Politics and Governance
2026 • Volume 14 • Article 11280
https://doi.org/10.17645/pag.11280

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Open Access Journal

Pro-Poor Governance: Evidence on Incentivizing Policy Implementation in Brazil

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Submitted: 3 September 2025 **Accepted:** 24 December 2025 **Published:** 11 February 2026

Issue: This article is part of the issue "The Politics of Pro-Poor Policies in the Global South" edited by Andrew Fischer (Erasmus University Rotterdam), Wil Hout (Erasmus University Rotterdam), and Markus Kaltenborn (Ruhr University Bochum), fully open access at https://doi.org/10.17645/pag.i465

Abstract

Pro-poor policies often fail in their goals because poverty itself impairs the state's implementation capacity and skews politicians' incentives, producing a governance trap. An exception is Brazil's Bolsa Família conditional cash transfer programme, which exhibits consistently better implementation in poorer municipalities with less state capacity. This study illuminates the conditions supporting this unusual pattern of pro-poor governance, defined as better implementation in poorer communities. Where local political actors receive financial rewards for improved implementation, the constraint of a high rate of poverty transforms into both an opportunity to earn significant discretionary revenue and a compelling motive in the absence of alternative revenue sources. Rather than operating as a binding constraint, implementation capacity can be rapidly built when political motivations to raise revenue are strong and implementation is labour-intensive and scalable. For Bolsa Família, municipal implementation is rewarded through the Index of Decentralized Management. Cross-sectional and panel data analysis confirm that, as the theory of pro-poor governance predicts, the municipalities performing best on this index are those with few alternative sources of revenue and the greatest scope to benefit, and that municipalities target the index components with the highest returns.

Keywords

federalism; pro-poor politics; social policy; state capacity

1. Introduction

A classic definition of a pro-poor social programme is one in which benefits are primarily targeted at—and effectively reach—the poor (Duclos, 2009). In decentralized polities, especially where poverty is spatially clustered, the degree to which benefits reach the poor depends on the quality of local social policy

implementation. Constrained by scarce resources, poor localities are often characterized by high levels of corruption, patronage, limited administrative capacity, and low levels of societal legibility that render policy implementation ineffective (Charnysh, 2022; Peeters et al., 2024). Even policies that are ostensibly pro-poor in their targeting may serve only to exacerbate spatial inequalities if they are only effectively implemented in wealthier communities. An important criterion for truly pro-poor social policies that rapidly reduce poverty across the national territory and truncate inequality is therefore that they exhibit "pro-poor governance"—policy implementation that is as good, if not better, in poorer communities as in wealthier ones.

Pro-poor governance is a crucial ingredient in poverty reduction because it requires addressing the most concentrated and stubborn sites of deprivation where, almost by definition, prior efforts at policy implementation and poverty reduction have proven less successful. Pro-poor governance is also vital to the political sustainability of social programmes—the legitimacy and breadth of political support, including from non-beneficiaries (Simoni Junior, 2021), depend on consistent, neutral, and geographically even rule enforcement to ensure only eligible citizens receive benefits, corruption is minimized, and policy impact is visible nationwide to generate common knowledge and electoral accountability (Adida et al., 2020; Corrêa & Cheibub, 2016; Pavão, 2016).

As with pro-poor development, governance can be pro-poor in different forms and degrees. Resource allocations may be considered pro-poor when poorer localities receive greater central funding; however, the scale of the task is different from the effectiveness with which it is addressed. The quality of targeting, delivery, monitoring, and compliance with policy rules—collectively referred to as "governance quality"—is analytically distinct from the volume of need and financing. A greater burden of responsibility on the local government does not guarantee an automatic governance response, which depends on political action. Precisely because poorer municipalities are burdened with greater needs and expectations, an effective policy response can be impaired as obligations exceed resources and implementation capacities (Schiumerini, 2025).

A minimalist criterion would classify governance as pro-poor to the extent policy implementation makes any contribution to poverty reduction, and in deeply extractive settings, this should not be taken for granted. Over time, governance might also be classified as pro-poor if improvements occur more rapidly in poorer localities, even if from a lower base. Here, I apply a more challenging, maximalist criterion in which the quality of policy implementation—as gauged by the national government's own measure—is higher in absolute terms in poorer localities than in richer localities. Officials facing more challenging circumstances are simply doing a better job.

Focusing on this stricter definition is both conceptually valuable, since convergence in development outcomes and inequality reduction will be most rapidly achieved where policy is most effective in the places it is most needed, and empirically important to demonstrate that the most demanding forms of pro-poor governance are feasible in practice.

When is social policy governance pro-poor? State capacity is often considered a prerequisite for effective policy implementation, but it is frequently lacking in poorer regions, preventing policies from achieving pro-poor goals. A lack of resources, human capital, and collective action in poorer communities threatens to cripple the implementation of pro-poor policies by local governments and undermine the political constituencies that support their continuation. Domestic and international efforts to build state capacity

have met with limited success—for example, World Bank capacity-building efforts are estimated to have had zero effect on state capacity in Tanzania (Di Maro et al., 2021)—primarily due to political incentives in poor contexts to mimic Western institutional forms without building real capabilities (Andrews et al., 2017), and to divert resources to clientelism and corruption which are electorally more rewarding (Diaz-Cayeros et al., 2014). As a result, implementation capacity is often framed as highly path dependent (Slater & Fenner, 2011), and poverty has proven to be a governance or "capability" trap in which the effective implementation of pro-poor policies is constrained by poverty itself (Collier, 2008; Pritchett et al., 2012).

How to implement policies in poor contexts has therefore been a pressing question for scholars and policymakers. Researchers have sought to identify local political circumstances that are supportive of policy implementation, such as electoral competition, left-wing incumbents, and homogeneous identities. However, these characteristics are both hard to manipulate in democratic contexts and often correlated with poverty itself: where resources are scarce, political monopolies are able to thrive (Medina & Stokes, 2007), clientelism crowds out programmatic policies (Weitz-Shapiro, 2012), and historically marginalized and diverse groups are more likely to be present (Green, 2013; Nunn, 2010). Moreover, theories have focused primarily on explaining when politicians "hollow out the state" (Martin, 2023; Suryanarayan, 2017), at the expense of theorizing when politicians opt to rapidly build capacity.

Instead, this study asks if policies themselves can be designed to induce effective implementation in poor contexts. While the potential of policy instruments to incentivize decentralized policy implementation, particularly through financial rewards, has been recognized (Lascoumes & Le Gales, 2007), particularly in federal contexts (Weingast, 2009), empirical confirmation of local governments responding in line with these hypothetical incentives is rare, and it remains unclear under what conditions these policies are effective at inducing pro-poor governance.

Extending existing case studies which point to the possibility of effective governance in poor settings (Roll, 2015; Tendler, 1998; Williams, 2021), I argue that local political elites are consistently motivated by the expansion of discretionary public revenues, and that this motivation intensifies as financial resources become scarcer and as opportunities to exploit weak policy implementation for clientelism or corruption diminish. In addition, where implementation is labour-intensive and resources are quickly redistributed, prior state capacity is a soft constraint rather than a ceiling, so that policy scaling can be rapid. Where discretionary revenue incentives are baked into policies and tied to scalable policy implementation, pro-poor governance is feasible. Conversely, when policy's discretionary revenue incentives are weak, including in wealthier municipalities, incentives for policy implementation are often lacking. Even when state capacity is abundant, political attention may be absent or skewed to policies that offer larger financial and economic gains in the local context.

At the same time, pro-poor governance in response to financial incentives is neither automatic nor universal. Even among similarly poor local governments, competing pressures are likely to be intense. Those local governments most responsive to external incentives are those that have the most limited alternatives to generate revenue and the greatest scope to gain revenue from the incentive structure embedded in the policy.

To illustrate pro-poor governance and the potential of policy instruments to achieve pro-poor goals by incentivizing local policy implementation, this study draws on the case of Brazil's Bolsa Família conditional cash transfer programme. In striking contrast to other social policies around the world and in Brazil, including in the education and healthcare sectors, poorer municipalities consistently perform better in executing their responsibilities than wealthier municipalities. These include updating the registry of potential recipients and verifying compliance with conditionalities, as measured by the Index of Decentralized Management (IGD). Municipalities in the bottom decile of the Human Development Index (HDI) have IGD scores 0.62 of a standard deviation higher than municipalities in the top decile of development in 2023. This performance is achieved despite measurably weaker state capacity.

I provide evidence that poor municipalities energetically respond to the specific financial incentives built into the Bolsa Família programme and the IGD performance measure. Evidence from cross-sectional and panel models that control for competing explanations indicates that municipalities with both the motive—few alternative sources of discretionary revenue—and the opportunity—a high proportion of beneficiary households for which a reward can be paid—perform better on the IGD measure of implementation quality. Since these characteristics are more common in poorer municipalities, poor places are correlated with better implementation despite lower levels of state capacity. A more granular examination of the incentives embedded in the IGD revenue mechanism also provides confirmatory evidence that municipalities with high beneficiary densities target their implementation efforts to the dimension of performance that is most strongly rewarded, namely the updating of the Cadastro Único registry.

These findings contribute to three distinct literatures. First, theories of policy implementation have long highlighted structural factors and contextual political incentives but have overlooked the potential of top-down policies themselves to anticipate local political incentives and overcome these structural constraints. The poverty-governance trap can be mitigated with well calibrated policy. Second, the findings suggest the need to be more precise about the circumstances under which state capacity prohibits effective governance and to recognize its elasticity. Third, our understanding of Brazil's political economy has emphasized both the role that redistributive social policies, such as Bolsa Família, have played in reducing poverty and inequality and these programmes' role in structuring political competition and legitimizing Brazil's democracy (Layton et al., 2017; F. V. Soares et al., 2010). However, the extent to which these gains have been contingent on a rare pattern of pro-poor governance has been underappreciated.

To ground the discussion in the case, this article first describes the Bolsa Família programme and the counterintuitive pattern of pro-poor governance in its implementation. Dominant theories of governance and policy implementation are then reviewed, demonstrating not only their inability to explain pro-poor governance but the extensive barriers they erect to effective policy implementation in poor contexts. An alternative theory focused on the incentives embedded in the policy itself is then presented and tested on programme data.

2. Case Context: Brazil, Bolsa Família, and the IGD

Eligibility for Programa Bolsa Família depends on a household being registered in the Cadastro Único, which captures low-income families, principally those whose monthly per capita income is less than half the prevailing level of the minimum wage. Registration tracks income and assets and enables the government to

cross-check information against other government databases to verify eligibility. Families whose income situation improves such that the Bolsa Família eligibility criteria are breached, or who repeatedly violate the conditionalities of child school attendance, vaccination, and prenatal attendance, can be cut off from the programme. The programme has been credited with reducing poverty, improving educational performance (Marx, 2023), and reducing inequality (F. V. Soares et al., 2010). From 2022 to 2023, the Programa Bolsa Família was replaced by Programa Auxílio Brasil, while retaining the major features of the policy.

While direct transfers into beneficiaries' bank accounts ensure that the programme to some extent leapfrogs municipal politics and limits the risk of capture, responsibility for key activities was nevertheless decentralized under the 2004 Política Nacional de Assistência Social, assigning municipalities primary responsibility for three key tasks: updating the Cadastro Único register of poorer families, verifying recipients' compliance with the education conditionalities, and verifying compliance with the health conditionalities. Note that these municipal activities are more closely related to enforcing the programme's rules than to delivering its benefits; as a result, effective municipal governance is valued more by the federal government than by the beneficiaries themselves.

Pre-existing state capacity to execute these tasks was indeed weakest in the poorest municipalities—the correlation between the 2000 HDI and the proportion of municipal employees with higher education in 2004 is 0.39, with the number of municipal employees 0.13, and 0.23 with revenue per capita in 2007. To address this limited capacity and incentivize validation activities, the IGD was introduced in 2006. The IGD-M, the municipal component of the programme, comprises both a technical measure of performance and a financial transfer linked to this measure. The resources that municipalities receive are intended to build administrative capacity for the execution of the municipality's oversight functions, but, crucially, municipalities have wide discretion in how to spend these funds across a range of expense types, including recruitment, training, vehicle and equipment purchase, overhead costs, and information campaigns (see Articles 11 and 12 of Ministério do Desenvolvimento Social, 2024).

The IGD-M is scaled from 0 to 1 and measures implementation performance for municipalities' obligations for the Programa Bolsa Família and social welfare programmes more broadly (the Cadastro Único register is also used for adjacent social programmes such as the Benefício de Prestação Continuada). The IGD formula has been revised multiple times, as documented in Appendix A of the Supplementary File, but the central incentives described here have persisted throughout the time period. Below, I use the parameters from late 2023. The IGD performance measure is calculated as:

$$\text{IGD} = \frac{1}{2}\left[\frac{A}{C} + \left(\frac{I_E}{2E} + \frac{I_H}{2H}\right)\right] \times 1_{\text{SUAS}} \times 1_{\text{Receipts}} \times 1_{\text{Approval}} \times 1_{\frac{A}{C} > 0.55} \times 1_{\frac{I_E}{E} > 0.3} \times 1_{\frac{I_H}{H} > 0.3} \quad (1)$$

C indicates the number of households registered on the Cadastro Único, A the number of these registrations that have been updated in the past two years (capped at C), E the number of children in Programa Bolsa Família households, I_E the number of those children with information available about their compliance with schooling conditionalities, H the number of people in Programa Bolsa Família households subject to health conditionalities, and I_H the number of those people with information available about their compliance with the conditionalities.

Thus, the core of the IGD (in square brackets in Equation 1) comprises three indicators reflecting the municipality's success in executing its three core responsibilities: Updating the Cadastro Único registry $\left(\frac{A}{C}\right)$, verifying education conditionalities $\left(\frac{I_E}{2E}\right)$, and verifying health conditionalities $\left(\frac{I_H}{2H}\right)$. Therefore, scoring highly on the IGD entails: assigning social and administrative workers to contact, validate and update information on local households in the registry; collate data from local schools and clinics, as well as administrative datasets; and cross-check school and clinic presence for children and pregnant mothers. Note that the IGD is not an absolute measure of the volume of implementation activity—which would be expected to scale with the number of registered low-income residents or beneficiary households under Bolsa Família—but rather a measure of relative implementation quality that accounts for the scale of the task through the denominators in the formula above.

The official IGD additionally reverts to zero if any of six minimum criteria are unmet: the municipality participates in the Unified Social Assistance System (1_{SUAS}); it has submitted accounts with proof of expenditures from past IGD revenues ($1_{Receipts}$); the Municipal Social Assistance Council has approved those accounts ($1_{Approval}$); the registration updating rate is above 0.55; and each of the conditionality monitoring rates is above 0.3. Because these thresholds introduce sharp non-linear changes in the IGD and latent policy implementation performance does not vary so dramatically from one month to the next, I also calculate an "adjusted IGD" series calculated from the raw components of the data that better reflects the underlying difference in implementation performance excluding the six binary penalty terms in Equation 1, and addresses missing data in the aggregate series through linear interpolation (this predominantly affects the health indicator from 2015 to 2018).

Data for the IGD is reliable because aggregate statistics are calculated from the actual number of confirmed registry updates and verified conditions in the programme's centralized management information systems. Since each activity must be tied to a specific household, be supported by documentation, and can be cross-checked against other databases, manipulation is challenging and rare (Lindert et al., 2007).

The monthly revenue transferred to each municipality is calculated as:

$$\text{Revenue} = \max\left(3200, [(4A \times \text{IGD}) + L] \times M\right) \tag{2}$$

L represents an additional incentive linked to the monitoring of suspended families and maintaining updated information in the information management system and M represents a multiplication factor that penalizes municipalities with a large unspent balance (in both absolute terms and relative to past transfers) retained in their IGD accounts.

Figure 1 presents descriptive statistics for both the official and adjusted IGD time series and the three component indicators. Panel (a) illustrates change over time in IGD performance, reflecting shifting demands and resources as macroeconomic conditions change, particularly for the economic recession of 2015–2016, and occasional adjustments to the index's calculation. Both indices exhibit gradual improvement over time, with the adjusted IGD improving from a mean of 0.713 in 2006 to 0.857 in 2024. As shown in panel (b), this trend reflects a gradual improvement in registration updating after falls in the first four years, and in verifying both health and education conditionalities, though the latter declined during the Covid-19 pandemic.

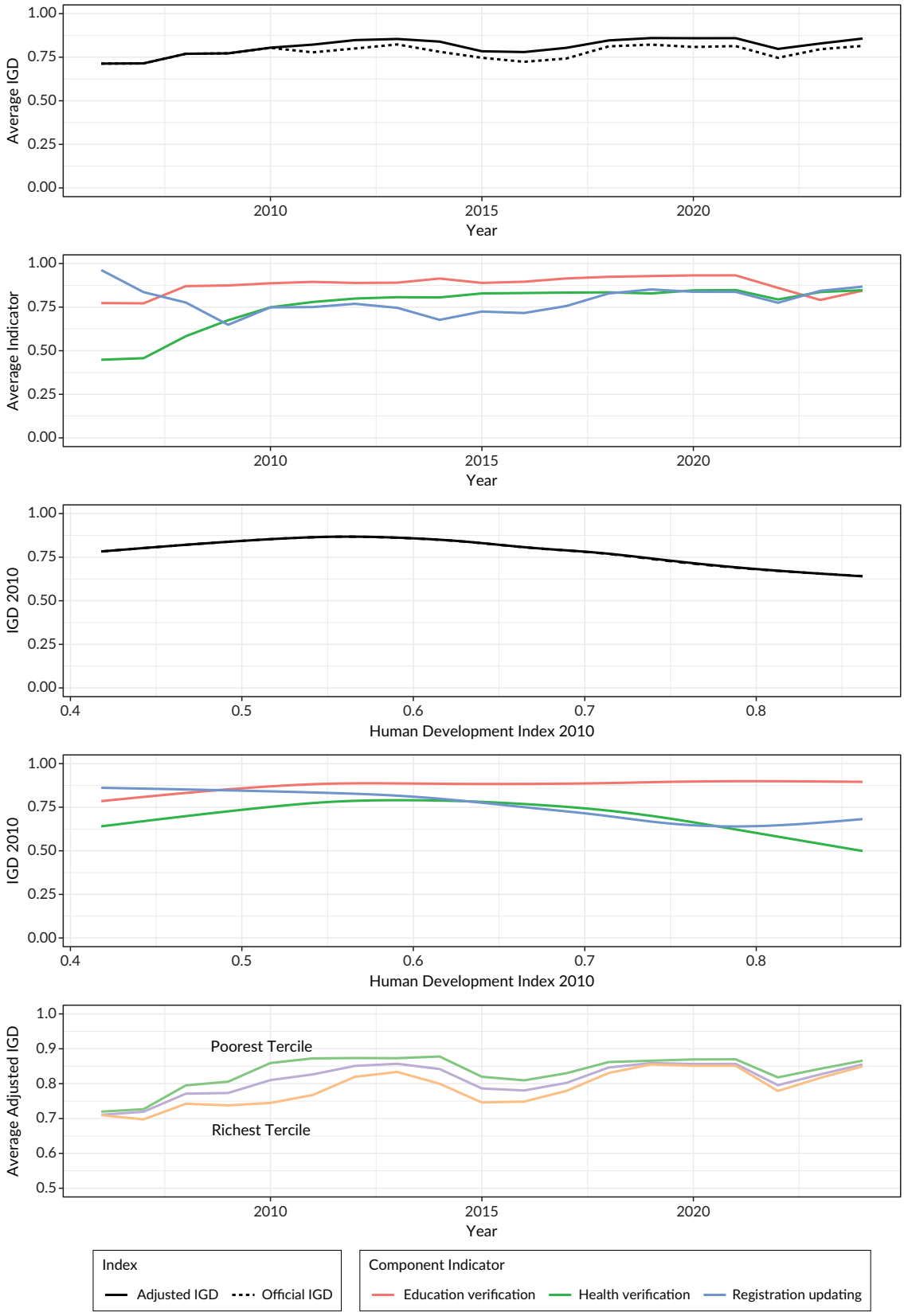

Figure 1. Descriptive patterns in the IGD index and its components over time and by HDI: (a) Change in the average IGD over time, (b) Change in the average IGD component over time, (c) Average IGD by HDI, 2010, (d) Average IGD component by HDI, 2010, and (e) Average adjusted IGD by HDI tercile over time.

To assess whether the IGD exhibits pro-poor governance, the performance of municipalities across the socioeconomic spectrum needs to be compared. Panel (c) displays variation in 2010 IGD performance across municipal socioeconomic conditions as captured by the HDI in 2010 using a generalized additive model to generate smoothed conditional means. Governance quality peaks around an HDI of 0.56, around the 9th percentile of the distribution. Thus, municipalities with developmental conditions comparable to those of Nigeria in 2023 consistently and substantially outperform those in the "very high" human development category with conditions similar to those in Europe (39 municipalities have an HDI exceeding 0.8 in 2010), suggesting strong evidence of pro-poor governance. As shown in panel (d), this pattern is particularly strong for registration updating, which is most frequent in the very poorest municipalities. By contrast, the verification of education conditionalities is marginally more effective in the richest municipalities, while health conditionality verification peaks around the median developed municipality.

The superior performance of poorer municipalities on the IGD is not a product of gradual learning but has been present since the foundation of the programme in 2006, as demonstrated in Panel (e), which divides municipalities into three terciles by HDI in 2010 to confirm that pro-poor governance has been consistently present for almost two decades.

Given the geographical segregation of income in Brazil, these patterns are also reflected in the equal area cartogram maps in Figure 2. To better represent the over 5,500 municipalities in Brazil without the distraction of large rural municipalities, the maps display an equally sized polygon for each municipality while preserving relative spatial position, which also has the effect of shifting the location of most municipalities to the Northwest, where population densities are much lower. While the extreme spatial segregation of HDI is clear in panel (a), this pattern is absent for the IGD in panel (b), with better performing municipalities more common in the poorer Northeast. Overall, the data present a striking and counterintuitive pattern of pro-poor governance.

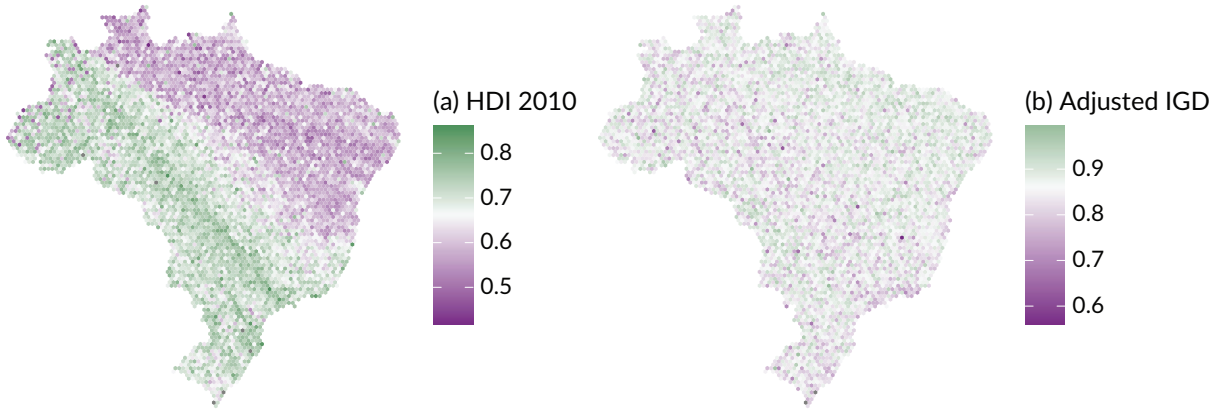

Figure 2. Equal area cartogram maps of municipal HDI and adjusted IGD.

What accounts for the superior implementation performance of poorer municipalities concentrated in the poorest part of the country? Pro-poor governance is not simply an artefact of the fact that the Programa Bolsa Família is targeted to benefit the poor. First, the IGD measure captures governance quality by measuring the proportion of families whose registration is updated, or whose conditionalities are verified, rather than the absolute number. While the scale of the task may make governance easier (through economies of scale) or harder (by increasing administrative complexity), there is no mechanical link and, as

shown in Section 3, the IGD behaves very differently from other policy implementation measures. Second, the IGD is not affected by selection bias that pushes wealthier municipalities out of the sample—all municipalities have Programa Bolsa Família beneficiaries and are attributed an IGD score—or that focuses transfers on the best-performing municipalities—Programa Bolsa Família benefits to households are not an entitlement, they are entirely independent from past IGD performance, and are consistently rationed, with new households on a waiting list and the number of beneficiaries per municipality constrained by survey estimates of municipal poverty rates (S. S. D. Soares et al., 2007). Existing research on Bolsa Família identifies a number of correlates of the IGD without explaining pro-poor governance. Consistent with the data presented in Figures 1 and 2, Estrella and Ribeiro (2008) show that IGD performance is stronger in poorer municipalities. Multiple studies examine correlations to argue that the IGD is lower when the programme is implemented at scale—either where there are more beneficiaries (Araújo et al., 2015) or in larger municipalities (Monteiro et al., 2009). Pizzolato (2014) argues that state capacity—measured by the educational attainment, contractual independence, and remuneration of municipal bureaucrats—is a key determinant of IGD performance.

A limitation of these studies in explaining governance outcomes is that they include few, if any, control variables and therefore struggle to isolate causally relevant factors. Coêlho and Fernandes (2017) adopt a more comprehensive approach by testing multiple hypotheses simultaneously, showing that political competition and location in Brazil's Northeast consistently correlate with IGD performance over time. However, their measure of political competition is constrained by the use of a binary variable with an arbitrary cutoff, and the mechanisms through which being located in the Northeast affects implementation performance are not explained. As a result, the specific political processes underlying the surprising pattern of better implementation in poorer municipalities remain poorly understood.

3. Assessing Theories of Governance

The strong inverse correlation between levels of development and the IGD is at odds with the expectations of theories of state capacity (Mann, 1984; Savoia & Sen, 2015; Soifer, 2008) and modernization (Lipset, 1959), which anticipate the parallel evolution of available resources and the quality of policy implementation. Administrative, fiscal, and infrastructural resources can be deployed to collect information, enforce laws, crack down on corruption, and motivate bureaucrats, enabling polities to implement policy more comprehensively, rapidly, and efficiently (Dawson, 2010; Schwartz, 2003). The state capacity constraint is typically framed as strict, with most studies underscoring the deep historical roots of state capabilities, grounded in past conflict (Tilly, 1990), factor endowments (Engerman & Sokoloff, 2000), colonization (Acemoglu et al., 2015; Slater & Fenner, 2011), or the gradual establishment of a fiscal contract (Bodea & LeBas, 2016; Levi, 1988).

These historical processes have all deeply affected Brazil, but unevenly (Laudares & Caicedo, 2023; Naritomi et al., 2012), making it plausible that they explain variation in policy implementation. Moreover, the tasks municipalities are responsible for executing in the oversight of Bolsa Família involve acquiring and verifying information from citizens, making them intensive, continuous, and plausibly dependent on state capacity.

However, contrary to these theories' expectations, the IGD as a measure of governance and policy implementation is negatively correlated with a range of measures of state capacity in 2020 (see Appendix B

of the Supplementary File for details on these indicators). The panel "Broad state capacity" in Table 1 shows that indicators measuring resources, human capital and management practices are all correlated with worse performance on both the official and adjusted IGD measures. The uniqueness of decentralized Bolsa Família implementation is made clear by the contrast with the Índice de Desenvolvimento de Educação Básica (IDEB) measure of municipal education performance (capturing student retention and exam performance), which is positively correlated with all state capacity measures, and strongly so for the most general HDI indicator. Even narrower measures of state capacity—directly tied to municipalities' responsibilities for Bolsa Família and derived from 2009 administrative data collected by IBGE on the Centro de Referência de Assistência Social facilities, which manage the Cadastro Único register and verify conditionalities—consistently show a negative or null correlation with the IGD in 2009 (see the panel "Narrow state capacity" in Table 1). Contrary to prevailing accounts, municipal implementation of Bolsa Família does not seem to be constrained by traditional measures of state capacity.

Table 1. Correlation between IGD and state capacity indicators.

Label	IGD	Adjusted IGD	Education (IDEB)
Broad state capacity			
Income per capita	−0.072	−0.102	0.263
HDI	−0.123	−0.182	0.656
Municipal revenue	−0.006	−0.078	0.037
Population	−0.006	−0.104	0.026
Municipal revenue per capita	−0.057	−0.012	0.279
Municipal employees	−0.004	−0.126	0.013
% Municipal employees with a degree	−0.042	−0.014	0.195
% Urban population	−0.059	−0.135	0.273
% Urban area	−0.082	−0.172	0.102
Fiscal management	−0.047	−0.137	0.477
i-Gem index	−0.027	−0.154	0.248
Narrow state capacity			
Budget	0.017	0.017	—
Number of computers	−0.100	−0.100	—
Computers with internet	0.001	0.001	—
Website	−0.064	−0.064	—
Information system	−0.025	−0.025	—
Employees	−0.117	−0.117	—
% Permanent employees	−0.085	−0.085	—
% Employees with a degree	−0.126	−0.126	—

One reason capacity may not be correlated with implementation is that it only captures bureaucracies' "hypothetical potential," with political incentives and constraints regularly causing high-capacity states to underperform (Williams, 2021). As an alternative, scholars of developed contexts have proposed power resources theory to explain how the mobilization of left-leaning parties shaped the emergence of welfare states (Esping-Andersen, 1990). Given the role of the left-wing Workers' Party (PT) in driving the national expansion of Bolsa Família, this is a potentially credible explanation for Brazil, as left-wing parties could

plausibly tie their credibility more closely to the programme's success. Relatedly, high levels of income inequality have been blamed for entrenching a local political elite that is disinterested in public services and pro-poor policies like Bolsa Família (Kosec, 2013). Bivariate correlations suggest that these accounts do not offer a simple explanation: Adjusted IGD performance shows a very slight positive correlation with PT mayors (0.02), but a slight negative correlation with left-wing mayors more broadly (−0.03), with neither correlation being statistically significant. Higher inequality (typically in municipalities in the Northeast) is, if anything, associated with marginally better IGD performance (0.01).

Models of accountability instead point to the importance of political competition to motivate municipal politicians to deploy state capacity effectively and eschew corruption (Brown, 2004; Harding & Stasavage, 2014). However, the winning margin in mayoral elections shows a negligible relationship with the IGD (−0.004). Accountability is also argued to be harder in more diverse municipalities (Easterly & Levine, 1997), but IGD performance is slightly better in more ethnically diverse places (0.03).

4. Explaining Pro-Poor Governance

The inability of existing theories to account for pro-poor IGD governance prompts us to look beyond the traditional framework of capacity as a path-dependent ceiling on policy performance. The challenge is not simply to explain why politics tempts high-capacity municipalities to fall short in implementation, but to explain how under-resourced municipalities are able to perform so consistently well in absolute terms, with many recording IGD scores well above 0.9 despite the prevalence of challenging political circumstances, including ethnic diversity, norms of corruption and clientelism, and sometimes low electoral competition.

That state capacity may be more elastic and less constraining than typically depicted is consistent with emerging strands in the development and political science literatures. First, conceptualizing capacity as a finite pool of resources to be drawn upon is argued by Williams (2021) to be too simplistic. Rather, resources can be combined in diverse ways to produce non-linear impacts depending on how bureaucrats complement each other, work collectively, and the relational contracts that support their deployment. In the same vein, Suryanarayan (2024) contends that state capacity can be endogenously built as the product of internal political conflicts, even in the absence of structural historical determinants.

Second, consistent with such theorizing, in-depth empirical studies have demonstrated that learning and capacity-building—even if narrowly restricted to specific policies—can be extremely rapid in the right circumstances. When front-line bureaucrats are given clear objectives, political support, and a motivational identity, policy improvements are not reliant on increases in resources or more intensive supervision (Tendler, 1998). In addition, resources can be rapidly redistributed from other areas and provided selective "shelter from neopatrimonial logics" (McDonnell, 2020, p. 7). Studies of "pockets of effectiveness" in developing countries have highlighted how policy performance is often driven by the demands of political elites (Abah, 2012; Leonard, 2010; Roll, 2015), who are often very capable of driving the learning and iteration needed to identify effective solutions when incentivized (Andrews, 2015).

As a result, raw capacity can be a soft or non-binding constraint on government performance. Low-resource states cannot develop broad-based capabilities in all areas, but they can be impressively agile in executing narrow policies that are essential to the political prospects of elites and where performance can be rapidly

scaled. This is most feasible where scaling implementation is labour-intensive and requires few skills, so it can draw on abundant local resources.

The question remains of what motivates political leaders to endorse, protect, and enable effective policy implementation. While a range of idiosyncratic circumstances are possible (Melo et al., 2012; Suryanarayan, 2024), one systematic impetus can be traced to the design of multi-level policy instruments themselves: Financial rewards for effective implementation. When elites at higher tiers of administration or government seek to incentivize policy implementation using the standard carrots of the principal-agent model, I argue that local political leaders in poor contexts have a strong motivation to respond.

Financial resources are an intrinsic constraint on political strategies in poor contexts, whether because they limit opportunities for patronage and clientelism (Colonnelli et al., 2020), prevent follow-through on programmatic policy promises (Keefer, 2007), or constrain the size of the mayor's loyal team that can additionally be used for electoral campaigning (Sells, 2020). Political elites have frequently been characterized as revenue-maximizing, particularly in the literature on state-building and policy implementation (Acharya & Lee, 2018; Bates & Donald Lien, 1985; Levi, 1988; Thies, 2010) and, in the Brazilian context, ample revenues have been key to enlarging winning margins and establishing political dominance (Boulding & Brown, 2014).

The marginal value of financial resources is likely to be greatest when existing revenues are low and alternative sources of revenue are scarce. Discretionary resources that come with limited obligations and lie beyond the scope of any implicit contracts with citizens or other elites are effectively rents that are known to be at the centre of political motivations (Acemoglu & Robinson, 2019; Khan & Jomo, 2000). Conversely, when mayors are dependent on external federal or state transfers tied to specific obligations, leaving them with little discretionary revenue, their political autonomy is extremely limited, which makes opportunities to acquire additional discretionary revenue particularly valuable.

Financial incentives may, however, compete with the motives for weak policy implementation in the first place. If electoral support is tied to forbearance on rule enforcement as a signal of understanding the needs of the poor (Holland, 2014), implementation is likely to remain low. But if weak policy implementation was a by-product of corruption, sufficient financial rewards are a compelling alternative, since they derive a comparable resource gain with less legal and reputational risk, while also securing any benefits linked to policy implementation itself. If weak policy implementation is a by-product of clientelism, the calculation is more complex, since adequate implementation is likely to undermine the discretionary distribution of benefits from which electoral support is derived, but additional resources can also be subject to discretionary distribution. The political response will depend on the scope for new resource acquisition and the terms of discretionary distribution.

There are additional reasons why it is not automatic that politicians respond to the opportunity to raise revenue through better policy implementation. Effective policy implementation itself may be politically costly, either because the programme is associated with a competing political party (Niedzwiecki, 2016) or because social policies that reach the poor and reduce poverty make voters less vulnerable to clientelist pressures in the future (Bobonis et al., 2022; Frey, 2019) and may empower them to challenge local corruption. Therefore, whether local political actors in poor communities respond to revenue incentives or not merits empirical investigation.

Overall, these theoretical considerations suggest that when policy instruments reward implementation, pro-poor governance is a feasible outcome, as long as the financial rewards are sufficient, provide a degree of discretion to local politicians, do not undermine mobilization strategies grounded in forbearance or clientelism, and implementation is labour-intensive and can therefore be rapidly scaled.

4.1. Incentives to Implement Bolsa Família

I argue that the conditions supporting pro-poor governance apply to municipal implementation of Bolsa Família and the IGD. The revenue transfers tied to IGD scores provide a clear stake for municipalities in the quality of programme implementation. Transfers are not huge, but on average, municipalities received R$96,398 (R$4.11 per resident) in IGD incentives in 2021, with municipalities in the lowest tercile of the HDI earning nearly a third more. In 2024, this aggregated to a vertical transfer of R$741m by the federal government. Importantly, and in contrast to many federal transfers on which municipalities are often highly dependent, how IGD funds are spent is largely discretionary. While the resources must be accounted for, they can be broadly spent on any "actions related to the management and decentralized execution of the Bolsa Família programme and of the Cadastro Único" (Ministério do Desenvolvimento Social, 2024). This leaves broad scope for mayors to recruit and train public employees, purchase equipment, or enhance social programs in ways that they can take political credit for.

Policy implementation improvements can be rapidly scaled because updating household entries in the Cadastro Único or verifying conditionalities is labour-intensive. While basic literacy, numeracy, and computing skills are required for these activities, specialized training is very limited. The equipment and software to update and cross-check national databases are universally provided by the Ministry of Social Development.

In addition, effective implementation of municipal responsibilities under Bolsa Família is likely to incur relatively minor political costs. While forbearance in enforcing conditionalities or updating the registry by local mayors is possible to retain households' access to cash transfers, a lack of updates also denies new households access to the program. Punishment of non-compliant households is also a gradual and often forgiving process (Lindert et al., 2007), and the total number of enrolled households is itself limited by nationally determined estimates of poverty rates and a waiting list for entry into the program. Use of the programme for clientelism is also limited, since transfers are paid directly into beneficiaries' bank accounts by the national government and implementation is generally highly programmatic (Fried, 2012; Sugiyama & Hunter, 2013). By contrast, IGD resources transferred to the municipality could relatively easily be used for patronage or to mobilize local political support (Boulding & Brown, 2014).

The nature of the financial incentives embedded in the IGD can be understood by analysing the underlying formulas (1) and (2). Assuming the minimum conditions are met and the municipality targets revenue above the R$3,200 minimum, the marginal revenue incentives for the three core variables over which the municipality has control (registration updating and conditionality verification) are:

$$\frac{\partial \text{Revenue}}{\partial A} = \frac{4AM}{C} + \frac{MI_E}{E} + \frac{MI_H}{H} \tag{3}$$

$$\frac{\partial \text{Revenue}}{\partial I_E} = \frac{AM}{E} \tag{4}$$

$$\frac{\partial \text{Revenue}}{\partial I_H} = \frac{AM}{H} \tag{5}$$

Most striking is that both the aggregate and marginal returns are tightly linked to A, the number of registrations updated. First, the IGD places double the direct weight on updating registrations compared to the other two indicators. Second, the revenue reward is also directly proportional to the number of updated registrations (A) at a fixed incentive of R$4. Third, since this reward is multiplied by the IGD, there are increasing returns to updating registrations. Assuming M is one (corresponding to having an account balance worth less than 6 months of transfers), a municipality that improves from updating 10% of its registrations to updating 90% can expect the marginal return from updating one more registration to rise by R$3.2, all else equal.

While there are complementarities between all three indicators in the formula—such that completely ignoring any indicator would be costly—for the median values of these parameters in the dataset in June 2020 and assuming a multiplier (M) of one, the return to updating one registered person is much larger (R$5) than for verifying the education conditionality (R$1.3) or the health conditionality (R$0.7). In choosing which of the three components to focus on, municipalities seeking to maximize revenue would be wise to focus on updating registrations.

The characteristics of Bolsa Família and the structure of returns to the IGD imply that pro-poor governance may be feasible to induce. But not all poor municipalities will respond reflexively and uniformly. As argued in Section 4, municipalities lacking alternative revenue sources are most motivated to take advantage of opportunities for new revenue. Where leaders possess very limited opportunities for taxation or extracting royalties from natural resource revenues, they are more likely to direct their political attention to external revenue sources. Hence, it is the municipalities that are most dependent on intergovernmental transfers that are expected to invest the most in improving governance to secure the IGD transfers:

> *Hypothesis 1:* All else equal, municipalities more reliant on intergovernmental transfers will perform better in Bolsa Família implementation.

Political elites in these transfer-dependent municipalities possess the greatest urgency to seek out the rewards of the IGD. But formula (2) also ensures that the scope to raise revenue is tied to the scale of the program. Where only a small proportion of the population receives Bolsa Família, even impeccable implementation will generate little revenue, since the scope to convert IGD performance into monetary rewards is proportional to—indeed non-linearly increasing in—the number of registrations that can be updated.

Municipalities with a greater density of beneficiaries are typically poorer, but due to local variations in the distribution of income around the programme eligibility threshold, the correlation between the number of beneficiaries per capita and income per capita is far from perfect ($\rho = -0.42$ in 2014), and the same is true of municipal revenue per capita ($\rho = -0.34$ in 2014). Because Programa Bolsa Família is not an entitlement and the number of households permitted to enrol reflects historical surveys by national authorities, this variable is also exogenous, being outside of the municipality's direct control (this variable is preferred to the use of Cadastro Único registrations per capita which forms the denominator of the registration updating indicator and therefore has a mechanical impact within the IGD formula).

Hypothesis 2: All else equal, municipalities with a higher density of Bolsa Família beneficiaries will perform better in Bolsa Família implementation.

Finally, if these more responsive municipalities are motivated by revenue-maximization in their implementation of the programme, the specific incentives embedded in the IGD would be expected to skew efforts towards those indicators that offer the highest returns (assuming costs are comparable). For the IGD, this is to update the Cadastro Único registry.

Hypothesis 3: All else equal, municipalities more reliant on intergovernmental transfers or that have a higher proportion of Bolsa Família beneficiaries will perform relatively better in updating registrations and worse in verifying conditionalities.

5. Empirical Evidence

To analyse the relationship between municipal characteristics and governance implementation as measured by the IGD, this study combines sociodemographic data from national censuses, data on the Bolsa Família programme (including the IGD) from the Ministry of Social Development, annual administrative data reported by IBGE, financial data in the FINBRA database, electoral data from the TSE, and coding of political parties' ideology by Borges and Vidigal (2023). The data cover the period the IGD has been operational and for which data are widely available, from 2007–2021. Descriptive statistics for the numeric variables are provided in Appendix D of the Supplementary File.

The hypotheses are tested using observational data and controlling for potential confounders and competing theoretical explanations. To triangulate robust tests of Hypotheses 1 and 2, the analysis draws on both cross-sectional and panel methods to isolate the effect of transfer-dependence and beneficiary-density as encoded in the hypotheses. Given the high risk of confounding in cross-sectional comparisons, the first model includes a full set of state-year interaction fixed effects to focus on local comparisons within each state in the same year.

Focusing instead on temporal variation, two panel models are included. The first uses a "within" estimator to compare municipalities with themselves in different moments in time, eliminating any time-invariant characteristics of municipalities as potential confounders. The final model takes first differences for all of the variables to focus on the degree to which changes in transfer-dependence and beneficiary-density are reflected in improved IGD performance. For all models, to account for autocorrelation and cross-sectional dependencies in the data, two approaches to clustering standard errors are taken: one using Newey-West robust standard errors and the other reflecting the structure of the data by incorporating two-way clustering of the standard errors by municipality and year.

The models contain extensive controls for competing determinants of policy implementation. In all models, time-varying confounders that are available annually are included. Socioeconomic conditions are captured by income per capita (logged). Municipal resources are measured by revenue per capita and prior state capacity by the number of municipal employees. Political variables include the winning margin at the last election as an indicator of competitiveness, whether the mayor is a co-partisan of the incumbent president which could affect both implementation capacity and electoral credit-claiming, and a left-centre-right classification of the

partisan ideological measure of the incumbent mayor following Borges and Vidigal (2023), the details for which are provided in Appendix C in the Supplementary File. Municipal size, highlighted in past studies of correlates of the IGD, is incorporated through population (logged). In addition, for the cross-sectional model, additional controls that vary slowly over time or are unavailable at higher frequency are included for the HDI, the Gini measure of inequality, and the racial fractionalization measure of ethnic diversity, all from 2000.

For Hypothesis 1, tested in the first row of Table 2, there is moderately strong evidence that when municipalities are more dependent on revenue from intergovernmental transfers, they perform better in implementing Bolsa Família, with all six models exhibiting the expected positive effect, and three reaching high levels of statistical significance. The models using clustered standard errors fall slightly short of

Table 2. Results for Hypotheses 1 and 2: The effect of transfer-dependence and beneficiary-density on the IGD measure of programme governance.

	Intra-state		within		first differences	
	(1)	(2)	(3)	(4)	(5)	(6)
Transfer revenue-dependence	0.016** (0.004)	0.016 (0.007)	0.027** (0.008)	0.027 (0.069)	0.042*** (0.005)	0.042 (0.023)
Bolsa Família beneficiaries per capita	0.318*** (0.013)	0.318** (0.081)	0.565*** (0.023)	0.565* (0.195)	1.065*** (0.032)	1.065*** (0.302)
Income per capita (log)	−0.002** (0.001)	−0.002 (0.001)	0.057*** (0.003)	0.057** (0.014)	0.019*** (0.002)	0.019 (0.012)
Population (log)	−0.012*** (0.000)	−0.012*** (0.001)	0.099*** (0.006)	0.099* (0.033)	0.171*** (0.011)	0.171 (0.114)
Revenue per capita	0.000 (0.000)	0.000 (0.000)	0.000* (0.000)	0.000 (0.000)	0.000** (0.000)	0.000 (0.000)
Number of municipal employees	0.000 (0.000)	0.000 (0.000)	0.000** (0.000)	0.000 (0.000)	0.000* (0.000)	0.000 (0.000)
Co-partisan president	0.001 (0.001)	0.001 (0.001)	−0.003* (0.001)	−0.003 (0.005)	0.003** (0.001)	0.003 (0.004)
Win margin	0.000 (0.000)	0.000 (0.000)	0.000*** (0.000)	0.000* (0.000)	0.000** (0.000)	0.000 (0.000)
HDI 2000	0.036*** (0.007)	0.036 (0.020)				
Inequality 2000	0.013* (0.005)	0.013 (0.011)				
Ethnic diversity	0.009* (0.004)	0.009 (0.010)				
Num. Obs.	69,886	69,886	69,921	69,921	64,355	64,355
R^2	0.486	0.486	0.463	0.463	0.034	0.034
Std. Errors	Newey-West	Mun-Year Clustered	Newey-West	Mun-Year Clustered	Newey-West	Mun-Year Clustered
Fixed effects	State*Year	State*Year	Municipal	Municipal		

Notes: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, linear models of the effect of the listed variables on the adjusted IGD outcome variable, standard errors are in brackets.

significance. Using column (5) as a benchmark, the model suggests that a municipality increasing its revenue dependence by 10% points (approximately one standard deviation in 2021) is associated with a 0.0042 higher IGD score, equivalent to 0.1 of a standard deviation in 2021.

For Hypothesis 2, evaluated in the second row of Table 2, all six models provide statistically significant confirmation that municipalities with a higher proportion of their population enrolled in Bolsa Família perform better on the IGD measure. This relationship is stronger than for revenue dependence. Again, using column (5) as a benchmark, a 0.06 increase in beneficiaries per capita (equivalent to one standard deviation in 2021) is associated with a 0.07 higher IGD score, equivalent to just over 1.5 of a standard deviation. To confirm that these results are driven by variation among poor municipalities, rather than unmeasured differences between rich and poor contexts, Appendix E of the Supplementary File repeats the analysis while restricting the sample to municipalities in the bottom tercile of the HDI in 2000. Appendix F of the Supplementary File also provides a robustness check for an alternative non-linear specification of income per capita, including a quadratic term rather than the logarithm.

While the argument here is that the density of beneficiaries captures the potential for revenue growth, a potential alternative interpretation could be that beneficiary density captures the political salience of the programme and the potential to secure electoral rewards. However, the IGD does not capture voters' interests in the number of beneficiaries or the value of transfers, but rather the Federal Government's interest in adherence to programme rules, which typically serve to ration access for citizens. Beneficiaries are more likely to be frustrated by a municipality that regularly checks their income and assets, and school and healthcare attendance, elevating the risk of removal from the programme. As Holland (2014) argues in the context of housing regulation and street vending, larger populations of poor residents provide a fertile constituency demanding forbearance precisely because weak implementation operates as an informal social policy. Political considerations may even nudge richer municipalities with fewer beneficiaries towards greater enforcement to address the concerns of non-beneficiaries regarding corruption and dependence (Simoni Junior, 2021). Nor does this finding capture the degree of federal oversight, as such oversight is channelled through the IGD programme itself, and the measure focuses on the proportion of beneficiaries rather than the absolute number, which would be of interest to national policymakers. Therefore, this finding suggests that municipalities with the policy scale to benefit from the financial rewards of the IGD are the ones most motivated to invest in improved governance.

To test Hypothesis 3—municipalities responsive to the revenue incentives of the IGD focus relatively more on updating the Cadastro Único than on verifying conditionalities—the conservative Model (2) is replicated for each of the three key components of the IGD, and the findings are presented in Table 3. For Bolsa Família beneficiaries per capita, there is clear evidence that municipalities prioritize updating registrations. The aggregate improvement in the IGD is not driven by verification of education or health conditionalities, which are unresponsive to beneficiary-density, but entirely by improvements in the proportion of registrations updated. An increase of five Bolsa Família beneficiaries for every 100 residents (approximately one standard deviation) is associated with updating 3% points more household registrations (0.26 of a standard deviation).

For transfer-dependence, the results do not support the hypothesis. Municipalities more dependent on federal transfers focus their IGD improvements on verifying health conditionalities at higher rates than

updating registrations and actively neglect education conditionality verification. While this appears to forgo the incentives embedded in the IGD formula, it is possible that health conditionalities are cheaper to maximize, given that many municipalities are already relatively close to the performance ceiling (average health verification rates in 2021 are 84.8%). Hence, it is plausible that revenue-dependent municipalities pursue the least costly gains first, while municipalities with more registrations, and thus greater scope to increase aggregate revenue, prioritize updating registrations.

Table 3. Regression results for Hypothesis 3: The effects of transfer-dependence and beneficiary-density on the IGD components.

	Registration updating	Health verification	Education verification
Transfer revenue-dependence	0.011 (0.009)	0.051* (0.019)	−0.025** (0.008)
BF beneficiaries per capita	0.538*** (0.112)	−0.121 (0.072)	−0.043 (0.028)
Income per capita (log)	−0.002 (0.002)	−0.008* (0.004)	−0.004* (0.001)
Population (log)	0.002 (0.001)	−0.043*** (0.003)	−0.010** (0.003)
Revenue per capita	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Number of municipal employees	0.000** (0.000)	0.000* (0.000)	0.000 (0.000)
Co-partisan president	0.002 (0.002)	0.003 (0.003)	0.001 (0.002)
Win margin	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Num.Obs.	64,355	64,355	64,355
R^2	0.018	0.016	0.036
Std. Errors	Mun-Year Clustered	Mun-Year Clustered	Mun-Year Clustered
Fixed effects	State*Year	State*Year	State*Year

Notes: $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, linear models of the effect of the listed variables on the three core components of the IGD outcome variable, standard errors are in brackets.

Finally, and more speculatively, I consider how municipalities that perform better on the IGD make use of the resources they gain. While broad-based improvements in aggregate state capacity are unlikely to be observable given the limited resources involved, can we nonetheless observe these resources being reinvested to build capacity for Bolsa Família programme implementation? To provide preliminary insights, I draw on data from the available 2009 and 2013 IBGE surveys that assess the capacities of the CRAS facilities responsible for policy implementation. The model assesses whether the adjusted IGD, or revenue derived from the IGD, is correlated with the key inputs to CRAS operations, controlling for the same covariates as in the main analysis and, following the template of column (3) from Table 2, including municipal fixed effects to hold constant time-invariant confounders and focus on variation over time within the same municipality.

Table 4 demonstrates that municipalities that increased their IGD score over the five years from 2009 to 2013 also substantially increased their number of CRAS employees. In Panel A, a 0.1 increase in the adjusted IGD over five years is associated with an additional 1.7 CRAS employees on average, a substantial increase over the median of 14 employees. Panel B also demonstrates a positive association of IGD revenue with the number of CRAS employees, though this is only significant at the 10% level. Notably, however, with the exception of the acquisition of computers, other dimensions of capacity do not show significant rates of improvement, suggesting that these incremental resources are predominantly channelled into additional—predominantly low-skilled and temporary—human resources. Additional employees may be valuable to scale-up implementation, but also to reap political rewards for patronage or from programmatic commitments to boost public employment.

Table 4. Relationship between the IGD, IGD revenue, and programme-specific CRAS state capacity, 2009–2013.

	Employees	MIS	Computers	% Graduates employees	% Permanent employees
	(1)	(2)	(3)	(4)	(5)
Panel A					
Adjusted IGD	16.752*	−0.039	0.414**	1.493	5.828
	(7.465)	(0.116)	(0.130)	(4.636)	(5.572)
Num. Obs.	10,125	10,139	10,140	10,062	10,120
Panel B					
Revenue from IGD	0.066	0.000	0.000	0.002	0.000
	(0.037)	0.000	(0.000)	(0.001)	(0.001)
Num. Obs.	10,125	10,139	10,140	10,062	10,120
Controls	Yes	Yes	Yes	Yes	Yes
Fixed effects	Municipal	Municipal	Municipal	Municipal	Municipal
Std. Errors clustered by:	Municipality	Municipality	Municipality	Municipality	Municipality

Notes: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, linear models of the effect of the listed variables on the CRAS state capacity indicators, standard errors are in brackets.

6. Conclusion

The prospects for realizing pro-poor development in decentralized polities depend on social policies being implemented effectively by the local governments with the fewest resources and the least state capacity. To make rapid progress, governance itself would ideally be pro-poor, out-performing policy implementation in wealthier settings. The evidence from Brazil's Bolsa Família programme suggests that this is not an impossible goal, and that the substantial contribution of the programme to inequality reduction in Brazil (S. S. D. Soares et al., 2007) has hinged on the fact that the top five performing municipalities over the 2006–2023 period (according to the adjusted IGD used in this study) come from the four relatively poorer Northeastern states of Bahia, Rio Grande do Norte, Piauí, and Pernambuco, plus a small rural municipality in Minas Gerais. The evidence suggests that municipalities that are transfer-dependent and beneficiary-dense have more scope to leverage the incentives of the IGD to generate revenue and take that opportunity.

This analysis points to two important implications for our understanding of the politics of pro-poor policy implementation. First, despite the intensity of governance traps, financial incentives embedded in policy

instruments can align local political incentives with effective policy implementation. Precisely where resources are scarce and the need for social policy is the greatest, local political elites are willing to exert effort to secure public resources that can give them the edge in local politics. The sums involved are relatively small but represent a crucial source of discretionary resources for local mayors. The evidence suggests that local actors can be adept at interpreting the incentives embedded in federal funding formulae and adapting their policy efforts to maximize revenue.

Second, the conceptualization of state capacity as placing a ceiling on policy performance is too strong. At least for labour-intensive policy activities, there may be few prerequisites to the rapid development and redistribution of the relevant capabilities once political commitment has been generated. For many of the tasks associated with social programme implementation, Brazil's experience suggests that local bureaucracies' success need not be tightly constrained by structural economic constraints or historical legacies. Even where municipal responsibilities outstrip capacities (Schiumerini, 2025), local political actors can still be responsive to opportunity structures, can support policy implementation more effectively than their wealthier counterparts, and can further use the financial rewards from success to invest in a positive cycle of further policy improvement.

There are, however, clear limits to when national policy incentives can induce pro-poor policy responses. Not only do rewards have to be discretionary and carefully calibrated to act as powerful incentives for poorer localities but trivial distractions for wealthier localities, but policy activities must be labour-intensive and rapidly scalable, and negate attempts to derive competing benefits from corrupt or clientelist forms of weak policy implementation. Agency losses are also to be expected, since only measurable outcomes can be incentivized (Holmstrom & Milgrom, 1991), and strong responses may rely on non-linear rewards that bias efforts towards narrow policy efforts. Induced improvements in policy governance may also struggle to be translated into broader-based state capacity gains, and whether short-term boosts to employment can translate into longer-term institutional capacity merits further investigation.

Despite these limitations, the political consensus in favour of Bolsa Família—which has now endured for more than two decades through administrations from across the political spectrum with little more than superficial changes to its branding (Layton et al., 2017)—demonstrates the political importance of generating effective local implementation. Dispelling critiques that the programme is poorly targeted, corrupt, clientelist, or an unconditional handout—critiques that were widespread in its first years of operation (Fenwick, 2017; Hall, 2008)—has been achieved by the performance of the poorest municipalities in implementation. The legitimacy of the programme, its institutionalized place in the Brazilian social contract, and its sustained impact on poverty reduction are the product of policy instruments that have incentivized pro-poor governance.

Acknowledgments

Thank you to Bruno Martins Pessoa and Gabriela Fischer Armani for excellent research assistance, and to the anonymous reviewers for their constructive comments.

Funding

Publication of this article in open access was made possible through the institutional membership agreement between Leiden University and Cogitatio Press.

Conflict of Interests

The author declares no conflict of interests.

Data Availability

The replication data supporting the analysis in this study are available at https://dataverse.nl/dataverse/leidenPoliticalScience

Supplementary Material

Supplementary material for this article is available online in the format provided by the author (unedited).

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