Local Solutions to National Challenges? The Politics of Income Transfer Programs in Brazil and Argentina

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The quality of democracy, then, depends on social democracy,
on long-sustained policies of social protection and solidarity.
-D. Rueschemeyer

The central goal of this paper is to analyse from a functional perspective how federalism has impacted on the development and implementation of conditional cash transfer programs (noted hereafter as "CCTs") designed to alleviate poverty in two Latin American federations, Brazil and Argentina. This specific issue area is recognised from a policy perspective as being nationally-oriented, and is increasingly conceived from a citizen rights-based framework.[1] Each of these countries chose to adopt non-contributory social protection programs as a solution to visually growing poverty towards the end of the 1990s. The outcomes of the two most recent national social programs in Argentina and Brazil have been varied. Brazil's most recent national program, *Bolsa Família*, was very successful in terms of numbers, territory and social groups covered. By 2006, poverty alleviation benefits were being delivered to more than 11 million households in all 5,564 Brazilian municipalities. By contrast, Argentina's latest national initiative, *Programa Familias*, has been less successful in terms both of territorial coverage and its total distribution. By 2006, it delivered benefits to only 372,000 households in 232 municipalities.

What explains Brazil's success relative to Argentina's? The central hypothesis forwarded herein is that municipalism in Brazil which began in 1988, contributed to the initial restructuring of poverty alleviation efforts in Brazil. Post-retrenchment, municipalities continued to play an important role in achieving the national government's desired policy goal—delivering poverty alleviation benefits too a target of 12 million families by 2006. In neighbouring Argentina, a similarly designed policy goal was attempted following its draconian fiscal crisis in 2002, however, the outcome of its

[1] Social protection is conceived throughout this paper as a national collective good, following the work of Shugart (1999) on the provision of collective goods in less-developed countries.

efforts to implement a non-contributory social protection program designed to alleviate poverty polity-wide, has been impeded by domestic institutional and political constraints. Both the social programs under analysis within this paper were initially funded and supported by International Financial Institutions, in Brazil, the World Bank, and in Argentina, the Inter-American Development Bank. Nevertheless, a key finding of this research is that broader institutional, structural, and political variables are more important in institutionalizing an effective strategy of poverty alleviation than the technical design of the programs, a key element privileged by most international policy prescriptions. The variations observed in the politics of social inclusion policy in each country have been determined by the politics of federalism.

During most of the 1980s and into the mid-1990s, Latin America's economic growth was negative, leading to dramatic cuts in social spending and fuelling "new" poverty (see table 1). For structural, political and strategic reasons however, continual progress has been made in Latin America since the late 1990s towards achieving Marshall's social citizenship goal which "ensures all citizens should attain at least to the prescribed minimum, either by their own resources or with assistance if they could not do it without" (Marshall 1950). Such policy-oriented progress has been predominantly in the form of conditional cash transfer programs. These non-contributory programs first originated in Brazil at the municipal level during the mid-1990s, and then in 1998, developed in Mexico into the first national CCT under the name "*Progresa*". In Latin America, the idea of framing non-contributory social protection policy within the context of a state-centric liberal rights discourse is relatively novel. Today, Argentina, Brazil, Ecuador, Honduras, Nicaragua, Colombia, Mexico and Peru have all implemented varying forms of cash transfer programs to provide social rights to their poorest households.[2]

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[2] This list is non-exhaustive. Information on social assistance programs in developing countries comes from database version 3.0, July 2007 compiled by Armando Barrientos and Rebecca Holmes, Brooks World Poverty Institute.

Table 1: Social Insurance Coverage, Poverty, and Growth Rates in Federal Latin America

	Formal Social Insurance Coverage in Federal Latin America (%)		**Poverty in the 1980s (%)**		**Avg. Annual Growth in GDP per capita (%)**
Country	1980	1998	1981	2002* *(2000-02)	1980-2004
Argentina	69.1	20.2	8	35	0.03
Brazil	87	34.5	43	30	0.53
Mexico	42	8.2	29	33	0.64
Venezuela	49.8	8.6	22	43	-0.87

Sources: Barrientos (2004); ECLAC.

The general aim behind publicly supported CCTs in Latin America is social inclusion and alleviation of poverty, drawing on a rights-based discourse. From an international development perspective, it is widely believed to be a narrow form of social protection because it addresses only poverty alleviation, and not poverty eradication. From a comparative politics perspective, such programs are intended to achieve two distinct political goals. The first is to address a large social deficit that amassed during a decade of economic stagnation, which began as early as 1982 in Mexico and subsequently spread south.[3] The second is to create a direct relationship between the government and its citizens that bypasses intermediaries who, by patronage and corruption, reputedly often prevent benefits reaching the people who require it most.

The successful implementation of social protection programs in the developing world is dependent on three key factors in order to be considered effective. These are 1) adequate and sustained financing; 2) administrative and management capacity; and 3) political commitment (Devereux and Gorman, 2006). All three factors within a country with a federal political regime like Brazil and Argentina are determined by their unique federal game that is played by multiple competing levels, a game unique to each federation.

[3] This is the year in which Mexico defaulted on its foreign debt payments due to economic difficulties arising out of both rising US interest rates and globally falling commodity prices. This event marks the start of what would be more than a decade of macroeconomic catastrophes throughout Latin America.

The Politics of Poverty in Brazil

Poverty is a widespread phenomenon in Brazil. Although economic growth rates from 1950-1980 were high, household poverty rates remained problematic throughout these years of industrial development, hovering always, according to ECLAC historical statistics, around 39%. In 1987, household poverty continued to afflict 40% of the nation (ECLAC 2003). These two consistent indicators, spanning over 40 years, led to the counterintuitive realisation in Brazilian policy circles that economic growth had a minimal impact on poverty, particularly in view of the fact that poverty rates had remained relatively constant before and after the so-called "lost decade" of the 1980s. Unlike other Latin American countries during these same years, poverty in Brazil could not be attributed to a lack of government social expenditure. It owed rather to a "transmission problem" (Camargo and Barros 1993, 61). Government expenditure did not reach those families facing the greatest vulnerability at the local level.

I characterise this policy transmission problem in my research as a federally derived policy challenge. This challenge is believed by many specialists of Brazilian politics to be linked to a deeper problem of "institutionalising an effective capability to govern at all" (Malloy 1993, 221). Brazil is a symmetric federal democracy where since 1988 the power to govern onwards has been shared between three legally autonomous and constitutionally recognised levels of government. There are 5,564 municipalities, 26 state governments, and one federal district (*Brasília*).[4] Together, these comprise the *união* (union).

Social protection policy - the ability to protect poor, vulnerable, and marginalized groups in society through the delivery of social goods – is a fundamental extension of a democratic governing system. It also represents an area where "the control of social

[4] Brazil is institutionally uniform and symmetric although *Brasília*, the National Capital does not have the same characteristics of either the states or the municipalities.

agencies and programs represents a strategic political resource" (Castro 1993, 79). Traditionally emanating from the Vargas years (1930-1945), national government initiatives in this policy area were motivated by the political desire to increase the power-generating capacity of the central government (Malloy 1993). This corporatist regime substantially expanded contributory social protection benefits to citizens who had made payments through the formal labour market. The use of formal social insurance schemes to incorporate the working classes into the governing apparatus during this period of Brazilian history is an example of "controlled inclusion". Controlled inclusion refers to a political process whereby societal demands for social welfare and equity are moderated through diverse state strategies, particularly populism (Oxhorn 1995).

The Brazilian experience of using this social policy area for political considerations has a long history. I would suggest, though, that this history has been gradually overcome during the past decade, thanks to the emergence of a policy-based convergence over the type of social protection policy that is considered most *immediately* effective in dealing with pervasive poverty and the risk of social vulnerability. A non-contributory social protection policy, in the form of income transfers (either consumption goods or monetary amounts), has gradually become the dominant policy idea in Brazil.[5] From a political perspective, such a policy may increase the power-generating capacity of the state, but because it is no longer conceived as a means of controlling specific organised groups within the federation, it can be distinguished from the pre-1988 non-democratic regimes.

Today, there exists a consensus that the administration of social programs has greatly improved during the past ten years thanks to a move towards a broad, universally distributed and rights-based framework (Draibe 2004; Castro 2005). The key question

[5] Figueiredo, Torres, and Bichir identify the first program of this kind as being a milk program implemented in Sao Paulo in 1991 (2006).

remains: how did these new policies emerge and overcome the post-1988 undermining constraints of Brazilian federalism, given that the Constitution established a system of federalism plagued by opportunism between three competing levels of government, which lacked a regulating (fragmented) party system?

Brazil's political institutions underwent two gradual transformations during the 1980s and 1990s, which are covered in depth by area specialists. On the one hand, the newly written 1988 Constitution represented the consolidation of a process of "democratisation as decentralisation" (Souza 1997), leading to an institutional framework of overlapping policy authority between three autonomous levels of government—federal, the states, and municipal. This new constitutional design increased revenue and expenditure responsibilities at the subnational levels, creating *de jure* a highly decentralised system. Both states and municipalities gained increased ability to act as significant players in the Brazilian federal game from 1988 onwards, contributing to its strength. By establishing a system of *de facto* predatory federalism, subnational levels of government competed with one another within the context of a "soft budget syndrome" (Kornai, 1980) and highly fragmented political dynamics. From 1988 to 1995, this institutional configuration enabled subnational levels of government to block the policy preferences of the national executive and stagnated Brazilian democratisation.

On the other hand parallel to this process of democratisation, there was persistent macroeconomic instability and high inflation, which had begun prior to the democratic climax of the first free and direct presidential election of 1989. This economic situation not only remained unresolved, but was exacerbated by predatory intergovernmental fiscal behaviour. The political and economic factors of the soft budget syndrome from 1988 to 1995 compromised the credibility of the new, highly decentralised Constitution. In essence, strong federalism, in the context of uncontrollable inflation and political fragmentation, impeded the central government from taking any reforming action in social policy areas, and facilitated the ability of subnational levels to undermine, through simple inaction, any of its initiatives.

As a result, the central government's desired social and economic policy outputs were delayed until post-1995, when the economic crisis affecting all Brazilians was gradually resolved during the first term (1995-1998) of President Cardoso of the PSDB—*Brazil's Social Democratic Party*. The institutional viability of decentralisation gradually increased during these years because of a more stable national political and economic context. The credibility of federalism was dependent on the ability of the central government to rein in powerful state-based veto players, to decrease their ability to undermine and free-ride on the central government.

The characterisation of Brazilian federalism as "strong" has led to a consensus over the idea that governors have the power to constrain the federal centre.[6] The literature focuses on how Brazil's weak political institutions, primarily its inchoate party system, produce incentives for legislators to articulate subnational interests and to behave in a manner that weakens the capacity of Congress to pass the executive's preferred reforms.

Another important element of this period of federal restructuring is that municipal autonomy was officially recognised for the first time in Brazilian history by the Constituent Assembly of 1987-88. The "decentralisation as democracy hypothesis" has been used to explain the extent of power given to both the states and the municipalities within Brazil's most recently promulgated 1988 Constitution. Free and direct elections in Brazil occurred incrementally. In 1982, direct elections were permitted for legislators, governors and mayors (except in capital cities and in areas considered to affect "national security"). It has been argued that it was this slow and gradual transition to democracy that enabled mayors and governors to dominate the Constituent Assembly that wrote the

[6] For example, see Abrucio (1998) and Samuels (2003).

new Constitution over the course of eighteen months. Souza paid particular attention to the new fiscal allocations, given to both the states and municipalities, that were unaccompanied by policy responsibilities and thus, policy results (1997). As a consequence of both its notorious length and overlapping policy ambiguity, the 1988 Constitution strengthened the ability of the constituent units of the federation (now officially both the municipalities and states) to pursue their own policy goals and undermine the central government. Municipalities did not have guaranteed revenues to pursue their own policy objectives. Post-1988, mayors were forced to turn to powerful governors to bail them out financially. This situation also motivated mayors to forge state-local alliances, which resulted in the 'new era of governor politics' (Abrucio and Samuels 2000).

Within Brazilian federalism, the problem of producing coordinated intergovernmental action to provide such goods goes beyond the dichotomy of decentralisation and re-centralisation (Abrucio 2005, 42). In the area of social protection policy particularly, fragmented and uncoordinated policy initiatives cannot tackle a problem as extensive as poverty and social vulnerability given its federation-wide magnitude in Brazil.

Title VIII, Articles 203-204 of the new 1988 Constitution institutionalised social assistance as a public policy. However, this policy intent has to be juxtaposed against the backdrop of increasing interparty competition arising out of the first direct presidential elections in 1989 and the subsequent gubernatorial and legislative elections of 1990. The 1990 elections decreased the monopoly of the PMDB—a centrist catch-all party-- at the subnational level. These changing voting patterns created a political opportunity to induce significant changes in the way social protection policy was conceptualised. Following President Collor de Mello's impeachment in September 1992, social policy experimentation at the subnational level began to advance in significant ways.

Economically however, draconian high inflation rates which exceeded 1500% in 1993 and 1994, limited the implementation of the new reforms. Brazil's fiscal crisis began slowly to be resolved during 1993-94, following the implementation of the *Real Plan* that finally succeeded in squashing inflation. These two parallel economic and political processes were important for social protection policy, because they provided for approximately six years of *locally-based* experimentation (1995-2001). It was during this time that local policy solutions would be developed for national challenges.

Local Solutions to National Challenges?

In 1995, the federal government eliminated the *Legião Brasiliera de Assistência Social* (LBA), the centralised agency for this policy area since the 1940s, and replaced it with the National Secretariat of Social Assistance (SNAS). The creation of this new responsible agency greatly facilitated the institutionalisation of non-contributory social protection policy. The SNAS embraced social inclusion as a right. Embraced as a 'right', the regulation, production and operation of social protection policy was consolidated as a public responsibility. This moving of social assistance from a private framework (private philanthropy, the Church, first ladies) to a public conception enabled a universal expansion of benefits that would no longer rely on an individual's monetary contribution or their private networks in order to be included. Finally, the long reform processes in the area of social protection policy that had been initiated in 1988, began to take effect after 1995 for the political and economic reasons that have already been highlighted.

This same year however, the first two experimental non-contributory cash transfer programs became operational in the Federal Capital of Brasília and in the Municipality of Campinas, São Paulo State. The ideas behind these programs had been circulating for some time beginning, initially in Brasília under the auspices of Cristovam Buarque. In a highly influential paper in 1987, Buarque proposed a social program that would give scholarships to keep the poorest children in school by the government guaranteeing a minimum income to poor families as an incentive to provide education to their children (Aguiar and Araujo 2002). He adamantly opposed, however, the idea of the government providing a basic income to the poor without conditions that would link it to additional social policy goals. In 1991, São Paulo Senator Eduardo Suplicy (PT-SP) launched the idea of *Basic Guaranteed Income Project,* which was based on achieving minimum social rights for all Brazilians. His project, unlike Buarque's, was not linked to conditionality. His law was passed by the Senate as "Bill 80" - but has yet to be fully implemented. In 1993, economist José Márcio Camargo (PT) suggested changing Suplicy's project into a program that would increase a family's income, but would be dependent on school attendance, as had been suggested earlier in Brasília by Buarque (Suplicy 2002, 135).

Each of the local programs implemented in 1995 was an experiment in dominant policy ideas that had been circulating in left-wing academic circles during the 1980s. They were also the product of progressive subnational experimentation, facilitated by revenue increases for both the states and municipalities that emanated out of the excessive decentralization of expenditure post-1988 and the effects of inflationary control on intergovernmental transfers from 1993 to 1994, which would post-2000 be restructured.

The program in the City of Campinas was grounded in a rights-based principle of basic income, while that in *Brasíli*a was based on the condition of school attendance. The Campinas program called *Renda Mínima*, was not based on conditionality, and provided R$35 to each eligible household per month. It was implemented by Mayor José Magalhães Teixeira (PSDB). The second program, implemented by Buarque (PT) in 1995 as the elected governor of Brasília, was based on the School Stipend program he had conceived in 1987. This program was dependent on school attendance, and guaranteed R$100 to each family residing in the Federal Capital who earned 50% (or less) of the minimum wage and had children under the age of 14. Following the success of these programs, similar social programs began to emerge after 1995 in many other municipalities and states, such as Ribeirão Preto, Belém, Belo Horizonte, Caixas do Sul, Goiânia, Rio Grande do Sul, Mato Grosso and Acre, *inter alia* (Suplicy 2002). Although Brazil is an institutionally uniform federation, where all 26 states (plus one Federal Capital) and 5,564 municipalities have the same political, administrative, and fiscal competencies, during the 1990s subnational cash transfer programs were distributed based on where a citizen resided.

In 1999, the central government was forced to devalue the currency and end the *Real Plan*. The success of this plan (1995-1999) had been a key factor to President Cardoso's governing efficacy, enabling him to construct a legislative coalition that gave him over 77% of the lower chamber's support (Figueiredo 2007), a considerable achievement within Brazil's model of presidential-coalitions. In an effort to address the short-term negative effects of the sudden currency devaluation on the lower segments of Brazilian population and maintain its popular support, the central government launched the first national CCT in Brazil which was based on the success of local policy initiatives. This national program maintained the same name as the originally conceived city program in Brasília — *Bolsa Escola*.

The nationalisation of *Bolsa Escola* eventually led to the eventual extinction of many local cash-transfer programs designed to alleviate poverty. The end of many of these programs was related to the same economic reforms that had motivated their nationalisation. The unavailability of fiscal resources to finance subnational initiatives and the magnitude of subnational debt caused by the drastic reduction in inflation since 1995 which had severe effects on the administrative capacity of subnational federal units, and the opportunity to auto-finance local programs became constrained. According to Patrus Ananias, the ex-mayor of Belo Horizonte and now Lula's minister of social development in the PT federal government, any mayor or governor may continue to remain outside of a national cash transfer program and develop localised social programs, "as long as you can pay for it."[7] After the *Real's* devaluation in 1999, few localities could continue financing their own social programs.

Minister Ananias has clearly laid out how a hardening of subnational budget constraints, beginning *slowly* from 1995 and culminating in the "Fiscal Responsibility Law" in 2000, provided municipalities with new fiscal incentives to carry out national policies they could no longer maintain autonomously, but which they knew were already both politically popular and successful at alleviating *immediate* poverty. Increasingly post-devaluation, earmarked national grants financed by federal revenues became necessary to finance the provision of subnational social services (Rezende 2007), services that were under the jurisdiction of the states and municipalities. Local autonomy to formulate social protection policy was thus compromised by an external restriction related to new fiscal rules, yet simultaneously local cooperation towards nationalised initiatives was motivated by new fiscal incentives that ensured their continuation. It must be highlighted that earlier progressive state and municipal policy experimentation contributed to the eventual success of national poverty alleviation programs in Brazil.[8] Cardoso's national programs were built upon the experience of the so-called "municipal era" (Lindert et al. 2006).

The goal of President Lula Ignacío da Silva's first administration after his highly celebrated electoral victory in 2002, was to create a new flagship social program replacing, unifying, and expanding the three national programs of Cardoso's government, *Bolsa Escola, Bolsa Alimentação, Auxilio Gás,* as well as a fourth one Lula himself launched early in his term called *Cartão Alimentação*. The PT (*Brazil's Workers Party*) wanted to

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[7] Interview (2006).
[8] In light of this, it is important to note within the historical evolution of such programs that the foundations of Bolsa-Escola did not have partisan based ownership. This policy idea was neither Cardoso's nor his party's the PSDB.

provide a monetary amount per month that would allow millions of households in Brazil to rise above the poverty line. In 2006, the average benefit provided per family was R$ 61 (about US $ 1 a day).

Although the ability of CCTs to reduce poverty is of great importance, the central hypothesis of this paper is that the secret behind the success of the PT's national social program measured in terms of its territorial distribution (100% of all municipalities in Brazil who maintain *opt-out* privileges) was in the ability of the central government to motivate municipal cooperation (or for those that prefer acquiesce). Uniquely in Brazil, this social program bypassed powerful state-based governors in the course of its delivery. As a redistributive social program designed to be carried out at the municipal level, *Bolsa Família* avoids the kind of negotiation between the executive-legislative branches that has come to epitomise Brazilian politics. State-based power-brokers are not able to claim credit for targeted expenditures that had originally begun at the municipal level, because these resources and design of these programs completely bypass this level of government. Social programming that cuts out the so-called middle-man reduces the ability of state-brokers to use these specific funds to generate patronage.

In terms of its success, by 2006 all municipalities in Brazil had voluntarily adhered to this program, allowing the central government to reach its 2003 intended target of 11,100,000 socially vulnerable families (MDS). With an average family size of four in Brazil, approximately 44 million citizens are at present affected by this program.[9] The importance it has been given by the central government can be seen in the resources that were allocated. The central government's annual budget for income transfer programs nearly doubled from R$ 3.36 billion in 2004 to R$ 6.39 billion in 2006. As a means-tested targeted social program, it provides immediate available resources to 99.9%

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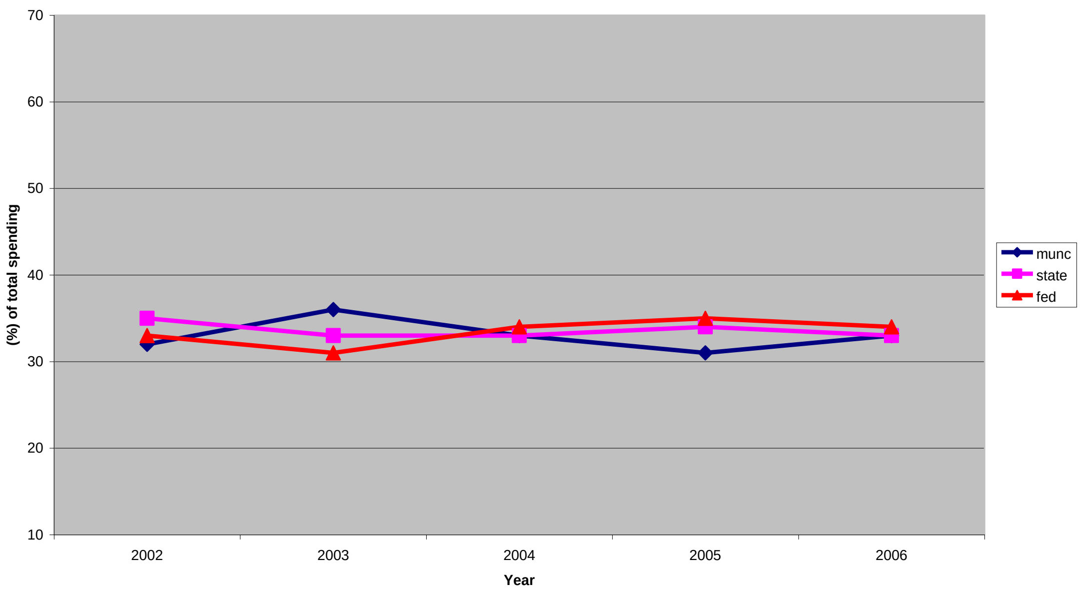
[9] Based on IBGE data for the number of people living in permanent houses/number of permanent households in Brazil (2000).
http://www.ibge.gov.br/home/estatistica/populacao/censo2000/tabelabrasil131.shtm

of the households in the nation whose monthly per capita income is below R$ 120 per month.

Within *Bolsa Família's* organisation, municipal governments act as the primary agents of the federal government. Their collaboration with the federal government also enables them to meet the required 1% they are legally required to spend on social assistance, which works as a further fiscal incentive for them to collaborate with the centre. As one municipal level technical advisor in a large city claimed, "*Bolsa Família* allows us to work our fiscal accounts; although the money does not go through them, the total amount transferred into our territory is included on our balance sheets."[10] Municipalities had little to lose by participating and supporting this federal program, given that their main responsibility post-1988 is to be the federation's primary social services providers and that post-2000 this responsibility was legally enforceable through fiscal regulations imposed by the central government. By 2004, even though CCTs had been nationalized post-2001, the municipalisation of social expenditure across the three levels of government remained evident as can be observed in the graph below:

Social Expenditure in Brazil per Level of Government 2002-2006 (without pensions)



Source: Author Aggregations of "Ordem Social" Tesouro Nacional, Ministerio da Fazenda, Contabilidade Governmental

[10] Interview 2006 (Anonymous).

The Context of Social Protection in Argentina

The institutionalization of a national social program designed to alleviate poverty in Argentina, based on a similar model as the Brazilian and Mexican national variations would not prove so straightforward for reasons that will be explored herein. Poverty is a recent phenomenon in Argentina, with a profoundly political background. At least until the mid-1990s, this country's top-down strategy of "controlled inclusion" (Oxhorn 1995), succeeded in keeping socioeconomic inequality and poverty relatively low. During the 1990s, however, with an average tenure for federal departmental heads in the area of social protection policy of less than one year, "this ministry has changed from secretariat to undersecretariat to ministry — the position of agency head has been occupied by highly qualified technocrats, by high-profile politicians, by the spouse of one president, and by the sister of another one" (Tommasi and Spiller 2008, 72). By the late 1990s the level of institutionalisation necessary in this increasingly important social policy area was clearly absent.

Social protection policy — the ability to protect poor, vulnerable, and marginal groups in society through the delivery of social goods – has been a fundamental part of the Justicialist Party's (PJ) historical governing strategy. Beginning as a political movement in the 1940s, this political party, which is often referred to as *Peronist* because it was founded by Juan Domingo Perón himself, developed as a nationalist party that specifically represented lower- and working-class interests. Perón's wife *Evita* was infamously seen as the spiritual saviour of the poor. The PJ evolved politically through its alliance with the labour sector in Argentina — unions, syndicates, organised worker's movements – and through the Ministry of Labour itself. Perón's close alliance between the Ministry of Labour and Social Prevision and the labour movement in the 1940s was used by the PJ party as an official mechanism to distribute the proceeds of that period's rapid economic growth. In return, it created a political system grounded fundamentally in the penetrative power of a single political party, the *Partido Justicialista.* This political system has shown a remarkable ability to adapt over the decades and has remained thus far, relatively consistent during democratic periods.

According to Levitsky (2003), social programs were a key part of the Peronist's transformation from a labour-based party to a patronage-based one, a transformation that occurred over both the 1980s and 1990s. High levels of politicisation in Argentina have led to the consensus in the literature that public policy since 1983 has been highly volatile, inconsistently implemented, and patronage-based (Lloyd-Sherlock 1997; Auyero 2000; Calvo and Murillo 2004; Brusco et al. 2004; Tommasi and Spiller 2008). Policy designed specifically to alleviate poverty has been plagued by volatility, inconsistency, uncoordinated actions across and between ministries, a lack of political interest, and the lack of clear national policy goals (Tommasi and Spiller and 2008). This has seriously effected what Lloyd-Sherlock calls the "consistent implementation" of social policy (1997).

In my research I suggest, that the central obstacle in Argentina to ensure the consistent implementation of social policy lays in the ability of the central government to overcome the ability of provincial-based actors to constrain its actions (Fenwick 2009b). This is a classic dilemma of countries classified as federally "robust" (Samuels and Mainwaring 2004). According to the common theoretical wisdom of comparative politics and the key political institutions of Argentine federalism, the central government *should* be able, through partisan-based cooperation, to resolve this dilemma. The problem of partisan-based cooperation as a coordinating mechanism for ensuring that intergovernmental competencies are transformed into policy outputs, however, is that it leads to a zero-sum game: the winner takes all and the rewards are delivered to only one level of government. The ability of two dominant levels of government to play a game of punishment-and-reward federalism in this country has created a politicised institutional context within which public goods are distributed.

Two overlapping trends distinguished Argentina post-1983. On the one hand, from 1983 to 1995 the central government was able to consolidate democratisation by augmenting its executive authority over the 23 provinces thanks to the strength of its two-tiered party system, which, between 1983 and 1989, generally aided democratic stability. The two main political parties of Argentina, the *Unión Cívica Radical* (UCR) and the *Partido Justicialista* (PJ), alternated successfully in power, and allowed President Carlos Saúl Menem (PJ) to assume the presidency peacefully five months early in 1989 in place of the first democratically elected government of Raúl Alfonsín (UCR). Menem was able to negotiate central-provincial relations successfully after his electoral victory, given that 65% of the governors 1987-1991 were PJ (only five were UCR). This facilitated Menem's ability to follow a neoconservative campaign that prioritized macroeconomic stability, and rewarded him with two terms in office (1989-1999).

On the other hand, the social and economic policy options available, and the central government's ability to use them, seemed to weaken during this same period. The first democratic government under Alfonsín from 1983-1989 was plagued by pervasive inflation, a failed stabilisation plan (the Austral Plan) and growing citizen unrest. The UCR's inability to control the nation's economy led to its defeat in 1987, when the PJ took control of Congress and assumed 17 out of 22 governorships, including that of the Province of Buenos Aires. Before leaving office in 1988, however, the UCR administration negotiated with the PJ-dominated provinces to reform the revenue-sharing regime, known as *coparticipación*. This new agreement increased provincial revenues by 11%, and benefited poorer provinces at the expense of more developed ones like Buenos Aires, where 38% of the population resides (Saeigh and Tommasi 1998, 33).

In order to get the most from these fiscal negotiations, the provinces operated as a unified block, and were largely successful in having their demands met. When Menem assumed the presidency, he continued to struggle against inflationary pressures. In 1991, he successfully implemented the *Convertibility Plan*, which pegged the national currency to the US dollar and successfully reduced inflation. Argentina became "Washington's Poster Child" (Gibson 1996). From 1989 to 1995, Menem prioritised macroeconomic stability and low inflation, achieving high economic growth rates and maintaining his political credibility. These early successes led to his successful re-election in 1995. However during Menem's second term (1995-1999), he increasingly had difficulty to negotiate with governors. Because of his inability to run for a third term, his unimportance to governors and legislators for future career-making, and most importantly, the path-dependent nature of partisan based non-institutionalised bargaining that he had used in his first term; governors of his own party had an incentive to punish the president in return for fiscal rewards. In 1998, in a last attempt to regain the upper hand over revenue transfers to the provinces, Menem proposed instituting direct revenue transfers from the central government to the municipalities, bypassing the provinces (Eaton 2004). Before the proposal even arrived in Congress, governors forced Menem to retract the proposal. These political events would have a strong effect on determining the social policy options available to the federal government under President Menem, at a time when household poverty rates were growing visibly for the first time.

The policy challenge faced by the central government to consistently implement policy in a federal regime where the provinces have the ability to constrain the actions of the national executive is extremely visible in the policy area of social protection. One of the few areas of social policy for which the central government has *de jure* responsibility is non-contributory social protection (food programs, unemployment programs, and poverty reduction). Household poverty rates increased from 7% in 1980 to 38.2% in

1989 (INDEC, 2001/2006). In an effort to control the negative effects of increasing poverty on the PJ's political support, between 1989 and 1999 the central government began developing targeted social protection programs. During this time, the delivery of national collective goods was facilitated by a highly politicised alliance between social movements and a multitude of PJ party-based organisations at the provincial and local levels (Fenwick 1998).

Immediately upon taking office in 1989, Menem reformed existing federal social programs by replacing the previous administration's nutrition program, PAN*,* with the *Bono National de Emergencia* (BNSE). Both the old and new trademark programs were administered by the Ministry of Health and Social Action. The BNSE was administered to beneficiaries at the municipal level, aided by the density of local PJ networks that existed at the neighbourhood level (Lloyd-Sherlock 1997). This program was believed to have had limited effects, and, amid accusations of corruption, ceased to exist in 1992 (Goldbert, 1996).

Although Menem's early social protection programs were unsuccessful, the central government's macroeconomic stabilisation and fiscal austerity plan successfully brought about macroeconomic control and managed to alleviate poverty through price stability. Household poverty rates in Argentina fell from 42.5% in 1990 to 16.1% in 1994 because of "the inflationary effect" (INDEC). This effect, however, would be short-lived, because of Menem's strategy of allowing the provinces to borrow privately, using their federal funds as collateral; in order to wean provinces away from central bank bailouts (Treisman 2004, 29).

The long-term vulnerability of the popular classes became apparent following the *tequila effect*, resulting from the 1994 Mexican Peso devaluation that threw the Argentine economy into recession. Poverty rates began to increase again, followed by compensatory non-contributory social protection programs.[11] For the first time in Argentine history, targeted social programs would become a critical part of the federal government's agenda in order to maintain its credibility. In this year, the central government created the "Secretariat of Social Development" to formally address the importance of this new policy area. As a new portfolio in the federal cabinet, however, it was marginalised by the influence of other ministries, particularly the Ministry of Labour, a traditional central bulwark of PJ governance.

By May 1995, unemployment exceeded 20% for the first time since democratisation in 1983. For this reason, the central government attempted, for the second time, to placate societal demands through the creation of a targeted social program. In 1996, the PJ central government created the first national workfare program, called *Plan Trabajar*.[12] This plan ran for four years. At its peak, it covered 20% of the unemployed poor, making it one of the most important programs of its time (Weitz-Shapiro, 2006). The consensus in the literature on this program is that its means-tested distribution was manipulated in order to benefit certain groups, something attributed to both partisan and protest factors (Lodola 2005; Weitz-Shapiro 2006; Giraudy 2007). Nevertheless, in terms of coverage it was considered quite successful.

According to existing data from the Secretariat of Social Development, beyond *Plan Trabajar*, over 56 national programs existed in 1995, escalating to over 70 by the end of the Menem administration in 1999 (Ronconi 2002). Menem's non-contributory social protection programs were generally characterised by an unclear diagnosis of actual problems and a lack of monitoring and policy evaluation (Golbert 1996). Societal demands continued to escalate towards 1999, unappeased by the federal government's top-down policy initiatives which had little roots in society.

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[11] This is the predominant explanation offered for such programs in Central America; see Denise Dresser (1991).

[12] This workfare program provided $ 160 pesos a month to families below the poverty line in exchange for six hours of daily labour in official community projects.

Decentralised workfare programs did empower municipalities politically top-down, by plugging them into a powerful, party-driven political machine. *Plan Trabajar*, and its two subsequent variations, contributed to the PJ's ability to bargain with subnational party brokers — provided the central government did not enforce the program's actual distribution too strictly.[13] *Plan Trabajar* contributed to Menem's ability to maintain local support in exchange for a constant flow of resources (Jones and Hwang, 2005). The intended political effects of both the national and a plethora of additional provincial workfare programs existent during this time was to quell growing societal demands caused by rising poverty, economic stagnation and repeated denunciations of government corruption (Ronconi, 2002). Ronconi estimated that, prior to the fiscal crisis hitting in 2001, 28 provincial and twenty federal workfare programs co-existed in an uncoordinated state (2002). The majority of these programs ceased to exist, because of government revenue scarcity, post-2001. They were however replaced by a mass emergency national workfare program called *Programa Jejes y Jefas de Hogares Desocupados* ("PJJHD") that was intended to exist for the duration of the crisis.

PJJHD contributed to Interim President Duhalde's ability to bargain with provincial and local PJ bosses and to create an alliance that guaranteed his preferred presidential candidate, Nestor Kirchner, won on 27 April 2003. Kirchner won the presidency with 22.24% of the vote after Menem withdrew from the second round. The use of decentralised targeted social programs to win the 2003 elections was a perfect mechanism, for several reasons. Firstly, at the time of the presidential election in April 2003 the federal government was still lacking in performance-based legitimacy thanks to the 2001 crisis; and secondly, during that same year national household poverty had increased to 42.6%, making poverty alleviation central to electoral campaigning. This entrenched fiscal-political-social crisis context gave Interim President Duhalde a

[13] Various Interviews, Anonymous.

favourable situation within which he could engineer the presidential elections to keep out his enemy, ex-President Menem. Additionally, Duhalde, as the former governor and PJ boss in the Province of Buenos Aires, controlled the PJ mayors of the conurbation, who appeared with Kirchner on posters. Moreover, the politicised nature of the bureaucracy in Argentina entails that the staff of certain ministries have partisan affiliation. It is widely believed that Ministry responsible for the distribution of *PJJHD* distribution was very much controlled by Duhalde (PJ-BA). Together, by manipulating the distribution of the program, they were victorious.[14]

In October 2004, the Kirchner administration attempted to reform and to discontinue this program because of its infamous political manipulation and its low public reputation. Via decree 1506/04, the president prolonged the national employment emergency legislation (2002), and promised the continued payment of the federal government's principle program, *PJJHD*, until 31 December 2004. Additionally he gave the Ministry of Labour and the Ministry of Social Development 180 days to coordinate their databases and re-classify the recipients of *PJJHD* into two categories: employable and un-employable. The employable would continue receiving *PJJHD*, while those who were not would be transferred into a program "either created or to be created by the MDS". This latter Ministry was put under the charge of his sister, Alicia Kirchner. The official plan of the federal government was to restructure the previous compartmentalised programs into a more integrated approach like Brazil's *Bolsa Família,* under an appropriate ministry to provide long-term social protection. The new program was intended to be free from provincial intermediation and the Ministry of Labour. Given that the ability to govern in Argentina is dependent on the president's relationship

[14] Aroyo and Cafiero (plus anonymous sources in the Ministry of Economy) have both confirmed in interviews conducted in Buenos Aires during 2006 that the distribution of PJJHD had been manipulated for political ends during that same year.

with PJ provincial bosses (Jones and Hwang 2005; Levitsky 2003), President Kirchner new CCT named *Programa Familias* would be unpopular with governors.

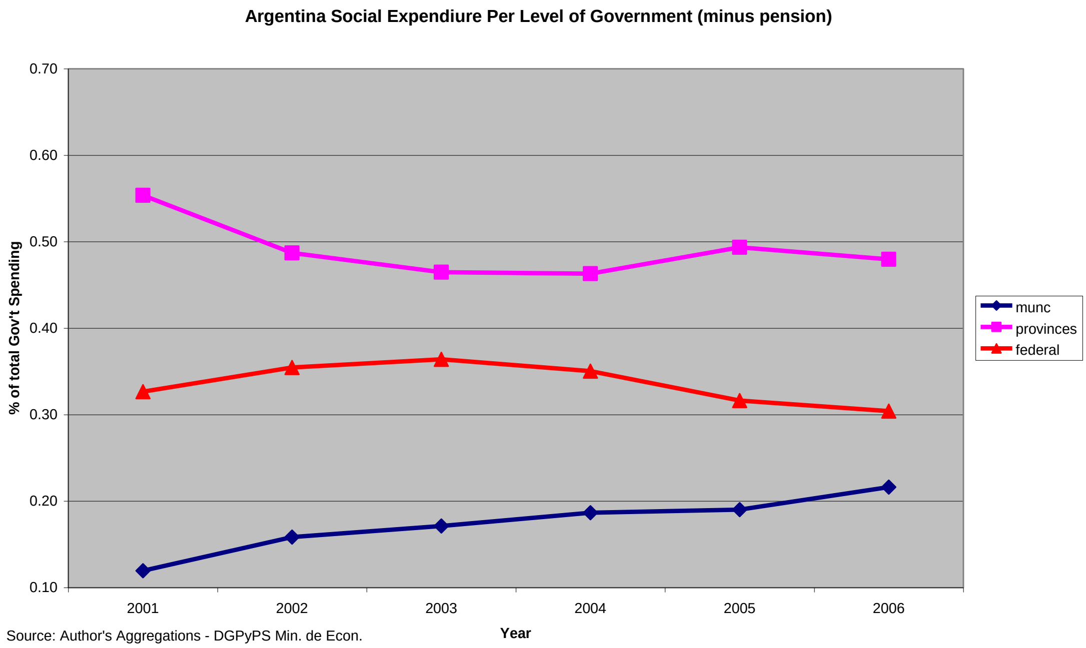
Kirchner's ability to penetrate the municipal level was not sufficient for him to motivate municipalities to bypass their province's preferences (four provinces from 2004-2006 opted-out of this program) and carry out his new federal social program. The continued dominance of party-centred provincial power and its control over the program *PJJHD* at the subnational levels would be an obstacle to Kirchner's proposed reforms and the success of his benchmark social inclusion program. Despite the government's attempt to discontinue *PJJHD*, over 1.2 million recipients remained within it in 2006. The Kirchner administration's intention to discontinue *PJJHD* and transfer recipients classified as 'unemployable' to the new program has been largely unsuccessful.

Several factors have impeded the success of *PF* and the discontinuation of *PJJHD*. First, the confusion surrounding both the former program's discontinuation and the creation of a completely new policy framework has led to a proliferation of uncoordinated programs with no clear national policy objective.[15] Second, the centralised administration of *PF* that limits the local authorities from participating denies them any right to claim credit for the program's implementation in their territories. The centralised organisational structure of *PF* did not facilitate the creation of a fortified relationship between the federal centre and citizens, mediated through municipalities. What it did was reflect in it the federal government's lack of trust in either provincial or local authorities.

What appears most salient in the case of *PF* is the inability of local levels of government to credit-claim for the success of a program that, given the structure of CCTs, nonetheless requires their collaboration for localised policy outcomes. In Argentina, mayors operate as gatekeepers between highly organised community demands and a multitude of government-funded programs controlled by higher levels of

[15] These same deficiencies are highlighted in Tommasi and Spiller's (2008).

government. While both federalism and decentralisation have played a key role in Argentina's development path (Saeigh and Tommasi 1998), the stability of the party-centred majority logic at the provincial level has weakened the incentives of municipalities to forge collaboration with the federal centre. The only subnational federal units that had a political incentive to credit-claim for the implementation of national social programs were the provinces. The intended political effects of this federal program however, did not include bolstering provincial-level popularity. The heavily centralised administration of this program did not motivate provincially-based political actors, or municipal actors who are linked to provincially-formed party structures, to maximise the implementation of the program within their territory or even to adhere to it. Thus it is not entirely clear whether *PF* produced any winners or losers. The lack of municipal involvement in delivering social services can be clearly seen in the social expenditure graph below when subnational expenditure is disaggregated into two separate categories.



It also cannot be asserted that *Programa Familias* contributed to the popular support of the Kirchner government, which was taken over by his wife Cristina in the 2007 general elections. According to a credible public survey, conducted by CEDLAS in collaboration with the World Bank, the best-known national social program in 2007 remained *PJJHD* (Duhalde), followed by *Plan Trabajar* (Menem), with *Programa Familias* (Kirchner) last (CEDLAS, 2007). The following table gives some telling insights gathered from this survey regarding the public's perception of social programs designed to alleviate poverty.

Table 2 Public Perceptions of Social Protection Programs in Argentina

Do you feel CCTs should be eliminated?	28% Yes
Should CCTS continue to exist as they are currently designed?	58% Yes
Ratio of respondents who thought current CCTs were good	2/10
Respondents who believed normatively they were required	61%
% of respondents who felt plans were used for political motives	88%

Source: CEDLAS-Mori-BM (2007) Available at:
http://www.depeco.econo.unlp.edu.ar/cedlas/epps/pdfs/epps-presentacion-bm-diciembre-2007.pdf

The CEDLAS findings presented above (Table 2) shows the high number of respondents who believe that the implementation of CCTs (*PJJHD* and *Familias)* was manipulated according to political motivations. However, 61% believed that as a policy prescription it is still required. This demonstrates that there is evidence, at least in this survey, of a public demand for not only CCTs, but also for their improvement. Interestingly, 33% felt it should be implemented and monitored by municipalities, and 32% by the national government, but only 24% by the provinces (CEDLAS 2007). Social protection programs designed to alleviate poverty continue to be necessary in a country that at the end of 2006 still had 3,420,196 persons living in extreme poverty, and 10,615,236 living in moderate poverty, according to official government poverty lines (INDEC). The question remains of how to implement an effective and efficient national social program given the political and institutional constraints to the required intergovernmental collaboration.

Conclusions

The central goal of this paper has been to analyse from a functional perspective how federalism has impacted on the development and implementation of conditional cash transfer programs. Both countries have weathered constitutional reforms that have changed their federal structures, and each has attempted fiscal reforms in order to correct the macroeconomic stability that was partly produced by perverse subnational spending during the 1980s and 1990s. Evident in the Brazilian case is an extensive period of decentralization towards the municipal level post-1988, that led to a period of local policy experimentation from 1995-2001. Following a period of recentralization, post-2001 many localities could no longer afford to maintain their own social policies. Many of these earlier experiments however, particularly in the area of social protection policy and basic health care, were nationalized and continued to be implemented at the local level. Such programs because of their trajectory did not represent a partisanship identity and originated in municipalities of diverse ideologies. This facilitated the ability of the public to embrace CCTs as an immediate solution to poverty and the political willingness of mayors to implement them.

Evident in Argentina is a radically different trajectory of both policy ideas and government experimentation. Even though CCTs became popular throughout the region, Argentina has no history of either municipal autonomy or local experimentation in the delivery of social policy. The primary agents of the federal government in most areas of public policy within Argentine federalism are provincial governors. The intentions of the Kirchner government (2003-2007) to implement a federal CCT based on national-local collaboration, which have been continued under Cristina (2007-2011), have been impeded by both political and structural obstacles and popular perceptions.

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