

Rocha, Sônia

Working Paper

Applying minimum income programs in Brazil two case studies: Belém and Belo Horizonte

Discussion Paper, No. 92

Provided in Cooperation with:

Institute of Applied Economic Research (ipea), Brasília

Suggested Citation: Rocha, Sônia (2015) : Applying minimum income programs in Brazil two case studies: Belém and Belo Horizonte, Discussion Paper, No. 92, Institute for Applied Economic Research (ipea), Brasília

This Version is available at:

<https://hdl.handle.net/10419/220181>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

92

DISCUSSION PAPER

Originally published by Ipea in July 2000 as number 746 of the series Texto para Discussão.

APPLYING MINIMUM INCOME PROGRAMS IN BRAZIL TWO CASE STUDIES: BELÉM AND BELO HORIZONTE

Sonia Rocha



Originally published by Ipea in July 2000 as number 746 of the series Texto para Discussão.

Brasília, January 2015

**APPLYING MINIMUM INCOME PROGRAMS
IN BRAZIL TWO CASE STUDIES: BELÉM
AND BELO HORIZONTE**

Sonia Rocha¹

1. Da Diretoria de Estudos Sociais do Ipea.

Federal Government of Brazil

**Secretariat of Strategic Affairs of the
Presidency of the Republic**
Minister Roberto Mangabeira Unger



A public foundation affiliated to the Secretariat of Strategic Affairs of the Presidency of the Republic, Ipea provides technical and institutional support to government actions – enabling the formulation of numerous public policies and programs for Brazilian development – and makes research and studies conducted by its staff available to society.

President

Sergei Suarez Dillon Soares

Director of Institutional Development

Luiz Cezar Loureiro de Azeredo

Director of Studies and Policies of the State, Institutions and Democracy

Daniel Ricardo de Castro Cerqueira

Director of Macroeconomic Studies and Policies

Cláudio Hamilton Matos dos Santos

Director of Regional, Urban and Environmental Studies and Policies

Rogério Boueri Miranda

Director of Sectoral Studies and Policies, Innovation, Regulation and Infrastructure

Fernanda De Negri

Director of Social Studies and Policies, Deputy

Carlos Henrique Leite Corseuil

Director of International Studies, Political and Economic Relations

Renato Coelho Baumann das Neves

Chief of Staff

Ruy Silva Pessoa

Chief Press and Communications Officer

João Cláudio Garcia Rodrigues Lima

URL: <http://www.ipea.gov.br>

Ombudsman: <http://www.ipea.gov.br/ouvidoria>

DISCUSSION PAPER

A publication to disseminate the findings of research directly or indirectly conducted by the Institute for Applied Economic Research (Ipea). Due to their relevance, they provide information to specialists and encourage contributions.

© Institute for Applied Economic Research – **ipea** 2015

Discussion paper / Institute for Applied Economic

Research.- Brasília : Rio de Janeiro : Ipea, 1990-

ISSN 1415-4765

1. Brazil. 2. Economic Aspects. 3. Social Aspects.
I. Institute for Applied Economic Research.

CDD 330.908

The authors are exclusively and entirely responsible for the opinions expressed in this volume. These do not necessarily reflect the views of the Institute for Applied Economic Research or of the Secretariat of Strategic Affairs of the Presidency of the Republic.

Reproduction of this text and the data it contains is allowed as long as the source is cited. Reproductions for commercial purposes are prohibited.

SUMÁRIO

RESUMO

ABSTRACT

1 - INTRODUCTION.....	1
2 - THE SCHOOL SCHOLARSHIP PROGRAM — APPLICABILITY AND CRITERIA	2
3 - THE SCHOOL SCHOLARSHIP PROGRAM IN BELEM.....	6
3.1 - Design and Implementation.....	6
3.2 - Poverty in Belem — Incidence and Profile	8
3.3 - Recommendations	10
4 - THE SCHOOL SCHOLARSHIP PROGRAM IN BELO HORIZONTE.....	12
4.1 - Characteristics of Implementation.....	12
4.2 - Poverty in Belo Horizonte	14
4.3 - Recommendations	15
5 - CONCLUSIONS AND GENERAL RECOMMENDATIONS	16
BIBLIOGRAPHY.....	19

RESUMO

Este texto examina as experiências recentes de Belém e de Belo Horizonte na implementação de programas de bolsa-escola. O objetivo é verificar em que medida as condições financeiras desses municípios são compatíveis com a implementação do programa de forma a beneficiar uma parcela significativa dos pobres locais. Serão consideradas alternativas tanto para definir a população-alvo com base em características do rendimento e da estrutura da família, como para estabelecer o valor da transferência mensal de renda.

Este texto trata inicialmente da experiência de Brasília, que serviu de inspiração para a adoção do mesmo programa em Belém e em Belo Horizonte. Apesar do fato de as duas municipalidades apresentarem características muito diversas, as quais, por sua vez, se diferenciam marcadamente das de Brasília, ambos os programas adotaram essencialmente os mesmos parâmetros operacionais que o programa do Distrito Federal. Informações derivadas da PNAD são utilizadas para mostrar os limites operacionais com os quais o programa se depara nas duas municipalidades, dados o tamanho da população-alvo e as restrições financeiras. Recomendações específicas são apresentadas com vistas a melhorar a eficácia do programa nos dois casos em estudo.

ABSTRACT

This paper examines the recent experiences of Belém and Belo Horizonte, two metropolitan nuclei where minimum income programs 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 program benefiting a significant share of the total number of the local 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.

The paper initially focuses on Brasilia's experience as the basis for adopting the same policy in Belém and Belo Horizonte. Next it describes the characteristics of program 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 programs essentially adopted most operational parameters from the Federal District's program. Data from the National Household Survey are used to evidence the operational limits which the program faces in these two municipalities, given the size of the target population and the financial restrictions. Specific recommendations are presented to improve program's efficiency in each case.

1 - INTRODUCTION

Designing poverty alleviation policies in Brazil is a priority because even after the July 1994 stabilization plan, poverty incidence remains high, with the proportion of poor being estimated at 21% in 1997.¹ Nevertheless, the heterogeneous characteristics of the poor across the country have constituted a major obstacle in anti-poverty policy design and implementation. Financial constraints have been the greatest difficulty in conceiving and implementing a minimum income program on a national basis. In spite of the difficulties, society's concern about poverty has led many municipalities² to lay the legal grounds for implementing minimum income programs as a local initiative.

The Federal District's School Scholarship Program is a good example of cash transfers in a relatively wealthy milieu, successfully targeted and monitored. After three years of operation, the program has shown good results in terms of focus and coverage [Sabóia and (Rocha 1998)], which means family living conditions have improved insofar as these depend on income and consumption within the private realm.

Although the program has achieved 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, where there is a high proportion of poor (in terms of income), along with severe deprivation in many aspects of living conditions. Additionally, municipal governments face financial and managerial limitations in implementing the program.

This article examines the recent experiences in Belém and Belo Horizonte, two metropolitan nuclei where minimum income programs have been implemented. The idea is to verify to what extent each of these municipalities' financial conditions seem compatible with the implementation of a program 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 amount of the monthly stipend. The choice of these municipalities has an empirical justification, beyond Belo Horizonte's and Belém's demographic and economic importance. In these municipalities, the National Household Survey (PNAD/IBGE) sample, dimensioned to be representative of metropolitan area, is large enough to allow for analysis of the program's feasibility on the basis of different target population characteristics.

The article is divided into five sections, including this introduction. Section 2 focuses on Brasilia's experience, which was the basis for adoption of the same

¹ The proportion of poor dropped from 30% in 1993, stabilizing at around 20% in 1995 and 1996. See 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 nucleon.

policy in Belém and Belo Horizonte, two nuclei where the program has been implemented by local administrations serving the 1997/2000 term. Sections 3 and 4 describe the characteristics of program design and operation in Belém and Belo Horizonte. Despite the fact that these two municipalities display quite different characteristics, which are in turn quite distinct from Brasília's, both programs essentially adopted most of the Federal District program's operational parameters. Data from the national household survey are used to evidence the operational limits that the program faces in these two municipalities, given the size of the target population and financial constraints. Specific recommendations are presented at the end of each section, while general ones are presented in Section 5.

2 - THE SCHOOL SCHOLARSHIP PROGRAM — APPLICABILITY AND CRITERIA

Targeted at child-bearing low-income families, the Federal District's minimum income program is becoming the widespread model for minimum income programs in Brazil. It has three obvious advantages over a more generalized minimum income program.

First, it permits reduction of the target population, which may be a justified goal when allocable resources might not be enough to supplement income for all families with a per capita income below the adopted poverty line. Although poverty incidence as measured by per capita family income is higher among families with children because of their dependence ratio and life cycle, targeting these families significantly reduces the eligible pool.

Second, this approach alleviates poverty while simultaneously acting on its causes. Guaranteeing better levels of schooling among poor children is the most basic tool in breaking the vicious circle of poverty.

Third, it anchors the program in the educational system, which, although not the ideal solution, has clear advantages in the absence of a well-developed, modern³ social assistance system. As a matter of fact, since the program has the ability to detect social deficits and promote integrated actions to minimize them, it should preferably be operated through the executive branch, so as to effectively coordinate and bring together anti-poverty policies under the responsibility of different government branches.

The fact that Brasília's program is unanimously considered a success has prompted other municipalities to emulate its format and parameters, instead of considering their own characteristics in establishing local program design. The number of families having a per capita family income below 50% of one

³ A *modern* system is one that steers clear of philanthropic practices, using objective criteria in the selection of beneficiaries and in monitoring and evaluation.

minimum wage⁴ and their proportion of the total number of families in each area already show there are significant differences in poverty incidence among metropolitan nuclei (Table 1). There is also a clear regional duality, with poverty incidence in the North/Northeast being higher than in the Center-South. On the basis of this indicator alone, Belo Horizonte, where low-income families represent 9% of the total, faces a much more modest challenge in providing direct assistance than does Belém, where poor families constitute almost 20% of the total number of families living in the municipality.

Table 1

Selected Indicators: Municipalities and the Federal District — 1996

Municipalities and the Federal District	Family Income (R\$)		Families Below 0.5 MW		Adequate Public Services ^a (%)		
	Total	Per capita	Number	(%)	Waste	Water	Sewer
North / Northeast							
Belém (N)	965	308	44,762	19.66	87.84	81.16	8.31
Fortaleza (NE)	814	254	114,726	21.77	91.40	73.80	12.78
Recife (NE)	809	285	76,308	19.84	90.03	85.96	29.05
Salvador (NE)	898	318	148,323	23.11	89.53	89.44	42.64
Center-South							
Belo Horizonte (SE)	1307	452	51,730	8.95	93.50	96.62	87.86
Rio de Janeiro (SE)	1410	558	113,874	6.28	97.50	97.13	69.95
São Paulo (SE)	1547	538	168,298	6.11	99.16	98.93	86.42
Curitiba (S)	1589	567	13,791	3.26	98.62	97.86	47.93
Porto Alegre (S)	1563	633	30,099	6.88	98.64	95.58	33.89
Federal District (C)	1435	480	59,926	12.01	94.99	86.96	72.67

Source: IBGE / PNAD 1996.

^a Data refer to 1995.

Concepts refer to the number of persons enjoying the following:

Adequate water = public pipeline system and inside plumbing;

Adequate sewerage = available public sewer system;

Adequate waste disposal = collected directly or indirectly.

The Federal District's income and poverty indicators seem relatively more adverse because they are not strictly comparable to those from the other areas. The Federal District encompasses both the central area of the district itself (the so-called Pilot Plan) as well as the surrounding "satellite cities", which means that it corresponds to a greater metropolitan area. Contrary to what occurred in Belém and Belo Horizonte, in Brasilia the program encompassed the Federal District's satellite cities, where poverty incidence is higher than in the central Pilot Plan. There are no plans to expand the program to the Pilot Plan, where most low-income families are domestic workers, whose living conditions are not directly related to their monetary income.

⁴ In Brazil, the minimum wage is legally defined at a monthly rate. For example, a minimum-wage laborer working a 40-hour week received R\$130 per month in November 1998. Income is often measured in fractions or multiples of this monthly figure.

Despite the obvious differences not only in terms of poverty incidence from an income point of view but also of average income and public service deficits, which affect the poor more directly, programs implemented in Belém and Belo Horizonte closely follow parameters adopted in Brasilia. Table 2 shows these similarities, which probably stem from an eagerness to avoid delays in program implementation. The new mayors seem to have considered the program their social priority, and they did not take time to conduct studies that could lead to parameters and program design tailored to local socioeconomic conditions. In addition to postponing program implementation, such studies might even indicate program non-feasibility. Using a basic measure of poverty incidence as the departure point (Table 1), the selection criteria adopted in Brasilia, Belém and Belo Horizonte show that conditions for effectively assisting target populations differ greatly between areas. The selection criteria deserve some general comments:

- a) The per capita family income benchmark established in Brasilia was also adopted in Belém. By the end of 1998 it corresponded to R\$ 65, quite similar to the reference value in Belo Horizonte. Since these areas display unique characteristics regarding income level and poverty incidence, it is obvious that use of these parameters will have locally different impacts in terms of program cost and attractiveness, if all families satisfying program criteria are to be assisted.
- b) The requirement that the family have children is justified by the program's rationale: education as the basic tool for overcoming poverty. Belém adopted a broader age span, thus including not only families with children within the seven to 14 age bracket (when school attendance is mandatory under federal law) but also within the four to six bracket. Guaranteeing that there are places in school for these younger children is an obvious difficulty, since Belém's public school system is not even large enough to guarantee places for children from seven to 14.
- c) Since program implementation depends on local initiatives and financing, it is inevitable that one of the selection criteria involve the period that the family has lived in the area. Since poverty incidence is so widespread in Brazil, this keeps the very existence of the program from encouraging the migration of poor families, attracted by the monthly stipend. Belém, where immigrants do not constitute an important contingent among the poor, has established a less stringent criterion than that adopted in the Federal District and in Belo Horizonte.

The income criterion has a crucial role when publicizing the program among poor families: it is an objective indication of income level for those intending to apply. Nevertheless, given the difficulties of proving income level when a significant part of family income is derived from informal labor and unregistered sources in general, income is just one among a large set of variables used for selection. A

score system was conceived to circumvent this lack of trustworthy figures on reported income. It takes into account various aspects of the applicant's living standards, such as characteristics of the family group, forms of engagement on the labor market, and household comfort and assets (e.g., size of home, construction standards, person/room, electrical appliances etc.) Applicants are questioned about these at the time of enrollment and the information is used in setting up a family file. A subsequent visit to the family home allows the social worker to verify whether 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 in order to guarantee a data base (which is needed for follow-up and for program evaluation) and also to avoid fraud, thus assuring good targeting.

Table 2
Basic Criteria for Granting Monthly Stipends

Criteria	Federal District	Belo Horizonte	Belém
Per Capita Family Income			
• Formal Criterion (Per Capita Income)	0.5 MW ^a	65.64 UFIR's	0.5 MW ^a
• 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

Source: Lavinias (1998).

^aMW = Minimum wage, equal to R\$130 per month in November 1998.

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. For this reason it seems senseless to adopt Brasilia's score system for selecting families in different socioeconomic settings. Belo Horizonte adopted Brasilia's revised system. Belém's score system is practically the same as that used initially in Brasilia, which has been abandoned there because of detected logical inconsistencies. In both cases, it would be more adequate to use systems that take into consideration local poverty characteristics as well as social policy priorities.

Table 3 summarizes program coverage in the three areas. These figures may be compared to estimates of how many families would be assisted were the income parameter alone applied. The next two sections present a more detailed analysis of poverty incidence and the adequacy of program design vis-à-vis local specificities in Belo Horizonte and Belém.

Table 3

School Scholarship Program — Coverage in the Three Areas

Areas	Number of Families	
	Below .5 MW ^a	Receiving Stipends ^b
Belém	44,762	4,423 (June 1998)
Belo Horizonte	51,730	3,300 (Planned Dec 98)
Brasilia	59,926	23,312 (Jan 99)

^a Estimates obtained from PNAD - 1996 (special tabulations by Sonia Rocha).

^b Information from local programs.

3 - THE SCHOOL SCHOLARSHIP PROGRAM IN BELÉM

3.1 - Design and Implementation

Enacted on January 1, 1997, as the new mayor's very first act in office, Decree no. 29674 created the School Scholarship Program. During his election campaign, the mayor had proclaimed the program his social priority. Unlike Brasilia's program, on which it is inspired, the target population is less strictly defined: it includes families with four to six year-old pre-schoolers, and the residence criterion is shortened to three years (see Table 2). Additionally, stipends are given to families whose children are deemed at social risk.

The program was put in place rather hastily. The neighborhood of Terra Firme was selected for initial implementation on the basis of its adverse educational indicators: according to school registers, dropout and failure rates were very high. The area also displayed 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 during this first stage. Reportedly, only 2,484 families in Terra Firme applied. Social workers hand-picked 16 additional families in the delimited area. All families began to receive monthly stipends in March 1997, that is, only two months after the program was formally created.

Guaranteeing a place in school for all four to 14 year-old children from selected families was certainly a major operational problem. Since there were not enough vacancies in public schools, educational services at all levels (including children below the literacy age) had to be provided by private schools under specific contracts with the local government. Sixty schools in the neighborhood or close to the mother's place of work provided places for more than 8,000 children assisted by the program in Terra Firme.

From January to April 1998, the beneficiaries in Terra Firme underwent a re-registration procedure and 80 were subsequently excluded, thus re-opening 80 places in the program. 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 program's selection criteria. On the basis of the score system, 121 families were visited and 80 ultimately selected. These newly enrolled families began to receive their stipends in July 1998. Thus, in the second year it took more time to select 80 families than it took to enroll 2,500 in 1997.

In 1998, the program was expanded to include three new neighborhoods 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 Department of Urbanism on the basis of criteria different from those used in implementing the program in Terra Firme in 1997. Reportedly, these areas were chosen and physically delimited because they presented very adverse living conditions, that is, high incidences of child mortality and malnutrition. The procedure for selecting families was likewise changed. Instead of announcing the program and ranking the applicants on the basis of the score system, all families in delimited areas were visited and the information form filled out by social workers. This operation was publicized as a routine school census, and the fact that the collected information would ultimately lead to selection for the School Scholarship Program was omitted from the potential clientele. This process resulted in the selection of 1,500 families in the three areas.

In Belém, program implementation has a unique characteristic: it includes among its beneficiaries a significant number of children considered at risk and under the custody of social assistance institutions. In this case, selection is not based on the family's characteristics but on the child's. The monthly stipend is paid to families even when the child is institutionalized. Social assistance institutions are selected by a foundation –Fundapa – which is in charge of coordinating local social actions. According to the program coordination, age and income criteria are not strictly enforced and selection follows a specific rationale. In 1997, 500 stipends were allocated to this category of beneficiaries and an additional 300 in 1998.

Table 4 shows the number of families receiving stipends in 1998 and the corresponding number of children within different age brackets. The payment of around 4,400 monthly stipends is sourced exclusively through the Executive branch. Personnel from the Department of Education, Fundapa and other local institutions are responsible for the program's current operation. Continuity and further expansion of the program in 1999 depends on resource allocation under the local budget, which is to be drafted through a process that will mobilize the population and grass-roots institutions of all sorts.

Table 4

Number of Families Receiving Monthly Stipends and Corresponding Number of Children in Different Age Brackets, by Selected Area — June 1998

Criteria/Areas	Number of Families	Number of Children				total
		0 - 3	4 - 14	15 - 18	+ 18	
Family Selection	3,624	1,261	8,351	1,739	1,581	12,841
Terra Firme	2,352	621	5,489	1,225	946	8,190
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	799	313	2,090	716	543	3,662
Total	4,423	1,574	10,441	2,455	2,124	16,503

Source: Prefeitura Municipal de Belém.

3.2 - Poverty in Belém — Incidence and Profile

Poverty incidence in Belém is relatively high when compared to other major Brazilian cities. Located in Northern Brazil, Belém follows the region's well-known pattern of more adverse social and economic indicators as compared to the more-developed Southeastern and Southern areas. When using 50% of one minimum wage as the poverty line, Belém had around 45,000 poor families in 1996, thus ranking fourth among Brazilian metropolitan nuclei when the proportion of poor families is considered (see Table 1).⁵

The other two parameters adopted by the program in Belém significantly reduce the number of families. Those below the family income parameter of 50% of one minimum wage per capita, with children in the four to 14 age bracket and residing in Belém for the last three years totaled 21,000, or less than 50% of the total number of families when the income criterion alone is used (Table 5). Allocating one minimum monthly wage to each family⁶ would have represented an expenditure of R\$ 27.2 million in 1996, corresponding to 12% of the municipality's current revenue for the year (R\$ 228.94 million). It should be noted that these estimates exclude the high-risk child component in family selection, a clientele that corresponds to 18% of the total number of families presently assisted by the program. It thus appears that assisting the target population as delimited by current program criteria would demand financial resources clearly beyond local possibilities.

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

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

Table 5
Poverty Line at 50% of One Minimum Wage — Number of Families According to Different Criteria — 1996

	Excluding Residence Criteria		Min. Three-Year Residence in Belém	
	Number	%	Number	%
Families (Total)	44,762	100	42,433	94.8
With Children (4-14)	28,358	63.35	21,175	47.3

Source: IBGE / PNAD 1996 (special tabulations by Rocha).

Table 6 illustrates the use of the three basic criteria — income, presence of children and period of residence in Belém — in evaluating whether it is possible to bring size of the target population (and thus expenditures entailed in payment of stipends) in line with local financial constraints.

Table 6
Targeting Simulation: Number of Families According to Different Parameters

	Number	Less/More	%
Present Target Population	27,175		
Restricting the Age Bracket to Seven-14	21,213	5,962	78.06
Increasing the Period of Residence to Five Years	21,068	6,107	77.53
Reducing Income to 25% of one Minimum Wage	8,136	19,039	29.94
Including Families with Four to Six Year-Old Children	12,901	14,274	47.47
Including Families Residing in Belém for Four and Five Years	13,188	13,987	48.53

Source: IBGE / PNAD 1996 (special tabulations).

Restricting the age bracket to encompass only families with seven to 14 year-old children (the age when schooling is mandatory) reduces the target population by 22%. Changing this parameter in order to narrow the number of eligible families is not a very attractive alternative. Nevertheless, when the target population is so large and obviously exceeds financial and managerial possibilities, making the population more homogeneous may offer an important operational advantage. In fact, assisting pre-schoolers may be a priority for the municipal government, possibly more important than assisting children in the seven to 14 bracket and their families. However, since a different kind of assistance is required – and, particularly, a distinct form of anchoring the program in the school system – it seems more suitable to create a specific program targeted at this population.

The adoption of a longer residence period has a very marginal role in reducing the target population, contrary to what occurs in areas where the pool of recent migrants constitutes a sizable proportion of poor families. Thus, the three-year parameter may be maintained without significantly affecting the size of the target population.

The target population is drastically affected by dropping the income parameter from 50% to 25% of one minimum wage. Assisting the estimated 8,136 families would still represent expenditures of R\$ 10.5 million at 1996 prices, corresponding to 4.6% of Belém's current revenue. Adopting the new income benchmark and maintaining the present parameters regarding the two other criteria would increase the target population by 18 percentage points, that is, to 13 thousand families.

Although the size of the target population is significantly reduced when 25% of one minimum wage is used as an income criterion, it is still large. In this regard, it is important to note that per capita family income in Belém is relatively low — 64% of the amount in Brasília, for instance (see Table 1). This suggests that adoption of the new income criterion along with application of a lower stipend might be more suitable to local conditions. Reducing both the income criterion (to 25% of one minimum wage) and the amount of the stipend (to 50% of one minimum wage) would still have represented expenditures equivalent to 3.8% of Belém's current revenue in 1996.

3.3 - Recommendations

Simulations based on PNAD data for 1996 indicate that the program's design and parameters should be adjusted to achieve a better fit between the target population and allocable resources. It is worth noting that the above expenditures were estimated using only the amount of monetary stipends. Administrative and other costs, particularly under the complementary social programs that are needed if the School Scholarship Program is to generate all its potential benefits, were not considered. Indeed, additional resources are urgently needed to guarantee places within the public school system. It seems obvious that private schools are an option to be turned to only in an emergency, since depending on them as suppliers of educational services poses obvious problems in terms of providing a comprehensive safety net for assisted families.

The incompatibility between size of the target population and amount of available resources became evident during the second round of selection of families in Terra Firme, in early 1998. The new procedure for area and family selection thus makes sense.

Carefully choosing areas within the city where poverty incidence is high and living conditions very adverse may be the best way to cut all but the poorest of the poor, but it makes the basic criteria pointless. If resources are scarce and the selection of families is based essentially on their ranking in the points system, both the income parameter and the points system should be changed.

The income parameter should be set at a realistic level, so that families who meet the parameter yet who are not selected do not feel betrayed. Nevertheless, if selection of families is not to depend on their application alone — for which income is the publicized parameter — but rather on a census of families for a

given area, there is no reason for maintaining the income benchmark. This is especially true if the points system assigns a marginal importance to income, 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 earns 50 points and his illiterate spouse, another 50 points.⁷

The present score system is inefficient for selecting families from among a group that is already quite homogeneous, that is, one composed of families living in the same area and thus probably suffering the same deficits in access to basic public services (electricity, water, sewer, transportation etc.). Nevertheless, it may still be useful to point out inconsistencies in choices between areas, thereby suggesting how targeting may be improved. Families who receive the stipend in Terra Firme, where the program was first implemented, probably represent a much lower number of points on average than those living in the poorer areas delimited for program expansion in 1998. Since data processed by the program indicate that income levels among families selected in Terra Firme and in the new areas differ only slightly (Table 7), it can be concluded that reported income is a poor indicator and that the score system is crucial for good selection and targeting. Calibrating the points system so that it reflects social policy priorities is essential to improving program design.

Table 7
Income According to Area — 1998

Area	Family Income	Per Capita Family Income
Terra Firme	169.86	33.95
Pantanal	186.04	34.92
Paracuri	169.37	33.50
Vila da Barca	185.61	34.48

Source: Prefeitura Municipal de Belém.

Re-registration at least once a year is recommended in order to guarantee adequate targeting, as well as to provide data for evaluation. In Belém, more than 50% of recipient families live in Terra Firme, which means they are relatively better off than families who were selected during the second round, in 1998. In this case, improving targeting under severe financial constraints will certainly represent an important operational and political challenge.

If families of children at risk are considered a different clientele, thus requiring a specially tailored assistance program, then the School Scholarship Program becomes much more manageable. Nevertheless, allocating scarce resources between different programs means the political choices involved must be made explicit. Indeed, not only financial resources are scarce but also the personnel and

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

administrative means needed to operate a safety net that benefits Belém's social deficits.

It is important that social assistance policy not be limited to transferring income to selected families but that the program operate as an anchor for a comprehensive social net serving the poorest. Providing adequate health, nutrition and educational assistance for families — selected or not — residing within the areas of program implementation must be a higher-priority goal than guaranteeing monthly payments for selected families. If the monthly stipend were reduced to 50% of one minimum wage, it would still represent a significant help to families. Nevertheless, the amount would probably be less at odds with the local income level, providing part of the badly needed cash for supplementary assistance.

If the program is perceived as an adequate tool for alleviating absolute poverty, it may be possible to obtain the much needed additional resources from private enterprise, international agencies and civil society organizations. Use of these resources should preferably be linked to precise objectives, allowing donors to verify the benefits of their contributions. Respecting strict operational procedures and assuring efficient, ongoing monitoring of broadly publicized results are essential to obtaining regular outside support.

4 - THE SCHOOL SCHOLARSHIP PROGRAM IN BELO HORIZONTE

4.1 - Characteristics of Implementation

Created in 1996 (Municipal Law 7,135), the School Scholarship program was effectively implemented in August 1997. It perfectly emulates Brasília's experience in terms of the criteria for defining the target population: that is, both publicized criteria (i.e., income, period of residence and presence of children seven to 14 years old; see Table 2) and the score system. It also transfers to selected families the same amount as in Brasília, that is, one minimum wage monthly.

Announcement of the program in Belo Horizonte and the call for registration in the two pilot areas (Barreiro and Leste⁸) had the population waiting in line, which in turn led to protests and street fights. The registration process resulted in 7,503 applications, of which 5,900 reportedly met the program's three basic criteria. Of these, only 606 were actually receiving the monthly stipend by the end of 1997 [Lavinás (1998)]. Their average per capita income was R\$ 23, the equivalent of 19% of the minimum wage, thus well below the income parameter of 50% of one minimum wage that the program established as an eligibility criterion.

⁸ Belo Horizonte is divided into nine planning areas (administrative regions). These two areas were selected because they are the poorest, according to studies conducted by the local government, based on the Demographic Census and municipal data.

The program was expanded to include five other areas during 1998, increasing the number of families receiving the stipend to 2,900 by November 1998. It is noteworthy that a total of 27,600 families applied. Despite the growing number of recipients, the program is probably assisting a reduced share of those who qualify. Table 8 presents the program implementation schedule in Belo Horizonte, by administrative region.

Table 8

Program Implementation by Administrative Region — 1998

Region	Number of Applicants	Number of Families Receiving the Stipend											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Barreiro ^a	4,323	300	400	500	500	500	500	500	500	500	500	500	500
Leste ^a	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

Source: Prefeitura Municipal de Belo Horizonte (1998).

^a Program commenced operations in August 1997.

Table 9 presents program 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 the resources that are needed to transfer 6,600 monthly stipends by the end of year, thus below the 7,500 initially proposed.

Table 9

School Scholarship Program in Belo Horizonte — Changes in Number of Families Receiving the Monthly Stipend

Date	Number of Families
December 1997	606
November 1998	2,900
December 1998 ^a	3,300
May 1999 ^a	4,500
December 1999 ^a	6,600

Source: Prefeitura Municipal de Belo Horizonte.

^a Planned.

Program implementation is to cover all administrative regions, with the announced goal for May 1999 being 500 families each. Since income level, poverty incidence and access to basic public services vary between these areas, the pool of beneficiaries will certainly display undesired inequalities.

4.2 - Poverty in Belo Horizonte

Belo Horizonte, the third largest Brazilian metropolis, is located in the Center-South, where the poverty incidence is lower than in the North-Northeast, location of Belém. Data in Table 1 (presented earlier) show how the proportion of families earning less than 50% of one minimum wage within each area. Belo Horizonte had 51,730 families with per capita incomes under 50% of one minimum wage in September 1996, corresponding to almost 9% of the total number of families living in the municipality.

When the program's other two criteria are adopted, the target population decreases significantly. Requiring the presence of children in the seven to 14 year-old bracket alone reduces the number of families by more than 40%. Adopting the five-year residence criterion further reduces the number of families, but not significantly. Thus, according to the national household survey, there were 26,370 families in Belo Horizonte that met the program's criteria in September 1996. This figure is nine times larger than the number of families assisted in November 1998, and four times the program goal for end 1999. The payment of monthly stipends to the total number of families who meet program criteria would have corresponded to 3.6% of the municipality's current revenue for 1996 (R\$ 946.35 million).

Given the size of the target population, and even the contingent of those who applied during the spatially limited registration procedures, the program's administration was forced to over-target in order to select families to receive the stipend. Using the same score system as in Brasilia, families were selected according to their ranking among those who met the three criteria in each area. By the end of 1997, per capita family income among beneficiaries did not exceed R\$ 23, thus standing below the official R\$ 63 benchmark [Lavinás (1998)].

It is interesting to explore how the use of a lower amount as an income criterion would affect the size of the target population and therefore the amount of resources needed 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 25% of one minimum wage as an income criterion significantly reduces the target population. When the target population is more narrowly defined — that is, 7,861 families — the amount corresponding to total stipends paid would have represented R\$ 10.2 million, or 1.1% of current revenue in 1996. Brasilia's program has established 1% as the upper limit for expenditures under the program. Nevertheless, given the special political status of the Federal District, it faces fewer financial constraints both in absolute and relative terms. In absolute terms, the Federal District had current revenue totaling R\$ 3.4 billion in 1996, while Belo Horizonte had R\$ 946.4 million that same year. In relative terms, these figures represent per capita current revenue of R\$ 1,866 and R\$ 452, respectively.⁹

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

It is of course obvious that reducing the amount of the stipend to 50% of one minimum wage per family, which would be suitable if the income benchmark were lowered, would correspond to .54% of current revenue (Table 11).

Table 10

Targeting Simulation (Belo Horizonte) — Number of Families, According to Different Parameters

	Number	Less/More	(%)
Families Below 50% of one Minimum Wage	51,730		100.00
and with Children 7-14	29,921	21,809	57.84
and Living in Belo Horizonte at Least Five Years	26,370	25,360	50.97
Reducing income Criterion to 25% of one Minimum Wage	7,861	43,869	15.20

Source: IBGE/PNAD 1996 (special tabulations).

Table 11

Target Population and Estimated Program Cost Belo Horizonte — 1996

	Number of Families ^a	Expenditure (R\$ Thousand)	% of Current Revenue
Poverty Line at 50% of one Minimum Wage	26,370	34,175.52	3.61
Poverty Line at 25% of one Minimum Wage	7,861	10,187.86	1.08

Source: IBGE / PNAD 1996 (special tabulations by Rocha).

^a Families with children seven to 14 years old, residing in Belo Horizonte for at least five years.

4.3 - Recommendations

The criteria established for defining the eligible population seems too ambitious to achieve a suitable match between size of target population and available resources. Given the initial flaw in establishing selection criteria, program administrators were correct in selecting the poorest among the eligible applicants by using the score system.

The score system is thus a crucial 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 each city's diverse social priorities and policies. As a matter of fact, since the population that is eligible under the present criteria is so much larger than the population that can be assisted given financial constraints, it is important that family selection be based not solely 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 must be evaluated in terms of other benefits guaranteed by the municipality, especially health and nutrition.

Since the income criterion for eligibility has been lowered in practice, it makes sense to re-examine the amount of the stipend. If not, the program will probably increase income inequality among those who benefit from it and those who are just above the adopted income benchmark. Indeed, it seems inappropriate to make the income criterion stricter (i.e., 20% instead of 50% of one minimum wage per capita income) while maintaining the monthly stipend at one minimum wage. Nevertheless, it is obvious that reducing the amount of the stipend may be politically difficult or even impossible. Changing the way in which stipends are granted — for instance, awarding lower amounts based on the number of children instead of on a per family basis — may be one way to overcome the present inconsistency. The impact of any changes on the number and characteristics of the eligible families, as well as on municipal finance, must be carefully and thoroughly analyzed.

The management of how families leave the program becomes an important aspect of program operation in Belo Horizonte because of the large number of families that are eligible but have not benefited.¹⁰ It seems that in Belo Horizonte monitoring is conducted through monthly meetings of groups of families. Even if the monthly meeting schedule is maintained, re-registration at least once a year is recommended. Re-registration — that is, requiring beneficiary families to update their information by filling out complete application forms — offers several advantages: *a*) it is less vulnerable to the subjective factors that result from the relationship between family and social worker in a smaller group; *b*) it provides data for ranking the beneficiary family within the enlarged and changing set of eligible families, thus making targeting deviations obvious; and *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 re-register and are selected again be re-visited, along with newcomers. Procedures to guarantee fairness in selection and to avoid fraud should be well publicized and strictly followed. Successful achievement of the program's social policy goals depends on this as much as it depends on more technical characteristics of program design and operation.

5 - CONCLUSIONS AND GENERAL RECOMMENDATIONS

High poverty incidence is the central question when considering the adoption of a minimum income program at the 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.

¹⁰ In Brasilia, recipient families have been kept in the pool of beneficiaries whatever the period they have received the stipend, because there are no serious financial constraints. In Brasilia it is also easier to award a point bonus, under the score system, to those families who are already in the program. The point bonus is meant to keep families from moving in and out of the program because of minor changes in their living conditions.

The fact that income levels are low, 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 through education and improvement in labor market engagement by the poor.

The decision to adopt a minimum income program should also take into consideration the magnitude of other social deficits, especially those affecting the poor, as well as the means available for reducing/eliminating them. Access to sanitation and to basic educational and health services should be guaranteed as the core of any anti-poverty program. Where large public service deficits occur, as in most Northern/Northeastern cities (see Table 4) there seems to be a clear conflict between financial and managerial means and the challenge of operating a minimum income program. Indeed, this kind of program requires careful and experienced targeting and monitoring, and this absorbs resources that are badly needed for assuring essential universal services. In this sense, for instance, if public health clinics are unable to guarantee basic assistance (which certainly includes child growth and weight-gain monitoring, immunization, pregnancy follow-up and similar essential preventive care), implementing a minimum income program is probably not a sound decision.

Because of the importance of their targeting requirement, minimum income programs are the ideal anchor for multi-dimensional assistance networks designed to meet the different needs that characterize absolute poverty. In areas where poverty incidence is high, the adoption of a minimum income program is necessarily restricted to precisely delimited neighborhoods or sub-areas, where most residents are poor according to the income criterion and where living conditions are particularly adverse. In these cases, area targeting replaces family targeting, and the minimum income program 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 Brazilian metropolitan nuclei, where living conditions are certainly more adequate than in other Brazilian areas.¹¹ Total expenditures related to monetary transfers to all families earning below the 50% of one minimum wage benchmark would require almost one billion Brazilian reals at 1996 prices, corresponding to 6.8% of the current revenue of all metropolitan nuclei and Brasilia. Nevertheless, when each area is considered separately, there is a clear differentiation between financial constraints in cities of the North/Northeast and those in other regions.

¹¹ We refer here to cities themselves, in comparison to other places of residence (metropolitan peripheries, urban and rural non-metropolitan areas) as national aggregates.

Introducing additional criteria for family selection, like the presence of children from the ages of seven to 14, reduces the target population but makes it necessary to tailor program design to this specific sub-population of the poor. Furthermore, if the program is to be targeted at families with children from the ages of seven to 14 and anchored in the school system, it should be made explicit that this is an anti-poverty policy aimed at a certain subgroup of the poor. The policies aimed at other groups (such as low-income families with younger children, or poor youngsters) should be defined, along with related expenditures.

A minimum income program is certainly not the only tool for poverty alleviation. The decision to implement an anti-poverty program, be it minimum income or other, should therefore take into account the specific local conditions in terms of financial possibilities, poverty incidence, and poverty characteristics. The School Scholarship Program, inspired on Brasilia's successful pioneer experience, has been adopted in Belo Horizonte and Belém but under quite different conditions in terms of potential clientele and the availability of resources, without required adaptations being made.

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

- a) Changing the selection criteria in order to reflect the local characteristics of the poorest.
- b) Obtaining supplementary resources from the private sector, international organizations and other government levels to help finance the program. It should be noted that Federal support to local programs as defined under the 1998 decree is restricted to the poorest municipalities within each state, thus certainly excluding metropolitan nuclei.
- c) Defining different programs to assist different categories of poor families. A minimum income program in the School Scholarship format could be conceived to help families with children from the ages of seven to 14, while other programs could be targeted at other types of poor families. The question is, how much of the local budget can be allocated to poverty alleviation programs, be they minimum income and other? What is the relative emphasis, in terms of financial and other local resources, that will be assigned to each of the programs?

The essential question concerns how to select priorities for poverty alleviation and for social policy as a whole, considering financial and other resource constraints. Where public social services are clearly inadequate, the suitability of introducing a large-scale minimum income program should be carefully examined. Whenever the municipality is as yet 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 program implementation? When

poverty and unmet social needs are widespread, minimum income programs should, at best, be part of a massive, integrated social assistance effort in well-delimited areas, where living conditions are critically adverse even according to local parameters. In these cases, the amount 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 level currently adopted for transfers in Belém, Brasília and Belo Horizonte.

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

BIBLIOGRAPHY

CACCIA BAVA, S. (org.). *Programas de renda mínima no Brasil*. São Paulo: Instituto Pólis, 1998.

ABRAMOVAY, M., ANDRADE, C., WAISELFISZ, J. J. *Bolsa-escola — melhoria educacional e pobreza*. Brasília: Unesco/Unicef/Pólis, 1998.

LAVINAS, L. *Programas de garantia de renda mínima: perspectivas brasileiras*. IPEA, 1998.

LAVINAS, L., ROCHA, S., VARSANO, R. *Programas de garantia de renda mínima — uma orientação para os municípios*. Ildes/Fundação Ford/Finep 1998.

ROCHA, S. Pobreza no Brasil — principais tendências da espacialização. *Anais da Anpec*, Vitória, dez.1998.

_____. *Minimum income programs — how do they apply to brazilian metropolitan nuclei?* Mar. 1999 (Background Paper for the World Bank).

SABOIA, J., ROCHA, S. Programas de renda mínima - linhas gerais de uma metodologia de avaliação. IPEA/PNUD, Aug. 1998. In: LOBATO A. L. (org.). *Garantia de renda mínima — ensaios e propostas*, Brasília: IPEA, p.251-284, 1998 (Discussion Paper, 582)

SANT'ANA, S. R., MORAES, A. *Avaliação do programa bolsa-escola do GDF*. Fundação Grupo Esquel Brasil, 1997.

PUBLISHING DEPARTMENT

Coordination

Cláudio Passos de Oliveira

Supervision

Everson da Silva Moura
Reginaldo da Silva Domingos

Typesetting

Bernar José Vieira
Cristiano Ferreira de Araújo
Daniella Silva Nogueira
Danilo Leite de Macedo Tavares
Diego André Souza Santos
Jeovah Herculano Szervinsk Junior
Leonardo Hideki Higa

Cover design

Luís Cláudio Cardoso da Silva

Graphic design

Renato Rodrigues Buenos

*The manuscripts in languages other than Portuguese
published herein have not been proofread.*

Ipea Bookstore

SBS – Quadra 1 – Bloco J – Ed. BNDES, Térreo
70076-900 – Brasília – DF
Brazil
Tel.: + 55 (61) 3315 5336
E-mail: livraria@ipea.gov.br

Ipea's mission

Enhance public policies that are essential to Brazilian development by producing and disseminating knowledge and by advising the state in its strategic decisions.

Secretariat of

Secretariat of



ipea Institute for Applied
Economic Research

Secretariat of
Strategic Affairs

