

The Bolsa Familia Programme and Basic Income¹

Luis Henrique Paiva²

Introduction

1. First of all, on behalf of Ms. Tereza Campello, Minister of Social Development in Brazil, I would like to thank the organizers for the kind invitation to be here tonight. As the person in charge of the Secretariat responsible for the Bolsa Familia Programme, I also have to say that it is a pleasure to be here. Two previous Secretaries were present at the 2008 and the 2010 BIEN Congresses and we have been following with great interest the debates about basic income. At the same time, we have perceived a genuine interest from this Basic Income Network regarding the Bolsa Familia Programme.
2. This mutual interest does not mean that defenders of conditional cash transfers, on the one hand, and basic income, on the other, do not point to differences between their proposals. These differences do exist. However, after presenting the Bolsa Familia Programme and our perspective on conditionalities, as requested by the Congress organizers, I will suggest that these differences are being excessively emphasized, to a point where CCTs and basic income are sometimes regarded as opposite to each other. Unfortunately, it is not rare nowadays to read that the very existence of CCTs should be considered an obstacle – and not an opportunity – in the implementation of basic income.
3. Here I will suggest something different. I agree that CCTs are not necessarily a safe path to basic income. But as we cannot count more than a few real cases of basic income around the world (at least in its pure or paradigmatic form), it is doubtful that there is a safe path to it at all. However, if we reject CCTs as a possible route to basic income or at least to achieving some of its principles, we are certainly closing a door to opportunities that might make these principles more likely to be accepted and adopted in our societies.
4. So, first of all, I will present the main characteristics of the Bolsa Familia Programme, including its numbers and its approach to conditionalities. I assume that most of you are quite familiar with the Programme, so I will try to be brief in this first part. Second,

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² National Secretary of the Bolsa Familia Programme.

I will mention the main criticisms that selective programmes have been receiving from defenders of universal and unconditional cash transfers and discuss how Bolsa Familia managers have dealt with these criticisms. Finally, I will suggest that programmes like Bolsa Familia should not be considered an obstacle to basic income. If they are not necessarily a safe path to reaching a universal and unconditional cash transfer programme, they can at least be considered a possible way to promote some of basic income principles.

The Bolsa Familia Programme: characteristics and numbers

5. Historically, Brazil has had one of the highest degrees of income inequality in the world. Starting in the 1920s, its pension system was developed on a contributory basis. The social insurance schemes tended not to be redistributive, keeping labour market inequalities untouched and a large part of the work force unprotected.
6. This situation started changing only in the early 1970s, when semi-contributory pensions began to be paid to small farmers and non-contributory means-tested benefits were addressed to older and disabled people. In the late 1980s and in the early 1990s, these schemes were improved, reaching a substantially larger group of beneficiaries with a higher level of transfers. By this time, health care began to be delivered on a universal basis. However, workers in the urban informal sector and children remained essentially unprotected.
7. In Brazil, the first conditional cash transfer programmes emerged in the mid-1990s, as local level initiatives. Between 2001 and 2003, four different conditional cash transfer programmes emerged at the national level. Bolsa Familia was created in October 2003 to unify these programmes, increase their coverage and improve their management. It reached 11 million beneficiary families in 2006 and 13 million by the end of 2010. Currently, more than 13.5 million families (approximately 50 million people) receive their benefits on a monthly basis. This comes to about \$10 billion a year (less than 0.5% of GDP). Along with its expansion, Bolsa Familia has been, as expected, reducing exclusion errors. Surprisingly, its targeting of the poorest improved during this period.
8. Bolsa Familia follows the basic design of CCTs. It is a selective programme, in other words, it works based on a targeting mechanism. It pays relatively modest benefits, whose level varies depending on how poor and how large the family is. These benefits are paid to women as often as possible. It is conditional, which means that school attendance and visits to health care centres are required and monitored on a regular basis. Finally, other actions are taken to try to improve prospects of beneficiaries in the labour market, such as job training and support for agricultural production.

9. Bolsa Familia has been paying up to now several different benefits. A flat rate benefit of \$ 35 is paid to every family living below the extreme poverty (of roughly speaking, \$ 1,25 PPP *per capita* per day). Extra benefits (up to five) are paid according to the number of children aged 15 or younger, and to the number of pregnant and nursing women. This benefit is paid to all families living below the poverty line (of roughly \$ 2,50 PPP *per capita* per day). Poor families can also receive up to two benefits for adolescents aged 16 and 17. Finally, a new top-up benefit was created recently and has been paid to all extremely poor beneficiary families with children up to six years old, guaranteeing that the whole family will cross the extreme poverty line. Overall, the minimum transfer is \$ 16 per month (paid to a poor family with only one child under the age of 15). After the new top-up benefit, there is no longer a ceiling for transfers. In a few cases, benefits may be above \$ 500. The mean transfer overall is below \$ 70. For those families that receive the new top-up benefit, the mean transfer is \$ 120.

10. School attendance and visits to health care centres have been monitored since 2006. Monitoring rates have been increasing in the last few years and reached almost 90% of beneficiary children and adolescents attending schools (that is, more than 15 million) and 73% of beneficiary families visiting health care units (that is, 7.5 million families). Monitoring covers only beneficiary families and is performed by the Ministries of Education and Health and their corresponding areas in local administrations. Authors (Hanlon and colleagues) suggested that the Bolsa Familia Programme is effectively unconditional. This is not correct. Certainly we do not have a draconian approach to conditionalities. They were planned in order to reinforce access to services in education and health. There is a relatively long process until families have their benefits cancelled for not complying with conditionalities. During this process, local social workers have access to information about families whose children are not attending school or are not getting vaccinated. In other words, monitoring conditionalities produces clear signals of social vulnerability and can help to drive social work activities.

11. We know that coordination of different areas in public administration is not something that happens naturally. We also know that services in education and health, even when provided on a universal basis, frequently reach unequally the poor and the rich. Conditionalities have induced areas of education, health care and social assistance to channel their attention to the most vulnerable, improving government coordination and raising concerns about the quality of services addressed to them. It is not by chance that most of the educational advances that we have experienced in the recent years in Brazil relate to the 40% poorest. This is definitely an advantage of a targeted programme. It may focus some light on the most vulnerable population and create a demand for better and more coordinated provision of universal services.

12. Actions taken by several different departments also try to improve the prospect of beneficiaries in the labour market. Participation in these actions is not a condition to receive Bolsa Familia benefits. Yet certain Bills currently in the National Congress propose turning participation in these actions into new conditionalities. But so far these initiatives aim just to give opportunities for families to take advantage of a growing economy, with record low unemployment rates.

The Bolsa Familia Programme and its criticism

13. Bolsa Familia Programme has been increasing its take up rates; raising the level of transfers; maintaining its target on those who are worse-off; and being effective in terms of monitoring the access by its beneficiaries to services in education and health care. These points have not been enough to avoid all sorts of criticisms, including those that come from defenders of basic income.
14. Those who defend universal and unconditional cash transfers argue that targeted and conditional programmes, in general, and the Bolsa Familia Programme, in particular, (i) are not as effective as basic income would be in fighting poverty; (ii) could contribute to the weakening of other social security initiatives; (iii) are complex, from an operational point of view, and, as a consequence, present higher administrative requirements and costs than basic income would; and (iv) adopt a conservative, punitive approach towards beneficiaries, imposing behavioural constraints in order for them to keep receiving benefits.
15. The argument that universal and unconditional cash transfers would be more effective in fighting poverty is very well known. It is based on the idea that they would, by definition, reach a larger group of beneficiaries than selective schemes would and on the assumption that this would result in a broader political support, which could make them more resilient. Moreover, universal and unconditional cash transfers would present, *ceteris paribus*, higher take up rates, which also would contribute to making them more effective.
16. This sort of argument was used in the mid-2000s to claim that the Bolsa Familia programme would not have the political support from the non-beneficiaries and that beneficiaries were not politically strong enough to sustain the programme (Célia Lessa). Also based on this sort of argument, the replacement of the Bolsa Familia Programme by an unconditional benefit addressed to all children was proposed as a path towards basic income. This universal child benefit could bring to cash transfers the political support that other universal measures (such as the minimum wage) have obtained in Brazil, making them a more sustainable way to fight poverty (Soares e Souza). It would be the first step to towards the implementation of basic income in Brazil.

17. Obviously, it is premature to try to reach definitive conclusions based on the short history of the Bolsa Familia Programme. But its increasing take up rates and political support suggest a different scenario to that which I have just described. In fact, the Programme faced strong political opposition during its first years. But, after its administrative consolidation, its political support has increased, to the point of being openly defended by all the relevant candidates in the last presidential election. Year after year, the number of beneficiary families has increased (reaching 13.5 million families, more than $\frac{1}{4}$ of the Brazilian population). In 2009, in the middle of the financial crisis, benefit levels were raised above inflation, showing that the Programme was not only considered an effective way to fight poverty, but also a powerful weapon against the recession. In other words, the short history of the Bolsa Familia Programme seems to be a good example of the thesis according to which social policies do not depend on the support of a strong political group. They create their own political support.

18. If the argument of lack of political support does not appear strong, the same could be said of the argument about take up rates. The Bolsa Familia Programme presents increasing take ups. Exclusion error has been reduced and our assessment is that, at least in the States where Cadastro Unico is very well managed, it is now something residual. Some will continue to argue that a universal benefit could do even better. But the very assumption that universal benefits would easily reach everyone, especially the poorest, cannot be accepted without caution. Eliminating restrictions to potential beneficiaries is not the same as reaching the most vulnerable. By definition, the vulnerable are hard-to-reach. A targeted programme, addressing all its efforts and adopting active strategies in order to reach the poor population will probably do better than a universal programme that uses typical passive, bureaucratic strategies.

19. Experiences like the Bolsa Familia Programme suggest that well designed and managed targeted programmes can present high effectiveness in reducing poverty and generate strong political support. Empirical evidence about the resilience of selective schemes, when compared to universal programmes, is mixed. As a rule, countries extremely successful in fighting poverty have built their social protection based on a universalist approach (or on vastly diffused social insurance) – but even there, concerns about costs led to some sort of targeting. In other words, the assumption that universal benefits will always be a better option for fighting poverty is yet to be proven.

20. It also has been said that, once adopted, targeted programmes could create path dependence and weaken other options in terms of social assistance initiatives (Mkandawire; Cobo e Lavinás). This sort of analysis has already been applied to CCTs

and in particular to the Bolsa Familia Programme, as if it were by now the core of the Brazilian social policy, which it is not, and could debilitate all other social policies. In the Brazilian context, at least, this analysis is clearly erroneous. Despite its increasing importance and effectiveness, Bolsa Familia continues to be a relatively small programme (in terms of expenditure), unable to change the whole social protection scenario. Even considering other Latin American experiences, to suggest that CCTs will give origin to weaker social protection systems does not seem to make sense.

21. Another criticism addressed to CCTs (and selective programmes in general) is that they tend to be complex, from an administrative point of view, and in consequence very expensive. This is one of the most common criticisms addressed to CCTs by defenders of basic income. When Bolsa Familia was being implemented, critics suggested that administrative requirements were so complex that its management would be very expensive and that monitoring conditionalities would hardly be feasible (Célia Lessa). But, again, this criticism is rather an assumption to be proven – and in two different senses. First, it is not necessarily true that administrative costs of selective programmes are high; second, it is doubtful that the administrative costs of basic income will be significantly lower.

22. The Bolsa Familia Programme demonstrated that it is possible to adopt a relatively cheap targeting strategy. We do not use real or proxy means test. Information about income is declared by families. This information is crosschecked using other administrative records, keeping data as sound as possible. It has been enough for the Programme to keep its good targeting on the poorer in recent years, even with the increasing number of beneficiaries. Administrative costs, as a consequence, have not been a concern. In the central level, these costs are less than 5% of the Programme's total cost. This includes all the costs of developing and maintaining IT systems; making the payments throughout the country; and subsidizing local government activities. Based on four urban case studies, Lindert and colleagues (2007) estimated an overall administrative cost (including costs to local governments) at 12% of the total cost.

23. Currently, our concern is not with lowering administrative costs, but with increasing them. If our challenge is to pay benefits to all poor families, we must be prepared to reach the hard-to-reach. And this is not cheap. Benefits paid only to those who knock on the government's door may be considered universal only from a "formal" perspective, never from a substantive standpoint. Reaching the most vulnerable will be expensive whether the programme is targeted or universal, since it implies an active, not passive, posture of the State.

24. Other costs will be larger for universal programmes than for selective programmes, for the simple reason that universal programmes are larger. Consider, for instance, the cost of paying benefits. From a certain point, one should not expect economy of scale in the process of paying benefits. From this point onwards, the unitary cost of making payments will be the same. The larger the programme, the more expensive it will be.
25. Overall, the assumption that universal, unconditional benefits will reach everyone, at a low administrative cost, only by eliminating restrictions typically present in selective programmes, should not be accepted so easily. Nor should be easily accepted the assumption that selective programmes will always be overbureaucratized and expensive from an administrative point of view.
26. Finally, I would like to address the idea that conditionalities are unacceptable. I have presented our approach to conditionalities and, based on this approach, I argue the opposite: monitoring conditionalities is one of the most effective ways to detect social vulnerability, to direct social assistance services to the most vulnerable and to coordinate efforts of different areas of the government (such as education and health care) in reaching effectively the poor. Adopting conditionalities does not mean necessarily accepting a punitive approach towards poor families. The objective must be to guarantee access to services in education and health care that, despite being formally provided on a universal basis, do not reach everybody equally. Conditionalities must be understood as part of the challenge of making the provision of these services, truly universal.

The Bolsa Familia Programme and the principles of Basic Income

27. Obviously, it would not be fair to suggest that all the criticism Bolsa Familia received came from defenders of basic income. While the criticism from the right has died down recently, for a few years after the Programme was created, they offered criticisms such as that if a programme like Bolsa Familia was to exist in Brazil, it should be strictly addressed to the extremely poor, from an absolute point of view, and, as a consequence, be a lot smaller than it was. Or that the Programme only could be considered successful on the day that it had disappeared. Even nowadays, the same Congress that passed Senator Suplicy's Bill on basic income is examining (and, I would say, is prone to pass) several proposals that aim to increase the number of Bolsa Familia's conditionalities or to make the existing ones tougher.
28. The fact that this kind of criticism of the Bolsa Familia Programme has not been so vocal recently should not make us think that basic income and the Bolsa Familia Programme are diametrically opposed. A programme strictly addressed to a minimal

group of extremely poor people, based on the concept of “absolute poverty”, transferring stamps, not money, associated with a large group of conditionalities implemented in a punitive way towards its beneficiaries could perhaps be the opposite of basic income. But this is not the case for the Bolsa Familia Programme.

29. Bolsa Familia is not universal, but it is far from being minimal. As we have seen, it reaches more than a quarter of the Brazilian population and its coverage has been increasing. The social acceptance of such a large social programme does not mean that this programme is necessarily the way to basic income. But it certainly contributes to making the general idea of a benefit paid to all more acceptable.
30. It is also the first time in Brazil that a scheme has been addressed to people of working age. For a long time, benefits were just socially accepted when paid to older people and the disabled. The acceptance of the Bolsa Familia programme is also the acceptance of the idea that a wider public should benefit of social protection. Again, this idea does not put Bolsa Familia in the path towards basic income, but makes the concept more acceptable.
31. We should consider the fact that the Bolsa Familia Programme (as CCTs in general) pays benefits in cash, not in stamps or in kind. The use of cash is free and decisions about that use are made by the family. Unnecessary to say that this sort of programme makes all forms of cash transfer more welcome than programmes that distribute stamps or food.
32. Bolsa Familia managers are definitely concerned with the programme’s targeting. Yet this concern has not been associated with massive bureaucratic actions to prevent inclusion errors. The programme’s current expansion is fundamentally based on the idea that high exclusion errors are not defensible. Quite a few initiatives have been taken to give local administrations proper information about their performance, as well as financial support for their activities in reaching the poor population. The very idea that every poor family in Brazil must be reached does not mean that the programme’s benefits were turned into an individual right from a formal point of view, but that they are treated as a right from a substantive point of view. This also contributes to make a rights-based universal programme more acceptable.
33. The argument that CCTs, in general, and the Bolsa Familia programme, in particular, will not naturally lead us to basic income may be readily accepted. If there were a natural path to basic income, probably we would have many more cases of universal,

unconditional benefits paid to all. But I advocate that the presence of Bolsa Familia in the Brazilian scenario, where social protection was strongly based on social insurance until quite recently, makes some principles of basic income more, not less, acceptable. The suggestion that programmes like Bolsa Familia are an obstacle and not an opportunity to these principles may be classified as an “adversarial approach” by the supporters of basic income, which is ultimately fruitless (De Wispelare and Stirton, 2004).

34. However, admitting that some basic income principles may be promoted by a selective programme like Bolsa Familia does not imply that basic income should replace this selective programme as soon as possible. Nor does it mean accepting that basic income is necessarily a better way to achieve results associated with some of these principles (such as, for instance, poverty reduction). It just means that these principles can be promoted, and these results can be achieved, by other sorts of programmes.
35. Arguments in favour of basic income (for instance, its administrative efficiency or its higher effectiveness in fighting poverty) and against selective programmes (for example, their lack of political support or their high administrative costs) should not be accepted so easily. Most of these arguments, if not all, are yet to be proven and at least a few are probably wrong. We must design our policies based on how effective they will be in achieving our goals. We must move beyond simplistic arguments about administrative efficiency of basic income.
36. Reducing poverty is certainly not the only goal a society may pursue. To share equally part of the wealth produced by a country between its citizenships may be a social objective by itself – and, in this case, a targeted programme is not, by definition, an option. However, if the question comes to fighting poverty, selective programmes can be considered a viable option.
37. Basic income was presented as a disarmingly simple idea. However, its implementation will probably be much more complex than its advocates admit. On the other hand, selective programmes are considered complex. But they can be well implemented and managed, making them the embodiment of an equally simple idea: if our primary goal is to guarantee income to all, we need just “give money to the poor”. It is possible, it is effective and it is efficient.