

# CHAPTER 1

## INTRODUCTION

### A. Problem Background

Global poverty is now the state for majority of people in the world. Behind all the problems are typically when the poor became influence by the rich and the powerfull. Global poverty has been increased in years and it's connected by the globalization which is related to global decisions and policies.<sup>1</sup>

Most of people (especially in the developing countries) lives with just a few dollars a day. It became worst when they didn't have a job to work and didn't get the salary for their lives. The poor people will have less access for health, education, and many services in the society. Problems of hunger, malnutrition, disease afflict, and epidemic also related to global poverty.<sup>2</sup>

Mozambique, in Southern Africa, is one of the poorest countries in the world, although one of the richest in natural resources.<sup>3</sup> It inherited, a history of internal wars, slavery, colonialism, and famine. Aid has in certain case not brought the desired results, or going a step further, failed together in making useful contribution to poverty alleviation attempts, the idea should to find ways and means to make it work.

Most of people in the world commented that the biggest problem in the developing countries is overpopulation.<sup>4</sup> With the undesirably high growth rates,

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<sup>1</sup> Retrieved from <http://www.globalpovertyproject.com/> on October 24, 2012; 10.00

<sup>2</sup> *Ibid.*

<sup>3</sup> Retrieved from <http://www.globalissues.org/article/26/> on October 24, 2012; 14.05

<sup>4</sup> Retrieved from <http://www.isi.web.org/developing-countries/> on October 19, 2012; 22.00

the population, which seems to be bursting at seams, outstrips all the opportunities by way of school places, jobs, housing units, etc created within the country and thus results in increasing poverty levels. Other areas where aid could be most useful, if administered judiciously, are health, education, vocational training and providing people an opportunity to earn a living, either as self-employed persons, in small-scale business, cottage industries or in large industries appropriate for the region.

Brazil is one of the developing country located in South America. As a Federal Republic, Brazil is one example of developing countries is arguably the most advanced in the world. Brazil ahead in the field of trade and is able to prove themselves to be able to compete with developed countries in terms of the domestic economy is excellent.<sup>5</sup>

But with all of the praised, Brazil has a huge problem like another developing country around the world. The poverty became the most problematic one for the tropical country. In Brazil, poverty affects more than a quarter of the population (around 44 million people). In the 9 states in the North Eastern Brazil, the poorest parts of the country, almost half of all families live on approximately a dollar a day.<sup>6</sup>

It is like a paradox that Brazil is one of the world's main exporters of agricultural commodities like Soya, Sugar, and Coffee. But on the other hand,

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<sup>5</sup> Retrieved from <http://www.ibtimes.com/brazil-developing-countries/> on October 11, 2012; 13.00

<sup>6</sup> Andre Portela Souza (2006). "Fighting Long-run Poverty in Brazil: Are Conditional Cash Transfer Programs Making a Difference?". Mimeo.

16,7 million people are undernourished.<sup>7</sup>

Brazil has long been viewed as a country with great social inequalities, but hunger has hardly been mentioned. Hunger is the most extreme manifestation of the huge problem of poverty in Brazil. Few people die of starvation, but there is widespread chronic food insecurity and malnutrition. This means that people are unable to produce or gain access to enough food of an adequate quality for a healthy life. It is the hunger of the missed meal, and it is very debilitating.

The government of the Federal Republic of Brazil tried to reduce the poverty in their country with the policy called “Conditional Cash Transfers (CCTs)”. And also, Brazil was the first country to pioneer of CCTs in the Latin America and the Caribbean (LAC) region, even to the world.<sup>8</sup> In many ways, CCTs were serving as a social policy that integrate these rights of education, health, and social assistance. The CCTs provides the minimum income of Brazilians and this became a way for the society to help them about this program.<sup>9</sup>

The CCTs program had three keywords; the Government target are the poor, the government paid the cash to the target, and the government had the “counterpart responsibilities” (*contrapartidas*) for the targets.<sup>10</sup> For the *Bolsa Escola* itself, the government had their own rules for the beneficiaries. They had several requirements like the age of the student and the beneficiaries had a minimum daily school attendance.

The program also had several requirements in the other way. The children

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

<sup>8</sup> Cesar Zucco (2009). “Cash Transfers, Voting Behavior, and the Economy: An Assesment of the Political Impacts of Bolsa Familia.” Princeton University.

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

who gets the benefit of the program prohibited from working, the children participated of the extra-curricular activities, and the adults had to participation of the meetings, seminars and etcetera. The most important was, the beneficiaries had a minimum residency in the state they live. They had to live at least for 5 years in their current residential. It made to avoid the poor migrants could come to their jurisdictions. It is because the program based on their own states.

Under Lula da Silva regime, he made a new CCTs called “*Fome Zero*” (Zero Hunger). This program focused on the ways of the government to reduce the hunger and poverty all over Brazil and related to 60 programs in many ministries to cover the extreme poverty and hunger.<sup>11</sup> This program covered by the Ministry of Food Security and the beneficiaries got R\$50 a monthly benefit. The target of this program was to promote the food consumption (3 times a day) and the beneficiaries had to use this for food purchases.

The concept of Conditional Cash Transfers ratified for the first in the policy debate in Brazil in the late 1980s and early 1990s.<sup>12</sup> Except the poverty, in Brazil there was a belief in the society that there was “debts to the poor” and the government tried to reduce the problem within established a new policy to keep the poor Brazilian to get the welfare.

After the CCTs established, there were several program included. They were *Bolsa Escola* (School Grant), *Bolsa Alimentação* (Health and Nutrition

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<sup>11</sup> Glewwe and Kassouf (2008). “The Impact of the Bolsa Escola/Familia Conditional Cash Transfer Program on Enrollment, Drop-out Rates, and Grade Promotion in Brazil.”

<sup>12</sup> Cristovam Buarque. “Social Incentives: A Program to Abolish Poverty in Brazil.” Movimento pela Segunda Abolicao.

grants), and *Auxílio Gás* (Vale Gas).<sup>13</sup> All the programs established from the regime of the President Fernando Henrique Cardoso, before President Lula da Silva led the country.

President Lula formally launched the Bolsa Família program on October 20<sup>th</sup>, 2003. He combined several program of CCTs to a single program which protects all Brazilian problems. The program of Bolsa Família was in an effort to improve efficiency and coherence and to provide the coverage of Brazil's poor.

The Bolsa Família program transfers between R\$15 until R\$95 (around US\$7-45) per month for the poor family.<sup>14</sup> The target of the program still the same with the CCTs before, to reduce the poverty and many more.

With 11,1 million beneficiary families (about 46 million people), as of June 2006, the Bolsa Família program is larger than the size of many nations and is the largest program if its kind. The program has expanded at an exponential pace since its inception in 2003 and is now covering 100% of Brazil's poor.<sup>15</sup>

Half a million Brazilian children and adults that received benefits through “Bolsa Família”, registered in the country's social programs database became literate in 2006 and 2007. During the same period, the number of people included in the registry attending public literacy programs increased 12 percentage points, demonstrating Bolsa Família’s positive impact on education and literacy levels in

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<sup>13</sup> Cesar Zucco (2009). “Cash Transfers, Voting Behavior, and the Economy: An Assesment of the Political Impacts of Bolsa Familia.” Princeton University. Opcit.

<sup>14</sup> *Ibid.*

<sup>15</sup> The Bolsa Família program targets poor families with per capita incomes under a certain income cut-off (an “administrative poverty line”), currently set at R\$120 (US\$57), which is determined based on household survey data from 2004. The program covers all poor families with children up to the age of 15 and it also covers all extremely poor families, regardless of their composition.

Brazil.<sup>16</sup>

According to UNESCO, Brazil spends 4,2% of collective GDP on education, ranking number 78 of 132 countries surveyed.<sup>17</sup> The literacy rate in Brazil is 90%. However, the low spending on education is still a problem. The proposed policy aims to provide funding for free primary education for children via relocating the interest of World Bank's aid.

### **B. Purpose of Writing**

There are several purposes on writing this thesis;

- As the requirement to fulfill one of subjects in International Relations studies.
- Explaining the Conditional Cash Transfer and program of Bolsa Família.
- To understand and research the influence of the foreign aid (World Bank) to help Brazilian Government to run Bolsa Familia Program.
- I seek the role of Lula da Silva to manage and arrange the program of Bolsa Família in Brazil.

### **C. Research Question**

From the background part of this paper, I would like to stand the research question on, “What is the influence of World Bank in Bolsa Família Program to decreasing the poverty in Brazil under Lula da Silva regime?”

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<sup>16</sup> Retrieved from <http://www.brasil.gov.br/para/press/press-release/february/brazil2019s-cbolsa-familia201d-income-transfer-program-raises-literacy-rates> on October 9, 2012; 13.40

<sup>17</sup> Retrieved from [http://www.nationmaster.com/red/country/br-brazil/edu-educatiob&b\\_cite=1&b\\_define=1](http://www.nationmaster.com/red/country/br-brazil/edu-educatiob&b_cite=1&b_define=1) on January 30, 2013; 9.40

## **D. Theoretical Framework**

There is one theory that will be explained in order to describe this phenomenon. It called the theory of effectiveness. The theory actually expected to describe and explain clearly that Bolsa Família has an important role according to Brazil national interest.

### **The Theory of Foreign Aid**

The definition of foreign aid according to OECD, refers to the loans grants allocated to developing countries and which fulfill three criteria: 1) the loans and grants must come from the public sector, 2) they must be granted with the aim of fostering economic development, 3) they must be concessional and contain a grant element at least 25%<sup>18</sup>. Although its aim is for economic reason, it is also impacted in political matter of a country, where country should follow regulations from the donors.

According to Hans Morgenthau, foreign aid is among the “real innovation which the modern age has introduced the practice of foreign policy”<sup>19</sup>. Foreign aid is the implication from foreign policy of a country. Hans Morgenthau tries to analyze that foreign aid is a kind of practice of foreign policy application which is addressed toward country that needed. As realist, Hans Morgenthau and other thinkers says that aid was a tool for enhancing national power and security<sup>20</sup>, even bilateral aid donors have been driven importantly by their own interest. Their

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<sup>18</sup> Jean Philippe T, *Debating Foreign Aid: Right vs Left*, (from Third World Quarterly, Vol. 23, pp 449- 466, 2002)

<sup>19</sup> Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics*, (Chicago, The University of Chicago Press, 2007).

<sup>20</sup> *Ibid.*

purposes is not only to promote growth and poverty reduction, but also has been and continues to be provided for a variety of purposes, of which development is only one of them.

In 1962, Morgenthau proposed six types of foreign aid in his insightful article “A Political Theory of Foreign Aid”<sup>21</sup>. They are humanitarian, subsistence, military, bribery, economic development, and prestige. Each type plays their own role. Humanitarian is more altruistic to give foreign aid, subsistence concerns on livelihood, military tends to concern on defense and security matter, bribery tends to keep interest of donor, economic development to buffer domestic economic of a country, prestige to get impression from recipient country or others. He also argues, as a highly contending instrument of foreign policy in US, the advocates of foreign aid praise it a “fulfillment of an obligation of the few rich nations toward the many poor ones”, while the dissenters regard it as “a gigantic boondoggle, a wasteful and indefensible operation which serves neither the interests of US nor those of the recipient nations. Morgenthau’s argument is in line with realist concerns, elucidates contemporary deliberation on theory and policy of foreign aid<sup>22</sup>.

For scholar in International Relations, conceptual investigation and theoretical interpretation frame the contour of foreign aid. For realist, they concern more on the power politics that happen between state to state interactions, regard foreign aid as an instrument of great power diplomacy. The practice of foreign aid, therefore, serves as an enhancement of national interests of donor

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<sup>21</sup> Alan H. Yang, et al, *The Politics of Foreign Aid: A Positive Contribution to Asian Economic Growth*, (CCS Working Paper NCCU, Taiwan, 2011).

<sup>22</sup> *Ibid*

countries. Then for liberalist, foreign aid is regarded as the means to facilitate inter state cooperation.

However, Marxist and scholars from World System Theory argue that the logic of foreign aid is embedded in the context of dependency. Foreign aid means to dominate a country to secure the modality of exchange between the Center and Periphery. Constructivism also give argument that tends to delineate non material forces and ideas that contour foreign aid as a norm of either altruism or power manipulation.

World Bank in this context tends to be Marxist, because usually behind the aid, always there is a reason. The foreign aid that Brazil received to reducing the extreme poverty in the country, helped them to run the Bolsa Familia Program that they do for the poor.

### **E. Hypothesis**

The influence of World Bank in Bolsa Familia program in decrease poverty in Brazil under Lula da Silva regime by taking the Bolsa Familia Program and enhances it to meet the needs of those poor families in all of Brazil that would benefit from stipends to educate their children. It also extends the time frame until the end of the debt repayment period. The proposed policy aims to bridge substantial gaps of educational successes within and between regions, not limiting its focus to any particular region, through targeting first those areas with greatest need. The goal is to redirect exorbitant interest rates to fund the Bolsa Familia program already instituted in Brazil. World Bank funded and having established

structure for exercising fund allocation, teacher training, and family incentives for keeping the children in school.

### **F. Methods of Writing**

Methods of writing this thesis is using the qualitative method. The qualitative method is the method of data collection and analysis and also use the literature such as books, pdf, previous research result, and the other means in order to complete the data will be used in the writing.

### **G. The Research Area**

The research area of the issue on this thesis is about Lula da Silva program and policy he made in Brazil when he led the country between 2002 – 2010. The writing will talk on several infos related to the effectiveness of the Bolsa Família program. Several policies related to the information of the program also would be discussed on the writing of this thesis.

### **H. Systematic of Writing**

I shared the topics into chapters where it involved each other as a united structural topic.

Chapter One : This chapter will be an introduction chapter of the problem. The requirements are the problem background, purpose of writing, research question, theoretical framework, hypothesis, methods of writing, the research area

and also the organization of writing.

Chapter Two : The second chapter will explain about the general view of Conditional Cash Transfers itself and about the poverty condition in Brazil. It would like to explain the program since the first time the program established in Brazil. How the program divided into the three different programs, such as Bolsa Escola, Bolsa Alimentação, and Auxílio Gás and also becomes Bolsa Familia.

Chapter Three : The third chapter of this thesis will explain about the ways of 2 different regimes of Brazilian President to reduce the poverty in the country. In this chapter also will explain why Brazil needed a loan from the World Bank to manage the Bolsa Familia program.

Chapter Four : The fourth chapter of this thesis will explain about the influences of the World Bank to run the Bolsa Familia Program.

Chapter Five : The fifth chapter or the final chapter of this thesis is the conclusion and resume from the paper as a whole.