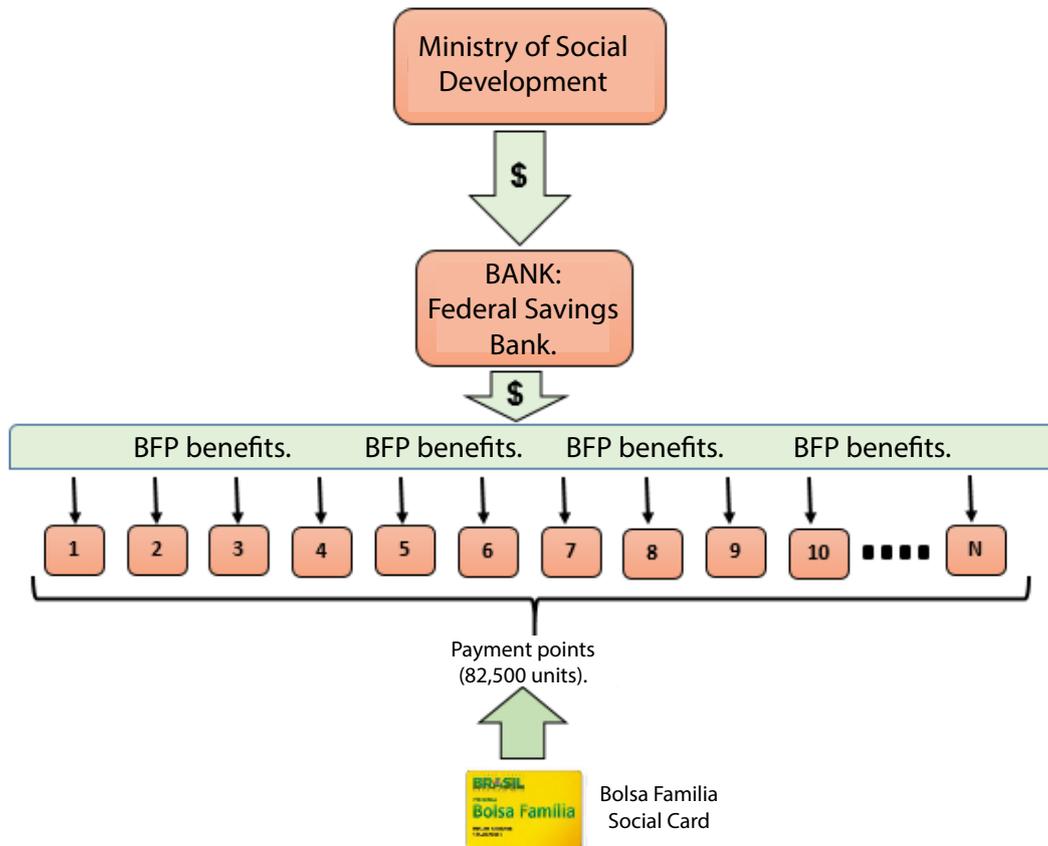


In order to pay Bolsa Familia benefits to 13 million families throughout Brazil, the Ministry of Social Development (MDS) signed a contract with one of the country’s largest public banks, the Federal Savings Bank (*Caixa Economica Federal-Caixa*)¹. Caixa is responsible for the operation and technical management of the Federal Government’s Unified Registry for Social Programs (*Cadastro Único para Programas Sociais do Governo Federal*)² and the Citizens’ Benefits System (SIBEC). The existence of these two systems makes it possible to manage and monitor the entire payments structure, as well to evaluate the downstream effects of management actions on payments. The payment system of the Bolsa Familia is illustrated in Figure 1:

Figure 1: Bolsa Familia Program Payment System



1. FEATURES OF THE CONTRACTUAL RELATIONSHIP

The Caixa’s payment operations are regulated by contracts with the MDS, renewed every two years. The *Caixa Contract Oversight and Monitoring Committee* (CFACC)³ is responsible for managing the contracts, and monitoring financial execution and activities developed under them. The contracts contain a set of obligations and targets -from the implementation of administrative procedures through to actual benefit payments to BFP families. Targets are

1 Public bank run by the Federal Government under the aegis of the Ministry of Finance, the *Caixa* is Brazil’s fourth largest bank, with an extensive network of agencies. It has focused traditionally on the social area, such as releasing payments under the government’s *Unemployment Insurance* scheme, managing the *Workers’ Assistance Fund* (FAT), financing popular housing and basic sanitation, etc. Before the creation of the BFP, the Caixa served as operating agent for the implementation of a large number of federal cash transfer programs.

2 For more details see: www.org.br/en/social-policy/unified-registry/

3 Established by Government Directive No. 60/2013 of the Executive Secretariat.

established, for example, for municipalities to set up benefit payment facilities in their areas, ensure appropriate channels of communication between local BFP managers and citizens, and prepare and deliver the magnetic cards (*Bolsa Familia Social Cards*) to beneficiary families, etc.

2. MONITORING AND QUALITY CONTROL OF THE CONTRACTED SERVICES

All the targets under the abovementioned contract are monitored on an ongoing basis. Since 2005 the targets form part of the Service Level Agreement (Acordo de Nivel de Serviço - ANS), for monitoring operations linked to the granting and payment of benefits. Table 1 outlines the targets established in the ANS in 2017.

Table 1: Targets in the Service Level Agreement (ANS) for 2016 and 2017

Indicators	Objective	Quality level of services
1) IDC - "Double entry" index in Cadastro Único database	Measure the number of double entries of persons registered in the Cadastro Único database	The index must be less than 0.1% of double entries of the total number of new or 'updated' people in the National Cadastro Único Database.
2) IEPF-Effectiveness index of mailing arrangements for posting Cadastro Único forms	Ensure the effectiveness of the posting of MDS-authorized forms to the municipalities	The effectiveness index must be greater than or equal to 98% of the form requests submitted by the municipalities.
3) IFTMA - Index of beneficiary families per active benefit payment point located in assisted municipalities	Ensure that a payment point account is responsible for distributing BFP benefits to a maximum of 2,200 families per assisted municipality	94% of the municipalities must have at least 1 active payment point for every 2,200 beneficiary families on the Bolsa Familia payroll
4) IMD - Index of municipalities unserved by active payment channels for more than 90 days	Monitor coverage of the Bolsa Familia payment structure per municipality	The index must be less than or equal to 2% of municipalities that are not served by active payment channels.
5) IEA F - EP - Effectiveness level of Caixa services targeted at beneficiary families, citizens and public-sector agencies	Measure the effectiveness of Caixa service response to Bolsa Familia-related requirements.	The Caixa 's effectiveness level regarding its response to demands from the SAC and Ombudsman must be greater than 95% of the total number of demands submitted to it
6) IEP - Index of effectiveness of BFP payment in unserved municipalities	Measure the effectiveness of benefit payment in unserved municipalities	The payment effectiveness index in unserved municipalities must be greater than 96% during the validity of the Payroll.

Indicators	Objective	Quality level of services
7) ISC TC - Satisfaction level of Cadastro Único beneficiaries and families	Measure customer satisfaction with <i>Caixa</i> 's telemarketing service	85% of client satisfaction levels to be "very good" or "good".
8) ISC STE - Satisfaction level of managers and staff of federal agencies served by <i>Caixa</i> External Customer Technical Support	Measure customer satisfaction with the <i>Caixa</i> 's External Customer Technical Support (STE)	85% of client satisfaction levels to be "very good" or "good".
9) IIFRCU - Index identifying all families registered in the Cadastro Único	Demonstrate the completeness of the Cadastro Único dataset extraction by comparing two successive extractions	100% of families registered for the previous month are identified in comparison to the succeeding month
10) IECO SCU -Take-up rate of face-to-face classroom training sessions	Ensure that all classroom training courses are completed except for those canceled due to <i>force majeure</i> or calamity	90% of classroom training courses implemented

Source: Agreement between MDS and Caixa, April 2016. Annex - Basic Project. Appendix II - Service Level Agreement - ANS.

3. COST OF THE SERVICES PROVIDED BY CAIXA TO MDS

The MDS remunerates the Caixa for transactions undertaken in the Bolsa Familia program in accordance with the number of beneficiary families on the payroll. Each family on the monthly payroll costs R\$ 0.24, plus R\$ 2.22 for each payment made via the Bolsa Familia Social Card (73% of all cases).

Remuneration by the MDS includes fees for the Caixa to issue cards to beneficiaries, delivering Cadastro Único forms to the municipal authorities, and financial operations involved in crediting beneficiaries' current accounts. The complete list of services, fees and prices practised in 2017 are listed in Table 2. In 2016 MDS transferred to the Caixa a total of R\$ 412, 833 million to pay for the various operations conducted on behalf of the Bolsa Familia Program. This amount is equivalent to 1.5% of the total budget of the BFP for 2016.

Table 2 Contract with the Caixa: Fee items and prices in 2016 and 2017

Item subject to fee	Unit value (R\$)	Unit value (US\$) *
Reissue of the BPF Social Card	8.15	4.91
Beneficiary Family - Bolsa Familia	0.24	0.14
Beneficiary Family - Child Labor Eradication Program PETI	0.24	0.14
Family entered in the Unified Registry (Cadastro Único)	0.05	0.03
Cadastro Único Registration Form V7 - Mod. 31.439	0.51	0.31
Cadastro Único Registration Form V7 -Mod. 31,440	0.51	0.31
Cadastro Único Registration Form V7 - Mod. 31.441	0.31	0.19
Cadastro Único Registration Form V7 - Mod. 31.442	2.47	1.49

Item subject to fee	Unit value	Unit value
	(R\$)	(US\$) *
Cadastro Único Registration Form V7 - Mod. 31.443	0.31	0.19
Social Payment Operation	2.22	1.34
Payment via Current Account	1.09	0.66
Payment via Savings Account	1.09	0.66
Issuance or Reissuance of PBF Social Card	16.04	9.66
TeleService - electronic (URA)	0.84	0.51
TeleService - human	5.01	3.02
Fomento - Benefit entered on payroll	0.83	0.50
Fomento - Disassociated online payment - with PBF (fax)	2.00	1.20
Fomento - Disassociated online payment - without PBF (fax)	2.00	1.20
Off line payment	8.07	4.86

Source: CGGACAO / DEOP

[*Dollar conversion in terms of Purchasing Power Parity (PPP), 2011. This is an invaluable option for making international foreign exchange comparisons. The PPP measures how much a particular currency could buy if it were not influenced by market or economic policy considerations that determine exchange rates. It takes into account, for example, differences in income and cost of living. It is required for comparisons of gross domestic product (GDP). In the United States PPP is equal to US\$1. Using this method, the Brazilian Real was worth US\$ 1.66 in 2011. The 2011 reference for conversion by PPP was used because Brazil's Family Budgets Survey was carried out in that year and was appropriate for comparing the population's purchasing power].

4. BANK NETWORK COVERAGE

The MDS hired the Caixa as its operating agent for the BFP largely on account of the bank's extensive network. The Caixa now provides, directly or indirectly, payment facilities in 98% of the country's 5,570 municipalities. The Caixa network includes its own branch agencies and many other service facilities located in municipalities with no Caixa bank agencies. These include payment points such as lottery shops (*lotéricas*) and the *Caixa Aqui Correspondents* (CCA) network, all of which provide payment points for beneficiaries. By 2013 there were 27,844 payment channels in existence, with 78,027 over-the-counter staffed 'service points' or automated teller machines (ATMs). By 2017 the latter figure had increased to 81,200 payment points throughout Brazil.

5. BANKING SERVICES FOR BOLSA FAMÍLIA BENEFICIARIES

In addition to operating the PBF payment system, the Caixa and MDS also offer the opportunity for beneficiaries of the program to access banking services. "Banking inclusion" is fostered through the opening of a cost-free 'simplified' bank account where benefit amounts are directly credited. Apart from its simplicity of operation, this payment modality generates a number of advantages for beneficiaries, such as allowing them the flexibility to better manage their cash benefits since they are not obliged to withdraw all the benefit at once. Furthermore, with the Social Card linked to a bank account, users are able to access financial services such as savings, insurance, credit and money transfers. All this contributes to improving the financial education of families - an area already specifically targeted by the MDS.

Payment via a bank account also generates financial and operational gains in the management of the BFP, not only ensuring easier payment for clients but also reduced administrative costs for the MDS and Caixa. As an example, in 2017 payment transactions via bank accounts cost the MDS R\$ 1.09 per unit, while operations with the Bolsa Família Social Card cost R\$ 2.22 per unit. In May 2017, 26.3% (3.2 million) of benefit payments were effected through bank accounts.