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Monterey, California: Naval Postgraduate School

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**NAVAL  
POSTGRADUATE  
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**MONTEREY, CALIFORNIA**

**THESIS**

**THE WAR AGAINST GENERATIONAL POVERTY: A  
COMPARATIVE STUDY OF CONDITIONAL CASH  
TRANSFER PROGRAMS IN BRAZIL, CHILE, AND  
JAMAICA**

by

Renaldo R. Rodgers

December 2014

Thesis Advisor:  
Co-Advisor:

Naazneen H. Barma  
Robert Looney

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**THE WAR AGAINST GENERATIONAL POVERTY: A COMPARATIVE  
STUDY OF CONDITIONAL CASH TRANSFER PROGRAMS IN BRAZIL,  
CHILE, AND JAMAICA**

Renaldo R. Rodgers  
Lieutenant, United States Navy  
B.A., Morehouse College, 2008

Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES (WESTERN HEMISPHERE)**

from the

**NAVAL POSTGRADUATE SCHOOL  
December 2014**

Author: Renaldo R. Rodgers

Approved by: Dr. Naazneen H. Barma  
Thesis Advisor

Dr. Robert Looney  
Co-Advisor

Dr. Mohammed Hafez  
Chair, Department of National Security Affairs

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## **ABSTRACT**

This thesis is a comparative study of the conditional cash transfer programs in Brazil, Chile, and Jamaica to analyze the implementation and effectiveness of each program with regard to the social, political, and economic environment of each country. These countries have vastly different population demographics, economic characteristics, and socio-political problems. However, they each adopted, to a greater or lesser extent, the same social welfare policies to combat poverty and income inequality and to enhance human capital.

By conducting a comparative analysis that examines the evolution of conditional cash transfer (CCT) program implementation in each country, with a particular emphasis on efforts to adapt programs to context, I hope to lay out plainly how these different country characteristics have contributed to the variable success of CCTs in achieving their goals.

Each program appears to be a fit for the political and economic make-up of its parent country. Additionally, they are critical parts to poverty reduction. However, results are mixed on how much the CCTs contribute to improved health and education outcomes.



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## LIST OF ACRONYMS AND ABBREVIATIONS

BE	Bolsa Escola
BNDES	Brazilian Development Bank
CAS	Chilean proxy means test score
CASEN	Chilean national household survey
CCT	Conditional cash transfer
GDP	Gross domestic product
IMF	International Monetary Fund
J\$	Jamaican dollar
P\$	Chilean peso
PASIS	Chilean old age pension
PATH	Programme for Advancement Through Health
PSDB	Brazilian Social Democratic Party
PT	Brazilian Workers' Party
R\$	Brazilian real
SAP	Chilean water subsidy
SUF	Chilean family allowance

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# **I. INTRODUCTION**

## **A. BACKGROUND AND RESEARCH QUESTION**

Conditional cash transfer programs (CCT) are social welfare mechanisms designed to reduce poverty in the short-term with a long-term goal of permanently breaking the poverty cycle, while enhancing a nation's human capital by improving long-term health and educational outcomes. The programs do this by targeting the poor and distributing cash payments to them provided they meet requirements laid out in a contract which generally fall into two categories: 1) required school attendance and routine checkups at a healthcare facility for children and 2) family development classes for parents and routine pre-natal checkups for expecting mothers.

CCTs made their first appearance in Brazil in the late 1990s at the state level. Since then, they have spread to almost all of Latin America, and programs are now cropping up in Africa and southern Asia. By keeping children in school and healthy instead of working to help supplement family income, there is a better chance they will obtain legal, gainful employment or post-secondary education, thus breaking the cycle of generational poverty. The parents, many of whom are young single mothers or fathers, receive counseling and information from professionals on how best to care for their children. Additionally, transferred cash is meant, though not required, to be spent on improving the family's condition by buying more nutritious food, school supplies, and clothing.

Domestically, CCTs are popular, especially among the poor and left-leaning sectors of the population, because research shows they have generally been successful at appreciably reducing immediate poverty and increasing school attendance rates for children. However, criticisms levied at the programs cite the insufficiency of the transfers in the face of inflation and dynamic commodities-based economies in many developing



countries.<sup>1</sup> Additionally, these critics contend, especially in Brazilian cities, that the size of the benefit is not enough to entice children of the streets, where they can make more money.

Despite this, successes in Latin America and the Caribbean and the diverse political economic contexts in which they exist have made CCTs attractive worldwide. This thesis presents a comparative study of CCT program implementation and effectiveness in Brazil, Chile, and Jamaica to better understand how, over time and across countries, the tailoring of these programs to context affects their relative success.

In the 1990s, Brazil was a country afflicted by run-away inflation, high unemployment, high crime rates, and a growing inequality gap. In an effort to remedy these problems, which had an extremely negative impact on the Brazilian economy and society, Pres. Fernando Henrique Cardoso instituted a series of social programs targeted at the poor. These programs, Bolsa Alimentação (Food Grant), Bolsa Escola (School Grant), and Auxílio Gas (Gas Allowance), were designed as individual CCTs in which the recipient had to fulfill certain requirements to receive monetary assistance. These programs had wide public support, especially among the poor. However, they were separate entities with separate bureaucracies. As a result, Cardoso's successor, Luiz Inácio "Lula" da Silva combined them into a single transfer program, Bolsa Família (Family Grant). In its 10th year, Bolsa Família is the largest conditional cash transfer program in the world, servicing an estimated 50 million people, or one-quarter of the Brazilian population.

Where Brazil's post-authoritarian mixed economy was plagued by state corruption, currency policy, and experienced several false starts throughout the 1990s, Chile's came out of authoritarianism as a model of free-market capitalism. Designed by a group of University of Chicago economists, known colloquially as the "Chicago Boys," during the Pinochet regime, it "entailed a massive reduction of state functions,

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<sup>1</sup> Michael Shifter and Cameron Combs, "The Politics of Poverty: South America's Conditional Cash Transfers," *World Politics Review*, 14 May 2013, accessed 10 June 2014, <http://www.worldpoliticsreview.com/articles/12943/the-politics-of-poverty-south-americas-conditional-cash-transfers>.

privatization of state-owned enterprises, deregulation of economic activities, and the implementation of the notion of the ‘subsidiary state.’”<sup>2</sup> Additionally, they instituted a regressive tax policy that sharply decreased low-income wages and social benefits while simultaneously concentrating wealth in high-income sectors and increasing inequality. As a result, though the Chilean economy did, and continues to, experience steady rates of growth, inequality and poverty were high, accounting for 45 % of the population, 28 % of who were classified as extremely poor at the end of the dictatorship.<sup>3</sup> Subsequent democratically elected presidents continued the free-market principles of Pinochet, but sought to lower poverty. By increases in employment, low inflation, social program investment, and an increase in real wages by four percent, the poverty rate was cut to 13.7% by 2006.<sup>4</sup> Inequality, however, remained a constant challenge, prompting Chile to follow in their fellow Latin American’s footsteps and create their own CCT in 2002 called Chile Solidario.

Unlike Chile and Brazil, which have large, fairly diverse economies, Jamaica is a small country with limited economic options. With an economy based primarily on tourism, remittances, bauxite mining, and agricultural exports, the country has been particularly vulnerable to external shocks and shifts in the commodities market. It suffered greatly from the drops in tourism from the United States following the September 11 attacks and the 2008 global financial crisis. Jamaica’s economy has underperformed given its assets, which include a fairly well educated and young population, excellent weather and soil, and ample mineral resources. Beginning in the mid-1990s, Jamaica has had an average annual growth rate of one percent and an average unemployment rate of at least 15 %.<sup>5</sup> Additionally, the island is saddled with gigantic

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2 Silvia Borzutzky, “Conditional Cash Transfers in Latin America and Anti-Poverty Policies in Chile: Why is Chile’s Market Economy Unable to Reduce Poverty and Inequality?” *Poverty and Public Policy* 4, no. 1 (March 2012) 6, <http://nps.illiad.oclc.org/illiad/illiad.dll?Action=10&Form=75&Value=127182>.

3 Ibid., 7.

4 Ibid., 6.

5 Robert Looney, “Is Jamaica Poised for a Turn-Around?,” *Foreign Policy*, 12 February 2014, accessed 31 May 2014, [http://www.foreignpolicy.com/articles/2014/02/12/is\\_jamaica\\_poised\\_for\\_a\\_turn\\_around](http://www.foreignpolicy.com/articles/2014/02/12/is_jamaica_poised_for_a_turn_around).

public debt, amounting to 150 % of GDP, acquired through decades of International Monetary Fund (IMF) loans and the inability to meet servicing obligations and economic goals. Finally, ineffective and inefficient social programs plague Jamaica. Like Brazil in the mid-1990s, Jamaica had multiple social welfare programs and decided to consolidate them as a single CCT in 2002 called the Programme for Advancement through Health and Education (PATH).

Brazil, Chile, and Jamaica are a diverse study set. Chile is perhaps one of the most capitalist countries in the world. The State has a minuscule footprint on economic activity and has privatized many services and enterprises. Brazil, conversely, operates a mixed economy with large state-owned enterprises centered on its “national champions,” which control many of the major industries. Jamaica is also a free-market economy, but the government takes a fairly active role in attracting business to the island. All three countries rely heavily on commodities exports for foreign capital inflows, and are vulnerable to the whims of the global commodities markets. Brazil and Jamaica have very high crime rates while Chile enjoys relative order. Finally, all three countries recognize the importance of enhancing human capital and reducing poverty as critical to improving their economic performance and for the greater good. As a result, these vastly different countries have all looked to CCTs to help accomplish this goal. This study seeks to analyze program performance within the political context of each set country to determine why the each has achieved differing levels of success. First, I will study the conditional requirements of each program, paying particular attention to enforcement. Second, the various targeting regimes and registration programs will be examined. Third, I will compare measures of effectiveness by examining the effect of each program’s effects on developmental measures such as health, education, changes in poverty level and inequality. Finally, I will attempt to identify areas for improvement.

## **B. IMPORTANCE**

Among the greatest challenges for modern capitalist economies are the pervasiveness of income inequality and high levels of poverty. As efficiency increases as the result of improved deployment of the factors of production, the return to those factors

improves. Inequality exists when, according to Thomas Piketty, “the rate of return on capital exceeds the rate of growth of output and income . . . capitalism automatically generates arbitrary and unsustainable inequalities.”<sup>6</sup> In these instances, growing percentages of wealth are concentrated in hands of a relatively small proportion of the population and states. While inequality is not necessarily a bad thing, as there have always been those with more wealth than others, the ever increasing concentration of that wealth into a shrinking minorities tends to “radically undermine the meritocratic values on which democratic societies are based” and leave an increasing number of people in poverty.<sup>7</sup> Economists and historians have wrestled with these issues for centuries. Marxists contend that growing inequality and poverty combined with increasing production efficiency, particularly the reduction of human labor and the improvement of machines, would result in the means of production being concentrated in the hands of the bourgeoisie. The resulting discontent from the proletariat would result in a revolt and overthrow of the capitalist system. Adam Smith, on the other hand, believed that a minimally regulated free markets would distribute capital and labor in the most efficient way, leading to increasing economic surplus that would benefit the entire population, not only the owners of capital.

Karl Polanyi countered Smith’s idea that markets arose spontaneously. Polanyi argued that governments create markets and direct and regulate them to protect society from the dangers of unrestricted capitalism. He believed that laissez-faire markets “undermine the existing social fabric because they turn labor, land, and money—which are part of society—into commodities.” The commoditized sectors, labor and the landed, would push back against the liberalizing traders in the social protectionist strand of what Polanyi called the “double movement” in an effort to protect society.<sup>8</sup>

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6 Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA: The Belknap Press of Harvard University Press, 2014), 1.

7 Ibid., 1.

8 Naazneen H. Barma and Steven K. Vogel, *The Political Economy Reader: Markets as Institutions*, ed. Naazneen H. Barma and Steven K. Vogel, (New York: Routledge, 2008), 3.

Through this lens, CCTs and other social welfare initiatives represent the modern double movement in action. Inequality and poverty have been the subject of protests worldwide in the past decade. In Europe and the Americas, the “Occupy Movement” brought thousands of protesters into the streets and parks of cities demanding policy changes to reduce income inequality and more punitive action against large financial institutes viewed as responsible for the 2008 global financial crisis. The income gap was a primary issue in the 2012 U.S. presidential election, where President Obama supported a tax increases on the wealthy. While the 2008 financial crisis was tough on wealthy people and states, it was particularly devastating to the poor, as millions lost their jobs and were forced to turn to governments for relief. When the state cannot provide such relief, the consequences can be politically, socially, and economically disastrous. The tumult of the Arab Spring of 2011, argues Kenneth Pollack, had its roots in economic stagnation exacerbated by low human capital, anachronistic education systems, high unemployment and underemployment, and foreign investments in the petroleum industry that benefited the elite and increased inequality.<sup>9</sup> Likewise, the violent 2014 protests in Venezuela began as a response to anger over extremely high inflation, high poverty, criminal violence, and general economic malaise. Finally, income inequality, wage dissatisfaction, and poverty resulting from high inflation are main issue in protests that have erupted across Brazil in the run-up to the World Cup and 2016 Summer Olympics.

Governments worldwide have recognized the need to lower poverty and increase relative incomes in the lower and middle classes, many of them opting to use CCTs as their mechanism. Since 2000, over 40 countries and New York City have instituted nation-wide or pilot CCTs, the majority of which are in Latin America, the Caribbean, and Asia. Combined with the growing popularity of this type of program, the growing importance of improving human capital and poverty reduction, and the pervasiveness of the income inequality, it has become important for states to understand the costs, benefits, and impact CCTs may have of their societies. Additionally, it is critically important for

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<sup>9</sup> Kenneth M. Pollack et al., *The Arab Awakening: America and the Transformation of the Middle East*, (Washington, DC: The Brookings Institution, 2011) Kindle Edition, 2–3.

policy makers to be able to match the type of CCT with the economic, social, and political realities of their nations.

### **C. PROBLEMS AND HYPOTHESES**

The literature analyzing CCTs worldwide has largely comprised impact evaluations focusing on their effectiveness in achieving the dual goals of immediate poverty reduction and improving human capital for the long-term. Based on these studies, authors have concluded that they are generally successful, especially with regard to poverty reduction, but have ample room for improvement. These sorts of evaluation studies dominate the literature, and provide valuable information, especially with the explosion of new programs in Africa and Asia. However, because they focus almost exclusively on the programs, they ignore the individual environments in which CCTs operate and how they influence program success. I hope to contribute to the literature by providing a more contextual examination of CCT program implementation over time and across countries.

I hypothesize that the success of CCTs depends not just on how well they are designed and implemented, but also in terms of their fit with the political, social, and economic characteristics of the country in which they operate. In short, CCTs are not “one size fits all” entities that can be seamlessly transplanted from one country to another.

### **D. LITERATURE REVIEW**

Analysis of CCTs has grown as their popularity worldwide has grown. The area in which the most study has been done is to examine the impact of CCTs on two main measures of effectiveness – the impact on education and health of children – of most programs, with explanatory factors centering on their means of targeting and modes of implementation. The World Bank, which helps finance several CCT programs has taken a keen interest. A 2003 study conducted by analysts Laura B. Rawlings and Gloria M. Rubio evaluated CCTs in Latin America and the Caribbean as many of them were first being implemented. The authors reviewed the “experience in evaluating the impact of CCT programs . . . exploring the application of experimental and quasi-experimental

methods” and drew conclusions regarding the “welfare impact of this type of program.”<sup>10</sup> They also examined how the evaluations influenced policy making. Since they were studying some CCTs at the beginning stages, the authors limited their case set to what they called “first generation” programs in Brazil, Honduras, Mexico, and Nicaragua. Rawlings and Rubio found that each program gauged their performance based on six factors: 1) the adequacy of program administrative bureaucracy, 2) reach into target demographic, 3) the existence of predicted impact, 4) unexpected effects, 5) recipient perception of the program, and 6) cost-effectiveness.<sup>11</sup> They concluded, first, that evaluations of the programs were grounded in solid evidence. Second, there was “clear evidence of program success in increasing enrollment rates, improving preventive health care and raising household consumption.”<sup>12</sup> Third, the evaluations were provided policy makers with sufficient empirical data to make decisions about program expansion and design alterations. Rawlings and Rubio did not, however, have significant long-term data as the earliest program, Mexico’s Oportunidades, had only been implemented in 1998, while Brazil’s Bolsa Família had only been consolidated in 2002. They acknowledged this in recommending that further research needed to be conducted on how the CCTs would perform as permanent institutions and not as political programs subject to the whims of the party in power.

Perhaps Norbert Schady and Ariel Fiszbein conducted the most expansive study. In their World Bank book, Schady and Fiszbein, laid out the economic and political conditions in which a country would undertake a CCT program. Additionally, they sought empirical evidence of the claim made by proponents of CCTs that they are “a way of reducing inequality, especially in the very unequal countries in Latin America; helping households break out of a vicious cycle whereby poverty is transmitted from one

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10 Laura B. Rawlings and Gloria M. Rubio, *Evaluating the Impact of Conditional Cash Transfer Programs: Lessons from Latin America*, The World Bank - Policy Working Paper 3119 (August 2003) 5, [http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2003/09/30/000094946\\_0309160409264/Rendered/PDF/multi0page.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2003/09/30/000094946_0309160409264/Rendered/PDF/multi0page.pdf).

11 Ibid., 9.

12 Ibid., 15.

generation to another.”<sup>13</sup> It is a large comparative survey of nationwide (such as those of Jamaica and Brazil), niche (such as that of Chile), and pilot programs. They concluded that CCTs contributed to short-term reduction in poverty and improved use and access to health and education services” if the program was well designed.<sup>14</sup> They also determined that, despite their general success, CCTs are not a panacea, and cannot on their own improve health and education outcomes and achieve significant poverty reduction. In that vein, they recommended further research be conducted in three areas: 1) impact of the CCT i.e., the importance of the size of the transfer, the recipients gender, the extent of monitoring, and penalization; 2) how the CCT interacts with other programs, specifically do they complement or complicate each other; 3) the effectiveness of CCTs in very different settings.<sup>15</sup>

Impact studies on health, educational, and economic outcomes have tended to focus on individual countries. Since it has the largest CCT in the world, Brazil has been the subject of the most in-depth examinations. A 2007 World Bank study, *The Nuts and Bolts of Brazil’s Bolsa Família Program: Implementing Conditional Cash Transfers in a Decentralized Context*, is one such example. In the paper, Kathy Lindert and her colleagues chose target two audiences, interested international policy makers and Brazilian stakeholders, and tailored their questions thusly. For the international observers, who might be looking to Bolsa Família as a policy option, the authors sought to answer questions about 1) the program’s design parameters, 2) program implementation in a decentralized, federalist socio-political environment, 3) managerial improvements with regard to implementation, 4) naturally-arising innovations at the local level, 5) lessons to be learned, and 6) how to replicate the programs’ success in other nations. With respect to the domestic audience, the study sought answers to questions about 1) the process of consolidation of Bolsa Família’s predecessor programs into the CCT, 2) bureaucratic

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13 Ariel Fiszbein and Norbert Schady, *Conditional Cash Transfers: Reducing Present and Future Poverty*, (Herndon, VA: World Bank Publications, 2009) 1, <http://site.ebrary.com/lib/nps/docDetail.action?docID=10369834>.

14 Ibid., 200.

15 Ibid., 201.



efficiency and effectiveness, 3) program targeting, 4) oversight and fraud control, and 5) prospects for future design improvement.<sup>16</sup> Their findings were extensive and generally positive. They were particularly impressed with the targeting and registration system, saying the high level of accuracy was “achieved through geographic mechanisms and means-testing under the unified family registry.”<sup>17</sup> They felt that this would be of particular interest to international observers, as an effective targeting and registration system is pivotal to a successful CCT program.

An interesting concept Lindert and her colleagues proposed for future study is what they called an “emerging graduation agenda.” They predicted that “the ‘new frontier’ for social policy in 2007 and beyond will increasingly focus on identifying feasible and effective levers to promote the ‘graduation’ agenda, so as to help poor families escape from poverty *and* reduce their reliance on transfer income for subsistence.”<sup>18</sup> Their proposed agenda produced two arenas for future improvements, reforming the program and linking Bolsa Família to other social programs. In the reform arena, the authors ponder put forward two opposing ideas, 1) place time limits on the transfers while simultaneously reducing them and 2) providing additional incentives for improved human capital like additional grants for higher educational opportunities. With regard to linking Bolsa Família to complementary programs, the authors propose two ideas, 1) linking it to other social programs—something the Dilma Rousseff administration is doing now with the *Brasil Sem Miséria* (Brazil without Poverty) program, and 2) using the program to improve targeting for job training and placement programs.<sup>19</sup>

Following in the same methodology of other CCT impact studies, Julieta Palma and Raúl Urzúa examine the design Chile’s Solidario, its components, and opportunities

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16 Kathy Lindert, Anja Linder, Jason Hobbes, and Bénédicte de la Brière, *The Nuts and Bolts of Brazil’s Bolsa Família Program: Implementing Conditional Cash Transfers in a Decentralized Context*, Social Protection Discussion Paper - The World Bank, no. 0709 (May 2007) 8, [http://josiah.berkeley.edu/2008Fall/ARE253/PN3%20Services%20for%20Poor/Brazil\\_BolsaFamilia.pdf](http://josiah.berkeley.edu/2008Fall/ARE253/PN3%20Services%20for%20Poor/Brazil_BolsaFamilia.pdf).

17 Ibid., 117.

18 Ibid., 119–20.

19 Ibid., 120.

for using the program with other social initiatives.<sup>20</sup> Solidario has been the subject of impact studies because of its fundamental differences from its larger Latin cousins, Oportunidades (Mexico) and Bolsa Família. Where those programs target all of the poor in their nations, Solidario targets only the extreme poor. Additionally, the program originated first as a way of integrating the extremely poor and indigent, who it was discovered were not receiving intended cash from the state, into the national social welfare system. Palma and Urzúa concluded that the program was successful in fulfilling the political goals of the Concertación party governments: “growth with equity, and democratic consolidation through social participation and active citizenship.”<sup>21</sup> Additionally, they found this effectiveness to be enhanced by the acknowledgement of poverty as a multi-dimensional problem not restricted to a low level of income remedied by cash payments, but one that requires psychosocial support.<sup>22</sup> Despite this, the authors criticize how Solidario targets, finding that it lacks the community and association networks required to address problems beyond just the family unit, and suggest that the program be “broadened to look beyond intra-family relations to support associativity and participation in the community to help build a more active citizenship.”<sup>23</sup>

The impact of Solidario on Chile’s children was the focus of a 2012 study by UNICEF analysts Bruno Martorano and Marco Sanfilippo. Using data from the 2001 and 2006 national census, the authors compared program participants with a control group on non-participants in a series of categories to determine the CCT’s impact on multi-dimensional poverty. Their research concluded that the program was effective in “extreme poverty reduction, improving labor market participation, and access to public resources” as well as positive results on increasing school attendance and visits to health

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20 Julieta Palma and Raúl Urzúa, *Anti-poverty Policies and Citizenry: The “Chile Solidario” Experience*, Policy Paper no. 12 (Paris: UNESCO, 2005) 9, <http://unesdoc.unesco.org/images/0014/001402/140240e.pdf>.

21 *Ibid.*, 29.

22 *Ibid.*, 31.

23 *Ibid.*, 33.

clinics.<sup>24</sup> They noted that the program's ability to effectively combat the multi-dimensional poverty was the state's ability to reach their target population, the extremely poor and indigent, and its ability to supply social services as demanded by the population.<sup>25</sup>

In a counter to generally positive evaluations of Solidario, Silvia Borzutzky analyzes the "nature and limited impact of Chile Solidario" and the ineffectiveness of the Chilean state's market based poverty reduction schemes.<sup>26</sup> She found that limited data was available on Solidario because the program was not systematically evaluated and managed from its inception. Additionally, she found that though families enrolled in Solidario were more likely to participate in job training than non-enrolled families, there were "no signs of improvements in the share of members who are actually employed or have stable employment."<sup>27</sup> Citing statistical data from Chile's 2006 and 2009 national surveys CASEN and MID, Borzutzky found that the poverty rate actually increased by two percentage points between 2006 and 2009. While subsequent increases in poverty are associated with the financial crisis, the author also blames the small size of transfers, inadequate financial support for Solidario, poorly trained program workers, and limited employment opportunity for the overall ineffectiveness and low impact.<sup>28</sup>

Impact case studies on Jamaica's CCT are scarce compared to the other Western Hemispheric countries, despite being among the "first generation" of CCTs. It is a small country with little impact on the global economy. However, it is a Caribbean country with an extensive social welfare structure, of which PATH was the cornerstone of major reforms starting in 2001. Most research is found in large comparative studies that do not focus exclusively on the unique features of Jamaica. However, Dan Levy and Jim Ohls,

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24 Bruno Martorano and Marco Sanfilippo, *Innovative Features in Conditional Cash Transfers: An Impact Evaluation of Chile Solidario on Households and Children*, Innocenti Working Papers no. 2012-03, (Florence, ITA: UNICEF Innocenti Research Centre, 2012) 13, [http://www.unicef-irc.org/publications/pdf/iwp\\_2012\\_03.pdf](http://www.unicef-irc.org/publications/pdf/iwp_2012_03.pdf).

25 Ibid., 14.

26 Borzutzky, "Conditional Cash Transfers in Latin America and Anti-Poverty Policies in Chile," 1.

27 Ibid., 11.

28 Ibid., 17.

working with primary sources from the government of Jamaica, attempted to fill the research void in an empirically-based 2010 report. In it, the authors used a regression discontinuity design to develop quantitative data on whether or not PATH was effectively targeting and reaching the intended assistance recipients and enhancing human capital by increased usage of healthcare and educational services. To acquire qualitative data on the program, Levy and Ohls used focus groups and interviews, which they assert, gave them a more complete and detailed analysis of PATH's effectiveness and impact.<sup>29</sup> They concluded that the program was effective at increasing school attendance. Though it was on average half a day per month per student, it was a three percent estimated increase over previous levels, which were already very high at 85 % attendance per month. This rate is the target rate of most CCTs worldwide. As a result, there was little room for significant improvement.<sup>30</sup> From the focus groups and interviews, the authors determined that PATH was most effective in relieving some the financial burdens of sending children to school, specifically offsetting food and transportation costs. Where the study revealed small increases in school attendance, it revealed sizable improvement in healthcare usage, particularly for small children of 38 percent over prePATH trends.<sup>31</sup> Despite the positive indicators, however, Levy and Ohls found no indication that the CCT improved long-term health and education outcomes - improved school grades and advancement and health - citing possible predictive deficiencies in their own research design and the relatively short time life of the program as possible reasons. They also posit, as suggested by Borzutzky and Lindert et al., that while the CCT is a useful tool, it cannot on its own serve as a panacea to long-term problems of inequality, poverty, and weak human capital.<sup>32</sup>

Of growing interest in CCT research is the effect of the programs on gender equality. In the large Latin American CCTs, women make up the vast majority of

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29 Dan Levy and Jim Ohls, "Evaluation of Jamaica's PATH Conditional Cash Transfer Programme," *Journal of Development Effectiveness* 2, no. 4 (December 2010) 1, <http://dash.harvard.edu/bitstream/handle/1/4908084/Levy-EvaluationJamaica.pdf?sequence=1>.

30 Ibid., 29.

31 Ibid., 30.

32 Ibid., 30.

responsible recipients - those documented as head-of-household for cash disbursement and program registration purposes- accounting for 93 % in Brazil. Lindert asserts that this “preference for payments to women reflects international experience (and early tests in the municipal BE [Bolsa Escola] programs) that suggest that women are more likely to invest additional income in improving the education, health, and welfare of their family, particularly their children.”<sup>33</sup> Despite this, Juliana Martínez-Franzoni and Koen Voorend argued in their 2012 study using empirical evidence that “patriarchal materialism is still at the core of Latin America’s new social policies.”<sup>34</sup> Using six principles of gender equity adopted from Nancy Fraser social critical theorist, they developed a framework through which CCTs could be comparatively gauged: 1) Female access to cash and social services, 2) assumptions about women’s responsibility for unpaid domestic work, 3) encouraging women’s access to paid work, 4) reducing tension between paid and unpaid work based on gender, 5) reducing gender income disparities, and 6) equal treatment based on program design.<sup>35</sup> They compared CCTs in three countries - Chile, Costa Rica, and El Salvador - and determined that the programs fared well in categories one and five, while doing poorly in the other categories. Martínez and Voorend found that there is room for CCTs to improve their performance beyond poverty and income differences. They propose additional incentives to encourage women to find paid work, thereby altering traditional perceptions of gender roles. Additionally, the authors “promoting day-care services and male involvement in caretaking, programs could have positive effects upon the principles of anti-exploitation [category 2] and equality in time use [category 3].”<sup>36</sup>

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33 Lindert et al., *Nuts and Bolts*, 17.

34 Juliana Martínez-Franzoni and Koen Voorend, “Blacks, Whites, or Grays?: Conditional Transfers and Gender Equality in Latin America,” *Social Politics: International Studies in Gender, State, and Society* 19, no. 3 (Fall 2012) abstract, [http://muse.jhu.edu.libproxy.nps.edu/journals/social\\_politics/v019/19.3.franzoni.pdf](http://muse.jhu.edu.libproxy.nps.edu/journals/social_politics/v019/19.3.franzoni.pdf).

35 Ibid., 389.

36 Ibid., 399–400.

## **E. METHODS AND SOURCES**

This thesis presents a comparative study of the CCTs in Brazil, Chile, and Jamaica to analyze the implementation and effectiveness of each program with regard to the social, political, and economic environment of each country. These countries have vastly different population demographics, economic characteristics, and socio-political problems. However, they each adopted, to a greater or lesser extent, the same social welfare policies to combat poverty and income inequality and to enhance human capital. By conducting a comparative analysis that examines the evolution of CCT program implementation in each country, with a particular emphasis on efforts to adapt programs to context, I hope to lay out plainly how these different country characteristics have contributed to the variable success of CCTs in achieving their goals.

## **F. THESIS OVERVIEW**

This thesis is organized to compare the CCTs of the Brazil, Chile, and Jamaica across the following sections with respect to their individual social, political, and economic environments: 1) the conditional requirements and enforcement mechanisms, 2) targeting and registration programs, and 3) the impact on short-term poverty, human capital accumulation, and income inequality. Though preliminary research indicates that CCTs are generally successful, they are usually evaluated as isolated entities outside of their social, political and economic environments. Finally, I look for potential areas of improvement and ideas on how to mitigate ineffectiveness with respect to each CCT's fit with its environment.

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## II. BRAZIL AND BOLSA FAMÍLIA

### A. POLITICS AND ECONOMY IN BRAZIL

This chapter will focus on Brazil's Bolsa Família program. The first section will frame the program within the unique political economic context of Brazil. As an extremely popular policy with the majority of Brazilians, Bolsa Família features prominently in politics, particularly elections. Similarly, popular support for the program has prompted the governments of Presidents Lula da Silva and Dilma Rousseff to create new wide-ranging social programs for housing and further poverty reduction. Because it is a direct government to citizen cash transfer to one quarter of the population, it has an important impact on the economy, particularly domestic consumption. The second section provides an analysis of the component parts of Bolsa Família, focusing the requirements for enrollment, enforcement of conditions, and how the program targets and registers potential enrollees. The final section will look at the degree to which the program is accomplishing its stated goals of reducing short-term poverty while breaking the cycle of generational poverty. To achieve this, I will discuss the impact Bolsa Família has had on educational, health, and poverty and inequality outcomes since its inception.

Brazil transitioned to democracy in 1985 after two decades of authoritarian military rule. Since then, Brazilian national politics has moved progressively towards the left, culminating in the current 20 year dominance of the center left Brazilian Social Democratic Party (PSDB) under President Fernando Cardoso and the populist Workers' Party (PT) under Lula and Rousseff. According to Alfred Montero, nearly 60% of all those who claim party affiliation support the PT. Moreover, the PT is the only party to have seen significant growth in membership since the transition.<sup>37</sup> While Cardoso and PSDB introduced nationally the social programs that would eventually comprise Bolsa Família, the PT has championed it and generally reaped the political benefits over the last 14 years. However, strong political party affiliation is not a hallmark of Brazil's

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<sup>37</sup> Alfred P. Montero, *Brazil: Reversal of Fortune*, (Cambridge, UK: Polity Press, 2014), Ch.3 Sec. 4, Kindle Edition.



democracy. In their 2004 study, Yan de Souza Carreirão and Maria D’Alva Kinzo found that from 1989 and 2002, between 50% and 60% of the electorate said party affiliation was not a factor in their voting choices.<sup>38</sup> The weak party system also means that candidates are not especially beholden to it for platform formulation or funding. Brazilians have traditionally voted for national level candidates based mostly on personal appeal and their potential to address issues important to individual communities and people in contrast to many modern western democracies, where party platforms and ideologies are prominent factors.<sup>39</sup> Moreover, because voting is compulsory – 82% of the electorate voted in the 2010 general elections - those who benefit from Bolsa Família or have an interest in it are politically engaged.<sup>40</sup> As a result, maintaining or even expanding Bolsa Família is a popular promise made by both liberal and conservative politicians.

The government holds large stakes in many of Brazil’s largest, most important companies. Indeed, privatization for many of these corporations did not occur until the late 1990s starting with the Franco Administration, though the government maintains a significant presence in some of the country’s corporate “national champions.” As a result, the government controls 50.26% of the voting shares of Petrobras, one of the world’s largest oil and gas companies.<sup>41</sup> Moreover, the government has “golden shares” in several companies. Using this mechanism, the state can exercise outsized influence on dealings of a private company. Significant financing by state-owned banks is another hallmark of Brazil’s mixed economy. Headlined by the Brazilian Development Bank (BNDES), public financing surpassed private sources, accounting for 50.7% of the R\$2.58 trillion (Brazilian reais) loan market in August 2013. Because of lending practices implemented by the Lula Administration during the 2008–9 global financial crises, cheap public credit

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38 Yan de Souza Carreirão and Maria D’Alva Kinzo, “Partidos, Políticos, Preferência Partidária e Decisão Eleitoral no Brasil (1989/2002),” *DADOS - Revista de Ciências Sociais*, 47, no. 1 (2004): 155–56, <http://www.scielo.br/pdf/dados/v47n1/a04v47n1>.

39 Montero, *Brazil: Reversal of Fortune*, Ch.3.

40 David Fleischer, *Countries at the Crossroads 2012 - Brazil*, Freedom House (2012), 2–3, <http://freedomhouse.org/sites/default/files/Brazil%20-%20FINAL.pdf>.

41 “Petroleo Brasileiro S.A. - Petrobras(PBR),” NASDAQ, accessed on 1 September 2014, <http://www.nasdaq.com/symbol/pbr>.

became easy for companies to get.<sup>42</sup> This easy access to cash has also been transformed into social assistance reminiscent of Bolsa Família. One such program, called My Better Home, provides government loans to purchase furniture and household appliances to enrollees in the social housing program My Home My Life. My Better Home grants participants a R\$ 5,000 limit credit card with a 5% interest rate. Like many of Brazil's social schemes, a state-owned bank, Caixa Econômica Federal, underwrites My Better Home. My Home My Life is designed to provide low-interest mortgages with which low and middle class enrollees can rent-to-own government constructed homes.

Another key aspect of the Brazilian economy is the shadow sector. According to the IMF, it looms large in South America, measuring at between 30 to 50% of GDP for all countries but Argentina and Chile.<sup>43</sup> For Brazil, the shadow sector has measured an average of 39% of GDP for the first seven years of the century, though this number has been decreasing year to year to 36.6% in 2007.<sup>44</sup> Like so much of the country's economic activity, the government plays a prominent role. The money required to fund Brazil's social programs and badly needed infrastructure upgrades has required fairly high taxes, particularly on consumer goods and businesses. Brazil sports a notoriously complex bureaucracy and multi-layered tax regime, with revenues from collection measuring 38.9% of GDP.<sup>45</sup> Because of such inefficiencies starting a business in Brazil takes an average of 107 days, three time the regional average. It also takes the average corporation about 2,600 hours a year to prepare and pay taxes, ranking the most time intensive in the

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42 "Brazil: Warning over public-sector bank lending," *The Economist*, 23 October 2013, accessed 4 September 2014, <http://www.eiu.com/industry/article/1351100719/brazil-warning-over-public-sector-bank-lending/2013-10-23>; "A ripple begets a flood," *The Economist*, 19 October 2013, accessed 4 September 2014, <http://www.economist.com/news/finance-and-economics/21588133-politically-inspired-surge-lending-weakening-state-owned-banks-latin>.

43 Anoop Singh, Sonali Jain-Chandra, and Adil Mohammad, *Inclusive Growth, Institutions, and the Underground Economy*, IMF Working Paper 12/47, (Washington: International Monetary Fund Publication Services, 2012), 6, <https://www.imf.org/external/pubs/ft/wp/2012/wp1247.pdf>.

44 Friedrich Schneider, Andreas Buehn, and Claudio Montenegro, "New Estimates for the Shadow Economies all over the World," *International Economic Journal* 24, no. 4, (2010), 454, <http://web.b.ebscohost.com.libproxy.nps.edu/ehost/pdfviewer/pdfviewer?sid=e770fde5-1e6e-4911-8224-87bbd8c4623b%40sessionmgr115&vid=1&hid=118>.

45 CIA World Factbook, Field Listing: Taxes and other revenues, accessed on 20 September 2014, <https://www.cia.gov/library/publications/the-world-factbook/fields/2221>.

world according to the World Bank.<sup>46</sup> Additionally, the federal minimum wage in the country has steadily increased such that it sits at R\$ 724 per month before taxes, which places those earners solidly in the middle class. However, the minimum wage is only available to workers in the formal economy. Thus, shadow workers and those who are self-employed report smaller formal incomes, which may place them below the poverty line and eligible for Bolsa Família. Finally, untaxable shadow workers are still eligible to participate in the nation's government-sponsored pension system. As a result, many small employers - seeking relief from taxes and paperwork- and employees - looking to purchase cheaper goods and maintain their Bolsa Família benefits - have great incentive to participate in the shadow economy.

## **B. BOLSA FAMÍLIA**

In 1974, Brazilian economist Edmar Bacha coined the term “Belindia,” a merging of Belgium and India to describe a fictional land where high Belgian-style and the low Indian-style standards of living existed in one nation as a not so subtle critique of the poverty and inequality he saw in his own country. Indeed, Brazil has the world's 16th highest Gini coefficient at 51.9, though this has steadily fallen from an average of about 60 from 1985 to 2000.<sup>47</sup> This change in inequality has been attributed to several factors, among them easy access to credit, increased income due relatively high federal minimum wage, and low unemployment. Yet the Bolsa Família program has led to remarkable successes in addressing poverty and inequality in Brazil. In the 1990s, the country was afflicted by run-away inflation, high unemployment, high crime rates, and a growing inequality gap. In an effort to remedy these problems, which had an extremely negative impact on the Brazilian economy and society, President Cardoso instituted a series of social programs targeted at the poor. These programs, Bolsa Alimentação (Food Grant), Bolsa Escola (School Grant), and Auxílio Gás (Gas Allowance), were designed as

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<sup>46</sup> “Doing Business in Brazil - World Bank Group,” The World Bank, accessed September 30, 2014, [doingbusiness.org/data/exploreconomies/brazil#paying-taxes](http://doingbusiness.org/data/exploreconomies/brazil#paying-taxes).

<sup>47</sup> CIA World Factbook, Country Comparison:: Distribution of Family Income - Gini Index, accessed on 9 August 2014, <http://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html>; Gini Index, The World Bank, accessed 9 August 2014, [data.worldbank.org/indicator/SI.POV.GINI/countries/1W-BR?page=3&display=default](http://data.worldbank.org/indicator/SI.POV.GINI/countries/1W-BR?page=3&display=default).

individual CCTs. The federal programs grew out of individual municipal and state-level CCT programs designed to improve educational outcomes among impoverished children in the mid-1990s. They were, however, of varying effectiveness, as richer states and cities could provide greater benefits than their counterparts. Regardless, they were popular. Thus, by the time Cardoso decided to implement his four CCTs and integrate existing ones, nation-wide support already existed from public policy experts and economic elites to the average citizen on the right and left.<sup>48</sup> Initial success of the programs led Cardoso's successor, President Lula da Silva to combine the programs into what is now Bolsa Família 2003.

### **C. CONDITIONAL REQUIREMENTS AND ENFORCEMENT**

The foundations of the program are the benefit disbursement rules and adherence to the requirement conditions set forth by the federal government. To address the first goal, immediate poverty eradication, the Brazilian government places eligibility into two separate income categories - poor and extremely poor. To qualify as poor, the household income from earned wages must be between R\$77 and R\$154. The base payment is an additional R\$77. A poor-class family receives a payment of R\$35 per child 15 years old and younger, limited to five children per family. For youths 16 and 17 years of age, the payment increases to R\$42, but is limited to two. For pregnant and nursing mothers, an additional benefit of R\$35 per month is available for the term of the pregnancy and for up to six months after birth. To qualify as extremely poor, the household income from earned wages must be less than R\$77. As with the poor-class, the extremely poor also receive R\$35 per child 15 years old and younger with a payment limit at five children. If a family receiving Bolsa Família benefits still remains extremely poor, then payments are recalculated to ensure they are lifted above the extreme poverty line.<sup>49</sup> Therefore, when combined with earned income, a family receiving Bolsa Família has the opportunity to

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48 Tatiana Feitosa de Britto, "The Emergence and Popularity of Conditional Cash Transfers in Latin America," in *Social Protection for the Poor and Poorest: Concepts, Policies, and Politics*, eds. Armando Barrientos and David Hulme, (London: Palgrave MacMillan, 2010), 186.

49 Bolsa Família Benefits, Brazilian Ministry of Social Development and Hunger Alleviation, accessed 27 September 2014, <http://www.mds.gov.br/bolsafamilia/beneficios>.

earn R\$455 per month, regardless of poverty level. To put the maximum possible amount of Bolsa money in perspective, the average monthly income in Brazil was R\$934 in 2013, while the minimum wage is R\$724 per month.

Once deemed financially eligible for benefits, the legally responsible recipient must adhere to healthcare and education conditions. These requirements are meant to address the second main goal of Bolsa Família, breaking the poverty cycle to long-term enhance human capital. For all children 7 years old and younger, parents must ensure maintenance of up-to-date vaccination schedules. The children must also attend regular check-ups that chart, amongst other things, their growth. Pregnant or lactating mothers must attend regular pre and postnatal examines and participate in health education and nutrition classes.<sup>50</sup> The emphasis on youth health and proper infant care for mothers highlights the high number of teenage mothers in Brazil. According to the United Nations, in 2011 approximately 45% of the nation's 2,824,776 newborns had mothers 24 years old or younger. Of total newborns, 18% came from mothers 19 and younger - 520,224. In the same report, the United States had 4,247,694 newborns in 2008 of which 35% had mothers 24 years old and younger. Of the total number, 10% were 19 and younger - 440,522.<sup>51</sup> There are also education conditions that must be adhered to. All children from six to 15 years old must be enrolled in school and attend a minimum of 85% of school days a month. Youths 16 to 17 years old must attend 75% of school days a month. If a child misses school for any reason, the parent must notify both the local Bolsa Família office and school.<sup>52</sup> The penal system for non-compliance is tiered and designed to identify underlying compliance problems and resolving them. First time offenders are warned, but receive no financial penalty. Those families who offend for a second time are blocked for 30 days, but receive the aggregate benefits after the block is lifted. Those who offend for a third and fourth time receive 60-day suspensions without the

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50 Lindert et.al., *The Nuts and Bolts* 18.

51 United Nations Statistics Department, *Demographics Yearbook 2012*, last accessed 27 September 2014, <http://unstats.un.org/unsd/demographic/products/dyb/dyb2012/Table10.pdf>.

52 Lindert et.al., *Nuts and Bolts*, 18.

accumulated benefits at the end of the term. Fifth time offenders are terminated indefinitely.<sup>53</sup>

#### **D. REGISTRATION AND TARGETING**

Managing such a large national social program is a massive bureaucratic undertaking. Prior to their consolidation under Bolsa Família, each of Brazil's major programs had their own independent databases. Information in these databases were often duplicated since a family enrolled in one program was probably enrolled in the others as well. With the creation of Bolsa Família, the Brazilian government also created the Cadastro Único (Single Registry) system to combine all the other databases. The system helps reduce administrative costs, benefit fraud, and information duplication.<sup>54</sup> Despite some early implementation, user interface, and coordination challenges - the lack of real-time data access for the Ministry of Social Development and Hunger Alleviation and municipalities and no clear operating rules - the registry system has become more streamlined. A key part of Cadastro Único is the effective combination of decentralized day-to-day data collection duties with centralized data consolidation, eligibility determination, and funds disbursement. Since data collection is the domain of the municipalities, there is great variation in how it is done, meaning some databases are maintained with more care than others. The local government is responsible for training registry personnel based on federal guidelines, but quality of training varies, making the system vulnerable to incidents of corruption in which officials direct payments to individuals who would not otherwise qualify. However, because it is decentralized and administered by local governments, data collection and registration is tailored to the specific geographic and demographic challenges of a municipality. This is particularly important given that the poorest areas of Brazil, the northern and Amazonian states, have of the most physically and technologically isolated populations.<sup>55</sup>

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53 Ibid., 68–9.

54 Ibid., 35.

55 Ibid., 38–41.

All families are eligible to register in the Cadastro. Selection for Bolsa Família, however, differs across the country. Each municipality is given a maximum allowance quota based on poverty estimates by the Ministry of Social Development. If a municipality's actual number of qualified families is greater than its quota, then priority is given to the poorest families and those with the greatest number of children under 17 years old. Each municipality must undergo an information recertification every two years. This has drastically improved the quality and coverage of Bolsa Família. For example, the 2005–2006 recertification resulted in an increase of registry verifications from 31% in March 2005 to 78% in June 2006. Along with significant updates to registrant data like changes in individual income level (34% of families) and changes to legally responsible recipient, the recertification added 2.7 million new families while canceling benefits to 1.4 million families, mostly due to migration out of poverty (52%).<sup>56</sup> Additionally, because data collection and registration is so articulated, the Cadastro Único can be used by the other government organizations looking to improve coverage or target specific neighborhoods for additional services. The database is being used as the basis for Pres. Dilma Rousseff's Bolsa expansions "Brasil sem Miséria" (Brazil without Poverty) will use the Cadastro Único as its main tool for targeting impoverished children. Targeting will take place under the auspices of the Busca Ativa (Active Search) plan, which is intended to "take the state to the citizen, without waiting for the poorest people to reach the government."<sup>57</sup>

Coverage, however, remains a problem. While Bolsa Família incorporates approximately 50 million people, about 1/4 of the mostly urban total population, it is reaching far fewer people in the southern megacities relative to the rural north and Amazon. In the rural areas, 41% of the population is covered compared to 17% of urban

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<sup>56</sup> Ibid., 41.

<sup>57</sup> Brazilian Ministry of Social Development and Hunger Alleviation, *Active Search: What is the Active Search of The Brazil Without Poverty Plan?*, last accessed March 19, 2014, <http://www.mds.gov.br/falemds/perguntas-frequentes/superacao-da-extrema-pobreza/plano-brasil-sem-miseria-1/busca-ativa>.

dwellers. The Economist has identified three main reasons for this.<sup>58</sup> First, the consolidation of the individual social programs into a single, all-encompassing entity resulted in lower assistance incomes for many families, especially those who could get extra money for having more than the five child limit. Combined with higher cost of living in urban areas, the assistance just does not go as far as it does in rural settings. Second, child labor is still higher in the cities since working children can often bring in more money than Bolsa Família provides. As a result, the school attendance condition is less a threat to urban Brazilians than it is in the countryside, where child labor often involves seasonal farm work. Indeed, The Economist found that half of the families that lost their benefit in São Paulo, 13,000 households, was due to child truancy. Third, the relatively expensive housing in the favelas means that multi-family households, where a young mother or father may choose to raise their child in the same home as their extended family. Because Bolsa Família is only dispersed by household and not by individual family, the program will necessarily underperform in the densely populated favelas. Nevertheless, approximately 93% of legally responsible recipients are women. This preference is a part of the law that authorized Bolsa Família because women are more likely to spend Bolsa money on family necessities and education than men, and empowering women as a result.<sup>59</sup>

## **E. IMPACT**

### **1. Education**

Bolsa Família's impact on education outcomes are mixed. Research shows that generally, Bolsa beneficiary children attend school at a higher rate than those not enrolled in the program. Despite these improvements, research also shows that Bolsa Família has little to no impact on timely matriculation to higher grades and lowering dropout rates.

A 2010 study comparing CCT programs in Mexico, Ecuador, Brazil, and Chile found that the probability of school absence in the months preceding the survey was 3.6%

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<sup>58</sup> "Brazil's Bolsa Familia: How to get children out of jobs and into school," *The Economist*, July 29, 2010, <http://www.economist.com/node/16690887>.

<sup>59</sup> Lindert et al., *Nuts and Bolts*, 51.



lower for Bolsa children than it was for non-Bolsa children. The same study found that the probability of a Bolsa child dropping out of school was 1.6% lower than that of a non-Bolsa child. There were similar positive results in the other surveyed countries.<sup>60</sup> A 2011 study analyzing Bolsa Família's impact on enrollment, dropout rates, and grade promotion also had positive, if minuscule, results. Glewwe and Kassouf found that Bolsa students, who constitute about one-third of Brazil's student population, had a 2.8% higher enrollment rate for 1–4 grade students and 3.2% for 5–8 grade students. Dropout rates for both groups of Bolsa students were also lower, .53% and .28% respectively, than their non-Bolsa colleagues.<sup>61</sup> They also found a correlation between Bolsa Família's most rapid period of expansion, 2000 to 2002 and higher enrollment and lower dropout rates. Bolsa Família plays a major role in increasing enrollment for non-White students at a rate higher than the national program average. For Black, Mulatto, and Indigenous 1–4 grade children, enrollment rates are 13%, 4%, and 15% respectively compared to their non-Bolsa fellows.<sup>62</sup> In another study UNESCO found that 95% of eligible children were enrolled in primary school in 2010 and 81% of eligible children were enrolled in secondary school.<sup>63</sup> However, the same study found that just 55% of children completed secondary school and nearly a quarter of first grade children had to repeat the grade. Like dropout rates, the program's impact on grade promotion rates compared to non-Bolsa students is very small .9% for 1–4 grade children and .3% for 5–8 grade children.

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60 Fábio Veras Soares, Rafael Perez 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 (2010): 182, <http://www.jstor.org/stable/27919200>.

61 Paul Glewwe and Ana Lucia Kassouf, "The Impact of the Bolsa Escola/Família conditional cash transfer program on enrollment, dropout rates, and grade promotion in Brazil," *Journal of Development Economics* 97, (2012): 512, [http://ac.els-cdn.com/S0304387811000538/1-s2.0-S0304387811000538-main.pdf?\\_tid=69142f12-4a61-11e4-be50-00000aab0f6b&acdnat=1412274476\\_beb029a14875f12e33db8941b34a1fe3](http://ac.els-cdn.com/S0304387811000538/1-s2.0-S0304387811000538-main.pdf?_tid=69142f12-4a61-11e4-be50-00000aab0f6b&acdnat=1412274476_beb029a14875f12e33db8941b34a1fe3).

62 Ibid., 513–4.

63 Cristián Bellei, Ximena Poblete, Paulina Sepúlveda, Víctor Orellana, and Geraldine Abarca, *The State of Education in Latin America and the Caribbean: Towards a Quality Education for All - 2015*, (Santiago, CH: UNESCO Santiago, 2013), 57–65, <http://www.unesco.org/new/fileadmin/MULTIMEDIA/FIELD/Santiago/pdf/state-of-education-in-LAC-towards-2015.pdf>.

Bolsa Família's impact on education outcomes can be seen as a problem of supply and demand. The program clearly provides the demand in the form of getting children into schools. Again, this is especially apparent among Blacks and Indians, who have higher poverty rates than the other segments of society. Thus, while as a whole attendance rates increased just incrementally, they are significantly higher among the poorest. The supply of education, expressed in matriculation and dropout rates, is another matter. For some 3.4 million children 17 years and younger, the program's incentives are simply not enticing enough to prevent them from venturing into workforce.<sup>64</sup> Poorer students enter school less prepared than their wealthier colleagues. As a result, they do not perform as well on grade-appropriate coursework and do not advance on time. Moreover, Bolsa Família contributes nothing to improving the quality of instructors, curriculum, or facilities – supply side factors - pivotal to a student's success.

Data on the long-term impact of Bolsa Família is mostly based on extrapolation and conjecture as the program is simply not old enough to adequately address such questions as whether it helps children get into and graduate from university. However, the fact that poor students, particularly those in the more economically depressed northern and Amazonian states, are attending school at higher rates than would otherwise be the case is encouraging.

## **2. Health**

Like indications for education, the long-term impact of Bolsa Família on the health of the recipient population is difficult to ascertain because the program has not been in existence long enough. However, some short-term results are available, particularly among very young children. A study by the World Health Organization published in 2011 found the program was not only well targeted, but that young children were clearly benefiting. The ages of children surveyed were from 0 to 5 years. Using child birth weight, education level of the family head, access to water and electricity, and

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<sup>64</sup> "2010 Census: Brazil Has More Than 3 million Working Children and Teenagers," Instituto Brasileiro de Geografia e Estatística, 12 June 2012, <http://censo2010.ibge.gov.br/en/noticias-censo?view=noticia&id=3&idnoticia=2155&busca=1>.

child age-height-weight ratios as variables, the study found that Bolsa children were 26% more likely to have the age appropriate height and weight than non-Bolsa children.<sup>65</sup> This clearly shows the immediate impact of Bolsa Família on early childhood health outcomes that are critical to development later in life. The numbers also indicate the premium guardians place on the health of their children, and given the opportunity and resources, guardians will avail themselves of the health system. Not surprisingly, the parents of Bolsa children tend to have less schooling than their non-Bolsa counterparts, with the greatest differences being between those with at least 9 years of school - 26.9% for non-Bolsa and 11.3% for Bolsa.<sup>66</sup> Similarly, recipient families also tend to have less access to electricity and piped water in their homes than non-recipients. The fact that Bolsa children appear to be meeting critical early development goals despite clear economic and social deficiencies implies that recipient families are spending more money on nutritious foods and other childcare products. A 2010 study found that Bolsa Família not only increased the odds of a child going to regular clinic visits and receiving regular vaccinations, but it also contributed to unexpected positive spillover for older children. The program has no health conditionalities for children 7–17 years old, but those children are far more likely to continue receiving regular check-ups and vaccinations.<sup>67</sup> This trend in particular is important to the long-term goal of breaking generational poverty. Because these older children are using health services beyond the requirements of the conditionality without any added monetary incentive, it is conceivable that they will continue do so into adulthood and with their own children.

The other major health conditionality for Bolsa Família, routine prenatal checkups for expecting mothers, does not show any appreciable difference between Bolsa and non-Bolsa mothers. In 2005, Bolsa recipients averaged 3.5 prenatal visits per pregnancy. By

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65 Rômulo Paes-Sousa, Leonor Maria Pacheco Santos, and Édina Shisue Miazaki, “Effects of a conditional cash transfer programme on child nutrition in Brazil,” *Bulletin World Health Organization* 89, no. 7 (2011): 496, <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3127265/pdf/BLT.10.084202.pdf>.

66 Ibid., 497.

67 Amie Shei, Federico Costa, Mitermayer G. Reis, and Albert I. Ko, “The impact of Brazil’s Bolsa Família conditional cash transfer program on children’s health care utilization and health outcomes,” *BMC International Health and Human Rights* 14, no. 10(2014): 5–7, <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4021270/pdf/1472-698X-14-10.pdf>.

2009, that number increased to 4.4 visits. During that same time period, non-recipients saw an even more dramatic increase, going from 2.9 to 4.3 visits. Likewise, in 2005, 20.9% of all pregnant women received no prenatal care regardless of program membership, more specifically 17.7% for Bolsa and 22.3% for non-Bolsa. By 2009, the number for all women had fallen to 5% and was virtually the same rate for both groups of women.<sup>68</sup>

### 3. Poverty and Inequality

Perhaps Bolsa Família's greatest and most contested impact is on poverty and inequality in Brazil over the last 14 years. When Bolsa Família came online in 2003, Brazil's poverty rate stood at about 25% or 45 million people. By 2012, that rate has been cut to 9% or 18 million people by national standards.<sup>69</sup> The Gini coefficient also fell from about 60 to 51 during the same time period. The impact of Bolsa Família on poverty and inequality should not be overstated—it is certainly not the only mechanism used by the government to lower poverty and income inequality. The country has a very generous pension system open to all whether or not they are employed in the formal or shadow economy and a high minimum wage. Additionally, rapid economic growth over the past decade has played a major role in poverty reduction. There is, however, major dispute on the role the program plays in reducing poverty and inequality. Diego Sánchez-Ancochea and Lauro Mattei estimated in their 2011 study that Bolsa Família accounted for 10% of the drop in inequality.<sup>70</sup> Meanwhile, Sergei Soares cites several studies that attribute

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68 Alan de Brauw, Daniel O. Gilligan, John Hoddinott, and Shalini Roy, *The Impact of Bolsa Família on Child, Maternal, and Household Welfare*, (Washington, DC: International Food Policy Research Institute, January 2012), 12–3, [ftp://209.160.24.160/app/erc/app/documents/3969/report/doc\\_8345961028763508241RelatorioFinaldeimpactoAIBF2.pdf](ftp://209.160.24.160/app/erc/app/documents/3969/report/doc_8345961028763508241RelatorioFinaldeimpactoAIBF2.pdf).

69 Poverty and Equity country dashboard - Brazil, The World Bank, accessed 1 October 2014, <http://povertydata.worldbank.org/poverty/country/BRA>.

70 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): 307, [gsp.sagepub.com/content/11/2-3/299.full.pdf+html](http://gsp.sagepub.com/content/11/2-3/299.full.pdf+html).

anywhere from 31% to 12% of Brazil's drop in income inequality to the program.<sup>71</sup> Regardless, the drop in inequality attributed to the Bolsa Família is substantial. As shown earlier, the program has the ability to more than double a family's income. However, the maximum benefit R\$ 455, still does not match minimum wage. As a result, though Bolsa Família does not significantly reduce the number of poor people, it closes the poverty gap by 18% and greatly reduces the severity of poverty by 25%.<sup>72</sup> This means that the numbers of extremely poor families now constitute the smallest income class in Brazil.

Several factors appear to contribute to the program's inability to lower the number of poor people. First, the number of enrollees in Bolsa Família has nearly doubled. In 2003, there were 27 million beneficiaries, and now there are 50 million. This is due to deliberate government enrollment expansion and better targeting as the system matured. Second, the speed with which Brazil's minimum wage, and consequently the poverty line, has risen necessitated an increase in Bolsa's benefit. In 2003, the minimum benefit was R\$50, rising to its current level of R\$77. Thus, while the value of the real (Brazil currency) increased relative to the price of goods over the past decade – increasing buying power - and more people benefited from increased incomes in the lower economic classes, they, nevertheless, remained in poverty. Finally, unlike their Chilean counterparts, Bolsa beneficiaries can remain enrolled in the program in perpetuity.

## **F. CONCLUSION**

Bolsa Família has come to play an important part in Brazil's political economy. Due to its popularity and importance to the country's vast lower middle and poor classes, as well as the fact of compulsory voting in Brazil, political support for the program is high regardless of political ideology. Buoyed by Bolsa's wide support, Rousseff and her left-wing Workers' Party have created more wide-ranging social programs and policies like My Better Home and a steadily increasing minimum wage. In addressing its goals of

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<sup>71</sup> Sergei Soares, *Bolsa Família, Its Design, Its Impacts and Possibilities for the Future*, Institute for Applied Economic Research, Working Paper 89, (Brasília, DF: International Policy Centre for Inclusive Growth, 2012), 20, [www.ipc-undp.org/pub/IPCWorkingPaper89.pdf](http://www.ipc-undp.org/pub/IPCWorkingPaper89.pdf).

<sup>72</sup> Ibid., 20–2.

combatting short-term poverty while breaking the cycle of generational poverty, Bolsa Família has shown success and promising trends with regard to health outcomes and limited gains where education is concerned, especially long-term. Young children are showing significant gains in early childhood height and weight, while older children are continuing to use clinical services beyond Bolsa's requirements. However, there were no noticeable differences in prenatal care for pregnant Bolsa mothers compared to their non-Bolsa mothers. School attendance rates were generally higher for Bolsa children. However, there was no noticeable improvement in dropout rates and grade advancement, which does not bode well for long term outcomes. Finally, Bolsa Família has proven effective at significantly reducing income inequality as evidenced by Brazil's improved Gini coefficient and the drastic reduction in the number of extremely poor citizens. However, the overall number of poor in Brazil has not fallen in kind with that of the extremely poor.

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### **III. CHILE AND SOLIDARIO**

#### **A. POLITICS AND ECONOMY IN CHILE**

This chapter addresses Chile's CCT program, Solidario. The first section will place the program within the free-market, liberal democracy political economy that characterizes Chile. Compared to many other CCT programs around the world, Solidario is small and directed only at the extremely poor who did not benefit from the country's economic boom and subsequent drastic reduction in poverty in the 1990s. Moreover, Solidario takes a novel approach to poverty eradication by tailoring support to the specific needs of individual recipient families, thus keeping with the spirit of personal responsibility for one's economic well-being. The second section provides an analysis of the component parts of Solidario, focusing on the requirements for enrollment, enforcement of conditions, and how the program targets and registers potential enrollees. The final section will look at the degree to which the program is accomplishing its stated goals of eliminating extreme poverty and addressing the multi-dimensional elements of poverty. To achieve this, I will discuss the impact Solidario has had on educational, health, and poverty and inequality outcomes since its inception.

During the regime of General Augusto Pinochet, Chile underwent major economic change. Spearheaded by a group University of Chicago-trained Chilean economists known colloquially as the "Chicago Boys, the country introduced a series of free market reforms based on the Washington Consensus that produced unprecedented growth. Chile stood out as one of few states in Latin America to enjoy sustained and stable economic growth. However, that growth came at the cost of government services, ranging from pensions to public health, and increased inequality as the Pinochet regime drastically reduced taxes and government expenditures. Thus, following the return to civilian rule in 1990, the government, under the center-left Concertación coalition of parties, instituted policies designed to lower poverty and improve social services while maintaining high growth rates. By 2000, the number of Chileans living below the poverty line dropped from 40% of the population to 20%. However, high income inequality remained stubbornly unaffected by the economic success while extreme poverty, though



greatly reduced between 1990 and 1996, refused to disappear in the latter half of the decade, dropping from 5.7% to 5.6%.<sup>73</sup> To address these problems, the government created Chile Solidario in 2002.

## **B. SOLIDARIO**

Unlike its counterparts throughout Latin America like Bolsa Família and Mexico's Oportunidades, Solidario is a 'niche' CCT, meaning it is designed for a small part of the population, namely the indigent. Its relatively small size means that the program can take a more novel approach to addressing poverty in Chile. In 2000, the government conducted an investigation to determine why the percentage of the population who were extremely poor did not drop along with the portion that was simply poor. They discovered that along with the expected indicators of lower incomes and education levels, the indigent were surprisingly not accessing social development programs meant specifically for them. The government discovered that not only was there a lack of knowledge about these programs, but the programs themselves were not properly targeting the extremely poor.<sup>74</sup> After a series of conferences involving poverty experts and national and local government officials, it was decided that any anti-program targeted at the indigent should not only provide cash transfer like other CCTs, but also a concerted effort to marry up individual families with specific social services. Families would also be paired with a permanent social worker that would handle their cases for as long as they remained enrolled Solidario. The program did not face major opposition in the Chilean parliament, as it is a Concertación initiative in a center-left dominated government. Additionally, only a small portion of the population would be targeted, enrolling just 5% of the population.<sup>75</sup>

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<sup>73</sup> Yi Wu, Elif Ture, Daniel Rodriguez-Delgado, and Nicolas Arregui, *Chile: Selected Issues*, IMF Country Report No. 14/219, (Washington, DC: International Monetary Fund, 2014), 10, <http://www.imf.org/external/pubs/ft/scri/2014/cr14219.pdf>.

<sup>74</sup> Palma and Urzúa, The "Chile Solidario" Experience, 17.

<sup>75</sup> Fiszbein and Schady, Conditional Cash Transfers, 38.

### C. **CONDITIONAL REQUIREMENTS AND ENFORCEMENT**

As stated before, Solidario seeks to address the multidimensional factors that cause poverty. The architects of the program determined that these factors can be addressed by meeting 53 minimum conditions grouped in seven general categories: Personal Identification, Health, Education, Family Dynamics, Housing, and Employment and income (See Table A for description of each condition). Enrolled families are offered preferred access to social programs designed to address each category. As a result, Solidario consists of four parts. First, a family enrolled in the program is assigned a social worker who helps develop action plans based on the seven categories which the family is contractually obligated to complete. The social workers provide psychosocial support through 21 visits to the home where they check the family's progress in meeting its contract obligations and provide information on available social programs and support through community networks like drug rehabilitation and job training. This initial phase of Solidario is the first 24 months of enrollment and the most intense period of government interaction with the family. It provides the clearest expression of Solidario's goal, "the government takes responsibility for supplying services and resources and families commit to overcome problematic aspects of their lives, using the opportunities offered by the government."<sup>76</sup>

The second component of Solidario is the direct cash transfer. Where transfer amounts can double earned income and remain unchanged over time in Bolsa Família, Solidario transfers are significantly smaller and regressive over time. They are also time limited. The first payment is called the protection bonus, and lasts two years in a phase called the Bridge Program. An enrolled family will receive P\$15,800 (pesos) per month for the first six months in the program. Thereafter, the amount is steadily decreased to P\$7,600 over the rest of the first two years. To put this in perspective, according to the Ministry of Social Development, Chile's indigence line sits at P\$36,049 for urban areas

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<sup>76</sup> Pedro Carniero, Emanuela Galasso, and Rita Ginja, *The Impact of Providing Psycho-Social Support to Indigent Families and Increasing their Access to Social Services: Evaluating Chile Solidario*, (London: University College London, 2010), 6, [https://docs.google.com/file/d/0BxhB\\_zZedpE8MGNiYTk20GEtNzQwZi00ZmYxLTk2NWUtODIwN2YxZGRlYTMz/edit?hl=en&pli=1](https://docs.google.com/file/d/0BxhB_zZedpE8MGNiYTk20GEtNzQwZi00ZmYxLTk2NWUtODIwN2YxZGRlYTMz/edit?hl=en&pli=1).

and P\$27,778 for rural areas per month.<sup>77</sup> These comparatively small transfers, which average just 6% of income for recipients, are designed to help the family offset the costs of accessing the government provided services and programs, rather than increasing consumption of household goods like in Bolsa Família. Moreover, it is regressive because the initial costs of accessing and learning about government programs are higher than sustained use of said programs. These families are also expected to be increasing their income or at least be in a better position to do so the longer they are in the program. Solidario is time limited to encourage families to meet their conditional contracts, on which continued payments are based. Failure to do so results in light punishment compared to some other CCTs. Non-compliance results in a warning and then delay and/or slight reductions in payment for subsequent contract violations. A family is never suspended or withdrawn for contract violations.<sup>78</sup>

The third component of Solidario is properly directed cash subsidies that eligible Chileans have a right to. As stated before, the designers of Solidario discovered that a large number of the indigent were unaware that they eligible and had a right, by virtue of citizenship, to subsidy money and services. The guaranteed subsidies most affected by the program are the SUF (family allowance), PASIS (old age pension), and SAP (water subsidy). The SUF amounts to P\$ 9,200 and can double if there are disabled family members in the household. Additionally, the family is eligible for free dental services through SUF. The PASIS is a pension system that applies to economically vulnerable Chileans over 65 years old and amounts to P\$85,000. The SAP (water subsidy) provides a family with cash, according to their needs, to obtain clean. Since they are rights, the guaranteed subsidies are not subject to penalty for lack of contract compliance.

The final component of Solidario gives priority access to social services and programs to enrolled families, thus fulfilling the government's obligation to its indigent constituency. It is, however, the responsibility of enrolled families to avail themselves of

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<sup>77</sup> "CASEN Survey: Poverty," Ministerio de Desarrollo Social – Gobierno de Chile, accessed 7 November 2014, [http://observatorio.ministeriodesarrollosocial.gob.cl/casen\\_def\\_pobreza.php](http://observatorio.ministeriodesarrollosocial.gob.cl/casen_def_pobreza.php).

<sup>78</sup> Fiszbein and Schady, *Conditional Cash Transfers*, 88.

these programs in an effort to move out of extreme poverty. Though families are only allowed to remain enrolled in Solidario for five years, they can still remain in any community networks and assistance programs they became part of during their time in the CCT. Only social worker visits, preferred program access, and the conditional cash payment to offset transaction costs are ended after the five years.

The conditional requirements, program benefits, and light enforcement mechanisms reflects the spirit with which Solidario was designed and instituted as well as the market-focused, capitalist attitude which has historically driven Chilean economics. The cash transfers are deliberately small so that a family cannot survive on them alone as they might in CCT programs with more significant payouts and population reach. The employment of social workers to help guide families to state assets they may use to pull themselves out of extreme poverty and to ensure they are fulfilling their contract obligations demonstrates how serious the Chilean government is in its desire to eradicate extreme poverty.

#### **D. REGISTRATION AND TARGETING**

As a narrowly focused program, Solidario can be far more detailed in how it targets and registers potential enrollees than other CCTs. Initially, the program used proxy means testing based on a questionnaire that produced a numerical score, called CAS, which would help prioritize a family's service needs. The CAS score, however, could not clearly distinguish indigent from poor, but non-indigent, families. To correct this, the federal government chose to use the biennial national household survey, called CASEN, to not only determine indigence nationwide, but to do so on a region-by-region basis, as what may qualify for extreme poverty in one region might be different for another region.<sup>79</sup> This allowed the government to assign more accurate regional quotas, increasing the number of available slots. Thus, while the planned number of slots for the program was about 225,000 households spread out between 2002 and 2005, more

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<sup>79</sup> Fernando Hoces de la Guardia, Andrés Hojman, and Osvaldo Larrañaga, "Evaluating the Chile Solidario Program: results using the Chile Solidario panel and the administrative databases," *Estudios de Economía* 38, no. 1 (2011), 134–5, <http://www.scielo.cl/pdf/ede/v38n1/art06.pdf>.

articulated targeting increased that number to about 298,000 households, an increase of 25%.<sup>80</sup> An added benefit of using regional CAS scores combined with the CASEN survey rather than setting a national standard is that there is very little leak through. In their study on the administration of Solidario, de la Guardia et al., found that on average, just 2% of enrollees had CAS scores above the regional cutoff for program admission.<sup>81</sup> Those families who have the lowest CAS scores, which corresponds to those most in need, are prioritized in the quota system. Thus, adequate coverage does not appear to be a problem. As shown in the 2014 update to their 2010 study, Carniero et al. found that of the approximately 50,000 eligible families a year were invited to join Solidario, about 5% chose not to accept or could not be located.<sup>82</sup> Another 5% had their enrollment process interrupted by choice of the family, program, or both. The remaining 90% were processed into Solidario. As with many other CCTs, women are the preferred responsible recipients of the cash transfers in Chile.

## **E. IMPACT**

### **1. Education**

Solidario's impact on educational outcomes has been fairly good despite the high quality of the Chilean education system and the small target population, which leaves the program with relatively little room to provide significant improvements. However, indigent students benefit from increased access to programs like pre-school, adult education, and School Feeding, which provides free food to indigent school children.

Chile achieved near perfect coverage for primary school enrollment by 1980, and doubled the Latin American average for years of schooling at 10.14 for people 15 years and older in 2000. The Latin American regional average was 5.8 years of schooling for

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<sup>80</sup> Ibid., 135.

<sup>81</sup> Ibid., 136–7.

<sup>82</sup> Pedro Carniero, Emanuela Galasso, and Rita Ginja, *Tackling Social Exclusion: Evidence from Chile*, (London: University College London, 2014), Appendix Table A.3, [http://www.ucl.ac.uk/~uctppca/cs\\_may9\\_wp.pdf](http://www.ucl.ac.uk/~uctppca/cs_may9_wp.pdf).

people 25 years and old.<sup>83</sup> Moreover, enrollment of secondary school aged children was at 90% of in 2000 and has steadily increased since at least 1987 to the present.<sup>84</sup> However, Galasso found in her impact evaluation of the program that two-thirds of adults in targeted families had not completed primary school.<sup>85</sup> The same study also shows that the program is having a significant impact on school attendance at all levels. According to Galasso, preschool enrollment for Solidario children was 5% higher relative to non-Solidario children and 8% for those 6 to 15 years of age.<sup>86</sup> There is also clear evidence of families taking advantage of extra programs to improve their overall educational level. Unlike Bolsa Família offers adults no cash incentive to complete secondary school nor provides access adult literacy programs, Solidario does. Since they are better informed about these educational opportunities by social workers, and are encouraged to attend through social networks formed in part by Solidario, adults are taking advantage, becoming more literate. At the time of her report, Galasso found that as a result of Solidario, adult literacy increased 5–8% in urban areas and 7–10% in rural areas among enrolled families.<sup>87</sup>

Clearly, Solidario has a significant impact on improving educational outcomes. Not only are attendance rates among the indigent better, but also the more holistic approach which provides preferred access to adult literacy programs and free school meals for children shows that the careful, articulated targeting combined with psychosocial support from community networks and social workers are critical to enhancing the education, and thus, the human capital of Chile.

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<sup>83</sup> Mauricio Olavarria-Gambi, “Poverty and Social Programs in Chile,” *Journal of Poverty* 13, (2009), 99–101, <http://content.ebscohost.com.libproxy.nps.edu/ContentServer.asp?T=P&P=AN&K=39254188&S=R&D=sih&EbscoContent=dGJyMMv17ESep644zOX0OLCmr0yep7FSsq24S7SWxWXS&ContentCustomer=dGJyMPGurkm3rLV0uePfgex44Dt6fIA>.

<sup>84</sup> *Ibid.*, 108.

<sup>85</sup> Emanuela Galasso, “*With their effort and one opportunity*”: *Alleviating extreme poverty in Chile*, The World Bank – Development Research Group (2006), 12, <http://www.iadb.org/res/publications/pubfiles/pubS-001.pdf>.

<sup>86</sup> *Ibid.*, 18.

<sup>87</sup> *Ibid.*, 19.

## **2. Health**

Perhaps the area of least impact by Solidario lies in health outcomes. Like its education system, Chile boasts a robust healthcare system and has one of the highest life expectancies and lowest infant mortality rates in the Western Hemisphere. These facts leave Solidario very little room in which to make any significant impact even on the health outcomes of the indigent.

In the 2011 update to her 2006 study, Galasso observed very few differences in the health status and government program usage between Solidario and non-Solidario people. The only significant and consistent outcome was that Solidario families were more likely to be enrolled in the country's public health system, about 3% higher for both urban and rural members.<sup>88</sup> Galasso's analysis corroborated by the findings of Palma and Urzúa that compliance with the health conditions, 96.9%, was the highest among the seven categories of Solidario. The high compliance rate implies that not only are the health conditions the easiest to meet, but that the Chilean health system is easily accessible to the indigent regardless of if they are enrolled or not, and that they were making use health programs even before the institution of Solidario.

Long-term implications of these minor health outcomes are that Chile will continue to be one of the historically healthiest countries in the Western Hemisphere, from its wealthiest citizens down to the poorest regardless of Solidario.

## **3. Poverty and Inequality**

Solidario has been instrumental in decreasing the extreme poverty rate in Chile. As stated before, the program ensures access to cash subsidies that some Chileans are entitled to by law. These subsidies, unlike the conditional transfers remain unchanged as long as the family is eligible. Combined with the job training and placement initiatives the program champions, Solidario is important in actively increasing employment opportunities and reducing poverty among enrolled families.

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<sup>88</sup> Emanuela Galasso, "Alleviating Extreme Poverty in Chile: The Short Term Effects of Chile Solidario," *Estudios de Economía* 38, no. 1 (2011), 13, <http://www.scielo.cl/pdf/ede/v38n1/art05.pdf>.

From 2000 to 2011, extreme poverty fell from 5.6% of the population to 2.8.<sup>89</sup> Unlike Brazil, Chile has not drastically increased its minimum wage or bestowed generous public pensions on its population. Carneiro et al., found that Solidario had a particularly high impact on those families who had not previously been partaking in the SUF, an increase of 18 and 22% two and four years respectively after they had enrolled.<sup>90</sup> The same study showed that there was no significant increase in accessing either the old age and disability subsidies or the water subsidies. Research is unclear on why this is the case. However, it appears that the greater impact lies in the job training and placement programs. Galasso found that participation in these programs increased, 30% in urban areas and 14% in rural areas.<sup>91</sup> Subsequent employment among Solidario families increased by 6% in urban areas and 4% in rural areas. Both figures are significant because they demonstrate that participants are actively working within the program to pull themselves from indigence.

Despite the progress, there are still a number of people in extreme poverty 12 years into the program. Likewise the Gini coefficient remains among the highest in the hemisphere, though it has dropped from .58 to .54. There is no evidence that Solidario has had any appreciable effect on inequality in Chile, in contrast to Bolsa Família. With Bolsa, the drop in inequality was achieved primarily because of the size and duration of the transfers. Because cash received from the Solidario is comparatively small, even the guaranteed subsidies, and time limited, there is no way to create the kind of sustained household capital needed to develop the kind of consumerism that has helped fuel the Brazil's economic explosion and create its middle class. Thus, long-term Solidario assisted inequality reduction does not look to be promising.

## **F. CONCLUSION**

Solidario has played a limited role in Chile's overall political economy, but appears to be achieving its goal of eradicating extreme poverty from the country. As a

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<sup>89</sup> Wu et.al, Chile: Selected Issues, 10–1.

<sup>90</sup> Carneiro et.al., Tackling Social Exclusion, 21.

<sup>91</sup> Galasso, "Alleviating Extreme Poverty in Chile," 114.



niche program focused on a very small percentage of the population, it has not been of major political importance, though it is in line with the policies of the center-left governments that have dominated the country since its transition to democracy in 1990. In addressing short-term poverty by providing enrollees the opportunity to take advantage of a myriad of government programs, Solidario attacks the multi-dimensional factors of poverty while keeping with the national spirit of self-reliance and individual responsibility through conditional contracts arranged by social workers. Such programs have contributed greatly to improving educational prospects for both children and adults, thus improving their marketability and prospects when they enter the labor force. Solidario, however, has not significantly influenced health outcomes, though compliance with the program's health conditionalities is the highest among the seven poverty factors. Again, this is not necessarily a bad thing as it indicates that the Chilean health system was effective in reaching the indigent before the institution of Solidario. Finally, job training and placement programs combined with the proper distribution of guaranteed subsidies, particularly the SUF, appear to be a primary factor in the reduction of Chile's extreme poverty rate over the past 12 years. The programs, with preferred access provided by Solidario, have helped half the rate and increase employment for the indigent adults. Despite these advancements, income inequality in Chile remains high.

## **IV. JAMAICA AND THE PROGRAMME FOR ADVANCEMENT THROUGH HEALTH (PATH)**

### **A. POLITICS AND ECONOMY IN JAMAICA**

This chapter will focus on Jamaica's Program of Advancement Through Health and Education. The first section will frame the program within the unique political economic context of Jamaica. Unlike Brazil and Chile, Jamaica has had nearly stagnant economic growth since 1990 and has endured negative growth at least five times in the past 23 years. Paradoxically, the percentage of the population living in poverty has fallen from a 1991 high of 45% to the current level of 16%. The second section will address the component parts of PATH, paying particular attention to enrollment requirements, condition enforcement, and how the program targets and registers potential enrollees. The final section will examine how well the program is accomplishing its stated goal of improving educational and health outcomes in the short-term in hopes of improving the long-term economic prospects of Jamaica. To achieve this, I will discuss the impact PATH has had on educational, health, and poverty and inequality since its inception.

Since it achieved independence from Great Britain in 1962, Jamaica has seen its economic prospects decline. Like Brazil, it is endowed with considerable natural resources in the form of vast tracts of rich arable land and minerals, tourist attractions, a young population, and an exploitable international brand. However, Jamaica has been unable to turn these assets into sustained economic success. In an effort to mimic the social success of many of its Caribbean neighbors, successive governments undertook a number of programs to improve the standard of living, requiring a multitude of loans from the IMF and deficit spending. Another salient aspect of the Jamaican political economy reminiscent of Brazil is the presence of the shadow economy. Between 1999 and 2007, it accounted for an average of 34.5% of GDP, with a high of 36.4% and a low

of 32.9% during that period.<sup>92</sup> This represents a substantial amount of potential tax revenue. The government also began subsidizing the island's farm products, which proved to be more expensive internationally while constituting a small share of the market. These factors, exacerbated by global economic shocks in the 70s, 80s, 90s, and 2000s, persistently high unemployment, and rampant corruption, have resulted in nearly static GDP growth since the early 1970s and large-scale migration of much of the population to North America and Europe. Indeed, remittances from expatriate Jamaicans accounted for an average of 14.6% of GDP since 2000.<sup>93</sup> Additionally, repeated loans from the IMF and the inability to service them and meet economic and social development goals has made Jamaica one of the most indebted countries in the world, with public debt standing at 150% of GDP. To help solve its deficit spending conundrum while continuing to pursue development goals, the government decided to consolidate its plethora of ineffective and inefficient social programs into a single CCT in 2002.

## **B. PATH**

In developing PATH, the government found that it was operating 54 social safety net programs spread across 12 ministries.<sup>94</sup> As was the case in Chile, many of the intended beneficiaries were not properly targeted and administration proved to be woefully inefficient. For many, services were duplicated or provided on an inconsistent basis. Thus, the government liquidated most of these programs in the 1999 Social Safety Net Reform, but resolved to combine three whose primary constituency were the socially vulnerable, Food Stamp, Old Age and Incapacity Allowance, and Outdoor Poor Relief,

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<sup>92</sup> Friedrich Schneider and Colin C. Williams, *The Shadow Economy*, (London: The Institute of Economic Affairs and Profile Books LTD, 2013), 151, <http://www.iea.org.uk/sites/default/files/publications/files/IEA%20Shadow%20Economy%20web%20rev%207.6.13.pdf>.

<sup>93</sup> "Personal remittances, received (% of GDP)," The World Bank, accessed on 25 November 2014, <http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?page=2>. ;

*The Balance of Payments: Remittance Report July 2014*, Bank of Jamaica, (Kingston: Economic Information and Publications Department, 2014), 10, [http://www.boj.org.jm/uploads/pdf/rem\\_updates/rem\\_updates\\_jul2014.pdf](http://www.boj.org.jm/uploads/pdf/rem_updates/rem_updates_jul2014.pdf).

<sup>94</sup> Dan Levy and Jim Ohls, "Evaluation of Jamaica's PATH Conditional Cash Transfer Programme," 4.

into PATH. Since the programs were already in existence, and their consolidation was a cost saving measure of the center-left government, the institution of PATH did not face significant political resistance. To ensure the program would be applicable island-wide, it was first deployed as a pilot in St. Catherine Parish in November 2001. The parish provided a solid mix of urban, suburban, and rural populations where different targeting and implementation methods and process improvements could be tested.<sup>95</sup> The program was instituted island-wide by the end of 2002.

### **C. CONDITIONAL REQUIREMENTS AND ENFORCEMENT**

As in Brazil, PATH focuses on two areas, health and education enhancement, as the primary avenues to human capital improvement and poverty and income inequality eradication. Consequently, the architects of the program conditioned the cash transfer on fulfilling education and health requirements. The education condition is similar to Bolsa Família in that it requires attendance of 85% of school days per month regardless of grade for all children six years and older. The school must also be government funded, as attendance at a private school assumes the student does not need PATH benefits even if they are poor. The health conditions exceed that of either Bolsa Família or Solidario in its reach. Where those programs place emphasis on early childhood health, pre and antenatal mothers, and disabled persons to the exclusion of adults of prime working age, PATH includes them. All adults enrolled in the program, regardless of age and the presence or lack of disability, are required to receive at least one health visit every six months. Pregnant women are must receive checkups once every two months during pregnancy while lactating mothers must attend six weeks and two months after childbirth. Children six months and younger must have a visit at least once every two months. Finally, children seven to 72 months must attend a health visit once every six months.<sup>96</sup> A major factor in PATH is that a beneficiary cannot receive both the health and education benefits

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<sup>95</sup> Faith Innerarity and Collett Roberts Ridsen, "Social Safety Net Reform in Jamaica Experience of the Programme of Advancement Through Health and Education (PATH), *Social and Economic Studies* 59, no.1 & 2 (2010), 188–9, <http://www.jstor.org.libproxy.nps.edu/stable/pdfplus/27866616.pdf?acceptTC=true&jpdConfirm=true>.

<sup>96</sup> "PATH: Beneficiary Responsibilities," Ministry of Labour and Social Security, accessed 20 November 2014, <http://www.mlss.gov.jm/pub/index.php?artid=55>.

simultaneously. This is clearly to encourage school attendance for children old enough to go. Though the monetary incentive to attend health checkups is gone for the child, poor guardians will still receive theirs, and, it is hoped, bring their charges along.

To put PATH's payment regime in perspective, the minimum wage in Jamaica is J\$24,260 (Jamaican dollars) a month. The poverty line island-wide is J\$9,170 a month as of 2010, the last time official data was collected.<sup>97</sup> PATH does not differentiate payment based on poverty level. However, the payments get larger as recipients age through different categories. Additionally, payments are made every two months rather than every month, as is the case in other CCTs. According to Jamaica's Ministry of Labour and Social Security, eligible children six years and younger can receive the Health Benefit, J\$750 per month.<sup>98</sup> All other categories of eligible recipients get J\$900. The second category of payment, Education Grants, provides money based on the grade level and gender of the recipient child. Male children in grades one through nine receive J\$100 more than female children and J\$115 more in grades 10 to 13. Since males are less likely to be enrolled in school, the additional money provides a boy's guardian with a greater incentive to comply with the education conditions.<sup>99</sup> Female children receive J\$750 in grades one to six, J\$975 in grades seven to nine, and J\$1,150 in grades 10 to 13.

A unique component of PATH is its post-secondary education grants. Implemented in Fall 2009, the grant is intended to aid recipient children who are accepted into one of the island's tertiary education institutions. It is a one-time payment ranging from J\$15,000 to J\$50,000 depending on the type of credential a student is pursuing, which ranges from vocational trade certifications to bachelor's degrees. There are no health and education conditions beyond the initial qualifying requirements. However, recipients are obligated to work in the island's public sector for at least five years after

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<sup>97</sup> Aldrie Henry-Lee, "Put Paid to Poverty," *The Jamaica Gleaner*, 9 December 2012, accessed 20 November 2014, [jamaica-gleaner.com/gleaner/20121209/news/news93.html](http://jamaica-gleaner.com/gleaner/20121209/news/news93.html).

<sup>98</sup> "PATH: Beneficiary Payments," Ministry of Labour and Social Security, accessed 20 November 2014, <http://www.mlss.gov.jm/pub/index.php?artid=57>.

<sup>99</sup> Milena Lavigne and Luis Hernán Vargas, *Social Protection Systems in Latin America and the Caribbean: Jamaica*, (Santiago, CH: United Nations, 2013), 29–30, [http://socinfo.eclac.org/publicaciones/xml/9/49469/SPS\\_Jamaica\\_ing.pdf](http://socinfo.eclac.org/publicaciones/xml/9/49469/SPS_Jamaica_ing.pdf).

completing their studies and do some form of community service. In 2012, the government created the PATH Tertiary Scholarship, piloting it to 13 students then expanding it to 1,000 high achieving PATH students in 2013.<sup>100</sup> The scholarship is worth J\$100,000, but is limited to college and university students. The grant and the scholarship indicate that the Jamaican government recognizes that retaining the island's high achieving youth, particularly those coming from poverty, is critical to improving its long-term human capital. Moreover, such students serve as role models and information conduits to other impoverished children through their community service requirement.

Conditional compliance is exercised through the suspension of funds for violations. In lieu of the full benefit amount, violators will receive only J\$400 until they are in compliance. Levy and Ohls discovered, however, that the process of suspension and reinstatement had considerable flaws.<sup>101</sup> Using recipient focus groups and interviews with officials from schools and the Ministry of Labour and Social Security, the authors found that approximately 10% of children had been suspended at one time or another mostly for not attending school, due mostly to lack of transportation. The majority of parents disputed the suspension, arguing that the fault lay in Ministry recordkeeping and oversight of its parish offices.<sup>102</sup> Teachers contended that the fault was with both the Ministry and the parents who were often slow in informing the schools and Ministry offices of why their child was not at school.

#### **D. REGISTRATION AND TARGETING**

A primary mission of PATH is to accurately identify those Jamaicans who are impoverished. Since it is a larger program as a portion of population affected, it cannot use the highly articulated approach of Solidario and its 53 conditions. However, PATH does use a scaled down version known as proxy means testing, where other factors such

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<sup>100</sup> Athaliah Reynolds-Baker, "Bursaries for 1,000 Tertiary Students in PATH Households," Jamaica Information Service, 29 August 2013, <http://jis.gov.jm/bursaries-for-1000-tertiary-students-in-path-households/>.

<sup>101</sup> Levy and Ohls, "Evaluation of Jamaica's PATH Conditional Cash Transfer Programme," 7–8.

<sup>102</sup> *Ibid.*, 7.

as housing situation and access to clean water and electricity are included along with monetary income in determining if a household is poor. Using this testing method, prospective PATH recipients are prioritized based on those most in need. In the first years of the program, this testing method proved crucial. As Levy and Ohls point out, just 58% of PATH recipients were monetarily poor by Jamaican standards at the time of their study in 2009.<sup>103</sup> This implies that poverty for much of the rest of the 42% of recipients was expressed in some other form that was identified in the proxy means tests. The authors further explored this implication when they examined the definition of poverty as a measure of consumption in country. They determined that if poverty was defined as being below the 25<sup>th</sup> percentile of consumption in the country, then the poor constituted 63% of PATH recipients. Though recipients can remain in PATH in perpetuity, social works conduct periodic assessments to determine if a family still meets the proxy means test limits. Those that are deemed no longer in need are then graduated out of the program. However, a graduated family can apply for reentry if their poverty situation worsens.

PATH has only recently been fully resourced to service the greater percentage of Jamaicans who fall below the poverty line. Levy and Ohls reported that at the time they were collecting data for their study just 106,000 of the 520,000 poor were receiving PATH benefits.<sup>104</sup> At that time, the poverty rate was 20%. Additionally, the authors note that even if PATH had been funded to its full mandate of 236,000 people, only 45% of the poor would have been covered. Since then, a combination of cash infusions from the World Bank and increased spending by the government pushed the number of those covered by PATH to 360,000 in June 2008, helping to cushion the blow of the global financial crisis on Jamaica's poor.<sup>105</sup> At present, there are poor 368,704 beneficiaries in

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<sup>103</sup> Ibid., 9–10.

<sup>104</sup> Ibid., 10.

<sup>105</sup> Julia Johannsen, Luis Tejerina, and Amanda Glassman, *Conditional Cash Transfers in Latin America: Problems and Opportunities*, IADB Working Paper No. 9316, (Washington, DC: Inter-American Development Bank, 2009), 19, <http://publications.iadb.org/handle/11319/2530>.

the program, which though lower than the 2013 number of 388,187, far exceeds the original mandate.<sup>106</sup>

Taken in this context, the value of proxy means tests in determining who is poor beyond sheer monetary factors is made clear. For a heavily indebted country like Jamaica, which has to economize its limited discretionary spending, it is critically important that social programs like PATH are targeted in such a way that they have the most impact on the people who most require them. Thus, the Jamaican government, like their Brazilian counterparts, has chosen to use the data and lessons learned from PATH registration to identify enrollees for future programs and improve the targeting of current social programs like its School Feeding Program.

## **E. IMPACT**

### **1. Education**

PATH's impact on educational outcomes is mixed. As stated before, the overall attendance rate of Jamaica's schools hovered at around 85% when the program was implemented, which left little room for large improvements. Moreover, there has been no marked improvement in male attendance rates since PATH has been implemented, which makes it hard to justify the stratified Education Benefit.

In their evaluation of PATH, Levy and Ohls found that attendance rates for recipients increased by 3% over the time of the time of the study.<sup>107</sup> While this is a small number, it is significant given that Jamaica already had high attendance rates. However, Lavigne and Hernán Vargas found that while attendance rates did improve, enrollment data showed mixed results. There was good improvement overall in the education system between 1999 and 2010, with a jump from 79.3% to 84.2% of children enrolled in

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<sup>106</sup> Francesca Lamanna, *Jamaica – Social Protection Project: P105024 – Implementation Status Results Report: Sequence 12*, (Washington, DC: The World Bank, 2014), 2, [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/LCR/2014/07/12/090224b082584755/1\\_0/Rendered/PDF/Jamaica000Soci0Report000Sequence012.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/LCR/2014/07/12/090224b082584755/1_0/Rendered/PDF/Jamaica000Soci0Report000Sequence012.pdf).

<sup>107</sup> Levy and Ohls, "Evaluation of Jamaica's PATH Conditional Cash Transfer Programme," 15–6.



school.<sup>108</sup> Likewise, enrollment in secondary schools remained steady, increasing only by one to 83.6% over the decade, though female numbers increased by 3.8 to 86.8% while male numbers dropped by 2 to 80.4%. For primary school enrollment, there was actually a large decrease by eight points to 82% between 1999 and 2010. There is no data to account for the drop in primary enrollment, and this trend is of particular concern to the Jamaican government. Given that male PATH recipients get a larger disbursement to encourage them to be in school, it is surprising that female students outperform them. Not only are they more likely to be enrolled and attend school, female children also repeat grades at a lower rate in both primary and secondary school than their male counterparts, though grade repetition has improved for both sexes.<sup>109</sup> Thus, it appears that there is no justification for a stratified benefit structure.

There have yet to be any studies conducted on the progress of the tertiary education grants and scholarships since they are new additions to PATH. However, the fact that the Jamaican government has taken steps to provide fair opportunities to talented poor children and recognized the need to maintain their talents on-island is an encouraging sign for the long-term development of the human capital.

## **2. Health**

Jamaica possesses a relatively good healthcare system, with wide coverage of its population. As with the education outcomes, however, health outcomes are mixed. While children were most impacted, no other age group showed any significant change in health status.

For the children eligible to receive the Health Benefit, those six years old and younger, there was a 38% increase in the number of clinical visits.<sup>110</sup> All other age groups and lactating and pregnant mothers reported no significant change in the number

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<sup>108</sup> Lavigne and Hernán Vargas, *Social Protection Systems in Latin America and the Caribbean*, 29–30.

<sup>109</sup> *Ibid.*, 30.

<sup>110</sup> Victoria Monchuk, *Project Performance Assessment Report: Jamaica Social Safety Net Project*, World Bank Report no. 54979, (Washington, DC: The World Bank, 2010), 15, [http://ieg.worldbank.org/Data/reports/jamaica\\_ssn\\_ppar.pdf](http://ieg.worldbank.org/Data/reports/jamaica_ssn_ppar.pdf).

of clinical visits they made. This may be a function of how well the Jamaican health system covers the population as a whole and their usage of the health system particularly the poor. As Lavigne and Hernán Vargas found, 65% of the island's public health customers come from the poorest population sectors.<sup>111</sup> Jamaica's health system is fully subsidized by the government and has no user fees, which makes access easier. Moreover, PATH does not penalize the elderly for not attending conditional visits, which is significant given that they make up 19% of all program beneficiaries. Finally, PATH appears to not have any impact on long-term health indicators like such as vaccinations. Monchuk found no significant difference between PATH and non-PATH elderly preventative care practices or child immunization rates, which were high before the program's implementation.<sup>112</sup> Again, this appears to be a function of how well the island's healthcare system reaches the population.

### **3. Poverty and Inequality**

As stated before, Jamaica is a rare example of a heavily indebted country with a stagnant economy that achieved an impressive reduction in poverty rate. It suffers from a GDP per capita rate that has not changed appreciably since 1990, while the inflation rate risen. Unemployment also remains stubbornly high. As a result, it is difficult to determine how much PATH has impacted poverty and inequality.

Like Solidario, PATH's effect on poverty has been most evident among the extremely poor. Fiszbein and Schady determined in their exhaustive survey of CCTs that the squared poverty gap, the difference between the poor and destitute, was reduced by 13% from 2002 to 2005 due to PATH.<sup>113</sup> No data has been found that show how much the program has reduced overall poverty. Indeed the poverty rate has remained nearly constant with the exception of 2007, where it dropped steeply from 14% to 10% before increasing to 16.5% in 2009.<sup>114</sup> An indicator of how PATH is impacting the poverty and

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<sup>111</sup> Lavigne and Hernán Vargas, *Social Protection Systems in Latin America and the Caribbean*, 22.

<sup>112</sup> Monchuk, *Project Performance Report: Jamaica*, 15.

<sup>113</sup> Fiszbein and Schady, *Conditional Cash Transfers*, 110.

<sup>114</sup> "Poverty Headcount Ration," The World Bank.

inequality is increased consumption. Since the implementation of the program, consumption amongst quintiles one and two, 39% and 33% respectively, has increased relative to the two wealthiest quintiles, 31% and 25% respectively.<sup>115</sup> Additionally, PATH has a mechanism that protects recipients from the island's volatile inflation by increasing benefit payments if inflation exceeds 8% in a given year.<sup>116</sup>

Finally, long-term poverty and inequality outcomes are difficult to project. Because of Jamaica's inability to grow economically and its indebtedness, the poverty and unemployment rate will continue to persist. However, the government, taking a cue from Chile and Brazil, is the population data and implantation lessons learned from PATH to mainstream a pilot jobs training program geared specifically to PATH recipients called Steps-to-Work. As yet, no analytical data is available to assess how well the program is doing. As is the case with the tertiary education grants and scholarships, Steps-to-Work is a clear indication that Jamaica recognizes that improving the work force is critical to resolving its economic morass. If the enrollees in Steps-to-Work can acquire gainful, formal employment, the tax base can be expanded, reducing the shadow economy and capturing much need government funding.

## **F. CONCLUSION**

PATH has become an important part of Jamaica's efforts to improve its human capital. Indeed it has become so important that it is protected from any social welfare restructuring requirements that normally come attached to IMF loans. As a national program, it touches large part of the population and over 80% of the poor population. The program has had mild impacts on health and educational improvement, particularly among Jamaica's impoverished children, who make up 80% of the program. While its incentive structure has managed to coax an additional 3% out of the attendance rate in a country whose poor children already go to school at a relatively high rate and improve overall enrollment in schools, it has had no impact on primary school enrollment.

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<sup>115</sup> Innerarity and Ridsen, "Social Safety Net Reform in Jamaica," 203.

<sup>116</sup> *Ibid.*, 203.

Additionally, the stratified education benefit that pays male students more than females is not sufficient to improve boys' performance, enrollment, or attendance, as they continue to be outclassed by their female counterparts. With regard to health outcomes, PATH has been able to drastically increase the health visits for young children. Though the same cannot be said for the other age groups eligible for the health benefit or for preventative health practices like vaccinations, the data indicates that this is not so much a flaw in PATH as it is a display of how effective the Jamaican public health system is. Moreover, developing good health practice early in life may improve the chance that they will be maintained as a child ages. The program's impact on poverty and inequality, while not readily apparent, is shown through increased consumption among the poorest sectors relative to the wealthier portions of the population. Additionally, the sizable reduction of indigence shows that, at least for the very poorest, PATH is having a large positive affect on their economic situation.

Finally, though short-term outcomes have been mixed and long-term predictions are difficult to make, Jamaica has shown that it is committed to PATH as the prime mover in improving its human capital overtime. Recent additions to the program like the tertiary education grant and scholarships and spin-off schemes like Steps-to-Work are proof of this.

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## V. FINDINGS SUMMARY AND POLICY RECOMMENDATIONS

It is a general principle of economics that when the absolute productive limits of capital and labor are reached, the only way to increase output is by improving a production system's total factor inputs. These inputs come in the form of capital enhancements through technological innovation and labor enhancements through education and health improvements. The principle of the "double movement," elegantly proposed by Polanyi, says that market liberalism, left unchecked, will cause society to be "subjugated to the economy and run as an adjunct to the market. This is contrary to traditional forms of human organization, where markets and the economy are an integrated part of society and economic motives are submerged in social principles such as reciprocity and redistribution."<sup>117</sup> Therefore, protective countermeasures designed to reign in unfettered market liberalism must be put in place to maintain the supremacy of human society over economics. It is these roles, improving labor and societal protection, which CCTs seek to fill.

This thesis has sought to examine CCT program operated in three countries – Brazil, Chile, and Jamaica – that have vastly different social, political, and economic characteristics. In selecting the countries, I hoped to understand how these characteristics informed the manner in which the respective CCTs targeted and selected potential recipients; their conditions and how they were enforced; and their impacts on human capital, poverty, and inequality. Despite the relative newness of these programs as anti-poverty schemes and the lack of data with respect to long-term outcomes, some general observations and policy recommendations can be made.

### A. FINDINGS

First, each CCT has been designed within the socio-political and economic context of its parent country. Ever since its transition from authoritarianism in the late 1980s, Brazil has been led by left-leaning politicians. The government has taken a very

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<sup>117</sup> Barma and Vogel, "Chapter 3: Economic Sociology" in *The Political Economy Reader*, 117.

active role in the economy, using revenues from its stock shares and high taxes to institute and finance social policies popular with its citizenry. Thus, Bolsa Família, due to its vast reach and role in reducing the number of impoverished Brazilians, is widely supported by even opponents of the left-leaning PT government. Moreover, Bolsa Família's popular appeal has made it easier for the government to institute more social programs, ranging from eased credit standards to heavily subsidized mortgages for government-built housing.

In Chile, though it too has been dominated by left-leaning governments since its transition to democracy in 1990, a tradition of free-market economics has shaped its Solidario program. Instead of instituting a vast CCT in the form of Bolsa Família, Chile chose a more targeted, niche program designed to service only the extremely poor. Instead, of giving large cash transfers upon which recipients can subsist, Solidario seeks to make more efficient use of existing social protection mechanisms and provide opportunities for recipients to work their way out of indigence. Finally, where Bolsa Família and PATH allow enrollees to remain part of the system in perpetuity, Solidario limits enrollment to five years, thus preventing reliance and providing an added incentive to actively fulfill program conditions.

Jamaica, plagued by economic stagnation and indebted for most of its independence, has also couched its CCT scheme in the realities of its socio-political and economic circumstances. Instead of increasing the number of social programs like Brazil or keeping the status quo like Chile, Jamaica chose, because of its fiscal restraints, to combine several programs into one. This has helped the government more accurately identify those in need. Though PATH does not have the sweeping impacts on its targeted population that the other two CCTs examined here do, the ability to accurately target its poor has allowed it to institute new programs to better attack two great impediments to its economic success, namely, high unemployment and the resulting lost tax revenues and the migration of many of talented citizens overseas. Steps-to-Work and the tertiary education grants and scholarships are new components of PATH that will warrant future study.

Second, each CCT has conditions and enforcement mechanisms appropriate to the needs of their respective populations. Even in Chile and Jamaica, where the conditional requirements are muted somewhat by each country's widely used health care system and high school attendance rate, there has been positive, if mild, impacts on health and education outcomes. The enforcement mechanisms are also appropriate and grounded in the societal traditions of each country. Chile may not punish households for not fulfilling their contracts, but the time limitation of the program has ensured fairly high compliance rates. In Jamaica, compliance with the education condition has proven to be a recurring problem. Flaws caused by faulty recordkeeping and information breakdown between the parish PATH offices, schools, and guardians. However, benefits are not totally suspended and there is no permanent suspension. In this manner, the government ensures that suspended persons are not totally alienated from the program and can take measures to regain their benefits. Brazil, on the other hand, does suspend repeat offenders, but offers those who return to compliance all of their missed benefits, thus avoiding a total break between the state and the citizen.

Targeting and registration methods are well constructed in all countries, if not perfectly executed in Brazil and Jamaica. Solidario proved to be the best targeted and registered program. This is not surprising given its relatively small constituency and its method of determining who should be enrolled. Bolsa Família and PATH, too, did a good job of targeting prospective recipients. This is particularly true of the Jamaicans, who did not have the infrastructure to execute Solidario-style targeting, but used proxy means testing as an accurate method for the sake of insuring efficiency in identifying those most in need regardless of monetary income. However, the program covers just 80% of those who live below the poverty line. With regards to Bolsa Família, targeting was done well in the poorest regions of the country, the rural north and Amazon, but less so in the urban south. However, the targeting and registration regime, like that of Jamaica, has proven quite valuable for targeting more wide-ranging social programs.

Third, the impacts on health, education, poverty and inequality outcomes were generally mixed for each CCT. With respect to education, both Bolsa Família and PATH played positive, though small, roles in increasing school attendance among recipient



children. Neither program appeared to affect matriculation rates. Moreover, the stratified education benefit of PATH did not improve performance of male children versus female children. Solidario's impact was reflected more in the increased usage of available education programs, especially adult literacy.

Health outcomes were likewise mixed, but positive. Since Chile and Jamaica have health systems with fairly good coverage and usage rates, there was no significant change in behavior, especially among elderly PATH users. However, clinic visits rates for young children were high in all cases. Brazil shows some very positive long-term indications, with children no longer required to attend health visits continuing to do so with no monetary incentive.

The impact of the three CCT programs on poverty and inequality varied greatly. All showed great reductions in the rates of indigence, especially Chile's. They all also showed the ability to reduce inequality, though it is still quite high in Brazil and Chile. Brazil's overall poverty rate fell, but not the number of poor people, which suggests that people are entering the program at a constant rate as they are exiting. PATH has shown the least ability to reduce the poverty rate, even as the number of enrollees has more than doubled since 2002, more than either other CCT. Jamaica's poverty rate has managed to remain stagnant.

## **B. POLICY RECOMMENDATIONS**

At the time of this thesis, each nation has undertaken some changes to the way it operates its CCTs to improve the impacts on human capital and poverty reduction. As stated before, Brazil and Jamaica are using their registry databases and targeting tools to identify participants of additional programs that have potential long-term impacts. However, I believe some changes can be made to the existing programs. An expansion of the education conditions for both programs may be helpful. Both have shown an inability to improve student matriculation while improving attendance. Clearly, just being in school cannot alone improve the quality of the education. I recommend an additional incentive structure be instituted that rewards children for improved academic performance. The amount of the bonus should be based on the performance mark: the

higher the mark, the higher the payment. I believe PATH's tertiary education grants and scholarships are a promising, and logical, extension of the CCT, also allowing the program to track the academic progress of recipients beyond their teenage years. I recommend Brazil and Chile adopt a similar model as an extra incentive for underperforming recipient children to do well. Like the Jamaicans, the other countries can require those who accept the grants and scholarships to serve in some public capacity, whether it is community service or government employment. I recognize that this may be antithetical to the Chilean context. However, it can be styled to give high performance indigent students preferred access to scholarship and grant programs while remaining a time-limited scheme.

As stated before, Brazil and Jamaica do a good job of targeting, but have significant gaps in coverage. To remedy this, I recommend an increase in program quotas. For Brazil, this will require an increase in the amount of the transfer. As the research showed, at least 3.4 million children under 17 years of age are working rather than attending school. Additionally, I recommend payments be made by family rather than household. This would have a greater impact in the southern cities where the cost of living forces many young mothers and fathers to live with their parents. In Jamaica, despite the additional indicators of poverty provided by proxy means testing, 20% of those living below the poverty line are not part of PATH. While this may present a problem given Jamaica's budget constraints, the government has shown the willingness and ability to expand the program before.

In the coming years, more social programs derived from these CCTs will begin to have an impact on each country's human capital and poverty rates. In Brazil, the expansion of Bolsa Família, known as Plan Brazil Without Misery, will be geared specifically to extremely poor children who have not been captured by current social programs. In Jamaica, the first participants of the Steps-to-Work job training program and the tertiary education grants and scholarships will be graduating. By tracking their progress as they enter into the workforce, the long-term implications of these programs will become available. Finally, since Solidario was instituted in 2002, at least four cohorts of participants should have exited the program. There are research opportunities

in tracking their continued progress in 53 conditions of the program now that they are no longer receiving the information and attention from a dedicated social worker.

## **APPENDIX**

### **MINIMUM REQUIREMENTS FOR CHILE SOLIDARIO BY GROUPING**

#### ***Identification***

1. All family members are registered in the Civil Registry.
2. All family members have an identification card.
3. The family has its CAS (social assistance data) updated at its municipality of residence.
4. All men over 18 are documented as having their eligibility for military service resolved.
5. All adult family members have updated their identity information as appropriate. i.e., marriage certificates.
6. All family members with disabilities are certified and registered with the National Commission of Preventative Medicine for Disability.

#### ***Health***

1. Family is registered in the Primary Health Care service.
2. Pregnant women have regular health checks.
3. Children 6 years old and younger have updated vaccinations.
4. Children 6 years old and younger have regular health checks.
5. Women 35 years and older have updated PAP test.
6. Women using birth control do so with medical supervision.
7. The elderly have adequate medical supervision.
8. Family members with chronic illnesses are under medical supervision.
9. Family members with disabilities that can be rehabilitated are participating in a rehabilitation program.
10. Family members are informed on health care.

#### ***Education***

1. Preschool aged children attend a nursery school program.
2. Children with single, working parents and no other adult available to care for them receive adequate child care.
3. Children 15 years and younger attend school.
4. Children attending nursery, primary, or secondary school benefit from assistance programs as appropriate.
5. Children 12 years and older are literate.
6. Children with disabilities who are able to study do so in a regular or special educational institution.
7. There is an adult responsible for a child's education and has regular interaction with the school.

8. Adults have positive and responsible attitude towards education, and emphasizes the importance of education to children.
9. Adults are literate or actively participating in literacy programs.

### ***Family Dynamics***

1. Families should discuss daily topics like habits, schedules, and recreation.
2. The family has adequate mechanisms to deal with conflicts.
3. The family has clear rules.
4. Household tasks are divided fairly regardless of sex.
5. The family is informed about, and networked into, community services and development programs.
6. In the event of domestic violence, involved parties are enrolled in support programs.
7. Families with children placed in foster care or state institution visit said children regularly.
8. Families with a child in the penal system provide support for the child and participate in the rehabilitation process.

### ***Housing***

1. The family has a clear housing situation regarding land and home ownership or leasing agreement.
2. Families seeking housing assistance should be actively applying.
3. Homes should have access to clean water.
4. Homes should have proper plumbing.
5. Homes should have adequate power systems.
6. Homes should be leak-proof and flood resistance.
7. Homes should have at least two habitable rooms.
8. Each family member should have a bed with basic sheeting.
9. Each home should be equipped with basic cooking and eating equipment.
10. Homes should have adequate garbage disposal.
11. Homes should be free of environmental pollution.
12. Families should have access to subsidized water when appropriate.

### ***Labor Market***

1. At least one adult family member has steady employment and payment.
2. No child 15 years or younger drops out of school to work.
3. Unemployed people register with the Municipal Employment Information Office.

### ***Income***

1. Family members eligible for the Family Support Subsidy are receiving it.
2. Family members eligible for Social Security Assistance are receiving it.

3. Families eligible for the Family Allowance are receiving it.
4. Family income is above the poverty line.
5. Families have budgets organized based on available resources and prioritized needs.

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