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Report No: 51185-BR

PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED LOAN  
IN THE AMOUNT OF US\$200 MILLION  
TO THE  
FEDERATIVE REPUBLIC OF BRAZIL  
FOR THE  
SECOND *BOLSA FAMÍLIA* PROJECT (APL 2)  
PROJETO CONSOLIDAÇÃO DO PROGRAMA BOLSA FAMÍLIA E APOIO AO  
COMPROMISSO NACIONAL PELO DESENVOLVIMENTO SOCIAL

August   , 2010

Human Development Sector Management Unit  
Brazil Country Management Unit  
Latin America and Caribbean Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective November 13, 2009)

Currency Unit = Real

US\$ = 1

Real = 1.73

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AAA	Analytic and Advisory Activities
APL	Adaptable Program Lending
BFP	<i>Bolsa Família Program</i>
BPC	Continuous Provision Benefit ( <i>Benefício de Prestação Continuada</i> )
CAS	Country Assistance Strategy
CCT	Conditional Cash Transfers
CDD	Community Driven Development Model
CEDEPLAR	Center for Development and Regional Planning ( <i>Federal university of Minas Gerais</i> )
CEF	Federal Savings Bank ( <i>Caixa Econômica Federal</i> )
CEL	Special Bidding Committee ( <i>Comissão Especial de Licitação</i> )
CGE	Center for Global Education
CIS	Social Information Consortium ( <i>Consórcio de Informação Social</i> )
CMC	Core Management Committee ( <i>Núcleo de Gestão</i> )
CNDS	National Commitment for Social Development ( <i>Compromisso Nacional pelo Desenvolvimento Social</i> )
CRAS	Social Services Centers ( <i>Centros de Referência da Assistência Social</i> )
DFID	Department for International Development
DPI	International Projects Directorate ( <i>Diretoria de Projetos Internacionais</i> )
DSEI	Specific Indigenous Health Districts ( <i>Distritos Sanitário Especial Indígena</i> )
FUNAI	<i>Fundação Nacional do Índio</i>
FAO	Food and Agriculture Organization
FGV	Getúlio Vargas Foundation ( <i>Fundação Getulio Vargas</i> )
FMA	Financial Management Assessment
GDP	Gross Domestic Product
GTZ	German Technical Agency for Technical Cooperation
HFA	Height-for-Age
IBGE	Brazilian Institute of Geography and Statistics ( <i>Instituto Brasileiro de Geografia e Estatística</i> )
IDB	Interamerican Development Bank
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
INCRA	National Institute for Colonization and Agrarian Reform
IPEA	Institute for Applied Economic Research
IPC	International Poverty Centre

IPP	Indigenous Peoples Plan
IT	Information Technology
MAS	Ministry of Social Assistance
MDA	Ministry for Agrarian Development ( <i>Ministério do Desenvolvimento Agrario</i> )
MDG	Millennium Development Goals
MDS	Ministry of Social Development ( <i>Ministério de Desenvolvimento Social e Combate à Fome</i> )
M&E	Monitoring and Evaluation
MESA	Extraordinary Ministry for Food Security
MOH	Ministry of Health
MSD	Ministry of Social Development
PAA	Food Purchase Program ( <i>Programa de Aquisição de Alimentos</i> )
PAC	Growth Acceleration Program ( <i>Programa de Aceleração do Crescimento</i> )
PNAD	National Household Survey ( <i>Pesquisa Nacional por Amostra de Domicílios</i> )
PETI	Program to Eradicate Child Labor ( <i>Programa de Erradicação do Trabalho Infantil</i> )
POM	Project Operating Manual
PPF	Program Financing Proposal
PSND	Public Sector Net Debt
PSDB	Brazil's Social-Democrat Party ( <i>Partido da Social Democracia Brasileira</i> )
PT	Workers' Party ( <i>Partido dos Trabalhadores</i> )
SAGI	Secretary for Information Management and Evaluation in MDS ( <i>Secretaria da Avaliação e Gestão da Informação</i> )
SAIP	Secretariat for Institutional Articulation and Partnership in MDS ( <i>Secretaria de Articulação e Inclusão Produtiva</i> )
SENARC	National Secretary for Citizen's Income in MDS ( <i>Secretaria Nacional de Renda de Cidadania</i> )
SECEX	Executive Secretary in MDS ( <i>Secretaria Executiva</i> )
SEPPIR	Secretary for Policies to Promote Racial Equality ( <i>Secretaria de Promoção de Políticas de Inclusão Racial</i> )
SIAB	Integrated System for Basic Care ( <i>Sistema de Informações da Atenção Básica</i> )
SIAFI	Integrated Administrative and Financial System ( <i>Sistema Integrado de Administração Financeira</i> )
SICONV	Contract and Partnership Management System ( <i>Sistema de Convenios</i> )
SINE	National Employment System ( <i>Sistema Nacional de Emprego</i> )
SISVAN	Nutrition Surveillance System ( <i>Sistema de Vigilância Alimentar e Nutricional</i> )
SOE	Statement of Expenses
SPOA	Sub-secretariat for Planning, Budgeting and Administration in SECEX ( <i>Subsecretaria de Planejamento, Orçamento e Administração</i> )
SWAP	Sector Wide Approach
UGP	Project Management Unit ( <i>Unidade de Gestão de Projetos</i> )
UNDP	United Nations Development Program

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BRAZIL  
 SECOND BOLSA *FAMÍLIA PROJECT* (APL 2)  
 PROJECT APPRAISAL DOCUMENT  
 LATIN AMERICA AND CARIBBEAN  
 LCSHS-DPT

Date: August <span style="background-color: yellow;">    </span> , 2010	Team Leader: Manuel Salazar
Country Director: Makhtar Diop	Sectors: Other social services (97%); Central government administration (2%); Sub-national government administration (1%)
Sector Manager/Director: Keith Hansen	Themes: Social safety nets (100%)
Project ID: P101504	Environmental category: C
Lending Instrument: Adaptable Program Loan	Joint IFC:
	Joint Level:

Project Financing Data			
<input checked="" type="checkbox"/> Loan <input type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:			
For Loans/Credits/Others: Total Bank financing (US\$m.): 200.00 Proposed terms: Commitment linked IBRD Flexible Loan with a variable spread, denominated in US dollars; front-end-fee capitalized; payment dates on May 15 and November 15 of each year with the following terms: 5 years grace period, 30 years total repayment term, with level repayments; all conversion options selected; and Interest Rate Cap/Collar premium to be financed out of the loan proceeds.			
Financing Plan (US\$m)			
Source	Local	Foreign	Total
Borrower	10,015.00	0.00	10,015.00
International Bank for Reconstruction and Development	200.00	0.00	200.00
Total:	10,215.00	0.00	10,215.00
<b>Borrower:</b> Federative Republic of Brazil Ministerio da Fazenda - PGFN Esplanada dos Ministerios Bloco P Brasilia, DF, Brazil, 70048-900, Fax: (55-11) 3412-1740			
<b>Responsible Agency:</b> Ministry of Social Development and for the Eradication of Hunger Esplanda dos Ministerios, Bloco C 5o Andar Gabinete, CEP, Brazil, 70058-900 Tel: (55-61) 3433-1001 Fax: (55-61) 3433-1025 Ministerio de Desenvolvimento Social e Combate a Fome Esplanada dos Ministerios, Bloco C, Brasilia DF, Brazil, 70058-900, Tel: 55 61 313-1630, Fax: 55 61 313-1728			

Estimated disbursements (Bank FY/US\$m)									
FY	FY11	FY12	FY13	FY14	FY15	FY16			
Annual	2.73	96.79	96.38	2.08	1.22	0.80			
Cumulative	2.73	99.52	195.90	197.98	199.20	200.00			
Project implementation period: Start : December 1, 2010 End: December 30, 2015									
Expected effectiveness date: December 1, 2010									
Expected closing date: December 30, 2015									

Does the project depart from the CAS in content or other significant respects? <i>Ref. PAD I.C.</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies? <i>Ref. PAD IV.G.</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is approval for any policy exception sought from the Board?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project include any critical risks rated “substantial” or “high”? <i>Ref. PAD III.E.</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project meet the Regional criteria for readiness for implementation? <i>Ref. PAD IV.G.</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

<p>Project development objective <i>Ref. PAD II.C., Technical Annex 3</i></p> <p>The Project seeks to strengthen the BF Program’s ability to achieve its objective of reducing poverty and inequality and promoting human capital development by improving schooling and health status of children and reducing incidence of malnutrition among the poor population.</p>
<p>Project description [<i>one-sentence summary of each component</i>] <i>Ref. PAD II.D., Technical Annex 4</i></p> <p>The proposed second phase of the APL project (2010-2015) would consist of six components, including:</p> <p><b>Component 1: Conditional Cash Transfers (BF Grants) (US\$10 billion; Bank financing: US\$185 million).</b> The objective of this Component is to co-finance the provision of grants (the BF Grants) to mothers or other designated family members to enable their families to access health, education and other services as provided in the BF Program and the Operational Manual.</p> <p><b>Component 2: Strengthening <i>Cadastro Único</i> as the Main Targeting Instrument for Social Programs (US\$6 million; Bank financing: US\$2.8 million).</b> The APL 2 will provide support, training, technical assistance and selected incremental operating costs to the Ministry of Social Development (MDS) to consolidate the <i>Cadastro Único</i> as the main mechanism used to select the target population of BF program and other social programs and, even more importantly, to integrate social programs at federal and sub-national levels. This Component will be carried out by MDS, through the National Secretary for Citizen’s Income (SENARC).</p> <p><b>Component 3: Institutional Strengthening for the Consolidation of the <i>Bolsa Família</i> Program (US\$9.7 million, Bank financing: US\$4.6 million).</b> This Component, also carried out by MDS, through the National Secretary for Citizen’s Income (SENARC), would finance activities of aimed at Strengthening the management, governance and accountability of MDS to implement the BF Program.</p> <p><b>Component 4: Consolidation of the Monitoring and Evaluation System in the Ministry of Social Development (US\$9.3 million; Bank financing: US\$4.5 million).</b> This Component will provide support, training, technical assistance, equipment and selected Incremental Operating Costs to consolidate</p>

MDS's capacity to monitor and evaluate social programs at federal and sub-national level and to strengthen its capacity

**Component 5: Supporting the National Commitment for Social Development (CNDS) (US\$2.9 million; Bank financing: US\$1.3 million).** This Component will provide support, training, selected Incremental Operating Costs, and technical assistance to MDS to make operational the National Commitment for Social Development (CNDS).

**Component 6: Operational Support to the Project Implementation Unit at the Ministry of Social Development (US\$1.7 million, Bank financing US\$1.2 million).** This Component will provide institutional support to DPI for the project implementation, emphasizing the need of technical knowledge transfer to the teams at MDS through the provision of goods and services required therefore.

Which safeguard policies are triggered, if any? *Ref. PAD IV.F., Technical Annex 10*

Since the program includes indigenous people and *Quilombolas* (descendents of runaway slaves) among its beneficiaries, the project triggers O.P. 4.10.

Significant, non-standard conditions, **if any**, for: *Ref. PAD III.F.*

**Board presentation:**

N.A.

**Conditions of Effectiveness:**

The Loan has been validly registered by the Borrower's Central Bank.

**Disbursement conditions:**

The loan has the following conditions for disbursements:

- a) for payments made prior to the date of the Loan Agreement, except that withdrawals up to an aggregate amount not to exceed \$2,700,000 and \$300,000 equivalent may be made for payments made within one year prior to this date but on or after November 13, 2009, for Eligible Expenditures under Categories (1) and (2) respectively; or
- b) For payments covered by Category (1) and (2) , unless the CEL is formally established and staffed, in a manner acceptable to the Bank.

The following key covenants also apply:

- a) If, at any time, the Bank determines that any portion of the amounts disbursed by MDS to the BF Account as BF Grant Transfers were (a) not used for BF Grants withdrawn by BF Beneficiaries; or (b) were made without compliance with the respective conditions and requirements for providing the BF Grants, the Borrower shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Borrower.
- b) The Borrower shall maintain in MDS, during the implementation of the Project, an organizational structure for Project implementation with functions and responsibilities set forth in the Operational Manual (the "PIU"), at all times headed by the Executive Secretary of MDS as its Project coordinator, and assisted by staff in adequate numbers, all with qualifications and experience acceptable to the Bank, including, *inter alia*, staff responsible for the monitoring,

evaluation and supervision of the carrying out of the Project.

- c) The Borrower shall carry out the Project in accordance with an operational manual, satisfactory to the Bank (the Operational Manual) ), said manual to include, inter alia:
  - (i) the procedures for the carrying out, monitoring and evaluation of the Project (including the Indicators) and the procurement and financial requirements thereof including the standard bidding documents to be used as per Section III. B. 2 of Schedule 2 of the Agreement;
  - (ii) the organizational structure for Project implementation; and
  - (iii) the criteria for identification, registration and selection of BF Beneficiaries; the requirements to be fulfilled by BF Beneficiaries as conditions for the provision of BF Grants (which shall include those set forth in Schedule 4 of the Agreement); the mechanisms for verification of compliance with BF Grant conditions; and the detailed procedures for coordination and collaboration among the municipalities and other cooperating institutions, the Financial Institutions, and other stakeholders in the carrying out of the Project and the social provisions referred to in paragraph (d) below.
- d) Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower, through MDS, shall carry out the Project in accordance with the provisions of the Borrower's Applicable Indigenous and *Quilombolas* Regulatory and Administrative Instruments as detailed in the Operational Manual.
- e) The Borrower, through MDS, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**BRAZIL**  
**Second *Bolsa Família* Project (APL 2)**

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## I. STRATEGIC CONTEXT AND RATIONALE

### A. Country and sector issues

1. **Renewed Emphasis on Growth with Sustainable Gains in Equity.** During its first term, President Lula's administration maintained a dual strategy of both promoting and maintaining economic growth, and also stimulating social progress to tackle the challenges of inequality. The latter was substantially improved by the consolidation, expansion, and improvements in the Government's flagship social program, the "*Bolsa Família* Program" (BFP). In its second term, the current administration launched a renewed push for economic development and faster growth, as well as actions to further strengthen social policy and ensure that the recent gains in equity are sustainable, especially to weather the current economic slowdown. In this framework, the Government has paid special attention to: (a) consolidating *Bolsa Família* at the core of its social safety net strategy; (b) complementing it with other social protection initiatives beyond CCTs; and (c) enhancing the program's processes to serve as a gateway for other income generation and skills development interventions at federal and state level, and also to help address some of the negative impacts of recent shocks.

2. **Since 2003, Brazil's poverty and inequality began to decrease steadily, reversing the worsening trends of the previous decades.** Despite high social spending and economic growth, income inequality and high poverty have characterized Brazil's social reality for many decades. Since 2003 the country has made significant headway in reducing poverty, lowering inequality, and improving the development opportunities of its vulnerable populations. Between 2003 and 2008, the poverty rate dropped from 39 to 25 percent, while extreme poverty declined from 18 to 9 percent. The Gini coefficient fell by 8.4 percent in only 7 years, from a high of 0.59 in 2001 to 0.54 in 2008, its lowest level in the last three decades. While economic progress played a role in the decline in poverty and inequality, the conditional cash transfers of the BFP also played an important role. As shown below, about one fifth of the reduction in poverty and inequality can be attributed to the impact of the *Bolsa Família* Program.

3. **With the current administration now approaching the end of its second and last term, emphasis has shifted to further consolidating the social policy and the architecture of the *Bolsa Família* Program (BFP) as well as ensuring the sustainability of the recent gains in equality.** The government is focused on locking-in the gains of recent years. To assure continuous assistance to vulnerable populations it is setting the stage for *Bolsa Família* to play an important role as the backbone of a comprehensive Social Safety Net system coupled with complementary activities to improve earning opportunities. To accomplish this, a key challenge will be to improve linkages between the BFP and other social programs so that beneficiaries can take full advantage of tools available to help them out of poverty. This includes enhancing beneficiaries' education, strengthening skills necessary for finding and retaining employment, and developing other income-generating activities.

4. **Brazil's social spending has been high compared to the other countries in the region but *Bolsa Família* is still a relatively small program.** Even though *Bolsa*

*Família* had a very rapid growth between 2003 and 2009, the program is still a relatively small intervention in Brazil, representing less than 3 percent of the social spending and 0.4 percent of the GDP in 2009. Social assistance programs represented less than 4 percent of federal social expenditures in 2000. This increased to over 7 percent in 2008. With CCT programs increasing in popularity and becoming the centerpiece of social assistance, spending on *Bolsa Família* (or its predecessor programs) rose from under 10 percent of the Social Assistance budget in 2001 to close to 40 percent in 2008. *Bolsa Família* has been consolidated at the core of social assistance; its expansion has been gradually accompanied by the phasing out of the previous four large conditional cash transfer programs. As shown in Annex 1, such expansion of *Bolsa Família* has not undermined its quality to select the poorest and currently the program is the best targeted intervention in Brazil, contributing to reduce poverty and inequality significantly. Recent studies show that *Bolsa Família* contributed to 15 percent to the reduction of the Gini index between 2003 and 2008, 14 percent to the reduction of extreme poverty, and about 35 percent to the reduction of the extreme poverty gap in the same period.<sup>1</sup>

**5. Since its inception in 2003, the BFP has made significant advances towards its declared goals.** Responding to high expectations for social progress, the Government expanded coverage of *Bolsa Família* from 3.6 million families in 2003 to 12 million families (about 48 million people and 25 percent of the Brazilian population) in August 2009. Currently, *Bolsa Família* reaches all Brazilian municipalities. To set the target population, *Bolsa Família* uses the poverty maps prepared by the statistical institute (IBGE) and analysis made by the Instituto de Pesquisa Econômica Aplicada (IPEA) and the Ministry of Social Development. This methodology defines the target population at municipal level and on that basis the MDS establishes the municipal quotas. Based on this methodology, the MDS set the initial target of 11.1 million families which was reached in 2006. A new analysis made in early 2009, accompanied by a revision of the income threshold as well as consideration of income volatility, defined the new goal of 12.9 million families to be reached in 2010.

**6. Although the results of the BFP impact evaluation have not yet been finalized some important impacts of the program are already apparent.** As explained below, *Bolsa Família* is responsible for about 20 percent in the reduction of poverty and inequality since 2001. Apart from that, regional and federal studies suggest that *Bolsa Família* has had net impacts in reducing chronic malnutrition and improving access and utilization of education and health services. Furthermore, the program has no negative impact in labor supply decisions and, on the contrary, has demonstrated to positively affect participation of women in the labor market. The BFP has also contributed to consolidate the institutional framework of social sector assistance, strengthening the program's monitoring, oversight, and evaluation systems, and consolidating the *Cadastro Único* as a registry of beneficiaries for social programs at Federal and sub-national level.

**7. *Bolsa Família*: Program Challenges.** The BFP demonstrated that it can impact the welfare of the poor families and is well institutionalized at the core of the social

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<sup>1</sup> Paes de Barros, R., and M. Carvalho (2009) On the Brazilian recent sharp decline in poverty and inequality: 2003-2008, December, 2009.

**protection system in Brazil, but important challenges remain.** The BFP needs to be consolidated in two broad areas: (a) further strengthening the program’s basic architecture including the streamlining of processes and operations; and (b) developing stronger links to other social interventions and employment and skills development opportunities, so it can secure a better gateway for beneficiary families to escape poverty.

## **B. Rationale for Bank involvement**

8. **Government – Bank Partnership** –The proposed US\$200 million loan would finance the Second Phase of the Adaptable Program Loan for the *Bolsa Família* Program. As documented above, the BFP is central to Brazil’s dual strategy of social and economic development. In addition to providing finance to the BFP, the proposed loan is a vehicle for sustained technical cooperation and support for the program. APL2 has two strategic goals. First, the World Bank (the Bank) will provide technical assistance for strengthening the basic architecture of the program and for implementing second generation reforms; e.g., enhancing the role of *Cadastro Único* for targeting social programs, consolidating the M&E system and enhancing knowledge generation, further integrating the BFP with other social and income-generation initiatives at federal, state, and local levels. Second, with the current administration approaching the end of its second term, APL2 will help to provide a bridge for the continuity of the program under the incoming administration. Leaders from the main political parties suggested they will maintain the program if they are elected.

9. **Value added of Bank Support** –The Bank has developed a substantial expertise with respect to CCT programs and can offer important advisory support in areas such as targeting mechanisms, monitoring and evaluation, governance and social accountability, and graduation strategies. In order to replicate best practices, preparation of the proposed operation took into account a vast knowledge generated by the implementation, assessment and evaluation of Bolsa Familia since its inception in 2003 and the lessons learned during the preparation and implementation of APL1 (Annexes 1A and 1B), when the GOB and the Bank consolidated a constructive partnership to improve the effectiveness of the program. Project preparation also takes into account lessons from similar CCT programs in other countries and knowledge generated by South-South learning experiences, and approach intensively stimulated by Bolsa Familia not only in Latin America, but also in Africa and Asia (Annex 1B). Furthermore, previous experiences identified a range of measures to improve oversight and accountability in CCT programs (Conditional Cash Transfer Cluster Risk Review, June 2009, as well as lessons from country-specific operations in Argentina, Ecuador, Mexico, Jamaica, Colombia, Central America, etc).

10. **Fit with Other Analytical Work and Lending.** APL2 continues the ongoing partnership between the Government of Brazil and the Bank in the form of dialogue at the highest level, analytic and advisory support, and lending. AAA tasks that have supported this engagement include: (a) the programmatic Brazil Social Assistance AAA program, “BRASA”, which focused on providing technical assistance in the design of the BFP’s targeting, and monitoring and evaluation systems ; (b) the Brazil Evaluation AAA

“BRAVA”, program, which supported both programs’ impact evaluation as well as capacity strengthening for the Ministry of Social Development for M&E; and (c) the Labor AAA, which focuses on the labor-supply impacts of transfers and on active labor market programs aimed at improving the employability of at-risk groups and promoting graduation from welfare programs.

### **C. Higher level objectives to which the project contributes**

**11. Bank support to the APL 2 is consistent with the Brazilian Government’s strategy to reduce poverty and inequality while fostering economic development.** *Bolsa Família* is the core element of the *Fome Zero* strategy launched by President Lula when he was first elected in 2002. In this framework, *Bolsa Família* is the Government’s most important intervention, providing regular cash and food aid to Brazil’s estimated 48 million people living in poverty. The program is closely aligned with corporate priorities of achieving the Millennium Development Goals, and will in particular contribute to achieve the MDG1, namely the reduction of poverty, hunger and malnutrition. It will also have significant effects on achieving universal primary education (MDG2) and reducing child mortality (MDG4) and maternal mortality (MDG5).

**12. This operation is also at the center of one of the core pillars of the Bank’s CPS,** namely, achieving a more equitable Brazil. The Bank’s strategy mirrors the Brazilian Government’s objective of reducing inequality by combining social progress with economic stability. The the World Bank Group Country Partnership Strategy (CPS) 2008-11 (Report # 42677-BR) discussed by the Executive Directors on May 1, 2008, and the Progress Report (Report # 53356-BR) discussed by the Executive Directors on April 20, 2010 states that the Bank’s support will focus on reaching the poorest and achieving higher levels of quality and efficiency in social services, which is an important focus of BFP2. BFP2 addresses directly the three main goals under this pillar: namely, reducing extreme poverty, vulnerability and social exclusion.

## **II. PROJECT DESCRIPTION**

### **A. Lending instrument**

13. The instrument is an Adaptable Program Loan which will support the second phase of Bank assistance to the Government of Brazil to consolidate the *Bolsa Família* Program.

### **B. Program Objective and Phases**

**14. Program Objective.** The program objective of APL2 conforms to the objective originally described for the APL; that is, strengthening the program’s ability to reduce poverty and inequality by providing poor families with income transfers and incentives to invest in the human capital of their children. Building on the achievements of APL 1<sup>st</sup> phase, the second phase seeks to further consolidate the safety net and deepen the BFP’s technical improvements. The specific goals originally defined for the APL2 are still valid: (a) to further consolidate the safety net; (b) to further improve the targeting system;

(c) to further strengthen monitoring and evaluation; and (d) to identify ways to link *Bolsa Família* beneficiaries to complementary services.

**15. APL Phases and Pacing Disbursements with Technical Improvements.** Under APL1 (2004-2009), the Bank supported the Government of Brazil in establishing the main conceptual, legal, and institutional foundations of BFP. The Bank's financial and technical assistance supported the strengthening and the consolidation of the program by: (a) defining institutional roles and responsibilities for each level of government involved in the Project; (b) establishing a framework of contracts and performance incentives for sub-national governments; (c) improving the verification of conditions and payment mechanisms; and (d) solidifying the monitoring and evaluation system. APL1 made good progress towards achievement in its development objectives and implementation has been rated as satisfactory. All the agreed triggers to move to the preparation of APL2 were fully achieved (Annex 1). By the end of APL1's implementation, the MDS also had met all of the progress benchmarks for the milestones set in its results framework.

**16. The overall outcomes established for the APL series in 2004 remain relevant, though the timetable of the Program was adjusted during the implementation of the APL 1.** While disbursements to co-finance conditional cash transfers followed the pre-defined timetable and the PDOs were met and indicators exceeded expectation, implementation of the technical assistance components took longer than expected and the closing date of the APL 1 was extended twice until December 2009.<sup>2</sup> The main reasons explaining this delay are: (a) the Project took one year to reach effectiveness; (b) in 2004 the MDS was created as a new Ministry while *Bolsa Família* was in the process of rapid expansion, which affected implementation of project activities; (c) the MDS and the DPI (responsible for implementing external aid financed project) had insufficient capacity to carry out project's procurement processes; and (d) as a result of the latter, the Government decided to use an international organization to administer project's funds and carry out the required procurement, which eventually caused major delays in project implementation.

**17. Implementation of the APL 2 is expected to be more timely and according to a realistic timetable.** The MDS and the BFP are well consolidated, the proposed operation is expected to strengthen the fiduciary capacity of the Ministry to carry out procurement and financial management, and the role of an external agency to manage funds would be minimized and eventually phased out (Annexes 4, 6 and 8).<sup>3</sup> The proposed APL 2 would be implemented in 5 years, instead of three as initially planned. The reason for this change is twofold: (i) the APL 2 pays much attention to impact evaluations which take several years to complete, and (ii) reaching ratification from the Brazilian Senate during an electoral period, and having a new administration in 2011, may delay project implementation.

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<sup>2</sup> As a result of such delays some activities included in the APL 1 were financed with Treasury funds. Other activities were moved to be financed under the second APL loan, and a significant amount of funds from the Technical Assistance components was cancelled.

<sup>3</sup> Under the APL 1 such role was performed by UNDP.

18. **The original APL program foresaw a second APL for an amount of US\$570 million.** However, the macroeconomic and financial circumstances in Brazil have changed significantly from 2004; currently the program is well financed and requirement of external funds are lower. Therefore, the government took the decision to reduce the total amount of the loan to US\$200 million. Nevertheless, given that the value added provided to the program is through the technical assistance components, the government decided to increase the loan amount for this Component by US\$5 million (to reach US\$15 million) and commit counterpart funds for the same amount (US\$15 million).

19. **During implementation of APL1, some specific outcome indicators proved difficult to monitor because of inconsistencies between information systems.** Due to incompatibility in reporting systems between the MDS and the Ministry of Health, the Government does not systematically monitor the proportion of children with health cards, and of children with at least three weight checks during their first 12 months, which were indicators that had been defined to track compliance with health conditionalities. APL2 will use alternative indicators directly related to the proportion of families complying with the health conditionalities.

20. **An analysis and evaluation of the strengths and weaknesses during implementation of APL1 has provided an agenda with the following priorities:**

- a) Sustaining the reinforcement of the BFP's basic architecture in order to enhance its immediate impact on poverty and to advance governance and accountability mechanisms to strengthen the effect of social assistance on the long-term reductions in inequality. This will include continuing to mainstream the *Cadastro Único* as an instrument for targeting, improving monitoring of and compliance with conditionalities; improving payment mechanisms in remote areas, and strengthening monitoring and evaluation. Additionally, transversal improvements in the sector will include: (a) strengthening oversight and control of social programs both formal (CGU, TCU and Public Ministry) and social (local social councils and other forms of local controls); (b) enhancing local implementation and management capacity; and (c) improving coordination between federal and local governments and further refining the responsibilities of health, education and social assistance service providers in setting up social services networks.
- b) Improving **integration and linkages** between the BFP and other social and labor market programs and interventions to create **graduation strategies** from poverty for the BFP beneficiaries and to facilitate their entry into the labor market and/or access to income-generation activities. Complementary actions and services would focus on linking beneficiaries to: (a) social worker support and other social assistance programs; (b) extended access to micro-credit and banking privileges; (c) access to income-generating activities; and (d) improving systematic linkages between households registered in the *Cadastro Único* and state and local level programs and strategies, through the National Commitment for Social Developed (CNDS).

## C. Project Development Objective and Key Indicators

The proposed second phase (2010-2015) of Bank assistance to the *Bolsa Família* Program under the APL would seek to strengthen the BF Program's ability to achieve its objective of reducing poverty and inequality and promoting human capital development by improving schooling and health status of children and reducing incidence of malnutrition among the poor population.

21. The proposed operation would achieve this objective by supporting: (a) the strengthening of the program's overall governance through enhanced basic program management functions and accountability, oversight and control functions, in three axes: the registry of beneficiaries (*Cadastro Único*), management of benefits, and monitoring of conditionalities; (b) the consolidation of the program's monitoring and evaluation system; and (c) the strengthening of link between *Bolsa Família* beneficiaries with complementary actions beyond the program to promote graduation from poverty; these activities would be carried out through the National Commitment for Social Development strategy in the MDS.

22. Intermediate results and outcome indicators that are expected to be met upon conclusion of APL2 are presented in Annex 3 and summarized in Annex 4. The main outcome indicators of the APL 2 are summarized in the following table:

Outcome indicators
<ul style="list-style-type: none"><li>• At least ¾ of families in the first quintile receiving BF transfers.</li><li>• At least 90 percent of primary-age school-age children in extremely poor beneficiary families attending school.</li><li>• At least 85 percent of 16-18 year old youth in beneficiary families attending school.</li><li>• At least ¾ of children aged 0- 6 year old children and pregnant women complying with health conditionalities.</li></ul>

## D. Project components

**23. Component 1: Conditional Cash Transfers (BF Grants) (US\$10 billion; Bank financing: US\$185 million).** The objective of this Component is to co-finance the provision of grants (the BF Grants) to mothers or other designated family members to enable their families to access health, education and other services as provided in the BF Program and the Operational Manual.

24. This Component would continue co-financing the program by disbursing funds against cash transfers (grants) to poor families. Financing will flow directly from the Treasury to the *Caixa Economica Federal* after the Ministry of Social Development (with program management by the National Secretariat for Citizen Income) approves the benefit payment roster, "Folha de Pagamento". CEF will then transfer the money to a pooled account, which beneficiaries can access with a debit card. The Bank would reimburse to the Treasury a share of the expenses on conditional cash transfers made under the *Bolsa Família* Program. Disbursements will be made on a semi-annual basis, equivalent to up to 1.85% of the transfers paid to families that comply with their co-

responsibilities. Even though the implementation period of the Project is five years, this Component is expected to be fully disbursed by the second year of implementation.

**25. Component 2: Strengthening *Cadastro Único* as the Main Targeting Instrument for Social Programs (US\$6 million; Bank financing: US\$2.8 million).** The APL 2 will provide support, training, technical assistance and selected incremental operating costs to the MDS to consolidate the *Cadastro Único* as the main mechanism used to select the target population of BF program and other social programs and, even more importantly, to integrate social programs at federal and sub-national levels. This Component will be carried out by MDS, through the National Secretary for Citizen's Income (SENARC). The proposed Project would therefore provide support and technical assistance in the following areas:

- a. Improving the quality of the information collected and reported by *Cadastro Único* and carrying out strategies to further develop the MDS targeting mechanisms in order to provide more accurate data for decision making.
- b. Strengthening identification and registry of indigenous and *Quilombola* populations, taking into special consideration their cultural and social conditions.
- c. Strengthening the information technology and systems of *Cadastro Único*.
- d. Promoting access and use of *Cadastro Único* for decision-making by other programs and government agencies at federal, state and local authority levels.
- e. Supporting SENARC in coordination with SAGI to carry out the second round of the continuous survey on living conditions of low income families registered in the *Cadastro Único*.

**26. Component 3: Institutional Strengthening for the Consolidation of the *Bolsa Família* Program (US\$9.7 million, Bank financing: US\$4.6 million).** This Component, also carried out by MDS, through the National Secretary for Citizen's Income (SENARC), would finance activities aimed at Strengthening the management, governance and accountability of MDS to implement the BF Program including through:

- a) **Program's overall Management and Operation (US\$3.9 million, Bank financing: US\$1.8 million).** The APL 2 will support the MDS in Strengthening the BF Program overall management and operation, including, *inter alia*: (i) strengthen BF Program decentralized management; (ii) consolidate the BF Program control and accountability mechanisms; and (iii) design and implement a comprehensive capacity building strategy to enhance capacity of BF Program staff and control agencies at federal, state and municipal levels through activities such as training, selected operating costs, technical assistance, and provision of IT-related equipment, among others.
- b) **Management of program's co-responsibilities (US\$3.1 million; Bank Financing: US\$1.5 million).** The proposed APL would support the MDS to Improve the management of the BF Program co-responsibilities, including, among others: (i) improving the compliance verification process; (ii) developing strategies for indentifying factors causing non-compliance with co-responsibilities and enhancing incentives for complying with the support of the social assistance

network at the local level; (iii) strengthening social control mechanisms of *Bolsa Família*; and (iv) consolidating the Good Practices Observatory and related contest.

- c) **Management of Program's Benefits (US\$2.7 million; Bank Financing: US\$1.3 million).** The Project would contribute to improve the management of BF, including, inter alia: (i) Updating socio-economic data on program's beneficiaries; (ii) Improving targeting mechanism of *Bolsa Família*; (iii) Strengthening and improving the strategy of opening accounts for *Bolsa Família* beneficiaries (*inclusão bancaria*); (iv) Developing instruments of financial education; (v) Developing a strategy to differentiate payments in remote areas to facilitate families residing there to collect their benefits on time with low or no cost; (vi) Improving the logistics to distribute electronic payment cards; and (vii) Assessing and, if appropriate, adjusting the management of program benefits (blocking, unblocking, cancelling, reinstating and suspending benefits) and defining the roles of local and federal authorities.

**Component 4: Consolidation of the Monitoring and Evaluation System in the Ministry of Social Development (US\$9.3 million; Bank financing: US\$4.5 million).**

This Component will provide support, training, technical assistance, equipment and selected Incremental Operating Costs to consolidate MDS's capacity to monitor and evaluate social programs at federal and sub-national level and to strengthen its capacity to, *inter alia*: (a) carry out assessments, evaluations and other studies; (b) disseminate and discuss with stakeholders results from evaluations; and (c) carry out evaluations and other studies in the following areas: (i) BF Program, (ii) other programs under implementation by the MDS; and (iii) selected interventions to link BF Beneficiaries with other social inclusion and income generation programs at state level.

**Component 5: Supporting the National Commitment for Social Development (CNDS) (US\$2.9 million; Bank financing: US\$1.3 million).**

This Component will provide support, training, selected Incremental Operating Costs, and technical assistance to MDS to make operational the CNDS, including, inter alia: (a) the integration of programs and initiatives at the MDS in order to improve synergies and efficiency to better serve the population targeted by the CNDS; (b) support for the management and operationalization of CNDS through the establishment of protocols for its operation, and the design and implementation of information systems; (c) design and implementation of a strategy between the Borrower and the States to operate CNDS; (d) development of instruments to enhance the socio-economic insertion of individuals targeted by CNDS, including the carrying out of studies and evaluations; and (e) to extend the feasibility of actions implemented under the CNDS through increased technical capacity for the design and evaluation of projects, local and regional diagnostics, with the purpose of specifying the actions demanded.

**Component 6: Operational Support to the Project Implementation Unit at the Ministry of Social Development (US\$1.7 million, Bank financing US\$1.2 million).**

The Component will provide support to the PIU for the implementation of the Project, through the provision of goods and services required therefore.

**E. Lessons learned and reflected in the project design<sup>4</sup>**

**27. Political leadership combined with strong technical implementation capacity and rigorous evaluation is key to program set-up and sustainability.** CCT programs require both strong support from the highest level of Government, and clear institutional responsibilities for program design, coordination and implementation. While BF has been the flagship social program in Brazil since its inception, the APL1 supported the program's institutional set-up, monitoring and evaluation. The MDS built a robust monitoring system, based on the overhaul of the beneficiary registry, and also invested in strengthening its technical cadre. The Ministry focused on institutionalizing its M&E and on providing quality terms of reference and supervision to evaluations.

**28. Clear definition of institutional responsibilities in turn ensures adequate coordination and improves institutionalization and sustainability.** CCT programs foster innovative cross-sector interventions, which do not fit easily within the mission of typical line ministries. During the first phase, the MDS underwent a process of institutional reform where the roles of its different secretariats and partners in the implementation of *Bolsa Família*, were clarified. This process generated strong buy-in across government levels and sectors. The second phase will support further articulation with activities carried out by other secretariats of the MDS.

**29. Families who fail to comply with conditionalities may need additional support to take full advantage of CCT programs.** In Brazil, social services centers (*Centros de Referência da Assistência Social--CRAS*), run by the MDS, are reaching out to *Bolsa Família* beneficiaries who do not comply with program conditionalities to help them to comply with and also to link them to local social services. The APL 2 would further support the MDS to strengthen strategies for non compliant families.

**30. Strengthening human capital, especially among the poor, requires tight coordination between demand and supply side interventions.** Supply side problems can undermine a CCT effectiveness. Improving quality and fostering learning in the schools mostly attended by *Bolsa Família* beneficiaries is a major challenge in Brazil. To address these issues the Government has taken action to: (a) extend the eligibility age for benefits from 15 to 17 years, which is when most youth drop-out of school, and (b) strengthen the remedial and alternative education programs of both the Ministry of Education (Youth and Adult Education) and the National Secretary of Youth through the *Pro-Jovem* umbrella initiative. In addition, the Ministry of Education is expanding funding for municipally run pre-school programs and introducing performance-based budgeting in schools, using the results of a national exam in 4<sup>th</sup> grade. On the nutrition side, the BFP will continue to support the nutrition census "*Chamada Nutricional*"

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<sup>4</sup> Summary –see Annex 1.A for the full lessons learned from APL 1 operation).

among vulnerable children in the North, Northeast and among land reform settlers, and support BF to further improve monitoring of health co-responsibilities.

**31. Transparent targeting mechanisms ensure that a CCT program reaches its intended beneficiaries and maximizes its impact.** Strengthening the implementation of the *Cadastro Único* has been a key accomplishment under the first phase of the BFP. As potential beneficiary registration is a municipal responsibility, the MDS has developed implementation manuals and training for the collection and update of household information. In parallel, MDS has tightened the quality control of the beneficiary database. Consolidating and fine tuning *Cadastro Único* is still a priority in the APL 2.

**32. Clear and transparent rules to provide support and apply sanctions ensure program credibility.** During APL 1, the *Bolsa Família* program set up an extensive system to clarify the program's rules through legal instruments and operational instructions as well as through beneficiary booklets, electronic weekly bulletins for local managers, a detailed program website – with public beneficiary lists by municipalities -- and two dedicated hotlines (for beneficiaries and local managers). In addition, the BFP launched a thorough training program – both face-to-face and through distance learning – for local managers. The second phase of the APL will build upon these mechanisms and help strengthen feedback between the oversight system and program management and between formal and social control mechanisms.

**33. Linking beneficiaries to skills and income generating activities ensures the medium-term sustainability of poverty alleviation impacts.** In Brazil, complementary programs articulated to *Bolsa Família* include: group support through the CRAS; youth life skills and integrated attention to youth issues through *ProJovem*; literacy programs for youth and adults (*Brasil Alfabetizado*); access to financial services (accounts and financial literacy) and income-generating programs such as professional training (*PlanSeq*); job search and placement services (*SINE*); micro-credit (*Banco do Nordeste* and *Banco do Povo*); technical assistance for micro-enterprises; rural development programs (some supported by the Rural Poverty Alleviation CDD Projects in the Northeast). Under APL2, the BFP will help strengthen the coordination and articulation of these complementary programs and *Bolsa Família* beneficiaries. While most programs mentioned above are federally administered, the states and municipalities run a whole array of complementary programs. A similar challenge is to coordinate these activities with the federal programs to promote integrated poverty-reducing local development.

**34. CCT programs, while designed to foster medium-term improvements in human capital, have a role to play in responding to crises and protecting poor households' investments in human capital.** Since 2008, *Bolsa Família* has played a key role as a safety net to mitigate the impact of the food and oil prices, and more recently of the economic downturn. This occurred through two channels: (a) increasing benefit amounts to avoid their erosion by food price inflation, and (b) expanding the beneficiary lists to include a vulnerability dimension through the introduction of income volatility as part of the selection criteria. First, in 2008 and 2009 the Government readjusted the amount of

all benefits, which helped beneficiary families absorb the impact of the increasing food and oil prices. Second, in 2009, as an ex-ante risk management tool to cushion the economic slowdown, the BFP revised its estimation of potential beneficiaries based on the new IBGE poverty maps and vulnerability analysis by IPEA on the Monthly Labor Force Survey.<sup>5</sup> As a result, the target number of beneficiaries increased by 1.8 million very poor families.

## **F. Alternatives Considered and Reasons for Rejection**

**35. Loan instrument, amount and implementation period.** The proposed loan will finance the second phase of an APL approved in May 2004. In view of the satisfactory performance under the first phase of the APL, alternative financing instruments such as a DPL or a TA loan were not considered appropriate at this time. The original proposal for the second phase APL contemplated a loan amount of US\$520.2 million, including about US\$10 million for the technical assistance components. However, Brazil's fiscal situation has improved significantly over the past six years and currently *Bolsa Família* is well financed by the Government's own funds. Because of this, the Government has requested that the loan amount of APL2 be reduced to US\$200 million. Nevertheless, because of the importance of a strong program of technical assistance for improving the BFP's operations, the technical assistance component was increased to US\$30 million, of which the proposed loan would finance US\$15 million. Furthermore, incorporating lessons of experience from APL1, the implementation period of APL2 will be extended to five years (from 2010 to 2015) in order to ensure a mid-term partnership to support further consolidation of the activities supported by the second phase.

**36. Structure of the technical assistance components.** Given the rapid institutional strengthening and consolidation of *Bolsa Família*, the Government has requested that the technical assistance components deepen support for the institutional architecture of the BFP through its different phases (targeting and registry, management of benefits and conditionalities, payments, control and oversight), and help to strengthen the BFP's links with other social interventions and skills development and employment opportunities. Moreover, the Government has decided to strengthen the BFP's links with states in order to enhance the opportunities of *Bolsa Família* beneficiaries through interventions at state and local level.

**37. Arrangements for procurement.** In view of the experience with the procurement of technical assistance under APL1, the Government and the Bank have agreed to review the technical assistance procurement process under APL 2, especially for mid and large contracts. Instead of contracting an external administrator for the entire procurement of the Project, as was done with mixed experience under APL1, the Government has opted for strengthening the MDS implementation unit's fiduciary team to carry out all technical assistance procurement related to manage contracts with firms and technical services, gradually reducing the role of the international agency administering funds.

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<sup>5</sup> Under the current methodology, the information collected by the survey captures the family income during the previous month only. The new methodology intends to capture the volatility of income, which will affect families near the poverty line in particular.

### **III. IMPLEMENTATION**

#### **A. Partnership arrangements**

The Project does not envisage formal partnership arrangements with other international financial institutions. However, *Bolsa Família* is being supported by a loan (under implementation - involving cofinancing of cash transfers and technical assistance components) from the Inter-American Development Bank, and the Brazilian Government and IDB are in the process of negotiating a subsequent loan. The program has also received support from UNDP through a specific agreement called PRODOC (for institutionally strengthening the evaluation and management of information at the Ministry of Social Development, which gives technical assistance to the MDS on issues such as procurement and contract preparation).

#### **B. Institutional and implementation arrangements**

38. The APL2 will be implemented by the Ministry of Social Development (MDS). Over the past five years, the MDS has built considerable expertise in implementing *Bolsa Família*, and has consolidated and strengthened its systems for overall management and monitoring and evaluation. The institutional and implementation arrangements to execute the Project are the same used and adjusted during the implementation of the first APL loan.

39. The Component to co-finance cash transfers to families will be directly disbursed to the Ministry of Finance. Funds to carry out the technical assistance components will be disbursed to the MDS. Consistent with this approach, to mainstream project activities and to contribute value added to the overall BFP, APL2 will build on the existing organizational and leadership structures of the MDS for the implementation of the technical assistance components. The MDS has consolidated its technical secretariats with clear institutional responsibilities and sound institutional arrangements at federal and, when appropriate, sub-national levels.

40. Implementation of APL2 will be headed by the Executive Secretary (SE). The relevant technical secretariats (SENARC, SAGI and SAIP) are responsible for the technical aspects required to carry out project activities. Specifically, technical secretariats are responsible for: (i) defining the specific annual program within the framework approved by the SE; (ii) monitoring the implementation of activities; and (iii) preparing terms of reference and other technical documents required to carry out the activities under the respective components.

### C. Monitoring and Evaluation of Outcomes/Results

41. *Bolsa Família* has developed a comprehensive system to monitor and evaluate program results. The APL has supported the consolidation of this system, which has four parts: (a) external oversight mechanisms of the Government of Brasil; (b) monitoring and internal control systems within the *Bolsa Família* program; (c) local (municipal) controls and audits; and (d) external evaluations to measure program results.

42. The BFP is subject to comprehensive oversight and control from external public agencies at federal level –the Oversight Network for the Control of *Bolsa Família* (*Rede de Fiscalização*). Three agencies of the Network monitor and oversee the BFP: (a) The General Comptroller’s Office (*Contraloria Geral da União*) is the internal control agency of the executive branch, responsible for the operational audits of the BFP (operational random-samples audits and annual audits) and specific case investigations; (b) The Brazilian Court of Audits (*Tribunal de Contas da União*), from the legislative branch, conducts formal implementation evaluations, supervision and follow-up; and (c) The Public Prosecutors Office (*Ministério Público*) is the independent agency at Federal level responsible for investigating potential allegations of fraud in the program.

43. The BFP has developed a robust internal system to manage and track program progress, through various tools: (a) the management information system (MIS), which is in the process of consolidation, provides information on families and all program processes, including monitoring of co-responsibilities, payments, compliance, and so forth; (b) the Index of Decentralized Management (IDG) and its associated financial incentives, as well as the joint management agreements between the MDS and municipalities provide incentives and track and measure municipal performance in the implementation of *Bolsa Família* at local level; (c) the performance-based contract with the *Caixa Economica Federal* allows the Ministry to monitor the operating agent; (d) hotlines and case investigations; and (e) several measures to cross-check the information in the *Cadastro Único* help to monitor data, minimize errors and validate information for eligibility.

44. *Bolsa Família* has developed sound local controls and audits at the municipal level, which improve accountability and provide mechanisms for the program’s ongoing oversight and monitoring. The main mechanisms at the municipal level are the social councils, the existence of which is a pre-requisite for a municipality to participate in the BFP. The committees or councils oversee the monitoring of compliance with co-responsibilities, oversee data collection, and help to identify potential beneficiaries.

45. The BFP is also undertaking an impact evaluation process, which started in 2005. Subsequent follow up surveys will provide information of Program outcomes in terms of beneficiaries welfare, as well as schooling, health status and nutrition. Given that the program was the result of merging four existing conditional cash transfer programs, an experimental approach was not feasible. Instead the Government decided to carry out a quasi experimental and longitudinal design following a propensity score matching technique (Annex 1B). The data collection for the first follow up survey was carried out

in October/November 2009 and the analysis is expected in early 2010. The program will carry out at least one additional follow-up survey in the next four years. Both surveys will help measure the impact of the program in terms of human development outcomes. In addition, the BFP will evaluate the impact of some specific adds-on of the program, including the variable benefit for families with youths 16-18 years of age who regularly attend school, the banking inclusion strategy (inclusão bancária) and the financial education program.

46. Through the support to the CNDS, the Management Information System at the Ministry of Social Development will also monitor and collect information on the integration of the social assistance system with state government programs.

#### **D. Sustainability**

**47. The *Bolsa Família* program benefits from political support at all levels.** President Lula has repeatedly reaffirmed his commitment to the program and recently announced that he wanted to legally protect benefit amounts from erosion by inflation. The institutional reform of the MDS in 2007 has re-affirmed the centrality of the program in the Government's social agenda. There is a strong commitment on the part of the MDS and its team to continue the effort to reduce errors of exclusion, including youth, and linking beneficiaries to job opportunities. At the local level, measures like the *Índice de Gestão Descentralizada* have helped strengthen the capacity of municipal governments to implement the BFP. In addition, the system of oversight and accountability, both formal with the Executive and the Legislative branches of government, and social with the publication of beneficiary lists and the constitution of social control councils, has grounded the program's legitimacy. As mentioned in Lindert (2008), the media coverage of the program is mainly positive. In addition, support for the CCT agenda runs across the political spectrum as early CCT programs were launched simultaneously by the opposition PSDB and PT municipal administrations in the mid-90s. Hence, the BFP is an agenda that all major parties own. In times of elections, BFP's impressive sheer scale becomes a major factor supporting its sustainability.

**48. The BFP remains at the core of the current administration's social policy and continues to play a strong unifying role.** As the re-certification of *Bolsa Família* beneficiaries is starting, the new *Cadastro Único* questionnaire has been designed to enable more federal programs to use it for their targeting purposes. The Federal Government is also reaching out to the States through the National Commitment for Social Development, which will provide for partnership and capacity-building. In addition, at the local level, the BFP is paired with complementary programs from the state and municipal governments, which seek to multiply its effects. The program has also taken up some of the second-generation challenges, such as the integration of youth, the promotion of labor market opportunities for adult beneficiaries and the coordination with health and education providers to guarantee human capital impacts. In doing so, it is following international best practices. APL 2 supports the evaluation of some of these second-generation initiatives, as well as the coordination of the CNDS. The combination

of political support, adaptability and evidence generation will maintain the BFP sustainability beyond the current administration.

**49. The Government of Brazil's strong financial arrangements will ensure the fiscal sustainability of the BFP and no major fiscal constraints are foreseen within the next five years, despite the international financial and economic crisis.** Proportionately, the size of the BFP is comparable to that of other large-scale CCT programs in the region. Program costs are equivalent to about 0.38 percent of GDP. The Government has always funded the bulk of the program, with APL1 funding less than six percent of the program's costs over the years 2005-8. The alignment of major resources from the States and the Municipalities also strengthens the BFP's sustainability. The potential impacts of the international financial and economic crisis have only deepened the Government's commitment to the BFP as decisions were taken to review and increase both benefits amounts and beneficiary numbers. Early results seemed to show that this strategy helped prevent an increase in poverty and inequality and that the gains of the past years were not reversed.

#### **E. Critical risks and possible controversial aspects**

50. In FY06, the Bank's LAC region placed a "cluster" of projects supporting CCTs on the regional risk list due to concerns about implementation challenges such as the large number of participants and payments and the shared management responsibilities across different departments and levels of government. CCT programs are typically high-visibility national initiatives, not ring-fenced Bank-financed projects, and thus depend almost entirely on country systems. Consequently, having sufficient control and oversight mechanisms, and supporting their strengthening as needed, is considered critical to manage and minimize political risks and to ensure effective implementation and sustainability of these CCT programs. As a result, increased attention has been placed across the region on issues of political, fiduciary, and reputational risks associated with CCTs. The results of these increased supervision efforts are included in the operational document "Control and Accountability Mechanisms in Conditional Cash Transfer Programs: A Special Review of Programs in LAC". An update on the risk ratings of regional CCT operations was carried out in 2009. In reviewing the BFP, that update concluded that the risks to the program have been reduced significantly since APL1 was prepared, mostly because of the overall positive experience with the program's implementation, and also in large part as a result of the institutional strengthening of the MDS and the strong control, monitoring and evaluation features that have been built into the operations of BFP.

51. A case study on oversight and controls for *Bolsa Família* was also carried out as part of this Special Review, and this was incorporated into a larger Working Paper on the implementation of the BFP in Brazil's decentralized context as well as an internal political risks briefing for management.

### Risk Identification Worksheet

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating of residual risk</i>
Sector policies and institutions	<p><i>Bolsa Família</i> is the most important social program in Brazil, representing (0.39 percent of the GDP and 3 percent of the social spending). The program reached its goal of 11 million beneficiary families in 2006 and has maintained that level until this year when it set a new goal of 12.9 million families. The challenge is to improve articulation of the BFP with other programs and interventions so that the BFP beneficiaries can find alternatives to leave the program.</p>	<p>The Government has started several initiatives to link BF beneficiaries with income-generating interventions, including, among others: (a) An internal MDS institutional reform in order to strengthen the SAIP Secretariat to design and set in motion mechanisms to improve articulation of social programs, especially with <i>Bolsa Família</i>; (b) The PlanSeq, a training program to improve the skills of the BFP beneficiaries so they can participate in the civil works program of PAC; (c) The <i>Compromisso Nacional pelo Desenvolvimento Social</i> which involves ways for the integration of the population registered in the <i>Cadastro Único</i> to interventions related to households' development, and income generation activities.</p>	M
Country ownership (incl. political aspects)	<p><b>Political Manipulation of Registration Process.</b> While conditional cash transfers have shown important impacts on poverty, inequality and social indicators, they also face implementation challenges where possible political manipulation could potentially surface. For <i>Bolsa Família</i>, the main “pressure point” for potential 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.</p>	<p>The Government has instituted several mechanisms to manage, monitor and reduce this risk, including:</p> <p><b>Centralized determination of eligibility.</b> The MDS, not the municipalities, has the responsibility for determining eligibility. The process yields little room for intervention since objective eligibility criteria (means tests) are automatically applied to the household registry data. Eligibility is verified by the Social Development Ministry using internal and external database cross-checks and validations. Placing the final eligibility decision at the federal level is a check for inclusion errors given the additional information that <i>Cadastro Único</i> collects on families (and the quality controls through the family development index), as well as the cross checks that the government does at federal level with other federal databases. The remaining risk is mainly related to exclusion errors (this is families that should be registered but are not). That is where the social controls and the formal appeal and audit systems could make an important contribution and this is an area that the program management seeks to strengthen in APL 2.</p> <p><b>Recertification.</b> Municipalities must formally recertify all beneficiaries and potential beneficiaries every two years, with on-going updates of basic registry information. The first nationwide recertification was in 2005-6; the second is on-going resulting in</p>	M

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating of residual risk</i>
		<p>numerous improvements in the quality of the registry.</p> <p><b>Federal monitoring of registration quality and performance-based financial incentives.</b> The MSD monitors municipal implementation quality using a four-point “decentralized management index” (IGD) which covers key indicators of registration quality and verification of compliance with conditionalities, and its scores are calculated on a monthly basis. The MSD pays municipalities a pro-rated administrative cost subsidy on the basis of their IGD scores. APL2 will support the assessment of the IGD to address new management challenges.</p> <p><b>Formal Controls Mechanisms.</b> The <i>Bolsa Familia</i> program relies heavily on country systems for oversight and controls by the state and central control agents. Primary mechanisms include internal ministry controls and audits; regular operational audits (covering a random sample of municipalities) by the General Controllers Office (CGU); external financial audits; implementation evaluations by the Federal Court of Audit (TCU); and case-by-case investigations.</p> <p><b>Social Controls.</b> Municipalities must establish official Social Controls Councils to oversee registration, beneficiaries, and compliance with conditionalities. The program implements an ongoing process to strengthen these councils and APL2 will support additional guidelines and capacity-building for social controls.</p>	
Technical/ Design	<p><u>Credibility of the conditionalities</u> The program needs to improve the credibility of the system for verifying compliance with conditionalities. The monitoring of co-responsibilities cuts across sectors and levels of government but relies heavily on local coordination between health, education and social assistance. For education, the main risk is false reporting. For health, the main risk is the low coverage and use of the information system.</p>	<p>Recent initiatives by the MDS have focused on improving the monitoring system, and include: (a) clarifying policy on content of conditionalities and consequences for non-compliance; (b) issuing several rounds of monitoring reports with information from the Ministry of Education; and (c) developing financial incentives to improve the management of the BFP at the local level, including monitoring of conditionalities. APL2 would include a set of activities to improve monitoring of conditions and the quality of information to do so, including complementary activities such as adapting the design of the Decentralized Management Index to avoid perverse incentives for over-reporting, strengthening the monitoring by the oversight and accountability network, improving coordination with health and education and carrying out regular spot checks. On health, APL2 will support work with the Ministry of Health to strengthen the system for monitoring of health conditionalities in a cost effective manner, through the integration of data systems so as to avoid duplicating the data entry efforts of local</p>	M

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating of residual risk</i>
		managers.	
Implementation capacity and sustainability	Over the last five years, the MDS has consolidated the <i>Bolsa Família</i> program, maintaining the targeted population on average 11 million families and the annual budget. Sustaining such a large program involves institutional and financial challenges.	<i>Bolsa Família</i> is the flagship program of the Lula administration and has gained support from public and academic actors. MDS has implemented an institutional reform to ensure that the BFP and the <i>Cadastro Único</i> are grounded in sound institutional and implementation arrangements. Recent studies (see Annex 1) show that the rapid expansion of BF between 2005 and 2009 did not affect targeting the poorest significantly and <i>Bolsa Família</i> remains among the best targeted CCT programs in the world. The program reached its beneficiary target in 2006 and has maintained it. In 2009, after a revision of the poverty maps and income volatility of poor beneficiaries, the program set a new target of 13 million beneficiaries from 2010 on. Budgetary appropriations in 2009 and 2010 ensure program's fiscal sustainability.	M
Financial management	FM is adequate at the federal level. The challenge is posed at oversight and control functions due to its high decentralized capitalization, an inherent risk associated to the Project. Overall, accounting, FM reporting, the management information system and internal controls are adequate and reliable, providing sufficient financial information to manage and monitor implementation. The MDS uses SIAFI to account for the transfers and CEF's corporate system to pay transfers.	MDS was created at the time of program inception. After approximately six years of program implementation, the MDS has significantly improved its FM capability and its control over program activities in states and municipalities. A significant performance audit by the TCU and audits by the CGU have assisted in this control improvement process. The low level of Banking financing facilitates the substitution of payments to ineligible families, if any, with other eligible expenditures, mitigating FM risks. The program is working to improve the availability and coherence of financial information. The MDS has made a significant effort to minimize the associated risks, improving the information available through the financial reports. Such activity will continue to be supported by the Project.	M
Procurement	The co-financing of CCTs does not pose a procurement risk. The five technical components involve a substantial procurement risk because of the weak procurement capacity within MDS. Implementation of the planned activities could be jeopardized besides incrementing the potential risk of mis-procurement.	The MDS has decided to thoroughly review the implementation arrangements and its agreement with UNDP as the agency in charge of the administration of the TA funds in order to: (a) strengthen MDS' fiduciary capacity to increasingly assume fiduciary responsibilities under APL2; (b) significantly reduce the number of contracts requiring UNDP processing; and (c) train fiduciary staff in the MDS on a regular basis.	M
Social and environmental safeguards	a) The program targets indigenous, <i>Quilombolas</i> , extractive and other traditional populations, and introduction of family cards	a) Efforts have been made to adjust the program towards specific population needs. The proposed operation also includes a thorough social assessment to ensure that the program addresses this and other related issues.	M

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating of residual risk</i>
issues	<p>among indigenous families, for example, has been contributing for tribal upsets and disaggregation.</p> <p>b) Participation on the social accountability processes. Overall information show fragile selection and implementation processes regarding the councils, which are often organized under little to no publicity and with a strong influence from the majorships. This brings the council to become more of an endorsing informal agency than a de facto social control mechanism.</p> <p>c) In some areas the value of the benefit is smaller than the monthly costs to collect it. For this reason, there are comments that families opt to send one person with several cards to the paying agency, which creates a kind of a parallel market with a “fee” taken from the families to get the benefit.</p>	<p>b) The program carries out several actions to improve social participation and accountability: (i) training of about 22,000 councilors of BFP and Social Assistance Secretariat in 2009 and 2010; (ii) the MDS carried out a qualitative analysis of social control agents to institutional strengthen them, involving beneficiaries and councilors, and (iii) training coordinators and state teams of the BFP on social control and “<i>fiscalização</i>”, to provide support to municipalities in strengthening the social control agents. The program will develop an information system of social control and local audits to both collect and share information provided by the different agents and disseminate results and activity reports.</p> <p>c) The current contract between the MDS and <i>CAIXA</i> includes a clause that requires at a minimum payment points be made available at municipal mayors offices or administrative centers. Where this is not feasible, the MDS requires that <i>CAIXA</i> provide other alternatives, such as mobile teams. In addition, the contract also stipulates the formation of working teams, that evaluate strategies to improve payment processes in <i>Quilombolas</i> and Indigenous communities. The MDS will follow-up this with specific meetings with municipalities that face problems in the payment process as a result of logistics, to develop specific action plans.</p>	
Other	<p>5. <u>Reputational risk</u>: The program is high-visibility and prominent. It is the Government’s flagship program.</p>	<p>The press has published thousands of articles on the program, which are generally favorable in tone. An analysis of the political economy of CCTs in Brazil (Lindert, et. al., 2008) revealed that media coverage mainly focuses on: (a) technical implementation issues; and (b) the role of <i>Bolsa Família</i> in social policy and the need for expanded exit and graduation policies. APL2 is focusing on these topics. Finally, improvements in the <i>Cadastro Único</i> and targeting mechanism, verification of co-responsibilities and monitoring has led the program to be one of the most effective in reaching the poorest.</p>	M
	<p>6. <u>Fiduciary risk</u>: As all CCT programs, the program is under risk of fiduciary problems related to the number of agents involved in its management.</p>	<p>All transfer programs incur some degree of fraud or other errors. The objective is to develop systems to detect, monitor, and minimize them. <i>Bolsa Família</i> was one of the case studies of the Regional CCT Special Review and its system was reviewed. In addition, no fiduciary issues have been raised during the execution of APL1.</p>	M
	Overall Risk (including reputation risk)		M

## **F. Loan/credit conditions and covenants**

52. The loan has the following conditions for disbursements:

- a) for payments made prior to the date of the Loan Agreement, except that withdrawals up to an aggregate amount not to exceed \$2,700,000 and \$300,000 equivalent may be made for payments made within one year prior to this date but on or after November 13, 2009, for Eligible Expenditures under Categories (1) and (2) respectively; or
- b) For payments covered by Category (1) and (2) , unless the CEL is formally established and staffed, in a manner acceptable to the Bank.

53. The following key covenants also apply:

- a) If, at any time, the Bank determines that any portion of the amounts disbursed by MDS to the BF Account as BF Grant Transfers were (a) not used for BF Grants withdrawn by BF Beneficiaries; or (b) were made without compliance with the respective conditions and requirements for providing the BF Grants, the Borrower shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Borrower.
- b) The Borrower shall maintain in MDS, during the implementation of the Project, an organizational structure for Project implementation with functions and responsibilities set forth in the Operational Manual (the “PIU”), at all times headed by the Executive Secretary of MDS as its Project coordinator, and assisted by staff in adequate numbers, all with qualifications and experience acceptable to the Bank, including, *inter alia*, staff responsible for the monitoring, evaluation and supervision of the carrying out of the Project.
- c) The Borrower shall carry out the Project in accordance with an operational manual, satisfactory to the Bank (the Operational Manual) , said manual to include, inter alia:
  - (i) the procedures for the carrying out, monitoring and evaluation of the Project (including the Indicators) and the procurement and financial requirements thereof including the standard bidding documents to be used as per Section III. B. 2 of Schedule 2 of the Loan Agreement;
  - (ii) the organizational structure for Project implementation; and
- d) the criteria for identification, registration and selection of BF Beneficiaries; the requirements to be fulfilled by BF Beneficiaries as conditions for the provision of BF Grants (which shall include those set forth in Schedule 4 of the Loan Agreement); the mechanisms for verification of compliance with BF Grant conditions; and the detailed procedures for coordination and collaboration among the municipalities and other cooperating institutions, the Financial Institutions, and other stakeholders in the carrying out of the Project and the social provisions referred to in paragraph (d) below. Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower, through MDS, shall carry out the Project in accordance with the provisions of the Borrower’s Applicable Indigenous and *Quilombolas* Regulatory and Administrative Instruments as detailed in the Operational Manual.
- e) The Borrower, through MDS, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

## IV. APPRAISAL SUMMARY

### A. Economic and financial analyses

54. In the last decade, Brazil's Gini coefficient for household per capita income has fallen from 0.60 to 0.56 – one of the best performances in LAC and, indeed, globally. Combined with the effects of sustained, albeit not spectacular growth, Brazil has also substantially reduced the incidence and severity of poverty. By some accounts, poverty incidence was halved between 1983 and 2006, with most of this progress achieved in the last ten years (Ferreira and Leite, forthcoming). The strengthening of Brazil's social assistance programs, with four programs at the center - *Bolsa Família*, BPC, and unemployment insurance - has played a major role in these achievements (Veras et al. 2006).

55. While most of the social assistance programs were designed to address issues of long-term poverty, the Government can also use them to mitigate the effects of a shock. Indeed, the Government of Brazil has responded forcefully to the perceived threat that the price shock would have for the living standards of the poor. In reaction to the food price increase, it raised the BF benefits in July 2008. The basic fixed BF transfer for extreme poor households increased R\$4 per family, while the variable transfer associated to the schooling conditionality increased by R\$2 per child. In addition, minimum wage rose by R\$35 increasing the benefit of the BPC program by the same amount.<sup>6</sup> We present here the results of an analysis of these measures by looking at their incidence on the income distribution. First we look at the potential impact of food prices increase on income and consumption poverty and inequality, and then at the role of *Bolsa Família* and other income protection programs in mitigating these effects.

56. The results for two different scenarios are presented: a conservative scenario, in which we consider the average price change in 2007 and 2008 by region and by item; and a worst case scenario, in which we consider the maximum price change observed between 2007 and 2008. Results suggest a two percent reduction in average per capita income when assuming the average change in food prices, and a 4.6 percent reduction with the maximum price change. Rural areas would be in general the most affected in terms of the reduction on average per capita income (7 percent reduction when assuming the highest prices change). Belo Horizonte, Porto Alegre, Sao Paulo, Rio de Janeiro, and Brasilia are the less affected regions.

57. Indeed, increases in food prices represent a threat to the living standards of the poor in Brazil. Results suggest that increasing the amount of the *Bolsa Família* transfer could buffer the impact of the shock for the most vulnerable. Furthermore, the program is targeting the poorest households who would be most affected by the shock. The increase in the benefits for *Bolsa Família* recipients could help the poorest 10 percent population in absorbing part of the price increase that would lower their level of expenditure significantly. Moreover, our results show how both Benefício de Prestação Continuada (BPC) and *Bolsa Família* transfer a higher proportion of their budgets for the poorest (see figures in Annex 9) but *Bolsa Família* covers more than half of the population in the first quintile, compared to about 5 percent for BPC.

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<sup>6</sup> In this analysis we only consider the effect of the minimum wage hike on the amount of the BPC transfer, and not the other effects it would have (on workers' salary etc).

Hence the increase in the BF transfers benefited a larger percentage of the poor population, even though by a small amount.

## **B. Technical**

58. In the last decade, Conditional Cash Transfer programs have become one of the most widely used tools of social protection in developing countries to support families living in poverty. CCTs are increasingly being used for income support and human capital promotion among the poor. Programs provide money transfers to poor households conditional on compliance with a number of health, education, and nutrition conditionalities. Latin America is the leading region in the world in the use of CCTs. Countries such as Brazil, Mexico, and Colombia were pioneers in the implementation of programs and in the use of more precise targeting and monitoring systems. Currently more than 90 million people are beneficiaries of CCT programs in the region, and these programs have been implemented in the majority of countries.

59. Rigorous impact evaluations show CCTs have contributed to poverty reduction and human capital formation among beneficiaries in different countries. Positive impacts on education and nutrition indicators are widely reported, while impacts on health are mixed, especially in urban areas. For instance, the *Oportunidades* program in Mexico increased years of schooling by an additional 0.66 years, on average. In Colombia, *Familias en Acción* has increased attendance rates for secondary school by 7 percentage points in rural areas and by 5 percentage points in urban areas. As explained in Annex 1, Brazil's *Bolsa Família* has not been the exception to these trends and results so far demonstrated that the program has significant impact in reducing poverty and inequality, and in improving human development outcomes.

60. *Bolsa Família* is one of the most studied CCT programs currently under implementation through hundreds of papers and assessments and a rigorous impact evaluation in process (see Annex 1B). Created in 2003 as a result of merging four previously existent cash transfers interventions, *Bolsa Família* has the three-fold goal of: (a) reducing poverty and inequality through direct cash transfers to families; (b) reducing the transmission of poverty between generations through incentives for beneficiary families to send their children to school and visit health providers for regular check-ups; and (c) enhancing families' capacity to generate income and leave poverty through the integration of *Bolsa Família* with other social programs. Results so far show that the program is among the best targeted CCT in the world, and its contribution to the remarkable reduction in poverty and inequality in Brazil over the last few years is very significant. Results in terms of human capital are equally positive when measured as education enrollment and attendance, as well as utilization of health service providers.

61. The basic features of *Bolsa Família* are similar to other successful CCT programs in the region. Particularly, the program is targeted to increase household consumption and improve human capital indicators. In terms of its implementation, the program provides payments to mothers using a public bank. Payment authorization is preceded by verification of compliance with conditions –school enrollment and attendance for children younger than 17 in primary and secondary, and regular health check-ups. The size of the benefit depends on the level of poverty (in income terms) and the size and composition of the family. The program defines a clear protocol to manage benefits so families have a clear understanding when they will and will not receive their benefit.

62. The BFP has developed a comprehensive structure supported by sophisticated mechanisms to operate program processes. The program is supported by a robust database, the *Cadastro Único*, which collects the information of about 17 million families, virtually 100 percent of the poor population. The ongoing assessment, revision and adjustment of the instruments to identify, select and register families in the *Cadastro Único* has contributed to minimize inclusion and exclusion errors. Payments are made through the *Caixa Econômica Federal*, the single Brazilian bank operating in all municipalities supported by over 30,000 payment points where families can collect their benefits within 90 days of payments, using an electronic card. This advanced structure permits the program to define and publish a calendar of payments early each year, which allows families to improve budget planning. Unlike most CCT programs, *Bolsa Família* makes payments on a monthly basis.

63. Bolsa Familia has generated a large and growing body of literature on its impact and implementation. The innovative features developed by the Government of Brazil to implement the program have served to produce an immense amount of knowledge and generated a lot of demand for knowledge sharing from other countries in the process of designing and implementing conditional cash transfer interventions. Bolsa Familia not only has learned from the extensive and ongoing assessment stimulated by the program itself, but has become an international standard for other countries. The south-south learning approach has helped to share Bolsa Familia lessons and experience in many countries in Latin America, Asia and Africa.

### **C. Fiduciary**

64. **Financial Management** - Financial management is considered adequate at the federal level. The challenge is posed at oversight and control functions due to its high decentralized capitalization, a inherent risk associated to the Project. Overall, accounting, FM reporting, and the management information system and internal controls are adequate and reliable, providing sufficient financial information to manage and monitor Program implementation. The MDS uses SIAFI to account the transfers. The program is working to improve the availability and coherence of financial information. The MDS has made a significant effort to minimize the associated risks, improving the information available through the financial reports. Such activity will continue to be supported by the Project.

65. **Procurement** - A capacity assessment of the MDS was conducted for *Bolsa Família* I on March, 2004 and updated on November 2009 for *Bolsa Família* II. The procurement risk assessment of the Project was determined to be substantial due to the need to align knowledge, staff and procedures at CEL – *Comissão Especial de Licitação* (Special Bidding Committee) and SA (Subsecretaria de Assuntos Administrativos). Specifically, the four technical components involve a substantial procurement risk because of the weak procurement capacity within the MDS (including SENARC, SAGI and SAIP). Implementation of the planned activities could be jeopardized besides incrementing the potential risk of mis-procurement.

### **D. Social**

66. The OP4.10 was triggered in APL 1 and in APL 2 as well. There is no stand-alone Indigenous Peoples Plan (IPP) because all the provisions for compliance with OP/BP4.10, Annex

B (IPP) are included in the Government strategy to include Indigenous and *Quilombola* peoples as project beneficiaries. A summary of the strategy is presented under Section X of Annex 10. The Annex summarizes the lessons learned from the implementation of the Indigenous Peoples Plan (IPP) of APL 1 and lays out innovative mechanisms included in APL 2 to make the program more accessible to hard-to-reach families, particularly the Indigenous and *Quilombola*. This has translated into adaptations in the norms for registry and monitoring of conditionalities as well as specific guidelines for the registration of traditional populations, which complement the new form for the *Cadastro Único* to be rolled-out late 2009.

67. As part of its regular monitoring and evaluation processes, the *Bolsa Família* program has undertaken various assessments of the impacts of the program on dimensions such as beneficiary empowerment, social capital and gender. This builds on complementary studies about other CCT programs in Brazil such as *Bolsa Escola*, *Bolsa Alimentação*, *Agente Jovem*. In addition, the program's oversight network includes a social control component, which was also evaluated. Finally, the assessment took into account a media analysis undertaken by the Bank of more than 6,000 articles published about CCT programs in 6 major newspapers between 2003 and 2006. Findings suggest that the BFP and other CCTs have had notable impacts thus far. They have promoted a greater sense of citizenship among beneficiaries, and could potentially empower citizens, strengthen their participation in local affairs, increase their self-esteem and aspirations for the future. They can also strengthen the position of women, not just in the family, but in society in general.

68. In 2008, consultations were carried out on social policies with 6 state social control councils (Ceará, Minas Gerais, Pará, Pernambuco, Rondônia, São Paulo) and 12 municipal social control councils in the same states (Monsenhor Tabosa and Caucaia (CE), Uberlândia e Conceição do Mato Dentro (MG), Santarém and Santa Luzia do Pará (PA), Petrolina and Inajá (PE), Porto Velho and Costa Marques (RO), Santos and Itariri (SP). One of the programs under discussion was *Bolsa Família*. Consultations included: (1) in-depth interviews with stakeholders: managers, council members, beneficiaries (including Indigenous and *Quilombolas*), representatives of the social control network and leaderships of social organizations; and (2) focus groups with program beneficiaries and council members, including the BFP social control councils and inter-municipality association councils. Field work took place between June and September 2008.

69. Consultations with families and communities participating in *Bolsa Família* are carried out during registration. Until now, the program has registered Indigenous families on demand by community leadership. Individual families have the right to refuse the program or to accept it with informed consent. Innovations have been included in the 2008 registration packages to ensure families are knowledgeable about the benefits, eligibility, conditionalities for transfers, and exit strategies.

70. Some of the innovative arrangements for APL2 deal with: (a) the community selection process; (b) the definition of family; (c) the *Cadastro Único* form as explained in two specific field guides *Guía de Cadastro das Famílias Indígenas* and *Guía de Cadastro das Famílias Quilombolas* (SENARC/MDS 2009); (d) program benefits; (e) program conditionalities; and (f) in Socio-productive inclusion of Indigenous and *Quilombola* beneficiaries. The materials published on the web pages of the MDS to promote access and benefits for the Indigenous and *Quilombola* families are listed in Annex 10 as well.

## E. Environment

The nature of Project, which is supporting the Bolsa Familia Program –a conditional, voluntary cash-transfers- and strengthening its institutional provisions, does not trigger any of the Bank’s environmental policies<sup>7</sup>.

## F. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	<input type="checkbox"/>	<input type="checkbox"/>
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Pest Management ( <a href="#">OP 4.09</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Physical Cultural Resources ( <a href="#">OP/BP 4.11</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Forests ( <a href="#">OP/BP 4.36</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*	<input type="checkbox"/>	<input type="checkbox"/>
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	<input type="checkbox"/>	<input type="checkbox"/>

71. The *Bolsa Família* framework for differentiated attention to indigenous peoples and *Quilombola* communities follows ILO Convention 169 on Indigenous Peoples (which Brazil in 2004) which is consistent with O.P. 4.10. This differentiated attention includes: appropriate contact with communities with free and informed consultations, specific registry processes, different definitions of “families”, different transfer mechanisms, coordination between local governments and indigenous organizations, and complementary strategies to promote income-generation alternatives for indigenous and *Quilombola* families, with culturally adequate services. A social assessment was prepared, including evidence on the impact of transfers on empowerment, gender and social capital.

## G. Policy Exceptions and Readiness

72. No policy exceptions are anticipated and the Project is considered ready for implementation based on the following:

- a) Project implementation and fiduciary arrangements have been defined and are ready to become operational upon project effectiveness.
- b) A complete draft Operational Manual acceptable to the Bank has been updated.
- c) A procurement plan for the first 18 months of project implementation is ready and the Borrower has started the preparation of bidding documents.
- d) The social assessment, including the assessment of the existing provisions for the attention of indigenous peoples and *Quilombolas* within BF was finalized and disclosed in the Infoshop on October 23, 2009. Locally disclosure arrangements are explained in Annex 10.

<sup>7</sup> As stated by LCSDE, the Environmental Category of the Project is C.

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

- e) Arrangements for the monitoring and evaluation of results have been agreed upon and are in place.

## Annex 1: Country and Sector or Program Background

### BRAZIL: Second *Bolsa Família* Project (APL 2)

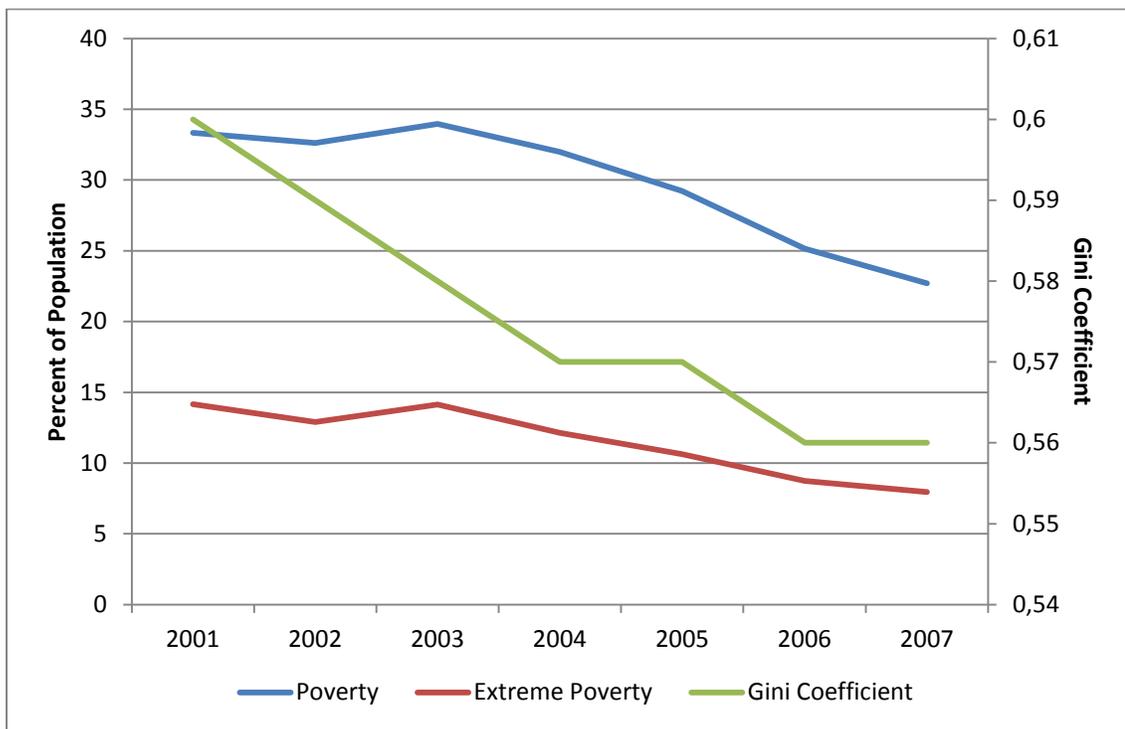
1. **Renewed Emphasis on Growth with Sustainable Gains in Equity.** During its first term, President Lula's administration maintained a dual strategy of both promoting and maintaining economic growth, and also stimulating social progress to tackle the challenges of inequality. The latter was substantially improved by the consolidation, expansion, and improvements in the Government's flagship social program, the "*Bolsa Família Program*" (BFP). In its second term, the current administration launched a renewed push for economic development and faster growth, as well as actions to further strengthen social policy and ensure that the recent gains in equity are sustainable, especially to weather the current economic slowdown. In this framework, the Government has paid special attention to: (a) consolidating *Bolsa Família* at the core of its social safety net strategy; (b) complementing it with other social protection initiatives beyond CCTs; and (c) enhancing the program's processes to serve as a gateway for other income generation and skills development interventions at federal and state level, and also to help address some of the negative impacts of recent shocks. Brazil's sustained economic growth and political stability in recent years have played a key role in tackling poverty and unemployment. Despite high social spending, economic growth and reforms to help the poor, income inequality and high poverty had characterized Brazil's social reality for many decades. The Brazilian government recognized the importance of bridging the inequality gap and bringing its disadvantaged population out of the poverty trap in order to foster social justice and unleash the country's full economic potential. Many programs and reforms in the past decade attempted in particular to address social inequality, in most cases by reaching a limited number of poor households in the country.

2. **Guided by the evidence that income inequality is in large part a result of unequal access to basic social services, the government attempted to address both issues:** remediating the regressive nature of social assistance to help reduce poverty in the short run and promoting key human development dimensions, such as education and health, as tools to achieve long term poverty reduction. From 2003 onwards, Brazil's poverty rates and inequality began decreasing steadily, reversing the continuously worsening trends of the previous decades. The country has made significant headway in reducing poverty, lowering inequality, and improving the development opportunities of its vulnerable populations. Between 2003 and 2007, the absolute poverty rate dropped from 33 to 23 percent, while extreme poverty declined from 14 to 8 percent. The Gini coefficient fell by 6.6 percent in only 6 years from a long-time high of 0.6 in 2001 to 0.56 in 2007, stabilizing at its lowest level in the last three decades.<sup>8</sup>

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<sup>8</sup> Ministerio de Fazenda.

**Figure 1.1: Poverty and Extreme Poverty - Gini Coefficient**



Source: Ministerio de Fazenda, World Bank Calculations.

3. **While economic progress played a role in the decline in poverty and inequality, conditional cash transfers of the BFP provided a critical instrument in reducing the gap between the rich and the poor.** As a result of this successful strategy, in the last few years Brazil has witnessed unprecedented reductions in the rates of poverty in decades. As explained below, about one fifth of the reduction in poverty and inequality can be attributed to the impact of the *Bolsa Família* Program.

4. **With the current administration now approaching the end of its second and last term, emphasis has shifted to further consolidating the social policy and the architecture of the BFP as well as ensuring the sustainability of the recent gains in equality.** With the world in economic crisis and Brazil facing political changes, the government is focused on locking-in the gains of recent years, to assure continuous assistance to vulnerable populations. *Bolsa Família* will play an important role as the backbone of comprehensive Social Safety Net system, which will include activities to improve earning opportunities.

5. **To accomplish this task, the government is strengthening links between the BFP and other social programs at federal and sub-national levels** This strategy will assist target populations in finding employment and income generating opportunities as well as strengthening their human development. *Bolsa Família* has created the foundations of important social networks and safety nets, on which the administration aims to build a network of opportunities for its vulnerable populations. This includes enhancing beneficiaries' education, strengthening skills necessary for finding and retaining employment, and developing other income-generating activities. Existing federal and sub-national programs focus on issues such as providing

microcredit, banking privileges and job training, as well as other opportunities. A key challenge will be to improve linkages between the BFP and other social programs so that beneficiaries can take full advantage of tools available to help them out of poverty.

### *Social Spending and the Social Protection System*

**6. Historically, Brazil's social spending has been high compared to the other countries in the region and *Bolsa Família* has helped to further increase it.** Between 2001 and 2008, Brazil's social spending rose from 12 percent to over 13 percent of GDP. In this setting, social protection spending increased significantly, due in large part to increased spending on targeted, non-contributory social assistance programs. The Government's strategy introduced important structural changes in the past decade, bringing back the state's role in providing social protection to its citizens in the context of free market and deregulation. Brazil's focus has been on accelerating economic growth while distributing the fruits of growth more evenly among its population. For instance, social assistance spending grew from less than 3.4 percent to more than 7.6 percent between 2001 and 2008, and the BFP accounted for a significant proportion of such expansion in social assistance spending in recent years. Social assistance programs grew from less than 4 percent of federal social expenditures in 2000 to over 7 percent in 2008. With CCT programs increasing in popularity and becoming the centerpiece of social assistance, spending on *Bolsa Família* (or its predecessor programs) rose from under 10 percent of the Social Assistance budget in 2001 to close to 40 percent in 2008.

<b>Table 1.1: Social Expenditures and Bolsa Família</b>								
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Social Expendit. (as % of GDP)	12.01%	12.00%	12.07%	12.28%	12.61%	13.05%	12.93%	13.10%
Previdencia (as % of Soc. Exp)	68.75%	69.49%	70.90%	69.40%	69.60%	68.70%	69.41%	68.69%
Social Assistance (as % of Soc. Exp)	3.39%	3.67%	4.10%	5.81%	5.84%	6.97%	7.34%	7.66%
<i>Bolsa Família</i> exp (in billions R\$)*	<b>0.49</b>	<b>2.39</b>	<b>3.47</b>	<b>5.80</b>	<b>6.60</b>	<b>8.23</b>	<b>9.21</b>	<b>11.06</b>
<i>Bolsa Família</i> * (as % of Soc Exp.)	0.32%	1.35%	1.69%	2.43%	2.44%	2.66%	2.74%	2.96%
<i>Bolsa Família</i> * (a% of Tot Budget)	0.08%	0.35%	0.29%	0.46%	0.44%	0.51%	0.53%	0.93%
<i>Bolsa Família</i> * (as % of GDP)	0.04%	0.16%	0.20%	0.30%	0.31%	0.35%	0.35%	0.39%

*Source:* Ministério de Fazenda, World Bank Calculations.

*Note:* *Bolsa Família* started in 2004. Previous programs between 2001 and 2004 included *Bolsa Escola*, *Bolsa Alimentação*, *Auxílio Gas* and *Cartão Alimentação*.

**7. Over the last 6 years, *Bolsa Família* has become the main tool of social policy** based on the underlying principle that transfers can be used to alleviate poverty and also to provide incentives for beneficiaries to enhance their human capital potential and thus allow them to benefit from the economic growth. The aim of the program is to give the poor tools and responsibility for using the cash they receive and take the decision on how spend it. Emphasis is placed on health and education to improve the most critical human development indicators. The conditionalities of the BFP serve as mechanisms for changing behaviors and attitudes which would generate long-term changes necessary to promote equitable growth. In doing so, *Bolsa*

Familia transfer cash transfers to eligible beneficiaries that comply with the following conditions, as relevant: (i) pregnant women must undertake the required pre-natal visits; (ii) children aged 6-17 years must be enrolled in, and attend school; and (iii) children aged 0-6 years must have vaccines up to date.

<b>Table 1.2: Families with a monthly income below R\$70 (US\$40)</b>			
<b>Children or adolescents under 15 years</b>	<b>Adolescents between 16 and 17</b>	<b>Type of Benefit</b>	<b>Total Transfer (US\$)</b>
0	0	Basic	39
1	0	Basic + 1 variable	52
2	0	Basic + 2 variable	64
3	0	Basic + 3 variable	77
0	1	Basic + 1 BVJ	58
1	1	Basic + 1 variable + 1 BVJ*	71
2	1	Basic + 2 variable + 1 BVJ	83
3	1	Basic + 3 variable + 1 BVJ	96
0	2	Basic + 2 BVJ	77
1	2	Basic + 1 variable + 2 BVJ	90
2	2	Basic + 2 variable + 2 BVJ	102
3	2	Basic + 3 variable + 2 BVJ	115

\*BVJ or Beneficio Variavel Jovem targets young beneficiaries who attend school.

<b>Table 1.3: Families with a monthly income between R\$70 and R\$140 (US\$40 and US\$80) per person</b>			
<b>Children or adolescents under 15 years</b>	<b>Adolescents between 16 and 17</b>	<b>Type of Benefit</b>	<b>Total Transfer (US\$)</b>
0	0	No transfer	-
1	0	1 variable	13
2	0	2 variable	25
3	0	3 variable	38
0	1	1 BVJ	19
1	1	1 variable + 1 BVJ	32
2	1	2 variable + 1 BVJ	44
3	1	3 variable + 1 BVJ	57
0	2	2 BVJ	38
1	2	1 variable + 2 BVJ	51
2	2	2 variable + 2 BVJ	63
3	2	3 variable + 2 BVJ	76

8. **Financial commitment:** *Bolsa Família* required significant financial commitment in 2008, amounting to R\$11 billion (US\$5.8 billion) or 0.39 percent of Brazil's GDP that year, up from 0.16 percent of GDP in 2002. Despite the substantial scaling up, *Bolsa Família* has a relatively small budget when compared to other social programs, such as *Previdencia Social*, whose budget in 2008 was over R\$257 billion (US\$133 billion). However the BFP is nowadays the largest social assistance program in the country, with almost 40 percent of the federal spending in the sector, and the largest cash transfer initiative in the world. In 2009, the federal budget approved funds for *Bolsa Família* of about R\$11.4 billion and the 2010 budget (to be approved) includes appropriations for R\$13.1 billion.

*Bolsa Família: Program Implementation and Progress*

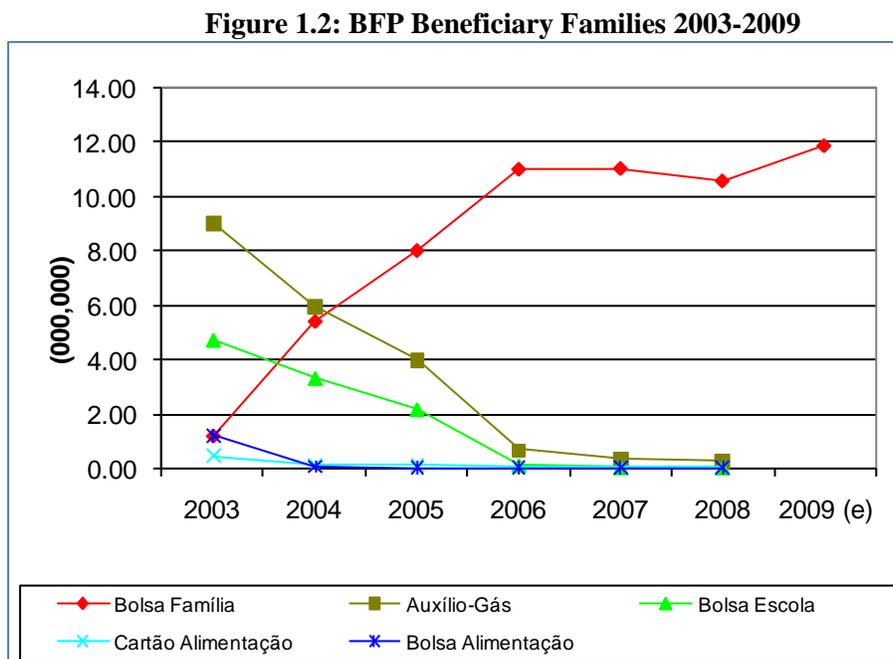
9. ***Bolsa Família* is at the core of Brazil's social safety net.** Currently, *Fome Zero*, the umbrella term used to refer to over thirty programs in the area of food security and other forms of social support, has become the key to Brazil's strategy for combating poverty and promoting long term development. At the core of this strategy, conditional cash transfers interventions have gained a strong momentum as the main mechanism for setting up effective social safety nets. These types of interventions protect the poor from economic hardship in the short term while building human capital in the long run. *Bolsa Família* is the result of the consolidation of dozens of local and state programs as well as four major federal conditional cash transfers into a single intervention operating under unified criteria to select beneficiaries. Its benefits provide nationwide coverage including urban and rural areas, and increasing support to indigenous people and *Quilombolas*.

10. ***Bolsa Família* has helped to rationalize and boost social assistance spending.** Before 2001, a number of social assistance programs specifically targeted the poor, and accounted for 7 percent of the total federal social spending. Among them were four CCT programs including *Bolsa Escola*, a primary and secondary education support program; *Bolsa Alimentacao*, which targeted nutritional needs of women and children; *Cartao Alimentação*, supporting families' food security; and *Auxilio Gas*, which extended subsidies for cooking gas. By 2003, these four combined represented close to one fourth of the federal spending on social assistance. They proved to be individually successful in alleviating the burden of poverty and promoting socially desirable goals to its beneficiaries. However, due to the similarities in the structures of the programs and their almost identical target population groups, the multiple-structured nature of their administration created numerous inefficiencies as well as considerable gaps and duplications in the coverage of the population. In October 2003, the Brazilian administration merged these four programs into a single structure known as *Bolsa Família*. The program was anchored in a federal law that looked to provide more stability and continuity prospects than previous experiences. This decision ensured the entitlement of families that were already receiving the benefits and provided legitimacy to the idea that such programs were not the initiative of a single government but a long-term commitment.<sup>9</sup> The creation of *Bolsa Família* was not a simple merge of previous initiatives but a new multidimensional strategy to reduce poverty and inequality.

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<sup>9</sup> See Rosani Cunha, *Entitlement to Income in Brazil: the Experience of the Bolsa Família Programme*.

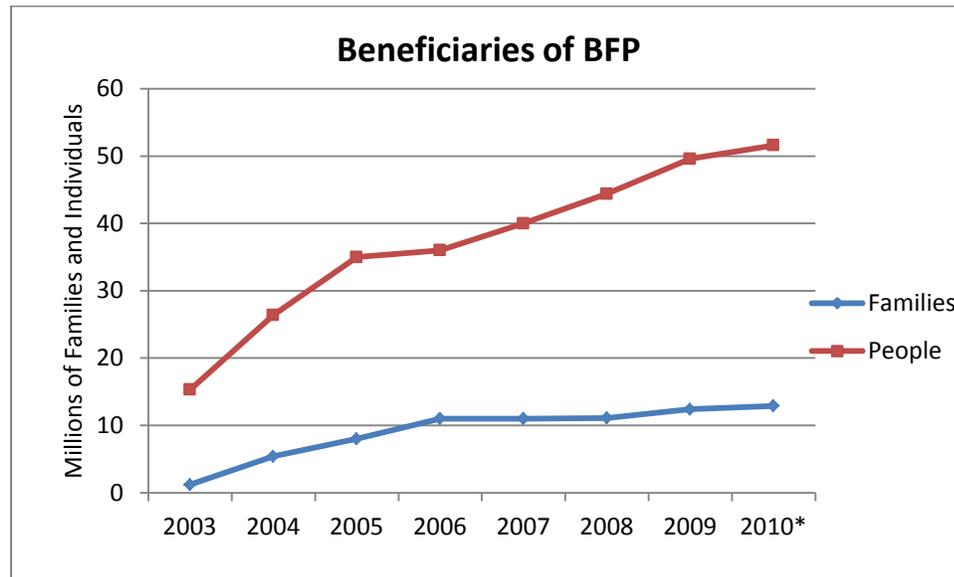
11. This decision proved very beneficial for Brazil since it enhanced the efficiency of social spending, created synergies to promote mutually-reinforcing goals, and reduced administrative costs of running multiple programs. *Bolsa Família* also contributed to the expansion of municipalities' role by transforming the role of municipalities from data providers to real partners. The transition from the four stand alone conditional cash transfers program is fully complete, as shown in the graph below.



12. **Since its inception in 2003, the BFP has made significant advances towards its declared goals.** Responding to high expectations of social progress and to poverty estimates, the Government expanded coverage of *Bolsa Família* from 3.6 million families in 2003 to 12 million families (about 48 million people and 25 percent of the Brazilian population) in August 2009.<sup>10</sup> Currently, *Bolsa Família* reaches all Brazilian municipalities. In 2009, the parameters used to select beneficiaries were modified in response to the economic slowdown and as a result, the number of families in the program is expected to reach 12.9 million by the end of 2010.

<sup>10</sup> 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\$120 in per capita family income, the target population for the program would be 11.1 million families, reflecting thus a reduction in poverty. With the new poverty line of R\$137, the new target population for the BFP is 12.9 million families.

**Figure 1.3: Rapid Expansion of the BFP (in millions of families and individuals)**



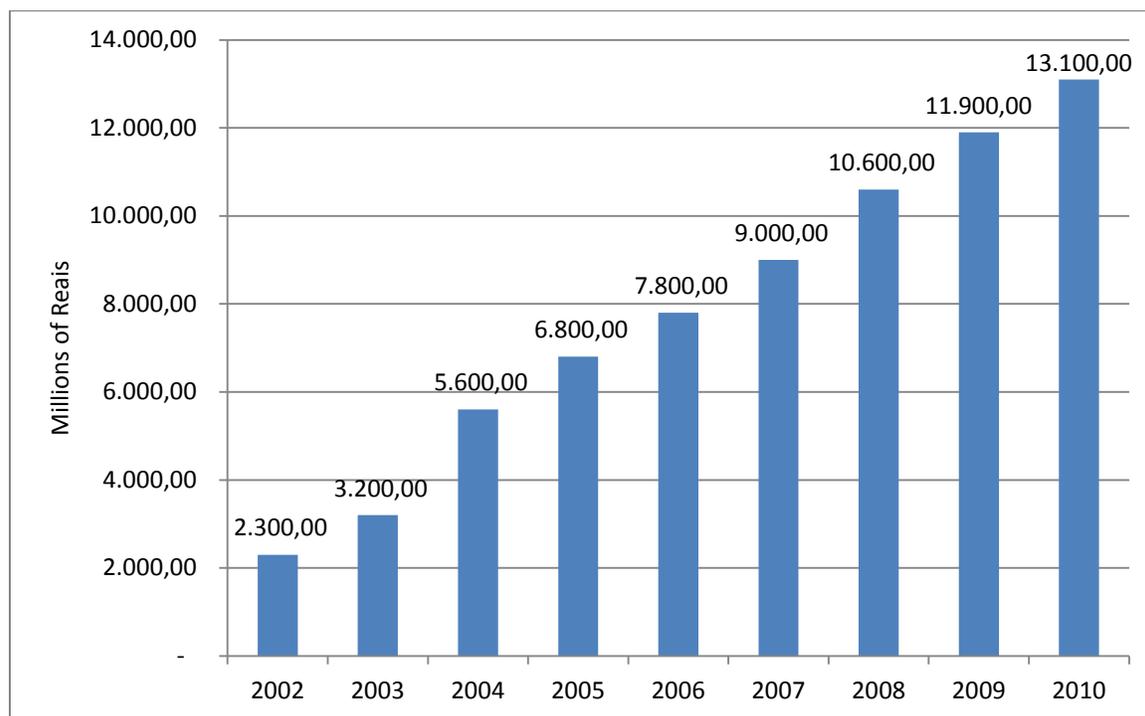
Source: MDS & SENARC. Analyzed by the World Bank.

\*Projected by MDS.

**13. By July 2009 about 17 million 6-17 year old children and adolescents benefited from the Education component and close to 10 million pre-school children and their mothers from the health benefit.** The program monitors compliance with the *education* co-responsibility for 15.2 million children (6-15 year old), from which 85.7 percent (13 million) complied with the attendance and enrollment condition. In addition, 1.9 million 16-18 year old youths are registered for the *Beneficio Variavel Jovem*. Compliance with school attendance reached 76.7 percent (1.45 million youths) in the June/July 2009 period. Although reporting has improved in recent years, only about 63 percent of the families verify compliance with the *health co-responsibility* (6.1 million from a total of 9.7 million families receiving the health benefit); from those over 98 percent complied with the health co-responsibility in 2008 (5.6 million), while the remaining two percent partially complied with the condition. Less than 0.5 percent of registered families' benefits are cancelled annually for failing to comply with co-responsibilities since the program seeks to guarantee beneficiaries participation.<sup>11</sup>

<sup>11</sup> The program set a five-step process (from warning to cancelling) to withdraw a family from the program as a result of no compliance with conditionalities. 1<sup>st</sup> Family receives a warning without affecting benefits; 2<sup>nd</sup>-Benefit is blocked for 30 days, but can be claimed the following month; 3<sup>rd</sup>-Benefit is blocked for 60 days; 4<sup>th</sup>-Benefit is suspended for 60 days and the family lost it during that period; 5<sup>th</sup>-Benefit is permanently cancelled.

**Figure 1.4: Bolsa Família Expenditures on Transfers Per Year**



Source: SENARC (2009 and 2010 are estimated)

**14. Like similar programs in LAC, Conditional Cash Transfers programs in Brazil fostered a new social assistance paradigm by introducing incentives and conditionalities to reduce welfare dependence in the long run, and *Bolsa Família* has contributed to this trend.** Since its initiation the BFP has further strengthened this dimension by:

- a) Updating the value of the benefits, adjusting their structure and modifying the design of incentives to address specific economic and social context as well as policy priorities. The program has updated the amount of the benefits since its launching in 2003 and has adapted the structure of the benefits to encourage participation in secondary education; in this regard the program expanded age requirements for school attendance from 15 to 17 years of age and introduced an additional payment of R\$33 per youth of 16-17 years. This reform, to be evaluated during the implementation of the APL2, is expected to improve schooling of secondary school-age youths and increase basic education completion rates. This should enhance youth capacity when they leave the basic education system. The table below shows the evolution of the benefits and their structure since the launching of *Bolsa Família*.

**Table 1.4: Evolution of the Benefits and their Structure Since the Launching of *Bolsa Família***

	January 2004	July 2007	June 2008	July 2009
<b>Norm</b>	Law 10.836	Decree 6157	Law 11.692	Decree 6.917
<b>Extreme poverty line</b>	R\$85	R\$60	R\$60	R\$70
<b>Poverty line</b>	R\$100	R\$120	R\$120	R\$140
<b>Variable benefit</b>	R\$15 (0-14)	R\$18 (0-14)	R\$20 (0-15) R\$30 (16-17)	R\$22 (0-15) R\$33 (16-17)
<b>Basic (fix) benefit</b>	R\$50	R\$58	R\$62	R\$68

Source: adapted from Soares and Satyro (2009).

- b) Articulating *Bolsa Família* with complementary federal, state and municipal programs (*programas complementares*) that seek to increase social capital formation in poor households. Complementary programs were developed by different government agencies to address specific needs of vulnerable groups such as illiteracy, lack of job experience or housing deficit. Between 2006 and 2007, MDS and other Ministries agreed to articulate 9 already existing programs with *Bolsa Família*. These agreements gave the 11.1 million families of the program preferential access to all the benefits provided by the other programs. Local managers (*Gestores Municipales*) of the BFP along with state coordinators and social workers visit beneficiaries and help them to link or “bridge” into complementary services. The following chart includes some of the programs recently integrated with BFP:

**Table 1.5: Complementary Programs for BFP beneficiaries**

Program	Objective	Target group	Responsible
Brasil Alfabetizado	Illiteracy reduction	Individuals 15 years and older	Ministry of Education
Juventude Cidadã (PNPE)	Jobs opportunities	Men and women between 16 and 24 years of age	Ministry of Labor
Brasil Local	Improve local capacities	Micro entrepreneurs	Ministry of Labor
Projeto Piloto ao PRONAF B, Crediamigo e Agroamigo	Micro-credit for productive projects	Farmers	Ministry of Agriculture Development
Biodiesel	Integrate rural families in the biodiesel chain	Farmers	Ministry of Agriculture Development
Tarifa Social de Energia Elétrica	Large discounts in energy bills	Low income families	MDS, Ministry of Mines and Energy
Luz para Todos	Expand rural access to energy	BFP families, indigenous people, among others	Ministry of Mines and Energy
ProJovem Adolescente	Training and support for vulnerable groups	BFP beneficiaries between 15 and 17 years of age	MDS
Trabalho Escravo	Give priority access to BFP	People rescued from slavery	Ministry of Labor
Benefício de Prestação Continuada	Income support	People above 64 years old and disabled people	MDS
PETI	Avoid child labor	Children below 16	MDS
Cisternas	Provide water to households	Rural communities in the semi-arid regions that suffer from droughts	MDS
Programa de Aquisição de Alimentos - PAA	Buy food from PRONAF farmers for vulnerable groups	Indigenous people, <i>Quilombolas</i> , among others	MDS

- c) Launching the National Commitment for Social Development (*Compromisso Nacional pelo Desenvolvimento Social - CNDS*), to strengthen the consolidation of the social protection and promotion safety net by linking *Bolsa Família* beneficiaries to income generation and social programs at state level. This instrument was created as a further step towards the consolidation of social protection and safety net in order to strengthen the Federal Agreement (*Pacto Federativo*). CNDS is an agreement between the Federal Government and the States aimed at integrating social initiatives. The agreements set specific annual goals for poverty reduction. The specific goals of the plan are to: (a) eradicate extreme poverty, food insecurity, child labor, and sexual exploitation of children; (b) expand social policies to reach all poor individuals; (c) provide access to the labor market and/or support for self-employment; and (d) promote institutional strengthening to advance opportunities for all Brazilians. By mid 2009, 22 out of 26 States had signed agreements, presented a plan, and started receiving preferential access to Federal funding for productive projects, jobs trainings, and other activities.
- d) Implementing the *Inclusão Bancária* strategy to open bank accounts for the BFP beneficiaries and promote their access to banking services. Low-income households often cannot afford financial services and find it extremely difficult to save. As a result, they end up paying high fees in the informal credit market when they need credit. *Inclusão Bancária*, through the *Caixa Economica Federal*, a major public banking institution in Brazil, facilitates free access to bank accounts for the BFP families, and offers credit and insurance services at very low costs. This strategy is coupled with a program of financial education for beneficiaries of the program.
- e) Strengthening the quality of program management. These efforts have included: (a) updating the *Cadastro Único* information and the targeting mechanism to minimize exclusion and inclusion errors, and to serve as a tool to select beneficiaries of other programs at Federal and State level; (b) defining institutional roles and responsibilities for each level of government involved with a framework of contracts and performance incentives for sub-national governments to carry out program processes, including beneficiaries registrations, management of benefits, management of conditionalities, monitoring and evaluation, and control and oversight; (c) improving the verification of families compliance with conditions (progress has been very significant, especially in the education sector); (d) improving the payment systems and enhancing services for families through the payment agency; and (e) consolidating the program's monitoring and evaluation systems.
- f) Institutionalizing a comprehensive system of oversight and control of *Bolsa Família*. Since 2005, the Brazilian Government has taken many steps to strengthen oversight and control mechanisms for the BFP. Numerous decrees and regulations have been passed establishing responsibilities for oversight and controls at various levels of government. Oversight and control of *Bolsa Família* program operates at three levels: The oversight network (or *Rede de Fiscalização*) at the Federal level include three agencies from the executive and legislative branches (*Controladoria Geral da União* and *Tribunal de Contas da União* respectively) as well as the public independent control agency (*Ministerio Público*). Program controls at the MDS include internal and external cross-

checks of the *Cadastro Único*, three hot lines (at the *Caixa*, the Program and SENARC), monitoring of municipal performance and the IDG, and monitoring the *Caixa*. At the municipal level, all 5,564 municipalities have developed social control councils and local points of contact for complaints and appeals.<sup>12</sup>

### *Bolsa Família: Program Outcomes*

**15. Although the BFP impact evaluation is still on-going, some important impacts of the program are already apparent.** Evidence on household-level impacts is available from: (a) the annual household survey (PNAD, 2006 and 2008); and (b) the results of the baseline of the multi-year longitudinal impact evaluation. In addition, the program has been extensively assessed by external agencies showing in most cases significant positive impacts (see also Annex 1B and 9).

### *Poverty, Inequality, and Growth*

**16. *Bolsa Família* has achieved a very good targeting of beneficiaries and small leakages to the non-poor.** About 80 percent of program's benefits go to families in the poorest two quintiles and 48 percent are received by those in the poorest quintile. Despite the rapid expansion of the program between 2003 and 2006 when it reached the target of 11 million families, the program has proved to be very effective in reaching the poorest.<sup>13</sup> Even though the quality of targeting slightly decreased between 2004 and 2006, when the program nearly doubled the number of beneficiary families and became a nationwide intervention, the incidence of the program is still satisfactory. Indeed, the incidence of the program is similar to that of Oportunidades in Mexico or Chile Solidario<sup>14</sup>. A more recent analysis comparing the data from 2004 and 2008 household surveys shows that targeting of *Bolsa Família* has slightly improved.<sup>15</sup>

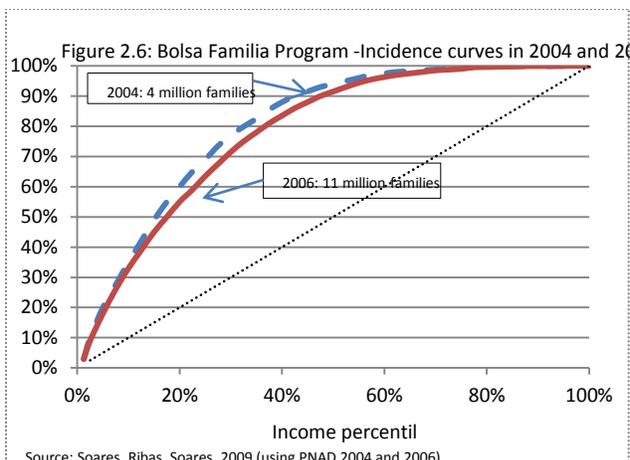
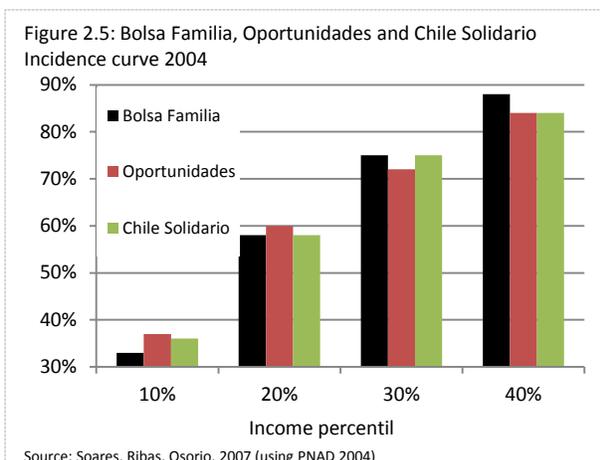
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<sup>12</sup> Lindert, et. al. (2007).

<sup>13</sup> Soares, S., R.P. Ribas, and F.V. Soares (2009) "Focalização e Cobertura do Programa Bolsa Família: qual significado dos 11 milhões de famílias?" Brasília: IPEA, Texto para Discussão, No 1396. Soares, F.V., R.P Ribas, R.G Osorio (2007) "Avaliando o Impacto do Programa Bolsa Família: uma comparação com Programas de Transferência Condicionada de Renda de Outros Países", IPC evaluation note, Número 1, Dezembro, 2007.

<sup>14</sup> Soares, S. and N. Satyro (2009) "O Programa Bolsa Família: Desenho Institucional, Impactos e Possibilidades Futuras", Brasília, IPEA, texto para Discussão No 1424, Outubro.

<sup>15</sup> Paes de Barros & Carvalho (2009).



17. With a sustained coverage of over 11 million families (about 46 million people), the program has demonstrated a significant impact on poverty and inequality, as well as an improvement in beneficiaries' opportunities to engage in income generation actions. Estimates indicate that the net impact of *Bolsa Família* between 2003 and 2008 explains about one sixth of the reduction of the extreme poverty incidence in Brazil. It is estimated that *Bolsa Família* contributed with about 35 percent in the reduction of the extreme poverty gap (P1) and about 47 percent in the reduction of the severity of poverty (squared poverty gap–P2). Furthermore, *Bolsa Família* accounted for about 15 percent of the fall in inequality between 2003 and 2008. As expected the impact of the program in reducing poverty and inequality among the lowest income quintile is much higher, accounting for about 35 percent in the increase in per capita income and 32 percent in the reduction of inequality in the same period.<sup>16</sup>

18. Additionally, in some groups adult beneficiaries show some increase in their labor supply, negating some public opinion concerns about welfare dependency. The BFP adult beneficiaries were about 3 percent more likely to participate in the workforce, 1.5-4.5 percent more likely to actively seek employment, and spent additional funds on enhancing their education than non-beneficiaries. In the South/Southeast region, female adult beneficiaries of the program were 13.7 percent more likely to be in the market force than their counterparts.<sup>17</sup> Moreover, preliminary results suggest that the BFP is contributing to a possible reduction in child labor, which is consistent with the findings of other studies.

19. Recent studies suggest that *Bolsa Família* may have had significant economic impact on Brazilian municipalities and may have contributed to improve their fiscal sustainability. A study from the *Instituto de Ensino e Pesquisa* (INSER) published in 2009 showed that the monthly transfers made by the Federal government to beneficiaries distributed in all 5564 municipalities in Brazil have increased the local GDP. The study calculated that, on average, a 10 percent expansion in the number of beneficiaries of *Bolsa Família* increases municipalities' revenue in more than one percent while a 10 percent increase in the amount of the transfer raises local revenue by 1.36 percent. The Program has expanded from 2.3 to 11.9 million beneficiaries between 2002 and 2009, and the amount of the transfers has been updated at least twice in recent

<sup>16</sup> Paes de Barros & Carvalho (2009).

<sup>17</sup> MDS. 2007. Avaliação de Políticas e Programas do MDS – Resultados. Volume 2 – Bolsa Família y Asistencia Social.

years. According to INSER, the *Bolsa Família* contributed to the reduction of the fiscal dependency of most municipalities on the Federal administration, which was a matter of concern in previous decades.

20. The economic sectors that benefited the most by the increase in poor families' consumption as a consequence of the money transfers were the industrial and the services. The reason for this is that most beneficiaries live in rural and semi-rural areas, where their basic food consumption is generally guaranteed. Therefore, families use the *Bolsa Família* transfers mostly to increase their use of energy, water, and gas.

21. The study also estimated the impact *Bolsa Família* had on the country's GDP in 2006, when the budget of the Program was close to US\$ 3.4 billion. This allocation, which was more than 30 percent higher than in 2005, increased the Brazilian GDP by 1.8 percent that year. Since the Brazilian GDP was US\$ 1.076 trillion, the expansion of *Bolsa Família* might have contributed US\$19 billion to the growth in the country's GDP.

#### *Consumption, Health, Nutrition, and Education*

**22. One of the most unequivocal positive impacts of the BFP has been registered in marked reductions in food insecurity and increases in consumption among poor families participating in the BFP.** Consumption increased as a share of total spending among beneficiary families, especially in food consumption, education, and children clothing. For each *real* received as a transfer, 62 cents were spent on food, as opposed to 24 for non-beneficiaries.<sup>18</sup> Different studies show that between 74 and 85 percent of families have not only increased overall food consumption, but have also enhanced the quality and variety of food consumed, the number of daily meals, and the quantity of children's food. An evaluation of *Bolsa Família* by the Ministry of Health showed that the BFP beneficiary families' diets were 5.1 percent more diverse than that of non-beneficiaries'.<sup>19</sup>

**23. These improvements may have had important effects on reducing malnutrition, and consequently stunting and wasting in children.** The baseline study showed no significant impact of the Program in terms of malnutrition. However, subsequent studies carried out in specific poor areas found that the BFP beneficiaries under 5 years of age had 26 percent more chances of having height and weight appropriate to their age than their non-beneficiary counterparts.<sup>20</sup> Another study in the Northeast region and Minas Gerais found that the BFP beneficiaries had higher height-for-age (HFA) indicators than non-beneficiaries (stunting was observed in 6.8 percent of beneficiaries compared to 11.5 percent in non-participants). Furthermore, beneficiary children were 10 percent more likely to be healthy during their visit to

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<sup>18</sup> MDS. 2007. *Primeiros Resultados da Análise da Linha de Base da Pesquisa de Avaliação de Impacto do Programa Bolsa Família*.

<sup>19</sup> Ministério de Saúde. 2007. *Avaliação do componente de saúde do Programa Bolsa Família*. Brasília D.F.: *Série C. Projetos*. Instituto Brasileiro de Análises Sociais e Econômicas (Ibase). 2008. *Repercussões do Programa Bolsa Família na Segurança Alimentar e Nutricional*. Rio de Janeiro.

<sup>20</sup> See Paes-Sousa, R. and L.M. Pacheco Santos (2008) "Measuring the Impact of Bolsa Família Program based on data from health and Nutrition Days".

the doctor than non-beneficiaries in the study conducted by the Ministry of Health.<sup>21</sup> A longitudinal study of infants also shows that 24 months of participation in the BFP contributed to birth weight increases of 200 grams compared to a group of non-beneficiaries. Other positive results include the incidence of 6 (or more) pre-natal visits among pregnant women, which is 6 percentage points higher for beneficiaries than non-beneficiaries. The same positive difference of 6 percent is observed in children's medical consultations.<sup>22</sup> Nevertheless, the follow-up survey of the impact evaluation of the program, available during the first semester of 2010 will provide more robust and definitive results on malnutrition and health status of children.

**24. Preliminary results also indicate advances in education, but quality outcomes are still lagging behind.** By October 2007, about 12 million children, or an equivalent of 80 percent of the total population of young beneficiaries registered in the BFP were complying with the educational conditions. Total spending increased and other educational indicators, such as attendance, showed improvements. For children 7-14 years of age, participation in the BFP increased the likelihood of school attendance by 3.6 percentage points, while this increase was 7.1 percent in the Northeast region.<sup>17</sup> Another study showed that in the long run, enrollment rates increased about 13 percent.<sup>23</sup> Despite these positive results, the impact on education outcomes has been less than expected. Evaluations and other recent assessments show less conclusive results regarding grade promotion and repetition.<sup>24</sup>

#### *Institutional Development and M&E*

**25. The BFP has also achieved important impacts consolidating the institutional framework of social sector assistance.** This is a critical step for promoting the sustainability and efficiency of further social assistance programs. This included the integration of the pre-existing national government cash transfer programs into a single structure, with consequent gains in efficiency, reductions in administrative costs, and the enhancement of synergies. The program developed a unique decentralized management approach in which municipalities play a central role in the identification of beneficiaries and monitoring conditionalities. *Bolsa Família* has also worked with states and municipalities to reach legally-binding cooperation agreements that integrate their pre-existing cash transfer programs into the main BFP structure to reduce duplications and administrative costs. Such mergers have taken place in 14 states and 15 municipalities. These agreements have also helped to better define the role of each level, and to enhance the capacity of municipalities and states to implement social assistance program.

26. The creation of the MDS was a key step in the process of consolidating the BFP at the core of the social protection system, in improving the supervision of the decentralized program; and

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<sup>21</sup> Ministerio de Saude. 2007. Avaliacao do componente de saude do Programa Bolsa Familia. Brasilia D.F.: Serie C. Projetos.

<sup>22</sup> Ministerio de Saude. 2007. Avaliacao do componente de saude do Programa Bolsa Familia. Brasilia D.F.: Serie C. Projetos.

<sup>23</sup> Paul Glewwe & Ana Lucia Kassouf, 2008. The Impact of the *Bolsa Escola*/Familia Conditional Cash Transfer Program on Enrollment, Grade Promotion and Drop-out Rates in Brazil.

<sup>24</sup> While the study of CEDEPLAR (2006) suggests that Bolsa Familia children tend to repeat grade more than non beneficiaries, a more recent assessment (Glewwe, et al) concludes that Bolsa Escola and Bolsa Familia children are likely to have higher grade promotion rates when compared with non beneficiaries. The first follow up survey of the impact evaluation of Bolsa Familia is likely to show more conclusive results.

in enhancing the capacity of the government to effectively manage and monitor progress nationally. MDS will continue promoting the creation of linkages between the various social assistance programs and creating strategies for the effective graduation of beneficiaries into the labor market through micro-credit and job-search programs.

27. Critical to the BFP's success has been the strengthening of the program's monitoring, oversight, and evaluation systems. The Secretariat for Information Management and Evaluation (*Secretaria da Avaliação e Gestão da Informação*, SAGI) carries out many quantitative and qualitative evaluations, including a long-term impact study. The development of internal and external oversight and control systems complements these evaluations. The main challenge in this area is to strengthen the social control mechanisms based on local councils and committees, which MDS requires to be established when a municipality joins the program.

28. Finally, the unification of the beneficiary registry, *Cadastro Único*, has strengthened the program's basic architecture. It has also created a platform for improved targeting for future social programs in general, which will strengthen linkages between programs, enhance synergies and reduce inefficiencies. The next step is to broaden the use of the *Cadastro Único* to identify other dimensions of vulnerability (beyond income poverty). Once target populations requiring different types of assistance are identified in the *Cadastro Único*, the Government will be able to select the most effective programs to support them.

#### *Bolsa Família: Program Challenges*

**29. BFP has demonstrated that it can impact the welfare of poor families and is well institutionalized at the core of the social protection system in Brazil, but important challenges remain.** The BFP needs to be consolidated in two broad areas: (a) further strengthening the program's basic architecture including streamlining processes and operations; and (b) developing stronger links to other social interventions and employment and skills development opportunities, as a potential gateway for beneficiary families to escape from poverty.

**30. Challenges remain in the local implementation and management of the *Bolsa Família* program.** As discussed above, *the BFP* has established a process of continuous self-assessment and has improved its implementation and institutional arrangements in diverse areas of operation. Future challenges include improving payments logistics, especially in rural areas, and identifying further vulnerabilities to capture nontraditional beneficiaries. Another challenge is to enhance the capacity of local governments and the secretariats of health and education to verify conditionalities. There is evidence from APL1 that existing procedures for the verification of conditionalities, when implemented, create good incentives for compliance. The challenge, therefore, is to ensure widespread verification. This would be supported under APL2 through the technical assistance components.

**31. Another challenge is to scale up and consolidate the strategy to link *Bolsa Família* beneficiaries to other interventions, such as skills development, employment and income generation opportunities.** *Bolsa Família* and the *Cadastro Único* have made significant progress in linking registered families with other social programs. At Federal level this process

has been facilitated by the role of the MDS in managing key social programs at this level. At the same time, many municipalities and states have already linked their own interventions to families registered in the *Cadastro Único* and beneficiaries of *Bolsa Família*. Nevertheless, only recently the Government has started to institutionalize a formal strategy to connect the program and interventions that offer an effective gateway for families to exit poverty. Therefore, the challenge is scaling up, consolidating and ensuring the sustainability of the linkages between BF adult beneficiaries with productive inclusion, income generation opportunities and skills development, to increase employability interventions.

### *Bolsa Família and Bank Long Term Partnership*

**32. Since the program's inception in 2003, the Bank has engaged in a long-standing partnership with the Government through dialogue, analytic and advisory support, and under the on-going APL1.** The US\$572 million loan supports the Government's efforts to implement *and* improve the quality of the BFP. The focus of the first phase was on: (a) improving the targeting mechanisms to reduce exclusion and inclusion errors; (b) building strong monitoring and evaluation systems; and (c) strengthening the basic operations of the program by enhancing the role of municipalities.. An important component of this initiative was the consolidation of the beneficiary registry (*Cadastro Único*) for better targeting, and the identification of vulnerabilities. The program's progress since its launching has been very significant in terms of outputs and outcomes. Through the preparation and implementation of the APL2, the partnership between the Government and the Bank in the social protection sector is reaffirmed to provide further support in the areas where the program is still in the process of consolidation. The APL2 emphasizes those areas where *Bolsa Família* develops innovative features to further improve effectiveness and efficiency of program operation.

33. In the first phase of the program (2004 to 2009), APL1 supported the Government in establishing the main conceptual, legal, and institutional foundations of BFP. The Bank's financial and technical assistance supported the Lula administration in strengthening and consolidating the program through: (a) clearly defining institutional roles and responsibilities for each level of government involved in the program; (b) establishing a framework of contracts and performance incentives for sub-national governments; (c) improving the verification of conditions and payment mechanisms; and (d) solidifying the monitoring and evaluation systems.

34. APL1 made good progress towards achievement in its development objectives and implementation has been rated as satisfactory. As detailed in Table 1.1, all the agreed triggers to move to the preparation of APL2 have been fully achieved.

**Table 1.6: Triggers to Move to Second Phase APL (Second Project)**

Conditional Cash Transfers	<ul style="list-style-type: none"> <li>• Coverage of at least 2/3 of extreme poor families by program</li> <li>• Pre-reform transfer programs eliminated (former beneficiaries either converted to Bolsa Família or dropped from programs)</li> </ul>	<ul style="list-style-type: none"> <li>• Fully Complied</li> <li>• Fully Complied</li> </ul>
Strengthening of System for Identifying the Target Population	<ul style="list-style-type: none"> <li>• <i>Cadastro Único</i> questionnaire and BF eligibility criteria revised and published</li> <li>• Expansion and recertification data collection strategy designed and implemented</li> <li>• All detectable duplications in the <i>Cadastro Único</i> database eliminated</li> <li>• Periodicity for updating <i>Cadastro Único</i> and recertifying Bolsa Família beneficiaries formally established</li> <li>• Recertification process commenced in at least 25% of municipalities</li> <li>• <i>Cadastro Único</i> users (MDS and at least 50% of municipalities) with access to data</li> </ul>	<ul style="list-style-type: none"> <li>• Fully Complied</li> <li>• Fully Complied</li> <li>• Fully Complied</li> <li>• Fully Complied</li> <li>• Surpassed target</li> <li>• Surpassed target</li> </ul>
Developing and M&E system	<ul style="list-style-type: none"> <li>• MIS for the BFP fully operational and generating adequate reports</li> <li>• Results of at least one round of Quality Control Reviews for BF published</li> <li>• <b>Baseline beneficiary survey conducted</b></li> </ul>	<ul style="list-style-type: none"> <li>• Fully Complied</li> <li>• Surpassed target</li> <li>• Fully complied</li> </ul>
Institutional Strengthening	<ul style="list-style-type: none"> <li>• Matrix of functional and institutional responsibilities for the BFP published</li> <li>• Strategy for operating program in remote areas developed</li> <li>• Beneficiary information booklets designed, published and distributed</li> <li>• System for verifying human capital conditionalities operating</li> </ul>	<ul style="list-style-type: none"> <li>• Fully complied</li> <li>• Completed for indigenous and <i>Quilombolas</i></li> <li>• Fully complied</li> <li>• System operational and increasing proportion of verified conditionalities</li> </ul>

35. By the conclusion of the first phase, the MDS had met all of the progress benchmarks for all the milestones set in the results framework of the project. The Bank certified completion and documentation for the first set, which allowed the disbursement percentage for the SWAp component to increase from 8 percent to 9 percent. The Government also met the conditions of the second set of milestones, which would have further raised the disbursement rate to 11 percent; however, the funds allocated to the SWAp component had been fully disbursed by the time these were met. In the results framework, these milestones represent cumulative progress for the triggers for APL2.

36. The analysis and evaluation of the strengths and weaknesses of the implementation of the first phase has created an agenda and priorities for the improvements in the second phase. These will strengthen even further the ability of the BFP to reduce the burden of poverty and enhance human development of beneficiaries. The following were identified as the main goals for the second phase of the program:

- a) Continuing efforts to reinforce and complete the structuring of **the BFP's basic architecture** in order to enhance the positive immediate impact on poverty rates and to **advance governance and accountability** mechanisms to strengthen the impacts of social assistance on long-term reductions in inequity. Specific programmatic efforts will include continuing to: (a) unify and increase the use of the *Cadastro Único* as an instrument for

targeting; (b) improve the management of monitoring of and compliance with conditionalities; (c) improve payment mechanisms in remote areas; and (d) continue strengthening monitoring and evaluation of the program; (e) strengthen oversight and control (both formal and social controls) of social program activities; (f) enhance local implementation and management capacity; (g) improve the coordination between federal and local government and further refine the responsibilities of each of the levels of health, education and social assistance service providers in setting up social services networks; and (h) advance social participation of beneficiaries in the articulation of local policy.

- b) Improving **integration and linkages** between the BFP and other social and labor market programs and interventions to create **exit strategies** for the BFP beneficiaries (especially second generation strategies) from poverty and to facilitate their entry into the labor market and/or access to income-generation activities. Complementary actions and services would focus on linking beneficiaries to: (a) social worker accompaniment and other social assistance programs; (b) micro-credit and financial services; and (c) income-generating and productive inclusion activities.

### *Conclusion*

**37. The BFP has been key to the reduction in poverty and inequality in Brazil between 2003 and 2007.** The program accounts for around 21 percent of the fall of the Gini coefficient and helped alleviate poverty in the short-run. By offering incentives to poor families to enhance their human capital potential, it has had positive impacts on access to education, nutrition and health services. The Government has turned the program into its flagship initiative and has institutionalized it as the centerpiece of Brazil's social policy, merging other social assistance programs into BFP. By 2009, the program reached 12 million families or more than 48 million individuals, and is the largest initiative of its type in the world.

**38. The Bank has been a decisive partner of the Brazilian government through a two-tranche APL which has created a long-term, fruitful collaboration.** The first APL, approved in 2004, supported the Government in its efforts to consolidate four previous CCT programs into a single conditional cash transfer program. The focus of that first phase was on: (a) improving the targeting mechanisms to reduce exclusion and inclusion errors; (b) building strong monitoring and evaluation systems; and (c) strengthening the basic operations of the program by enhancing the role of municipalities. The Brazilian Government met all the progress benchmarks stipulated in the results framework for APL1.

**39. The second phase of the APL is aligned with the Government's goals and will build on the achievements of APL1.** It will continue the partnership through continued technical assistance focused on "second generation issues" that would help consolidate the basic architecture of the BFP, including: (a) further improving the targeting mechanisms by expanding the use and scope of the *Cadastro Único*; (b) further strengthening program governance and social accountability mechanism; (c) improving social services provision and the verification of conditionalities; and (d) enhancing coordination with other complementary services which target vulnerable populations at the federal and local levels.

## **Annex 1.A. Lessons learned from the implementation of the APL 1**

1. ***Political leadership combined with strong technical implementation capacity and rigorous evaluation is key to program set-up and sustainability.*** International experience has shown that successful implementation and institutionalization of CCT programs requires both strong support from the highest level of Government, and clear institutional responsibilities for program design, coordination and implementation. The APL1 supported the program's institutional set-up, mostly at the federal level, with technical support to both the National Secretary for Citizens' Income (SENARC) in charge of implementing the program and to the Secretary of Evaluation and Information Management (SAGI). SENARC built a robust monitoring system, based on the overhaul of the beneficiary registry, and also invested in strengthening its technical cadre. SAGI focused on institutionalizing M&E inside the Ministry and on providing quality terms of reference and supervision to external evaluations. The program's impact evaluation and major implementation evaluations are contracted out to external evaluators, including a Brazilian research institution and international academic institution.

2. ***Clear definition of institutional responsibilities in turn ensures adequate coordination and improves institutionalization and sustainability.*** CCT programs foster innovative cross-sector interventions, which hardly fit within the mission of typical line ministries. In Brazil, the BFP faced challenges related to the coordination of: (a) the monitoring of conditionalities across Ministries of Health and Education; (b) the sharing of information with the database manager, *Caixa Econômica Federal*; and (c) ensuring coordination with the state and municipal governments. During the first phase, MDS underwent a process of institutional reform where the roles of its different secretariats and partners in the implementation of *Bolsa Família*, were clarified. While the Ministry of Health centralizes the information on compliance with the health conditionalities, the information on school attendance is entered directly by Municipal Secretaries of Education. The software incorporates an innovative system of incentives, based on a Decentralized Management Index (*Índice de Gestão Descentralizada*), which rewards good local implementation of the program. This process generated strong buy-in across government levels and sectors. The second phase will support further articulation with activities carried out by other secretariats of the MSD aimed at supporting families in addressing other challenges they face to exit poverty and enter the labor market.

3. ***Families who fail to comply with conditionalities may need additional support to take full advantage of CCT programs.*** *Bolsa Família* and its predecessor programs have triggered behavior change among the poor, especially among those who did not traditionally access services, such as the extreme poor in remote rural areas, and among local service providers. However, recent experiences have shown that dealing with the complex challenges that very poor families face when participating in CCT programs constitutes a key element for sustainable program success. Several programs in LAC have implemented complementary activities to help beneficiary families obtain the maximum benefits to which they are entitled under the program and take measures to address their structural poverty. *Programa Puente* in Chile assigns professional social workers to work with beneficiaries in implementing a family development plan and fulfilling a related individual menu of co-responsibilities over the two years of the program. Similarly, the *Red Juntos de Acción Social* in Colombia uses *cogestores sociales*, who

assess the needs of the families and help them access services to implement their family development plan over the five years of the program. In Brazil, social services centers (*Centros de Referência da Assistência Social--CRAS*), run by the National Secretary for Social Assistance in MDS, are reaching out to *Bolsa Família* beneficiaries who do not comply with program conditionalities to help them to do so and also to link them to local social services. CRAS staff can thus play an important role in identifying and removing barriers faced by beneficiary families.

**4. *Strengthening human capital, especially among the poor, requires tight coordination between demand and supply side interventions.*** On the demand side, CCT programs seek to address income-related barriers impeding poor and vulnerable groups from accessing basic social services (education, health, and nutrition) and thus to improve the utilization of these and other social services. In turn, unless the supply and quality of such services is adequate, CCT programs will not succeed in improving educational, health and nutritional status of the targeted population. Supply side problems can undermine a CCT's effectiveness; for example, children may attend school but if the school quality is poor their learning outcomes may not improve, as recent international and Brazilian evidence has shown. Improving quality and fostering learning in the schools mostly attended by *Bolsa Família* beneficiaries is a major challenge in Brazil. High repetition and drop-out rates plague the system. Gaps in service provision at the secondary level are still an issue, particularly in remote rural areas and indigenous communities. To address these issues the Government has taken action to: (a) extend the eligibility age for benefits from 15 to 17 years, which is when most youth drop-out of school, and (b) strengthen the remedial and alternative education programs of both the Ministry of Education (Youth and Adult Education) and the National Secretary of Youth through the *Pro-Jovem* umbrella initiative. In addition, the Ministry of Education is expanding funding for municipally run pre-school programs and introducing performance-based budgeting in schools, using the results of a national exam in 4<sup>th</sup> grade. On the nutrition side, the BFP will continue to support the nutrition census "*Chamada Nutricional*" among vulnerable children in the North, Northeast and among land reform settlers.

**5. *Transparent targeting mechanisms ensure that a CCT program reaches its intended beneficiaries and maximizes its impact.*** One of the crucial elements for the success of a CCT program is the targeting scheme used to define areas of intervention and select beneficiary families. CCT programs are set to provide very poor families with an individual benefit which should be high enough to stimulate investments in human capital, but low enough to avoid introducing distortions regarding adult labor force participation. Therefore, the targeting mechanism is at the core of a CCT program, as the benefit is designed to have the desired behavior change in extremely poor families. Targeting also requires some calibration to minimize exclusion and inclusion errors so as to include as many extremely poor families as possible without including many non-extreme poor. In unequal middle income countries such as Brazil, household-level targeting is also usually necessary.

6. Strengthening the implementation of the *Cadastro Único* has been a key accomplishment under the first phase of the BFP. As potential beneficiary registration is a municipal responsibility, the MDS has developed implementation manuals and training for the collection and update of household information. In parallel, MDS has tightened the quality control of the beneficiary database. In 2008, the MDS adopted a revised version of the targeting questionnaire,

and recently launched a full re-certification process using the new questionnaires. While by law eligibility decisions are based on self-declared income, this information is cross-checked with a proxy-means index, the Family Development Index (*Índice de Desenvolvimento Familiar*). This has ensured good control of inclusion errors. BFP's next challenges are to continue minimizing exclusion errors, especially among the hard-to-reach population in marginal, urban neighborhoods and remote, rural areas, as well as among specific socio-cultural groups such as indigenous peoples and descendants of runaway slaves (*Quilombolas*).

**7. Clear and transparent rules to provide support and apply sanctions ensure program credibility.** Successful CCT programs have built broad credibility and accountability among beneficiaries and other stakeholders. This requires clear, transparent and strictly-applied rules, with defined oversight institutions. This also requires extensive communication about: (a) the definition of co-responsibility of households and individual members; (b) transparent criteria for selecting families, determining benefit amounts and checking compliance with conditionalities; (c) sanctions to non-compliant beneficiaries, including temporary and definitive suspension from the program, and conditions for reinstatement; (d) sanctions for fraud and mismanagement by program staff and local officials; and (e) clear guidelines about the duration of program benefits. An efficient, accurate and timely system to verify beneficiary families' compliance with their co-responsibility and program staff compliance with their functions under the program are paramount to its credibility. Finally, the program's credibility rests on its ability to receive feedback from participating households and from the public.

8. During its first phase, the *Bolsa Família* program set-up an extensive system to clarify the program's rules through legal instruments and operational instructions as well as through beneficiary booklets, electronic weekly bulletins for local managers, a detailed program website – with public beneficiary lists by municipalities -- and two dedicated hotlines (for beneficiaries and local managers). In addition, the BFP launched a thorough training program – both face-to-face and through distance learning – for local managers. The BFP has also reinforced its external oversight mechanisms: the Federal Comptroller randomly audits 50 municipalities monthly and includes *Bolsa Família* in the set of audited programs. Brazil's Federal Court of Accounts (*Tribunal de Contas da União*), which responds to Congress, has conducted two implementation evaluations of the BFP, and the results of these evaluations have been made public. As can be expected for a flagship social program, the local and international press has devoted a lot of attention to the BFP, and the press' scrutiny has motivated the MDS to strengthen the program's oversight system. The second phase of the APL will build upon these mechanisms and help strengthen feedback between the oversight system and program management, and between formal and social control mechanisms.

**9. Linking beneficiaries to skills and income generating activities ensures the medium-term sustainability of poverty alleviation impacts.** The experience of CCT programs in Latin America has shown that in the short term, transfers foster increased access to services and raise consumption. However, the challenge is to guarantee the medium- and long-term sustainability of these improvements. Most of the CCTs in the region are still defining explicit exit or graduation strategies. Some of these include time limits (Colombia, Nicaragua), links to complementary social programs accompanied by individual support (Chile, Colombia), alternative measures (compensations) after the CCTs (El Salvador) or links to direct skill

generation programs such as school graduation bonuses and educational saving accounts (Mexico).

10. In Brazil, complementary programs include: group support through the CRAS, youth life skills and integrated attention to youth issues through *ProJovem*, literacy programs for youth and adults (*Brasil Alfabetizado*), access to financial services (accounts and financial literacy) and income-generating programs such as professional training (*PlanSeq*); job search and placement services (*SINE*); micro-credit (*Banco do Nordeste* and *Banco do Povo*), technical assistance for micro-enterprises; and rural development programs (some supported by the Rural Poverty Alleviation CDD Projects in the Northeast). Under APL2, the BFP will help strengthen the coordination and articulation of these complementary programs and *Bolsa Família* beneficiaries. While most programs mentioned above are federally administered, the states and municipalities run a whole array of complementary programs. A similar challenge is to coordinate these activities with the federal programs to promote integrated poverty-reducing local development.

**11. CCT programs, while designed to foster medium-term improvements in human capital, have a role to play in responding to crises and protecting poor households' investments in human capital.** CCT programs' principal focus is on improving the synergies between health, nutrition and education and breaking the inter-generational transmission of poverty. They also provide a good mechanism to channel additional resources to the extreme poor to offset temporary crises (such as last year's rapid food price inflation) and they provide incentives to dissuade families from cutting their investment in education and health in the face of economic difficulties.

12. Since 2008, *Bolsa Família* has played a key role as a safety net mitigating the impact of the food and oil prices, and more recently of the economic downturn. This occurred through two channels: (a) increasing benefit amounts to avoid their erosion by food price inflation, and (b) expanding the beneficiary lists to include a vulnerability dimension introducing income volatility as part of the selection criteria. First, in 2008 and 2009 the Government readjusted the amount of all benefits, which helped beneficiary families absorb the impact of the increasing in food and oil prices. Second, in 2009, as an ex-ante risk management tool to cushion the economic slowdown, the BFP revised its estimation of potential beneficiaries based on the new IBGE poverty maps and vulnerability analysis by IPEA on the Monthly Labor Force Survey.<sup>25</sup> As a result, the target number of beneficiaries increased by 1.8 million families, of which 1.3 million families is expected to be registered between May and October 2009.

**13. Communication throughout program implementation sustains CCTs in its daily operations but also across political transitions.** This communication moves in two directions. It entails much more than media-related activities, since it provides a pedagogic approach to beneficiary families and local managers, especially in remote areas. It also educates the general public and policy-makers about the innovations embedded in a CCT program and promotes oversight and accountability. In the other direction, the strategy includes bottom-up feed-back from beneficiaries and other local stakeholders for program management, social audit and control.

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<sup>25</sup> Under the current methodology, the information collected by the survey captures the family income during the previous month only. The new methodology intends to capture the volatility of income, which will affect families near the poverty line in particular.

While *Bolsa Família* has made great strides with the media and gets good coverage, the program needs to reach out to potential beneficiaries who are still excluded. It also needs a continuous communication-come-capacity-building program to reach municipal employees, who face high turnover rates and whose understanding of the program is crucial for a good local management. In the second phase, the BFP also plans to strengthen social control mechanisms to build the local capacity of citizens.

14. ***While CCTs have traditionally focused on school-aged children, reaping the highest yields for this investment may require enhancing school preparedness of pre-school children and school-to-work transition skills for youths.*** Recent evidence in neuro-sciences shows that the 0-2 age period provides an important window to lay the foundations for children' strong socio-cognitive development. This rests on good nutrition, care and access to early education. Brazil has launched several initiatives to improve children' access to early education. In the second phase, the BFP will also enhance the monitoring and reporting of health conditionalities, which focus on pre-school children. As mentioned above, the BFP has already extended eligibility to 15-17 year-old youth and is seeking to reach at-risk youth through coordination with the *ProJovem* umbrella of programs. APL2 will support specific evaluations of these program components.

## **Annex 1B: *Bolsa Família* Knowledge Generation**

1. As the government social program flagship and the largest conditional cash transfer program in the world, *Bolsa Família* has generated a large and growing body of literature on its impact and implementation. This has fed into the strengthening of monitoring and evaluation functions of the government, which the Bank has supported through the BRAVA program – both for program-level impact evaluation and institutionalization of M&E – and through results-based management components in several state-level development policy loans and federal-level activities. In addition, the scale and speed at which the program has expanded and its sheer size has generated a lot of demand for knowledge sharing from countries in the process of developing CCT programs. As Brazil's stature grows in the international arena, it is taking a leadership role in discussions on social assistance policies and *Bolsa Família* is a key ingredient of this knowledge agenda.

### **I. Consolidation and Institutional Strengthening of Monitoring and Evaluation of Social Programs in Brazil**

2. Since its creation in 2004, the Ministry of Social Development has enhanced its implementation capacity and annual budgetary allocation very significantly. The annual budget of the MDS grew from about R\$11 billion in 2003 to more than R\$32 billion in 2009 (from US\$3.5 billion to US\$16 billion) reaching more than 1.1 percent of the GDP. Currently, the MDS comprises the most important social programs at federal level in Brazil. In addition to *Bolsa Família*, which grew from US\$0.2 billion in 2003 to more than US\$5 billion in 2009, the Ministry implements several other social programs equivalent to about 1 percent of the Brazilian GDP, including another large cash transfer for the elderly and disabled population (BPC), as well as programs to prevent children labor (PETI), support low income youths through school-to-work programs, and other social assistance interventions.

3. The institutional structure of the Ministry of Social Development involves three executive Secretariats responsible for the implementation of the social protection programs (SENARC, SNAS and SESAN) and two transversal Secretariats responsible for supporting the integration among social programs and links between families in the *Cadastro Único* with other interventions at Federal, State and local levels (SAIP), and to carry out a comprehensive monitoring and evaluation system for social programs (SAGI). In this regard, the Ministry of Social Development is the key Federal institution responsible for planning, implementing, and articulating social policies in Brazil.

4. The M&E functions within the MDS are categorized in two fronts of work. On the one hand, Evaluation and Research activities focused on measuring the impact of social programs in the welfare of beneficiary groups; and on the other hand, Monitoring activities focused on tracking program progress and on day-to-day follow-up of programs. As in other countries, Evaluation activities are periodic, performed on selected programs only, based on sample data and intended to inform major program decisions. Monitoring is a regular ongoing process performed on all programs using administrative (universal) data and sought to adjust and improve programs under implementation.

5. Monitoring and Evaluation functions in the MDS constitute a critical element of the policy making and decision making process on social policies in three levels: (i) internally, to provide feedback and improve effectiveness of and optimize resources invested in social programs under the responsibility of the Ministry of Social Development; evaluations and assessments are carried out by SAGI in close coordination with implementing agencies and programs' managers; (ii) at policy making level, to inform decisions taken in relation to social programs; and (iii) externally, to improve transparency, control and accountability of social policies, through the dissemination and discussion of evaluations and assessments. SAGI disseminates the generated knowledge to the general public through several channels, including through the academia as well as government officers, workshops, technical publications, and availability of information in the web.

6. The Monitoring and Evaluation functions within the Ministry of Social Development were envisioned and strengthened since the establishment of the Ministry in 2004. Gradually, the Ministry has consolidated the M&E activities and the SAGI Secretariat has acquired special relevance in the decision making process. The establishment of SAGI constituted a decisive and innovative step for policy making, assessment and evaluation of social policies. Until then, no Ministry or central agency in Brazil had an autonomous body to carry out such activities. Evaluation was not regarded as an indispensable activity within the Brazilian government. SAGI was institutionally and technically strengthened to increase relevance in the decision making process of the Ministry.

7. From the institutional perspective, SAGI is a transversal Secretariat directly dependant on the Executive Secretariat, supported by a committee comprising key officials from the other Secretariats; since 2005 monitoring and evaluation are institutional functions within the Ministry of Social Development. Technically, SAGI is formed by high level specialists in the monitoring and evaluation areas. Gradually, the Secretariat has developed instruments and tools to produce knowledge, information and feedback timely. In addition to the impact evaluations and research carried out usually through contracting out internationally recognized firms specialized in these area, SAGI has developed a set of mechanisms to follow the day-to-day information on key Ministerial strategies, and provide useful information and feedback to program managers and decision makers. Some of such instruments include: (i) the Social Information Matrix, which provides internal and external information, and is a computer tool that stores data, information and indicators of social programs; (ii) the social atlas, which resents cartographic and data information on specific programs; (iii) Monitoring cards, based on web-based questionnaires for following up the operation status of the CRAS (Social Assistance Reference Centers); and (iv) geo-referencing of social programs, among other tools. In addition, the Secretariat also promotes and carries out trainings for program managers.

8. Over the last few years the Secretariat has gradually enhanced its capacity to monitor and evaluate social programs, as shown in the table below. Several international organizations, including the Bank, IDB, DFIF, UNDP and other UN organizations(see table at the end of this Annex) as well as the MDS regular budget have financed the studies.

9. SAGI has developed a protocol to identify a critical program to be evaluated, define the most adequate evaluation methodology, and carry out the evaluation. The figure below shows the basic flows for identifying and implementing an impact evaluation.

**Table 1.7: Evaluation Cycle**

<b>1. Discussion</b>	<b>2. Terms of Reference</b>	<b>3. Contract</b>
SAGI/SF •Selection of the evaluation design •Relevance of the proposed study	SAGI/SF •Preparation of ToR by SAGI •SF revises TOR	SPOA and/or International Agency •ToR approval •Preparation of Tender •Recruiting of the IE that presents the best project
<b>4. Meetings/key decisions</b>	<b>5. Follow up</b>	<b>6. Final Results</b>
SAGI/SF/IE •Definition of relevant questions for the study •Accessibility to necessary data for research	SAGI/IE •Development of research tools •Field visits •Evaluation and approval of partial reports and final report	SAGI/SF/IE •Evaluation Findings and Recommendation (IE) •Meeting with Managers •Monitoring feedback
<b>7. Share Findings</b>	<b>8. Publications</b>	<b>9. Share micro-data</b>
SAGI/SF/IE •Presenting final results to MDS •Open seminars to general public	SAGI •Study Papers •Research reports •Books	SAGI •Send research's micro data files to CIS
SAGI = Evaluation and Information Management Secretariat / SPOA= Planning, Budget and Administration Secretariat SF = Line Secretariat / IE= Executing Agency / CIS = Social Information Consortium		

Source: Vaitsman, J., R.W.S. Rodrigues, and R. Paes-Sousa (2006) *The System for Evaluating and Monitoring Social Development Programs and Policies: the case of the Ministry of Social Development and the fight against hunger in Brazil*, Policy Papers /17, p. 42.

## II. Impacts and other evidence

10. In general, the Brazilian experience with *Bolsa Família* (and pre-reform programs) has contributed to the growing body of literature showing that conditional cash transfers can be an effective mechanism to: (i) reduce poverty and inequality; (ii) decrease food insecurity and increase consumptions; (iii) improve health conditions (e.g., malnutrition); and (iv) promote positive learning outcomes. These findings, confirmed numerous times by academics, researchers, national agencies (IPEA, IBGE, MS, MDS), and international organizations (World Bank, UNDP, FAO, IFPRI, IDB) help illustrate the importance of the BFP in Brazil. Box 1.1 describes some of the analytical challenges facing the evaluation of impact for *Bolsa Família* and Box 2.1 describes the structure of the main official impact evaluation data.

***Box 1.1: Challenges for the Impact Evaluations of Bolsa Família***

*Bolsa Família* and its predecessors CCT programs (such as Bolsa Escola for education) inspired many impact studies on a range of outcomes. Many of these studies through 2007 are summarized in de la Brière et al (2007),<sup>1</sup> and more are available in IPC's virtual library. These studies have examined the impact of *Bolsa Família* on inequality, educational outcomes, child labor, adult labor outcomes, and household consumption. The results have been – across outcomes and strategies for identifying the size of the impact – broadly favorable (and sometimes neutral). Compared to a comparison group, dropout rates are lower, child labor has remained unaffected, and adult labor – for the most part – has remained unaffected (which could alleviate some concern surrounding cash transfer programs that they may discourage labor<sup>1</sup>).

An essential challenge to bear in mind is the strategy employed to evaluate these impacts. To illustrate, imagine comparing *Bolsa Família* participants to their neighbors who did not qualify for *Bolsa Família* because their income exceeded the threshold for *Bolsa Família*. Such a comparison might show that *Bolsa Família* recipients are worse off than their wealthier neighbors (even after *Bolsa Família*), but it would be a mistake to then infer that *Bolsa Família* has failed in increasing income for those it serves. On the other hand, comparing BF participants to households of similar wealth but who live further from centers where they would access services might show that BF participants have much better schooling outcomes, but that advantage may be due to the better access to other services rather than simply BF. All this is to say that identifying an appropriate comparison group to indicate what the causal impact of BF on household outcomes is a challenge.

Given the available data, most studies to this point have used one of two methods: matching and difference-in-differences. Matching methods entail using household survey data to identify households that are not enrolled in BF but that seem very similar to those that are enrolled, allowing an accurate comparison. These methods are clearly better than the simple comparisons proposed above, but they are often plagued by biases unobserved to the evaluator: For example, a household with more initiative may have signed up for BF earlier than a household with less initiative, and the former household may be doing better for reasons distinct than simply the effect of BF. Difference-in-differences compare not the well-being of participating and non-participating households at a point in time, but rather the change in well-being of these two groups before and after the institution of the program (for participators), so that constant differences are removed from the comparison. This relies on the assumption that the two kinds of households would be on the same trajectory in the absence of the program, which is often questionable: Some households may be improving their status at a much faster rate than other households.

11. In order to further the knowledge frontier on CCTs in Brazil, researchers at the Bank have also analyzed the media's treatment of CCTs in Brazil, focusing on the coverage, content and flavor of the debate in the press about the concept and implementation of conditional cash transfers in Brazil. This innovative and unique study catalogued 6,351 articles over the period from 2001-06 creating a rich database that includes a wide set of variables. Preliminary results found an important contribution of the media in promoting debate about the concept and implementation of CCTs in Brazil.

### *Box 1.2: Design of the Official Bolsa Família Impact Evaluation*

While randomized designs are considered a gold standard for impact evaluation, it was not possible to adopt such a design for the Bolsa Família impact evaluation because of operational reasons. The program consolidated existing federal programs and its implementation is decentralized, both factors which made a random assignment of benefits in a period of rapid expansion logistically unfeasible. The chosen alternative was to identify two control groups to survey in addition to households participating in the *Bolsa Família* program: Control Group 1 (C1) included households that were participating in transfers other than *Bolsa Família* but that had not migrated to the *Bolsa Família* program as of yet, and Control Group 2 (C2) included households that were in the national registry (*Cadastro Único*) but not receiving transfers of any kind (de la Brière *et al.*, 2007). Of course, the households in both C1 and C2 may be distinctive from the households already in BF (i.e., there is some reason that they are not yet in BF, and that same reason could affect their outcomes). These data were collected by CEDEPLAR/University of Wisconsin in October 2005 and are the baseline information for the impact evaluation.

The second round of data, which should allow a much richer analysis, is collected in October-November 2009 by the International Food Policy Research Institute (IFPRI) and Datamétrica, a Brazilian survey firm. One of the key challenges, as with any survey that seeks to observe the same households over time, was to track the households interviewed in the first round in 2005. The questionnaire was mostly maintained to ensure comparability but adult anthropometrics were dropped while additional detailed information was collected on children who were aged 13-15 in the first round and might now be in the labor market, on the impact of economic shocks in the past four years on household welfare, and on perceptions of beneficiary households of the impact of the program.

The principal strategy of analysis is a difference-in-differences strategy, comparing households that entered *Bolsa Família* between the two rounds of data collection to households that were in *Bolsa Família* for both rounds: This should permit an estimate of the effect of *Bolsa Família* over different periods of time. An additional form of analysis would be – if the rules of eligibility for BF were strictly enforced – comparing households that just barely qualified to those households that did not quite qualify (from within C2, above) using regression discontinuity methods. These two groups of households are likely to be very similar in the absence of the program, except that the households that just qualify have since benefitted from the program and so their differential outcomes could be attributed thereto. Given the change in eligibility thresholds over time, one could also use duration and dose of exposure methodologies to perform complementary analyses.

12. In addition, research in Brazil has focused on **under-evaluated topics such as decentralized implementation, social control, empowerment and social capital and gender dynamics** in CCTs. These evaluations shed light on a range of issues, including: the role of local communities in program implementation, citizenship and identity, self-esteem and future aspirations, economic stability and autonomy and power dynamics within the household.

13. Finally, the implementation of *Bolsa Família* helped generate important knowledge about **spillover effects into the social sector, most notably an increase in horizontal** (inter-sectoral with education, health, labor and employment and justice) **and vertical coordination** at each level of government (Federal, State and Municipal). Future research will delve further into the secondary effects of BFP, looking at the larger macro effects on **the local economy** as well as its impact on the livelihoods of program beneficiaries, through the new partnerships with agrarian and sustainable development activities.

### **III. Institutional strengthening of evaluation in the GoB**

14. Beyond the evidence generated by the BFP, the MDS has also made significant contributions to help advance the culture and institutionalization of M&E in Brazil. For example, the MDS is the only ministry in the Federal Government with a special Secretariat created for the sole

purpose of monitoring and evaluating social assistance policies and programs. The Secretariat of Evaluation and Information Management (SAGI), is tasked with evaluating and monitoring programs that cover social development, food and nutritional security, social assistance, income and citizenship. For these purposes, they have developed their own institutional evaluation model, created a social information matrix that led to rapid improvements in data collection at the municipal level, and systemized methods for the integration of data at the territorial and government agency level. These innovations have been studied by both the Bank and FAO, as well as across levels of government.

15. SAGI and SENARC run an extensive program of capacity-building for municipal and state managers of the program, both on operational and analytical issues which is contributing to strengthening the technical capacity of these actors.

#### **IV. Catalytic effect on academic social program/policies evaluation**

16. MDS has collaborated with knowledge agents in Brazil to make considerable improvements in the *Bolsa Família* program design, especially in the area of targeting and registration. These agents include IPEA, IBGE, FGV, other line ministries, academics, specialists and international organizations (e.g., the Bank). Three of the most significant developments were: (i) the redesign of the *Cadastro Único* questionnaire, to harmonize and link it with other national household data questionnaires as per other CCT programs in the region; (ii) the creation of “poverty maps” that are linked to the national census and contain information on low-income populations at the municipal level; and (iii) an indicator tool, based on the variables in the *Cadastro Único*, which assists local program managers in planning and monitoring social programs at the sub-national level.

17. Another innovation launched by the MDS to share knowledge learned in the implementation of the BFP is the Observatory of Best Practices. The objective of the Observatory is to identify, gather and disseminate information on management best practices developed by states and municipalities. Through this tool, all those who act directly or indirectly in the BFP are able to learn about the activities developed at the local level, which cover: integrated management, registration, payment, conditionalities, auditing and social control, and program articulation with other sectors. In November of 2008, the MDS publicly awarded: (a) four state level experiences; (b) five municipal level experiences; and (c) three evaluations that dealt with the impacts of the BFP on social control, education and labor force participation.

18. Given the importance of the program as the flagship social program of the government, the government opted for contracting-out the impact evaluation to an external evaluator, formed by a consortium of an internationally credible research organization and a local research group. This was in addition to a strengthened series of operational audits by the *Tribunal de Contas da União* since the beginning of the program. This process built on earlier processes adopted by other CCT programs such as *Bolsa Alimentação* and contributed to building the credibility of such programs and introduced a new paradigm for the evaluation of public programs, since then extended to programs across the Government.

19. Finally, MDS/*Bolsa Família* has stimulated the production of PhD and masters studies in Brazil and internationally. The MDS has created a process for making public the micro data generated by evaluations that are managed internally. Four months after the results of the research are made public, micro-data – without any personal identification on interviewees – is to be made available to the Social Information Consortium (CIS).<sup>26</sup> and researchers can access it. Externally, in partnership with the UNDP-IPEA International Poverty Centre (IPC), the MDS has created a virtual library<sup>27</sup> that houses over 90 national and international publications on a variety of themes: income and labor generation, food security and nutrition, education, health, amongst others. This tool serves to disseminate the growing body of research and literature on *Bolsa Família*.

## V. Global Knowledge and South-South learning

20. Since its expansion, *Bolsa Família* has stimulated intense South-South learning, through visits and study tours, direct technical assistance and participations in regional CCT/Social Assistance forum. The program has been the object of multiple requests for study tours and visits. Until December 2009, this process included visits from about 30 countries including lusophone Africa, Costa Rica, Nigeria, India, Pakistan, Peru, Philippines and Panama, among others. The MDS representatives have also participated in seminars in Morocco, India, Colombia, among others. The MDS has also organized a series of regional seminars on selected topics, that were operationally important for the program. These included regional seminars on targeting issues in 2005 (with Chile and Mexico), on graduation and complementary services in 2007 (with Argentina, Chile, Mexico). The MDS also maintains a program of direct technical cooperation with countries such as Ghana, and Peru. The cooperation with Ghana has covered issues of targeting, IT and MIS.

21. The Brazil *Bolsa Família* program is also an active member of the CCT community discussion group in Latin America and the Caribbean. This group, formed after the 3<sup>rd</sup> International CCT conference in 2006, is composed of high level program managers and staff from Brazil, Chile, Colombia, El Salvador, and Mexico and the Bank and Inter-American Development Bank staff working on CCT projects. The group meets monthly through video-conferences to discuss transversal operational issues regarding CCTs. The group has also organized in-person workshops in Mexico in 2008 and Colombia in 2009. These peer exchanges enable program staff to deepen their understanding of how different countries confront implementation issues. The discussion group was recognized as one of the LAC innovations in knowledge in 2008/9 by the Bank.

22. Brazil has also participated in/organized several international events related to CCTs. In 2004, the Brazil *Bolsa Família* program, in a collaborative effort with the Bank, the U.K.'s Department for International Development (DFID), the German Technical Agency for Technical Cooperation (GTZ), the International Food Policy Research Institute (IFPRI), and the Municipality of São Paulo, Brazil held the **2nd International Conference on Conditional Cash**

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<sup>26</sup> The Social Information Consortium resulted from a project developed by the Center to Support to Research on the Democratization and Development of the University of São Paulo (NADD-USP) in partnership with the National Association of Graduate Studies in Research in Social Sciences (ANPECS).

<sup>27</sup> <http://www.ipc-undp.org/mds.do?active=3>.

**Transfer Programs.** The objective of this workshop was to bring together practitioners and policymakers from established conditional cash transfer (CCT) programs to share their experiences with one another, as well as with policy-makers from countries currently setting up CCT programs. Over 100 people participated from 25 countries, including almost all that had active or soon-to-be initiated CCT programs. Brazil subsequently participated in the follow-up conference in Istanbul, and the most recent conference on the food security crisis, held on June of 2009 in Cairo.

### Summary of SAGI Evaluation and Research Work Plan 2004-2009

Program	Evaluation / Research	Objective	Source of funds
Under preparation			
<i>Bolsa Família</i>	Impact Evaluation 3rd round	Measure impacts of the program on beneficiaries' consumption and nutrition	WB UNDP
	Impact Evaluation of the <i>BVJ</i>	Determine impact on school attendance by young recipients and construct baseline for a longitudinal study	WB GOB
<i>Cadastro Único</i>	Evaluation	Evaluate the quality of the instrument	GOB
ProJovem	Impact Evaluation (1st round)	Evaluate if the program reduced vulnerability among recipients	GOB
	IE program implementation	Evaluate the role of the education services	UNDP
Centro Convivência de Idosos	Impact Evaluation	Map and diagnose the state of the Centers	GOB
Benefício de Prestação Continuada (BPC)	Households Survey	Update of beneficiaries information	GOB UNDP
Programa de Atenção Integral à Família (PAIF)	Field study	Assess work with families	UNDP
	Study on social work method	Design and implementation of a study	
Programa de Aquisição de Alimentos (PAA)	Impact Evaluation	Measure impact on families' income	WB
	Evaluation	Identify beneficiary institutions	FAO
	Study on the I.E.		UNDP
Programa Agroecológico Sustentável PAS	Impact Evaluation	Determine impact on beneficiaries	
Banco de Alimentos	Impact Evaluation	Study the implementation in 86 municipalities	FAO
Programa de Agricultura Urbana	Impact Evaluation	Determine a profile of beneficiaries and the different management structures	GOB FAO
Segurança Alimentar e Nutricional (SAN)	Impact Evaluation		GOB FAO
	Public opinion study	Determine the level of public support to the initiative	
	Study on Int'l Experiences		
	Additional assessment	Additional survey to complement PNAD	
Pesquisas de Opinião Pública	Three public opinion studies	Determine the level of public support to MDS' programs	UNDP GOB
Chamada Nutricional	Study	Obtain nutritional data from children 0-5	FAO/GOB
Under implementation			
Bolsa Família	Impact Evaluation 2nd round	Measure impacts of the program on beneficiaries' consumption and Nutrition	WB UNDP
Programa de Atenção Integral à Família (PAIF)	Quantitative and qualitative study	Assess quality of implementation	IDB UNDP
ProJovem	Study	Assessment on the <i>Centros da Juventude</i>	GOB/UNDP
Programa de Erradicação do Trabalho	Qualitative evaluation	Determine the effectiveness of the <i>Jornadas Ampliadas do PETI</i>	IDB UNDP
Rede de Serviços da Assistência Social	Survey	Update information from the MUNIC 2005	GOB IBGE
Benefício de Prestação Continuada (BPC)	Impact Evaluation	Measure impacts on beneficiaries' vulnerability	GOB
Programa de Aquisição de Alimentos	Qualitative evaluation	Assess barriers for participation in the program by poor farmers	GOB FAO

Cisternas	Qualitative evaluation	Evaluate the program in north-east Brazil	GOB FAO
Consórcio de Segurança Alimentar e Desenvolvimento Local (CONSAD)	Monitoring of CONSAD PAIS, Incubadoras and GERAR		
Comunidades Tradicionais	Study	Support <i>Projectos de Segurnaca Alimentar e Nutricional</i> in indigenous people	
Pesquisa de Opinião	Public Opinion study	Determine the level of public support to MDS' programs	GOB/UNDP
Completed			
Bolsa Família	Impact Evaluation	Evaluate implementation	WB GOB UNDP DFID
	Field study	Assess relations between beneficiaries and municipalities	
	Study	Impact of BF on municipal revenue	
	Households Survey	Determine beneficiaries opinion on the program	
	Impact Evaluation	See gender impacts	
	Households Survey	Assess improvements in food consumption	
	Longitudinal I.E	Evaluate changes in families expenditures	
	Impact Evaluation	Evaluate changes in families expenditures	
	Impact Evaluation	Estimate impacts on nutritional status	
	Field study	Identify critical barriers	
Case studies	Analyze effectiveness of social control		
Agente Jovem	Impact Evaluation		GOB/UNDP
Programa de Erradicação do Trabalho Infantil (PETI)	Supplement PNAD	Add questions on child labor	GOB UNDP IDB
	Study	Determine eligible beneficiaries' profile	
	Qualitative evaluation		
Rede de Serviços da Assistência Social	Supplement MUNIC	Assess availability of public services	GOB IDB
	Study on PEAS		
Combate à exploração e Abuso Sexual contra Crianças e Adolescentes SENTINELA	Study	Establish eligibility criteria	UNDP GOB
	Qualitative study	Interview different stakeholders	
Benefício de Prestação Continuada (BPC)	Study	Analyze the role of transfers made by BPC	GOB UNDP
	Assessment	Determine potential expansion of BPC	
	Impact Evaluation	Evaluate management	
	Impact Evaluation	Assess monitoring and social control	
População em Situação de Rua	Study	Discussions of workshop on PSR	GOB/UNDP UNESCO
	Survey	Assess number of homeless people in 60 municipalities	
PAA	Impact Evaluation	Assess implementation in north-east Brazil	GOB FAO
	Study	Determine impacts and sustainability of the program	
PAA Leite	Qualitative study	Interview stakeholders	GOB/FAO
Cisternas	Impact Evaluation	See if beneficiaries have access to water	GOB FAO
	Process Evaluation	Assess implementation in north-east Brazil	
Populações Específicas (Carteira Indígena e Comunidades <i>Quilombolas</i> )	Study	Identify beneficiaries and see impacts of the programs	GOB FAO
	Study	Evaluate implementation	
Restaurantes Populares	Public Opinion study	Determine beneficiaries' profile	GOB FAO
	Public Opinion study	Assess beneficiaries' level of satisfaction	
	Mapping study	Study characteristics of restaurants in cities with more than 100.000 people	

Cozinhas Comunitárias	Impact Evaluation	Evaluate implementation	
	Study	Identify all <i>Cozinhas Comunitárias</i>	
Consórcio de Segurança Alimentar e Desenvolvimento Local (CONSAD)	Impact Evaluation	Evaluate implementation	GOB FAO
Hortas Comunitárias	Study	Identify all Hortas Comunitárias	GOB/FAO
Banco de Alimentos	Mapping study	Study characteristics of all Bancos de Alimentos	GOB/FAO
Distribuição de Cestas de Alimentos	Study	Determine beneficiaries' profile	GOB FAO
Educação Alimentar	Impact Evaluation	Evaluate results	GOB/FAO
Segurança Alimentar	Supplement PNAD	Add questions on food consumption	GOB UNESCO
	Analysis	Assess supplement to PNAd	
	Study	Evaluate methods used to determined nutritional status of poor families	
Comunidades Tradicionais	Impact Evaluation	Evaluate results	GOB/FAO
Inclusão Produtiva	Impact Evaluation	Evaluate results	GOB
	Study	Collaborate in the training of young beneficiaries	UNDP
Chamada Nutricional	Survey	Assess malnutrition among poor children	GOB UNDP
	Survey	Determine nutritional profile of children	
	Study	Analyze results from north-east Brazil	
	Study	Analyze results from the Amazonas state	
Pesquisas de Opinião Pública	Public Opinion study	Determine the level of public support to MDS' programs	GOB UNDP
	Public Opinion study	Determine the level of public support to MDS' programs	
Geral	Field study	Determine prevalence of malnutrition in 1133 municipalities	UNESCO
	Analysis	Propose and M&E methodology	UNDP
	Qualitative evaluation	Assess social assistance infrastructure	UNDP
	Impact Evaluation	Evaluate MDS programs in Vale do Jequitinhonha	

Source: Ministerio de Desenvolvimento Social –SAGI.

**Annex 2: Major Related Projects Financed by the Bank and/or other Agencies**

**BRAZIL: Second *Bolsa Família* Project (APL 2)**

Project (Bank-financed only)	Project Number	Amount (US\$ m)	Sector	Latest Supervision (PSR/ISR) Ratings (Bank-financed projects only)	
				Implemen- tation Progress (IP)	Development Objective (DO)
<b>Completed</b>					
Family Health Extension Project (Ln. 7105-BR), 2002	P057665	68.0	Health, Nutrition and Population	S	S
<b>Ongoing</b>					
Disease Surveillance & Control – APL 2 (Ln. 7227-BR), 2004	P083013	100.0	Health, Nutrition and Population	S	MS
<i>Bolsa Família</i> 1 <sup>s</sup> APL (Ln. 7234-BR), 2004	P087713	572.2	Social Protection	S	S
HD Technical Assistance Loan (Ln. 7324-BR), 2006	P082523	8.0	Education	MS	MS
Family Health Extension 2 <sup>nd</sup> APL (Ln. 7545-BR), 2008	P095626	83.5	Health, Nutrition and Population	S	MS
<b>Relevant World Bank Projects in the LAC region (completed, on-going and planned)</b>					
Chile-Social Protection Adjustment Loan (Ln. 7202-CL), 2003. Completed.	P078088	200.0	Social Protection	HS	HS
Chile-Social Protection TA Loan (Ln. 7211-CL), 2003	P082037	10.71	Social Protection	S	S
Argentina-Heads of Household Program (Ln. 7157-AR), 2003. Completed	P073578	600.0	Social Protection	S	MS
Honduras-Nutrition and Social Protection (Cr. 4097-HN), 2005	P082242	20.0	Social Protection	MS	MS
Argentina-Heads of Household Transition Project (Ln. 7369-AR)	P055483	350.0	Social Protection	S	S
Panama-Social Protection Project, (Ln. 7479-PA), 2007	P098328	24.0	Social Protection	MS	MS
Jamaica-Social Protection Project, (Ln. 7555-JM), 2008	P105024	40.0	Social Protection	S	S
Colombia-Support for the Second Phase of the Expansion of the Program of Conditional Transfers- <i>Familias en Acción</i> Project (Ln. 7619-CO), 200	P101211	636.50	Social Protection	S	S

**Annex 3: Results Framework and Monitoring**  
**BRAZIL: Second *Bolsa Família* Project (APL 2)**

**RESULTS FRAMEWORK**

PDO	Outcome Indicators	Use of Outcome Information
<b>LONG-TERM PROGRAM DEVELOPMENT OBJECTIVES FOR BOLSA FAMÍLIA - TWO PHASES APL (2004-2015)</b>		
<p>Strengthen the BF Program’s ability to achieve its objective of reducing poverty and inequality and promoting human capital development by improving schooling and health status of children and reducing incidence of malnutrition among the poor population</p>	<ul style="list-style-type: none"> <li>➤ At least 3/4 of extreme poor families receiving BF income transfers</li> <li>➤ At least 90% of primary-age school-age children in extremely poor beneficiary families attending school</li> <li>➤ At least 75% of 0-6 year old children and pregnant women complying with health conditionalities</li> <li>➤ At least ¾ of pregnant women making a health visit before the end of the fourth month of pregnancy</li> </ul>	<p>Adjust program to address inclusion and exclusion errors</p> <p>Information about outcomes will inform collaboration with Ministries of Education and Health and local managers</p>
<b>PROJECT DEVELOPMENT OBJECTIVES FOR SECOND PHASE OF APL (2010-2015)</b>		
<p>Further strengthen the BFP’s ability to achieve its objectives by supporting:</p> <ul style="list-style-type: none"> <li>➤ the strengthening of the program’s overall governance through enhanced basic program management functions and accountability, oversight and control functions, in three axes: the beneficiary registry (<i>Cadastro Único</i>), management of benefits, and monitoring of conditionalities;</li> <li>➤ the consolidation of the program M&amp;E system; and</li> <li>➤ the integration of social programs, with <i>Bolsa Família</i> to promote innovations and strategies for beneficiaries’ graduation from poverty through investments in human capital</li> </ul>	<ul style="list-style-type: none"> <li>➤ At least ¾ percent of families in the first income quintile receiving BF transfers</li> <li>➤ At least 90% of primary-age school children and 85% of 16-18 year-old youth in beneficiary families attending school</li> <li>➤ At least 75% of 0-6 year old children and pregnant women complying with health conditionalities</li> <li>➤ At least ¾ of pregnant women registered in the program making a health visit before the end of the fourth month of pregnancy</li> <li>➤ At least five states use the <i>Cadastro Único</i> as the basis for the targeting and design of their social policies</li> </ul>	<p>Assess the extent to which:</p> <ul style="list-style-type: none"> <li>➤ the BFP effectively targets the poorest and provides them with sufficient incentives to improve human capital indicators and</li> <li>➤ the government has established the processes for efficient coordination with other key social programs</li> </ul>

Intermediate Outcomes One per TA Component	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<b>Component 1:</b> <i>Cadastro Único</i> strengthened as the main targeting instrument for social programs	<b>Component 2:</b> ➤ BFP MIS geo-referencing module implemented, according to version 7.0	<b>Component 2:</b> ➤ Follow the improvements in program's management and ensure access to other stakeholders
	➤ Decrease of exclusion errors (non-registry of potentially eligible families)	➤ Measure improvements in reaching hard-to-reach populations
	➤ At least 90% of registries updated in <i>Cadastro Único</i> version 7.0 by end 2010 and at least 90% of registries less than two year old thereafter	➤ Measure improvements in the accuracy and update of household information
	➤ Indicators for <i>Cadastro Único</i> information quality checks developed and implemented	➤ Measure improvements in the internal consistency of the data
	➤ Systematic cross-checks with other data bases updated	➤ Measure improvements in the external consistency of the data
<b>Component 3:</b> <i>Bolsa Família</i> Program consolidated as the core of the social protection system/strategy	<b>Component 3:</b> ➤ 80 percent of selected municipalities participating regional training seminars for internal and external control agents (TCE, CGE, MPE)	➤ Follow the strengthening of the control and oversight network at the federal and state levels
	➤ Average decentralized management index increased to 0.85	➤ Follow the evolution of the management challenges facing the program at the local level
	➤ Delays to distribute cards reduced to under 40 days for 80 percent of cards issued on a monthly basis	➤ Assess to which extent the program is succeeding in reaching out to vulnerable families
	➤ At least 50 percent of families with banking account opened	➤ Assess to which extent the program is succeeding in facilitating financial inclusion for beneficiary families
	➤ Information on health conditionalities compliance available for 80% of beneficiaries	➤ Measure improvements in the monitoring and reporting of conditionalities
	➤ Information on education conditionalities compliance available for 95% of beneficiaries of primary school age and	➤ Measure improvements in the monitoring and reporting of conditionalities

	85% of youth beneficiaries	
<b>Component 4:</b> Monitoring and Evaluation System of MDS consolidated	<b>Component 4:</b> ➤ Third round of the BFP impact evaluation data and results disseminated	<b>Component 4:</b> ➤ Provide feedback for improvement to program's management in terms of results and outcomes
	➤ Data and results of impact evaluation of the program on youth (incl. BVJ and /or <i>Pro-Jovém adolescente</i> ) disseminated	➤ Assess to which extent the benefit is succeeding in reducing drop out, and increasing attendance and completion rates among youths aged 16 to 18
	➤ Two more rounds of the <i>Chamada Nutricional</i> data and analysis on traditional populations disseminated	➤ Follow the nutritional status of 0-5 year old vulnerable children and assess the effectiveness of national policies affecting them
<b>Component 5:</b> National Commitment for Social Development launched	<b>Component 5:</b> ➤ Protocols for the implementation of the CNDS developed and implemented	<b>Component 5:</b> ➤ Assess the level of response by States to the CNDS initiative
	➤ Number of multi-sector projects implemented over the total of projects managed by CNDS	➤ Assess to which extent CNDS has helped in the integration of programs between agencies
	➤ Six studies to improve the socio-productive insertion of CNDS target population	➤ Measure the level of consolidation of the <i>Compromisso</i>
<b>Component 6:</b> Operational coordination of the BFP project consolidated	<b>Component 6:</b> ➤ In-house procurement and FM capacity strengthened (staff hired and trained)	<b>Component 6:</b> ➤ Follow the strengthening of in-house procurement capacities

### Arrangements for results monitoring

Project Outcome Indicators	Baseline	Target values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Percentage of families in the first quintile receiving BF transfers	50% of families (PNAD 2006)	55	60	65	70	75	Bi-yearly	PNAD	IBGE
Percentage of primary-age school-age children in beneficiary families attending school	First semester 2009, information available on 85% of beneficiaries. Compliance: 97.3% so overall compliance 83%	84	86	87	88	90	Bi-monthly  Yearly	MIS, Monitoring of Conditionalities  PNAD	Municipal secretaries of education  IBGE
Percentage of 16-18 year old youth in beneficiary families attending school	In 2009, information available on 75% of beneficiaries	70	73	76	78	80	Bi-monthly  Yearly	MIS, Monitoring of conditionalities  PNAD	Municipal and state secretaries of education IBGE
At least 75% of 0-6 year old children and pregnant women complying with health conditionalities	First semester 2009 information available on 63% of beneficiaries. Compliance: 99% so overall compliance 63%	67	71	72	74	75	Each semester  Every three years	MIS, Monitoring of Conditionalities  <i>Chamada Nutricional</i>	Municipal secretaries of health  SENARC/SAGI
Number of states use the <i>Cadastro Único</i> as the basis for the targeting and design of their social policies	1	5	7	9	11	13	Yearly	MIS, Monitoring of protocols	States SAIP

Intermediate Outcome Indicators	Baseline	YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
<b>Component 2:</b>									
BFP MIS geo-referencing module implemented, according to version 7.0	Module contemplated	Module designed	2010 census addresses prepared for integration	2010 census addresses integrated with module	Municipalities trained in the use of the module	Municipalities using the module	Monthly	MIS reports	SENARC-DECAU
Decrease of exclusion errors (non-registry of potentially eligible families)	4.75% in Dec. 2007	Instruments for the identification of excluded families designed	Instruments tested and data collection contracted-out	Data collection completed	Data analysis	Results disseminated	Yearly	Activity report	SENARC – DECAU
Percentage of registries updated in <i>Cadastral Único</i> version 7.0 by end 2010 and at least 90% of registries less than two year old thereafter	83 % in Dec. 2007	86%	88%	88%	90%	90%	Bi-monthly	IGD	SENARC-DECAU
Indicators for <i>Cadastral Único</i> information quality checks developed and implemented	Indicators available	Existing indicators reviewed	New consistency indicators implemented and adjusted	New consistency indicators implemented and adjusted	New consistency indicators implemented and adjusted	New consistency indicators implemented and adjusted	Bi-monthly	Report on information quality, IGD	CEF, SENARC
Systematic cross-checks with other data bases updated	Cross-checks implemented on an <i>ad hoc</i> basis	Scope of cross-checks widened	Systematic cross-checks implemented and adjusted	Systematic cross-checks implemented and adjusted	Systematic cross-checks implemented and adjusted	Systematic cross-checks implemented and adjusted	Quarterly	Activity report	SENARC

Intermediate Outcome Indicators	Baseline	YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
<b>Component 3:</b>									
Number of municipalities participating in regional training seminars for internal and external control agents (TCE, CGE, MPE)	0	162	0	162	0	0	Yearly	Implementation report	SENARC-DEOP
Average decentralized management index increased	First version of IGD	New IGD formula	New baseline		0.85	0.85	Bi-monthly	IGD	SENARC-DEOP
Percent of cards issued on a monthly basis distributed under 40 days	60% - June 2009	65%	70%	72%	75%	80%			SENARC/CEF - DEBEN
At least 50 percent of families with banking account opened	16% - June 2009	25%	35%	40%	45%	50%			SENARC/DEBEN/CEF
Information on health conditionalities compliance available for 80% of beneficiaries	63% - June 2009	67%	71%	75%	77%	80%	Each semester  Every three years	MIS Monitoring of Conditionalities  Chamada Nutricional	Municipal secretaries of health  SENARC/DEGES/SAGI
Information on education conditionalities compliance available for 95% of beneficiaries of primary school age (BFA)	85% - June 2009	87,5%	89,5%	91%	93%	95%	Bi-monthly	MIS Monitoring of Conditionalities	Municipal and state secretaries of education SENARC/DEGES
Information on education conditionalities compliance available for 85% of youth beneficiaries – BVJ	75% - June 2009	77,5%	79,5%	81%	83%	85%	Bi-monthly	MIS Monitoring of Conditionalities	Municipal and state secretaries of education SENARC/DEGES

Intermediate Outcome Indicators	Baseline	YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
<b>Component 4:</b>									
Third round of the BFP impact evaluation survey data and results disseminated	Second round in 2009		Third round collected	Third round analyzed		Data and results disseminated	Second round report in 2010 Third round report in 2012	AIBF questionnaire	SAGI
Data and results of impact evaluation on youth disseminated	No data available	Baseline data collected	Baseline data analyzed and data disseminated	First round data collected	First round data analyzed	Data dissemination	Evaluation reports (Year 1 and 3)	Impact evaluation questionnaires	SAGI
Two more rounds of the <i>Chamada Nutricional</i> on traditional population data and results disseminated	First <i>Chamada</i> in 2006	Baseline data collected	Baseline data analyzed and data disseminated	First follow-up data collected	First follow-up data analyzed	Data dissemination	Evaluation reports (Years 1 and 3)	Chamada Questionnaire	SAGI
<b>Component 5:</b>									
Number of protocols for the implementation of the CNDS developed and implemented	0	First protocol developed	One protocol in implementation	Second protocol developed		Two protocols developed	Yearly	MIS after year 1	SAIP
Number of multi-sector projects implemented over the total of projects managed by CNDS	0	10%	20%	30%	40%	50%	Yearly	MIS after year 1	SAIP
Studies to improve the socio-productive insertion of CNDS target population	0	3 studies	3 studies	0	0	0	Yearly	MIS after year 1	SAIP
<b>Component 6:</b>									
In-house DPI procurement and FM capacity strengthened (staff hired and trained)	Two FM Two procurement	2 trainings	1 training	1 training	1 training	1 training	Each semester	Project implementation reports	DPI

## Arrangements for results monitoring

### Institutions responsible

1. The results monitoring of this Project requires coordination of federal government agencies such as MDS, MEC, MS, CEF which are involved in program implementation; TCU, CGU and MP, which are involved in control and oversight; and IBGE, IPEA and other research agencies which are involved in data production and analysis. In addition, social control and data collection for program monitoring is often the responsibility of municipal and state actors, both for the *Cadastro Único*, the monitoring of conditionalities, the management of benefits and the implementation of complementary activities. Many reports necessary for monitoring progress have to be compiled with information from more than one agency, hence boosting the efforts of the MDS in strengthening the program MIS so as to make this process smoother and more agile. The experience of the first phase shows that this coordination will be achieved, given the high commitment to the program shown by the different stakeholders. The planned implementation of the new MIS system will support these efforts. The MIS includes modules on payments (SIBEN), conditionalities (SICON) and geo-referencing. The different components of the Project will strengthen the MDS secretaries of Citizenship Income (SENARC), of Evaluation and Information Management (SAGI), and of Articulation and Productive Inclusion (SAIP) as well as the Projects' Implementation Unit in the Executive Secretariat (SECEX). The program activities will also increase the capacity of federal, state and municipal partners of the program, through training and capacity-building efforts, directly by SENARC and SAGI and indirectly through the resources of the IGD and IGD-E.

### Information sources

2. As part of the proposed Project, the Bank will continue to support the MDS in strengthening the Ministry's monitoring and evaluation system, building on the achievements of the first phase and widening the system from a focus on the *Bolsa Família* program to the whole array of social assistance programs under the CNDS. This will allow to regularly improve programs' design, address implementation issues and measure programs' impact, and to assess the contribution of the Project. For this matter, a series of tools and information sources will be strengthened and utilized to assess the extent to which the program reaches its intended beneficiaries in an effective and efficient fashion and contributes to their human capital investments and ultimately to their sustainable inclusion in the productive economy. The main information source for these assessments includes a comprehensive and integrated management information system, which will provide the MDS with tools to follow up physical and financial progress, assess targeting efficiency, verify whether families comply with their co-responsibilities, and supervise program's processes and operations. This MIS is complemented with accountability, control and oversight tools focusing on governance and quality issues, and evaluations of the impact of various programs. Administrative data from core social ministries, in particular MS, MEC and MTE will complement this information. In addition, targeting and national/macro level impacts will be assessed using national surveys such as the joint PNAD/POF carried out on a regular basis by IBGE. More specifically, the tools and mechanisms include the following elements:

- The Project will support the final integration of a comprehensive **Management Information System**, whose design and development were supported during the first phase of the loan (70 percent of the system was designed and implemented). The MIS collects information and generates reports regarding program's progress, provide support to operational improvements and adjustments, and serve as a tool to verify that the program is being implemented following all required procedures. Through the new MIS, SENARC in the MDS will gather data in real time from program's state and municipal management structures, CEF – the payment agency -- and sector ministries involved in the conditionalities and the complementary activities. Specifically:
  - A core element of the management information system is the comprehensive *Cadastro Único* Registry of Beneficiaries. The *Cadastro Único* is in effect a census for almost the entire poor population in Brazil with rich information about approximately 16 million families. The *Cadastro Único* has also been critical for reducing exclusion and inclusion errors in government programs, especially in the Bolsa Família program. The new database improves efficiency and increases coordination between different social initiatives at the national and municipal level. During project implementation the registry will undergo a full second recertification launched in the fall of 2009 with a new questionnaire. In addition, the Project will support improvements to the quality of information collected, its outreach to hard-to-reach population and its cross-referencing with other information (geographic and from other programs).
  - The management information system will also provide enhanced information about families' **compliance with their co-responsibilities**, especially in health and among youth beneficiaries,
  - Through the support to the CNDS, the MIS will also monitor and collect information on the **integration of the social assistance system with state government programs**,
  - The management information system will also track **control and oversight** processes, both formal and social, building on the results of the evaluation of social control councils, funded under the first phase, and
  - Finally, the **benefits management system** is another element of the management information system that provides a mechanism to control payments to beneficiaries, track the program physically and financially, conciliate payments with the payment agency, monitor the return of non-disbursed funds, and measure performance indicators for the underlying performance-based contract of CEF.
- **Program impacts on the welfare of beneficiary families** will be measured mainly through the continuation of the external impact evaluation, using household survey data over time, with one follow-up data collection (second follow-up after 6 years of implementation) on the Project targeting and impact. The evaluation was contracted through an international bidding process to ensure that only highly qualified firms participated (a consortium of University of Wisconsin/CEDEPLAR for the baseline and IFPRI/Datametrika for the first follow-up). It uses non-experimental approaches such as regression discontinuity, matching and doses and duration of exposures. In addition, given the importance of assessing the impact of the program on specific groups of beneficiaries such as youth, the proposed Project will support a separate impact evaluation on this group, which is the target *Benefício Variável Jovem* (launched in 2007, first payments in 2008) and of the complementary *Pro-Jovem*

*Adolescente*. The Project will also support the assessment of the program effects on vulnerable pre-school children through additional rounds of the *Chamada Nutricional* among *Quilombola* communities (last round 2006) and children in the Northern region (last round 2007).

- Other evaluations linked to the **integration of social assistance programs among themselves and with programs to promote the full inclusion of beneficiaries in the productive economy** include: (1) the longitudinal evaluation of the *Benefício de Prestação Continuada* (3 million beneficiaries) which targets the extremely poor elderly and handicapped; (2) the evaluation of public purchase of foodstuffs from family farmers (PAA); and (3) the evaluation of the impact of selected PAC programs on the welfare of beneficiary and non-beneficiary poor families and on the local economies (productive chains).
- **The integration of social and formal control networks and the feed-back to program management** is a key challenge facing *Bolsa Família* as a second-generation CCT. SENARC will undertake various activities to strengthen and integrate these activities across levels of governments. Monitoring and evaluation reports from CGU, TCU and MP as well as their links into the MIS will provide elements to follow the progress of this integration.
- A series of annual **process/implementation evaluations** on the BFP program's organization and operation, the allocation of resources (funds, staff), program efficiency, MIS quality, and benefits delivery. This includes the Project's six-month implementation reports as well as the program yearly implementation report to CGU. The reports of the regular TCU and CGU as well as state-level CGE and TCE which provide information on the quality of program implementation also feed into this information.
- With support from the HD-Technical Assistance Loan, IBGE has strengthened and integrated its **national household surveys**. The integration of the PNAD and POF surveys is planned for 2010. The new continuous household survey will include a module on federal program participation (which is already included in the new *Cadastro Único* questionnaire), which will allow for the monitoring of the program targeting (data already included in PNAD 2004, 2006 and 2008) as well as its country-level impacts on poverty and inequality. The data of the national household survey and the census (to be conducted in 2010) also underlie the poverty maps that are used for the estimation of poverty and of potentially eligible beneficiaries at the municipal levels. The *Cadastro Único* will be linked to the 2010 Census addresses' database.

## **Annex 4: Detailed Project Description**

### **BRAZIL: Second *Bolsa Família* Project (APL 2)**

1. The proposed second phase (2010-2015) of Bank assistance to the *Bolsa Família* Program under the APL would seek to strengthen the BF Program's ability to achieve its objective of reducing poverty and inequality and promoting human capital development by improving schooling and health status of children and reducing incidence of malnutrition among the poor population. The proposed operation would achieve this objective by supporting: (a) the strengthening of the program's overall governance through enhanced basic program management functions and accountability, oversight and control functions, in three axes: the registry of beneficiaries (*Cadastro Único*), management of benefits, and monitoring of conditionalities; (b) the consolidation of the program's monitoring and evaluation system; and (c) the linkages between *Bolsa Família* beneficiaries and registered families in the *Cadastro Único* with complementary actions outside the program's jurisdiction such as social and productive inclusion interventions and job and productivity programs, to promote graduation from poverty; this activities would be carried out through the support of the National Commitment for Social Development.
2. The Bank would continue to support the above objectives through the second phase of a programmatic series (APL-2) of operations that combines a co-financing of the *Bolsa Família* program benefits (transfers) with technical components (standard technical assistance financing) to strengthen the operations of the program. The proposed second phase of the APL project would consist of a component co-financing the conditional cash transfers components, four technical assistance components to help deepen the basic architecture of the program, strengthen oversight and controls, and address second-generation issues on social protection programs articulation, and a small specific support to the MDS to coordinate the Project.
3. The outcome and intermediate indicators to track project and program progress are summarized in the following table.

<b>Outcome indicators</b>
<ul style="list-style-type: none"> <li>• At least ¾ percent of families in the first quintile receiving BF transfers.</li> <li>• At least 90 percent of primary-age school-age children in extremely poor beneficiary families attending school.</li> <li>• At least 85 percent of 16-18 year old youth in beneficiary families attending school.</li> <li>• At least ¾ of children aged 0- 6 year old children and pregnant women complying with health conditionalities.</li> </ul>
<b>Intermediate results indicators for APL Phase 2</b>
<ul style="list-style-type: none"> <li>• BFP MIS geo-referencing module implemented, according to version 7.0.</li> <li>• Exclusion errors decreased through new procedures (non-registry of potentially eligible families).</li> <li>• 90 percent of the information in the <i>Cadastro Único</i> updated with the new format by 2010 and current thereafter.</li> <li>• Indicators for <i>Cadastro Único</i> quality checks developed and implemented.</li> <li>• Systematic cross-checks with other databases updated.</li> <li>• 80 percent of selected municipalities participating regional training seminars for internal and external control agents (TCE, CGE, MPE).</li> <li>• Decentralized management index updated and average increased to 0.85.</li> <li>• Percent of cards issued on a monthly basis distributed under 40 days increased to 80 percent.</li> <li>• At least 50 percent of beneficiary families with banking accounts opened.</li> <li>• Information on health conditionalities compliance available for 80% of beneficiaries.</li> <li>• Information on education conditionalities compliance available for 95% of primary school age beneficiaries and 85% of youth beneficiaries.</li> <li>• Third round of the BFP impact evaluation survey data and results disseminated.</li> <li>• Data and results of impact evaluation on youth disseminated.</li> <li>• Two more rounds of the <i>Chamada Nutricional</i> on traditional population data and results disseminated</li> <li>• Number of protocols for the implementation of the CNDS developed and implemented.</li> <li>• Number of multi-sector projects implemented over the total of projects managed by CNDS.</li> <li>• Number of studies to improve the socio-productive insertion of CNDS target population.</li> <li>• In-house DPI procurement and FM capacity strengthened (staff hired and trained).</li> </ul>

4. The activities included in the technical assistance components of second APL will be carried out in five years for a total amount of US\$30 million, from which the proposed operation will provide funds for US\$15 million. These components build on the achievements of the first APL and respond to the current context of the program. Specifically, over the last 5 years, *Bolsa Família* has demonstrated an impressive progress in terms of its coverage (nationwide, urban and rural, non-indigenous, indigenous and *Quilombola* populations), which make it the largest conditional cash transfer program in the world. Moreover, the program has demonstrated significant positive impact in terms of outputs and outcomes, while its institutional arrangements, coordination mechanisms at horizontal (sector) and vertical (states and municipalities), as well as mechanisms to improve control, oversight, transparency and accountability have achieved significant progress in their consolidation process. Furthermore, *Bolsa Família* has developed an ongoing self-assessment process which not only has allowed to fine-tune the basic processes of the program, but also to develop innovative features, such as the modernization of *Cadastro Único*, the payment mechanisms through electronic cards, the Index of Decentralized Management (IGD), the Observatory of Good Practices, or the systems to monitor conditionalities at local level, among others.

5. As a result, *Bolsa Família* is a well consolidated intervention at the core of the social protection strategy in Brazil, and is solidly institutionalized in the MDS to face the forthcoming general election in the second semester of 2010.<sup>28</sup> In this context, the activities included in the

<sup>28</sup> The program is seeing as true public government program and major parties have shown support for it.

proposed Project were carefully selected in coordination with the Ministry of Social Development to provide value added in the consolidation of specific innovative features that the program has been developing over the last few years. The technical assistance activities supporting the program follow the logic of the intervention from the targeting mechanisms and the registry of beneficiaries (Component 2), to the program process and operations, management of benefits and conditionalities, and oversight, control, accountability and transparency (Component 3). These activities are complemented through the strengthening of the Monitoring and Evaluation system of the Ministry of Social Development beyond *Bolsa Família* (Component 4) and supporting Ministry's efforts to consolidate *Bolsa Família* and the *Cadastro Único* as instruments to link poor families with other social, skills development and income generation interventions at Federal, and State levels (Component 5).

6. The outcome and intermediate indicators selected to track project progress during implementation are fully framed in the APL program approved by the Bank in 2004 and respond to specific issues that the program and the Brazil social protection strategy currently require. Therefore the set of indicators selected to track the Project, fully explained in Annex 3, has the following features: (i) The outcome indicators remain the same as defined in the APL program in 2004 with the only exception of two health indicators which were replaced due to a lack of information as in Section II, B (Program Objectives and Phases) above; (ii) some of the intermediate indicators are the same as in the first APL, especially those related to processes of the program and the *Cadastro Único*. In all cases those indicators have been closely monitored during the implementation of APL 1, have demonstrated a positive trend, and the new target value to be reached by the end of APL 2 implementation is set in this context; (iii) some indicators that were included in APL 1 are no longer relevant for the APL 2 (e.g., migration of families from the previous CCT programs into *Bolsa Família*); and (iv) there are new indicators to either respond to the new context and thus new requirements of *Bolsa Família*, or are part of the new component of the Project, which was not included in the APL 1 (i.e., Component 5 to strengthen the link between *Bolsa Família* and other programs at the state level).

7. The table below presents the recent progress of some key outcome and intermediate indicators and, when appropriate, the expected track for the next few years.

**Bolsa Família Project - Projected Development Objectives  
Selected indicators – 2004/2009/2015**

Indicators	Baseline Value		Progress To Date		Target Value	
	Number or text	Date	Number or text	Date	Number or text	Date
	Outcome indicators					
1. Coverage of extreme poor	None receiving	09/30/2003	Achieved. 11.1 m families receiving benefits ( <b>100% of target</b> ). Absolute incidence (PNAD 2006) is 67% in Q1 and 23% in Q2 .	04/18/2008	At least <b>3/4</b> of the extreme poor families receiving BF transfers	10/1/2015
2. Targeting accuracy	<b>66%</b> of benefits of pre-reform programs were received by those in poorest two quintiles (POF 2002-03)	01/01/2003	PNAD 2006 reveals that <b>90%</b> of the BFP benefits were received by those in the poorest two quintiles (and 64.5% were received by those in the poorest quintile).	04/17/2008	At least <b>70%</b> of families in first quintile receiving BF transfers	10/1/2015
3. Improve school attendance of poor	<b>70%</b> of municipalities reporting school attendance for the BFP beneficiaries. <b>4.4%</b> of the BFP student beneficiaries with <85% attendance.	10/01/2004	<b>99.7%</b> of municipalities reporting school attendance for the BFP beneficiaries. Over <b>97%</b> of children of the BFP with <85% attendance.	03/31/2008	At least, <b>90%</b> of primary school age children in extremely poor beneficiary families attending school	10/1/2015
4. Improve school attendance of poor	<i>Beneficio Variabel Jovem</i> program, which targets adolescents 16 to 18 years old, was launched	07/01/2008	<b>78.4%</b> of young beneficiaries (some 1.4 million students) complied with the conditionality	12/01/2008	At least <b>85%</b> of 16-18 year old youth in beneficiary families attending school	10/1/2015
5. Improve health care access of poor	<b>75-77%</b> of children 0-6 years of age in the impact evaluation sample presented their health cards	11/30/2005	<b>Over 90%</b> of the families with info on health conditionality comply with the co-responsibility. Data on benefic. children with health cards to be updated with the results of the 2nd round evaluation fall 09	05/22/2009	At least <b>75%</b> of children aged 0- 6 year old children and pregnant women complying with health conditionalities	10/1/2015
Intermediate indicators						
1. Pre-reform programs consolidated into <i>the</i> BFP (Component 1).	BE=5.1 mn families BA=1.7 mn families PCA = 0.8 mn families AG = 9.7 mn families BFP = 0 families	09/30/2003	BE = 179 remaining families; BA = 2 PCA = 14,646 AG = 226; BFP = 11.1 million families (June 06 onwards) Pre-reform programs beneficiaries included in <i>Cadastro</i>	12/31/2008	100% of the previous CT programs eliminated	

			<i>Único</i> in December 2008.			
2. Administrative cost efficiency improved (Component 1).	Central Government admin costs = <b>5.3%</b> of total program outlays for pre-reform programs (SIAFI data)	12/31/2002	Target exceeded. Central Government admin costs = <b>5%</b> of total program outlays for BFP.	11/30/2009	Reduction of operational costs in at least 1/3.	
3. Instruments for implementing eligibility criteria for BF beneficiaries revised* (Component 2).	Existing criteria based on unverified self-reported incomes are weak (measurement errors, incentives for under-reporting).	11/01/2003	Strong targeting outcomes, MDS & partners decided to maintain income for eligibility criteria, but to enhance it with stronger cross-checks & validations. New recertification process to start in 2010	06/02/2009	Exclusion errors decreased through new procedures (non-registry of potentially eligible families). Results of a study on exclusion errors disseminated	10/1/2015
4. <i>Cadastro Único</i> questionnaires strengthened* (Component 2).	Existing questionnaires weak (incomplete income questions, lack of time reference periods, etc.)	11/01/2003	IBGE/MDS complete revision of new questionnaires, based on field tests. Launched in 2009.	04/20/2009		
5. Procedures for implementing <i>Cadastro Único</i> strengthened and communicated* (Component 2).	Need to clarify and communicate roles, norms for various actors involved.	11/01/2003	Completed. Aide Memoire documents the various decrees, portarias, and operational instructions that have been issued to clarify and strengthen the implementation of the <i>Cadastro Único</i> .	06/27/2006		
6. Data collection strategy strengthened* (Component 2).	Current system is static (does not allow for updating); a priori quotas for registration create distortions; inefficiencies in data collection methods.	11/01/2003	Decree for <i>Cadastro Único</i> mgt published 06/26/2007 and collaboration b/w MDS and IBGE for data collection established. Decree 148 established decentralized mgt index and recertification policy.	04/18/2008	Decentralized management index updated and average increased to 0.85. <b>90%</b> of the information in the <i>Cadastro Único</i> updated with the new format by 2010 and current thereafter	10/1/2015
7. Duplications purged* (Component 2).	No systematic checks for duplications.	11/01/2003	Completed. MDS has developed systematic internal and external cross-checks. On-going purging continues.	04/18/2008	Indicators for <i>Cadastro Único</i> quality checks developed and implemented. Systematic cross-checks with other databases implemented	10/1/2015

8. Recertification policy established (Component 2).	Policy for periodicity of recertification not established.	11/01/2003	2-year periodicity of recertification policy established (decree 148 of 04/27/06); nation-wide recertification complete. Re-certification process completed and 2nd re-certif. to start in 2010.	06/02/2009		
9. <i>Cadastro Único</i> being used as policy management tool* (Component 2).	MDS and municipalities lack access to actual <i>Cadastro Único</i> database.	11/01/2003	Completed/exceeded. MDS and 100% of municipalities now have real-time on-line access to <i>Cadastro Único</i> database. Plans to extend CU as main instrument to target benefic of social programs	06/02/2009	13 States using the <i>Cadastro Único</i> as the basis for the targeting and design of their social policies	10/1/2015
10. Real-time monitoring of program strengthened* (Component 3).	Current MIS covers well the physical-financial aspects of payments, but does not integrate: (a) <i>Cadastro Único</i> data (in real time); (b) conditionality compliance verification and monitoring.	05/31/2004	MIS operating for all elements ( <i>Cadastro Único</i> in real time, payments, conditionality monitoring). Process to contract comprehensive MIS to consolidate databases expected to be completed in 2010.	04/20/2009	MIS geo-referencing module implemented, according to version 7.0	10/1/2015
11. Federal oversight mechanisms for decentralized implementation developed and operational* (Component 3).	Program lacks instruments for federal oversight.	05/31/2004	Significant progress. Since January 2005, CGU regularly conducting oversight reviews and audits (at least 6/year). TCU conducted implementation evaluation in 2006 prior to elections.	04/18/2008		
12. Impact of BFP evaluated* (Component 3).	Other than ex-ante simulations (BE) and evaluations of pre-reform programs (BA), impact unknown.	05/31/2004	Analysis for baseline household survey covering 15,000 households complete (evaluation clinic Feb 2007). 1st follow up process for the IE of BFP under implementation. Final report expected Dec 2009	05/18/2009	Data and results of the third round of evaluation disseminated. Data and results of impact evaluation on youth disseminated. Two more rounds of the <i>Chamada Nutricional</i> on traditional population data and results disseminated.	10/1/2015
13. Institutional roles clarified* (Component 4).	Program not regulated (lacks rules and operational guidelines).	01/31/2004	Completed. Aide Memoire references specific decrees, <i>convenios</i> , <i>portarias</i> , and <i>termos de adessao</i> with municipalities.	06/27/2006		

14. Communications strengthened* (Component 4).	Program beneficiaries lack information about their responsibilities and rights under the program.	05/31/2004	Beneficiary booklet content designed, printed and distributed to all beneficiaries.	06/27/2006		
15. System for verifying conditionalities operating* (Component 4).	Program not systematically verifying compliance with conditionalities.	05/31/2004	51% of 12.3 million children w/ education conditionality info. in 12/2004, 85% of 15.5 mi in 03/2008 w/ 97.3% complying. 6 % families w/ health info. in 06/2005, 46% (4.9 m) in 03/08 w/ 99.5% comply.	03/31/2008	Information on health conditionalities compliance available for 80% of beneficiaries. Information on education conditionalities compliance available for 95% of primary school age beneficiaries and 85% of youth beneficiaries	10/1/2015
Sources: Ministerio de Desenvolvimento Social, Secretaria Executiva “Relatorios de Progresso do Acordo de Empréstimo 7234-BR Programa Bolsa Família”, consolidated in the ISRs of the First <i>Bolsa Família</i> Project (APL 1).						

## Project Components

**Component 1: Conditional Cash Transfers (BF Grants) (US\$10 billion; Bank financing: US\$185 million).** The objective of this Component is to co-finance the provision of grants (the BF Grants) to mothers or other designated family members to enable their families to access health, education and other services as provided in the BF Program and the Operational Manual.

**8. This Component would continue co-financing the program by disbursing funds against cash transfers (grants) to poor families who have complied with their co-responsibilities in education and health.** Financing of transfers under the current arrangements of *Bolsa Família* flows directly from the Treasury to the *Caixa Econômica Federal* after the Ministry of Social Development (with program management by the National Secretariat for Citizen Income) approves the benefit payment roster, “*Folha de Pagamento*”. CEF will then transfer the money to a pooled account, which beneficiaries can access with a debit card (see Annex 6).

**9. The disbursement mechanisms in the proposed operation would be similar to the ones used in the first APL loan.** The Bank would reimburse the Treasury a share of the expenses on conditional cash transfers made under the *Bolsa Família* Program. Disbursements will be made on a semiannual basis, equivalent to up to 1.85% of the transfers paid to families that comply with their co-responsibilities. Even though the implementation period of the Project is five years, this Component is expected to be fully disbursed by the end of the second year of implementation after effectiveness, given the amount of the Component compared with the overall annual budget to finance cash transfers (over US\$15 billion). As in the first APL, the Bank would disburse under the Grant Transfers category against verification of project expenditures following loan conditions explained in Annex 7.

**10. Over the last few years, the MDS/SENARC and the Caixa Econômica Federal have designed a set of mechanisms to improve management of benefits and transparency in the payment process.** Apart from those measures to improve the management of benefits and to ensure that only families that comply with their co-responsibilities are entitled to receive their benefit (as explained below) the process has been systematized to minimize errors in the payroll list (automatization of routines to modify registries as necessary; e.g., blocking, suspensions, cancelation, and so forth). As part of this actions the list of authorized beneficiaries to receive payment is cross-checked using several instruments: (i) updating of registries every two years or less and recertification of the whole *Cadastro Único*; and (ii) cross-check with other data-bases such as BPC and other social security (to verify if beneficiaries are receiving social security), as well as RAIS (annual list of social information, to verify if a beneficiary moved to the formal labor market).

**11. *Bolsa Família* is subject to a close scrutiny by the Federal Oversight and Control System.** As explained above, three Federal agencies monitor Bolsa, including the payment system. The Federal Comptroller Office (CGU) carries out annual quality control reviews for random samples, annual financial audits, investigates specific cases and makes public beneficiary lists. The Supreme Auditing Court at the legislative level (TCU) performs implementation evaluations also on a sample basis, for the *Cadastro Único* and *Bolsa Família*. The Public Ministry investigates specific cases.

**12. Co-financing of the conditional cash transfers paid to beneficiary families complying with all their co-responsibilities is part of a comprehensive partnership strategy between the Bank and the Government, established since the launching of the program in 2003.** The Bank has engaged in a long-standing partnership with the Government of Brazil from the design and launching of the Bolsa Família Program (BFP) through implementation. This support has come from partnerships at the highest levels, through an on-going program of analytic and advisory activities, and through technical and financial partnering under our on-going loan to support the program. The Project (the second APL loan) is a tailor-made package that combines three innovative design features, one of which is the co-financing of transfers. The other two elements are the technical assistance components as well as the result framework, and the ongoing technical level dialogue supported in the supervision of project progress.

**13. To help support step-wise improvements in program quality and expansion, the Bank's project adopted a co-financing approach to the program.** This approach combines the advantages of providing a window for continuous technical assistance with flexibilities in on-going disbursements that were needed given Brazil's complex budget system. With these key features, even though the Bank's financing represents a small proportion of the BFP budget, Bank's partnership with the Government is helping to strengthen the functioning of the entire Bolsa Família Program. Thus, the relatively small Bank's financial contribution keep the Bank involved in the program progress and developments, and allows the Bank to engage in a deeper partnership that involves continuous two-way dialogue about broader policy issues as well as about the more operational aspects of *Bolsa Família*. The Bank's long-standing involvement in the program – from its inception as merger of four predecessor programs within the Fome Zero umbrella – has also played a role of promoting “institutional and technical continuity” across a major ministerial reform. Bank involvement beyond technical assistance could also help ensure sustainability of the program across changes in administrations or political parties, as may happen in the next presidential election in the second semester of 2010.

**Component 2: Strengthening *Cadastro Único* as the Main Targeting Instrument for Social Programs (US\$6 million; Bank financing: US\$2.8 million).** The APL 2 will provide support, training, technical assistance and selected incremental operating costs to the MDS to consolidate the *Cadastro Único* as the main mechanism used to select the target population of BF program and other social programs and, even more importantly, to integrate social programs at federal and sub-national levels.

14. The primary objective of *Cadastro Único* is to serve as a registry of all Brazilian families living in poverty. It is a national database which collects the socioeconomic data of families with monthly income below R\$190 (half a minimum wage, approximately US\$100). The *Cadastro Único* is the main targeting instrument used by the Brazilian government to select beneficiaries of social programs. It was originally developed in 2001 as an effort to constitute a single registry database of the lowest income families in Brazil. Until that time, each social program operated its own targeting system. The *Cadastro Único* is in effect a census for almost the entire poor population in Brazil with rich information about families –this is not only name and address, but also many variables on living conditions. The *Cadastro Único* has also been critical for reducing exclusion and inclusion errors in government programs, especially in the *Bolsa Família* program. The new database improves efficiency and increases coordination between different social initiatives at the national and municipal level. Even though the *Cadastro Único* served mainly

*Bolsa Família* in its early years, it is now increasingly used by other programs at Federal (*Luz para Todos*, *Tarifa Social de Energia*), State (Sao Paulo and Para youth training programs) and Municipal level (in Belo Horizonte).

15. The Brazilian government has made significant efforts to improve the *Cadastro Único*. Since 2004, many official guidelines have been issued to clarify the roles of the different actors involved in the registration and management of the database. In addition, the first massive recertification took place between September 2005 and March 2006 resulting in an overhaul of the quality of the *Cadastro Único*. Some 2.7 million new eligible families were incorporated into the registry and 1.4 million households were excluded for a number of reasons. The government is currently carrying out a new recertification of the *Cadastro Único* across the country. Regular recertification processes are complemented by an ongoing activity of updating individual registries of families carried out by municipal authorities. Beneficiaries of the BFP whose record has not been updated for two years will see their benefits suspended. Another important recent improvement of the database took place after the MDS and *Caixa*, the operative agency of the *Cadastro Único*, negotiated a performance-based contract in January 2006 which incorporated 17 indicators to measure the quality of services. These include an index of duplication of registry entries, and hours of system availability, among others.

16. The Ministry of Social Development also maintains an ongoing process of assessing, developing, testing and implementing improvements to the operation of *Cadastro Único*. Recently, the MDS completed the process to implement a new questionnaire to collect the information on families and a new software to manage the information (Version 7.0). The objective is to improve the quality of information on families, thus improving the targeting tool for *Bolsa Família* and the other programs using the *Cadastro Único* to select beneficiaries. The full implementation of Version 7.0 is gradual and the MDS provides support to municipalities to carry out the process. To promote the use of the *Cadastro Único* in other social programs and interventions, the MDS is in the process of enhancing access to its information.

17. This Component will be carried out by MDS through the National Secretary for Citizen's Income (SENARC). Even though the quality of the *Cadastro Único* information has significantly improved to identify poor households, there is a need to further consolidate it as the main targeting tool for social programs across the government. The APL2 will provide support and technical assistance to the MDS to consolidate the instrument as the key mechanism to select social programs' beneficiaries and, even more important, to integrate social programs at federal and sub-national levels. In doing so, this Component would contribute to the MDS efforts to improve the quality of its information, further develop and consolidate its information technology and systems, monitor and measure living conditions of families registered in the *Cadastro Único* and enhance and promote access of other agencies to *Cadastro Único*. The proposed Project would therefore provide support and technical assistance in the following areas:

- a) Improving the quality of the information collected and reported by *Cadastro Único*. While APL1 focused on implementing criteria for and quality controls, APL2 will support the implementation of further internal consistency checks such as a complementary Proxy-Means Test, systematic cross-checks with other federal databases and complementary vulnerability analysis. These measures will provide even more

accurate data for decision-making. The proposed Project would contribute to improve the targeting mechanism used to identify and register families in the *Cadastro Único* through specific activities to: (i) design, test, implement and evaluate a model and instruments to identify specific categories of low income families (hard to reach); and (ii) adapt the application of the Family Development Index, essentially a proxy-means index, for the new version of the *Cadastro Único*, develop and implement its algorithm following the new questionnaire, and support and train municipalities to use it.<sup>29</sup>

- b) Strengthening identification and registry of indigenous and *Quilombola* populations, taking into special consideration their cultural and social conditions. The government started innovative targeting practices for *Quilombolas* and indigenous populations during the program's first expansion phase and is committed to increase the access and social participation of the most vulnerable populations according to their cultural identities, traditions and values. Over the last 4-5 years, the practices of SENARC have greatly evolved and the MDS has taken a proactive stance on ensuring that it adapts its operations to the specific organization and conditions of each indigenous or *Quilombola* community it enters.
- c) Strengthening the information technology and systems of *Cadastro Único*. APL1 supported the implementation of the BFP MIS modules. APL2 is supporting the interaction of the different modules, the registration of dynamic information about the families (payments, compliance with conditionalities) and the interaction of program information with other systems run by MDS. The proposed Project would support SENARC to further strengthen the IT platform of *Cadastro Único* by enhancing the management information system (MIS) of the program. Using funds from the first APL operation, the MDS is developing, testing and implementing key modules of the MIS. The proposed second APL would complete implementation of the first 70 percent of the modules, and would further develop three additional modules to: (i) facilitate consultation to the control system at Federal level (the *Rede Pública de Fiscalização*); (ii) monitor individuals without civil identification; and (iii) incorporate a geo-referenced system.
  - a. In supporting the development of the IT platform of the *Cadastro Único*, the proposed Project would also provide support for fine-tuning the new version (*Cadastro Único* version 7.0), which involves, among others, geo-referencing data from 2010 census, updating the data of registered families, and designing and implementing an information tool to monitor the registry of households which are in the *Cadastro Único* but do not receive the BFP benefits (either because they are not eligible or because of grammatic constraints at the local level).
- d) Promoting access to and use of *Cadastro Único* for decision-making by other programs and government agencies. The proposed Project would support the use of *Cadastro Único* to select beneficiaries and target investments of other government agencies beyond the Secretaries at the MDS, at federal, state and local authorities levels. In doing so, the

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<sup>29</sup> By law, self-declared income per capita is the eligibility variable. However the IDF and other quality controls aimed at assessing a more holistic view of welfare provide cross-checks to self-declared income and potentially enable program managers to identify specific vulnerabilities facing some of the families.

MDS will develop a strategy to disseminate the potential use of *Cadastro Único* for evidence-based decision-making of other social programs, and adjust the *Cadastro Único* system regularly on the basis of the actual demand for information.

- e) Measuring changes of living conditions of low income families registered in the *Cadastro Único*. To provide a tool for decision making of social programs within and beyond MDS, the Project would support SENARC in coordination with SAGI to carry out the second round of the continuous survey on living conditions of low income families. Specifically, the proposed Project would contribute to design the evaluation and its instruments, collect the data, prepare required reports and disseminate results. The evaluation would take advantage of the application of the new questionnaire and the full implementation of Version 7.0 of the *Cadastro Único*. This would enable program management to understand exclusion and vulnerability issues, a second-generation agenda in the context of the general crisis

**Component 3: Institutional Strengthening for the Consolidation of the *Bolsa Família* Program (US\$9.7 million, Bank financing: US\$4.6 million).** This Component, also carried out by MDS through the National Secretary for Citizen's Income (SENARC), would finance activities aimed at Strengthening the management, governance and accountability of MDS to implement the BF Program.

18. Since its launch in 2003, the Ministry of Social Development has been in an ongoing process of consolidating the *Bolsa Família* program at the core of the social protection strategy in Brazil. This process seeks to update program's design, adjust operational processes within the Ministry and improve the effectiveness of the oversight, control and accountability processes of the program. The operation of the program is subject to a permanent practice of self-assessment and fine tuning by SENARC and as a result *Bolsa Família* outputs have shown a steady improvement (Annex 1). Consolidation of the program and its processes is even more relevant given the forthcoming general election and the new administration expected in office by the end of 2010. In this perspective, strengthening program processes is an essential activity to complement efforts to strengthen the registry of beneficiaries, enhance the monitoring capacity of the program, and to measure the results of the interventions and its add-ons.

19. The proposed Project, through this Component, seeks to complement the design of the management model of *Bolsa Família* strengthening the linkages with program's social control mechanisms, institutionalizing information and communication strategies with beneficiary families and improving operational processes developed and under development by the MDS. This Component, also carried out by the National Secretary for Citizen's Income (SENARC), would finance activities aimed at strengthening program's overall management, governance and accountability through three channels: a) Program's decentralized management, Control and Oversight systems and Capacity Building, b) Management of Benefits, and c) Management of co-responsibilities.

**20. Program's overall Management and Operation (US\$3.9 million; Bank Financing: US\$1.8 million).** To contribute to the MDS efforts to consolidate program's operations and functions, this Component will complement the activities to support the targeting mechanism

(Component 2), by strengthening program operations based on decentralized management and shared co-responsibilities, control and accountability mechanisms and enhanced capacity of program staff and control agencies at federal, state and municipal levels.

- a) *Strengthen Decentralized Management of the Program.* The proposed Project would support the MDS to assess, improve and implement the strategy to support monitor municipal management and performance of *Bolsa Família* at local level. Specifically, through these actions, the Ministry of Social Development provides direct support to municipal authorities in their specific responsibilities, by defining and carrying out strategies and activities to improve the process of collecting, registering and updating the data in the *Cadastro Único* and increasing the average proportion of families and children and youth with information about compliance with conditions. In achieving the objective of this set of activities the program will review the composition of the Index of Decentralized Management (IGD) and expects a sustained improvement to 0.85 on average.<sup>30</sup>
- b) *Consolidate control and accountability mechanisms of the program.* The proposed operation would provide technical assistance to SENARC to improve control and accountability mechanisms by consolidating the model to provide information to federal and control agencies; the proposed Project would provide support to SENARC to (i) enhance capacity of and train social control agents regarding the implementation and accountability of funds disbursed through IGD and IGDE, and design a training and pedagogic model for further dissemination and publication by MDS; and (ii) strengthen the internal and external oversight and control network (“*Rede de Fiscalização*”) through a strategy to disseminate information to internal and external agents about *Bolsa Família* concepts, bottlenecks, and best practices, sharing information about systems developed to support monitoring, control and accountability (*fiscalização*) activities, and strengthen the dialogue between SENARC, the BFP municipal staff, councilors from social control committees/councils and internal and external control agents.
- c) *Design and implement a comprehensive capacity building strategy.* The proposed Project would support SENARC in the design and implementation of a capacity building program based on training and technical assistance to local, regional and federal managers (*gestores*) and members of *Bolsa Família* social control agencies in areas related to the program and its operations. Although the social control mechanisms implemented to monitor the program at local level have been an innovative feature of the program, a recent evaluation highlighted their limited impact, in part because social control members know little about their functions. The proposed Project would contribute to address this issue through a strategy for systematic training.

**21. Management of program’s co-responsibilities (US\$3.2 million; Bank Financing: US\$1.5 million).** Management of program’s co-responsibilities involves a set of processes aimed at: (i)

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<sup>30</sup> The IGD measures municipal performance in implementing the program through a synthetic index that comprises variables of coverage and quality of information of *Cadastro Único* of monitoring compliance with education and health conditions. Municipalities receive additional transfers from the federal government depending on the IGD score they achieve.

Monitoring compliance with co-responsibilities in education and health as pre-requisite to authorize payments, (ii) Registering information about compliance, (iii) Ensuring that families comply with co-responsibilities, and (iv) Supporting families who do not comply. Processes involved in the management of program's conditionalities are carried by the Ministries of Social Development, Health and Education at central level and by local MDS representatives and decentralized municipal health and education secretaries at local level.

22. The set of activities that the proposed Project would finance to improve the management of program co-responsibilities seek to enhance the available information on compliance with co-responsibilities, further integrate monitoring of co-responsibilities and the mechanisms to facilitate access of beneficiary families to education and health services, and articulate the monitoring process with support to families non-complying with their co-responsibilities. In this framework, the activities that the proposed Project would support to strengthen the management of conditionalities of *Bolsa Família* seek to consolidate the above mentioned processes in the following areas:

- a) *Improve the compliance verification process.* Since its launch in 2003, the program has shown a steady improvement in monitoring families' compliance with their co-responsibilities (school attendance and regular health check-ups). Despite quite significant progress (from 64 to 85 percent in education, 75 percent among 16-18 youths; and from 37 to 63 percent in health between 2006 and 2009), there is still a considerable scope for improvement, especially in health, where little progress was achieved in 2008. In doing this, the proposed Project would support the MDS to identify weaknesses and provide support to improve and strengthen systems of reporting and monitoring completion of co-responsibilities, through the assessment of the current process of monitoring conditionalities and designing, testing and implementing adjustments and improvements. It is expected that as a result the program will increase the proportion of families and children with information on compliance with health and education conditions in 12 percent and 4 percent respectively (reaching 75 percent in health and 90 percent in education).
- b) *Develop strategies for identifying factors causing non-compliance with co-responsibilities and enhancing incentives for complying with the support of the social assistance network at the local level.* *Bolsa Família* has demonstrated that the set of incentives for families to invest in the human capital of their children have been generally effective. From the information reported about families compliance with education and health activities, more than 97 percent of children 5-16 and youths 16-18 registered in the program were enrolled and attended school regularly, and a similar proportion of families complied with their regular check-ups at health facilities. Nevertheless, the program is committed to keep improving the proportion of families complying with these activities, and has developed a specific protocol to provide social assistance support. The proposed Project would contribute to this purpose by: (a) supporting SENARC in applying the social assistance protocol to families not complying with their co-responsibilities; and (b) assessing the effect of the adjusted protocol, identifying and implementing aspects to improve its impact and further assessing its application. It is expected that the implementation of the

abovementioned activities will result in at least 50 percent of the families not complying with co-responsibilities getting involved in the activities of the new family support prescribed by the protocol, and at least 40 percent of the families not complying with conditions getting involved in activities of the current family support strategy provided by CRAS/CREAS.

- c) *Strengthen social control mechanisms of Bolsa Família.* The social control of the program is carried out through councils or committees created at municipal level, which constitute requisites for the municipalities to join the *Bolsa Família* program. Social control bodies involve civil society and authorities including, at least, representatives of the social assistance, health, education and food security areas. The overall activities of social control agencies are related to the registry of poor families in the *Cadastro Único* and in the *Bolsa Família* program, verification of availability of social services and promotion of public supply coordination, and support to the oversight and control carried out by the MDS and the Rede de Fiscalização at the federal level (Comptroller Office, Brazilian Court of Audit, and Public Prosecutor *Ministerio Publico*). The proposed Project would support SENARC in its effort to institutionalize and improve effectiveness of the social control at the municipal level through the identification and implementation of specific strategies and actions to improve its institutional arrangements and effectiveness, promoting local networks involving social control councils/committees, oversight bodies, program staff at local level and media at municipal level, and designing and implementing a system to monitor social control bodies.
- d) *Consolidate the Good Practices Observatory and Contest.* The Observatory, a virtual tool created in 2007 and managed by SENARC, identifies, collects and disseminates good practices in the management of *Bolsa Família* developed by states and municipalities. The goal of the observatory is to provide a tool for horizontal dissemination and cooperation. As states and municipalities autonomously develop specific methods and management practices to carry out their responsibilities within the program, the Observatory is a very valuable instrument to improve quality of operations of the program at these levels.<sup>31</sup> As part of the observatory, states and municipalities register their practices and participate in a contest. Registered practices are assessed against defined criteria and a small set of those are selected and disseminated through the Observatory and participate in the Good Practices Contest. The proposed Project would support SENARC in the development of mechanisms to strengthen the observatory and assess its utilization as a tool for developing management practices, carry out two contests (third and fourth edition) and disseminate and assess contests' results through defining and implementing mechanisms to follow up the published practices.

**23. Management of Program's Benefits (US\$2.6 million; Bank Financing: US\$1.2 million).** The management of benefits is a set of processes and activities that the program carries out to ensure that benefits are regularly transferred to beneficiary families. Management of benefits in

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<sup>31</sup> Practices involve integrated management of *Bolsa Família*, registry of families, management of benefits and conditionalities, social control and oversight, coordination with complementary programs and family support.

*Bolsa Família* involves three set of processes and activities: (i) Authorization of payments – information on families composition, updated information on the registry, analysis of compliance with co-responsibilities by the families; (ii) Management of benefits at local level –processes and regulations to block, unblock, cancel, reinstate and suspend benefits, according to programs rules; and (iii) Payment –logistics, mechanisms to reach families in remote areas, and strategies for beneficiaries to better manage their payments (financial education).

24. The proposed Project would support SENARC to improve the management of benefits process by improving payment management and logistics by introducing further developments and innovations in these areas as well as fine tuning instruments currently used by the MDS. To achieve this objective, the proposed Project would finance the following activities.

- a) *Update socio-economic data on program's beneficiaries.* The proposed Project would support SENARC in assessing the strategy and activities to maintain the registry of beneficiaries of the program updated and to develop and test mechanisms to improve the process. Currently, information about 3 million families registered as beneficiaries of *Bolsa Família* is older than two years. As a result of these activities it is expected that the proportion of beneficiaries without registry revision and updated socioeconomic information would fall by 50 percent.
- b) *Improve targeting mechanism of Bolsa Família.* The proposed operation would continue its support to the MDS to assess, test and fine tune mechanisms to identify and select beneficiaries of the program. This set of activities seek to analyze and develop targeting mechanisms for *Bolsa Família*, including, for instance, the adjustment of program's poverty estimates at federal and municipal levels and development of targeting methodologies.
- c) *Strengthen and improve the strategy of opening accounts for Bolsa Família beneficiaries (inclusão bancária).* Since 2008, the program launched a strategy to open bank accounts for beneficiaries of *Bolsa Família*. The accounts, opened in the *Caixa* Economica Federal, are intended not only to deposit the benefits for families, but also to facilitate households' access to other banking services and credit. By mid 2009, the program has helped about two million beneficiaries to open their bank accounts. The proposed Project would support this purpose by assessing the current strategy, adjusting it and its instruments as necessary and evaluating the process. It is expected that this set of activities will contribute to the overall goal of the program to open accounts for at least 50 percent of the families registered in *Bolsa Família*.
- d) *Develop instruments of financial education.* To complement the strategy of opening accounts, the program will assess, design and carry out projects at municipal level to provide financial education to program beneficiaries. Among those instruments are communication campaigns to maintain beneficiaries aware of the accounts, as well as more systematic support including family financial planning, banking services and products, information on credit, microfinance, and so forth. The proposed Project would also support the evaluation of this intervention and implement adjustments as necessary.

The expected result of this intervention is to reach at least 3 percent of Brazilian municipalities with financial education programs under implementation.

- e) *Develop a strategy to differentiate payments in remote areas.* By mid 2009, *Bolsa Família* makes about 11 million payments per month. Beneficiaries collect their transfers using their electronic card in more than 15,000 locations. Families can collect their benefits within 90 days. The program estimates that currently about 95 percent of benefits are collected. Nevertheless, the remaining 5 percent represents about 500,000 benefits not withdrawn after 90 days. Furthermore, about 250 municipalities face interruptions in their payment services. Finally, about 10 percent of the beneficiaries spend between 5 and 25 percent of their benefits in reaching the assigned payment point. The proposed Project would support SENARC to design and implement a strategy to differentiate payments in remote areas to facilitate families residing there to collect their benefits on time with low or no cost. The expected result is having different payment strategies in at least 6 states.
- f) *Improve the logistics to distribute electronic payment cards.* The abovementioned strategy will be complemented with improvements in the logistics to distribute electronic cards to withdraw benefits. The proposed Project will provide assistance to assess, design improvements, implement and evaluate the strategy to distribute payment electronic cards. It is expected that at least 90 percent of the cases the delay to distribute and hand out electronic payment cards will be reduced to less than 40 days.
- g) *Improving the overall process of managing benefits.* The proposed operation would support the MDS in assessing and, if appropriate, adjusting the management of program benefits (blocking, unblocking, cancelling, reinstating and suspending benefits) and the roles of local and federal authorities.

**Component 4: Consolidation of the Monitoring and Evaluation System in the Ministry of Social Development (US\$9.3 million; Bank financing: US\$4.5 million).** This Component will provide support, training, technical assistance, equipment and selected Incremental Operating Costs to consolidate MDS's capacity to monitor and evaluate social programs at federal and sub-national level and to strengthen its capacity to, *inter alia*: (a) carry out assessments, evaluations and other studies; (b) disseminate and discuss with stakeholders results from evaluations; and (c) carry out evaluations and other studies in the following areas: (i) BF Program, (ii) other programs under implementation by the MDS; and (iii) selected interventions to link BF Beneficiaries with other social inclusion and income generation programs at state level.

25. The MDS, mainly through its Secretary for Evaluation and Information Management (SAGI), has developed a comprehensive monitoring and evaluation system. Through two complementary set of arrangements, SAGI counts with: (a) an Evaluation System to conduct research and impact evaluations based on rigorous methodologies, applied to selected social programs, initially within the Ministry of Social Development, to measure the outcomes of social programs at federal level; and (b) a Monitoring System to track program's progress and provide information based on indicators and administrative data. The overall objective of the M&E system in the MDS is fourfold: (a) provide feedback to the program management in terms of results, outcomes, implementation and outputs; (b) disseminate results and improve transparency

of social programs through publications, workshops and micro-data; (c) provide and make available strategic information for decision-making and program design through reports, technical notes and so forth; and (d) enhance the capacity of the Ministry to manage social policies, monitoring and evaluation, and social control.

26. This Component, to be implemented by SAGI, would support the Secretary in the enhancement and consolidation of the Ministry's capacity to monitor and evaluate social programs at the federal and state level. While the APL1 focused on developing in-house capacity for monitoring and evaluation of BFP, APL2 supports a broader institutionalization of SAGI and M&E systems in the ministry as well as the evaluation of complementary programs to *Bolsa Família*. In addition, this Component would enhance SAGI capacity to prepare technical specifications for designing impact evaluations and analyzing data and results, and carry out workshops and conferences to disseminate results, and training to keep SAGI's staff updated on monitoring and evaluation techniques. Therefore, this Component would support the government's efforts in three fronts:

- a) Support the impact evaluation of *Bolsa Família* program and its recent developments to explore innovative and tailored ways for strengthening local evaluation capacity.
- b) Support a series of specialized evaluation studies of social programs (either national or local in nature) implemented either by or in coordination with the Ministry of Social Development.
- c) Provide assistance to enhance SAGI's capacity to monitor and evaluate social programs at the Federal level.

**27. Impact evaluation of *Bolsa Família* and its recent developments.** The proposed Project would support the Ministry of Social Development in continuing with the impact evaluation of *Bolsa Família*, as well as to evaluate some specific features and recent developments of the program.

- a) *Third round of the Impact Evaluation of Bolsa Família.* The impact evaluation of *Bolsa Família* is a long-term process which accompanies program implementation and supports the monitoring of program measurable outcomes at two levels: territorial and household levels. The baseline survey was collected in 2005 and the first follow up survey is under implementation. The survey consists in a longitudinal study of a representative sample of about 15,500 households, aggregated in 3 big regions: Urban North and Center-West; Northeast; and South-Southeast. The sample consisted of three categories: beneficiary families, families registered in the *Cadastro Único* but not beneficiary of *Bolsa Família*, and families outside the *Cadastro Único* and *Bolsa Família*. Since an experimental design was not possible, impacts are estimated through Propensity Score Matching techniques.

The second round of data collection is currently under implementation, supported by funds from the first APL operation to support *Bolsa Família*. The firm hired to carry out this evaluation utilizes a longitudinal design drawing on data collected in 2005 and new data collected in 2009, taking advantage of the fact that, at baseline, many surveyed households had not yet started receiving benefits under *Bolsa Família*. The evaluation

methodology used for the second round will be a mix of propensity score matching, regression discontinuity, and dose and duration models.

To continue with the process of measuring the outcomes of the program, the proposed Project would finance the second follow-up survey to include also other aspects beyond the direct result of *Bolsa Família*, especially the inclusion of the families in the labor market and the social sustainability of the program.

- b.) *Impact of “Benefício Variável Jovem” on School Drop-out.* In 2007 the program created a variable benefit paid to families with youths 16-18 years of age regularly attending school. The benefit is paid per youth. In this context, the extension of *Bolsa Família* benefits to this segment of the population, with a cash benefit of R\$30,00 for at maximum two benefits per family, is likely to represent an investment in the social inclusion of these young. Currently, it is estimated that 1.8 million youths receive these resources.

The goal of this activity is to support SAGI in evaluating the impact of *the Benefício Variável Jovem* (BVJ) on reducing drop out, and increasing attendance and completion rates among youths aged 16 to 18. The design of the study will be quasi-experimental with treatment (beneficiaries) and control (potential beneficiaries who do not receive) groups. The MDS is evaluating a strategy to determine the impact of BVJ. One option under consideration is to analyze administrative data from *Cadastro Único* and databases from the Ministry of Education to compare outcomes between beneficiaries and non-beneficiaries. The expected sample is 3,000 youths, half in the treatment group and half in the control group. It will be representative of the national level only. The proposed Project would finance the baseline and at least one follow up survey.

- c.) In addition to the evaluations, assessments and studies described below or those identified during the implementation of the Project, SAGI would coordinate with SENARC to carry out the evaluation of key aspects of the program like the adjustment of the size of benefits, the “*Benefício Variável Jovem*” and the financial education strategy and the “*inclusão bancária*” strategy (described in Component 3), as well as the evaluation of *Cadastro Único* (included in Component 2).

**28. Impact Evaluation of other programs from or in coordination with MDS.** The purpose of the second APL operation is to support specialized evaluation studies of social programs beyond *Bolsa Família* implemented by the MDS and by other Ministries in coordination with the MDS. The selection criteria responds to the need to assess the impact of key interventions within the social protection strategy of the federal government. Following these criteria, the Ministry of Social Development through SAGI has coordinated with the correspondent implementing agencies to proceed with the evaluation of the programs described below. In some cases, baselines or initial data collection has been completed and the proposed Project would provide support to complete the process. In other cases, the implementation conditions to carry out an evaluation have been agreed between the implementing agency and the MDS. The following are some of the impact evaluations supported by the Project:

- a) *Nutritional census of very vulnerable population.* It is estimated that there are around 18 million children aged between 0 and 5 in Brazil. Taking advantage of the information collected during the three-day national immunization campaign that took place in 2005, 2006 and 2007 in different regions of the country, a baseline was created on the nutritional status of this segment of the population as well as the scope of the national policies among population in high risk. The sample was 16,000 children from the semi-arid region (North-East), 1,330 children from land reform settlements, 3,000 from *Quilombo* communities, 4,000 from the Amazonas state, and 15,000 from the rest of North region.

During the abovementioned immunization campaign, it was possible to gather data from different groups of children in low income families with valuable information of specific vulnerable communities that never have been studied before, including data at state level as well as from specific vulnerable communities, such as families from the *Quilombos* and land reform settlements. In each case, the research will allow to make inferences on the situation of about 3 million children. Follow up research should be carried out every three years to monitor the nutritional situation and effectiveness of social policies in these populations.

Two nutritional surveys are planned during the implementation period of the second loan. The design of the study is cross-sectional with a representative sample of the children that attend health units for immunization. This is likely to be a representative sample of children between 0 and 5 years of age as the immunization coverage is very high in Brazil, reaching about 95 percent of children in the appropriate age.

- b) *Evaluation of the impact of the National Program of Young and Teenage Inclusion (ProJovem Adolescente).* *ProJovem Adolescente* reaches poor at-risk children between 15 and 17 years old to help them prepare for their entry into the labor market. This program serves as an entry point to other federal interventions targeted to the population aged 18 to 29 years old, including the Urban *ProJovem*, the Rural *ProJovem* and the Worker *ProJovem* programs.<sup>32</sup> The program seeks to help the targeted population through a combination of benefits and services to retain the youths in a socio-educative program while providing direct support to beneficiaries and their families (*acompanhamento familiar*). The ultimate goal of the program is to improve schooling of the youth to help them face the labor market and to strengthen the link between the youth and his/her family. The program complements the basic social protection of the family by building mechanisms to strengthen the social links/social inclusion of the young with the family and community and building the conditions for the youth insertion, return and permanence in the educational system. The program works through meetings and workshops either after or before formal class where beneficiaries have the opportunity to do research, study, debate and learn through cultural and sportive workshops.

The proposed Project would contribute to evaluate the *ProJovem Adolescente* program in order to measure the effect of the intervention in terms of its three structural axes: Social inclusion in the Community, Citizenship Participation and Labor Markets participation.

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<sup>32</sup> Skills development, school-to-work interventions.

The research will be conducted in selected municipalities that will be included in the program in the next years. The sample will be of about 4,000 families, 1,500 in the treatment group and 2,500 in the control group. The baseline study was financed with Government monies and the second and third rounds will be financed with resources of the loan's second phase.

- c) *Continuous Provision Benefit (Benefício de Prestação Continuada, BPC)*. The BPC is a Social protection program which guarantees a monthly minimum wage to low income individuals (less than 25 percent of a minimum wage per capita) above 64 years of age or disabled of any age whose disability prevent them from leading an independent life. Since the program was launched, the BCP has shown considerable impact in reducing poverty and improving welfare among targeted population. The BPC is a large program that serves 3 million beneficiaries (one million elders and two million disabled people) and has an annual budget of R\$17 billion (approximately US\$10 billion). That database would allow a rigorous measure of program outcomes by following beneficiaries over time. In this context, the goal of this study is to estimate the effect of the program in terms of family income, beneficiaries' autonomy and their access to other social policies, their labor market participation and other aspects that could emerge as the data is analyzed. The study would interview 2,000 families with an old individual, 1,000 with a disabled beneficiary, and 1,000 without any beneficiary. The 4,000 observation-sample will be representative of the national level.
- d) *Evaluation of the impact of the Food Purchase Program (Programa de Aquisição de Alimentos, PAA)*. The PAA is a program the Federal Government launched in 2003 that supports family farmers by buying food they produce paying an average regional market price. In 2005 two surveys to measure program impact were carried out. The results show that the program changes the relationship between the family farmers and traders. The latter started to pay more for the food sold by the farmers, improving the situation of these very vulnerable farmers. However, the evaluation measured the prices charged only and not the impact on the farmers' welfare itself. Therefore, the new research will provide information about the impact of PAA on the capacity of commercialization, income generation and food security of the beneficiaries of the program in the areas where the program is expanding.

The sample to carry out the evaluation will comprise about 2,100 families divided in 3 groups: (i) PAA beneficiaries; (ii) beneficiaries of PAA-Pronaf,<sup>33</sup> and (iii) control group. The sample will be selected among the municipalities of North and Northeast regions that will be included in the PAA expansion. The baseline study was financed with Treasury resources and the second and third rounds will be financed using funds from the second loan.

- e) *Evaluation of the Socio-economic Inclusion Program*. The MDS and the Ministry of Labor along with the private sector are launching different initiatives to help poor individuals and beneficiaries of social programs to access employment. The program,

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<sup>33</sup> Pronaf: Programa Nacional de Fortalecimento da Agricultura Familiar, technical assistance and agricultural credit for family farmers.

known as *Inclusão Produtiva*, is in its first stage of implementation and is supported by companies and institutions such as *Petrobras* and BNDS. This Component will finance an evaluation of the impact of the program on individuals that completed a training process in terms of skills gains, income, and job retention. Specifically, the proposed Project would support SAGI to define a methodology to and carry out an evaluation of selected interventions within the strategy to link beneficiary families registry in *Bolsa Família* and the *Cadastro Único* with income generation, labor market insertion, and other productive inclusion alternatives defined within the CNDS.

**29. Other evaluations.** The proposed Project would provide support to carry out other strategic evaluations to be defined during the implementation of the Project previously agreed between the MDS and the Bank.

**30. Technical and institutional support to the Secretary of Monitoring and Evaluation (SAGI).** The proposed Project would provide additional assistance to enhance the capacity of the Secretary to identify, design, carry out and supervise evaluations as well as strengthen its M&E system. This support will be implemented through training, specialized advisory services and IT equipment.

31. The evaluations and studies described above as well as other that may be identified during the implementation of the Project would be carried out mainly through contracting specialized firms with recognized record in the area. The proposed Project would also support SAGI through contracting individual consultants to support preparation of terms of reference and other bidding documents when appropriate.

**Component 5: Supporting the National Commitment for Social Development (CNDS) (US\$2.9 million; Bank financing: US\$1.3 million).** This Component will provide support, training, selected Incremental Operating Costs, and technical assistance to MDS to make operational the CNDS.

32. The Brazilian Government launched CNDS in early 2008, with the dual objectives of: (a) improving the impact of social policies, and (b) enhancing their effectiveness through greater integration between the Federal Government and the States.<sup>34</sup> This initiative is a further step towards the consolidation of a social safety net in Brazil, one of the main objectives of the current administration. It seeks to find strategies for the socio-economic insertion of poor individuals registered in the *Cadastro Único* through operational and financial support to the States. The CDNS is based on agreements between states and the MDS in which the former commit to implement a program based on income generation, labor opportunities and socio-productive inclusion of vulnerable families. As part of the agreement, states receive additional funds from the Federal government.

33. The National Secretary for Institutional Articulation and Partnerships (SAIP) at the MDS is the entity responsible for the promotion and oversight of this initiative. In March 2008, the MDS invited all states to join CNDS through bilateral agreements and all expressed interest. Four states (Acre, Alagoas, Bahia, and Ceara) have already signed agreements and started

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<sup>34</sup> Presidential decree 6393, March, 2008.

implementing plans while another ten states are expected to launch their own strategies by the end of 2009. When States join CNDS they have to designate a local agency that will be co-responsible with SAIP for the productive insertion strategy. The Centers of Reference for Social Assistance (*Centros de Referência de Assistência Social*, or CRAS) at the municipalities are responsible for the selection of vulnerable low-income individuals eligible for CNDS. In addition to launching the strategy and signing the first set of agreements with state governments, SAIP has been developing tools to facilitate the implementation of the CDNS. Particularly important is determining the basic criteria for the selection of individuals in the *Cadastro Único* that will be targeted for the socio-economic inclusion plans at the state level. This task is being carried out by SAIP in collaboration with SAGI and IPEA.

34. The National Commitment for Social Development is also part of the Government' strategies to link *Bolsa Família* to other social programs and income generation activities that can help beneficiaries improve their human capital and access labor markets. This strategy also complements government efforts to link the program with other social and income generation initiatives at the Federal level.

35. The proposed Project will contribute to develop and implement a set of tools in order to help SAIP in the implementation of CNDS. It will also be instrumental to link *Bolsa Família* beneficiaries and social and income generation programs as well as labor market opportunities at state level. To achieve these goals the proposed Project would help to integrate SAIP activities with other secretaries at MDS, develop protocols to make the strategy of the CNDS operational, design test and implement information and monitoring systems to track the progress of partnerships with states, and carry out training activities at the Federal and State level, among other tasks. Accordingly, activities for this Component will be carried out by SAIP.

**Subcomponent 5.A: Integration of Programs and Initiatives at the MDS in order to improve synergies and efficiency to better serve the population targeted by CNDS.**

36. This subcomponent would finance the design of methodologies to simulate different scenarios based on data collected by researchers and information from *Cadastro Único*, *Pesquisa de Orçamento Familiar*, and *Relação Anual de Informações Sociais* (RAIS), among other. The main activities of this Subcomponent are the following:

- a) Defining an index to rank the basic characteristics and strengths (level of education, skills, training, etc) of the BFP beneficiaries and individuals registered in *Cadastro Único* that large investment projects could employ as part of the CNDS.
- b) Defining and testing tools to simulate and monitor local workforce employed in programs and projects supported by the CNDS. These instruments will be developed using data from CNDS programs and projects, as well as data from *Cadastro Único*, *POF*, and *RAIS*, among others.
- c) Training technical teams to use these tools.

**Subcomponent 5.B: Support for the Management and Operationalization of CNDS through the establishment of protocols, and the design and implementation of information systems.**

37. Under this Subcomponent, the Project will support SAIP in the development and implementation of protocols for the operations of the CNDS. This will entail the implementation of an information system that will improve CNDS' operations and will contribute to the integration with other MDS programs. Technical teams at the MDS will be trained in the operation of these protocols, which will be evaluated.

Activities that the proposed Project would finance include the following:

- a) Establishment of protocols for CNDS' operations, including a matrix with local solutions based on MDS guidelines. These protocols will pay special attention to the information from *Cadastro Único* and the results from the scenarios generated by simulations.
- b) The Project will also support SAIP in the development of an information system for CNDS, based on those protocols.
- c) SAIP technical teams will receive training on the implementation of CNDS' protocols and the utilization of the information systems, as part of this Subcomponent.

**Subcomponent 5.C: Design and implementation of a strategy between the Federal Government and the States to operate CNDS**

38. Agreements between States and the Federal Government under the CNDS will be monitored periodically. In order to improve the implementation of the *CNDS*, SAIP will train technical teams at the Federal and State levels on the execution of agreements and the use of tools such as the *Sistema de Gestão de Convenios e Contratos de Repasse* (SICONV).<sup>35</sup> The proposed Project would finance the following actions:

- a) Determine the criteria that will guide the interaction between SAIP and the States, based on studies by the MDS and information from the *Cadastro Único*. It will also take into account the data from the simulation scenarios mentioned above.
- b) As part of this Subcomponent, technical teams at the State level would be trained in the implementation of CNDS, including the operation of the *Sistema de Gestão de Convenios e Contratos de Repasse* (SICONV).

**Subcomponent 5.D: Development of instruments to enhance the socio-economic insertion of individuals targeted by CNDS, including studies and evaluations.**

39. This Component would support the MDS through the following actions:

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<sup>35</sup> <sup>35</sup> SICONV is a Brazilian Government website that controls and approves all financial transactions of contracts and partnerships related to programs.

- a) Assessing new instruments to boost the socio-economic insertion of low-income individuals in States that already joined CNDS.
- b) Supporting knowledge sharing through cooperation with other countries and experiences that had implemented programs for income generation and welfare to work for poor individuals.
- c) Assessing the results and lessons learned through all agreements implemented between 2008 and 2012.

**Subcomponent 5.E: Support to CNDS to improve its technical capacity to elaborate and evaluate projects, and to make local and regional assessments with the goal of specifying the actions to be demanded.**

**Component 6: Operational Support to the Project Implementation Unit at the Ministry of Social Development (US\$1.7 million, Bank financing US\$1.2 million).** The Component will provide support to the PIU for the implementation of the Project, through the provision of goods and services required therefore.

40. This Component will provide institutional support to DPI in the Executive Secretariat for the Project's implementation, emphasizing technical knowledge transfer to the teams at MDS. It will also contribute to the revision of the operational procedures in order to improve management of projects supported by international organizations and financial institutions.

The Project will support key activities including, among others, the following:

- Assessing operational and administrative processes at DPI regarding the management of projects.
- Developing a results-oriented management model in order to improve efficiency and effectiveness through the redesign of operational processes.
- Defining the profile of specialist needed for the implementation of the proposed management model, taking into account the specialists working at the MDS that could be used for this purpose.
- Rationalizing technical and administrative processes at DPI.
- Preparing a manual containing the conclusions of the assessment.
- Developing a plan for the training of DPI employees into the results-oriented management model.

41. In order to address bottlenecks that created major delays during the implementation of the first APL operation, the team will be strengthened not only with additional technical staff, but especially with fiduciary specialists to carry out procurement processes. These would form a core team, which would be funded under the Project. Under the first phase, procurement was under the responsibility of an administrator of funds, but the MDS would be carrying out most procurement activities directly in order to facilitate the processes.

**Annex 5: Project Costs**  
**BRAZIL: Second *Bolsa Família* Project (APL 2)**

**Costs by component, source of funds and year (thousands of US dollars)**

	Component/Sub-component	FY11		FY12		FY13		FY14		FY15		FY16		Total	
		GOB*	IBRD	GOB*	IBRD	GOB*	IBRD	GOB*	IBRD	GOB*	IBRD	GOB*	IBRD	GOB*	IBRD
	1: Conditional Cash Transfers				92.500		92.500								185.000
	2: Strengthening <i>Cadastro Único</i>	588	588	790	700	1.113	987	148	132	318	282	198	156	3.155	2.845
	3: Institutional Strengthening for the Consolidation BFP	588	588	1.696	1.504	1.113	987	848	752	530	470	349	275	5.124	4.576
	<i>a. Program's overall Management and Operation</i>	235	235	678	602	445	395	339	301	212	188	140	110	2.050	1.830
	<i>b. Management of program's co-responsibilities</i>	194	194	560	496	367	326	280	248	175	155	115	91	1.691	1.510
	<i>c. Management of Program's Benefits</i>	159	159	458	406	301	266	229	203	143	127	94	74	1.383	1.236
	4: Consolidation of the M&E	0	588	1.696	1.504	1.517	1.345	961	639	265	235	280	220	4.719	4.531
	5: Supporting CNDS	235	235	371	329	350	310	344	306	112	98	90	70	1.502	1.348
	6: Operational Support to DPI	235	235	0	250	0	250	0	250	148	132	117	83	500	1.200
	7: Front end fee	0	500	0	0	0	0	0	0	0	0	0	0	0	500
	<b>TOTAL</b>	<b>1.646</b>	<b>2.734</b>	<b>4.553</b>	<b>96.787</b>	<b>4.093</b>	<b>96.379</b>	<b>2.301</b>	<b>2.079</b>	<b>1.373</b>	<b>1.217</b>	<b>1.034</b>	<b>804</b>	<b>15.000</b>	<b>200.000</b>

\*Do not include government funds to finance conditional cash transfers, estimated in about US\$ billion per year.

**Annex 6: Implementation Arrangements**  
**BRAZIL: Second *Bolsa Família* Project (APL 2)**

1. The APL2 will support the *Bolsa Família* Program through: (i) a component to co-finance cash transfers to families living in poverty; (ii) four technical assistance components to support the *Cadastro Único*, the management and instruments of the BFP, the monitoring and evaluation system at the MDS, and the MDS' efforts to link *Bolsa Família* beneficiaries to state level programs and interventions through the CNDS; and (iii) a set of activities, through Component 6, to strengthen the International Projects Directorate (DPI), the technical unit responsible for the coordination of the Project. The DPI was formally created in 2010 and is institutionally located within the administrative organization of the MDS Executive Secretariat and responsible for the coordination of the entire portfolio of projects financed by international organizations. APL2 is expected to be implemented over a period of five years, with a completion date of December 31, 2015.

2. The Borrower will be the Federative Republic of Brazil. As APL1, APL2 will be implemented by the Ministry of Social Development (MDS) that was established in January 2004 with the objective of further integrating the management of Brazil's social programs. The creation of the MDS followed the consolidation of four stand-alone conditional cash transfer programs managed by different ministries under different set of rules, into *Bolsa Família* in 2003. Over the past five years, the MDS has developed considerable experience in implementing *Bolsa Família*, and has consolidated and strengthened its systems for overall management and monitoring and evaluation. The institutional and implementation arrangements to execute the project follow those used and adjusted during the implementation of the first APL loan.

3. The Component to co-finance cash transfers to families will be directly disbursed to the Ministry of Finance. APL2 would partially finance the cash transfers to families during the first two years of project implementation, following a simplified scheme, as explained in Annex 4. During the first two years of implementation, the proposed Project would reimburse the equivalent of 1.85 percent of the amount paid to beneficiary families of *Bolsa Família* who have complied with their co-responsibilities.

4. The technical assistance components will be disbursed to the MDS. Consistent with this approach, to promote a mainstreaming of project activities and to contribute value added to the overall BFP, APL2 will build on the existing organizational and leadership structures of the MDS for the implementation of the technical assistance components. The MDS has consolidated its technical secretariats with clear institutional responsibilities and sound institutional arrangements at federal and, when appropriate, at sub-national levels.

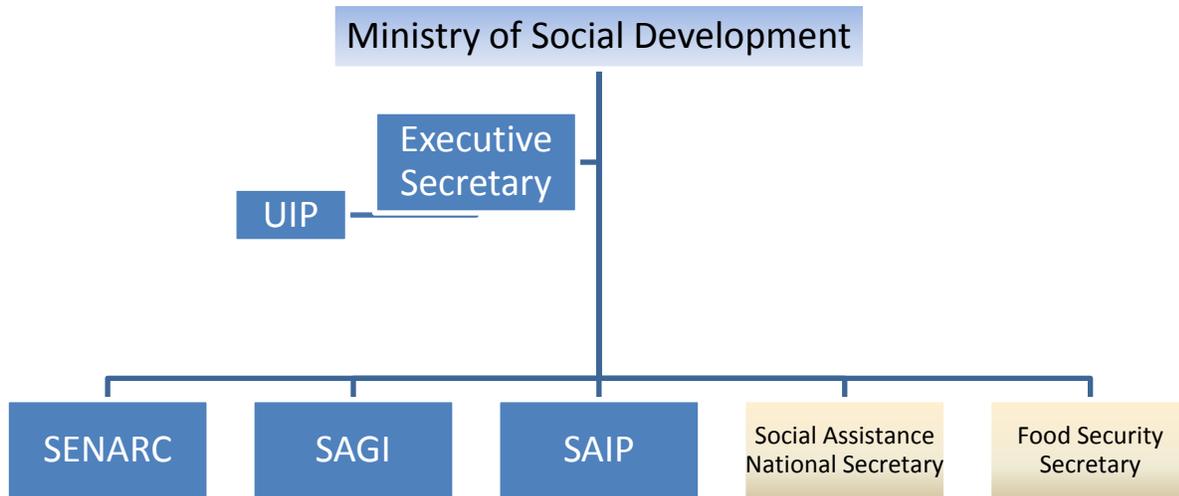
5. Implementation of APL2 will be headed by the Executive Secretary (SE) and managed by the International Projects Director. The Executive Secretary, on a monthly basis, meets the relevant technical secretariats (SENARC, SAGI and SAIP). This meeting has two broad tasks, namely defining projects' programming and monitoring implementation. To follow up decisions taken, delegates of the technical secretariats (focal points) and the heads of the planning and

implementation areas of DPI meet twice a month. The relevant technical secretariats (SENARC, SAGI and SAIP) are responsible for the technical aspects required to carry out project activities. Specifically, technical secretariats are responsible for: (i) defining the specific annual program within the framework approved by the Executive Secretary; (ii) monitoring the implementation of activities; and (iii) preparing terms of reference and other technical documents required to carry out the activities under the respective components.

6. The DPI is responsible for establishing technical directives and activities, ensuring the solidity of their content and ensuring that they are consistent with program objectives and directives issued by the Executive Secretary. The Project Implementation Unit, headed by the International Projects Director designated by the Secretary of MDS, will be responsible for: (a) on-going planning and supervision of activities; (b) verification of compliance with operational procedures, as established in the Loan Agreement and Operational Manual; (c) administration of activities, including agreements, contracts, procurement and the Procurement Plan; (d) preparation of reports on financial performance and disbursement; (e) tracking of project funds; (f) contracts for independent technical audits; (g) provision of operational guidance to the units in charge of implementation of project activities; (h) supervision of compliance with these guidelines; and (i) preparation of quarterly progress reports on technical and operational activities, and their submission to the Bank.

7. 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). Currently, the MDS comprises, inter alia, an Executive Secretary and five technical secretariats, including those supported by APL2: (a) SENARC, responsible for the *Bolsa Família* program; (b) SAGI, responsible for monitoring and evaluation; and (c) SAIP, responsible for operationalizing the CNDS. These units report directly to the Minister of Social Development and are highly coordinated with each other.

**Figure 6.1: Ministry of Social Development – Simplified Administrative Organization**

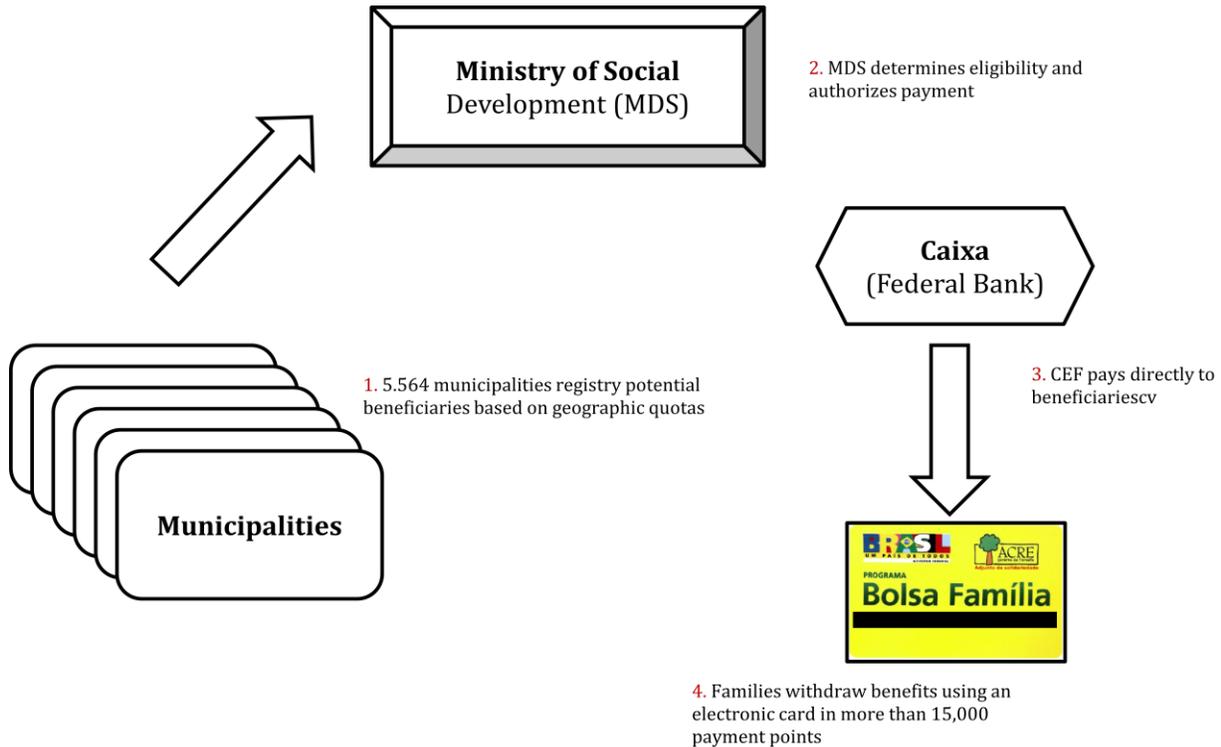


Source: MDS-Organogramas completos, August 2009.

8. The National Secretariat for Citizens Income (SENARC) was created in January 2004 as part of the new MDS to implement the National Policy for Citizens Income through the management of *Bolsa Família* Program and the *Cadastro Único*. SENARC will be responsible for the technical implementation of Components 2 and 3 of APL2. SENARC is responsible for the implementation of the *Bolsa Família* program and the management of *Cadastro Único*. To carry out the functions under its responsibility SENARC is organized in three departments: (a) Operations; (b) Management of Cash Transfer Programs; and (c) *Cadastro Único*.

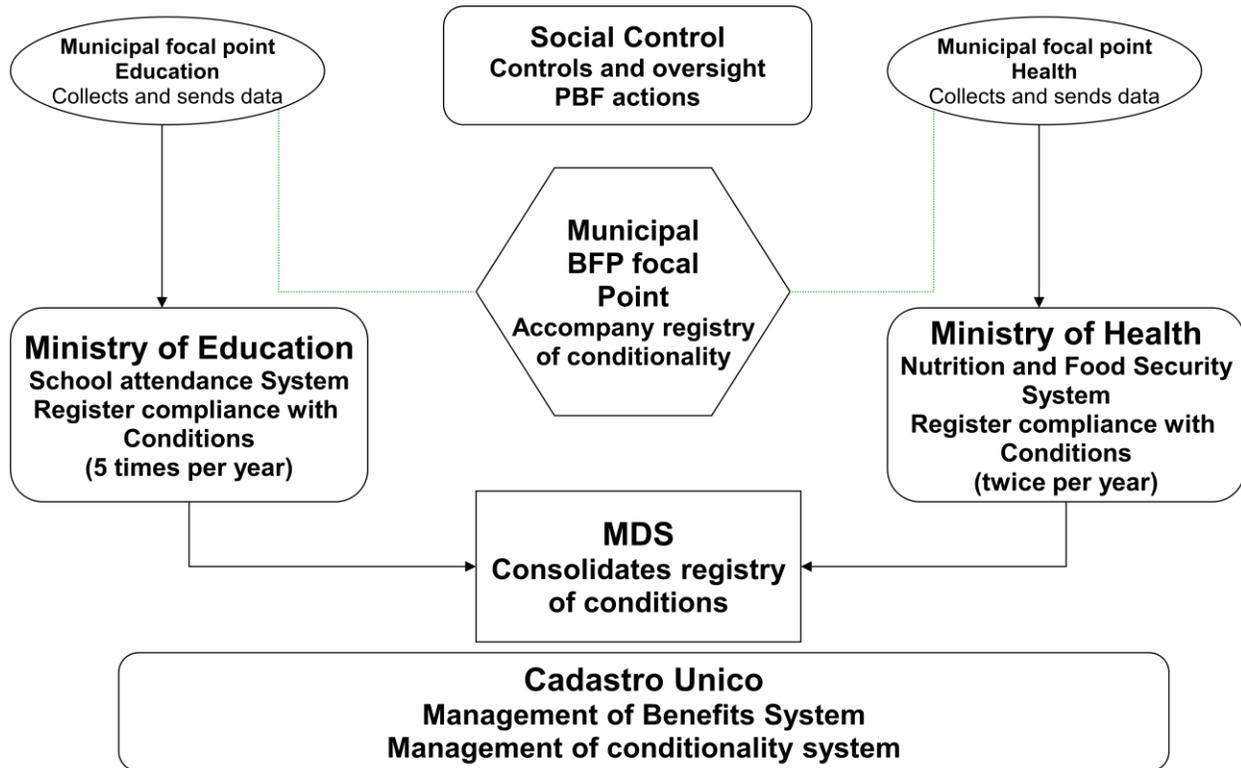
9. As shown in the diagrams below, operational and institutional arrangements of *Bolsa Família* involve a well developed integration at both horizontal and vertical levels with the MDS at the core of the process. Horizontally, the MDS interacts with the *Caixa* Economica Federal (payments), the Ministries of Education and Health (co-responsibilities) and the oversight network (control and accountability). Vertically, the decentralized management system developed by the MDS gives municipalities key roles in the identification and registration of families in the *Cadastro Único* and the monitoring of compliance with co-responsibilities.

**Figure 6.2: Bolsa Família -Simplified Basic Flows**



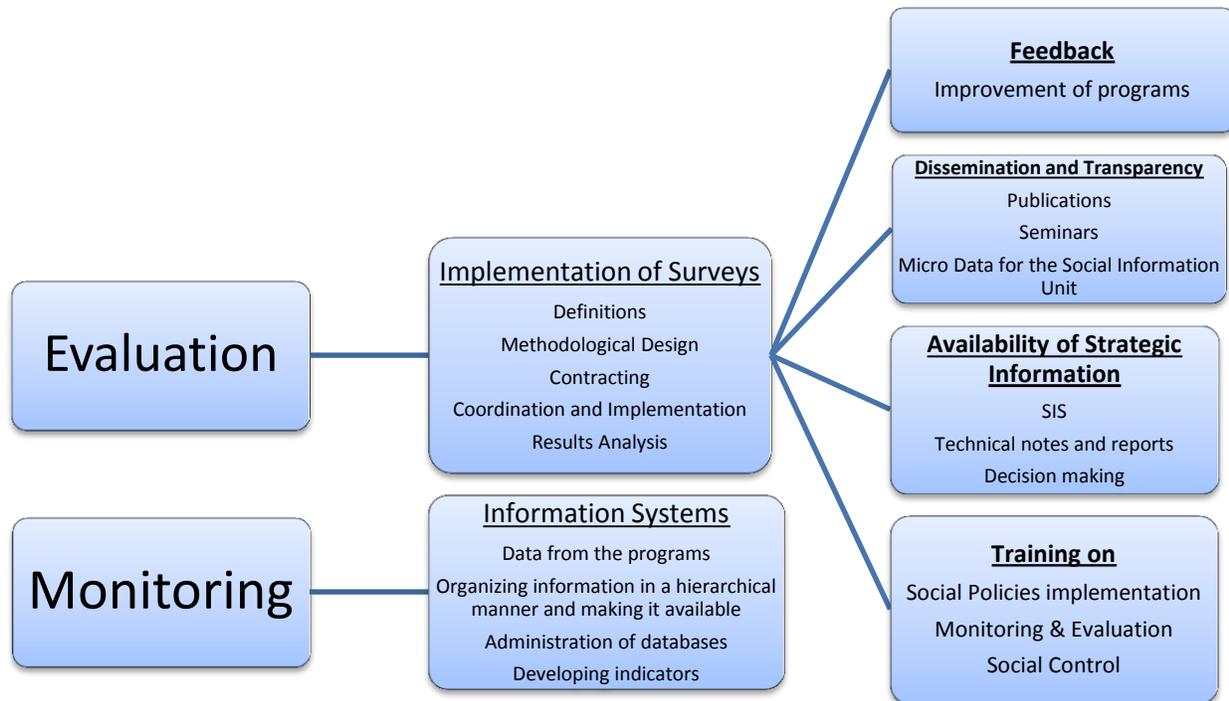
10. As described in Figures 6.2 and 6.3, municipalities are responsible for the identification of families and their registration in the *Cadastro Único*. The MDS sets the criteria for eligibility and selects beneficiary families. Municipalities in coordination with the Ministries of Health and Education at local level verify compliance of families with co-responsibilities and send the information to the MDS. The MDS authorizes payments and the *Caixa* makes the payments, which are withdrawn by beneficiary families using electronic cards. All municipalities are expected to designate a local manager (*Gestor Municipal*) who is the intermediary between the families, the municipal government and MDS. Managers are also responsible for the coordination between the Health and Education services, the administration of the *Cadastro Único* and the supervision of the payment of benefits. Table 6.1 summarizes the institutional responsibilities for the implementation of *Bolsa Família*.

**Figure 6.3: Monitoring of co-responsibilities**



11. The National Secretariat for Monitoring and Management of Information (SAGI) is responsible for monitoring and evaluating programs, services, projects and policies implemented by the MDS. Through the Monitoring and Evaluation system (see Figure 1.4), SAGI produces indicators, develops tools to manage and analyze information and carries out studies, assessments and impact evaluations in partnership with public and private firms. SAGI is also responsible for the dissemination of information and knowledge produced by the Secretary to the general public, the academia and staff responsible for the implementation of programs and projects, through publications, working papers, workshops and conferences. Since it was established, SAGI has completed 59 evaluations and assessments. Thirteen are under implementation and, apart from those that APL2 should finance, the work plan includes at least 6 other studies. Finally, SAGI also trains public agents on monitoring, evaluation and management of information. SAGI will be responsible for the technical aspects of the implementation of Component 4 under APL2.

**Figure 6.4: Monitoring and Evaluation System in the Ministry of Social Development**



12. The Secretariat of Articulation for Productive Inclusion (SAIP) was institutionally reformed in 2010 to serve as the MDS Secretariat responsible for facilitating the articulation of the different social development interventions and programs and promote their integration to create synergies that result in a more effective and sustainable public supply. SAIP is responsible for the implementation of the National Commitment for Social Development (*Compromisso Nacional pelo Desenvolvimento Social* or CNDS), a federal strategy to link *Cadastro Único* families with programs and interventions at federal and state level. Given its overall objective, SAIP will be responsible for the technical issues of Component 5. Given its recent reform and the new responsibilities related to the CNDS, the SAIP is the least developed secretariat and requires considerable support in the forthcoming years, part of which would be provided under APL2.

13. CNDS (created by decree n° 6.393 in March 2008) is a voluntary agreement between the Federal Government and the States aimed at integrating social initiatives and setting specific annual goals for poverty reduction. Through CNDS, the MDS invited states to sign individual agreements setting objectives and strategies for the integration of local social programs with MDS' programs. By October 2009 all but one State had adhered to CNDS, and four (Acre, Alagoas, Bahia, and Ceara) have already started implementing specific strategies. Ten more states are expected to sign their own agreements before the end of 2009. The MDS prioritized states with the largest number of the BFP beneficiaries for the allocation of technical assistance and financial resources. States have to determine which local agency will be responsible for the implementation of the CNDS.

<b>Table 6.1: Implementing the <i>Bolsa Família</i> Program: Centralized and Decentralized Responsibilities</b>		
<b>Function</b>	Centralized	Decentralized
<b>Management</b> <ul style="list-style-type: none"> <li>• Overall program and policy management</li> <li>• Local coordination and management</li> </ul>	<ul style="list-style-type: none"> <li>• MDS</li> </ul>	<ul style="list-style-type: none"> <li>• Municipalities, states</li> </ul>
<b>Targeting, Registration</b> <ul style="list-style-type: none"> <li>• Geographic allocation of municipal quotas</li> <li>• Collection of household registry data</li> <li>• Local database management (updates, corrections)</li> <li>• Compilation of municipal registry data</li> <li>• National database management (<i>Cadastro Único</i>)</li> <li>• Eligibility determination (household assessment)</li> <li>• Cross-checks on database</li> </ul>	<ul style="list-style-type: none"> <li>• MDS</li> <li>• <i>Caixa</i></li> <li>• <i>Caixa</i></li> <li>• MDS</li> <li>• MDS, <i>Caixa</i></li> </ul>	<ul style="list-style-type: none"> <li>• Municipalities</li> <li>• Municipalities</li> </ul>
<b>Payments</b> <ul style="list-style-type: none"> <li>• Authorization of the beneficiary roster (<i>folha de pagamento</i>) and monthly payments</li> <li>• Distribution of electronic benefit cards (EBCs)</li> <li>• Transfer of funds to <i>Caixa</i></li> <li>• Monthly payment of benefits (directly to beneficiaries via credits to EBCs)</li> <li>• Monitoring payments</li> </ul>	<ul style="list-style-type: none"> <li>• MDS</li> <li>• <i>Caixa</i></li> <li>• STN (Treasury)</li> <li>• <i>Caixa</i></li> <li>• <i>Caixa</i> &amp; MDS</li> </ul>	
<b>Conditionalities – Education</b> <ul style="list-style-type: none"> <li>• Overseeing school attendance and setting attendance policies</li> <li>• Attending school minimum of 85 percent time</li> <li>• Recording school attendance of children</li> <li>• Consolidating school attendance data (municipal &amp; state schools)</li> <li>• Developing and operating current monitoring software</li> <li>• Consolidating attendance data and transmitting it to MDS</li> <li>• Determining consequences of non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>• MEC</li> <li>• <i>Caixa</i></li> <li>• MEC</li> <li>• MDS</li> </ul>	<ul style="list-style-type: none"> <li>• Families (children)</li> <li>• Teachers, Directors</li> <li>• Municipalities</li> </ul>
<b>Conditionalities – Health</b> <ul style="list-style-type: none"> <li>• Overseeing entire health compliance system</li> <li>• Target group for health conditionalities</li> <li>• Monthly health visits to the BFP families</li> <li>• Recording compliance with health conditionalities into SISVAN information system</li> <li>• Consolidating information in SISVAN at local level</li> <li>• Consolidating municipal information at national level</li> <li>• Determining consequences of non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Health</li> <li>• Ministry of Health</li> <li>• MDS</li> </ul>	<ul style="list-style-type: none"> <li>• Children 0-7, mothers</li> <li>• Local health teams</li> <li>• Local health teams</li> <li>• Municipalities</li> </ul>
<b>Provision of Complementary Services</b> <ul style="list-style-type: none"> <li>• Prioritizing the BFP beneficiaries for complementary services</li> </ul>	<ul style="list-style-type: none"> <li>• Line Ministries</li> </ul>	<ul style="list-style-type: none"> <li>• Municipal, states</li> </ul>
<b>Monitoring and Evaluation</b> <ul style="list-style-type: none"> <li>• On-going monitoring of program execution (beneficiaries, payments, conditionalities); IGD</li> <li>• Impact evaluations</li> </ul>	<ul style="list-style-type: none"> <li>• MDS (SENARC), <i>Caixa</i></li> <li>• MDS (SAGI)</li> </ul>	<ul style="list-style-type: none"> <li>• Municipal and state coordinators</li> </ul>
<b>Oversight and Controls</b> <ul style="list-style-type: none"> <li>• Internal and external cross-checks, validations of <i>Cadastro Único</i></li> <li>• Investigation of complaints, appeals</li> <li>• Regular bimonthly Random-Sample Quality Control Reviews (Operational Audits)</li> <li>• Annual Financial Audits</li> <li>• Implementation evaluations (random-sample) of the <i>Cadastro Único</i> and the BFP (with interim supervisions and follow-ups over 3-year period)</li> <li>• Social controls</li> </ul>	<ul style="list-style-type: none"> <li>• MDS</li> <li>• MDS, SFC/CGU, Ministério Público</li> <li>• SFC/CGU</li> <li>• SFC/CGU</li> <li>• TCU</li> <li>• MDS-hotline, web</li> </ul>	<ul style="list-style-type: none"> <li>• Municipalities refer complaints to MDS</li> <li>• Municipal SCCs</li> </ul>

Source: Lindert, K., et. al. (2007).

## Annex 7: Financial Management and Disbursement Arrangements

### BRAZIL: Second *Bolsa Família* Project (APL 2)

1. The project's financial management arrangements are based on the Financial Management Assessment review (FMA) undertaken at the MDS in September 2009. Based on the Bank's Financial Management (FM) guidelines,<sup>36</sup> the main purpose of the assessment was to: (i) confirm and review the adequacy of the agreed FM arrangements in the context of the *Bolsa Família* Project; and (ii) agree on next steps to be followed by MDS, including: (a) institutional arrangements and staffing; (b) Financial Management System; (c) interim, un-audited financial management reports (IFRs); (d) Internal Control mechanism; (e) flow of funds; and (f) external auditing arrangements. This Annex reflects the agreed Financial Management arrangements and Action Plan, as well as measures to mitigate any unforeseen financial management risks associated with the project design.
  
2. The Program-Based SWAp approach for the proposed Project to support the Federal Government's BFP will take advantage of sound institutional and financial management systems, namely the SIAFI (Sistema Integrado de Administração Financeira) system, as well as the good performance observed on the original project.

**Table 7.1: Financial Management Arrangements**

<b>Borrower</b>	GOB – Ministry of Social Development – MDS
<b>Accounting</b>	MDS follows federal accounting law (4320/64)
<b>FM system</b>	SIAFI and specific monitoring and evaluation system for <i>Bolsa Família</i>
<b>IFR</b>	To be used for project financial monitoring purposes
<b>Staffing</b>	Current staff are professional and have experience with Bank procedures
<b>Flow of funds</b>	Treasury would pre-finance and request Reimbursement for Component 1 and use Advances and/or Reimbursements for Components 2, 3, 4, 5 and 6
<b>Internal Auditing</b>	MDS controls, including CEF corporate internal audit
<b>Internal Control</b>	Through segregation of functions (i) Reconciliation with different systems, (ii) follow up of Operational Manual procedures and adequate internal control environment
<b>External Auditing</b>	By government auditors (CGU/SFC). Draft of TOR to be sent to the Bank by the end of the first quarter after loan effectiveness
<b>Disbursements</b>	Current BFP 1 arrangements to be maintained in the BFP 2 (reimbursements to the national single treasury account). For technical assistance, a designated account will be opened

<sup>36</sup> Financial Management Practices in World Bank Financed Investments Operations as of November 3, 2005; Implementing Output- Based Disbursement mechanisms for investment operations of April 2, 2007.

**Table 7.2: Financial Management Risk Assessment**

Risk	H	S	M	L	Mitigations
<i>Inherent Risks</i>					
i. Country specific				X	
ii. Sub-national level		X			TA components quality control reviews – strengthened <i>Cadastr Único</i> ; SFC subnational audits
iii. Entity specific				X	Experienced entity
iv. Project specific			X		Same as for Sub-national level
<i>Control Risks</i>					
i. Implementing Agency				x	FM arrangements will rely on SIAFI and embedded controls
ii. Flow of Funds		X			Electronic benefits cards; random tests, with SFC, Quality Control Reviews under Component 3.B
iii. Staffing			X		See implementation arrangements
iv. Accounting procedures				X	SIAFI Country System
v. Internal/External Audit				x	External audits to be conducted by SFC
vi. Reporting & Monitoring			X		IFR to be generated through SIAFI internal plan
vii. Information Systems			X		

H-High    S-Substantial    M-Moderate    L-Low

**Financial Management Conclusion.** The overall Financial Management Assessment conclusion is that the program’s implementing agency (MDS) meets the minimum FM requirements, and is considered satisfactory. The financial management risk associated with the program has been assessed as moderate. The Bolsa Família Financial Management System is able to produce timely, relevant and reliable financial information, and to support the program’s management in the planning, implementation and monitoring the Program’s overall progress towards the achievement of its objectives. The IFRs will retrieve the data directly from SIAFI internal plan.

3. The *Bolsa Família* Program has taken measures to improve internal controls. The following however continued to be areas of concern and potential risks.

- a) Current staff contract will end by January, 2011. Turnover in key project personnel at this stage of the Project would affect the Project.

4. Program internal control strengths include:

- a) The reconciliation between the amounts transferred to the *Caixa* (“BF Grant Transfers”) and actual amounts disbursed to beneficiaries (“BF Grants”), including the issue of unclaimed benefits during the 90-day period as mentioned below. One measure taken to mitigate the risk was including in the IFR the amount transferred excluding the unclaimed amounts. Thus the eligible percentage claimed over the transfers is adjusted at each quarter. This information was also included in the new IFR to better reflect eligible cash transfers.
- b) Annual audit reports had unqualified audit opinions.

**Table 7.3: Project Financial Management Action Plan**

Activity	Responsible	Target Date	Status
<b>Operations Manual</b>			
Update current Operations Manual including staff functions and routines, chart of accounts tailored to include project components if needed, disbursement categories and financing source, internal controls, segregation of duties, fixed assets and records management procedures	MDS	Negotiations	Completed
<b>Financial Reporting and Monitoring</b>			
Update IFR format as agreed, generated through SIAFI Internal Plan	MDS	During first quarter of loan effectiveness	
<b>External Audit</b>			
Draft Terms of Reference for external audits approved by the Bank by end of first quarter after effectiveness	MDS	During the first quarter of loan effectiveness	

### Overall Financial Management Arrangements

5. **Staffing and institutional arrangements.** The MDS has the primary fiduciary responsibilities for the Project. These responsibilities will be carried out by the current PIU along with the staff of the Operations Department of SENARC and SPO (MDS Secretary of planning and budget) that will implement and monitor project-related activities. The Director of Operations of SENARC is responsible for cash flow management, including monitoring of the BFP account with *Caixa Econômica Federal* (CEF). Project implementation arrangements, MDS structures, staff duties, and technical and financial arrangements are being updated in the Project Operations Manual (POM). The primary MDS fiduciary responsibilities include: (i) preparing, updating and ensuring that all project executors follow the POM; (ii) coordinating and supervising project implementation; (iii) monitoring transfers from CEF to the beneficiaries; (iv) evaluating program components; (v) updating SIAFI and any other monitoring system to be used to prepare the Customized SOE's and Standard SOEs for disbursements; (vi) preparing and submitting to the Bank office in Brasilia semi-annual IFRs; (vii) reconciling and monitoring data and identifying discrepancies and taking timely corrective action; and (viii) preparing and providing all financial documentation and project reports requested by external auditors and Bank staff.

6. **Internal Control.** Adequate BFP internal control has been achieved through establishing an appropriate internal control environment, the recruitment of experienced professionals, the segregation of functions between MDS, SENARC and CEF assuring that different levels approve and execute transactions, adequate financial management information systems, the documentation of detailed FM arrangements by component, procedures and guidelines for all levels of executors in the POM, and the control over program benefits as described in the paragraphs below and the Funds Flow description of this Annex 7.

The Supreme Audit Court - TCU

7. For Component 1 - existing controls over the beneficiaries NIS (Social Identification Number) and the amount of the benefit allow for the tracking of individual benefits. This control is performed by MDS and SENARC through monthly withdrawal reports, produced by CEF, where

amounts withdrawn are compared to the monthly list of beneficiaries and respective benefits, which were the basis for the respective BF beneficiary transfers.

8. The technical verification of the compliance by beneficiaries with the grant conditions (health and education conditionality's) would be made on an on-going basis by municipalities and by the Federal Government via annual Quality Control Reviews for a random sample of beneficiaries (see Annex 4, Component 1). These annual Quality Control Reviews also cover payments (ensuring that payments are actually collected and received by intended beneficiaries) and *Cadastro Único* information, which will provide an additional lever for fiduciary controls as mentioned below. TCU and SFC, as part of their routine work, is already contributing to the overall quality of the BFP by doing spot checks of the program's internal control procedures at the municipal level. These spot checks also include meetings and verifications with small samples of the BFP beneficiaries.

### **Other Oversight and Controls**

- Internal and external cross-checks, validations of *Cadastro Único* made by MDS.
- Investigation of complaints, appeals, made by MDS, SFC/CGU, Ministério Público.
- Regular bimonthly Random-Sample Quality Control Reviews (Operational Audits) made by SFC/CGU.
- Annual Financial Audits made by SFC/CGU.
- Implementation evaluations (random-sample) of the *Cadastro Único* and the BFP (with interim supervisions and follow-ups over 3-year period) made by the supreme auditing court (TCU)
- Social controls made through MDS-hotline, web.

9. **Budgeting.** The budget cycle includes planning and implementation of all Government activities, which are reflected in the *Plano Pluri-Annual*, *Lei de Diretrizes Orçamentárias* and *Lei Orçamentária Anual*.<sup>37</sup>

10. **Accounting.** The MDS follows the Brazilian Accounting Rules (NBC), Law 4320/64 that establishes certain high level accounting principles, and the Accounting Manual Applicable to the Public Sector (MCASP) issued under Law 10180 of February 6, 2001 and Decree 3589 of September 6, 2001. It will be required to follow the first set of national accounting standards applicable to the public sector (NBCASP) and the revised Accounting Manual Applicable to the Public Sector (MCASP) issued under Portaria STN 467 of August 6, 2009 beginning with Fiscal Year 2011. The Bank and National Treasury have agreed to jointly carry out a Gap Analysis (expected 2010) to confirm that the accounting for the Brazilian public sector conforms to international accounting standards applicable to the public sector (IPSAS) or identify any important differences from the IPSAS. The last Country Financial Accountability Assessment (CFAA) for Brazil indicated that law 4320/64 was in line with international accounting standards. All accounting ledgers are kept by the National Treasury Secretariat, which is subject to auditing by the Supreme Auditing Court (TCU). All records are maintained electronically and reconciled with budget report figures on a monthly basis.

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<sup>37</sup> The *Plano Pluri-Annual*, the *Lei de Diretrizes Orçamentárias* and the *Lei Orçamentária Anual* include the Governmental goals and programs, and are approved by Congress every 5 years, 18 months and 12 months, respectively.

11. The Brazilian accounting system applicable to the public sector identifies the source of funding for all expenditures at the time of recording the commitment (*empenho*). As agreed with the Bank during preparation and negotiation of the BFP 1, no commitments (*empenhos*) for grant transfer under Component 1 of the Project will be identified as financed with external credits (Bank resources). The Bank will reimburse to the National Treasury a percentage of the beneficiary grants reported by the Project and these resources can be freely used by the Federal Government.

12. **Financial Management System.** The Operational Manual includes a detailed description of the financial management system, including funds flow and financial reporting processes. The financial systems to be used for project accounting and monitoring purposes are the following:

- **SIAFI**, the IFMIS or integrated financial management information system used by the Federal Government for accounting, financial reporting and budget execution, fulfills the Bank's fiduciary financial management requirements. All FM information would be consolidated by the MDS through the PIU, which would be responsible for submitting to the Bank the IFRs for monitoring and Customized SOE/ Standard SOE for disbursements purposes.

13. **Financial Reporting and Supervision.** The PIU Coordinator will ensure the timely production of semi-annual Interim Unaudited Financial Reports (IFRs). These IFRs will make use of existing financial reporting information in the SIAFI system, under the Internal Plan, and will consolidate information for all components of the Project. The content and format of the IFR's was agreed with the Borrower. For financial management monitoring reasons, the MDS would prepare consolidated semi-annually IFRs on a cash accounting basis and submit them to the Bank, no later than sixty days after the end of each semester:

- IFR 1A - Sources<sup>38</sup> and Uses of Funds (by disbursement category), cumulative and for the period, including a variance analysis.
- IFR 1B - Uses of Funds by Program Activity/Component, cumulative and for the period; actual expenditures, including a variance analysis.

14. IFRs will reflect that loan proceeds will reimburse the Treasury for a percentage of conditional cash transfers. In addition, program activities and processes will be monitored via the annual Quality Control Reviews (covering *Cadastro Único* processes, payments, conditionality compliance).

15. **External Auditing.** An external audit will be undertaken by SFC – Federal Secretariat of Control, observing the guidelines for Bank audits provided to MDS. The audit report should be delivered to the Bank up to six months after *the end of the* previous calendar year, as stated in the Bank's Financial Management Audit Guidelines (June 2003). Second-semester IFRs' cumulative financial reports, may be accepted by the Bank as the basis for the annual financial statements of the program on which auditors' will express their independent opinion. The TOR will be prepared by the MDS in agreement with the Bank and will be based on the specific circumstances of the Project. The Bank will provide its no objection to the audit TOR during the quarter of loan

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<sup>38</sup> Consistent with the accounting treatment described above, the sources and uses of funds will identify the Government as the only source of funding for Component 1.

effectiveness and these will be included in the POM. The scope of the audit TOR will include, but not be limited to: (i) auditing the IFRs, customized SOEs and SOEs submitted to the Bank; (ii) reviewing the appropriate observance of the financial management arrangements included in the POM, this PAD, the loan agreement, as well as any other official Bank documentation; (iii) reviewing the use of SIAFI and other FM monitoring systems; (iv) ensuring internal control arrangements; and (v) observing agreed disbursement arrangements.

**16. The annual financial audits will contribute, among other ex-ante and ex-post control mechanisms embedded in the program design, to the verification of eligibility of expenditures.** Reimbursements will be made for those BF Grants claimed by the beneficiaries.

**17. Disbursements and Flow of Funds for the *Bolsa Família* Program.** The expected disbursement arrangements and flow of funds will be as follow:

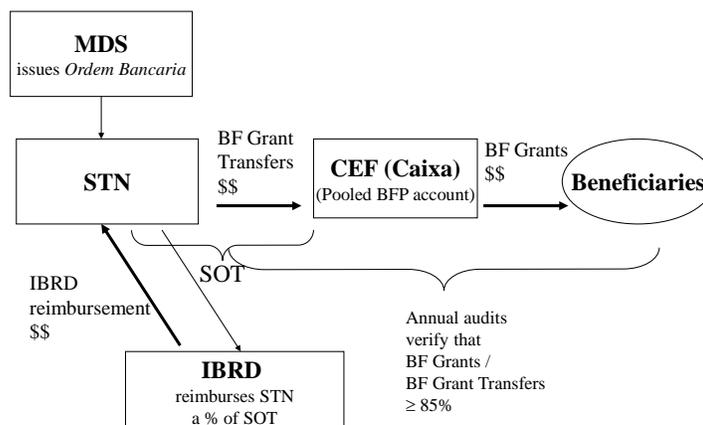
- Each month, the MDS sends a Program Financing Proposal (PPF) to STN for approval.
- This PPF is established based on the list of eligible beneficiaries from the *Cadastro Único*.<sup>39</sup>
- Once the PPF is approved by STN, an *ordem bancaria* is issued and funds are committed at SIAFI to a specific BFP account in the *Caixa* (CEF), see Figure 1 below.
- MDS monitors the balance of the BFP account in the *Caixa* (CEF) and the eligible beneficiaries (on the payroll) then withdraw their monthly benefits from pooled BFP account using electronic benefit cards (EBCs).<sup>40</sup>
- The EBCs are distributed to eligible beneficiaries according to the list established by the MDS.
- Upon entering the program, beneficiaries must pick up these cards at the nearest CEF agency (or lottery, post office or municipality). They are notified through the municipalities and must pick up their cards and withdraw funds within a 90-day period of time.
- Once this transfer is made from STN to the beneficiaries accounts at CEF is considered as expensed.
- Only the amounts claimed by the beneficiaries will be eligible for loan reimbursements.
- The contract between the MDS and *Caixa* (CEF) states the reporting requirements, as well as penalties, will be clearly spelled out, and CEF will provide a payroll-type list of disbursements made to beneficiaries under the BFP.

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<sup>39</sup> As discussed in Annex 1, some of these beneficiaries include those currently receiving benefit amounts from the pre-reform programs (*Bolsa Escola, Bolsa Alimentação, Cartão Alimentação, and Auxílio Gas*) but who are gradually being migrated to the (higher) unified benefit schedule under the BFP. They are being validated as eligible for the BFP and are subject to the same set of conditionalities as the families already on the BFP.

<sup>40</sup> Beneficiaries are not required to have their own bank accounts.

Figure 7.1: Component 1 Flow of Funds



**18. Bank Disbursement under Component 1:** Bank disbursement arrangements under Component 1 of the Project will remain the same as BFM 1: The proposed loan would reimburse the Government for a small share 1.85 percent of conditional cash transfers made under the BFP, which are funded with government resources that are largely earmarked for that purpose. The Brazilian Government requested that the Bank loan, in support of Component 1, would reimburse a share of these transfers/expenses. Given the current earmarking of revenues in Brazil, government revenues would be applied to make the payments for expenditures under Component 1, and the Bank would then reimburse expenditures as specified in the legal agreement. The Bank funds disbursed would be part of the regular federal budget financing, with the Bank as one of the sources of overall funds, which are spent consistent with federal budget policies and procedures. Annual federal budgets are approved by the Brazilian National Congress and are derived from the budget plan (LDO) and the Multi-Year Plan (PPA), which is a transparent four-year framework for federal expenditures, developed by the Brazilian authorities with the participation of civil society. The Government engages with the Bank in a discussion of the development expenditures.

19. Specifically, the Bank loan for this Component would disburse against Withdrawal Applications using Customized SOEs as supporting documentation containing a list of grant transfers made by through SIAFI and already claimed by the beneficiaries. The PIU is expected to submit Withdrawal Applications every six months for Component 1. The Minimum Application Size for Reimbursements for Component 1 will be US\$1,000,000 equivalent.

20. As mentioned above, the Bank would reimburse the Treasury for a specific share (see below) of expenses on conditional cash transfers under the BFP during the project period. Government expenditures for Component 1 in this case would be equal to total spending on conditional cash transfers by the BFP. Table 4 below presents the planned BFP expenditures for these transfers for the project period (first row).

**Table 7.4: Expected Government Expenditures and Expected Pace of Loan Disbursements for Component 1**

	2011/1 <sup>st</sup> sem	2011/2 <sup>nd</sup> sem	2012/1 <sup>st</sup> sem	2012/2 <sup>nd</sup> sem	Total
Expected Federal Government spending on BFP Transfers, US\$ 10,000 mn*	2,500	2,500	2,500	2,500	10,000
Component 1 (indicative disbursement schedule, see variable cost shares below)**	46.25	46.25	46.25	46.25	185
*These expenditures exclude allocations in the BFP budget for administrative costs. They include amounts being paid to beneficiaries that being validated as eligible for the BFP.					
**The US\$185 million for Component 1 (grants) would be reimbursed to STN against a share of expenditures on conditional cash transfers under the BFP during the project period. .					

**Bank Disbursements for Components (2-6, Technical and Project Management Components)**

21. Disbursements under other components will be made on the basis of transactions and withdrawal applications will be prepared and submitted by the MDS (the PIU) on a regular basis. A segregated designated account will be opened to process the said payments. The Project can also make use of the Reimbursement method. The Minimum Application Size for Reimbursements for Components 2-6 will be US\$ 200,000 equivalent.

22. Withdrawal Applications will have as supporting documentation, Standard Statements of Expenditure (SOEs) and/or Records and Summary Sheets as specified in the Disbursement Letter. The Borrower has opted not to use Direct Payments to suppliers, from the Loan Account.

**In case of advances to a designated account:**

- STN will open a segregated designated account on its name, in *Banco do Brasil* in Brasilia, to receive advances in USD (with a ceiling of USD \$1,500,000) from the loan proceeds.
- MDS is expected to submit Withdrawal Applications to STN attaching the respective reports and support documentation.
- MDS prepares the annual budget proposal, which is formally approved through the LOA.
- LOA is updated in SIAFI, which registers and accounts all payments
- MDS will request monthly advances from STN through SIAFI.
- STN withdraws funds from the project DA to its unique account in Reais to process direct payment to beneficiaries or payments of invoices as requested by the MDS
- STN prepares the Bank reconciliation statement, attaching the Bank Statement. MDS(the PIU) will then prepare and submit withdrawal applications to the Bank Disbursement Department in Brasilia.

23. If applicable, advances from STN to external agencies<sup>41</sup> will be made against reasonable cash flow forecasts for eligible expenditures in accordance to Borrower agreements with the selected external agencies. STN will report use of loan proceeds to the Bank based on actual

<sup>41</sup> UNDP the external agency that MDS used to implement the technical assistance components under APL 1. For the APL 2the MDS will select an external agency.

expenditures incurred by the external agencies.. Being the case, the external agencies will use their corporate FM system for monitoring and reporting to the PIU.

24. The Government of Brazil committed funds for US\$15 million for the technical assistance and project management components of the second APL, which will be carried out for a total amount of US\$30 million.

### Disbursement Categories

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be reimbursed or financed (inclusive exclusive of Taxes)
(1) Non-consultant services, Consultant services, Goods, Training, and Incremental Operating Costs for Components 2, 3, 4 and 5 of the Project	13,300,000	47%
(2) Non-Consultant services and Consultant services for Component 6 of the Project	1,200,000	100%
(3) BF Grant Transfers for Component 1 of the Project	185,000,000	1.85% of BF Grant Transfers
(4) Front-end Fee	500,000	Amount payable pursuant to Section 2.03 of the Loan Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount payable pursuant to Section 2.07 (c) of the Loan Agreement
<b>TOTAL AMOUNT</b>	<b>200,000,000</b>	

**Retroactive Financing.** Expenditures for Components 2, 3, 4, and 5 up to US\$2,700.000 and for Component 6 up to US\$300,000 paid up to one year prior to the loan signing but on or after November 13, 2009 may be eligible as retroactive financing.

**The flow of funds through external agencies should be as follow:**

- The MDS prepares the annual budget proposal, which is formally approved through the LOA – *Lei Orçamentária Anual*.
- LOA is updated in SIAFI, which registers all payments and decentralization of funds to UN agency.
- The MDS requests monthly advances from STN through SIAFI, which are transferred to the external agency unique account through SIAFI.
- The transfers are based on the agreed monthly disbursement schedule included in the respective Project Document – PRODOC. Execution is controlled by the MDS and external agency FM system.

- MDS authorizes the external agency to process payments related to project activities. UN agency provides with timely reports on the status of transfers and their execution.
- Each external agency has an internal operational manual, independent auditors and financial management arrangements.

**Annex 8: Procurement Arrangements**  
**BRAZIL: Second *Bolsa Família* Project (APL 2)**

**A. General**

1. Procurement for the proposed Project would be carried out in accordance with the Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, revised October 2006 and in May 2010; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October 2006 and in May 2010, and the provisions stipulated in the Legal Agreements. The various items under different expenditure categories are described in general below. For each contract to be financed under the Project, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan would be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

2. The Project is divided into six components: Component 1 – Conditional Cash Transfers (Grants) (US\$5.0 billion per year; Bank financing: US\$185 million in two years), which would continue co-financing the program through disbursing funds against cash transfers (grants) to poor families upon their compliance with key human development conditionalities; Component 2 – Strengthening *Cadastro Único* as the main targeting instrument for Social Programs (US\$6 million; Bank financing: US\$2.8 million), to provide support and technical assistance to the MDS to consolidate the instrument as the key mechanism to select beneficiaries and, even more important, integrate social programs at federal and sub-national levels; Component 3 - Institutional Strengthening for the Consolidation of the *Bolsa Família* Program. (US\$9.7 million, Bank financing: US\$4.6 million), to finance activities aimed at strengthening program's overall management, governance and accountability; Component 4 would support the MDS to consolidate its M&E system and enhance knowledge generation (US\$9.3 million; Bank financing US\$4.5 million); Component 5 would provide support to the Federal strategy carried out by the MDS to link registered population in *Cadastro Único* and beneficiaries of *Bolsa Família* to income generating and other social programs at state level (US\$2.9 million; Bank financing US\$1.3 million); and Component 6 to support project coordination through the DPI and strengthen the fiduciary capacity of the MDS (US\$1.7 million; Bank financing US\$1.2 million).

3. Procurement will take place at three instances: (i) at a CEL – *Comissão Especial de Licitação* (Special Bidding Committee) to be established specifically for the PIU, (ii) at an international agency responsible for the administration of a proportion of the funds –to be selected, and (iii) at SAA (Secretaria de Assuntos Administrativos).

4. Procurement assignments will be distributed as follow: (i) the CEL will be composed by members who already have Bank's Procurement guidelines knowledge and by members "new" to Bank's guidelines, which will be trained. The CEL will be equipped to process any and all project's procurement requirements, including procurement of goods and services and selection of consultants for any amounts involved; (ii) an international agency to be selected would also

carry out any project procurement needs, but the CEL is the preferred agent. The international agency will be used mainly to contract for individual consultants. The Bank will not finance such agency fee; And (iii) SAA will process procurement for goods within the NCB threshold using *pregão eletrônico* through *ComprasNet* system and contract individual consultants to compose the project *Equipe Base* (base team).

5. The *Equipe Base* is a requirement for this Project and two procurement specialists shall be part of this team. They should be kept throughout the entire project implementation.

6. **Procurement of works:** no procurement of works is anticipated at the Project.

7. **Procurement of goods:** procurement of computers and other IT equipment, software, office equipment and furniture, etc., are expected under the Project. Procurement methods will include shopping, NCB, ICB, and Direct Contracting. Electronic “pregão” through *ComprasNet* system or any other e-procurement system approved by the Bank will be an acceptable method for common “of the shelf” goods. All contracts estimated to cost more than US\$500,000 equivalent per contract will be subject to prior review by the Bank.

8. **Procurement of non-consulting services:** Procurement of non-consulting services are anticipated under this Project such as airline tickets, logistic and support services for training and workshops, printing, videos production, field researches, etc. The procurement methods for those services will be shopping and NCB. Electronic “pregão” through *ComprasNet* system or any other e-procurement system approved by the Bank will be an acceptable method for common “readily available” services. All contracts estimated to cost more than US\$500,000 equivalent per contract will be subject to prior review by the Bank.

9. **Operational Costs:** Operational costs are office supplies, per diem, sundries, incidentals, the *Equipe Base* and other project implementation related expenses which would be financed by the Project and would be procured through shopping, electronic “pregão” through Banco do Brasil system, or using any implementing agency’s administrative procedures reviewed and found acceptable to the Bank. The *Equipe Base* will be selected following Bank’s Selection of Consultants’ guidelines section V – Selection of Individual Consultants and its cost, including taxes and social charges, will be covered under category 2.

10. **Selection of Consultants:** services provided by firms and individuals are anticipated to support project implementation, studies for local development strategy, training preparation and delivery, etc. Throughout the Project, these services will be hired through Quality and Cost Based Selection (QCBS), Quality Based Selection (QBS), Selection Based on Consultants Qualification (CQS), Least Cost Selection (LCS), Single Source Selection (SSS – requiring Bank’s prior approval) and Individual Consultants (IC). Short lists of consultants for services estimated to cost less than US\$500,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

## Summary:

Expenditure category	Contract value threshold (US\$ thousands)	Procurement method	Processes subject to prior review
Goods	≥ 5,000	ICB	All processes
	>100 < 5,000	NCB or pregao	The first process and all above US\$500,000
	<100	Shopping	First process
Non-consulting services	≥ 5,000	ICB	All processes
	>100 < 5,000	NCB or pregao	The first process and all above US\$500,000
	<100	Shopping	First process
Consulting firms	≥ 200	QCBS/QBS	The first process under each selection method and all processes above US\$200,000
	< 200	LCS/CQS	
Individual consultants		Section V of Consultant's Guidelines	All post review
Direct contracting			All prior review regardless of the amounts involved

## B. Assessment of the agency's capacity to implement procurement

### Agency capacity assessment.

11. A capacity assessment of the MDS was conducted for *Bolsa Família* I on March, 2004 and updated on November 2009 for *Bolsa Família* II.

12. The overall organization of the agencies is acceptable but: (i) the CEL needs to be officially established and trained. Having a new CEL ready to procure is not an easy task and a job that needs to be started as soon as possible, as it needs to be operational before the first disbursement for components 2 to 6. The juridical support of the Ministry CONJUR is key for CEL's success and smooth operation. (ii) SAA needs more staff to support not only the new project activities to come, but also their current work load. They are understaffed, with only one *pregoeiro* allocated to process all Ministry procurement needs. Unless SAA receives one additional *pregoeiro* and two additional procurement staff, they will not be able to do any procurement for the Project. (iii) the international agency to process project procurement needs to be defined and its role well defined.

13. The PIU at the MDS (DPI/SE) will be staffed with eight consultants to compose the Equipe Base. Procurement and FM specialists, among others, will staff the PIU. The Project operation manual will comprise all procurement procedures and mandatory forms.

## Procurement Action Plan

14. As agreed with the implementing agencies, they need to:

Action	Timeframe
1 Prepare the Procurement Plan for the first 18 months	Before negotiations
2 Establish the CEL	Before first disbursement
3 Have CEL and SAA procurement personnel attending Bank's procurement guidelines training	By effectiveness
4 Increase SAA personnel by one <i>pregoeiro</i> and two procurement staff	Before first procurement conducted by SPOA
5 Choose the international agency that will process part of the project procurement needs	Before effectiveness
6 Prepare the POM - Project Operating Manual.	Before effectiveness

15. The procurement project risk rate is SUBSTANTIAL, due to the need to align knowledge, staff and procedures at CEL and SAA and as the international agency is still to be defined.

## Procurement Plan

16. The Borrower will, before negotiations, present a procurement plan for project implementation during the first 18 months which will provide the basis for the procurement methods. The Procurement Plan would be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

## Frequency of Procurement Supervision

17. In addition to the prior reviews to be carried out from Bank offices, supervision missions to conduct post reviews of procurement actions are recommended every year. Along with the revision of the overall project procurement risk, the frequency may also be revised.

18. The procurement documents for the first procedure under each procurement method, throughout the Project, irrespective of its estimated amount, will be subject to prior review, therefore assuring quality and consistency for subsequent procurement activities. The first procedure under each procurement method to be processed by the new CEL is also subject to prior review.

19. The procurement documents for all ICB will be subject prior review by the Bank irrespective of the estimated amount of contract. The first NCBs or *pregões eletrônicos* and all of them to cost above US\$5,000,000 for works and US\$500,000 for goods will be subject to Bank's prior review.

20. Contracts for consultant firms estimated to cost above US\$200,000 will be subject to prior review by the Bank. The Bank's review of selection of consultants will be in accordance with

Appendix 1 of the Guidelines for Selection and Employment of Consultants and the provisions stipulated in the Loan Agreement. Consultant’s contract documents to be reviewed will include TORs, shortlists, evaluation reports, and contract forms.

## 1. Goods and non consulting services

(a) List of contract Packages which will be procured following ICB and Direct contracting:

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost (million)	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
1	NOT anticipated							

(b) All ICB and all single-source or direct contracting as well as the first contract in each category will be subject to prior review by the Bank.

## 2. Consulting Services

(a) List of Consulting Assignments with short-list of international firms.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments
2.A.1	Not available	4.7 million	QCBS	Prior	Not available	
3.A.1	Not available	1.9 million	QCBS	Prior	Not available	
4.1.2	Impact evaluation BVJ	1 million	QCBS	Prior	Not available	
4.1.7	Impact evaluation BPC	0.6 million	QCBS	Prior	Not available	

(b) Consultancy services estimated to cost above US\$200,000 per contract and single source selection of consultants for firms will be subject to prior review by the Bank.

(c) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$500,000 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

**Annex 9: Economic and Financial Analysis**  
**BRAZIL: Second *Bolsa Família* Project (APL 2)**

**OBJECTIVES OF THE ANNEX**

1. Bolsa Família is one of the largest Conditional Cash Transfer programs in the world: in 2009 it was available in all 5,564 Brazilian municipalities, it benefited about 11.2 million families (45 million poor people), and its budget was expected to be around 0.4 percent of the country's GDP. Launched at the end of 2003, it was the result of the unification of a series of pre-existing conditional cash transfer programs and includes education and health conditionalities for the receipt of the transfers. The financial benefits vary according to monthly per capita income and the number of members of the beneficiary family. In August 2009 it consisted of<sup>42</sup>:

- a) Basic Benefit R\$68 (US\$39): paid to families with monthly per capita income up to US\$41, regardless of the number of children, adolescents or young adults;
- b) Variable Benefit R\$22 (US\$13.00): paid to families with monthly per capita income of up to US\$68.50 per children or adolescent under 15 years old (maximum of 3 benefits per family).
- c) Variable Youth benefit R\$30 (US\$15): paid to families with an income of up to US\$82 with adolescents aged 16 and 17 years old attending school (maximum of two benefits per family).

2. The value paid to families varies from US\$13 to US\$116 depending on its size and poverty level. The average value is US\$55 per family/per month.

The creation of *Bolsa Família* was meant to accomplish the following objectives<sup>43</sup>:

- a) Increase the efficiency and coherence of the country's social safety net;
- b) Scale up assistance to reach universal coverage of poor families;
- c) Reduce poverty and inequality by providing a minimum level of income to poor families;
- d) Reinforce the exercise of basic social rights by conditioning the transfers on families' compliance with education and health requirements;
- e) Create opportunities for beneficiaries to have access to work and self-provided income.

3. The global economic slowdown of the past year has also highlighted an additional role that these instruments can play: that is, mitigate the impacts of a crisis on the most vulnerable. Indeed, through their cash transfer CCTs can help families sustain their food consumption levels thus reducing negative impacts on the nutritional intake of children. CCTs' conditionalities also ensure that children are kept in school and away from work. Countries that have implemented CCTs can rapidly pump resources into the economy by increasing the amount of the transfer during a crisis<sup>44</sup>.

4. Given the limitations in quantifying many of the benefits of such programs in monetary terms, a full-fledged cost-benefit or cost-effectiveness analysis is not possible. Instead, this

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<sup>42</sup> [www.mds.gov.br/bolsafamilia](http://www.mds.gov.br/bolsafamilia).

<sup>43</sup> [www.mds.gov.br/bolsafamilia](http://www.mds.gov.br/bolsafamilia).

<sup>44</sup> Veras 2009.

Annex will indirectly assess the benefits of program in two sections. The first section presents a review of the estimated impact of *Bolsa Família* on several indicators as well as the main findings of the ex-ante analysis that was presented in APL1. The second section presents the results from an ex-ante evaluation on the role of *Bolsa Família* in mitigating the effects of the food prices increase in 2008.

### REVIEW OF THE IMPACT OF *BOLSA FAMÍLIA*

5. The following section will present some of the main conclusions of an ex-ante evaluation performed in 2004 vis-a-vis the findings from recent research on the actual impact of *Bolsa Família* on several indicators.

6. For the preparation of the *Bolsa Família* APL 1 operation, the Bank attempts to quantify the potential impact of the Program on educational attainment, poverty and inequality. These impacts would be estimated using ex ante simulation methods, both for the specification parameters being used in the program today and for alternative scenarios. The methodology used for that analysis involved simulations that took into account behavioral responses, following the methodologies used in Bourguignon, Ferreira, Leite (2003) for earlier ex ante evaluations of *Bolsa Escola* (but using the program parameters for *Bolsa Família*). The analysis used information from the 2002 household survey (PNAD). The main results from the ex-ante simulation are summarized below.

7. *Bolsa Família* was expected to have a significant effect on schooling decisions and educational attainment. Enrollment was estimated to increase by 0.59 percent, mainly because of the already very high enrollment rates (89 percent among poor children). Repetition rate would decrease by 6 percent and the average years of delayed schooling would fall by about 5 percent. The average total years of schooling would increase by 3.4 percent. For those that previously were not enrolled in school, the transfer was expected to result in one extra year of schooling.

8. The impacts of the BFP on poverty and inequality if conditionalities were enforced would be quite impressive (Scenario 2). Extreme poverty would fall from more than 14 percent to less than 9 percent (this is, about 35 percent among *Bolsa Família* beneficiaries), poverty would diminish about two percent (from 33.2 percent to 32.6 percent) and inequality would decrease from a 59.5 Gini to 58.1.

9. Despite the second round of the impact evaluation is not still available several studies have showed the estimated impact of *Bolsa Família* with very promising results (Annexes 1 and 1.B). In particular, a recent study using data on the education census shows that the impact on Education between 1998 and 2005 (this is including both *Bolsa Escola* and *Bolsa Família*) was an increasing in the enrollment rates of up to 5.5 percent among children in 1<sup>st</sup>-4<sup>th</sup> grade and up to 6.6 percent among children in 5<sup>th</sup>-8<sup>th</sup> grade among beneficiary children. The same study shows an increase in attendance rates among children 7-14 years of age of over 3.6 percent, while drop-outs fell between 0.3 and 0.9 percent.<sup>45</sup>

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<sup>45</sup> Glewwe, P. and A.L. Kassouf (2008) “O impacto do Programa Bolsa Família no total de matrículas do ensino fundamental, taxas de abandono e aprovação”.

10. Regarding poverty and inequality, Annex 1 documents some recent studies which indicate that *Bolsa Família* is responsible for about one fifth of the reduction in extreme poverty and a similar proportion for the reduction in inequality measured by GINI index. However, following the administrative data from the Ministry of Social Development (Annex 1), about 35 percent of the extreme poor beneficiary families of *Bolsa Família* moved to moderate poverty (below the poverty line but above the extreme poverty line), while about 10 percent of the moderate poor moved above the poverty line.<sup>46</sup> As explained above, this change cannot be understood as the net result of the incidence of *Bolsa Família* program. The change in the income of beneficiary families may be affected by other variables, including new employment or additional income from other sources.

#### **ROLE OF *BOLSA FAMÍLIA* DURING CRISIS: AN EX-ANTE ANALYSIS OF THE FOOD PRICE INCREASE<sup>47</sup>**

11. In the last decade, Brazil's Gini coefficient for household per capita income has fallen from 0.60 to 0.56 – one of the best performances in LAC and across the world.<sup>48</sup> Combined with the effects of sustained, albeit not spectacular growth, Brazil has also substantially reduced the incidence and severity of poverty. By some accounts, poverty incidence was halved between 1983 and 2006, with most of this progress achieved in the last ten years (Ferreira and Leite, forthcoming). The strengthening of Brazil's social assistance programs, with four programs at the center - *Bolsa Família*, BPC, PETI and unemployment insurance<sup>49</sup> - has played a major role in these achievements (Veras et al. 2006).

12. While most of the social assistance programs were designed to address long-term poverty issues, governments can also use them to mitigate the effects of a shock. In fact, the Government of Brazil has responded forcefully to the perceived threat that the price shock would have for the living standards of the poor. In reaction to the food prices increase, it raised the BFP benefits in July 2008. The basic fixed BFP transfer for extreme poor households was increased R\$4 per family, while the variable transfer associated to the schooling conditionality increased by R\$2 per child. In addition, minimum wage rose by R\$35 increasing the benefit of the BPC program by the same amount.<sup>50</sup>

13. In this section we will present the results of an analysis of these measures by looking at their incidence on income distribution. First we look at the potential impact of the food prices increase on income and consumption, poverty and inequality, and then at the role of *Bolsa Família* and other income protection programs in mitigating these effects. This is done using the observed price changes over the period 2007-2009 as well as two different nationally representative

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<sup>46</sup> Ministry of Social Development (2007) "Catalog of Indicators for Monitoring MDS programs", SAGI.

<sup>47</sup> This section relies on preliminary results from a paper by Ferreira, Fruttero, Leite and Lucchetti (2009).

<sup>48</sup> For more information on the decline in Brazilian inequality in the last decade, see Barros et al. (2006) and Ferreira et al. (2008a).

<sup>49</sup> BPC is the Continuous Cash Benefit Program, an unconditional cash transfer to the elderly and to extremely poor individuals with disabilities. The value of the transfer is per capita and equivalent to a monthly minimum wage. PETI is the program for eradication of child labor for families with income per capita above R\$120 a month and with children under age 16 in the labor market. The value of the benefit is R\$25 per child in rural areas and R\$40 per child in urban areas.

<sup>50</sup> In this analysis we only consider the effect of the minimum wage hike on the amount of the BPC transfer, and not the other effects it would have (on workers' salary etc.).

household surveys. (a) First, with the latest available consumption expenditure survey, the *Pesquisa de Orçamentos Familiares* (POF) 2002/03, we estimate the impact of the observed price change along the distribution of consumption. (b) We then map the estimated impact for each percentile onto the corresponding percentiles of income distribution from *Pesquisa Nacional por Amostra de Domicílios* (PNAD) 2006,<sup>51</sup> which allows us to estimate the effect of the Government's response in mitigating the impact of the food price increase.<sup>52</sup>

14. Two different scenarios were studied: a conservative scenario, in which we consider the average price change in 2007 and 2008 by region and by item; and a worst case scenario, in which we consider the maximum price change observed between 2007 and 2008. The effect of the increase in food prices on per capita income is calculated by applying the estimated change of each percentile<sup>53</sup> of the distribution of per capita total expenditure from POF to the same percentile of the per capita total income distribution from PNAD. Table 1 shows aggregate indicators. Our results suggest a two percent reduction in average per capita income when assuming the average change in food prices, and a 4.6 percent reduction with the maximum price change. Rural areas would be in general the most affected in terms of the reduction in average per capita income (7 percent reduction when assuming the highest prices change). Belo Horizonte, Porto Alegre, Sao Paulo, Rio de Janeiro, and Brasilia are the less affected regions.

**Table 9.1: Simulated effects on poverty and inequality measures**

	Actual	Effect of increase in Food Price		Effect of increase in BF Transfer	
		Average	Maximum	Average	Maximum
Per capita income	607.16	595.06	580.02	595.29	580.25
(% change)		(-2.0)	(-4.6)	(-2.0)	(-4.5)
Extreme Poverty	5.80	6.41	7.23	6.24	7.13
(% change)		(10.0)	(21.9)	(7.3)	(20.6)
Moderate Poverty	19.38	20.71	22.25	20.63	22.19
(% change)		(6.6)	(13.8)	(6.2)	(13.5)
Gini Coefficient	55.93	56.29	57.02	56.26	56.99
(% change)		(0.6)	(1.9)	(0.6)	(1.9)

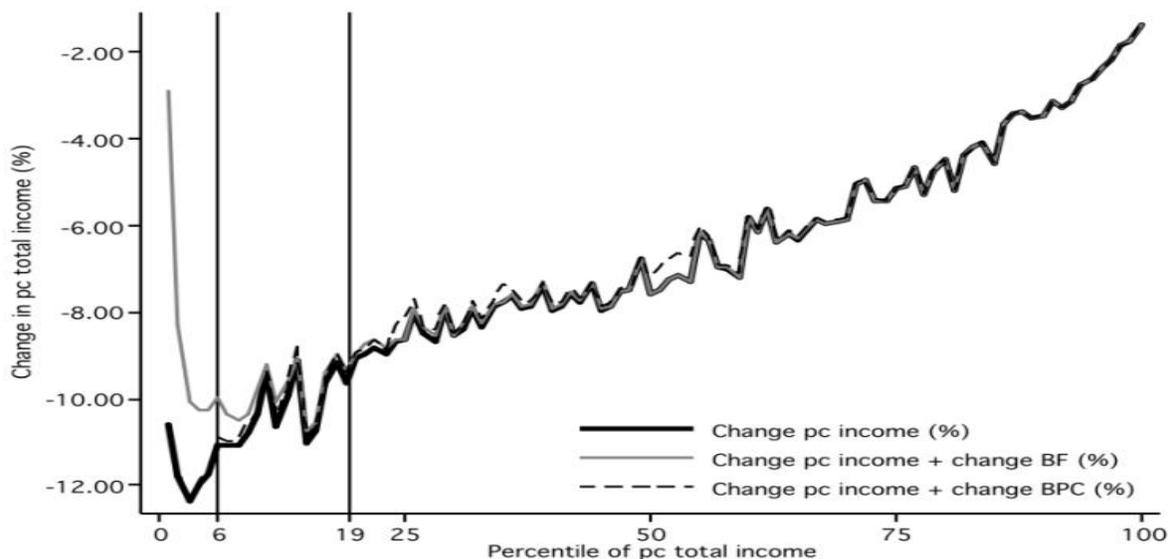
15. Indeed, increases in food prices represent a threat to the living standards of the poor in Brazil. Our results suggest that increasing the amount of the *Bolsa Família* transfer could buffer the impact of the shock for the most vulnerable. Indeed, the program is targeting the poorest households who would be most affected by the shock. Figure 9.1 shows how the increase in the benefits for *Bolsa Família* recipients could help the poorest 10 percent population in absorbing part of the price increase that would lower their level of expenditure significantly.

<sup>51</sup> This survey has information on whether households are beneficiaries of income protection programs.

<sup>52</sup> Income and consumption are highly correlated in Brazil according to the POF 02/03 survey. The Spearman's rank correlation of per capita income and per capita consumption expenditure is estimated at 0.78, and the standard person's correlation at 0.69.

<sup>53</sup> To be precise, we divide the population into rural and urban and then in each area we divide the distribution in 200 equal parts, so that each cell represents 1/200th of the population. Thus we estimate the change in welfare for 400 cells in the population.

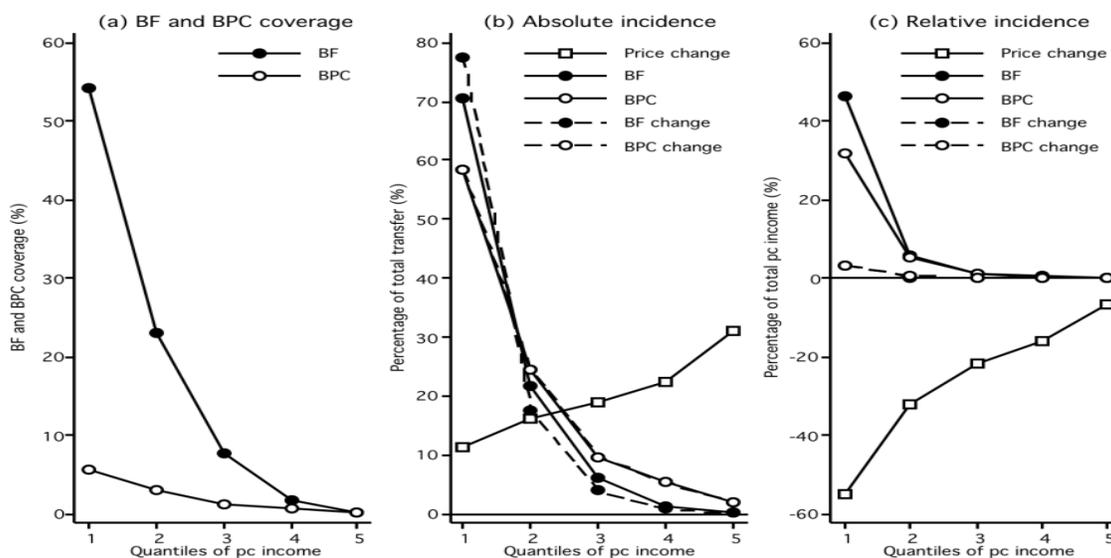
**Figure 9.1: Average percentage change of total expenditure by percentile with and without changes in income protection programs**



Source: Own calculations based on PNAD-IBGE 2006.  
 Note: Vertical lines represent extreme and moderate poverty rates.

16. Figure 9.2 shows how both BPC and *Bolsa Família* transfer a higher proportion of their budgets to the poorest (panel b) but *Bolsa Família* covers more than half of the population in the first quintile, compared to about five percent for BPC. Hence the increase in the BF transfers benefited a larger percentage of the poor population, even though the transfer was increased only by a small amount.

**Figure 9.2: Transfers coverage and relative and absolute incidence of price changes and transfers by quintile of per capita income**



Source: own, based on PNAD-IBGE 2006.  
 Note: Quintiles of per capita income calculated over the distribution of per capita income excluding BPC transfer, other transfers apart from the BPC. BF alone refers to the benefit of other programs apart from the BPC (which includes BF program among other programs).  
**Absolute incidence** reflects the portion of a transfer's budget that goes to each income quintile of the population.  
**Relative incidence** considers the "importance" of a transfer to each quintile relative to its income.

## **Fiscal Sustainability**

17. The Government of Brazil's strong financial arrangements will ensure the fiscal sustainability of the BFP and no major fiscal constraints are foreseen within the next five years, despite the international financial and economic crisis. Proportionately, the size of the BFP is comparable to that of other large-scale CCT programs in the region. Program costs are equivalent to about 0.38 percent of GDP. The Government has always funded and sustained the bulk of the program, with APL1 funding less than six percent of the program's costs over the years 2005-8. APL2 is expected to cover less than 5 percent of *Bolsa Família's* costs in the next five years. The alignment of major resources from the States and the Municipalities also strengthens BFP's sustainability. The potential impacts of the international financial and economic crisis have only deepened the Government's commitment to the BFP as decisions were taken to review and increase both benefits amounts and beneficiary lists. The preliminary results presented above suggest that this strategy helped mitigate the effect of external shocks on poverty and inequality.

**Annex 10: Safeguard Policy Issues**  
**BRAZIL: Second *Bolsa Família* Project (APL 2)**

**Social Safeguards**

1. Given the presence of Indigenous Peoples in the project area, the OP/BP4.10 is triggered. There is no stand-alone Indigenous Peoples Plan (IPP) because all the provisions for compliance with OP/BP4.10, Annex B (IPP) are part of the Government strategy to include Indigenous and *Quilombola* peoples as project beneficiaries. The nature of the Project –conditional, voluntary cash-transfers- and the institutional provisions of *Bolsa Família* also justify this approach. Section X of this Annex provides a detailed account of exactly how each requirement of the relevant OP/BP is covered and how the consultations and disclosures were carried out.

2. *Bolsa Família* is targeted to address social exclusion by making cash transfers to women in extremely poor households, to provide an income floor and it is used as an incentive for their children to attend school and health programs. It is thus *a priori* likely to have positive impacts on the empowerment of poor families, on gender equity (due to making payments to women); and on the social capital of poor communities. However, it is important to document the actual social impact of the program and to check for the incidence of possible negatives, especially in specific communities such as Indigenous and *Quilombolas* communities. This Annex is based on qualitative and quantitative studies of BF and similar programs in Brazil. It documents the positive social impacts of the program to date in the fields of empowerment, social capital and gender equity and finds no evidence of offsetting negative social impacts within the household or community. It also looks at two other dimensions of the social impact of the program that might have possible negative ramifications: the risk of unfair exclusion, fraud and corruption; and the risk of negative media reactions feeding back into social policy processes. In relation to the first of these issues, it discusses the way in which social control systems have been established to minimize the risk of corruption and exclusion and maximize the positive impact of the program on social capital; and in relation to the second, it discusses the program's impact on public perceptions of social programs as reflected in media coverage, which is shown to be strongly positive. In addition, the Annex presents an update of Brazil's Government strategy for Indigenous Peoples which reflects the advances made by the program in reaching out to these specifically vulnerable groups. Finally, it discusses the innovative strategies of *Bolsa Família* to improve access of Indigenous and *Quilombola* peoples to the program.

**I. Social Assessment**

3. As part of its regular monitoring and evaluation processes, the *Bolsa Família* program has undertaken various assessments of the impacts of the program on dimensions such as beneficiary empowerment, social capital and gender. This builds on complementary studies about other CCT programs in Brazil such as *Bolsa Escola*, *Bolsa Alimentação*, *Agente Jovem*. In addition, the program's control and oversight network includes a social control component, which was also evaluated. Finally, the Bank undertook a media analysis of more than 6,000 articles published about CCT programs in 6 major newspapers between 2003 and 2006. This review

finds an important contribution of the media in promoting debate about the concept and implementation of conditional cash transfers in Brazil.

## II. Impacts of CCTs on Empowerment, Social Capital, and Gender

4. **General Overview.** Studies reviewed for the purpose of this Social Assessment cover both *Bolsa Família* and one pre-existing conditional cash transfer program in Brazil (*Agente Jovem*), whose design has informed the *ProJovem Adolescente* program (one of the complementary programs to the BFP for youth beneficiaries). They include evidence of micro-level impacts on citizen's empowerment and gender and intra-household power relations. Three qualitative evaluations assess perceptions of impacts on empowerment, social capital and gender relations, including: TCU<sup>54</sup> (2004, covering the *Agente Jovem* youth-focused CCT), Suarez and Libardoni<sup>55</sup> (2006, covering the *Bolsa Família* Program), Pereira Brandão *et al*<sup>56</sup> (2008, covering the *Agente Jovem*). The latter also included a quantitative survey for beneficiary and non-beneficiary youth. Several other quantitative evaluations, including the BFP impact evaluation, highlight gender distinctions in their assessments (e.g., distinguishing between males and females in adult and child labor decisions, and examining potential impacts on women's health).

5. Findings suggest that the BFP and other CCTs have had notable impacts thus far. They have promoted a greater sense of citizenship among beneficiaries, and could potentially empower citizens and strengthen their participation in local affairs. They can also strengthen the position of women, not just in the family, but in society in general.

6. **Empowerment and Social Capital.** As noted above, several qualitative studies explore beneficiary perceptions of empowerment and social capital. At the individual and household level, the findings suggest important impacts in several areas:

- **Citizenship and identity.** A finding in qualitative evaluations is the perception that the CCTs have fostered greater sense of citizenship, belonging, and identity among beneficiaries (Suárez and Libardoni (2006)). These impacts apparently derive from the fact that eligibility for CCTs stimulates poor individuals in obtaining identification documents. Even though it entails a bureaucratic process, it reportedly spurs a greater sense of citizenship, identity and belonging among beneficiaries. Beneficiaries report that the receipt of formal identification documents makes them feel more connected to the society around them. They also report a heightened sense of belonging to the formal economy through the use of electronic benefit cards.

- **Self-esteem and aspirations for the future.** Both TCU (2004) and Pereira Brandão *et al.* (2008) evaluations of the *Agente Jovem* program, targeted at youth-at-risk, show that the program increased personal, social and community development among beneficiaries by enhancing their aspirations of the future, particularly in terms of expectations of professional

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<sup>54</sup> Tribunal de Contas da União. 2004. Avaliação do TCU sobre o Projeto Agente Jovem. Brasília, Brazil.

<sup>55</sup> Suarez, M. and M. Libardoni. 2006. O Programa *Bolsa Família* e o enfrentamento das desigualdades de gênero: o desafio de promover o reordamento do espaço doméstico e o acesso das mulheres ao espaço público. Cadernos de Estudo, Desenvolvimento Social em Debate, Número 5, *Ministerio do Desenvolvimento e Combate a Fome. Brasília, Brazil.*

<sup>56</sup> Pereira Brandão, A.A., M.A. Oliveira de Alcântara, S. Da Salt, V.H. de Carvalho Gouvêa. 2008. Projeto Agente Jovem: Avaliação dos seus Impactos. Caderno de Estudo, Desenvolvimento Social em Debate, No. 8.

horizons and economic autonomy, and that it generated a change in attitudes of beneficiaries, promoting a more positive view regarding life opportunities.

- **Economic stability and autonomy.** Another finding is the perceptions of increased economic autonomy due to the stability of the income transfer. Libardoni and Suárez (2006) highlight the importance of stability in the flow of benefits in their qualitative study of *Bolsa Família* beneficiaries: beneficiaries report improved economic status in their community as merchants perceive them as trustworthy clients, allowing them to purchase items on credit.

7. **Gender Impacts and Intra-Household Power Relations.** A few studies<sup>57</sup> have attempted to examine the gender impacts of BFP, as well as the impacts on intra-household power relations. Findings from Libardoni and Suárez (2006) suggest that the BFP improved women's ability to make choices for themselves and for their children. It also helped to reduce women's sense of insecurity vis-à-vis their husbands and, according to almost 43 percent of beneficiaries interviewed, it helped reduce the incidence of domestic violence. The baseline data for the BFP impact evaluation (CEDEPLAR and SAGI, 2007) show higher bargaining power of women in beneficiary households, especially in the Northeast, where monetization is less developed.

### III. Progress in registration of Indigenous and *Quilombola* families in the *Cadastro Único* registry

8. In 2004, as the program started, it was nearly impossible to identify *Quilombola* and Indigenous beneficiaries in the registries since they were not recognized as such in the registration form. The new registration form for *Cadastro Único* includes specific self-identification questions in the first section of the questionnaire, as well as additional questions to register ethnicity (Indigenous) and community (*quilombos*). The new form was rolled-out in 2009, together with specific guides for the registration of Indigenous and *Quilombola* families.

9. Despite this limitation, the program has made steady progress in registering Indigenous families: from 29,000 in March 2006 to 71,000 in January 2009, of which 59,000 were program beneficiaries (Almeida García, 2009) (Figure 1a). The rate of extreme poverty among these ethnic minorities is estimated to reach 38 percent.<sup>58</sup> The program has also greatly increased its coverage of *Quilombola* families: from 6,400 in October 2006 to 26,000 in January 2009, of which 21,000 were program beneficiaries (Zigoni Pereira, 2009) (Figure 1b). According to MDS, there are approximately 560,000 *Quilombolas* in 3,524 communities in 1,211 municipalities of 24 states. In 2006, the nutritional census for *Quilombolas* estimated that 57 percent of interviewed families were in class E, which represents the 4 percent poorest Brazilians.<sup>59</sup>

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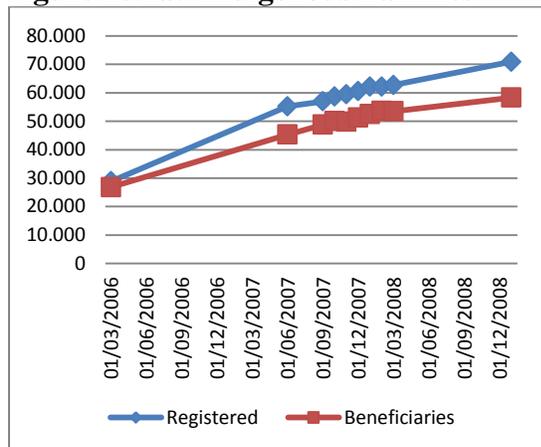
<sup>57</sup> CEDEPLAR e SAGI. 2007. Avaliação de Impacto do Programa Bolsa Família. Sumário Executivo. Ministério do Desenvolvimento Social e Combate à Fome.

<sup>58</sup> Per capita household income less than a fourth of a minimum salary (Lopez Matias and Maia de Andrade, 2008 in Caderno de Estudos 10, p.66). Extreme poverty rates among non-Indigenous reach 15.5 percent, or less than half.

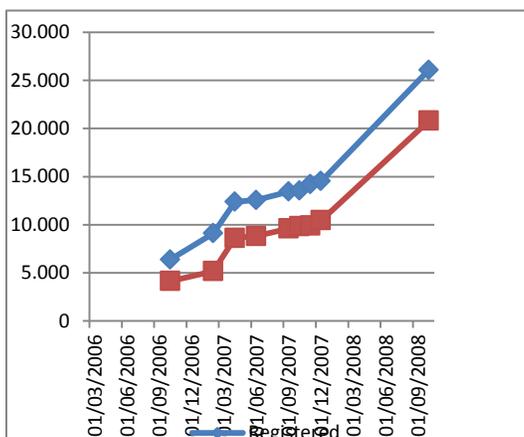
<sup>59</sup> Oliveira Silva, Oliveira Souza y Pacheco Santos, 2008 in Caderno de Estudos 9 p. 42.

**Figure 10.1: Number of families in the *Cadastro Único* and in the *Bolsa Família* program**

**Figure 10.1a: Indigenous Families**



**Figure 10.1b: *Quilombola* Families**



Sources: *Cadastro Único*, Almeida Garcia (2009) and Zigoni Pereira (2009).

#### IV. Consultations on Social Control in the *Bolsa Família* Program<sup>60</sup>

**10. Methodology.** In 2008, consultations were carried out in 18 case studies with 6 state social control councils (Ceará, Minas Gerais, Pará, Pernambuco, Rondônia, São Paulo) and 12 municipal social control councils in the same states (Monsenhor Tabosa and Caucaia (CE), Uberlândia e Conceição do Mato Dentro (MG), Santarém and Santa Luzia do Pará (PA), Petrolina and Inajá (PE), Porto Velho and Costa Marques (RO), Santos and Itariri (SP)). Half of the municipalities are large (over 200,000 inhabitants) and half are small (less than 20,000 inhabitants).

11. The consultations for the case studies included (1) in-depth interviews with stakeholders involved directly or indirectly in social control instances: managers, council members, beneficiaries (including Indigenous and *Quilombolas*), representatives of the social control network and leaderships of social organizations not participating in the councils, and (2) focus groups with program beneficiaries and council members. The councils included prior programs councils, sector councils linked to other public policies, specific BFP social control councils and inter-municipality association councils. Field work took place between June and September 2008.

**12. Results and recommendations.** The capacity of social control councils varies a lot and it is important to strengthen them to a minimum standard level of institutionalization, to guarantee their existence and effectiveness. Some councils closed for political motives or only exist on paper but do not meet effectively. Social control councils in small municipalities face special challenges and would need more support.

<sup>60</sup> Núcleo de Pesquisas, Informações et Políticas Públicas da Universidade Federal Fluminense-Data UFF and SAGI. 2009. Estudos de Caso sobre Controle Social do Programa Bolsa Família.

- **Capacity-building is a challenge even for more structured councils.** Continuous training for program managers and council members would build a common understanding of the values and meaning of social control and strengthen knowledge about the BFP and the attributions and instruments of social control councils.
- **Beneficiaries need more information about social control and the BFP and this information needs to be tailored to their reading level.** Many beneficiaries are functionally illiterate. They questioned the use of written materials since they need to rely on their children to be able to understand the notices they receive.
- **Working conditions need to comply with minimum standards such as:** specific space, computer with internet access, secretary, vehicle and resources for trips.

13. These challenges are not unique to the BFP but also affect social control councils from earlier initiatives, e.g., in health and education. However, setting-up those councils is part of guaranteeing increased federal transfers to municipal governments. This is not the case for the BFP and may explain why in small municipalities, the BFP councils are struggling more.

14. The fieldwork also identified some good practices, such as:

- **The participation of the Ministerio Público (SP),** whose attributions include defending the interests of Indigenous peoples and *Quilombola* communities, accompanying the activities undertaken to guarantee their constitutional rights.
- **The organization of courses about social control for new council members,** and of meetings between councils to share experiences. This was sponsored by the state council in Minas Gerais.

## V. Media review<sup>61</sup>

15. **Methodology.** More than 6,000 articles from six newspapers (national and regional) were catalogued and analyzed by Bank researchers to evaluate how CCT programs were covered by the press over a six year period, until mid-2006. The study sought to analyze the overall debate about these programs in the press, the coverage, content and flavor of the debate in the press about the concept and implementation of conditional cash transfers in Brazil. The motives behind this innovative and unique study were to contribute to an understanding of the public debate about this type of social policy instrument.

### 16. Preliminary findings.

- **Macro Perceptions of Conditional Cash Transfers in the Press:** The study highlights the important role of the media in promoting debate about the concept and implementation of conditional cash transfers in Brazil.
  - Overall, the articles adopted a favorable tone towards the concept of conditional cash transfers (70 percent of all articles), though they were more critical of the challenges faced in implementing the programs. Only a small share of articles were critical of both the concept and the implementation of the programs (six

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<sup>61</sup> Lindert, K. and V. Vincensini. 2008. Bolsa Família in the Headlines: An Analysis of the Media's Treatment of Conditional Cash Transfers in Brazil. *Draft*.

percent overall), with the remaining share reporting without any tone (informational articles).

- As with all flagship social programs, elections tended to bring increased scrutiny. Scrutiny and criticism of conditional cash transfers increased in advance of all three elections observed during the study period: (a) the presidential elections of 2002 (covering the *Bolsa Escola* Program under the Fernando Henrique Cardoso administration); (b) the municipal elections of 2004; and (c) the presidential elections of 2006 (both covering the *Bolsa Família* Program under the Lula administration).
- **Press Treatment of Design and Implementation Issues:** The media played an important role in reporting on both the challenges and improvements to conditional cash transfer programs in Brazil.
  - A large share of articles focused on the issues of the registry, targeting and payments; operational aspects, such as institutional roles, eligibility criteria, recertification, etc. The press also reported on the targeting accuracy of the program, i.e. errors of inclusion of the non-poor were more frequent than articles reporting on errors of exclusion of the poor.
  - Both the government and the press played an important role in reporting on allegations of fraud, intentional and unintentional errors and on systems for controlling fraud in these programs.
  - The debate in the press highlighted the importance of the existence and monitoring of conditionalities for two reasons: (a) their structural role in reducing poverty in the long-term; and (b) their political role in reducing perceptions of *assistencialismo*. The tone of the articles became more favorable as monitoring of conditionalities improved.
  - A small but increasing share of articles was highlighting perceptions of the potential for “grant dependency,” The need to incorporate design features to reduce the potential for grant dependency, and efforts to help promote emancipation from *poverty* which include: youth/adult education/literacy programs, job training, and micro credit.
  - A small but increasing share of articles asserted that conditional cash transfers were “*assistencialista*.” The main reasons offered in the articles for this assertion included: (a) perceptions that they created grant dependency; (b) perceptions of lack of monitoring of conditionalities; and (c) perceptions of clientelism. The main reasons offered in press articles for defending conditional cash transfers as not being “*assistencialista*” included: (a) that they represented the rights of citizens; and (b) that the existence of conditionalities reduced *assistencialismo*.

**17. Main conclusions.** Overall the *Bolsa Família* program enjoys large support of the Brazilian public. The concept of CCT is well accepted and their effects on beneficiaries’ welfare are recognized. However, the program still has room for improvements in the areas of social control, conditionality monitoring, and access of populations in remote areas especially in small municipalities with little capacity. One of the main challenges facing the program is to ensure

that the beneficiaries receive complementary opportunities to fully take advantage of the benefits and sustainably exit poverty.

## VI. Consultations with Indigenous and *Quilombola* communities

18. The participation of families in the Program and the corresponding registration process includes the establishment of partnerships between the Program and FUNAI, FUNASA, public universities and local organizations for the registration of Indigenous Peoples. In the case of the *Quilombolas*, partnerships are established with municipal secretaries of health, education and social assistance, and *Quilombola* Associations. Prior to registration, potential beneficiary families receive information about the registration process, the information required for the registration and the social programs they are eligible for. Consultations with Indigenous people need to include the whole community (as per ILO Convention 169) as well as community leadership and organizations which work with the community. An important strategy to guide municipal managers in this process has been the preparation of a Guide on Registration of Indigenous/ *Quilombola* families. The guide targets municipal managers, program staff and other service providers who operate directly with the communities. Given the decentralized management of BFP, these local consultations are more effective than regional or national ones.<sup>62</sup>

19. Consultations with families and individuals participating in *Bolsa Família* are carried out during registration. Individual families have the right to refuse the program or to accept it with informed consent. Innovations have been included in the 2008 registration packages to ensure families are knowledgeable about the benefits, eligibility, conditionalities for transfers, and exit strategy. Program documents have been translated into Guaraní and Xavante to facilitate the process. Certain provisions are in place to ensure all beneficiaries are included. E.g., Registration should not take place during high work intensity periods (agricultural and ritual calendars).

20. Until now, the program has registered Indigenous families on demand of community leadership. Among the consultation processes, which have informed the development of the guides, are:

- Indigenous communities: Guaraní in Dourados (MS); Xavante in Campinápolis (MT); Potiguara in Baía da Traição, Marcacão and Rio Tinto (PB) and Indigenous families in São Gabriel da Cachoeira<sup>63</sup> (AM).
- *Quilombola* communities: state-level registration in Alagoas (26 municipalities), Amapá (3 municipalities), Mato Grosso (6 municipalities), Tocantins (11 municipalities) and municipal processes in Itapecuru-Mirim (MA), Alcantára (MA), Queimada Nova (PI), Oriximina (PA), Januária (MG), Bom Jesus da Lapa (BA), Minas Novas (MG), São Lorenzo do Sul (RS).

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<sup>62</sup> However in 2005, in Luziânia, GO, el 1er Encuentro Nacional de Comunidades Tradicionales – *Pautas para Políticas Públicas*.

<sup>63</sup> *São Gabriel da Cachoeira* counts with 40,000 inhabitants, 80 percent of whom are Indigenous from 23 different ethnic groups.

21. In addition, in May 2009, the MDS organized workshops in Brasília with municipal stakeholders to discuss specific aspects of the program operations in areas with a high proportion of Indigenous and *Quilombola* families:

- Indigenous communities: Municipal managers from Atalaia do Norte and São Gabriel da Cachoeira (AM); Buerarema and Ibotirama (BA), Santa Luzia, Bertópolis and Santa Helena de Minas (MG); Caarapó and Dourados (MS); Barão de Melgaco and Canpinópolis (MT); Jacareanga and Sao Felix do Xingu (PA); Inajá and Salgueiro (PE); Redentora and São Miguel das Missões (RS),
- *Quilombola* communities: Municipal managers from Bahia, Goiás, Maranhão, Minas Gerais and Pará.

22. The challenges identified in these exercises include:

- Logistical difficulties in providing services to remote and hard-to-reach communities and the necessity to count with adequate transportation, possibly funded with resources from the IGD or IGD-E,
- The high rates of potential beneficiaries lacking any form of identification, which requires partnerships with FUNAI, the *Ministerio Público*, and the civil registry,
- Lack of knowledge of municipal managers and staff about Indigenous and *Quilombola* communities and culture and principles of self-identification. The states can support the capacity-building of local program staff for the registration of traditional populations, through the funding of the IGD-E.

## VII. Legal framework

- The Government of Brazil introduced innovative and pragmatic strategies to increase the access and participation of the most vulnerable groups in *Bolsa Família*,<sup>64</sup> respecting their beliefs, cultural identity and traditional values. This has relied mainly on specific processes to facilitate the registry of families and to comply with/monitor conditionality.
- Apart from existing laws deriving from the 1988 constitution, the strategic framework to reach out to the most vulnerable groups among Indigenous peoples is ILO Convention 169 on Indigenous Peoples, which was ratified in its entirety by Brazil through Presidential Decree 5051 of 19 April 2004. For *Quilombola* communities, the framework rests on several documents which recognize self-identification such as Decree 4487 from 2003, which recognizes self-identification as a *Quilombolas*, operation rule (*portaria*) 98/2007 of Fundação Cultural Palmares about the registration of *quilombo* communities and norm 49/2008 of INCRA on the registry of land occupied by descendents of *quilombos*.
- From the beginning, the program has made significant progress in registering beneficiaries, based on self-identification; ensuring that operational processes run smoothly even in remote areas; and ensuring enough flexibility about compliance with conditionalities to take into account specific health and education modalities for Indigenous and *Quilombola* communities. These are codified in operational rules (*portarias*) 350/2007, 321/2008, 341/2008 and 376/2008 from the Ministry of Social Development.

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<sup>64</sup> MDS “*Atualização e aperfeiçoamento do Cadastro Único*” Capítulo III.

- These BFP activities were complemented by additional actions managed by the National Secretariats for Social Assistance (SNAS) and Food Security and Nutrition (SESAN) such as the Indigenous CRAS and specific nutrition-related activities.

23. Some legal documents include:

- (a) *Cadastro Único*.
- (b) Portaria 350 of October 3, 2007: Pacto de Aprimoramento da Gestão dos Estados y do Distrito Federal no contexto do Sistema Único de Assistência Social, do Programa Bolsa família e do *Cadastro Único* para os Programas Sociais do Governo Federal. Art.3 on the implementation of a strategy to register indigenous and *Quilombolas* families.
- (c) Decree 6040 of February 7, 2007 which lays out the basis for the Sustainable Development of Traditional Peoples and Communities (National Plan is being drafted).
- (d) Portaria GM/MDS 321 of September 29, 2008. Gestão das condicionalidades do PBF. Art. 17 on the consideration of particularities of traditional peoples and communities in the application of norms and processes for the management of conditionalities.
- (e) Portaria GM/MDS 341 of October 7, 2008. Procedimentos operacionais necessários ao ingresso das famílias no PBF. Art 7 about *Quilombolas*.
- (f) Portaria GN/MDS 376 of October 16, 2008. Gestão do *Cadastro Único* para os Programas Sociais do Governo Federal. Art. 25 about differentiated registration processes.

*Indigenous Peoples*

- (g) Presidential decree 5051 of April 19, 2004 on ILO Convention 169.

*Quilombola communities*

- (h) Decree 4487/2003 of November 20, 2003 sobre a auto-atribuição da identidade *Quilombola*.
- (i) Portaria 98/2007 of November 26, 2007. Fundação Cultural Palmares sobre o *Cadastro Geral de Remanescentes de Quilombos*.
- (j) Instrução Normativa 49/2008 of September 29, 2008. INCRA. Sobre os procedimentos para identificação, reconhecimento, delimitação, demarcação, desintrusão, titulação e registro das terras ocupadas por remanescentes das comunidades dos *quilombos*.

**24. Structure and partnerships**

- In 2005, the MDS created a Working Group on Traditional Populations and Communities, with 10 anthropologists from all secretaries of the ministries. In 2008, the *Cadastro Único* created a specific unit for this theme, responding directly to the management of the National Secretariat for Citizens' Income (SENARC). This unit will eventually be formalized as a General Coordination. It includes five staff, two of whom are sociologists. This unit is in charge of all tasks pertaining to the registry of Indigenous and *Quilombola* families as well as other traditional people.
- MDS has also set-up partnerships with various governmental and non-governmental agencies which work with Indigenous peoples, such as the *Fundação Nacional do Índio* (FUNAI, in charge of the Indigenous policy of the Brazilian government), the *Fundação Nacional de Saúde* (FUNASA, in charge of Indigenous health services) and national and

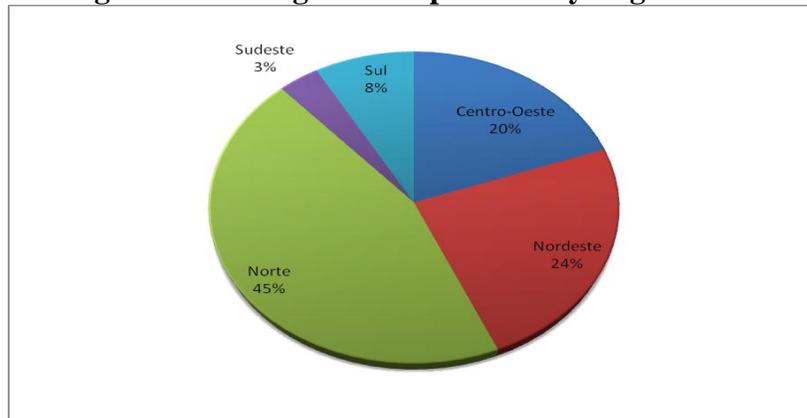
regional federations of Indigenous organizations such as the *Federação das Organizações Indígenas do Rio Negro* (FOIRN). Similarly, it has set up partnerships with government agencies and NGOs that work with *Quilombolas*, such as the *Fundação Cultural Palmares* in the Ministry of Culture, the INCRA in the Ministry of Agrarian Development and the Special Secretary for Policies to Promote Racial Equality (SEPPIR) in the Presidency as well as national and local *Quilombola* organizations. These partnerships seek to improve the inclusion of Indigenous and *Quilombola* populations and to improve the supply of basic services for them.

### VIII. Ethnic Profile of Brazil

25. After a long period of population loss, the Brazilian Indian population is growing at an estimated 3.5 percent rate per year, contrary to what is happening with other Indigenous people in the world. In the last decade, there were high levels of fertility, combined with the fall - though slow - in mortality. This phenomenon has been defined as "demographic recovery." The Brazilian Indigenous population has an estimated 530,000 people, of 225 different ethnic groups, spread over 34 Special Indigenous Sanitary Districts (DSEI), and speaking 180 different languages. Between 100,000 to 190,000 live outside Indigenous lands, in state capitals and other metropolitan areas, and there are groups that have not been contacted. The Indigenous population is 0.25 percent of the Brazilian population and two percent of the Indigenous population of the Americas.

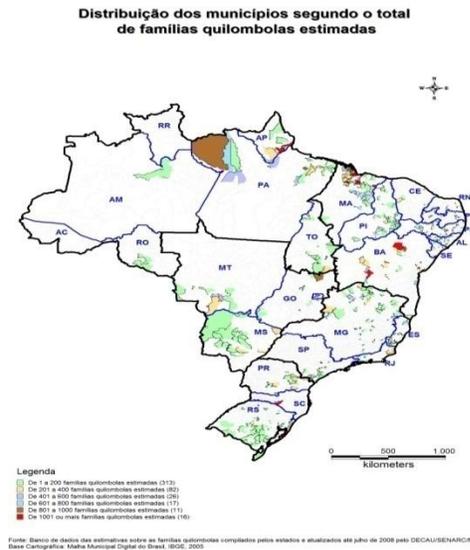
26. About 60 percent of the Indigenous population live in the Amazon, where 99 percent of Indigenous lands are located, while the other 40 percent live in land in the East, Southeast, South and Northeast country. Brazil has 633 officially recognized Indigenous lands, corresponding to 14 percent of the national territory. Most of these lands are concentrated in the Amazon; 405 of them represent 21 percent of the Amazon and 99 percent of Indigenous land. The rest of the Indigenous lands are spread among the Northeast, Southeast, South and the state of Mato Grosso do Sul. The Indigenous communities are small - 28 percent consist of up to 200 people, 40 percent have between 200 and 1,000 people, and only three communities have more than 20,000 people. Besides the widespread socioeconomic inequality between Indigenous and non-Indigenous population, there are significant inequalities within this population.

**Figure 10.2. Indigenous Population by Region 2007**



Source: SIASI FUNASA.

**Figure 10.3: Municipalities with high concentrations of Indigenous and *Quilombola* lands**



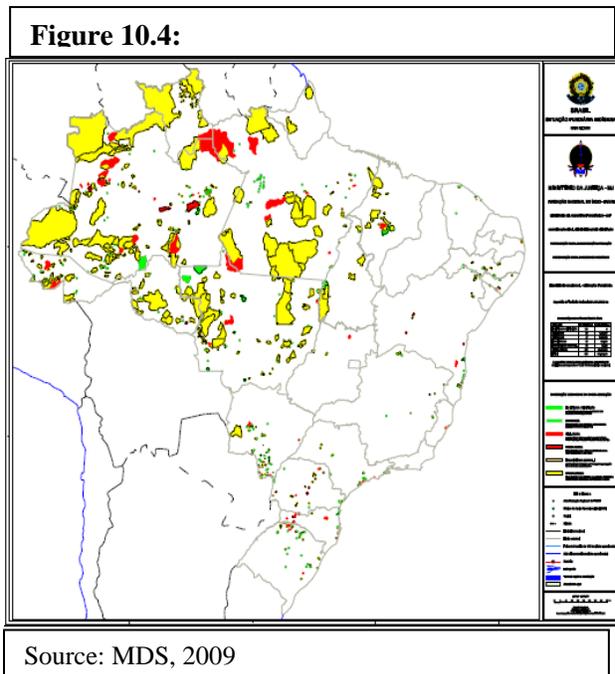
Source: MDS 2009.

27. The number of *Quilombola* communities vary according to the sources of information. However, it is estimated that there are approximately 560,000 people living in 3,225 communities (estimated by MDA). These communities are typically in remote areas and they are characterized by distrust of outsiders.

## IX. Lessons learned from the first phase of the Project

28. In both cases:

- Conflicts with local governments may be pervasive, especially around land tenure issues. Hence, the importance of early involvement of the communities in the first planning steps. When conflicts are too acute, the registration was delegated to third parties such as trained local NGOs (Alcantâra, MA, 2006) or universities (UFMT in 2007). However, the recommendation is to work through federal organizations that are responsible for service provision to these groups such as FUNAI or INCRA.
- Given the lack of identification, the program has simplified its ID



requirement to the presentation of any one of birth certificate, marriage certificate, voting card or any nationally recognized ID. In addition, the program managers are encouraged to work in collaboration with Ministry of Justice, FUNAI and the civil registry.

- When families are not nuclear, the program seeks to identify women as the beneficiaries. In all cases, after discussion with community leadership, the leaders accepted that women receive the benefit.
- When adequate health or education services are not available, the program acknowledges their absence and the difficulty/impossibility to comply with conditionalities.

29. In addition, for *Quilombola* communities:

- Early involvement of the leadership is key to guarantee that interviewers have access to families.

30. In some Indigenous communities:

- Additional consultations are necessary to identify who are the most vulnerable families, who really need cash transfers (i.e. those living close to urban centers or who cannot produce their own food or who are facing high vulnerability situations such as acute malnutrition). In areas which function on barter system, income-based poverty as defined by the *Cadastro Único* may need to be revised so as to not contradict the organization of these groups. FUNAI can help local managers to identify most vulnerable ethnic groups,
- Communities with high levels of infant mortality and child malnutrition will receive priority.
- Program managers need to understand inter-ethnic conflicts (often because of land tenure issues) before entering communities so as to register the neediest families and not only the best articulated and organized.

31. In summary, the program has greatly improved its process for the registration, identification of beneficiaries in Indigenous and *Quilombola* communities and has built a strong framework to interact with these communities in a culturally appropriate way.

## **X. Brazil's Government Strategy for Indigenous Peoples Applicable to the *Bolsa Familia* Program**

32. Given the presence of Indigenous and *Quilombola* communities in the project area, the OP4.10 is triggered. The Brazilian government through MDS has incorporated innovative strategies in the design of the program to make it more accessible to hard-to-reach families, particularly to the Indigenous and *Quilombola* (descendants of runaway slaves) families. This has translated into measures in the regulations on registry and monitoring of conditionalities as well as specific guides for the inclusion of Indigenous and *Quilombola* families in the registry of beneficiaries. In addition, MDS commissioned specific studies respectively taking stock of federal government initiatives related to Indigenous peoples and assessing nutritional issues facing *Quilombola* families.

33. The Government of Brazil will continue to build on the strategies initiated in 2006 and reinforced since 2008. This will include distributing the guides for the registration of traditional populations, which complement the new form for the *Cadastro Único* to be rolled-out late 2009.

34. The BFP has improved the quality of the information so as to increase the proportion of beneficiary families among those who are registered in the *Cadastro Único*.

35. *Bolsa Família* strategy to reach out to Indigenous and *Quilombola* families includes:

1. **Community selection:** For *Quilombolas*, the municipal manager proactively seeks these families to register them in the *Cadastro Único*. Specific training sessions are continually provided for municipal managers.
2. **New *Cadastro Único* form:** the new form includes special fields for the registration of self-identification (section 3) as well as specific instructions for the registration of ethnic communities (*Guía de Cadastramento das Familias Indigenas* and *Guía de Cadastramento das Familias Quilombolas* (SENARC/MDS 2009). The head of household is registered upon presentation of any one nationally recognized identification (two pieces of ID are required for the rest of the population). In the last quarter of 2009, SENARC organized training sessions for 360 state-level trainers, who were in turn train municipal managers to fill the new questionnaires. MDS has distributed 64,000 copies of the new guides to municipal and state program managers.
3. **Definition of family:** the instructions clarify the concepts of family, head of family and domicile. Families are registered according to the way they self-define – ethnically as well as a group.
4. **Program benefits:** the basic program benefits follow the same rules as for the general population. However, given the high rates of vulnerability facing these groups, some complementary activities are contemplated such as: food aid distribution, setting-up of CRAS (351 CRAS serve *Quilombola* families, 59 municipalities received co-financing to provide preferential services to Indigenous families and 10 municipalities received funding to build CRAS in Indigenous lands).
5. **Program conditionalities:** Conditionalities are similar to those for non-Indigenous beneficiaries. However, municipal program staff were trained to fill out the conditionality monitoring report so as to make explicit reasons such as the lack of or the distance to adequate health and education services.
6. **Socio-productive inclusion of Indigenous and *Quilombola* beneficiaries:** In the framework of the National Policy for the Sustainable Development of Traditional Peoples and Communities, the MDS launched various activities under *the Carteira Indígena* and in partnerships with *Petrobrás* and *Banco do Brasil* for *Quilombolas*. These activities seek to enhance the income-generation potential of traditional commercial activities.
7. **Priorities for 2010:** In 2010, the program is working with the five states with the highest concentrations of *Quilombola* communities: Bahia, Maranhão, Minas Gerais, Pará and Pernambuco.
8. **Financing of cash transfers and activities for Indigenous and *Quilombola* peoples** are included in Component 1. There is no separate budget for the latter.

### ***MDS capacity to implement this strategy***

36. Since 2008, the MDS includes a dedicated team responsible for registration processes for traditional populations. Given the progress demonstrated in the last years in coverage and quality of Bolsa Família processes, and the interest of the Ministry to improve the coverage of hard to reach population, the Bank team is confident in the capacity of the Ministry in implementing its work plan for the registration of Indigenous peoples and *Quilombola* communities, as part of its goals for the next four years.

### ***37. The materials published on the web pages of the MDS to promote access and benefits for the Indigenous and Quilombola families are:***

- (a) *Cadastro Único para Programas Sociais* (formulario principal de cadastramento).
- (b) *Guia de Cadastramento das Famílias Indígenas* (SENARC/MDS 2009).
- (c) *Guia de Cadastramento das Famílias Quilombolas* (SENARC/MDS 2009).
- (d) Portaria GM/MDS 321 de 29 de septiembre de 2008. Gestão das condicionalidades do PBF. Art. 17 sobre a consideração das particularidades das comunidades e povos tradicionais na aplicação das normas e procedimentos de gestão das condicionalidades.
- (e) Portaria GM/MDS 341 de 7 de outubro de 2008. Procedimientos operacionais necessários ao ingresso das famílias no PBF. Art 7 sobre os *Quilombolas* e indígenas.
- (f) Portaria GM/MDS 376 de 16 de outubro de 2008. Gestão do *Cadastro Único* para os Programas Sociais do Governo Federal. Capítulo IX sobre cadastramento diferenciado.

### **38. Grievance Redress Mechanisms**

Several mechanisms are in place: (a) Local Social Control Councils elevate complaints directly to BF, or to the Municipal and State Councils; and (b) Complaints are addressed through FUNAI, to the BF program; (c) internet page to submit complaints and other observations about BF.

The following table summarizes how Brazil’s strategy for Indigenous People and *Quilombola* populations complies with policies required by OP/BP4.10:

Annex B of OP/BP4.10	Activities required by the policy	Terms of compliance summarized in Annex 10
(a)	Review of legal and institutional framework. Baseline Information on demographic, social, cultural, and political characteristics of IPs, their territories and natural resources on which they depend	<ul style="list-style-type: none"> <li>• The legal framework includes laws derived from the 1988 Constitution and Convention 169 from ILO on Indigenous people, which was ratified by presidential Decree 5051/2004.</li> <li>• For <i>Quilombolas</i>, legal documents such as Decree 4487/2003, operation rule (<i>portaria</i>) 98/2007, and norm 49/2008 cover self-identification, specific registration procedures and land rights for this population, among other issues.</li> <li>• The Ministry of Social Development (MDS) also has its own operational rules for Indigenous and <i>Quilombola</i> communities (see portarias 350/2007, 321/2008, 341/2008 and 376/2008).</li> <li>• The Brazilian Government launched a new version of the <i>Cadastro Único</i> (targeting instrument used by the BF) questionnaire in 2009, which includes specific self-identification questions.</li> <li>• For more information on legal documents and provisions for IPs and <i>Quilombolas</i>, see section VII, paragraph 23 of this Annex.</li> <li>• MDS created a unit that comprises five staff with full time dedication to Traditional Populations.</li> <li>• The Secretaria da Identidade e Diversidade Cultural (SID) has prepared a complete profile on Brazil’s Traditional Populations characteristics. MDS also collects information on <i>Quilombolas</i> communities on regular basis along with other government institutions.</li> </ul>
(b)	Summary of social assessment	<p><i>Bolsa Família</i> regularly assesses the impacts of the Program on dimensions such as beneficiary empowerment, social capital and gender. Qualitative studies that measure impacts of BF and Agente Jovem on these dimensions include:</p> <ul style="list-style-type: none"> <li>• O Programa <i>Bolsa Família</i> e o Enfrentamento das desigualdades de genero..., by M. Suarez and M. Libardoni.</li> <li>• Avaliacao do TCU sobre o Projeto Agente Jovem, by Tribunal de Contas da União.</li> </ul>

		<ul style="list-style-type: none"> <li>• Considerações sobre o Programa Bolsa Família: implicações para o empoderamento e a autonomia das mulheres, by Delaine Martins Costa.</li> <li>• O Programa Bolsa-Família: seus efeitos econômicos e sociais na região Nordeste do Brasil, by Rosangela dos Santos Alves Pequeno.</li> </ul>
(c)	Summary of consultations	<p><b>The Brazilian Government has implemented a broad strategy for Indigenous People and <i>Quilombolas</i>, which comprises numerous consultations with these populations before and during execution of the Project.</b></p> <ul style="list-style-type: none"> <li>• In 2008, consultations were carried out in 18 case studies with 6 state social control councils (Ceará, Minas Gerais, Pará, Pernambuco, Rondônia, São Paulo) and 12 municipal social control councils in the same states.</li> <li>• Also, consultations with families and individuals were held during registration. The program has registered Indigenous families on demand of community leadership. Among these consultation processes, are: <ul style="list-style-type: none"> <li>○ Indigenous communities: Guaraní in Dourados (MS); Xavante in Campinápolis (MT); Potiguara in Baía da Traição, Marcacão and Rio Tinto (PB) and São Gabriel da Cachoeira<sup>65</sup> (AM).</li> <li>○ <i>Quilombola</i> communities: Alagoas (26 municipalities), Amapá (3 municipalities), Mato Grosso (6 municipalities), Tocantins (11 municipalities) Itapecuru-Mirim (MA), Alcantâra (MA), Queimada Nova (PI), Oriximina (PA), Januária (MG), Bom Jesus da Lapa (BA), Minas Novas (MG), São Lorenzo do Sul (RS).</li> </ul> </li> <li>• In May 2009 MDS organized workshops in Brasília with stakeholders from areas with a high proportion of Indigenous and <i>Quilombola</i> families.</li> </ul> <p><b>Challenges identified in these exercises include:</b></p> <ul style="list-style-type: none"> <li>• Capacity of social control councils varies a lot and it is important to strengthen them to a minimum standard.</li> <li>• Capacity-building in the form of training is a challenge even for more structured councils.</li> <li>• Beneficiaries need more information about social control, and the BFP and this information needs to be tailored to their reading level.</li> </ul>

<sup>65</sup> São Gabriel da Cachoeira counts with 40,000 inhabitants, 80 percent of whom are Indigenous from 23 different ethnic groups.

		<ul style="list-style-type: none"> <li>• Municipalities face logistical difficulties in providing services to remote and hard-to-reach communities</li> <li>• Municipalities also have little knowledge about Indigenous and <i>Quilombola</i> communities and culture and principles of self-identification.</li> <li>• Many potential beneficiaries lack any form of identification.</li> </ul>
(d)	Framework for consultations with IPs during project implementation	<ul style="list-style-type: none"> <li>• In 2005, MDS created a Working Group on Traditional Populations and Communities, with 10 anthropologists from all secretaries of the ministries.</li> <li>• In 2008, the <i>Cadastro Único</i> created a specific unit for this theme, under SENARC. This unit will eventually be formalized as a General Coordination. It includes five staff, two of whom are sociologists.</li> <li>• MDS has set-up partnerships with FUNAI, FUNASA, FOIRN, INCRA, Fundação Cultural Palmares, INCRE and SEPPPIR, all of which work with Indigenous and <i>Quilombola</i> populations. These partnerships seek to improve the inclusion of Indigenous and <i>Quilombola</i> populations and to improve the supply of basic services for them.</li> <li>• BF also has a special Guide on Registration of Indigenous / <i>Quilombola</i> families, which targets municipal managers, program staff and other service providers who operate directly with the communities.</li> <li>• Program documents have been translated into Guaraní and Xavante to facilitate the registration and compliance process.</li> <li>• Furthermore, certain provisions are in place to ensure all beneficiaries are included in the Program. E.g., Registration should not take place during high work intensity periods (agricultural and ritual calendars).</li> </ul>
(e)	Action plan of measures to ensure IPs receive social and economic benefits in a culturally-adequate manner	<ul style="list-style-type: none"> <li>• The Government of Brazil will continue to build on the strategies initiated in 2006 and reinforced since 2008. This will include distributing the guides for the registration of traditional populations, which complement the new form for the <i>Cadastro Único</i> that was rolled-out in 2009.</li> <li>• The new strategy includes the active seeking of <i>Quilombola</i> families by municipal managers; guides on how to fill the new <i>Cadastro Único</i> questionnaire to improve registration of traditional populations; complementary activities for these communities to enhance the basic program benefits; special attention to non-compliance by Indigenous or <i>Quilombola</i> beneficiaries to</li> </ul>

		identify obstacles; and income-generation activities under the <i>Carteria Indigena</i> .
(f)	When potential adverse effects identified, action plan to avoid or mitigate effects	N/A
(g)	Cost estimates and financing for IPP	There is no separate budget for IPs. Costs for screening, registration of IPs and <i>Quilombolas</i> , assessments, delivery of CCTs, training of stakeholders, M&E are included in the Program at large.
(h)	Procedure to address grievances	Several mechanisms are in place: (a) Local Social Control Councils elevate complaints directly to BF, or to the Municipal and State Councils; (b) Complaints are addressed through FUNAI, to the BF program; (c) internet page receives complaints and other observations about BF.
(i)	Mechanisms for monitoring, evaluating and reporting program results on IPP	The mechanisms in place for monitoring, evaluating, and reporting on the implementation of the strategy for IPs and <i>Quilombolas</i> are the same used for beneficiaries of BF in general.

**Annex 11: Project Preparation and Supervision**  
**BRAZIL: Second Bolsa Família Project (APL 2)**

	Planned	Actual
PCN review	04/28/2009	04/28/2009
Initial PID to PIC	06/22/2009	06/22/2009
Initial ISDS to PIC	06/26/2009	06/26/2009
Appraisal	11/109/2009	11/13/2010
Negotiations	1/13/2009	07/13/2010
Board/RVP approval	09/21/2010	
Planned date of effectiveness	12/01/2010	
Planned date of mid-term review	06/30/2013	
Planned closing date	12/30/2015	

Key institutions responsible for preparation of the Project:

MINISTRY OF SOCIAL DEVELOPMENT AND ERADICATION OF HUNGER

Bank staff and consultants who worked on the Project included:

Name	Title	Unit
Manuel Salazar	Task Manager	LCSHS
Bénédicte de la Brière	Sr. Social Protection Specialist	MNSSP
Francisco Ochoa	ET Consultant	LCSHS
Susana Amaral	Financial Management Specialist	LCSFM
Catarina Portelo	Sr. Counsel	LEGLA
Frederico Rabello	Procurement Specialist	LCSPT
Ximena Traa-Valarezo	ET Consultant (Social Specialist)	LCSHH
Alberto Ninio	Lead Council	LEGEN
Romero Barreto Rocha	ET Consultant	LCSHD
Suzana Abbott	Consultant	LCSHD
Jason Hobbs	Consultant	LCSHD
Laudo Bernardes	Consultant	LCSHS
Carla Zardo	Program Assistant	LCC5C
Lerick Kebeck	Sr. Program Assistant	LCSHS
Patricia Bernedo	Sr. Program Assistant	LCSHS
Patricia Orna	Language Program Assistant	LCSHS
Margaret Grosh	Peer Reviewer	HDNSP
Theresa Jones	Peer Reviewer	LCSHS
Rogelio Gómez	Peer Reviewer	
Fabio Veras Soares	Peer Reviewer	

Bank funds expended to date on project preparation:

1. Bank resources: US\$699,796.60
2. Trust funds: N/A.
3. Total: US\$699,796.60

Estimated Approval and Supervision costs:

Remaining costs to approval: 0

Estimated annual supervision cost: US\$88,000.00

**Annex 12: Documents in the Project File**  
**BRAZIL: Second *Bolsa Família* Project (APL 2)**

1. Ministerio de Desenvolvimento Social – Secretaria Executiva “Consolidação do Programa *Bolsa Família* e Apoio ao Compromisso Nacional Pelo Desenvolvimento Social”, Carta Consulta a Comissão de Financiamentos Externos –COFIEEX, Minuta 2, Brasília, Setembro de 2008.
2. Ministerio de Desenvolvimento Social “Documento de Avaliação de Projeto Sobre uma Proposta de Empréstimo no valor de US\$200 milhões ao governo do Brasil para um Projeto de Consolidação do Programa *Bolsa Família* e Apoio ao Compromisso Nacional Pelo Desenvolvimento Social”, Brasília, Novembro de 2009.
3. Rosani Cunha, *Entitlement to Income in Brazil: the Experience of the Bolsa Família Programme*.
4. Oliveira Silva, Oliveira Souza y Pacheco Santos, 2008 in Caderno de Estudos 9 p. 42.
5. Núcleo de Pesquisas, Informações et Políticas Públicas da Universidade Federal Fluminense-Data UFF and SAGI. 2009. Estudos de Caso sobre Controle Social do Programa Bolsa Família.
6. On the decline in Brazilian inequality in the last decade, see Barros et al. (2006) and Ferreira et al. (2008a).
7. Financial Management Practices in World Bank Financed Investments Operations as of November 3, 2005; Implementing Output- Based Disbursement mechanisms for investment operations of April 2, 2007.
8. Relatório Analítico para levantamento de experiências de cadastramento de povos indígenas, Brasília, abril de 2009.
9. Relatório Analítico para levantamento de experiências de cadastramento de famílias *Quilombolas*, abril de 2009.
10. Consultoria técnica para elaboração de guia para orientar o cadastramento de famílias de comunidades *Quilombolas*. Brasília Junho de 2009.
11. Consultoria técnica para elaboração de relatório contendo a sistematização das informações sobre experiências de cadastramento de famílias indígenas, contendo estimativas e localização dos povos e étnias, desagregadas por município, por estado e por famílias, Brasília, Julho de 2009.
12. Povos Indígenas: Um Registro das Ações de Desenvolvimento Social, Cadernos de Estudos Desenvolvimento Social em Debate, Numero 10.
13. Políticas Sociais e Chamada Nutricional Quilombola: Estudos Sobre condições de Vida nas Comunidades e Situação Nutricional das Crianças, Cadernos de Estudos Desenvolvimento Social em Debate, Numero 9.

**Annex 13: Statement of Loans and Credits**  
**BRAZIL: Second Bolsa Família Project (APL 2)**

Project ID	FY	Purpose	Original Amount in US\$ Millions					Difference between expected and actual disbursements		
			IBRD	IDA	SF	GEF	Cancel.	Undisb.	Orig.	Frm. Rev'd
P111665	2011	BR- RJ Munic Fiscal Consolid DPL	1,045.00	0.00	0.00	0.00	0.00	1,045.00	0.00	0.00
P101508	2010	BR-RJ Sustainable Rural Development	39.50	0.00	0.00	0.00	0.00	36.59	2.19	0.00
P108654	2010	BR Pernambuco Sustainable Water	190.00	0.00	0.00	0.00	0.00	189.53	0.48	0.00
P108443	2010	BR SP Sust Rural Dev & Access to Markets	78.00	0.00	0.00	0.00	0.00	78.00	0.00	0.00
P104995	2010	BR Municipal APL5: Santos	44.00	0.00	0.00	0.00	0.00	43.89	2.00	0.00
P106703	2010	BR SP Water Reagua	64.50	0.00	0.00	0.00	0.00	64.50	0.00	0.00
P106663	2010	BR Sao Paulo Feeder Roads Project	166.65	0.00	0.00	0.00	0.00	12.48	-153.75	0.00
P106390	2010	BR SP METRO LINE 4 (PHASE 2)	130.00	0.00	0.00	0.00	0.00	130.00	0.00	0.00
P099469	2010	BR (APL2) 2nd National Environmental	24.30	0.00	0.00	0.00	0.00	24.24	0.00	0.00
P111996	2010	BR RJ Mass Transit II	211.70	0.00	0.00	0.00	0.00	193.89	-17.28	0.00
P113540	2010	BR AIDS-SUS	67.00	0.00	0.00	0.00	0.00	67.00	0.00	0.00
P006553	2010	BR SP APL Integrated Wtr Mgmt	104.00	0.00	0.00	0.00	0.00	103.75	17.67	0.00
P118410	2010	BR Mato Grosso do Sul Road	300.00	0.00	0.00	0.00	0.00	300.00	0.00	0.00
P114204	2010	ELETRORBRAS Distribution Rehabilitation	495.00	0.00	0.00	0.00	0.00	495.00	0.00	0.00
P116170	2010	Sao Paulo Metro Line 5	650.40	0.00	0.00	0.00	0.00	650.40	0.00	0.00
P104752	2009	BR Paraiba 2nd Rural Pov Reduction	20.90	0.00	0.00	0.00	0.00	20.85	0.00	0.00
P094315	2009	BR Municipal APL4: Sao Luis	35.64	0.00	0.00	0.00	0.00	33.49	-1.77	0.00
P095205	2009	BR 1st Prog. DPL for Sust. Env Mgmt	1,300.00	0.00	0.00	0.00	0.00	500.00	-795.45	0.00
P099369	2009	BR Ceara Regional Development	46.00	0.00	0.00	0.00	0.00	45.13	-0.56	0.00
P106208	2009	BR Pernambuco Educ Results& Account.	154.00	0.00	0.00	0.00	0.00	97.84	15.62	0.00
P110614	2009	BR: Sergipe State Int. Proj.: Rural Pov	20.80	0.00	0.00	0.00	0.00	16.04	3.30	0.00
P107843	2009	BR Fed District Multisector Manag. Proj.	130.00	0.00	0.00	0.00	0.00	129.68	43.84	0.00
P107146	2009	BR Acre Social Economic Inclusion Sust D	120.00	0.00	0.00	0.00	0.00	97.92	-1.78	0.00
P106767	2009	BR RGS Fiscal Sustainability DPL	1,100.00	0.00	0.00	0.00	0.00	450.00	450.00	0.00
P106765	2009	BR Ceara Inclusive Growth (SWAp II)	240.00	0.00	0.00	0.00	0.00	119.66	37.09	0.00
P088716	2009	BR Health Network Formation & Quality Im	235.00	0.00	0.00	0.00	0.00	234.41	8.20	0.00
P101324	2008	BR-Second Minas Gerais Dev't PArtnership	1,437.00	0.00	0.00	0.00	0.00	589.04	0.98	0.00
P106038	2008	BR Sao Paulo Trains and Signalling	550.00	0.00	0.00	0.00	0.00	283.25	130.63	0.00
P095626	2008	BR (APL2)Family Health Extension 2nd APL	83.45	0.00	0.00	0.00	0.00	70.24	24.55	0.00
P083997	2008	BR Alto Solimoes Basic Services and Sust	24.25	0.00	0.00	0.00	0.00	18.93	4.52	0.00
P088966	2008	BR Municipal APL3: Teresina	31.13	0.00	0.00	0.00	0.00	28.48	6.93	0.00
P094199	2008	BR-(APL) RS (Pelotas) Integr. Mun. Dev.	54.38	0.00	0.00	0.00	0.00	39.31	10.04	0.00
P089013	2008	BR Municipal APL: Recife	32.76	0.00	0.00	0.00	0.00	32.68	17.35	0.00
P089929	2008	BR RGN State Integrated Water Res	35.90	0.00	0.00	0.00	0.00	30.11	22.30	0.00

Mgmt										
P082651	2007	BR APL 1 Para Integrated Rural Dev	60.00	0.00	0.00	0.00	0.00	51.20	48.20	0.00
P089011	2007	BR Municipal APL1: Uberaba	17.27	0.00	0.00	0.00	0.00	10.74	8.51	0.00
P089793	2007	BR State Pension Reform TAL II	5.00	0.00	0.00	0.00	0.00	4.99	3.50	0.00
P095460	2007	BR-Bahia Integr.Hwy Mngmt.	100.00	0.00	0.00	0.00	0.00	68.35	15.55	0.00
P081436	2006	BR-Bahia Poor Urban Areas Integrated Dev	49.30	0.00	0.00	0.00	0.00	38.96	38.96	0.00
P050761	2006	BR-Housing Sector TAL	4.00	0.00	0.00	0.00	2.70	0.65	3.35	-0.55
P093787	2006	BR Bahia State Integ Proj Rur Pov	84.35	0.00	0.00	0.00	0.00	30.00	0.00	0.00
P089440	2006	BR-Brasilia Environmentally Sustainable	57.64	0.00	0.00	0.00	0.00	21.22	21.22	0.00
P092990	2006	BR - Road Transport Project	501.25	0.00	0.00	0.00	0.00	164.04	164.04	0.00
P090041	2006	BR ENVIRONMENTAL SUST. AGENDA TAL	8.00	0.00	0.00	0.00	0.00	4.78	4.75	2.15
P076924	2005	BR- Amapa Sustainable Communities	4.80	0.00	0.00	0.00	0.23	1.78	2.01	1.78
P083533	2005	BR TA-Sustain. & Equit Growth	12.12	0.00	0.00	0.00	0.00	7.45	7.45	0.00
P087711	2005	BR Espirito Santo Wtr & Coastal Pollu	107.50	0.00	0.00	0.00	0.00	16.57	-54.75	-24.75
P060573	2004	BR Tocantins Sustainable Regional Dev	60.00	0.00	0.00	0.00	0.00	13.99	13.99	0.00
P076977	2003	BR-Energy Sector TA Project	12.12	0.00	0.00	0.00	0.00	4.74	4.74	0.00
P049265	2003	BR-RECIFE URBAN UPGRADING PROJECT	46.00	0.00	0.00	0.00	0.00	6.91	6.91	0.00
P066170	2002	BR-RGN Rural Poverty Reduction	45.00	0.00	0.00	0.00	0.00	6.66	-15.78	6.72
P060221	2002	BR FORTALEZA METROPOLITAN TRANSPORT PROJ	85.00	0.00	0.00	0.00	62.60	4.93	58.01	6.30
P051696	2002	BR SÃO PAULO METRO LINE 4 PROJECT	304.00	0.00	0.00	0.00	0.00	5.51	-89.25	5.75
P006449	2000	BR CEARA WTR MGT PROGERIRH SIM	239.00	0.00	0.00	0.00	0.00	91.67	-11.08	5.92
Total:			11,063.61	0.00	0.00	0.00	65.53	6,826.47	57.43	3.32

**BRAZIL**  
**STATEMENT OF IFC's**  
**Held and Disbursed Portfolio**  
**In Millions of US Dollars**

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2005	ABN AMRO REAL	98.00	0.00	0.00	0.00	15.77	0.00	0.00	0.00
2005	ABN AMRO REAL	98.00	0.00	0.00	0.00	15.77	0.00	0.00	0.00
2001	AG Concession	0.00	30.00	0.00	0.00	0.00	30.00	0.00	0.00
2002	Amaggi	17.14	0.00	0.00	0.00	17.14	0.00	0.00	0.00
2005	Amaggi	30.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00
2002	Andrade G. SA	22.00	0.00	10.00	12.12	22.00	0.00	10.00	12.12
2001	Apolo	6.04	0.00	0.00	0.00	3.54	0.00	0.00	0.00
1998	Arteb	20.00	0.00	0.00	18.33	20.00	0.00	0.00	18.33

2006	BBM	49.40	0.00	0.00	0.00	49.40	0.00	0.00	0.00
2001	Brazil CGFund	0.00	19.75	0.00	0.00	0.00	18.15	0.00	0.00
2004	CGTF	54.01	0.00	7.00	65.12	54.01	0.00	7.00	65.12
1994	CHAPECO	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
1996	CHAPECO	1.50	0.00	0.00	5.26	1.50	0.00	0.00	5.26
2003	CPFL Energia	0.00	40.00	0.00	0.00	0.00	40.00	0.00	0.00
1996	CTBC Telecom	3.00	8.00	0.00	0.00	3.00	8.00	0.00	0.00
1997	CTBC Telecom	0.00	6.54	0.00	0.00	0.00	6.54	0.00	0.00
1999	Cibrasec	0.00	3.27	0.00	0.00	0.00	3.27	0.00	0.00
2004	Comgas	11.90	0.00	0.00	11.54	11.90	0.00	0.00	11.54
2005	Cosan S.A.	50.00	5.00	15.00	0.00	50.00	5.00	15.00	0.00
	Coteminas	0.00	1.84	0.00	0.00	0.00	1.84	0.00	0.00
1997	Coteminas	1.85	1.25	0.00	0.00	1.85	1.25	0.00	0.00
2000	Coteminas	0.00	0.18	0.00	0.00	0.00	0.18	0.00	0.00
1980	DENPASA	0.00	0.52	0.00	0.00	0.00	0.48	0.00	0.00
1992	DENPASA	0.00	0.06	0.00	0.00	0.00	0.06	0.00	0.00
	Dixie Toga	0.00	0.34	0.00	0.00	0.00	0.34	0.00	0.00
1998	Dixie Toga	0.00	10.03	0.00	0.00	0.00	10.03	0.00	0.00
1997	Duratex	1.36	0.00	3.00	0.57	1.36	0.00	3.00	0.57
2005	EMBRAER	35.00	0.00	0.00	145.00	35.00	0.00	0.00	145.00
1999	Eliane	14.93	0.00	13.00	0.00	14.93	0.00	13.00	0.00
1998	Empesca	1.33	0.00	2.67	0.00	1.33	0.00	2.67	0.00
2006	Endesa Brasil	0.00	50.00	0.00	0.00	0.00	50.00	0.00	0.00
2006	Enerbrasil Ltda	0.00	5.50	0.00	0.00	0.00	0.00	0.00	0.00
2006	FEBR	12.00	0.00	0.00	0.00	12.00	0.00	0.00	0.00
2000	Fleury	0.00	0.00	6.00	0.00	0.00	0.00	6.00	0.00
1998	Fras-le	4.00	0.00	9.34	0.00	4.00	0.00	6.04	0.00
2006	GOL	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2005	GP Capital III	0.00	14.00	0.00	0.00	0.00	0.14	0.00	0.00
	GP Cptl Rstrctd	0.00	2.22	0.00	0.00	0.00	2.16	0.00	0.00
2001	GPC	0.00	0.00	9.00	0.00	0.00	0.00	9.00	0.00
	GTFP BIC Banco	44.91	0.00	0.00	0.00	44.91	0.00	0.00	0.00
	GTFP BM Brazil	4.22	0.00	0.00	0.00	4.22	0.00	0.00	0.00
	GTFP Indusval	5.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00
1997	Guilman-Amorim	18.08	0.00	0.00	14.37	18.08	0.00	0.00	14.37
1998	Icatu Equity	0.00	5.46	0.00	0.00	0.00	4.16	0.00	0.00
1999	Innova SA	0.00	5.00	0.00	0.00	0.00	5.00	0.00	0.00
1980	Ipiranga	0.00	2.87	0.00	0.00	0.00	2.87	0.00	0.00
1987	Ipiranga	0.00	0.54	0.00	0.00	0.00	0.54	0.00	0.00
2006	Ipiranga	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	Itambe	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2000	Itau-BBA	12.86	0.00	0.00	0.00	12.86	0.00	0.00	0.00
2002	Itau-BBA	70.61	0.00	0.00	0.00	38.47	0.00	0.00	0.00
1999	JOSAPAR	7.57	0.00	7.00	0.00	2.57	0.00	7.00	0.00
2005	Lojas Americana	35.00	0.00	0.00	0.00	35.00	0.00	0.00	0.00
1992	MBR	0.00	0.00	10.00	0.00	0.00	0.00	10.00	0.00
2006	MRS	50.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00
2002	Microinvest	0.00	1.25	0.00	0.00	0.00	0.82	0.00	0.00
	Net Servicos	0.00	10.93	0.00	0.00	0.00	10.93	0.00	0.00

2002	Net Servicos	0.00	1.60	0.00	0.00	0.00	1.60	0.00	0.00
2005	Net Servicos	0.00	5.08	0.00	0.00	0.00	5.08	0.00	0.00
1994	Para Pigmentos	2.15	0.00	9.00	0.00	2.15	0.00	9.00	0.00
1994	Portobello	0.00	0.59	0.00	0.00	0.00	0.59	0.00	0.00
2000	Portobello	4.28	0.00	7.00	0.00	4.28	0.00	7.00	0.00
2002	Portobello	0.00	0.90	0.00	0.00	0.00	0.90	0.00	0.00
2000	Puras	0.00	0.00	1.00	0.00	0.00	0.00	1.00	0.00
2003	Queiroz Galvao	26.67	0.00	10.00	0.00	26.67	0.00	10.00	0.00
2004	Queiroz Galvao	0.60	0.00	0.00	0.00	0.08	0.00	0.00	0.00
2006	RBSec	22.83	1.51	0.00	0.00	0.00	1.51	0.00	0.00
	Randon Impl Part	2.33	0.00	3.00	0.00	2.33	0.00	3.00	0.00
1997	Sadia	2.55	0.00	2.33	3.28	2.55	0.00	2.33	3.28
1997	Samarco	3.60	0.00	0.00	0.00	3.60	0.00	0.00	0.00
1998	Saraiva	0.00	1.24	0.00	0.00	0.00	1.24	0.00	0.00
2000	Sepetiba	26.24	0.00	5.00	0.00	11.24	0.00	5.00	0.00
2002	Suape ICT	6.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
1999	Sudamerica	0.00	7.35	0.00	0.00	0.00	7.35	0.00	0.00
2006	Suzano petroq	50.00	0.00	10.00	140.00	39.50	0.00	10.00	110.50
2001	Synteko	11.57	0.00	0.00	0.00	11.57	0.00	0.00	0.00
2006	TAM	50.00	0.00	0.00	0.00	17.00	0.00	0.00	0.00
1998	Tecon Rio Grande	3.55	0.00	5.50	3.71	3.55	0.00	5.50	3.71
2004	Tecon Rio Grande	7.87	0.00	0.00	7.76	7.59	0.00	0.00	7.48
2001	Tecon Salvador	2.95	1.00	0.00	3.10	2.95	0.77	0.00	3.10
2003	Tecon Salvador	0.00	0.55	0.00	0.00	0.00	0.55	0.00	0.00
2004	TriBanco	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
2006	TriBanco	0.35	0.00	0.00	0.00	0.35	0.00	0.00	0.00
2002	UP Offshore	9.01	9.51	0.00	23.29	0.00	2.51	0.00	0.00
2002	Unibanco	16.89	0.00	0.00	0.00	16.89	0.00	0.00	0.00
Total portfolio:		1,164.15	253.88	144.84	503.45	703.91	223.86	141.54	400.38

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
2000	BBA	0.01	0.00	0.00	0.00
1999	Cibrasec	0.00	0.00	0.00	0.00
2006	Ipiranga II	0.00	0.00	0.00	0.10
2002	Banco Itau-BBA	0.00	0.00	0.00	0.10
Total pending commitment:		0.01	0.00	0.00	0.20

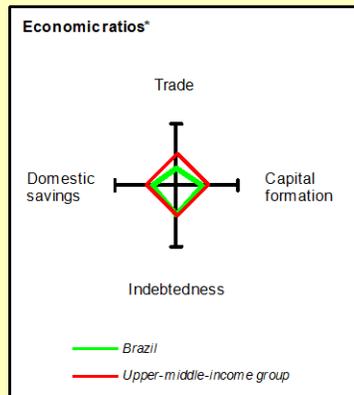
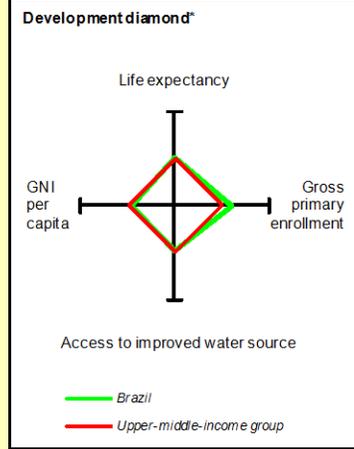
## Annex 14: Country at a Glance

### BRAZIL: Second Bolsa Família Project (APL 2)

# Brazil at a glance

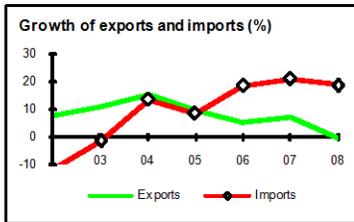
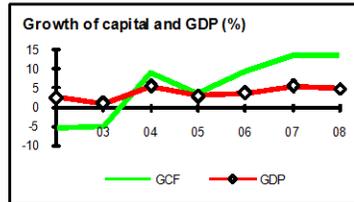
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	Brazil	Latin America & Carib.	Upper-middle-income		
<b>POVERTY and SOCIAL</b>					
<b>2008</b>					
Population, mid-year (millions)	192.0	565	949		
GNI per capita (Atlas method, US\$)	7,300	6,781	7,878		
GNI (Atlas method, US\$ billions)	14013	3,833	7,472		
<b>Average annual growth, 2002-08</b>					
Population (%)	12	12	0.8		
Labor force (%)	2.1	2.2	1.7		
<b>Most recent estimate (latest year available, 2002-08)</b>					
Poverty (% of population below national poverty line)	22	..	..		
Urban population (% of total population)	84	79	75		
Life expectancy at birth (years)	72	73	71		
Infant mortality (per 1,000 live births)	18	22	21		
Child malnutrition (% of children under 5)	2	5	..		
Access to an improved water source (% of population)	91	91	94		
Literacy (% of population age 15+)	90	91	94		
Gross primary enrollment (% of school-age population)	130	117	110		
Male	134	119	112		
Female	125	115	108		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	1988	1998	2007	2008	
GDP (US\$ billions)	330.4	843.8	1333.3	1575.2	
Gross capital formation/GDP	22.7	17.0	17.7	18.9	
Exports of goods and services/GDP	10.9	6.9	13.7	14.3	
Gross domestic savings/GDP	27.9	15.0	19.3	19.1	
Gross national savings/GDP	23.9	13.0	17.6	17.1	
Current account balance/GDP	13	-4.0	0.1	-18	
Interest payments/GDP	19	17	11	10	
Total debt/GDP	30.7	26.6	17.3	16.2	
Total debt service/exports	25.9	80.7	24.2	25.1	
Present value of debt/GDP	..	..	19.6	15.6	
Present value of debt/exports	..	..	117.2	111.2	
	1988-98	1998-08	2007	2008	2008-12
<i>(average annual growth)</i>					
GDP	2.3	3.3	5.7	5.1	2.8
GDP per capita	0.7	2.0	4.6	4.1	0.8
Exports of goods and services	5.4	9.1	6.7	-0.6	14.8



#### STRUCTURE of the ECONOMY

	1988	1998	2007	2008
<i>(% of GDP)</i>				
Agriculture	10.1	5.5	6.0	6.7
Industry	43.6	25.7	28.1	28.0
Manufacturing	31.0	15.7	17.4	16.0
Services	46.2	68.8	66.0	65.3
Household final consumption expenditure	59.5	64.3	60.8	60.7
General gov't final consumption expenditure	12.6	20.6	19.9	20.2
Imports of goods and services	5.7	8.9	12.1	14.2
	1988-98	1998-08	2007	2008
<i>(average annual growth)</i>				
Agriculture	2.5	4.4	5.9	5.8
Industry	15	2.8	4.8	4.3
Manufacturing	2.6	3.0	4.7	3.2
Services	3.3	4.0	6.0	5.3
Household final consumption expenditure	3.9	3.0	8.8	6.9
General gov't final consumption expenditure	0.7	2.9	4.7	5.6
Gross capital formation	2.6	2.8	13.5	13.8
Imports of goods and services	14.6	5.5	20.8	18.5



Note: 2008 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

**Annex 15: Maps IBRD 33377R**  
**BRAZIL: Second Bolsa Família Project (APL 2)**



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