

Applying Minimum Income Programmes in Brazil: Two Case Studies[#]

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Abstract

This paper examines the recent experiences of Belem and Belo Horizonte, two metropolitan nuclei where minimum income programmes have been implemented. The idea is to verify to which extent the financial conditions in each of these municipalities seem to be compatible with the implementation of the programme benefiting a significant share of the total number of the poor. Alternatives will be considered for defining the target population in terms of income and family characteristics, as well as for establishing the value of the monthly transfer. Besides the demographic and economic importance of Belo Horizonte and Belem, the choice of these municipalities has an empirical justification. In these municipalities, the National Household Survey (PNAD/IBGE) sample, which was dimensioned to be representative for each metropolitan area, is large enough to allow for the analysis of the programme's viability on the basis of different characteristics of the target population.

This paper has four chapters, besides the introduction. Section 2 focuses on Brasilia's experience as the basis for adopting the same policy in Belém and Belo Horizonte, the two metropolitan nuclei where the program has been implemented by local administrations elected for the 1997/2000 term. Section 3 and 4 describe the characteristics of programme design and operation in Belém and Belo Horizonte. Despite the fact that the two municipalities present quite different characteristics, which, in their turn, are quite diverse from Brasilia's, both programmes essentially adopted most operational parameters from the Federal District's programme. Data from the national household survey are used to evidence the operational limits which the programme faces in these two municipalities, given the size of the target population and financial restrictions. Although specific recommendations are presented at the end of each section, the general ones are assembled in the last section.

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1. Introduction

Designing poverty alleviation mechanisms in Brazil is essential because even after the stabilization plan of July 1994, poverty incidence has remained high: the proportion of the poor is estimated at 21 per cent in 1997.¹ Nevertheless, the heterogeneous characteristics of the poor across the country have constituted a major obstacle for anti-poverty policy design and implementation. Financial restrictions have been the ultimate difficulty for conceiving and implementing a minimum income programme on a national basis. In spite of the difficulties, society's concern about poverty has led many municipalities² to create a legal basis for implementing minimum income programmes as a local initiative.

The Federal District's School Scholarship Programme is a good example of cash transfers in a relatively wealthy milieu, successfully targeted and monitored. After three years of operation, the programme has shown good results in terms of focus and coverage (Sabóia and Rocha, 1998), which means an improvement in the living conditions of the families so far as these depend on income and private consumption.

Although the programme has shown good results in Brasilia (also known in this paper as the Federal District), its application on a national basis is probably bound to fail, especially in the poorest municipalities. In these areas a high level of poverty coexists side by side with severe deprivation in many aspects of living conditions. Additionally, municipal governments face financial and managerial limitations for implementing the programme.

This article examines the recent experiences in Belém and Belo Horizonte, two metropolitan nuclei³ where minimum income programmes have been implemented. The purpose is to verify to what extent the financial conditions in each of these municipalities allow the implementation of a programme benefiting a significant proportion of the poor. Alternatives will be considered for defining the target population in terms of income and family characteristics, as well as for establishing the value of the monthly transfer. Besides the demographic and economic importance of Belo Horizonte and Belém, the choice of these municipalities has an empirical justification. In these municipalities, the National Household Survey (IBGE/PNAD) sample, which was dimensioned to be representative for each metropolitan area, is large enough to allow for the analysis of the programme's viability on the basis of the different characteristics of the target population.

¹ The proportion of the poor declined from 30 per cent in 1993 to stabilize around 20 per cent in 1995 and 1996 (Rocha (1997)).

² A *município*, or municipality, is an administrative division within a state. Each metropolis is formed by several municipalities. In this paper, the most important municipality in each metropolis, to which its denomination derives, is referred as the metropolitan nucleus.

³ We refer here to the nuclei in comparison to other places of residence (metropolitan periphery, urban and rural non-metropolitan areas) as national aggregates.

Section 2 focuses on Brasília's experience, which was the basis for adopting the same policy in Belém and Belo Horizonte, the two places where the programme has been implemented by local administrations elected for the 1997/2000 term. Sections 3 and 4 describe the programme design and operation in Belém and Belo Horizonte respectively. In spite of the fact that these two municipalities present quite different characteristics from each other and from Brasília, both programmes essentially adopted most of the operational parameters from the Federal District's programme. Data from the National Household Survey are used to evidence the operational limits which the programme faces in these two municipalities, given the size of the target population and financial restrictions. Specific recommendations are presented at the end of each section and general ones in the last section.

2. The School Scholarship Programme - applicability and criteria

The Federal District's scholarship is becoming the widespread model of minimum income programmes in Brazil. Its main feature is the focus on low income families with children in the 7 to 14 year bracket, age in which education is compulsory in Brazil. In order to benefit from the monthly transfer of one minimum wage, families are required to guarantee that their children attend school during at least 90 per cent of school days. The programme restricts its target population to families who have been living in the Federal District for at least five years. This feature is essential to avoid an additional incentive to immigration to the Federal District, where income level and living conditions are higher than in its surrounding areas, and even much higher than in the poorest areas of Brazil, the North-eastern region, for instance. The scholarship programme has three obvious advantages in relation to a more generalized minimum income programme.

Firstly, it allows for reducing the target population, which may be a justified objective where resources to be allocated to the programme are insufficient to complement income for all the families which have per capita income below the adopted poverty line. Although poverty incidence as measured by family per capita income is higher among families with children because of their dependence ratio and life cycle, targeting these families significantly reduces the pool of eligible families. As will be shown later, targeting this sub-group of poor families was essential to guarantee that the total amount of income transfer stays below the 1 per cent of current receipts, as established in the decree that created the programme in Brasília.

Secondly, it alleviates poverty and simultaneously acts on its causes. Guaranteeing better levels of schooling among poor children is the basic tool to break the vicious circle of poverty.

Thirdly, it anchors the programme in the educational system, which, although not the ideal solution, has clear advantages in the absence of a well developed and modern⁴ social assistance system. Moreover, since the programme has the vocation for detecting

⁴ A *modern* system is one which avoids philanthropic practices, using objective criteria for selection of beneficiaries, monitoring and evaluation.

social deficits and promoting integrated actions to minimize them, it should be preferably operated from the executive office, so as to effectively coordinate and integrate anti-poverty policies under the responsibility of different government branches.

The fact that Brasilia's programme is unanimously considered a success has prompted other municipalities to emulate it, rather than designing their own programme. The number of families having family per capita income below half the minimum wage and their proportion of the total number of families in each area already shows that there are significant differences in poverty incidence among metropolitan nuclei (Table 1). There is also a clear regional duality, poverty incidence in the North/Northeast being higher than in the Centre South. On the basis of this indicator solely, Belo Horizonte, where low income families represent 9 per cent of the total, presents a much more modest challenge for an assistance programme than Belém, where poor families constitute almost 20 per cent of the total number of families living in the municipality.

The Federal District's income and poverty indicators seem relatively adverse because they are not strictly comparable to the ones from the other areas. The Federal District encompasses both the central area - the Pilot Plan - which can be associated to the nuclei in the metropolitan areas, and the satellite cities, which correspond roughly to metropolitan peripheries. Unlike in Belém and Belo Horizonte, the Federal District's programme was implemented in the satellite cities, where poverty incidence is higher than in the Pilot Plan. There is no intention of expanding the programme to the Pilot Plan, where most low-income families are domestic employees, whose living conditions do not directly relate to their monetary income.

Table 1. Selected indicators metropolitan nuclei and the Federal District - 1996

Municipalities and the Federal District	Family income (R\$)		Families below half minimum wage		Adequate public services (%)*		
	Total	Per capita	Number	(%)	Waste	Water	Sewerage
North / Northeast							
Belém (N)	965	308	44 762	19.7	87.8	81.16	8.3
Fortaleza (NE)	814	254	114 726	21.8	91.4	73.80	12.8
Recife (NE)	809	285	76 308	19.8	90.0	85.96	29.1
Salvador (NE)	898	318	148 323	23.1	89.5	89.44	42.6
Center South							
Belo Horizonte (SE)	1 307	452	51 730	9.0	93.5	96.62	87.9
Rio de Janeiro (SE)	1 410	558	113 874	6.3	97.5	97.13	70.0
São Paulo (SE)	1 547	538	168 298	6.1	99.2	98.93	86.4
Curitiba (S)	1 589	567	13 791	3.3	98.6	97.9	48.0
Porto Alegre (S)	1 563	633	30 099	6.9	98.6	95.6	33.9
Federal District (C)	1 435	480	59 926	12.01	95.0	87.0	72.7

(*) Data refer to 1995.

Concepts refer to the number of persons subjected to the following conditions:

Adequate water - public pipeline system and internal plumbing;

Adequate sewerage - public sewerage system;

Adequate waste disposal - directly or indirectly collected.

Source (IBGE / PNAD, 1996).

In spite of the obvious differences not only in terms of poverty incidence from the income point of view, but also of average income and public services deficits, which affect the poor more directly, programmes implemented in Belém and Belo Horizonte follow closely parameters adopted in Brasilia. Table 2 shows these similarities, which probably derive from the eagerness to avoid delays in implementing the programme. The new mayors seem to have considered the programme's implementation their social priority, and thus they did not promote studies which could lead to establishing parameters and programme design tailored to local socio-economic conditions. Such studies would certainly have postpone and eventually shown the non-viability of the programme. Taking less than half the minimum wage as the basic measures of poverty incidence, as those presented in Table 1, it is obvious that Brasilia, Belém and Belo Horizonte faced quite different conditions for effectively assisting their target population. The selection criteria deserve some general comments.

- the per capita family income benchmark established in Brasilia was also adopted in Belém, and it presently corresponds to R\$65, which is very similar to the reference value in Belo Horizonte. Since these areas present specific characteristics in terms of level of income and poverty incidence, it is obvious that the use of these parameters have locally different impacts in terms of programme cost and attractiveness, if all families satisfying the programme's criteria are to be assisted.
- the presence of children as a requirement is justified by the programme's rationale: education as the basic tool to overcome poverty. Belém adopted a wider age span, thus including not only families with children within the seven to fourteen year age bracket, when school attendance is mandatory according to federal law, but also four to six year olds. Guaranteeing school vacancies for these younger children is an obvious difficulty, since Belém's public school system does not even have the capacity for children within the seven to fourteen year age bracket.
- since the programme depends on local initiatives and financing, it is a selection criterion related to the period the family has lived in the area is indispensable. Poverty incidence being widespread in Brazil, this is the way to avoid the programme fostering immigration of poor families. Belém, where immigrants do not constitute an important contingent among the poor, has established a criterion less strict than the one adopted in the Federal District and Belo Horizonte.

Table 2. Basic criteria for benefit concession Federal District, Belo Horizonte and Belém

Criteria	Federal District	Belo Horizonte	Belém
Per Capita Family Income			
• formal criteria (income per capita)	0.5 minimum wage	65.64 UFIR's*	0.5 minimum wage
• in Nov/98 R\$	65.00	63.09	65.00
Presence of Children (age bracket)	7 to 14	7 to 14	4 to 14
Minimum period of residence	5 years	5 years	3 years

Minimum wage at R\$130 in November 1998

*UFIR – Unidade Fiscal de Referência. Monetary unit created for fiscal purposes. It became widely used as reference value because it was indexed to inflation.

Source: (Lavinias, 1998).

The income criterion has a crucial role in publicizing the programme among poor families: it is an objective indication of the level of income for those who intend to apply. Nevertheless, given the difficulties of proving the level of income where a significant part of family income is derived from informal labour and unregistered sources in general, income consists of just one among a large set of variables used for selection. In order to circumvent the lack of trustworthiness on reported income, a score system was conceived. It takes into account various aspects of the applicant's living standards - such as characteristics of the family group, forms of engagement in the labour market, characteristics of home comfort and assets. These are investigated at the time of enrolment and used for establishing family file. A subsequent visit to the family home allows the social worker to verify whether the living conditions are in accordance with reported income. The families that achieve a certain level of points are selected. The score system and the visiting process are essential, both to guarantee a data base - which is needed for the follow-up of the families and for programme evaluation - but also to avoid fraud, thus assuring good targeting.

Based on Brasilia's experience, both Belém and Belo Horizonte formally adopted the score system. It is an essential feature of the selection process, since it generates the ranking that effectively differentiates the families who apply according to local policy priorities. Belo Horizonte adopted the Brasilia's reviewed system. Belém's score system is practically the same used initially in Brasilia, which has been abandoned for having logical inconsistencies. In both cases, it would have been more adequate to use systems which take into consideration local characteristics of poverty as well as social policy priorities.

Table 3. School Scholarship Programme coverage in the different areas

Areas	Number of families	
	Income below half the minimum wage*	Receiving benefit **
Belém	44 762	4 423 (June 1998)
Belo Horizonte	51 730	3 300 (planned Dec. 1998)
Brasilia	59 926	25 312 (Jan. 1999)

* Estimates obtained from PNAD-1996 (Special tabulations by S. Rocha)

** Information from the local programmes

Table 3 summarizes programme coverage in the three areas, by comparing the estimated number of families meeting the income criteria with those actually receiving the benefit. The next two sections present a more detailed analysis of poverty incidence and adequacy of programme design to the local conditions in Belo Horizonte and Belém.

3. The School Scholarship Programme in Belém

3.1 Design and implementation

Created by the Decree no. 29674 of January the 1st, 1997, it was the very first act of the new mayor, who, during the election campaign, had proclaimed the programme to be his social priority. Although inspired by the Brasilia's programme, its target population is defined less strictly: it includes families with 4 to 6 year old pre-school

children and the residence criteria is shortened to 3 years (see Table 2). Additionally, benefits are paid to families whose children are deemed at social risk.

The programme was hastily put in place. The neighbourhood of Terra Firme was selected for initial implementation on the basis of adverse educational indicators: according to school registers, dropout and failure rates were very high. The area also presented adverse conditions in terms of access to public services. Income level does not seem to have played a major role in the choice of this area.

The Administration's goal was to select 2,500 families in this first stage. Reportedly only 2,484 families in Terra Firme applied. Social workers handpicked sixteen additional families in the delimited area. All families began to receive the benefit in March 1997, thus only two months after the programme was formally created.

Guaranteeing school vacancies for all four to fourteen year old children from selected families was certainly a major operational problem. Children were enrolled in public schools, but educational services at all levels, including those for children below the literacy age, had to be provided by private schools under specific contracts with the local government. Sixty schools in the neighbourhood or close to the mother's working place provided the needed vacancies for more than 8,000 children assisted by the programme.

From January to April 1998 the beneficiaries in Terra Firme were subjected to a new re-registration procedure and 80 were excluded from the programme, thus creating an equal number of vacancies. Despite the limited number of scholarships available, the number of applicants in the second selection round was much larger than in 1997: around 3,000 families applied. Among these, 1,900 met the programme's selection criteria. On the basis of the score system 121 families were visited for the ultimate selection of 80. These newly enrolled families began to cash the monetary benefit in July 1998. Thus, in the second year it took more time to select 80 families than in 1997, when 2,500 were enrolled.

In 1998, the programme was expanded to three new neighbourhoods located in three different administrative districts of Belém: Paracuri (in DAICO), Pantanal (in DABEM) and Vila da Barra (in DASAC). These areas were delimited by the Urbanism Secretariat on the basis of criteria different from those used for implementing the programme in Terra Firme in 1997. Reportedly these areas were chosen and physically delimited on the grounds of particularly adverse living conditions, that is, high incidence of child mortality and malnutrition. The procedure for selecting families also changed. Instead of announcing the programme and ranking the applicants on the basis of the score system, all families in delimited areas were visited and the information form filled by social workers. This operation was publicized as a routine school census and the fact that information collected would ultimately lead to the selection for the School Scholarship Programme was not communicated to potential clientele. This process resulted in the selection of 1,500 families in the three areas.

The implementation of the Programme in Belém has a specific characteristic: it includes among its beneficiaries a significant number of children reputed to be at risk and under the custody of social assistance institutions. In this case the selection is not based on the family's characteristics, but on the child's. The monetary benefit is paid to the family even when the child is institutionalized. Social assistance institutions are

selected by a foundation - the FUNDAPA - in charge of coordinating local social actions. Age and income criteria are not strictly enforced and beneficiaries are selected on a case-by-case basis, with no clear justification. In 1997, 500 benefits were allocated to this category of beneficiaries and additional 300 in 1998.

Table 4. Number of families receiving the benefit and corresponding number of children in different age brackets according to selected areas - June 1998

Criteria / Areas	Number of benefits	Number of children according to age-group				Total
		0 – 3 years	4 – 14 years	15 – 18 years	over 18 years	
Family selection	3 624	1 261	8 351	1 739	1 581	12 932
Terra Firme	2 352	621	5 489	1 225	946	8 281
Aura	45	34	119	30	43	226
Pantanal	655	326	1 500	277	325	2 428
Paracuri	446	237	977	153	176	1 543
Vila da Barca	126	43	266	54	91	454
High risk children selection	799	313	2 090	716	543	3 662
Total benefits	4 423	1 574	10 441	2 455	2 124	16 594

Source: Prefeitura Municipal de Belém

Table 4 shows the number of families receiving the benefit in 1998, and the corresponding number of children within different age brackets. The payment of around 4,400 monthly stipends relies exclusively on resources from the Mayor's office. Personnel from the Education Secretariat, FUNDAPA and other local institutions are responsible for the programme's current operation. Continuity and further expansion of the programme in 1999 depends on resources assigned in the local budget, the elaboration of which is to be a process mobilizing the population and grass roots institutions of all sorts.

3.2 Simulations on poverty profile and incidence

Poverty incidence in Belém is relatively high among Brazilian metropolitan nuclei. Located in the Northern region, Belém follows the well-known geographical pattern of presenting more adverse social and economic indicators than the more developed Southeast and Southern areas. When using half a minimum wage as the poverty line, Belém had around 45,000 poor families in 1996, thus ranking fourth among the nuclei as far as the proportion of poor families is concerned (Table 1).⁵

Applying the other two conditions for receiving benefit considerably reduces the number of eligible families. Table 5 shows that of the 45,000 families below the poverty line, only 21,000, less than 50 per cent, have children between 4 and 14 years old and have lived in Belém for the last three years. Transferring one minimum wage monthly⁶

⁵ Since these results are obtained from the PNAD sample, restricting the number of individuals associated with a certain group of characteristics implies the sample error.

⁶ The average minimum wage (R\$108) in 1996 was used in these estimates.

would have represented an expenditure of R\$27.2 million in 1996, corresponding to 12 per cent of the municipality's current receipts in that year (R\$228,94 million). It is noteworthy that these estimates exclude the child at risk component for family selection. This clientele corresponds to 18 per cent of the total number of families presently assisted by the programme. Thus it seems that assisting the target population delimited by the criteria now adopted by the programme would demand financial resources that are clearly beyond local possibilities.

Table 5. Poverty line at half the minimum wage number of families according to different criteria Belém - 1996

	Without residence criteria		Criterion of 3 years residence	
	Number	%	Number	%
Families	44 762	100.0	42 433	94.8
with 4-14 years old	28 358	63.4	21 175	47.3

Special tabulations by S. Rocha. Source (IBGE / PNAD, 1996).

Table 6 illustrates the use of the three basic criteria - income, presence of children and period of residence in Belém - in order to evaluate the possibility of matching of size the target population to local financial capability.

Table 6. Targeting simulation - Belém number of families according to different parameters

Condition	Number of families	Difference from present target	% of present target
Present target population	27 175	-	100.0
Restricting the age bracket to 7-14 years old	21 213	5 962	78.1
Increasing the period of residence to 5 years	21 068	6 107	77.5
Reducing income to quarter of minimum age	8 136	19 039	29.9
Including families with 4 to 6 year old children	12 901	14 274	47.5
Including families having lived in Belém for 4 or 5 years	13 188	13 987	48.5

Special tabulations by S. Rocha. Source (IBGE / PNAD, 1996)

Restricting the age bracket to families with seven to fourteen year old children, thus at the age when schooling is mandatory, reduces the target population by 22 per cent. In order to narrow the number of eligible families, changing this condition is not very attractive. Nevertheless, where the target population is so large and obviously beyond financial and managerial possibilities, making the population more homogeneous may represent an important operational advantage. Although assisting pre-school children may be a government priority, eventually more important than assisting children seven to fourteen year olds and their families, a different kind of assistance required, particularly a diverse form of programme's anchorage in the school system. It seems more convenient to create a specific programme targeted at poor families with zero to six year olds.

Table 6 shows the effect of progressively changing the criteria. The adoption in Belém of a longer period of residence has a very marginal role in reducing the target population, unlike areas where the pool of recent migrants constitutes a sizable

proportion of poor families. Thus, the 3 year residence requirement may be maintained without significantly affecting the size of the target population.

The target population is drastically affected by the change in the income limit from half the minimum wage to a quarter. Assisting the estimated 8,136 families would nevertheless still have represented expenditures of R\$10.5 at 1996 prices, corresponding to 4.6 per cent of Belém's current receipts. Adopting the new income benchmark while maintaining the two other criteria would increase the target population in 18 percentage points - from 29.9 per cent to 48.5 per cent - to 13 thousand families.

The size of the target population when the 1/4 minimum wage is used as income criterion, although significantly reduced, is still large. Concerning this fact, it is noteworthy that the per capita family income in Belém is relatively low - 64 per cent the value of the one in Brasilia, for instance (Table 1). This suggests that the adoption of both the income criterion and value of benefit below those presently used could be more in accordance with local conditions. Reducing both the income criterion - to a quarter minimum wage - and the value of the benefit - to a half minimum wage - but maintaining the other two criteria, would have still represented expenditures equivalent to 3.8 per cent of Belém's current receipts in 1996.

3.3 Recommendations

The foregoing simulations based on the PNAD data for 1996 indicate that the programme's design and parameters should be adjusted to promote a better fit between the target population and financial resources that can be allocated to the programme. It is noteworthy that the above estimates include only monetary transfers. Administration and other costs, particularly in the complementary social programmes needed if the School Scholarship Programme is to generate all its potential benefits, were not considered. Additional resources are urgently needed to guarantee school places in the public system; private schools can only be relied upon in an emergency since depending on them poses obvious problems in terms of providing a comprehensive safety net for assisted families.

As shown above the incompatibility between the size of the target population and the amount of available resources became evident during the second selection families in Terra Firme in early 1998. Thus the new procedure for area and family selection makes sense.

The careful choice of areas within the city where poverty incidence is high and living conditions very adverse may be the best way to trim the poorest among the poor, but it makes the basic criteria superfluous. If resources are scarce and the selection of families is essentially based on their ranking in the points system, both the income criterion and the points system need to be changed.

The income condition should be placed at a realistic level, so that families who meet the parameter and are not selected do not feel betrayed. Nevertheless, if selection of families is not to depend on income but on a census of families for a given area, there is no reason for maintaining the income benchmark, especially if the points system attributes a marginal importance to it, as is the case today. For instance, when per capita

income increases from R\$0-16 to R\$17-32, the family loses 15 points, while an illiterate applicant represents 50 points and his illiterate spouse, additional 50 points.⁷

The present score system is inefficient for selecting families among a group which is already quite homogeneous, since it is composed of families living in the same area, thus probably subjected to the same deficits in terms of access to basic public services (electricity, water, sewerage, transportation, etc.). Nevertheless, it may still be useful to evidence inconsistencies in the choice among areas, thus indicating how to improve targeting. Families who receive the benefit in Terra Firme, where the programme was first implemented, probably total, on average, a much lower number of points than those living in the poorer areas which were delimited for the programme's expansion in 1998. The fact that, according to data processed by the programme, the level of income among selected families in Terra Firme and in the new areas differ only slightly (Table 7) shows that reported income is a poor indicator and that the score system is crucial for good selection and targeting. To calibrate the points system to make it reflect social policy priorities is essential for improving programme design.

Re-registration, at least annually, is recommended in order to guarantee adequate targeting, as well to provide data for evaluation. In Belém more than 50 per cent of recipient families live in Terra Firme, thus being relatively better off than families who were selected during the second round, in 1998. In this case, to improve targeting under severe financial restrictions will certainly represent an important operational and political challenge.

Table 7. Income according to areas - 1998

Area	Family income	(R\$)
		Family per capita income
Terra Firme	169.9	34.0
Pantanal	186.0	34.9
Paracuri	169.4	33.5
Vila da Barca	185.6	34.5

Source: Prefeitura Municipal de Belém.

If families of children at risk are considered a different clientele, thus requiring a specially tailored assistance programme, the School Scholarship Programme becomes much more manageable. Nevertheless, allocating scarce resources between different programmes requires making explicit the political choices involved. Not only are financial resources scarce, but personnel and administrative means also lack to run a safety net for Belém's social deficits.

It is important that social assistance policy is not limited to transferring income to selected families, but that the programme operates as an anchor to a comprehensive social net for the poorest. Providing adequate health, nutrition and educational assistance for the families - selected or not - in the areas of programme implementation,

⁷ As indicated earlier, points attributed to adverse characteristics of the spouse unduly reduce the number of points obtained by single parent families.

must be a goal commanding higher priority than guaranteeing the selected families monthly payments. If the monthly stipend were reduced to half a minimum wage, it would still represent a significant help to families. Nevertheless, its value probably would be less at odds with the level of local income level, providing part of the badly needed cash for complementary assistance.

If the programme is perceived as an adequate tool for alleviating absolute poverty, it may be possible to obtain the much needed additional resources from private enterprises, international agencies and civil society organizations. These resources should preferably be earmarked for precise objectives, allowing donors to verify the benefits of their contributions. The respect of strict operational procedures, as well as efficient and permanent monitoring and publication/divulgement of results are essential conditions for obtaining regular external support.

4. The School Scholarship Programme in Belo Horizonte

4.1 Characteristics of implementation

Created in 1996 (Municipal Law 7,135), the School Scholarship programme was *de facto* implemented in August 1997. It perfectly emulates Brasilia's experience in terms of criteria for defining the target population - both the publicized criteria, that is income, period of residence and presence of seven to fourteen years old children (Table 2) - and the score system. It also transfers to the selected families the same value as in Brasilia, one minimum wage monthly.

Announcing the programme in Belo Horizonte and making the call for registration in the two pilot areas⁸ - Barreiro and Leste have created long waiting lists leading to protests and street fights. The registration process resulted in 7,503 applications, of which 5,900 reportedly met the programme's three basic criteria. Of these, only 606 were actually receiving the monthly benefit by the end of 1997 (Lavinás, 1998). Their average per capita income was R\$23, the equivalent of 19 per cent of the minimum wage, thus well below the half minimum wage income parameter established by the programme as eligibility criterion.

The programme was expanded to five other areas during 1998, increasing the number of families who received the benefit to 2,900 by November 1998. It is noteworthy that the number of families who applied reached 27,600. Despite the growing number of recipients, the programme is probably assisting a reduced proportion of those who qualify. Table 8 presents the programme's implementation schedule in Belo Horizonte according to the "*regionais*".

⁸ Belo Horizonte is divided into nine planning areas. The two areas were selected for being the poorest according to studies led by the local government based on the Demographic Census and municipal data.

Table 8. Programme's implementation according to "regionais" - 1998

"Regionais"	No. of applicants	Number of families receiving the benefit											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Barreiro	4 323	300	400	500	500	500	500	500	500	500	500	500	500
Leste	3 180	300	400	500	500	500	500	500	500	500	500	500	500
Norte	2 745		200	200	300	400	500	500	500	500	500	500	500
Nordeste	2 472						200	200	300	400	400	500	500
Venda Nova	2 986									200	300	400	400
Centro-Sul	2 700										200	300	300
Oeste	2 999											200	200
Noroeste	4 342												
Pampulha	1 860												
TOTAL	27 607	600	1 000	1 200	1 300	1 400	1 700	1 700	1 800	2 100	2 400	2 900	2 900

* Programme began to operate in August 1997.
Source (Prefeitura Municipal de Belo Horizonte, 1998).

Table 9 presents the programme's evolution and perspectives for 1999. The goal is to double the number of families assisted by December 1999. The Executive proposal for the 1999 budget allocates resources, which are needed to transfer 6,600 monthly benefits by the end of year, thus below the 7,500 in the initial proposal.

Table 9. School Scholarship Programme in Belo Horizonte evolution of the number of families receiving the monthly benefit

Date	No. of families
December 1997	606
November 1998	2 900
December 1998*	3 300
May 1999*	4 500
December 1999*	6 600

Source: Prefeitura Municipal de Belo Horizonte.
* Planned.

The announced goal for May 1999 was to cover 500 families in all of the "regionais". Since income level, poverty incidence and access to basic public services vary among these areas, the pool of beneficiaries will certainly show unwanted inequalities.

4.2 Simulations on poverty profile and incidence

Belo Horizonte, the third largest Brazilian metropolis, is located in the Center South, which implies lower levels of poverty incidence than in the North-Northeast where Belém is located. Data in Table 1 show how the proportion of families below the half minimum wage benchmark raises between regions. Belo Horizonte had 51,730 families holding per capita income lower than half the minimum wage in September

1996, corresponding to almost 9 per cent of the total number of families living in the municipality.

When the programme's other two criteria are adopted, the target population decreases significantly. Just the presence of children in the seven to fourteen year old bracket reduces the number of families by more than 40 per cent. Adopting the five years residence criterion further reduces the number of families, but not significantly. Thus, according to the national household survey, there were in Belo Horizonte 26,370 families that met the programme's criteria in September 1996. This is a contingent nine times larger than the number of families who were assisted in November 1998, and still four times the programme's goal for the end of 1999. The payment of monthly stipends to the total number of families who meet the programme's criteria would have corresponded to 3.6 per cent of the municipality's current receipts in 1996 (R\$946.35 million).

Given the size of the target population, and even the number of applicants in well delimited "*regionais*", the programme's administration was forced to over-target in order to select the families who were to receive the benefit. Using the same score system as Brasilia, families were selected according to their ranking among those who met the three criteria in each area. By the end of 1997, family per capita income among beneficiaries was no higher than R\$23, thus still below the R\$63 official benchmark (Lavinias, 1998).

Table 10. Targeting simulation - Belo Horizonte number of families according to different parameters

Condition	Number of families	Difference from present target	% of present target
Families below 1/2 minimum wage	51 730	-	100.00
and with 7-14 years old children	29 921	21 809	57.8
and living in B.H. for at least 5 years	26 370	25 360	51.0
Reducing income criterion to a quarter of the minimum wage	7 861	43 869	15.2

Source (IBGE / PNAD, 1996). Special tabulations.

It is thus interesting to examine how the use of a lower value as income criterion would affect the size of the target population and thus the amount of resources to guarantee monthly payments to all families who qualify. Table 10 presents results for the two per capita income benchmarks, showing that the adoption of a quarter minimum wage as income criterion significantly reduces the target population. When the target population is more narrowly defined - 7,861 families - total benefits paid would have represented R\$10.2 million or 1.1 per cent of current receipts in 1996. Brasilia's programme has established 1 per cent as the upper limit for expenditures on the programme. Nevertheless, given the special political status of the Federal District, its financial restriction is much more comfortable both in absolute and relative terms. In absolute terms, the Federal District had R\$3.4 billion of current receipts in 1996, while in Belo Horizonte they amounted to R\$946.4 million in the same year. In relative terms,

they represent per capita current receipts of R\$1,866 and R\$452, respectively.⁹ It is trivial to observe that reducing the value of the benefit to a half minimum wage per family - which is adequate if the income benchmark is lowered - would correspond to 0.54 per cent of current receipts (Table 11).

Table 11. Target population and estimated programme cost Belo Horizonte - 1996

	Number of families	Expenditure (R\$ thousand)	% of current expenses
Poverty line at half of the minimum wage	26 370	34 175.52	3.6
Poverty line at quarter of the minimum wage	7 861	10 187.86	1.1

Source (IBGE / PNAD, 1996). Special tabulations by S. Rocha.

4.3 Recommendations

The criteria set for defining the eligible population seem too ambitious to promote the desirable match between size of the target population and available resources. Given the initial flaw in establishing the selection criteria, programme administrators were correct using the score system to select the poorest among the eligible applicants.

The score system is thus a crucially strategic tool. After almost two years of operation, it is recommended that the system inherited from Brasilia be gradually replaced by one tailored to Belo Horizonte, taking into account not only differences in poverty characteristics, but also diverse social priorities and policies. Since the eligible population according to the present criteria is so much larger than that which can be assisted given the financial possibilities, it is important that family selection is not solely based on income, presence of children and period of residence. Among those who qualify, which are the ones who need the additional income the most? Income needs have to be evaluated according to other benefits that are guaranteed by the municipality, especially in terms of health and nutrition.

Since, in practice, the income criterion for eligibility has been lowered, it makes sense to re-examine the value of the benefit. If not, the programme will probably increase income inequality among those who benefit from it and those who are just above the adopted income benchmark. It seems inadequate to make the income criterion stricter - around one fifth instead of one half of the minimum wage per capita income - while maintaining the monthly stipend at one minimum wage. Nevertheless, it is obvious that reducing the value of the benefit may be politically difficult or even impossible. Changing the form of granting benefits - like attributing lower benefits according to the number of children, instead of on a per family basis - may be a way out of the present difficulty. The impact of possible changes on the number and characteristics of eligible families, as well on municipal finance should be carefully and thoroughly analyzed.

⁹ Population according to the 1996 Census (IBGE): Brasilia (Federal District) - 1,821,946; Belo Horizonte - 2,091,448.

The management of how families leave the programme becomes an important aspect of the programme's operation in Belo Horizonte because of the large number of eligible, but not beneficiary families.¹⁰ It seems that monitoring in Belo Horizonte is being made through monthly meeting of groups of families. Even if the monthly meeting schedule is maintained, re-registration, at least yearly, is recommended. Re-registration - that is, requiring beneficiaries families to update their information by filling the complete application forms - has several advantages: a) it is less affected by subjective factors that result from the relationship between the family and the social worker; b) it provides data for ranking the beneficiary family in the enlarged and changing set of eligible families, thus making targeting deviations obvious; c) it provides the much needed data for monitoring and evaluation.

Home visits of all selected families should be maintained, despite their high cost. It is important that families who have re-registered and are selected again are visited as well as the newcomers. Procedures to guarantee fairness in selection and to avoid fraud should be well publicized and strictly followed. The successful achievement of the social policy goals depends on this as much as it depends on more technical characteristics of programme design and operation.

5. Conclusions and recommendations

High poverty incidence is the central question when considering the adoption of a minimum income programme at local level in Brazil: not only is the population below the poverty line large, but there is a wide array of unmet needs and not enough resources to satisfy them.

Thus, low income leading to an inadequate level of private consumption is just one among many characteristics of absolute poverty in Brazil. From the income point of view, alleviating poverty through income transfers seems a legitimate policy objective if other policies are also aimed at breaking the vicious circle of poverty.

The decision to adopt a minimum income programme should therefore take into consideration the magnitude of other social deficits, especially those faced by the poor, and the means that are available to reduce/eliminate them. Access to the labour market and to sanitation and to basic educational and health services is to be guaranteed as the core of any anti-poverty programme. Where large public service deficits occur, like in most Northern/North-eastern nuclei (Table 4) there seems to be a clear conflict between using scarce financial and managerial resources for these basic services or for a minimum income programme. The later requires careful and experienced targeting and monitoring, thus absorbing resources that are badly needed for assuring essential universal services. In this sense, for instance, if public health clinics are unable to guarantee basic maternal and child health care and similar essential preventive health

¹⁰ In Brasilia, recipient families have been kept in the pool of beneficiaries independently of the period they have been receiving the benefit, because there is not a serious financial constraint. Also, attributing a bonus in terms of points to those families who are already in the programme, is easier in Brasilia. The points bonus aims at avoiding that families move in and out of the programme because of slight changes in their living conditions.

services, implementing a minimum income programme is probably not a sound decision.

Because of the importance of its targeting requirement, the minimum income programme is the ideal anchor for the multi-dimensional assistance network designed to meet the different needs that characterize absolute poverty. In areas where poverty incidence is high, the adoption of the minimum income programme is necessarily restricted to precisely delimited neighbourhoods or sub-areas, where most residents are poor according the income criterion and living conditions are particularly adverse. In these cases, area targeting replaces family targeting, and the minimum income programme becomes a component of a global anti-poverty "big push" aimed at all families and individuals according to their profiles.

Simulations based on household survey data show that poverty incidence from the income point of view is high and widespread, even in the Brazilian metropolitan nuclei, where living conditions are certainly more adequate than in other areas. Total expenditure of the country on monetary transfer to all families below the half minimum wage benchmark would require almost one billion reais at 1996 prices, corresponding to 6.8 per cent of metropolitan nuclei and Brasilia's current receipts. Nevertheless, when areas are considered per se, there is a clear differentiation concerning financial limitations in the North/Northeast nuclei compared to those located in the other regions.

Introducing additional criteria for family selection, like the presence of children in the seven to fourteen year old bracket, reduces the target population, but requires the programme to be tailored to this specific sub-group. Furthermore, if the programme is to be targeted at families with seven to fourteen year old children and anchored in the school system, it should be explicit that this is an anti-poverty policy aimed at a certain subgroup of the poor. It should be defined which policies are aimed at other groups, like low income families with younger children or poor youngsters and at what cost.

A minimum income programme is certainly not the unique tool for poverty alleviation; thus the decision to implement an anti-poverty programme - minimum income or other - should take into account specific local conditions in terms of financial possibilities and poverty incidence and characteristics. The School Scholarship Programme, inspired by Brasilia's pioneer and successful experience, has been adopted in Belo Horizonte and Belém, under quite distinct conditions in terms of potential clientele and resources without the required adaptations.

Selecting a subgroup among those who meet the selection criteria after the programme has been put in place requires one or several initiatives among the following:

- changing the selection criteria in order to reflect local characteristics of the poorest.
- obtaining complementary resources from the private sector, international organizations and other government levels to help finance the programme. It is noteworthy that Federal support to local programme as defined by the 1998 decree is restricted to the poorest municipalities in each state, thus certainly excluding the metropolitan nuclei.

- defining different programmes to assist different categories of poor families. A minimum income programme under the School Scholarship format could be conceived to help families with seven to fourteen year old children, while other programmes should be targeted at other types of poor families. The question is, how much from the local budget is possible to allocate to poverty alleviation programmes - minimum income and other? What is the relative emphasis, in terms of financial and other local resources, to be attribute to each one of the programmes?

The essential question concerns how to select priorities for poverty alleviation and for social policy as a whole considering financial and other resource restrictions. Where public social services are clearly inadequate, the introduction of a large scale minimum income programme should be carefully examined. Whenever the municipality is still unable to offer basic educational and health services, should it choose to go through the complex family selection and monitoring mechanisms required for minimum income programme implementation? When poverty and unmet social needs are widespread, minimum income programmes should, at best, be part of a massive and integrated social assistance effort in well delimited areas, where living conditions are critically adverse even according to local parameters. In these cases, the value of the monthly stipend should take into consideration the average level of income in the community to be assisted, that is, it should be set well below the one minimum wage currently adopted for transfers in Brasilia, Belém and Belo Horizonte.

The smaller the deficits in terms of public services and social infrastructure, the more unmet needs depend on income and private consumption. As the deficit of basic public services is gradually reduced, income assistance through a minimum income programme may become the core of the poverty alleviation policy, in which creating labour market opportunities and promoting social integration are other essential mechanisms.

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