

PROJECT CONCEPT DOCUMENT (PCD)
BRAZIL

I. BASIC DATA

Project name: Support for Social Protection System

Project number: BR-L1004

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Date of Project Outline: June 7, 2004

Borrower: Federative Republic of Brazil

Executing agency: Ministry of Social Development and Hunger Eradication (MDS)

Financing plan:

IDB: (OC)	US\$	1,000,000,000
Local:	US\$	6,677,000,000 ¹
Total:	US\$	7,677,000,000

PTI/SEQ This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated in the Bank's Eighth Replenishment Document (Document AB-1704). Furthermore, this operation qualifies as Poverty Targeted Investment (PTI) (see par. 5.2). The borrowing country will not be using the 10 percentage points in additional financing.

Tentative dates:

Analysis Mission:	October 2004
Loan Committee:	November 2004
Board:	December 2004

II. FRAME OF REFERENCE

A. Poverty in Brazil

- 2.1 Since the early 1990s Brazil has made substantial progress towards poverty reduction. The poverty rate declined from 41% in 1992 to 33% in 2002, while the extreme poverty rate fell from 14.5% to 13.4% over the same period. This decline was largely achieved between 1993 and 1995, as a result of the success of the Plano Real in curbing inflation and stabilizing the economy. Poverty rates have remained practically constant since then, but population growth has resulted in an actual increase in the number of poor from approximately 50 million in 1995

¹ This amount includes US\$395 million provided for cash transfers in 2005 and 2006 under the first phase of the World Bank's Bolsa Familia Project.

- to 55 million in 2002, though this is still below to pre-Plano Real level of 59 million. Recent studies suggest that the pace of poverty reduction is limited by sluggish growth, but primarily by the persistence of high levels of inequality, the highest in the Region.
- 2.2 The level of education is the single most important predictor of the probability of being poor in Brazil as well as the key determinant of labor income differentials. Among poor households, 73% are headed by individuals with less than four years of schooling. While universal coverage of basic education has been practically achieved, significant differences persist between poor and rich children: 88% of 5-15 year olds in the poorest quintile are enrolled in school, compared to 99% of those in the richest quintile, while repetition rates are respectively 40% and 6%. Thus, education plays a key role in the inter-generational transmission of poverty: low levels of education lead to low incomes, which in turn lead to lower levels of enrollment and attendance as well as high repetition rates by children from poor households, perpetuating poverty.
- 2.3 The policy implications of these findings are twofold. First, improving the equity and quality of educational opportunities remains the single most important policy for poverty reduction and social inclusion over the medium and long term. Second, cash transfers directed at poor families, conditional on school attendance, can play a critical role in poverty reduction, given their redistributive impact as well as their contribution to the accumulation of human capital.

B. Social Protection System

- 2.4 Until the late eighties, the Brazilian social protection system was characterized by strong centralization and little transparency. The needy largely had to seek support through clientelistic networks which treated benefits as charitable favors. The 1988 Constitution and the subsequent 1993 Organic Law of Social Assistance (LOAS) redefined social protection in terms of rights, and initiated important institutional, organizational, legal and programmatic changes in the system. The main principles underlying these changes were the decentralization of responsibilities to municipalities, greater participation of civil society and the adoption of more technical and transparent criteria to select beneficiaries and private service providers. At the federal level, the secretariat responsible for leading the changes in the social assistance system was initially placed under the Ministry of Social Security, and later directly under the Presidency.
- 2.5 Since then, Brazil has developed an array of social protection programs at the federal, state and municipal levels, resulting in substantial progress in the creation of a modern social protection system. The major federal programs in existence in 2002 are shown in Table 1. Together, they amounted to approximately US\$3 billion, less than 1% of GDP. Many of the programs provide social services to specific vulnerable groups, especially children, the elderly and the disabled. These programs receive federal financing, usually on a per capita basis, but are executed in a decentralized manner by municipalities, either directly or through

the contracting of private providers. Others provide cash transfers, either conditional on actions by beneficiaries or non-conditional (pure).

Table 1: Federal Social Assistance Programs			
Program	Type of Benefit	Beneficiaries (2002-2003)	Budget (R\$ millions)
Benefício de Prestação Continuada/Renda Mensal Vitalícia	One minimum wage per month (R\$260) to elderly and disabled	2,286,572	5,171.9
Auxílio-Gás	R\$7.50 per month to replace general cooking gas subsidy	9.7 million households	650.5
PETI	R\$25 (rural areas)/R\$40 (urban areas) per month per child aged 7-14 years old, conditional on school attendance and participation in after school programs	810,823	516.1
Bolsa Escola	R\$15 per month for each child 6-15 years old (up to three) conditional on school attendance	5.6 million households	1,605.4
Bolsa Alimentação	R\$15 per month per person (pregnant and nursing women and children under 6), up to three, conditional on health care visits	1.7 million households	152.0
Cartão Alimentação*	R\$50 per month for food purchases	774,764	n.a.
Agente Jovem	R\$65 per month for adolescents 15-17 years old, conditional on training activities	55,563	66.7
Assistance to children, adolescents, elderly and disabled	Services (including day care, pre-schools, non-institutional care)	1,711,392 children 308,438 elderly 151,438 disabled	430.0
Other	Includes assistance to indigenous communities and drought victims; community gardens, income generation programs, training programs	n.a.	703.8
TOTAL			9,296.4

* Created in 2003

2.6 Among pure cash transfer programs, *Benefício de Prestação Continuada* (BPC), mandated under the 1988 Constitution and directed to the elderly and disabled below the extreme poverty line, together with an earlier program which is being phased out by attrition (*Renda Mensal Vitalícia*), accounted for more than half of all assistance spending in 2002.

2.7 Conditional cash transfer programs (CCTs) began to be established in the mid 1990s. The Program for the Eradication of Child Labor (PETI), created in 1996, was designed to eliminate child labor in activities considered dangerous, unhealthy or degrading, through the provision of a cash transfer as well as financing for after school activities, which are implemented by municipalities. Participation is conditional on cessation of work and school and after-school program attendance. *Bolsa Escola* was introduced in 1995 by the Federal District and the municipality of Campinas as a cash transfer conditional on school attendance; almost 100 similar programs, under different names, were then established in other states and municipalities. The Federal *Bolsa Escola* Program was created in 2001, with federal financing, but retaining municipal responsibility for beneficiary enrolment and program monitoring. Another federal program, *Bolsa Alimentação*, was also introduced in 2001. It was designed to reduce nutritional deficiencies and infant mortality among poor households, through the provision of a cash transfer to pregnant and nursing mothers as well as small children, conditional on regular health care visits for specific services. Finally, *Cartão Alimentação* was established in 2003, providing a cash transfer conditional on food purchases.

- 2.8 Overall, the new programs were well targeted, especially when compared to other transfers made by the Federal Government. In 2002, 94% of the expenditures on the BPC program for the elderly and 91% of those on Bolsa Escola went to poor households; in contrast, only 40% of federal expenditures on pensions and 31% on unemployment insurance reached the poor. Most of the new cash transfer programs were also able to minimize administrative expenditures, paying households directly through automated cash machines available in the banking system.
- 2.9 The three major CCTs, PETI, Bolsa Escola and Bolsa Alimentação have all been subject to impact evaluations using experimental and quasi-experimental designs or micro-simulation techniques. The PETI has been the most studied; all studies concur in finding a significant decrease in child labor; several also found a significant increase in school attendance as well as an improvement in school performance. Evaluations of the Bolsa Escola Program found a positive and significant impact on school enrollment and attendance, although its impact on child labor is more complex, in the sense that working children already attending school were also likely to remain employed. Evaluations of Bolsa Alimentação found significant positive impacts on food consumption and dietary diversity, but a negative impact on child growth. This appeared to be linked to the mothers' perception that benefits would be discontinued if the child achieved normal weight.
- 2.10 Despite the largely positive results of these individual programs, the evolution of the social protection system took place in a fragmented manner. PETI was established and managed by the Secretariat for Social Assistance, Bolsa Escola by the Ministry of Education, Bolsa Alimentação by the Ministry of Health, Auxílio Gás by the Ministry of Mines and Energy, and Cartão Alimentação by the Extraordinary Ministry for Food Security. Each of the programs maintained its own registry of beneficiaries and administration systems, including separate contracts with the banking system for payments, resulting in the duplication of administrative costs and other inefficiencies. The multiplicity of programs had other adverse consequences. First, it led to the fragmentation of social policy, through the use of sectoral criteria for selecting beneficiaries and defining conditionalities, failing to capitalize on intersectoral synergies in education, health and nutrition for poor children. Second, lack of coordination of independent programs at the federal level and among the three levels of government produced both duplications and significant coverage gaps, accentuating horizontal inequities produced by vastly different benefit levels. Third, the sectoral approach applied conditionalities to specific individuals within the family, failing to develop an integrated approach to both protect and create behavioral incentives for the entire household.
- 2.11 In terms of overall expenditures, while the low budgetary allocations to CCTs led to low levels of coverage, the low value of the transfer provided under each program limited their overall impact on both short-term poverty reduction and human capital accumulation. In 2002, expenditures on CCTs represented 25% of

expenditures on social assistance, which in turn represented less than 1% of GDP. It is striking to note that despite the fact that Bolsa Escola is well targeted while federal expenditures on pensions are highly regressive, the latter was estimated to have a larger effect on poverty due to its size (9.3% of GDP). Studies also show that household decisions to enroll children in school are reasonably elastic with respect to the transfer size. Thus, a low transfer induces a smaller response, which reduces the program's impact on the reduction of poverty over the longer term as well.

- 2.12 Much less is known about the effectiveness, efficiency and impact of the non-cash transfer social assistance programs financed by the Federal Government. Most of these services were effectively decentralized and social participation and oversight increased through the establishment of councils at all levels of government in which civil society organizations are represented. However, the very decentralization of services has resulted in the proliferation of different models of care, the fragmentation of interventions and few comparative assessments.

C. Government Strategy

- 2.13 The Government of Brazil has developed a new sectoral policy, designed to reduce the existing institutional and sectoral fragmentation, promote efficiency in the use of public resources, and scale up the coverage of the social protection system. The Ministry of Social Development and Hunger Eradication (MDS) was established in January 2004, bringing together the ministries of social assistance and food security as well as the executive secretariat responsible for the newly created unified cash transfer program, *Bolsa Familia*, formerly under the Presidency. The MDS is responsible for the coordination and execution of intersectoral policies to promote social inclusion and eradicate poverty and hunger.
- 2.14 The Bolsa Familia program was launched in 2003, and enacted into law in January 2004, consolidating the Bolsa Escola, Bolsa Alimentação, Cartão Alimentação and Auxílio-Gás programs; the PETI remained as a separate program given its remedial, rather than preventive nature. Bolsa Familia represents the Government's most important poverty reduction initiative and constitutes the basis of the reformed social protection system. It provides a fixed benefit of R\$50 to families below the extreme poverty line, and a variable benefit of R\$15 per child aged 0-16 per month, up to three children, to all families under the poverty line. Participation is conditional on school attendance and health visits for all children in the family. This design preserves many of the features of the previous programs, while addressing their deficiencies through an integrated multisectoral approach and the application of conditionalities to the entire family. Moreover, the new program raises the average benefit level from R\$24 under Bolsa Escola to R\$72.

- 2.15 In addition to reducing institutional and sectoral fragmentation at the federal level, the introduction of Bolsa Familia is designed to promote coordination at sub-national levels through agreements with states and municipalities, under which local programs adopt the same design and complement it by financing the expansion of coverage or topping up benefits.
- 2.16 The design and implementation of Bolsa Familia also promotes efficiency gains. Enrollment into the Bolsa Familia program is carried out through the *Cadastro Unico* or *CadÚnico* (single registry), a national system which identifies and registers potential beneficiaries, originally established in 2001, but underutilized until now since different programs already had their own systems. The unification of separate contracts with the Caixa Economica Federal (CEF)² for automated payments directly to beneficiaries has already led to substantial administrative savings. Enrolment in the PETI will also be subject to the CadÚnico and payments made directly to beneficiary families.
- 2.17 The Government's sectoral strategy recognizes that cash transfers alone are not sufficient to address risks faced by poor and vulnerable families. Thus it also seeks to strengthen the quality of complementary services and reduce their fragmentation. A key aspect of the strategy is the consolidation and expansion of the Program of Integrated Attention to the Family (PAIF), which provides and facilitates access to social services focused on the family unit through referral centers located in poor neighborhoods. This program is critical to identifying, monitoring and addressing the non-cash needs of families and vulnerable groups, promoting their social inclusion and autonomy. The Government also remains strongly committed to continued financing of the after-school program which constitutes an integral part of PETI.

D. Program Strategy

- 2.18 The program will support Brazil's rationalization, consolidation and expansion of the social protection system, which has at its center the newly unified conditional cash transfer program Bolsa Familia. Bank support will enable the government to expand the coverage of this program to all eligible families in an efficient and effective manner, while at the same time strengthening complementary programs and the recently created Ministry's capacity to design, monitor and evaluate social policies. The Bank's support is particularly critical to strengthen the PETI, an internationally recognized program for addressing child labor. At the same time, Bank involvement in what is likely to become the largest conditional cash transfer program in Latin America will provide a valuable learning experience which can be shared with other countries in the region and strengthen the Bank's leadership role in the implementation of innovative social protection systems.

² CEF is a federal savings institution, whose network reaches all Brazilian municipalities.

E. Bank Strategy in the Country and the Sector

- 2.19 This operation supports the key objectives of reducing poverty, promoting social inclusion and reducing inequality contained in the Bank's new country strategy for Brazil (CP-2975), approved by the Programming Committee of the Administration on June 9, 2004. It also incorporates one of the important lessons learned from previous strategies: the need to focus on major initiatives already incorporated in Brazil's Multiyear Plan (*Plano Plurianual* - PPA), which is the case of Bolsa Familia, in order to ensure country ownership.
- 2.20 The proposed operation is also consistent with the Bank's Poverty Reduction and Promotion of Social Equity Strategy (GN-1894-7), which describes CCTs as essential elements of policies designed to combat structural poverty and inequality. The Bank has been the major source of technical support and financing for CCTs in the region, including those in Mexico, Honduras, Nicaragua, Jamaica and Colombia. All of these programs have been the subject of rigorous evaluations that demonstrate their positive results in terms of raising household consumption, and increasing school enrollment and health care utilization in a cost-effective manner.
- 2.21 As noted above, Brazil was one of the pioneers in the development and implementation of CCTs. Although the Bank was not involved in the direct financing of its CCTs until now, the 1999 emergency loan for Social Sector Reform and Social Protection Program (1174/OC-BR) and the 2001 Sector Program to Build Human Capital (1378/OC-BR) provided budgetary protection and set targets for the expansion of selected programs, including Bolsa Escola and the PETI, supported measures to improve targeting and service quality across the social sectors, and assisted in the development of monitoring systems and evaluation methodologies. The present operation builds on these policies and studies, while accommodating recent changes in sectoral policy.

F. Coordination with other agencies

- 2.22 In June 2004, the World Bank approved an adaptable program loan to support Bolsa Familia, in the amount of US\$572.2 million for the period 2004-6 using the SWAp mechanism; a second loan in the amount of US\$520.2 million is planned for the period 2007-8. The program finances 8.9% of the transfers under the Bolsa-Familia program through the pooling of resources with Government, as well as technical assistance for program management, improvement of the CadÚnico, and the development of a monitoring and evaluation system.
- 2.23 The IDB has collaborated closely with the World Bank as well as the UK's Department of International Development (DFID), which provided technical support to the design of Bolsa Familia. The IDB and World Bank loans are complementary. Specifically, the World Bank focuses exclusively on the Bolsa Familia program, while the IDB will also support other social protection programs and promote their articulation with Bolsa Familia. It is expected that the

collaboration between the World Bank and the IDB, as well as other donors, will continue during program execution, including the sharing of results of studies and activities financed by all donors.

III. THE PROGRAM

A. Objective

- 3.1 The general objective of the program is to reduce the inter-generational transmission of poverty, through the expansion and consolidation of a social protection system centered on the conditional cash transfer program Bolsa Familia. The specific objectives are to: (i) expand the coverage of the Bolsa Familia program to all eligible families in an efficient and effective manner; (ii) analyze, improve and articulate complementary programs of the integrated safety net; (iii) strengthen the newly created Ministry of Social Development as well as the decentralized social assistance structure.

B. Program Structure

- 3.2 The program consists of two components: conditional cash transfers and institutional strengthening.

1. Component 1: Conditional cash transfers (US\$ 980 million in loan resources)

- 3.3 The objective of this component is to support the Government's strategy to rationalize previous CCT's through the expansion of the coverage of Bolsa Familia from 6 million families at the end of 2004 to 11.2 million by 2007. This expansion is based on the migration of eligible beneficiary families of Bolsa Escola, Bolsa Alimentação, Cartão Alimentação and Auxílio-Gás, eliminating duplications as these programs are phased out, and filling gaps in coverage by incorporating new eligible families. The component will also support the remedial PETI program, as its current beneficiaries are recertified and additional eligible children are incorporated, increasing program coverage from 931,000 children in 2004 to 1,210,000 children by 2007. The loan will partially finance the cash transfers to beneficiaries of both programs, through reimbursement of expenditures. Financing will be on a declining basis, consistent with the Bank's recurrent costs policy: 16% of the budget in 2005, 13% in 2006 and 10% in 2007.

2. Component 2: Institutional Strengthening (US\$19.2 million in loan resources)

- 3.4 The objective of this component is to strengthen the new Ministry's capacity to develop, implement and evaluate the integrated social protection system. Specifically, the component will support the expansion of the beneficiary identification system (the CadÚnico), the improvement of programs and policies

which are complementary to Bolsa Familia, and the training of personnel within the MDS and across the social protection network.

a) Support for the CadÚnico

- 3.5 The objective of this sub-component is to support the expansion of the single registry which is used by municipalities to identify potential beneficiaries of social protection programs. The program will finance the recertification of existing PETI beneficiaries, as well as the provision of computer equipment and training for the expansion of the CadÚnico in the country's poorest municipalities. Program resources will also finance social communication activities to disseminate the new orientations of the CadÚnico, including its required use for enrollment in Bolsa Familia and PETI, granting of municipal access to the database, publication of the names of beneficiaries and continuous enrolment.

b) Support for complementary policies and programs

- 3.6 The objective of this sub-component is to strengthen the PETI as well as non-cash transfer programs which constitute integral parts of the social protection system. In the case of the PETI, the program will finance a new round of the child labor supplement of the National Household Survey (*Pesquisa Nacional por Amostragem de Domicílios – PNAD*), last undertaken in 2001, which will permit new estimates of the magnitude of the problem and its characteristics, as well as updated studies of PETI's impact. In addition, the program will finance qualitative studies of best practices of the after-school programs executed by municipalities, develop standards of quality for the delivery of these socio-educational activities, and update their cost, as current federal financing parameters were originally set in 1996. The results of these studies will be disseminated and result in the revision of the operations manual of the program. In addition, studies, seminars and consensus-building activities designed to articulate the preventive approach of Bolsa Familia and the remedial approach of PETI will be undertaken.
- 3.7 In the case of non-cash transfer interventions, the program will finance an assessment of the execution of the PAIF across municipalities in order to identify best practices and cost them. On the basis of these studies, a national seminar to discuss methodologies for carrying out interventions centered on families will be held, and subsequently the operations manual of the PAIF revised. The program will also finance a national census of social assistance organizations, which will provide specific information on types of services provided, client profile, geographical distribution and other relevant statistical information, which will serve as a critical input to the formulation of complementary policies and programs of social inclusion in the future.

c) Training

- 3.8 The objective of this component is to improve the country's capacity to design, implement, monitor and evaluate social programs and policies. The program will finance post-graduate training and specialized courses in evaluation, including experimental and quasi-experimental designs, quantitative methods, and statistical computer packages. In addition, financing will be provided for field visits to other countries, especially Mexico, Chile and Colombia, in order to exchange experiences, as well as international seminars focused on new developments in social protection.
- 3.9 The program will also finance the training of social program managers (*gestores sociais*) at the federal and state and municipal levels, which is essential to the modernization of the social protection system. This training will be undertaken in two phases: the training of trainers, drawing on a network of professionals who have previously attended INDES courses, and the subsequent training of senior staff in social assistance agencies in the management of social programs adapted to local conditions and priorities.
- 3.10 **Program administration.** Approximately US\$800,000 of loan resources will be used to finance the project implementation unit.

C. Costs and Financing

- 3.11 The preliminary cost of the program is estimated at approximately US\$7,677,000,000 of which US\$1 billion will be financed by the IDB, as requested by the Government to complement its resources. The preliminary projects costs are summarized in the following table:

Project Costs (in US\$ millions)			
Component	BID	Local	Total
Component 1. Conditional Cash Transfers	980.0	6,677.0	7,657.0
Component 2. Institutional Strengthening	19.2		19.2
A. Support for the CadUnico	8.1		8.1
B. Support for complementary policies and programs	4.0		4.0
C. Training	7.1		7.1
Administration and Supervision	0.8		0.8
Total	1,000.0	6,677.0	7,677.0
Percentages	13%	87%	100%

- 3.12 The project team proposes that this investment loan use the Sector-Wide Approach (SWAp) mechanism, as requested by the Government of Brazil and already adopted in the World Bank's parallel loan. The proposed program shares the major characteristics of SWAp's being financed by other donors: (i) there is an agreed comprehensive sectoral framework; (ii) the Government has led the development of this framework as well as the specific program, mobilizing and coordinating different sources of financial and technical support; (iii) key external

stakeholders, including the Bank, the World Bank, and DFID have collaborated with the Government in the development of the program and shared information to ensure interventions are complementary; (iv) the resource envelope is beyond the scope of any individual donor. The harmonization of procedures through reliance on the Government's sound institutional and fiduciary framework, as identified in the Country Financial Accountability Assessment (CFAA) carried out in 2001, will maximize Government ownership and impact. Under the proposed SWAp, Bank resources will be pooled with Government for the first component, which has no procurement of goods and services. Resources for the second component will not be pooled and standard Bank procurement rules will be applied.

IV. PROGRAM EXECUTION

A. Borrower and Executor

- 4.1 The Federative Republic of Brazil is the borrower, and the Ministry of Social Development and Eradication of Hunger will be the executor. The Brazilian Institute for Geography and Statistics (IBGE), the central statistical office of Brazil, will be a sub-executor for the PNAD (paragraph 3.6) and the national census of social assistance organizations (paragraph 2.7).

B. Execution and Administration

- 4.2 The execution and administration of the program will rest on the MDS's own organizational structure, which is consistent with the SWAp approach. Technical leadership will be exercised by a Core Management Committee, headed by the MDS's Executive Secretary and conformed by three of the Ministry's Secretariats: Income Transfer, Social Assistance, and Evaluation and Information Management. A Technical Coordinator, who will be part of the Ministry's staff, will be supported by consultants for each of the sub-components. Financial management, administrative and contracting responsibilities will be housed in a common unit with the World-Bank financed operation. This unit will rely on existing human resources and control systems, but will also benefit from technical assistance provided under both loans. Efforts are already underway to harmonize reporting requirements and procurement procedures to minimize the transaction costs involved in reporting to two agencies.

C. Execution period and calendar of disbursements

- 4.3 The execution will be 36 months and the loan disbursement period will be 42 months.

D. Monitoring and evaluation

- 4.4 The Bank will undertake annual reviews to analyze budgetary allocations for the program and assess technical progress. Given the utilization of the SWAp

mechanism, program evaluation will be centered on the verification of the impact of Bolsa Familia as a whole, independently of source of financing. The estimated impacts of the program were simulated by the World Bank based on a model built on simplified assumptions regarding intra-household behavior and family size and composition of potential beneficiaries. This model simulates schooling vs. working decisions and estimates the impact of such decisions on educational attainment, poverty and inequality, using household survey data (the 2002 PNAD). The post-program estimates will verify these simulated results using 2007 PNAD data, controlling for exogenous factors. This exercise will complement the assessments supported by the World Bank operation, that include the impact of Bolsa Familia on communities and families.

V. DEVELOPMENT IMPACT

A. Expected results

- 5.1 The expected result of the program is the mitigation of poverty and the promotion of social inclusion in the short-run and a reduction in the inter-generational transmission of poverty through the provision of incentives, conditionalities and opportunities for human capital accumulation. The logical framework incorporates the results of the ex-ante simulation of the impact of the program on poverty alleviation, inequality, school enrolment and repetition rates using the 2002 PNAD.

B. PTI/SEQ Classification

- 5.2 The social protection system supported by the program is directed at families below the poverty line, and thus the program qualifies as both a social equity enhancing initiative and a poverty target investment, using the headcount criteria. The borrower will not utilize the 10% in additional financing.

C. Social and Environmental Impact

- 5.3 The program will not finance any physical investments, and thus will not have a direct impact on the environment. The social impact of the program will be significant, expressed in reductions of poverty, inequality, school repetition rates, and the share of children not attending school, as shown in the logical framework. In addition, the program is also expected to have a positive impact on the status of women in the home and in the community, since Bolsa Familia payments are made preferentially to the woman in the family, a strategy which has yielded positive results in previous CCTs in Brazil as well as other countries in the region.
- 5.4 The MDS is aware of the need to adapt the design of its social protection system to the particular characteristics of indigenous and quilombola³ communities. Consultations with various communities were carried out in conjunction with the

³ Quilombolas are descendants of runaway slave communities.

preparation of the World Bank program. As a result, strategies were identified to guide the expansion of the program in a culturally appropriate manner, including the use of trained local agents to enroll beneficiaries and the tailoring of eligibility criteria, especially in the definition of the family unit. These strategies will be further developed and implemented with the support of the parallel World Bank loan.

VI. SPECIAL ASPECTS

- 6.1 **Principal issues and risks to program execution.** This program would be one of the first to utilize the SWAp mechanism, following its expected approval by the Board. In order to minimize risks associated with reliance on the Government's own fiduciary framework, a consultancy has been contracted to carry out a detailed assessment of and national financial, control and auditing procedures used in the Bolsa Familia program and make recommendations which, when relevant, will be incorporated into the project.
- 6.2 The fact that the MDS is a new institution presents a potential risk to the execution of a program of this size. This risk is mitigated by the fact that the Bolsa Familia program relies on instruments that were already in use by the previous CCT programs it replaces, including the automated direct payment to beneficiaries through the banking system. Moreover, the activities financed under the second component have been carefully selected to strengthen the MDS's capacity within the period of execution. Additional measures may be identified by an institutional capacity assessment being carried out.⁴

VII. STATUS OF PREPARATION AND OPERATIONAL APPROVAL PLAN

- 7.1 The analysis mission is expected to take place in October 2004. The results of the fiduciary and institutional analysis contracted by the Bank will be discussed during this mission. A draft of the Operations Manual will be presented during negotiation.

⁴ The System for Evaluating Institutional Capacity (SECI) is being applied.

BRAZIL
SUPPORT FOR SOCIAL PROTECTION SYSTEM
(BR-L1004)
PRELIMINARY LOGICAL FRAMEWORK

SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
Contribute to the reduction of the inter-generational transmission of poverty.	Incidence and depth of poverty.	PNAD.	
PURPOSE			
Social protection system expanded and consolidated.	By end of program: Poverty rate decreases from 33% to 29%. Extreme poverty rate decreases from 14.5% to 8.1%. Gini coefficient reduced from 0.595 to 0.579. Repetition rate for poor children falls by 6%. Average years of schooling for poor children increases by 3.4%. Share of children (7-15 years old) not attending school falls from 5.2% to 4.5%.	PNAD 2007.	Macroeconomic stability. Supply of education, health and social assistance services able to accommodate increased demand generated Bolsa Familia.
COMPONENTS and SUBCOMPONENTS			
1. Conditional cash transfer programs rationalized and expanded.	Coverage of Bolsa Familia increases from 6 million families in 2004 to 11.2 million in 2007. Coverage of PETI increases from 931,000 children in 2004 to 1.2 million on 2007. Bolsa Escola, Bolsa Alimentação, Cartão Alimentação and Auxílio-Gás phased out by 2006.	Reports from CadÚnico and Caixa Economica Federal.	Bolsa Família remains Government's priority program for poverty reduction.

SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
2. CadÚnico expanded and improved.	By the end of the program: 100% of PETI beneficiaries registered in CadÚnico and paid via automated cards. X number of poor municipalities with direct access to CadÚnico. X number of poor municipalities able to enroll beneficiaries on demand.	Reports from CadÚnico and Caixa Economica Federal.	Consensus among federal, state and municipal government on new CadÚnico features.
3. Complementary programs and policies strengthened.	Revised PETI Operations Manual distributed to all program managers in 2006. PNAD Child Labor module data available to researchers by 2007. Revised PAIF Operations Manual distributed to all program managers in 2006. National census on social assistance organizations completed and published by 2006.	MDS publications. IBGE publications.	Consensus among federal, state and municipal government on revised designs of PETI and PAIF.
4. Human resources of social protection system improved.	By end of program: X number of staff trained in monitoring and evaluation. X number of staff trained in management of social programs. X field visits completed. X international seminars held.	Program reports.	