1. Country and Sector Background

Brazil’s Government is committed to realizing the country’s large potential for welfare improvements through simultaneous actions on the economic and social fronts. Deeper social progress is essential to improve the quality of life of the least advantaged groups. The importance of achieving visible and rapid social gains while maintaining economic stability is further highlighted by the ambitions, high expectations, and hopes that rest on this particular administration. Rapid achievements on the social side would consolidate broader support for economic responsibility and difficult reforms, thus strengthening the foundations for growth and for even faster social progress in the future.

Despite impressive progress over the past decade, challenges remain. Education indicators still lag due to Brazil’s low starting point, particularly among the poor. Disparities remain in health care funding across regions, and in utilization rates across socio-economic groups. Poverty has remained fairly constant since the mid-1990s even if the poverty profile has changed, with the effects of the recent economic slowdown being felt primarily in metropolitan areas in the Southeast. In fact, poverty levels in metropolitan areas increased sharply, with the Southeast share of poverty increasing from 17-26% from 1998-2001. Poverty incidence among youth also increased, and poverty rates continue to be especially high for those with low levels of education, as well as for indigenous and afro-descendent (quilombola) populations. Related to these disparities, Brazil is still one of the world’s most unequal societies: with a Gini coefficient of 0.59 for incomes, the richest 1% of the population receives 10% of total monetary income—the same share as the poorest 50%. Analysis shows that income inequality in Brazil stems primarily from unequal access to education and a high skill premium for labor, along with a highly regressive pension system.

Higher quality and more equitable access to education (including secondary and tertiary education) are key to reducing poverty and inequality in the long run. However, the positive impacts of education reform take time to materialize. Reforms to social assistance programs and a more equitable pension system can achieve complementary results sooner and substantially reduce inequality and alleviate poverty.
Reform Agenda: Integrating Social Assistance Programs. As part of its dual focus of maintaining macro stability while achieving more equitable growth and rapid social progress, the Government recently initiated sweeping reforms to improve its social safety net. These reforms seek to integrate several federal programs, including Bolsa Escola, Bolsa Alimentação, Cartão Alimentação, and Auxílio-Gás. Although each of these programs maintained its own emphasis (promoting schooling, health care, food consumption, or compensating for adjustment), they all provided cash transfers to roughly the same target group of poor families. Each program was managed with separate administrative structures, beneficiary selection processes, and banking-sector contracts for payments issuance. These separate structures created inefficiencies and administrative duplications, resulted in considerable gaps and duplications in coverage, and missed important synergies from jointly promoting education, health and nutrition.

Given these inefficiencies, the reforms seek to integrate these programs into a single, improved conditional cash transfer (CCT) program called the “Bolsa Família Program (BFP).” The objectives of this safety net integration reform include: (a) consolidating and rationalizing existing federal conditional cash transfer programs; (b) promoting efficiency in the use of public resources; (c) improving the system for identifying the target population; (d) leveraging synergies from jointly promoting education, health and nutrition incentives; (e) strengthening monitoring and evaluation; and (f) leveraging opportunities to promote vertical integration in the social safety net between federal and sub-national programs.

These reforms, and the design of the new Bolsa Família program, were supported by the First Integrated Human Development Policy Sector Reform Loan (PSRL) and technically by the programmatic Brazil Social Assistance (BRASA) ESW program (see below).

The Bolsa Família Program. With this platform, the objectives of the new BFP itself include: (a) reducing poverty and inequality today, through the provision of direct monetary transfers to poor families; and (b) reducing poverty and inequality tomorrow, by providing incentives and conditions for investments in human capital on behalf of beneficiary families, and by linking beneficiary families to complementary services that could help them invest and grow out of poverty in the future.

The BFP defines two target groups. The priority target group is those “extreme poor” families with per capita monthly incomes below R$50 (US$17). The program also targets those “moderately poor” families with per capita monthly incomes below R$100 (US$34) but higher than R$50 (US$17). Payments are preferably made to the mothers, as per the Bolsa Família law.

The program will provide cash transfers ranging from R$15-95 (US$5-33) to target families. The exact transfer amount will depend on income levels and household composition. These amounts were set with the goal of minimizing the number of people benefiting from the previous programs that could lose under the integrated program. Monthly transfers are expected to average about R$71 (US$24) per beneficiary family, significantly higher than average benefits of about R$24 (US$8) in total for the previous programs. On a per capita basis, this represents about 19% of the poverty line used by the World Bank, 12% of IPEA’s poverty line, and 6% of the minimum wage. While these transfers could create adverse incentives to work (causing, for example, a reduction in total adult hours worked), available evidence suggests they do not.

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1 Brazil does not have an official poverty line and research institutions use different poverty lines that lead to different poverty numbers. The poverty line used in the World Bank’s Poverty Assessment is set at around R$80 per month (US$27) and is adjusted for each region using a regional price index. This results in a national poverty rate of 28.7%. IPEA’s extreme poverty line was established at R$62, yielding an extreme poverty rate of 14.6%. IPEA calculates the full poverty line as twice the extreme poverty line, or R$124, resulting in a poverty rate of 33.6%. This value is close to that being used by the Government in their documents.

The transfers would be conditional on all relevant family members complying with key human development conditionalities as part of an important policy shift towards focusing assistance on the family (rather than on individuals). Previous programs provided support and conditionalities only for some individuals within the family. For example, under Bolsa Escola, school attendance was only required for up to three school-aged kids, but not for any more than three children. The same was true for Bolsa Alimentação. In addition, synergies are expected from the simultaneous promotion of investments in health and education within a family. In some areas, the supply of adequate or the availability of culturally appropriate health and education services may be lacking. The BFP is developing a policy to establish co-responsibility requirements for beneficiary families in these cases.

The interaction between targeted CCT programs and the provision of more universal “supply side” services for health and education is mutually complementary: (a) on the one hand, the provision of quality health and education services is clearly a crucial requirement for conditional transfers to work; as such, efforts are being made to simultaneously invest in such services; (b) on the other hand, even if health and education services were universally available, CCTs would be needed to help alleviate common demand-side constraints (direct and indirect costs) that prevent poor households from taking up these services. Investments in both the BFP, and in the supply and quality of health and education services, are thus crucial elements of a balanced human capital development strategy. An inter-ministerial social committee has been established to help ensure coordination among the social sector ministries (and the Ministry of Education, for example, has also established a special secretariat to focus on the issues of inclusion and diversity in education, including coordinating links with the BFP).

In addition, an important policy emphasis for the BFP is to foster bridges between Bolsa Família beneficiaries and other complementary services so as to help promote their “emancipação” (development) and to help them escape from poverty (porta de saída). Indeed, Bolsa Família has opted not to establish rigid time limits for beneficiaries, but rather to help reduce their dependency on social assistance by fostering their development through these links.

Bolsa Família is rapidly becoming one of the Government’s major social initiatives. It surpassed its target of 3.6 million families in its first three months of operation in 2003 (reaching 3.615). The program targets coverage of 11.4 million families (or about 44 million people) by 2006 and 12.7 by 2007, which will represent a significant scaling up of social assistance as compared with the (overlapping) coverage of its predecessors.

Meeting these targets will require a significant but managed increase in financing, reaching a total of R$31 billion (US$11.5 billion) over the PPA (multi-year plan) period from 2004-07. The planned budget is R$5.8 billion (about US$2 billion) for 2004, which is already over R$1.5 billion higher than spending on the separate programs in 2003, mainly due to the higher average benefits paid to Bolsa Família beneficiaries as compared to those on the previous programs. In terms of shares of total federal primary expenditures and GDP, the program will rise from 1.1% of primary expenditures in 2003 to 2.5% by 2006 and from 0.2% of GDP in 2003 to 0.5% by 2006. This rise in spending needs will likely be offset by expected savings from the recently-approved pension reforms, estimated at 0.4% of GDP (or about R$8 billion) per year during that period. The shift in resources from regressive pensions to progressive conditional cash transfers under the BFP is an important part of the Government’s strategy to reduce poverty and inequality in Brazil. Efficiency gains will arise from merging the programs, and will also partially offset these higher costs (thus allowing for greater coverage).

The program is also seeking better complementarity and a pooling of resources with state and local programs for expanded coverage to further expand the pool of available resources. This includes various types of partnerships, including: (a) some that seek vertical integration with existing local bolsa-type programs (that would allow for a pooling of federal and local resources to either expand the number of
beneficiaries covered or increase the benefit levels); and/or (b) some that seek to link beneficiaries of the BFP with complementary services.

2. Objectives

The broad objectives of the BFP are to reduce poverty and inequality and promote human capital investments among poor families through the provision of direct monetary transfers to poor families and incentives for investing in human capital. As a Sector-Wide Approach, World Bank assistance would broadly support these same objectives. As the World Bank’s financial contribution is relatively small (US$520.2 million, or about 8% of total conditional cash transfers under the BFP), it would be most accurate to state that overall reduction of poverty and inequality is the ultimate objective of the Bank’s assistance under the proposed project. The proposed project would seek to strengthen the BFP’s ability to achieve these broader objectives of reducing poverty and inequality and promoting human capital development by supporting: (a) a consolidation of conditional cash transfer programs and reductions in gaps and duplications in coverage; (b) a strengthening of the system for identifying the target population; (c) the development of a monitoring and evaluation system for the BFP; and (d) a strengthening of the basic institutional functioning of the program.

The proposed project is at the center of one of the core pillars of the Bank’s CAS – achieving a more equitable Brazil – and is closely aligned with corporate priorities of achieving the Millennium Development Goals (MDGs). The BFP will directly contribute to the reduction of poverty (MDG 1) and inequality in the short- and long-term. In coordination with other government programs, many of which are Bank supported, it will also contribute to reducing malnutrition (MDG 1), achieving universal education (MDG 2), reducing child mortality (MDG 4), and improving maternal health (MDG5) through the demand-side incentives it provides for investments in education, nutrition and health (for pregnant women and young children).

3. Rationale for Bank Involvement

The proposed Project will support one of the Government’s flagship social initiatives: the Bolsa Família Program. First, it would help the Brazilian authorities to carry out and improve the effectiveness and efficiency of the BFP over the course of the project period, reducing overlaps and filling gaps in coverage. Second, the World Bank loan would also help to ensure that the program receives priority and is protected from possible budget cuts during the project period. Third, the proposed project would, at the same time, contribute to the financing of Brazil’s critical development priorities overall. Fourth, the loan would provide critical additionality in technical design and implementation. The activities supported by the loan to strengthen the system for identifying the target population, monitoring, evaluation, and institutional arrangements seek to provide important value added with respect to the entire program. In addition, performance incentives (see below) to pace disbursements against the productive activities of the BFP with technical improvements to the program, as well as ongoing World Bank involvement in supervision throughout the project period, would help augment the impact derived from the technical components. As such, the World Bank’s participation with a loan size that is only a small share (less than 10%) of the BFP over the project period would nonetheless allow for a scale of impact on the content and performance of the entire program.

This first ambitious program-wide sector investment operation (SWAp) builds on lessons learned in smaller SWAp components in previous projects, in Brazil and elsewhere. It also pave the way for the use of SWAp in Brazil, as set out in the FY04-07 CAS, in support of high priority government programs where similar Bank policy and technical additionality can have a strategic and catalytic impact on a sector or large program.
The proposed project will draw on the significant technical assistance that the World Bank has been providing to the Government for the conceptualization and design of these reforms since March 2003, following discussions between President Lula and President Wolfensohn. This support has been provided under the umbrella of the Brazil Social Assistance Program (BRASA, EW-P078828-ESW), a programmatic ESW/AAA program, including assistance on the overall design of an integrated program, issues pertaining to the system for identifying and selecting beneficiaries, and monitoring and evaluation of the program.

The proposed project would also build on and complement the on-going PSRL program in the Human Development (HD) sectors, which emphasizes actions to enhance equity, improve the quality and efficiency of social programs, and increase accountability in the social sectors. It will also entail significant synergies with the proposed HD Technical Assistance Loan (TAL), which would assist the Government in developing institutional capacity to monitor the progress and impact of its social policies. Specifically, the proposed TAL would provide support to the Brazilian Institute of Geography and Statistics (IBGE) to strengthen their household survey system for the purposes of monitoring and evaluating social policy, including the generation of data that would be highly relevant for monitoring and evaluating the performance of the BFP. The TAL would also support a strengthening of monitoring and evaluation in education and health, which entails valuable inter-sectoral linkages for the BFP.

More generally, the World Bank has acquired considerable technical expertise around the world in strengthening targeting systems, developing monitoring and evaluation systems for conditional cash transfers, and in promoting the types of institutional innovations envisaged for the BFP. The Bank team consists of specialists who bring considerable international experience in each of these areas.

4. Description

The proposed first phase APL project (mid-2004 to end-2006) would consist of five components: one component that would reimburse the Government for expenditures on conditional cash transfers under the BFP; three mutually-reinforcing technical components to help improve the quality and basic architecture of the program; and a small component for project management.

**Component 1: Conditional Cash Transfers (Grants) (US$6,493 million in project costs; US$500 million in loan financing).** This component would provide support to the Government in consolidating and rationalizing conditional cash transfers, and in reducing duplications and gaps in coverage of the BFP, as part of a broader and balanced strategy for economic and human capital development. For this component, the World Bank would reimburse the Treasury a share of the expenses on conditional cash transfers made under the BFP during the project period. The category of disbursements would be cash transfers (BF grant transfers). Disbursement percentages would increase as key technical improvements (“milestones”) are made, as discussed above.

**Component 2: Strengthening the System for Identifying the Target Population (US$3.7 million in project costs including contingencies).** This component would provide assistance to improve the mechanisms used to identify the target population of the BFP, which constitute a key element of the basic architecture of the program. With a more accurate system for identifying the target population, the program will achieve better redistributive efficiency, with a higher share of its resources going to the poor, and will be able to cover a larger share of the poor. It will thus serve as a more efficient instrument for reducing poverty and inequality in Brazil.

As with its predecessors (pre-reform programs), the BFP selects beneficiaries from a national database of potentially poor households called the “Cadastro Único.” While the construction of the Cadastro Único sought to integrate household registries across the (previous) multiple programs in a very short period of
time, there are several aspects of the system that could be improved. To do this, Component 2 of the proposed project will support activities to strengthen the system for identifying the target population of the BFP and overhaul the Cadastro Único system in several key areas: (a) clarifying the strategic framework for the overall system including conducting a study to identify other programs that could potentially use the Cadastro for eligibility determination; (b) revising the eligibility criteria for the BFP and the Cadastro questionnaire and data collection strategy, taking into account different local realities reflecting urban vs. rural settings (including population and poverty density) and diverse cultural, ethnic and racial characteristics of the populations; (c) reducing administrative errors in the Cadastro Único; and (d) enhancing the legitimacy of the Cadastro Único system; (e) strengthening the technical and technological capacity of the Cadastro Unit in MDS to monitor, verify and use the Cadastro Único, as well as the capacity of municipalities and other potential cooperating institutions for carrying out data collection and beneficiary selection.

Component 3: Developing a Monitoring and Evaluation System (US$6.7 million in project costs including contingencies). This component would support the design and implementation of a solid monitoring and evaluation (M&E) system. Such a system would constitute a key element of the basic architecture of the program, and one that the Government has made a top priority since the launching of the BFP. To support this, Component 3 of the proposed project will support: (a) the development of a strategy for the overall M&E system and support for capacity building in MDS in this area; (b) the strengthening of Bolsa Família’s management information system (MIS) which would provide up-to-date information on program activities and outputs; (c) the development of instruments to monitor program processes to provide feedback on the quality of service delivery and program implementation and to detect problems so that they can be corrected early, including (i) inter-government processes; (ii) annual Quality Control Reviews to monitor BFP processes (including verification of health and education conditionalities, the selection of beneficiaries, and payments); and (iii) support for citizen oversight (“social control”) mechanisms; and (d) the development, execution, and analysis of qualitative instruments and quantitative surveys to monitor and evaluate key outcomes and the impact of the program at both the “territorial” (municipal and sub-municipal) and family levels.

Component 4: Institutional Strengthening (US$4.2 million in project costs including contingencies). This component would support the strengthening of the basic institutional functioning of the BFP in terms of:

- Strengthening of the operational institutional framework, including the legal architecture of the program (developing needed regulamentos, operational guidelines, norms, etc. for the BFP and the Cadastro Único);

- Strengthening program management, including: (a) clarifying and strengthening institutional roles for the basic functioning of the program itself, including developing a matrix of responsibilities, clarifying information flows for the Cadastro Único, and developing and implementing a system for verifying human capital conditionalities; (b) providing training and technical assistance on the system for verifying human capital conditionalities; (c) developing a strategy for operating the program in remote areas; (d) defining possible mechanisms for inter-governmental partnerships to help in expanding the program, increasing the level of benefits, and/or linking BFP beneficiaries to complementary services; and (e) developing an inter-municipal information network to share good practices, experiences with implementing conditional cash transfers and the BF Program across municipalities;

- Developing a solid communications and dissemination strategy with consideration of culturally- and ethnically diverse publics, including: (i) establishing a “hotline” number with trained operators to answer questions on the program and the Cadastro Único (for the general public,
beneficiaries, other officials, etc.); and (ii) designing, printing and disseminating information booklets (cadernetas) for beneficiaries (including information about benefits and conditionalities); and

- Evaluating and piloting social welfare innovations in “self-sufficiency” and “bridging” approaches and service delivery. This sub-component would support initiatives (Subprojects) to help BFP beneficiaries develop tailored strategies for growing out of poverty (self-sufficiency or “emancipação” strategies) and gain access to complementary programs and services (bridging services). These initiatives could involve various approaches, including: (a) social worker support to help beneficiaries develop these self-sufficiency (emancipação) strategies and bridging access to complementary services; and/or (b) the development of “one-stop shops” where beneficiaries can gain access to information about a variety of social services (including the BFP). Some similar experiences have also been developed at the local level in Brazil. The sub-component would thus support; (a) international study tours and exchanges to share information on these various “emancipação” and “bridging” approaches; (b) consultancies and workshops to help design mechanisms for piloting and evaluating such approaches under the BFP; and (c) an “Innovations Fund to Promote the Self-Sufficiency (Emancipação) of BFP Beneficiaries” (Subprojects). The adoption of Operational Guidelines satisfactory to the World Bank for these Subprojects will be required prior to disbursement on this sub-component.

Component 5: Project Management (US$0.7 million in project costs including contingencies). The project will support existing institutional structures in MDS and a Core Management Committee (“Nucleo Gestor”), led by the Executive Secretary (SECEx) and made up of managers of the relevant units in MDS, that would oversee the project. To provide such support, the proposed Project will finance incremental costs related to management and supervision of Project activities. These costs include a committee of external consultants that would help advise on overall project activities and strategy, consultants on each of the three technical components, consultants for the fiduciary and operational aspects (procurement, financial management, project planning and supervision), office equipment, and travel expenses.

5. Financing

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<th>Source:</th>
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<tr>
<td>FEDERATIVE REPUBLIC OF BRAZIL &amp; INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT*</td>
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<td>(of which the IBRD loan will reimburse 500.0 in expenditures for conditional cash transfers under the BFP, provide 15.0 for technical assistance and project management, and provide 5.2 as capitalizatoin of the front-end fee)</td>
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* The total IBRD loan is US$520.2 million. The BFP conditional cash transfers to beneficiaries (grants) to be reimbursed by the loan are funded with government resources that are largely earmarked for that purpose.

6. Implementation

The Borrower will be the Federative Republic of Brazil. The proposed project will be implemented by the newly-created Ministry of Social Development (MDS). MDS was created on January 23, 2004 with the objective of further integrating the management of Brazil’s social programs (as part of a broader integration strategy that also covered the integration of conditional cash transfer programs into the BFP). The MDS integrated three previous entities, including the Extraordinary Ministry for Food Security (MESA), the Ministry of Social Assistance (MAS), and the Executive Secretariat for the Bolsa Família Program (which was previously under the Presidency).
The MDS structure includes *inter alia* an Executive Secretariat (SECEX) under the Minister, which oversees two special departments, a Directorate of Special Projects (DPE) and a Secretariat for Planning, Budget and Procurement (SPOA), and which supervises the activities of five secretariats, including the Secretaria Nacional de Renda de Cidadania (SENARC); a secretariat for other social assistance programs (e.g., BPC-LOAS, PETI, Agente Jovem); a secretariat for food security; a secretariat for *articulação* (policy); and a secretariat for monitoring, evaluation and capacity building. The SENARC oversees the operations of the Bolsa Família Program. The BFP is also guided by the decisions of the President, supported by the recommendations of an inter-ministerial board (*Conselho Gestor Inter-ministerial do Programa Bolsa Família - CGI*), which is responsible for policy coordination and promoting partnerships between the various sectors and levels of Government and with civil society. Institutional arrangements for various functions of the program also involve a number of other actors.

To promote a mainstreaming of project activities and to contribute value added to the overall Bolsa Família Program, the proposed project will not be managed by a separate, specially created project management unit. Instead, project management will be led by a Core Management Committee (CMC, *Núcleo Gestor*), headed by the Executive Secretary (SECEX) and including managers from the relevant units of MDS, with support from technical and operational teams and advisory committees. Overall strategic guidance would be overseen by the *Núcleo Gestor*. Technical and content aspects would be managed by a technical team, and operational aspects (supervision, procurement, financial management) would be managed by an operations team in the Operations Department of the SENARC.

7. Sustainability

Three factors shape the sustainability of the BFP: Government commitment; the credibility and quality of the program; and fiscal sustainability.

First, as discussed above, the BFP is Brazil’s flagship social program and it plays a central role in the Government’s development strategy. Overall commitment to the BFP is extremely high, both in terms of support from the highest levels of government and in terms of broad support in the different branches of government (as evidenced, for example, by the rapid passage of the law establishing the program).

Second, while rapid expansion is aimed at fulfilling the high expectations attached to the program and the need for quick results, investments in the quality of the program are also crucial for ensuring the sustainability of the program. A solid system for accurately identifying the target population is the foundation of the program’s credibility. The proposed project seeks to strengthen this system (the Cadastro Único) under Component 2. Institutional strengthening – including a clarification and strengthening of the institutional roles for core program functions (such as the system for identifying the target population and the verification of conditionalities) and a solid communications strategy – is also central to improving and maintaining the program’s credibility. Component 4 will support efforts to strengthen these functions. Quality control processes are also crucial for building credibility and providing program managers with needed feedback to identify and correct problems as they arise. The development of such processes will be supported by Component 3. A solid impact evaluation can also promote sustainability of the program by demonstrating the program’s effectiveness and results. This has been the case for conditional cash transfer programs in other countries – such as Mexico’s PROGRESA, where a solid demonstration and quantification of positive outcomes resulted in the resilience of the program across administrations (though the name was changed under a new administration). Component 3 will support the design and implementation of a baseline impact evaluation survey, which would then be followed up by an evaluative survey in the proposed second APL project.

Third, with respect to fiscal sustainability, the program is expected to increase in size and resource needs. The program is expected to reach 11.4 million families by the end of the project period (2006), up from
3.6 million families at the start of 2004. A significant share of these beneficiaries will be converted from existing pre-reform programs, so the marginal increase is smaller than if the beneficiaries were entirely new. Nonetheless, the program will require a significant but managed increase in resources, from R$4.3 billion in 2003 (even less for the pre-reform programs in 2002) to R$9.4 billion by 2006. In terms of shares of total federal primary expenditures and GDP, the program will rise from 1.1% of primary expenditures in 2003 to 2.5% by 2006 and from 0.2% of GDP in 2003 to 0.5% by 2006. This rise in spending needs will likely be offset by expected savings from the recently-approved pension reforms, estimated at 0.4% of GDP (or about R$8 billion) per year during that period. The shift in resources from regressive pensions to progressive conditional cash transfers under the BFP is an important part of the Government’s strategy to reduce poverty and inequality in Brazil. Efficiency gains will arise from merging the programs, and will also partially offset these higher costs (thus allowing for greater coverage). The program is also seeking better complementarity and a pooling of resources with state and local programs for expanded coverage to further expand the pool of available resources.

8. Lessons Learned from Past Operations in the Country/Sector

The choice of project design benefits from lessons learned in Brazil’s relatively long and rich history with conditional cash transfers (both at the federal and at the local levels) and on international experience. As discussed above, it also builds on the findings of an on-going programmatic sector study (the BRASA), particularly the in-depth work on safety net integration reforms and targeting. Among the main lessons learned from these experiences are:

(a) **Instrument.** Experience to date – albeit still very limited – reveals that as an approach, SWAps offer an enormous opportunity for leveraging up the Bank’s own financial contribution to provide impact on an entire sectoral program (rather than just at the project level). By relying on the Borrower’s fiduciary framework (in this case for financial management only), the SWAp approach is responsive to client requests for a streamlining of Bank requirements by eliminating the need for maintaining parallel records and procedures only to satisfy the Bank’s own requirements. In addition, task manager experience with an ongoing SWAp in Brazil indicates that the end result of streamlining fiduciary systems and requirements is that the Bank’s supervision process becomes focused more on providing technical advice and addressing sectoral issues that may arise, as opposed to focusing on procedural requirements that are best handled by fiduciary specialists.

(b) **Importance of strong borrower commitment, ownership and leadership.** There is no doubt that the BFP has both high-level and widespread commitment. Indeed, it is the Government’s flagship social initiative. Support for the consolidation of conditional cash transfers as a way to build on previous successes and bring them to a new level of performance has been widespread, cutting across political parties, branches of government (with strong executive support and rapid passage of the Bolsa Família Law by the Congress), academic circles, civil society and even the media. It is generally believed that such integration will improve the efficiency and equity of these instruments. Internationally, providing conditional cash transfers to poor families has been shown to be an operationally feasible and politically acceptable approach to social assistance. Research has shown that concerns about cash subsidies being “assistentialist” can be overcome by: (a) linking the assistance to desirable behaviors such as sending children to school and for health care visits; and (b) giving the transfers to mothers whose decisions regarding the intra-household allocation of resources often favor children’s nutrition, health and education. Both of these conditions are features of the BFP. Other concerns about possible “welfare dependency” can be alleviated by efforts to link beneficiaries to other complementary services that could help them “grow” out of poverty (as will be developed under the BFP, with the support of the proposed project).
(c) **Importance of accurate selection of beneficiaries.** Internationally, the impact of transfer programs on poverty and inequality has been considerably higher with an effective system for identifying and selecting beneficiaries. Recent evaluations (including one conducted under the BRASA programmatic ESW) suggest that several aspects of Brazil’s Cadastro Único – the household registry from which Bolsa Família beneficiaries are selected – should be improved. Given its importance as a critical feature of the basic architecture of the program, the proposed project will support key activities to strengthen the system for identifying the target population of the BFP (and the Cadastro Único system).

(d) **Impact on educational attainment.** Conditional cash transfer programs have improved educational indicators and outcomes. An ex-ante evaluation by Bourguignon, Ferreira and Leite (2003)\(^3\) found that Brazil’s Bolsa Escola Program (one of the predecessors to the BFP) significantly increased the share of children in school and decreased the share that were only working. Using similar methodologies, simulations suggest that the BFP could significantly increase total educational attainment and reduce repetition rates. Mexico’s PROGRESA program (a conditional cash transfer program now called Oportunidades) has had significant impacts in improving educational attainment of the poor, raising total years of schooling by an additional 0.66 years. It has also contributed to increasing enrollment and reducing repetition and drop out rates.

(e) **Impact on health and nutrition.** Conditional cash transfer programs have also improved health and nutrition indicators, but care must be taken in avoiding the use of anthropometric indicators for eligibility purposes. Mexico’s PROGRESA program significantly improved nutrition and helped make young children more robust to illness. IFPRI’s evaluation of the Bolsa Alimentação Program (one of the predecessors to the BFP) shows it had a significant impact on food consumption and dietary diversity. Nonetheless, despite these positive impacts, the program had a surprisingly negative impact on child growth. Since most of the mothers selected to participate in the program were former beneficiaries of a program (“ICCN”) that previously distributed milk and oil exclusively to underweight children, it is possible that beneficiary mothers assessed that the continued eligibility of their children would be negatively affected by their achieving normal weight. This kind of strategic behavior had been widely reported by health workers monitoring ICCN beneficiaries. The IFPRI evaluation also found that the Bolsa Alimentação program had a small positive effect on the growth of children who had not previously benefited from the ICCN program. The implications of these results underscore the importance of not using anthropometric indicators for eligibility purposes and investing in significant public information campaigns to promote the positive messages of growth promotion. In fact, the BFP includes growth promotion as a condition of receiving benefits for very young children, and does not base eligibility on evidence of malnutrition.

(f) **Emancipatory Strategies and Bridging to complementary services.** International experience, suggests that efforts to link (“bridge”) beneficiaries of transfer programs to other complementary services and to help them develop “emancipatory” strategies can be an effective way to help them “grow” out of poverty and reduce their dependence on social assistance. The proposed project would support the development of emancipação and bridging approaches.

(g) **The need to establish a solid monitoring and evaluation system.** Any new, large-scale social sector program needs to have a system to monitor program activities (MIS), implementation processes, beneficiary satisfaction and service delivery, and program outcomes and to evaluate program impact. Such a system would include formal information mechanisms (such as surveys

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and audits), but also citizen oversight mechanisms (social control) to promote transparency and accountability. The proposed project supports the development of such a system for the nascent BFP.

(h) Institutional and implementation capacity. Programs of this nature require sophisticated administrative capacity. Although Bolsa Família is a new program operating under a new ministry, it builds on the foundations established by the pre-reform programs (e.g., maintaining the channeling of payments to beneficiaries in a fairly direct manner through Brazil’s extensive banking system). In addition, many of the staff involved in the Ministry of Social Development in general and the BFP in particular have extensive prior experience managing or working on the federal pre-reform programs or similar local CCT programs. The proposed project supports the strengthening of institutional capacity both at the federal and sub-national levels (via training, systems strengthening, consultancies, etc.).

9. Safeguard Policies (including public consultation)

OD 4.20 requirements were met with the Indigenous Peoples Development Plan in Annex 10 of the PAD. Consultations were held with representatives of indigenous and quilombola populations and anthropologists working with these groups as an input into the preparation of the IPDP.

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
</tr>
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<tbody>
<tr>
<td>Environmental Assessment (OP/BP/GP 4.01)</td>
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<tr>
<td>Natural Habitats (OP/BP 4.04)</td>
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<td>Pest Management (OP 4.09)</td>
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<td>Cultural Property (OPN 11.03, being revised as OP 4.11)</td>
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<td>Involuntary Resettlement (OP/BP 4.12)</td>
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<td>Indigenous Peoples (OD 4.20, being revised as OP 4.10)</td>
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<td>Forests (OP/BP 4.36)</td>
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<td>Safety of Dams (OP/BP 4.37)</td>
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<td>Projects in Disputed Areas (OP/BP/GP 7.60)*</td>
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<td>[X]</td>
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<tr>
<td>Projects on International Waterways (OP/BP/GP 7.50)</td>
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<td>[X]</td>
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</tbody>
</table>

9. List of Factual Technical Documents

Full Indigenous People’s Development Plan (IPDP) in Portuguese with an English Summary.

Detailed project costing tables.

Procurement Capacity Assessment (approved).


Viana, Ana Luiza d’Ávila (March 2004). “Programa Bolsa Família.”

10. Contact point

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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas
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