Summer 1992 as a result of economic and political turbulence. In December 1992, Collor resigned amid a political scandal, resulting in his vice president Itamar Franco succeeding him in office.

Plagued by hyperinflation, in May 1993, now President Itamar Franco appointed Fernando Henrique Cardoso as the Minister of Finance. Under Cardoso's leadership, the Ministry of Finance and Brazilian Central Bank (BCB) created and implemented a macroeconomic stabilization plan known as the "Plano Real" in 1993. From 1985 to 1993, the Brazilian government struggled to stabilize the inflationary spirals that accompanied the debt crisis and subsequent economic downturn. Through previous administration, six successive stabilization plans failed to provide any substantial economic relief. The Plano Real, however, was considered a major milestone and achievement in finally alleviating the economic pressures of the era. In his memoir, *The Accidental President*, Cardoso described that the policy prescription offered by the IMF, for the government to reduce its spending, was necessary to combat inflation, but nonetheless flawed because it failed to account for the "sheer magnitude" of the spending problem.¹⁶⁷ Cardoso writes, "Even if Brazil's Congress has been willing to tolerate enormous spending cuts (and it most

¹⁶⁶ JM Boughton, "Five Fat Years: Recovery from the Debt Crisis, 1990-94," in *Tearing Down Walls: The International Monetary Fund 1990-1999* (United States of America: International Monetary Fund, 2012), 421–22.

¹⁶⁷ Fernando Henrique Cardoso, *The Accidental President of Brazil: A Memoir* (PublicAffairs, 2007), 180.

decidedly was not), we couldn't slash a fourth of the budget without having the government fall apart the very next day.”¹⁶⁸

The Plano Real included fiscal adjustments, the transitional Unidad Real de Valor (URV), and ultimately the launch of a new currency, the Brazilian real. As part of the fiscal adjustments under the Plano Real, Cardoso proposed the Program of Immediate Action, which included “a series of emergency measures, including cutting back the 1993 budget by US\$ 6 billion, attacking tax evasion, quickening the privatization program, recovering US\$ 40 billion owed to the federal government by state governments and bringing state banks under tighter control to prevent them printing money.”¹⁶⁹ Additional fiscal adjustments included a 5 percent tax increase, a new (and temporary) Social Emergency Fund to support fiscal adjustments in health, education, and social service spending, and cuts in spending on government investments personnel and state companies.

The second phase of Plano Real was designed to tackle the inflationary inertia and price stability.¹⁷⁰ The URV was a transitional parallel “currency” to the cruzeiro real, employed as a unit of account, and was designed to “break the inflationary inertia.”¹⁷¹ Through June 1994, cruzeiro reais remained the legal tender for payment, but prices were quoted both in URVs and cruzeiro reais. In July 1994, the Brazilian Real (BRL) officially launched replacing the cruzeiro and URV, paving the way for finally achieving long-term

¹⁶⁸ Fernando Henrique Cardoso, *The Accidental President of Brazil: A Memoir* (PublicAffairs, 2007), 180–81.

¹⁶⁹ Peter Flynn, “Brazil: The Politics of the ‘Plano Real,’” *Third World Quarterly* 17, no. 3 (September 1, 1996): 402–3, <https://doi.org/10.1080/01436599615434>.

¹⁷⁰ José Roberto Rodrigues Afonso, Eliane Araújo, and Bernardo De Abreu Guelber Fajardo, “The Role of Fiscal and Monetary Policies in the Brazilian Economy: Understanding Recent Institutional Reforms and Economic Changes,” *The Quarterly Review of Economics and Finance* 62 (November 1, 2016): 45, <https://doi.org/10.1016/j.qref.2016.07.005>.

¹⁷¹ Banco Central do Brasil, “The Real Plan,” n.d., <https://www.bcb.gov.br/en/monetarypolicy/realplan>.

price stability.¹⁷² According to the Brazilian Central Bank's website, the Plano Real generated a fast disinflation process with the Extended National Consumer Price Index (IPCA) annual inflation declining from 4,922 percent in June 1994 to 914 percent in December 1994.¹⁷³ The following year, the annual inflation rate dropped to 22 percent.

Alongside the introduction of the Plano Real, the Franco administration also began to sign agreements to restructure its debts. It was not until late 1993 that Brazil began signing agreements for its foreign debts – first the Brady plan in November 1993 and then its IMF arrangements in early 1994. At the time, Brazil held the largest foreign debt of all developing countries at about \$120 billion and was the last of the major Latin American countries to formalize debt repayment agreements.¹⁷⁴

In an assessment of Washington Consensus policy adoption, Goldfajn, Martinez, and Valdes argue that Brazil did not have uniform adoption levels across the key cross-sections of neoliberal economic policy. According to their analysis, Brazil had the lowest adoption levels of fiscal discipline and trade liberalization and the highest adoption levels in the areas of interest rates, competitive foreign exchange rates, and foreign direct investment. While Brazil implemented some free-market oriented policies, Cardoso acknowledged that Brazil refused to “follow the prescription...to the letter” in an effort to make the transition to globalization “significantly less traumatic.”¹⁷⁵ It is this balance that

¹⁷² “Lançado há 20 anos, Plano Real acabou com a hiperinflação - TV Câmara,” Portal Da Câmara Dos Deputados, July 1, 2014, <https://www.camara.leg.br/tv/437249-lancado-ha-20-anos-plano-real-acabou-com-a-hiperinflacao/>.

¹⁷³ Banco Central do Brasil, “The Real Plan,” n.d., <https://www.bcb.gov.br/en/monetarypolicy/realplan>.

¹⁷⁴ The Associated Press, “Brazil Starts Signing Agreements on Debt,” *The New York Times*, November 30, 1993, <https://www.nytimes.com/1993/11/30/business/brazil-starts-signing-agreements-on-debt.html>.

¹⁷⁵ Fernando Henrique Cardoso, *The Accidental President of Brazil: A Memoir* (PublicAffairs, 2007), 234–35.

underscores Cardoso's reputation for implementing liberal, market-based policies coupled with antipoverty policies.¹⁷⁶ Regardless of the degree of adoption and how much the government tried to soften the blow, the Brazilian economy underwent a significant reorganization and restructuring based on neoliberal principles of trade liberalization, privatization, and deregulation.

After a successful tenure as Finance Ministry, Fernando Henrique Cardoso, from the Brazilian Social Democracy Party (PSDB), was elected president of Brazil for two terms, serving from January 1995 to January 2003. During his two terms, Cardoso prioritized continued with reforms to stabilize the Brazilian economy, particularly price stability and inflation, as well as various social programs. In 1994, the PSDB won only the presidency and the alliance forged before the elections between the PSDB, the Liberal Front Party (PFL) and Brazilian Labor Party (PTB) only won a combined 36 percent of seats in the Chamber of Deputies and Senate.¹⁷⁷ Deemed by some as the "ideal consensus candidate," Cardoso navigated a fractured and fragmented political environment to implement many of these reforms.¹⁷⁸

Under Cardoso's presidency, a series of social programs were also created in an effort to support poverty alleviation, forge a more sustainable growth pattern, and as a means of building political consensus and leverage. The first program introduced by Cardoso was Comunidade Solidária, which established investment and coordination

¹⁷⁶ James F. Hoge and President Cardoso, "Fulfilling Brazil's Promise: A Conversation with President Cardoso," *Foreign Affairs* 74, no. 4 (January 1, 1995): 62, <https://doi.org/10.2307/20047208>.

¹⁷⁷ Yonca Özdemir, "Political Conditions for Successful Inflation Stabilization: Comparing Brazil and Argentina," *Revista Brasileira De Politica Internacional* 58, no. 1 (June 1, 2015): 63–83, <https://doi.org/10.1590/0034-7329201500104>.

¹⁷⁸ Peter Flynn, "Brazil: The Politics of the 'Plano Real,'" *Third World Quarterly* 17, no. 3 (September 1, 1996): 406, <https://doi.org/10.1080/01436599615434>.

between the government and civil society in the priority areas of food and nutrition, rural and urban development, employment and income, and protection of rights.¹⁷⁹ The program, headed by Ruth Cardoso, was designed to be “a new instrument for political dialogue and promotion of partnerships between State and society for fighting poverty and exclusion by means of innovative initiatives of social development” and was based on the idea of connecting the actions of the government and civil society.¹⁸⁰ Additionally, the program was intended to focus efforts on the poorest in the country, naturally shifting its focus to the Northeast region.

In addition to nurturing partnerships between government and civil society, the Cardoso administration prioritized primary education and health services to tackle the issue of poverty. While education is the constitutional responsibility of the states and municipalities, the federal government does provide revenue. During the 1990s, the Ministry of Education reformed the process of transferring federal revenue, opting to send payments directly to schools rather than via the state or local governments. In addition, the Ministry of Education also developed national education standards during this period, including a national evaluation system for educational progress and achievement.¹⁸¹ The 1988 Constitution established the Brazilian Unified Health System (SUS) with the intent

¹⁷⁹ Catálogo, “Catálogo - Programa Comunidade Solidária,” January 12, 1995, <https://catalogo.ipea.gov.br/politica/85/programa-comunidade-solidaria>.

¹⁸⁰ Simone De Castro Tavares Coelho, “Principles and Conceptions of the Comunidade Solidária (Solidarity Community) Program,” *Columbia University*, January 1, 2009, <https://doi.org/10.7916/d89w0n6b>; Ruth Cardoso and Geeti Sen, “Solidarity through Participation,” *India International Centre Quarterly* 31, no. 2/3 (2004): 135; “Ruth Cardoso, the Former First Lady of Brazil Died in São Paulo on Tuesday, June 24.,” Wilson Center, June 24, 2008, <https://www.wilsoncenter.org/article/ruth-cardoso-the-former-first-lady-brazil-died-sao-paulo-tuesday-june-24>.

¹⁸¹ Simon Schwartzman, “Social Policies in the Cardoso Administration,” Presentation, *Woodrow Wilson International Center* (Washington DC, United States of America, February 1997), <https://www.schwartzman.org.br/simon/cardoso.htm>.

to provide universal access to health services as a right, equality of access, and integrated and continuous care.¹⁸² In the early 1990s, striving toward those goals, the Ministry of Health sought to implement the norms and rules of the organization, financing, and operation of the SUS. Similar to the reforms in education, the Ministry of Health worked on systems to disburse federal funds to the local levels, and then later shifted its efforts towards the promotion of primary and preventative care.

In a 1995 interview with *Foreign Affairs*, Cardoso explained that improvements in education and health were critical but would not materialize overnight, and thus, the government needed to continue its efforts to manage inflation and promote economic growth. He said, “It is important to place immediate and sustained attention on expanding economic growth and containing inflation – which is the cruelest tax on the poor. This approach automatically produces some favorable results in alleviating poverty. Then, second, the kind of social programs I have described are necessary because we cannot expect the market to solve the problem of poverty. The market solves problems for people already integrated into the economic order.”¹⁸³

After the neoliberal economic and social reforms of the 1990s, especially the Plano Real, the Brazilian economy began to experience positive, though modest, economic growth. After the initial stabilization in the early 1990s, Brazil faced another economic challenge during this decade, a brief recession triggered by the 1997 Asian financial crisis.

¹⁸² Michele Gagnolati, Magnus Lindelöw, and Bernard F. Couttolenc, *Twenty Years of Health System Reform in Brazil*, *The World Bank eBooks* (The World Bank, 2013), 16–17, <https://doi.org/10.1596/978-0-8213-9843-2>.

¹⁸³ James F. Hoge and President Cardoso, “Fulfilling Brazil’s Promise: A Conversation with President Cardoso,” *Foreign Affairs* 74, no. 4 (January 1, 1995): 62, <https://doi.org/10.2307/20047208>.

In an article for the IMF's *Finance & Development*, the Governor of the Central Bank of Brazil recounted the Cardoso administration's response:

“ In March 1999, we announced (1) that our goal was to bring inflation down to a single-digit annualized rate by the last quarter of 1999 and (2) that we would have the full inflation-targeting system in place by the end of June. The year-end target served as a temporary anchor, which contributed to the effort to contain the panic.

The good news at that point was that, in the six months before the crisis, a remarkable turnaround in fiscal policy had taken place. Between October and February, quite a few policy changes had been implemented in Brazil. The path was not smooth; some important measures were defeated in congress and had to be reintroduced later. But, in the end, Brazil succeeded in moving from a primary deficit of 1 percent of GDP in 1997 to a running surplus of 3 percent of GDP in late 1998 and into 1999. That was key. Without a primary surplus, concerns about the future path of the debt-to-GDP ratio would have continued to grow.”¹⁸⁴

Overall, in the 1990s, Brazil achieved price stability in the form of single-digit annual inflation rates, a welcome relief after annual inflation rates exceeding 300 percent each year from 1986 to 1993, and nearly 2500 percent in 1993.¹⁸⁵ Privatization, which accelerated in the mid-1990s, and trade liberalization, especially the regional trade bloc known as Mercosul, drove a massive increase in foreign direct investment – from US\$ 2 billion annually in the early 1990s to over US\$ 30 billion annually by 2000.¹⁸⁶ Despite these major economic shifts, however, the gains in the 1990s fell short of the 1980s, experiencing only 1.82 percent average annual growth compared to 3.03 percent during

¹⁸⁴ Arminio Fraga, “Monetary Policy During the Transition to a Floating Exchange Rate: Brazil's Recent Experience,” *Finance & Development* 37, no. 1 (March 2000), <https://www.imf.org/external/pubs/ft/fandd/2000/03/fraga.htm#author>.

¹⁸⁵ Eduardo Bastian and Numa Mazat, “Economic Growth in Brazil under the Presidency of Fernando Henrique Cardoso (1995-2002): A Heterodox Perspective,” *Sociedade Brasileira De Economia Política*, n.d., https://enep.sep.org.br/uploads/2064_1647036211_Identificado_Economic_growth_FHC_SEP_2022_pdf_ide.pdf.

¹⁸⁶ Edmund Amann and Werner Baer, “Neoliberalism and Its Consequences in Brazil,” *Journal of Latin American Studies* 34, no. 4 (November 1, 2002): 948–49, <https://doi.org/10.1017/s0022216x02006612>.

“the so-called ‘lost decade.’”¹⁸⁷ Although the 1993-1995 period looked promising in terms of growth, many attribute those years to the “consumption boom” that accompanied the price stabilization.¹⁸⁸

Table 4.1 GDP Growth Rate and GDP per Capita in Brazil

Year	Real GDP Growth Rate	GDP per Capita (Current US\$)
1990	-4.30%	\$3,085.40
1991	1%	\$2,659.05
1992	-0.50%	\$2,505.23
1993	4.90%	\$2,766.33
1994	5.90%	\$3,393.14
1995	4.20%	\$4,704.96
1996	2.70%	\$5,121.91
1997	3.30%	\$5,240.13
1998	0.20%	\$5,049.77
1999	0.80%	\$3,456.42
2000	4.50%	\$3,726.81

Source: IBGE and World Bank Data

Efforts in the 1990s also did little to address issues of income inequality in Brazil as a whole. During this period of economic growth, Brazil remained one of the most unequal countries in the most unequal region in the world. While the macroeconomic stabilization yielded benefits for all segments of the population, stabilization and growth alone did not translate to substantive changes in the distribution of income.¹⁸⁹ The below table illustrates the persistence of income inequality from 1993 to 1999 and shows that economic growth did not fully materialize for the poorest in Brazilian society. Moreover, research shows that high inequality can have negative effects on growth, health outcomes,

¹⁸⁷ Edmund Amann and Werner Baer, “Neoliberalism and Its Consequences in Brazil,” *Journal of Latin American Studies* 34, no. 4 (November 1, 2002): 950, <https://doi.org/10.1017/s0022216x02006612>.

¹⁸⁸ Edmund Amann and Werner Baer, “The Illusion of Stability: The Brazilian Economy under Cardoso,” *World Development* 28, no. 10 (October 1, 2000): 1814, [https://doi.org/10.1016/s0305-750x\(00\)00058-9](https://doi.org/10.1016/s0305-750x(00)00058-9).

¹⁸⁹ Benedict Clements, “Development Focus: The Real Plan, Poverty, and Income Distribution in Brazil,” *Finance & Development* 34, no. 3 (1997): 46.

and social mobility, plus increases crime and undermines social cohesion.¹⁹⁰ In the case of Brazil, a World Bank report identified three primary reasons of income inequality: (1) regressive public transfers in the form of retirement pensions to government employees constituting the highest share of federal social spending; (2) unequal distribution of education; and (3) wage differentials by labor skill levels.¹⁹¹

Figure 4.1 Income Inequality in Brazil



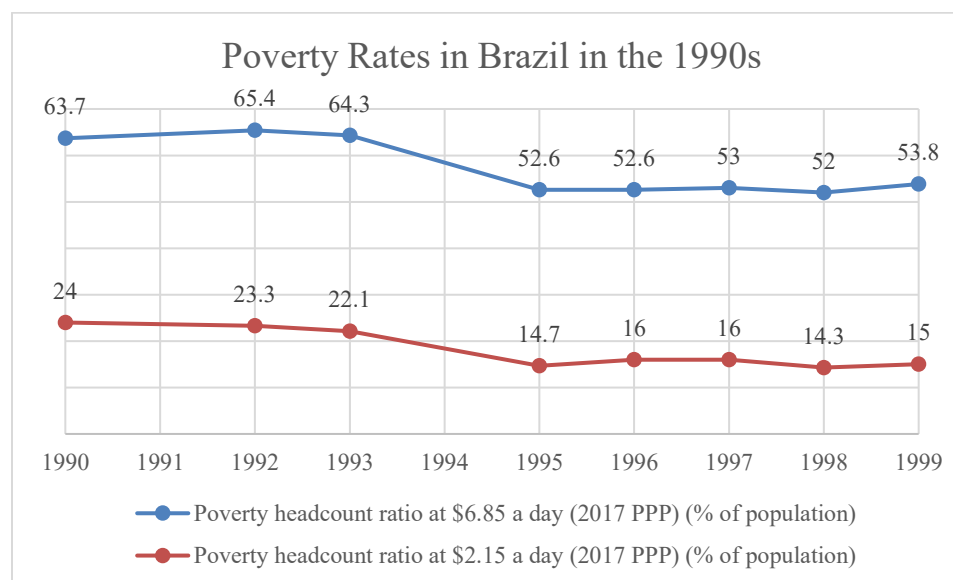
Source: World Bank Data

Similarly, poverty rates did decline in Brazil as did the absolute numbers of people living at or below the poverty line. However, after the steep decline in poverty and extreme poverty in the early stabilization years of 1990-1994, poverty rates remained relatively stagnant across the rest of the decade as illustrated in the chart below.

¹⁹⁰ Dani Rodrik, “Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses,” *Journal of Economic Growth* 4, no. 4 (January 1, 1999): 385–412, <https://doi.org/10.1023/a:1009863208706>; Andrew Berg and Jonathan Ostry, “Equality and Efficiency,” *Finance & Development* 48, no. 3 (September 2011): 15.

¹⁹¹ C.A. Vélaz et al., *Inequality and Economic Development in Brazil, World Bank Country Study*, 2004, xvii, <https://doi.org/10.1596/0-8213-5880-4>.

Figure 4.2 Poverty Rates in Brazil



Source: World Bank Data

Although a helpful reference, this poverty rate is an income-based measure of poverty that fails to account for other factors of human development and poverty alleviation. Expanding beyond the narrow income-based measure, the Human Development Index also reveals interesting insights about the economic and development experience of Brazil in the 1990s. In 1990, the Human Development Index for Brazil measured 0.610, ranking Brazil 75th among the countries in the world. By 2000, HDI had improved to 0.679, but Brazil fell to 81st place, indicating a relative decline when compared to the rest of the world. Thus, despite efforts and some relief provided by the macroeconomic stabilization and the social policies of the Cardoso administration, poverty alleviation and human development outcomes remained relatively stagnant.

One of the results of the economic pressure of the early 1990s was a decentralization of public expenditures. The 1988 Constitution set the stage for

decentralization (federalism), outlining the direct responsibilities of the federal government as well as the state and municipal units. The Constitution, however, also directed concurrent power and responsibilities for federal, state, and municipal levels of government to “fight the causes of poverty and the factors leading to substandard living conditions, promoting the social integration of the unprivileged sectors of the population”, including the provision of health, education, and other social services.¹⁹² Ambiguity remained on exact details of shared responsibilities. An assessment of state expenditures in the 1990s revealed spending is concentrated on administration, education, social assistance, and health; while municipal spending centered on administration, housing, primary education, health, and public transportation services.¹⁹³ One of the primary challenges in this approach is the disparity in regional revenues and incomes, contributing to the disparities in human development and other social indicators across the country. As further presented by Ter-Minassian in an edited volume for the IMF, 71 percent of state and local government spending is done by just 8 of 26 states and 1 federal district, all of which are concentrated in the South and Southeast regions.¹⁹⁴

Turn of the 21st century: Inclusive Growth Strategies, Conditional Cash Transfers, and Lula

While neoliberal reforms may have fallen short of expectations, several scholars argue that the macroeconomic stabilization from the Plano Real provided a foundation for what

¹⁹² Federal Supreme Court, “Constitution of the Federative Republic of Brazil,” October 5, 1988, https://www.stf.jus.br/arquivo/cms/legislacaoConstituicao/anexo/brazil_federal_constitution.pdf.

¹⁹³ Teresa Ter-Minassian, *Fiscal Federalism in Theory and Practice* (United States of America: International Monetary Fund, 1997), 442–43, <https://doi.org/10.5089/9781557756633.071>.

¹⁹⁴ Teres Ter-Minassian, *Fiscal Federalism in Theory and Practice* (United States of America: International Monetary Fund, 1997), 442–43, <https://doi.org/10.5089/9781557756633.071>.

turned out to be a transformative period of socially inclusive growth as Brazil entered the 21st century. The stability allowed for greater regulation over decentralized spending, increased credibility of the national government, and “reduced the ‘uncertainty factor’ that previously made national social policy planning and its implementation so difficult.”¹⁹⁵ This resulted in the “fiscal space needed to launch innovative social policies,” like the eventual Bolsa Familia.¹⁹⁶

After the failure of the Washington Consensus, the international community embraced a post-Washington Consensus that understood that growth and neoliberal policies could not alone address development, but that instead a broader approach was necessary with a stronger emphasis on poverty alleviation, stronger partnerships, and increasing ownership as evidenced by the Millennium Development Goals (MDGs) and the later Sustainable Development Goals (SDGs). These initiatives represented a shift to micro, context specific approaches that were more inclusive of the poor themselves. Within that context and in response to its own development path, Brazil launched a number of new initiatives under the final years of the Cardoso administration and, later, under the newly elected President Luiz Inácio Lula da Silva from the Workers’ Party (PT.)

In 2001, the Brazilian government launched the first national conditional cash transfer program, Bolsa Escola in an effort to “address the short-term negative effects of the sudden currency devaluation” caused the economic crisis in the late 1990s.¹⁹⁷ Under

¹⁹⁵ Tracy Beck Fenwick, *Avoiding Governors: Federalism, Democracy, and Poverty Alleviation in Brazil and Argentina* (Indiana, United States of America: University of Notre Dame, 2016), 65.

¹⁹⁶ Edmund Amann and Armando Barrientos, “Introduction – Is There a Brazilian Development ‘Model’?,” *The Quarterly Review of Economics and Finance* 62 (November 1, 2016): 7–11, <https://doi.org/10.1016/j.qref.2016.07.013>.

¹⁹⁷ Tracy Beck Fenwick, *Avoiding Governors: Federalism, Democracy, and Poverty Alleviation in Brazil and Argentina* (Indiana, United States of America: University of Notre Dame, 2016), 63.

the Bolsa Escola program, families could receive a cash transfer benefit of 15 reais per child, up to 45 reais, in exchange for school attendance. By December 2002, there were over 5.1 million beneficiaries of Bolsa Escola. It soon became clear, however, that this program could not broadly address poverty because it only provided support to families with school-age children. To expand its efforts in poverty alleviation, the Cardoso administration created two more conditional cash transfer programs: Bolsa Alimentação and Auxílio Gás in 2001 and 2002, respectively. Under the Bolsa Alimentação program, run by the Ministry of Health, a cash transfer was provided to assist with basic food items for pregnant and lactating mothers or families with children 6 months to 6 years of age based on the conditions of regular prenatal care, vaccinations, and health education.¹⁹⁸ Auxílio Gás provided a monthly cash benefit to low-income families of approximately R\$ 7.50 to purchase gas for cooking and required beneficiaries to be enrolled in the Bolsa Escola program at the time. From their onset, these programs faced significant challenges in implementation, particularly issues of coordination among three ministries, bureaucratic conflict, and an overlap in target populations.

After serving two terms, the Cardoso administration came to an end in January 2003 when Luiz Inácio Lula da Silva was inaugurated. The change from Cardoso to Lula marked a shift in political parties in power – exchanging the presidency from the PSDB to the Workers’ Party (PT) – as José Serra of the PSDB lost after receiving only 38.7 percent of the runoff vote compared to Lula’s 61.2 percent. The 2002 election took place as Brazil continued its recovery from the 1998-1999 financial crisis, and the election of Lula

¹⁹⁸ Ministry of Health, “Bolsa Alimentação,” 2002, https://bvsmms.saude.gov.br/bvs/publicacoes/alimenta_saudavel.pdf.

signified frustration over the “the inefficacy of neoliberal economic policies in promoting growth and employment” and “a profound desire for change in a Brazilian society exhausted by more than a decade of neoliberal experiments.”¹⁹⁹ In his “Letter to the Brazilian People” before the 2002 election, Lula commented on the disappointing results of the “current model,” referring to the more neoliberal based policies that brought minimal relief to the poorest segments of society; instead proposing a model that combined neoliberal and developmentalist aspects – to make Brazil more competitive in the international market, but with creative social policies.²⁰⁰

Like his predecessor, Lula prioritized issues of economic development and poverty alleviation. In his first term, Lula introduced the Bolsa Familia program, effectively uniting and replacing the three programs implemented by Cardoso, while also significantly expanding the reach of the program to all families in extreme poverty and conditionalities representative a broader social policy. Unlike its predecessors, Bolsa Familia was administered by a single federal ministry, the Ministry of Social Development and Assistance (Ministério de Desenvolvimento Social, or MDS) created in 2004, reducing conflict and coordination issues. Building on the trend of federalism and decentralization from the 1990s, responsibility and management of registration for Bolsa Familia was placed at the municipal level. Rather than the previously fragmented approach, consolidating the conditional cash transfers into a single program allowed beneficiaries to

¹⁹⁹Adalmir Antonio Marquetti, Cecilia Hoff, and Alessandro Miebach, “Profitability and Distribution: The Origins of the Brazilian Economic and Political Crisis,” *Latin American Perspectives* 47, no. 1 (2020): 119–20; Álvaro Bianchi and Ruy Braga, “Brazil: The Lula Government and Financial Globalization,” *Social Forces* 83, no. 4 (June 1, 2005): 1745–62, <https://doi.org/10.1353/sof.2005.0054>.

²⁰⁰Folha de S. Paulo, “Leia Íntegra Da Carta de Lula Para Acaltar o Mercado Financeiro,” *Folha Online*, June 24, 2002, <https://www1.folha.uol.com.br/folha/brasil/ult96u33908.shtml>.

participate in one, streamlined process instead of three or four and allowed for centralized registration and data collection in the Cadastro Único.

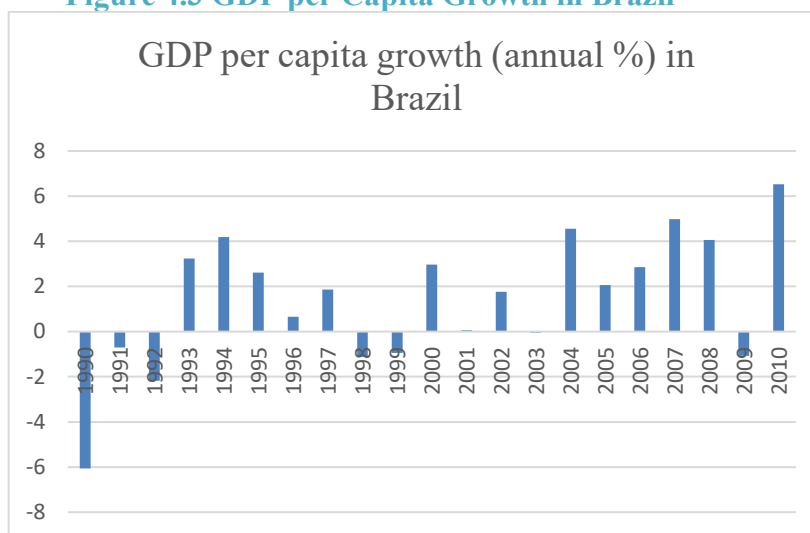
Through the 2000s and early 2010s, the Brazilian economy overall benefitted from a favorable external environment and the commodity boom.²⁰¹ After mediocre growth in the 1990s, the Brazilian economy grew at an average of 3.9 percent between 2002 to 2010, a rate which outperformed the rest of Latin American countries that grew at an average of 2.6 percent.²⁰² This boom was driven by rising prices in agricultural, mineral, and energy commodities due to growing global demand and supply chains that culminated in a “supercycle” where commodity-exporting states greatly benefited.²⁰³ In addition to the more and rapid sustained GDP growth, GDP per capita also performed much better when compared to the 1990s. From 1990 to 1999, for example, GDP per capita grew annually at an average of 0.15 percent, and for five of those years, GDP per capita actually declined as illustrated in the chart below. In contrast, the 2000s led to an average annual growth in GDP per capita of 2.2 percent with only one year of a negative growth rate.

²⁰¹ Ravi Balakrishnan and Frederik Toscani, “How the Commodity Boom Helped Tackle Poverty and Inequality in Latin America,” IMF, June 21, 2018, <https://www.imf.org/en/Blogs/Articles/2018/06/21/blog-how-the-commodity-boom-helped-tackle-poverty-and-inequality-in-latin-america>.

²⁰² Matheus Cardoso Leal and Marcio Issao Nakane, “Brazilian Economy in the 2000s: A Tale of Two Recessions,” *Ideas.Repec.Org*, September 20, 2022, <https://ideas.repec.org/p/spa/wpaper/2022wpecon20.html>; The World Bank, “Data Bank, World Development Indicators,” Data set, <https://databank.worldbank.org/reports.aspx?source=2&country=BRA#>.

²⁰³ Ceyda Oner and Luis Cubeddu, “IMF Survey : Emerging Markets Face Tough Climb Back to Past Growth Levels,” IMF, September 28, 2015, <https://www.imf.org/en/News/Articles/2015/09/28/04/53/sopol061214a>.

Figure 4.3 GDP per Capita Growth in Brazil



Source: World Bank Data

The Bolsa Familia Program

As defined by the World Bank, the Bolsa Familia Program, like other CCTs, aims to: “(a) reduce current poverty and inequality, by providing a minimum level of income for extremely poor families; and (b) break the inter-generational transmission of poverty by conditioning these transfers on beneficiary compliance with human capital requirements (school attendance, vaccines, pre-natal visits).”²⁰⁴ The BFP is designed to provide small amounts of cash to targeted populations, living under a particular threshold of the national poverty line. Families, the main recipients of BFP, are defined a “nuclear unit...that constitutes a domestic group living under the same roof,” and must be registered in the Unified Registry and have income below both the “regular” poverty and extreme poverty

²⁰⁴ Kathy Lindert et al., “The Nuts and Bolts of Brazil’s Bolsa Familia Program: Implementing Conditional Cash Transfers in a Decentralized Context,” *The World Bank SP Discussion Paper*, no. 0709 (May 2007): 6, <https://documents1.worldbank.org/curated/en/972261468231296002/pdf/398530SP1709.pdf>.

to be eligible; overall, the BFP directs its aid and assistance to families with combined income of less than 154 reais per month, equivalent to roughly 41 euros or 49 US dollars.²⁰⁵

In the case of Brazil, Bolsa Familia provides a base benefit and then based on the family unit, variable benefits are determined and are assigned in one of four configurations as follows (based on 2015 figures):

- The Basic Benefit provides about 77 reais to families who live in extreme poverty (only – not applicable for families at “regular” poverty level) and can rise based on number of family members.
- The Variable Benefit provides about 35 reais to families in either poverty or extreme poverty with pregnant mothers and/or children under the age of 15 years, with a maximum of up to 175 reais, depending on family size.
- The Variable Youth Benefit provides about 42 reais and is especially designed for families with children between 16-17 years of age, with a maximum benefit of up to 84 reais, depending on family size. Payments under this configuration can continue until the end of the year of when minor turns 18 years.
- The Benefit to Overcome Extreme Poverty is determined based on each individual case because its intent is to ensure that families already receiving of the three above benefits are able to live above poverty levels. Thus, this benefit is targeted to aid families that, even with the benefits, have income below the line of extreme poverty.

²⁰⁵ Aline Gazola Hellman, “How Does Bolsa Familia Work?: Best Practices in the Implementation of Conditional Cash Transfer Programs in Latin America and the Caribbean” (Inter-American Development Bank, September 17, 2015), 8, <https://doi.org/10.18235/0000141>.

In a recent *Foreign Affairs* article, Tepperman estimated that the average family receives approximately \$65 per month with a maximum transfer benefit of \$200 to those most in need.²⁰⁶

In return for these transfer payments, recipients must adhere to conditionalities that mandate school attendance and medical care. More specifically, the conditionalities include: (1) a certain threshold of school attendance – 87 percent for ages six to fifteen and 75 percent for ages sixteen to seventeen; (2) adherence to a vaccination schedule and medical appointments for children under seven; and (3) prenatal care for women, check-ups for babies and lactating mothers as well.²⁰⁷ Failure to comply with the conditionalities can ultimately lead to reduction or suspension of benefits, but such measures are lightly enforced. A first violation yields a warning, a second violation causes benefits to be blocked for one month (but released once conditionalities are met); third and fourth violations cause a family to lose the BFP benefit for two months with no option for backpay; and cancellation comes after a fifth violation.²⁰⁸

The BFP is designed and implemented by the Brazilian Ministry for Social Development and Fight against Hunger (MDS), giving the primary responsibility to this Ministry for determining qualifications and eligibility parameters as well as approving distributions of the benefit once families are identified. However, the BFP also relies on a strong network of federal, state, and municipality coordination in order to administer, manage, and implement the program to recipients. Brazil's path of federalism set out by

²⁰⁶ Jonathan Tepperman, "Brazil's Antipoverty Breakthrough: The Surprising Success of Bolsa Família," *Foreign Affairs*, January 31, 2023, <https://www.foreignaffairs.com/brazil/brazils-antipoverty-breakthrough>.

²⁰⁷ Alfredo Saad-Filho, "Social Policy for Neoliberalism: The Bolsa Família Programme in Brazil," *Development and Change* 46, no. 6 (November 1, 2015): 1233, <https://doi.org/10.1111/dech.12199>.

²⁰⁸ Alfredo Saad-Filho, "Social Policy for Neoliberalism: The Bolsa Família Programme in Brazil," *Development and Change* 46, no. 6 (November 1, 2015): 1233, <https://doi.org/10.1111/dech.12199>.

the 1988 Constitution bears much relevance on the program's design and execution, placing the bulk of the responsibility for administration, management and monitoring of the Bolsa Familia registration and conditionality components at the municipal level.

While federal, state, and municipal levels of government all spend to support social assistance programs, the cash transfers provided by Bolsa Familia is provided strictly by the federal government. A recent study by UNICEF, which reviewed Brazil's revenue structure and sources of government spending, indicated that more than 80 percent of spending on social assistance programs comes from the federal level, followed by the municipal level, and then state level which displays the lowest levels of social expenditures.²⁰⁹ Moreover, of the federal government's total spending on social assistance programs, over 85 percent of its funds for social assistance programs go toward financing conditional cash transfer programs.²¹⁰

As noted in earlier chapters, the amount of money a municipality receives for Bolsa Familia is contingent and calculated based on its IGD scores. The amount of federal funds provided to the state overall is based on the average IGD score across all municipalities within the state. With the IGD as a measurement informing transfers, the Bolsa Familia program centralizes the provision of benefits, but decentralizes the responsibility for administering the conditionalities of the program, namely the monitoring of conditionalities as well as education, health, and social assistance services themselves. The decentralization is largely viewed as one of the characteristics that makes the Bolsa Familia successful, but it can also be a source of variation in implementation because each

²⁰⁹ UNICEF and Federative Republic of Brazil, "Financing of Brazil's Unified Social Assistance System," 8, <https://www.unicef.org/brazil/media/25711/file/social-protection-series-policy-brief1.pdf>.

²¹⁰ UNICEF and Federative Republic of Brazil, "Financing of Brazil's Unified Social Assistance System," 13, <https://www.unicef.org/brazil/media/25711/file/social-protection-series-policy-brief1.pdf>.

municipality is different and the responsibility for administration/management of the program varies at the local level. For example, the responsible agency could be within the social sector, or education, or mayor's office.²¹¹

Part of the practical and ideological success of the BFP is the relatively low cost of this type of program as well as the conditionality that is tied to the cash transfer. The structure and design of Bolsa Familia, including its decentralized approach concentrating oversight at the local level, make it among the most cost-effective anti-poverty programs in the world. One study demonstrated that the Bolsa Familia program cost 30 percent less per capita than its more traditional counterparts.²¹² In addition to this efficiency, the conditionality instills a sense of compliance toward some type of greater good, which allows for public confidence in the program. In explaining the dynamics of support for the program, another study pointed out the conditionalities provide assurances to taxpayers that beneficiaries are not given too many "undeserving" benefits and are ultimately accumulating human capital and reducing the transmission of intergenerational poverty.²¹³

In terms of its reach, nearly 14 million households in Brazil are enrolled in the BFP, while nearly 20 million people in Brazil have been lifted out of poverty²¹⁴. Based on statistics from the Ministry of Social Development in Brazil, Bolsa Familia has also reduced income inequality by 5.08 points, and assessments show that most of the money given as part of the transfer is used to buy food, school supplies, and clothes for the family.

²¹¹ Doraliza Auxiliadora Abranches Monteiro, Ambrozina De Abreu Pereira Silva, and Elizabeth Matos Ribeiro, "Avaliação Da Gestão Do Programa Bolsa Família Na Bahia," *Revisita Interdisciplinar De Gestão Social* 2, no. 3 (season-04 2014): 263.

²¹² Jonathan Tepperman, "Brazil's Antipoverty Breakthrough: The Surprising Success of Bolsa Família," *Foreign Affairs*, January 31, 2023, <https://www.foreignaffairs.com/brazil/brazils-antipoverty-breakthrough>.

²¹³ Alfredo Saad-Filho, "Social Policy for Neoliberalism: The Bolsa Família Programme in Brazil," *Development and Change* 46, no. 6 (November 1, 2015): 1227–52, <https://doi.org/10.1111/dech.12199>.

²¹⁴ Alfredo Saad-Filho, "Social Policy for Neoliberalism: The Bolsa Família Programme in Brazil," *Development and Change* 46, no. 6 (November 1, 2015): 1227–52, <https://doi.org/10.1111/dech.12199>.

Within three years of its implementation, Bolsa Familia reached its goals around beneficiary targets – more than 11 million households, representing around 44 million people, which included 99.2 percent of the poorest segments of the population.

There have also been important social and human successes, not just economic ones. According to recent data, the program helped reduce infant mortality rates by more than 50 percent, while also increasing student success in secondary education, lifting the passing rates by four percentage points, from 75.7 percent to 79.7 percent.²¹⁵ Furthermore, based on a study conducted in 2010 by the US National Institute of Health (NHI), Bolsa Familia also demonstrated positive effects on healthcare, especially for children, which is one of the conditions of the benefit. Perhaps one of the most interesting takeaways were the “positive spillover effects” where older children whose check-up was not tied to the Bolsa Familia benefits were also more likely to visit health clinics and receive medical care.

Ultimately, with less than 1 percent of Brazilian GDP and only 2.5 percent of government spending, the Bolsa Familia Program has proven to be extremely cost-effective as a strategy for poverty reduction. Furthermore, the Brazilian government reports that the BFP offers a 1.78 reais return for every 1 real, highlighting a return on investment that makes the program even more attractive.²¹⁶ Having both raised incomes as well as important health and education benefits and improvements, the BFP falls in line with recognizing that poverty is broader than just low income. Instead, the BFP acknowledges

²¹⁵ Aline Gazola Hellman, “How Does Bolsa Familia Work?: Best Practices in the Implementation of Conditional Cash Transfer Programs in Latin America and the Caribbean” (Inter-American Development Bank, September 17, 2015), 1, <https://doi.org/10.18235/0000141>.

²¹⁶ Jonathan Watts, “Brazil’s Bolsa Familia Scheme Marks a Decade of Pioneering Poverty Relief,” *The Guardian*, October 19, 2022, <http://www.theguardian.com/global-development/2013/dec/17/brazil-bolsa-familia-decade-anniversary-poverty-relief>.

that health and education are important national dividends that address and seek to alleviate poverty in the long-run, helping Brazil meet goals set out by the MDGs and in pursuit of meeting goals for newer SDGs.

Conclusions

As a whole, Brazil experienced a transformative decade between 2002-2014 with more than 26 million people lifted out of poverty and dramatic reductions in income inequality.²¹⁷ According to a UNDP report on Brazil, the bottom 40 percent of the population experienced income growth at a rate of 6.1 percent on average, nearly double the income growth rate for the overall population of 3.5 percent.²¹⁸ This same report credited conditional cash transfers, such as Bolsa Familia, for reducing the percent of Brazilians living under the poverty line from 12.7 percent to 4.9 percent.²¹⁹ In terms of income inequality, a study published by the IMF indicated that the primary factors that contributed to the reduction in inequality included “sustained economic growth, which boosted incomes of the poor, and deliberate income and social inclusion policies, such as increases in the minimum wage and targeted social programs.”²²⁰ After remaining relatively stagnant through the 1990s, the Gini index in 2001 was 58.4 in Brazil, and by

²¹⁷ Executive Board of the United Nations Development Programme, the United Nations Population Fund, and the United Nations Office for Project Services, “Country Programme Document for Brazil (2017-2021)” (United Nations, July 8, 2016), 2, <https://www.undp.org/sites/g/files/zskgke326/files/2022-08/undp-rblac-cpd-brazil.pdf>.

²¹⁸ Executive Board of the United Nations Development Programme, the United Nations Population Fund, and the United Nations Office for Project Services, “Country Programme Document for Brazil (2017-2021)” (United Nations, July 8, 2016), 2, <https://www.undp.org/sites/g/files/zskgke326/files/2022-08/undp-rblac-cpd-brazil.pdf>.

²¹⁹ Executive Board of the United Nations Development Programme, the United Nations Population Fund, and the United Nations Office for Project Services, “Country Programme Document for Brazil (2017-2021)” (United Nations, July 8, 2016), 2, <https://www.undp.org/sites/g/files/zskgke326/files/2022-08/undp-rblac-cpd-brazil.pdf>.

²²⁰ Carlos Góes and Izabela Karpowicz, “Inequality in Brazil: A Regional Perspective,” *IMF Working Paper* 17, no. 225 (January 1, 2017): 1, <https://doi.org/10.5089/9781484324776.001>.

2009, that figure had dropped to 53.7, a nearly 10 percent decline within 8 years. Much of the literature on income inequality in Brazil points to the income growth, higher schooling levels, labor formalization, and Bolsa Familia program as a major factor in income convergence. In fact, one study by the IPEA indicated that nearly 16 percent of the reduction in the Gini index could be attributed to expanded social spending, particularly on conditional cash transfers, education, and health.²²¹

In summary, Brazil and its states, Bahia included, have experimented with various models to promote economic growth and human development in recent history. Through ISI, state-directed development, and later neoliberal models, both Brazil and Bahia made some progress in improving human development outcomes, but it was not really until the 2000s that notable improvements were observed. Now informed by the broader context of the national level, the following chapter will explore the evolution of economic development policies and strategies more specifically in the state of Bahia as well as discuss the introduction and scope of the Bosla Familia program in Bahia since its implementation in 2003.

²²¹ Fernando Gaiger Silveira and Theo Ribas Palomo, "The Brazilian States' Redistributive Role: Changes and Persistence at the Beginning of the 21st Century," *IPEA Discussion Paper*, 2023, https://repositorio.ipea.gov.br/bitstream/11058/11830/1/dp_275.pdf.

Chapter 5

Bolsa Familia and Human Development in Bahia

Bahia is the fourth most populous state and the sixth largest economy in Brazil, representing 7.5 percent of the national population, and 4.2 percent of national gross domestic product.²²² The geographic composition of Bahia can be categorized as: (1) the coastal region; (2) the Sertão; and (3) the western edge.²²³ Due to its landscape and climate of flat lands and ample rainfall, the coastal region is home to Bahia's plantation-based agricultural (sugar cane and cacao, especially) as well as petroleum and petrochemical manufacturing sectors. The Sertão experiences a semi-arid climate with lands of higher altitude plagued often by irregular rain cycles and droughts. As a result, economic activity in this region centers on subsistence agriculture and cattle where prolonged droughts have devastating effects. According to a report produced by the World Bank, the Sertão is a "byword for entrenched poverty" due to the instability influenced by its geographic profile.²²⁴ In contrast, the western edge of Bahia is considered another "agricultural frontier" with a friendlier climate than its interior counterpart and more sparsely populated area. This area contains large-scale agricultural industry, focusing on soy and grain production.

²²² As of 2010 Census, see: "Dados Estaduais - 29/10/2018 | SEIGEO," SEIGeo, October 21, 2022, <https://portal.geo.sei.ba.gov.br/portal/apps/sites/#/seigeo/apps/e4e279f1019a4a14bf7cf1ebd2695c98/explor>; Instituto Brasileiro de Geografia e Estatística, "Cidades e Estados Do Brasil," Data set, n.d., <https://cidades.ibge.gov.br/>.

²²³ *Brazil - Broadening the base for growth : a report on the state of Bahia : Brazil - broadening the base for growth : a report on the state of Bahia (English)*. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/410051468770492653/Brazil-broadening-the-base-for-growth-a-report-on-the-state-of-Bahia>

²²⁴ *Brazil - Broadening the base for growth : a report on the state of Bahia : Brazil - broadening the base for growth : a report on the state of Bahia (English)*. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/410051468770492653/Brazil-broadening-the-base-for-growth-a-report-on-the-state-of-Bahia>

However, despite being the sixth largest economy in Brazil in 2010, Bahia is still among the poorest and least developed when compared to the rest of Brazil. It ranks 22 out of 27 in terms of human development. GDP per capita, as of 2020, ranked 18th at R\$ 20,449.29, or about US\$ 4,000.²²⁵ Life expectancy in Bahia in 2020 was 74.36 compared to 76.74 for Brazil as a whole, the largest difference observed in the last twenty years.

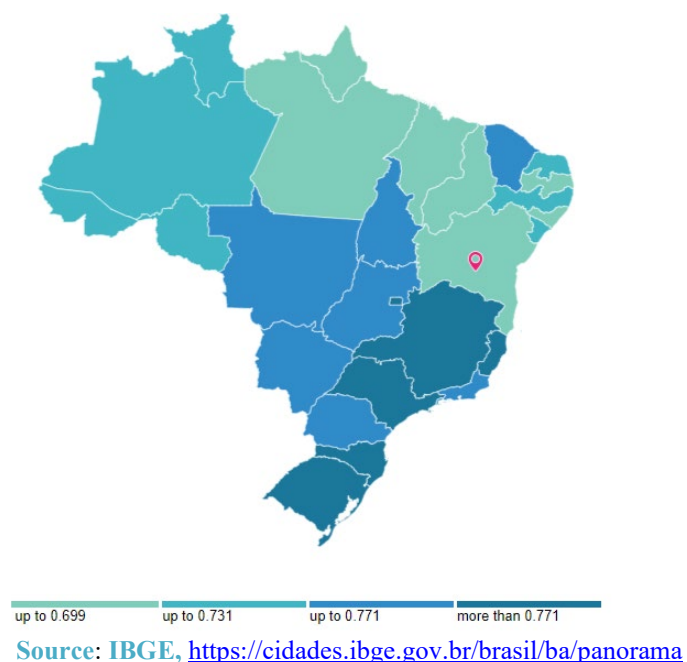
In terms of education, Bahia's illiteracy rates continue to be among the highest in the country. Brazil observed a positive development in illiteracy rates as the rates dropped from 6.1 percent in 2019 to 5.6 percent in 2022. However, as observed in most other areas, the Northeast recorded the worst rates at 11.7 percent compared to 2.9 percent in the Southeast.²²⁶ Figure 4.1 illustrates the variations in human development across Brazil based on 2021 figures. All states in the South and Southeast regions have reached high or very high levels of human development, while the North and Northeast for the most part remain with an HDI of 0.731 or less. Moreover, there are important differences in human development outcomes among different municipalities in Bahia.

²²⁵ Superintendência de Estudos Econômicos e Sociais da Bahia, "Tabelas e Gráficos - PIB Estadual Anual," n.d.,

https://sei.ba.gov.br/index.php?option=com_content&view=article&id=2096&Itemid=1139&lang=pt.

²²⁶ Irene Gomes and Igor Ferreira, "Illiteracy Rate Is Lower in 2022, but Remains High among the Elderly, Black and Brown Persons and in the Northeast Region | News Agency," Agência De Notícias - IBGE, June 10, 2023, <https://agenciadenoticias.ibge.gov.br/en/agencia-news/2184-news-agency/news/37103-illiteracy-rate-is-lower-in-2022-but-remains-high-among-the-elderly-black-and-brown-persons-and-in-the-northeast-regioneste-2>.

Figure 5.1 Human Development Index in Brazil



The table below illustrates HDI values by the federative units in Brazil in both 2000 and 2010 with the observed changes over the decade.

Table 5.1 Human Development Index by State

State	IDHM 2000	IDHM 2010	Rank Change
Distrito Federal	0.725	0.824	no change
São Paulo	0.702	0.783	no change
Santa Catarina	0.674	0.774	no change
Rio de Janeiro	0.664	0.761	no change
Paraná	0.65	0.749	↑ 1
Rio Grande do Sul	0.664	0.746	↓ (1)
Espirito Santo	0.64	0.74	no change
Goiás	0.615	0.735	↑ 1
Minas Gerais	0.624	0.731	↓ (1)
Mato Grosso do Sul	0.613	0.729	no change
Mato Grosso	0.601	0.725	no change
Amapá	0.577	0.708	↑ 1
Roraima	0.598	0.707	↓ (1)
Tocantins	0.525	0.699	↑ 4
Rondônia	0.537	0.69	↑ 2
Rio Grande do Norte	0.552	0.684	↓ (2)
Ceará	0.541	0.682	↓ (1)
Amazonas	0.515	0.674	↑ 4
Pernambuco	0.544	0.673	↓ (4)
Sergipe	0.518	0.665	↓ (1)
Acre	0.517	0.663	no change
Bahia	0.512	0.66	↑ 1
Paraíba	0.506	0.658	↑ 1
Pará	0.518	0.646	↓ (4)
Piauí	0.484	0.646	no change
Maranhão	0.476	0.639	no change
Alagoas	0.471	0.631	no change

Source: <http://www.atlasbrasil.org.br/ranking>

This chapter seeks to shed light on the factors explaining the relative underperformance of Bahia, as well as the significant differences across state municipalities. I first provide a historical background and then discuss the introduction of the BFP. The last section uses statistical analysis to examine the determinants of cross-municipality variation in HDI after a decade of BFP transfers.

From ISI to Debt Crisis to Liberalization

In Bahia, the era of import-substitution industrialization only widened the gap spurred by the coffee boom as the more developed states in the south of Brazil became home to the rapidly expanding sector of state-directed industries. While the industry-agriculture divide was observed throughout the country, the duality of Bahia's economy and its concentration of agricultural activity made it particularly vulnerable to the structural inequities spurred by industrial growth. In the late 1950s, the Brazilian government implemented measures to encourage economic development in the Northeast, including a tax incentive structure as well as the creation of SUDENE, a regional development institution.²²⁷ By 1970, however, the Northeast region as a whole was home to 30.3 percent of the population and contributed only 5.8 percent of industrial value added; The Southeast, in contrast, accounted for 80.3 percent of industrial value added with 42.7 percent of the population.²²⁸

Investment efforts in the northeast did not materialize until the "Brazilian miracle" of the late 1960s, after the military coup, when Bahia experienced an economic revival. From 1965 to 1980, Bahia experienced a 10.5 percent average annual growth rate in GDP, even outpacing the national average of 8.5 percent, fueled by growth in Bahia's industrial sector. As noted by the World Bank, this growth was not the result of economic liberalization, but instead a state-directed development supported by a favorable external environment.²²⁹ From the 1960s to the 1980s, Bahia's growth was fueled by emerging oil,

²²⁷ USAID Briefing Paper, "Northeast Brazil: A Succeeding Program of Regional Development" (USAID, June 10, 1969), https://pdf.usaid.gov/pdf_docs/PBAAF134.pdf.

²²⁸ Werner Baer, "Evaluating the Impact of Brazil's Industrialization," *Luso-Brazilian Review* 15, no. 2 (1977): 182.

²²⁹ "Brazil - Broadening the Base for Growth : A Report on the State of Bahia," World Bank, October 26, 2001, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/410051468770492653/brazil-broadening-the-base-for-growth-a-report-on-the-state-of-bahia>.

metallurgical, and petrochemical industries, but their transformative effects for the economy were limited by the duality of Bahia's economy: "a dynamic, capital-intensive manufacturing sector contributing to a growing GDP, alongside a stagnant agricultural sector which accounted for the majority of employment but only a small fraction of output."²³⁰

In the 1970s, the federal and state governments of the Northeast continued investment in poverty relief efforts. Most programs were designed around emergency relief due to the common droughts in the arid regions throughout the region or a focus on integrated multisectoral investment. POLONORDESTE, for example, was a multisectoral effort that sought to "improve agricultural efficiency, raise rural incomes and increase employment...which included components for agricultural modernization (extension, research, credit, marketing, land administration), infrastructure (rural water supply, roads and irrigation) and social investments (education, health and community development)."²³¹ However, more than a decade later, efforts like POLONORDESTE had not significantly improved poverty rates.

The global economic downturn in the 1980s led to a substantial economic decline in an already vulnerable Bahia. During this period, Brazil experienced very low annual growth rates as noted in previous sections. However, Bahia fared even worse than the national trends, maintaining an average growth rate of only 0.29 percent across the

²³⁰ "Brazil - Broadening the Base for Growth : A Report on the State of Bahia," World Bank, October 26, 2001, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/410051468770492653/brazil-broadening-the-base-for-growth-a-report-on-the-state-of-bahia>.

²³¹ "Brazil - Northeast Rural Poverty Alleviation Program : Rural Poverty Alleviation Project Bahia," World Bank, June 1995, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/358251468769166460/brazil-northeast-rural-poverty-alleviation-program-rural-poverty-alleviation-project-bahia>.

1980s.²³² With the onset of the Washington Consensus to “correct” the issues experienced during the debt crisis, Bahia both experienced the effects of liberalization and pursued policies informed by neoliberal assumptions for its own economic growth planning.

The economic experience in Bahia during the years of the Washington Consensus was similar to that of the wider Brazil. Trade liberalization was difficult for Bahian industry to absorb, particularly the petrochemical sector, because it had previously benefited from protectionist economic policies. The initial results of lower trade barriers included layoffs and consolidations particularly in manufacturing industries, but manufacturers in Bahia still experienced growth between 1992 and 1998, at a rate of about 4.3 percent per year. The agricultural sector, in contrast, in Bahia remained largely stagnant through the 1990s. While traditional crops, like cacao, declined and prices fell with emerging competition from Asia and Africa, technological advances in agriculture boosted production, offsetting major declines.

Thus, alongside the federal policies, Bahia also sought to implement programs aimed at promoting economic growth and development, also driven by the neoliberal assumptions seen at the national level. In 1991, the Bahian government established PROBAHIA, a program designed with three primary objectives: (1) diversification of industries in the state; (2) promotion and stimulation of transformation of natural resources within the state; and (3) expansion of technological capacity to improve quality and productivity.²³³ Under this program, over 200 projects were approved in the period from

²³² “Brazil - Broadening the Base for Growth : A Report on the State of Bahia,” World Bank, October 26, 2001, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/410051468770492653/brazil-broadening-the-base-for-growth-a-report-on-the-state-of-bahia>.

²³³ “Instutui o Programa de Promoção do Desenvolvimento da Bahia – PROBAHIA e dá outras providências,” Lei Numero 6.33, October 31, 1991, Government of Bahia, http://mbusca.sefaz.ba.gov.br/DITRI/leis/leis_estaduais/legest_1991_6335.pdf

1992 to 1999 and are estimated to have generated over 37,000 jobs in the state.²³⁴ In 1995, the Bahian government also introduced incentive structures to attract information technology, electronics, and telecommunications industries to the state, encouraging this type of investment particularly in areas affected by the cacao disease crisis of the 1990s.²³⁵ Similarly, the state government capitalized on the shifting economic environment spurred by liberalization, especially in the footwear industry, as Brazilian companies shifted operations from the South to the Northeast to lower production costs, taking advantage of both the lower cost of labor and the many tax and investment incentives offered.²³⁶ BAHIAPLAST and PROAUTO were two substantial initiatives during this period, both of which incentivized development and investment in the petrochemical, plastics, and automobile industries.²³⁷

The culmination of these efforts was an expansion in the range of industry and goods produced in Bahia for export as well as domestic consumption.²³⁸ However, the impacts on poverty and human development mirrored the national performance in nearly all aspects. The below chart illustrates the annual GDP growth rate in Bahia; notably, the

²³⁴ Oswaldo Guerra and Paulo Gonzalez, “Novas Mundanças: Estruturais Na Economia Baiana: Mito Ou Realidade?,” *Revista Econômica Do Nordeste* 32, no. 3 (September 2, 2023): 314–15, <https://doi.org/10.61673/ren.2001.1806>.

²³⁵ For more on the Witches’ Broom Disease that devastated Brazil’s cacao industry, particularly in Bahia, see: <https://revista.drclas.harvard.edu/the-resurgence-of-brazilian-cacao-and-chocolate/> and <https://www.npr.org/2008/06/14/91479835/a-not-so-sweet-lesson-from-brazils-cocoa-farms>

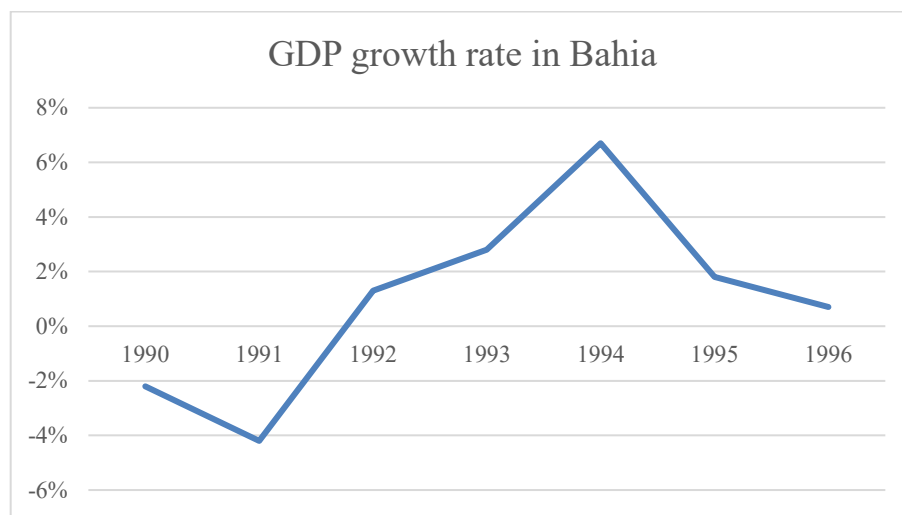
²³⁶ Angela Maria Medeiros Santos et al., “Deslocamento de Empresas Para Os Estados Do Ceará e Da Bahia: O Caso Da Indústria Calçadista” (BNDES, March 2002).

²³⁷ “Apova o Regulamento do Programa Estadual de Desenvolvimento da Indústria Transformação Plástica – BAHIAPLAST,” Decreto nº 7.439, September 17, 1998,, <https://www.jusbrasil.com.br/legislacao/78910/decreto-7439-98>; “Institui o Programa Especial de Incentivo ao Setor Automotivo da Bahia – PROAUTO e dá outras providências,” Lei nº 7.537, October 28, 1999, <https://www.jusbrasil.com.br/legislacao/85820/lei-7537-99>

²³⁸ Bruno Casseb Pessoti and Gustavo Casseb Pessoti, “A Economia Baiana e o Desenvolvimento Industrial: Uma Análise Do Período 1978-2010,” *RDE - Revista De Desenvolvimento Econômico* 12, no. 22 (January 7, 2011): 43, <https://doi.org/10.21452/rde.v12i22.1514>.

years of negative growth coincided with some of the most difficult years of hyperinflation and, excluding 1994, remained relatively modest. Parallel the broader national experience, the 1993-1995 period can be associated with the “commodity boom” brought on by price stabilization across the country.

Figure 5.2 GDP Growth Rate in Bahia



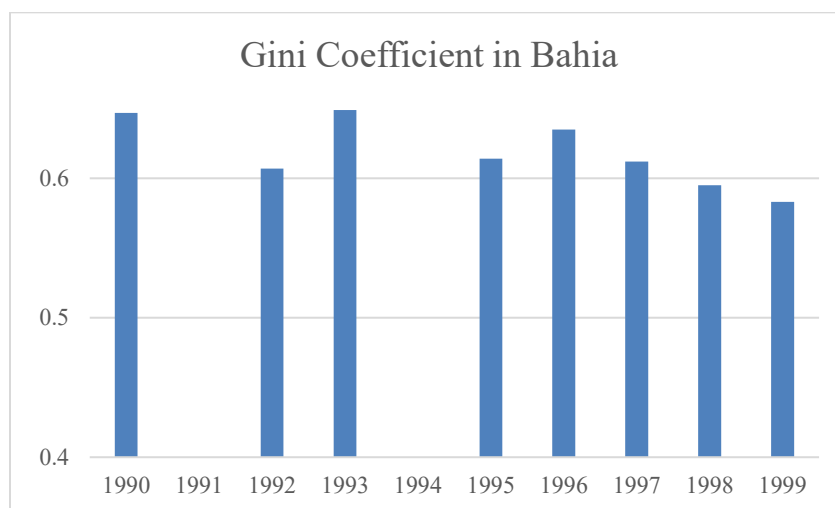
Source: SEI

Income equality is one area where Bahia fared slightly better than Brazil. As illustrated in the chart below, there were fluctuations in income inequality in Bahia through the 1990s – peaking at 0.649 in 1999, followed by a slow decline with the exception of 1996, even when Brazil weathered another economic crisis in 1998.²³⁹ A World Bank report noted that the 1990s ushered in increases in wages in the agricultural sector, but also to a shift of employment toward the services sector with higher wage jobs and a

²³⁹ Rafael Osorio and M Medeiros, “Concentração de Renda e Pobreza Na Bahia: 1981- 1999,” in *Pobreza e Desigualdades Sociais* (SEI, Série Estudos e Pesquisas, 2003).

demographic shift from a slower population growth, which likely accounts for the decline in income inequality.²⁴⁰

Figure 5.3 Income Inequality in Bahia



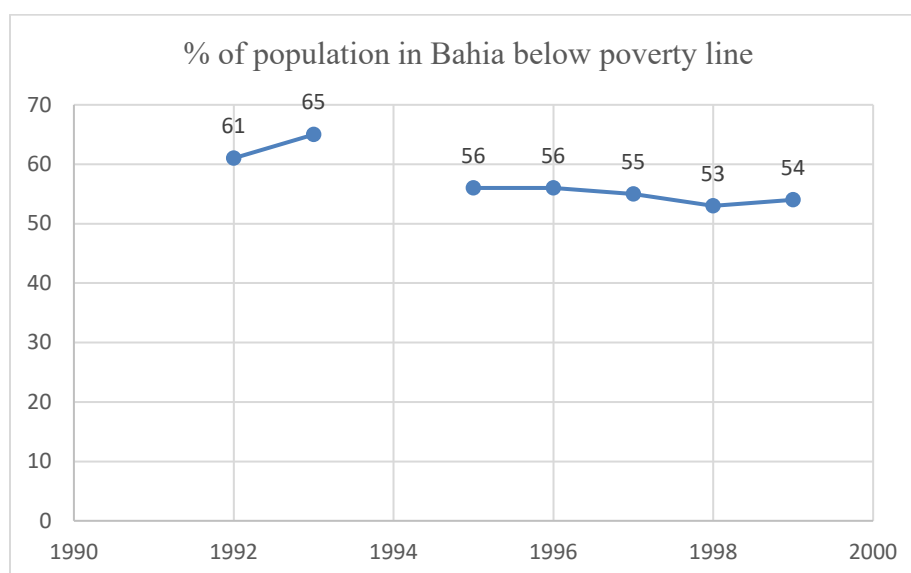
Source: SEI 2003, R. Osorio and M. Medeiros

The economic growth of the 1990s also failed to materialize in substantial poverty alleviation and human development outcomes in Bahia. According to household survey data from 1992, about half of Bahia's households lived below the poverty line; by 1998, this situation improved slightly with only about 40 percent of households living below the poverty level. When evaluating Bahia's poverty rates, the decline in poverty appears to have resulted mostly from the relief of the Plano Real and then remained relatively stagnant from the mid-1990s until 2003, similar to the national performance as well. In a publication from SEI, Osorio and Medeiros presented data on the percentage of population below a constructed poverty line. Again, much like the experience across Brazil, there was an initial

²⁴⁰“Brazil - Broadening the Base for Growth : A Report on the State of Bahia,” World Bank, October 26, 2001, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/410051468770492653/brazil-broadening-the-base-for-growth-a-report-on-the-state-of-bahia>.

decline in poverty in the early 1990s but remained relatively stagnant from 1995-1999. In a similar study on extreme poverty in Bahia between 1995 and 2009, Osorio and Ferreira de Souza found that, though there was a decline in the incidence of extreme poverty from 1995 to 1996, there was no major change in the intensity or inequality. Bahia initially fared better than its Northeast counterparts in the decline in extreme poverty, but other states in the region soon reached similar levels.²⁴¹

Figure 5.4 Population below Poverty Line in Bahia



Source: SEI 2003, R. Osorio and M. Medeiros

In terms of HDI, Bahia did observe notable improvements from 1990 to 2000, increasing from 0.386 to 0.512. Despite improvements in HDI, when ranked comparatively across Brazil, Bahia slipped from 22nd to 23rd among Brazilian states.²⁴² Thus, despite the federal and state intervention, much like the present-day situation, Bahia remained among

²⁴¹ Rafael Guerreiro Osorio and Pedro H.G. Ferreira De Souza, “Evolução Da Pobreza Extrema e Da Desigualdade de Renda Na Bahia: 1995 a 2009,” *Instituto De Pesquisa Econômica Aplicada, Texto Para Discussão* 1696 (January 2012).

²⁴² Instituto Brasileiro de Geografia e Estatística, “Cidades e Estados Do Brasil,” Data set, n.d., <https://cidades.ibge.gov.br/>.

the poorest states in Brazil with median income only 55 percent of the national average in 1997. Thus, issues of regional disparity persisted, and some policies addressed these disparities better than others. In 1994, for example, the North and Northeast regions of Brazil received fewer health resources per capita than their more developed counterparts in the South and Southeast. Health reforms in 1996 took steps to correct the disparity, focusing on redistributive measures such as financing health expenditures on a per capita basis instead.²⁴³

During the transformative decade of Brazil's economic history, the 2000s, the Northeast region experienced the highest levels of decline in poverty and extreme poverty, but despite those notable advancements, this region has lagged behind the rest of Brazil. In 2002, GDP per capita in the state of Bahia was R\$4,417 and rapidly climbed to \$11,013 by 2010.²⁴⁴ Through this decade, real income per capita grew at a faster rate in Brazil's poorest areas – the north and northeast regions – than in its richer regions, a trend that could be attributed to the redistributive effects of conditional cash transfers and reforms in social spending.²⁴⁵

Bolsa Familia

As of 2023, the Northeast region is the largest beneficiary of the Bolsa Familia program, providing an average benefit of R \$682 to over 9.6 million families, which represent more than 40 percent of total families enrolled in the program across Brazil. In

²⁴³ C.M.V.B. Almeida et al., "Health Sector Reform in Brazil: A Case Study of Inequity," *International Journal of Health Services* 30, no. 1 (January 1, 2000): 159, <https://doi.org/10.2190/ndgw-c2dp-gnf8-hew8>.

²⁴⁴ Superintendência de Estudos Econômicos e Sociais da Bahia, "Tabelas e Gráficos - PIB Estadual Anual," n.d., https://sei.ba.gov.br/index.php?option=com_content&view=article&id=2096&Itemid=1139&lang=pt.

²⁴⁵ Carlos Góes and Izabela Karpowicz, "Inequality in Brazil: A Regional Perspective," *IMF Working Paper* 17, no. 225 (January 1, 2017): 1, <https://doi.org/10.5089/9781484324776.001>.

Bahia, the municipality with the highest total transfer for the program is the capital, Salvador, receiving a total of R \$ 198.5 for 304,414 families as of 2023.²⁴⁶ Between 2003 and 2013, the number of Bolsa Familia beneficiary families in Bahia grew from 520,000 to 1.8 million at a value of 3.3 billion reais in 2013, reaching over 6.1 million people, or 44.17 percent of the total population of Bahia.²⁴⁷ The proportion of families enrolled relative to the total population exceeded 50 percent in 322 out of 417 municipalities.²⁴⁸ A 2014 study produced by SEI indicated that the municipalities with the largest populations had the smallest proportion of beneficiaries, while the largest proportions were observed in the smaller municipalities.

The table below shows the evolution in the number of families in Bahia enrolled in the program and the amount transferred to the beneficiaries from the government as well as the average benefit value. Within the first year of the program's launch, over 800,000 families were enrolled with a total of R\$ 532 million transferred for an average per family benefit of R\$ 635.

²⁴⁶ “Bahia tem segundo maior número de famílias atendidas pelo Bolsa Familia em agosto: 2,54 milhões,” *Secretaria De Comunicação Social*, August 18, 2023, <https://www.gov.br/secom/pt-br/assuntos/noticias-regionalizadas/novo-bolsa-familia/08/bahia-tem-segundo-maior-numero-de-familias-atendidas-pelo-bolsa-familia-em-agosto-2-54-milhoes>.

²⁴⁷ Governo do Bahia, “Bolsa Familia Completa 10 Anos Con Mais Renda e Inclusao Para Os Baianos,” November 28, 2013, <https://www.bahia.ba.gov.br/2013/11/noticias/assistencia-social/bolsa-familia-completa-10-anos-com-mais-renda-e-inclusao-para-os-baianos/>.

²⁴⁸ Celia Regina Sganzerla and Eva Borges, “Quem São e Onde Estão Os Pobres Da Bahia,” in *Bahia Analise & Dados Programa Bolsa Familia Na Bahia: Impactos e Desafios* (Salvador, Bahia, Brazil: Superintendência de Estudos Econômicos e Sociais da Bahia, 2014), 659.

Table 5.2 Bolsa Familia Enrollments in Bahia

Year	Families Enrolled	Amount Transferred to Families	Average Benefit Value
2004	838,963	\$532,684,471	\$635
2005	1,067,291	\$751,361,024	\$704
2006	1,391,245	\$1,006,377,304	\$723
2007	1,411,662	\$1,204,402,913	\$853
2008	1,372,763	\$1,423,078,114	\$1,037
2009	1,581,639	\$1,663,238,830	\$1,052
2010	1,662,069	\$1,938,969,367	\$1,167
2011	1,752,766	\$2,261,751,025	\$1,290
2012	1,808,346	\$2,745,399,558	\$1,518
2013	1,800,055	\$3,257,581,269	\$1,810
2014	1,808,376	\$3,521,434,489	\$1,947
2015	1,797,610	\$3,600,165,870	\$2,003
2016	1,772,853	\$3,775,541,552	\$2,130
2017	1,833,993	\$3,863,515,088	\$2,107
2018	1,851,030	\$4,033,722,725	\$2,179
2019	1,750,294	\$4,073,054,339	\$2,327

Source: SENARC, Ministério da Cidadania

The Bolsa Família program mandates the designation of a legal guardian for each recipient family, thereby establishing the legal custodian who directly receives the financial assistance and assumes responsibility for fulfilling the program's conditionalities. The criteria for eligibility as a legal guardian include a minimum age requirement of 16 years (or attainment of emancipated status), a nationally recognized identification document, a voter registration card, and a Cadastro de Pessoas Físicas (CPF) number. The BFP also actively promotes the registration of women as the designated legal guardians for each

beneficiary families, an effort materialized with a noteworthy 93.5 percent of legal guardians are female in Bahia.

When compared with the demographic data from the 2010 census in Bahia, certain disparities emerge. According to the census, the racial composition of the state's population at that time was characterized by a plurality of multiracial individuals (59 percent), followed by white individuals (22 percent), and black individuals (17 percent). The profiles of BFP beneficiaries generally mirror this pattern, though with some notable distinctions. First, multiracial people constitute a significantly higher proportion of BFP beneficiaries at 70.9 percent, which is much higher relative to the overall population, whereas the representation of white individuals among beneficiaries is substantially lower, standing at a mere 11.9 percent. Over 53 percent of the individual beneficiaries are female, while 46 percent are male, and the largest age group who receive benefits as part of this program is in the range of 25 to 39 years old.

Overall, in line with program expectations, Bahia observed improvements in extreme poverty, health, and education outcomes in the period from 2000 to 2010. According to estimates from the Bahian government, over 3.5 million people rose from extreme poverty between 2011 and 2013 because of the Bolsa Familia program.²⁴⁹ The next section will analyze the differences across municipalities and their determinants.

²⁴⁹ Governo do Bahia, "Bolsa Familia Completa 10 Anos Con Mais Renda e Inclusao Para Os Baianos," November 28, 2013, <https://www.bahia.ba.gov.br/2013/11/noticias/assistencia-social/bolsa-familia-completa-10-anos-com-mais-renda-e-inclusao-para-os-baianos/>.

Exploring Variation in Municipal HDI in Bahia

In 2000, the average HDI for the state of Bahia was 0.43. Yet, human development outcomes varied significantly across municipalities in the state. For example, while Salvador and Lauro de Freitas had HDI scores of 0.65 and 0.62 respectively, other municipalities, like Mirante and Monte Sano, had scores under 0.3. As Table 5.3 shows, the average HDI score for the whole state increased to 0.6 in 2010. Although dispersion of HDI values decreased between 2000 and 2010, the data continued to show substantive variation among municipalities. Moreover, while municipalities like Mirante and Bom Jesus da Ser experienced an 80% increase in their HDI scores between 2000 and 2010, top performer Salvador only saw a 16% improvement in human development levels. Similarly, in Sobradinho and Medeiros Neto, the HDI in 2010 was 20% higher than in 2000.

Table 5.3 Descriptive Statistics

	2000	2010
Mean	0.43	0.59
Median	0.42	0.58
SD	0.06	0.04
Max	0.65	0.76
Min	0.28	0.48
Top 5	Salvador, Lauro de Freitas, Feira de Santana, Itabuna, Cruz das Almas	Salvador, Lauro de Freitas, Barreiras, Luis Eduardo Mag, Feira de Santana
Bottom 5	Anage, Pilao Arcado, Bom Jesus da Ser, Mirante, Monte Santo	Ribeira do Ampar, Ibiquera, Monte Santo, Pilao Arcado, Itapicuru

Source: Ministério do Desenvolvimento e Assistência Social, Família e Combate à Fome

What explains the observed variation in HDI levels across municipalities in 2010 despite similar BFP intervention during the previous decade? According to the theoretical framework presented in chapter 2, three main factors are expected to influence the impact

of CCTs on human development outcomes: the level of institutional capacity at the local level, the electoral incentives of local leaders, and the quality of social services.

To test these hypotheses, I estimate an ordinary least squares model using the HDI level in 2010 as the dependent variable and lagged values of institutional capacity and total expenditure in health and education, as a proxy for quality of social services.²⁵⁰ Although I don't have enough data to proxy the nature of the electoral calendar, I include the share of the population that participated in the most recent elections (lagged) and control for income per capita in 2010. The results, presented in column 1 of Table 5.4, show that the institutional capacity measure is not statistically significant. In contrast, both total expenditure and voting share, as well as income per capita, are positive and statistically significant.

In model 2, I add the square of institutional capacity. The results in column 2 show that while the coefficient for institutional capacity is now statistically significant and positive, the coefficient for the squared value, while also significant, has a negative effect. In other words, the effect of increasing capacity on HDI levels depends on the initial level of capacity. For those municipalities with very low initial capacity, improving institutional capacity has a greater impact on HDI than for those with higher initial. After a certain point of institutional capacity, further improvements have no or even a potentially negative effect on human development outcomes. In model 2, both total expenditure and political participation maintain their positive signs and statistical significance at the 5% and 1% levels respectively. To further explore the effects of social spending on HDI levels, in models 3 and 4, I disaggregate social spending variable into health and education

²⁵⁰ Because of data availability, the lagged value of these variables corresponds to the year 2006, while the dependent variable is measured in 2010. All models also control for income per capita measured in 2010.

expenditure.²⁵¹ Both coefficients are positive and statistically significant, although the substantive effect of spending in education appears to have a stronger impact on HDI levels.

Finally, models 5-7 explore whether the level of institutional capacity conditions the effects of social expenditure on human development outcomes. One would expect social spending to be more effectively and efficiently used by municipalities with higher capacity, increasing the overall levels of HDI. Model 5 incorporates the interaction of institutional capacity with total expenditure, which in line with expectations, is positive and statistically significant. Although the coefficient for the independent effect of total expenditure is now negative and statistically significant, its negative value is more than offset by the much greater positive coefficient for the interaction effect. The results in models 6 and 7, moreover, show that when disaggregating spending into health and education, only the interaction of health expenditure and capacity is statistically significant, suggesting that institutional capacity is more important for the delivery of health than for education services.²⁵²

²⁵¹ I also tried them both in the same model but due to high levels of correlation (0.96) neither appears to be statistically significant.

²⁵² The complete model estimated is: $HDI_{it} = \alpha + Inst\ Capacity_{i(t-1)} + Inst\ Capacity_{i(t-1)}^2 + Social\ Expenditure_{i(t-1)} + Inst\ Capacity_{i(t-1)} * Social\ Expenditure_{i(t-1)} + Voting_{i(t-1)} + \varepsilon_i$

Table 5.4 OLS Models of the Determinants of HDI in 2010

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
L.Inst capacity	0.00395 (0.0123)	0.209** (0.102)	0.201** (0.101)	0.213** (0.102)	0.101 (0.101)	0.110 (0.0999)	0.123 (0.104)
L.Inst capacity ²		-0.154** (0.0742)	-0.148** (0.0740)	-0.157** (0.0744)	-0.0981 (0.0723)	-0.0991 (0.0722)	-0.112 (0.0731)
L.Voting share	0.118*** (0.0253)	0.117*** (0.0247)	0.118*** (0.0244)	0.117*** (0.0250)	0.114*** (0.0236)	0.112*** (0.0237)	0.118*** (0.0240)
L.Total expenditure	2.94e-10*** (1.03e-10)	2.94e-10*** (1.01e-10)			-1.53e-09** (5.94e-10)		
L.Educ_exp			8.33e-10*** (2.52e-10)				-1.88e-09 (1.61e-09)
L.Health exp				4.43e-10*** (1.54e-10)		-3.06e-09*** (8.63e-10)	
L.Inst capacity* Total exp					3.48e-09*** (1.15e-09)		
L.Inst capacity*Health exp						6.72e-09*** (1.67e-09)	
L.Inst capacity*Educ exp							5.04e-09 (3.12e-09)
Income per capita	1.02e-06*** (3.92e-07)	1.00e-06*** (3.87e-07)	8.9e-07** (3.77e-07)	1.1e-06*** (3.95e-07)	7.9e-07*** (2.87e-07)	8.9e-07*** (3.04e-07)	7.4e-07** (3.05e-07)
Constant	0.489*** (0.0205)	0.425*** (0.0370)	0.425*** (0.0368)	0.424*** (0.0371)	0.469*** (0.0358)	0.466*** (0.0359)	0.457*** (0.0370)
Observations	382	382	382	382	382	382	382
R-squared	0.266	0.272	0.276	0.267	0.320	0.327	0.297
Robust standard errors in parentheses							
*** p<0.01, ** p<0.05, * p<0.1							

Chapter 6

Bolsa Familia and Human Development Outcomes in Two Municipalities

The federal, state, and municipal levels of government are all involved in the administration and financing of social assistance programs; however, the Bolsa Familia program is unique in that it is fully funded by the federal government, but the responsibility for administering and monitoring the conditionalities of the program falls to the municipal level. In order to explore the question of what factors influence the success of the Bolsa Familia program, or more specifically improvement in human development outcomes, it is critical to conduct any analysis at the municipal level. For the purposes of this study, two municipalities have been selected – Itapicuru and Paratinga – to review their implementation of the Bolsa Familia program to identify variations that affect human development outcomes.

This chapter will present the socioeconomic profiles of Itapicuru and Paratinga, followed by a comparative case study of the selected municipalities. This study will specifically explore impacts of political and social factors, while controlling for economic conditions in each municipality, to understand the driving forces behind successful implementation of Bolsa Familia.

Socioeconomic Profiles of Itapicuru and Paratinga

Located in the Northeast of Bahia, in the Sertão, Itapicuru is one of the oldest municipalities in Bahia.

While near the Northeastern coast of Bahia, Itapicuru is a land-locked municipality located about 3.5 hours north of the state capital, Salvador, which is among Brazil's largest port cities. The Rio Itapicuru runs from the northern part of the state and flows northwest to east, ultimately emptying into the Atlantic Ocean.²⁵³

Before Portuguese colonization, the land in and around Itapicuru was inhabited by various indigenous settlements, including the Kariris, Payayás, and Tupinambás. The name "Itapicuru" itself originates from indigenous (Tupi-Guarani) terminology, signifying a "lumpy slab," a reference to the distinctive rock formations in the region. Portuguese influence in the area began in the mid-17th century when a Franciscan mission, recognized as "Saúde" or "Santo Antonio," was established in 1636. More than 60 years later, a small chapel, called Nossa Senhora de Nazaré do Itapicuru de Cima, was established in 1698. Soon thereafter, a royal letter was sent to the viceroy of Brazil inquiring information regarding the potential of the area to be elevated to the status of a town. On April 28, 1728, Itapicuru, having met the conditions for town status, was elevated to an official town by the viceroy of Brazil, Conde Sabugosa.²⁵⁴ According to the municipal website, the history of Itapicuru is an illustration of the traditional historical path in Brazil: indigenous population, a new chapel and mission, land grants (sesmarias), and colonization.²⁵⁵ Itapicuru remained a town until 1931 when its territory was divided between two other

²⁵³ *Portal de mapas do IBGE.*(n.d.)<https://portaldemapas.ibge.gov.br/porta1.php#mapa403>

²⁵⁴ Prefeitura Municipal de Itapicuru, "O Município de Itapicuru e Sua História," n.d., <https://itapicuru.ba.gov.br/municipio/>.

²⁵⁵ Prefeitura Municipal de Itapicuru, "O Município de Itapicuru e Sua História," n.d., <https://itapicuru.ba.gov.br/municipio/>.

municipalities, Rio Real and Inhambupe.²⁵⁶ By 1938, however, Itapicuru was reestablished as its own city.

In terms of its local government, Itapicuru has an executive branch, headed by a mayor, and a legislative branch, a city council. Officials in both bodies are elected for four-year terms, and the public administration of the municipality is also supported by several municipal departments, including Planning and Finance, Health, Labor and Social Development, Education, Agriculture and Irrigation, Tourism and Leisure, Environment, Sports and Culture, Infrastructure and Public Services.²⁵⁷ Since 1997, in Itapicuru, four different individuals have served as mayor across a total of seven terms, and all have been affiliated with center, center-right, or right political parties, which will be explored in more detail in the next sections.

Covering approximately 601 square miles of territory, Itapicuru is a relatively populous municipality with just over 31,000 people as of the 2022 census, ranking 1,061st among all municipalities in Brazil and 89th of all in Bahia.²⁵⁸ It is also more sparsely populated, however, with 20.34 inhabitants per square kilometer, placing it on the lower end of the spectrum for population density, or 3,157th of all municipalities in Brazil and 224th of all 417 municipalities in Bahia. The average household size was 2.79 people.²⁵⁹ Since 1980, Itapicuru has demonstrated strong increases in population, growing at an average rate of 18 percent across the censuses performed from 1980 to 2010. In 2022,

²⁵⁶ Dispõe sobre o Plano Plurianual para o período 2018/2021 e dá outras providências, Lei Numero 452/2018, February 7, 2018, <https://itapicuru.ba.gov.br/wp-content/uploads/2021/05/Lei-no.-452-2018-de-01.02.2018-Dispoe-sobre-o-Plano-PluriaAnual-PPA-2018-2021-PUBLICADO.pdf>

²⁵⁷ Prefeitura Municipal de Itapicuru, “Secretarias,” n.d., <https://itapicuru.ba.gov.br/secretarias/>.

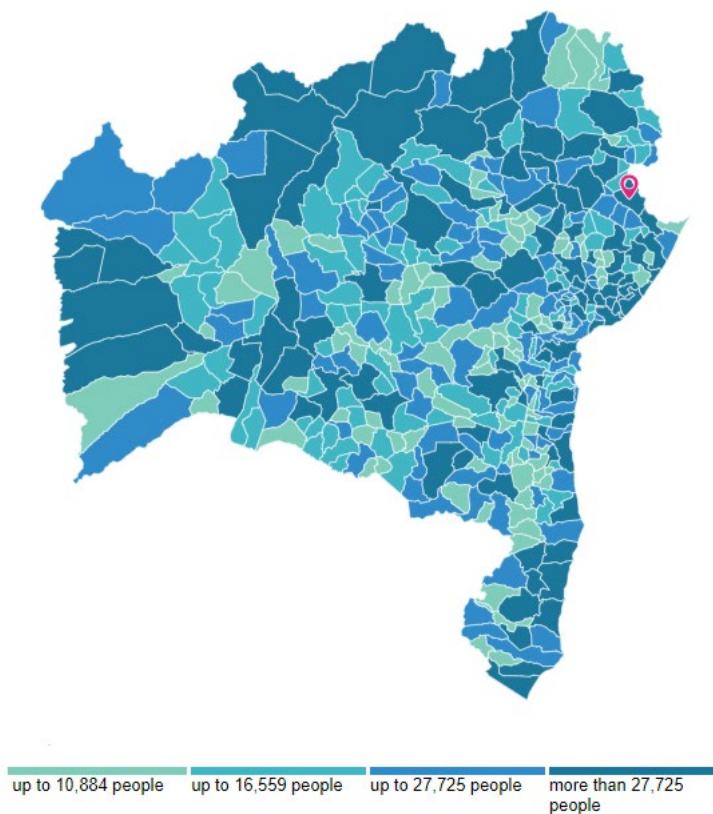
²⁵⁸ Instituto Brasileiro de Geografia e Estatística, “Cidades e Estados Do Brasil,” Data set, n.d., <https://cidades.ibge.gov.br/>.

²⁵⁹ “População de Itapicuru (BA) é de 31.679 pessoas, aponta o Censo do IBGE,” Globo, (June 28, 2023), <https://g1.globo.com/ba/bahia/noticia/2023/06/28/populacao-de-itapicuru-ba-e-de-31-679-pessoas-aponta-o-censo-do-ibge.ghtml>

however, this trend made a notable shift, with population declining by 2 percent from the 2010 to 2022 census.²⁶⁰

According to the 2010 Census, there were 32,261 residents of Itapicuru, of which nearly 1/3 of the population was under the age of 15; the next youngest group, ages 15-24, made up another 19 percent of the population. The same census indicated the residents of Itapicuru were approximately 51 percent male, and 49 percent female (across all age groups.) The majority of homes, nearly 7,000 out of 9,000 households and about 79 percent of the total population, were in rural areas, while the remaining about 2,000 households were in what is considered an urban area.

Figure 6.1 Map of Itapicuru



Source: IBGE

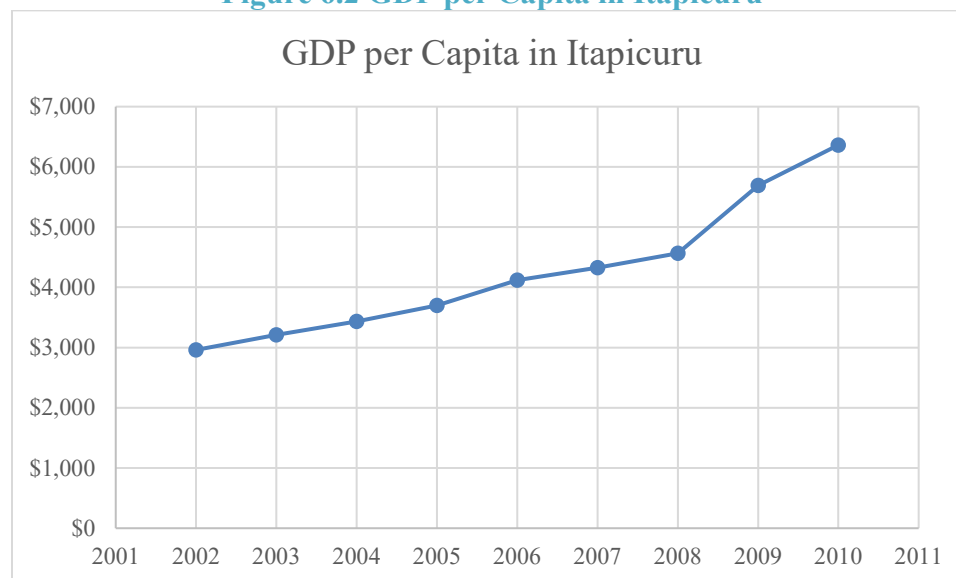
²⁶⁰ Instituto Brasileiro de Geografia e Estatística, “Cidades e Estados Do Brasil,” Data set, n.d., <https://cidades.ibge.gov.br/>.

According to the IBGE, the GDP of Itapicuru grew by nearly 75 percent between 2005 and 2009, increasing from R\$ 67.7 million to R\$ 118.4 million.²⁶¹ In the same period, the GDP of Bahia grew by an impressive 50.8 percent as well, but Itapicuru's growth rate eclipsed that of the state. The primary sector of Itapicuru's economy in the 2000s became service, which contributed 63.8 percent of GDP value, followed by agriculture at 24.4 percent, and then manufacturing at 9.1 percent. Through the 2000s, GDP per capita in Itapicuru also grew at healthy rates in context of the broader positive macroeconomic developments occurring across Brazil in the same period discussed in the last chapter. From 2002 to 2010, GDP per capita in Itapicuru grew annually at an average of 10 percent – with a particularly notable growth rate of 25 percent from 2008 to 2009. By 2021, in Itapicuru, the average monthly salary of formal workers was equal to 2 minimum wages – rising from 1.8 in 2007. In terms of the average monthly salary of formal workers, Itapicuru ranked 214th out of 417 municipalities in Bahia based on 2010 figures.²⁶²

²⁶¹ Instituto Brasileiro de Geografia e Estatística, “Produto Interno Bruto Dos Municípios 2005-2009,” Data set, n.d., <https://www.ibge.gov.br/estatisticas/economicas/contas-nacionais/9088-produto-interno-bruto-dos-municipios.html?edicao=18021>.

²⁶² Instituto Brasileiro de Geografia e Estatística, “Cidades e Estados Do Brasil,” Data set, n.d., <https://cidades.ibge.gov.br/>.

Figure 6.2 GDP per Capita in Itapicuru



Source: SEI

Interestingly, Itapicuru began the 1990s with lower income inequality than the same values at the state and national levels with a Gini coefficient of 0.4757 in 1991 (compared to 0.607 in Bahia and 0.532 in Brazil in 1992.) By 2000, income inequality had significantly worsened in Itapicuru, a function of the neoliberal economic model adopted in the 1990s that did little to alleviate poverty among Brazil's poorest populations described in the last chapter. Another ten years later, in 2010, income inequality slightly improved to 0.5499, though notably, did not recover to the level observed in 1991.²⁶³

Extreme poverty rates remained relatively high in Itapicuru throughout the 2000s. By 2010, of Itapicuru's 32,261 residents, more than 32 percent of the population, approximately 10,500 residents, were living in extreme poverty (with a monthly per capita

²⁶³ DATASUS, "Índice de Gini da renda domiciliar per capita segundo Município Período: 1991, 2000 e 2010," Data set, n.d., <http://tabnet.datasus.gov.br/cgi/ibge/censo/cnv/giniba.def>

income of less than R\$ 70.) Of the population living in extreme poverty, more than 86 percent were in rural areas compared to just 13.4 percent in urban areas.

As of 2010, Itapicuru seriously lagged in education when compared not only to the national level, but even within the state. With a schooling rate of 95.6 percent for children ages 6 to 14, Itapicuru ranked 4,802 out of over 5,500 municipalities throughout Brazil, and also near the bottom in the state of Bahia at 370 out of 417 in 2010. Among individuals aged 10 to 17, just over 87 percent were literate. The illiteracy rate for individuals 10 years and older in Itapicuru was 35.2 percent in 2010.

Life expectancy in Itapicuru achieved substantial improvements between 1991, 2000, and 2010. Within two decades, life expectancy grew by 15 years, from 52.6 years in 1991 to 67.6 years by 2010. As observed with other indicators, despite these improvements, these figures remain below the national and state averages – with a life expectancy of 71.6 years in Bahia and 73.9 across Brazil in 2010. In terms of infant mortality rate, Itapicuru demonstrated better results comparatively than other longevity measurements. With a 44 percent reduction in the infant mortality rate for children under the age of 1 between 1991 and 2000, Itapicuru ranked 52 out 417 municipalities in Bahia and among the top 600 of over 5,500 municipalities in Brazil by 2010, again demonstrating some promising improvements over the two decades. Additionally, within the same period, the average number of children per woman dropped from 5.6 to 2.6.

Table 6.1 Life Expectancy in Itapicuru

Indicator	1991	2000	2010
Life expectancy at birth	52.6	59.6	67.6
Infant mortality within 1 year (per 1,000 live births)	111.2	63.2	35.2
Child mortality within 5 years (per 1,000 live births)	140.8	80	38
Fertility rate	5.6	3.9	2.6

Source: Itapicuru Diário Oficial, 2018, PNUD, IGBE

In 2000, the percentage of households with inappropriate/inadequate sanitation was an astounding 61.3 percent, a figure that dramatically declined but remained high by 2010 at 26.9 percent. According to the IBGE profile of Itapicuru, only 11.4 percent of the population had access to adequate sewage systems in 2010.²⁶⁴ In an effort to describe the impact of the combination of these indicators Guerra, Pochmann, Silva et al, created and published the Atlas of Social Exclusion in Brazil and assigned a value to each municipality based on a composite index. The Social Exclusion Index is comprised of several dimensions, including poverty, employment, inequality, literacy, schooling, concentration of population under the age of 19, and violence, which are then weighted accordingly to create the final value.²⁶⁵ The index is measured from 0 to 1, where 0 indicates the worst conditions and a score closer to 1 indicates better social conditions. In 2000, Itapicuru ranked toward the bottom of all municipalities, coming in at 5,128 with a Social Exclusion index of 0.370. By 2010, the Social Exclusion Index for Itapicuru actually deteriorated from 0.370 to 0.334, and moved closer to the bottom of all Brazilian municipalities, ranking 5,481st.²⁶⁶

²⁶⁴ Instituto Brasileiro de Geografia e Estatística, “Cidades e Estados Do Brasil,” Data set, n.d., <https://cidades.ibge.gov.br/>.

²⁶⁵ Alexandre Guerra, Mario Pochmann, and Ronnie Aldrin Silva, eds., *Atlas Da Exclusão Social No Brasil: Dez Anos Depois*, vol. 2 (São Paulo, Brazil: Cortez Editora, 2015), 11–13.

²⁶⁶ Alexandre Guerra, Mario Pochmann, and Ronnie Aldrin Silva, eds., *Atlas Da Exclusão Social No Brasil: Dez Anos Depois*, vol. 1 (São Paulo, Brazil: Cortez Editora, 2014), 207.

Despite substantial increases in GDP per capita and improvements in education, Itapicuru was the lowest ranked municipality in terms of HDI at 0.486 in the entire state of Bahia, a state that underperforms when compared to overall Brazil. The table below illustrates the evolution of the Human Development Index and its components in Itapicuru.

Table 6.2 HDI and its Dimensions in Itapicuru

Indicator	1991	2000	2010
<i>IDHM</i>	0.198	0.311	0.486
<i>IDHM Education</i>	0.040	0.119	0.319
% of population 18 or older with elementary school education	2.68	6.94	15.23
% of 5 to 6 years old attending school	14.51	46.38	87.44
% of 11 to 13 years old attending elementary school	2.9	10.99	62.67
% of 15 to 17 years old with elementary school education	0.47	2.86	23.24
% of 18 to 20 years old with high school education	1.24	2.59	11.31
<i>IDHM Longevity</i>	0.460	0.577	0.711
Life expectancy	52.6	59.6	67.6
<i>IDHM Income</i>	0.419	0.440	0.505
Income per capita (R\$)	\$108.73	\$123.75	\$185.70

Source: Itapicuru Diário Oficial, 2018, PNUD, IGBE

From 2000 to 2010, the greatest improvement of the components of human development came in the education sector; however, in terms of its ranking in Bahia on the Basic Education Development Index, Itapicuru dropped from 289th rank in 2005 to 340th by 2011, indicating that while this was the area of greatest improvement in absolute terms, Itapicuru did not maintain a pace relative to its municipal peers. Later sections of this study will discuss these results in more detail.

The second municipality to be reviewed in this study is Paratinga. Located in the interior of Bahia, Paratinga is also one of the oldest municipalities in Bahia and is nearly equidistant from Bahia's capital, Salvador, and Brazil's capital, Brasilia at about 440 and 465 miles respectively – a modern nod to its role during colonial times as a strategic

passthrough and port off the São Francisco River in the 17th and 18th centuries. Even in modern times, the river remains an important waterway in Brazil, running through five states and more than 500 municipalities – with one of its two navigable stretches near the area of Paratinga. Home to vast farmlands, Paratinga was a center of economic and political power in that era and served as a stopping point for boiadeiros (ranchers) and travelers between Bahia and Minas Gerais. It was also the largest of municipalities at the time, territory which was slowly broken apart to form other municipalities. Originally named Urubu de Cima after a saint pictured in a local chapel, Urubu officially became a city on June 25, 1897, was renamed Rio Branco in 1912, and finally became known as Paratinga in 1943.²⁶⁷

Like Itapicuru, Paratinga has both an executive and legislative branch. As noted in a previous chapter, municipal level governments can maintain their own department structure. In Paratinga, there are several specific municipal departments, organized differently than Itapicuru, which include: Administration; General Comptroller; Social Development and Citizenship; Education; Farm; Infrastructure, Public Services, and Urban Development; Agriculture, Water Resources, and the Environment; and Traffic and Transport. Since 1997, the people of Paratinga have elected four different people to serve as mayor across seven terms from both right and left parties. From 1997 to 2008, the two elected mayors were members of the right-leaning Liberal Party (PL), and since then, with the exception of one term, have elected officials from the left Workers' Party (PT.)

The territory of Paratinga measures approximately 1,013 square miles and is home to 29,252 as of the 2022 census, ranking at the 94th most populous municipality in Bahia

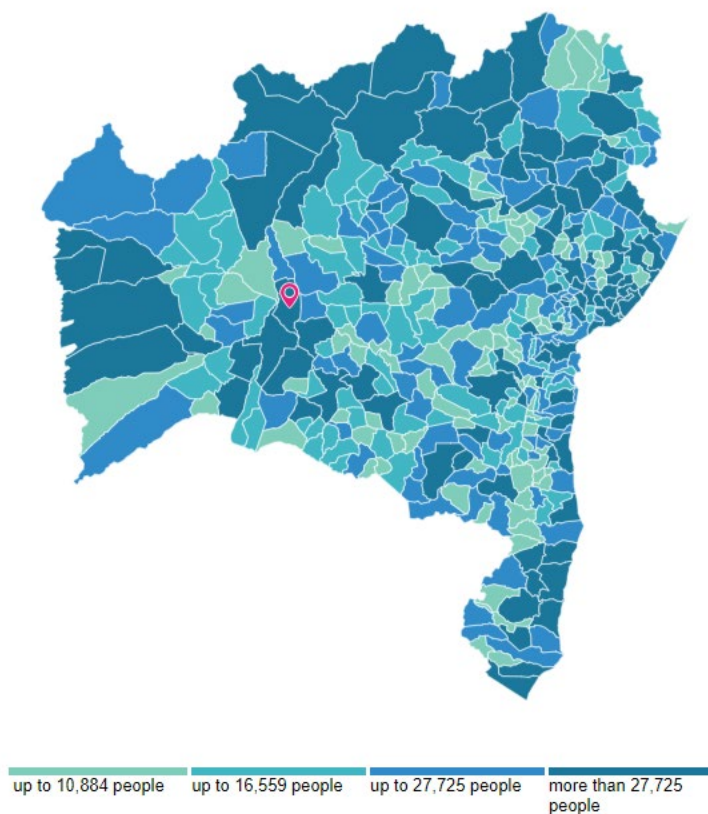
²⁶⁷ Instituto Brasileiro de Geografia e Estatística, “Cidades e Estados Do Brasil,” Data set, n.d., <https://cidades.ibge.gov.br/>.

and the 1,158th in the country. It is less densely populated than Itapicuru, with 11.14 residents per square kilometer, thus ranking even lower for population density at 325 out of 417 municipalities in Bahia. The population in Paratinga from the 2010 census to the 2022 census declined by 1 percent, but prior to that, Paratinga experienced an average of 10 percent growth across each census performed from 1980 to 2010 – with a starting population of about 20,635 to 29,504 in 2010.

The age distribution of the population in Paratinga, based on 2010 census data, indicates a similar trend to that observed in Itapicuru – close to 30 percent of the population is under the age of 15, and the next youngest segment from 15-24 years old makes up another 21.5 percent of the population. Across all age groups, Paratinga’s population is approximately 50.6 percent male and 49.4 percent female.²⁶⁸ Paratinga is also a largely rural municipality with 4,379 households out of 7,211 total households, (and 63 percent of the total population) residing in a rural area. Similar to Itapicuru, Paratinga’s climate is also semi-arid, part of the Sertão, making its largely rural population vulnerable to the frequent droughts in the region.

²⁶⁸ Instituto Brasileiro de Geografia e Estatística, “Cidades e Estados Do Brasil,” Data set, n.d., <https://cidades.ibge.gov.br/>.

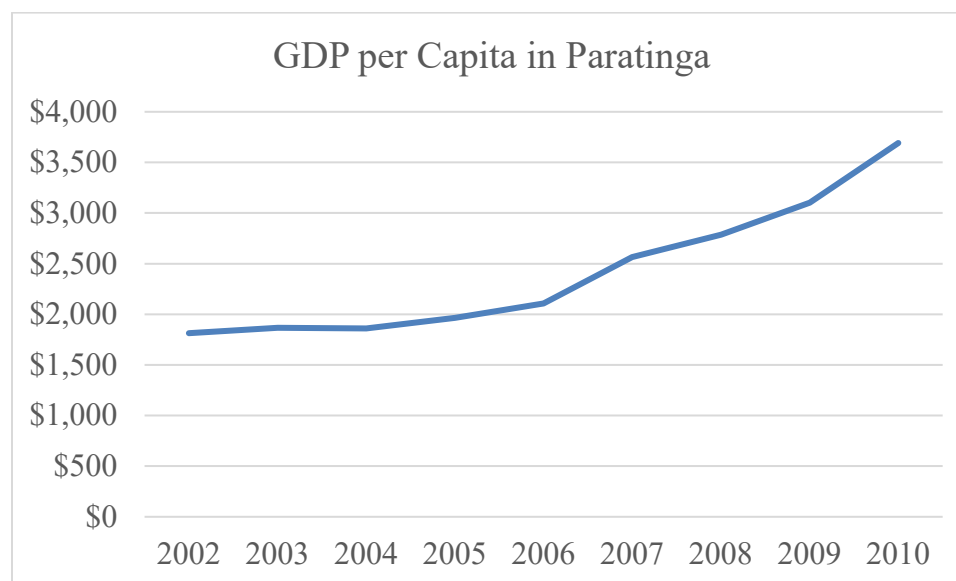
Figure 6.3 Map of Paratinga



Source: IBGE

In the early 2000s, growth in GDP per capita in Paratinga remained relatively stagnant, growing at only 3 percent, then flat, and then 6 percent between 2002 to 2005. However, beginning in 2006, and with an especially large jump of 22 percent growth between 2006 and 2007, the annual growth rate of GDP per capita in Paratinga notably accelerated. In 2021, the average monthly salary of formal workers was equal to 1.7 minimum wages (compared to 2 for Itapicuru), up from 1.3 in 2007. Based on 2010 data, Paratinga also ranked towards the bottom of Bahian municipalities, registering at the 282nd spot out of 417 and 4,745th in all of Brazil.

Figure 6.4 GDP per Capita in Paratinga



Source: SEI

In terms of income inequality, a similar observation can be made in the case of Paratinga. The municipality began the 1990s with a Gini coefficient of 0.4679, but inequality increased even more dramatically by 2000, reaching 0.6636. Income convergence from 2000 to 2010 was relatively steep, a 16 percent decline overall, from 0.6636 to 0.5547. However, much like Itapicuru, Paratinga did not recover to its 1991 level by 2010. According to data from PNUD and IPEA, the population living in extreme poverty in Paratinga in 2000 was 58.98 percent, a figure which dropped to 30.09 percent by 2010.

Based on 2010 census data, Paratinga maintained a much higher schooling rate for children aged 6 to 14 when compared to Itapicuru with a rate of 98.9 percent. This rate placed Paratinga 718th out of over 5,500 municipalities in Brazil and 17th in the state of Bahia. Literacy rates were also notably higher – with 94 percent of the population from 10 to 17 years old able to read.

In Paratinga, life expectancy at birth improved by 7.1 years from 2000 to 2010, and its value of 71.5 was essentially the same as the wider state of Bahia at 71.6 years, but still below that of the national level. When comparing infant mortality rates between 2000 and 2010, a nearly 48 percent decline is observed with 44.3 deaths per 1,000 live births shrinking to 23.1 by 2010. The 2010 fertility rate for both Itapicuru and Paratinga ended at an average of 2.6 children per woman, a declining from 3.7 in 2000.

Table 6.3 Life Expectancy in Paratinga

Indicator	1991	2000	2010
Life expectancy at birth	58.4	64.4	71.5
Infant mortality within 1 year (per 1,000 live births)	76.9	44.3	23.1
Child mortality within 5 years (per 1,000 live births)	98.4	56.7	25
Fertility rate	5.4	3.7	2.6

Source: PNUD

According to the IGBE, in 2010, only 3 percent of the population had access to adequate sanitary sewage system in Paratinga, significantly worse than Itapicuru's 11.4 percent²⁶⁹ According to the Social Exclusion Index, Paratinga was calculated to be 0.356 and ranked 5,263rd across all of Brazil, or 135 spots behind Itapicuru. By 2010, Paratinga's Social Exclusion Index rose to 0.415, increasing its rank across all municipalities to 4,931st. During this 10-year period, Paratinga managed to improve the components of its Social Exclusion Index to not only pass Itapicuru, but it ended 2010 at 550 places ahead of Itapicuru.

²⁶⁹ Per the IGBE database, "Adequate sanitary sewage" is calculated as [total population residing in permanent private homes with general sewage system and septic tank / Total population residing in permanent private homes] x 100.

In terms of HDI, Paratinga made significant improvements in overall HDI as well as each of its dimensions. In 2000, Paratinga ranked 353rd out of Bahia's 417 municipalities for HDI with its value of 0.371. Within 10 years, Paratinga's HDI increased to 0.59, placing it 204th out of 417, surpassing its previous performance by nearly 150 places and demonstrating that improvements in human development outcomes were not just in absolute terms, but in relative terms as well.

Table 6.4 HDI and its Dimensions in Paratinga

Indicator	1991	2000	2010
<i>IDHM</i>	<i>0.251</i>	<i>0.371</i>	<i>0.59</i>
<i>IDHM Education</i>	<i>0.079</i>	<i>0.194</i>	<i>0.51</i>
% of population 18 or older with elementary school education	7.56	13.16	33.5
% of 5 to 6 years old attending school	15.77	49.96	96.19
% of 11 to 13 years old attending elementary school	6.72	23.46	76.86
% of 15 to 17 years old with elementary school education	6.56	13.85	49.4
% of 18 to 20 years old with high school education	3.18	6.89	29.52
<i>IDHM Longevity</i>	<i>0.556</i>	<i>0.657</i>	<i>0.774</i>
Life expectancy	58.37	64.42	71.46
<i>IDHM Income</i>	<i>0.361</i>	<i>0.401</i>	<i>0.519</i>
Income per capita (R\$)	\$75.61	\$96.99	\$201.79

Source: PNUD, IBGE

The next section will explore the variances in human development outcomes in Itapicuru and Paratinga between 2000 and 2010 in more detail. Drawing upon theoretical frameworks on the impact of institutional, political, and social explanations for development outcomes, this case study approach will examine specific factors related to municipal capacity, electoral cycles and political parties, as well as investment and quality of health and education services.

Bolsa Familia in Itapicuru and Paratinga

According to UNDP, the classification for human development is as follows: values of less than 0.550 indicate low levels of human development; 0.550-0.699 indicates medium human development; 0.700 to 0.799 is associated with high levels of human development, while 0.800 or greater is considered very high human development.²⁷⁰ At the start of the period for this study, the year 2000, both Paratinga and Itapicuru were considered to have low levels of human development with values of 0.371 and 0.311 respectively. However, by 2010, the HDI for Paratinga increased to 0.59, elevating it to a medium level of human development. Itapicuru, in contrast, improved to 0.486 but remained in the category of low human development, failing to cross the threshold its peer municipality did in the same period despite beginning in similar circumstances. What factors contributed to these differences? Why was Paratinga more successful in improving human development outcomes than Itapicuru? This section will present background on the evolution of the Bolsa Familia program in each municipality since its inception in 2003, describe differences in HDI and its dimensions from 2000 to 2010, followed by an in-depth analysis of the hypotheses presented in this study.

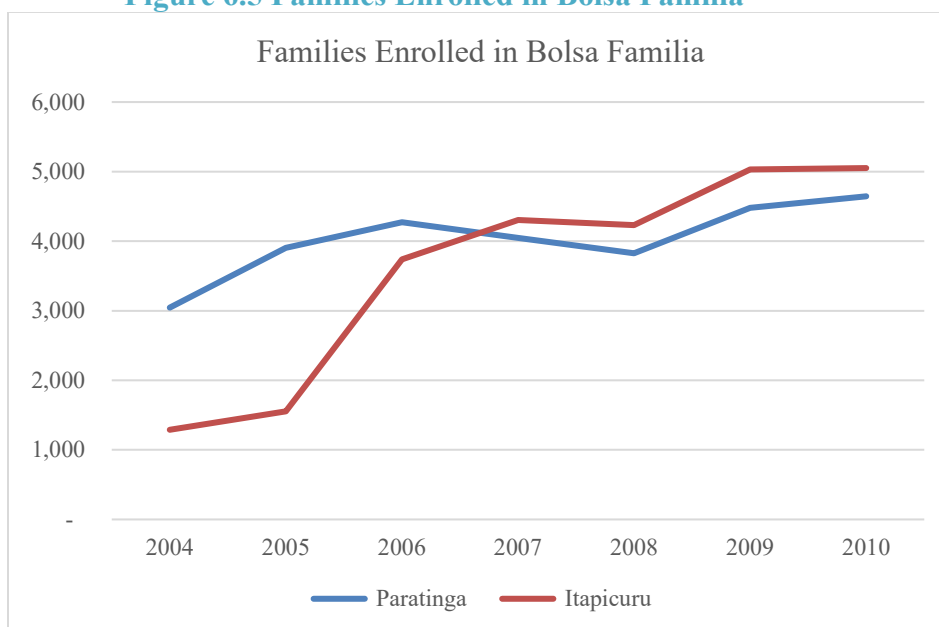
Most studies attribute improvements in human development and poverty to the currency stability resulting from the Plano Real of the early 1990s as well as macroeconomic trends of the 2000s, including the commodity boom and reductions in unemployment. The Bolsa Familia program, however, is also widely cited contributing factor to reductions in the incidence of poverty and extreme poverty as well as better health and education outcomes among beneficiaries, particularly due to its success in targeting

²⁷⁰ United Nations, “Data Reader’s Guide,” Human Development Reports, n.d., <https://hdr.undp.org/reports-and-publications/2020-human-development-report/data-readers-guide>.

the poorest segments of Brazilian society, promoting a more inclusive growth than what otherwise would have happened.

Like all other municipalities across Brazil, Paratinga and Itapicuru both began implementation of the Bolsa Familia program shortly after its creation in October 2003. In both cases, City Hall is responsible for the administration and organization of Bolsa Familia registration and monitoring.²⁷¹ Based on the 2000 census, Paratinga and Itapicuru had very similar population sizes – about 24,000 each – but Paratinga had significantly fewer permanent households (7,211) compared to Itapicuru (9,000). Within the first year, Paratinga had 3,045 families enrolled in the program, while Itapicuru began the first year of the program with only 1,289 families enrolled. This notable discrepancy continued in the early years of the program, but by 2007, Itapicuru’s enrollment figures not only converged, but remained slightly higher than Paratinga’s through 2010.

Figure 6.5 Families Enrolled in Bolsa Familia



Source: SENARC, Ministério da Cidadania

²⁷¹ “Bolsa Família Da Cidade de Itapicuru - BA,” Prefeituras, n.d., <https://prefeituras.info/ba/itapicuru/bolsa-familia>.

The amount transferred from the federal government, or the level of investment in the Bolsa Familia program, followed a similar trend observed in the enrollment figures. According to the Ministry of Social Development, the amount transferred is a function of the IGD-M, capacity score of the municipality, and the number of families registered in the Cadastro Unico with a monthly per capita income of up to half a minimum wage from the previous month.²⁷² As of 2010, the specific formula to calculate the resources transferred to each municipality was: Amount to be transferred = [(IGD-M x R\$ 3.25 per valid registration + incentives] x account balance multiplier.²⁷³ Understandably then, Itapicuru received substantially lower transfers in the early years when its number of families enrolled was well below those observed in Paratinga. However, it was not until 2008 when Itapicuru passed Paratinga in total amount transferred, though the difference was less pronounced than the differences observed in families enrolled, likely a function of variations in their IGD-M values. In 2004, Paratinga received nearly R\$ 2.4 million for their families enrolled in the cash transfer program; a figure which more than doubled to R\$ 5.8 million by 2010. Comparatively, Itapicuru began with less than R\$ 1 million transferred to its citizens and ended in 2010 with the amount transferred to families valued at R\$ 6.2 million.

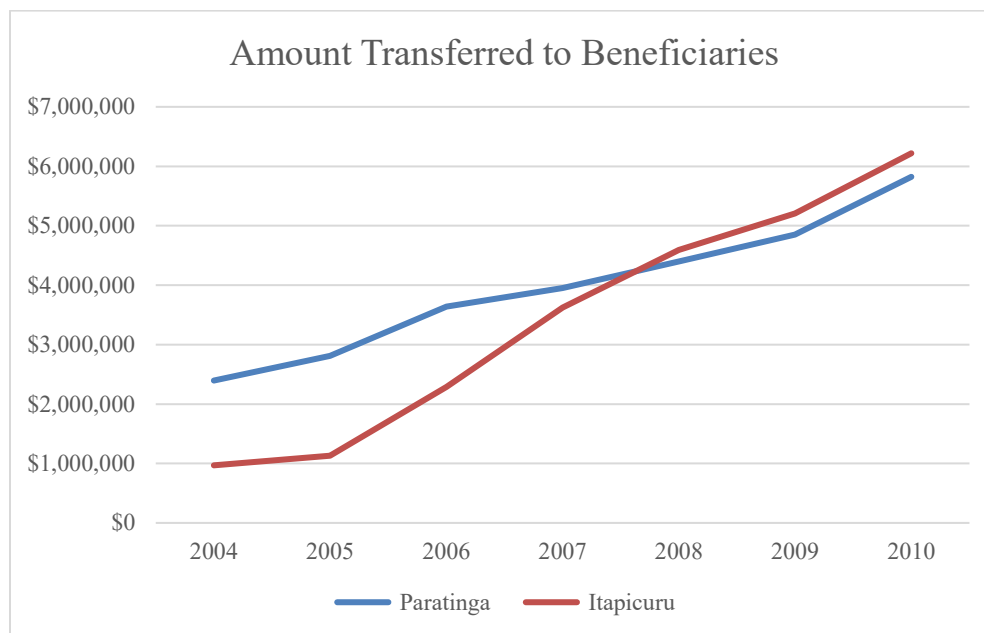
²⁷² Ministério do Desenvolvimento Social and Secretaria Nacional de Renda de Cidadania, “Caderno Do IGD-M: Manual Do Índice de Gestão Descentralizada Do PRograma Bolsa Familia e Do Cadastro Único,” April 2018,

https://www.mds.gov.br/webarquivos/publicacao/bolsa_familia/Guias_Manuais/ManualIGD.pdf.

²⁷³ Ministério do Desenvolvimento Social and Secretaria Nacional de Renda de Cidadania, “Caderno Do IGD-M: Manual Do Índice de Gestão Descentralizada Do PRograma Bolsa Familia e Do Cadastro Único,” April 2018,

https://www.mds.gov.br/webarquivos/publicacao/bolsa_familia/Guias_Manuais/ManualIGD.pdf.

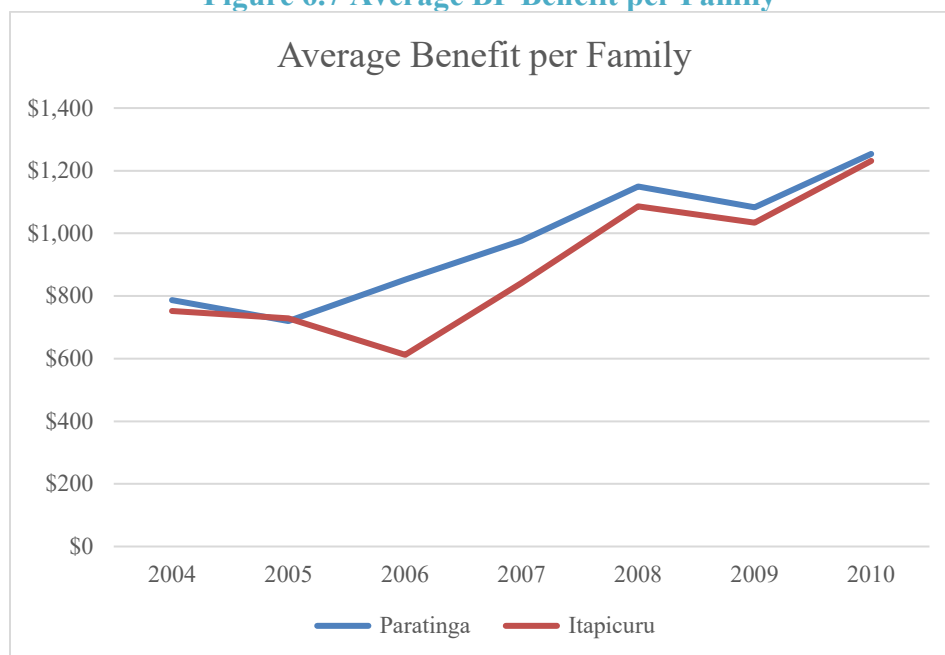
Figure 6.6 Benefits Transferred



Source: SENARC, Ministério da Cidadania; In Reais

Lastly, in terms of the average benefits received per family, Paratinga and Itapicuru have remained relatively close from 2004 to 2010, with a notable exception in 2006. In April of 2006, the IGD-M was introduced both as a metric, and quickly incorporated into calculations of resources transferred. Since 2004, Paratinga has maintained a slightly higher average benefit per family, with the exception of 2005; its average benefit per family, which again is a combination of a basic benefit plus variable benefits based on dependents, etc, began at R\$ 787 and climbed to R\$ 1,254 by 2010. Similarly, Itapicuru began at R\$ 752 in 2004, which climbed to R\$ 1,231 by 2010.

Figure 6.7 Average BF Benefit per Family



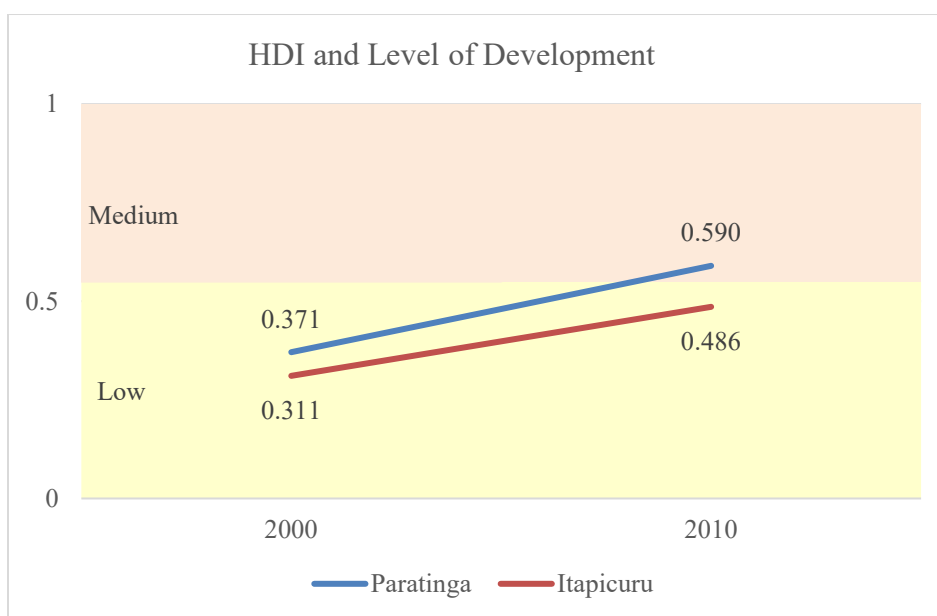
Source: SENARC, Ministério da Cidadania

Overall, Paratinga and Itapicuru have had comparable levels of investment and enrollment in Bolsa Familia, especially in the late 2000s, and the average benefit per family remained steadily comparable through all ten years except for one year. Despite these similarities in Paratinga and Itapicuru, the two municipalities experienced differences in improvements in levels of human development.

In terms of HDI, the dependent variable for this study, both Paratinga and Itapicuru observed notable improvements. However, when measuring the degree of improvement between 2000 and 2010 values, Paratinga outperformed Itapicuru on HDI overall and each of its three dimensions, except for longevity – though Paratinga began near the threshold of a high level of development. The following tables show the evolution of the dependent variable and its dimensions for both Paratinga and Itapicuru in the decade of focus for this study.

The HDI value for Paratinga in 2000 was 0.371 and improved to 0.590 by 2010. This change represents an increase of 0.219 in Paratinga’s human development measure. Itapicuru, in contrast, only experienced an improvement of 0.175 points between 2000 when its HDI was 0.311 and 2010 when its HDI increased to 0.486. The chart below illustrates the transformation over time of HDI with reference to the levels of human development as defined by UNDP.

Figure 6.8 HDI in Itapicuru and Paratinga

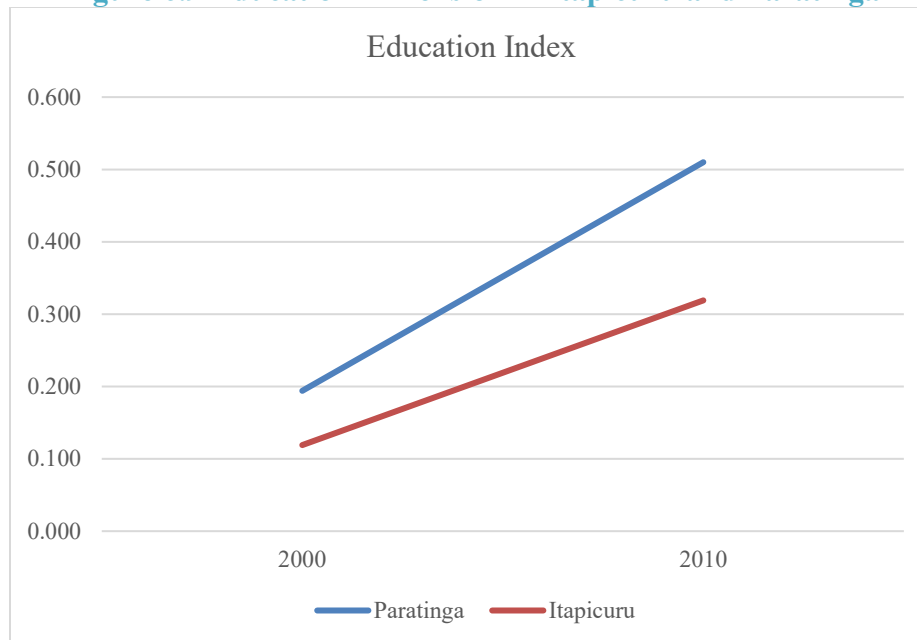


Source: PNUD

Considered the “knowledge” component of human development, the education dimension of HDI is an index based on the combined indicators of expected years of schooling and mean years of schooling. Again, both Paratinga and Itapicuru observed improvements when comparing this measurement from 2000 to 2010. In Paratinga, the beginning value for the education component of HDI was 0.194 compared to 0.510 in 2010. For Itapicuru, its education index measured 0.119 in 2000 and increased to 0.319 by 2010.

As illustrated by the chart below, however, the improvement in education was more pronounced in Paratinga than Itapicuru.

Figure 6.9 Education Dimension in Itapicuru and Paratinga



Source: PNUD

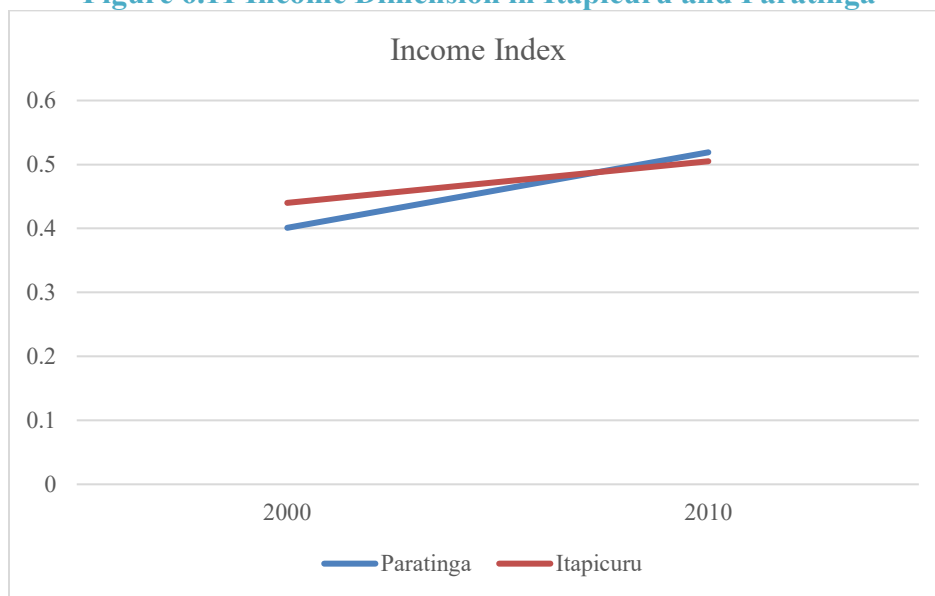
The Human Development Index utilizes life expectancy at birth as the measure for the dimension of a long and healthy life. Life expectancy at birth in 2000 was 64.4 years in Paratinga compared to 59.6 years in Itapicuru. Within ten years, those values improved to 71.5 years in Paratinga and 67.6 years in Itapicuru. In the case of longevity, Itapicuru observed a greater absolute improvement, increasing life expectancy by 8 years, which was above the previously noted 7.1-year improvement that took place in the same period in Paratinga. Despite the greater magnitude of improvement, however, Itapicuru failed to close the gap when compared to Paratinga, the state of Bahia, or at the national level. Life expectancy in Paratinga was 3.9 years more than Itapicuru, and the same measurement for the state of Bahia was 4 years greater.

Figure 6.10 Longevity Dimension in Itapicuru and Paratinga

Source: PNUD

The last component of the Human Development Index is income, a standard of living dimension, which is measured as gross national income per capita combined with a logarithm to balance the index as there is a diminishing importance for income as it reaches certain thresholds.²⁷⁴ This dimension of HDI is where Paratinga and Itapicuru perform most similarly; Paratinga began just below Itapicuru with its income dimension at 0.401 compared to Itapicuru's 0.44, and barely exceeded it in 2010 as illustrated in the chart below. Both municipalities began the 2000s with low GDP per capita - \$1,813 in Paratinga and \$2,961 in Itapicuru. By 2010, both municipalities more than doubled their GDP per capita to end the decade at \$3,692 in Paratinga and \$6,363 in Itapicuru.

²⁷⁴ United Nations, "Human Development Index," Human Development Reports, n.d., <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>.

Figure 6.11 Income Dimension in Itapicuru and Paratinga

Source: PNUD

As illustrated through the various charts presented so far in this section, Paratinga maintained higher levels of human development than Itapicuru and experienced greater improvements in the HDI and all its dimensions, except longevity. The most pronounced differences in improvements came in the education component followed by the income component, even though GDP per capita in Paratinga was initially about \$1,100 less in 2000 and then \$2,500 less than Itapicuru's by 2010.

Explaining Differences in Human Development Outcomes

The central argument of this study is that municipal capacity is critical to the delivery of the Bolsa Familia program and human development outcomes. The hypotheses derived from the literature will compare political factors – namely, institutional capacity and electoral cycles – as affecting human development outcomes:

- **H1:** The stronger the municipal capacity, the more likely Bolsa Familia is to improve human development outcomes.
- **H2:** The greater the potential electoral gains for officials during electoral cycles, the more likely Bolsa Familia is to improve human development outcomes.

The social factors identified as affecting human development outcomes for the purposes of this study were the quality of health and education services. The effectiveness of conditional cash transfer programs can often be constrained by poor quality in health and education services, minimizing both short-term gains and the long-term accumulation of human capital and improvements in standard of living.

- **H3:** The better the quality of health and education services, the more likely Bolsa Familia is to improve human development outcomes.

The following sections explore these factors in comparative detail for both Paratinga and Itapicuru for the period from 2000 to 2010.

Political Factors: Institutional Capacity and Electoral Incentives

Despite the broader debate of state versus market, the literature on the BFP highlights the need for a partnership between the market and the state, as the state can promote social development that promotes growth and development over the long-term. Any sustainable path for combating poverty in the long-run requires states that facilitate a developmental and redistributive approach, including growth-oriented and welfare-focused political

systems with competent bureaucracies.²⁷⁵ As argued throughout scholarship on the role of institutions, the market alone cannot fully address problems of development and poverty and now developed, liberal-oriented states themselves often went through phases of state support before transitioning to the “invisible hand.”²⁷⁶

Thus, if the state matters in the process of development, the quality of governance and the types of institutions become a relevant question in the implementation and administration of poverty reduction strategies. The concept of governance is defined more broadly as a “cluster of institutions,” including political institutions, state capacity, and economic institutions.²⁷⁷ Acemoglu and Robinson defined two types of political and economic institutions - extractive vs. inclusive – and argue that the type of institution developed in a state changed societies for the long-term due to the incentive structures (or lack thereof), freedom and participation that developed. Extractive institutions were set up to extract wealth to benefit a small elite and over the long-term, mitigated growth because there was and still is no incentive for creative destruction or innovation, according to the authors. Inclusive institutions, in contrast, though often the result of conflict/violence at a point in history, prevent the concentration of power (i.e. pluralism) and allow for economic institutions that encourage participation and innovation, thus propelling a long-term trajectory for continued growth. Acemoglu and Robinson make one of the strongest arguments on the importance of institutions in shaping macroeconomic stability through

²⁷⁵ United Nations, “Combating Poverty and Inequality: UNRISD Flagship Report,” *United Nations Research Institute for Social Development*, 2010, https://conselho.saude.gov.br/web_confmundo/artigos/UNRISD_poverty_report_key_messages.pdf; Alfredo Saad-Filho, “Social Policy for Neoliberalism: The Bolsa Família Programme in Brazil,” *Development and Change* 46, no. 6 (November 1, 2015): 1244, <https://doi.org/10.1111/dech.12199>.

²⁷⁶ Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton, NJ, United States of America: Princeton University Press, 1990).

²⁷⁷ Douglass North et al., *Governance, Growth, and Development Decision-Making* (Washington DC, United States of America: The World Bank, 2008).

state mechanisms, and thus implying that institutions matter in effective development and poverty reduction. In the case of states with institutions more reflective of extractive practices, substantive changes can take place through systems that increase and promote social inclusion, a practice they point out took place in Brazil.²⁷⁸

The transformation of Brazilian political and economic institutions as well as capacity, which provided the foundation for the decade of transformative and inclusive growth, was the result of the structural changes introduced by the 1988 Constitution and political movements. Inclusive institutions overall are pluralistic in nature, with power distributed widely among a society, more equally distributed resources and a more level playing field, essentially laying the foundation for good governance. Inclusive growth and substantial gains in combating poverty are dependent on the quality of governance and the provision of basic public services and goods. Lack of institutional capacity is often cited as a primary reason for lower quality governance. Without capacity, government agencies are not able to provide for citizens efficiently or effectively.

When the military regime ended in 1985, Brazil as a nation underwent a process of re-democratization. The 1988 Constitution, with its emphasis on civil liberties, individual rights, and state responsibility to guarantee those rights, is commonly referred to as the “Citizens’ Constitution,” a nod to its origins with support and input from grassroots groups and the intentional moves toward decentralized, participatory institutions.²⁷⁹ Article 1 outlines Brazil as a democratic state founded on the principles of : (1) sovereignty; (2)

²⁷⁸ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (Profile Books, 2012), 457.

²⁷⁹ Alex Rodrigues, “Marked by Popular Participation, Brazilian Constitution Turns 35,” Agência Brasil, May 10, 2023, <https://agenciabrasil.ebc.com.br/en/politica/noticia/2023-10/marked-popular-participation-brazilian-constitution-turns-35>.

citizenship; (3) the dignity of the human person; (4) the social values of labor and of the free enterprise; and (5) political pluralism.²⁸⁰ Article 3 identifies Brazil's fundamental objectives as: (1) to build a free, just, and solidary society; (2) to guarantee national development; (3) to eradicate poverty and substandard living conditions and to reduce social and regional inequalities; and (4) to promote the well-being of all, without prejudice as to origins, race, sex, color, age, and any other forms of discrimination.²⁸¹

Alongside this emphasis on rights, the 1988 Constitution also set the foundation for the decentralization of power, transferring authorities to state and municipal levels of government. Throughout the 1990s, President Cardoso implemented many of these changes as noted in the previous chapter, leading to an era of intentional municipalization of federal authority. The objective of this municipalization was connected to Cardoso's efforts for macroeconomic stability and implemented municipalization primarily through expenditure transfers, focusing on municipalizing major budget items (such as health and education), social policies, and creation of funds and centralized systems for more efficient management, such as the Fundamental Education Fund (FUNDEF) and Single Health System (SUS).²⁸²

Much of the transformation embedded in the 1988 Constitution was the result of social movements and public demands for liberty and equality that originated during the years of the military regime. Brazil's experience in the later 1980s and early 1990s was not

²⁸⁰ Federal Supreme Court, "Constitution of the Federative Republic of Brazil," October 5, 1988, https://www.stf.jus.br/arquivo/cms/legislacaoConstituicao/anexo/brazil_federal_constitution.pdf.

²⁸¹ Federal Supreme Court, "Constitution of the Federative Republic of Brazil," October 5, 1988, https://www.stf.jus.br/arquivo/cms/legislacaoConstituicao/anexo/brazil_federal_constitution.pdf.

²⁸² J. Tyler Dickovick, "Municipalization as Central Government Strategy: Central-Regional-Local Politics in Peru, Brazil, and South Africa," *Publius* 37, no. 1 (October 10, 2006): 12–14, <https://doi.org/10.1093/publius/pjl012>.

just a transition to a new government structure, but represented what some characterize as a democratic revolution. In the 1980s, the mobilization of civil society and later formation of new political parties, especially the Workers' Party and Brazilian Democratic Movement Party, promoted a central role for public participation in the political process. A movement of participatory budgeting began under the leadership of the Workers' Party through the late 1980s and 1990s. Under the model of participatory budgeting, which began in Porto Alegre in 1989, a municipality's citizens are invited to participate in budget discussions with the mayor and municipal governments, allowing for greater participation and public discourse on the distribution of public resources in key areas of social investment.²⁸³ While participatory budgeting was widely implemented, not all municipalities adopted this approach, leading to variations in the quality of governance and inclusiveness of institutions.²⁸⁴ In addition to participatory budgeting, nearly all municipalities, Paratinga and Itapicuru included, also maintain public policy councils for participation in the formulation of social policies as outlined in Law 8,742 from December 1993.²⁸⁵

²⁸³ Brian Wampler, Stephanie McNulty, and Michael Touchton, *Participatory Budgeting in Global Perspective* (Oxford, United Kingdom of Great Britain and Northern Ireland: Oxford University Press, 2021), 83–84.

²⁸⁴ For more on the role of participatory institutions and their effect on well-being in Brazil, please see: Brian Wampler, Natasha Borges Sugiyama, and Michael Touchton, *Democracy at Work: Pathways to Well-Being in Brazil*, (New York, United States of America: Cambridge University Press, 2020), <https://doi.org/10.1017/9781108675949>. Brian Wampler, *Participatory Budgeting in Brazil: Contestation, Cooperation, and Accountability* (University Park, PA, United States of America: Penn State Press, 2007); Michael Touchton and Brian Wampler, "Improving Social Well-Being through New Democratic Institutions," *Comparative Political Studies* 47, no. 10 (December 27, 2013): 1442–69, <https://doi.org/10.1177/0010414013512601>.

²⁸⁵ "Dispõe sobre a organização da Assistência Social e dá outras providências" Lei N. 8.742, December 8, 1993, https://www.planalto.gov.br/ccivil_03/leis/18742.htm

Acemoglu and Robinson credit developments, like participatory budgeting and public policy councils, with the transformation of Brazilian institutions from extractive to inclusive in this period. They write:

“The rise of Brazil since the 1970s was not engineered by economists of international institutions instructing Brazilian policymakers on how to design better policies or avoid market failures. It was not achieved with injections of foreign aid. It was not the natural outcome of modernization. Rather, it was the consequence of diverse groups of people courageously building inclusive institutions. Eventually these led to more inclusive economic institutions.”²⁸⁶

As a strategy of decentralizing political power, municipalization in Brazil was a manifestation toward more inclusive institutions with more local oversight and input into policy and program decision-making, administration, and ultimately outcomes. It was within this broader political context that influenced and impacted how municipalities today carry out their governance. Thus, the capacity of municipalities is essential to understanding the implementation of Bolsa Familia and human development outcomes. After Bolsa Familia was instituted in late 2003, President Lula further outlined in decree 5,209 from September 2004 the functional responsibilities of the municipalities as: (1) establishing coordination among representatives from health, education, food security, and social assistance programs; (2) registration of BFP beneficiaries in the Unified Registry; (3) promotion and support for intersectoral management; (4) provision of services and institutional structures; (5) provision of technical support for local management of BFP; (6) partnerships with various levels of government to offer complementary social

²⁸⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (Profile Books, 2012), 457.

programs; (7) and finally, monitoring compliance with conditionalities of the program.²⁸⁷ The state level of government was deemed to hold some similar responsibilities, particularly in areas of coordination and intersectoral management, but primarily to function as a support for municipalities in areas of awareness raising, technical support, and encouragement.²⁸⁸

As noted previously, for the purposes of this study, municipal capacity is operationalized as the Decentralized Management Index (IGD), a metric rolled out in 2006 that represents the municipality's quality of management and administration of the Bolsa Familia program. According to a video produced by the Ministry of Social and Agrarian Development, the IGD measures quality of coverage and quality of the Unified Registry and monitoring of conditionalities. Measured on a scale from 0 to 1, municipalities with an index closer to 1 are interpreted as having better municipal management and, in return, receive more resources to support the Bolsa Familia program, effectively functioning as an incentive to improve management and capacity. With monthly monitoring of the IGD and distributions, the MDS incentivizes municipalities to continuously improve their IGD in order to receive more resources. As a measurement of the quality of municipal management of the Bolsa Familia program, the IGD also represents in effect a combination of political commitment and municipal capacity.²⁸⁹ Because of the monetary incentive coupled with

²⁸⁷ “Regulamenta a Lei no 10.836, de 9 de janeiro de 2004, que cria o Programa Bolsa Família, e dá outras providências,” Decreto N. 5.209, September 17, 2004
https://www.mds.gov.br/webarquivos/legislacao/bolsa_familia/decreto/decreto_no_5209_de_17.09.2004-1.pdf

²⁸⁸ “Regulamenta a Lei no 10.836, de 9 de janeiro de 2004, que cria o Programa Bolsa Família, e dá outras providências,” Decreto N. 5.209, September 17, 2004
https://www.mds.gov.br/webarquivos/legislacao/bolsa_familia/decreto/decreto_no_5209_de_17.09.2004-1.pdf

²⁸⁹ Michael Touchton, Brian Wampler, and Tiago Carneiro Peixoto, “Of Democratic Governance and Revenue: Participatory Institutions and Tax Generation in Brazil,” *Governance* 34, no. 4 (November 17, 2020): 1204, <https://doi.org/10.1111/gove.12552>.

the IGD, lower IGD scores are associated with lower capacity rather than less political will or motivation to administer the Bolsa Familia program – in effect cancelling out concerns about lack of interest in promoting or managing the BFP due to political differences between municipalities and federal governments, or other similar reasons. The Decentralized Management Index serves as a means of calculation for resource transfer/distribution, but the MDS has specific mandates for how those resources can be used and invested. Thus, it also encourages activities and investment in areas that serve to expand management capabilities as well as overall municipal capacity.

When examining the IGD values for all municipalities in the state of Bahia, there is a considerably wide range as noted in the table below, but the proximity of the values for the mean and median IGD indicate there is a symmetrical distribution among the municipalities. The mean IGD for municipalities across Bahia is 0.66, compared to 0.69 nationally in the same year.

Table 6.5 Institutional Capacity (IGD) in Bahia

2006 IGD Values in Bahia

Count of IGD	416*
Min IGD	0.30
Max IGD	0.97
Mean IGD	0.66
Median IGD	0.65

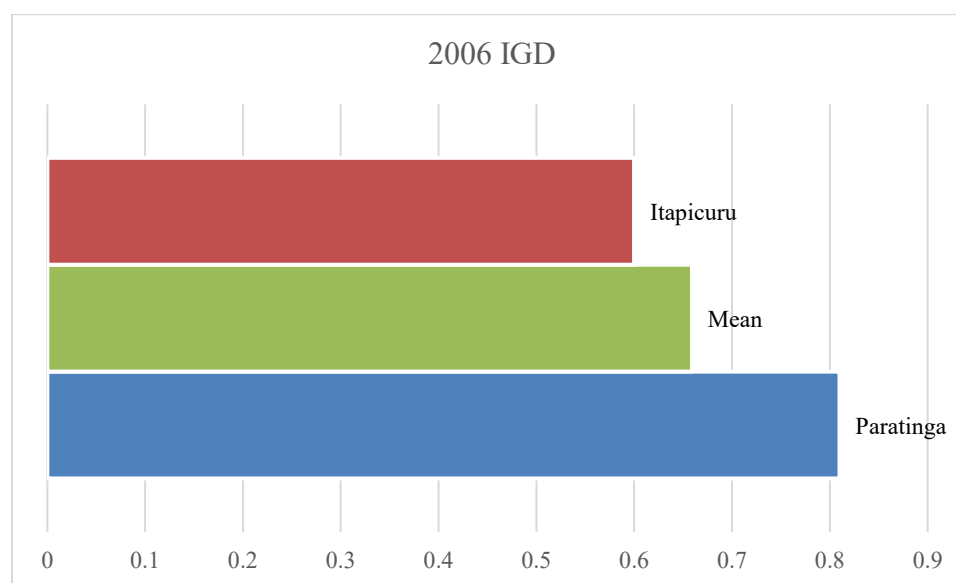
*data available for 416 municipalities

Source: Ministério do Desenvolvimento e Assistência Social, Família e Combate à Fome

Of the municipalities in Bahia, Paratinga ranked 66th in terms of its IGD value, while Itapicuru ranked in the bottom third of all Bahian municipalities at 289th. The chart below illustrates the index values for Itapicuru and Paratinga in relation to the mean of all

municipalities in Bahia. Among all the municipalities in Bahia, Paratinga maintained an above average capacity in both 2006 and 2010, while Itapicuru fell short with a below average capacity in both periods.

Figure 6.12 Municipal Capacity in Itapicuru and Paratinga



Source: Ministério do Desenvolvimento e Assistência Social, Família e Combate à Fome

While the purpose of this study is not to measure changes in capacity, it is interesting to note that IGD for both Paratinga and Itapicuru increased by 2010 by 0.05 points each; this indicates that the amount transferred to each municipality as a result of its IGD score would have increased by the same interval.

Table 6.6 Municipal Capacity and HDI

	Itapicuru	Paratinga
Dependent Variable		
<i>HDI 2000</i>	<i>0.311</i>	<i>0.371</i>
<i>HDI 2010</i>	<i>0.486</i>	<i>0.59</i>
<i>HDI Improvement</i>	<i>0.175</i>	<i>0.219</i>
Independent Variable		
<i>IGD 2006</i>	<i>0.6</i>	<i>0.81</i>
<i>IGD 2010</i>	<i>0.65</i>	<i>0.85</i>

Source: Ministério do Desenvolvimento e Assistência Social, Família e Combate à Fome

As illustrated in the above table, the data on municipal capacity and improvement in HDI between 2000 and 2010 seems to confirm the first hypothesis outlined in this study. Greater municipal capacity was associated with better human development outcomes. The IGD as a metric was introduced to address concerns of weak institutional capacity and a need for more effective administration and management of the Bolsa Familia program.²⁹⁰ Through this tool, it is possible to observe the role of capacity in alleviating poverty and improving living conditions for the poorest segments of the population throughout Brazil.

As discussed in the literature, lower capacity often translates into issues with data collection and conditionality compliance monitoring, impacting the implementation and human development outcomes. The IGD, with factors reflecting quality of data and registration information collected, reflects the connection between data collection and capacity. As previously noted, Itapicuru seriously lagged in Bolsa Familia enrollments as compared to Paratinga for the first three years of the program. In 2004, the year of the Bolsa Familia launch, Itapicuru enrolled only 1,289 families compared to Paratinga, which enrolled over 3,000 families, an impressive difference in kicking off the Bolsa Familia program. The following year, the gap widened to a difference of nearly 2,500 families as Itapicuru's number of families enrolled grew to 1,555 compared to Paratinga's nearly 4,000 families. In terms of growth rates, family enrollments grew by 28 percent in Paratinga from 2004 to 2005, whereas the growth rate for Itapicuru was 21 percent.

²⁹⁰ World Without Poverty, "Bolsa Familia Interfederative Coordination Instruments: The IGD" (WWP Brazil Learning Initiative, n.d.), https://socialprotection.org/sites/default/files/publications_files/13.%20BFP%20Interfederative%20Coordination%20-%20The%20IGD.pdf; World Without Poverty, "IGD Brief History and Timeline" (WWP Brazil Learning Initiative, n.d.), <https://wvp.org.br/wp-content/uploads/2016/11/igd-brief-history-and-timeline.pdf>.

Additionally, because the Bolsa Familia transfers are a function of the families enrolled and the IGD score, the amount transferred to Itapicuru was also substantially less than that of Paratinga in the early years of the program, especially. These funds are used to fund the Bolsa Familia program, but also more importantly, are prescribed to be used to reinvest in areas to strengthen capacity. According to the MDS, the IGD resources transferred from the national government to the municipal level can be used to strengthen capacity, program administration and operations in the following ways:²⁹¹

1. Support and improve inclusive actions and update the information of low-income families in the Unified Registry;
2. Improve and enable activities related to the management of conditionalities and benefits;
3. Monitor family assistance of the beneficiaries of the Bolsa Familia program;
4. Promote monitoring and control strategies for the Bolsa Familia Program and the Unified Registry;
5. Strengthen social control actions of the BFP in the municipality;
6. Improve the infrastructure of municipal management for its operations and services provided to the families;
7. Conduct training related to the BFP and Unified Registry

Between 2004 and 2007, Paratinga received \$4.7 million more in federal transfers than Itapicuru, a total of \$12.7 million compared to \$8 million. These spending guidelines are meant to boost implementation and development outcomes, while also support activities to strengthen municipal capacity. This suggests that Paratinga also had better and more opportunity to improve its capacity when compared to Itapicuru.

²⁹¹ World without Poverty (WWP), “How the IGD-M Helps Brazil to Improve the Bolsa Familia Program (English),” June 10, 2016, <https://www.youtube.com/watch?v=zO9H1Qb-GgA>.

The data clearly illustrates Paratinga maintained an advantage in terms of its institutional capacity over Itapicuru and experienced better human development outcomes. However, how exactly did Paratinga develop or maintain this capacity? What policies, developments, and strategies contribute to these observed differences between Paratinga and Itapicuru? The following section explores in more detail instances of how each municipality exercised (or developed) its institutional capacities. For the purposes of this analysis, I will look at instances of capacity associated with the promotion of inclusive institutions, transparency, and the ability to provide basic services, including health, education, and infrastructure.

In the broad body of literature on the topic of capacity, better capacity is most often associated with more inclusive institutions. While typically path dependent, institutions can transform their trajectory through the empowerment of a broad base of society to build inclusive institutions. Between the late 1990s and the early 2000s, Paratinga prioritized the development of grassroots community organizations to promote sustainable development. In 1997, only six of these types of organizations existed, according a report by the government of Paratinga; however, by 2004, this number quickly grew to 120. The administration of Mayor Dourado Filho expressed a desire and intent to expand these communities because of their value in “creating a new reality” on the ground.

Capacity can generally be defined in several ways, but one way specifically associates capacity with “how the state apparatus produces results for society and for the economy through public policies” and “as delivery services and policies to promote

development.”²⁹² In 2004, Paratinga published a document detailing its “revolution in municipal management” called “Paratinga Hoje.”²⁹³ Throughout this document, the investments and accomplishments in health, education, infrastructure, housing, and agriculture made under Mayor Eliezer Pereira Dourado Filho (known as Zequinha Dourado) are outlined in detail, alongside an affirmation from Dourado of his determination to rebuild the municipality and commitment to development. Illustrating the transformations in each of these sectors between 1997 and 2004, this publication emphasizes the modernization of the health care facilities, including equipment, additional specialties, and a new hospital, and achievements in education, including the creation of educational centers through all areas of the municipality and nearly doubling student enrollments. While these investments predate the creation of the Bolsa Familia program, this suggests an intentional strategy and emphasis in Paratinga on promoting municipal capacity via the provision of public services and policies.

While its geographic location at times leaves Paratinga vulnerable to flooding when there is serious rainfall, Paratinga has also benefited from infrastructure investment from different levels of government, meaning it has not had to carry the full burden of creating an integrated infrastructure network, which is another public good provided by the government.²⁹⁴ In 2010, for example, the Bahian government announced a large infrastructure investment, specifically on roads, to connect eastern Bahia to western Bahia

²⁹² Fernando Filgueiras, Natália Massaco Koga, and Rafael Viana, “State Capacities and Policy Work in Brazilian Civil Service,” *Revista De Sociologia E Política* 28, no. 74 (January 1, 2020), <https://doi.org/10.1590/1678-987319277404>.

²⁹³ Prefeitura Municipal de Paratinga, “Paratinga Hoje,” 2004, <https://www.introvertendo.com.br/wp-content/uploads/2023/06/Paratinga-Hoje-2004.pdf>.

²⁹⁴ “4.734 Famílias Sem Abrigo,” *A Tarde*, February 24, 2007, <https://atarde.com.br/bahia/bahiasalvador/4734-familias-sem-abrigo-258119>; Prefeitura Municipal de Paratinga, “Paratinga Hoje,” 2004, <https://www.introvertendo.com.br/wp-content/uploads/2023/06/Paratinga-Hoje-2004.pdf>.

for the purpose of shortening the connection between the Paramirim Basin and the São Francisco River.

In addition to this state-driven infrastructure investment, one report indicated that Paratinga undertook an investment to provide electricity to its residents in the city in 2002. In a recent interview with former Mayor Armenaida de Cavalho Moreira, she was asked what could be done to improve the situation in Paratinga today. She answered infrastructure development should be a priority, especially implementing a more reliable sewage network to reduce vulnerability to diseases and updating water treatment facilities.²⁹⁵ Similarly, during an interview for *Histórias de Paratinga*, former Secretary of Education for Paratinga, Quintino José Gonçalves described the prevalent poverty, low human development indices, and the inadequacies within the educational system within the municipality. When prompted about the catalysts for change in the municipality over the years, Gonçalves highlighted pivotal improvements in infrastructure and communication systems.²⁹⁶ These advancements encompassed the development of roads, the introduction of television and telephone services, and noteworthy progress in commerce and paving. From his perspective, this initial phase in the 1990s set the stage for a new chapter, particularly under Dourado's leadership.

In the case of Itapicuru, many of its political priorities in the 2000s were focused on creating participatory councils in various sectors, a nod to fostering and improving institutional capacity, including in health and education. Additionally, several government officials highlighted transparency as an essential function and factor of good management by municipal authorities.

²⁹⁵ Tiago Abreu, *Histórias de Paratinga* (Goiânia, Goiás, Brazil: Cãnone Editorial, 2019).

²⁹⁶ Tiago Abreu, *Histórias de Paratinga* (Goiânia, Goiás, Brazil: Cãnone Editorial, 2019).

In February 2006, a significant stride towards autonomy and transparency in governance was made in Itapicuru with the launch of the Official Legislative Gazette, as emphasized by the President of the City Council. This marked an important initiative aimed at enhancing transparency within the municipal management structure. In March of the same year, the mayor celebrated the launch of this Gazette, underscoring the fundamental role of transparency in effective governance.²⁹⁷ The Gazette served as a platform to report on the achievements of the previous financial year (2005) and outlined the work plan for the current administration in 2006. The notable accomplishments in 2005 included the acquisition of supplies (fax machine, etc.), improvements in archive maintenance, enhanced accountability of the city council, and the launch of the Gazette itself.²⁹⁸ The communication infrastructure was bolstered through the advent of emails, and the purchase of television equipment, microphones, and speakers. These initiatives collectively reflected a commitment to openness, communication, and efficient management practices within the municipal administration of Itapicuru. The following year, however, Itapicuru was included in an investigation by the State Prosecutor's Office into issues of nepotism in municipal levels of government. Itapicuru passed a law forbidding the appointments of spouses, partners, and relatives the same year.²⁹⁹

In addition to policies designed to promote transparency, Itapicuru also pursued policies to promote more inclusive institutions. During this period, Itapicuru created an educational (FUNDEB) board, launched the a family health care organization (PSF), as well as a Community Association of Rural Workers. While its establishment predated the

²⁹⁷ Itapicuru City Council, "Diario Oficial Do Legislativo," February 8, 2006.

²⁹⁸ Itapicuru City Council, "Diario Oficial Do Legislativo," February 8, 2006.

²⁹⁹ Itapicuru City Council, "Diario Oficial Do Legislativo," May 14, 2007.

period of this study, the Municipal Education Council (CME) was also actively engaged in recommending policy too during this period.

One notable difference from Paratinga is the extent of infrastructure development Itapicuru undertook in this period. In the summer of 2006, policies launched by Itapicuru placed a significant emphasis on infrastructure investment, aligning with the mayor's priorities. Machinery was procured for the maintenance of existing roads and the construction of new ones, with the intent to support more agricultural production and facilitating increased traffic.³⁰⁰ Additionally, the construction of additional power poles was undertaken as part of the Light for All program, aiming to provide electricity to nearly 1000 residents.³⁰¹ This infrastructure enhancement was integral to fostering development and improving the overall quality of life in the municipality.

Furthermore, this infrastructure initiative also included the launch of tubular wells and water tanks, coupled with water treatment measures to benefit several communities within Itapicuru. This move reflected a proactive approach to address water-related challenges and was underscored as a priority by the mayor. Access to clean and reliable water sources is pivotal for community well-being, and these efforts aimed to meet this essential need.

In parallel, there was an investment in training for the municipal council on internal controls, emphasizing the importance of sound governance and transparent management of public resources.³⁰² This initiative underscored a commitment from the government for accountability and good governance practices in an effort to assure (and ensure) public

³⁰⁰ Itapicuru City Council, "Diario Oficial Do Legislativo," July 4, 2006.

³⁰¹ Itapicuru City Council, "Diario Oficial Do Legislativo," July 4, 2006.

³⁰² Itapicuru City Council, "Diario Oficial Do Legislativo," July 4, 2006.

funds were utilized efficiently and responsibly. The multifaceted approach during the summer of 2006 demonstrated a comprehensive strategy to enhance infrastructure, address basic needs, and promote transparent governance in Itapicuru, yet there was little immediately tangible activity on improving the provision of health and education services

In addition to institutional capacity, this study is also exploring another key political factor: whether elected officials and electoral cycles can also influence outcomes of the implementation of the Bolsa Familia program. Previous studies have indicated that electoral cycles of municipalities can influence the quality of implementation, and thus human development outcomes. The following discussion will introduce brief background on political cycles for municipalities, focusing particularly on mayoral races, and then describe the more specific details of the cases of Itapicuru and Paratinga.

The 1988 Constitution mandates voting for all Brazilian citizens between the ages of 18 and 65, and declares it optional for citizens who are 16, 17, or over the age of 65. There are two types of electoral systems defined in the 1988 Constitution: majority and proportional. These systems are applied depending on the office and size of the municipality. Majority vote systems are utilized for all executive elections at federal, state, and municipal levels, and the type of majority vote (simple or majority) depends on the size of municipality. Mayoral races in municipalities with less than 200,000 voters utilize a simple majority electoral system, while larger municipalities rely on an absolute majority system. The proportional system applies for legislative representatives at the federal, state, and municipal level.³⁰³ Municipal level elections, for both executive and legislative

³⁰³ For more on the proportional system, please see: International Affairs Unit, “Practical Guide: 2022 Brazilian Elections” (Tribunal Superior Eleitoral, 2022), https://internacional.tse.jus.br/en/assuntos-internacionais/guia-pratico-para-pessoas-estrangeiras_ingles_digital-1.pdf.

branches, are held every four years and must be held on a different cycle than national and state level elections. Mayors of municipalities are elected for four-year terms based on a direct voting system. Re-election is allowed with a limit of up to two consecutive terms or unlimited terms when not served successively.³⁰⁴ Municipal-level elections are particularly important in Brazil because the extent of decentralization places municipal officials at the center of the provision of public goods and services. In Paratinga and Itapicuru, specifically, both of their populations were less than 30,000 in the period under review, thus they qualify for mayor elections based on a simple majority approach.

The Brazilian electorate, in general, tends to lean to the right in terms of the ideological spectrum, and this orientation is observed at the municipal level especially, even with national leaders from the left. In a study of ideological preferences among municipalities from 1994 to 2018, Power and Rodrigues-Silveira created a Municipal Ideological Score (MIS) and found the average MIS among all Brazilian municipalities remained center-right from 1994 to 2010. The MIS slowly began shifting left beginning 2006, and briefly became borderline center-left before returning to center-right ideological preferences.³⁰⁵ Their findings reflect the overall trends observed in elections in Paratinga and Itapicuru from 1996 to 2012.

In Paratinga, Eliezer Pereira Dourado Filho of the right Liberal Party (PL) won the mayoral elections in both 1996 and 2000. Dourado Filho won his second term with a decisive 62.6 percent of the vote after facing Eduardo do Vale Barbosa of the centrist

³⁰⁴ International Affairs Unit, “Practical Guide: 2022 Brazilian Elections” (Tribunal Superior Eleitoral, 2022), https://internacional.tse.jus.br/en/assuntos-internacionais/guia-pratico-para-pessoas-estrangeiras_ingles_digital-1.pdf.

³⁰⁵ Timothy J. Power and Rodrigo Rodrigues-Silveira, “Mapping Ideological Preferences in Brazilian Elections, 1994-2018: A Municipal-Level Study,” *Brazilian Political Science Review* 13, no. 1 (January 1, 2019), <https://doi.org/10.1590/1981-3821201900010001>.

Brazilian Social Democratic Party (PSDB). Following his second consecutive term, Dourado Filho was not eligible for the 2004 election, making it an open contest. Three candidates competed in the 2004 election: Marcel José Carneiro de Carvalho from the center Brazilian Labor Party (PTB); Jessé de Moura Rocha of the right Christian Social Democratic Party (PSDC); and Amenaide de Carvalho Moreira of the right Liberal Party (PL). Carvalho Moreira was elected as mayor in a close contest, winning 48.8 percent of the vote by a margin of only 165 votes out of a total of 14,916 votes. Although she was not an incumbent, Carvalho Moreira represented continuity of the political party in power – affiliated with the same Liberal Party as Dourado Filho.

Amenaide de Carvalho Moreira served one-term and did not seek re-election in the 2008 race. Instead, the two candidates who faced off were Eliezer Pereira Dourado Filho, once again eligible under laws related to term limits, and Marcel José Carneiro de Carvalho, who had run and lost in the 2004 election. During this cycle, however, both candidates realigned themselves politically, a common phenomenon in Brazilian politics³⁰⁶; Dourado Filho ran with the Democratic Labor Party (PDT), a left-oriented political party, while Carneiro de Carvalho ran under the Workers' Party (PT). This shift is representative of the macropolitical trend previously noted of a convergence toward the center/center-left during the years of Lula's presidency. Dourado Filho shifted from the right side of the spectrum to the left, while Carneiro de Carvalho shifted from a center-oriented party to the left. The 2008 race was another close election where Carneiro de

³⁰⁶ For more on party switching in Brazil, see:

Scott Desposato, "Parties for Rent? Ambition, Ideology, and Party Switching in Brazil's Chamber of Deputies," *American Journal of Political Science* 50, no. 1 (December 20, 2005): 62–80, <https://doi.org/10.1111/j.1540-5907.2006.00170.x>; Daniel Epstein, "Clientelism versus Ideology," *Party Politics* 15, no. 3 (May 1, 2009): 335–55, <https://doi.org/10.1177/1354068809102250>; Scott Mainwaring, *Rethinking Party Systems in the Third Wave of Democratization: The Case of Brazil* (Stanford, California, United States of America: Stanford University Press, 1999).

Carvalho prevailed with 52.5 percent of the vote and a margin of 776 votes out of 15,114 ballots cast. While outside the period of this study, it is important to note that Carneiro de Carvalho did run for re-election in 2012 as a member of the PT, again facing Eliezer Pereira Dourado Filho, who had now aligned himself with the right Progressive Party (PP). In this contest, Dourado Filho emerged as the winner, defeating the incumbent, and returning to office.

In Itapicuru, José Caldas de Almeida served two terms after being elected as mayor in both 1996 and 2000. During his re-election campaign in 2000, Caldas de Almeida remained affiliated with a center-oriented party but officially switched from the Brazilian Democratic Movement Party (PMDB) to the Brazilian Labor Party (PTB) to face his challenger José Moreira De Carvalho Neto of the right-leaning Liberal Front Party (PFL). After serving two consecutive terms, Caldas de Almeida was ineligible to run, leading to an open contest cycle for the 2004 elections. Two candidates - João Alfredo Monteiro Pinto Dantas of the right Liberal Party (PL) and Teresa Caldas do Nascimento of the right Christian Labor Party (PTC) – competed. Monteiro Pinto Dantas won decisively with more than 56 percent of the vote and by more than 1,500 votes out of 12,000.

In 2008, João Alfredo Monteiro Pinto Dantas did not seek re-election, serving only a single term. Then re-eligible to run, José Caldas de Almeida entered the race for mayor once again now under the Communist Party of Brazil (PC do B), departing from his previously centrist-aligned party. In this election, Caldas de Almeida faced José Moreira De Carvalho Neto of the right Social Christian Party (PSC) who had previously run and lost in the 2000 election. Moreira de Carvalho Neto prevailed in 2008 defeating the two-term mayor from the late 1990s and early 2000s with a decisive 62.7 percent of the vote.

He ran and won re-election in 2012, but this time aligned with the left-oriented Democratic Labor Party (PDT), with a narrower but still decisive 57.9 percent of the vote against Monteiro Pinto Dantas who served one-term as mayor from 2004 to 2008.

The following tables summarize the elections, political party, ideological orientation, and electoral cycle identifications from 1996 to 2012 for both municipalities:

Table 6.7 Electoral Cycles in Paratinga

Mayor	Election Year	Political Party	Ideological Orientation	Cycle
Eliezer Pereira Dourado Filho	2012	Partido Progressista (<i>Progressive Party</i>)	Right	Incumbent
Marcel José Carneiro de Carvalho	2008	Partido dos Trabalhadores (<i>Workers' Party</i>)	Left	Open Contest (w/previous incumbent)
Amenaide de Carvalho Moreira	2004	Partido Liberal (<i>Liberal Party</i>)	Right	Open Contest
Eliezer Pereira Dourado Filho	2000	Partido Liberal (<i>Liberal Party</i>)	Right	Lame Duck
Eliezer Pereira Dourado Filho	1996	Partido Liberal (<i>Liberal Party</i>)	Right	

Source: Tribunal Superior Eleitoral

*party classification from Rodrigues 2002 and Bolognesi, Ribeiro, and Codato 2023³⁰⁷

³⁰⁷ Leônicio Martins Rodrigues, *Partidos, Ideologia e Composição Social: Um Estudo Das Bancadas Partidárias Na Câmara Dos Deputados* (São Paulo, Brazil: Editora Edusp, 2002), <https://doi.org/10.7476/9788579820250>; Bruno Bolognesi, Ednaldo Aparecido Ribeiro, and Adriano Codato, "A New Ideological Classification of Brazilian Political Parties," *Dados-Revista De Ciências Sociais* 66, no. 2 (January 1, 2023), <https://doi.org/10.1590/dados.2023.66.2.303x>.

Table 6.8 Electoral Cycles in Itapicuru

Mayor	Election Year	Political Party	Ideological Orientation	Cycle
José Moreira De Carvalho Neto	2012	Partido Democrático Trabalhista (<i>Democratic Labor Party</i>)	Left	Incumbent
José Moreira De Carvalho Neto	2008	Partido Social Cristão (<i>Social Christian Party</i>)	Right	Open Contest (w/previous incumbent)
João Alfredo Monteiro Pinto Dantas	2004	Partido Liberal (<i>Liberal Party</i>)	Right	Open Contest
José Caldas De Almeida	2000	Partido Trabalhista Brasileiro (<i>Brazilian Labor Party</i>)	Center	Lame Duck
José Caldas De Almeida	1996	Partido do Movimento Democrático Brasileiro (<i>Brazilian Democratic Movement Party</i>)	Center	

Source: Tribunal Superior Eleitoral

*party classification from Rodrigues 2002 and Bolognesi, Ribeiro, and Codato 2023³⁰⁸

In comparing Paratinga and Itapicuru, the electoral cycles and results were similar – both began the era of Bolsa Família with lame-duck mayors who had been elected for

³⁰⁸ Leôncio Martins Rodrigues, *Partidos, Ideologia e Composição Social: Um Estudo Das Bancadas Partidárias Na Câmara Dos Deputados* (São Paulo, Brazil: Editora Edusp, 2002), <https://doi.org/10.7476/9788579820250>; Bruno Bolognesi, Ednaldo Aparecido Ribeiro, and Adriano Codato, “A New Ideological Classification of Brazilian Political Parties,” *Dados-Revista De Ciências Sociais* 66, no. 2 (January 1, 2023), <https://doi.org/10.1590/dados.2023.66.2.303x>.

their second terms in 2000. As a result, in both cases, the 2004 election was an open contest and the winners of the 2004 election did not seek office in 2008, minimizing the political incentive typically associated with re-election. Instead, the 2008 election in both cases were in effect open contests, but both featured the previous two-term mayors. Lastly, both municipalities had an incumbent seeking re-election in the 2012 race. In large part, Itapicuru and Paratinga experienced identical electoral cycles.

Notably, however, Paratinga had a few distinguishing features that are important to point out. First, while the 2004 election was an open contest in both municipalities, the race in Paratinga featured three candidates, including a leading candidate from the same political party as the lame-duck mayor. This continuity in political party was not observed in Itapicuru – in neither the electoral outcomes nor the mayoral candidates who sought office.

Table 6.9 Annual Bolsa Familia Transfers to Municipalities

Paratinga			Itapicuru		
Year	Amount Transferred	YoY +/-	Year	Amount Transferred	YoY +/-
2004	\$2,395,297	-	2004	\$968,860	-
2005	\$2,809,803	17%	2005	\$1,132,424	17%
2006	\$3,637,831	29%	2006	\$2,289,832	102%
2007	\$3,951,314	9%	2007	\$3,623,748	58%
2008	\$4,397,320	11%	2008	\$4,593,659	27%
2009	\$4,851,092	10%	2009	\$5,204,352	13%
2010	\$5,822,750	20%	2010	\$6,218,697	19%

Source: SENARC, Ministério da Cidadania

Second, the literature points to the federal government revenue transfers as a motivating factor in political calculus that lends itself to better CCT implementation, and hence human development outcomes. Table 5.9 above illustrates the annual increases in

amount transferred to each municipality from the federal government for the conditional cash transfer program. As a result of the initial lag in 2004 in Itapicuru, the municipality experienced more accelerated rates of annual increase in its first three years compared to Paratinga, which experienced more steady growth across the seven years from 2004 to 2010. However, the amounts were relatively comparable between the two municipalities from 2007 on.

Third, while there is known fluidity in political party affiliations in Brazil, Paratinga turned toward left-leaning parties one full electoral cycle before Itapicuru with the election of a PT-affiliated mayor in 2008. Evidence shows that differences in political parties between municipalities and national levels does not slow the expansion and/or implementation of Bolsa Familia.³⁰⁹ The design of Bolsa Familia ensures a win-win model for all political officials involved, allowing mayors to fully embrace and support a national program.

The implications of these findings for the second hypothesis challenge previous studies. The second hypothesis posited: The greater the potential electoral gains for officials during electoral cycles, the more likely Bolsa Familia is to improve human development outcomes.. Ultimately, a clear conclusion cannot be made about the second hypothesis. Two elections took place during the period under review and both municipalities had similar experiences – the 2004 open contest and the 2008 open contest with no immediate incumbent seeking re-election – which limits testing first-term mayors seeking re-election, who are often associated with better BFP performance, than their lame-duck counterparts. Some conclusions can be drawn about the brief lame-duck cycles in late

³⁰⁹ Tracy Beck Fenwick, *Avoiding Governors: Federalism, Democracy, and Poverty Alleviation in Brazil and Argentina* (Indiana, United States of America: University of Notre Dame, 2016), 113–16.

2003/2004, but those findings are limited. However, rather than concluding these cases do not demonstrate the relevance of electoral cycles, Paratinga's continuity of political party and its impact on human development outcomes is a finding worth further consideration. Additional research and testing to compare performance beyond the narrowly defined cycles of first-term versus lame duck cycles could reveal another potential important independent variable in Bolsa Familia outcomes.

Overall, the cases of Paratinga and Itapicuru demonstrate that capacity matters most in conditioning the success of the Bolsa Familia program. Paratinga and Itapicuru reinforce the consensus that good governance – specifically institutions and capacity – matter for inclusive growth and better human development outcomes. Paratinga continuously demonstrated higher levels of municipal capacity and experienced better improvement in its HDI from 2000 to 2010. The impact of electoral cycles was not confirmed because both municipalities experience identical election cycles, and still experienced variations in human development.

Social Factors: Investment and Quality of Health and Education Services

The third hypothesis presented in this study focuses on the investment and quality of health and education services. As discussed in an earlier chapter, scholarship on the effectiveness of conditional cash transfer programs often point to challenges in health and education sectors as barriers to better human development outcomes. Morley and Coady (2003), Villatoro (2005) and Levy and Rodriguez (2005) all make arguments, for instance, that school attendance does not directly translate to better educational outcomes as there are important structural considerations.

The 1988 Brazilian Constitution enshrined both health and education as rights for citizens. Article 196 declares “Health is the right of all and the duty of the state; it shall be guaranteed by economic and social policies that aim to reduce the risk of disease and other maladies by universal and equal access to all activities and services for its promotion, protection, and recovery.”³¹⁰ The importance and priority placed on health continues in the articles immediately following this declaration with the Constitution outlines the creation of the *Sistem Único da Saúde* (SUS), the free, universal health care system. Healthcare rights became a fundamental pillar of Brazil’s early democratic years due to the influence of civil society and public participation in the creation and passing of the Citizens’ Constitution. Doctors and healthcare groups were at the forefront of this public discourse, advocating for greater health equity and access as well as helping to transform a narrower definition to a broader concept of health to include elements like food security, nutrition, environment, and access to health care services. This *sanitarista* movement not only helped to enshrine healthcare as a fundamental right, but to institutionalize its universality as well as community-based principles.³¹¹ In 1994, the Family Health Strategy was adopted and expanded on the actions outlined in the Constitution by focusing specifically on the primary health care system and emphasis on preventative care.

Similarly, education was declared a right for all citizens and a duty for the state to guarantee in Article 205. Subsequent outline the guiding principles of education in Brazil as: equal access, freedom to learn, pluralism, free public education, appreciation of the

³¹⁰ Federal Supreme Court, “Constitution of the Federative Republic of Brazil,” October 5, 1988, https://www.stf.jus.br/arquivo/cms/legislacaoConstituicao/anexo/brazil_federal_constitution.pdf.

³¹¹ Akiko Maeda et al., “Universal Health Coverage for Inclusive and Sustainable Development,” *World Bank* (World Bank, June 6, 2016), 38, <https://www.worldbank.org/en/topic/health/publication/universal-health-coverage-for-inclusive-sustainable-development>.

value of teachers, and guarantee in standards of quality. The Constitution, then, more specifically commits to ensure: mandatory and free elementary education, progressive universalization for high-school education, special needs school, access to higher levels of education, and assistance to elementary school children with school supplies, transportation, food, and health.³¹² As noted in the previous chapter, the 1990s saw intentional efforts from both Ministries of Health and Education on the path toward universalization.

As with the political factors, the municipal level is again the most important level of analysis to understand the impact of social factors on human development outcomes because municipalities are responsible for the provision of health and education services and budget allocations, via public policy councils, are determined at the municipal level. In the health sector, the SUS is a decentralized system with shared responsibilities among all levels of government, but municipal health secretaries oversee the management of the healthcare system at the local level, which includes coordination and delivery of healthcare to its citizens.³¹³ Private healthcare, which does contribute to differences in health outcomes, is also an option throughout Brazil, but exists independently of the public sector. In the education sector, the municipality is the primary entity responsible for early childhood and primary education. The main bodies overseeing the provision of education in municipalities include the Municipal Education Council and the municipal Education

³¹² Federal Supreme Court, “Constitution of the Federative Republic of Brazil,” October 5, 1988, https://www.stf.jus.br/arquivo/cms/legislacaoConstituicao/anexo/brazil_federal_constitution.pdf.

³¹³ OECD, *OECD Reviews of Health Systems: Brazil 2021*, *OECD Reviews of Health Systems* (Paris, France: OECD Publishing, 2021), <https://doi.org/10.1787/146d0dea-en>.

Secretary. The councils are responsible advising the mayor and Education secretary in the formulation, implementation, and evaluation of education policies in each municipality.³¹⁴

Under Brazil's model of federalism (and decentralization), revenues are primarily controlled by the federal government as the authority that receives the largest share of tax revenue. However, government expenditures are largely decentralized due to the role of municipal governments providing public goods and services, especially education, health, and sanitation. In order to invest and finance education, health, and sanitation, as observed with the Bolsa Familia program itself, the municipal governments rely on transfers from the national level. The budgets and expenditures for Brazilian municipalities can typically be categorized into four groups: (1) personnel; (2) debt repayments; (3) public services, including health, sanitation, and educational especially; and (4) investments in works and equipment, which can also include health, sanitation, and education. From 1990 to the early 2000s, municipal expenditures committed to education and culture have been steady, comprising 27 percent of the budget in 1990 and increasing to 30 percent by 2004.³¹⁵ In contrast, municipal expenditures committed to health and sanitation increased dramatically from a 13 percent share to a 23 percent share.³¹⁶ The evolution of these public expenditures reflects the impact of municipalization, and Gonçalves notes that the increase in share for health and education led to a decline in investment in housing and urbanism.

³¹⁴ "Conselho Municipal de Educação CME," n.d., <https://educacao.sme.prefeitura.sp.gov.br/conselho-municipal-de-educacao/>.

³¹⁵ Sonia Delindro Gonçalves, "The Effects of Participatory Budgeting on Municipal Expenditures and Infant Mortality in Brazil," *World Development* 53 (January 1, 2014): 100, <https://doi.org/10.1016/j.worlddev.2013.01.009>.

³¹⁶ Sonia Delindro Gonçalves, "The Effects of Participatory Budgeting on Municipal Expenditures and Infant Mortality in Brazil," *World Development* 53 (January 1, 2014): 100, <https://doi.org/10.1016/j.worlddev.2013.01.009>.

Overall, significant advancements have been made on health and education outcomes since the early years of Brazil's re-democratization and decentralization began in 1985. Life expectancy increased from 64.2 years in 1985 to 69.7 years by 2000.³¹⁷ Infant mortality rates declined from 65 per 1,000 live births to 30 per live births in the same period. Primary school completion rate increased from 76 percent in 1985 to over 90 percent by 1994. However, despite efforts at the national level to ensure rights, access, and state commitments towards those ends, marked inequalities and differences persist in health and education across Brazil's regions and even the municipal levels throughout Brazil. An OECD study, for example, presents the divide that remains between the North and Northeast regions versus the South and Southeast region: "The most vulnerable and remote municipalities in the North and Northeast regions consistently present poorer health outcomes and lower care quality than the wealthier South and Southeast. Diabetic patients, for example, have a higher likelihood of experiencing complications (as measured in hospitalizations) in the Northeast than the Southeast; this risk is systematically higher for individuals whose household income is at or below minimum wage than for households earning more than three times the minimum wage."³¹⁸ Reasons for the divide in healthcare include private versus public healthcare access as well as rural versus urban differences with lower concentrations of doctors and facilities in more urban areas. Schooling rates, literacy rates, and the Index of Development of Basic Education (IDEB) scores vary among municipalities – with trends similar to what is observed in the income and health sectors in terms of regional and rural/urban disparities.

³¹⁷ "World Bank Open Data," World Bank Open Data, n.d., <https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=BR>.

³¹⁸ OECD, *OECD Reviews of Health Systems: Brazil 2021*, *OECD Reviews of Health Systems* (Paris, France: OECD Publishing, 2021), <https://doi.org/10.1787/146d0dea-en>.

To understand the differences in human development outcomes between Paratinga and Itapicuru, it is important to investigate differences in quality of health and education services. For the purposes of this study, that quality will be assessed as the level of investment and quality of each system, as important determinants of the program reach and outcome. Levels of investment in health and education are guided by national directives, but more importantly, through the participatory institutions noted in the previous sections. Prioritization and allocation of public expenditures through many municipalities in Brazil, Paratinga and Itapicuru included, contain mechanisms for public discourse and participation in those decisions.

When comparing all the dimensions of the dependent variable, HDI, Paratinga outperformed Itapicuru in education, longevity, and income, but it most dramatically outperformed Itapicuru in the education dimension.

Table 6.10 HDI Dimensions by Municipality

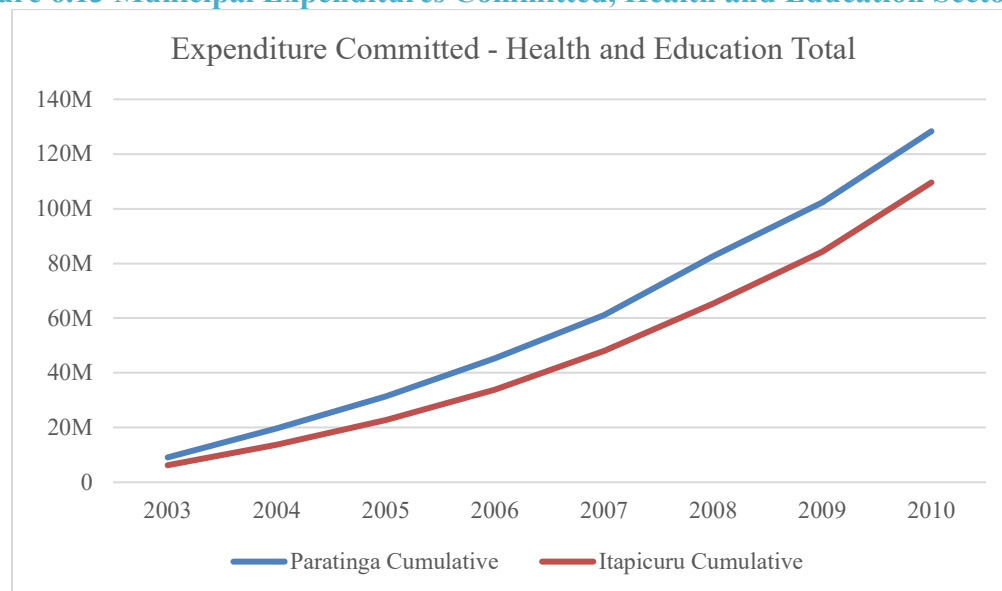
Dimension	Municipality	2000	2010
HDI	Paratinga	0.371	0.590
	Itapicuru	0.311	0.486
Education	Paratinga	0.194	0.510
	Itapicuru	0.119	0.319
Longevity	Paratinga	0.657	0.774
	Itapicuru	0.577	0.711
Income	Paratinga	0.401	0.519
	Itapicuru	0.440	0.505

Source: PNUD

The differences in investment in the two sectors of Education and Culture and Health and Sanitation are notable and relevant for the cases of Paratinga and Itapicuru. Per capita figures would demonstrate similar trends given the comparable population sizes of both municipalities. At a high level, Paratinga committed more of its municipal expenditures overall to health and education combined than Itapicuru from the beginning

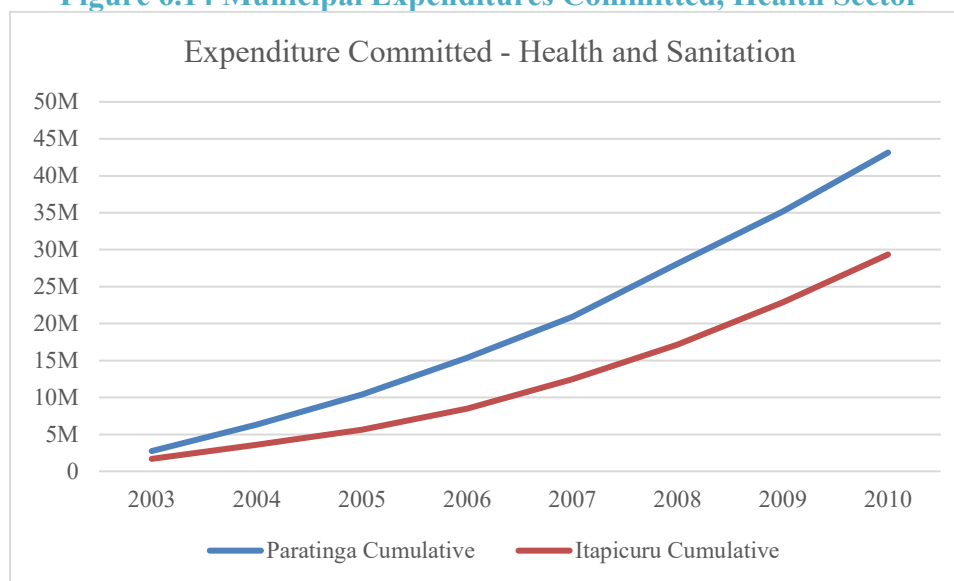
of the implementation of the Bolsa Familia program until 2010. The following discussion will explore investment and quality in health and education services in each municipality in more detail.

Figure 6.13 Municipal Expenditures Committed, Health and Education Sectors



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

The most significant differences in committed expenditures between Itapicuru and Paratinga came in the health and sanitation sector. In 2000, the longevity dimension of Paratinga's HDI was higher relative to other dimensions at 0.657 and its 2010 value, 0.711, was higher than Itapicuru in absolute terms. Itapicuru, however, experienced greater improvements in the longevity dimension between 2000 and 2010.

Figure 6.14 Municipal Expenditures Committed, Health Sector

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

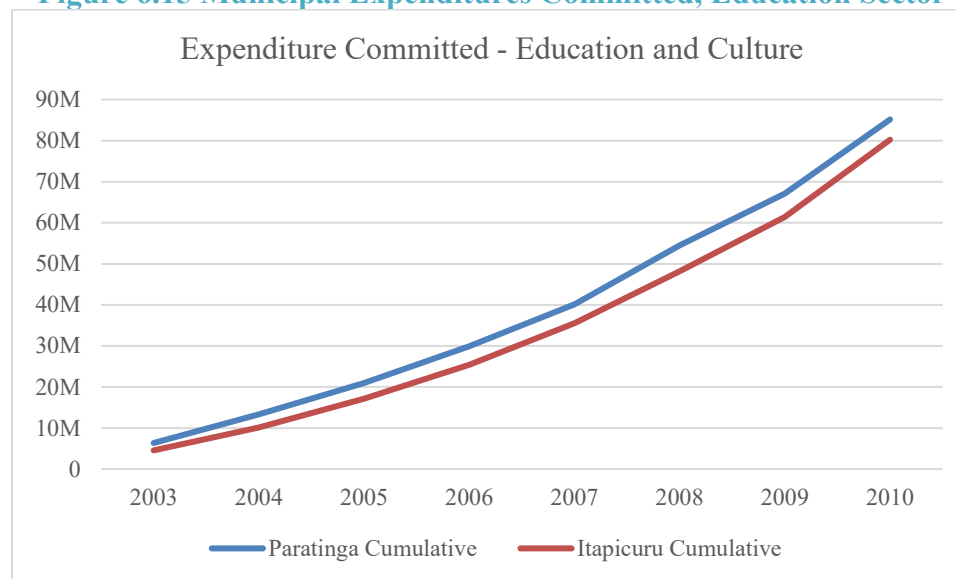
These differences in committed expenditures did translate to differences in the capacity of each municipality's healthcare system. For example, in 2005, Paratinga maintained six total health care facilities compared to only four in Itapicuru. All six of Paratinga's healthcare facilities were administered by public entities, while three of Itapicuru's four healthcare facilities were public. At a macro level, less than 25 percent of Brazilians have access to private healthcare, with the highest concentrations of private healthcare ownership in the Southeast region, which indicates that Itapicuru's fourth private healthcare facility likely had limited impact on the vast majority citizens of the municipality.³¹⁹ By 2009, despite the differences in committed expenditures, Itapicuru quickly expanded its network of healthcare facilities from four to nine total healthcare

³¹⁹ "BRAZIL | Summary," Columbia University Mailman School of Public Health, January 31, 2023, <https://www.publichealth.columbia.edu/research/others/comparative-health-policy-library/brazil-summary>; Bianca Silva et al., "Dual Use of Public and Private Health Care Services in Brazil," *International Journal of Environmental Research and Public Health* 19, no. 3 (February 6, 2022): 1829, <https://doi.org/10.3390/ijerph19031829>; Statista, "Private Health Insurance Coverage in Brazil 2022, by Region," March 8, 2023, <https://www.statista.com/statistics/1070537/brazil-population-covered-health-insurance-region/>.

facilities.³²⁰ All additions were publicly administered hospitals. Unfortunately, in terms of health system capacity as measured by number of beds available for hospitalization, data was only available for Paratinga. However, that data shows Paratinga increased its capacity by 22 percent.³²¹

The following chart reflects the cumulative investment in the Education and Culture sector by each municipality, according to IPEA data from 2003 to 2010. From the onset, Paratinga maintained a higher cumulative level of investment across the entire period, ultimately investing over R\$ 85 million compared to Itapicuru's R\$80.2 million.

Figure 6.15 Municipal Expenditures Committed, Education Sector



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

Introduced in 2007 by the National Institute of Educational Studies and Research (INEP), the Index of Development of Basic Education is an indicator that reflects the quality of education in each municipality as measured by student performance and school

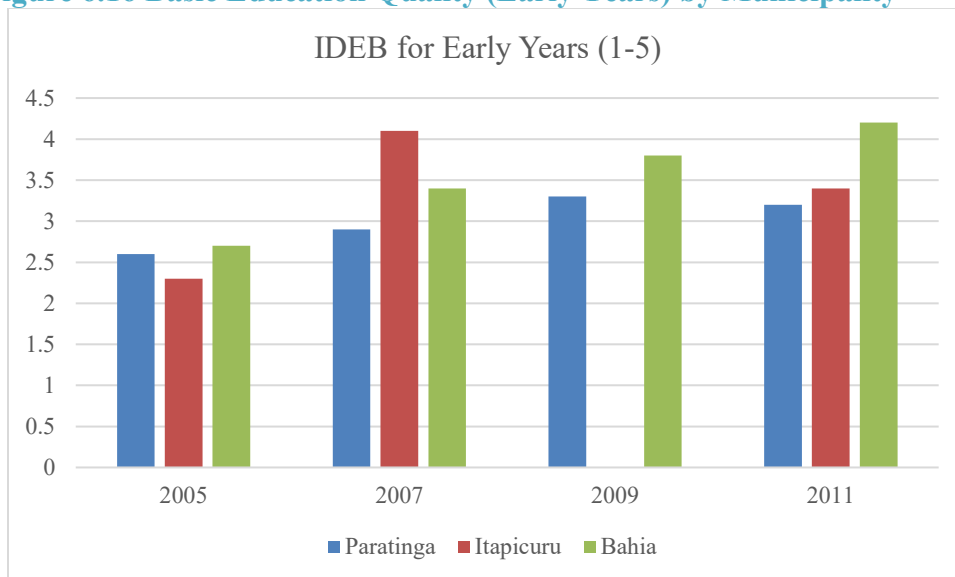
³²⁰ Instituto Brasileiro de Geografia e Estatística, “Cidades e Estados Do Brasil,” Data set, n.d., <https://cidades.ibge.gov.br/>.

³²¹ Instituto Brasileiro de Geografia e Estatística, “Cidades e Estados Do Brasil,” Data set, n.d., <https://cidades.ibge.gov.br/>.

flow.³²² The values of IDEB range from 0 to 10, and although the data is only available from 2005 forward (2005 constructed after introduction), it will provide a general assessment of the state and quality of education as Paratinga and Itapicuru approached 2010, the end of the period under review in this study.

The Brazilian Institute of Geography and Statistics splits data for IDEB into the primary years (elementary, years 1-5) and the final years (elementary, years 6-9). The two charts below plot the IDEB values for Paratinga, Itapicuru, and Bahia in 2005, 2007, 2009, and 2011. While 2011 is technically outside the window for this study, it does shed light on education quality trends toward the final years of this period.

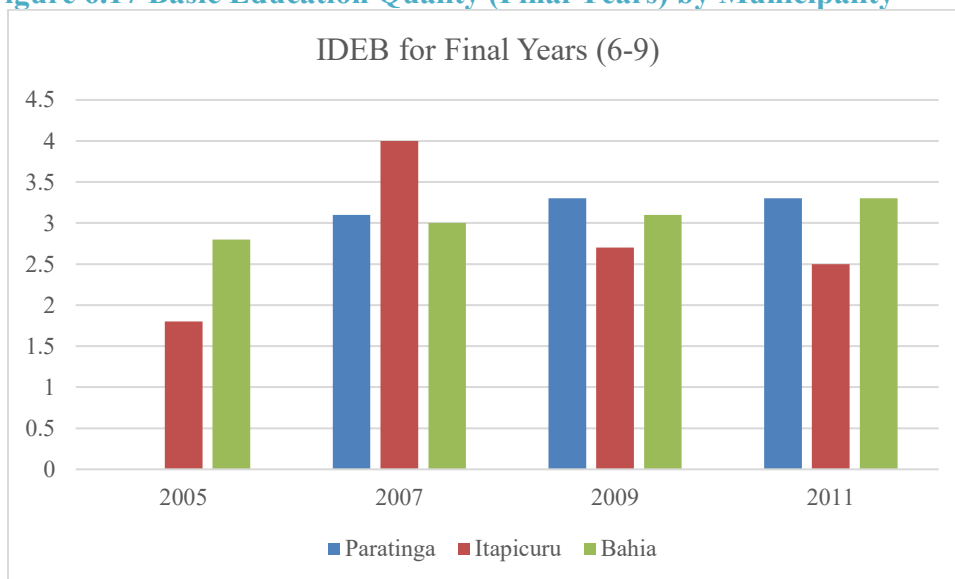
Figure 6.16 Basic Education Quality (Early Years) by Municipality



Source: IBGE

³²² “Índice de Desenvolvimento Da Educação Básica (Ideb),” Instituto Nacional De Estudos E Pesquisas Educacionais Anísio Teixeira | Inep, n.d., <https://www.gov.br/inep/pt-br/areas-de-atuacao/pesquisas-estatisticas-e-indicadores/ideb>.

Figure 6.17 Basic Education Quality (Final Years) by Municipality



Source: IBGE

There were some notable fluctuations in IDEB values between Paratinga and Itapicuru as the two vacillated between leading in quality of education in 2005, 2007, 2009, and 2011. While this makes drawing any conclusions about the impact of the quality of education challenging, there are a couple notable trends observed in the data. First, Paratinga demonstrated sustained greater performance in IDEB in the final years of basic education from 2009 to 2011. In those years, Paratinga outperformed both Itapicuru and, notably, the state averages across Bahia. Second, Paratinga observed continuous, sustained improvement from 2005 to 2011, while Itapicuru's IDEB score fluctuated more widely in the same period, reaching a high of 4.1 in early years and 4.0 in final years, dropping back to 3.4 and 2.5 respectively in the next period with available data (2011 for early years, 2009 for final years.) Third, Paratinga followed a pattern similar to the state of Bahia with continuous improvement, even exceeding state IDEB scores in 2009. In all other aspects of the independent variables and then in the dimensions of the dependent, Paratinga and

Itapicuru have continuously performed below the state level, so it is notable to see an area where a variable is outperforming the state level.

What were the policies and developments during this period that contributed to the observed differences in social service investment and quality in Paratinga and Itapicuru? The following discussion explores the causal mechanisms that contributed to differences in development outcomes in these two municipalities, drawing from assessments of executive and legislative documents, news publications, and interviews with former government officials.

From a historical perspective, Paratinga appears to have invested heavily in the areas of health and education, some well before the introduction of Bolsa Família, but even more so especially in the 1990s and 2000s under the Eduardo do Vale Barbosa and Eliezer Pereira Dourado Filho administrations. In an interview with the former Secretary of Education for Paratinga, Quintino José Gonçalves, who officially served in his role in the 1990s with Mayor do Vale Barbosa and in advisory capacity and ally to Dourado Filho, he delved into the history of educational policy in the municipality.³²³ He cited among the first important milestones as the establishment of the opportunity for a ninth year of study instituted in the 1960s. He noted this development as significantly altering the city's educational trajectory. Gonçalves pointed to the emergence of the Fund for the Development of Basic Education (FUNDEF) under President Fernando Henrique Cardoso in the 1990s as another pivotal moment in Paratinga's history because it transformed how schools were funded.

³²³ Tiago Abreu, *Histórias de Paratinga* (Goiânia, Goiás, Brazil: Cãnone Editorial, 2019).

Despite these advancements, Gonçalves acknowledged that education in Paratinga remained in "extremely precarious" position when Dourado Filho took office in 1997. During the early 2000s, under Mayor Eliezer Dourado Filho, there was a notable surge in educational investments facilitated by the Foundation for the Future initiative launched by the local government. In a document published by the local government, called "Paratinga Hoje," the administration described this initiative as a driving force of a strategic shift: a decline in the number of traditional schools, but gradually replaced by fewer schools with a broader outreach to students.³²⁴ The emphasis shifted towards creating regional hubs rather than maintaining isolated, rural schools with fewer students. This reconfiguration, resulted in a nearly doubled school enrollment from 1997 to 2001, indicative of the program's success in expanding educational access.³²⁵

Another one of the significant programs initiated by Mayor Dourado during his two terms from 1997 to 2004 aimed to counter the brain drain of teachers to larger cities and states. This involved a comprehensive approach addressing schools and their infrastructure, with a particular focus on rural areas. The program's pilot was implemented in the Caatingas region, specifically in the community of Patos, with the Polo Educacional Profesora Honorina Magalhaes serving as the testing ground. Following Dourado's re-election, the municipality established 15 educational centers and the introduction of high school education.³²⁶

³²⁴ Prefeitura Municipal de Paratinga, "Paratinga Hoje," 2004, <https://www.introvertendo.com.br/wp-content/uploads/2023/06/Paratinga-Hoje-2004.pdf>.

³²⁵ Prefeitura Municipal de Paratinga, "Paratinga Hoje," 2004, <https://www.introvertendo.com.br/wp-content/uploads/2023/06/Paratinga-Hoje-2004.pdf>.

³²⁶ Tiago Abreu, *Histórias de Paratinga* (Goiânia, Goiás, Brazil: Cãnone Editorial, 2019).

The interview with Gonçalves also touched upon the continuity in education as a priority, extending from FHC's era to the subsequent administration under President Luiz Inácio Lula da Silva. Gonçalves highlighted collaborative efforts, recounting multiple trips to Brasília in the 1990s where Paratinga gained recognition as "one of the best uses of the education interiorization project." With the aim of bringing education to rural areas, this solidified Paratinga's reputation as a model for effective and inclusive educational development.³²⁷

Gonçalves underscored the transformative effects of these educational initiatives on employment opportunities and development. Previously, young people predominantly sought work in other states or cities, often in agricultural roles or as maids. The paradigm shifted with increased opportunities, leading to a trend where youth, while still migrating, more frequently did so for educational pursuits or employment in banking and commerce. This shift also brought about changes in housing patterns within the municipality.

The next mayor, Armenaide de Carvalho Moreira, (2004-2008) expanded on this foundation. Accomplishments noted in a 2005 municipal publication included providing more opportunities for teachers to improve their skills and learning outcomes as a result; the maintenance of high school courses in rural areas; and providing greater opportunities for the inclusion and access of technology for students and other groups of the population through a partnership with the Bahian state government.³²⁸ The administration of de Carvalho Moreira pursued a strategy similar to that of her predecessor, emphasizing a schooling model based on regional hubs. The mayor set out priorities to expand this network – noting specifically land acquisition initiatives for construction to meet the

³²⁷ Tiago Abreu, *Histórias de Paratinga* (Goiânia, Goiás, Brazil: Câne Editorial, 2019).

³²⁸ Prefeitura Municipal de Paratinga, "Paratinga Hoje," 2005.

demand in various regions and expansion of schools in the more urbanized regions of the municipality as well.³²⁹

In addition to basic education, there were also a number of initiatives to expand other educational opportunities. For example, in 2001, a significant milestone was reached in Paratinga with the inauguration of the Luís Eduardo Magalhães Educational Technology Center, marking the establishment of the first public computer center in the region. In 2006, under de Carvalho Moreira, the municipality sought to partner with the Bahian government and the Ministry of Education to implement distance learning for teachers, focused especially on professional development opportunities.³³⁰

In 2007, Paratinga became one of several municipalities identified for a first phase of an expansive investment plan that aimed to open 19 university centers across the region, with a specific emphasis on teacher training.³³¹ This initiative sought to enhance the educational landscape by offering courses focused on various subjects, including Biology, Chemistry, Portuguese, Mathematics, Physics, and Agricultural Sciences. The expansion of higher education opportunities in Paratinga reflected a commitment to providing diverse and comprehensive educational resources to the community.

In terms of health care, during the early 2000s, Paratinga undertook significant investments during the administrations of Dourado Filho and de Carvalho Moreira (who also served as Secretary of Health from 1997-2003 under her predecessor.) In this period, the local government pursued municipalization of health services. This strategic move

³²⁹ Prefeitura Municipal de Paratinga, "Paratinga Hoje," 2005.

³³⁰ Prefeitura Municipal de Paratinga, "Paratinga Hoje," 2005.

³³¹ Ricardo Sangiovanni, "Bahia Terá 19 Pólos Do Universidade Aberta Neste Ano," *A Tarde*, January 17, 2007, <https://atarde.com.br/vestibular/bahia-tera-19-polos-do-universidade-aberta-neste-ano-445671>.

aimed at bringing healthcare management closer to the local level, enhancing accessibility, and tailoring services to the community's needs.

In addition to municipalization, several investments were made in infrastructure of the health care system. First, a maternal and child health care center was established, reflecting a targeted focus on the well-being of mothers and infants. New and existing facilities received a boost through the acquisition of new medical equipment and ambulances, signaling a commitment to improving emergency response and treatment capabilities, as well as an expansion in the number of hospital beds.³³² Moreover, the government of Paratinga launched several initiatives to improve patient treatment and boost preventative care. For example, in response to public health challenges, programs were instituted to combat specific diseases such as dengue, reflecting a proactive approach to safeguarding community health. A rural vaccination program was also launched to promote preventative healthcare measures in more remote areas and boost public accessibility of the healthcare system.³³³ The accumulation of these improvements and initiatives in the healthcare sector aimed to enhance the system's capacity and capabilities to provide quality healthcare services within the municipality.

Another noteworthy development in the health sector took place in June 2008 when the government undertook and completed the construction of 69 household toilets in selected neighborhoods of Coqueiro, Paratinguinha, and Tomba.³³⁴ By addressing the sanitation needs of families within the municipality, the government of Paratinga

³³² Prefeitura Municipal de Paratinga, "Paratinga Hoje," 2004, <https://www.introvertendo.com.br/wp-content/uploads/2023/06/Paratinga-Hoje-2004.pdf>; Prefeitura Municipal de Paratinga, "Paratinga Hoje," 2005.

³³³ Prefeitura Municipal de Paratinga, "Paratinga Hoje," 2004, <https://www.introvertendo.com.br/wp-content/uploads/2023/06/Paratinga-Hoje-2004.pdf>

³³⁴ Prefeitura Municipal de Paratinga, "Diario Oficial," July 7, 2009.

demonstrated a priority in improving hygiene and overall well-being for its citizens – ultimately promoting a healthier environment for its residents.

Collectively, these efforts in both the education and health sectors in the early 2000s showcased a comprehensive approach to education and healthcare, spanning infrastructure enhancement, accessibility, opportunity, preventive measures, and community-based interventions to improve the overall health and well-being of the population.

In a review of the laws passed, orders issued, as well as the policy priorities noted by government officials, Itapicuru executed a very different set of educational and health priorities, focusing primarily on education standards and creation of participatory councils.

In terms of educational policy during this period, Itapicuru established the Municipal Education Council (CME) in May 2006, which took significant steps in shaping educational standards, including regulations on new criteria for daycare teachers and assistants. The law passed mandated that teachers possess a Bachelor's Degree in early childhood education, while secondary school education was mandated for daycare assistants. Both teachers and assistants were tasked with developing lesson plans as well. Moreover, daycares were mandated to operate on a full-time basis, from 7 am to 5 pm. The CME also established specific standards regarding class teacher-to-student ratios based on age groups.³³⁵

The following year, Itapicuru was also identified as a municipality to participate in the expansive investment by the Bahian state government of opening university centers with emphasis on teacher training throughout the state. Itapicuru, however, was placed in

³³⁵ Itapicuru City Council, “Diario Oficial Do Legislativo,” July 5, 2006.

the second phase with a narrower set of subjects offered.³³⁶ The courses offered included Literature, Mathematics, and Biology, reflecting a commitment to enhancing the skills and qualifications of educators in the region, though perhaps at a lower scale than observed in Paratinga.

In the same year, 2007, a Municipal Council for Monitoring and Social Control of the Fund for Maintenance and Development of Basic Education (FUNDEB Board) was established. FUNDEB, in contrast to FUNDEF, invests in all levels of education – early childhood, elementary, secondary, as well as youth and adult education, whereas FUNDEF was narrower in scope focusing only on elementary education.³³⁷ The intent of the law followed the broader practice throughout Brazil of participatory councils in key policy-making areas. As in other similar councils, this board comprises representatives from various sectors, including the Municipal Department of Education, teachers, directors, technical/administrative personnel from municipal schools, parents of students, students, and a representative from the Municipal Education Council. The board was entrusted with several responsibilities, including monitoring and controlling the transfer and application of resources; conducting school censuses; examining accounting records related to resources/expenditures; issuing opinions on the accounting of fund resources; and fulfilling other duties established by legislation. Additionally, after the board launched, it played a key role in setting standards for student transfers within the Itapicuru education system, specifying requirements for transcripts and parameters for transfer. This comprehensive

³³⁶ Ricardo Sangiovanni, “Bahia Terá 19 Pólos Do Universidade Aberta Neste Ano,” *A Tarde*, January 17, 2007, <https://atarde.com.br/vestibular/bahia-tera-19-polos-do-universidade-aberta-neste-ano-445671>.

³³⁷ Leonardo Soares Quirino Da Silva, “Fundeb x Fundef: Qual a Diferença?,” March 21, 2006, <https://educacaopublica.cecierj.edu.br/artigos/6/8/fundeb-x-fundef-qual-a-diferenca>.

approach aimed at ensuring transparency, accountability, and quality in the education system.

From a health perspective, Itapicuru followed similar patterns observed in the education sector, focusing on the creation of the Program de Saúde da Família (PSF.) Launched in 2006, the PSF is a strategy that, according to the Ministry of Health, enables integration and promotes the organization of healthcare activities within a municipality. The launch garnered broad support, with the participation of political officials including the mayor, vice mayor, secretaries, and councilors, representatives from health department advisors, and members of the civil sector such as nurses.

At this event to celebrate the launch of Itapicuru's PSF, the mayor João Alfredo, announced the creation of seven teams with plans for gradual implementation in other communities as more resources became available.³³⁸ The Vice Mayor, Florinda Caldas, commended the administration for this achievement and noted it as a tangible accomplishment fulfilling a campaign promise.³³⁹ The president of the City Council also spoke at this event, and acknowledged the administration for its work towards minimizing social inequalities in a municipality with the lowest HDI in the state of Bahia.³⁴⁰ Successive officials, including representatives for the Health Department, expressed appreciation over the prioritization of health issues for the municipality. This effort reflected a unified commitment to addressing healthcare needs in impoverished neighborhoods and demonstrated the community's collective support for this vital health initiative.

³³⁸ Itapicuru City Council, "Diario Oficial Do Legislativo," April 20, 2006.

³³⁹ Itapicuru City Council, "Diario Oficial Do Legislativo," April 20, 2006.

³⁴⁰ Itapicuru City Council, "Diario Oficial Do Legislativo," April 20, 2006.

Conclusions

Overall, when comparing Paratinga and Itapicuru, this study has already shown that Paratinga outperformed its counterpart in all dimensions of the dependent variable. All else being equal, this study examined the impact of capacity, electoral cycles, and the quality of health and education services, and found that capacity is the most important determinant of Bolsa Familia implementation and human development outcomes in the cases of Paratinga and Itapicuru. Moreover, better social services, particularly education, are also associated with greater municipal capacity. A closer examination of the causal mechanisms that influenced the human development outcomes reveals the significant difference between the cases of Paratinga and Itapicuru as well. In the 2000s, policy priorities and initiatives carried out by the local government in Paratinga were more expansive in scope, dramatically improving school enrollment, focusing on technology and further educational opportunities as well as significantly upgrading health infrastructure. Within the same period, Itapicuru's policy priorities were on setting fundamental parameters, standards and institutions to carry out the provision of health and education services. Paratinga demonstrated more consistent quality in health and education services and this study qualitatively confirms previous studies that have shown a correlation between higher IGD scores and better quality health and education services; thus, it follows that building capacity and increasing IGD scores will translate to better human development outcomes via the mechanisms and investments in capacity and subsequent improvements in the health and education sectors.

In the final chapter, a summary of the study's findings will be presented with comments and final conclusions provided. Policy recommendations, contributions of this study, and potential areas for future studies and insights will also be evaluated.

Chapter 7

Conclusions

Conditional cash transfer programs have emerged as an important tool in combating poverty and promoting human development. Bolsa Familia is a widely known and celebrated conditional cash transfer program, in particular, because of its early and substantial successes in Brazil. However, the variation in conditional cash transfer programs' ability to improve human development outcomes within and across states presents an interesting and important puzzle for further investigation. This is especially true as CCTs remain a favored policy tool among developing countries. To that end, this dissertation explored the following research questions: Under what conditions are CCT programs more likely to succeed? What political and institutional factors condition their effectiveness?

Findings & Implications

Through this study, I have argued that municipal capacity plays a crucial role in achieving better human development outcomes via the implementation of the Bolsa Familia program. In a controlled comparison of the cases of Itapicuru and Paratinga, this study tested three independent variables – institutional capacity, electoral cycles, and quality of health and education services – and their impact on human development outcomes. The evidence showed that Paratinga exhibited greater municipal capacity and consistently outperformed Itapicuru in all dimensions of human development – longevity, education, and income. Notably, Paratinga also improved its levels of human development at a faster rate than Itapicuru in all dimensions except one between 2000 and 2010.

Not only did Paratinga have greater municipal capacity in the form of its IGD score, evidence showed Paratinga was able to enroll families at a faster rate from the onset of the Bolsa Familia program and received more funds specifically designated for capacity strengthening and Bolsa Familia program administration.

This study also confirmed that better health and education services matter in development outcomes because greater capacity translates to more effective spending and emphasis on the quality delivery of health and education services. The positive association between health and education service quality with municipal capacity leads to the same central argument on the relevance of capacity, namely greater quality can itself be an outcome of greater capacity.

Moreover, this study's findings reject those of previous studies that identify electoral cycles as having an impact on human development outcomes. The win-win nature of implementing a program like Bolsa Familia means most political leaders have an incentive to promote better management of a CCT and the expanded political participation that often results from CCTs generates an incentive to secure new, incoming voters.

Because conditional cash transfer programs, such as Bolsa Familia, have made such significant strides in alleviating poverty and improving human development, it is important to understand the mechanisms at work in the hopes of continually fine-tuning policy to achieve sustainable development. This study contributes to the broader debate on the impact and effectiveness of conditional cash transfers and the institutional factors influencing their implementation. This study underscores and demonstrates the importance of capacity. This research provides a controlled comparative study to reveal sub-national

mechanisms as well as local/municipal actors' roles in influencing the success or failure of Bolsa Familia.

Second, this dissertation provides comparative analysis of two municipalities from one state within a single country, honing in on the municipal-specific mechanisms critical to implementation. This micro-level analysis provides greater insight into the institutional mechanisms that matter most for human development, and is able to isolate the impact of any additional political players by focusing on two municipalities in Bahia, Brazil. The decentralization of Brazil's governing structures also naturally lends itself to more direct insights when analyzing at the municipal level.

The implications of these findings speak to the challenges of vicious and virtuous cycles in development. Better performing municipalities receive more federal funding that are then invested into activities and programs that further strengthen capacity and reduce poverty, quickly evolving into a self-perpetuating cycle. In contrast, poorer performing municipalities often remain trapped in a vicious cycle of lower capacity, lower federal funding, which perpetuates a cycle of lower capacity and worse human development outcomes comparatively speaking. These cycles have the potential to lead to further path divergence without some type of intervention.

This line of thinking naturally leads to pursuing "capacity building" from a policy standpoint. Exogenous capacity building, however, is a tricky objective and escaping from the equilibrium of a vicious cycle is much easier said than done. It is important to acknowledge the role of capacity in the provision of conditional cash transfer programs, public services, and ultimately human development outcomes. With this understanding, policy around conditional cash transfer programs should be examined and modified to

identify ways to support breaking the cycle of lower quality governance and capacity. For example, the Brazilian government should consider specific interventions and transfers for lower capacity municipalities to support convergence as much as possible to promote better human development outcomes. The quantitative analysis presented in this study also highlights potential ceilings/benchmarks for exit from these specific programs as there is a diminishing effect of the impact of municipal capacity on human development outcomes when capacity is already high. By establishing such parameters, governments can define specific start and end points to maximize efficiency of resources while also maximizing improvements in human development outcomes.

Limitations and Future Opportunities

As with any small-n study, this approach allowed for the in-depth analysis of the cases of Itapicuru and Paratinga and controlled for major factors as best as possible, including national and state government policies, population, and economic factors. However, again, as with any small-n study, the generalizability of these results is limited. All data presented was from the 2000 to 2010 period, but there were some minor limitations on the years available, and in one instance, there was no data available for Itapicuru. Fortunately, in the case of Brazil, the implementation of this conditional cash transfer was accompanied by a comprehensive infrastructure to collect and monitor that data, including the Unified Registry and ancillary platforms that made many historical datasets available.

Future opportunities for research include assessments of other municipalities from a qualitative approach to test if the hypotheses and findings stand as well as an expansion of N. On the question of municipal capacity, these findings should also be examined among

a broader set of municipalities, in other states within Brazil, and potentially expanded to other countries. There could be limitations with exploring these research questions in other countries, however, because of the highly decentralized design of Brazil's government and concern over data availability.

The association between better quality health and education services and institutional capacity should be further explored to identify the degree of the relationship—does the same hold true in other municipalities, for example? As an intervening variable, it would also be important to better understand the nature of the relationship between capacity and quality of health and education services – again as a means of informing policymaking and defining areas for future research.

While this study found that electoral cycles did not influence the development outcomes, it would also be interesting to further explore whether political party continuity from term to term impacts the findings at all. Another limitation was that the case selection ultimately arrived at two cases where the electoral cycles were identical, yet the human development outcomes were different. Paratinga did have continuity among political parties holding office as the lame-duck exited City Hall; this study did not observe any notable impacts of that nuance, but it would be worthwhile for future consideration.

As noted in the research design section, both qualitative and quantitative studies offer their own valuable contributions. Testing these hypotheses with a large-N dataset could prove to be informative, indicate some general trends, and support generalizability. Whether quantitative or qualitative, further analysis on this topic to test the robustness of these findings would also be an important future contribution.

My research is a step toward understanding the conditions under which conditional cash transfer programs are most successful. The additional research suggested would broaden its applicability to other cases and reveal areas of improvement for future policy design and implementation.

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