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The Nuts and Bolts of Brazil's Bolsa Família Program: Implementing Conditional Cash Transfers in a Decentralized Context

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This paper is one in a series of World Bank Working Papers that seeks to document the experience of Brazil's Bolsa Família Program. It highlights the key “nuts and bolts” of designing and implementing the BFP in Brazil's decentralized context. Like other conditional cash transfers (CCTs), the BFP seeks to help (a) reduce current poverty and inequality, by providing a minimum level of income for extremely poor families; and (b) break the inter-generational transmission of poverty by conditioning these transfers on beneficiary compliance with human capital requirements (school attendance, vaccines, pre-natal visits). The program also seeks to help empower BFP beneficiaries by linking them to other complementary services.

As the largest conditional cash transfer in the developing world, the BFP has attracted significant attention both in Brazil and beyond. As such, this paper has two key audiences – and two corresponding objectives.

First, the primary audience is international, given world-wide interest in the Bolsa Família Program. This international target audience thus includes: policy makers, practitioners, and potential future practitioners of CCTs working in other countries who are interested in learning more about Brazil's experience with the BFP, particularly given its decentralized context. For this audience, the paper highlights some of the key features of the program including:

- The program as a reform program, which consolidated four pre-reform programs into one, building on Brazil's decade of experience with CCTs;
- The size and rapid expansion of the program, now reaching 11.1 million families (over 46 million people), making it the largest program of this type in the world;
- The very impressive targeting accuracy of the program, and the recently demonstrated impacts on reducing poverty and inequality;
- The implementation of the BFP in Brazil's decentralized context and the development and use of innovative performance-based management mechanisms to promote incentives for quality implementation in this context so as to overcome the “principal-agent” dilemma;
- The role of the BFP as a unifying force in social policy, integrating social policy both horizontally across sectors and vertically across levels of government; and
- The “natural laboratory for innovation” that has emerged in Brazil's decentralized context, for experimenting with exit policies and graduation approaches.

Second, the topic is clearly of interest to audiences in Brazil. As such, we seek to document the evolution of the design and implementation of the BFP under the first Lula Administration, taking stock of the main advances and highlighting key priorities for the future, including:

- Priority actions for further strengthening of the “basic architecture” of the program: strengthening conditionalities monitoring, fine-tuning targeting, expanding coverage to reduce errors of exclusion, and enhancing oversight and controls; and
- Possible innovations for the graduation agenda, including: (a) enhancing educational conditionalities (via bonuses for grade completion and graduation and incentives for older children to attend school); and (b) linking BFP beneficiaries to complementary services.

Acknowledgements

The report is the product of a World Bank research program (the “BRASA” Program) led by Kathy Lindert with contributions from Jason Hobbs, Anja Linder, and Bénédicte de la Brière. The team would also like to thank Ademildes Dantas, Christine Weigand, Carla Zardo, Fabiana Imperatriz, Marize de Fatima Santos, Lerick Kebeck and Cassia Miranda for their contributions.

The World Bank is honored to have had the opportunity to serve as partners to the Bolsa Família Program, and the team would like to acknowledge our appreciation of the long-standing support and collaboration provided by officials in Brazil’s Ministry of Social Development (MDS). We are consistently impressed by their dedication, professionalism and technical excellence. They have truly been “running a marathon at a sprinter’s pace” in the design and implementation of the BFP, and we appreciate their patience in helping us try to “keep up” with them.

We have also greatly appreciated the professional collaboration with officials in the Ministry of Education (MEC), Ministry of Health, Ministry of Planning, Ministry of Finance, TCU, CGU, Ministério Público, Caixa Econômica Federal, and Senators Cristovam Buarque and Eduardo Suplicy. We would also like to thank officials from the municipalities of Belo Horizonte, Nova Lima, Niterói, Aracaju, Rio Branco, São Paulo, Teresina, Uberaba, Recife, and Formosa and from the state of Acre and the Federal District for sharing their innovative experiences with the BFP with us.

Finally, we are grateful to endless patience and support from the peer reviewers to the research program (the “BRASA”): Margaret Grosh and Pedro Olinto, both of the World Bank, as well as to Francesca Bastagli and the team in MDS for their comments on an earlier version of this paper.

The findings, interpretations and conclusions expressed in this paper are entirely those of the authors, and do not necessarily represent the opinions of the World Bank, its Board of Directors or the countries it represents.

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Contents

	Page
I. Introduction.....	6
II. Perceptions and Origins of Conditional Cash Transfers in Brazil.....	9
A. Perceptions of Poverty and the Role of CCTs in Brazil.....	9
B. Origins and Evolution of Early CCTs in Brazil (1995-2003).....	10
C. Consolidating CCTs: the Bolsa Família Reforms (2003-2006).....	13
III. Basic Design Parameters of the Bolsa Família Program.....	15
IV. Institutional Roles for Implementing the BFP in Brazil’s Decentralized Context..	19
A. Overview of Institutional Roles.....	20
B. Managing the BFP in a Decentralized Context: Challenges and Solutions....	24
C. Reflections, Replicability, and Future Research.....	30
V. Targeting and the Cadastro Único Registry System.....	34
A. Targeting Mechanisms: Geographic Allocations and Household Assessment.	34
B. Implementing the Cadastro Único Targeting System.....	35
C. Impressive Targeting Outcomes of the BFP.....	45
D. Remaining Challenges for Strengthening the Cadastro Único.....	50
VI. The Payment System.....	51
A. Payments via the Banking System.....	51
B. Management of Payments Process; Activating and Executing Payments.....	51
C. Distribution of Electronic Benefits Cards (EBCs) and “PIN” Number Assignments.....	52
D. Withdrawal of Monthly Benefits.....	52
E. The Benefits Management System (Blockages, Suspensions and Cancellations).....	53
VII. Conditionality: Meaning, Menu and Monitoring.....	54
A. The Meaning of Conditionality in Brazil.....	55
B. Menu of Conditionality: Strategic Mix for Human Development Challenges?.....	56
C. Monitoring of Compliance with Conditionality.....	62
D. Consequences for Non-Compliance.....	68
E. Priorities for Further Strengthening Conditionality in the BFP.....	70
VIII. Program Oversight and Controls.....	70
A. Types of Fraud and Errors in Transfer Programs.....	71
B. Oversight and Control by the Supreme Audit Agencies.....	73
C. MDS’ Own Program Controls.....	77
D. Municipal Controls (Social Controls, Local Contacts).....	79
E. Strengthening Oversight and Controls of the BFP.....	80
IX. Monitoring and Evaluation Systems for the BFP.....	81
A. Continuous Monitoring of Program Execution.....	82

B.	Monitoring and Evaluating Program Implementation Processes.....	83
C.	Monitoring of Intermediate Program Results.....	85
D.	Evaluating Program Impacts.....	87
X.	The Emerging Graduation Agenda.....	91
A.	“Graduation Framework:” Terminology and Typology.....	91
B.	“Within BFP:” Adjusting Transfer Parameters to Reduce Potential Dependency.....	94
C.	“Within BFP:” Enhancing Human Capital Links: Building the Potential of Tomorrow’s Workers.....	96
D.	Complementary Actions: Social Assistance Links.....	100
E.	Complementary Actions: Jobs Links.....	107
XI.	The Costs of Administering the BFP.....	112
A.	Efficiency Gains: Reducing Federal Administrative Costs from CCT Reforms.....	112
B.	Municipal Cost Estimates from Four Urban Case Studies.....	114
C.	Recent Cost Sharing Arrangements for Administrative Costs.....	115
XII.	Summary and Key Lessons Learned.....	116
A.	International Interest: Main Features of the BFP in a Decentralized Context.....	116
B.	A Continuing Agenda: Challenges and Opportunities for the BFP (2007 and beyond).....	117
	References.....	122
	Annex 1 – Main Regulatory Documents Guiding the Design and Implementation of Bolsa Família (and its predecessors).....	129
	Annex 2 – Evolution of the Basic Parameters of Brazil’s CCT Programs.....	141
	Annex 3 – Structure of MDS and SENARC (Organizational Charts).....	143

The Nuts and Bolts of Brazil's Bolsa Família Program: Implementing Conditional Cash Transfers in a Decentralized Context

I. Introduction

The Bolsa Família Program (BFP) was created in October 2003, through the merger of four pre-existing cash transfer programs in an effort to improve efficiency and coherence of the social safety net and to scale up assistance to provide universal coverage of Brazil's poor. The program provides transfers ranging from R\$15 to R\$95 (US\$7-45) per month to poor families. Like other conditional cash transfers (CCTs), the BFP seeks to help (a) reduce current poverty and inequality, by providing a minimum level of income for extremely poor families; and (b) break the inter-generational transmission of poverty by conditioning these transfers on beneficiary compliance with human capital requirements (school attendance, vaccines, pre-natal visits). The BFP also seeks to help empower BFP beneficiaries by linking them to complementary services.

As the largest conditional cash transfer in the developing world, the BFP has attracted significant attention both in Brazil and beyond. To date, the BFP has achieved some important efficiency gains and is showing exceptional targeting results, with 73% of transfers going to the poorest quintile and 94% going to the poorest two quintiles. Furthermore, studies have shown that the BFP played a significant role in the recent reduction in income inequality, which in turn has been instrumental in reducing extreme poverty. Indeed, results of the annual household survey (PNAD 2004) show that the BFP accounted for a significant share (20-25%) of Brazil's recent (and impressive) reduction of inequality and 16% of the recent fall in extreme poverty.¹

A combination of several factors makes the BFP particularly complex:

- **Its size and speed of expansion.** With 11.1 million beneficiary families (about 46 million people), as of June 2006, the BFP is larger than the size of many nations and is the largest program of its kind. The program has expanded at an exponential pace since its inception in 2003 and is now covering 100% of Brazil's poor.²
- **Its implementation in a decentralized institutional context.** Although managed at the federal level, many aspects of BFP implementation are carried out by Brazil's 5,564 municipalities. The BFP has developed numerous innovative mechanisms to promote incentives for quality implementation, many of which merit documentation for potential adaptation for other countries with decentralized federal structures.
- **The fact that the BFP was created as a *reform* that integrated four pre-existing CCTs into a single program,** consolidating and inheriting their systems from four separate ministries.

¹ Paes de Barros et. al. (2006).

² The BFP targets poor families with per capita incomes under a certain income cut-off (an "administrative poverty line"), currently set at R\$120 (US\$57), which is determined based on household survey data from 2004. The program covers all poor families with children up to the age of 15 and it also covers all extremely poor families, regardless of their composition.

- **The promotion of the BFP as a “unifying” force for social policy in Brazil**, both vertically (unifying transfer programs across levels of government) and horizontally (linking the BFP with complementary actions and services at all levels of government).

While these aspects complicate the implementation of the BFP, they have also led to innovations that provide interesting lessons for others, particularly for practitioners or future practitioners of similar programs around the world.

This paper is one in a series of Working Papers that seeks to document the experience of Brazil’s Bolsa Família Program.³ Given widespread interest in the program, this paper has two key audiences – and two corresponding objectives.

First, the primary audience is international, given world-wide interest in the Bolsa Família Program. This international target audience thus includes: policy makers, practitioners, and potential future practitioners of CCTs working in other countries who are interested in learning more about Brazil’s experience with the Bolsa Família Program, particularly given its decentralized context. For this audience, the paper highlights some of the key features and “nuts and bolts” of designing and implementing Brazil’s Bolsa Família Program. With this objective and international audience, the paper seeks to answer the following questions:

- What are the basic design parameters of the BFP?
- How is the BFP implemented and how has the program been adapted to Brazil’s decentralized, federative context?
- What kinds of managerial innovations have been adopted to promote quality of implementation in this decentralized context?
- What kinds of innovations have emerged at the local level in this “natural laboratory” context?
- What lessons does the BFP hold for other countries with similar programs (emerging or existing)?
- How replicable might Brazil’s experience be for other countries?

Second, the topic is clearly of interest to audiences in Brazil. For this audience, we seek to document the evolution of the design and implementation of the BFP under the first Lula Administration, taking stock of the main advances and highlighting key priorities for the future. With this objective and audience, the paper seeks to answer the following questions, which are of particular interest to the national social policy debate:

- How has the reform process of consolidating four programs into one been implemented?

³ Other Working Papers in this series are currently underway, including papers on: (a) “Politics, Perceptions and the Press: the Political Economy of Bolsa Família;” and (b) a meta-review of the impacts of Bolsa Família. These three papers will be consolidated into a book, expected in 2007.

- Have these reforms been successful in terms of improving administrative efficiency and effectiveness?
- What improvements have been made in implementing the BFP? Has it overcome initial transition challenges?
- How well targeted is the BFP?
- How well is the program monitoring conditionalities?
- What about oversight and control of fraud?
- What is the agenda for the future in terms of further strengthening the design and implementation of the program?
- What about the graduation agenda?

In answering these questions, an important caveat for this paper is time – and whether or not this paper will be up-to-date at the point in time when it is being read. Our experience accompanying the BFP since its inception has taught us the lesson that, usually, by the time we have documented the operations of the BFP, it has already jumped ahead and evolved further. The managers of the BFP have literally been “running a marathon at a sprinter’s pace” since the program’s inception. As partners to the program, we at the World Bank have often found ourselves “sweating” to keep up with their pace. These first few years of the program’s existence have focused on consolidating and institutionalizing the BFP’s “basic architecture.” Like all programs, it should continue to evolve as a “living program,” continuously innovating and building on its own lessons of experience – and tackling new generation issues, such as the exit and graduation agenda. As such, it is important to note that the findings of this and the other Working Papers in this series reflect the experience of Bolsa’s first three years, and intensive field work to document the status of the program and its implementation as of November 2006.

The rest of the paper is divided into eleven parts. Following this introduction, Part 2 provides a brief overview of the origins and evolution of the BFP, followed in Part 3 by a review of the program’s basic design parameters. An overview of institutional roles and managerial innovations in Brazil’s decentralized context is presented in Part 4. Implementation issues are addressed in the following six parts. Part 5 reviews the implementation of eligibility criteria, the registration system and the targeting mechanisms; Part 6 describes how payments are made through Brazil’s banking system; Part 7 reviews the meaning, menu and monitoring of program conditionalities; Part 8 provides an overview of oversight and fraud control mechanisms; and Part 9 describes the program’s monitoring systems. Part 10 discusses exit policies and approaches to graduation. An estimate of the program’s administrative costs is presented in Part 11. Finally, the concluding section suggests emerging key lessons learned from the design and implementation of the program. It does so in two ways: (a) by highlighting key features of interest to the international audience; and (b) by outlining an agenda for future reforms to the

program, including priority actions for further strengthening of the “basic architecture” of the program and possible innovations for the graduation agenda.

II. Perceptions and Origins of Conditional Cash Transfers in Brazil

A. Perceptions of Poverty and the Role of CCTs in Brazil

The use of CCTs as an instrument of social policy reflects the widespread belief in Brazil that people are poor due to the “fault of an unjust society” (exclusion). These beliefs are evident in the results of the World Values Survey, which show that 76% of Brazilians believe that the poor are poor because “society is unjust” and that the poor “have very little chance to escape from poverty” on their own (Table 1). These perceptions are similar – but even stronger – to those held in Continental Europe and even in LAC on average (Table 1). They contrast with popular perceptions in the United States, where 61% believe the poor are poor because “they are lazy,” but where about 70% of the population believes that the poor do have a chance to escape from poverty on their own, if they would only put enough effort into it.⁴ Even Brazil’s elite place high emphasis on the issues of poverty, inequality and education: in a survey of 320 randomly-selected individuals from four sectors of Brazil’s elite (political, government, private sector, and union leaders), close to half ranked these issues as the main obstacles to greater democracy in Brazil and close to 40% ranked them as the priority issues facing the nation.⁵

These beliefs do reflect a situation of high poverty and inequality. In fact, Brazil has historically had one of the highest degrees of income inequality in the world, with a Gini coefficient persistently hovering around 0.60 since the 1970s. Brazil does not have an official poverty line, but extreme poverty is estimated at about 12% and full poverty estimated at about 32%.⁶ The Bolsa Família Program has adopted a program-specific administrative “poverty line” of R\$120, and approximately 25% of the population lives with per capita incomes below this threshold.

Concerns about the social injustice of this situation are reflected in Brazil’s Constitution, ratified in 1988, which places great emphasis on poverty reduction and the creation of a more just and equitable society. The Constitution established a legal foundation of social assistance as guaranteed “rights” for the needy – and also an obligation of the state to provide health and education services, among others, the access to which is established as a basic right of all citizens.

In some ways, CCTs serve as a social policy instrument that seeks to integrate these “rights” to education, health and social assistance. While the cash transfers provide minimum incomes and a way for society to pay its “historical debt to the poor,” the conditionalities are widely viewed as tools to help encourage the poor to take up these “rights.” Since even universal *provision* (availability) of health and education services does not mean universal *access* (take up) by the poor – due to direct and indirect (opportunity) costs of taking up these services – CCTs are seen

⁴ These perceptions are consistent with “conventional wisdom” in the United States about the possibility of upward mobility based on individual effort.

⁵ Survey results presented in Reis (2000). The survey was conducted by the *Instituto Universitário de Pesquisas do Rio de Janeiro* (IUPERJ) during the period from 1993-95.

⁶ IPEA (2006).

as a way to remove such barriers to access by providing cash linked to education and health service use.

Table 1 – Perceptions of Poverty in Brazil, LAC, Europe and the United States

	PERCEPTIONS: % who believe that:		
	The poor are poor because:		“The poor have very little chance to escape from poverty”
	"Society is Unjust"	"They are Lazy"	
LAC - Average	65.8	28.3	62.0
Mexico	65.8	24.6	56.9
Argentina	74.0	26.0	74.5
Brazil	75.7	20.5	70.5
Chile	55.6	36.9	58.5
Peru	56.5	34.2	47.1
Venezuela	52.9	47.1	59.6
Uruguay	77.2	12.4	73.5
Dom. Republic	68.6	24.5	61.2
Colombia	n.a.	n.a.	55.8
Continental Europe	63.3	17.1	60.2
United States	38.8	61.2	29.5

Source: Adapted from Lindert, Skoufias and Shapiro (2006), drawing on data from the World Values Survey (1995-97)

B. Origins and Evolution of Early CCTs in Brazil (1995-2003)

The BFP evolved from a long tradition of conditional cash transfers (CCTs) in Brazil. Indeed, Brazil was the first country to pioneer the instrument of CCTs in LAC.

Conceptual Origins & Early Policy Debates (1980s). The concept of CCTs first emerged in policy debates in Brazil in the late 1980s and early 1990s. Reflecting widespread beliefs about society’s “debt to the poor” (discussed above), policy debates at that time focused on – and ultimately linked – two strands of thought. The **first**, involving the concept of providing minimum income to the poor, gained momentum during this time. Discussions about this possibility surfaced in the 1970s, but it was not until the late 1980s and early 1990s that the issue took center stage in national policy debates, first with the inclusion of social assistance as a basic right for the needy (among many other social rights) in the 1988 Constitution and then in the 1990s with various legislative actions to formalize social assistance and minimum income schemes.⁷ The **second** involved policy debates that zeroed in on the realization that poverty reduction strategies needed to go beyond the symptoms (low current incomes) and address the underlying structural sources of poverty. Education was seen as crucial for breaking the inter-generational cycle of poverty, but mere enrollment was not sufficient: poor students also needed support to maintain a minimum level of attendance.

⁷ Specifically, Senator Eduardo Suplicy championed a bill of law which sought to guarantee a minimum income to all Brazilian adults with incomes below a specific threshold. This bill of law was approved by the Senate and sent to the House of Representatives (*Câmara dos Deputados*) but was not voted on by the plenary at that time. As discussed below, Senator Suplicy’s minimum income proposal was finally passed into law in January 2004 – the same month that the law establishing Bolsa Família was approved. Earlier initiatives included the passing of the organic social assistance law (LOAS) in 1993, which guaranteed cash transfers to the poor elderly and handicapped.

The idea for CCTs emerged out of these two strands of debate.⁸ The basic premise for linking school attendance to cash assistance was based on demand-side constraints: even if schools are available, poor children cannot always attend due to direct and indirect (opportunity) costs. Cash assistance was seen as an incentive to help counter these demand-side constraints and promote school attendance.

Brazil Pioneers the First CCT Programs (1995). Following these debates, the first two CCTs were launched in two Brazilian municipalities (representing two different political parties) during the same week in January 1995: the “Bolsa Escola” program was launched by then Governor Cristovam Buarque (Workers Party, PT) in the Distrito Federal on January 3, 1995⁹ and the “Guaranteed Minimum Family Income Program (PGRFM) was launched by then Mayor José Roberto Magalhães Teixeira (Brazilian Social Democratic Party, PSDB) in the Campinas Municipality on January 6, 1995.¹⁰ These programs became a model that multiplied in many municipalities and states in Brazil.¹¹ By 2001 over one hundred municipalities and many states were operating local CCT programs in Brazil, covering around 200,000 families.¹²

All of these programs had three key features in common: (a) they were targeted to the poor through some sort of means testing (income ceilings); (b) they paid cash to the families (usually the women); and (c) they required some sort of “counterpart responsibilities” (*contrapartidas*) on behalf of the beneficiaries.¹³ These conditionalities usually involved: (a) enrollment requirements for school aged children; and (b) minimum daily school attendance requirements (80-90%), monitored by attendance records presented by the parents or in the schools themselves. In fact, the emphasis of the municipal programs was primarily on their role as education instruments – and with the income transfers serving as incentives to promote educational goals. Some of the early sub-national CCTs also included additional conditions, such as prohibiting beneficiary children from working, child participation in extra-curricular activities, adult participation in community meetings or seminars and/or literacy programs, and so forth.¹⁴ Most programs also included minimum residency requirements (five years) in the municipality or state, out of fear that the lack of a national program would attract poor migrants to their jurisdictions.¹⁵

⁸ The “paternity” of CCTs has been hotly debated in the press over the past decade. Several initial proposals for a cash transfer conditioned on education were introduced into policy debates in Brazil in the early 1990s, including (a) a series of articles in *Folha de Sao Paulo* by economist José Márcio Camargo (December 26, 1991 and March 28, 2003), which proposed to grant targeted not to individuals but to poor families with children conditional on school-age children enrolling in school and maintaining minimum school attendance (more academic versions of this proposal were included in working papers by J. Camargo and H. Ferreira in 1994 and by J. Camargo and F. Ferreira in 2001); and (b) a policy document -- calling for a minimum income scheme linked to education – entitled “*A Revolução nas Prioridades*” which was prepared by (current Senator) Cristovam Buarque and others from the National University of Brasilia (UnB) and circulated in the early 1990s (and later published in 1994).

⁹ The official decree for the DF Bolsa Escola Program was published in the *Diario Oficial* as Decree No. 16,270 on 11 January 1995 (the program was launched on the 3rd). A partner program “*Poupança Escola*” (School Savings) was also launched in the Federal District in July of that year. This program sought to provide incentives for school advancement (not just attendance) and provided bonuses into a savings account that BE beneficiaries could withdraw after completion of certain grades and levels of school (barring repetition).

¹⁰ The PGRFM was established by Municipal Law 8.261 on 6 January 1995.

¹¹ This rapid multiplication of sub-national CCTs is attributed to high poverty rates, an expansion in sub-national financing and a decentralization of roles stemming from the 1988 Constitution and previous experiences with inefficiencies in centralized programs. Fonseca and Montali (1996) and Caccia Bava et. al. (1998).

¹² Caccia Bava et. al. (1998), Lavinias et. al. (June 2001), World Bank (2001), Pero and Szerman (February 2005), and Britto (2005).

¹³ Caccia Bava et. al. (1998), Amaral e Ramos (July 1999), Lavinias (June 2001), World Bank (2001), Justo (July 2004), and Pero and Szerman (February 2005).

¹⁴ Amaral and Ramos (July 1999).

¹⁵ In the Federal District (Brasilia), for example, the municipal authorities were concerned that the program, as long as it was not implemented throughout the country, would attract significant migration to any municipality that implemented it. They therefore established the rule that only families who had lived in Brasilia for at least five years could qualify for transfers. Concern that the five-year rule would not be enough to stave off migration prompted them to start paying the BE benefit to families in a city which was a prominent source of migrants going to the capital.

In 1996, the Mexican Government sent a delegation to Brazil to visit several municipal “Bolsa Escola” programs – and subsequently launched its own federal-level CCT program, known as “Progresas,” in 1997,¹⁶ later renamed “Oportunidades” in March 2002. Close to a dozen other countries in Latin America and the Caribbean (LAC) – and a similar number outside the region – have since introduced (or are currently developing) CCTs along similar lines to those pioneered in Brazil in the mid-1990s.

Following on the successful experiences with municipal cash transfer programs, in 1998, the federal government started providing co-financing to municipal CCTs. In 1998, the Government of President Cardoso thus launched the Program for a Guaranteed Minimum Income (PGRM).¹⁷ The PGRM was managed by the Ministry of Education. It provided transfers to municipalities who were implementing CCTs but lacked sufficient resources to sustain such programs. Program support was to be gradually expanded, prioritizing the poorest municipalities, with the ultimate goal of covering all municipalities and the Federal District of Brasília. The municipalities had to contribute at least 50% of the financing to receive federal support for their cash transfer programs. The PGRM was not a conditional cash transfer program in and of itself, but rather a mechanism for providing financial support to municipalities to enable them to implement such programs. As such, the PGRM was integral in promoting and sustaining local level CCT initiatives, and also acted as a gateway for future conditional cash transfer programs.

The Federal Bolsa Escola Program (BE, 2001). In 2001, the Federal Government of President Fernando Henrique Cardoso introduced the Federal Bolsa Escola Program as a replacement to the PGRM.¹⁸ The Federal Bolsa Escola Program was modeled after the municipal programs and managed by the Ministry of Education. Under the BE program, poor families (with per capita incomes less than R\$90, or half the minimum wage at that time) received R\$15 (US\$7) per month per child up to a maximum of three children, conditional upon a minimum school attendance of 85%. The four central objectives of Bolsa Escola (BE) were to (a) increase educational attainment and thus attempt to reduce poverty in the long run; (b) reduce short-term poverty by providing an income transfer to poor families; (c) reduce child labor; and (d) act as a potential safety net. Bolsa Escola targeted families with children in the age range from 6 to 15 years, and with per capita monthly incomes no greater than R\$90 (US\$43).¹⁹

Bolsa Alimentação (BA, 2001). To confront the root causes of malnutrition, the federal government also launched in 2001 the Bolsa Alimentação (health and nutrition grants, BA) program, which sought to reduce nutritional deficiencies and infant mortality among the poorest households in Brazil.²⁰ Built on the CCT model pioneered for education, the program was managed by the Ministry of Health. The BA program paid benefits of R\$15 per child up to a maximum of three children, to poor families with a per capita monthly income below R\$90.²¹ The program targeted pregnant and lactating women and young children. Program conditionalities consisted of complying with a minimum schedule of pre-natal and post-natal

The logic behind this was the realization that a poor family who migrates to Brasília costs the city more than paying for the family to stay in its place of origin. At the same time, they also launched significant efforts to spread information about the program.

¹⁶ Levy and Rodríguez (2004).

¹⁷ The PGRM was created through law 9533 of 10 December 1997.

¹⁸ The federal Bolsa Escola was created by law 10.219 of 11 April, 2001.

¹⁹ The income limit for the BE program was set at half the minimum wage, which at the time was R\$180. The exchange rate as of May 2006 equaled US\$1 to R\$2.1.

²⁰ The Bolsa Alimentação program was created through provisional measure 2.206-1 of 6 September, 2001.

²¹ The income limit for the BA program was set at half the minimum wage, which at the time was R\$180.

care visits, monitoring the growth of children, and keeping their vaccinations up to date, as well as participation in nutritional education seminars. Eligibility for BA expired when children completed 7 years of age. They then became eligible for the BE program as they entered the school system.

Auxílio Gas (AG, 2002). In 2002, the federal government introduced another cash transfer, Auxílio Gás (Vale Gás), as a compensatory measure for the phasing out of cooking gas subsidies.²² The AG program provided an unconditional transfer of R\$7.50, paid in bi-monthly installments of R\$15 to poor families with a monthly per capita income of less than half a minimum wage. The program was administered by the Ministry of Mines and Energy and it used both the BA's and the BE's registries to select its target beneficiary population.

Fome Zero (2003). In 2003, President Lula launched his administration's flagship umbrella initiative known as the "Fome Zero" (zero hunger) program. More than a program, Fome Zero serves as a mission statement that focused government efforts on eradicating the most extreme forms of poverty and hunger in Brazil. The Fome Zero initiative spans a collection of over 60 programs in many ministries related to the multi-dimensional facets of extreme poverty and hunger. One of the first measures under Fome Zero was the introduction of yet another cash transfer program (pilot) called "the Programa do Cartão Alimentação" (PCA).²³ This program was managed by the (former) Ministry of Food Security²⁴ and provided a monthly benefit payment of R\$50 to poor families with a per capita income of less than half the minimum wage per month. The program sought to promote food consumption, and beneficiaries were supposed to use the transfer for food purchases.²⁵

C. Consolidating CCTs: The Bolsa Familia Reforms (2003-2006)

Emerging Proposals for an Integrated CCT Program. Soon after the launching of the PCA pilot, President Lula began considering the possibility of consolidating the major cash transfers (BE, BA, AG, and the new PCA pilot) into a single program. Although each of these four programs maintained its own emphasis (promoting schooling, health care, compensating for fewer price subsidies or promoting food consumption), they all provided cash transfers to roughly the same target group of poor families. Separate administrative structures and procedures created inefficiencies, resulted in considerable gaps and duplications in coverage, and missed important synergies from jointly promoting education and health.

The option of unifying Brazil's CCTs had been discussed for some time in Brazilian policy and academic circles, as well as in exchanges with the World Bank and other donors.²⁶ This possibility was also discussed during a high-level meeting in March 2003 between President Lula, World Bank President Wolfensohn, and Santiago Levy – the initial "godfather" of Mexico's Progreso/Oportunidades Program. Subsequent to that meeting, President Lula

²² Auxílio Gás was introduced by Executive decree 4.102, of 24 January, 2002.

²³ The Cartão Alimentação was created by Provisional measure 108 of 27 February, 2003.

²⁴ This ministry was temporarily created by President Lula in 2003 and was subsequently merged with the Ministry of Social Assistance and the Bolsa Família Secretariat to form the new (and existing) Ministry of Social Development in January 2004.

²⁵ At one point there was an attempt to require a conditionality that beneficiaries provide receipts as evidence that the benefits were used to purchase food, but this requirement was then dropped.

²⁶ See for instance Camargo and Ferreira 2001; Lavinás et. al., June 2001; Costa Cotinho et. al., April 2002; Lavinás, August 2003; Paes de Barros 2003; Ferreira (November 2003); Ferreira, and Lindert 2003; and Lindert 2003; and Paes de Barros et. al., 2004 and others.

formally requested that officials in the (former) Ministry of Social Assistance²⁷ prepare a proposal for an integrated program. A group of representatives of the Government and Brazilian institutes worked – with technical assistance from the World Bank²⁸ and other donors – to explore options for the various design parameters for such a program.

Launching of the Bolsa Família Program (BFP, 2003). On October 20, 2003, President Lula formally launched the Bolsa Família Program as a merger of the pre-reform cash transfers (BE, BA, AG and PCA). The objectives of these reforms included: (a) consolidating and rationalizing federal conditional cash transfer programs; (b) promoting efficiency in the use of public resources (administrative costs were indeed reduced as a result of this merger, as discussed below); (c) improving the system for identifying the target population; (d) leveraging synergies from jointly promoting education and health incentives; (e) strengthening monitoring and evaluation; and (f) leveraging opportunities to systematize complementarities in the social safety net between federal and sub-national programs (promoting vertical integration).

Evolution of the BFP (2003-06). Since its launching, BFP has undergone three phases of maturation. **First**, following the program launch, the BFP underwent *a “transition” year in 2004*, in which the program’s conceptual, legal, and institutional foundations were established (and sometimes debated) – even as the program began its exponential expansion in coverage. As part of this institutionalization, the Ministry of Social Development and Hunger Eradication (MDS) was established in January of that year. Simultaneously, the formal law establishing the BFP was passed, along with another law – sponsored by Senator Suplicy with its origins dating back to the policy debates of the 1980s and early 1990s -- establishing the rights of all citizens to a minimum “citizen” income.²⁹ Pending fiscal space, the BFP was viewed as the first step in implementing this minimum citizen income by extending universal coverage for the poor – and the secretariat which houses the BFP was symbolically named “Secretariat of National Citizens’ Income” (*Secretaria Nacional de Renda de Cidadania*, SENARC). Initial operational instructions and decrees were issued later that year, representing only the first of numerous steps needed to institutionalize the program and its procedures (see Annex 1 for a catalog of many of the legal and operational instruments issued over time in support of the BFP).

Second, 2005 represented a year of consolidation and maturation for the BFP, as MDS seized the “window of opportunity” of an election-free year to strengthen the “core architecture” of the program. Close to twenty more legal and operational instruments were issued during that year, institutionalizing various aspects of the program and its decentralized implementation (see Annex 1). Massive efforts were also undertaken to strengthen the program’s household registry (the Cadastro Único) and monitoring of conditionalities, as discussed in subsequent sections below.

Third, maturation – with some important innovations -- continued in 2006. As discussed in Part 4, MDS has embarked on numerous initiatives to promote further vertical integration with

²⁷ The Ministry of Social Assistance was later merged with the Ministry of Food Security and the nascent Bolsa Família Secretariat to form the Ministry of Social Development (MDS) in January 2004.

²⁸ World Bank technical assistance came under a program of analytic and advisory activities (AAA) that became known as the “BRASA” (Brazil Social Assistance) program. In the early phases, this program supported the design of the Bolsa Família program via policy dialogue and a series of policy notes at the request of the Government. Later phases included a baseline evaluation on Brazil’s Cadastro Único, a series of comparator cross-country studies, and a program of other analytical work, including this Working Paper.

²⁹ The citizen income law was established by law 10.835 on 8 January 2004, see Annex 1.

sub-national CCTs, to provide incentives quality management, and to reward innovations in the decentralized management of the BFP. In 2006, MDS also integrated the cash transfers paid under a Child Labor Eradication Program (PETI) into the BFP.³⁰

Agenda for 2007 and Beyond. The BFP will certainly continue to evolve, as all programs do, particularly in the face of policy debates centered on the issues of exit policies, graduation, and linkages to job creation (discussed in Part 10). The core agenda for the year 2007 and beyond will be to pursue the dual priorities of (a) continuing to strengthen the basic architecture of the program, particularly in the areas of monitoring and verification of conditionalities, strengthening of oversight and controls mechanisms, and continued improvements on the program's targeting system; and (b) advancing further innovations both within the program and with links to complementary actions to promote the "graduation agenda."

III. Basic Design Parameters of the Bolsa Família Program

Objectives. The formal objectives of the BFP are to (a) alleviate current poverty and inequality via direct monetary transfers to poor families; (b) break the inter-generational transmission of poverty through incentives for investments in human capital; and (c) help empower beneficiary families by linking them to complementary services.

Targeting Mechanisms. As discussed in more detail in Part 5 below, targeting for the BFP is done through a combination of methods: geographic and household assessment based on per capita incomes. Geographic targeting is applied at two levels, federal and municipal. Family eligibility is determined centrally (by MDS) based on household registry data collected locally and transmitted into a central database known as the *Cadastro Único* (discussed in detail in Part 5).

Target Population. The BFP program targets poor and extreme poor families throughout the country. Brazil has not yet adopted an official poverty line, so the income ceilings for eligibility were set to mimic the most generous of those of the pre-reform programs with the principle of ensuring that families did not lose from the reforms. The BFP abandoned the previous practice, however, of indexing these thresholds to the minimum wage (e.g., at ½ or ¼ of the minimum wage).

The original income ceilings for eligibility to the BFP program were set at a fixed monthly per capita family income of R\$100 (US\$48) for moderately poor families and R\$50 (US\$25) for extremely poor families.³¹ These resulted in original quantitative targets for coverage (assuming no leakages to the non-poor) of 11.2 million families.

³⁰PETI was launched in 1996 to combat the worst forms of child labor through a combination of instruments: (a) cash transfers conditional on minimum daily school attendance; (b) funds to municipalities for the provision of required after-school activities for PETI beneficiaries (to keep them out of work); and (c) some additional supports to PETI families. In 2005, the CCT component of PETI was merged into the BFP (through Portaria No. 666 of December 28, 2005), though PETI will continue to co-finance the after-school activities with municipalities.

³¹ Per capita family income is calculated as all income by all family members, divided by the number of family members. Transfers from social programs should *not* be included in the calculation of family income.

Eligibility thresholds were increased in 2006, in order to account for increases in the cost of living.³² The revised income ceilings for eligibility to the BFP program were then set at a fixed monthly per capita family income of R\$120 (US\$57) for moderately poor families and R\$60 (US\$29) for extremely poor families.³³ At the same time, data from the latest household survey (PNAD 2004) revealed that poverty had fallen from 2003 to 2004, which would have made the original targets (under the original thresholds) obsolete. The increase in the eligibility thresholds combined with this decrease in poverty meant that the quantitative targets remained essentially the same, at 11.1 million families, with the new thresholds. These quantitative targets for coverage were met by June 2006.

Setting Transfer Values. Many options for setting the menu of BFP transfer values were debated prior to the launching of the program in October 2003.³⁴ Some advocated higher benefit values for families with older-age children and youths, reflecting their higher opportunity costs and school drop-out risks. Others supported introducing gender-differentiated benefits. Still others suggested the program differentiate benefit amounts by region, reflecting spatial differences in the cost of living. In the end, the program designers opted for a pragmatic set of benefits that (a) was simple to administer; (b) favored the extreme poor; (c) favored families with children – but with limits to avoid promoting fertility; and (d) prevented eligible beneficiaries of the pre-reform programs from losing from the reforms. This latter consideration was viewed as politically important in light of the BFP’s birth as a reform program. Most families³⁵ actually gained from the introduction of the new BFP benefit menu, since the average value was significantly higher than under the pre-reform programs (see Annex 2).

Menu of Transfer Values. The BFP provides two types of benefits: basic and variable, according to family composition and income (Table 2). The BFP provides a base benefit to all families in extreme poverty, regardless of their demographic composition (moderately poor families do not receive this base benefit).³⁶ Both extreme poor and moderately poor families receive a variable benefit set according to the number of children in the family (capped at three for variable benefits purposes) and whether the mother is pregnant or breast-feeding.

With this benefits menu, income transfers range from R\$15-95 (US\$7-45) per family per month. The average value of benefits paid during the period January – May 2006 was about R\$62 (US\$30).³⁷ The average value of benefit transfers has fallen from its initial level of R\$75 at the end of 2003 due to the fact that the program began covering first the extreme poor and then, gradually, the more moderately poor.

³² The consumer price index showed an increase of 20% in the price level between 2001 and 2004 (Informe Bolsa Família Edição Extraordinária No. 5, MDS, 24 April 2006).

³³ The income ceiling was changed through Decreto 5.749, of 11 April 2006. This means that while under the previous cut-off line, a family of four could have a total monthly income of up to R\$400 to qualify for BFP support. With the new cut-off point, the new maximum monthly income for a BFP beneficiary family of four is R\$480.

³⁴ See for instance Camargo and Ferreira 2001; Paes de Barros 2003; Ferreira and Lindert 2003; and Lindert 2003.

³⁵ For those beneficiaries who under the previous programs received an amount greater than what they would receive under the BFP (due to receipt of multiple benefits), the excess amount was kept under the new program, as an ‘extraordinary variable benefit.’ This extraordinary benefit is to be maintained until those families who receive it no longer qualify for the program benefit. No new beneficiaries will receive the extraordinary benefit. Very few families (411,579 out of a total of 11.1 million) were in this category of extraordinary benefits. The extraordinary variable benefit was regulated by Portaria 737 of 15 December 2004.

³⁶ Note that extreme poor families can receive this base benefit irrespective of whether or not they have children.

³⁷ Source: MDS; SENARC, May 2006.

BFP benefit values are not automatically indexed to inflation or minimum wage increases (unlike pension and BPC benefits). To date, there has not been an increase in the nominal benefit amount, although the cost of living has increased moderately by 16.7% from 2003 to 2006. As such, the real value of the “base” benefit decreased from R\$50 in October 2003 to R\$42.8 in August 2006 (the average benefit in October 2003 was R\$73.7; this would currently have a value of R\$61.4).

While the assistance unit is defined as the family as a whole, payments are made preferentially to the woman in each family as the legally-responsible beneficiary, as established by the BFP law.³⁸ Currently, 93% of legally responsible beneficiaries are women.³⁹ This preference for payments to women reflects international experience (and early tests in the municipal BE programs) that suggest that women are more likely than men to invest additional income in improving the education, health and welfare of their family, particularly their children.

Table 2 - Bolsa Família Benefits Menu

Level of poverty	Monthly per capita family income	Number of children 0-15, pregnant or breast-feeding mothers	Quantity and type of benefit	Bolsa Família benefit received
Poor	R\$ 60 – 120	1	(1) variable	R\$ 15
		2	(2) variable	R\$ 30
		3 or more	(3) variable	R\$ 45
Extreme poor	Up to R\$ 60	0	Base benefit	R\$ 50
		1	Base + (1) variable	R\$ 65
		2	Base + (2) variable	R\$ 80
		3 or more	Base + (3) variable	R\$ 95

Source: Law 10.836 of January 2004, and Decreto 5.749, of 11 April 2006.

Conditionality. The BFP cash transfers are conditional on all age-relevant family members complying with key human development conditionalities (Table 3). This represents an important policy shift in which the assistance unit for the BFP is the family, not just a sub-set of individuals as was the case under the pre-reform programs. For example, under the pre-reform Bolsa Escola Program, the benefits – and conditionalities – applied for up to a maximum of three individual children. The school attendance of additional children was not monitored. Under the Bolsa Família Program, the education conditionalities apply to *all* school-aged children in the family (not just the first three). The shift in emphasis on the family was similar for health conditionalities from the pre-reform Bolsa Alimentação Program to the BFP. The BFP thus takes a more comprehensive approach, focusing on the family as a unit. Bolsa Família conditionalities have been widely publicized in Brazil, and are spelled out in a booklet (*Agenda de Compromissos*) issued to each beneficiary family. The monitoring of compliance with BFP conditionalities is discussed in more detail in Part 7.

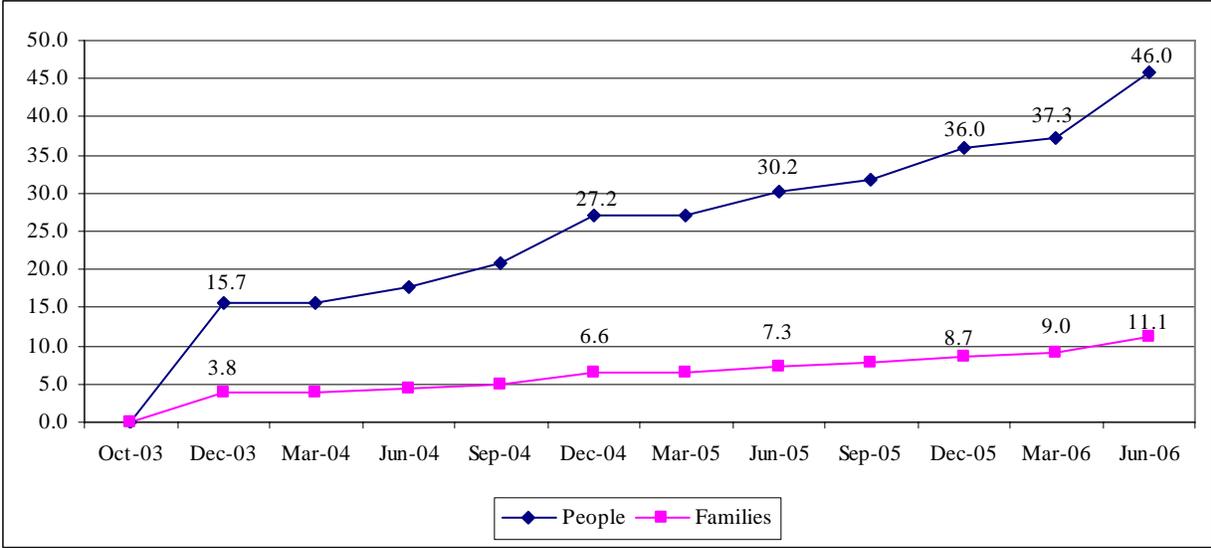
³⁸ Law 10.836 of January 2004.

³⁹ MDS (2005). “Bolsa Família é Apresentado na África” Imprensa Noticias de 2005, May 27. www.mds.gov.br

Table 3 – Menu of Bolsa Família Conditionalities		
	Health Conditionalities	Education Conditionalities
Children	For all children ages 0-7 years old: <ul style="list-style-type: none"> • Vaccine schedules • Regular health check ups and growth monitoring of children 	<ul style="list-style-type: none"> • Enroll all children ages 6-15 in school • Guarantee at least 85% minimum daily school attendance each month for all school-aged children
Women (pregnant or lactating)	<ul style="list-style-type: none"> • Pre-natal checkups • Post-natal checkups • Participate in educational health and nutrition seminars offered by local health teams 	<ul style="list-style-type: none"> • (Parents) • If child misses school, inform the school of the reason • Inform the local BFP coordinator if the child moves schools

Expansion and Coverage of beneficiaries. Faced with high expectations for visible social progress, the Government has rapidly expanded coverage of the BFP since its inception in 2003 (Figure 1). By December 2003 – just two months after the program was launched – it was already covering 3.8 million families. The program currently covers 11.1 million families (approximately 46 million people, as of June 2006), which represents 100% of the poor and 25% of the Brazilian population.⁴⁰

Figure 1 – Rapid Expansion of the BFP (in millions of families and individuals)



Source: MDS.

This expansion was, of course, facilitated by the fact that the BFP was launched as a *reform* program – and could build on the beneficiary base and registry of the pre-reform programs. Much of the initial expansion was, in fact, the “migration” of beneficiaries from the pre-reform programs, but not all. Even in the program’s first year (2004), it began registering and incorporating 1.6 million new families (who had not benefited from the previous programs), particularly in large metropolitan areas which had previously been largely missed by the pre-

⁴⁰ The original target population of the BFP was 11.2 million poor families. However, the latest household survey data from 2004 point to a significant reduction in the poverty rate. According to the Ministry of Social Development, MDS, using the previous poverty line of R\$100 in per capita family income, the target population for the program would be 8.5 million families, reflecting thus a reduction in poverty. With the new poverty line of R\$120, the new target population for the BFP is 11.1 million families.

reform programs. Migration from pre-reform programs was conducted gradually from 2003 to 2006 (and during this time, pre-migrant beneficiaries continued to receive the benefits of the former programs, with payments managed by SENARC in MDS and issued by the Caixa Econômica Federal, see Part 4 below). In all, 63% of the total number of current beneficiaries was “migrants” from the pre-reform programs, with 37% representing new beneficiaries.⁴¹

Public Spending on the BFP. The rapid expansion of the BFP represented a significant scaling up of social assistance (in numbers and transfer values) as compared with the overlapping coverage of its predecessors. Indeed, spending on CCTs has increased from 0.18% of GDP in 2002 (pre-reforms) to 0.36% in 2005 (Table 4). BFP spending in 2005 amounted to R\$6.7 billion (US\$3.2 billion), and the budgeted figure for 2006 is R\$8.3 billion (US\$4 billion, or 0.39% of projected GDP). Despite this increase, the BFP is not the largest social assistance program. This honor goes to the BPC-LOAS constitutionally-guaranteed cash assistance benefits for the poor elderly and disabled. It is also dwarfed by public spending on regressive social insurance (mainly social security and unemployment insurance) benefits (Table 4).⁴²

Percent of GDP	2002	2003	2004	2005
Social Spending (consolidated: federal/state/municipal)	23.2%	24.2%	24.1%	21.9%
Education	4.2%	5.3%	4.8%	4.3%
Health	4.1%	4.7%	4.9%	4.4%
Social Protection	13.5%	12.8%	13.1%	12.0%
Other Social Spending	1.5%	1.4%	1.2%	1.1%
Social Protection (consolidated: federal/state/municipal)				
Social Assistance	1.2%	1.2%	1.4%	1.4%
Social Insurance (labor + social security)	12.3%	11.7%	11.7%	10.6%
Social Assistance (federal only)	0.71%	0.88%	0.89%	0.97%
CCTs:	0.18%	0.23%	0.31%	0.36%
Pre-reform programs	0.18%	0.23%	0.09%	--
Bolsa Família	--	--	0.22%	0.36%
BPC-LOAS (cash assistance for poor elderly/disabled)	0.40%	0.42%	0.44%	0.46%
School Feeding	0.06%	0.06%	0.06%	0.06%
Other	0.07%	0.17%	0.08%	0.09%

Source: Compiled by the authors using data from SIAFI, MDS

IV. Institutional Roles for implementing the BFP in Brazil’s Decentralized Context

Brazil’s decentralized context poses particular challenges – and opportunities – for the implementation of federal social programs. This has led to the creation of formal mechanisms for decentralized program implementation as well as an array of performance-based management tools and incentives. The first section of this chapter provides an overview of key actors and their main roles in implementing the BFP. The second section reviews a number of inherent challenges – including the “principal-agent” dilemma of third party responsibilities for implementation – and solutions for implementing the BFP in Brazil’s decentralized context. The chapter concludes with a reflective section on the effectiveness and possible replicability of these

⁴¹ Source: MDS.

⁴² See Lindert, Skoufias and Shapiro (2006) for evidence on the regressivity of Brazil’s social insurance programs.

tools for CCTs in other countries with similar challenges. Subsequent chapters examine more closely the mechanisms and processes of program execution.

A. Overview of Institutional Roles

An important feature of the Bolsa Família Program is its implementation in a highly decentralized context. While the BFP is managed by the Ministry of Social Development (MDS), numerous other agencies, both centralized and decentralized, are involved in various aspects of program implementation (see Table 5). Detailed manuals and regulations spell out the specific roles and responsibilities of each agency (see Annex 1). We briefly summarize main responsibilities here:

- **The Ministry of Social Development (MDS)** is the program’s policy and supervision agency. It is a relatively new ministry, and was created in January 2004 as a merger of the (former) Ministry of Social Assistance, the (former) Ministry of Food Security, and the Bolsa Família Executive Secretariat, which had been established in the Ministry of the Presidency at the time of the program launching. An organizational chart of the institutional structure of MDS is included in Annex 3.⁴³ Within MDS, several secretariats are involved in the BFP:
 - The Bolsa Família Secretariat (*Secretaria Nacional de Renda de Cidadania*, SENARC) oversees the overall program and its registry (*Cadastro Único*), and is responsible for beneficiary selection, payments authorization, administering consequences for non-compliance of conditionalities, monitoring of the program, and training municipal managers. Annex 3 includes a chart illustrating the organizational structure of SENARC as the main secretariat overseeing the BFP;
 - The Secretariat for Information Management and Evaluation (*Secretaria da Avaliação e Gestão da Informação*, SAGI) is responsible for commissioning longer-term impact and implementation evaluations (qualitative and quantitative);
 - As part of the BFP’s strategy to link beneficiaries to other complementary services within a more comprehensive social protection framework, SENARC also interacts with two other “programmatic” secretariats: (a) the National Secretariat for Social Assistance (*Secretaria Nacional de Assistência Social*, SNAS), which is responsible for overseeing the federal government’s social assistance programs for specific vulnerable groups (such as the “LOAS/BPC” cash transfer program for the elderly and disabled, the PETI program for child laborers, various programs for youths, social worker services for families at risk, etc.); and (b) the National Secretariat for Food Security (*Secretaria Nacional de Segurança Alimentar e Nutricional*, SESAN), which oversees a number of other complementary programs focused on hunger and food security (under the Fome Zero umbrella). Finally, SENARC interacts with the Secretariat for Institutional Articulation and Partnerships (*Secretaria de Articulação Institucional e Parcerias*, SAIP), which handles inter-government and inter-ministry partnerships and outreach with civil society relating to activities for generation of labor and incomes.

⁴³ The structure of MDS was approved on May 11, 2004 by Decree No. 5074.

- **Municipalities** carry out many aspects of program implementation. They are responsible for maintaining a local coordinator for the program (local program point-of-contact), registering *potential* beneficiaries in the Cadastro Único, monitoring health and education conditionalities and consolidating associated information, prioritizing BFP beneficiaries for other complementary services, and establishing social control councils (SCCs).
- **The Caixa Econômica Federal**,⁴⁴ has been contracted as the program's operating agent. The Caixa consolidates and manages the national registry database for social programs, the Cadastro Único, assigns registered individuals the unique Social Identification Number (NIS), and makes payments directly, crediting beneficiaries' electronic benefit cards (EBCs) on a monthly basis through its extensive banking network. The Caixa also designed and operates the software currently used by the Ministry of Education (MEC) for consolidating the information resulting from the monitoring of compliance with conditionalities.
- **The Ministries of Health and Education** are responsible for establishing technical and operational guidelines regarding school attendance (Ministry of Education, MEC) and health conditionalities (Ministry of Health, MS). They are also responsible for promoting the training of state and municipal managers in monitoring human capital conditionalities. Finally, they are responsible for consolidating conditionality compliance information and reporting this information to MDS.
- **State Governments** provide technical support and training to municipalities (particularly for smaller municipalities, Box 1). They also provide basic and complementary services, along with the municipalities. Finally, states are responsible for providing identification documentation for all families in the Cadastro Único registered in their jurisdiction.⁴⁵
- **Three controls agencies** – the General Controllers Office (CGU), the Federal Audits Court (TCU), and the Office of the Public Prosecutor (MP) – are responsible for formal oversight and controls of the BFP. Their specific roles are discussed in Part 8 below.

⁴⁴ The Caixa is a federal savings/credit union organization. Apart from banking services, Caixa has traditionally provided payments issuance services for federal assistance programs. The Caixa operates over 2,000 agencies nationwide, and is linked with close to 9,000 lottery points and over 2,000 banking correspondents. This broad network is supposed to guarantee its presence in all Brazilian municipalities, one of the reasons for its role in managing the Cadastro Único database and payments issuance for social programs.

⁴⁵ Decreto No. XX of XX 2006.

Box 1 -- State Coordinating Roles in the BFP: Examples of Ceará and Rio Grande do Norte

Although municipalities are the main sub-national actors involved in the direct implementation of the Bolsa Família Program, states do play an important role in providing technical support and training to municipalities. Some examples from one the poorer regions in Brazil (both finalists in the BFP's Innovations in Management Award (*Prêmio da Gestão*, see Part 4):

- **The State of Rio Grande do Norte (Northeast).** The state government established a permanent training and information function to provide technical support to its municipalities in the implementation of the Cadastro Único and the BFP. It established an “emergency hotline” (*pronto socorro*) to respond to technical questions from the municipalities. It also physically sends state technical assistants to the municipalities to train and assist them with the program – reaching an average of 40 municipalities *in situ* per month. As a result, the state of Rio Grande do Norte moved “from being a state with one of the worst records for Cadastro quality to one of the best.” In fact, the state of Rio Grande do Norte (and its collection of municipalities) received the highest score on the BFP's index of decentralized implementation (IDG, see Part 4). Rio Grande do Norte is also the only state to have established a state-level social controls function.
- **The State of Ceará (Northeast).** The state government operates an important function to “sensitize” (*sensibilizar*) municipal authorities about processes for implementing the Cadastro Único and the BFP. In total, the state trained 2,392 municipal staff (from various departments) in all 184 municipalities in the territory of Ceará. One result of this was that Ceará was the first state to have 100% of its municipalities sign the Joint Management Agreements (*Termos de Adesão*) with the BFP.

Table 5 - Implementing the Bolsa Familia: Centralized and Decentralized Responsibilities

Function	Centralized	Decentralized
Management <ul style="list-style-type: none"> • Overall program and policy management • Local coordination and management 	<ul style="list-style-type: none"> • MDS 	<ul style="list-style-type: none"> • Municipalities, states
Targeting, Registration <ul style="list-style-type: none"> • Geographic allocation of municipal quotas • Collection of household registry data • Local database management (updates, corrections) • Compilation of municipal registry data • National database management (Cadastro Único) • Eligibility determination (household assessment) • Cross-checks on database 	<ul style="list-style-type: none"> • MDS • Caixa • Caixa • MDS • MDS, Caixa 	<ul style="list-style-type: none"> • Municipalities • Municipalities
Payments <ul style="list-style-type: none"> • Authorization of the beneficiary roster (<i>folha de pagamento</i>) and monthly payments • Distribution of electronic benefit cards (EBCs) • Transfer of funds to Caixa • Monthly payment of benefits (directly to beneficiaries via credits to EBCs) • Monitoring payments 	<ul style="list-style-type: none"> • MDS • Caixa • STN (Treasury) • Caixa • Caixa & MDS 	
Conditionalities – Education <ul style="list-style-type: none"> • Overseeing entire school attendance system and setting attendance policies • Attending school minimum of 85% time • Recording school attendance of children • Consolidating school attendance data (for municipal and state schools) • Developing and operating current monitoring software • Consolidating attendance data and transmitting it to MDS • Determining consequences of non-compliance 	<ul style="list-style-type: none"> • MEC • Caixa • MEC • MDS 	<ul style="list-style-type: none"> • Families (children) • Teachers, Directors • Municipalities
Conditionalities – Health <ul style="list-style-type: none"> • Overseeing entire health compliance system • Target group for health conditionalities • Monthly health visits to BFP families • Recording compliance with health conditionalities into SISVAN information system • Consolidating information in SISVAN at local level • Consolidating municipal information at national level • Determining consequences of non-compliance 	<ul style="list-style-type: none"> • Ministry of Health • Ministry of Health • MDS 	<ul style="list-style-type: none"> • Children 0-7, mothers • Local health teams • Local health teams • Municipalities
Provision of Complementary Services <ul style="list-style-type: none"> • Prioritizing BFP beneficiaries for complementary services 	<ul style="list-style-type: none"> • Line Ministries 	<ul style="list-style-type: none"> • Municipalities, states
Monitoring and Evaluation <ul style="list-style-type: none"> • On-going monitoring of program execution (beneficiaries, payments, conditionalities); IGD • Impact evaluations 	<ul style="list-style-type: none"> • MDS (SENARC), Caixa • MDS (SAGI) 	<ul style="list-style-type: none"> • Municipal and state coordinators
Oversight and Controls <ul style="list-style-type: none"> • Internal and external cross-checks, validations of Cadastro Único • Investigation of complaints, appeals • Regular bimonthly Random-Sample Quality Control Reviews (Operational Audits) • Annual Financial Audits • Implementation evaluations (random-sample) of the Cadastro Único and the BFP (with interim supervisions and follow-ups over three-year period) • Social controls 	<ul style="list-style-type: none"> • MDS • MDS, SFC/CGU, Ministério Público • SFC/CGU • TCU • MDS (hotlines, website) 	<ul style="list-style-type: none"> • Municipalities refer complaints to MDS • Municipal SCCs

B. Managing the BFP in a Decentralized Context: Challenges and Solutions

Implementing the BFP in a decentralized environment poses many challenges, including:

- **Principal-Agent Dilemma for “Third Party Implementation”.** This challenge involves the need to develop management mechanisms to oversee and promote quality in implementation by actors other than the Federal Government, namely, (a) the 5,564 municipalities responsible for registration into the Cadastro Único, monitoring of conditionalities, and formation of social controls councils; and (b) the Caixa (federal bank) responsible for operating the Cadastro Único database and making payments to BFP beneficiaries.
- **Heterogeneous Quality of Implementation.** Related to the principal-agent dilemma, the 5,564 municipalities vary significantly in their administrative and financial capacities to implement the BFP. Ensuring sufficient municipal-level political commitment to implementing the federal program can also be a challenge.
- **Interactions Between the BFP and Other Local Programs.** Given Brazil’s long history with municipal CCTs and other social programs, the BFP faces the additional challenges of (a) avoiding potential duplications with sub-national CCTs; (b) promoting cross-fertilization of local level innovations across municipalities (knowledge sharing); and (c) promoting links between the BFP and other complementary services (discussed in more detail in Part 10).

These challenges have spurred a number of operational solutions in the management and institutional arrangements for the BFP (Box 2). This section provides a brief overview of some of these arrangements.

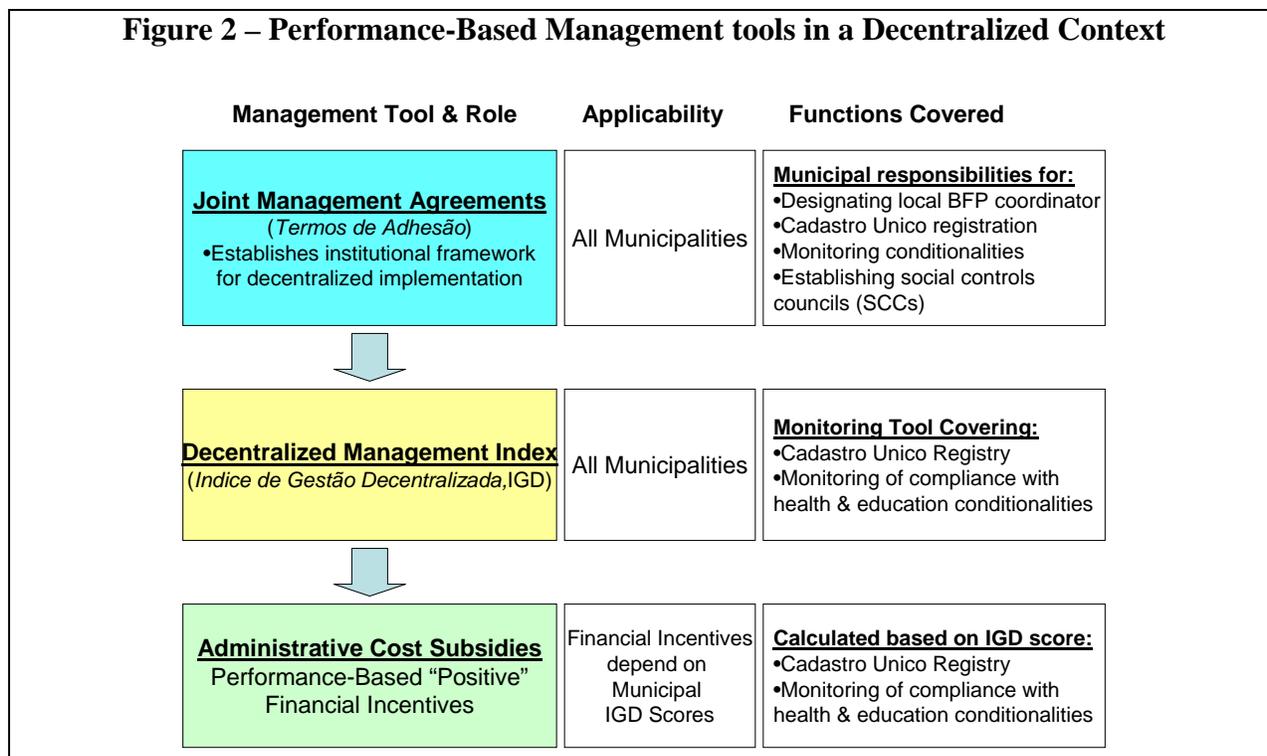
Box 2 – Management Solutions to Implementation Challenges in a Decentralized Context	
Challenges	Solutions
Principal / agent dilemma for executing federal programs via autonomous municipalities	<ul style="list-style-type: none"> • Formal joint management agreements (<i>Termos de Adesão</i>) established and signed by MDS and all municipalities in order to: <ul style="list-style-type: none"> ◦ Formalize municipal implementation roles and responsibilities ◦ Establish minimum standards for program operation • Signature of these agreements is also a prerequisite for receipt of financial incentives (below) • Audits under the oversight and controls network also cover the activities of municipalities (see Part 8)
Heterogeneity in quality of municipal implementation due to differences in capacity	<ul style="list-style-type: none"> • Assessing municipal quality of implementation via a quantifiable “Index of Decentralized Management” (IGD) based on four key quality aspects • Providing performance-based financial incentives (administrative cost subsidies) for quality implementation based on IGD scores. • Targeting training and capacity building to municipalities with low IGD scores
Principal / agent dilemma for operation of payments and registry (Cadastro Único) database by the Caixa (operating agent)	<ul style="list-style-type: none"> • Performance-based contract for the Caixa with enforceable sanctions for inadequate quality standards (discussed in Part 5) • Audits under the oversight and controls network also cover the activities of the Caixa (see Part 8)
Potential duplication with sub-national CCTs	<ul style="list-style-type: none"> • Vertical integration of sub-national programs with the BFP via joint cooperation agreements (<i>Termos de Cooperação</i>)
Need for mechanisms to promote cross-fertilization and sharing of experiences and innovations across municipalities	<ul style="list-style-type: none"> • The annual “BFP Innovations Award” (Prêmio), which was started in 2006, is aimed to promote a sharing of municipal experiences, including field visits as part of the awards process. Innovative experiences will also be disseminated and published as case studies.

Formalizing Agreements for Decentralized Implementation. Under Brazil’s federalist structure, municipalities are constitutionally autonomous. This structure poses a “principal-agent” dilemma for executing the federal BFP via 5,564 autonomous municipalities, since the municipalities are not constitutionally obliged to carry out the program according to federal standards.

The solution to this dilemma has been for MDS to enter into formal joint management agreements (*Termos de Adesão*) with every single municipality. In May 2005, the MDS issued an executive order calling on all municipalities to sign joint management agreements by September 2005.⁴⁶ These agreements follow a standard “template” and serve two key functions in establishing the overall framework for decentralized implementation (Figure 2): (a) they clarify roles and responsibilities for implementation of the program; and (b) they establish minimum institutional standards for program operation at the municipal level. Specifically, the agreements require that municipalities maintain a local BFP coordinator (local point-of-contact), register potential beneficiaries in the Cadastro Único, monitor and consolidate information on compliance with health and education conditionalities, and operate social control councils (SCCs). These agreements also specify that municipalities agree to prioritize BFP beneficiaries for other complementary services (literacy, professional training, and income-generation programs), as part of the BFP’s role to “horizontally integrate” social policy.

⁴⁶ The modality of Termos de Adesão, or Joint Management Agreements, was established in Portaria 246 of 20 May, 2005. To date, these agreements have been signed with all but three of the 5,564 municipalities.

Figure 2 – Performance-Based Management tools in a Decentralized Context



Monitoring the Quality of Decentralized Implementation: The “IGD.” A related challenge in the decentralized context is the issue of heterogeneous quality of implementation across Brazil’s 5,564 municipalities. In 2006, MDS established a “Decentralized Management Index” (*Índice de Gestão Descentralizada, IGD*)⁴⁷ to monitor and evaluate the quality of implementation in each municipality (Figure 2). This index assigns a quality score to four aspects of municipal implementation: (a) the share of families registered with a “valid” registry (complete and consistent information); (b) the share of families with registries updated at least within the past two years; (c) the share of BFP children with complete information on compliance with education conditionalities (as a share of all BFP children ages 6-15); and (d) the share of families with complete information on compliance with health conditionalities in the SISVAN system. The IGD is calculated as the sum of scores for each of these areas, with each dimension representing 25% of the index value.

The advantages of the IGD monitoring index include: (a) its role as a tool for monitoring quality of some of the key aspects of the basic architecture of the BFP; (b) its use as a tool for awarding performance-based financial incentives (see below); (c) its administrative simplicity as a *measurable* indicator: it is established based on centralized data (on status of Cadastro Único and transmittal of information on conditionalities compliance) that is readily available to BFP managers in MDS on a regular basis;⁴⁸ and (d) its transparency.

⁴⁷ Portaria N° 148, de 27 de Abril de 2006.

⁴⁸ Frequency of data collection: (a) valid registries = monthly; (b) registries updated = minimum every two years (most recent full-fledged recertification and updating was from September 2005-March 2006); (c) education conditionalities monitoring = every two months; and (d) health conditionalities monitoring = every six months.

The IGD does have some limitations, however. **First**, it does not assess the quality of information transmitted to the central authorities (e.g., the quality of the registration process or the reliability of school attendance information). Additional oversight is needed via random-sample operational audits (discussed in Part 8) to verify the quality of the underlying implementation processes (conditionalities monitoring, registration). **Second**, it does not cover other aspects of municipal implementation, such as the existence and functioning of social controls councils (SCCs) or the (more optional) linkages to of BFP beneficiaries with complementary services. Some of these issues are treated through random-sample operational audits and implementation evaluations (discussed in Part 8 below).

IGD scores have averaged between 0.64-0.66 (see Table 6 below), which is higher than MDS has originally anticipated, largely due to the recent nation-wide recertification and updating (see Part 5). The share of families with validated registry information (consistent and complete) has increased significantly in the time period since IGD monitoring began. Information on education conditionalities has hovered around 77%, although this dropped slightly in July 2006, perhaps due to national vacations that month. The component with the lowest scores is the health conditionalities monitoring, due to information reporting difficulties (see Part 7).

Promoting Performance-Based Incentives for Quality of Decentralized Implementation. In addition, MDS introduced a system of formal “performance-based” financial incentives to promote quality in municipal implementation. These incentives provide administrative cost support to municipalities to (partially) reimburse them for the costs of implementing the BFP. Payment of these financial incentives is conditional on having signed the joint management agreements (*Termos de Adesão*) and on the scores received under the IGD Decentralized Management Index (performance-based), as illustrated in Figure 2.

The “administrative cost subsidy” is determined by multiplying R\$2.5 per family by the percentage of the municipalities’ scores on the IGD decentralized management index. A full IGD score (100%) results in an administrative cost subsidy of R\$2.5 (US\$1.2) per month per BFP family (up to the municipality’s BFP program quota). In order to encourage quality implementation in smaller municipalities (which may have less capacity), municipalities receive twice the amount for the first 200 families in their quota. MDS has also established a minimum compliance (quality) floor of 40% for the IGD, such that municipalities with lower than a 40% score on the IGD receive no administrative cost subsidies. In such cases, MDS would take additional actions to help strengthen implementation quality in these municipalities. MDS transfers the administrative cost subsidies to municipalities on a “*fundo-a-fundo*” (block grant) basis and these funds are intended for reimbursing administrative costs or strengthening the management of the BFP.

The first round of payments of these IGD administrative cost subsidies was made in April 2006. At that time, the average score was 64% (Table 6). The main reason for less-than full scores is issues in managing and transmitting information on compliance with health conditionalities (which is a serious information systems challenge, as discussed in Part 7). At that time, 24% had scores greater than 80%. About 2% of municipalities (118 total) had scores less than the 40% minimum threshold for quality and did not receive any payments of administrative subsidies. This number has been cut in half, reaching 53 municipalities (less than one percent of the total) by July 2006.

One interesting development is the possibility that these administrative cost subsidies are creating perverse incentives for municipalities to take short-cuts in reporting on conditionalities compliance in order to obtain the subsidy. This concern was recently highlighted by MDS, based on recent information that showed about 800 municipalities (close to 15%) were reporting “100% compliance for 100% of their students 100% of the time.” These outliers are a red flag for authorities to investigate operational processes further. Clearly, the IGD monitoring tools and the administrative subsidies need to be complemented by additional oversight (via targeted investigations and/or random-sample operational audits, as discussed in Part 8 below) to ensure quality of monitoring and implementation processes. MDS is investigating these issues further. MDS is also currently conducting a survey via a questionnaire to municipalities on what they’ve used the financing from the IGD subsidy for.

Table 6 – Monitoring and Incentives with the IGD

	April 2006	May 2006	June 2006	July 2006
Average IGD Scores	0.64	0.66	0.66	0.64
IGD Scores by Component:				
Conditionality Monitoring:	0.54	0.54	0.54	0.48
Education	0.77	0.77	0.77	0.65
Health	0.31	0.31	0.31	0.31
Cadastro:	0.74	0.77	0.77	0.79
Validated	0.49	0.54	0.54	0.66
Up-to-date (minimum 2 years)	1.00	1.00	1.00	1.00
# of Municipalities by Score:				
IGD = 0 to 0.39	118	90	90	53
IGD = 0.40 to 0.59	1,348	1,125	1,125	1,306
IGD = 0.60 to 0.79	2,747	2,793	2,793	2,781
IGD = 0.80 to 1.00	1,351	1,556	1,556	1,424
Administrative cost subsidy payments to Municipalities (million R\$, where US\$1=R\$2.1)	R\$15.82	R\$15.54	R\$15.54	R\$18.99
Source: MDS. The IGD assigns a quality score to four aspects of municipal implementation: (a) the share of families registered with a “valid” registry (complete and consistent information; information available monthly); (b) the share of families with registries updated at least within the past two years; (c) the share of BFP children with complete information on compliance with education conditionalities (as a share of all BFP children ages 6-15; information updated every two months); and (d) the share of families with complete information on compliance with health conditionalities in the SISVAN system (information updated every six months). The IGD is calculated as the sum of scores for each of these areas, with each dimension representing 25% of the index value. The “administrative cost subsidy” is determined by multiplying R\$2.5 per family by the percentage of the municipalities’ scores on the IGD decentralized management index. A full IGD score (100%) results in an administrative cost subsidy of R\$2.5 (US\$1.2) per month per BFP family (up to the municipality’s BFP program quota). In order to encourage quality implementation in smaller municipalities (which may have less capacity), municipalities receive twice the amount for the first 200 families in their quota. MDS has also established a minimum compliance (quality) floor of 40% for the IGD, such that municipalities with lower than a 40% score on the IGD receive no administrative cost subsidies.				

Promoting Vertical Integration with Sub-National Transfer Programs. Another challenge is to avoid duplications with sub-national state and municipal CCT programs. As discussed in Part 2 above, since CCTs first emerged at the sub-national level in Brazil in 1995, there has been a proliferation of similar transfer programs in a number of states and municipalities. To avoid duplications, reduce administrative costs, and promote synergies, MDS has developed mechanisms whereby these sub-national programs can formally “merge” with the BFP in those localities where they exist. This “merger” is formalized through the signing of a formal cooperation agreement (*Termo de Cooperação*) between MDS and the sub-national entity. To

date, MDS has signed cooperation agreements with 14 states and 15 municipalities with more in progress.

With these cooperation agreements, there are several modes of vertical “merging” of programs depending on the terms negotiated with the specific sub-national governments. The BFP can seek to increase its resources and its scope, through partnerships aiming for (a) vertical integration with existing Bolsa-type programs, and/or (b) linking BF beneficiaries to complementary services. The most common arrangement involves “topping-up” BFP benefits with municipal or state benefits for existing beneficiaries (such that they get larger unit transfers from the pooled funds), as discussed for the municipality of Nova Lima in Box 4. This pooling of funds is reflected symbolically via the inclusion of the logo of the participating sub-national program on the Bolsa Família electronic benefit card (EBC). As such, beneficiaries are credited with the joint (higher) amounts on their single EBC and they withdraw these benefits using a single card with joint logos (see Box 3 for an example from the State of Acre).



Promoting Cross-Fertilization and Rewarding Innovations in Decentralized Implementation. Decentralization of various aspects of program implementation not only results in heterogeneous implementation practices, but it also promotes innovations at the municipal level. Indeed, many municipalities have used the BFP’s role in horizontally integrating social policy (through the conditionalities and by linking BFP beneficiaries to complementary services) and in vertically integrating transfers (merging with sub-national programs, as discussed above) to experiment in the way they deliver the BFP and other services to the poor. In some ways, this decentralized context has created a sort of “natural laboratory” for experimenting with integrated service delivery, higher benefit levels, additional conditionalities (some municipalities) and different approaches for monitoring and addressing the multi-dimensional facets of poverty and vulnerability.

To reward innovations and promote exchange of experiences between municipalities, MDS has launched an annual award (the “*Prêmio de Gestão*”). In the first round of the award, close to 500 municipalities and several states submitted applications for the award. An independent committee⁴⁹ reviewed the award according to a set of pre-established criteria and field visits were conducted for the final selection. Winners were announced at a large event showcasing their experiences with publications to document further cross-fertilization. Whether or not this “*Prêmio de Gestão*” award will be institutionalized as an annual event to promote knowledge sharing and innovation is still unclear (the first was held in 2006).

C. Reflections, Replicability, and Future Research

Decentralization spurs many challenges in the implementation of CCTs – in the form of the “principal-agent dilemma” and in ensuring minimum quality standards. The BFP has responded to these challenges through the use of several managerial tools, including: (a) establishing joint management agreements with all municipalities to establish the institutional framework for decentralized implementation (*termos de adesão*); (b) devising a tool for monitoring the quality of decentralized implementation (the IGD index); and (c) promoting incentives for minimum standards for implementation via performance-based financial incentives (administrative cost subsidies dependent on municipal IGD scores).

Nonetheless, with 5,564 municipalities implementing various aspects of the Bolsa Família Program, heterogeneity in the quality of implementation is – and will continue to be – a fact of life in Brazil’s decentralized context. Even with these tools, there is ample room for heterogeneity in the quality of implementation in areas such as (a) the way in which registration into the Cadastro Único is carried out (e.g., heterogeneity in the location, scheduling of interviews; selection and training of interviewers and supervisors; use of technology, etc. as discussed in Part 5); (b) the reliability of information collected in the monitoring of conditionalities (see Part 7); (c) the existence and functioning of social controls councils (SCCs, see Part 8); and (d) the use of complementary programs to promote graduation and empowerment (see Part 10). With these sources of heterogeneity – combined with differing administrative and financial capabilities as well as variance in political will and commitment to the program across municipalities – there will always be a spectrum for the quality of implementation, ranging from high to low performers.

Heterogeneity need not always be negative. Indeed, decentralization spawns not only challenges, but also opportunities – in the form of experimentation and innovation in service delivery at the local level. Indeed, as discussed above and in Part 10, one of the exciting developments in recent years is inter-action between the BFP and other local programs. This has occurred in (at least) two ways: (a) vertical integration of the BFP with sub-national conditional cash transfer programs through formal cooperation agreements (*termos de cooperação*) so that they merge payments of the BFP with other municipal CCTs on a single automatic electronic benefit card (EBC) with both logos, with the municipality “topping up” benefits of the BFP with their own municipal funding; and (b) linking of BFP beneficiaries with other complementary services (job-related services, training, social worker assistance and accompaniment, etc.) to help

⁴⁹ In 2006, this committee included representatives of civil society, other ministries, and donors, including the World Bank.

further empower them so that they would eventually be able to "graduate" from dependence on cash-assistance.

Further empirical research is needed to evaluate the operational aspects and impact of these sub-national experiments. Evaluations research could take advantage of Brazil's "natural laboratory" of decentralization to glean lessons learned for possible extension and application in other municipalities and / or adoption of reforms at the national level.⁵⁰ MDS has attempted to reward these innovations and promote knowledge sharing through its "*Prêmio da Gestão*" award. Many of these award winners are highlighted in boxes in this paper. Nonetheless, these award winners are clearly on the higher-performance end of the spectrum. MDS still needs to address implementation quality challenges in many other municipalities – including those with less than the minimum 40% on the IGD index (see above).

In this context, several questions merit further reflection:

- **Are these management tools really needed?** In Brazil's context, yes.
 - With 5,564 *autonomous* municipalities, the joint management agreements (*termos de adesão*) are needed to establish the framework for implementing the basic architecture of the BFP. Given Brazil's particular institutional context, in which municipalities are autonomous, the legal framework limits the level of authority granted to the Federal Government to intervene in municipal affairs. As such, the joint management arrangements were needed in Brazil's context to establish the relationship between the federal and municipal authorities in the implementation of the program.
 - The IGD provides an administratively-simple tool for federal monitoring of basic elements of implementation of the BFP by municipalities.
 - And the administrative cost-sharing subsidies fill several key functions, including: (a) they help cover real costs of implementing the program at the municipal level; (b) they provide a minimum basis of financial capacity for fulfilling these functions across the municipalities; and (c) they provide performance-linked incentives for minimum standards of implementation quality. These performance-based incentives are an important "carrot" in solving the "principal-agent" dilemma of third-party responsibilities for implementation in a decentralized context.
- **Are these tools enough?** Even with the performance-based contract arrangements created by these management tools, a certain degree of heterogeneity in the quality of implementation of the BFP by 5,564 municipalities is inevitable. Furthermore, as discussed above, the IGD monitoring tool only covers certain aspects of BFP implementation (registration, conditionalities monitoring information) and is based on administrative data rather than actual field assessments of quality. Additional tools are needed for oversight functions and policy feedback on the quality of decentralized implementation. These include random-sample operational audits and implementation evaluations, such as those implemented by the CGU and TCU (see Part 8 below). These "field-based" tools allow for more ample and in-depth information on the quality of implementation (albeit for a far smaller sample of municipalities than the IGD). Furthermore, additional efforts are needed

⁵⁰ A similar opportunity arose from decentralized experiments with social assistance in the United States in the early 1990s. Evaluations of this "natural laboratory" for experimentation ultimately led to the landmark welfare reforms at the federal level in 1996.

to support municipalities to build their capacity – via training and coordinating that could be provided, at least in part, by a more active role for state governments.

- **Are they effective?** From an *operational perspective*, certainly the joint management agreements, IGD monitoring index, and administrative cost subsidies have created important performance-based mechanisms for promoting quality and resolving the “principal-agent” dilemma of third party implementation of the BFP. MDS has a far stronger base from which to operate and interact with the municipalities using these tools than it did without them, in terms of clarified institutional arrangements, administratively-feasible monitoring tools, transparency, and “carrot-style” incentives. From an *empirical perspective*, however, further research is needed to evaluate the impact of these management tools on the quality of implementation of the BFP. Preliminary qualitative evidence from an on-going study of five municipalities of differing IGD scores in the state of Minas Gerais does suggest that the IGD and associated financial incentives have had a positive impact in encouraging “lagging” municipalities to invest in strengthening their administrative capabilities for implementing the BFP (rather than an exclusionary impact biased against weaker, poorer municipalities).⁵¹ Further research is needed to measure the extent to which quality of implementation under the BFP with these new performance-based arrangements has evened out and improved.⁵²
- **Are they replicable in other countries?** Our preliminary operational assessment (pending further empirical evaluation) suggests that these types of performance-based management tools and incentives are indeed useful and should be of interest to other countries operating CCTs in decentralized contexts. We refrain from a “blueprint-style” recommendation, however, since institutional contexts and administrative capacities differ in each country. Such tools should be adapted to the specific local realities in each country context.

⁵¹ Francesca Bastagli, London School of Economics (2006); preliminary results of PhD dissertation, as presented at a seminar in Brasilia.

⁵² Such research could build on a “natural baseline” that exists from an earlier World Bank – University of California-Berkeley survey which collected data on the quality of implementation of the Bolsa Familia Program and its predecessor, the Bolsa Escola Program, in 261 municipalities in the Northeast in late 2004.

Box 4 – Topping Up Benefits and Human Capital Incentives: An Example from Nova Lima Municipality

One interesting approach to promoting demand-side incentives for human capital formation is being piloted in the municipality of Nova Lima in the state of Minas Gerais. Nova Lima is a small municipality with a population of just over 64,000. According to the census figures of 2000, Nova Lima has 2,324 poor families, and as of April 2006, 1,736 (75%) of them were beneficiaries of the Bolsa Família program. Nova Lima has a high HDI (0.82), but significant levels of inequality.

Vertical Integration through a Cooperation Agreement. At the end of 2005, the municipality created a new CCT program, called Vida Nova, to enhance social inclusion of poor and extreme poor families and to increase their capacity to improve their living conditions and their socio-economic situation, through cash transfers and by promoting access to basic social and job training services. The program is joining into a formal partnership with the BFP (via a cooperation agreement, see Part 4) so that benefits will be paid jointly through the same EBC card. With these arrangements, the Vida Nova Program (VNP) seeks to extend coverage beyond the BFP's target base, targeting poor families with per capita monthly incomes below R\$150 (US\$71) and extreme poor families with per capita monthly incomes below R\$75 (US\$36)⁵³ – thresholds both set slightly higher than those for the BFP. It also seeks to “top-up” BFP benefits with additional transfer amounts linked to additional human capital incentives.

Additional Cash Benefits – Attached to Enhanced Human Capital Incentives. The VNP “tops up” BFP transfers to provide additional incentives to human capital formation. Building on BFP benefits, the VNP provides a basic transfer of R\$150 to extreme poor families (with per capita incomes up to R\$75) and R\$75 to other poor families (with per capita income up to R\$150). It also provides additional variable benefits – with additional human capital incentives attached. Whereas the BFP provides a variable benefit only to families with children up to the age of 15, the VNP actively promotes incentives for school attendance and progression for all children, adolescents over the age of 15, and adults. The VNP variable transfer increases as the studies progress, so as to promote grade advancement and to take into account the greater opportunity costs for youths and adults. Specifically, with proof of minimum daily school attendance (85% of the time), the VNP provides a variable transfer to families with children from the age of 11 (fifth grade), and youths and adults who are studying. The VNP variable transfer starts at R\$5 for fifth graders, and increases by R\$5 each year to reach a monthly transfer of R\$35 to youths in the 11th grade. Youth and adult education is promoted through a transfer of R\$25 for the first year, increasing by R\$5 to arrive at R\$35 per month for the third year.

Human Capital Conditionalities. The VNP builds in additional human capital incentives and conditionalities aimed at further promoting the integration of poor families into society and strengthening their capacity to generate a sustainable and sufficient income. Specifically, in addition to the health and education conditionalities stipulated by the BFP, the VNP (a) provides bonus variable transfers for secondary and adult education (see above); (b) requires beneficiaries to participate in a socio-educational monitoring program; (c) requires participation in program meetings and activities; and (d) requires participation in professional preparation and training courses.

Social Worker Accompaniment. For the duration of the program, beneficiary families are also supported by a network of social workers, in order to further promote their social development in accordance with minimum goals and indicators of quality of life in the areas of identification/documentation; health; education; family dynamics; housing; work and income; and culture.

Exit Policies. VNP transfers are provided for up to two years but can be extended beyond that time based on a technical assessment of the impact of the program on the family and of the family's compliance with the program's terms. The decision to have a family exit from the program is based on a technical report elaborated by the General Coordinator of the program and approved by the Municipal Education Secretariat. Families will exit from the programs when (a) their level of social promotion, as measured by the per capita family income, is 20-30% higher than the income ceiling established to determine program eligibility, (b) there are repeated instances of non-compliance with program conditionalities, (c) the family moves from the municipality, or (d) the family achieves the minimum conditions established in the program monitoring goals.

⁵³ Potential beneficiaries must prove residence in Nova Lima for a minimum of five years to qualify for the additional Vida Nova benefits.

V. Targeting and the Cadastro Único Registry System

This section reviews the implementation of mechanisms used to target the Bolsa Família Program. In addition to geographic targeting mechanisms, the principal instrument for determining eligibility is a registry of “low-income families” called the “Cadastro Único.” The current arrangements for implementing these mechanisms are discussed in the early sections, including a review of recent improvements. A review of remaining challenges is then discussed. Despite these challenges, targeting outcomes for the Bolsa Família Program are already quite impressive, as discussed in the concluding section.

A. Targeting Mechanisms: Geographic Allocations and Family Assessments

As noted above, targeting for the BFP is done through a combination of methods: geographic allocations and family assessments based on per capita incomes.

Geographic targeting is done at two levels: federal and local. **First**, the federal government allocates BFP quotas to municipalities according to estimates of poverty for the municipal level.⁵⁴ Original municipal level allocations were established by comparing eligibility criteria (per capita income thresholds of R\$100) to the 2001 national household survey (PNAD) combined with the 2000 census. These program quotas resulted in an original target of 11.2 million families when the Government launched the BFP in October 2003. In 2006, MDS adjusted overall targets (to 11.1 million families) as well as specific program quotas for municipalities using updated data from the PNAD 2004, which showed a fall in poverty. These revisions resulted in adjustments of specific municipal quotas, with some municipalities facing a reduction in BFP allocations.⁵⁵ **Second**, within municipalities, spatial maps of poverty, vulnerability or other synthetic indices of living standards (such as the human development index) were used to identify and target geographic concentrations of the poor.

These BFP program quotas are distinct from registration quotas for the Cadastro Único, which were used in the initial years of the pre-reform programs. Registration quotas have many drawbacks, including (a) lack of transparency regarding which households get interviewed (as decisions about potential program inclusion are taken before the appropriate information is collected or eligibility guidelines are applied); (b) opportunities for political manipulation (e.g., vote seeking by registering certain households with particular political affiliations rather than those without such affiliations); and (c) the potential for replicating existing inequalities at the local level (e.g., where the extreme poor get excluded because they are less informed or less connected to be included in the quota of registrants).

Reforms under the BFP eliminated the quota-based registration for the Cadastro Único.⁵⁶ Although MDS maintains municipal quotas for BFP *program benefits* (based on the “poverty map” and fiscal constraints), *registration* quotas for entry into the Cadastro Único have been

⁵⁴ The national statistics institute, IBGE, is currently finalizing an improved micro-areas poverty map which combines data from the 2000 census with consumption data from the 2002-03 household budget survey (POF) using statistically robust techniques. When available, these maps should become useful tools for refining the geographic targeting of the BFP.

⁵⁵ In fact, this was not as politically difficult as one might have imagined. The cuts applied to overall beneficiary envelopes, and at the time of the readjustment, not all municipalities had reached full capacity within these quotas. As such, when the quotas were reduced only a few municipalities had beneficiary totals that were above the newly established quotas. Nevertheless, this did not result in any municipalities having to cut anyone already in the program.

⁵⁶ Registration quotas were eliminated in practice by about 2004.

abandoned. Municipalities, therefore, are now allowed to register as many families as necessary into the *Cadastro Único*. This also increases transparency, as any family that requests registration may be interviewed, with the proviso that they are informed that registration into the *Cadastro Único* does not guarantee benefits.

Program quotas, on the other hand, serve as a useful mechanism for geographically targeting the program and addressing potential moral hazard issues at the municipal level. To some extent, poverty-estimated municipal program quotas combined with formal and social controls mechanisms force municipalities to focus their limited “slots” on those who are truly poor. Without these quotas, moral hazard incentives could arise in which municipalities could become more “lax” in their standards for means-testing, allowing higher and higher numbers of beneficiaries to be registered with “qualifying” data. Municipalities would have incentives for registering more and more beneficiaries, with the federal government footing the bill. Program-based quotas thus serve to reinforce geographic targeting (with higher quotas for municipalities with higher incidence of poverty) and to reduce incentives for moral hazard in excess registration by municipalities.

Once geographic program-quotas are established, **means-testing mechanisms** are then used to determine **family eligibility** for the BFP. Family eligibility is determined centrally based on household registry data which are collected locally and transmitted into a central database known as the *Cadastro Único*. This process is described in detail below.

B. Implementing the *Cadastro Único* Targeting System

The Ministry of Social Development – and the Bolsa Família Program – inherited the *Cadastro Único* registry from the pre-reform programs. The *Cadastro Único* was originally established in July 2001,⁵⁷ as the federal government launched a major effort to construct a single beneficiary registry database to serve its many social assistance programs. Until that time, each of the pre-reform programs operated its own system for targeting beneficiaries. For example, the Federal Bolsa Escola Program had created its own beneficiary registry system, “CADBES” (the *Cadastro do Bolsa Escola*) and the Bolsa Alimentação program was using a health system registry. All pre-reform programs used unverified means testing to determine individual eligibility. The creation of a unique database (*Cadastro Único*) and a unique social identification number (NIS) was an initial attempt to respond to the need to improve efficiency and coordination and reduce duplication of administrative costs across the numerous safety net programs. This initial attempt to unify the registry was then surpassed by the actual merging of these pre-reform programs to create the Bolsa Família Program in 2003.

There are several advantages of having a single national database for determining and monitoring eligibility for social transfer programs, including *inter alia*: (a) preventing or reducing duplication of benefits (e.g., people receiving benefits from more than one municipality or program); (b) reducing duplication of administrative costs across programs; and (c) monitoring time limits and graduation criteria. The *Cadastro Único* represents a major step forward in advancing these goals.

⁵⁷ The *Cadastro Único* was established through a ministerial decree (Decree 3877, July 24, 2001). The contract with the Caixa Econômica Federal (CEF) for the administration of the database and issuance of payments to beneficiaries was signed on December 28, 2001. Municipalities began registration for the *Cadastro Único* in mid-2002.

Nonetheless, evaluations conducted in 2003⁵⁸ revealed that the original Cadastro had many aspects that needed improving,⁵⁹ such as: (a) a lack of clear guidelines on Cadastro operations and responsibilities; (b) a lack of access to data by key registry users, including MDS (which lacked real-time access to the data until January 2005), and municipalities; (c) that the database was very static in nature; (d) a lack of a system for auditing and quality controls, including adopting mechanisms for verifying self-reported incomes; (e) distortions due to the use of *a priori* registry quotas (different from program quotas); and (f) a host of software and implementation problems.

Most of these challenges have since been remedied and the Cadastro has been significantly improved, reflecting a natural “learning curve” for social policy, the additional needed input of “time,” and explicit reform efforts by MDS. These improvements are incorporated into the discussion of the implementation of the Cadastro Único below. The subsequent section identifies remaining challenges.

Institutional Arrangements for the Cadastro Único. Many actors are involved in implementing different aspects of the Cadastro Único. Some functions are centralized, while others are decentralized. Since 2004, numerous official documents (decrees, norms, operational guidelines, manuals) have been issued to clarify the responsibilities and operational functions of the Cadastro Único (see Annex 1 for a listing). These official documents provide guidelines on (a) institutional roles for the various actors; (b) operational procedures for data collection, entry and consistency checks; (c) database transfers, consolidation and management; and (d) periodicity of recertification; and other norms.

The Ministry of Social Development (MDS) governs the design parameters used to guide the implementation of the Cadastro Único. These include: (a) defining institutional responsibilities; (b) setting geographic allocations and family eligibility criteria; (c) establishing norms for data collection, including the standard family questionnaire⁶⁰ and associated manuals; (d) establishing quality standards for database management and overseeing its operation; and (e) defining routines and cross-checks for determining and verifying eligibility for the BFP. With those design parameters, implementation of the *Cadastro Único* targeting system covers three basic steps, as shown in Figure 3 (each discussed in more detail below):

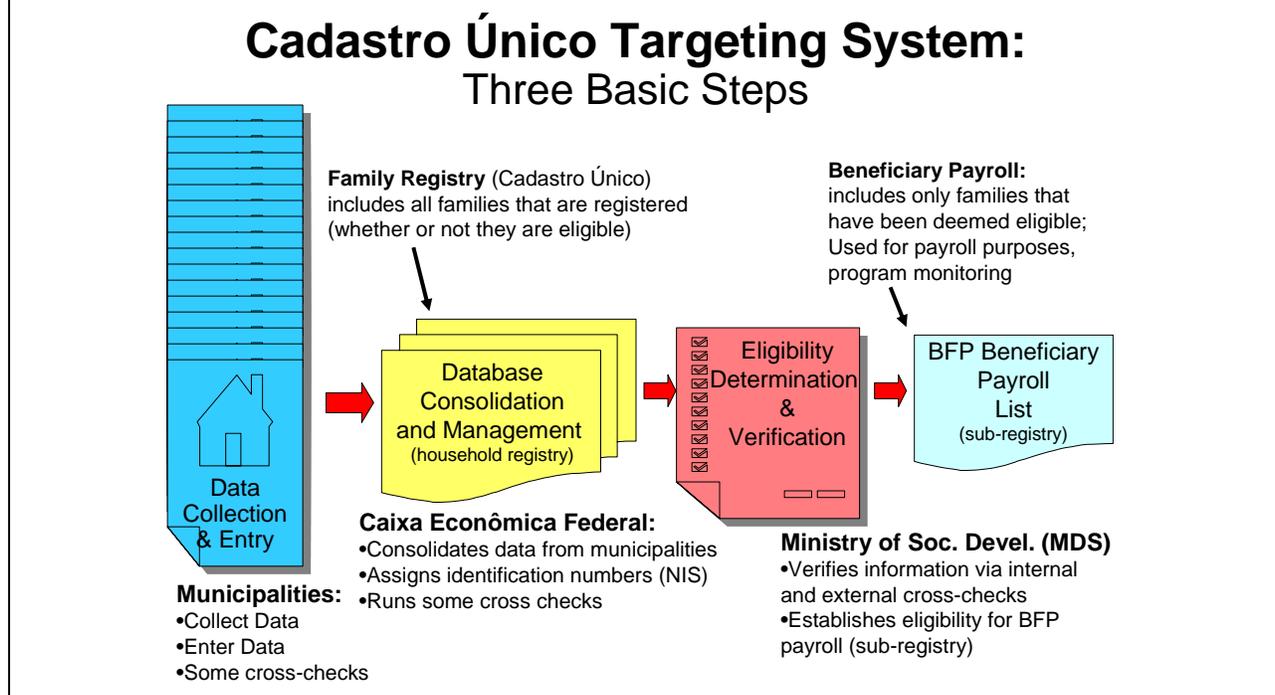
- **Data collection and entry** is decentralized to the municipalities;
- **Database consolidation and management** is centralized by the operating agent, the *Caixa Econômica Federal* (Caixa), a federal bank, which is contracted by MDS via a “performance-based contract” (see below);
- **Eligibility determination** is centralized by MDS, which then establishes the monthly beneficiary payroll.

⁵⁸ Notably, the implementation evaluation conducted by the TCU, an evaluation conducted by the World Bank, and numerous other studies including those by IPEA – all conducted in 2003 just before the launching of the BFP.

⁵⁹ De la Brière and Lindert 2005.

⁶⁰ MDS and IBGE have recently prepared a revised questionnaire for data collection with improvements in questionnaire format, content, and clarity. This was not, however, used for the recent round of recertifications as it is still being validated by MDS and other actors (including for potential expanded use with other social programs).

Figure 3 – Cadastro Único Targeting System: Overview of Basic Steps and Responsibilities



Data Collection and Entry: Decentralized to Municipalities. Municipalities are responsible for collecting data and registering families into the Cadastro Único. Federal guidelines for this process cover five aspects: (a) definitions and concepts (including defining the concept of the “family” or “household” for registration purposes); (b) identification documentation and procedures for family members; (c) the use of the standard federal family questionnaire (*Cadastro Único Questionnaire*), which includes information on household composition, income, and living conditions (proxies) and which is currently being improved and updated (see below); (d) periodicity of recertification and requirements for on-going updating; and (e) training of municipal authorities (and roles for states in supporting training in a cross-fertilizing role). Other than that, municipalities are essentially given the authority to tailor the data collection process to their own local realities and capabilities – resulting in significant heterogeneity across municipalities in the methods for implementing registration under the Cadastro Único. These include local decisions regarding:

- **The use of within-municipality geographic targeting mechanisms** to focus registration efforts on areas with concentrations of the poor. As noted above, many municipalities use maps of poverty, vulnerability or other multi-dimensional indices of living conditions to help them target their efforts geographically (and increase the likelihood that the families being interviewed and registered are poor). A 2004 survey of 261 municipalities in the northeast found that municipalities were 69% more likely to adopt geographic targeting mechanisms under Bolsa Família than under the pre-reform Bolsa Escola Program.⁶¹ A 2005 survey of

⁶¹ Fieldwork conducted in late 2004. de Janvry et. al. (December 2005).

beneficiaries (already screened as poor for eligibility) found that 68% were registered in their own neighborhoods, reflecting a high degree of geographic targeting of the BFP.⁶²

- **Site of the interviews.** Cadastro regulations establish a formal preference for home visits as the site of registration. However, home visits can present costly logistics complexities (Box 5) and, when not possible, municipalities can conduct registration interviews in public locales or formal offices provided that (a) timing and location of registration points are explicitly communicated to target populations; and (b) municipalities conduct ex-post home visits through random spot checks of at least 10% of families registered at public or office locations. Norms also require that municipalities must maintain a permanent site (point of contact, office) for families to register (on-demand) and update their information. A beneficiary survey⁶³ conducted in September 2005 found that 15% of beneficiaries had been registered in their own home.⁶⁴ Of the remaining 85% that were registered elsewhere, 54% were registered at a school, 13% were registered at some municipal office (typically social assistance centers), 12% were registered at the central municipal office (town hall), 8% at health posts, 6% at neighborhood associations, 4% at churches, and 2% at other locations. In addition, some municipalities also conduct home visits for a sample of registrants after initial registration in order to verify information collected (or correct missing or inconsistent information).
- **Scheduling of interviews (within guidelines).** Federal guidelines now mandate that all Cadastro registrants (and potential new registrants) be recertified at least every two years. As discussed below, the first full-fledged recertification occurred from September 2005 to March 2006. Within that period, municipalities scheduled and announced the specific timing of interviews. Municipalities also allow for on-going “on-demand” registration and updating into the Cadastro Único at public offices or integrated family social assistance centers (“CRAS”).
- **Selection of interviewers and supervisors.** Municipalities can also determine the staffing and composition of interview teams (see Box 5), though recent norms do establish “orienting guidelines” on the types of functions and professional profiles needed for registration and data entry teams. A survey of 261 municipalities in the northeast found that 78% used municipal officials (staff or contracted) as interviewers, 54% used health agents, and 20% of municipalities used teachers (many used a combination, hence the summing up to more than 100%).⁶⁵ On-going updating and verification is usually done by more permanent municipal staff. With the MDS’ new quality standards (IGD index) and associated financial incentives, municipalities are increasingly developing more permanent capacities for registration and management of the program (on a more rolling basis).

⁶² Beneficiary survey commissioned by MDS and conducted by Polis Pesquisa (BH). Sample covered 2,317 interviews in five regions of Brazil. Fieldwork was carried out from September 10 to October 4, 2005. Note that the survey covers only beneficiaries, not non-beneficiary registrants of the Cadastro Único.

⁶³ Beneficiary survey commissioned by MDS and conducted by Polis Pesquisa (BH). Sample covered 2,317 interviews in five regions of Brazil. Fieldwork was carried out from September 10 to October 4, 2005. Note that the survey covers only beneficiaries, not non-beneficiary registrants of the Cadastro Único.

⁶⁴ A survey of 261 municipalities in the northeast found that home visits 62% more common under Bolsa Família than under Bolsa Escola. de Janvry et. al. (December 2005).

⁶⁵ de Janvry et. al. (December 2005).

- **Training of interviewers and supervisors.** Municipalities are supposed to train interviewer teams, based on federal guidelines and training of local authorities. States are also expected to provide coordination and training across municipalities in their jurisdictions. The extent to which training is actually carried out (and its quality), however, varies significantly across municipalities, given their different capacities and institutional arrangements. To strengthen institutional capacities, MDS and Caixa have offered extensive training to states and more than 5,000 municipalities to improve the quality of data collection for the most recent re-certification process and to strengthen their ability to use the Cadastro data.
- **Use of technology at municipal level.** Although all municipalities now have on-line computer access to the Cadastro database with standard software developed by the Caixa (as discussed below), there is significant heterogeneity in computer power across the municipalities. Some municipalities have entire rooms with numerous computers dedicated to local operation of the Cadastro Único (data entry, verification, cross-checks). Other, smaller, municipalities have just a single computer – which can also be used for other purposes. Recent operational guidelines establish suggestions on the minimum technology infrastructure needed to operate the Cadastro Único, depending on municipality size.
- **Communications.** Information aimed at encouraging people to register is usually disseminated through the municipality, family social assistance centers, schools, local health centers, churches, and NGOs, as well as on television, radio and through other media. The federal government is also actively involved in communications campaigns (e.g., through general public announcements about the program or for the recent nation-wide recertification in 2005-06). In July 2005, MDS also began issuing regular newsletters (“*Informe Bolsa Família*”), which it sends by email to all municipal BFP coordinators, federal and state partners, and representatives of indigenous peoples and Quilombola communities. These newsletters include basic information about the BFP and the Cadastro and any deadlines or changes in policies.

Box 5 – Implementing the Cadastro Único on the Ground: Examples from the Amazon and Northeast Regions

Municipalities are responsible for data collection for the Cadastro Único, the primary mechanism used to screen families for eligibility under the BFP. Two examples illustrate the challenges – and some local innovative solutions – for implementing the latest round of recertification:

- **Rio Branco Municipality, State of Acre (North/Amazon Region).** To say that registering families for the Cadastro Único in Rio Branco municipality, in the remote jungle state of Acre, is a “challenge” would be an understatement. Just some of the challenges included: a lack of civil documentation and constant migration of local residents (for cultural and seasonal work reasons), the scheduling of recertification during the rainy season, difficult logistical access to many areas, as well as a weak pre-BFP history of record keeping and incompatible systems for converting the Bolsa Escola registry (CADBES) to the Cadastro Único. Facing these challenges, the municipal government of Rio Branco undertook a massive effort to improve the Cadastro in the latest round of recertifications. Efforts included: forming partnerships with various state and municipal secretariats NGOs, civil society and the university; organizing and training an “army” of interviewers (over 200 university students), rigorously reviewing and cleaning up the initial database, launching an ambitious communications campaign, conducting home visits for all families (except those of very remote rural access, which were re-registered in “CRAS” family assistance centers), and using a range of tools to detect duplications. As a result of the recertification and elimination of duplications, the number of legitimate families in the registry fell from 25,916 to 16,324, with a major improvement in the quality of information (reduced inconsistencies, missing data; validated information and addresses, etc.).
- **Piripiri, State of Piauí (Northeast).** Piripiri is a municipality of over 60,000 inhabitants with a very low HDI ranking and high rate of poverty (about 50%). It is also situated in Piauí, one of the poorest states in Brazil. An important challenge in Piripiri is *outreach* to the extreme poor – for registration, accompaniment, monitoring, and so forth – who tend to live in areas of difficult access. To provide better outreach to the extreme poor, and bring them into the program, Piripiri launched a major communications and outreach campaign called “Bolsa Família Reaching Out to You” (*Bolsa Família Vai Até Você*). The campaign involved: (a) every two months, physically sending mobile teams out to each district to register the families, expedite civil documentation, answer questions, provide medical services, and offer educational seminars and other social services; and (b) running a regular radio show “Bolsa Família Moment,” which runs every Wednesday afternoon from 2-2:30. The show is hosted by the radio and features “radialista” and the municipal coordinator of the BFP, who answers questions called into the show. The list of beneficiaries is also announced, in an effort to promote citizen involvement and social controls. As a result of these outreach efforts, Piripiri has increased the share of families registered in the Cadastro, with the number of BFP beneficiaries increasing by 15%, all among the extreme poor. The quality of data of the Cadastro has also improved.

Once data are collected, municipal officials subsequently enter registry data into an offline software program called Cadúnico, which is designed and updated by the Caixa. Data entry at the municipal level requires a login code, allowing MDS/Caixa to identify the official who enters the data for each register.

Since May 2005, the municipalities have had access to a data program,⁶⁶ which enables them to identify inconsistencies or gaps in the information registered. By simply clicking on a button in the software for either “personal inconsistencies” or “household inconsistencies” the program will automatically run cross-checks and list all inconsistencies encountered. It is also possible to do searches by name, NIS or address and other basic variables.

In cases where beneficiary families move from one municipality to another, they must report this to the municipality that they are leaving. They must also register in the new municipality for the

⁶⁶ The *Aplicativo Inconsistências do Cadastro Único*, as discussed below.

purposes of continued BFP benefits, conditionalities monitoring, and prioritization for complementary programs (discussed in Part 10 below). The process of moving the registration information from one municipality to another is now done automatically in the system, though this depends on beneficiary actions to inform each municipality of their movements. Once the beneficiary registers in the new municipality, the Benefits Management System (discussed in more detail in Part 9) identifies and retrieves beneficiary information from the municipality of origin.⁶⁷

Recertification: Municipal Responsibility Every Two Years. Under the IGD Decentralized Management Index⁶⁸ and the joint management agreements (*termos de adesão*), municipalities must recertify all potential and existing program beneficiaries at least every two years to ensure that the Cadastro Único remains valid. This two year periodicity was confirmed in the recent regulating decree for the Cadastro and helps ensure that those who no longer qualify are removed from the beneficiary list and that newly eligible families are given BFP support. Within their program quotas, municipalities retain the slots of non-eligible beneficiaries that are dropped from the program, and can reassign these to newly eligible families within their jurisdictions.

The first nationwide recertification of all registrants (and new registrants) was conducted between September 2005 and March 2006. As of May 2006, close to 14 million families (58 million people) were registered in the Cadastro Único. This represents 86% of the estimated 16.1 million families with per capita income below half the minimum wage, the target population for the Cadastro Único.

The mass recertification process resulted in a significant overhaul of the quality of the registry, with the number of “validated” registries increasing from 31% in March 2005 to 78% in June 2006. The main changes or updates in Cadastro information for families that were *already* registered included: changes in family per capita income (34.6%), changes or updates in address information (21.1%), documentation for the legally responsible individual (20.1%), number or composition of household members (19%), and modification of assignment of the legally-responsible status (to another member of the family, e.g., after death). The process also led to the incorporation of 2.7 million new families into the registry.

In 2006, some 1.4 million families (about 10%) were removed from the registry as a result of the recertification process. Moreover, the process led to the cancellation of BFP benefits for 562,351 families (with another 50,915 blocked for payments pending further investigation).⁶⁹ The main reason for cancellations of benefits was “incomes higher than the program limits” (representing 52% of all cancellations). This could represent either: (a) improvements in the earned incomes of the poor; or (b) improvements in the measurement of income under this new wave of re-registration. Other reasons included: families without children within the R\$60-120 income range; extraordinary (transitional) benefits expiring, duplications, and other.

To help defray the costs of this mass recertification process and promote quality in its implementation, MDS provided one-time “conditional” recertification cost subsidies. Whereas

⁶⁷ Operational instruction MDS/SENARC No. 12 of 3 February, 2006 provides specific and detailed instructions to municipalities on how to handle modifications to the Cadastro Único in the system for local benefits management.

⁶⁸ Portaria 148 of 27 April, 2006 (see Annex 1).

⁶⁹ These 2006 cancellations were in addition to 81,104 cancellations from other cross-checks in 2005 and 36,301 in 2004. Similarly, the 2006 blockages were in addition to 241,701 blockages in 2005 and 130,910 in 2004.

earlier rounds of Cadastro registration had generated heterogeneous registry quality and complaints by municipalities that registration was costly (both financially and in terms of their technical capacity), this time MDS offered both training and financial incentives to improve the quality of the registration process. In terms of financial incentives, MDS agreed to pay municipalities a one-time “administrative cost subsidy for recertification” conditional on evidence of quality of the data. The recertification subsidy was set at R\$6 (US\$2.9) per recertified family⁷⁰ conditional on the data being validated for quality by MDS. Several points are used to check and validate quality, including: (a) missing data; (b) the verification of identification documentation of registered individuals over 16 years of age; (c) validation checks by MDS (conducted before the administrative cost subsidy is issued and every two months thereafter), including: internal cross-checks of self-reported incomes against other “proxy variables” in the Cadastro (reported consumption, other multi-dimensional indicators) and external cross-checks with other federal databases (RAIS, pensions register (previdência), etc.). Payments of the administrative cost subsidy were made after verification of quality (ex post). The cost of future recertifications and maintenance of updated databases are now partially covered by the on-going performance-based administrative cost subsidies discussed in Part 4.

Database Consolidation and Management: Centralized to the Caixa. The Caixa is responsible for database consolidation and management, as per a contract between MDS and Caixa and official norms. Two recent institutional reforms have greatly improved the management of the Cadastro Único database: (a) the granting of access by MDS and the municipalities to the Cadastro Único database (previously only accessed by the Caixa) in January 2005; and (b) the renegotiating of the contract between MDS and Caixa to build in performance-based mechanisms in January 2006.

Prior to January 2005, the database of the Cadastro Único was centralized entirely with the Caixa. This presented significant operational challenges and a “principal-agent” dilemma, since the MDS had limited access to the registry and limited means to judge its quality. Many also felt that it granted too large of a role in social policy-making to the Caixa, with too little supervision. In January 2005, MDS gained access (along with the improved computer power) to the full Cadastro Único database for the first time. This was a landmark moment in MDS’s efforts to improve the quality of the registry and the BFP. From that point on, MDS moved quickly to validate and cross-check the database, through internal as well as external cross-checks. This allowed MDS to identify and remove numerous duplications and investigate other questionable cases.⁷¹ MDS then developed a quality report for each municipality, and, in May 2005, sent a CD and quality report to each municipality with the municipality’s full Cadastro dataset and proposed action plan for remedying any identified weaknesses within a certain period of time. The requirements for such improvements were then formalized via the signing of Joint Management Agreements (*Termos de Adesão*) and the associated “performance-based administrative cost subsidies” for recertification and on-going implementation, as discussed in Part 4 above. MDS and the municipalities now have on-line access to the operational Cadastro Único database, which is updated on a monthly basis by the Caixa. Nonetheless, anecdotal

⁷⁰ To contain the total amount of recertification subsidies paid to any given municipality, these were capped at R\$6 times the total number of BFP families in the municipality’s BFP quota. Municipalities can register (or recertify) more families than that into the Cadastro, but the administrative cost subsidy is capped for that quota of families.

⁷¹ The initial “clean up” with these cross checks resulted in the blockage and/or cancellation of 322,809 families in the Cadastro Único (2% of the total in 2005).

evidence from some municipalities suggests that there are still delays in their access to updated or historical data in the Cadastro Único.

In another important reform, MDS renegotiated a new performance-based contract with the Caixa in January 2006. The new contract sought to (a) rebalance these roles in favor of MDS as the policymaking body with full access to the data; and (b) incorporate performance based incentives for quality implementation and supervision into the contract. The new contract with the Caixa establishes 17 performance indicators that MDS monitors to measure the level and quality of the services (registry operations and payments services) being provided by the Caixa. Example indicators include: an index of duplication of registry entries, hours of systems availability, time lapses for delivering benefits cards, and so forth. A Contract Oversight Commission (*Comissão de Fiscalização do Contrato*), composed of representatives of all MDS departments, oversees compliance with the terms of the contract on a monthly basis. In case of non-compliance with any of the contract requirements, the MDS sanctions the Caixa with fines as a pre-determined percentage of the contract value corresponding to the service in question. Because Caixa staff also sign personal performance-based contracts, sanctions against Caixa also lead to sanctions of the managing individuals' salaries.

With these arrangements, Caixa's responsibilities for managing and consolidating the Cadastro Único are carried out as follows:

- **Consolidation of Municipal Data.** Once data have been gathered, verified and consolidated in the local Cadúnico data program, the municipality transfers the information to the central database at the Caixa's processing center, using an online system.⁷² The Caixa consolidates this information across municipalities into the national Cadastro Único database.
- **Assignment of Individual Social Identification Numbers.** The Caixa also verifies whether individuals already have a social identification number (*Número de Identificação Social*, NIS) in the system. For those who do not already have a NIS, the Caixa generates and assigns a new, unique NIS, which is also being mainstreamed across other social ministries and programs (e.g., labor, social security, education, health, and so forth).⁷³
- **Transmittal and Verification of Consolidated Data.** After processing the data and assigning the NIS, the Caixa then returns the processed data to each municipality once a month in return files (*arquivo retorno*) to verify the transfer of data and to allow municipalities to investigate, verify, and resolve any irregularities (duplications, missing information, inconsistencies) identified by MDS or the Caixa. The Caixa also transfers the full consolidated Cadastro Único database to MDS on a monthly basis (since January 2005). MDS performs internal and external cross-checks of the Cadastro Único data (see discussion in Part 8 below) in order to eliminate duplicate registrations, run further consistency checks, and verify income and other information against other databases, as discussed below. Those

⁷² MDS and Caixa report that all municipalities now have access to the on-line system. Previously, when that was not the case, some municipalities sent their information to the Caixa on CDs.

⁷³ For labor and social security, the original identification number was called the "PIS" for formal sector workers. For those who already have a PIS, the NIS is the same as the PIS. Assigning the NIS is done through the Social Information System (Sistema de Informações Sociais, SIISSO). In order to assign a new NIS, the Caixa first verifies the person's complete name, his/her mother's name, date and municipality of birth and also requests an identification document. A person who provides two different ID documents would be assigned two different NIS, while any errors in typing a person's name might also lead to the generation of two NIS for the same person. Subsequently, the Caixa undertakes various verification procedures in order to identify and correct duplications of NIS.

that cannot be resolved with existing information are sent to the municipality in question for further investigation and resolution.

- **Software Management.** The Caixa also has the responsibility for developing, managing, and upgrading the software system used both centrally and by municipalities to run the Cadastro Único. The software used in early years of the Cadastro had numerous problems, most of which have been resolved through numerous editions of the software. The latest round of Cadastro Único Software introduced further improvements, allowing for (a) automatic internal and external cross-checks on information; and (b) systems networking, which is particularly important for large municipalities with multiple computers. Another version (7.0) is currently under development.

Program Eligibility Determination: Centralized to MDS. MDS has the formal responsibility for determining eligibility for BFP benefits. This is done by: (a) setting municipal program quotas, based on spatial poverty "map" information from the census and household surveys (see above); (b) determining family eligibility criteria, such as income ceilings and family composition (see Part 3 above); and (c) applying these criteria, verifying information and establishing the monthly list of families eligible for payments.

This process differs considerably from that used under pre-reform programs, such as Bolsa Escola. Under both programs, the Federal Government assigned program allocations (quotas) to each municipality based on poverty estimates. However, under Bolsa Escola, the municipalities were then in charge of determining eligibility and selecting beneficiaries themselves. In fact, a 2004 survey of 261 municipalities in the Northeast discovered that, under Bolsa Escola, there was considerable confusion about responsibility for beneficiary selection. Some 37% thought the decisions were made by local authorities (7% the mayor's office and 30% the social controls councils), while the remaining 63% thought that "Brasilia" (federal government, Ministry of Education) determined beneficiary selection (though a third of these recognized that they influenced these centralized decisions).⁷⁴ As a result of this heterogeneity, the impacts and targeting outcomes of Bolsa Escola could vary considerably across municipalities.⁷⁵

Beneficiary selection was subsequently centralized under the BFP in order to improve coherence and consistency and also to reduce the scope for clientelistic uses of federal money by the local authorities to favor specific groups. Application of eligibility criteria to family data is carried out automatically by the Cadastro Único software, which compares self-reported incomes to the official eligibility thresholds, prioritizing families and assigning benefits according to income and family composition. MDS then runs additional consistency checks to verify information and finalize the beneficiary list. These verification and consistency checks include: (a) internal cross-checks within the Cadastro Único database (see Part 8 for details), including an increasing use of proxy variables collected in the Cadastro questionnaire to "verify" or "validate" self-reported income (see Box 6 below); and (b) external cross-checks with other databases (see Part 8 for details).

⁷⁴ de Janvry et. al. (December 2005).

⁷⁵ The impact of heterogeneous decentralized implementation on school outcomes and targeting is being analyzed under a joint research program by the World Bank and the University of California at Berkeley using the random survey of 261 municipalities in the northeast. de Janvry et. al., (forthcoming).

Eligibility is verified each month for all new families entering the program. For those already in the program, MDS conducts consistency checks for any updated Cadastro information (and it is possible for these updates to lead to the blockage, suspension or cancellation of benefits).

Box 6 – The Family Development Index (IDF) as a Validation and Monitoring Tool

The Index of Family Development (*Índice de Desenvolvimento Familiar, IDF*), developed by researchers at IPEA, is a multi-dimensional index used to measure poverty and living conditions. It consists of 6 dimensions (absence of vulnerability, access to knowledge, labor, availability of resources, child development, and household conditions), 26 components (which correspond to each dimension), and 48 indicators (which corresponded to each component of the 6 dimensions). Unlike the Human Development Index (HDI), the IDF can be calculated at the family level, and aggregated for each demographic group (e.g., ethnicity, women headed households, etc.). The original index was based on the information available in the Brazilian National Household Survey (PNAD), and later adapted with information available in the Cadastro Único.

Uses of the IDF for the Bolsa Família Program. The goal is to develop a family-level diagnostic tool that will help policy makers: (a) verify and cross-validate self-reported incomes for eligibility, (b) monitor family living conditions and identify families in situations of vulnerability (e.g., lack of access to services, high indices of illiteracy, etc.); and (c) thereby identify priority areas for additional interventions (complementary programs, expansion of local services). The advantage of using this IDF tool is that *it was designed to use data on proxy indicators that are already collected in the Cadastro Questionnaire.*

Pilot in the Municipality of Feijó, State of Acre. Feijó is a small municipality with less than 27,000 inhabitants, of which approximately 58% live in rural areas. So it may come as a surprise that one of the most innovative multi-dimensional measures of poverty to be developed in recent years is being piloted in Feijó – for eventual adoption across the municipalities in Brazil. The Municipality of Feijó, in conjunction with the State of Acre, MDS and IPEA, are working together to pilot and improve the variables of the IDF, which will eventually be implemented in each of the 22 municipalities of the State (and eventually across Brazil). Thus far, the municipality of Feijó has been able to achieve the following impressive results: (a) develop an IDF for each neighborhood, household and family; (b) create a geo-referenced socio-economic database that includes thematic maps and social diagnosis per area; (c) effectively utilize social indicators for the planning and evaluation of public policy; and (d) develop a pilot social information management system.

C. Impressive Targeting Outcomes of the BFP

Recent data from the national household survey (PNAD 2004) reveal that the targeting of the BFP is exemplary, outperforming other social assistance programs in both Brazil and internationally. In 2004, the annual household survey (PNAD 2004) included detailed questions on specific social assistance programs for the first time.⁷⁶ These questions allow for an independent assessment of the ability of the BFP and other social assistance programs to channel benefits to the poor (targeting accuracy). Targeting accuracy is defined as the share of total benefits that is received by specific groups of the population, when these groups are ranked by their per capita household incomes.

Targeting Outcomes of Social Assistance Programs in Brazil. Since the target group of the BFP represents 25% of the population,⁷⁷ in this section, we divide the population into equal size groups of 25% of the population in each (“quartiles”). Other social assistance programs (pre-reform and on-going) in Brazil also target a similarly poor segment of the population.

⁷⁶ This module has been repeated in the 2006 PNAD (currently in the field), which will allow us another point in time to measure targeting accuracy. This is important since the BFP expanded significantly since 2004 and 2006 – and since many reforms to improve the Cadastro have been implemented in 2005 and 2006.

⁷⁷ The share of those with per capita household incomes less than R\$120 (the BFP cutoff) is 25% of the population.

The results show that the BFP is extremely well targeted. The poorest quartile (25%) of the population received 80% of all benefits (Figure 4). Leakages⁷⁸ to the “non-poor” (or “non-target group”) thus amounted to about a fifth of the program’s outlays, though 85% of those leakages went to families in the next poorest quartile, which could be considered “near poor” – and virtually none went to the richest quartile of the population.

These impressive results outperform the targeting outcomes for the pre-reform programs, such as Bolsa Escola, Bolsa Alimentação, Cartão Alimentação, and Auxílio Gas (see pre-BFP line in Figure 4). The four pre-existing cash transfer programs taken together distributed 64% of benefits to the poorest 25% of the population (implying a leakage rate to the “non-poor” of 36%). The improvements in targeting outcomes under the BFP versus its predecessors likely reflect early efforts to strengthen quality of the Cadastro Único as well as increased use of geographic targeting within municipalities (discussed above) under Bolsa Família. Significant reforms to strengthen the Cadastro Único have also been implemented *after* the PNAD 2004, and would be expected to sharpen targeting outcomes even further.

The BFP also apparently outperforms the targeting accuracy of two other poverty-focused social assistance programs: the “BPC” cash transfers for the poor elderly and disabled; and the “PETI” cash transfers for poor families with child laborers (Figure 4). The PNAD 2004 suggests that only 30% of total benefits for the BPC program accrued to the poorest quartile of the population with most of the remaining 70% in leakages going to those in the second quartile of the population. Families in the poorest quartile received 58% of total benefits under the PETI program (implying a leakage rate of 42%). These results should be interpreted with some caution, however, as the sample size of BPC and PETI beneficiaries captured in the PNAD 2004 was rather small.

Redistributional Outcomes in Social Insurance Programs. Public transfers are also *far* better targeted under the BFP than under public social insurance programs, such as social security and unemployment insurance (Figure 5). Indeed, benefits from social security and unemployment insurance are highly regressive in Brazil due to: (a) a truncation in coverage associated with requirements of membership in formal labor markets (which exclude the majority of the poor); and (b) highly generous unit benefits for those in upper quintiles. Moreover, this regressivity applies to *net* social insurance transfers (net of contributions), which are subsidized by the Government at the expense of all tax payers.⁷⁹ Tax-financed pension deficits represented 3.7% of GDP in 2003 for the two main pension schemes at the federal level alone – about ten times total spending on conditional cash transfers.

Targeting Outcomes of the BFP with International Comparisons. The targeting accuracy of the BFP is also impressive by international standards. For these comparisons, we use “quintiles” (equal groups of 20% of the population, ranked by per capita incomes) since this is a more common standard across countries.

⁷⁸ It is important to note at the outset that (a) all transfer programs result in some degree of leakage; and (b) not all leakages are the result of fraud; some degree of “natural leakage” arises due to common administrative or measurement errors (as is the case with all surveys). Since the measurement of these errors usually requires a resurveying of beneficiaries and non-beneficiaries (usually through independent nationally-representative household surveys), “leakage” errors (defined as benefits accruing to the non-poor or non-intended beneficiaries) are usually underestimated or not captured by formal audits.

⁷⁹ Given that social insurance is financed by contributions, some object to the treatment of social insurance payments as “transfers.” The basic premise for classifying these benefits as public transfers is that, despite contributions, a large share of these benefits are financed by general tax revenues. Lindert, Skoufias and Shapiro (2006).

The PNAD 2004 survey shows that families in the poorest quintile (20% of the population) received 75% of total BFP benefits, while those in the poorest two quintiles (40% of the population) received 94% of BFP program benefits. These results put Brazil's BFP in "first place" in terms of targeting accuracy among other well-known conditional cash transfer programs (Chile, Mexico, Argentina, Figure 6) and among 44 social assistance programs in the Latin American Region (Table 7). These results also place the BFP in the top six of 85 transfer programs in developing countries world-wide.⁸⁰

Fine-Tuning the Targeting of the BFP, with a Focus on Reducing Errors of Exclusion. All programs have some degree of leakage (shown in Figure 7 with coverage of the "program" in yellow circle that comes above the poverty line). Using the target group of the poorest quartile (25%) of the population as the reference, "leakages" for the BFP are estimated at about 20% of program coverage – or about 2.2 million of the 11.1 million families currently covered. As discussed above, these "leakages" are lower than observed for most other social assistance programs around the world.

Even with these impressive results, the BFP team in MDS (SENARC) continues to strive to fine-tune the targeting accuracy of the program. Additional measures to strengthen targeting accuracy include: adopting the improved questionnaire for registration, expanding cross-checks (including via proxies, such as under the IDF – see Box 6), updating the poverty map used to geographically target municipal program quotas, and so forth).

Beyond these measures to reduce leakages, attention should focus on minimizing errors of exclusion. Indeed, the inherent trade-offs between fine-tuned targeting accuracy (low errors of exclusion) and greater coverage of the poor can be visualized in Figure 7 below. Despite expanding coverage to reach 11.1 million families, the program will still inevitably miss some poor or extreme poor families (Figure 7) due to: (a) the fact that these "leakages" are going to non-poor (or less poor) families (estimated at around 2.2 million families); and (b) some segments of the poor are inherently difficult to cover (e.g., street families or migrating families without fixed addresses).

If additional funds become available (either at the federal or sub-national levels), we recommend that BFP managers consider: (a) expanding coverage and municipal quotas beyond the 11.1 million families; and/or (b) building in additional graduation and human capital incentives (see below). With respect to expanding coverage, this is necessary to reach the remaining gaps in coverage of the poor (errors of exclusion), as described above. However, it is important to recognize that this would also inherently involve a certain degree of additional leakages to the less poor (or near poor).

⁸⁰ See Coady, Grosh and Hoddinott (2004) for international comparisons, and Lindert, Skoufias and Shapiro (March 2006) for LAC comparisons.

Figure 4 – Targeting Outcomes of Bolsa Familia and other Social Assistance Programs in Brazil (by Quartile of the Population; PNAD 2004)

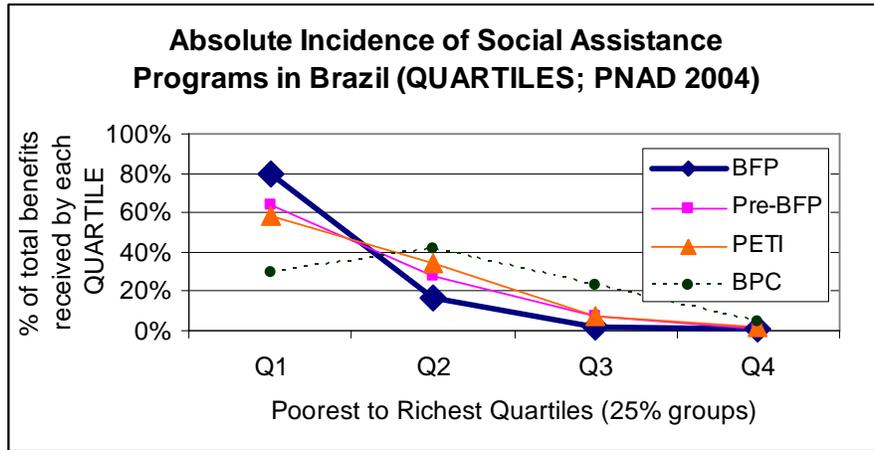


Figure 5 – Absolute Incidence of the BFP Compared with Main Social Insurance Programs (by Quintile of the Population; PNAD 2004 and POF 2003)

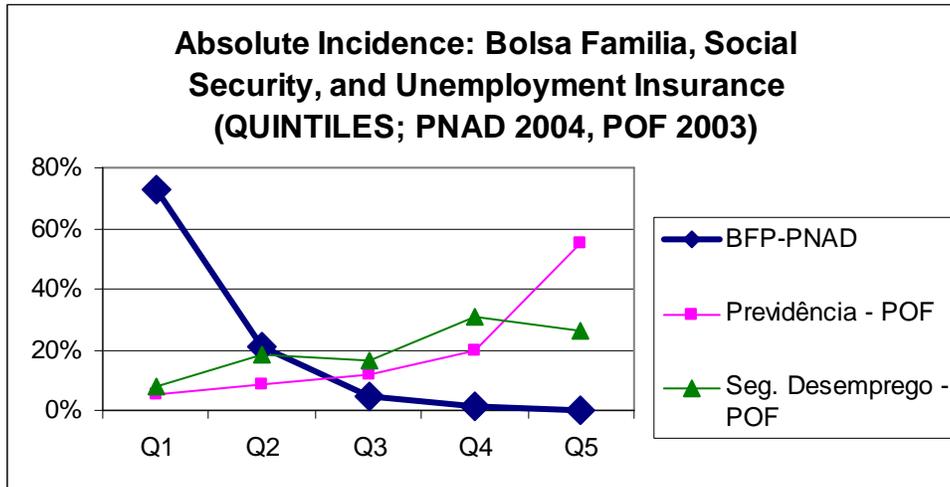
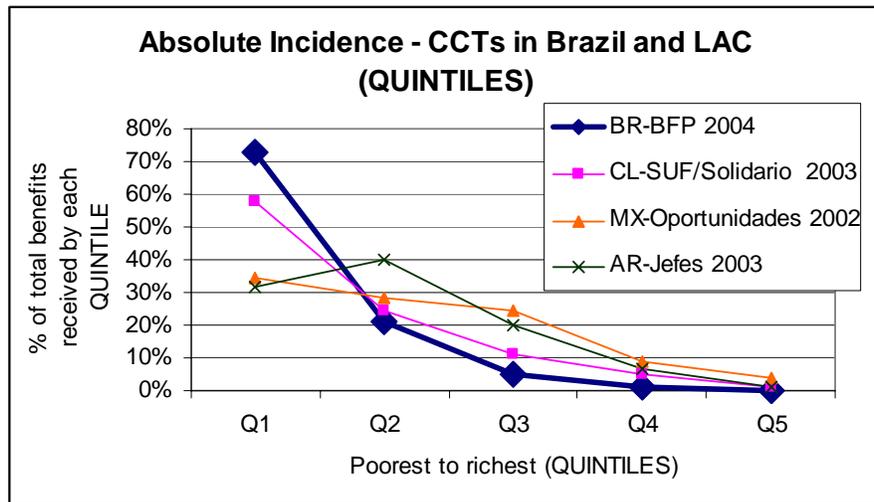


Figure 6 - Comparing targeting outcomes of select conditional cash transfers in LAC



Sources: Results using data from the PNAD 2004: World Bank calculations. Other: International: Lindert et. al. (July 2006)

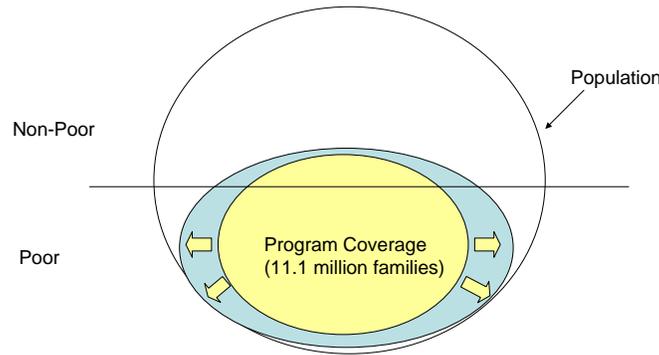
Table 7 - Targeting Outcomes: 44 Social Assistance Programs in LAC

Country	Year	Program	CGH Indicators for:		Ranking
			Q1 (20%)	Q1+Q2 (40%)	
BRA	2004	Bolsa Familia-PNAD 2004	3.65	2.35	1
BRA	2004	Pre-BFP (BA, BE, PCA, AG) PNAD 2004	2.70	2.10	2
BRA	2004	PETI PNAD 2004	2.50	2.10	3
CHL	2003	SUF	2.98	2.10	4
CHL	2003	Solidario	2.81	2.02	5
BRA	2003	Auxilio Gas (POF 2003)	2.39	2.01	6
PER	2003	Almuerzo escolar	2.25	1.94	7
PER	2003	Comedor infantil	2.13	1.87	8
ARG	2003	Head of household program	1.60	1.80	9
PER	2003	Desayuno escolar	2.22	1.79	10
BRA	2004	School Feeding (7-15 age), PNAD 2004	1.95	1.675	11
CHL	2003	Disability PASIS	1.74	1.66	12
BRA	2003	Bolsa Escola (POF 2003)	1.98	1.63	13
MEX	2002	Oportunidades (PROGRESA)	1.73	1.58	14
COL	2003	FAMI	1.91	1.53	15
BRA	2003	Renda minima (POF 2003)	1.30	1.49	16
COL	2003	Community child care or kindergarten	1.85	1.49	17
DOM	2004	TAE-School Assist. Card	1.75	1.48	18
COL	2003	Restaurante escolar	1.47	1.47	19
CHL	2003	Old age PASIS	1.32	1.47	20
DOM	2004	PAE-School Feeding	1.60	1.46	21
COL	2003	Preschool lunch	1.65	1.46	22
BRA	2004	BPC PNAD 2004	1.00	1.43	23
COL	2003	School snack or lunch	1.48	1.42	24
PER	2003	Vaso de leche	1.44	1.36	25
COL	2003	Preschool snack	1.52	1.35	26
CHL	2003	Family allowance	1.19	1.30	27
CHL	2003	Potable water subsidy	1.18	1.27	28
GUA	2000	Powdered milk or glass of milk	1.03	1.21	29
GUA	2000	School breakfast	0.89	1.14	30
GUA	2000	School materials packet	0.89	1.06	31
PER	2003	Comedor popular	1.01	1.03	32
GUA	2000	Glass of corn mush (atol)	0.86	0.97	33
DOM	2004	PROMESE-medicines	0.85	0.90	34
DOM	2004	INESPRE/ Popular markets	0.83	0.89	35
GUA	2000	School snack	0.66	0.85	36
COL	2003	School scholarship	0.69	0.72	37
CHL	2003	Scholarships*	0.56	0.63	38
MEX	2002	PROCAMPO	0.60	0.60	39
DOM	3003	Gas Subsidy	0.46	0.59	40
MEX	2002	Other Gov transfers*	0.37	0.54	41
MEX	2002	Scholarships & Donates (Different from PROGI)	0.26	0.25	42
GUA	2000	Nutrition pension (alimenticia)	0.06	0.17	43
GUA	2000	School transport subsidy or school scholarship	0.13	0.17	44
AVERAGE			1.44	1.33	

Sources: International: Lindert et. al. (July 11, 2006); Brazil PNAD: this paper. CGH indicators represent the Coady-Grosh-Hoddinott index of targeting accuracy, which is constructed by dividing the actual outcome by the appropriate neutrally distributive outcome. For example, if the poorest 20% of the population receives 30% of the benefits, then the CGH indicator for Q1 is $30/20 = 1.5$, which means that targeting has led to the target group receiving 50% more than they would have received under a universal or neutral intervention.

Figure 7 – Trade Offs Between Targeting Accuracy and Coverage

Trade-Off Between Targeting Accuracy
(errors of inclusion) and Coverage
(errors of exclusion)



D. Remaining Challenges for Strengthening the Cadastro Único

International experience shows that household targeting systems must perpetually evolve and self-improve, as new challenges arise, technologies emerge, and policies change. The Cadastro Único is no exception to this requirement. MDS recognizes that challenges remain,⁸¹ including the need to:

- Finalize the revised **questionnaire** (underway) and adopt for the next rounds of recertification and updating;
- Continue to adapt the Cadastro Único for **use by other programs** (on-going);
- Adopt additional improvements in **database management and software** by the Caixa;
- Extend additional **training** for state and municipal authorities to build their capacity for data collection and local management of Cadastro registries;
- Strengthen **communication channels** between the municipalities and MDS and the Caixa, and clarify accountability and responsibilities for handling municipal queries and complaints (to avoid a “ping-pong” effect of callers getting cross-referred between the two agencies);
- Further strengthen efforts to **reduce duplications and irregularities** in the database by expanding automated internal and external cross-checks;

⁸¹ As part of its on-going supervision, the TCU recently conducted a follow up evaluation of the Cadastro Único. Many of the challenges listed here are derived from that follow up evaluation. Unfortunately, however, the TCU conducted its evaluation *before* the recertification process was complete (i.e., using the *old* Cadastro database). As such, many of the challenges identified by the TCU have already been addressed with the new recertified (re-registered) data.

- Adopt updated and improved **poverty maps** for geographic targeting of municipal quotas (IBGE is currently finalizing an improved poverty map that combines data from the census and household surveys); and
- Further validate self-reported income against other **proxy variables**, such as the recently-developed “Índice de Desenvolvimento da Família” (IDF), a multi-dimensional index of welfare that builds on the non-income dimensions that are already in the existing Cadastro Único questionnaire and have been shown by IPEA to be very strong predictors of poverty (currently being piloted in the State of Acre, see Box 6).

VI. The Payment System

A. Payments via the Banking System

The BFP program makes payments via the banking system, through the Caixa Econômica Federal, which credits benefit payments to beneficiaries’ electronic benefit cards (EBCs) on a monthly basis. The use of the banking system has several potential benefits, including: (a) supporting transparency; (b) promoting efficiency by taking advantage of Brazil’s extensive banking infrastructure and systems (no lines, fewer staff needed); (c) reducing the scope for clientelism, since public authorities (federal or local) are not involved in handing out benefits directly to beneficiaries; and (d) presumably linking poor BFP beneficiaries to the banking system (which has development benefits and helps promote identity and self-esteem, as reported by the beneficiaries themselves). The potential disadvantage, from certain perspectives, is that automatic distribution of benefits means that there are fewer points of contacts with beneficiaries with program officials which could be useful for monitoring of conditionalities, verification of basic data, and so forth.

As discussed above, payments are made preferentially to the woman in each family, as established by the law,⁸² reflecting international and Brazilian evidence that women are more likely to invest additional income in the well-being of their children. Currently, approximately 93% of benefits are paid to women as the legally responsible beneficiary.

B. Management of Payments Process; Activating and Executing Payments

Payments are overseen by MDS and implemented by the Caixa. Based on the validated beneficiary list, MDS sends a Program Financing Proposal (PPF) to the Treasury for approval and the Caixa generates a monthly payroll (*folha de pagamento*). Once the PPF is approved by the Treasury, a bank order (*ordem bancaria*) is issued and funds are transferred from a Treasury account with the Central Bank to a specific BFP account in the Caixa. In turn, the Caixa then credits the EBCs of beneficiaries in the beneficiary account. MDS monitors the balance of the BFP account in the Caixa. The Caixa returns undisbursed amounts arising from the expiration of benefits that are not claimed within a 90-day period; SENARC/MDS can use these funds for

⁸² Law 10.836 of January 2004.

payment to other beneficiaries or in other months. The Caixa also transfers earned interest for balances on the account to the Treasury on a monthly basis.

C. Distribution of Electronic Benefit Cards (EBCs) and “PIN” Number Assignment

The Caixa is responsible for producing the electronic benefit cards (EBC, see Box 3 for example),⁸³ which it distributes to eligible beneficiaries according to the beneficiary list established by MDS. Until recently, beneficiaries picked up these cards at the nearest Caixa agency, or at participating locations such as lottery agencies or post offices among others. In some cases, the municipality organized special events for distributing benefit cards.

Since May 2006, the Caixa sends EBCs to the beneficiaries through regular mail (postal system), using the address reported in the Cadastro Único (greatly facilitated by the recent recertification of the entire Cadastro, and the consequent improvement in address information). Beneficiaries must sign a delivery receipt (*comprovante de entrega*) documenting that they have received their cards. Non-delivered cards are returned to the Caixa, which then attempts their delivery through the earlier channels (the Caixa’s local agencies and lottery points). Alternatively, beneficiaries may request that the Caixa send the EBC to a pre-specified location, a specific Caixa agency or a private home, for pick-up.

Prior to the first withdrawal of benefits, beneficiaries must register their personal identification number (PIN), which can only be done at a Caixa agency. There are specific rules regarding the registration of a PIN number, such as not being able to use the first or last numbers in the NIS, aimed at trying to avoid unauthorized withdrawal of funds.

D. Withdrawal of Monthly Benefits

Withdrawal of benefits can be done at Caixa agencies, or at other participating locations, so as to ensure easy access to the funds, even in smaller communities. The Caixa operates over 2,000 agencies nationwide, and is linked with close to 9,000 lottery points and over 2,000 banking correspondents. In total, there are over 32,000 points where program benefits may be withdrawn.⁸⁴ This broad network is supposed to guarantee its presence in all Brazilian municipalities, one of the reasons for its role in managing the Cadastro Único database and payments issuance for social programs (and average times to withdraw benefits are not long, as discussed below). The new contract with the Caixa specifies that the Caixa will have to present to MDS a diagnostic of the extent and quality of payments logistics, including indicators on the quantity of withdrawal points per family for each municipality.

The vast majority of beneficiaries, or 97.8%, withdraw their benefits using the ECB. Most (65%) withdraw benefits using their EBCs at lottery points; 30% withdraw benefits from bank machines (ATMs); and 5% withdraw benefits at other points (e.g., authorized stores or

⁸³ Beneficiaries are not required to have their own bank accounts.

⁸⁴ This number includes all Caixa agencies and other participating locations, including 16 281 self-service cash tellers. If one agency has three cash dispensers, that is here counted as three locations for withdrawing money. Source: Caixa Econômica Federal “O Papel da Caixa no Programa Bolsa Família”, Brasília, DF, 26 April, 2006.

supermarkets).⁸⁵ Those who do not use the EBC (2.2% of beneficiaries) instead withdraw BFP benefits from Caixa agencies.

Benefits are credited on a rolling basis on a pre-specified day each month.⁸⁶ They are paid out over a ten day period beginning on the 25th of each month and ending on the 7th of the following month. Beneficiary payment dates are determined by the final NIS number that is listed on the benefit card (e.g., those that end in a “1” are paid on the 25th, those that end in a “2” are paid on the 26th, etc.). This roll-out of payments over time presumably could have the benefit of reducing lines at withdrawal points and smoothing out impacts on local economies. Beneficiaries commonly do their monthly purchases upon receiving benefits. They may also purchase some perishables (e.g., milk, meat, fruits and vegetables). In small communities with relatively large numbers of beneficiaries, grocers could potentially face supply bottlenecks if swamped with a sudden increase in demand if all beneficiaries received payments the same day. In less well developed marketing systems and areas with little competition, staggered disbursements could be a useful way to guard against price spikes or supply bottlenecks in local stores.

Beneficiaries have a 90-day period to withdraw the funds. Any funds left on the account after 90 days are returned by the Caixa to the MDS account. The Caixa reports that payment efficiency for the BFP was 93% in 2005, meaning that 93% of all BFP payments for 2005 were actually disbursed. Of the funds disbursed, 97.1% was withdrawn within the first 30 days, 2.2% within 60 days and 0.7% within the 90 days.⁸⁷

A beneficiary survey⁸⁸ conducted in September 2005 reveals that 96.3% of beneficiaries found that using the EBC cards was “very easy” or “easy.” Two thirds of respondents found withdrawals to be quick (“*rápido*”), and the average time – including transport to and from the withdrawal point – was 22 minutes. Three quarters of beneficiaries reported that they always know exactly which day to withdraw the benefit, though 24% report that they sometimes are not sure of the day.⁸⁹ Three quarters of families indicate that the “legal responsible” beneficiary (mainly the woman, as discussed above) is the one who withdraws and administers benefits each month; 20% indicate that the spouse or companion withdraws the funds; 3% indicate that the children withdraw the funds; less than 1% indicate that “someone outside the family” withdraws the benefits.

E. The Benefits Management System (Blockages, Suspensions and Cancellations)

BFP benefits may be blocked, suspended or cancelled due to (a) changes or irregularities in Cadastro registry information:⁹⁰ (i) false information; (ii) family income exceeding the limit established by the BFP; (iii) death of the entire family (but not death of the individual, since the

⁸⁵ Beneficiary survey commissioned by MDS and conducted by Polis Pesquisa (BH). Sample covered 2,317 interviews in five regions of Brazil. Fieldwork was carried out from September 10 to October 4, 2005.

⁸⁶ This is a major improvement over pre-reform programs. Early media reports show pictures of beneficiaries waiting in long lines to receive benefits of Bolsa Escola, for example.

⁸⁷ Source: Caixa Econômica Federal “O Papel da Caixa no Programa Bolsa Família”, Brasília, DF, 26 April, 2006.

⁸⁸ Beneficiary survey commissioned by MDS and conducted by Polis Pesquisa (BH). Sample covered 2,317 interviews in five regions of Brazil. Fieldwork was carried out from September 10 to October 4, 2005.

⁸⁹ This confusion probably arises because of the different lengths of months – for example in February the payments are credited earlier (beginning on the 20th instead of the 25th) because it is a shorter month.

⁹⁰ Portaria 555 of 11 November, 2005.

assistance unit is the family); or (iv) the family not being located at the address they have registered with Cadastro Único; (b) non-compliance with BFP conditionalities (see Part 7 below); (c) duplication of BFP payments with payments from the Eradication of Child Labor Program (PETI); or (d) by court order.

There are three types of actions taken to withhold benefits:

- **“Blockages”** in which the family has the benefit blocked for 30 days, after which they receive the accumulated benefit (prior benefit plus current payment);
- **“Suspensions”** in which the family does not receive the benefit for 60 days. After the 60 day period, the family once again receives the BFP benefit, but without any accumulation for the benefits missed during the 60 day suspension; and
- **“Cancellations”** in which the benefit is cancelled indefinitely and the family is removed from the beneficiary list (no longer eligible).

SENARC/MDS and the municipalities share institutional responsibility for issuing orders for blockages, suspensions or cancellations. However, only SENARC/MDS can block or suspend payments due to non-compliance with program conditionalities. Blocking of benefits for any other of the reasons stated above is carried out either by SENARC /MDS or, as is increasingly the case, by the municipalities who have signed joint management agreements and are carrying out program benefits management locally. As such, even though municipalities are not involved in the direct payment of benefits, they are responsible for implementing some payment-management activities, such as ordering blockages, suspensions or cancellations, answering payment-related questions from beneficiaries, and receiving and handling reports of irregularities.

The legally-responsible BFP beneficiary can request a review of sanctions by submitting an appeal to municipal BFP coordinators. The municipality is then responsible for investigating the case and, if warranted, ensuring the unblocking of program benefits. Municipalities must communicate the result of such appeals to the BFP beneficiary within 15 days of registering the request.

VII. Conditionalities: Meaning, Menu and Monitoring

Conditionalities are an important element of Brazil’s Bolsa Família Program and its predecessors. As discussed in Part 3, the BFP cash transfers are conditional on all *relevant* (age-appropriate) family members complying with key human development conditionalities. This section first reviews the “meaning” of these conditionalities in Brazil, which is important to understanding the implications of consequences for non-compliance. It then discusses the menu of conditionalities currently in effect and the issue of whether or not these remain relevant given the evolving human development profile of the poor. The section then discusses the implementation of monitoring conditionality compliance (local, national), followed by a discussion of the menu of consequences for non-compliance. Finally, the section suggests priority areas in which the system of monitoring of BFP conditionalities could be strengthened.

A. The Meaning of Conditionalities in Brazil

As discussed in Part 2 above, the use of CCTs as an instrument of social policy reflects widely held views about society's "historical debt to the poor" and the fundamental "rights" of Brazilian citizens to education, health and social welfare. Given these perceptions, conditionalities play several important roles, including: (a) helping break the inter-generational transmission of poverty by promoting improved use of health and education services by the poor; (b) serving as a "red flag" that alerts authorities to better serving the needs of at risk children and families; and (c) conferring "political legitimacy" as a "two-way compact" of society with the poor.

Objective of Reducing the Inter-Generational Transmission of Poverty. As with CCTs in other countries, there is a firm belief – informed by empirical evidence from Brazil and other countries⁹¹ – that the conditionalities serve an important role in promoting access to health and education and thus helping to break the inter-generational transmission of poverty. Even if health and education services are widely *available*, this does not necessarily imply universal *access* (take up) by the poor, since direct and indirect (opportunity) costs of using these services may be prohibitive given their low incomes. CCTs can thus serve as mechanism for removing barriers to access by providing cash linked to education and health service use. As highlighted in Part 2 above, this role was at the core of the philosophical debates about poverty policy in the late 1980s and early 1990s – debates which led to both the creation of the 1988 Constitution (which established that education and health were "basic rights") and the pioneering of the first CCTs, among other advances in social policy.

"Red Flags" For Vulnerability and Extra "Care." Operationally, non-compliance with conditionalities is interpreted in Brazil as a signal ("red flag") to federal and local authorities that a family may be at risk or in need of additional services ("care"). The basic premise is that, since the program is targeted to the poor and extreme poor and society owes them a "debt" of past exclusion, there could be additional limiting factors that constrain the poor from taking up their rights – and these factors deserve investigation and follow up. As such, the first "C" in "CCT" has taken on a slightly nuanced meaning, where the first response to non-compliance is to investigate this "red flag" and offer additional services or assistance ("Care"). As stated in the law and as repeatedly asserted by officials at the central and local levels, the focus is very much on helping families comply with the conditionalities and not on uncovering non-compliance in order to penalize them. Indeed, "...the aim of imposing these conditions is to ensure access of the beneficiaries to the basic social policies related to health, education and social assistance in order to improve the living conditions of the beneficiary population and to provide the minimum necessary conditions for the sustainable social inclusion of this population."⁹² Repeated rounds of non-compliance, however, do invoke the "Contract" aspects of the conditionalities, leading to blocking, suspension and then cancellation of benefits (as discussed in more detail below).

⁹¹ See companion Working Paper for a meta-review of the impacts of the BFP and its predecessors. See Rawlings and Rubio (June 2003) for an overview of impacts in LAC, and Schady (June 2006) for an overview of the evidence internationally. Most CCT impact evaluations show that the programs promoted human capital improvements, but cannot parse out the effects of the "conditionality" versus the "cash." In fact, evidence from a non-conditional cash transfer program in Ecuador suggests that even pure income transfers can have a significant affect on schooling, see Schady and Araujo (February 2006).

⁹² Portaria 551 of 9 November, 2005.

Political Legitimizing Role.⁹³ Although simple cash transfers could confer quick political gains (in the form of votes from poor beneficiaries), cash handouts alone can also be negatively perceived as “*assistencialista*.” With CCTs, the fact that beneficiaries have to comply with a set of “co-responsibilities” (human capital conditionalities) seems to bestow a greater degree of legitimacy on these transfers than pure cash handouts. This “legitimizing” role of conditionalities is apparent in the widespread support for CCTs in Brazil, as reflected in multi-partisan support for CCTs across federal administrations and sub-national governments. It is also suggested in public opinion polls in Brazil, in which 97% of respondents of a nationally-representative survey agree with the requirement of conditionalities of the BFP, and 83% evaluate the overall program as “good” or “very good” (“*otimo*”).⁹⁴ Even beneficiaries themselves agree with the importance of conditionalities: only 2% of respondents in a beneficiary survey⁹⁵ disagree in part or completely with the program’s conditionalities.⁹⁶

B. Menu of Conditionalities: Strategic Mix for Human Development Challenges?

The current menu of conditionalities for the BFP is presented in Table 3 of Part 3 above. This section asks the question: are these conditionalities still relevant given the evolving profile of human development of Brazil’s poor. Our conclusion is: yes, but they could be (a) monitored better; and (b) expanded, particularly in the case of education.

Education Conditionalities: Move Beyond Primary School?

When the BFP program was created, it adopted the menu of conditionalities from its predecessor, the Bolsa Escola Program. These conditionalities focus on enrollment and daily attendance requirements for primary school aged children (6-15 years old). Some critics of the program have since argued that, while this focus on primary school was appropriate in the earlier years under Bolsa Escola, these requirements are redundant for primary-school age children since enrollment is already so high.⁹⁷

Enrollment. It is true that, over the past 15 years, Brazil has made significant progress towards closing the gap in primary enrollment. Some 94% of all primary-aged children are now enrolled in school, and 92% of those in the poorest quintile are enrolled (Figure 8). Nonetheless, evidence shows that poor children enroll later and drop-out earlier than non poor children (Figure 9). This evidence suggests that enrollment conditionalities – even at the primary level – can be important to promote incentives for the poor to enroll their children earlier (at least on time by age 6) and keep them in school at least until they complete primary (at least until age 15, as mandated by the program).

⁹³ The political economy of the Bolsa Família Program will be treated in more detail in an accompanying Working Paper (forthcoming).

⁹⁴ Opinion poll commissioned by MDS and carried out by DataUFF (Universidade Federal Fluminense, Fundação Euclides da Cunha), September 2005. Sample covered 6,008 interviews in five regions, Brazil’s 27 states (including the Federal District), and 108 municipalities. Field work was conducted from August 5-25, 2005.

⁹⁵ Beneficiary survey commissioned by MDS and conducted by Polis Pesquisa (BH). Sample covered 2,317 interviews in five regions of Brazil. Fieldwork was carried out from September 10 to October 4, 2005.

⁹⁶ Anecdotally, the importance of conditionalities was underscored by Ms. Dinalva Pereira de Moura, a beneficiary of the BFP in the *Vila Varjão*, a poor slum in the outskirts of Brasília: “The Bolsa Família money helps me buy food. Sometimes we can even afford to buy fruit for the children and they like that. My kids know that when we get the money they will have more to eat so they look forward to it. The program also helps keep the kids in school because they know how important it is for us to get the money and that this depends on them attending school.” December 19, 2005.

⁹⁷ Schwartzman (2005). Portela Souza (March 2006).

Moreover, evidence from impact evaluations does show that the BFP (and its predecessor Bolsa Escola) is having an impact in increasing enrollment among the poor. For example, using ex ante evaluation methods Bourguignon, Ferreira and Leite (2003), find that about 60% of poor 10-15-year olds not in school would enroll in response to the Bolsa Escola Program. Leite (2006) find similar results for the Bolsa Família program using data from the 2004 PNAD. A recent paper by de Janvry, Finan and Sadoulet (June 2006) shows that the Bolsa Escola program (and its successor BFP) induced a 7.8 percentage point reduction in drop-out rates. These and other impacts of CCTs in Brazil are discussed in the “Meta Review of Impacts” working paper accompanying this paper (forthcoming).

The evidence on enrollment does suggest that the BFP may want to consider adding on conditionalities (or other positive incentives, such as bonuses, as discussed in Part 10) to promote enrollment and attendance at the pre-primary and/or secondary school levels, where current enrollment is quite low, particularly for the poor (Figure 8). The challenge for making pre-primary or secondary enrollment a *condition* of the program is that the supply side for available slots is not guaranteed in all municipalities at those levels of schooling. As such, the program may instead wish to consider introducing *positive incentives*, such as *bonuses* for enrollment in, or completion of, secondary school, for example (as discussed in Part 10 below).

Figure 8 – Net Enrollment Rates by Level

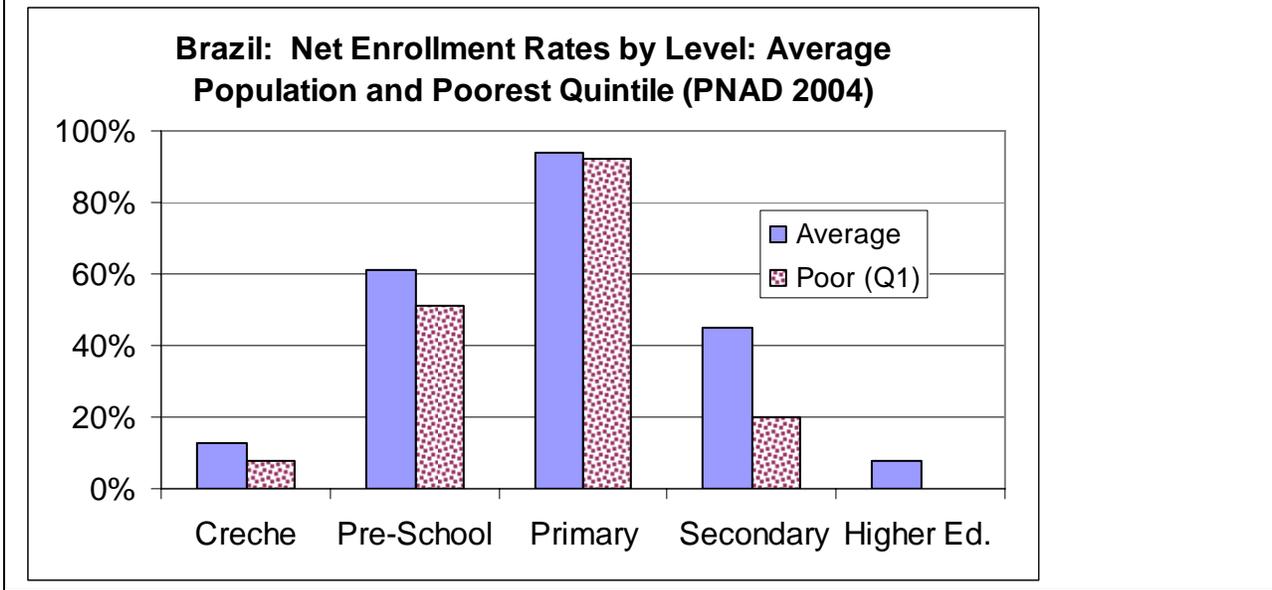
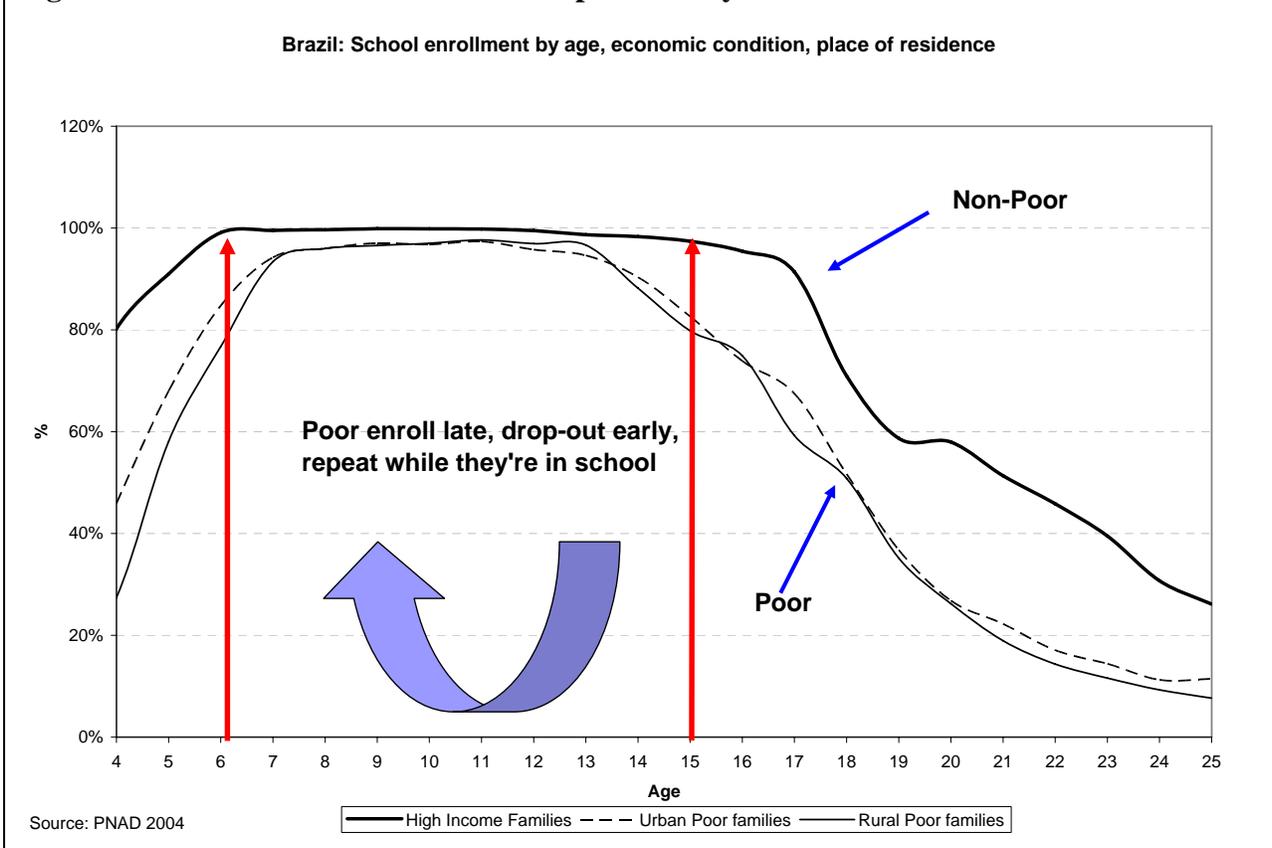


Figure 9 – The Poor Enroll Late and Drop Out Early



Daily Attendance. *Enrollment* in school does not guarantee that the children will *attend* every day. Regular attendance in school is an important input to learning and school attainment. As such, the BFP includes conditions that require that beneficiary children attend a minimum of 85% of the time. This is important to help offset the opportunity costs of attending school (e.g., earnings from child labor). While we do believe that these conditions are indeed important to ensure regular attendance, empirical evidence of what daily attendance rates would be with and without the program or its conditionalities is not available. Such information will be captured by the new universal attendance monitoring system (*Projeto Presença*, Box 7) and by impact evaluations that are currently underway (see Part 9). Anecdotal evidence from beneficiaries does suggest that the conditions for regular daily attendance play a role in determining their calculus of whether or not to insist that their children attend school each day. We recommend that these conditions be maintained, and their monitoring and verification strengthened.

Repetition and the Issue of School Quality. An important education challenge in Brazil is the high rate of repetition. Indeed, with overall repetition rates of 18% for 7-14 year olds, and 26% for 10-14 year olds,⁹⁸ Brazil ranks the highest in LAC for the share of students who fail to progress in school. Repetition is even higher among the poor, with 29% of children ages 7-14 in the bottom quintile repeating, and 44% of those aged 10-14 in the poorest quintile repeating.

Repetition rates are an important indicator of quality of education and time on task. Conditional cash transfers – such as Bolsa Familia – clearly cannot solve these issues alone. In fact, de Janvry, Finan and Sadoulet (June 2006) found that repetition rates actually *increased* under Bolsa Escola because the program induced a significant reduction in drop out of poor and “poor quality” students who would otherwise have been out of the system. Investments in the quality of education – teacher training, materials, extended day and time on task, and programs for tutoring for at-risk children – are clearly crucial complements to conditional cash transfers. The BFP could, however, incorporate positive incentives such as bonuses for primary and secondary completion to help reward school progression and attainment.

Health Conditionalities

The BFP program maintained the menu of conditionalities from its predecessor, the Bolsa Alimentação Program. These conditionalities include: (a) completion of vaccines according to the recommended schedule, and regular health check-ups and growth monitoring for children ages 0-7 years old; and (b) pre- and post-natal checkups for pregnant women.⁹⁹ Requirements for participation in municipal seminars on health and nutrition were also carried over from the pre-reform program, but in practice, these are not monitored by the federal government.

The emphasis on promoting incentives to complete vaccines, monitor child growth, and seek pre- and post-natal care among the poor seems to be well placed. Available data¹⁰⁰ suggest that about 30% of children in the poorest quintile do not have complete vaccine regimens (Figure 10). Poor

⁹⁸ PNAD 2004.

⁹⁹ There is some debate about the frequency and number of required pre-natal checkups. The BFP guidelines do not specify the exact number of visits required, simply stating that it should follow the recommended calendar of the Ministry of Health, which generally recommends 6-7 visits. However, the average number of visits in the public health system is generally far lower than that (1-3 visits). Moreover, anecdotal evidence suggests that community health workers are certifying BFP beneficiaries as having complied with the conditionalities if they conduct at least three visits. The policy on the number of visits needs to be clarified and communicated.

¹⁰⁰ These data will be updated with the recent Demographic and Health Survey conducted by IBGE and the Ministry of Health.

women are also far less likely to seek adequate pre-natal care (Figure 11). Consequently, infant mortality among the poor remains high (Figure 12).

Figure 10 – Relevance of Vaccine Conditions Under the BFP

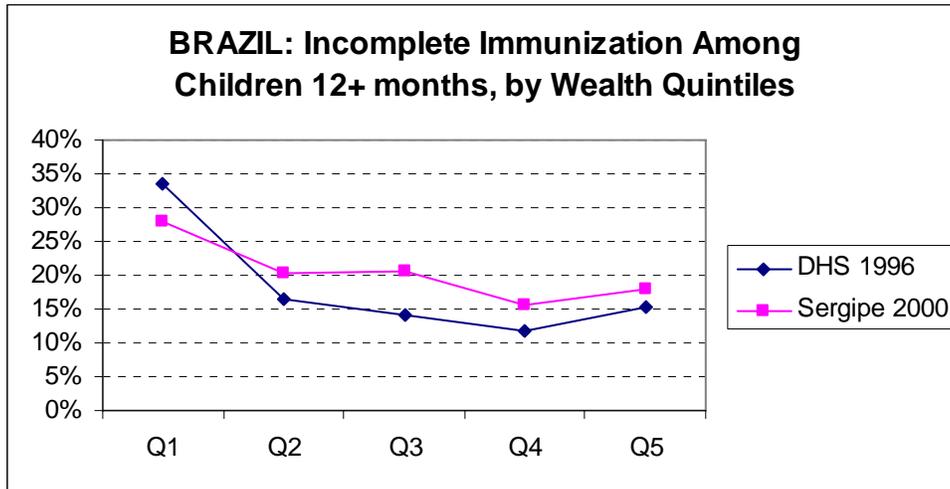


Figure 11 – Relevance of Pre-Natal Conditions Under the BFP

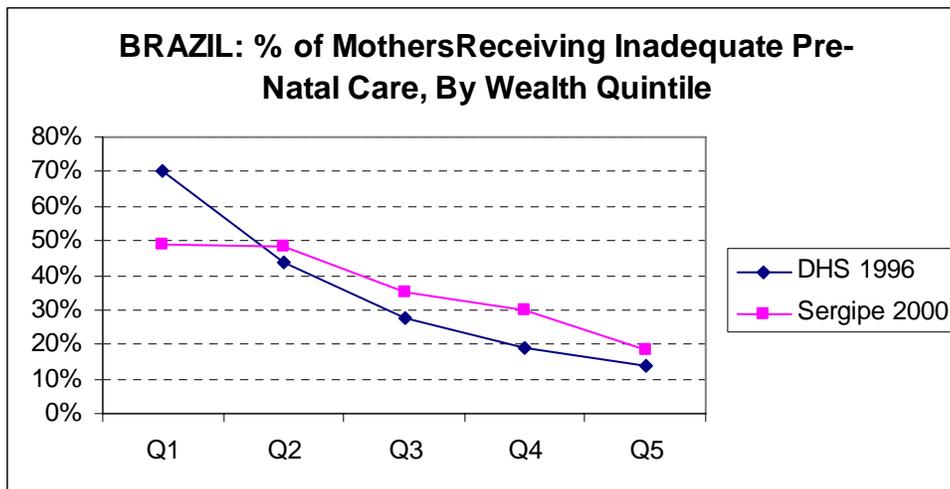
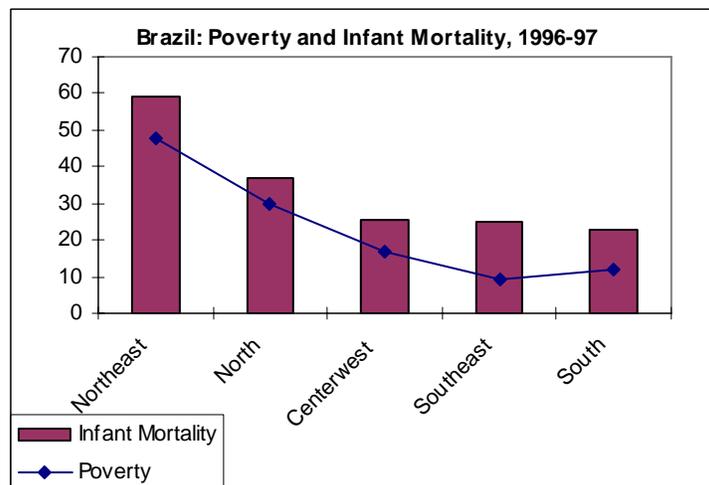


Figure 12 – Correlation between Poverty and Infant Mortality (DHS 1996)



C. Monitoring of Compliance with Conditionalities

In general with CCTs, when assessing the monitoring of conditionalities, it is important to distinguish between: (a) awareness and compliance at the beneficiary level; (b) monitoring of compliance by local authorities; (c) passing information from the local level to the central agencies and managing these data in information systems; and (d) implementing a system of consequences for non-compliance (discussed in the next section).

Beneficiary Awareness of Conditionalities. A central element in the implementation of CCTs is to ensure that beneficiaries are aware of their required “co-responsibilities.” BFP conditionalities have been highly publicized by both federal and sub-national governments, on television, radio, billboards and in newspapers. A nationally-representative survey found that, in August 2005, 95% of the population knew of the education conditionalities for the BFP, and 93% knew of the health (vaccine) requirements.¹⁰¹ Since that time, in April 2006, MDS has published and distributed information booklets (*Agenda de Compromissos*) to all beneficiaries to further promote awareness about eligibility for the program and about their responsibilities for complying with conditionalities. The booklets also contain educational public information messages about health, nutrition and the BFP overall, as well as contact information for the program.

Monitoring of Compliance with Education Conditionalities. The Ministry of Education (MEC) has formal responsibility for overseeing the monitoring of education conditionalities. This responsibility was maintained even after the merger of CCTs into the BFP to promote links to other education policies and because monitoring school attendance is MEC’s formal responsibility anyway.

The basic process for monitoring compliance is illustrated in Figure 13.¹⁰² Data on daily school attendance for all children are collected by teachers, and consolidated by school directors.¹⁰³ Each school receives a list and regular updates of the current BFP beneficiaries at the school from the municipality (which receives these lists from the Caixa). This list is then used to assemble attendance information on the BFP beneficiaries, which is transmitted to the municipal education secretariat on a regular basis.¹⁰⁴ Municipalities send consolidated municipal attendance information every two months to the Caixa via an online system, *Sistema de Frecuência Escolar*, which is also run by the Caixa. The Caixa subsequently passes consolidated

¹⁰¹ Interestingly, a slightly smaller share (86%) knew that the program provided income transfers to beneficiaries. Opinion survey commissioned by MDS and carried out by DataUFF (Universidade Federal Fluminense, Fundação Euclides da Cunha), September 2005. Sample covered 6,008 interviews in five regions, Brazil’s 27 states (including the Federal District), and 108 municipalities. Field work was conducted from August 5-25, 2005.

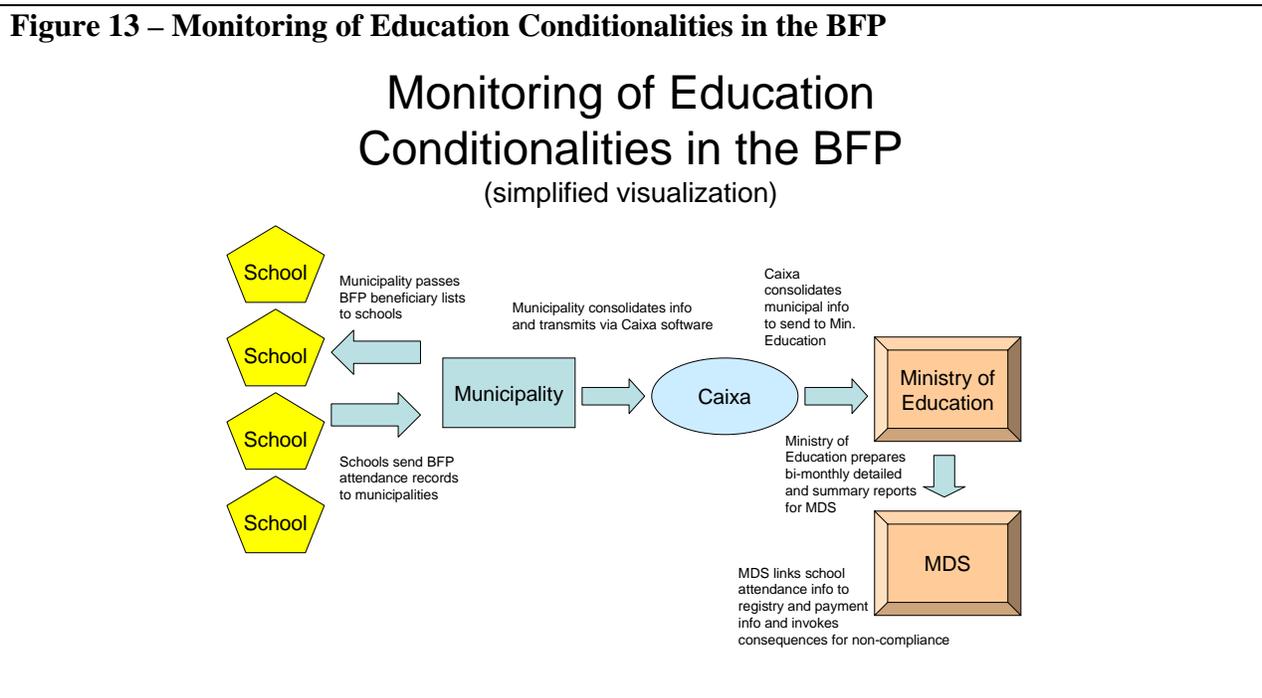
¹⁰² The process for collecting attendance information has gradually become more decentralized and less cumbersome. Previously, the number of schools actually reporting on conditionalities was quite low, due to cumbersome requirements and a very centralized process. The schools would receive attendance forms directly from the Caixa. These paper forms were filled out and then returned to the Caixa, which had to consolidate information received on paper forms from the schools. Subsequently, the process was facilitated through the use of CDs instead of paper, but it remained centralized. The process was later decentralized, with municipalities consolidating attendance data, and further facilitated through the use of the internet for the transmission of information.

¹⁰³ The requirement of schools to monitor attendance comes from the 1988 Constitution, which stipulates mandatory school attendance of 75% for all children.

¹⁰⁴ An important challenge in this process is the reporting of compliance from state-run schools (rather than municipal schools), which are supposed to provide compliance information to the municipalities for consolidation.

attendance information on to the Ministry of Education (MEC).¹⁰⁵ The information collected covers the percentage of absences for each month, and it also has two categories for qualifying the absences: one, for justifiable absences (which do not incur penalties, such as sickness, or lack of access to schooling) and another for unjustifiable absences (such as child labor, teenage pregnancy, negligence of the parents, domestic/sexual violence, etc.). Once the data on conditionalities are consolidated, the MEC transmits all data to the MDS in bi-monthly reports. After analyzing the data, the MDS takes disciplinary action in cases where warranted (as discussed below). A broader Ministry of Education reform to modernize Brazil’s monitoring and information system for school attendance will eventually alter this process significantly (see Box 7).

During the “transition year” from October 2003 to October 2004, MDS temporarily stopped requiring municipalities to consolidate and transmit school attendance information to the central government for monitoring of the BFP. This hiatus reflected the conceptual and legal transitions of the program in the reform period. Central monitoring of compliance with education conditionalities resumed in October 2004, following the issuance of the Portaria (3 September 2004) regulating the procedures and activities of the BFP.



The Ministry of Education has submitted six education compliance reports for the BFP since reporting resumed in October 2004 (Table 8). These report an increase in municipal- and school-level reporting. Across the reporting periods, the share of schools reporting compliance information increased substantially, from 55% to 93% (which is all substantially higher than

¹⁰⁵ MEC and MDS are currently exploring the possibility of simplifying this system so that the information from the municipalities would go directly to MEC (instead of via the Caixa).

under the Bolsa Escola pre-reform program, which had a maximum 19% of schools reporting).¹⁰⁶ Since the October-November 2004 reporting period, the percentage of municipalities reporting data on education conditionality compliance increased from 3,872 to 5,554. Currently, 99% of all municipalities are reporting on school attendance, covering about 71% of all BFP beneficiary children, or approximately 10 million children. According to the MEC, since the end of 2004 to date, the share of BFP beneficiaries with less than 85% school attendance has averaged roughly 3%. MDS included the first round of blockages of benefits due to non-compliance with education conditionalities in June 2006, covering 160,000 children (out of 10 million) with school attendance below 85%.¹⁰⁷ These blockages cover all BFP benefits for the families concerned, not just the variable benefits for the non-complying children, as the program treats the family as the assistance unit.

Table 8 – Monitoring of Compliance with BFP Education Conditionalities							
	Bolsa Família Reporting Periods						
	Oct-Nov 2004	Feb-Apr 2005	May-Jul 2005	Aug-Sep 2005	Oct-Nov 2005	Feb-Apr 2006	May-Jul 2006
% of municipalities reporting	70%	96%	99.2%	99.7%	96.7%	98.9%	99.8%
% of schools reporting	55%	79%	81%	91%	87%	86%	93%
% of BFP student beneficiaries with full information	51%	61%	66%	77%	77%	65%	71%
% of BFP student beneficiaries with < 85% attendance	4.4%	2.2%	3%	2.9%	2.9%	2.3%	4.6%

Sources: MEC via MDS.

¹⁰⁶ Care should be taken in interpreting these results due to possible differences in the systems used for reporting compliance information between the BFP and Bolsa Escola.

¹⁰⁷ For children who have unjustified absences from school resulting in attendance below 85%.

Box 7 – Modernizing the System for Monitoring School Attendance

Brazil's Ministry of Education (MEC) is currently undertaking a major reform (called "*Projeto Presença*") to modernize and improve the school attendance monitoring and information system. The rationale for these efforts is the fact that many federal education programs – not just Bolsa Família – depend on information about school attendance for funding, oversight, and performance monitoring. In fact, most of the large federal block grants (*fundo-a-fundo*) for education are transferred on the basis of enrollment (implicitly on attendance). As such, cost-effective instruments for overseeing attendance are important (with significant sums of federal funding depending on them).

The objectives of *Projeto Presença* are to: (a) enable early detection of recurring absences from school in order to target the causes, (b) improve school attendance, (c) provide accurate, consistent and up-to-date information, which will be an important input for the implementation and monitoring of education policy, (d) provide mechanisms for a more efficient management of schools, (e) improve the distribution of federal public resources in accordance with the number of students enrolled in municipal schools, and (f) enable integration with social programs. The reform, which will ultimately result in real-time attendance information of all students – is being rolled out in four stages:

- **Stage 1: Registration (late 2005-early 2006).** In stage one, all students and teachers in the elementary public and private school system were registered by schools using a special data program from MEC.¹⁰⁸ Students and teachers were then each assigned a unique Social Identification Number (NIS) – which is the same NIS being used for the Bolsa Família Program and other social programs, allowing for integration of information across programs. Student Cards (*Cartões do Estudante*) containing student information and NIS numbers were then distributed to all students (similarly for teachers). Once schools receive computers and card readers (as well as biometric scanners), these cards can then be swiped every day to record student and teacher attendance.
- **Stage 2: Formalization of Implementation Arrangements (currently underway).** In stage two of the project, the new system for monitoring school attendance (*Sistema Nacional de Acompanhamento da Frequência Escolar*, SAFE) is starting to be implemented. Participation in the project is voluntary for states and municipalities. In order to participate and integrate the SAFE, they must first sign a management agreement of the public education network (*Termo de Adesão para as redes públicas de ensino*).
- **Stage 3: Real-Time School Census (planned roll out in 2006-07).** The third stage of the project will allow for a real-time school census. While this information has thus far been gathered annually, the *Projeto Presença* will allow for information to be gathered continuously with direct data on student attendance as the unit of measurement.
- **Stage 4: Integration with School Testing and Other Information Systems.** The fourth stage will integrate the new registry of students and teachers with the SAFE (the real-time school census data) and with the National System of Evaluation of Basic Education (*Sistema Nacional de Avaliação da Educação Básica*, Saeb). This will represent a significant improvement in the monitoring of quality of basic education. It will also allow for the integration and coordination with social programs, such as Bolsa Família.

Monitoring of Compliance with Health Conditionalities. The Ministry of Health has formal responsibility for overseeing the monitoring of health conditionalities. This responsibility was maintained even after the merger of CCTs (*Bolsa Alimentação*) into the BFP to promote links to other health policies and to take advantage of the existing health monitoring information systems (such as the SISVAN).

Compliance with health conditionalities depends greatly on access to services. Beneficiary families generally receive assistance from community health teams under the Family Health

¹⁰⁸ Schools without access to internet had to obtain the data program from the education authorities in their respective states, and transmit the registry information on CD to the state for transmission to the federal level. Schools without computers had to manually fill out the registry forms and transmit them to the state education authorities, which would then be responsible for registering the information electronically and transmitting it to the federal level.

Program (PACS/PSF),¹⁰⁹ local health centers or hospitals. In municipalities in which the Family Health Program operates, community health agents are expected to visit BFP beneficiaries once a month to offer the health services needed for compliance (hence the condition serves more to promote a supply-side response than to punish families). In municipalities in which the Family Health Program is not operating (at all or in full), family members have to seek care in hospitals or health posts, which can require a higher level of interaction and effort on the part of BFP beneficiaries.

To facilitate the monitoring process, for beneficiaries as well as for local health providers, each targeted family member of the BFP (children under 7, pregnant and lactating women, elderly over 60) is provided with a health card. The health card contains basic information on beneficiaries' health condition and history. These cards also provide basic information for the families, such as useful information and help for parents concerning the development and needs of their children. The cards furthermore contain a schedule of future health visits/required actions for the family member in question.¹¹⁰ This information is recorded by the health agents for their record which facilitates the monitoring process.

Information requirements and the consolidation of such information into municipal and then national databases is more complex for health than for education. Data are consolidated less frequently, and can be gathered from many points of contact for any single beneficiary. For all points of service, health service providers record data on health visits, vaccination, nutritional status, growth monitoring and other BFP conditionalities into a special module of one of six main national health information systems "SISVAN," a database system designed to monitor the health and nutrition situation of the general Brazilian population. This special module (*Mapa Diário de Acompanhamento*) also contains information on the BFP beneficiary's names, their social identification number, and address. Local health agents gather information on all patients, and information on BFP beneficiaries is regularly transmitted to the municipality. The municipal health authorities are responsible for consolidating the information at municipal level. Each municipality is responsible for ensuring that the consolidated information is entered into the SISVAN data system and transmitted to the Ministry of Health (*Ministério da Saúde*, MS) twice a year, by June 30 for the period between December 1st and May 31st, and by December 31 for the period between June 1st and November 30 of each year. The Ministry of Health consolidates the information at the national level and transmits it to the MDS (Figure 14).

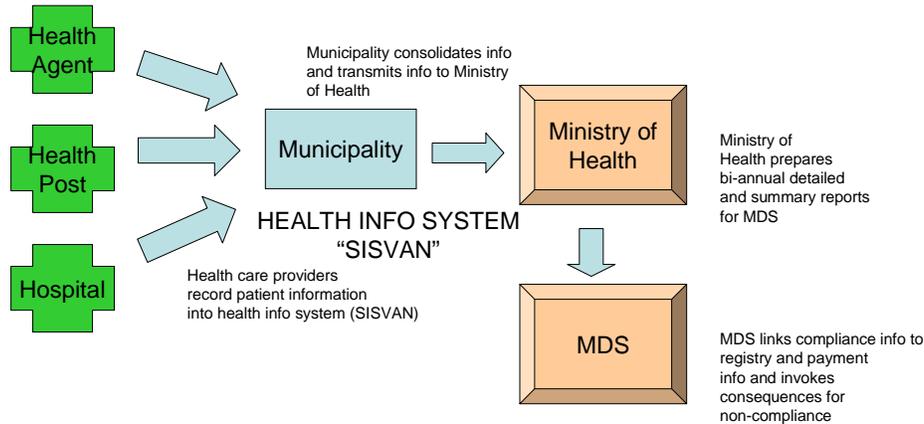
¹⁰⁹ PACS is the Program for Community Health Agents (*Programa de Agentes Comunitários de Saúde*). The PACS was created at the state level in 1988, and the PSF started, also at the state level, in 1994. In 1997, the Ministry of Health established the norms and guidelines of the PACS/PSF program as a means of reorienting the health assistance model and thus also defined specific responsibilities of the three levels of government.

¹¹⁰ Efforts are currently made to make the forms user-friendly for the blind and creative approaches are used to make them more user-friendly for the illiterate.

Figure 14 – Simplified Flow Chart for Monitoring of Education Conditionalities

Monitoring of Health Conditionalities in the BFP

(simplified visualization)



The health conditionalities monitoring system for the BFP as currently designed was launched in 2005. Information is updated continuously into the SISVAN, and consolidated twice a year, once in June and once in December. Reported coverage for information transmitted by municipalities covered only 6% of all BFP families in 2005 (Table 9). This increased to 31% in the second round and to 38% in the third round. As of August 2006, there have been no penalties recorded for the non-compliance of health conditionalities, reflecting the fact that most families included in reported information have been complying with conditionalities (or the services were delivered when monitoring occurred, as discussed above).

Table 9 – Monitoring of Compliance with BFP Health Conditionalities

	First Semester 2005	Second Semester 2005	First Semester 2006
% of municipalities reporting	21.9%	70.4%	81.7%
% of families monitored	6.0%	31.2%	38.3%
Of which:			
% of families in compliance with health conditionalities	93.4%	95.4%	99.5%
% of children monitored	6.8%	36.0%	43.1%
Of which:			
% of children complying with health conditionalities	99.3%	99.4%	99.6%
% of pregnant women monitored	29.8%	31.6%	85.4%

Source: MDS/Ministry of Health

Although the share of families, children, and pregnant women who are formally monitored appears low, MDS and MS have determined that the problem is not the lack of monitoring, which is carried out at the local level, but the data constraints that restrict information flows for the consolidation of information at the national level. A particular problem with larger municipalities is that they have their own information systems, and have not been able to integrate with SISVAN. Another challenge has been to separate information for BFP beneficiaries from the SISVAN. Box 8 provides a practical example of the challenges – and solutions – for monitoring of health conditionalities in the municipality of Vitória.

Box 8 – Challenges and Solutions for Monitoring Health Conditionalities: Municipality of Vitória

Despite relatively high per capita incomes and scores on the Human Development Index (HDI),¹¹¹ the municipality of Vitória (state of Espírito Santo) over 15% of the population is poor, with the poor clustering in geographic “pockets of poverty.” Many of these poor are migrants from other states, and many live in slums with difficult access (*morros*) and few services. Health and nutrition indicators for this sub-population have been bleak.

In 2004, the extension of Bolsa Família to Vitória highlighted the need to improve the access of these families to the basic health system. This presented a number of challenges in terms of staffing, information systems, and logistics. The municipal government then adopted a concerted strategy to strengthen the monitoring of health conditionalities and the accompaniment of BFP beneficiaries, including:

- Organizing an integrated team approach, covering the secretariats of health, education, and social assistance, with bimonthly meetings integrating municipal (central) and district (local) representatives of each area;
- Identifying all registered BFP families and assigning them to micro-areas within each “health district;”¹¹²
- Further dividing the BFP beneficiaries into sub-groups according to their “life cycle” (age) since the municipality accompanies the health not only of children and pregnant/lactating women (per the BFP), but also for teenagers, adults and the elderly;
- Defining routines and information flows in SISVAN to accompany the conditionalities of the BFP;
- Providing training for all municipal authorities involved in SISVAN and the monitoring of BFP conditionalities;
- Procuring additional anthropometric equipment for growth monitoring;
- Procuring additional information technology resources, such as computers with additional memory, lazer printers to handle the volume of printing of beneficiary lists, etc.;
- Contracting (outsourcing) of three data entry specialists to enter and consolidate all compliance information;
- Sensitizing and training community health teams for accompanying BFP beneficiaries;
- Organizing health service “demand” to prioritize guaranteed access to BFP families;
- Organizing health and educational seminars for BFP beneficiaries;
- Coordinating with pre-schools for growth monitoring of at risk children on site; and
- Collecting baseline and follow up data on nutritional status (growth monitoring) and other health indicators among the BFP beneficiary population.

The results of these efforts to date are as follows. Monthly monitoring of child growth more than tripled from 1,683 BFP children in 2004, when the initiative was launched, to 5,554 by May 2006. Moreover, malnutrition among the BFP population was halved, from 14% to 7%, and those at risk of malnutrition fell from 21% to 12%.

Source: MDS/Município de Vitória, basic data and field reports from the 2006 Prêmio da Gestão submission.

D. Consequences for Non-Compliance

The consequences for non-compliance with conditionalities are gradual, beginning with a “warning,” followed by blockage, then suspension, and ultimately cancellation of benefits. As

¹¹¹ The population of Vitória totals 313,312 inhabitants, of which just under 50,000 (11,905 families) are considered poor (PNAD 2001). Vitória records an IDH index of 0.856, placing it in the 18th rank nationally. Per capita income is estimated at R\$22,269 (US\$10,604) annually (IBGE).

¹¹² The municipality of Vitória is divided into 26 health districts (territórios de saúde), of which 18 are covered by the family health program.

discussed above, this reflects the philosophy that non-compliance should first signal to federal and local authorities that a family may be at risk or in need of additional services. With this philosophy, the first consequence for non-compliance is for MDS to send a notification letter to the non-complying beneficiary family and to municipal authorities. In municipalities where capacity permits, they then send a social worker to investigate the reasons for non-compliance and diagnose if other “care” (types of assistance) is needed. If non-compliance continues, a series of “contractual” penalties is activated, including blockage, suspension, and eventually cancellation (Table 10, see also Part 6).

Table 10 – Consequences for Noncompliance with BFP Conditionalities		
For each instances of non-compliance (1 st , 2 nd , 3 rd , 4 th , 5 th)		
1 st	Warning (<i>Advertência</i>)	Receipt of benefit without financial repercussion (<i>Benefício sem alteração</i>).
2 nd	30 Day Blockage (<i>Bloqueio 30 dias</i>)	The family has the benefit blocked for 30 days, after which they receive the accumulated benefit [prior benefit plus current payment] (<i>A família fica com o benefício bloqueado por 30 dias, e volta a receber com o acumulado</i>).
3 rd	60 Day Suspension (<i>Suspensão 60 dias</i>)	The family does not receive the benefit for 60 days. After the 60 day period, the family once again receives BFP benefit, however, without any accumulation (<i>A família fica sem receber o benefício por 60 dias, e volta a receber sem o acumulado</i>).
4 th	60 Day Suspension (<i>Suspensão 60 dias</i>)	Once again the family does not receive any benefit. After the temporary suspension, the family again receives the benefit, without accumulation (<i>Novamente a família fica sem receber o benefício por 60 dias, e volta a receber sem o acumulado</i>).
5 th	Termination (<i>Cancelamento</i>)	Benefit is cancelled (<i>Perde o benefício</i>).

Families are notified in writing of any reports of failure to comply with program conditionalities. The application of sanctions in case of non-compliance will also be accompanied by notification in writing, from the municipality, to the person who is legally responsible for the family.

In view of these steps and the frequency of reporting to the central level, the benefit would only be lost after one year of non-compliance. This implies a rather “diluted” link between financial incentives and conditionalities (the contractual aspect), though active involvement of municipalities and social controls councils to follow up on cases on non-compliance can help promote solutions to overcome non-compliance (e.g., sending a health worker to administer vaccines, pre-natal care, and growth monitoring; enforcing school attendance).

To strengthen the links between payments and compliance, MDS is currently exploring automated ways to inform BFP beneficiaries of non-compliance with the conditionalities through

the banking system. Beneficiaries would receive communications about the status of compliance on their withdrawal receipts, and information about blockages, motives for blockages, names of non-complying children, reference to the monitoring period in which the infraction was recorded, dates of next available payments, and recommended actions for the family to resolve the situation and receive the next benefit. SENARC/MDS hopes to implement this initiative in 2007, though this would require that the Caixa modify its information and receipts systems.

E. Priorities for Further Strengthening Conditionalities in the BFP

Bolsa Família maintained an important tradition in social assistance that first emerged in municipal programs in the 1990s: the linking of human capital incentives (conditionalities) to cash transfer assistance. Progress has been made in promoting awareness of these conditionalities and in improving their monitoring. Nonetheless, a number of challenges remain for strengthening conditionalities and these should be considered as high priority for continued efforts to strengthen the basic architecture of the BFP:

- Strengthening the system of monitoring of health conditionalities in a cost effective manner and launching tools to address data flow constraints;
- Improving information links between non-compliance and payments consequences, such as MDS's current proposals to print out compliance information with payment receipts through Caixa's system;
- Strengthening tools for conducting random-sample audits of the monitoring of conditionalities and compliance (e.g., strengthening the questionnaires and data collection methods for CGU operational audits for their content on oversight of conditionalities, as discussed in Part 8); and
- Considering options for expanding the menu of incentives to promote education investments among the poor, such as conditionalities for enrollment or attendance in pre-primary and/or secondary, as well as positive incentives such as bonuses for completion of primary and secondary school.

VIII. Program Oversight and Controls

This section reviews the different instruments and mechanisms of oversight, control and monitoring of the BFP, which is a highly visible program in Brazil and has been the target of intense scrutiny since its inception. It starts with a review of the types of fraud and errors present in transfer programs, as well as the main "pressure points" for these risks. It then provides an overview of oversight and controls functions for the BFP at three levels (Figure 15): (a) federal controls agencies (the so-called "oversight and controls network" of supreme audit agencies, which was formalized through partnerships with the BFP in January 2005); (b) by MDS; and (c) by municipalities and their social controls councils (SCCs). The final section highlights some actions that could be taken to further strengthen program oversight and controls.

A. Types of Fraud and Errors in Transfer Programs

All transfer programs result in some degree of fraud and errors. The challenge is to develop effective systems to detect, remedy and minimize the occurrence of these irregularities.

Fraud vs. Errors. Not all irregularities or leakages to the non-poor occur as a result of intentional fraud. Many involve unintentional measurement or information errors (as all surveys do). Within error, a distinction is made between “customer error,” where incorrect information is provided without fraudulent intentions, and “official error.”¹¹³ Official error arises from a mistake or by an act or omission by an official, which was neither caused nor known by the official nor the customer at the time it was committed. Intentional fraud also exists in all transfer programs, and can arise in different forms by different actors:

- By politicians, registering potential beneficiaries (friends, relatives, party members) for clientelistic purposes to garner political support in return for program benefits;
- By beneficiaries themselves, for example by providing false information regarding income or household composition to bias eligibility decisions;¹¹⁴
- By intermediary parties, for example cases of non-beneficiaries fraudulently intercepting multiple EBC cards for personal use or commercial agencies (stores, lottery points) forcing beneficiaries to redeem benefits at their store;¹¹⁵ or
- By operating agents (various levels).

“Pressure Points” for CCTs. For the BFP – as with other conditional cash transfers – possible “pressure points” for fraud and errors include: (a) interference or political biases in the geographic allocation of program quotas; (b) interference, political biases, administrative errors, survey measurement errors in the registration process; (c) clientelism, interference, and/or administrative errors in the payments process; and (d) interference in reporting on non-compliance with conditionalities. Some of these risks are more relevant for the BFP than others.

Main Risk & Risk Mitigating Mechanisms: The Registration Process. For Bolsa Família, the main “pressure point” for potential errors, fraud and/or political interference is in the registration process. Brazil’s 5,564 municipalities are responsible for registering potential beneficiaries and could potentially favor political supporters in this process.

The Government has instituted several mechanisms to manage, monitor and reduce this risk, including: (a) centralized determination of eligibility according to automatic “objective” criteria and a series of internal and external cross-checks (see Part 5); (b) bi-annual recertification (Part 5); (c) federal monitoring of registration quality using the four-point “decentralization management index” (IGD, see Part 4); (d) performance-based financial incentives for quality registration (see Part 5); (e) formal controls mechanisms (see below); and (f) social controls (see below).

¹¹³ National Audit Office, Comptroller and Auditor General, U.K. (July 20, 2006).

¹¹⁴ The most common irregularity with households (besides missing information) is when two households claim the same child for benefits.

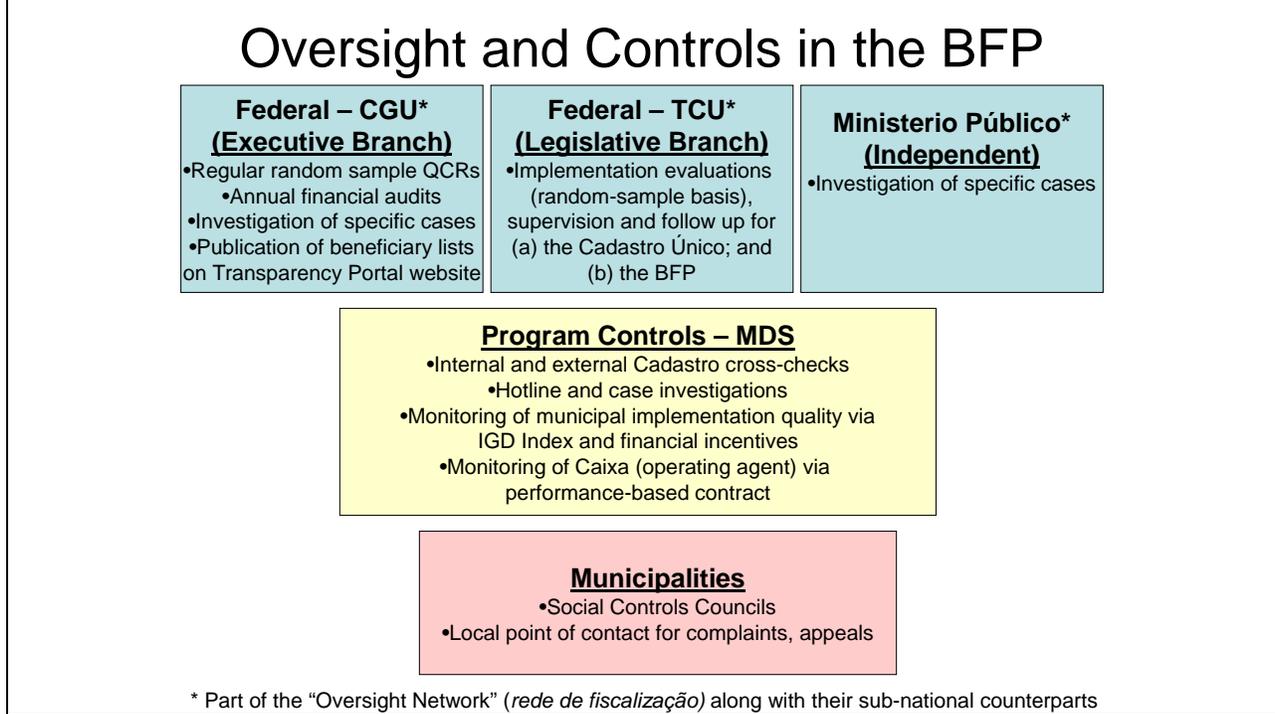
¹¹⁵ In several cases of intermediary fraud, the culprits have faced prison time as a consequence.

Moreover, several specific “pre-election” measures were adopted to minimize these risks (or perceptions of political influence) during the recent election period, including: (a) new beneficiaries were barred from entering the program during the pre-election quarantine period (from July 1 to the October 2006 elections), in order to close the door for direct new “vote-buying” during that period; (b) the Government was also barred from issuing any formal publications – including impact evaluations or operational audit reports – during the pre-election quarantine period; and (c) the Ministries of Social Development and Planning conducted additional audits of Bolsa Família and other social programs in 2006.

Lesser Risks. Although risks of political manipulation in the allocation of geographic quotas or in the payments of benefits could theoretically exist, these risks are minimal in scope due to the technical design of the program. Risk of interference in reporting on non-compliance with conditionalities is moderate.

- **Little risk of political interference in the geographic allocation of program quotas.** Bolsa Família has reached coverage targets that represent universal coverage of the poor, which greatly reduces the scope for manipulation, as compared with programs with tighter beneficiary rationing. To manage the program and promote geographic targeting, MDS does assign municipal quotas for program eligibility. The potential for political interference in these geographic allocations is greatly minimized because municipal allocations are based on objective poverty maps using census and household survey data.
- **Low risk of clientelism or political manipulation of payments.** These risks are greatly reduced by the fact that payments are channeled through the banking system, and are thus delinked from federal and municipal political authorities. A performance-based contract guides the operations of the federal bank (*Caixa Econômica Federal*) in the payments process, including financial penalties against a 17-point score card for service delivery. Operational audits also cover the activities of the *Caixa*.
- **Moderate risk of interference on conditionalities reporting.** Some are concerned that teachers and/or directors may not accurately report school absences for fear of the consequences on the poor children in their jurisdictions (or on themselves via complaints from parents). Anecdotal evidence suggests that this does occur, at least sporadically. The Federal Government (MDS, MEC, Ministry of Health) is collaborating with municipal governments to strengthen the conditionalities monitoring system (see Part 7). Moreover, the oversight agencies (such as TCU and CGU) do report on conditionalities monitoring in their operational audit functions (see below), though these efforts could be strengthened in the methodology used for assessing and reporting on conditionalities compliance.

Figure 15 – Summary of Main Oversight and Controls Functions for the BFP



B. Oversight and Control by the Supreme Audit Agencies

Three federal controls agencies – the General Controllers Office (CGU), the Federal Audits Court (TCU), and the Office of the Public Prosecutor (MP) – and their sub-national counterparts are responsible for formal oversight and controls of the BFP (Figure 15). Together, these three agencies jointly form what is known as the official “**oversight and controls network**” (*rede de fiscalização*) for the BFP. This network was formalized in an event presided by President Lula in January 2005, in which formal cooperation agreements were signed between MDS and each of these entities to systematize, normatize and coordinate oversight and controls of the BFP.

Previously, these federal public control entities worked separately, without coordination or exchange of information with the MDS. Now, through cooperation agreements, the public control entities work in close cooperation with the MDS in order to ensure information integration and improved overall control of the program. Important progress has been made in “normatizing” these controls such that they are informed and routine (including the development of manuals and benchmarks for the operational audits). For example, when CGU/SFC informs MDS of its random sample of municipalities, MDS then collects all the complaints (“denúncias”) that it has received or irregularities detected for that sample of municipalities and forwards them to CGU/SFC to investigate as part of their fieldwork in addition to their randomly selected sample of beneficiaries. The specific responsibilities and oversight actions of each of these agencies are as follows.

General Controllers Office (CGU/SFC, Executive Branch). The General Controllers Office (*Controladoria Geral da União, CGU*) and its Federal Controls Secretariat (*Secretaria Federal*

de Control, SFC), is the internal control organ of the federal executive, placed under the authority of the Presidency. The CGU is a member of the Oversight Network for the Control of the BFP. In this context, the CGU/SFC uses three main instruments to provide oversight and controls of the BFP: (a) regular random-sample operational audits (quality control reviews, QCRs); (b) annual financial audits; and (c) case investigations.

First, the CGU conducts **random-sample operational audits** (QCRs) under the Government's "Random-Sample Oversight Program" (*Programa de Fiscalização de Sorteios Públicos*). Under this QCR Program, the CGU randomly selects 60 municipalities to be inspected with regards to their use of federal resources (all federal spending, not just the BFP).¹¹⁶ These audits are intended to be carried out on a monthly basis, but to date, the CGU has averaged six per year. This random QCR also includes a random sample of federal programs (other than Bolsa Familia), but since the launching of the Oversight Network (January 2005), the BFP is now included in all random sample QCRs (operational audits). The QCRs for the BFP are now normatized (with manuals) to cover: (a) verification of eligibility and Cadastro data (for a random sample of beneficiaries in each municipality in the sample); (b) payments and the operations of the Caixa; (c) conditionalities compliance monitoring (though this aspect needs strengthening); and (d) implementation processes (including the municipal Social Controls Committee, SCC).

The reports of these inspections are sent to MDS, to the Ministério Público (Office of the Public Prosecutor) at the federal and state levels, to the TCU (Federal Accounts Court), to the Congress and to the Federal Police (according to the nature of the case), so that they may take the appropriate measures. Individualized municipal reports are also given to MDS and each municipality in the sample. The inclusion of the CGU in the monitoring of local control functions is important in view of its expertise as well as the national scope of its activities. With a highly specialized staff, distributed throughout the federal entities, the inclusion of the CGU reduces the cost of the monitoring and control of local programs and improves the level of efficiency of government activities.¹¹⁷

A summary of findings from the CGU's operational audits (QCRs) conducted from 2003 to 2005 (covering 19 municipal audits, 981 municipalities, 5064 families, and 4 state audits) highlights the following for the BFP:

- **Targeting Errors - Minimal.** The QCRs found that 7% of families visited exhibit evidence of incomes higher than the eligibility thresholds for the program. In practical terms, this is probably a lower bound estimate of leakages, since a family earning only a few *reais* (or dollars) over the eligibility threshold would probably not exhibit observable evidence of higher incomes. The CGUs errors would likely only pick up evidence of stark examples of deviations from income eligibility levels.
- **Payments "Irregularities."** Payments irregularities were found for 9% of families in the sample, where "irregularities" indicate that the families: (a) received duplicate benefits;

¹¹⁶ An important limitation of these operational audits is that they only cover municipalities that are less than 220,000 inhabitants as a general policy (not specific to the BFP). In the larger municipalities, local audit bodies are supposed to conduct operational audits for both federal and own-financed activities.

¹¹⁷ MDS, 2005.

(b) ceased receiving payment; or (c) received amounts diverging from those expected. Also, 1.6% of families report having to pay a small fee to intermediaries to collect their benefits for them (e.g., to avoid traveling from remote areas to collect their funds).

- **Actions of the Municipal Coordinators** (results for 243 municipalities visited in 2005). The QCRs found that registration or updating was not being carried out on a permanent basis in 36% of the municipalities (these results reflect the situation *before* the recent nation-wide re-registration). In 13% of municipalities, part of the “constant” information in the Cadastro database diverged from the information reported in the questionnaires of the sampled families (any kind of information difference for at least one family). Municipal coordinators had not been designated in 50% of the municipalities (this is no longer the case, since the establishment of the *Termos de Adesão* have required this designation). In 62% of the municipalities, beneficiary lists were not disseminated (they are supposed to publicize beneficiary lists to promote citizen oversight). In 32% of the municipalities, there was insufficient dissemination of information about the program. In 40% of municipalities there was insufficient dissemination (sensitization) about conditionalities requirements to beneficiary families.
- **Social Controls** (results for 245 municipalities visited in 2005). In 26% of municipalities surveyed, a social controls committee (SCC) for the BFP had not been formed (though in some instances, municipalities are using other existing SCCs to also cover the BFP).¹¹⁸ In 18% of municipalities, the shared governance of the SCCs between the government and civil society (in terms of membership) had not been achieved. The QCRs also found that SCCs lacked necessary information on the BFP (e.g., beneficiary lists) in 26% of municipalities sampled. The QCRs also found that approximately 60% of the SCCs were not regularly visiting schools or health posts to fulfill their roles in overseeing the monitoring of conditionalities. Social controls committees (SCCs) are discussed in more detail below.
- **Actions of Local Caixa Branches** (258 branches visited). In 5% of the Caixa branches visited, the agencies failed to publicize the dates of payments; in 32% of the Caixa branches visited, the agencies failed to mobilize logistics for distribution of cards, resulting in pending (delayed) distribution of cards to beneficiaries; and in 17% of the Caixa branches visited, proof of delivery of the cards to beneficiaries was missing (for at least some beneficiaries, not necessarily all).¹¹⁹

Second, the SFC/CGU also conducts **annual financial audits**, which ensure that (a) 100% of funds received by the Caixa (BF Grant Transfers) under the BFP were credited to the pooled beneficiary account; and (b) at least 85% of the funds transferred to Caixa via Statements of Transfer (SOTs) were disbursed by the Caixa to beneficiaries (i.e., BF Grants/BF Grant Transfers \geq 85%). This 85% minimum benchmark was first introduced in the World Bank’s loan, then adopted by the IDB in its loan, and has now been mainstreamed for all audits of the BFP.

¹¹⁸ This result is consistent with the findings of a World Bank – UC Berkeley report on Governance and Decentralized Implementation of Bolsa Escola (De Janvry et al. 2005).

¹¹⁹ As noted above, since May 2006, in response to these distribution errors, the Caixa sends EBCs to the beneficiaries through regular mail (postal system), using the address reported in the Cadastro Único (Informe Bolsa Família 43, August 4, 2006).

Third, the CGU conducts **case investigations** in the municipalities in each QCR sample when MDS forward them any complaints ("denúncias") received or irregularities detected for that sample of municipalities. The CGU also organizes talks, seminars and training activities with MDS to promote the exchange of experiences. It also promotes joint activities with MDS to detect irregularities in the Cadastro Único registry and in the BFP beneficiary lists. The CGU, through its state offices, furthermore provides logistical support to the MDS teams in their control and oversight activities, and it cooperates in efforts to spread information on the BFP to beneficiaries, to local managers, to the local social control councils and to the public entities in charge of internal and external control.

Fourth, the CGU has to publicize BFP beneficiary lists on the "Transparency Portal" website as public information.¹²⁰

Federal Court of Audit (TCU, Legislative Branch). The Federal Audits Court (*Tribunal de Contas da União*, TCU) is the supreme external audit agency. It was established by the Constitution of 1891 and tasked with overseeing government finances. As a member of the Oversight Network, the TCU has an important role in overseeing the BFP. A cooperation agreement between the TCU and the MDS regarding control of the BFP establishes that the TCU will provide the MDS with information, methodologies and lessons learned in order to improve monitoring of the BFP. It also organizes training courses and seminars to enable an exchange of experiences between the two institutions.

As part of the Oversight Network of the BFP, the TCU (and its sub-national counterparts) conducts formal Implementation Evaluations for a random sample of programs on a regular basis. To date, the TCU has carried out two series of Implementation Evaluations related to the BFP: (a) one series covering the Cadastro Único (initiated in 2003); and (b) one series focusing on the BFP itself (initiated in 2004). Implementation Evaluations have three phases (a) the initial random-sample investigation; (b) supervision of actions taken (and sanctions if not taken) every six months for two years; and (c) a follow up investigation to re-evaluate implementation quality and assess the impact of the three-year engagement of the TCU with a particular program. The Implementation Evaluation for the Cadastro Único is just completing this process, with the final report of the follow-up investigation expected soon. Unfortunately, the final follow-up survey for this report was conducted prior to the recent nationwide recertification of Cadastro registrants, and hence many of the findings and follow up recommendations may not apply anymore. The initial Implementation Evaluation for the BFP was conducted in early 2004 (in the first six months after the program was launched), and is currently in the "supervision" phase. The final follow up evaluation will be conducted in 2007.

The TCU also provides MDS with information, expertise and methodologies aimed at improving monitoring of the BFP. The TCU furthermore organizes talks, seminars and training activities in order to facilitate the exchange of experiences. All activities undertaken by the TCU in this context are aimed at developing and transmitting instruments which will assist and improve the monitoring of program funds.

¹²⁰ www.portaldetransparencia.gov.br

Public Prosecution Office (Ministério Público, MP). The MP is the third member of the Oversight Network and as such actively investigates allegations of fraud in the BFP. The MP's established role focuses on questions related to the constitutional rights of the individual in order to guarantee that these rights are respected by public institutions and providers of public services. With this mandate, the MP conducts case investigations that are usually instigated by individual complaints or press reports. The MP investigates allegations of fraud in the registration of beneficiaries and assesses compliance with the conditionalities of the program. It can also propose the necessary sanctions in case of irregularities. The MP can request registry lists from the municipalities in order to verify the quality and accuracy of targeting of the registry system, or to detect potential irregularities, such as, for instance, suspicions of politically motivated abuses in election years. Although independent, the MP maintains continuous contact with the federal government (executive branch) and with the MDS in the performance of its responsibilities.

C. MDS' Own Program Controls

MDS uses several instruments to conduct its own controls and oversight of the BFP including: (a) conducting internal and external cross-checks (*testes de consistência*) for the Cadastro Único, as discussed in more detail below); (b) monitoring municipal implementation quality using the new system of financial incentives (performance-based administrative cost subsidies) and the “Decentralized Management Index” (IGD), as discussed in more detail in Part 4 above; (c) monitoring of the activities of the Caixa, the operating agent, via the new performance-based contract and associated financial penalties (see Part 5 above); and operating a hotline number with trained response teams to respond to queries and complaints and forward cases that require follow up or case investigations to SENARC/MDS (Box 9). Other information and public awareness tools include the regular newsletters (“*Informe Bolsa Família*”), the MDS website, regular media campaigns (TV, radio, press), the information booklets distributed to all beneficiaries (*Agenda de Compromissos*).

One of the main challenges for quality controls for any transfer program of this size and nature is the registration system. Decisions about entry into transfer programs are vulnerable to both administrative errors and fraud (for economic or political gain). In Brazil's case, registration is decentralized to municipalities (as discussed above in Part 5), making the process all the more complex. The centralization of eligibility decisions to MDS (see Part 5) and payments through the banking system (see Part 6) does reduce the scope for local political capture and clientelism to some extent. Nonetheless, additional oversight mechanisms are needed to promote quality controls (reduce administrative errors) and reduce the potential for fraud.

In addition to the formal external controls mechanisms described above (CGU, TCU, Ministério Público), MDS has also developed numerous mechanisms for quality controls, including: (a) internal and external cross-checks at various stages of Cadastro Único registry implementation; and (b) formal performance-based management incentives for quality implementation.

First, numerous **internal and external cross-checks of the registry** have been developed to: (a) scan for consistency and completeness of information; (b) identify duplications and other errors; and (c) validate income eligibility information.

At the local level, municipalities use a new software program developed by the Caixa to assist in the identification and quantification of inconsistencies in the Cadastro registry information (*Aplicativo Inconsistências do Cadastro Único*). This program enables automated internal checks to verify that all the necessary information has been filled out and is internally consistent.¹²¹

MDS and the Caixa have also instituted routines for conducting internal and external cross checks against the Cadastro database. Internal cross-checks (*testes de consistência*) include cross-checks for duplications, whereby the system itself raises flags in case of duplication of names, mother's names, personal identification numbers (NIS, CPF), date of birth, place of birth, address, etc. Cases of missing or inconsistent information are also detected and verified. Furthermore, if reported consumption is 20% higher than the self-reported income, the information system immediately identifies this discrepancy and requests that the local level program manager verify the data, before forwarding it to the Caixa.

MDS also performs external cross-checks with other databases, including crossing reported income in the Cadastro Único with information in the Ministry of Labor's incomes database (*Relação Anual de Informações Sociais, RAIS*) to verify if incomes are under-estimated in the Cadastro Único. Cross-checks with the Ministry of Labor's RAIS, for example, found 14% matches between individual identification numbers in the Cadastro Único and the RAIS. Since the RAIS covers formal sector workers, this share meets expectations, since 80-90% of the poor work in the informal sector. Of the 14% with data matches, 3% were found to have differences between incomes reported in the Cadastro and incomes reported in the RAIS. These were sent to the specific municipalities in question for follow up actions and investigation (and purged if investigation proved under-estimation of incomes in the Cadastro).

States have also recently begun performing cross-checks of the Cadastro Único, for example crossing these data with those in their respective databases for the Department of Transport (DETRAN) to check if beneficiaries possess cars (which could be a signal of under-reporting of incomes).

Second, formal performance-based management incentives have been established to promote quality implementation and resolve the principal-agent dilemmas vis-à-vis MDS and municipalities and MDS and the Caixa. As discussed in Part 4 above, the Joint Management Agreements (*Termos de Adesão*) between MDS and the municipalities provide formal mechanisms for quality controls and promotion. The associated Index of Decentralized Management (IGD) – linked to “performance-based administrative cost subsidies” – establishes specific point checks on minimum quality standards and financial incentives for compliance. The new performance-based Caixa contract also provides additional control mechanisms and financial incentives to promote quality in BFP operations (as discussed in Part 5).

Finally, several specific “pre-election” measures were taken to reduce the potential for political manipulation in advance of elections (held in October 2006). For example, the Government restricted the use of propaganda and large events to distribute electronic benefits

¹²¹ For instance, the program would raise a flag if a person who has checked the box for 'male', also has indicated 'yes' on the question of whether she is lactating. There are eleven cross-checks overall, which include: (a) sex (x) pregnancy (x) breastfeeding; (b) age (x) pregnancy (x) breastfeeding; (c) documentation; (d) incomplete documentation; (e) income; (f) legal guardian (responsável legal); (g) age (x) situation in the labor market (idade x situação no mercado de trabalho); (h) income x expenditures; (i) school code (codigo INEP).

cards. Also, the Federal Government opted to not undertake any mass registrations during the pre-election “quarantine” period from July – October of 2006.¹²² The overall level of beneficiaries was maintained at 11.1 million families (46 million people) during the pre-election quarantine period.

Box 9 – Hotlines under the BFP

The use of hotlines (toll-free call numbers) as a point-of-contact has many advantages for CCTs, including promoting transparency, credibility, accountability, awareness and dissemination of accurate information. Hotlines are also important tools for resolving questions or complaints. Several hotlines are in operation for the BFP:

- **Caixa 0800 Central Hotline**, which operates seven call centers that respond to queries from beneficiaries and program managers regarding Bolsa Família and the Cadastro Único (in addition to other social programs). The most frequent questions asked by beneficiaries are those related to payment availability and difficulties with beneficiary cards, whereas inquiries by program managers are generally questions related to Caixa software.
- **MDS 0800 Central Hotline**, which also responds to inquiries from BFP beneficiaries and program managers, as well as general complaints from the public at large (Ombudsman - *Ouvidoria*). The hotline, which functions from 7:00am to 7:00pm daily, is linked directly to the office of the Executive Secretariat of MDS. At present, a total of 94 trained staff operate the hotline, including: 63 generalists who respond to basic inquiries from program beneficiaries; 25 specialists who respond to questions from local BFP program managers; and six exclusively serve the function of Ombudsman (*ouvidoria*). This number is projected to increase to 135 by the end of 2006, with the inclusion of 41 additional generalists to respond to BFP beneficiaries. The majority of beneficiary questions relate to payments, blocked benefits and the concession of BFP (i.e., the process of eligibility selection). Specialized attention for municipal managers, coordinators and technicians typically focuses on the management information system, updating of the Cadastro Único and payment benefits (SIBEC) for families. Finally, the ombudsman (*ouvidoria*) responds to suggestions, complaints, formal accusations, and praises from the general public, which generally focus on: (a) the quality of customer service in municipalities and at payment centers; (b) doubts on where to find information on the BFP; (c) information regarding the motives for blockage or cancellation of BFP benefits; and (d) information about how to receive the BFP benefit.
- **SENARC Hotline**, which is managed by SENARC, and is exclusively for inquiries from local BFP program managers (those which cannot be initially resolved through MDS’s central hotline). At present, the hotline in SENARC is staffed with eight technicians who respond to questions regarding the interpretation of the legislative and normative regulations of the BFP, management information systems, and general questions about how to best provide effective services to families.

D. Municipal Controls (Social Controls, Local Contacts)

Municipalities also have the responsibility for on-going monitoring and oversight of the BFP at the local level. As part of this role, municipalities must publish the names of beneficiaries in their jurisdictions in a public manner and the BFP coordinators are the main local point of contact for complaints or appeals for the BFP.

In addition, formal Social Controls Councils (SCCs) must be established in all municipalities. These local-level SCCs have an important role to play in the enforcement, monitoring and evaluation of the BFP. They are responsible for communicating to the institutions that form the public network for monitoring the BFP and to MDS (SENARC), any irregularities detected in the municipalities with respect to management and execution of the Bolsa Família Program. At the municipal level, SCCs can participate in, and oversee, the collection of data for the local

¹²² Suspensions and cancellations were carried out during that period, and updates of information for existing registrants were permitted.

Cadastro Único registry, and are responsible for helping identify potential BFP beneficiaries and ensuring regular updating of local registry information.

In terms of program management, the SCCs are charged with periodically evaluating the local BFP beneficiary list, overseeing the monitoring of compliance with conditionalities, and formally requesting the blocking of benefits where this is justified. Furthermore, the SCCs are responsible for monitoring the local provision of public services needed to comply with BFP conditionalities (health and education services), the local social protection network, and the provision of complementary programs.

In terms of membership, the SCCs must obey official criteria of inter-sectoriality and parity between civil society and government.¹²³ SCCs must include practitioners in the areas of social assistance, health, education, food security and, where appropriate, children and adolescents. The representatives from civil society must be selected independently of the government and governing authorities.

Data from a municipal implementation survey conducted in the Northeast in 2004 (covering both Bolsa Escola and the nascent Bolsa Família Program) suggest that, when they function, these councils do have a positive impact on the quality of implementation. However, the survey also revealed weaknesses in the functioning and composition of SCCs, including revealing that (a) only 81% of the municipalities had established SCCs at that time; (b) only 68% of these indicated that the SCCs were functioning as intended, with only 38% reporting that the council members met at least once per month, and only 54% reporting that the councils maintained an updated list of the beneficiaries. Moreover, the survey found that 73% of the members were supporters of mayors (50% are supposed to be from civil society and 50% from the municipality), and 7% were actual family members of the mayor.

Similarly, a synthesis of CGU operational audits from 2003-05 highlighted several weaknesses with the social controls councils. Specifically the synthesis found that (a) 26% of municipalities in the audited sample had not formed these social controls councils; (b) in 18% of municipalities in the sample, the 50-50% shared membership between the government and civil society had not been achieved for these councils; and (c) 26% of the municipalities lacked necessary information to perform social oversight functions. MDS is working to remedy this situation through additional guidelines for social controls councils, evaluations and spot checks.¹²⁴

E. Strengthening Oversight and Controls for the BFP

The Brazilian Government has promoted numerous mechanisms for overseeing the BFP. Nonetheless, there are ways in which these controls could be improved, including:

- Further strengthening the questionnaire and methodologies used by the CGU in conducting operational audits of the BFP in general and particularly for their oversight and cross-checking of monitoring of compliance with conditionalities;

¹²³ Normative Instruction MDS No. 01 of 20 May 2005, see annex 1.

¹²⁴ MDS has commissioned 12 case studies on the functioning of social control councils. Results will be available in late 2007.

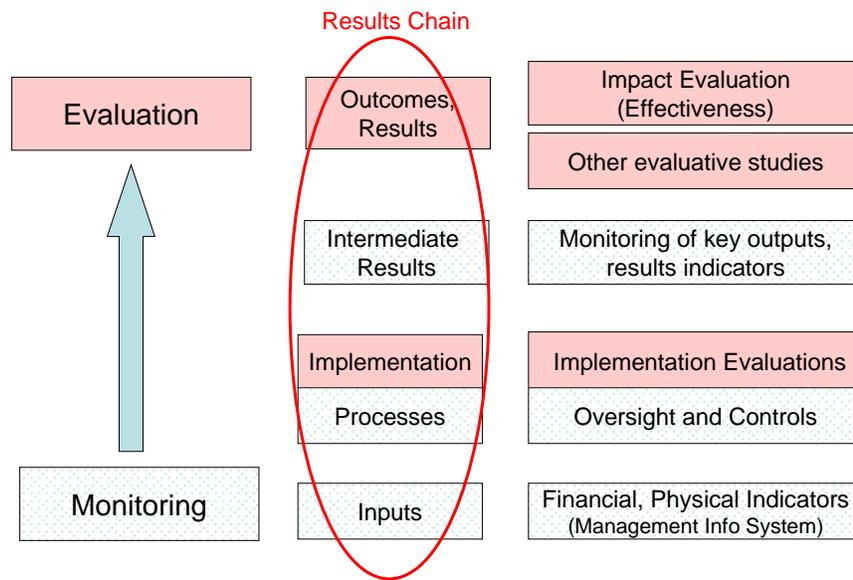
- Defining a key set of indicators that could be summarized in CGU operational audit reports to monitor the operational performance of the BFP. Currently, these reports focus on providing information on specific irregularities to facilitate case-by-case investigation and follow up. The format used for reporting, however, does not easily facilitate a reporting of key management indicators (such as specific types of errors or irregularities as a % of the sample of observations collected, specific indicators for specific procedures) or their monitoring over time. Improvements in reporting of summary performance indicators would greatly improve this tool for program performance management purposes.
- Expanding CGU operational audits to cover larger municipalities for the operations of the BFP (including those with more than 220,000 inhabitants, which are currently not covered).
- Clarifying institutional responsibilities for case-by-case follow up (between MDS, the CGU, TCU, and Ministério Público), and providing training for those charged with this responsibility.
- Further fine-tuning of algorithms for cross-checking (internal and external) for duplications or other irregularities in the Cadastro Único registry.
- Strengthening guidelines and training for social controls councils.

IX. Monitoring and Evaluation Systems for the BFP

The BFP monitoring and evaluation (M&E) system can be assessed along four levels (Figure 16): (a) monitoring on-going program execution (short-term indicators); (b) monitoring and evaluating BFP implementation processes; (c) monitoring of BFP outputs and results (medium-term indicators); and (d) evaluating the impacts of the BFP (long-term indicators). Each of these levels plays an important and distinct role in providing feedback to program managers.



Figure 16 – Levels of M&E for the BFP



Institutional responsibility for monitoring is spread across numerous agencies and secretariats, though the Bolsa Família secretariat (SENARC) in MDS is responsible for overseeing monitoring of the program. Other agencies involved include the M&E secretariat in MDS (SAGI), as well as the Ministries of Health and Education, the operating agent for the program (Caixa Econômica Federal), municipalities, and the supreme audit agencies (TCU, CGU).

Institutional responsibility for evaluation is primarily the responsibility of the M&E secretariat in MDS (SAGI), though other agencies, both internal (such as the Government’s economics “think tank” IPEA, and the national statistics institute, IBGE) and external (universities, private foundations and think tanks, contractors) also engage in evaluation activities.

A. Continuous Monitoring of Program Execution (MIS for short-term indicators)

Monitoring on-going program execution allows the program managers to keep track of key physical and financial program indicators on a continuous (monthly) basis (Table 11), including: (a) financial (payments) indicators; (b) physical indicators of coverage; (c) targeting and registration; and (d) physical indicators of compliance with education and health conditionalities.

As operating agent, the Caixa Econômica Federal is responsible for maintaining the financial (payments) and physical (coverage) data. These data are stored in two main databases: (a) the Cadastro Único consolidated national registry of potential beneficiaries; and (b) the payments database (called SIBEC: System of Benefits Payments to Citizens). Until recently, the links between the CadÚnico and SIBEC were rather poor. However, improvements were made towards the end of 2005 including introducing tools to allow cross-referencing across the two databases. MDS monitors monthly reports from both the SIBEC and the CadÚnico, and has

online access to the SIBEC (along with receiving the full CadÚnico database each month, as discussed in Part 5 above).

The Ministries of Education and Health are responsible for monitoring physical indicators of compliance with conditionalities, in collaboration with municipalities. As discussed in Part 7 above, monitoring of compliance with health conditionalities presents several challenges relating to logistics (many points of service provision in each locale) and information systems. Moreover, MDS does not have direct access to the information systems for monitoring these indicators in education and health, relying instead on regular reports from the Ministries of Education and Health. Finally, these databases are not directly linked to the Cadastro Único or SIBEC.

Table 11 – Monitoring of On-Going Program Execution: Key Indicators

Key Indicators	Time Frame	Geographic Coverage	Institutional Responsibility	Databases / Sources
<u>Financial Indicators:</u> <ul style="list-style-type: none"> • Amount of resources transferred • Average monthly PBF benefit amount (per family) 	Monthly	<ul style="list-style-type: none"> • National • By State • By Municipality 	<ul style="list-style-type: none"> • Caixa (provider) • MDS-SENARC (monitoring) 	<ul style="list-style-type: none"> • Payments database (SIBEC)
<u>Physical Indicators-Coverage:</u> <ul style="list-style-type: none"> • Number of beneficiary families • Cadastro registrants • Beneficiary families as share of Cadastro registrants 	Monthly	<ul style="list-style-type: none"> • National • By State • By Municipality • Some tracking also by urban / rural and by race 	<ul style="list-style-type: none"> • Caixa (provider) • MDS-SENARC (monitoring) 	<ul style="list-style-type: none"> • Payments database (SIBEC) • Program registry (CadÚnico)
<u>Physical Indicators-Conditionalities:</u> <ul style="list-style-type: none"> • % of BFP children complying with school attendance conditionalities • % of BFP women complying with health conditionalities • % of BFP children complying with health conditionalities 	<ul style="list-style-type: none"> • Bi-monthly (educ) • Every six months (health) 	All: <ul style="list-style-type: none"> • National • By State • By Municipality 	<ul style="list-style-type: none"> • MEC and municipalities; Caixa for software (education) • Min. Health and municipalities (health) 	<ul style="list-style-type: none"> • School attendance monitoring system (Caixa software) • SISVAN (health surveillance system)

B. Monitoring and Evaluating Program Implementation Processes

Given that many aspects of the BFP are implemented by Brazil’s 5,564 municipalities, it is important to monitor and evaluate the quality of program implementation processes. This is important for several purposes: (a) direct feedback to program managers about the quality of implementation of the program; (b) governance and accountability purposes; and (c) the ability to understand and contextualize impact evaluation results.

The importance of evaluating implementation for the purposes of informing impact evaluations cannot be under-stated. Simply put, implementation (reality) is never as perfect as the concept of a program. If we don’t “observe” (evaluate) implementation, it’s like a “black box” – and we don’t know if the measured impacts reflect the “concept” or the “reality” of (imperfect) program implementation. Moreover, in Brazil’s decentralized context, there is not one single “black box”

of implementation – but 5,564 “black boxes” (municipal implementation). As such, it is important to monitor and evaluate implementation not only for immediate program feedback, but also to link this information to impact evaluations.

Monitoring of BFP processes is carried out by SENARC in MDS, the municipal Social Controls Councils (SCCs), and the formal oversight agencies (CGU, TCU, Ministério Público), as described in preceding sections of this paper. Key monitoring instruments are summarized in Table 12 below and include:

- The Decentralized Management Index (IGD) and associated financial incentives, which is a key monitoring instrument for MDS, as discussed in Part 4;
- MDS/SAGI conducted beneficiary satisfaction surveys (opinion polls) in 2005;
- Regular Operational Audits (CGU), as discussed in Part 8;
- Social Controls (councils, hotlines, etc.), as discussed in Part 8. SAGI / MDS is also conducting a special study to examine the functioning of social controls; and
- Implementation Evaluations. The TCU has conducted implementation evaluations for both the Cadastro Único and the Bolsa Familia Program itself. These span three year periods, with supervision reports every six months in between the initial and final evaluations. In addition, the World Bank and U.C. Berkeley conducted an implementation evaluation of the BFP and the Bolsa Escola program in 261 municipalities in the Northeast¹²⁵ in 2004 (linked to an impact evaluation study). Finally, MDS has contracted CEDEPLAR (university/think tank) to conduct an implementation evaluation linked to the “Longitudinal Core Impact Evaluation” (see below).

¹²⁵ de Janvry, et. al. (2005).

Table 12 – Monitoring and Evaluating Program Implementation Processes

Key Tools and Indicators	Time Frame	Geographic Coverage	Institutional Responsibility	Databases / Sources
<u>IGD & Financial Incentives</u> <ul style="list-style-type: none"> • % of BFP families with valid (consistent, complete) registry information • % of BFP families with information updated at least within past two years • % of BFP families with reported information on education conditionalities • % of BFP families with reported information on health conditionalities 	<ul style="list-style-type: none"> • Monthly • Monthly • Bi-Monthly • Every six months 	<ul style="list-style-type: none"> • National (average) • Municipal 	<ul style="list-style-type: none"> • MDS with info from municipalities, MEC, Ministry of Health, Caixa 	<ul style="list-style-type: none"> • Cadastro Único • School attendance monitoring system • SISVAN
<u>Beneficiary Satisfaction:</u> <ul style="list-style-type: none"> • User satisfaction 	2005	<ul style="list-style-type: none"> • National 	<ul style="list-style-type: none"> • MDS/SAGI in 2005 	<ul style="list-style-type: none"> • Beneficiary surveys
<u>Operational Audits</u> <ul style="list-style-type: none"> • Eligibility • Payments • Conditionalities Compliance • Social Controls Councils (existence, membership, functioning) • Communications 	<ul style="list-style-type: none"> • Bi-Monthly 	<ul style="list-style-type: none"> • Random sample of municipalities 	<ul style="list-style-type: none"> • CGU • MDS monitors and follows up on CGU reports 	<ul style="list-style-type: none"> • CGU random sample audits of municipalities • Regular reports
<u>Implementation Evaluations</u> <ul style="list-style-type: none"> • Cadastro Único • BFP: Eligibility, payments conditionalities monitoring and compliance, social controls 	<ul style="list-style-type: none"> • Evaluations covering three year period with supervision every six months 	<ul style="list-style-type: none"> • Random sample of municipalities 	<ul style="list-style-type: none"> • TCU • MDS monitors and follows up on TCU reports 	<ul style="list-style-type: none"> • TCU random sample of municipalities •
<u>Implementation Evaluation attached to Impact Evaluation</u> <ul style="list-style-type: none"> • All BFP processes at municipal level 	<ul style="list-style-type: none"> • 2004 (WB-UCB) • 2006 (CEDEPLAR) 	<ul style="list-style-type: none"> • Random sample of municipalities 	<ul style="list-style-type: none"> • WB-UCB • CEDEPLAR 	<ul style="list-style-type: none"> • Survey databases
<u>Social Controls (hotlines, SCCs)</u> <ul style="list-style-type: none"> • Eligibility information • Payments • Compliance with conditionalities 	<ul style="list-style-type: none"> • Hotlines: on-going • SCCs: “regular meetings” 	<ul style="list-style-type: none"> • Hotlines: national • SCCs: Each municipality 	<ul style="list-style-type: none"> • Hotlines: MDS, Caixa • SCCs: Municipalities 	<ul style="list-style-type: none"> • Program information and reports • Beneficiary information
<u>Case studies on social controls</u> <ul style="list-style-type: none"> • Functioning of SCCs • Social capital 	<ul style="list-style-type: none"> • To be concluded in 2007 	<ul style="list-style-type: none"> • Case studies in specific municipalities 	<ul style="list-style-type: none"> • MDS / World Bank / UNDP via contractor 	<ul style="list-style-type: none"> • Tailored survey and case studies

C. Monitoring of Intermediate Program Results

Another important level in the M&E system for CCTs is the monitoring of program results. Although this doesn't establish causality of impacts (as with certain types of impact evaluations, discussed below), it is important for on-going tracking of the results of the program.

Monitoring of program results is one stage on the “results chain” that could benefit from additional attention for the BFP. We hypothesize that this has received relatively less attention due to the fact that it is a “grey area” in terms of institutional responsibility. The M&E Secretariat (SAGI) in MDS does monitor some program results (see Table 13), but has been more focused on developing common databases for monitoring of cross-program indicators and on managing evaluation studies (discussed below).

There are four broad categories of results indicators that should be monitored on a regular (at least annual) basis: (a) targeting outcomes; (b) beneficiary incomes with and without the transfer, and associated reductions in current poverty and inequality; (c) basic education indicators for BFP beneficiaries (including, but not limited to, school attendance); and (d) basic health indicators for BFP beneficiaries (see Table 13 below).

Some of intermediate results indicators can be monitored using administrative data such as the Cadastro Único. Others can be monitored using on-going nationally-representative household surveys (such as the PNAD, particularly when augmented with the bi-annual social programs module). Others, however, require specific surveys of beneficiary conditions. This is particularly the case for health results indicators, which are not collected in the PNAD surveys (and to a lesser extent for education indicators). Monitoring of health and education outcome indicators (results) has been a weakness in the BFP, and would benefit from additional definition and data collection (e.g., a tailored multi-topic survey of BFP families).

Table 13 – Monitoring of Program Results

Key Indicators	Time Frame	Geographic Coverage	Institutional Responsibility	Databases / Sources
<u>Targeting</u> <ul style="list-style-type: none"> • Share of total BFP benefits going to poor, poorest quintile • Beneficiary profiles 	<ul style="list-style-type: none"> • Bi-Annual • 2005 	<ul style="list-style-type: none"> • National • By State • National 	<ul style="list-style-type: none"> • IBGE (WB, IPEA analysis) • MDS/SAGI 	<ul style="list-style-type: none"> • PNAD Household Survey (special module) • Cadastro data
<u>Beneficiary Incomes, Poverty, Inequality</u> <ul style="list-style-type: none"> • Beneficiary families as share of poor • Number of families that would exit poverty with the income increment from BFP benefits • Number of families that would exit extreme poverty with the income increment from BFP benefits • Poverty and inequality trends (with and without benefits) 	<ul style="list-style-type: none"> • Monthly, using Cadastro Data • Annual using survey data 	<ul style="list-style-type: none"> • National • By State • By Municipality 	<ul style="list-style-type: none"> • MDS/SAGI: analysis of Cadastro data • IBGE (survey data) • IPEA (analysis of survey data) 	<ul style="list-style-type: none"> • Cadastro Único (administrative info on incomes) • PNAD Annual Household Survey
<u>Education</u> <ul style="list-style-type: none"> • Attendance and enrollment rates for BFP beneficiaries • Repetition and drop-out rates for BFP beneficiaries* 	<ul style="list-style-type: none"> • Bi-monthly • Annually 	<ul style="list-style-type: none"> • National, state, municipal • National, state 	<ul style="list-style-type: none"> • MEC, municipalities (Caixa software) • IBGE, MDS 	<ul style="list-style-type: none"> • School attendance monitoring system (Caixa software) • Household surveys
<u>Health:</u> <ul style="list-style-type: none"> • Use of pre-natal care for BFP beneficiaries* • Vaccine rates for BFP children* • Child growth scores for BFP children* 	Undefined	<ul style="list-style-type: none"> • National • By State 	<ul style="list-style-type: none"> • Undefined 	<ul style="list-style-type: none"> • Household surveys and/or • SISVAN

* Monitoring of these outcomes has been weak due to inadequate data.

D. Evaluating Program Impacts

In addition to on-going monitoring of inputs, outputs, results and processes, MDS is responsible for carrying out or contracting impact evaluations of the BFP. From time the Ministry was created, MDS has established a special secretariat devoted to information and evaluations (SAGI). Given the relative importance (and visibility) of the program, SAGI has developed a diversified approach to evaluating the impact of the BFP, adopting numerous evaluation methods. Most of these are managed by MDS, but implemented by contractors. In addition, donors (e.g., World Bank, DFID), think tanks (e.g., IPEA, FGV) and other agencies have conducted specific evaluations and evaluative studies.

Evaluating the impact of the Bolsa Família Program has several inherent challenges. The **first** relates to the size and speed of expansion of the program, with simultaneous implementation in all municipalities with a goal of rapid “universal coverage” of the poor. This complicates the

definition of control groups since no random allocation was possible. As such a strategy was adopted in which the “core evaluation” discussed below sought to construct comparison groups rather than control groups and use propensity score matching and instrumental variables estimation methods. This makes the evaluation of the BFP conceptually different from the first generation impact evaluations of CCTs (such as for Mexico’s PROGRESA, Nicaragua’s RPS, or Honduras’ PRAF) but similar to the challenges faced by second-phase impact evaluations (e.g., for Mexico’s *Oportunidades* in urban areas or Colombia’s *Familias en Acción*).

The **second** challenge involves the fact that the BFP was implemented as a *reform* program, integrating four pre-existing CCT programs. This raises many challenges regarding the treatment group and the measurement of “dose” and “duration” of the benefit (how do we compare those who receive the benefit for the first time with those who receive it after receiving the benefits of the pre-reform programs?). The **third** and related challenge involves the need to control for the potential impacts of additional benefits offered from sub-national CCT programs (and other social services). The **fourth** inherent challenge arises from the decentralized – and thus heterogeneous – implementation of the program (as discussed throughout this paper), which underscores the need to link impact evaluation to implementation evaluation surveys, as discussed above.

The “core impact evaluation” for the BFP is a comprehensive attempt to address these challenges in a feasible way through a longitudinal study that measures impact on: (a) food expenditures and diversity of food intake; (b) the anthropometric status of children under seven years of age; (c) household expenditures on schooling, health and clothing, and other household expenditures; (d) school outcomes; and (e) health care use. A municipal implementation module is also being conducted (to link outcomes with heterogeneity of implementation quality). The first round of data collection was conducted in late 2005, and the second will be conducted later this year (with follow up data collection every year for at least five years). The evaluation adopts a quasi-experimental design, contrasting families receiving the benefit (treatment group) with similar families that did not at the time of the first round of data collection (control group), in order to evaluate the evolution of the effects of the BFP over time. The sample is representative of the national population (excluding the rural regions of the North), and covers 269 municipalities, and approximately 15,000 families. Data from the first round were collected in November 2005 are currently being analyzed and results will be available in the near future. The second round of data collection will also go to the field soon.

In addition to this “core impact evaluation,” MDS has commissioned a number of other evaluations or focused studies covering different aspects of the impacts of the BFP. These include studies of: (a) the impacts of the program on the local economy and social service provision; (b) qualitative studies of the impact of the program on social capital, empowerment, and gender relations; (c) a specialized study looking at the impacts of the BFP on school performance; and (d) specialized studies examining nutrition, food security and epidemiological impacts (see Table 14 for an overview). Other agencies, such as donors (e.g., World Bank, DFID) and think tanks (e.g., IPEA, FGV) have also conducted specific evaluations and evaluative studies.

The total cost of MDS-contracted evaluations (all studies plus one year of data collection for the longitudinal study) amounts to about R\$6.4 million (about US\$3 million), or less than 0.08% of

total program costs. **The results of these evaluations (and others from the pre-reform programs) are summarized in a Companion Working Paper.**¹²⁶

Azevedo (forthcoming 2006) conducted a review of the “quality” of evaluations conducted by MDS and external parties for the Bolsa Familia and other programs, as part of a World Bank sponsored Institutional Assessment of M&E in MDS (forthcoming 2006). He judged the “quality” of these evaluations according to four sets of criteria developed by the Joint Committee on Standards for Education Evaluations (JCSE, 1994). These criteria include:

- **Utility standards**, which are intended to ensure that an evaluation will serve the information needs of intended users (stakeholder identification, evaluator credibility, information scope and selection, values identification, report clarity, report timeliness and dissemination, and evaluation impact on policy and feedback loops);
- **Feasibility standards**, which are intended to ensure that the evaluation is realistic, prudent, diplomatic, and frugal (practical procedures, political viability, cost effectiveness);
- **Propriety standards**, which are intended to ensure that an evaluation is conducted legally, ethically, and with due regard for the welfare of those involved in the evaluation as well as those affected by its results (service orientation, formal agreements, rights of human subjects, human interactions, complete and fair assessment, disclosure of findings, conflicts of interest, fiscal responsibility); and
- **Accuracy standards**, which are intended to ensure that an evaluation conveys technically adequate information about the features that determine the worth or merit of the program being evaluated (valid information, reliable information, systemic information, analysis of quantitative information, analysis of qualitative information, justified conclusions, impartial reporting, and meta-evaluation).

With these criteria, Azevedo (forthcoming 2006) that Bolsa Familia evaluations scored pretty well, with full scores (1.00) for feasibility and high scores for propriety (0.84) and technical accuracy (0.71, with the main reason for receiving less-than full scores being that some were only quantitative, without qualitative components, and none were meta-reviews). These scores for BFP studies were all among the highest of evaluations reviewed for social programs in MDS. Although scores for utility were lower, BFP evaluations also received higher scores for utility (0.60) than most other programs. Interestingly, independent external evaluations (by donors, other think tanks) had lower scores for utility than those conducted or commissioned by MDS or the TCU, reflecting weaker dissemination and involvement of policy makers in their design and analysis.

¹²⁶ de la Briere, et. al. (forthcoming 2007).

Table 14 – Evaluating Program Impacts

Key Indicators by Evaluation	Time Frame / Expected conclusion	Cost of Evaluation	Institutional Responsibility	Databases / Sources
<u>Longitudinal Household Study – Impact of the BFP on family expenditures and consumption</u> <ul style="list-style-type: none"> • Education, health, food expenditures, anthropometrics, malnutrition, social capital, gender relations, intra-household transfers, empowerment 	Annual for 4-5 years (minimum) (First round of data collection completed in 2005; analysis under way)	<ul style="list-style-type: none"> • R\$4,000,000 • US\$1,860,465 (per annual round of data collection) 	<ul style="list-style-type: none"> • MDS / UNDP via Contractor 	<ul style="list-style-type: none"> • Tailored household survey (sample = 15,000 households, representative of the national population)
<u>Evaluation of the implementation of the BFP (complement to longitudinal impact evaluation)</u> <ul style="list-style-type: none"> • Local program management • Service delivery 	<ul style="list-style-type: none"> • To be concluded in 2007 	<ul style="list-style-type: none"> • R\$799,000 • US\$371,628 	<ul style="list-style-type: none"> • MDS / World Bank / UNDP via contractor 	<ul style="list-style-type: none"> • Tailored municipal survey in 269 municipalities
<u>Study on the importance of income transfers to municipalities</u> <ul style="list-style-type: none"> • Income transfers as a share of local “GDP” • Income transfers as a share of all federal government transfers 	<ul style="list-style-type: none"> • Concluded in 2006 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • MDS via contractor 	<ul style="list-style-type: none"> • Analysis of secondary data
<u>Service Provision and Local Economy</u> <ul style="list-style-type: none"> • Institutional capacity • Local economy • Impacts on service delivery 	<ul style="list-style-type: none"> • To be concluded in 2007 	<ul style="list-style-type: none"> • R\$800,000 • US\$372,093 	<ul style="list-style-type: none"> • MDS / World Bank / UNDP via contractor 	<ul style="list-style-type: none"> • Tailored surveys
<u>Qualitative study of the perceived impact of BFP on gender relations</u> <ul style="list-style-type: none"> • Gender relations • Empowerment 	<ul style="list-style-type: none"> • 2nd semester 2006 	<ul style="list-style-type: none"> • R\$304,500 • US\$141,628 	<ul style="list-style-type: none"> • MDS / DFID via contracted consultants 	<ul style="list-style-type: none"> • Questionnaires; focus groups (sample = 14 municipalities in North East)
<u>Case studies on the impact of BFP on empowerment in gender relations</u> <ul style="list-style-type: none"> • Empowerment 	<ul style="list-style-type: none"> • To be concluded by 2007 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • MDS / DFID via contracted consultants 	<ul style="list-style-type: none"> • Case studies in 10 municipalities
<u>School performance impacts of the BFP</u> <ul style="list-style-type: none"> • Educational performance 	<ul style="list-style-type: none"> • To be concluded by 2007 	<ul style="list-style-type: none"> • R\$260,000 • US\$120,930 	<ul style="list-style-type: none"> • MDS / World Bank / UNDP via contractor 	<ul style="list-style-type: none"> • Tailored survey; analysis of secondary data
<u>Food security among BFP beneficiaries</u> <ul style="list-style-type: none"> • Quality and quantity of food consumption 	<ul style="list-style-type: none"> • Concluded in 2006 	<ul style="list-style-type: none"> • R\$89,876 • US\$41,803 	<ul style="list-style-type: none"> • MDS / UNDP via contractor 	<ul style="list-style-type: none"> • Tailored survey; analysis of secondary data
<u>Social-epidemiological impact of the BFP</u> <ul style="list-style-type: none"> • Anthropometrics, local economy, access to health services, empowerment 	<ul style="list-style-type: none"> • 2nd semester 2006 	<ul style="list-style-type: none"> • R\$70,000 • US\$32,558 	<ul style="list-style-type: none"> • MDS / UNDP via contractor 	<ul style="list-style-type: none"> • Tailored survey; analysis of secondary data
<u>Impact of BFP on nutritional conditions</u> <ul style="list-style-type: none"> • Anthropometrics 	<ul style="list-style-type: none"> • 2nd semester 2006 	<ul style="list-style-type: none"> • R\$40,000 • US\$18,605 (MDS share of costs) 	<ul style="list-style-type: none"> • MDS / UNDP with the Ministry of Health and Federal University of Pernambuco 	<ul style="list-style-type: none"> • Tailored household surveys

X. The Emerging Graduation Agenda

This section presents a framework for what could be termed the “next frontier” for the BFP: promoting graduation from poverty and from the program. Design of conditional cash transfer programs generally first concentrates on establishing basic program architecture, including focusing on “how we get the right people into the program” (targeting) as well as monitoring, oversight and evaluation. Once this basic architecture is established, the issue of “what do we do with these people now and how can we further help them break from the cycle of poverty” eventually arises.

While the period from 2003 to 2006 involved a major push to solidify the core architecture and institutional structure of Brazil’s BFP, the “new frontier” for social policy in 2007 and beyond will increasingly focus on identifying institutionally feasible and effective levers to further promote the graduation agenda.¹²⁷ Some aspects of this “new frontier” can be accommodated within the “jurisdiction” of the BFP (e.g., reforms to basic program parameters); others will inevitably span beyond the direct influence of the program (e.g., links to complementary services). Either way, virtually all of these initiatives will require both inter-sectoral approaches and inter-governmental collaboration in Brazil’s decentralized context.

Additional technical assessments and political debates are needed to elaborate both an overall strategy for promoting graduation and specific proposals for implementation. To contribute to this emerging agenda and to help structure the debates, this chapter outlines a framework that has been constructed based on a review of both international and Brazilian experience in consultation with a variety of actors in different sectors at both the federal and municipal levels. The first section reviews the overall framework, which consists of (a) potential structural enhancements of the program’s basic parameters (“within program” innovations) and (b) links to complementary services (“outside” the program’s jurisdiction). Subsequent sections review various design and implementation aspects of this menu of options, building on Brazilian and international experience.

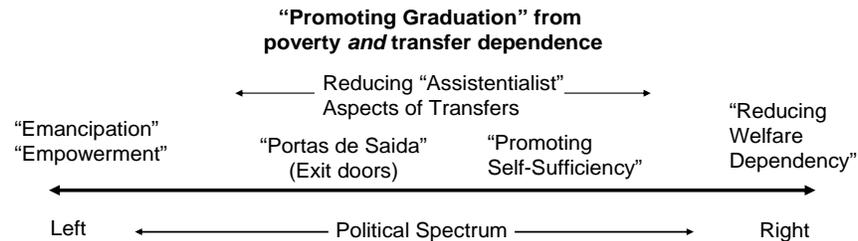
A. “Graduation Framework:” Terminology and Typology

Different Terminology, Common Goals. An emerging trend with cash transfer assistance – both in LAC (including Brazil) and in OECD countries – is a focus on enhancing programs in ways that promote “graduation” from poverty and from dependency on cash transfers. Interestingly, depending on the country or region – and the ideological leanings of policy makers – this approach comes under various titles (Figure 17). Regardless of the terminology used, there is fairly broad support across the political spectrum for the *goals* of the “graduation agenda:” promoting graduation from poverty *and* reducing reliance on social transfers.

¹²⁷ Along with continued investments in strengthening the basic architecture of the program (Cadastro, monitoring and evaluation, governance, etc.) – as outlined elsewhere in this paper.

Figure 17 – Politics, Terminology and the Graduation Agenda

The Graduation Agenda is also known as....



- Broad support across political spectrum for general *goals* of graduation
- But with different “political” terminology, that is reflected in different “*means*” for promoting graduation

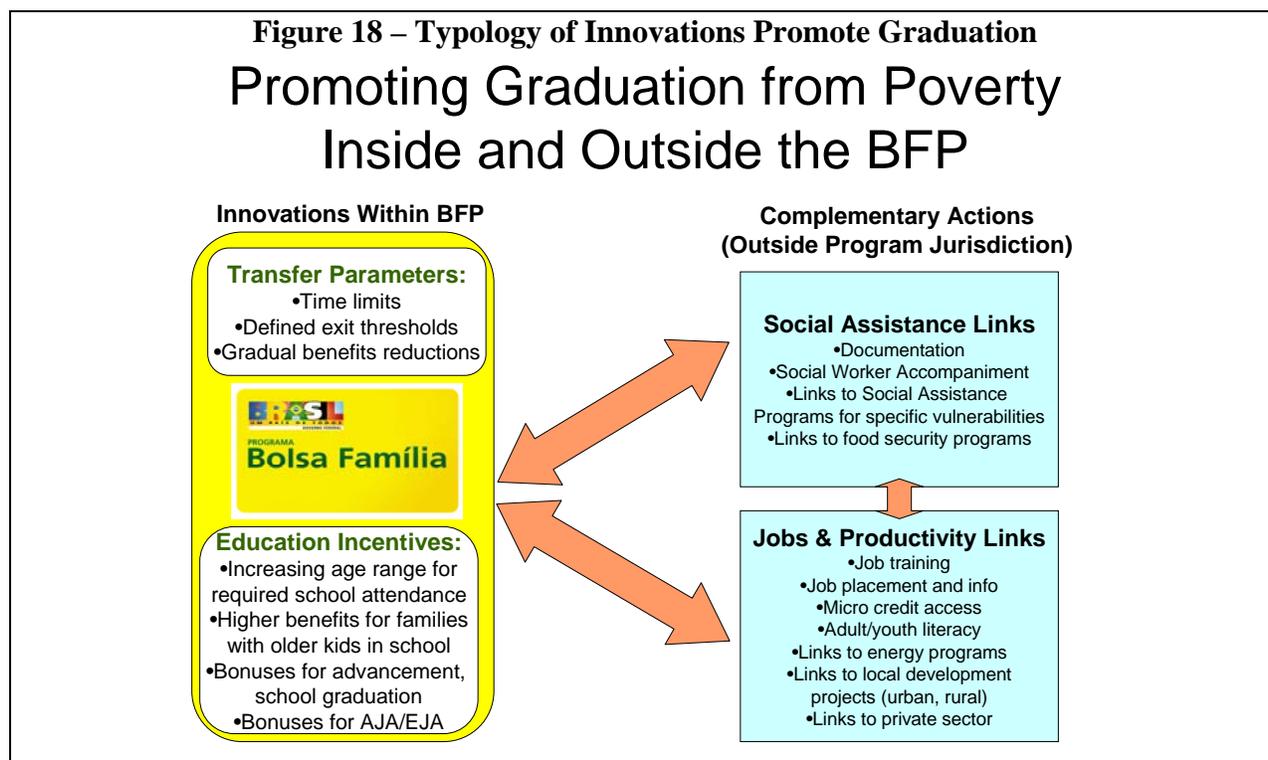
A Range of Paradigms and Approaches. Differences in political perspectives and technical disciplines can, however, result in significantly different paradigms for implementing the *means* to accomplish these common objectives. Some have their foundations in sociology and psychology, and espouse approaches that involve intensive accompaniment of families and individuals to help them overcome specific vulnerabilities and a “culture of poverty.” Others have their foundations in economic theory and support approaches to promote incentives for behavioral change (e.g., offsetting opportunity costs for schooling, promoting work efforts), as well as the accumulation of productive assets by the poor. Most countries adopt a mix of these approaches and conceptual underpinnings, reflecting the fact that “poverty has many faces” and the poor are a diverse group with various needs.

Typology of Graduation Initiatives. Efforts to promote graduation can be grouped into two main categories (Figure 18), as discussed in more detail in subsequent sections:

- **Structural Enhancements Within the BFP.** Conditional cash transfers already support longer-term poverty *reduction* via human capital conditionalities, which seek to help break the inter-generational transmission of poverty. Even the cash transfers themselves can have a structural impact, with families investing at least part of the benefits in productive activities.¹²⁸ Nonetheless, several possible reforms would allow the BFP to enhance these potential structural impacts even further, including: (a) reforms to some of the basic parameters governing the cash transfers (e.g., time limits; defined exit thresholds; gradual benefits reductions); and (b) expansions in incentives for human capital investments (e.g., increasing the upper age limit for education conditionalities; introducing bonuses for grade completion and/or graduation from primary and/or secondary school; etc.).

¹²⁸ Gertler et. al. (July 2005) show that Mexico’s CCT “Oportunidades” increased investments in micro-enterprises and agricultural production, which had a lasting effect on the family’s ability to generate income. Their results show that beneficiary families invested about a quarter of all benefits received.

- **Promoting Links Beyond the BFP: Complementary Services.** Links BFP beneficiaries to other complementary services and actions can help them to overcome obstacles and build their asset accumulation for increased employability and productivity. Two types of links could be promoted: (a) links to other social assistance services and social worker accompaniment to help particularly vulnerable beneficiary families overcome specific risks and obstacles; and (b) links to job-related services (training, placement) and other productivity-enhancing activities.



Graduation from Poverty? Or Graduation from the Program? An important distinction is whether or not this range of policy options seeks to promote (a) graduation from *poverty* or (b) graduation from the *program* as the driving impact.

Some enhancements or links direct their focus to reducing *poverty* and vulnerability as the primary impact, with eventual graduation from the transfer *program* occurring as an indirect result associated with sustainable improvements in the living conditions of the poor. Examples include: (a) efforts to expand educational conditionalities to further raise the human capital of the poor; (b) social worker accompaniment and links to other social assistance programs focused on reducing specific vulnerabilities of the extreme poor; and (c) links to complementary services focused on enhancing income-generating opportunities (employability, productivity).

Other enhancements, such as those which limit the time and/or amounts that families can benefit, primarily focus on graduation from the transfer *program*. The underlying premise behind these policies is that (means-tested) transfers can induce adverse incentives for work effort (negative labor supply responses), welfare dependency and a poverty trap. As such, time limits and

gradual benefits reductions are used in an attempt to curb this dependency. This approach assumes that if beneficiaries know that there are limits on the time or amount they can benefit, then they will try to improve (or at least maintain) their work efforts and invest at least part of their transfer benefits in productive uses in order to improve their income-generating capacity. As such, the premise is that a pre-determined future exit from the *program* can help provide incentives for families to increase (or maintain) work efforts and productive investments so as to also eventually graduate from *poverty*.

Solid economic growth is crucial for graduation from poverty and the program under any scenario. All of these graduation strategies depend on a strong economy that produces jobs, demand, and income-generating opportunities. Simply improving the “employability” or individual productivity of poor BFP beneficiaries is not enough to ensure their sustainable graduation from poverty or the program.

Mutually-Reinforcing. Most programs use combination of these approaches to simultaneously promote graduation from *poverty* and dependence on the transfer *program*. Indeed, in Brazil’s large and diverse context, it is unlikely that any single one of these approaches would suffice for all manifestations of poverty. Poverty has “many faces,” each with its own needs. Some of the approaches outlined above apply to sub-groups of the poor (e.g., social assistance links for a subset of families with specific vulnerabilities, jobs links for “today’s workforce,” and education incentives for “tomorrow’s workers”). In some situations, families would benefit from a mix of approaches due to multiple needs and vulnerabilities.

Some Trade-Offs. Even if countries adopt a mix of graduation approaches, there are some inherent trade-offs, particularly in the face of fiscal constraints. If a country had additional resources, should it allocate them to (a) increased coverage of the CCT program *per se*; (b) expanded demand-side education incentives for “tomorrow’s workers” (e.g., bonuses for grade completion and school graduation); (c) increased coverage of specialized social assistance services and family accompaniment (for families with special needs); or (d) expanded job assistance services for “today’s working poor?” Alternatively, should the additional resources be invested in improving the availability and quality of health and education services, or the expansion of infrastructure? Some options are also more politically challenging than others (e.g., instituting time limits). These tradeoffs and political considerations should be considered when debating the “graduation” agenda for the BFP.

Institutional & Operational Issues. As discussed above, some graduation approaches could be implemented within the CCT concept and the institutional jurisdiction of the BFP. Others require forging links to other complementary programs and services outside the BFP. Some operational considerations are highlighted in the specific sections on each option below.

B. “Within BFP:” Adjusting Transfer Parameters to Reduce Potential Dependency

The specific design of the basic parameters of CCT programs can affect the degree to which these programs promote or reduce transfer dependency and poverty traps. In general, the more direct the link between increases in earnings and a corresponding reduction in transfer benefits, the higher the incentives for beneficiaries to reduce work efforts to avoid losing transfer benefits (resulting in transfer dependency and poverty traps). Interestingly, as recent reforms have

strengthened the efficacy of the Cadastro Único in terms of regularizing the updating of information and intensifying cross-checks and validations on income for eligibility, concerns about these incentives have increased among policy makers in Brazil.

Several types of reforms could help reduce these incentives, including: (a) time limits (maximum, minimum); (b) defining exit thresholds (“*linhas de saída*”) higher than those for entry (“*linhas de entrada*”); and (c) gradual benefits reductions.

Maximum Time Limits. Maximum time limits for cash transfer benefits have been actively used in the Chile (two years), US (five years), and Mexico (7-9 years) though with widely different time horizons reflecting different perceptions about the nature of poverty being addressed (transient vs. chronic). The basic parameters of the BFP include implicit demographic time limits for the variable benefits, since these automatically end as children reach the age of 15. The Government may also want to consider establishing maximum time limits for the “base transfer,” which is the more “pure short-term cash transfer” part of the BFP program design.

Maximum time limits pose several operational and conceptual challenges, however, including: (a) defining the length of time allowed – which can be politically controversial and requires careful consideration about the different “faces of poverty” (chronic, transient, special needs, etc.); (b) defining the basis for applying time limits: (i) to the family unit vs. all members in the family; (ii) for a specified interval without benefits or for a lifetime; etc.; and (c) enforcing time limits, though the existence of a national database (Cadastro Único) helps reduce the chances of families moving from one state or municipality to another in order to receive a new round of benefits. Further research is needed to evaluate the feasibility and definition of maximum time limits for the BFP.

Minimum Time Limits. Interestingly, the possibility of establishing “minimum time limits” is among the possible policy options currently “on the table” for the BFP. The concern is that, while various improvements in the Cadastro Único (incentives for updating, improvements in cross-checks, etc.) have likely improved the targeting accuracy of the program, these have also potentially increased the direct link between increases in earned incomes and decreases in transfer amounts. As such, program participants may forego earnings opportunities by reducing their work effort to avoid losing benefits (which are generally more “stable” than earnings).

Program managers are thus considering the possibility that minimum two year time limits would reduce these disincentives for work by guaranteeing beneficiaries a minimum of two years in benefits upon certified eligibility. Further research is needed to explore both the desirability and feasibility of these minimum time limits since they raise a number of potential risks including: (a) that families would temporarily reduce their work efforts to gain entry into the program; (b) that minimum time limits would result in maintaining ineligible families in the database for longer than otherwise (i.e., if an error in income data is caught, would the ineligible family nonetheless have the right to continue maintaining benefits for the minimum time period?); and (c) that eligible new families would be excluded for longer periods of time while existing quotas are full with existing beneficiaries. An alternative, which has already been established under the BFP, is to enforce the two-year minimum for recertification requirements (which is different than guaranteeing benefits as a “right” for a minimum of two years).

Defined Exit Thresholds. Another possible reform currently being discussed in Brazil is the possibility of defining an “exit threshold” (*linha de saida*) for incomes that is somewhat higher than the “entry threshold” (*linha de entrada*). For example, if the entry threshold is R\$120 per capita per month, the exit threshold could be set at R\$150 per capita per month such that a family would enter with monthly per capita incomes less than R\$120, but would not lose eligibility from further labor earnings until they exceed R\$150 (hence reducing disincentives for work in the band from R\$120 to R\$150). Further research is needed to explore both the desirability and feasibility of these exit thresholds, particularly vis-à-vis other reform options (such as gradual benefits reductions).

Gradual Benefits Reductions. Chile and Mexico have both introduced a gradual reduction of cash benefits over time, leading up to an ultimate phase out associated with a specific time limit. The US has introduced a different type of gradual benefits reduction: one in which benefits only gradually fall with increases in incomes (to reduce the degree of “marginal taxation” on earnings). Gradual benefits reductions (over time and/or with increases in incomes) could apply to the BFP base transfer (and not the variable transfers which have a more direct link to child development stages). Further research is needed to define the time-profile or income-profile for benefits reductions, taking into account the profile of beneficiaries and the extent to which their situation is chronic.

Gradual Benefits Reductions with Graduation Bonus. Another option would be to combine the above-mentioned gradual benefits reduction with a graduation bonus offered at the end. This bonus could, for example, be the accumulation of savings from the gradually-reduced benefits over time. For example, if a family received a base benefit R\$50 up to a certain point in time (say 4-5 years), benefits could be gradually reduced in subsequent years, with the savings of non-payment of the reduced amount accumulating in a savings account that could be provided to the beneficiary upon graduation. Further research is needed into the potential feasibility and incentives involved with such a scheme.

C. “Within BFP:” Enhancing Human Capital Links: Building the Potential of “Tomorrow’s Workers”

One of the underlying tenets of conditional cash transfers is their links to incentives for human capital development as a means to break the inter-generational transmission of poverty. These incentives have been promoted under the BFP and other CCTs via the basic menu of health and education conditionalities.

As discussed in Part 7 above, many have argued, however, that education conditionalities should (a) go beyond primary-school age targets and provide incentives for enrollment, attendance and completion of secondary school; and (b) go beyond enrollment and attendance in and provide links to grade attainment and completion, learning and performance (e.g., via testing).

Further research is needed for the specific formulation of expanded education incentives under the BFP. Possible mechanisms could include: (a) expanding the age range for school attendance *conditionalities*; (b) modifying the menu of *benefits* levels to take into account higher opportunity costs for older children; (c) providing *bonuses* for grade completion and graduation from primary and/or secondary school; (d) linking *bonuses to testing* (learning linkage); and

(e) linking *bonuses* to participation in adult literacy or continued education programs. Each of these options is discussed in more detail below.

There are several advantages of enhancing human capital incentives to promote graduation and emancipation for Bolsa Família beneficiaries. **First**, they already “fit” with the conceptual model of conditional cash transfers under the BFP. **Second**, the institutional aspects would not be so different from the existing arrangements (collaborations between MDS, MEC, and the municipalities), though some modifications in information systems would clearly be needed. **Finally**, they focus on breaking the inter-generational transmission of poverty via links to education, which has proven returns as a sustainable investment for both growth and poverty reduction (albeit in the longer-term). Maintaining children and youths in school also has other benefits such as reduced crime, teenage pregnancy and other at-risk behaviors.¹²⁹

General challenges with this approach would include: (a) the need for additional funding for expanded benefits or bonuses (though these could also result in important savings from unnecessary repetition in education, as discussed below); and (b) the needed adjustments for information systems, enforcement and oversight.

Expanding Age Range for Conditionalities. One option for enhancing human capital incentives under the BFP is to expand the age range required for enrollment and attendance conditionalities to age 18 (instead of 15). As shown in Figure 9 in Part 7 above, a large share of poor children begin dropping out of school just after age 12, such that by the time they are 15 only 80% of poor children are enrolled (while their non-poor counterparts tend to remain in school) and by the time they are 18, less than half of poor youths are enrolled.

This expansion in the age range for education conditionalities would contribute to the objective of promoting the transition from primary to secondary school, as well as enrollment and attendance in secondary school. However, it is important to note that, in the BFP law, the conditionality is defined in terms of *age* of the child, not *level* of schooling (primary or secondary). The current conditionality covers minimum daily attendance for children ages 6-15 (which is the target age for the “fundamental” cycle of education in Brazil and which is slightly longer than the traditional “primary classification” in other countries). The current proposal is to expand the maximum age to 18 (ages 16-18 correspond to the target age for “secondary” (*ensino medio*) school in Brazil). This *could* result in more poor children attending “secondary” (*ensino medio*) school – but that result would not be guaranteed for all of the students due to repetition (high over-age for grade phenomenon in Brazil).

This reform would require an amendment to the law establishing the BFP, but would otherwise build largely on the basic infrastructure of existing information systems for the program and should thus be relatively feasible to implement. It would, however, require increasing cooperation with states (not just municipalities) for the monitoring of compliance with school attendance conditionalities since states have primary responsibility for secondary school and some share of these older children would likely start attending secondary school before turning 18 years old.

¹²⁹ World Bank (January 2006).

Higher Benefits Levels for Families with Older Children (Youths). Another option would be to modify the BFP benefits menu to introduce higher variable benefits for families with older-aged children (youths). This would explicitly recognize the higher opportunity costs of older children attending school due to immediate pressures to work and produce incomes (and hence the higher pressures on these age-groups to drop out of school). It would also help offset what are typically higher transportation costs for traveling to secondary schools (which are fewer in number and tend to be further in distances). This reform could require a modification in the law establishing the BFP, but would otherwise be fairly straightforward to implement as it would build on existing data in the Cadastro Único (age data).¹³⁰

A related option would be to switch from variable benefits based on age-ranges to variable benefits based on school grade levels (e.g., first grade, second grade, third grade), with higher variable benefits for those in higher grades (particularly in secondary grades). This option is already being implemented in Mexico, where the “scholarship” (*beca*) part of the Oportunidades Program rises with the grade of the child. For the BFP, however, this option would require not only a change in the law (determination of variable benefits) but also a fairly major reform to information systems (requiring information on grade assignment and advancement of each child across time).

Bonuses for Grade Completion and School Graduation. Related to this, the program could develop incentives to reward school performance, such as offering bonuses for annual grade completion (promotion and advancement) and/or cycle completion (primary and/or secondary).

Mexico’s Oportunidades Program introduced this type of bonus scheme in 2003 as part of a strategy to extend beyond basic education conditionalities. To do this, the program established a new financial incentive for beneficiary youths under the Oportunidades Program in which students are given access to a savings account with an accumulated bonus upon completion of their middle and high-school studies (*bachillerato*) before reaching 22 years of age. This one-time payment can be used to start-up productive projects, improve housing, acquire health insurance, or maintained as a savings account. To date, more than 150,000 youths have opened such an account.

Brazil’s Bolsa Escola Program in Brazil’s Federal District also piloted a complementary school savings bonus (*Escola Poupança*) from 1995-2001. This program was a separate, but complementary program, to the initial Bolsa Escola program. It paid a bonus into a savings account for each youth in question who completed the “fundamental” cycle of schooling (target ages 6-15 with no repetition or late entry). While the program had a strong concept, it suffered several implementations difficulties, including (a) separation from the Bolsa Escola Program; (b) lack of awareness of the savings bonus due to the long gestation period before bonuses were paid; and (c) a range of operational challenges.¹³¹

One potential design of these incentives, that could avoid some of those earlier difficulties under the BFP, could involve payment of advancement bonuses in two parts:

¹³⁰ This type of specification was, in fact, proposed by many at the time the BFP was created. At that time, it was not adopted out of a desire to keep the program simple in the face of already-complex reforms involving the merger of four pre-reform programs. See Camargo and Ferreira (January 2001) and Ferreira and Lindert (June 2003).

¹³¹ See Panagides (June 2003).

- **Bonus for Grade Completion.** Payment of a small bonus at the end of each year of schooling completed with advancement to the next grade. For simplicity purposes, this bonus could be credited to the regular electronic benefit card in the name of the legally-responsible adult (usually the mother). Alternatively, it could be paid to an account in the name of the youth, though this would increase transactions and operational costs.
- **Bonus for Graduation from Primary / Secondary.** Payment of a slightly larger bonus upon completion of primary school (“*escola fundamental*,” which would be complete by age 15 with on-time entry and no repetition) and/or secondary school (“*ensino medio*,” which would be complete by age 18 with on-time entry and no repetition). To promote direct incentives for the youths themselves and to link them to the banking system, this graduation bonus could be paid into a savings account in the name of the youth in question upon graduation, as under the Mexico Oportunidades program.

These types of advancement and graduation bonuses could help reduce repetition rates in Brazil – with potentially important fiscal savings as a result. Repetition is a serious concern in Brazil, which records the highest rates of any country in LAC (about one fifth of all primary school students aged 7-14). Repetition rates are even higher for poor students, at 29% for those in the poorest quintile compared with only 4% for those in the richest quintile.¹³² These high repetition rates add to Brazil’s fiscal pressures in education. Ioschpe (2006) estimates that repetition in basic education (primary and secondary) costs Brazil R\$12.6 billion annually. These costs represent approximately 14% of total public spending on education, or 0.6% of GDP – close to double what was spent on the Bolsa Família Program in 2005. Moreover, it is not clear that students repeat due only to low achievement or learning difficulties. Gomes-Neto and Hanushek (1994) show that grade repeaters score higher than non-repeaters in Brazil, which suggests that other factors may be causing them to repeat, including teacher use of grade failure (or threat of failure) to control student behaviors (especially for older children), or a stigma effect whereby poor students are labeled as likely repeaters and are treated differently as a result.¹³³

Links to Testing and Performance. Some have suggested the option of incorporating incentives linked to formal education testing and performance as a way to promote improvements in learning (and not just enrollment or daily attendance). This approach has been implemented in some states in the United States, where a number of states offer bonuses for (or place conditionalities on) minimum achievement standards (testing or grade-point averages) as part of their implementation of the Temporary Assistance for Needy Families (TANF) Program.¹³⁴

Institutionally, this option would present serious complexities at present in Brazil, including: (a) the fact that annual testing (SAEB tests) are currently only applied to a sample of students as a way to measure school performance; and (b) the challenges of monitoring and information systems needed to implement such a scheme.

Bonuses for Participation in Adult Literacy and Continued Education Programs. Some have also proposed the possibility of linking bonuses under the BFP to participation in adult

¹³² World Bank calculations using data from the PNAD 2004.

¹³³ Rodriguez (November 2006).

¹³⁴ Lindert (2003).

literacy and continued education programs.¹³⁵ In fact, the municipality of Nova Lima (see Box 4) is already experimenting with such options. A recent evaluation¹³⁶ of such programs reveals several reasons behind these proposals: (a) a concern for the problem of illiteracy among adults *and* young adults, which hovers around 13% of the population over age 15; (b) relatively high returns for adults who complete such programs (on the order of 17% for completion of literacy programs only, and 40% for completion of literacy programs with further participation in continued education programs); (c) fairly widespread availability (supply) of literacy and continued education programs in most municipalities (offered by states, municipalities, and NGOs); and (d) participation in these programs suffers from low and infrequent attendance, high drop-out rates, and low rates of transition from the literacy programs to the continued education programs due to demand-side constraints (opportunity costs for work earnings, transport costs, child care costs, etc.).

Institutionally this would present some complexities, including the need to verify participation in, and completion of, such programs. Moreover, care should be taken to ensure that such bonuses do not exceed incentives for participation of youths in regular secondary education (*ensino medio*) since these adult literacy and continued education often substitute for incomplete secondary schooling. Further research on the feasibility and potential impact of this option – including an evaluation of the Nova Lima experience – would be warranted.

D. Complementary Actions: Social Assistance Links

While the above sections examine ways in which the BFP could be directly modified to promote structural impacts and graduation from poverty, this section focuses on a complementary approach, which involves linking BFP beneficiaries to other social assistance services and programs (Figure 18). These links are largely within the technical sphere of MDS and local social assistance secretariats (though not under the institutional jurisdiction of the BFP).¹³⁷ The next section treats the issue of linking BFP beneficiaries to complementary actions to promote expanded job and income opportunities, which are generally outside the institutional jurisdiction of both MDS and the BFP.

The Principle. The poor often suffer from a range of specific vulnerabilities, such as a lack of proper identifying documentation, child labor, domestic violence, child and youth sexual abuse, at-risk behaviors among youths, disability, and so forth. While many of these issues are not limited to the poor, poor families face certain barriers in overcoming them due to a lack of resources or information about services available. Two types of activities can help empower these families to overcome such obstacles: (a) social worker accompaniment; and (b) bridging to social assistance services. These approaches have been actively used in Chile’s *Solidario – Programa Puente* (Box 10).

Social worker accompaniment of poor families is based on a philosophy that seeks to address the multi-dimensional aspects of poverty, including specific vulnerabilities that are often hard for

¹³⁵ These programs are called “AJA-EJA” for literacy (*alfabetização dos jovens e adultos, AJA*) and continued education programs (*educação dos jovens e adultos, EJA*) in Brazil.

¹³⁶ Preliminary results from an evaluation of the *Programa Brasil Alfabetizado* and related programs, as presented by the Ministry of Education and IPEA on December 4, 2006.

¹³⁷ The provision of complementary programs by municipal, state, and other levels of government is institutionalized by law 5,209 of September 17, 2006.

the poor to overcome due to the need for “psycho-social” support as well as resources and information about services available. Social workers typically work with vulnerable families – either in group or individual sessions -- to help them identify their goals, aspirations, obstacles, risks, and opportunities to overcome these challenges. Depending on the nature of the situation, the sessions can focus on general socio-economic themes or on specific topics, such as sexual abuse, domestic violence or at-risk behaviors. Social workers often help the families prepare tailored “family development plans” (or family action plans) with specific goals and actions to help them improve their situations and overcome these obstacles.

Often, social workers help their “clients” link to other **social assistance programs and services**, through direct screening, referrals, or by providing information about services available. Such services can include, *inter alia*, documentation services, domestic violence services and shelters, youth/child sexual abuse protection programs, child labor reduction programs, disability and elderly assistance services, youth-at-risk programs, and so forth. In principle, these services can be provided by government agencies (federal or sub-national), private sector contractors, or non-governmental organizations (NGOs).

**Box 10 – The Chilean Model for Bridging Transfer Beneficiaries to Other Social Services:
The Case of Chile Solidario – Programa Puente**

One of the most well-known examples of the accompaniment and bridging approach is that of Chile's *Solidario-Puente* Program. The objectives of the program are to overcome the isolation and exclusion of the impoverished by actively promoting both assistance and protection. The key elements of the program include:

- **Targeting to the Extreme Poor** via the *Ficha CAS* (registry), which uses multi-dimensional indicators (proxy means testing) to screen families for eligibility for a range of social programs. The target group of *Chile Solidario* comprises the 225,000 poorest families in the country (which is, admittedly, a much smaller scale than the situation in Brazil).
- **Cash Transfers with Time Limits.** Participants receive cash transfers (the *Bono de Protección Familiar*) for up to two years under the *Solidario-Puente* program. These benefits start at Ch\$10,500 (about US\$15) per month for the first six months and then decrease gradually every six months after that for a total of 24 months.¹³⁸
- **Social Worker Accompaniment and Family Contracts.** The program offers psycho-social support through social worker accompaniment for a period of 24 months, with decreasing intensity after the first six months. The counselor and the family develop a strategy (contract) based on a “game” methodology to meet 53 minimum conditions grouped into seven pillars: health, work, education, family dynamics, housing, identification-documentation, and income. The counselor works with the family to establish interim objectives. Families are not treated as “passive” recipients but as pro-active participants in the struggle to improve their lives.
- **Links to Other Programs.** A central aspect to the *Chile Solidario-Puente* Program is the act of linking or “bridging” beneficiaries of *Chile Solidario* to other social programs. An important role of social worker accompaniment is thus the provision of information and referrals to complementary services. These complementary actions include other social services (social assistance, health, education, housing, and family-support services), links to employment or income-generating programs, and transfers (such as the SUF family allowance transfers, water subsidies, and assistance pensions for poor disabled and elderly citizens). Social workers under the *Chile Solidario-Puente* Program don't provide these services themselves, rather they serve a “clearing house” and referral function to ensure that beneficiaries are actively linked to these services.
- **Results Framework and Continuous Monitoring of Performance Indicators.** The program has a clearly defined results-framework with specific indicators for monitoring both at the family level (by social workers and supervisors) and at the national level (by program managers). Counselors register information on each family visit into a consolidated on-line information system. Each Family Intervention Unit has access to the information system from anywhere in the country. The system provides data on performance indicators for each commune, province, and region, as well as statistics about the main characteristics of the families, the achievement of minimum conditions for each of the seven pillars, and the mobilization of resources to target families. It is the main information system for monitoring the conditions in the seven pillars of the program. The program is also conducting an on-going impact evaluation with both a control and a treatment group and with multiple rounds of data collection over time.

Experience in Brazil. Social worker accompaniment and links to social assistance services have also been promoted in Brazil, through both federal and sub-national government initiatives.

The **federal government** has promoted social worker accompaniment of vulnerable families through the efforts of the National Secretariat for Social Assistance (SNAS) in MDS (see Annex 3),¹³⁹ which oversees a range of social assistance programs for vulnerable groups, such as the

¹³⁸ The benefit decreases to Ch\$8,000 (about US\$12) per month for the second semester, then to Ch\$5,500 (about US\$8) per month for the third semester, and then to Ch\$3,500 (about US\$5) for the last semester of the second year.

¹³⁹ And previously under the Ministry of Social Assistance.

“LOAS/BPC” transfers and services for the poor elderly and disabled, the PETI program for child laborers, various programs for youths, and services providing integrated attention to at-risk families. These programs have recently been integrated under a single framework known as the Unified System for Social Assistance (SUAS), which classifies poor and at-risk families according to their needs and risks in order to define an integrated package of services to meet their specific needs.

Federal financing has been used to promote integrated family assistance through the “Program for Integrated Attention to Families” (*Programa de Atenção Integral à Família*, PAIF), which was created in 2004 under SNAS/MDS. The objectives of PAIF include: (a) accompanying vulnerable families (social worker services); (b) supporting the family as the unit of reference, fortifying internal and external bonds of solidarity; (c) contributing to the process of autonomy and social emancipation of families; (d) developing inter-sectoral approaches, with the objective of breaking the inter-generational transmission of poverty; and (e) acting preemptively, to assure that beneficiary families do not have their rights violated or fall into situations of risk.

The PAIF co-finances the operation of **municipal** social assistance centers (CRAS). These arrangements are formalized by “contracts” (*convênios*) between the federal government and the municipalities. Under these contracts, municipalities agree to: (a) construct and maintain CRAS social assistance centers; (b) staff each center with social assistance workers, psychologists, and administrative assistants; and (c) manage overall logistics. In turn, the federal government (SNAS/MDS) provides financing to municipalities equivalent to R\$30 for each family attended at the social assistance center. The social assistance centers are also eligible for federal financing of technical equipment (up to 50% of the value) under the PAIF.

Although the federal government does not push a single methodology for social worker under the PAIF, SNAS/MDS does offer guidelines and a framework for family accompaniment via a social assistance “kit” that it provides to social workers in the social assistance centers (CRAS).

Social workers within the CRAS centers work with families individually and in groups, and link them to other social assistance services such as: (a) social services for the elderly and disabled; (b) services and activities for children and youth aged 0–24 (socio-educational, sex abuse support, shelters, and employment related); (c) services targeted to women (legal, psychological, domestic violence, etc); (d) services to help reduce chemical dependency; and (e) some limited income-generating activities (e.g., some training for women to form cooperatives or gain new skills). Some of these complementary social assistance services are directly-funded federal programs (such as BPC, Agente Jovem, PETI, Sentinela, etc.). Others are municipal initiatives (Box 11).

The social assistance centers are generally geographically targeted according to municipal maps of vulnerability or poverty. Participation within these geographically-poor zones has typically been through self-selection, though there is some degree of social worker outreach and awareness promotion.

More recently, MDS and municipalities have begun undertaking explicit efforts to link particularly vulnerable BFP beneficiaries to specialized CRAS social worker accompaniment and social services. BFP beneficiaries can participate in group and community seminars and

activities. A subset of particularly vulnerable BFP beneficiaries is being targeted for individual accompaniment in either of two situations: (a) for families in which members are not in compliance with BFP conditionalities (the “red flag” role for conditionalities, see Part 7 above); and/or (b) for families for whom initial diagnosis reveals elevated levels of “vulnerability.” MDS (SENARC) is currently working to develop screening tools using data from the Cadastro Único to identify particularly vulnerable families (e.g., the Family Development Index, IDF, see Part 5). These tools would then be used to help prioritize BFP families for this specialized social worker assistance.

The intention is that PAIF/CRAS social workers would meet with this specific subset of BFP families as needed (up to eight visits) in the following stages:

- **Initial Family Contact.** Social workers would meet with the specific vulnerable BFP families either in CRAS centers or via home visits. The initial interview seeks to: (a) understand the daily lives of the family; (b) discuss the issues of non-compliance with BFP conditionalities; (c) reiterate the importance of conditionalities in the context of the program and family development; and (d) offer assistance through group and individual accompaniment.
- **Diagnostic Interview.** The social worker then seeks to map the difficulties the family faces in general and with respect to compliance with the BFP conditionalities. This interview also offers another opportunity (point of contact) to further assess family conditions (nutrition, employment, access to services, housing, etc.).
- **Action Plan.** Social workers then work with the families to establish an action plan, which could include: (a) social worker referral to other social assistance programs (PETI, BPC, Sentinela, etc.); (b) continued social worker accompaniment and counseling (*entrevistas de acompanhamento*); and/or (c) participation in group activities and seminars.
- **Communication of Findings to the BFP Program Manager.** Social workers are then expected to communicate their findings to the local BFP program managers for follow up on the consequences of non-compliance with conditionalities.

Challenges of Effectiveness and Scale. While this social worker accompaniment approach to link particularly vulnerable BFP beneficiaries is occurring in many municipalities, the experience varies considerably in terms of: (a) services provided (including linkages to services beyond the social assistance area); (b) social worker methodologies used; (c) management practices; and (d) the degree to which BFP beneficiaries are actually linked to this system.¹⁴⁰

Some challenges for expanding and improving the effectiveness of these “social assistance links” include:

- The **inter-sectoral and inter-governmental institutional and financing requirements** needed to implement such an approach. For example: Who determines which beneficiaries (BFP or non-BFP) should have priority? Who pays for these additional services (particularly

¹⁴⁰ MDS has commissioned an evaluation of the PAIF program that reviews: (a) its implementation, (b) articulation between the BFP and BPC, (c) user satisfaction, and (d) methodology. Final results are expected in 2007.

when they span secretariats, ministries, and financing sources)? Who monitors the links between the BFP and these other services?

- The current **lack of a well-defined results framework**, both at the family level and at the program (policy) level. At present, the current system of social assistance and social worker accompaniment lacks a clear definition and monitoring of performance indicators and supporting information systems (lacking systematic data collection, links between information systems such as with the Cadastro Único, and impact evaluations). Performance orientation and clearly defined indicators are a key element of Chile's *Solidario* program, as they allow social workers and managers opportunities to track progress towards clearly defined goals within a pre-specified period of time.
- The **operational linkages to the BFP** are not fully defined or disseminated for accompanying BFP families who are either in non-compliance or specifically vulnerable: what are the specific triggers for inducing social worker accompaniment and are they known at the municipal and social worker level? What are the guidelines for time-frames for social worker accompaniment (initiation, duration) of BFP beneficiaries? What are the mechanisms for reporting the findings and activities of the social worker accompaniment and linking it to Cadastro and compliance information systems? Etc.
- Heterogeneity in **municipal and staff capacity**, including: financing, supervision and oversight, adequate staffing with large case loads, training and career profiling for social workers, and so forth.

**Box 11 – Social Worker Accompaniment and Inter-Sectoral Integration:
Examples from Belo Horizonte, São Paulo and Santo André¹⁴¹**

The following examples demonstrate innovative applications of social worker accompaniment and links to other social assistance services:

- **Belo Horizonte (MG).** With 2.2 million people and a poverty rate of 14.2% (census 2000), Belo Horizonte has adopted an “inter-sectoral” approach to social policy – and this approach runs from the integrated municipal organizational structures all the way to services at the family level. The municipality is divided into “territorial” regions, with an integrated “regional nucleus” team assigned to cover each area. These teams form an inter-sectoral network of social family services, covering education and sports, health and basic services, social assistance, and labor-related actions. The municipality uses regular family assessments and non-compliance with BFP conditionalities as “red flags” to alert this inter-sectoral network to a situation of vulnerability. Local agents meet regularly to discuss family situations – for example a teacher or health worker reporting possible domestic abuse to social workers for follow up. The holistic approach centers on decentralization, inter-sectorality, and citizen participation with a focus on family and multi-dimensional risk factors. Family assistance centers (CRAS) commonly form a point of reference for providing integrated services to poor BFP families.
- **The Municipality of São Paulo (SP).** With 10.8 million residents, of which 285,060 (2.6%) are poor, São Paulo is Brazil’s largest municipality. As a complement to the BFP, the municipal government developed a program “Family Action” (*Ação Família*) based on “Chile Solidario” model of integrated family accompaniment. The program was designed to promote: (a) the integration of social services and the larger social protection network; (b) the definition of methodologies and participatory strategies to accompany families; (c) stimulate the active participation of beneficiary families in the identification of their needs; (d) the development of a new targeting system based on geographic and social indicators; and (e) decentralization of social services that take into account local initiatives and realities. Established in 2006, the municipality initially selected 30,000 BFP families to participate in the program. The municipality appointed 19 social assistance organizations to execute the program. Each organization, which covers approximately 1500 families, is composed of one manager, two technicians (social worker and psychologist), and five social protection agents, who live in the area where services are provided and are responsible for visiting 200 families per month. The intervention starts with an initial family diagnostic that determines family baseline conditions and community relations. Afterwards, an intense process of intervention begins, which includes bi-monthly meetings to improve personal abilities and social and economic conditions, and pro-active steps to link participants to other services. Particular emphasis is placed on those families still within the first twelve months of inclusion in income transfer programs in order to guarantee their priority access to local social services.
- **The Municipality of Santo Andre (SP).** The municipality of Santo Andre, with a population of about 666,000 inhabitants, of which 17,224 are poor (2.6%) is located in the southeastern region of the State of São Paulo. The municipality has entered into a cooperation agreement with the BFP in which it standardizes eligibility criteria for its “Guaranteed Income Program” (GIP, established in 2003) with those of the BFP, establishing as a goal the coverage of 100% of the target population. The municipality also prioritized beneficiaries of the joint BFP-municipal GIP for participation in other complementary services and programs, such as a labor generation program, integrated family assistance services (CRAS), and other social services. It also offers monthly and bi-monthly social worker accompaniment (both individualized and in focus groups of beneficiary families) to provide educational seminars and psycho-social supports. As proof of the municipality’s success, administrative data show that on average 10% of beneficiaries are graduating from the program each year.
- **Formosa (GO).** The municipality of Formosa, in the State of Goiás, has a population of 78,651 and a poverty rate of 39% (census 2000). It has long prioritized an integrated approach to social policy. As part of this integration, the municipality has developed a sort of “one-stop shop” to social assistance – a bustling family services center that also hosts the municipal secretariat for social policy. The center serves hundreds of people every day, providing a range of complementary services all under one roof including activities and services for: the BFP, a youth program (*Agente Jovem*), services for the elderly, child labor (PETI), domestic and sex abuse services (the *Sentinela* program), job intermediation services, medical services and the distribution of basic medicines, and services to support local cooperatives. The building also provides a space for artisan cooperatives to display and sell their work, and provides a space for cultural and community activities.

¹⁴¹ Source: MDS/Municipios of Santo Andre and São Paulo, basic data and field reports from the 2006 Prêmio da Gestão submission.

E. Complementary Actions: Jobs Links

While the preceding sections of this chapter cover enhanced links to education (primarily for “tomorrow’s workers”) and social assistance programs and services (for sub-groups of the poor with specific vulnerabilities), this section focuses on linkages to programs that can expand opportunities for today’s workers. The focus here is on the paradigmatic challenge of expanding employment and earnings opportunities of youth and adult beneficiaries of the BFP so that they can eventually graduate from both poverty and dependence on transfers under the program.

The Principle. The underlying premises are that due to certain market failures (lack of information or needed connections) or exclusionary forces (lack of assets and skills), the poor face critical obstacles to improved employment and earnings opportunities. As such, policy makers seek to link the poor (BFP beneficiaries) to programs and services that can help them overcome these barriers. Some examples of these obstacles and the types of programs or services that could potentially help transfer beneficiaries are listed below in Box 13.

It is important to note that these activities are not directly carried out by the CCT program. Rather, CCT beneficiaries are *linked* to these other services, which are generally managed by other agencies (federal, state, municipal, NGO, or private-outsourced). There are several tools that can be used to formally link transfer beneficiaries to these complementary programs, including: (a) prioritizing beneficiaries of the transfer program for entry into the complementary program via joint use of a common registry (e.g., the Cadastro Único in the case of the BFP in Brazil); (b) social worker referral; and/or (c) inter-program (or inter-agency) agreements.

Another basic premise is that (means-tested) cash transfers can create disincentives for the poor to work (so as to maintain benefits). As such, efforts are needed to link the poor to productivity-enhancing services (links to complementary services above). Some programs go beyond mere inter-program linkages and actually impose *work requirements* on transfer beneficiaries (e.g., conditionalities for minimum participation in work-related activities such as job training or placement programs).

International Experience. Promoting “jobs links” for beneficiaries of cash transfers is an increasing trend, both in LAC – with the examples of Argentina, Colombia, and Chile (see Box 10), among others – and in the OECD (e.g., the U.S. and U.K. examples). Some countries, such as Argentina and the U.S. (see Box 12) go beyond merely linking beneficiaries to job-enhancing services and impose work requirements as conditions for receipt of the cash transfers themselves. Most also combine these policies with time limits.

Box 12 – Welfare-to-Work Example of the TANF Program in the United States¹⁴²

Promoting work incentives and job assistance services has been at the core of the Temporary Assistance for Needy Families (TANF) Program in the U.S. since the welfare-to-work reforms of 1996. The objectives of this program are to provide temporary cash transfers to the poor, along with incentives and support services to help them their dependency on these transfers. Key elements of this program include:

- **Targeted Cash Transfers for the Poor.**¹⁴³ The program pays an average benefit of US\$1935 per person per year for cash benefits to about five million beneficiaries per year.¹⁴⁴ Eligibility under the TANF program is determined through verified means testing (VMT). Eligibility criteria and decisions are decentralized to the states (and sometimes counties) under TANF and vary significantly by state. Most states adopt a rigorous form of VMT, applying several “tests” for eligibility with intensive verification and cross-checking of all information provided (including demographic criteria, income tests, asset tests, etc.). The application process can be quite cumbersome for applicants.
- **Lifetime Maximum Time Limits.** The Federal Government imposes a maximum five-year lifetime limit for federally-financed TANF benefits.
- **Work Requirements.** The Federal Government imposes a minimum work requirement for all non-exempt adult beneficiaries. These work participation requirements have increased to 40 hours per work week, whereby TANF beneficiaries must participate in approved work-related activities such as (supervised) job search, job training and readiness courses, etc. Penalties for non-compliance can be severe and have grown under the TANF regime. Thirty-six states impose full family sanctions (removing benefits from children as well as the adult) and 39 impose sanctions for fixed periods even after the beneficiaries comply.¹⁴⁵ Estimates of the total number of beneficiaries sanctioned suggest that around 5% of total beneficiaries were penalized in any given month in 1998 and that two-thirds of all sanctioned beneficiaries did not return to benefit.¹⁴⁶
- **Social Worker Accompaniment & Links with Complementary Assistance Services.** Each family is assigned a social worker who helps beneficiary families develop “self-sufficiency” or “independence” plans and monitors their progress against these plans. Social workers also refer TANF beneficiaries to other complementary social assistance services, such as substance abuse programs and domestic violence interventions, as well as other transfer programs, such as food stamps or Medicaid (subsidized health care).
- **Links to Job-Related Services.** Beneficiaries are also linked to a variety of employment services, such as training, job readiness and job search assistance (these services are often outsourced). In fact, participation in these activities can count towards fulfillment of their work requirements under the TANF program. To further help remove barriers to work, beneficiaries are also typically given transportation assistance (to/from work) and child care assistance (subsidy vouchers).
- **Strong Results Framework.** The program’s main performance indicators (such as work participation indicators) are rigorously monitored by all levels of government. The Federal Government monitors key work participation indicators for each state according to specific targets (e.g., 70% of all families required to fulfill work participation requirements by 2007). States and counties (municipalities) enforce and monitor work participation for all beneficiaries using automated software and social worker accompaniment.

Brazilian Experience. Policy makers are increasingly prioritizing the bridging of BFP beneficiaries to complementary income-generating programs at both the federal and sub-national government levels.

¹⁴² Adapted from Lindert (November 2003).

¹⁴³ See Lindert (2003) for a more in-depth discussion of targeting and eligibility screening in U.S. welfare programs including TANF.

¹⁴⁴ Figures for 2000 and 2001. Total benefits (cash and non-cash) under the TANF program are valued at about US\$3661 per person per year. See Lindert (2003) for details.

¹⁴⁵ Goldberg and Schott (2000) as cited in Evans (2001).

¹⁴⁶ GAO (2000) as cited in Evans (2001).

At the **federal level**, the primary tools for formally “bridging” BFP beneficiaries to complementary programs include: (a) the Cadastro Único registry, which provides information not only on incomes but also on a range of multi-dimensional indicators of living conditions and needs; and (b) inter-program (inter-agency) agreements (*termos de cooperação*). By working with other actors in the Federal Government, MDS has been able to *a priori* facilitate the targeting of limited resources and activities to those groups that are most at risk.

Box 13 – Linking the Poor to Complementary Income-Generating Services

Obstacle for the Poor	Complementary Service Links	Example Programs in Brazil*
<ul style="list-style-type: none"> • Low or irrelevant skills • Mismatch between skills of poor and demands for labor • Illiteracy 	<ul style="list-style-type: none"> • Job training, • Literacy and continued education programs 	<ul style="list-style-type: none"> • S-SYSTEM • PLANFOR • PRONAF • Programa Brasil Alfabetizado • Primeiro Emprego
<ul style="list-style-type: none"> • A lack of information on available jobs • Lack of knowledge about how to go about applying for a job 	<ul style="list-style-type: none"> • Links to job placement and intermediation services 	<ul style="list-style-type: none"> • PLANFOR • Primeiro Emprego
<ul style="list-style-type: none"> • A lack of financial assets (savings or credit) needed to invest in productive self-employment activities 	<ul style="list-style-type: none"> • Micro-credit schemes • Family agriculture credit 	<ul style="list-style-type: none"> • Credi-Amigo • PRONAF
<ul style="list-style-type: none"> • Lack of access to land or housing 	<ul style="list-style-type: none"> • Land reform schemes • Housing subsidy schemes 	<ul style="list-style-type: none"> • Credi-Fundiario • PSH – housing subsidy
<ul style="list-style-type: none"> • Lack of critical mass or collective organization • Low quality of products (low value-added) produced by the poor • Limited access to markets and marketing chains • A lack of knowledge about demand in external markets 	<ul style="list-style-type: none"> • Links to local and community development projects • Support for formation of cooperatives 	<ul style="list-style-type: none"> • Local development programs • Community-driven rural poverty reduction programs (PCPRs) • PRONAF
<ul style="list-style-type: none"> • Lack of job opportunities in local area 	<ul style="list-style-type: none"> • Links to public workfare programs or public works programs 	<ul style="list-style-type: none"> • PCPRs
<ul style="list-style-type: none"> • Lack of access to basic services (energy, gas, water and sanitation) which are needed as productive assets (as well as for basic consumption) 	<ul style="list-style-type: none"> • Links to energy connectivity schemes and subsidies • Targeting of energy subsidies to CCT beneficiaries (income targeting) rather than via consumption 	BFP links to: <ul style="list-style-type: none"> • <i>Luz Para Todos</i> • <i>Tarifa Social</i> de Energia • WSS subsidies • PCPRs

* Not all of these programs have forged links with the BFP. This list is intended to be indicative of the types of programs that could have potential benefits for BFP beneficiaries.

Concrete examples in which the Cadastro Único (and the payroll roster for the BFP) has been used to prioritize beneficiaries of other programs includes: (a) an energy consumption subsidy (*Tarifa Social*) and an electricity connectivity program (*Luz Para Todos*), both overseen by the Ministry of Mines and Energy; (b) PRONAF, a rural program benefiting family farmers; (c) a job-training program for youths (*Primeiro Emprego*) in the Ministry of Labor; and (d) *Brasil Alfabetizado*, a federal literacy program managed by the Ministry of Education and implemented by states, municipalities, and NGOs.

For example, under the *Programa Brasil Alfabetizado* (PBA), implementing actors enter into a contract (*convenio*) with the federal Government and agree to prioritize BFP beneficiaries. To do this, MDS uses data in the Cadastro Único to identify all beneficiaries with less than four years of schooling. It sends this list to the Ministry of Education with all identifying variables. The Ministry of Education then sends this list to implementing agencies, which are “required” to actively seek out BFP beneficiaries on the list to prioritize them for *Brasil Alfabetizado*. In practice, it is not clear what share of *Brasil Alfabetizado* participants are also BFP beneficiaries due to the decentralized nature of the program, a lack of enforcement mechanisms and weaknesses in *convenio* contracting of third party implementers. The operational links between the BFP/Cadastro and the PBA should be strengthened.

Another example is the recent attempt to link the BFP/Cadastro with the energy subsidy (*tarifa social*). Until recently, the energy consumption subsidy was determined based on consumption levels, but with the intention of supporting low-income families. Under the new reforms, the Ministry of Mines and Energy has established that the subsidy will be prioritized for beneficiaries of the BFP (or its predecessors) as registered in the Cadastro Único.¹⁴⁷

“Bridging” between the BFP and complementary income-generating services is also occurring at the **municipal level**. The joint management agreements (*Termos de Adesão*) for the BFP also include a component between the federal and municipal governments which stipulates that municipalities would prioritize BFP beneficiaries for literacy, income generation and other social services. In practice, there is no way to enforce these components, and these as such, compliance with the component on complementary actions was not one of the indicators included in the “Decentralized Management Index” (IGD) of implementation quality of the BFP.

Tools used for linking BFP beneficiaries to complementary services at the municipal level include: (a) prioritization using municipal data from the Cadastro Único; and (b) social worker referrals. Box 14 provides examples of municipal experiences in linking BFP beneficiaries to job training and other income-generating activities.

¹⁴⁷ SENARC-MDS (November 2006) and ANEEL.

Box 14 – Employment Links: Examples from the Municipalities of Aracaju and Forquilha

Many municipalities in Brazil are developing mechanisms to link BFP beneficiaries to employment-related services. Two examples were recently highlighted as finalists for MDS' Management Award (*Prêmio da Gestão*):

The Municipality of Aracaju. The municipality of Aracaju, the capital of the northeast State of Sergipe, has a population of close to 500,000, of which only 5% are estimated to be poor. Despite this small share, this group is characterized by: (a) high levels of unemployment and under-employment; (b) extreme poverty (per capita incomes of less than R\$50); (c) low education levels; (d) residences located in areas of social and environmental risk; and (e) multiple family units residing in single households. The BFP covers virtually all of these families.

To complement the BFP, the municipal government of Aracaju signed a Cooperation Agreement with MDS to integrate the BFP with another municipal program for the Promotion of Productive Inclusion (*Programa da Promoção de Inclusão Produtiva*), which provides job-training to families meeting the following criteria: (a) female headed households; (b) highest levels of illiteracy; and (c) lowest per capita incomes. Program goals include: (i) job training; (ii) literacy; (iii) job placement (usually in the informal labor market); and (iv) the formation of cooperative productive groups. To date, more than 480 women have been trained in basic and specific job-related areas. In addition, they also receive training in: ethics, interpersonal relationships, social responsibility, citizenship, public relations, marketing, consumer relations, and cooperative and association building. Other results include literacy training for 106 beneficiaries and the formation of four cooperative productive groups.

The Municipality of Forquilha. The municipality of Forquilha, in the southern State of Santa Catarina is extremely small, with less than 21,000 residents. Of these, only 333 are estimated to be poor (1.6%), all of whom receive Bolsa Família. Yet this relatively small scale has not deterred municipal officials from prioritizing innovative efforts to improve their living conditions.

These poor families have been the focus of a municipal initiative (*Profissionalizando para a Cidadania*), developed among a number of partners, which include local government and businesses, formal training centers, and community radio stations. Together these partners have: (a) conducted social and economic diagnostics of BFP families; (b) defined action plans; (c) prepared training courses; and (d) developed tools for monitoring and evaluation of the program. Since the launch of the program more than 100 BFP beneficiaries have received technical training through partnerships with existing labor-training programs (under Brazil's "S-System") in the areas of industrial sewing, residential electricity, and mechanics, of which more than 25% are currently employed in the labor market. In addition, channels of communication were opened between municipal secretariats, which will have a carrier effect for future beneficiaries. This example has an important demonstration effect for other small municipalities, with the lesson that it is possible to build on existing structures and services and link BFP beneficiaries to them.

Challenges for Increasing Effectiveness and Scale. Some challenges for expanding and improving the effectiveness of these links to complementary productive services include:

- The **inter-sectoral and inter-governmental institutional and financing requirements** needed to implement such an approach. For example: Who determines which beneficiaries (BFP or non-BFP) should have priority for these other programs? Who pays for these additional services (particularly when they span secretariats, ministries, and financing sources)? Who monitors the links between the BFP and these other services?
- The need to **evaluate** the effectiveness of these complementary programs and services, both in general and in their ability to serve the needs of the poor.
- **Operational challenges in linking** (bridging) the poor to these complementary programs. The issue of eligibility definitions is just one example of these challenges. While the joint use of the Cadastro Único for prioritization of BFP beneficiaries for other programs appears

relatively straightforward on the surface, a number of definitional challenges arise. Some examples of these challenges include: (a) differences in the unit of eligibility: the family (as under the BFP); the individual (as with many job-related programs); the housing dwelling (as with energy and WSS services); the community (as under PCPR programs); or the family farmer (as under PRONAF); and (b) differences in income thresholds for eligibility (BFP eligibility cut-offs are often lower than for other programs, such as micro-credit or housing subsidies).

- The likely need to **adapt complementary services to the diverse – and specific -- needs of the poor**. For example, the job training system (S-System) is not necessarily specifically designed to meet the needs of illiterate or unskilled workers. Training programs may need to be reconfigured to adapt to these needs, both in terms of the curriculum offered and in terms of the timing and location of course offerings (to bring the services closer to the poor and take into account their work schedules).
- **Cross-program challenges in monitoring** use of these other services by BFP beneficiaries – and ultimately evaluating the impact of these complementary services in helping them graduate from poverty (and from the program). Ideally, the inter-program (or inter-agency) agreements would include provisions for joint monitoring of participation, performance indicators, and impacts.
- Finally, it is important to highlight that all of these complementary services depend on a **strong economy** that produces jobs, demand, and income-generating opportunities. Simply improving the “employability” or individual productivity of poor BFP beneficiaries is not enough to ensure their sustainable graduation from poverty or the program.

XI. The Costs of Administering the BFP

This section provides an overview of available information on the costs of administering the BFP. Such information is difficult to obtain due to the many actors involved in implementing the program, both at the federal and sub-national levels. The section first provides estimates of federal administrative costs and evidence of efficiency gains from the consolidation of four CCTs into one. It then reviews the issue of sub-national costs and the recent cost-sharing arrangements.

A. Efficiency Gains: Reducing Federal Administrative Costs from CCT Reforms

One of the goals of consolidating four CCTs into a single program was to improve efficiency by reducing administrative costs. Available data suggest that this goal has been met. Federal administrative costs fell from 5.3% of total pre-reform program outlays in 2002,¹⁴⁸ to 2.6% under the BFP in 2005 (Table 15). Data from SIAFI suggest that the bulk of these federal-level administrative costs (95%) cover the payment fees to the Caixa Econômica Federal for its role as operating agent for the Cadastro Único and payments agent.

¹⁴⁸ Federal administrative costs were even higher (14%) in 2001, but this was associated with the necessary “start-up” costs for the Bolsa Escola program (which were not re-incurred at the time of the BFP launching).

Table 15 - Federal administrative costs of CCT programs

Program	Year	Outlays	Amounts (million reais)	Costs (% of total)	Cost-transfer Ratio (CTR)
Pre-reform programs (BE-start up)	2001	Total	578.4	100.0%	n.a.
		Transfers	493.5	85.3%	n.a.
		Administrative	84.9	14.7%	17.2
Pre-reform programs (BE, AG)	2002	Total	2 398.6	100.0%	n.a.
		Transfers	2 272.4	94.7%	n.a.
		Administrative	126.1	5.3%	5.6
Merging programs (BE, AG, BFP)	2003	Total	2 661.8	100.0%	n.a.
		Transfers	2 578.1	96.9%	n.a.
		Administrative	83.7	3.1%	3.2
Bolsa Família Program (still merging)	2004	Total	5 461.3	100.0%	n.a.
		Transfers	5 308.8	97.2%	n.a.
		Administrative	152.5	2.8%	2.9
Bolsa Família Program	2005	Total	6 711.7	100.0%	n.a.
		Transfers	6 537.8	97.4%	n.a.
		Administrative	173.9	2.6%	2.7

Source: Analysis of data from SIAFI and MDS.

B. Municipal Costs Estimates from Four Urban Case Studies

Because of the BFP's decentralized structure, municipalities incur significant costs in program implementation. The actual costs incurred by municipalities is difficult to measure due to the fact that Brazil's 5,564 municipalities differ significantly in: (a) their accounting practices; (b) their capacity to implement the BFP core functions (registration, conditionalities monitoring, etc.); and (c) the degree to which they offer beneficiaries the accompanying social work and complementary services, which add value beyond the transfer benefits but which are also often included in municipal estimates of administrative costs for implementing the program (e.g., for overhead).

This variation can be seen in the wide range of municipal-level costs of administering these services for the federal CCT programs in a non-representative sample of four urban municipalities¹⁴⁹ in Table 16. The weighted average of the administrative cost shares for the four non-representative municipalities was 9.7% for the period from 2002-03. When adding these municipal costs to the federal costs, we find a total "non-transfer and administrative cost" share of 13.9% for the period from 2002-03 (or an estimated 12% for 2005 with the lower federal administrative costs of the consolidated Bolsa Família Program). These are, however, likely over-estimated due to the inclusion of the costs of providing complementary services (and their overhead) in these estimates.

**Table 16 – Variation in Municipal Costs of Administering the BFP and Complementary Programs
Brazil: Administrative Costs in Four Urban Municipalities**

Transfer values refer to those paid out in each specific municipality (average 2002-03)

	Admin Costs as % of Total Costs	Cost-to Transfer Ratio (CTR) (Centavos)
Municipal Administrative and Non-Transfer Service Costs		
Belo Horizonte	16.9%	20.4
Recife	2.6%	2.7
Teresina	2.2%	2.3
Uberaba	21.1%	26.8
Weighted Average Across 4 Municipalities	9.7%	10.8
Average Federal Administrative Costs (nationwide)		
Average federal 2002-03 (pre-reform)	4.2%	4.4
Current federal 2005 (Bolsa Família)	2.6%	2.7
Average Federal + Municipal Costs (for 4 municipalities in sample)		
Average 2002-03 (pre-reform)	13.9%	15.2
Current federal 2005 (municipal average 02-03)	12.3%	13.4

Sources and notes:

Municipal cost data: Hoerning, Lindert and Bajon (2005). Municipal administrative and non-transfer service costs cover: local registration; monitoring conditionalities; social controls; accompanying social worker services; costs of linking BFP beneficiaries to complementary services. Municipalities vary significantly in their accounting practices and capacity to carry out these services. Municipal estimates cover merged federal and local programs (joint management).

Federal cost data: World Bank analysis of data from SIAFI, MDS. Federal administrative costs include costs of overall management of the program, targeting and beneficiary selection; registry database management; payment services; monitoring and evaluation.

¹⁴⁹ Belo Horizonte, Recife, Teresina and Uberaba. Data collected in 2004.

C. Recent Cost Sharing Arrangements for Administrative Costs

As discussed in Parts 4 and 5 above, MDS has recently instituted a policy of providing performance-based administrative cost subsidies to municipalities in recognition of the costs incurred by these sub-national entities in implementing the program and of the need to institute mechanisms to promote quality in this decentralized framework. These administrative cost subsidies come in two forms.

First, MDS paid municipalities a “one-time” reimbursement of R\$6 (US\$2.9) per validated registry for costs associated with the recent nation-wide recertification process (in April 2006). These cost subsidies were paid up to each municipality’s program quota. MDS paid out R\$48.6 million, or about 0.6% of the total transfer budget for the BFP in 2006.¹⁵⁰

Second, MDS is paying municipalities an on-going monthly administrative cost subsidy of up to R\$2.5 (US\$1.2) per beneficiary for implementation of the program, according to municipal scores on the implementation quality index (IGD). Assuming that all municipalities received perfect scores on the IGD, such that the full amount of such cost subsidies were paid out, the upper bound for this cost subsidy would be R\$27.75 million (US\$13.2 million) per month (for all 11.1 million beneficiary families) or R\$333 million per year, which would represent 4% of the total transfer budget (US\$3.8 billion) for the BFP in 2006. Given that only a share of municipalities will (and have) receive perfect scores on the IGD, actual payment of such cost subsidies will be less than this amount. The amount paid in September 2006 totaled R\$19.9 million (US\$9.3 million), which, on an annual basis, would represent 2.8% of total transfers for 2006.

With the federal government thus assuming a significantly higher share of implementation costs (the part previously paid by municipalities and now assumed by the federal government under the new cost-sharing arrangements), federal administrative costs for the BFP are likely to increase in 2006 and beyond. This is not due to an increase in total costs or a decrease in efficiency, but rather due to the federal assumption of these costs through the performance-based administrative cost-sharing arrangements (which will likely promote efficiency and quality of implementation). Adding the newly-financed on-going administrative cost subsidies (estimate of 2.8% to upper bound of 4%) to the actual federal administrative costs of 2.6% reported in 2005 yields a **total estimate of federally-financed administrative costs of 5.4% (or 6.6% with the upper bound)**. Municipalities may well face higher costs (as shown in Table 16), so that the total administrative costs are higher. As discussed above, however, data aggregation prevents us from distinguishing between the “pure” costs of administering the BFP versus the costs of accompanying social work and complementary services at the municipal level.

¹⁵⁰ Source: MDS-SENARC (Preliminary Draft, November 2006). MDS also paid out about R\$10 million to states for their efforts to help coordinate and train municipalities in the updating of the Cadastro.

XII. Summary and Key Lessons Learned

As emphasized in Part 1, this paper has two key audiences – and two corresponding objectives. **First**, the primary audience is international, given world-wide interest in the Bolsa Família Program. This international target audience thus includes: policy makers, practitioners, and potential future practitioners of CCTs working in other countries who are interested in learning more about Brazil’s experience with the Bolsa Família Program, particularly given its decentralized context. For this audience, the paper highlights some of the key features and “nuts and bolts” of designing and implementing Brazil’s Bolsa Família Program. These key features are summarized in Section A below. **Second**, the topic is clearly of interest to audiences in Brazil. For this audience, we seek to document the evolution of the design and implementation of the BFP under the first Lula Administration, taking stock of the main advances and highlighting key priorities for the future. This future agenda is outlined in Section B below.

A. International Interest: Main Features of the BFP in a Decentralized Context

International interest in the experience of the Bolsa Família Program is widespread.¹⁵¹ Several key features of the BFP may be of interest for possible replication or adaptation in other countries, including:

- The BFP as a **reform program**, which consolidated four pre-reform programs into one, building on Brazil’s decade of experience in pioneering conditional cash transfers at the municipal and federal levels, and representing an important degree of continuity and innovation of a key social policy instrument across levels of government and political administrations;
- The **size and rapid expansion** of the program, which increased from 3.8 million families (15.7 million people) in December 2003 to 11.1 million families (46 million people) in 2006, making it the largest program of this type in the world;
- The very impressive **targeting accuracy** of the program, achieved through geographic mechanisms and means-testing under the unified family registry (*Cadastro Único*), with 73% of the transfers of the BFP going to the poorest quintile and 94% going to the poorest two quintiles. These results place Brazil’s BFP in “first place” for targeting results among transfer programs in LAC and in the top six for transfer programs in developing countries.¹⁵²
- As a result, the program has also demonstrated a significant **impact on poverty and inequality**.¹⁵³ Results of the annual household survey (PNAD 2004) show that the BFP accounted for a significant share (20-25%) of Brazil’s recent (and impressive) reduction of inequality and 16% of the recent fall in extreme poverty;¹⁵⁴

¹⁵¹ We at the World Bank repeatedly receive requests for information from practitioners and researchers from round the globe, as do officials at MDS and other donors. Just some examples of countries that have expressed interest in learning more about the BFP in recent years include: Egypt, Ghana, South Africa, Indonesia, Mongolia, Ecuador, Guatemala, Mexico, Chile, the United States (Boston and New York City), New Zealand, and Australia.

¹⁵² International comparisons from Coady, Grosh and Hoddinott (2004); LAC comparisons from Lindert, Skoufias and Shapiro (2006).

¹⁵³ These and other impacts will be highlighted in a companion Working Paper that presents a meta-review of impact evaluations of CCTs in Brazil.

¹⁵⁴ Paes de Barros et. al. (2006).

- The implementation of the BFP in Brazil’s **decentralized context** and the development and use of **innovative performance-based management mechanisms** to promote incentives for quality implementation in this context so as to overcome the “principal-agent” dilemma. While all institutional contexts are country-specific, the use of these mechanisms could serve as a potential model for adaptation in other countries facing the challenge (and opportunities) of implementing CCTs in a decentralized context;
- The introduction of a **performance-based contract** to promote incentives for quality for services provided by the operations and payments agent (the Caixa);
- The role of the BFP as a **unifying force in social policy**. This integrating role has occurred “horizontally,” with the integration of federal CCTs and the linking of the BFP with complementary services and programs. It has also been promoted vertically, by integrating the federal program with sub-national CCTs. Horizontal and vertical integration has led to greater coherence of social policy and is facilitating the creation of an effective safety net, with comprehensive and coordinated activities in the areas of social assistance, health, education and labor-support programs; and
- The “**natural laboratory for innovation**” that has emerged in Brazil’s decentralized context for experimenting with ground-breaking social policy instruments. The importance of local experimentation and innovation is witnessed in both the original pioneering of the first CCTs at the municipal level in the mid-1990s, and more recently in municipal innovations to link BFP beneficiaries with complementary services and social worker accompaniment. MDS is working to promote cross-fertilization of these experiences through its annual “Local Management Awards” (*Prêmio da Gestão Descentralizada*). Additional resources should be devoted to carry out robust evaluations of these local experiments and innovations – to further promote their feedback across municipalities, back to the BFP, and with other countries.

B. A Continuing Agenda: Challenges and Opportunities for the BFP (2007 and beyond)

While MDS has made significant advances in institutionalizing and consolidating the core “basic architecture” of the BFP, it recognizes that a number of challenges – and opportunities – remain to strengthen the BFP and ensure its effectiveness and sustainability. We divide this future agenda into two areas: (1) further efforts to continue strengthening the “basic architecture” of the program; and (2) innovations and reforms to promote the graduation agenda.

(1) Further Efforts to Strengthen the “Basic Architecture” of the Program

Further efforts are needed to strengthen the “basic architecture” of the BFP, including in the areas of institutional strengthening, targeting and coverage, monitoring of conditionalities, oversight and controls, and monitoring and evaluation of program impacts.

Institutional Challenges in a Decentralized Context. While the basic architecture of the BFP has now been largely solidified, a few remaining challenges remain to strengthen institutional roles, including, *inter alia*:

- Strengthening the role of the states in the provision of technical assistance, training and coordination of decentralized municipal implementation;
- Strengthening capacities at municipal level to improve local management of the BFP, particularly for those municipalities with low scores on the decentralized management index (IGD); and
- Clarifying roles and responsibilities of MDS, the Caixa and municipalities in handling BFP queries and complaints from the public (and between MDS and the Caixa in handling queries from municipalities).

Further Strengthening Targeting, with a Focus on Reducing Errors of Exclusion. As discussed above, the BFP has registered very impressive targeting accuracy in terms of minimizing leakages (errors of inclusion). Although a certain degree of leakages will always be inevitable (as with all programs), MDS can take additional steps to further fine-tune targeting accuracy. These include: adopting an improved questionnaire for registration; expanding cross-checks to further reduce errors in the registry; strengthening municipal capacity for implementing registration and recertification; adopting updated and improved poverty maps for improved geographic targeting and monitoring; and expanding the use of multi-dimensional indicators (proxy variables) for validation of self-reported incomes and monitoring of family circumstances. Strengthening targeting accuracy will make room for entry of new poor families.

Further efforts are needed, however, to reduce errors of exclusion. If additional funds become available (either at the federal or sub-national levels), we recommend that BFP managers consider: (a) expanding coverage and municipal quotas beyond the 11.1 million families; and/or (b) building in additional graduation and human capital incentives (see below). With respect to expanding coverage, this is necessary to reach the remaining gaps in coverage of the poor (errors of exclusion), as described above. However, it is important to recognize that this would also inherently involve a certain degree of additional leakages to the less poor (or near poor).

Strengthening Monitoring of Education and Health Conditionalities. After an initial hiatus in 2004, progress has been made in improving the monitoring of human capital conditionalities under the BFP. Nonetheless, the Government recognizes the priority for further improvements, including:

- Strengthening the system of monitoring of health conditionalities in a cost effective manner and launching tools to address data flow constraints;
- Improving information links between non-compliance and payments consequences, such as MDS's current proposals to print out compliance information with payment receipts through Caixa's system; and
- Strengthening tools for conducting random-sample audits of the monitoring of conditionalities and compliance (e.g., strengthening the questionnaires and data collection methods for CGU operational audits for their content on oversight of conditionalities, as discussed in Part 8).

Strengthening Oversight and Controls Mechanisms. The Brazilian Government has promoted numerous mechanisms for overseeing the BFP. Nonetheless, there are ways in which these controls could be improved, including:

- Further strengthening the questionnaire and methodologies used by the CGU in conducting operational audits of the BFP in general and particularly for their oversight and cross-checking of monitoring of compliance with conditionalities;
- Defining a key set of indicators that could be summarized in CGU operational audit reports to monitor the operational performance of the BFP. Currently, these reports focus on providing information on specific irregularities to facilitate case-by-case investigation and follow up. The format used for reporting, however, does not easily facilitate a reporting of key management indicators (such as specific types of errors or irregularities as a % of the sample of observations collected, specific indicators for specific procedures) or their monitoring over time. Improvements in reporting of summary performance indicators would greatly improve this tool for program performance management purposes.
- Expanding CGU operational audits to cover larger municipalities for the operations of the BFP (including those with more than 220,000 inhabitants, which are currently not covered).
- Clarifying institutional responsibilities for case-by-case follow up (between MDS, the CGU, TCU, and Ministério Público), and providing training for those charged with this responsibility.
- Further fine-tuning of algorithms for cross-checking (internal and external) for duplications or other irregularities in the Cadastro Único registry.
- Strengthening guidelines and training for social controls councils.

Extending Mechanisms for Monitoring and Evaluation of Impacts. Although robust impact evaluations were not built-into the design of the BFP or its predecessors, several evaluations have been carried out. Their results are being summarized in a companion Working Paper that presents a meta-review of the impacts of CCTs in Brazil. The first round of data collection for the “core impact evaluation” for the BFP was carried out in 2005. It is crucial that subsequent rounds of data collection are carried out (at least on an annual basis for the life of the program), to measure impacts over the short-, medium-, and long-run. Other experimental and qualitative evaluations should also be pursued as part of a diversified strategy for M&E of this important program. One set of evaluation opportunities that remains to be exploited is the evaluation of municipal experimentation and innovations in Brazil’s “natural laboratory” of decentralization. Results of these local evaluations could provide feedback to innovations in the BFP at the federal level – and for programs in other countries.

(2) *The Emerging Graduation Agenda*

New Frontier: Graduation Enhancements. The “new frontier” for social policy in 2007 and beyond will increasingly focus on identifying feasible and effective levers to promote the “graduation” agenda, so as to help poor families escape from poverty *and* reduce their reliance

on transfer income for subsistence. There are many ways the BFP could innovate to promote this agenda, both within its own “jurisdiction” as a program, and via links to other complementary actions:

- **Possible Reforms within the BFP:** Two sets of possible reforms could help enhance incentives for graduation within the concept of the BFP as a conditional cash transfer. **First**, the program could adopt modifications to basic transfer parameters, such as time limits or gradual benefits reductions. Many countries have adopted such measures, such as Chile, Mexico and the U.S. They are inherently politically challenging however, and require further analysis and debates. **Second**, the program could expand incentives for the accumulation of human capital. Some particularly promising and likely feasible options include: (a) expanding the upper age for school attendance requirements from 15 to 18; (b) introducing higher variable benefits for families with older children (who face higher opportunity costs for school attendance); and (c) introducing bonuses for grade completion and school cycle graduation (primary, secondary). We recommend these options be explored as high priority.
- **Links to Complementary Programs (Outside the BFP).** Linking BFP beneficiaries to complementary services can help them to overcome obstacles and build their asset accumulation for increased employability and productivity. Two types of links could be promoted: (a) links to other social assistance services and social worker accompaniment to help particularly vulnerable beneficiary families overcome specific risks and obstacles; and (b) links to job-related services (training, placement) and other productivity-enhancing activities (e.g., micro-credit, energy, etc.). Practical tools for facilitating such links include: (a) prioritizing beneficiaries for other services using the Cadastro Único registry; (b) inter-program agreements; and (c) social worker referrals. Some such links have already been made, both at the federal and municipal levels, but these should be expanded and systematized.

Mutually-Reinforcing. Most programs use combination of these approaches to simultaneously promote graduation from *poverty* and dependence on the transfer *program*. Indeed, in Brazil’s large and diverse context, it is unlikely that any single one of these approaches would suffice for all manifestations of poverty. Poverty has “many faces,” each with its own needs. Some of the approaches outlined above apply to sub-groups of the poor (e.g., social assistance links for a subset of families with specific vulnerabilities, jobs links for “today’s workforce,” and education incentives for “tomorrow’s workers”). In some situations, families would benefit from a mix of approaches due to multiple needs and vulnerabilities.

But With Some Trade-Offs. Even if countries adopt a mix of graduation approaches, there are some inherent trade-offs, particularly in the face of fiscal constraints. If a country had additional resources, should it allocate them to (a) increased coverage of the CCT program *per se*; (b) expanded demand-side education incentives for “tomorrow’s workers” (e.g., bonuses for grade completion and school graduation); (c) increased coverage of specialized social assistance services and family accompaniment (for families with special needs); or (d) expanded job assistance services for “today’s working poor?” Some options are also more politically challenging than others (e.g., instituting time limits). These trade-offs and political considerations should be considered when debating the “graduation” agenda for the BFP.

The Broader Social Policy Agenda. CCTs are no magic bullet for social policy, poverty reduction or development. The Bolsa Família Program has demonstrated enormous potential for impact on poverty, inequality and human capital development. Nonetheless, it cannot be expected to solve all social policy challenges. Investments are clearly needed on the supply-side to improve the quality of Brazil’s education and health system, and to fill gaps in coverage of pre-primary and secondary school. Resources are also needed to extend links of BFP beneficiaries to complementary programs and jobs (as discussed above). The BFP is only one element in Brazil’s social protection system – and reforms are needed to address imbalances in other areas (such as the huge fiscal deficits in the social security system and duplications in the operation of the rural non-contributory pensions and BPC/LOAS constitutional benefits for the poor elderly). A more comprehensive framework for social protection is needed to rationalize the broader set of public transfers.

Solid Economy: the Dual Agenda. Solid economic growth is crucial for graduation from poverty and the program under any scenario. All of these graduation strategies depend on a strong economy that produces jobs, demand, and income-generating opportunities. Simply improving the “employability” or individual productivity of poor BFP beneficiaries is not enough to ensure their sustainable graduation from poverty or the program. The BFP and its complementary actions must be accompanied by responsible economic policy and investments in economic development.

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Annex 1 – Main Regulatory Documents Guiding the Implementation of Bolsa Família

Document	Date	Main Content / Purpose
Program creation, integration and general program rules		
Lei No. 8.261 Municipality of Campinas	6 January 1995	<ul style="list-style-type: none"> • Establishes the Program Guaranteeing a Minimum Family Income (PGRFM) for families with children under 14 at physical, moral or social risk, or handicapped children over the age of 14. • To be eligible for program support, families had to have a maximum family income of R\$140 per month (or maximum R\$35 per capita monthly income) and had to have lived in Campinas at least 2 years prior to the program's creation. • The monthly monetary benefit equaled the difference between total family income and the sum resulting from multiplying the number of family members by the value of R\$ 35. The benefit would be given for 1 year with possible extension. • The program prioritized families with undernourished children or street children.
Portaria No. 16,270 Federal District	11 January 1995	<ul style="list-style-type: none"> • Established the first municipal CCT program, Bolsa Escola, in the Federal District (program launched on January 3 of that year)
Lei No. 10.219	11 April 2001	<ul style="list-style-type: none"> • Creates the Bolsa Escola program, to be administered by the Ministry of Education. • Establishes the Caixa as the program's operating agent. • Establishes eligibility criteria for program support as well as program conditionalities in the area of education. • Establishes monthly benefits payments of R\$15 per child up to a maximum of three children per family, to be paid to the mother.
Decreto N° 3.877	24 July 2001	<ul style="list-style-type: none"> • Creates the Cadastro Único to be used for all federal social programs, and making its use mandatory from 15 September 2001. • Federal government entities in charge of program management will, along with municipalities, be responsible for the gathering of information on target and beneficiary populations. • Cadastro Único data collected will be processed by the Caixa, which will identify beneficiaries and assign NIS.
Medida Provisoria No. 2.206-1	6 September 2001	<ul style="list-style-type: none"> • Creates the Bolsa Alimentação CCT program, to be administered by the Ministry of Health. • Establishes monthly benefits payments of R\$15 per child up to a maximum of three children per family, to be paid to the mother. • Establishes eligibility criteria for program support as well as program conditionalities in the area of education. • Establishes criteria for prioritizing beneficiaries and municipalities for program support.
Portaria MPAS N° 458	4 October 2001	<ul style="list-style-type: none"> • Establishes norms and guidelines for the PETI program. • Objective of the program: eradicate dangerous and degrading forms of child labor by promoting school attendance and participation in after-school activities and by providing income transfer to families. • The program targets families with children between 7 and 14 years as well as children of 15 years considered to be in a situation of extreme risk. • Establishes the program's inter-governmental and inter-sectoral nature.
Decreto No. 4.102	24 January 2002	<ul style="list-style-type: none"> • Regulates the program Auxílio Gás, aimed at compensating poor families for the elimination of gas subsidies. • The program is administered by the Ministry of Mines and Energy.

		<ul style="list-style-type: none"> • Establishes eligibility criteria for program support and sets the value of benefits at R\$7.50 per family per month.
Lei No. 10.689	13 June 2003	<ul style="list-style-type: none"> • Creates the National Program for Access to Food, Cartão Alimentação, aiming to fight hunger and promote food security. • Benefits will be provided through cash or food transfers to families suffering food insecurity. • Establishes eligibility criteria for program support, and states that beneficiaries will be identified through the use of the Cadastro Único. • The Cartão Alimentação program is established as a temporary measure.
Medida provisória No. 132	20 October 2003	<ul style="list-style-type: none"> • Initial legislation that creates the Bolsa Família program and establishes its basic rules. • Later became law 10.836.
Lei No. 10.835 (the “Suplicy” law)	8 January 2004	<ul style="list-style-type: none"> • Establishes the basic citizen income to be provided to all those who have lived in the country for at least 5 years regardless of their financial situation. The citizen income will be implemented to the extent that this is financially possible, considering budgetary availability. • Universal coverage will be achieved gradually, prioritizing the poorest sectors of society. • The benefit value is the same for all beneficiaries and will be high enough to cover basic food, education and health needs.
Lei No. 10.836 (the “Bolsa Família” law)	9 January 2004	<ul style="list-style-type: none"> • Establishes the Bolsa Família Program (initially created by provisional measure 132, 2003). • Unifies the management and execution procedures of federal income transfer programs, Bolsa Escola, Bolsa Alimentação, Auxílio Gás, Cartão Alimentação. • Establishes eligibility criteria, benefit value, payment procedures and program conditionalities. • Establishes implementation responsibilities as well as sanction in case of fraud.
Decreto No. 5.209	17 September 2004	<ul style="list-style-type: none"> • Regulates law 10.836 of January 2004 that created the BFP. • Provides details of the composition and functions of the BFP Management Council (<i>Conselho Gestor</i>). • Outlines the responsibilities of the different levels of government, and of the Caixa in the execution of the BFP. • Provides details of the targeting process, the level and payment of benefits. • Provides details of the control and oversight, including social control of the BFP.
Portaria MDS No. 666	28 December 2005	<ul style="list-style-type: none"> • Establishes the integration of the PETI and the Bolsa Família Program (BFP), the objectives of which are rationalization and expansion of services. • Establishes responsibilities of SENARC, the municipalities, states the responsibilities regarding the integration of the PETI into BFP. • Establishes criteria for inclusion of families in BFP and in the PETI, and establishes that PETI families who fulfill the BFP criteria will gradually be transferred to the BFP. • Establishes that families that are simultaneously beneficiaries of PETI and the food and gas benefits, and who are eligible for transferal to BFP will be entitled to Extraordinary Variable Benefits.
Instrução operacional conjunta SENARC/SNAS/MDS No. 1	14 March 2006	<ul style="list-style-type: none"> • Provides guidelines to municipalities regarding the integration of PETI into the BFP. • Provides instructions regarding the insertion and updating of Cadastro Único registration information for families receiving PETI transfers and families who have children who are working and who are not receiving PETI benefits. • Describes procedure and gives deadlines for updates. • Addresses the right to financial support to municipalities to subsidize administrative costs related to the cadastro updating process.

Decreto No. 5.749	11 April 2006	<ul style="list-style-type: none"> • Modifies the income ceilings which establish eligibility to the BFP. • Establishes the new income ceiling for extreme poor families as being R\$60 per capita per month, and that for moderately poor families as being equivalent to a per capita monthly income of R\$120.
Institutional roles in a decentralized context		
Instrução operacional SENARC/MDS No. 1	19 May 2004	<ul style="list-style-type: none"> • Provides instructions to municipal authorities on how to proceed in cases where one child has been registered in more than one family and when and for whom to block transfers in such cases. • Provides instructions to municipalities on how to proceed in cases where one head of family receives transfers from the BFP and other programs simultaneously. • Provides instructions on unblocking of benefits where this is appropriate.
Portaria SENARC/MDS No. 1	3 September 2004	<ul style="list-style-type: none"> • Establishes the procedures and activities of monitoring and controlling local execution of the BFP to ensure compliance with program objectives. • Gives the Operations Department of SENARC the duty to establish methods, mechanisms and procedures to ensure timely and consistent registration of facts and information produced by the Program. • Establishes modalities of control and procedures for reporting results of control activities. • States that SENARC shall publish quarterly reports on inspection and tracking activities performed and scheduled.
Portaria MDS No. 660	11 November 2004	<ul style="list-style-type: none"> • Establishes rules regarding monitoring and tracking of the BFP and states that such rules shall only be in effect until municipalities form social control councils. • Lists the entities which will have access to Cadúnico information and BFP registry information until such social control councils exist.
Interministerial Directive MS/MDS No. 2.509	18 November 2004	<ul style="list-style-type: none"> • Regulates the duties and standards related to the provision and monitoring of health activities for families that benefit from the BFP. • Establishes the duty of municipalities to provide health services to families who are beneficiaries of the BFP, and other specific duties of the municipalities related to such services, and also lists the responsibilities of the families. • Establishes specific duties of the Ministry of Health and the MDS and also of the states related to the municipal provision of health services, such as state responsibilities in coordination, supervision and provision of technical support to municipalities. • Establishes that Municipal and State Health Secretariats may form partnerships with municipal, state, federal, governmental and non-governmental entities and institutions in order to encourage additional activities to benefit the families served by the BFP.
Portaria GM/MDS No. 246	20 May 2005	<ul style="list-style-type: none"> • Establishes the official instruments (<i>termos de adesão</i>) for formalizing the formal association (<i>adesão</i>) of municipalities to the BFP. • Establishes the designation of municipal coordinators (<i>gestores municipais</i>) for the BFP. • Establishes the requirements for establishing Social Controls Committees (SCCs) for the BFP at the municipal level. • Defines the process for entering into the formal agreements (<i>termos de adesão</i>) between MDS and the municipalities.
Termos de Adesão – Management agreements	Signed on different dates	<ul style="list-style-type: none"> • The association agreements regulate the sharing of responsibilities between the different levels of government in the execution of the BFP.

	in 2005	<ul style="list-style-type: none"> • Establish basic minimum uniform standards and formalize the institutional responsibilities and federal guidelines for quality implementation of the BFP in a decentralized context. • They thus help address the principal/agent dilemma and resolve the issue of how the federal government can implement its programs in a context of autonomous State and municipal governments. • Association agreements carry with them a set of financial incentives for cost-sharing, and facilitate access to other tools and resources for municipalities.
Termos de Cooperação – cooperation agreements	Signed on different dates in 2005	<ul style="list-style-type: none"> • Establish cooperation agreements of states and municipalities with the federal government in order to integrate cash transfer programs implemented by different levels of government. • These agreements specify the mechanisms for integrating CCT programs, and aim to combine the efforts and resources of the different levels of government in order to expand the number of beneficiaries, raise the level of the benefit or achieve a combination of both.
Forthcoming Decree	To be published 2007	<ul style="list-style-type: none"> • Establishes norms and procedures for the management of the Cadastro Único. • Provides detailed guidelines on requirements for and modalities of registration in the Cadastro, as well as instructions for how to handle cases of missing information, duplication of registration or other problems. • Provides detailed guidelines on the updating of cadastro information as well as criteria for the exclusion of families from the registry. • Establishes that the Cadastro Único will be administered by SENARC at the national level and by each municipality at the local level, and details responsibilities for the management of the register. • Provides detailed information on the minimum structures needed at the municipal level for the management of the Cadastro Único.
Conditionalities		
Interministerial Directive MEC/MDS No. 3.789	17 November 2004	<ul style="list-style-type: none"> • Establishes rules and procedures for the education conditionalities of the BFP as well as procedures and responsibilities related to the monitoring of and reporting on these conditionalities. • Establishes specific responsibilities of the municipal and state education authorities with regards to the provision of basic services and the monitoring of and reporting on conditionalities, and also lists the responsibilities of the beneficiary families. • Establishes specific responsibilities of the Ministry of Education and the MDS with regards to the monitoring of education conditionalities. • Establishes that municipalities and states may enter partnerships with municipal, state and federal, governmental and non-governmental entities and institutions, in order to encourage ‘emancipatory’ activities for the families within the context of improving social inclusion.
Interministerial Directive MS/MDS No. 2.509	18 November 2004	<ul style="list-style-type: none"> • Regulates the duties and standards related to the provision and monitoring of health activities for families that benefit from the BFP. • Establishes the duty of municipalities to provide health services to families who are beneficiaries of the BFP, and other specific duties of the municipalities related to such services, and also lists the responsibilities of the families. • Establishes specific duties of the Ministry of Health and the MDS and also of the states related to the municipal provision of health services, such as state responsibilities in coordination, supervision and provision of technical support to municipalities. • Establishes that Municipal and State Health Secretariats may form partnerships with municipal, state, federal,

		governmental and non-governmental entities and institutions in order to encourage additional activities to benefit the families served by the BFP.
Instrução operacional MEC No. 01	March 2005	<ul style="list-style-type: none"> Provides guidelines to municipalities regarding operational procedures on the monitoring of school attendance by children and adolescents that are beneficiaries of the BFP.
Portaria MDS No. 551	9 November 2005	<ul style="list-style-type: none"> Establishes rules, procedures and responsibilities of the states, municipalities, and families concerning the monitoring of program conditionalities. Establishes sanctions in case of non-compliance, and procedures for blocking, suspending and cancelling the benefit, as well as modalities for re-entry into the program after benefit has been cancelled. Establishes the role and responsibility of the social control bodies of the BFP. Establishes that MDS can terminate management agreements for municipalities who do not undertake their management responsibilities.
Manual de Orientações sobre a Bolsa Família na Saúde	Formalized in 2005	<ul style="list-style-type: none"> Provides guidance to municipal and state health managers and coordinating committees of the BFP regarding the monitoring of health conditionalities.
Benefits management and Payment arrangements		
Instrução operacional SENARC/MDS No. 1	19 May 2004	<ul style="list-style-type: none"> Provides instructions to municipal authorities on how to proceed in cases where one child has been registered in more than one family and when and for whom to block transfers in such cases. Provides instructions to municipalities on how to proceed in cases where one head of family receives transfers from the BFP and other programs simultaneously. Provides instructions on unblocking of benefits where this is appropriate.
Portaria MDS No. 737	15 December 2004	<ul style="list-style-type: none"> Regulates the award, amount, prescription and maintenance of the Extraordinary Variable Benefit for the families in the Remaining Programs that are transferred to the BFP.
Instrução operacional SENARC/MDS No. 4	14 February 2005	<ul style="list-style-type: none"> Provides instructions and criteria to municipalities on how to identify cases where a legal head of family is receiving multiple benefits and on how to block transfers in such cases. Informs municipalities of the need to obtain from the Caixa a list of heads of family in the municipality and their registry information in order to inform families of their status in terms of any blocked or unblocked funds or whether their case is under investigation. Informs municipalities on how to proceed in cases where multiple benefits are received or are suspected. Provides procedures for unblocking benefits or excluding families from the benefit.
Instrução operacional SENARC/MDS No. 8	20 June 2005	<ul style="list-style-type: none"> Provides information on an audit of cash transfer program pay slips carried out as well as on timing of audit results. Provides guidelines to municipalities regarding treatment of cases where families are receiving multiple benefits and how to block/unblock benefits.
Portaria MDS No. 532	3 November 2005	<ul style="list-style-type: none"> Defines the rules for scheduling payments of the beneficiaries of the BFP and of the remaining programs. Establishes that these rules will not apply when the Cooperation Agreement signed by the Federal Government to integrate the BFP with transfer programmes of the State or municipalities establishes a specific rule for payment of benefits.
Portaria MDS No. 551	9 November 2005	<ul style="list-style-type: none"> Establishes rules, procedures and responsibilities of the states, municipalities, and families concerning the monitoring of program conditionalities. Establishes sanctions in case of non-compliance, and procedures for blocking, suspending and cancelling the

		<p>benefit, as well as modalities for re-entry into the program after the benefit has been cancelled.</p> <ul style="list-style-type: none"> • Establishes the role and responsibility of the social control bodies of the BFP. • Establishes that MDS can terminate management agreements for municipalities who do not undertake their management responsibilities.
Portaria MDS No. 555	11 November 2005	<ul style="list-style-type: none"> • Establishes norms and procedures for the administration of benefits under the BFP. • Establishes that benefits management will be carried out by the municipalities and SENARC, and will be done using the benefits management system, and states that municipalities will carry out benefits management only once they have signed a management agreement. • Established conditions which warrant blocking and cancellation of benefits as well as the rules for unblocking and re-instating benefits, and states that only SENARC may block or cancel benefits due to non-compliance of conditionalities. • Lists the responsibilities of SENARC, of the municipalities, states and the BFP social control bodies with regards to benefits management.
Instrução operacional SENARC/MDS No. 11	22 November 2005	<ul style="list-style-type: none"> • Provides information on an audit of the Cadastro Único and its repercussions on benefits of federal government cash transfer programs. • Provides information on the procedures and the criteria used in the audit of the Cadastro Único. • Provides information to municipalities regarding the reasons for blocking of benefits as well as the procedures for unblocking benefits and correcting Cadastro information.
Instrução operacional SENARC/MDS No. 12	3 February 2006	<ul style="list-style-type: none"> • Provides guidelines to municipalities regarding the ‘automatic modification’ feature (<i>repercussão automática</i>) of changes to the Cadastro Único in the system of benefits management. • Explains to municipalities how to proceed with local benefits management in certain cases relating to changes of the cadastro with automatic repercussions in the benefits management system. • Instructs municipalities how to proceed in order to revert the cancellation of benefits in the benefits management system, as well as how to deal with families moving from one municipality to another, modifying NIS in case of duplication of numbers, and changes of head of family.
Instrução operacional SENARC/MDS No. 13	20 April 2006	<ul style="list-style-type: none"> • Provides information on the criteria used for the blocking of benefits of the ‘remaining’ cash transfer programs with registry information in the Cadbes, for families who fail to complement their information by March 31 2006 for inclusion in the Cadastro Único. • States that families who have had their benefits blocked will have to seek assistance in their respective municipality in order to unblock benefits. • Provides guidelines to municipalities regarding how to complement the information in the Cadastro Único and how to unblock benefits.
Instrução operacional SENARC/MDS No. 14	14 August 2006	<ul style="list-style-type: none"> • Provides information regarding an audit of the Cadastro Único and its implications for the BFP benefits. • Gives instructions to municipalities concerning the criteria used for the audit, to identify duplications of benefits and of beneficiaries in the beneficiary register. • Provides information regarding actions to take in case of duplications as well as of how to proceed to restore benefits which have previously been cancelled.

Cadastro Único/Targeting		
Decreto Nº 3.877	24 July 2001	<ul style="list-style-type: none"> • Creates the Cadastro Único to be used for all federal social programs, and making its use mandatory from 15 September 2001. • Federal government entities in charge of program management will, along with municipalities, be responsible for the gathering of information on target and beneficiary populations. • Cadastro Único data collected will be processed by the Caixa, which will identify beneficiaries and assign NIS.
Instrução operacional SENARC/MDS No. 5	15 February 2005	<ul style="list-style-type: none"> • Provides operational procedures for importing the Cadastro Único database to municipalities.
Instrução operacional SENARC/MDS No. 6	25 April 2005	<ul style="list-style-type: none"> • Provides operational guidance to municipalities on how to move from the Bolsa Escola registry to the Cadastro Único.
Instrução operacional SENARC/MDS No. 7	20 May 2005	<ul style="list-style-type: none"> • Provides instructions for municipalities on the operational procedures for dealing with inconsistencies in the Cadastro Único data. • Publishes new criteria for validating the Cadastro Único registry entries. • Defines guidelines for the analysis and validation of results of the comparison of income data reported in the Cadastro Único with that in the RAIS 2003.
Portaria MDS No. 360	12 July 2005	<ul style="list-style-type: none"> • Establishes criteria and procedures for the transfer of financial resources to sub-national authorities, as incentives for the updating of the CadÚnico register. • Establishes that municipalities will receive R\$6 for each registration that is updated or completed. • Establishes criteria for verification of the CadÚnico registration entries, to be verified by the SENARC. • The funds will be transferred in installments and only after the municipalities have formalized their adhesion to the BFP and the <i>CadÚnico</i>, through signing TdAs.
Instrução operacional SENARC/MDS No. 9	5 August 2005	<ul style="list-style-type: none"> • Provides instructions to municipalities regarding the operational procedures for formalizing their accession to the BFP and to the Cadastro Único. • Provides guidelines to municipal managers and technical staff regarding the appointment of the municipal BFP manager and regarding the establishment of the social control body. • Specifies the documentation which needs to be presented so as to provide proof of the measures taken.
Instrução operacional SENARC/MDS No. 10	31 August 2005	<ul style="list-style-type: none"> • Provides guidelines and operational procedures to municipalities on how to access information and update the Cadastro Único database. • Provides information on the procedures and criteria used by the federal government to register families as active/inactive in the process of cleaning up and updating the Cadastro Único.
Instrução operacional SENARC/MDS No. 11	22 November 2005	<ul style="list-style-type: none"> • Provides information on an audit of the Cadastro Único and its repercussions on benefits of federal government cash transfer programs. • Provides information on the procedures and the criteria used in the audit of the Cadastro Único. • Provides information to municipalities regarding the reasons for blocking benefits as well as the procedures for unblocking benefits and correcting Cadastro information.
Instrução operacional SENARC/MDS No. 12	3 February 2006	<ul style="list-style-type: none"> • Provides guidelines to municipalities regarding the ‘automatic modification’ feature (<i>repercussão automática</i>) of changes to the Cadastro Único in the system of benefits management. • Explains to municipalities how to proceed with local benefits management in certain cases relating to changes of

		<p>the cadastro with automatic repercussions in the benefits management system.</p> <ul style="list-style-type: none"> • Instructs municipalities how to proceed in order to revert the cancellation of benefits in the benefits management system, as well as how to deal with families moving from one municipality to another, modifying NIS in case of duplication of numbers, and changes of head of family.
Instrução operacional conjunta SENARC/SNAS/MDS No. 1	14 March 2006	<ul style="list-style-type: none"> • Provides guidelines to municipalities regarding the integration of PETI into the BFP. • Provides instructions regarding the insertion and updating of Cadastro Único registration information for families receiving PETI transfers and families who have children who are working and who are not receiving PETI benefits. • Describes procedure and gives deadlines for updates. • Addresses the right to financial support to municipalities to subsidize administrative costs related to the cadastro updating process.
Instrução operacional SENARC/MDS No. 13	20 April 2006	<ul style="list-style-type: none"> • Provides information on the criteria used for the blocking of benefits of the ‘remaining’ cash transfer programs with registry information in the Cadbes, for families who fail to complement their information by March 31 2006 for inclusion in the Cadastro Único. • States that families who have had their benefits blocked will have to seek assistance in their respective municipality in order to unblock benefits. • Provides guidelines to municipalities regarding how to complement the information in the Cadastro Único and how to unblock benefits.
Portaria GM/MDS No. 148	27 April 2006	<ul style="list-style-type: none"> • Establishes the periodicity of Cadastro recertification (2 years) • Establishes the norms, criteria and procedures for federal support of the local management of the BFP and of the CadÚnico. • Creates the Index of Quality of Decentralized Management (IGD) of the BFP, based on which transfers to municipalities will be calculated. • Addresses the issue of transfer to municipalities who are not yet carrying out local management of social assistance programs in accordance with Resolution 130 of July 2005. • States that SENARC will publish monthly results of the updating of the IGD as well as the amounts to be transferred by municipality, on MDS’ website.
Plano de trabalho MDS/IBGE	16 June 2006	<ul style="list-style-type: none"> • Establishes an action plan for a project to improve Cadastro Único data collection instruments and processes. • Project activities include a revision of the Cadastro Único questionnaire; a profiling of the beneficiaries of social programs which use the Cadastro Único; a revision of the data collection methods; and development of instruments to be used in the training and monitoring of interviewers.
Instrução operacional SENARC/MDS No. 14	14 August 2006	<ul style="list-style-type: none"> • Provides information regarding an audit of the Cadastro Único and its implications for the BFP benefits. • Gives instructions to municipalities concerning the criteria used for the audit, to identify duplications of benefits and of beneficiaries in the beneficiary register. • Provides information regarding actions to take in case of duplications as well as of how to proceed to restore benefits which have previously been cancelled.
Forthcoming Decree	June 2007	<ul style="list-style-type: none"> • Establishes norms and procedures for the management of the Cadastro Único. • Provides detailed guidelines on requirements for and modalities of registration in the Cadastro, as well as instructions for how to handle cases of missing information, duplication of registration or other problems. • Provides detailed guidelines on the updating of cadastro information as well as criteria for the exclusion of

		<p>families from the registry.</p> <ul style="list-style-type: none">• Establishes that the Cadastro Único will be administered by SENARC at the national level and by each municipality at the local level, and details responsibilities for the management of the register.• Provides detailed information on the minimum structures needed at the municipal level for the management of the Cadastro Único.
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Oversight and controls		
Portaria MDS No. 660	11 November 2004	<ul style="list-style-type: none"> Establishes rules regarding monitoring and tracking of the BFP and states that such rules shall only be in effect until municipalities form social control councils. Lists the entities which will have access to Cadúnico information and BFP registry information until such social control councils exist.
Normative Instruction MDS No. 01	20 May 2005	<ul style="list-style-type: none"> Provides guidance to the municipalities, States and the Federal District on the design, organization and role of the social control body of the BFP and on the development of its activities. Establishes that control and social participation of the BFP will be undertaken at local and State level by a body, council or committee established by the respective Public Authority in accordance with the spirit of inter-sectoriality and parity between government and society. Lists the attributions and functions of the social control body in the municipality and its responsibilities in the context of the BFP, and also lists responsibilities and functions of state social control councils. States that the municipalities shall be entitled to pool efforts in the course of exercising social control over the BFP providing the distribution of all the competencies and functions required for execution of the BFP and Remaining Programs under their jurisdiction is established on the basis of an inter-municipal cooperation agreement.
Portaria GM/MDS No. 246	20 May 2005	<ul style="list-style-type: none"> Establishes the official instruments (<i>termos de adesão</i>) for formalizing the formal association (<i>adesão</i>) of municipalities to the BFP. Establishes the designation of municipal coordinators (<i>gestores municipais</i>) for the BFP. Establishes the requirements for establishing Social Controls Committees (SCCs) for the BFP at the municipal level. Defines the process for entering into the formal agreements (<i>termos de adesão</i>) between MDS and the municipalities.
Instrução operacional SENARC/MDS No. 8	20 June 2005	<ul style="list-style-type: none"> Provides information on an audit of cash transfer program pay slips carried out as well as on timing of audit results. Provides guidelines to municipalities regarding treatment of cases where families are receiving multiple benefits and how to block/unblock benefits.
Instrução operacional SENARC/MDS No. 9	5 August 2005	<ul style="list-style-type: none"> Provides instructions to municipalities regarding the operational procedures for formalizing their accession to the BFP and to the Cadastro Único. Provides guidelines to municipal managers and technical staff regarding the appointment of the municipal BFP manager and regarding the establishment of the social control body. Specifies the documentation which needs to be presented so as to provide proof of the measures taken.
Portaria MDS No. 551	9 November 2005	<ul style="list-style-type: none"> Establishes rules, procedures and responsibilities of the states, municipalities, and families concerning the monitoring of program conditionalities. Establishes sanctions in case of non-compliance, and procedures for blocking, suspending and cancelling the benefit, as well as modalities for re-entry into the program after benefit has been cancelled. Establishes the role and responsibility of the social control bodies of the BFP. Establishes that MDS can terminate management agreements for municipalities who do not undertake their management responsibilities.

Performance-based management mechanisms		
Portaria MDS No. 360	12 July 2005	<ul style="list-style-type: none"> • Establishes criteria and procedures for the transfer of financial resources to sub-national authorities, as incentives for updating the CadÚnico register. • Establishes that municipalities will receive R\$6 for each registration that is updated or completed. • Establishes criteria for verification of the CadÚnico registration entries, to be verified by the SENARC. • The funds will be transferred in installments and only after the municipalities have formalized their adhesion to the BFP and the <i>CadÚnico</i>, through signing TdAs.
Portaria MDS No. 385	26 July 2005	<ul style="list-style-type: none"> • Establishes complementary rules of transition and extension of social assistance services co-financed by the Federal Government within the scope of the National Social Assistance System (SUAS) for Financial Year 2005. • States that only those municipalities trained at the levels of Basic or Full Management will be considered for the resources of the Basic Fixed and Variable Thresholds for expansion of basic social protection services. The amount paid per registered family is R\$1.80 per month. • For the municipalities employing 'Initial' and 'Basic' Management, the amount of the Medium-Complexity Fixed Threshold will be sixty-two <i>reais</i> (R\$62,00) per month for each family or person. • For the 'Full' Management municipalities or for Regional Reference Services, the amount of the Medium-Complexity Fixed Threshold will be eighty <i>reais</i> (R\$ 80,00) per month for each family or person, with a minimum of eighty (80) families or individuals catered for by the Specialized Social Assistance Reference Center.
Portaria MDS No. 454	6 September 2005	<ul style="list-style-type: none"> • Modifies articles 6, 7 and 8, and Annex I and creates Annexes II and III of Directive GM/MDS No.360, dated 12 July 2005. • Modifies installment % of transfers to the states and establishes that states may receive transfers even if the total municipalities in the State have not adhered to the Bolsa Família Program.
Portaria MDS No. 566	14 November 2005	<ul style="list-style-type: none"> • Establishes the intention of the MDS to sign agreements with municipalities and NGOs for the development of projects of productive inclusion aimed at re-inserting street people into society and into their families and re-establish their community links. • Establishes that only those municipalities that are enrolled in the Full Management system (Gestão plena) will be eligible to sign agreements for the execution of projects. • Establishes specific criteria for municipalities and NGOs to be able to sign agreements and defines rules regarding the financing of projects. • States that the projects to which this Directive refers must be capable of being self-sustainable.
Portaria GM/MDS No. 148	27 April 2006	<ul style="list-style-type: none"> • Establishes the periodicity of Cadastro recertification (2 years) • Establishes the norms, criteria and procedures for federal support of the local management of the BFP and of the CadÚnico. • Creates the Index of Quality of Decentralized Management (IGD) of the BFP, based on which transfers to municipalities will be calculated. • Addresses the issue of transfer to municipalities who are not yet carrying out local management of social assistance programs in accordance with Resolution 130 of July 2005. • States that SENARC will publish monthly results of the updating of the IGD as well as the amounts to be transferred by municipality, on MDS' website.

Recertification/exit policies		
Portaria GM/MDS No. 148	27 April 2006	<ul style="list-style-type: none"> • Establishes the periodicity of Cadastro recertification (2 years) • Establishes the norms, criteria and procedures for federal support of the local management of the BFP and of the Cadúnico. • Creates the Index of Quality of Decentralized Management (IGD) of the BFP, based on which transfers to municipalities will be calculated. • Addresses the issue of transfer to municipalities who are not yet carrying out local management of social assistance programs in accordance with Resolution 130 of July 2005. • States that SENARC will publish monthly results of the updating of the IGD as well as the amounts to be transferred by municipality, on MDS' website.
Complementary programs		
Portaria MDS No. 566	14 November 2005	<ul style="list-style-type: none"> • Establishes the intention of the MDS to sign agreements with municipalities and NGOs for the development of projects of productive inclusion aimed at re-inserting street people into society and into their families and re-establish their community links. • Establishes that only those municipalities that are enrolled in the Full Management system (Gestão plena) will be eligible to sign agreements for the execution of projects. • Establishes specific criteria for municipalities and NGOs to be able to sign agreements and defines rules regarding the financing of projects. • States that the projects to which this Directive refers must be capable of being self-sustainable.

Annex 2 – Evolution of Brazil’s Conditional Cash Transfer Programs

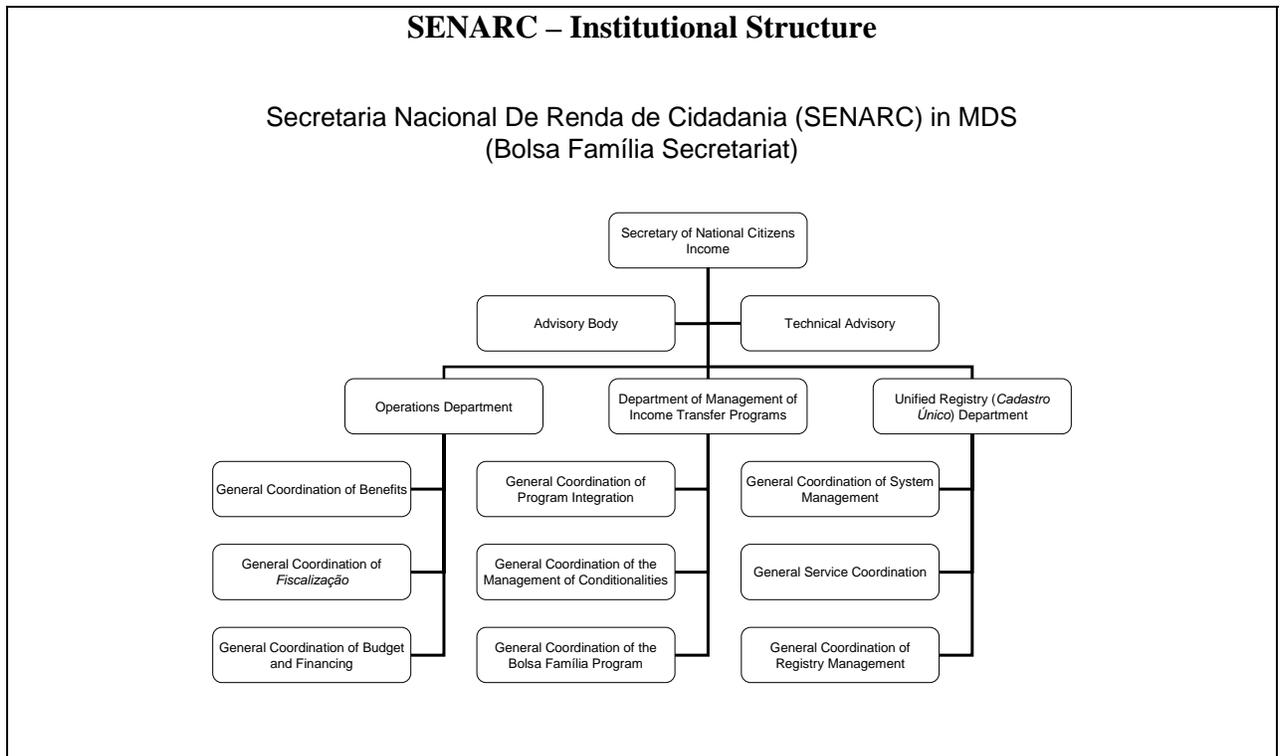
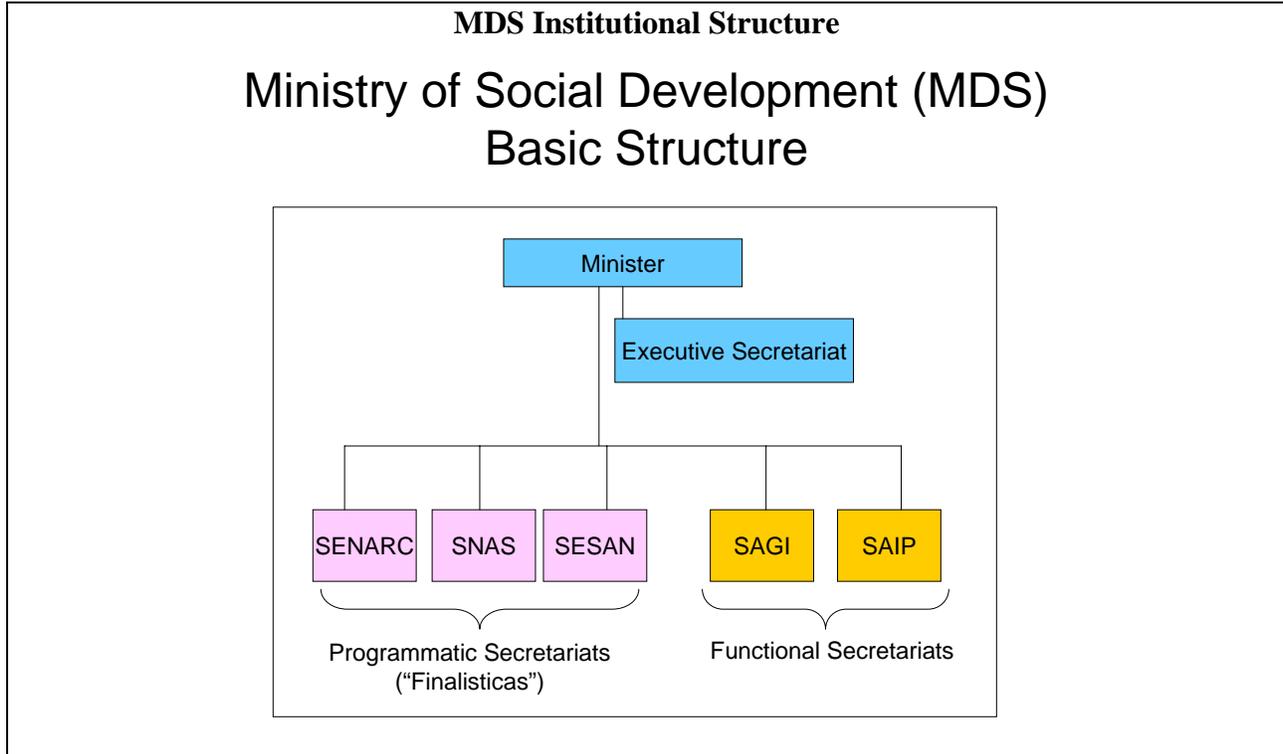
Program and Agency	Dates	Eligibility Criteria	Monthly Benefits	Conditionalities	Number of Beneficiaries (year)
Early Municipal Programs (by 2001 there were over 100 municipal programs)					
<i>Renda Mínima</i> Campinas Municipality	1995- present	Max. income R\$140 per month (or max. R\$35 per capita). Resident in Campinas at least 2 years prior to program creation.	Monthly benefit equals difference between total family income and the sum of family members multiplied by the value of R\$35.	Children under 6 must receive medical care and undergo nutritional monitoring. Children between 7 and 14 must attend school. One of the parents must attend a monthly group meeting with social workers and psychologists to discuss their problems, how to use the program transfers (though there are no conditions on how they are spent) and receive family planning guidance.	2 500 families in 2001
<i>Bolsa Escola</i> ¹⁵⁵ Federal District	1995- 1998	Max per capita family income of ½ minimum wage, R\$50. Resident in DF at least 5 years prior to program’s creation.	1 minimum wage per family per month, R\$100.	School aged children (age 7 to 14) must have 90% school attendance minimum.	25.680 families (50.673 children) in 1998
Pre-Bolsa Familia Federal Programs (2001-03)					
<i>Bolsa Escola Federal</i> (BE) Ministry of Education	2001-2003	Per capita family income below R\$90 (US\$43)	R\$15-45 (US\$7-21)	School aged children (age 6 to 15) must have 85% school attendance minimum	15.2 million beneficiaries in 2003.
<i>Bolsa Alimentação</i> (BA) Ministry of Health	2001-2003	Per capita family income below R\$90 (US\$43)	R\$15-45 (US\$7-21)	Family must access basic health care, pre- and post-natal care, vaccination, nutritional and growth monitoring of children age 0 to 7 years.	1.5 million beneficiaries in 2003.
<i>Auxilio Gas</i> (AG) Ministry of Mines & Energy	2002-2003	Per capita family income below ½ minimum wage, or R\$90 and (1) be registered in the Cadastro Único; or	R\$7.50 per family	None	28.7 million beneficiaries in 2003.

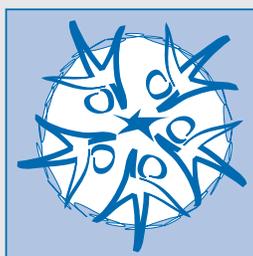
¹⁵⁵ Source: Suplicy, Eduardo Matarazzo “De la Renta Mínima a la Renta Básica en Brasil: La reciente evolución de un instrumento de Combate a la Pobreza y a la Desigualdad”

		(2) be a beneficiary of BE or BA.			
<i>Programa Cartão Alimentação</i> (PCA) (former) Ministry of Food Security	February - December 2003	Per capita family income below ½ minimum wage, or R\$90.	R\$50 per family	Benefits to be spent on food	1.4 million beneficiaries in 2003.
Program to Eradicate Child Labor (PETI) Ministry of Social Development, MDS	1996-present (cash transfer part of PETI merged into BFP as of January 2006) ¹⁵⁶	Families with children and adolescents between the ages of 7 and 15 years old involved the worst forms of child labor.	R\$25-40 per family plus a transfer of R\$10-20 per child to schools for after-school activities. For 15-year olds at extreme risk, transfer of R\$65 per month and transfer for school activities R\$220 per year.	Minimum attendance of children and adolescents in school and other activities (jornada ampliada) of 75%. Families must participate in social education and income generating activities, and must ensure that their children are not involved in child labor.	3.3 million beneficiaries in 2002.
Bolsa Família Program (2003-present)					
Bolsa Família Program (BFP) Ministry of Social Development	October 20, 2003-present	Per capita family income below R\$120 (US\$57)	R\$15-95	Family must access basic health care, pre- and post-natal care, vaccination, nutritional and growth monitoring of children age 0 to 7 years. School aged children (age 6 to 15) must have 85% school attendance minimum.	45 million beneficiaries (11.1 million families) as of June 2006

¹⁵⁶ The integration of the PETI into the BFP was established by Portaria 666 of 28 December, 2005.

Annex 3 – Institutional Structures of MDS and SENARC





This paper is one in a series of World Bank Working Papers that seeks to document the experience of Brazil's Bolsa Família Program (BFP). It highlights the key "nuts and bolts" of designing and implementing the BFP in Brazil's decentralized context. Like other conditional cash transfers (CCTs), the BFP seeks to help (a) reduce current poverty and inequality, by providing a minimum level of income for extremely poor families; and (b) break the intergenerational transmission of poverty by conditioning these transfers on beneficiary compliance with human capital requirements (school attendance, vaccines, pre-natal visits). The program also seeks to help empower BFP beneficiaries by linking them to other complementary services.

HUMAN DEVELOPMENT NETWORK

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