



# **Subnational Payment Systems Based on the Bolsa Família**

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# Subnational payment systems based on the Bolsa Família<sup>1</sup>

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After ten years of the Bolsa Família Program (BFP), Brazilian public policy enters, under the umbrella of the Brazil Without Extreme Poverty (Brasil Sem Miséria - BSM), what may be called a new social federalism. States and municipalities operate together through the federal platform of the Cadastro Único (CadÚnico, the Single Registry of Social Programs) and the BFP, complementing actions with local innovations. The state and the city of Rio de Janeiro have created programs named, respectively, Renda Melhor (RM) and Família Carioca (FC), whose case studies can generate relevant reflections. Both make use of the operational structure of the BFP, which facilitates obtaining information, locating beneficiaries, issuing cards, synchronizing payment dates and access passwords.

The payment system of the two programs complements the estimated permanent per capita income of people up to the poverty line established, giving more to those who have less. Similar complementation was subsequently adopted in the BSM and the Chilean Ingreso Ético Familiar, which also follow the principle of estimation of income used initially in the FC and subsequently in the RM. Instead of using the declared income, the value of the Rio monetary transfers are set using the extensive collection of information obtained from the CadÚnico: physical configuration of housing, access to public services, education and work conditions for all family members, presence of vulnerable groups, disabilities, pregnant or lactating women, children and benefits from official transfers such as the BFP. With this multitude of assets and limitations, the permanent income of each individual is estimated. The basic benefit is defined by the poverty gap and priority is given to the poorest.

The programs use international benchmarks as a neutral ground between different government levels and mandates. Their poverty line is the highest of the first millennium goal of the United Nations (UN): US\$ 2 per person per day adjusted for the

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<sup>1</sup> Summary of Chapter 7 from the book "Programa Bolsa Família: uma década de inclusão e cidadania, MDS/IPEA ("Bolsa Família Program: a decade of inclusion and citizenship").

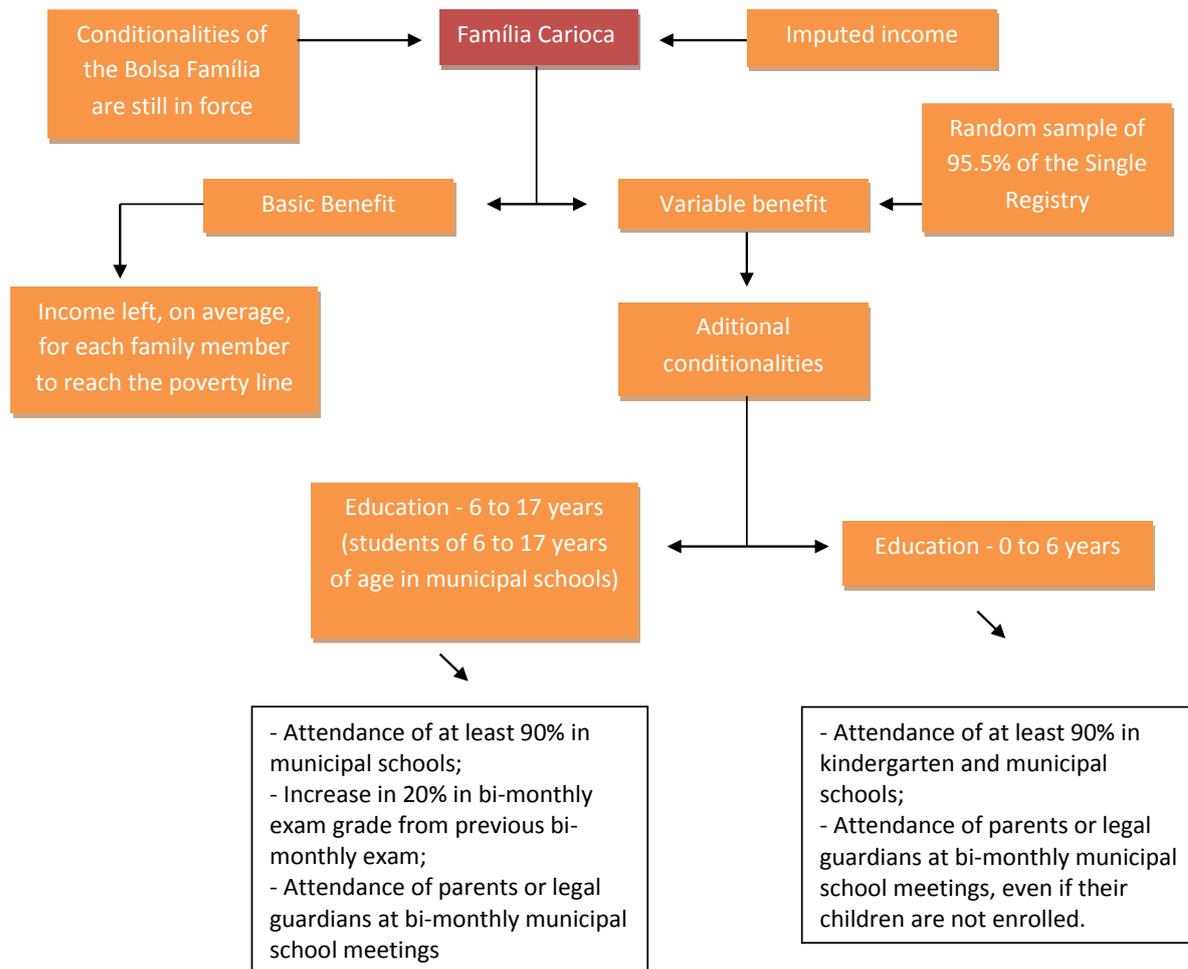
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cost of living. The other poverty line of the UN, US\$ 1.25, was implicitly adopted in the R\$ 70 which was set as the national extreme poverty line in 2011. The exchange of methodologies between federal entities has happened both ways.

In partnership with Caixa Econômica Federal, the FC began with the 575,000 individuals living in the city of Rio de Janeiro who were on the payroll of the BFP. Its system of impact evaluation also follows students included in the CadÚnico but not in the BFP, as a control group. This is possible because all students in the municipal school system write standardized examinations bi-monthly. In the educational conditionalities, the two programs reward students' progress, a potential advantage for those who most need to advance.

The municipal program requires greater school attendance than that of the BFP and the presence of students' parents at the bi-monthly meetings on Saturdays. Students must achieve a grade of 8 or improve at least 20% in each exam to receive a bi-monthly premium of R\$50. There is no limit on the premiums received per family and the requirements vary in vulnerable areas of the city. In early childhood attendance, priority is given to the poor children in the CadÚnico to enroll in kindergarten, preschools and complementary activities.

### Structure of the Família Carioca Card



Prepared by the author.  
 Obs.: Performance increases starting from 7.5 for 1st to 5th years and 6.5 for 6th to 9th years;  
 Schools of Tomorrow 7.0 and 6.0 respectively.

The state program reaches more than one million people with a payment system similar to the municipal one. Moreover, it innovates in that it transfers awards given to high school students to savings accounts. The prize increases and is paid to the student, who can withdraw up to 30% annually. The total can reach R\$3,800 per low-income student.

The State and the city reward education professionals according to student performance, completing the chain of demand incentives on poor students and their parents. Increased performance is higher among beneficiaries and the presence of their guardians at

meetings is twice compared to non beneficiaries; results that are better than those observed in the United States. Only the Houston program, which also focuses on aligning the incentives to teachers, parents and students, show such positive results.

In general, the plan is to explore strategic complementarities, where the whole is greater than the sum of its parts. The objective is to stimulate, through targets and incentives, synergies between social actors (teachers, parents, students), between areas (education, assistance, work) and different levels of government. The cited programs sum their efforts and divide their work so as to multiply results and make a difference in the lives of the poor.

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