

Enhancing Accountability in a Federal Context: Brazil's Bolsa Família Program



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Workshop on Fraud and Error Control in Social Protection Programs

May 2007





Outline

- Background on Brazil's Bolsa Familia Program and decentralized context
- Main pressure points for fraud, errors, manipulation in Brazil's decentralized context
 - Main pressure point: registration
 - Lesser risks
- Formal & Social Controls for the BFP
 - O&C by Supreme Audit Agencies
 - MDS' own program controls
 - Municipal controls

Quick Background on Brazil's Bolsa Familia Program





Bolsa Familia: Quick Facts

- Launched in 2003 as reform (merger) of four pre-reform programs
- Expanded rapidly building on pre-reform beneficiary base
- Currently reaches 46 million people (11.1 million families)
- Spending on program is 0.4% of GDP (2006)
- Benefits:
 - Monthly cash transfer (R\$15-95, or US\$7-46), depending on per capita income and household composition
 - Payments made by electronic transfer to woman
 - Education and Health conditionalities

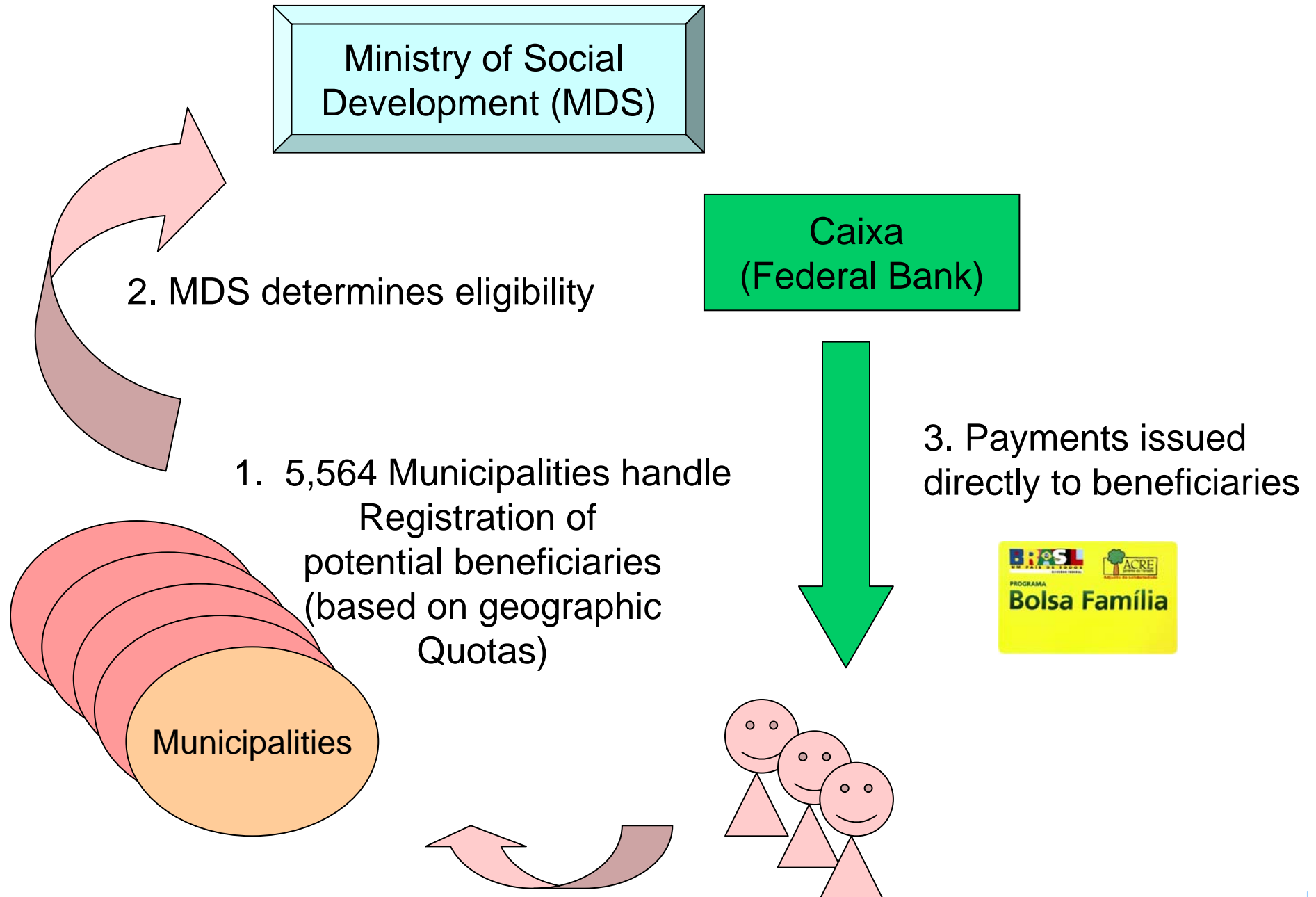


Institutional Roles & Decentralization

- BFP is a federal program -- Managed by SENARC in MDS
- BUT, many roles carried out by other actors:
 - Municipalities: registration, conditionalities monitoring, social controls
 - Caixa Econômica Federal: operating agent for registry & payments
 - Ministries of Health & Education: monitoring of conditionalities
 - Supreme audit agencies for oversight & controls
 - etc.....
- These arrangements reflect Brazil's decentralized structure
- Also pose several challenges:
 - Principal-Agent dilemma (enforcing performance with third parties)
 - Heterogeneity in quality of municipal implementation (5,564) municipalities



Basic Flows in Institutional Roles (Intake and Payments)





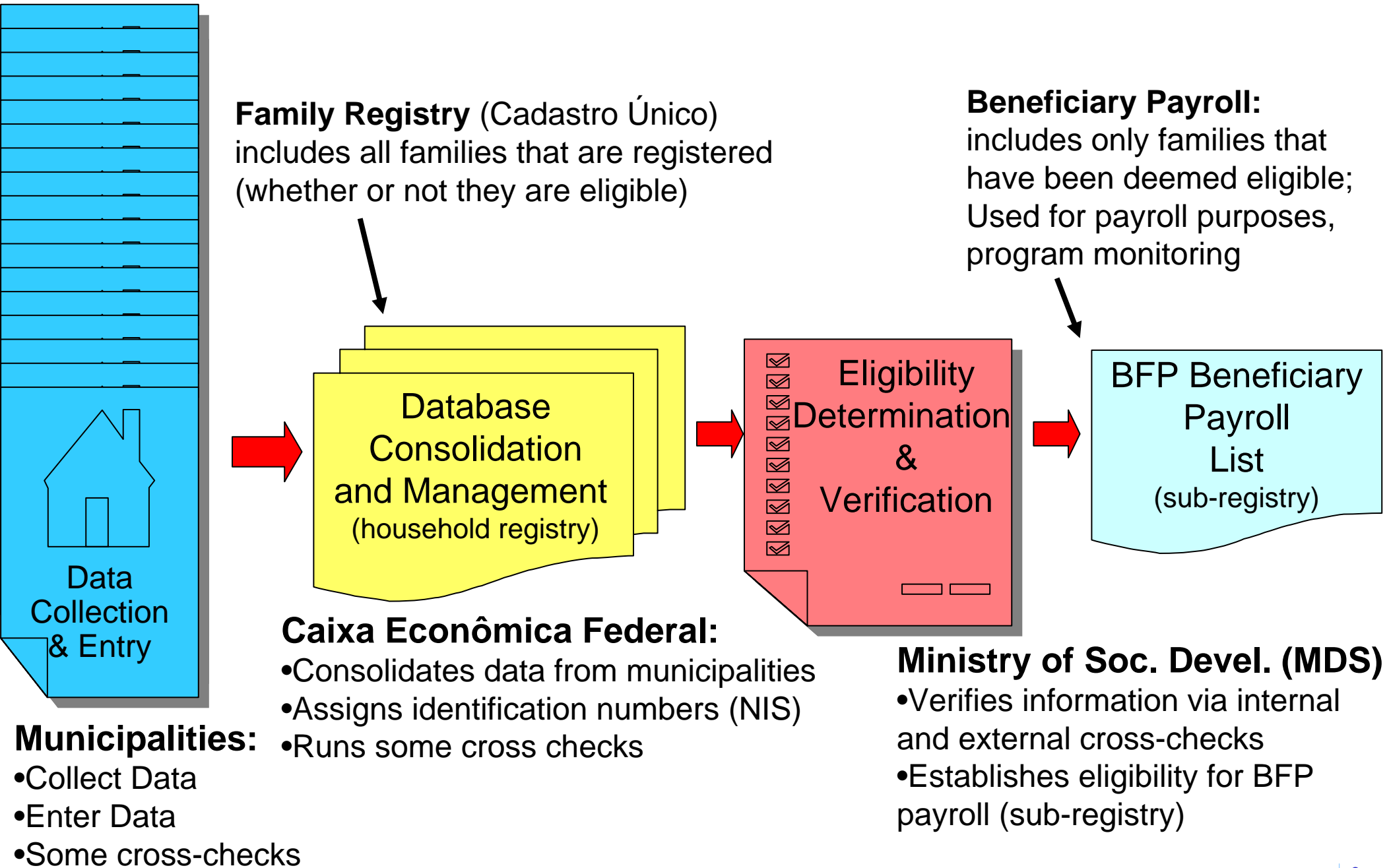
Targeting Mechanisms: Geographic + Family

- Goal of Targeting: to maximize coverage of poor with limited fiscal resources (budget constraint)
 - Focus resources where they are needed most (the poor) – higher marginal impact
 - Limited financing available (universal not viable)
- Geographic Targeting at two levels
 - Federal allocation of municipal program quotas: based on “poverty map”
 - Within municipality geographic targeting (local vulnerability maps)
- Family Assessments: the Cadastro Único Registry
 - Eligibility based on self-reported incomes
 - These are “validated” through numerous cross-checks:
 - Internal: with other “proxy” variables, consistency checks
 - External: cross-checks with other databases
 - Recertification every two years (minimum)



Cadastro Único Targeting System:

Three Basic Steps





Payments

- Through the banking system (Caixa)
- Preferentially to the women in the family (93%)
- Benefits credited to EBCs each month (98%)



Main Pressure Points for Fraud, Errors, Corruption (FEC)





Main Pressure Point for FEC: Registration Process

- No program immune to FEC
- Main pressure point for BFP: Registration Process
 - Carried out in decentralized manner by 5,564 municipalities
 - Heterogeneity in municipal capacity
 - Potential for all types of FEC:
 - Administrative error (unintentional measurement error)
 - Beneficiary fraud (misinformation regarding eligibility)
 - Political manipulation (registering potential beneficiaries for clientelistic purposes to garner political support)



Lesser Risks

- Little risk of political interference in **geographic allocation** of program quotas
 - Risk minimized because municipal allocations are based on poverty maps
- Low risk of clientelism or political manipulation of **payments**
 - Channeling of payments via banking system reduces risks
 - Payments delinked from federal and municipal political authorities
 - Performance-based contract guides operations of Caixa, with financial penalties against a 17-point score card for service delivery.
- Moderate risk of interference on conditionalities reporting
 - Anecdotal evidence that this does occur
 - Efforts underway to strengthen oversight and controls, monitoring of compliance



Mechanisms to Monitor, Reduce Risks

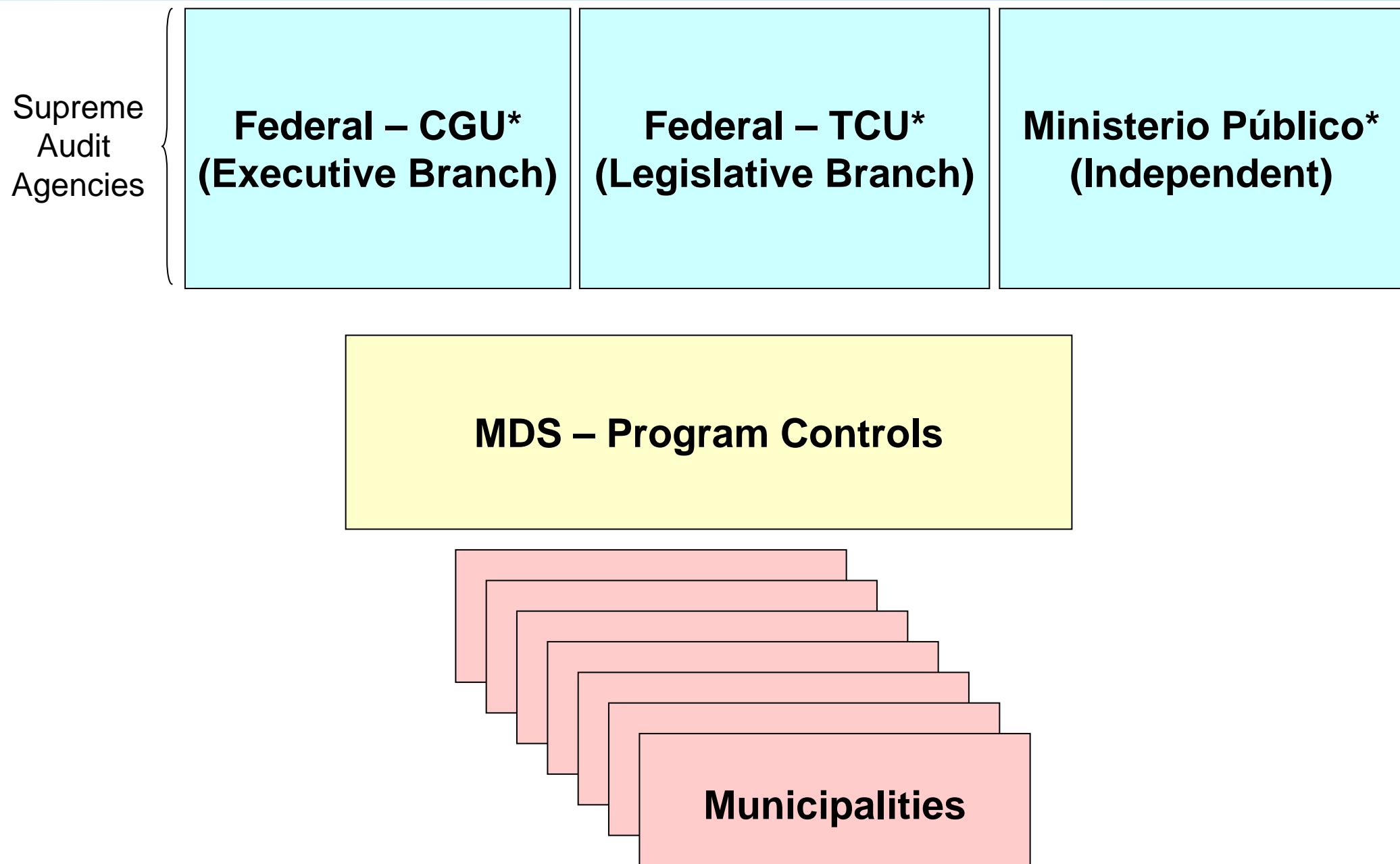
- Design mechanisms:
 - Centralized determination of eligibility
 - According to automatic “objective” criteria
 - Internal and external cross-checks
 - Bi-annual recertification
 - Pre-elections quarantine: no new entry (July – October)
- Oversight & Controls Mechanisms:
 - Supreme audit agencies
 - MDS own monitoring, oversight and controls mechanisms
 - Social Controls

Mechanisms to Monitor, Remedy FEC Risks





Oversight and Controls in the BFP



* Part of the “Oversight Network” (*rede de fiscalização*) along with their sub-national counterparts



Oversight and Controls in the BFP: Supreme Audit Agencies - Mechanisms

Federal – CGU* (Executive Branch)

- Regular random sample QCRs
- Annual financial audits
- Investigation of specific cases
- Publication of beneficiary lists on Transparency Portal website

Federal – TCU* (Legislative Branch)

- Implementation evaluations (random-sample basis), with supervision and follow up for
 - (a) the Cadastro Único; and
 - (b) the BFP

Ministerio Público* (Independent)

- Investigation of specific cases

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O&C by Supreme Audit Agencies: Some Findings

- Summary of findings from CGU operational audits
 - Summary covers period from 2003-2005
 - Covering 19 municipal audits, 981 municipalities, 5064 families, 4 state audits
- Highlights of findings:
 - Targeting errors are Minimal
 - 7% of families “exhibit evidence of incomes > eligibility”
 - Lower bound estimate of leakages (visible “evidence”)
 - Payments irregularities:
 - 9% (duplications, erroneous termination, erroneous benefit amounts)
 - 1.6% having to pay a small fee to intermediaries to collect benefits for them (e.g., to avoid having to travel from remote areas to collect)
 - Actions of Municipal Coordinators:
 - Lack of dissemination of beneficiary lists
 - Lack of dissemination of info on program and conditionalities
 - Social Controls:
 - 26% of municipalities had not formed an SCC
 - 26% of SCCs lacked sufficient information on BFP (beneficiary lists)
 - 60% of SCCs not regularly visiting health posts or schools to oversee monitoring of conditionalities



MDS' Own Program Controls

- Internal and external cross-checks of the registry
 - To scan for consistency and completeness of information (cross-check software @ municipal level)
 - To identify duplications and other errors
 - To validate income eligibility information (including checking against proxy indices)
- Performance-based management incentives
 - Joint management agreements for institutional roles
 - Index of Decentralized Management (IGD) for performance monitoring
 - Performance-based financial incentives



Performance-Based Management Tools

Management Tool & Role

Applicability

Functions Covered

Joint Management Agreements

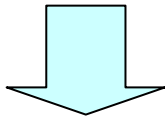
(Termos de Adesão)

- Establishes institutional framework for decentralized implementation

All 5,564
Municipalities

Municipal responsibilities for:

- Designating local BFP coordinator
- Cadastro Unico registration
- Monitoring conditionalities
- Establishing social controls councils (SCCs)



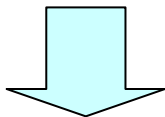
Decentralized Management Index

(Indice de Gestão Decentralizada, IGD)

All 5,564
Municipalities

Monitoring Tool Covering:

- Cadastro Unico Registry
- Monitoring of compliance with health & education conditionalities



Administrative Cost Subsidies

Performance-Based “Positive”
Financial Incentives

Financial Incentives
depend on
Municipal
IGD Scores

Calculated based on IGD score:

- Cadastro Unico Registry
- Monitoring of compliance with health & education conditionalities



Monitoring Decentralized Implementation: How it works

- The IGD covers four aspects (equal weights of 25%):
 - Share of families with a valid registry (complete, consistent)
 - Share of families with registries updated (< 2 years)
 - Share of BFP children with complete info on education conditionality compliance
 - Share of BFP children with complete info on health conditionality compliance
- Advantages of this:
 - Monitoring key aspects of BFP architecture
 - Tool for awarding performance-based financial incentives
 - Admin simplicity: *measurable* indicator (info available to MDS)
 - Transparency
- Limitations:
 - Doesn't assess quality of the info transmitted to MDS
 - Doesn't cover other aspects of municipal implementation (e.g., SCCs, complementary services)



Performance-Based Incentives for Decentralized Implementation: How they work

- Administrative cost subsidy based on “quality” of implementation
- Calculated by:
 - Multiplying R\$2.5 * the municipality score on the IGD
 - Full IGD score results in a cost subsidy of R\$2.5
 - Multiply this times number of families in registry
 - To encourage quality quality implementation in small municipalities: double the subsidy for first 200 families in quota
 - Minimum quality floor: 40% IGD score (below that, no subsidy)
 - TA provided to low performers (action plans)
 - Funds can be used for BFP and education/health services



Performance-Based Incentives for Decentralized Implementation – Results so Far

- The first round of payments of the IGD administrative cost subsidies was made in April 2006
- Results:
 - Average score was 64%
 - 24% > 80% IGD score
 - 2% < 40% minimum floor (this number has since been cut in half, from 118 to 53 municipalities)
 - Main reason for less-than-full-scores: health conditionality info
 - Some concerns about perverse incentives for reporting (about 800 municipalities – 15% -- suddenly reporting 100% compliance 100% of the time....)
 - Need to combine this with random-sample spot checks.



Municipal Social Controls Councils (SCCs)

- Required for all municipalities
 - Membership: 50-50 municipality-civil society
- Roles:
 - Overseeing registration process
 - Periodically evaluating beneficiary list
 - Monitoring reporting on, and compliance with, conditionalities
 - Monitoring local provision of public services
- Survey / audits highlight concerns with SCCs (2005):
 - Not all municipalities with SCCs
 - Not all functioning (38% reporting meeting once/month; 54% reporting having updated beneficiary lists)
 - Membership biases (supporters of mayor)



Points of Contact

- Municipalities serve as first point of contact for beneficiaries
- Centralized hotlines also used to handle inquiries from general public, beneficiaries, and local program managers



Hotlines

Caixa 0800 Hotline:

- Focus on payments and registry
- Main queries for program managers: Caixa software
- Main queries for beneficiaries: payment difficulties, EBCs

• MDS 0800 Hotline:

- Queries from general public, beneficiaries, program managers
- Functions from 7 am – 7 pm daily
- 94 trained staff (63 generalized, 25 specialized, 6 ombusman)

• SENARC Hotline (BFP secretariat):

- Specialized queries from program managers
- 8 technicians
- Policy, legislative, normative questions about BFP, MIS, general questions



Recommended Actions to Strengthen O&C of the BFP

- Strengthening CGU Operational Audits:
 - Questionnaire, particularly for monitoring of conditionalities reporting
 - Improving CGU OA reporting to define a set of indicators to summarize key performance aspects of BFP
 - Current reports mainly focus on case-by-case follow up, not overall synthesis for performance monitoring
 - Need synthesis indicators of key performance aspects
 - E.g.,: types of errors, irregularities as % of sample collected
 - Expanding CGU OAs to cover larger municipalities
- Clarifying institutional roles for case-by-case follow up (MDS,, CGU, TCU, MP) and providing training for those charged with this responsibility
- Further fine-tuning of algorithms for cross-checks
- Strengthening guidelines and training for SCCs

Obrigada!



Extra Slides





Oversight and Controls in the BFP

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Program Controls – MDS

- Internal and external Cadastro cross-checks
 - Hotline and case investigations
- Monitoring of municipal implementation quality via IGD Index and financial incentives
 - Monitoring of Caixa (operating agent) via performance-based contract

Municipalities

- Social Controls Councils
- Local point of contact for complaints, appeals

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Targeting Outcomes: CCTs in Latin America

