Federal Spending on Social Assistance Programs in Brazil

Background chapter of the 2018 Expenditure Review: A Fair Adjustment: Efficiency and Equity of Public Spending in Brazil.

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SUMMARY OF MAIN MESSAGES

The development of Brazil’s modern social safety net is quite recent, and social assistance programs claim a relatively small share of resources of the broader social sector (pensions, health, education, etc.). A key feature of the Brazilian social protection system is the duality between formal sector workers, who gained social insurance and labor benefits as early as the 1930s, and the large number of mostly poor informal workers and their families who were historically excluded. Social programs aimed at assisting the poor and vulnerable only emerged since the 1988 constitution, first with the social pension program (*Benefício de prestação continuada*, BPC), followed by the emergence of conditional cash transfers (CCTs) beginning in the 1990s and culminating with the consolidation of CCTs in *Bolsa Família* Program in 2003. Together, these two social assistance programs, plus a variety of other small social benefits and services tailored to the diverse needs vulnerable groups, absorb a total of 1.5 percent of GDP, as compared with 11.1 percent of GDP going to social insurance pensions and 1.1 percent to labor programs for formal sector workers. Despite this recent emergence and relatively small allocation, Brazil’s social assistance programs have contributed to the country’s unprecedented fall in poverty and inequality from 2000 to 2014, and have had important human capital impacts. Nonetheless, this expenditure review highlights a number of concerns, including: (a) allocative biases in favor of the elderly, compared to poor families with children; (b) potential adverse incentives of BPC social pensions; and (c) further spending pressures on the BPC due to population aging and indexation of benefits. Reforms to the calculation of benefits or eligibility criteria could help contain to cost of the BPC, which is particularly important given the likelihood of further spending needs on the *Bolsa Família* Program to protect the poor during the current economic crisis. Beyond parametric reforms, Brazil should invest in further strengthening its back-office administrative systems for improved quality of information, accuracy of eligibility decisions, monitoring and oversight, and coordination of social policy. Such administrative improvements could include: (a) expanding capabilities for interoperability between the *Cadastro Único* social registry and other information systems; (b) strengthening processes and systems for assessing eligibility for social assistance; and (c) investing in integrated benefit information systems across programs and agencies. Greater integration of information systems and benefits administration would not only improve efficiency and quality of spending, but it could also help unify Brazil’s dual social protection system, which grants greater benefits to those in the formal sector than to the poorer informal segments of society. These administrative improvements would require time, capacity and improved capabilities, and are not quick fixes. However, given the structural nature of Brazil’s fiscal challenge, such opportunities to improve the quality of public spending on the social safety net – and broader social protection system - would be well worth the efforts.
OBJECTIVES, OVERVIEW, AND INSTITUTIONAL RESPONSIBILITIES FOR MAIN SOCIAL ASSISTANCE PROGRAMS

The objective of social assistance programs in Brazil is to provide support to people living in poverty and other vulnerable groups. For the purposes of this chapter, we define social assistance as all transfer programs for which eligibility is not tied to individual contributions, but which are fully financed from general budget resources. These programs primarily include social pensions for the poor elderly and disabled, conditional cash transfers for poor families, unconditional cash transfers (such as emergency assistance), housing assistance for low-income households, school feeding, food programs, social services, and a variety of other small benefits and services. They are usually targeted to the poor or low-income groups via means-testing, or provide eligibility to specific vulnerable groups. Within the broader system of social protection, social assistance programs complement social insurance pensions, which are contributory by design but have been significantly subsidized from general taxation, and labor market programs, which are largely contributory and include a mix of active and passive benefits and services. The current note focuses on Social Assistance Programs while a second background chapter focuses on Labor Market Programs (World Bank, 2018).

Social assistance programs are structurally distinct from social insurance pensions and labor programs. The first involves eligibility in relation to the labor market. Social insurance pensions and labor benefits require past or current participation in the labor market. In contrast, social assistance programs are not linked to a person’s (or head of household’s) labor market status, and are generally targeted to people living in poverty, those with low incomes, or otherwise vulnerable groups. The second structural difference is with respect to financing. By design, the benefits from social assistance are non-contributory that is, financed from general taxation. In contrast, social insurance pensions and the benefits of many labor programs (such as Brazil’s unemployment insurance and wage subsidy programs) are contributory, (i.e. funded through earmarked taxes on pay-roll that are levied as contributions from employers and workers, and designed to mimic market insurance).

However, from a public finance perspective the distinction between social insurance pensions and social assistance in Brazil is blurry. Although most participants in social insurance programs make contributions from earned incomes, the benefits paid out by these programs often exceed contribution revenue. As such, Brazil’s social insurance regimes have long incurred significant deficits which have to be financed from general taxation, much like social assistance programs. In the case of the General Pension System (Regime Geral de Previdência Social, RGPS), the final balance of benefits paid minus contributions resulted in a deficit of 1.5 percent of GDP in 2015, which was financed by transfers from the federal budget, funded by general taxation.
The deficit for the civil servants’ pension system (*Regime Próprio de Previdência Social*, RPPS) is estimated at another 1.2 percent of GDP for 2015. Combined these deficits result in a transfer of 2.7 percent of GDP from general taxation, nearly *double* the 1.5 percent of GDP spent on non-contributory social assistance programs in 2015.

Various agencies and levels of government are involved in the management and implementation of social assistance programs in Brazil. The Ministry of Social and Agrarian Development (MDS, formerly MDSA, formerly MDS)\(^2\) oversees most federal social programs, including the *Bolsa Família* conditional cash transfer program, the unified network of social services, and the BPC social pension for the poor elderly and disabled, as well as a number of smaller programs, such as food and nutrition programs, and special social protection for emergencies. While MDSA manages the *Bolsa Família* Program, municipalities have responsibilities for intake and registration of applicants, entry and updating of data into the *Cadastro Único* social registry, and monitoring of conditionalities (in partnership with the Ministries of Health and Education). Meanwhile the *Caixa Econômica Federal* (a public bank) is the operating agent for payments administration and the *Cadastro Único*. The *Instituto Nacional de Seguro Social* (INSS) and its local offices manage and implement the BPC, under the budgeting and reporting lines managed by MDSA. As for other programs, the Ministry of Cities manages the *Minha Casa, Minha Vida* housing assistance scheme, and several other ministries operate a variety of small emergency cash assistance programs, such as the *Programa Defesa Civil*, which is managed by the Ministry of National Integration, and provides cash assistance to support disaster risk management; MDSA *Secretaria Especial de Agricultura Familiar e do Desenvolvimento Agrário* manages the *Programa Garantia Safra* which provides cash assistance to family farmers who lost their crops due to droughts or other natural disasters; and a constitutionally-guaranteed emergency social protection cash assistance scheme.

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1 Boletins Estatísticos da Previdência Social, and Grupo de trabalho da previdência social (September 2016). STN/MF.

2 *Medida Provisória* no. 782 of May 31, 2017 changed the name of the former Ministry of Social and Agrarian Development to Ministry of Social Development and created the National Secretary of Family Agriculture and Development. This is the second name change in one year as it was formerly known as Formerly the Ministry of Social Development and Eradication of Hunger (MDS). Ministerial reform and name change as of 2016: *Medida Provisória* no. 726 of May 12, 2016 and then made permanent by the Lei Nº 13.341, of September 29, 2016.
FEDERAL SPENDING ON SOCIAL ASSISTANCE PROGRAMS
Expenditure Magnitudes, Trends, and International Benchmarking

Spending on social assistance accounted for 1.5 percent of GDP in 2015 (Figure 1). This is only a small share of total social protection spending, which totaled 13.8 percent of GDP that same year, with social insurance pensions absorbing the bulk (11.1 percent of GDP), and the remaining 1.1 percent going to labor programs.

This dominance of social insurance pensions has deep historical roots in Brazil, and the introduction of social assistance is a relatively recent shift in the country’s social compact. A key feature of the Brazilian social protection system is the duality between formal workers, who gained social rights to pensions and other labor benefits as early as the 1930s, and the large number of mostly poor informal workers and families who were historically excluded from social protection systems. The result was a “truncated welfare state,” which largely missed the poor and informal workers. Social assistance programs were introduced relatively recently, following the return to democracy in the 1980s and the Constitution of 1988, which included the right to “social assistance to be provided to those who need it, independent of social security contributions.” In order to fulfill this constitutional mandate, the Organic Law on Social Assistance (LOAS) was adopted in 1993, establishing, inter alia, specific social assistance benefits and services, including the BPC social pension for the poor elderly and disabled, along with social assistance services under SUAS, emergency cash transfers, assistance for child labor. Subsequently, recognizing the need to alleviate poverty while addressing the underlying structural sources of poverty, Brazil was one of the first countries to pioneer conditional

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3 IBGE (2006) traces Brazil’s trajectory for social security benefits, noting that formal social security was first launched in 1923 (for rail workers), with significant expansions and reforms in the 1930s (legislative reforms and extensions to maritime workers, banking and commerce, industry, transport), the 1960s (adoption of core social security legislation, the creation of the Ministry of Labor and Social Security, and the National Institute for Social Security). The 1970s saw the incorporation of more marginalized categories of workers, including domestic workers, independent workers (self-employed), rural pensions, and those over 70 who hadn’t previously contributed (non-contributory social pensions).

4 For example, the Salario Familia dates back to 1936 (with further extensions in 1963 and conditionality reforms in 1999), the Minimum Wage was first established in 1940, the Abono Salarial has its origins in 1970 (with the creation of the PIS and PASEP, and then incorporation into the 1988 Constitution), and Unemployment Insurance was legislated in 1986. Portela et. al. (forthcoming 2016).

5 Fiszbein (December 2005).

6 The exception to the late introduction of social programs is Brazil’s school feeding program, which was introduced in 1955.

7 The clauses in the Constitution involving social assistance focus on the objectives of (i) protecting the family, maternity, childhood, adolescence, and old age; (ii) providing support to children and teens; (iii) promoting integration into the labor market; (iv) providing training and rehabilitation to people with disabilities and promoting their integration into community life; and (v) guaranteeing a monthly benefit of one minimum wage to the disabled and elderly who prove that they are without means to provide for their own support or having it provided by their family.” Article 203, Constitution of 1988.
cash transfers, which tie cash assistance to incentives for investments in health and education. CCTs emerged first at the municipal level in 1995, then at the federal level with the Bolsa Escola and Bolsa Alimentação Programs in 2001-02, and subsequently on a larger scale at the federal level with their consolidation into the Bolsa Família Program in 2003.⁸ Even with the introduction of modern social assistance programs to assist the poor, the historic duality created a perpetual wedge between benefits provided to those in the formal sector and the programs targeted to the poorer, informal, segments of society, as evidenced by spending trends as a share of GDP (Figure 1).

![Figure 1. Spending on Social Assistance in Context of Overall Social Protection Spending](image)

Brazil’s spending on social assistance is lower than in many peer countries. At 1.5 percent of GDP, Brazil’s overall allocation to social assistance is lower than the average for its structural peers (1.7 percent) and the BRICS (1.9 percent), as shown in Figure 2. It approximates level of spending among regional peers (averaging 1.6 percent), possibly

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⁸ The Bolsa Família Program was first established by Provisional Measure No. 132 in October 2003 and then legislated by Law 10.836 in January 2004. Lindert et. al. (May 2007).
reflecting their similar historical trajectory of the “truncated welfare state,” with social programs emerging only relatively recently in most LAC countries.9

**Composition of Spending on Social Assistance in Brazil**

Together, two programs account for 75 percent of federal spending on social assistance: the BPC social pension and the *Bolsa Família* CCT. Although a wide array of social programs is financed from the federal budget, the BPC, which is targeted to poor elderly and disabled, is the largest program, absorbing 0.69 percent of GDP (nearly half of all social assistance spending) in 2015 (Figure 3).10 *Bolsa Família* is the second largest, accounting for 0.45 percent of GDP (about a third of social assistance spending).

![Figure 2. Expenditures on Social Assistance as a Share of GDP in Brazil, with Benchmarking to Structural Peers, Regional Peers, and BRICs](image)

Source: World Bank – Authors’ analysis of BOOST (federal level); SPL Program Inventory; ASPIRE and ASPIRE LAC

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9 Since the debt crisis of the 1980s caught most Latin American countries unprepared in terms of safety nets, most countries in the region moved in the direction of putting more resources into social programs, including early school feeding programs (in most LAC countries), workfare programs (in Chile in the 1980s and Argentina in the 1990s), and then innovations in CCTs in Brazil (in 1995) and Mexico (in 1997). By the 2000s, most countries in LAC were operating some form of CCTs or other social programs targeted to the poor. Fiszbein (December 2005), IBGE (2006), Lindert et al. (May 2007) and Arroyo-Abad and Lindert (December 2014).

10 In addition, the federal Government pays earmarked pension benefits under the EPU – *Encargos Previdenciários da União*, (non-contributory) Social Security Charges to very specific categories of the population: 22 - Pensão por morte estatutária; 26 - Pensão Especial (Lei nº 593/48); 37 - Aposentadoria de extranumerário da União; 38 - Aposentadoria da extinta CAPIN; 54 - Pensão especial vitalícia (Lei nº 9.793); 56 - Pensão mensal vitalícia por síndrome de talidomida; 58 – Aposentadoria excepcional de anistiado; 59 - Pensão por morte excepcional do anistiado; 60 - Pensão especial mensal vitalícia; 76 - *Salário*-família estatutário da RFFSA; 89 - Pensão especial à vítima da hemodiálise Caruaru.
In addition, Brazil’s social safety net includes numerous smaller programs which have become more diverse over time (Figure 3). These include various benefits (cash and in-kind) and services, such as the Minha Casa, Minha Vida housing support program (0.17 percent of GDP) in 2015, the national school feeding program (PNAE, 0.06 percent of GDP), and the federal government’s financing of the unified network of social services (SUAS, 0.03 percent of GDP).11 As shown in Figure 4 below, the Brazil’s social safety net has diversified in recent years, with the expansion of these smaller programs. Nonetheless, these still pale in comparison to the BPC and Bolsa Família, which both grew substantially over the period from 2000-2015.

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11 The SUAS unified network of social services is financed by the federal government as well as states and municipalities and operates basic and specialized service centers at the local level (CRAS & CREAS) and offers the poor and vulnerable a number of services, including: (a) active search and access to registration in the Cadastro Único; (b) direct social services depending on the level of complexity of the individuals and families (basic social protection services, specialized services, and high-complexity services including shelter and residential care); (c) referrals and monitoring of at-risk individuals and families; and (d) mobile services.
Brazil’s social assistance programs serve a diverse set of vulnerable groups and therefore, programs vary significantly, in terms of number of beneficiaries, level of benefits, and spending. This reflects the distinct profiles and needs of different vulnerable groups. The pattern suggests three groupings of programs (Figure 5):

- **Some programs distribute larger benefits to fewer people.** The BPC social pension falls in this category, transferring one minimum wage benefit (R$788 in 2015, R$880 in 2016) per month to more than four million individuals, at a cost of 0.69 percent of GDP in 2015. The *Minha Casa, Minha Vida* housing subsidy only reached 153,282 households (or about 450,000 individuals), but transferred an average of R$3,140 per person per month for a cost of 0.17 percent of GDP (not shown in Figure 5 for reasons of scale).

- **Other programs distribute a small benefit amount to many people.** *Bolsa Família* and the PNAE school feeding program are in this category. *Bolsa Família* transferred an average of R$155 per month per family to over 14 million beneficiary families (or R$53 per month per capita, to about 41 million people), at a cost of 0.45 percent of GDP in 2015. Similarly, for the school feeding program, on average, the federal government transferred just over
R$7 per student per month to state and municipal governments for the national school feeding program.

- **Finally, other smaller programs deliver more tailored assistance to specific target groups**, such as the Programa Garantia Safra, which provides emergency cash assistance to farmers in drought or other natural disasters, and which transferred an average of R$37 per farmer per month to 645,342 family farmers (about 1.9 million individuals), or the *Bolsa Verde* environmental conservation CCT, which transferred R$122 per farmer per month for three months to 64,637 farmers in 2015.

**Figure 5. Diversity of Social Assistance Programs by Benefit Levels, Beneficiaries, and Cost, 2015**

Note: Size of bubble shows total cost of the program (in percent of GDP)
Source: World Bank – Authors’ analysis of BOOST (federal level); SPL Program Inventory

**Main Drivers of Spending on the Two Largest Social Programs: BPC Social Pensions and Bolsa Família**

Spending on the two largest social assistance programs increased significantly from 2000 to 2015. Outlays on the BPC social pension for the poor elderly and disabled, increased from 0.3 to 0.69 percent of GDP over that period. Spending on the *Bolsa Família* CCT program for poor families increased from 0.15 percent of GDP at its creation in 2003 to 0.45 percent by 2015 (see Annexes 3 and 4 for additional details on each program).
By level of expenditure, the BPC Social Pension is the largest social assistance program in Brazil. The BPC provides income support to the poor elderly and disabled.\textsuperscript{12} Specifically, the BPC pays a cash payment equivalent to one monthly minimum wage (R$788 in 2015; R$880 in 2016; R$ 937 in 2017) to people with disabilities and the elderly who prove they are unable to support themselves or be supported by their families. This threshold is defined as household income per capita below ¼ of the minimum wage (or less than R$197 in 2015; or R$220 in 2016). Although it is overseen by MDSA and appears as a line item in the MDSA budget, the BPC is administered and implemented by the INSS.\textsuperscript{13} Potential beneficiaries apply for BPC benefits at local social security offices (APS) operated by the INSS, and the program is means-tested on the basis of self-reported incomes.

A key factor driving the increase in spending on BPC social pensions was rising benefit levels linked to real increases in the minimum wage. The minimum wage is adjusted based on inflation of the previous year and real GDP growth of the year prior to that (if GDP growth was positive). Consequently, it rose significantly, from R$151 per month in 2000 to R$788 in 2015 (Figure 6). In real terms, the minimum wage grew at an average rate of 4.6 percent per year over that period. Since the BPC social pensions benefit is defined as one minimum wage, the large real increase in the minimum wage drove up spending on the program.

\textsuperscript{12} The program was formally regulated by the Organic Law of Social Assistance (Lei Organica de Asistencia Social, LOAS) No. 8.742/1993 – Article 20 to fulfill constitutional obligations set forth in Article 203, V of the 1988 Constitution. With the adoption of LOAS, the BPC replaced the RMV (Renda Mensal Vitalicia), which was established after the adoption of the Constitution of 1988. The RMV is being phased out but still pays out benefits to remaining beneficiaries who joined the program before 1995. RMV benefits are included in BPC expenditures in our Program Inventory and expenditure estimates. LOAS 8.742/1993 was later amended by Law No. 12.435/2011.

\textsuperscript{13} Until 2016, INSS reported to the Ministry of Social Security and Labor, but ministerial reforms in 2016 moved the INSS to MDSA.
Expanding coverage is another key factor propelling the increase in spending on the BPC. Specifically, coverage has risen from 1.6 million individuals in 2002 to a total of 4.2 million by 2015 (Figure 7). The disabled represent the larger beneficiary group, accounting for 55 percent of BPC beneficiaries in 2015 with the elderly representing the other 45 percent. Coverage grew faster for BPC elderly beneficiaries over the full period from 2002 to 2015 than it did for BPC disabled beneficiaries, with average annual growth rates of 9.5 percent per year for BPC elderly and 6.8 percent per year for BPC disabled. One factor driving this expansion is the lowering of the eligibility age for BPC from 70 in 1993 to 67 in 1998, and to 65 in 2003.14 Demographic change - an aging population - also explains part of the rise in elderly social pensions, but not all, since the growth rate for the elderly population over age 65 was 3 percent per year, far lower than the rate of growth of those covered by BPC. More recently, coverage rates for the disabled have been growing faster than for the elderly, rising by 5% percent a year, from 2010 to 2015, as compared with 3.5 percent, for the elderly. As discussed below, this could be associated with the rise in court-awarding of benefits.

14 The age of eligibility for BPC-elderly was lowered from 70 in 1993 (Art. 20 da Lei nº 8.742, de 7 de dezembro de 1993, LOAS) to 67 in 1998 (Art. 1º da Lei nº 9.720, de 30 de novembro de 1998), and again to 65 in 2003 (Art. 34 da Lei nº 10.741, de 1º de outubro de 2003 (Estatuto do Idoso).
Increasing prevalence of court-awarded BPC benefits also underpins the rise in coverage. Given the explicit link in the LOAS between the BPC and constitutional rights, many applicants have turned to the court system to obtain these benefits when their applications via regular channels in local social security offices were denied. Numerous studies have documented the role of the judiciary in awarding benefits, highlighting tensions between the citizens’ rights agenda, practical challenges of implementation, and fiscal pressures.\textsuperscript{15} Indeed, as shown in Figure 8 a significant and growing share of benefits have been awarded via the court system, reaching 18.7 percent of all BPC benefits by 2015, up from 2.6 percent in 2004.\textsuperscript{16} The two most frequently contested issues in court cases have involved (a) disability status, and (b) income criteria, with judges allowing for the determination of sustenance via factors other than income.\textsuperscript{17} Indeed, the share of BPC disability benefits awarded through the court system reached nearly 30 percent by 2015 (Figure 8) and, as discussed above, overall coverage of disability benefits grew particularly fast in recent years, rising an average of 5 percent per annum from 2010 to 2015.

\textsuperscript{15} For example, Brito Leal Ivo and Buarque de A. Silva (2011); Meneguetti, Pereira (Jan-April 2012), and Louback da Silva (July-Sept 2012).

\textsuperscript{16} This under-estimates the total number of court cases involved (and the implied costs to the court system), since it only presents data on the share that were approved (not denied) via the judicial system.

\textsuperscript{17} Louback da Silva (2012) and MDS (2010).
In light of this expanding role of the judiciary, the Supreme Court (STF) pronounced the eligibility aspects of the law governing the BPC to be unconstitutional, but without nullification. Specifically, in April 2013, the STF declared the unconstitutionality of Paragraph 3 of Article 20 of LOAS, which puts forth the means-testing eligibility criteria of monthly incomes of less than ¼ minimum wage per capita. Further orientations from STF allow the courts to consider up to ½ minimum wage for eligibility purposes. In the reasoning put forth for this decision, STF notes the possibility of using other criteria to evaluate the state of “social vulnerability” of the families of the elderly and disabled; as well as other changes in the legislative and social policy environment that have emerged since the LOAS was established, including the introduction of other social assistance programs and tools, such as the *Bolsa Família* Program (and its predecessors) and the *Cadastro Único* system for means testing. BPC has a need to strengthen its eligibility criteria and MDS is taking steps towards that goal. For instance, it stared an audit process similar to the one *Bolsa Família* has to check eligibility based on database crosschecks. However, this remains a contingent liability for the Government and the situation remains unresolved.

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**Figure 8. Percent of BPC Benefits Awarded via the Court System**

Source: Ministry of Finance and MTPS, data from SPPS/Suibe.

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18 Ministry of Planning (2016). Nota Tecnica no. 5135/2016-MP. “Diagnostica das regras de acesso de Beneficio de Prestacao Continuada (BPC) e simulacoes dos gastos futuros com o programa.

19 Supremo Tribunal Federal (18/04/2013), Reclamação 4.374 Pernambuco; Beneficio Assistencial de Prestação Continuada ao idoso e ao deficiente. Art. 203, V. Da Constituição.
In contrast to the BPC, the *Bolsa Familia* CCT receives a smaller budget allocation, but covers a much larger number of families and individuals. Spending on *Bolsa Familia* is significant (0.45 percent of GDP), but lower than for BPC (0.69 percent of GDP). However, the reach of the *Bolsa Familia* Program is much wider than that of the BPC, with 14 million families, or over 41 million individuals benefiting from the *Bolsa Familia* Program, as compared to 4.2 million individual BPC beneficiaries. By 2017 the *Bolsa Familia* Program has gone through two expansionary phases (Figure 9). First, the Government set ambitious targets for the initial coverage expansion, with the goal of growing the program from 3.6 million families\textsuperscript{20} at the end of 2003 to 11 million families before July 2006. Second, coverage expanded again in response to the global crisis (from 2008 to 2011). Moreover, preliminary projections prepared by the World Bank suggest that the impacts of the current economic recession may result in increase in poverty and eligibility for the program, with coverage needs rising to nearly 16 million families by 2017.\textsuperscript{21}

![Figure 9. Bolsa Familia Program: Trends in Coverage and Spending (percent of GDP)](image)

Source: World Bank – staff analysis of BOOST (federal level); SPL Program Inventory

Benefit levels under *Bolsa Familia* are not indexed to the minimum wage but adjusted periodically. Average benefits per family or per capita depend on both family

\textsuperscript{20} The *Bolsa Familia* Program consolidated four pre-reform programs including: *Bolsa Escola* (a CCT for education, launched in 2001 by previous administration), *Bolsa Alimentacao* (a CCT for health and nutrition, launched soon after *Bolsa Escola*), Auxilio Gas (a cash transfer replacing cooking gas subsidy) and the Cartao Alimentacao food card program (briefly launched in early 2003 before the consolidation to *Bolsa Familia*). See Lindert et. al. (May 2007).

\textsuperscript{21} Skoufias et. Al. (December 2016).
composition and monthly income, as the program offers higher benefits to the extreme poor and variable benefits for specific family members (young children, school age children, adolescents, pregnant and breast feeding mothers, with conditionalities for school attendance and regular health care visits). Three key phases are observed in the trends in real and nominal unit benefits under the Bolsa Família Program since its introduction in 2003. First, during the early expansion years, the initial average value actually fell in both nominal and real terms (Figure 10), as the composition of families changed, with deliberate efforts to bring in more urban and moderately poor families on the path towards universal coverage of the poor, since the pre-reform programs were seen to have disfavored poor families in urban areas (Lindert et. al., 2007). Second, at the onset of the global crisis in 2008, benefit levels were adjusted upwards to protect the poor. Third, the level of benefits rose again from 2011-14, with the introduction of a number of reforms under the Brasil Sem Miséria strategy – including adjustments to the benefits menu, an increase in the cap on the number of variable benefits per family, and the introduction of the “guaranteed minimum income” top-up benefit to help families overcome extreme poverty (calculated as the amount needed to bring each family up to the poverty line) in 2012. Benefits were adjusted again in July 2014 in response to concerns about inflation eroding the purchasing power of the benefits.22

Figure 10. Bolsa Família Program Evolution of Average Real and Nominal Benefit Levels

Source: World Bank – staff analysis of BOOST (federal level); SPL Program Inventory

22 In fact, the increase in the benefits July 2014 was approximately equal to the inflation rate that year. Specifically, the base benefit passed from R$77 since April 2014 to R$85 in July 2014, the variable benefit for children and mothers passed from R$35 to R$39, the variable benefit for adolescents passed from R$42 to R$46, and the value per family went from a minimum of R$35 to R$39 and the maximum went from R$342 to R$372 plus the minimum income guarantee amount for the extreme poor (varies by income under a specific threshold). Eligibility thresholds also passed from R$77 since April 2014 to R$85 since July 2014 2016 for extreme poor families and from R$154 to R$170 for moderate poor families. Since average monthly benefits per family (or per capita) depend on family composition and incomes, and the reform is relatively recent, we do not yet have the data on these averages for 2016.
Even with these upward adjustments, *Bolsa Família* benefits are only a fraction of the BPC benefit and the minimum wage. Average *Bolsa Família* benefits per capita rose from R$20 per person per month in 2004 to R$53 per person per month by 2015, which is quite low compared to the minimum wage (and thus BPC benefits). In 2015, average per capita benefits were 6.8 percent of the minimum wage. This transfer is likely too small to result in incentives for families to forego work in favor of this means tested cash transfer, particularly considering that low wage formal workers are entitled to cash transfers as high or higher as those from *Bolsa Família* through wage top-up subsidies (see chapter on labor programs). Indeed, there is little evidence of any such perverse incentives in the literature on the impacts of *Bolsa Família*. Moreover, average per capita benefits for the *Bolsa Família* program grew more slowly in real terms than the minimum wage: over the period from 2004 to 2015, real per capita *Bolsa Família* benefits grew at an average annual rate of 3.9 percent, whereas the real minimum wage grew by 4.5 percent.

![Figure 11. Average per capita Benefits of Bolsa Família and BPC and the Minimum Wage](source)

Source: World Bank – staff analysis of BOOST (federal level); SPL Program Inventory
EFFICIENCY ANALYSIS

Spending allocations across programs

Spending on Brazil’s social safety net is dominated by the use of cash transfers rather than in-kind benefits. Over 80 percent of federal spending on social assistance is allocated to conditional or unconditional cash transfer programs. There is ample international evidence that the use of cash transfers is advantageous for several reasons. First, on the supply side, cash transfers are far cheaper to deliver than in-kind benefits. Second, on the demand side, cash transfers do not distort consumer preferences or and policy makers do not presume to know what individuals and families need. Rather, a small flow of predictable and reliable cash transfers allows the poor and vulnerable to smooth consumption in the face of shocks and make up for insufficient incomes to meet their basic needs. Brazil’s pioneering CCT program (Bolsa Família), does not only provide basic cash assistance to poor families but also supports positive incentives for children and teens to attend school regularly, and for pregnant mothers and young children to take up preventive health care measures.

In terms of allocations across target groups, Brazil allocates a disproportionate amount of spending to the elderly. As shown in Figure 12 below, Brazil spends a lot on the elderly, even though it is a relatively young country, with the population aged over 65 only representing 7.8 percent of the total in 2015. Of course this spending goes beyond the 0.69 percent of GDP allocated to the non-contributory BPC social pensions and also includes the 11.1 percent of GDP spent on social insurance pensions, a significant part of which involves is covered by general taxation (deficits of approximately 2.7 percent of GDP).
Comparing average benefit levels in the broader social protection system suggests that Brazil’s social compact favors the elderly, as opposed to families with children. Figure 13 illustrates this stark dichotomy. Indeed, the largest benefits on the right-hand side of Figure 13 all benefit the elderly, which represent just 7.8 percent of the population. This contrasts with the much smaller benefits oriented towards working families with children, such as the the Bolsa Família program, Salário Família, which is a type of conditional cash transfer for low-income workers, and maternity-paternity benefits for formal dependent sector workers.  

Among the non-contributory social assistance programs, the relative generosity of the BPC stands out (Figure 13). The BPC social pension, which pays a monthly minimum wage to each beneficiary (R$788 954 in 2018) is nearly 18 times more generous than the monthly benefit per capita for Bolsa Família, which pays an average monthly benefit of 

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23 The Salário Família program is an employer-paid cash transfer benefit that is refunded by the INSS. The target population is formal sector workers with monthly wage below R$1,212 (or 1.4 times the minimum wage (2015) and with children up to age 14 or any age of disabled children. The benefit is conditional on the workers providing annual proof of child immunization and school attendance certificates. The benefit amount varies by income level and number of children. The value is R$29.16 for workers with incomes up to R$806 and R$41.37 for workers with incomes between R$806 and R$1,212 per month. In comparison, the Bolsa Família program maintains monthly monitoring of education and health conditionalities, and targets much poorer families, with incomes per capita up to R$170 per month.
R$53 per person. Looking beyond social assistance, the level of the BPC social pension is higher than labor benefits and slightly higher than the average rural pension (which is nominally contributory). Importantly, the BPC benefit matches the minimum contributory pension (which also equals one minimum wage), and represents 70 percent of average pension outlays per recipient in the urban RGPS program.

Paying a full minimum wage to elderly and disabled who have likely earned less than that in their working life is generous by international standards. The average ratio of social pension benefits to minimum wages for most OECD countries is around 45 percent for the elderly, and 26 percent for the disabled, whereas in Brazil BPC benefits are fixed at 100 percent of the minimum wage.\(^\text{24}\) Holding all other factors constant, if Brazil’s social pension had been set at the average ratios observed in OECD countries, the cost of the program would have been just 0.24 percent of GDP in 2015, instead of 0.69 percent - for a hypothetical savings of R$22.4 billion.\(^\text{25}\)

The relative generosity of non-contributory BPC social pensions could create a number of adverse incentive effects. First, although one would not expect the target beneficiaries of the BPC to work (poor elderly and disabled), this relative generosity could create important moral hazard effects for people to try to qualify for the BPC even if they do not meet the criteria for eligibility, and could explain why so many people pursue BPC benefits through the court system (as discussed above). Second, there are concerns about potential disincentives for participation in formal sector employment and the contributory RGPS pension scheme since the BPC benefit is the same as the minimum RGPS pension benefit received by many who worked in low-wage formal jobs. Third, there are some signs of perverse incentives for labor market participation of family members of BPC beneficiaries. Oliveira and Kassouf (2012)\(^\text{26}\) find that, as intended, BPC decreases the probability of labor market participation among the elderly by 6 to 18 percent. However, the BPC also decreases the probability of a co-residents to be working or looking for a job.

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\(^{24}\) OECD Pensions Watch.

\(^{25}\) Specifically, using the OECD benchmark of 45 percent of the minimum wage, outlays on the BPC elderly benefit would have been 0.14 percent of GDP in 2015 (rather than 0.3 percent). Using the OECD benchmark of 26 percent of the minimum wage for the disability social pension would have resulted in outlays of 0.10 percent of GDP rather than 0.39 percent in 2015.

\(^{26}\) The study uses regression discontinuity design (RDD) and propensity score matching (PSM), age and income eligibility as cutoff, and compare treated with eligible non-treated households. Labor force participation is defined as the elder having worked or be looking for a job in the period of one month.
Figure 13. Comparing Unit Benefits across Types of Programs: Social Programs, Labor Benefits, and Social Insurance Pensions – as well as with the Minimum Wage

Sources: (1) World Bank – Authors' analysis of BOOST (federal level); SPL Program Inventory; (2) Andre Portela Souza, Gabriel Ulysseia, Ricardo Paes de Barros, Diana Coutinho, Lucas Finamor, Lycia Lima - FGV, EESP, CLEAR (August 2016). “Rede de Proteção ao Trabalhador no Brasil: Ex-Ante e Proposta de Redesenho.” (3) DATAPREV/SUB/SINTESE

Distributional Incidence

The 2016 PNAD Continua survey for the first time published the results of survey questions that can directly identify receipt of some key social protection programs. During the period of production of this report, survey-based statistics in Brazil made a fundamental step forward through the release of the PAND Continua panel survey. This allows for direct identification of participation in the two largest social assistance programs (Bolsa Família and BPC) that had to be previously imputed. However, the survey does not allow for the identification of unemployment benefits (Seguro Desemprego), or wage supplements, that therefore are imputed according to the methodology discussed in the annex.

The incidence of transfers is a combination of the position of the eligibility threshold in the income distribution, the quality of implementation of the rules, and the generosity of the benefit (Figure 14). BPC official eligibility threshold is ¼ of the minimum wage – although as discussed above some courts have been awarding benefits to those with incomes up to ½ minimum wage. The eligibility threshold for BPC is higher than the upper eligibility threshold for the BF, meaning that Bolsa Família is more narrowly targeted to the poorest. Moreover, monthly BPC benefits set at one minimum wage are significantly larger than those for BF, and in fact BPC fall near the upper income level of income of households in the third quintile (Figure 14). This means that BPC transfers
are generous enough to bring the elderly (or disabled) with little or no other income sources all the way up to the third quintile.\footnote{As discussed in Annex 5, this report uses post-transfer incomes to rank quintiles for several reasons (a) post-transfer incomes are closer to a measure of consumption, which is a proxy for welfare; (b) it allows for ranking people in their current status (with their incomes at the time of the survey); (c) this approach is used consistently across other Chapters (e.g., education, health), and (d) it is not appropriate to deduct the value of transfers from incomes to derive some measure of “pre-transfer income” since this would not take into account inevitable behavioral changes associated with the social compact for these transfers. (E.g., Very high pension benefits can induce retirement and sole dependence on pension income since it is so high; and people know that they can count on those pension benefits – from BPC or social insurance pensions – and hence they adjust their behaviors accordingly).}

![Figure 14. Comparison of Monthly Per Capita Values for Quintile Cutoffs, Minimum Wages, and Thresholds and Unit Benefits for BPC & Bolsa Família Program; all 2014, R$ per person per month](image)

Source: MDSA for Bolsa Família Program& BPC parameters; planalto.gov.br for Minimum Wage data; PNAD 2014 for Quintile Cutoffs (note that the maximum value of monthly income per capita for Quintile 5 was R$331,200 as observed in the PNAD 2014 (not shown))

On aggregate, social assistance programs channel a greater share of benefits to the poorest than social insurance and labor benefits. On average, those in the poorest quintile received 32\% of total social assistance benefits (BPC plus Bolsa Família) in 2014, as compared with just 10\% of labor benefits and just 5\% of social insurance pension subsidies in the rural areas and 2\% in the urban areas (Figure 15). That comes as no surprise, since very few of the poor have (or have had) formal sector jobs, which are a pre-requisite for receiving social insurance and labor benefits. Those in the richest quintile in urban areas received 46\% of pension subsidies, which is very similar to results found by Lindert, Skoufias, and Shapiro (2006), who found
that 55 percent of public pension subsidies went to the top quintile, using data from the 2003 household budget survey (POF).

In terms of distribution of resources from general taxation, those in the richest quintile received significantly more from pension subsidies than those in the poorest quintile received from Bolsa Família. As discussed above, the total RGPS and RPPS pension deficit was an estimated 2.7 percent of GDP in 2015. That pension deficit, which was financed by general taxation not contributions, was six times higher than what was spent on the Bolsa Família Program (0.45 percent of GDP). Moreover, according to PNAD simulations, 55 percent of pension subsidies were received by the richest quintile. As such, about 1.5 percent of GDP of financing from the general budget went to those in the richest quintile via spending on the pensions deficit. This compares with 57 percent of benefits of Bolsa Família – or 0.25 percent of GDP – benefitting those in the poorest quintile. In other words, the richest quintile received a transfer from general taxation to finance the pension deficit six times larger than that received by the poorest quintile through Bolsa Família.

Furthermore, spending on the non-contributory financing of pension deficits as compared to Bolsa Família has important inter-generational differences. Spending on pensions is for today’s elderly (which only represent 7.8 percent of the population), whereas spending on Bolsa Família goes to families with children and youths (with those aged 19 and under representing a third of the population), with important human capital impacts, as discussed below.

Social assistance programs are well targeted. Considering pre-benefit incidence, Figure 15 shows that 58 percent of all CCT programs go to recipients in the bottom 20 percent of the national income distribution and 82 percent to the bottom 40 percent. Bolsa Família has a fairly better targeting as 67 percent of recipients are in the bottom 20 percent and 90 percent to the bottom 40 percent. BPC does not compare favorably to Bolsa Família as 56% and 79 percent go to the bottom 20 and 40 percent, respectively. Once the benefit is considered, the distribution for Bolsa Família remains similar to the pre-benefit distribution. However, the distribution for BPC shifts significantly. With the benefit, only 12 percent of spending reaches households in the bottom 20 percent and 39 percent in the bottom 40. A high share (37 percent) goes to families in the third quintile of income. This analysis shows that while a majority of BPC beneficiaries would be poor in the absence of the benefit, once they receive the pension, they are lifted significantly in the income distribution. In other words, the objective of reducing poverty could be reached with a much lower spending per beneficiary.
Brazil’s social assistance programs also compare favorably with distributional incidence for
social assistance in a number of peer countries (Figure 16). A larger share of Brazil’s social
assistance benefits (BPC plus *Bolsa Família*) reach those in the poorest quintile than for
overall social assistance benefits in Argentina, Chile or Colombia, which isn’t surprising given
the higher prevalence of more universal benefits in those countries. Brazil’s redistribution
to those in the poorest quintile is slightly less for social assistance than Mexico and Turkey.
It is important to note, however, that these estimates across countries are not entirely
comparable because for each country, “total social assistance” includes only the programs
for which household survey data are available (as discussed in Annex 5).

**Figure 15. Pre and Post Absolute Incidence of Spending on Social Assistance**

<table>
<thead>
<tr>
<th>Country</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil CCT total (2016)</td>
<td>58%</td>
<td>67%</td>
<td>56%</td>
<td>61%</td>
<td>37%</td>
</tr>
<tr>
<td>Brazil BFP (2016)</td>
<td>24%</td>
<td>23%</td>
<td>23%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Brazil PBC (2016)</td>
<td>10%</td>
<td>7%</td>
<td>12%</td>
<td>8%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Sources: World Bank – Authors’ analysis of Brazil PNAD 2016. See Annex 5 for details.

**Figure 16. Absolute Incidence of Spending on Social Assistance:**

<table>
<thead>
<tr>
<th>Country</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil SA Total</td>
<td>34%</td>
<td>23%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Brazil BFP (2014)</td>
<td>23%</td>
<td>26%</td>
<td>26%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Brazil BPC (2014)</td>
<td>10%</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Argentina (2012)</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Colombia (2012)</td>
<td>18%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Chile (2013)</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Mexico (2012)</td>
<td>3%</td>
<td>8%</td>
<td>12%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>Turkey (2012)</td>
<td>10%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Sources: World Bank – Authors’ analysis of Brazil PNAD 2014. Quintiles are ranked by post-transfer
income. World Bank ASPIRE for data on other countries. See Annex 5 for details.
Current social assistance and labor programs allow many households to receive several benefits. While social assistance programs (especially Bolsa Família and BPC) are means tested, pensions and labor programs (unemployment insurance, Abono Salarial, Salario Família) are not. Eligibility for Abono Salarial and Salario Família is conditional on formal employment at a relatively low wage (less than twice the minimum wage for Abono Salarial), however there is no means-testing for household income. Hence Abono Salarial benefits many households at or above the middle of the income distribution (see chapter on labor programs) and many households are eligible for more than one benefit (Figure 17 and 18). Overlap is also prevalent between the two wage subsidy programs (Abono Salarial and Salario Família), with the overwhelming majority of Salario Família beneficiaries also receiving Abono Salarial (see chapter on labor programs). Overlaps between labor programs and Bolsa Família are less frequent and tend to be focused on lower income groups (bottom 40), since Bolsa Família is means tested for household income. In 2014 an estimated 1.2 million people lived in households receiving both Bolsa Família and BPC (about 3 percent of Bolsa and 10 percent of BPC recipient household members). However over 90 percent of these households fall into the bottom 40 percent of the income distribution, with about half of them in the bottom 20 percent (Figure 17).

Figure 17. People in families receiving two benefits by income decile
Social program targeting in Brazil is adequate and similar to comparable countries; however, there is a reemerging gap in coverage that coincides with large urban centers. A total of 18 million poor individuals are not beneficiaries of *Bolsa Família*. In 9 states more than 50 percent of the poor population are not beneficiaries, including São Paulo (see Figure 19). Comparing the states of Maranhão and São Paulo, differences in social programs coverage is evident. Figures 20 and 21 show that Maranhão has better overall coverage levels compared to São Paulo. In the first state, 91 percent of the poor are covered by social programs, compared to 77 percent in São Paulo. The gap widens for *Bolsa Família* where 87 percent of the poorest in Maranhão is covered compared to only 26 percent in São Paulo.
Figure 19. Percentage of the poor that do not receive Bolsa Família by state

Figure 20. Social program coverage in Maranhão

Sources: World Bank – Authors’ analysis of Brazil PNAD 2016.
Figure 21. Social program coverage in São Paulo

Impact evaluations

The impact of *Bolsa Família* has been assessed abundantly, and many published studies show impressive results in reducing poverty and inequality. Brazil has experienced significant and sustained progress in reducing poverty in the past decade. From 2004 to 2014, extreme poverty fell from 7.6 percent of the population to 2.8 percent, and poverty was reduced from 22.4 percent to 7.4 percent. After hovering at a stubborn average of 59 in the 1980s and 1990s, the Gini coefficient of inequality fell from 57 in 2004 to 52 by 2014. Skoufias et. al. (December 2016) estimate that social transfers (including *Bolsa Família* and BPC) accounted for 58 percent of this drop in extreme poverty (lifting 4.2 million people out of extreme poverty), 30 percent of total poverty reduction (lifting 8.13 million out of poverty), and 41 percent of the reduction in inequality. Soares (2012) presents lower but still significant estimates, concluding that *Bolsa Família* accounted for 8 percent of the fall in the headcount rate for poverty, 18 percent of the fall in the poverty gap, 22 percent of the reduction of poverty severity, and 16 to 21 percent of the total fall in inequality since 2001. Campello and Neri (2014) estimate that the level of extreme poverty would have been between 33 percent and 50

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28 Pending results of additional impact evaluations.

29 Skoufias et. Al. (December 2016). Poverty headcount measured as those living below R$140 per person per month, with the extreme poverty line of R$70 per person per month.
percent higher without the *Bolsa Família* Program. Finally, Campello estimates that the program has helped keep 36 million people out of extreme poverty, especially children.

Beyond poverty alleviation, *Bolsa Família* has also had important structural impacts on human capital, particularly for the education and health of vulnerable children. Brazil has invested significantly in the information systems needed to monitor education and health conditionalities, with around 90 percent of “Bolsa kids” being monitored in 2014.  

Glewwe and Kassouf (2008) find that the program raised participants’ school enrolment rates by 18 percentage points, and reduced dropout rates by 1.5 percentage points. They also find that participation raised grade promotion rates by two percentage points. Chitolina et. al. (December 2013) show that the introduction (in 2008) of an additional variable benefit for youth aged 15-17 to attend school had the impact of raising enrolment by 4 percentage points. Finally, Cireno et. al. (2013) find a significant fall in disparity between *Bolsa Família* beneficiaries and non-recipients, suggesting that participation in the program and compliance with its conditionalities may contribute to reducing the performance gap between recipients and non-recipients over time. The monitoring system for health conditions covers about three quarters of all beneficiary women of child-bearing age and children ages 0-7. Several studies find an increase in prenatal care among *Bolsa Família* mothers, as well as a higher rate of timely vaccines, and prevalence of breastfeeding. Santos et. al., (2014) find a lower incidence of low birth weights and Campello (2013) reports a 14 percent decrease in premature births. Rasella et. al. (2014) find a significant reduction in under-five mortality, a 46 percent decrease in diarrhea-related mortality, and a 58 percent decrease in malnutrition-related mortality.

The *Bolsa Família* Program appears also to have empowered women. Despite initial concerns that the program could spur women to have more children -presumably to qualify for additional variable benefits- Signorini and Queiroz (2012) found slightly lower fertility rates among beneficiaries than comparable non-beneficiaries. Alves and Cavenaghi (2014) found a continued fertility decline among both beneficiaries and non-beneficiaries, as well as a reduction of unplanned pregnancies in both groups. With the benefits paid via the banking system to women’s accounts, various studies have found other evidence of improvements in women’s empowerment, such as making decisions

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within the home, making decisions about health-related expenses, making decisions about purchase of durable goods, and so forth.\textsuperscript{34}

The positive impacts of \textit{Bolsa Família} were not accompanied by adverse impacts on adult labor supply, or the threat of long-term beneficiary dependence. Countering popular perceptions, impact evaluations have shown little-to-no impacts of \textit{Bolsa Família} on reducing adult’s labor supply (hours worked).\textsuperscript{35} Some studies have found potential evidence of incentives for beneficiaries to shift employment from formal to informal work with the program (about 8 hours difference).\textsuperscript{36} However, given the relative generosity of formal-sector labor and pension benefits— and the relatively low level of benefits under the \textit{Bolsa Família} Program (averaging 6.3 percent of the minimum wage), it is unlikely that any perverse labor incentives would be significant.

There have been fewer impact evaluations of the BPC, but available evidence suggests that social pensions can help reduce poverty and inequality, and support the quality of life of beneficiaries. Guedes and Araujo (2009) estimate that poverty would decline by 4.06 percent if BPC-elderly was extended to the entire eligible population, whereas inequality would fall by 10.65 percent in the Gini Index and 26.45 percent in the Theil index L. The study uses PNAD 2005 and counterfactual simulations to investigate the impact of BPC-elderly’s coverage expansion to eligible citizens that for some reason were not enrolled in the program as of year 2005. Published evidence also concludes that the BPC has supported the quality of life of beneficiaries, including improved nutrition and dietary diversity (Santos, 2009; MDS, 2010), medical treatment, and payment of housing-related expenses (Santos, 2009). The benefits are thus mostly used for covering beneficiaries’ basic needs. BPC also impacts empowerment by raising social recognition of beneficiaries and their families, and promoting beneficiaries’ social life, and autonomy (MDS 2010). Regarding the latter, Santos (2009) finds through a qualitative study with BPC-disability beneficiaries that the program increases their social and financial independency relative to their families, contributing to improving beneficiaries’ autonomy and sense of citizenship.

\textbf{Administrative efficiency}

A common measure of efficiency of social assistance programs is the estimate of administrative costs as a share of total program expenditures.\textsuperscript{37} Administrative costs of social programs typically include the costs associated with carrying out key delivery

\textsuperscript{34} SAGI/MDS (June 2012). Executive Summary – \textit{Bolsa Família} Program Impact Assessment – 2\textsuperscript{nd} Round (AIBF II).

\textsuperscript{35} SAGI/MDS (June 2012). Executive Summary – \textit{Bolsa Família} Program Impact Assessment – 2\textsuperscript{nd} Round (AIBF II).

\textsuperscript{36} Alan de Brauw, Daniel O. Gilligan, John Hoddinott, and Shalini Roy (December 2013). IPC One Pager. No. 239.

\textsuperscript{37} This measure is defined as: administrative costs / spending on the program (inclusive of both administrative outlays and payments of transfers).
processes, as well as monitoring, oversight and controls. Key inputs to these processes include staffing at central and local levels, information technology, infrastructure and communications. However, estimating administrative costs in a complete and comparable way is complex for many reasons. First, there are often multiple actors involved, particularly with decentralized implementation. Brazil’s social programs involve partnerships with various agencies and local governments to implement programs in 5,570 municipalities of varying size and capacity. Local offices are typically the point of contact for citizens – and hence costs are often incurred at the local level. Estimates of these administrative costs are difficult to obtain, and often local social workers cover more than one program (so their time is difficult to assign to specific programs). Second, even at the federal level, overhead costs are often recorded for ministries as a whole – not disaggregated with separate line items for each program (e.g., ministry staff, IT resources, communications, and so forth). Third, comparisons across programs – and across countries – are particularly tricky due to differing implementation arrangements, budget reporting, and completeness of cost estimates. Finally, it would be misleading to conclude that lower administrative costs are always better, since quality and accuracy of spending depend on sufficient investments in administrative capacity. If administrative budgets are inadequate, quality of program delivery – and consequently, quality of spending – will suffer.

Administrative costs for the main social assistance programs in Brazil are in line with the costs of managing similar programs in other countries (Figure 22). For Brazil, the most relevant comparisons would be between Bolsa Família (5.2 percent of total program expenditures) and Mexico’s Prospera-Oportunidades (5 percent), \(^{38}\) which both have long histories of implementation and thus similar maturity levels for administrative capabilities. Mexico’s Prospera Program is much smaller than Bolsa Familia, however, and its administration is more centralized. The relatively higher administrative costs for CCTs in other countries, such as in Europe and Central Asia (6.5 percent), the Pakistan BISP (8.1 percent) or the Philippines Pantawid CCT (9.3 percent) could be due to the fact that these are relatively new programs. \(^{39}\) The relatively higher administrative cost rate for the US SNAP Food Stamps reflects the program’s heavy emphasis – and high spending - on quality controls for accuracy in eligibility and termination decisions, with monthly random-sample reviews carried out by both state and federal agencies and federal re-audits, as well as other oversight and

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\(^{38}\) For Mexico, these operations costs have come down over time, with maturation of the main CCT program (from Progresa to Oportunidades and now to Prospera). The Operational Guidelines for Prospera establish that the administrative costs of planning, operations, supervision, monitoring, citizen attention, and external evaluation may not exceed 4.61 percent of the total budget assigned to PROSPERA (2016).

\(^{39}\) Moreover, for the Philippines, 2015 was the year in which DSWD carried out the nationwide mass registration census-survey sweep to update its list of potentially eligible families. As such, the costs incurred in 2015 were likely higher than other years.
controls mechanisms. As a result, the targeting accuracy of the US SNAP Food Stamps program has been one of the highest in the world.40

Figure 22. Administrative Costs of Social Assistance Programs, Brazil and Comparator Countries

Source: World Bank – Authors’ analysis of BOOST; SPL Program Inventory; Baddini et al (2016); Camacho et.al (December 2004), Tesliuc et. al. (2014),
https://www.rbfhealth.org/sites/rbf/files/RBF_FEATURE_Mexico3.pdf,
http://pantawid.dswd.gov.ph/index.php/pantawid-pamilya-financials, Schott et. al. (October 2014),

Given the multiplicity of actors involved in social programs, Brazil has developed various approaches to reduce fragmentation and promote more efficient administration of programs. Coordination is needed both horizontally at the federal level and vertically between levels of government given program decentralization. Examples of horizontal coordination include the agreements between MDSA and the Ministries of Health and Education for the monitoring and verification of conditionalities for the Bolsa Família Program. Vertically, inter-governmental arrangements for the Bolsa Família Program have been formalized with implementation agreements (termos de adesão), performance monitoring indicators

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40 Administrative costs for social programs in the United States are based on detailed reporting for federal, state, and county-level expenditures. Estimates of targeting accuracy for US programs suggest that 80 percent of SNAP Food Stamps programs went to those in the poorest quintile of the population, as compared with 63 percent for the TANF cash assistance workfare program, 52 percent for the Earned Income Tax Credit (EITC), and 48 percent for disability benefits. Lindert (June 2005). This compares to 64 percent for Bolsa Família in 2006, and estimated (imputed) incidence of 57 percent going to the poorest quintile in 2014, as discussed above.
for local implementation quality (the decentralized implementation index, IGD), and performance-based co-financing of administrative costs.

The *Cadastro Único*, or unified social registry is a central tool for coordination and delivery of social programs. The *Cadastro Único* is the main system used to identify and register low-income families, serving as a gateway for inclusion in social programs. By 2017 it covers about 27.2 million families (or about 80 million people) – nearly 40 percent of the population. The intake questionnaire includes modules for identification of the household, family members (and assignation of a social identification number, NIS), and persons with disabilities; information on schooling; labor market participation; and self-reported income, which is the main variable used to determine eligibility for social programs. The *Cadastro Único* serves 29 user programs of many types including social assistance (e.g., *Bolsa Família*, *Minha Casa, Minha Vida*, PETI, and *Bolsa Verde*), labor and productive inclusion programs (PRONATEC training, rural development, micro-credit, and so forth) and a variety of other subsidies and programs directed at low-income families. As such, the *Cadastro Único* has become an integrated gateway for coordination, registration and determination of potential eligibility.

Importantly, the *Cadastro Único* is a dynamic inclusion system, with open, on-demand registration and regular updating. In many countries, social registries are operated as fixed-list systems, in which intake is closed in the interim years between infrequent mass registration waves (Figure 23). In contrast, Brazil’s *Cadastro Único* has the advantage of being dynamic, with continuous inclusion opportunities for families to register at any time. This makes it more adaptable to crises and more responsive to changes in individual families’ circumstances. Intake for the *Cadastro Único* occurs via on-demand applications, plus active outreach (*busca activa*) to inform and register vulnerable populations that may otherwise be missed by the system. All registered families need to keep their information updated and less than two years old to be considered for eligibility for social programs.

Despite these impressive capabilities for dynamic inclusion on the front lines, Brazil needs to improve its back-office administrative systems for stronger accuracy, quality of information, monitoring, and coordination. Most countries are moving towards

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41 Although the *Cadastro Único* collects information on a range of variables, the legal framework for the *Bolsa Família* Program holds that eligibility is to be determined on the basis of incomes. Over time, MDSA has used these other variables to cross-check consistency of self-reported information provided in the *Cadastro Único*, and some researchers have asserted that these “proxies” should be used more systematically for validation of information and eligibility decisions. Barros, Franco and Mendonca (2016).

42 Many programs use the *Cadastro Único* for means-testing, though others use it for other purposes, such as comparing information, requiring registration in the *Cadastro Único* as a requirement to participate, and/or for monitoring purposes.
interoperability\textsuperscript{43} of administrative information systems in order to verify and cross-check information provided by applicants, or to directly source certain types of information from other systems so as to reduce the amount of information that the individuals and families need to provide, thereby reducing the time needed carry out registration. Interoperability can improve efficiency by lowering the burden to citizens of navigating complex bureaucratic processes; reducing costs to agencies of duplications in business processes and redundancy of information; improving accuracy and quality of information; and expanding the range of information available to agencies for eligibility determination, monitoring, and oversight.

Brazil’s administrative systems operate largely in parallel, mirroring the duality of separate social protection systems for formal and informal workers. This dichotomy is manifest in the administering of separate systems for social insurance and labor benefits for formal sector workers on the one hand, and the Cadastro Único, which targets social programs to the informal sector of the poor and vulnerable on the other.\textsuperscript{44}

Brazil does conduct some cross-checking across information systems, but without real-time interoperability. Since 2005/2006, MDSA has been performing cross-checks with other systems, starting with the labor information census (RAIS), and then adding in cross-checks with the CPF tax identification system, the social insurance system, the death database (SISOBI), and others.\textsuperscript{45} The Tribunal de Contas da União (TCU) and

\textsuperscript{43} Interoperability is defined as the ability for a system to share information with other independent systems using common standards. Examples include linking to administrative information systems such as: civil registration database, national population register, land or property cadasters, vehicle registration, tax system, social security contributions system, pensions payments system, labor and unemployment, education, health, etc. Data exchange requires data sharing protocols, safeguards for information security, and common data dictionaries (with common definitions of variables, reference units, and time reference periods). It also requires that some sort of unique identifier(s) are included in all information systems such that data on individuals can be properly matched up across systems. In the event of data conflicts between the Social Registry and other information systems, software applications will display red flags or warning messages signaling the need for verification, updating or rectification.

\textsuperscript{44} On the formal sector side, systems include the SIBE, or integrated system of beneficiaries of the INSS (including BPC), the RAIS annual census of the formal labor market (managed by SERPRO), the CAGED registry for unemployment insurance (managed by DATAPREV), the CPF registry for the identification number for tax declarations. The CNIS (Cadastro Integrado de Informacoes Sociais) serves as a “clearing house” information system for formal sector workers by linking numerous information systems (SIBE, CAGED, RAIS, CPF, etc.). It is managed by a consortium of the Ministry of Labor, INSS, Ministry of Finance, Banco do Brazil, and the Caixa Econômica Federal. Administrative systems for systems serving the poor and vulnerable include the Cadastro Único and Cadastro NIS (both operated by the Caixa Econômica Federal with management and oversight by MDSA), as well as beneficiary registries and information systems for managing specific programs (e.g., SIBEC, SICON, and others for managing Bolsa Família benefits and beneficiaries). Other relevant systems include SISOBI (death database), RENAVQAM (vehicles registration), INCRA (rural properties), JNPJ (companies), etc.

\textsuperscript{45} Efforts are also being made to cross the BPC beneficiary registry and SIBE/INSS with the Cadastro Único – and with a number of other information systems. The SIBE already links to the CNIS and associated information systems (SISOBI, RAIS, etc.). There have also been attempts to link these systems to the SIAPE payroll of federal civil servants.
Controladoria-Geral da União (CGU) audit agencies also conduct such cross-checks when carrying out systems audits for both the Cadastro Único and the Bolsa Família beneficiary registry system. As with all social information systems, these kinds of cross-checks inevitably turn up some inconsistencies or irregularities, which usually result in the suspension or cancellation of benefits. Most recently, MDSA found 1.1 million Bolsa Família beneficiaries with some form of irregularities as a result of cross-checks with other information systems. Of those, 469,000 were cancelled (for an annual savings of R$1 billion, or 3.8 percent of the program’s annual budget) and 667,000 were suspended, granting suspended beneficiaries three months to resolve the irregularities and prove program compliance in order to be reinstated into the program. These cross-checks represent important steps towards more interoperability, but they are not automated and conducted infrequently—and there is no real-time connectivity across systems. However, they are being done in a monthly basis to determine eligibility of Bolsa Família.

Moreover, registration and eligibility for the BPC, which is the country’s largest means-tested social assistance program in terms of public spending, is carried out in parallel to the Cadastro Único social registry. Registration for the BPC is carried out by local Social Security Agencies (APS) using the BPC’s own application forms. Eligibility and beneficiary information is processed in the integrated benefits system (SIBE) operated by the INSS. Moreover, applications for BPC benefits do not collect these other types of information that could help corroborate self-reported income, such as numerous proxy indicators of welfare collected in the Cadastro Único. Although the Government has been considering the potential use of the Cadastro Único for BPC registration and eligibility determination, differences in key definitions (e.g., concept of family, incomes, income disregards, eligibility criteria) between the regulatory frameworks for the BPC and the Cadastro Único have so far hampered this move towards greater integration of Brazil’s social safety net.

Finally, although the Cadastro Único has been recognized as an “integrated gateway” for inclusion, Brazil lacks an integrated benefit information system for social programs. This means that, while user programs can draw on registration data from the Cadastro Único as an input to their own eligibility decisions, they do not share information on selected beneficiaries or benefits—neither with the Cadastro Único (as a feedback loop) nor with each other. This means that while coordination is possible for targeting (intake, registration, and eligibility), there is no way to know “who gets in” or “who gets what” across programs from different ministries. Such links between benefit information – and discussions of trying to link them to municipal payroll databases to see if any local civil servants are receiving benefits (though this would be quite an undertaking as these are not linked across the 5,570 municipalities). Finally, various audits have crossed the Cadastro Único and the BPC/SIBE with other systems, such as RENAVAM (vehicles), INCRA (rural properties), and CIPJ (companies), but with few matches (and some concerns about quality of information in those other systems).
systems (or “beneficiary registries”) would require back-office interoperability capabilities across these systems. Developing such capabilities would not only allow for coordination, but would also allow for enhanced social policy analytics, to analyze gaps and duplications in coverage of specific programs and/or “bundles” of programs that would help address multiple needs of different types of poor families. Interoperability across information systems could also help improve the quality and accuracy of data, allowing for cross-checking via data exchange. Information sharing is done manually, as the Network of Unified Registry User Programs established the obligation for the user programs to send information about program beneficiaries at least once a year, or as requested by the MDS.

Real-time interoperability of these social information systems could facilitate validation and verification of information, monitoring and oversight. It could be used both prior to awarding benefits as well as for coordination, monitoring and de-duplication of current benefits. More regular and automatic links between the Cadastro Único, SIBE, CNIS and across beneficiary registries for specific programs would require (a) political and technical commitment by the related institutions; (b) development of interagency coordination and governance mechanisms (including for information sharing and security); (c) technological investments; (d) harmonization
of concepts and data definitions to make them interchangeable; and (e) consistency in coverage of identifying information (various ID numbers) across databases. Other peer countries, such as Uruguay, Turkey and Chile have developed integrated social information systems that facilitate the management of social assistance applications, eligibility determination, and benefits (Figure 23).

**Fiscal Pressures**

Given Brazil’s need for significant fiscal consolidation, the government is under pressure to identify reforms that could generate potential savings in all sectors. Since the outlays on social assistance programs are relatively modest (1.5 percent of GDP) – lower than those in many peer countries – the potential for savings is limited. Of course, reforms to programs that target the poor need to be handled with care so as to minimize negative impacts on the most vulnerable.

The current recession reinforces the importance of continued protection for the poor – and is likely to result in a need to expand targeted social assistance to mitigate the impacts on the poor. Microsimulations by Skoufias et. al. (December 2016) shows that both poverty and inequality are expected to increase in 2016 and remain high in 2017 due to the prolonged crisis. They project that poverty would rise from 8.7 percent in 2015 to 10.3 percent in 2017, implying an increase in the number of poor from 17.3 million to 20.9 million. To mitigate these impacts they estimate that increased outlays (in real terms) of R$1.82 billion (or 6.9 percent of the 2015 budget for *Bolsa Família*) would be needed to cover up to an additional 1.16 million families (reaching up to 3.6 million individuals) in order to maintain the extreme poverty rate at its 2015 level. These estimates are net of adjustments required to account for increases in the cost of living.

BPC social pensions will also face upward pressures on fiscal outlays, not only due to the effects of the crisis, but also because of projected expansions in coverage and benefit levels in the absence of reforms. As discussed above, coverage of the BPC has been increasing, as more people seek benefits (including through the court system). BPC spending is also pushed up by the rising minimum wage – which is adjusted annually taking into account inflation and real GDP growth (if positive). Indeed, in the absence of reforms, we project that spending on BPC social pensions would increase from 0.69 percent of GDP in 2015 to 0.87 percent in 2020 and to 1.66 percent of GDP by 2035 (Scenario 1 in Figure 21).[^1]

[^1]: These projections assume coverage would continue to expand at the average annual rate of the past five years (2010-2015, which was 3.5 percent p.a. for coverage of the elderly and 5.0 for coverage of the disabled).
Potential for Reforms and Savings

Reforms to the BPC could be warranted, given the relative generosity of the benefit and its link to the minimum wage which might create adverse incentives. Reforming BPC presents challenges, however, given the constitutional status of the program, the rise in court-awarded benefits, and the fact that it does provide income to poor elderly, a vulnerable segment of society. To get a sense of the potential for fiscal savings (or cost containment), we simulate various potential reform scenarios as alternatives to continuing the status quo. The most drastic option (Scenario 2 in Figure 24) starts from the fact that Brazil’s social pension benefits are generous by international standards. It assumes reduced BPC benefits at the share of the minimum wage social pensions reach on average in OECD countries: 45 percent for the elderly and 26 percent for the disabled (whereas in Brazil the ratio equals 100 percent of the minimum wage, see Figure 14 above). If Brazil’s social pension benefits had been set to this share of minimum wages, outlays on the program would have been only 0.24 percent of GDP in 2015 compared to the 0.69 percent of GDP observed that year (a potential savings of R$22.4 billion), holding all other factors constant. Projecting forward, this adjustment would generate significant savings over the long-run (Scenario 2 in Figure 24), keeping spending across all years (in percent of GDP) below the level observed in 2015.

Less drastic scenarios could help contain costs by modifications to the calculation of benefits and eligibility criteria, or both. Under any of these scenarios, fiscal outlays would continue to rise from their current levels of 0.69 percent of GDP (in 2015), but to a lesser extent than under the status quo. Specifically, Scenario 3 in Figure 24 estimates fiscal outlays under the assumption that benefits under the BPC would be adjusted only by inflation (either via a change in the minimum wage formula or by decoupling BPC benefits from the minimum wage). In this scenario, projected outlays would rise to 1.20 percent of GDP by 2035, instead of 1.66 percent of GDP under the status quo. Scenario 4 in Figure 24 projects the impacts of reverting eligibility for the elderly from the current age of 65 back to the original age of 70. Since this reform only affects one of the target groups (not affecting the larger disabled group), such a reform would have a more modest effect on cost containment, bringing total spending to 1.48 percent of GDP by 2035, rather than the status quo projections of 1.66 percent of GDP. Moreover, these reforms could lead to some elderly aged 65-69 to claim BPC disability benefits, thereby dampening efforts to contain costs under this scenario. Combining these reforms to include both the adjustment in the calculation of benefits (inflation only) and the revision of the eligibility age for the elderly (to age 70) would have a more pronounced impact on cost containment, bringing outlays to 1.07 percent of GDP by 2035, as compared with status quo projections of 1.66 percent of GDP.
Slowing the growth of disability claims on the BPC (and disability insurance benefits) would help to contain spending. Since coverage of BPC disability benefits is larger and has been rising faster than BPC elderly benefits in recent years, containing the growth of these claims would be an important step in controlling BPC’s rising cost. This trend mimics that observed in most OECD countries, where the number of workers claiming disability benefits has increased substantially in recent decades. Analyses done in OECD countries suggest that these trends reflect a combination of exogenous factors (demographics, health, shocks) and endogenous factors relating to disability policy itself, which affects the behavior of individuals with impairments. Unsustainable growth in coverage and costs, together with a growing recognition that disability does not mean incapacity to work, have led to fundamental reforms in a number of these countries (e.g., the Netherlands, Sweden, UK), and these reforms have substantially reduced disability benefits claims and fiscal outlays. Measures to slow entry onto long-term disability benefits and incentives to keep disabled individuals connected to the labor market were key elements underpinning the success of these reforms. These lessons could be informative in helping Brazil consider options for reforming BPC disability social pensions (as well as disability insurance benefits).

![Figure 24. Simulating Fiscal Pressures and Potential for Cost Containment under the BPC Social Pension (Hypothetical Reform Scenarios)](image)

Sources: Source: World Bank – Authors’ analysis of BOOST (federal level); SPL Program Inventory; OECD Pension Watch; UN Population Data; World Bank WDI

46 Burkhauser, et. al., (December 2013) and OECD (2009).

47 Ibid.
CONCLUSIONS WITH A FOCUS ON POTENTIAL FISCAL SAVINGS AND POLICY RECOMMENDATIONS FOR REFORM

The development of Brazil’s modern social safety net is quite recent, and social assistance programs claim a modest share of resources. A key feature of the Brazilian social protection system is the duality between formal sector workers, who gained social insurance and labor benefits as early as the 1930s, and the large number of mostly poor informal workers and families who were historically excluded from the country’s “truncated welfare state.” Social assistance programs aimed at supporting the poor and vulnerable only emerged since the 1988 constitution, first with the BPC social pension and then much later with the emergence of conditional cash transfers beginning in the 1990s and culminating with the consolidation of CCTs with the Bolsa Família Program in 2003. Together, these two social programs, plus a variety of other small social benefits and services tailored to the diverse needs vulnerable groups, account for a relatively small share of GDP. As of 2015, spending on social assistance accounted for 1.5 percent of GDP, as compared with 11.1 percent of GDP going to social insurance pensions and 1.1 percent to labor programs for formal sector workers. Brazil’s allocation to social programs is slightly lower than among peers, with BRICS’ spending averaging 1.9 percent, 1.7 percent among structural peers, and 1.6 percent among regional peers.

Despite this recent emergence and limited allocation, Brazil’s social assistance programs have contributed to the country’s unprecedented fall in poverty and inequality from 2000 to 2014. Evaluations also demonstrate other important impacts, including those of the Bolsa Família Program on education and health, which are particularly remarkable given that the program only costs 0.45 percent of GDP (as of 2015). These impacts stem in part from the explicit efforts to target the poor, with an estimated 57 to 64 percent of benefits going to the poorest quintile of the population, achieved with reasonable administrative costs (5.2 percent of its annual budget).

Nonetheless, this expenditure review highlights a number of concerns:

- Allocative biases towards the elderly, rather than poor families with children. Both within the broader envelope of social protection spending and within the more narrow set of social assistance programs, Brazil allocates a disproportionate amount to the elderly, who represent only 7.8 percent of the population, rather than families with children and youths under age 17, who represent nearly a third of the population. At the broader level, support for the elderly represents over 80 percent of total social protection spending – higher than allocations in much older countries such as Japan, the US, and other European nations with much larger elderly segments of the population. Moreover, a significant share of social insurance pensions is funded by general taxation, with pension deficits amounting to 2.7 percent of GDP, and those in the richest quintile receive more than half of
these pension subsidies, far more than what those in the poorest quintile receive from *Bolsa Família*. More narrowly, spending on the BPC social program for the elderly accounts for a third of outlays on social assistance, and BPC unit benefits are nearly 18 times higher than average per capita monthly benefits on the *Bolsa Família* Program for poor families. These allocative and unit benefit biases have important inter-generational aspects, favoring on-going support of the elderly over investments in human capital via programs such as the *Bolsa Família* CCT program. The *Criança Feliz* program aimed at assisting children is an effort to address spending biases towards the elderly.

- **Potential adverse incentives of BPC social pensions.** The relative generosity of the non-contributory social pension raises concerns about potential adverse incentives for several reasons. *First*, this relative generosity could create moral hazard effects for people trying to qualify for the BPC, and could explain why so many people pursue BPC benefits through the court system. *Second*, there are concerns about potential disincentives for participation in formal sector employment and the contributory RGPS pension scheme since the BPC benefit is the same as the level of the minimum RGPS pension benefit. *Third*, there are some signs of perverse incentives for labor market participation of family members of BPC beneficiaries.

- **Further cost pressures on rising outlays of the BPC.** Absent reform, social pensions be a source of continued spending pressures, with rising benefits due to the benefit being set equal to the monthly minimum wage and increasing coverage as more people seek benefits, including through the court system. Indeed, without any reforms to the program or the formula for calculating minimum wages, we project that spending on BPC social pensions will increase from 0.69 percent of GDP in 2015 to 0.87 percent in 2020 and to 1.66 percent of GDP by 2035. These simulations take into account growth in coverage over the past five years, which expanded by 5 percent p.a., for the disabled and 3.5 percent p.a., for the elderly, as well as projections for trends in benefits based on the existing indexing to the minimum wage.

As such, reforms of the BPC are warranted, to contain costs and reduce adverse incentives. Simulations suggest that reforms to the calculation of benefits, the eligibility age for the elderly, or both could help contain costs over the long run, bringing outlays on the program down from the projected 1.66 percent of GDP under the status quo somewhere between 1.07 and 1.48 percent, depending on reform specifics. Measures to stem the flow of new disability claims – and even to incentivize disabled individuals to remain connected to the labor market - should also be considered, building on successful experiences of OECD countries. Reforming the BPC presents challenges, however, given the constitutional status of the program, the rise in court-awarded
benefits, and the fact that the BPC does provide an important source of income to the poor elderly and disabled.

Cost containment for the BPC is particularly important given the expectation of growing needs for the Bolsa Família Program to protect the poor during the current prolonged economic crisis. Micro-simulations suggested that an additional 0.03 percent of GDP would be needed in 2017 to cover an additional 3.6 million people (1.16 million families) under the Bolsa Família Program as a measure to prevent significant increases in extreme poverty as a result of the economic crisis. However, over the same period MDS undertook a thorough and innovative set of crosschecks using multiple databases that ensured strict compliance of households with eligibility criteria and resulted in the cancellation and suspensions of benefits for thousands of families. This effort as well as the protection of the budget for Bolsa Família during 2017 and 2018 provided space for new applicants, and it resulted in an elimination of the waitlist for the program across the country. Nevertheless, evidence from PNAD 2016 indicates that many families that declare incomes below poverty line continue not to access any social assistance program.

Finally, Brazil should further strengthen its back-office administrative systems to improve the accuracy and quality of information, monitoring, coordination, and oversight of social programs. Examples of administrative improvements could include:

- Expanding capabilities for interoperability across administrative information systems. MDS has been conducting systematic “cross-checks” between the Cadastro Único, the Bolsa Família beneficiary registry, and other information systems, such as the labor information census, the CPF tax identification system, the social insurance system, the death database, and others. Agencies such as the government Caixa and others perform these crosschecks in a monthly basis, as well as the TCU and CGU audit agencies, have been conducting sporadic “cross-checks” between the Cadastro Único, the Bolsa Família beneficiary registry, and other information systems, such as the labor information census, the CPF tax identification system, the social insurance system, the death database, and others. These kinds of cross-checks can help detect and remedy irregularities in data, lower the costs of errors and fraud, and improve the overall accuracy and quality of information for determination of eligibility and monitoring. Since the inception of the crisis, these cross-checks have increased in frequency, although they continue to be conducted “manually,” (not automated) due to the lack of real-time interoperability across systems. Automatic links between the Cadastro Único, CNIS, SIBE and other systems could even facilitate the validation and verification of information prior to awarding benefits.

- Strengthening processes and systems for assessing eligibility for the BPC. Eligibility processes for the BPC face several challenges, including the STF
declaration of non-constitutionality of eligibility criteria, the rise in court-awarding of benefits, and the current institutional separation of these processes from other means-testing systems such as the Cadastro Único. Further actions are needed to clarify and update the legislation regarding specific eligibility criteria (for means-testing, age of elderly eligibility, and disability certification). In terms of eligibility assessment, one option would be to develop real-time interoperable capabilities between the BPC/SIBE, the Cadastro Único, the CNS and other information systems to facilitate cross-checks, improve quality and accuracy of information, and detect errors and fraud. Another option would be to assess the feasibility of transferring the means-testing for the BPC to the Cadastro Único to reduce duplication of functions. This would involve not only changes to the back-office information systems, but also modifications to the application procedures and arrangements in the front-office, since intake for the BPC is currently handled at the local APS (INSS) offices, whereas intake for the Cadastro Único is carried out in the CRAS Centers and municipal offices or by mobile outreach teams – and each have different intake questionnaires.

- Investing in integrated benefit information systems. Brazil should also seek to develop integrated beneficiary registries to better track “who gets in” and “who gets what” across programs and agencies. Such links would require back-office interoperability capability across these systems. Developing such capabilities would not only allow for better coordination of social programs, but would also allow for enhanced social policy analytics to analyze gaps and duplications in coverage of specific programs and/or “bundles” of programs that could help address multiple needs of different types of poor families. The establishment of the network of the administrators of all Programs that use Cadastro Único is a first key step towards eventually reaching interoperability.

- Regularly collecting data on receipt of social assistance benefits in national household surveys. Reliable, independent, and representative survey data are needed to assess the distributional incidence of social assistance programs across quintiles or other strata of the population. The 2014 annual national household survey (PNAD) did include a special module with direct questions on receipt of social benefits, but those data are not accessible. The most recent annual household survey with public access to direct data on social programs dates back ten years, to the PNAD 2006. This is a serious gap for evaluation of Brazil’s social programs. Given the innovations and prominence of these programs in modernizing Brazil’s social compact to get beyond its historically truncated welfare state, and given their importance to the poorer segments of society, such data should be regularly collected and accessible. The 2016 PNAD survey for the first time published the results of survey questions that can directly identify receipt of
some key social protection programs. During the period of production of this report, survey-based statistics in Brazil made a fundamental step forward through the release of the PAND Continua panel survey.

Many of these administrative reforms involve improvements in information systems and expanded interoperability across systems. Greater integration of information systems and benefits administration would not only improve efficiency and quality of spending, but it could also help unify Brazil’s dual social protection system, which has historically created a wedge between benefits for those in the formal sector and those targeted to the poorer segments of society. These administrative improvements would require time, resources, and improved capabilities (including mechanisms to safeguard information security). However, given the structural nature of Brazil’s fiscal situation, such opportunities to reduce leakage and inefficiencies and thereby improve the quality of public spending of Brazil’s social safety net – and broader SPL system - would be well worth the efforts.
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World Bank Group (June 2016). Brazil Overview.


World Without Poverty (www.org.br). Numerous documents on Bolsa Família, the Cadastro Único, SUAS, and Brasil Sem Miseria.
Quantifying and classifying spending involved an in-depth line-by-line review of the Federal Government’s budgets, for the period from 2000-2015. On the basis of that review, we built up a detailed “SPL Program Inventory,” classifying spending into the three categories: (a) social assistance programs (also called the “social safety net”), which include non-contributory benefits and services; (b) social insurance, which include contributory benefits, including pensions and other social insurance); and (c) labor, which including active and passive labor market benefits and services. The data source on spending was from the BOOST federal-level database, based on data from SIOP (Sistema Integrado de Planejamento e Orçamento), with analysis to the level of the program codes and action codes in the budgetary classification system. These data were supplemented by detailed information on each program from administrative sources.

Within each SPL category, a handful of specific programs account for a large share of federal spending. The main social assistance expenditures include: (i) the Benefício de Prestação Continuada (BPC), which is a social pension for the poor elderly and disabled; (ii) the Bolsa Família Program, a conditional cash transfer program targeted to poor families; (iii) the Programa Minha Casa, Minha Vida (MCMV, a housing subsidy program); (iv) the national school feeding program (PNAE); and (v) the unified system for social services (Sistema Único de Assistência Social – SUAS), which is not a “program” per se, but provides federal financing contributions (combined with state and municipal financing) to the network of social service centers, social workers, and social services. Similarly, social insurance pensions include several public pension schemes (urban, rural, civil servants, and military). For labor, while Brazil operates numerous active labor market and productive inclusion programs, most are quite small, with only two active programs making it to the top five list in terms of spending magnitudes (Abono Salarial and PRONATEC training), while the other large labor programs are passive benefits (FGTS and unemployment insurance).

The SPL Program Inventory facilitates classification for international comparisons of spending patterns. We focused on three sets of core comparator groups: (a) OECD countries (“aspirational peer group”); (b) regional peers (Argentina, Chile, Colombia, Mexico, Peru and Uruguay); and (c) “structural peers” including Colombia, Mexico, Indonesia, South Africa, and Turkey (based on per capita income, population, relevance of natural resources in exports and CPIA scores). In some instances, data were not available for all of these countries for the topic at hand, so we used data from available countries (for example, for administrative cost analysis for which we only have information for specific programs in a handful of countries). Unfortunately, not all of these country groupings use similar classification typologies for SPL spending. As such, Brazil’s spending patterns were mapped to two distinct international classification systems: (a) the World Bank’s ASPIRE classification (for regional and structural peers), shown in Table A1.1; and (b) the OECD Social Expenditures Database classification (SOCx), shown in Table A1.2.

This was a complex process involving nearly 150 line items extracted from the BOOST system (some with action codes and program names that changed over time), cross-checking with Ministry budgets and various other budget reports.
<table>
<thead>
<tr>
<th>SPL Area</th>
<th>ASPIRE Program Category</th>
<th>Main Brazilian Programs identified in Program Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unconditional Cash Transfers</td>
<td>Various emergency benefits (Garantia Safra, Defesa Civil), Youth Grant (Bolsa para jovens), Bolsa renda (Bolsa Estagiário), Bolsa Alimentação (now closed), Auxílio Gás (now closed), Bolsa para jovens</td>
</tr>
<tr>
<td></td>
<td>Conditional Cash Transfers</td>
<td>Bolsa Família, Bolsa Verde, PETI, Bolsa Escola (now closed), Bolsa Alimentação (now closed)</td>
</tr>
<tr>
<td></td>
<td>Social Pensions (also cash transfers)</td>
<td>BPC/RMV* (social pension for elderly and disabled), Encargo Previdenciárias da União</td>
</tr>
<tr>
<td>Social Assistance</td>
<td>Food and In-Kind Benefits</td>
<td>Food Baskets, Nutrition &amp; Food Education, Programa Economia Solidaria, Programa Nacional de Documentação da Trabalhadora Rural, SISAN-Sistema Nacional de Segurança Alimentar e Nutricional, PAA - Programa de Adquisição de Alimentos (producer distribution part)</td>
</tr>
<tr>
<td></td>
<td>School Feeding</td>
<td>PNAE - Programa Nacional de Alimentação Escolar (federal transfer to state and municipalities for school feeding in public schools)*</td>
</tr>
<tr>
<td></td>
<td>Public Works</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>Fee Waivers and Subsidies</td>
<td>MCMV - Minha Casa, Minha Vida* (housing program), Carta Social (mail card), PNCE - Programa Nacional de Credito Fundiário, Tarifa Social de Energia Elétrica, Telefone Popular, Carta Social (for mail)</td>
</tr>
<tr>
<td></td>
<td>Others including social services</td>
<td>SUAS - Sistema Único de Assistência Social (basic social services, specialized services, emergency care, high and medium complexity services, residential services, etc.), Mais Educação, Brasil Alfabetizado</td>
</tr>
<tr>
<td>Labor</td>
<td>Labor Market Policy Measures (Active LM)</td>
<td>Abono Salarial,* Pronatec (training),* Programa de Aquisição de Alimentos (PAA) – producer food acquisition part, Projovem Trabalhador, Programa de Fomento as actividades productivas rurais, Política Nacional de Assistência Técnica e Extensão Rural para a Agricultura Familiar e Reforma Agrária – PNATER, Mais Emprego (Gestão do Sistema de Informações), Bolsa de Qualificação, Programa Nacional de Promoção do Acesso ao Mundo do Trabalho (ACESSUAS Trabalho), Projovem Trabalhador - Concessão de Auxílio Financeiro, Mais Emprego (Cadastramento de empregos), Programa Economia Solidaria em Desenvolvimento - Economia Solidaria, Support to productive inclusion of family farmers (Seguro da Agricultura Familiar-SEAF, Programa Nacional de Produção e Uso de Biodiesel -PNPB, and others), Programa Economia Solidaria em Desenvolvimento - Economia Solidaria (Pro catador), Programa Nacional de Assistência Técnica e Extensão Rural – Ater, Programa Brasil Quilombola, Programa Nacional de Microcrédito Produtivo e Orientado (PNMPO), Programa Nacional de Microcrédito do Governo Federal – Crescer, Sistema Nacional de Segurança Alimentar e Nutricional – SISAN, PROGER, Mais Aprendiz, Programa Nacional de Promoção do Acesso ao Mundo do Trabalho (intermediation), Promoção inclusão produtiva, Salário-Família, Microempreendedor Individual – MEI, Plano Nacional de Qualificação - PNQ (PlanSeQ, PlanTeQ e ProEsc), Desenvolvimento e Disseminação de Metodologias e Tecnologias de Qualificação Social e Profissional, Programa de Organização Produtiva de Mulheres Rurais, Agente Jovem de Desenvolvimento Social e Humano,* Programa de Microfinança Rural do Banco do Nordeste – Agroamigo</td>
</tr>
<tr>
<td></td>
<td>Labor Market Policy Support (Passive LM)</td>
<td>Seguro-Desemprego* (Unemployment Insurance for various groups), FGTS*</td>
</tr>
</tbody>
</table>

Source: World Bank – ASPIRE & authors’ analysis of BOOST for SPL Program Inventory. * denotes larger programs.
Table A1.2 – Mapping of Brazilian SPL Programs by OECD SOCx Classification: For Comparison with OECD Countries. (note that SOCx not distinguish between contributory or non-contributory benefits)

<table>
<thead>
<tr>
<th>OECD Level 1 SOCx Category</th>
<th>Description of OECD SOCx Category</th>
<th>Main Brazilian Programs identified in Program Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Age Benefits</td>
<td>Contributory &amp; Non-Contributory Cash or In-Kind Benefits for Elderly</td>
<td>RGPS, RPPS &amp; BPC/RMV-Elderly*</td>
</tr>
<tr>
<td>Disability</td>
<td>Contributory &amp; Non-Contributory Cash or In-Kind Benefits for Disabled + Paid sick-leave + Residential care + Rehabilitation Services</td>
<td>BPC/RMV-Disabled*</td>
</tr>
<tr>
<td>Family Benefits</td>
<td>Cash &amp; In-Kind Benefits, such as family allowances, Maternity &amp; Parental Leave, Other Cash, Early Childhood Education and Care, Home Help/Accommodation, Other</td>
<td>Bolsa Família (and pre-reform Bolsa Escola &amp; Bolsa Alimentação, Cartão Alimentação), Bolsa para jovens, PETI, Bolsa Verde</td>
</tr>
<tr>
<td>Active Labor Market Programs (ALMPs)</td>
<td>Public Employment Services and Administration, Training, Job Rotation &amp; Job Sharing, Employment Incentives, Supported Employment &amp; Rehabilitation, Direct Job Creation, Start-Up Incentives</td>
<td>Abono Salarial,* Pronatec (training),* Program de Aquisição de Alimentos (PAA) – producer food adquisition part, Projovem Trabalhador, Programa de Fomento as atividades produtivas rurais, Política Nacional de Assistência Técnica e Extensão Rural para a Agricultura Familiar e Reforma Agrária – PNATER, Mais Emprego (Gestão do Sistema de Informações), Bolsa de Qualificação, Programa Nacional de Promoção do Acesso ao Mundo do Trabalho (ACCESSUAS Trabalho), Projovem Trabalhador - Concessão de Auxílio Financeiro, Mais Emprego (Cadastramento de empregos), Programa Economia Solidária em Desenvolvimento - Economia Solidária, Support to productive inclusion of family farmers (Seguro da Agricultura Familiar-SEAF, Programa Nacional de Produção e Uso de Biodiesel -PNPB, and others), Programa Economia Solidária em Desenvolvimento - Economia Solidária (Pro catador), Programa Nacional de Assistência Técnica e Extensão Rural – Ater, Programa Brasil Quilombola, Programa Nacional de Microcrédito Produtivo e Orientado (PNMPO), Programa Nacional de Microcrédito do Governo Federal – Crescer, Sistema Nacional de Segurança Alimentar e Nutricional – SISAN, PROGER, Mais Aprendiz, Programa Nacional de Promoção do Acesso ao Mundo do Trabalho (intermediation), Promoção inclusão produtiva, Salário-Família, Microempreendedor Individual – MEI, Plano Nacional de Qualificação - PNQ (PlanSeQ, PlanTeQ e ProEsc), Desenvolvimento e Disseminação de Metodologias e Tecnologias de Qualificação Social e Profissional, Programa de Organização Produtiva de Mulheres Rurais, Agente Jovem de Desenvolvimento Social e Humano,* Programa de Microfinança Rural do Banco do Nordeste - Agroamigo</td>
</tr>
<tr>
<td>Unemployment Benefits</td>
<td></td>
<td>Seguro-Desemprego* (Unemployment Insurance), FGTS,* Abono Salarial*</td>
</tr>
<tr>
<td>Program</td>
<td>Brief Description</td>
<td>Implementing Agency</td>
</tr>
<tr>
<td>---------</td>
<td>------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td><strong>Social Pensions (non-contributory cash transfers for poor elderly and disabled)</strong>&lt;sup&gt;50&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPC-Disability (0575)</td>
<td>Constitutionally-guaranteed cash assistance for poor people with disabilities</td>
<td>MDSA oversees it and INSS implements</td>
</tr>
<tr>
<td>BPC-Elderly (0573)</td>
<td>Constitutionally-guaranteed cash assistance for poor people with disabilities</td>
<td>MDSA oversees and INSS implements</td>
</tr>
</tbody>
</table>

Source: World Bank – ASPIRE & authors’ analysis of BOOST for SPL Program Inventory. * denotes larger programs, included in Table A1.1 above.

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<sup>49</sup> Our World Bank SPL Program Inventory draws on BOOST spending data and numerous administrative sources. It covers many more variables and years (2000-15) than what is presented here, which is just an overview.

<sup>50</sup> The federal government also still pays out social pension benefits under the Renda Mensal Vitalicia (RMV-disabled, RMV-elderly), which was replaced by BPC in 1996.
### Encargos Previdenciários da União
Pension or indemnization for specific cases  | INSS  | Categorical  | No  | Average benefit per individual per month R$1,551 in 2015  | 22,061 individuals in 2015  | R$2,256,327,952 (0.04 percent GDP) in 2015

### Cash Transfers (CCT & UCT)

<table>
<thead>
<tr>
<th>Programa</th>
<th>CCT for poor and extreme poor families</th>
<th>MDASA-Ministry of Social and Agrarian Development</th>
<th>Means-Tested + Categorical</th>
<th>YES</th>
<th>R$155 per family per month in 2015 (or R$53 &amp; US$22 per person)</th>
<th>13,936,791 families (or about 41.4 million indiv) in 2015</th>
<th>R$26,415,435,776 (0.45 percent GDP) in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolsa Família (8442)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R$155 per family per month in 2015 (or R$53 &amp; US$22 per person)</td>
<td>13,936,791 families (or about 41.4 million indiv) in 2015</td>
</tr>
<tr>
<td>Programa Defesa Civil (22BO)</td>
<td></td>
<td>MI-Ministry of National Integration</td>
<td>Categorical</td>
<td>n.a.</td>
<td></td>
<td></td>
<td>R$886,497,721 (0.02 percent GDP) in 2014</td>
</tr>
<tr>
<td>Programa Garantia-Safra (0359)</td>
<td></td>
<td>Secretariat of Agriculture</td>
<td>Categorical</td>
<td>n.a.</td>
<td>5 installments of R$170 per farmer</td>
<td>909,444 individuals (farmers) for harvest 2013/2014</td>
<td>R$859,000,000 (0.02 percent GDP) in 2014</td>
</tr>
<tr>
<td>Program Name</td>
<td>Description</td>
<td>Ministerial Authority</td>
<td>Categorization</td>
<td>Eligibility</td>
<td>Amounts 2014</td>
<td>Amounts 2015</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>-------------</td>
<td>----------------------</td>
<td>----------------</td>
<td>-------------</td>
<td>--------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>PETI-Program for the Eradication of Child Labor (8662)</td>
<td>Income support and services to families with children and adolescents under the age of 16 years taken from child labor situation, except as apprentices from 14 years</td>
<td>MDSA-Ministry of Social and Agrarian Development</td>
<td>Categorical</td>
<td>YES</td>
<td>n.a.</td>
<td>n.a.</td>
<td>R$5,410,045 in 2014</td>
</tr>
<tr>
<td>Minha Casa, Minha Vida (my house, my life) (00AF)</td>
<td>Subsidized credit for housing with priority to low-income households.</td>
<td>MC-Ministry of Cities</td>
<td>Means-Tested, Geographic, Self-Targeted</td>
<td>YES</td>
<td>R$67,560 per household for 2014 by dividing spending/# HH (or US$9701 per person)</td>
<td>153,282 households in 2014</td>
<td>R$17,096,342,528 (0.32 percent GDP) in 2014 R$ 9,816,346,592</td>
</tr>
</tbody>
</table>

**Fee Waivers & Subsidies**

51 Brazil operates other subsidy schemes that were not captured in the Program Inventory (not explicit line items in the federal government budget). An example is the Tarifa Social da Energia Eletrica (eligibility is determined via the Cadastro Único).

52 Note that the Minha Casa, Minha Vida Program has many components and various funding sources. The line item included as Social Assistance is the non-contributory housing subsidy to low-income households.

53 URBAN AREAS: (i) Families with gross income below R$ 1600: property financing in up to 120 months, with monthly installments of 5 percent of gross family income, with a minimum value of each installment is R$ 25. The guarantee is the property in acquisition. (ii) Families with income below R$ 6500: facilitated financing conditions such as 30 years to repay for the purchase of new property, or subsidized interest rates for the construction of new property. RURAL AREAS Group I: families with family income up to R$ 15000/year repay to the Program only 4 percent of the amount financed and repayment starts 1 year after the contract signature. To participate, families should be organized in groups of at least 4 and at most 50 families. This process should be performed by a nonprofit organization, such as the government, cooperatives and trade unions, among others. Grupo II: families with income between R$ 15000,01 and R$ 30000,00/year can construct or restore in up to 12 months at subsidized nominal interest rate of 5 percent per year and the amount financed is up to R$ 30000. Same organization procedure applies. Grupo III: families with family income between R$ 30000,01 and R$ 60000/year can repay the credit between 7 and 10 years after the construction is concluded.
<table>
<thead>
<tr>
<th>Program Description</th>
<th>Description</th>
<th>Ministry/Agency</th>
<th>Type</th>
<th>Amount/Year</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for Rural Women (210W)</td>
<td>Support for economic organization and promotion of citizenship, documentation for rural women</td>
<td>MDA-Ministry of Agrarian Development</td>
<td>Categorical</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>School Feeding &amp; In-Kind Transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Feeding (PNAE, 8744)</td>
<td>Cash transfer provided by the federal government to states and municipalities for purchase of school meals</td>
<td>MEC - Ministry of Education/FNDE</td>
<td>Categorical</td>
<td>NO</td>
<td>R$88 per student per year</td>
</tr>
<tr>
<td>Food Baskets (2792)</td>
<td>Food distribution to poor families</td>
<td>MDSA-Ministry of Social and Agrarian Development</td>
<td>Categorical</td>
<td>n.a.</td>
<td>R$116 per family per year</td>
</tr>
<tr>
<td>Food and nutrition education (2784)</td>
<td>Training and distribution of educational materials to promote healthy nutrition</td>
<td>MDSA-Ministry of Social and Agrarian Development</td>
<td>n.a.</td>
<td>NO</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Social Services

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54 This is the amount derived from spending divided by number of beneficiaries per year for 2014. Actual unit benefits per student per day are: R$1.00 for child care centers, R$0.50 for pre-schools, R$0.60 for indigenous and quilombolos schools, and R$0.30 for primary (fundamental), secondary (medio), and adult education.
| Social services for families & individuals (2A60, 2A69, 2B30, 2B31) | Social services for vulnerable groups and families, including social workers, shelters, emergency assistance, etc | MDSA-Ministry of Social and Agrarian Development | Categorical | Some links | Average of R$374 per indiv per year | 3,159,240 in 2014 | R$1,891,894, 168 total SUAS = 0.03 percent of GDP in 2015 |

### ANNEX 3: BRAZIL’S BPC SOCIAL PENSION: OVERVIEW OF MAIN DESIGN PARAMETERS

**Brazil’s Continuous Benefit Program (BPC) – Overview of the Program**

**What is it?**
Social Pension for the Poor Elderly and Poor Disabled. *Benefício de Prestação Continuada*

**Brief description**
Cash payment equivalent to one month minimum wage (R$788 in 2015) to people with disabilities and the elderly who prove they are unable to support themselves or be supported by their families, that is with per capita incomes less than ¼ of the minimum wage (R$197 in 2015).

**Constitutional and Legal Basis for BPC**
The BPC was established in Article 203, V, of the 1988 Constitution. The Organic Law of Social Assistance (Lei Organica de Asistencia Social, LOAS) No. 8.742/1993 – Article 20, which was amended by Law No. 12.435/2011.

**Responsible Institutions**
Managed by MDSA via the Secretaria Nacional de Assistência Social (SNAS), which has the responsibility for overseeing the implementation, coordination, regulation, financing, monitoring and evaluation of the benefit. Implementation carried out by the INSS.

**Criteria for Definition of Target Groups**
(Based on wording from Law No. 12.435/2011, as revision of LOAS)
- **Elderly Person:** aged 65 years or more
- **Disabled Person:** with long-term impairment (physical, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society with others) that incapacitates the disabled for independent life ability to work for a minimum of two years; based on an assessment of disability and degree of disability via medical evaluation and social evaluation performed by physicians experts and social workers of the National Institute of Social Security (INSS).
- **Economic Status:** Family monthly income less than ¼ of the minimum wage (R$197 in 2015)

**Other factors** (Based on wording from Law No. 12.435/2011, as revision of LOAS)
- **Recertification (re-review):** Benefit must be reviewed every two years to evaluate if the conditions of eligibility continue in effect.
- **Non-Eligibility for Other Benefits.** The BPC benefit cannot be accumulated with any other social security benefit except for health care.

**Definition of the Family**
(Based on wording from Law No. 12.435/2011)
- **The family includes** all those living under the same roof, including: the applicant, spouse or partner, parents (or stepmother or stepfather), unmarried siblings, unmarried dependent children, stepchildren or other dependent minors as long as they live under the same roof.

**Income sources** (from MDSA website and based wording from Law No. 12.435/2011, as revision of LOAS))
- **Incomes included** in the calculation of family income: salaries, proventos, pensoes, pensoes alimenticias, beneficios de previdencia (publica ou privada), seguro desemprego, comisssoes, pro-labore, outros rendimentos do trabalho nao assalariado, rendimentos do Mercado informal ou autonomo, rendimentos auferidos do patrimonio, Renda Mensal Vitalicia (RMV)
- **Income disregards:** BPC received by one family member doesn’t count against the benefit of another elderly person in the family; Income received by a disabled person in apprenticeships or internships is not included; and income from other income transfer programs (such as the *Bolsa Familia Program*) are not included in the calculation of income for eligibility

**Intake and Registration**
- **Registration** is carried out at an Agencia de Previdencia Social (APS), by filling out an application form, presenting declaration of income by members of the family, and providing proof of residency and
identification documentation for family members. Appointments for registration can be made by telephone or internet.

- **Income documentation** for all members of the family is required, including: Carteira de Trabalho e Previdencia Social (CTPS, contracheque de pagamento or document expedido pelo empregador, Guia da Previdencia Social (GPS), or extracto de pagamento or declaracao fornecida por outro regime de previdencia social ou privada

- **Eligibility and beneficiary information** are managed in the INSS’s Integrated Benefits System (SIBE), with links to the CNIS (National system for social information), a clearing-house information system for formal sector workers and benefits.

- **Registration in the Cadastro Único.** BPC applicants must register in the Cadastro Único so that they can receive other benefits, such as the Tarifa Social de Energia

**Coverage**

- **Coverage** has grown from 1.6 million individuals in 2000 to 4.2 million by 2015
- 55 percent (2,323,808) of beneficiaries are classified as disabled and 45 percent (1,918,918) as elderly.

**Spending & Financing**

- **Financing** is from the Federal Government (included in MDSA budget)
- **Overall spending** on the program rose from 0.3 percent of GDP in 2000 to 0.7 percent in 2015

**Benefit Amounts**

- **Benefit** = 1 Minimum Wage, or R$788 (as of 2015)

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**ANNEX 4: BRAZIL’S BOLSA FAMÍLIA PROGRAM: OVERVIEW OF MAIN DESIGN PARAMETERS**

**Brazil’s Bolsa Família Program – Overview of the Program**

<table>
<thead>
<tr>
<th>What is it?</th>
<th>Conditional Cash Transfer Program (CCT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brief description</td>
<td>Direct cash transfer program to families in poverty and extreme poverty with conditionalities in the areas of health and education.</td>
</tr>
<tr>
<td>General objective</td>
<td>Reduce poverty and extreme poverty through cash transfers to families and access to basic health and education services.</td>
</tr>
<tr>
<td>Specific Objectives</td>
<td>To provide immediate poverty relief through cash transfers; To promote social inclusion and improve the living conditions of families in poverty and extreme poverty; To strengthen access to social rights in health, education and social assistance with a view to interrupting the intergenerational reproductive cycle of poverty; To develop complementary actions aimed at generating employment and income</td>
</tr>
<tr>
<td>Origins of the Program</td>
<td>The Bolsa Família Program was created in 2003 as the result of a merger of 4 federal programs: Bolsa Escola (school grant CCT), Bolsa Alimentação (nutrition-health grant CCT), Auxílio Gás (Cooking Gas Assistance), and Cartão Alimentação (food card)</td>
</tr>
<tr>
<td>Target Population</td>
<td>Families living in extreme poverty (those with family incomes equal to or less than R$ 77 per person in 2015 and R$85 per person in 2016) and families in poverty (per capita family income between R$ 77.01 and R$ 154.00 in 2015 and R$85.01 and R$170 in 2016).</td>
</tr>
<tr>
<td>Targeting Criteria</td>
<td>Self-Reported monthly per capita family income and family composition (if there are children, teenagers, pregnant women or nursing mothers). Information on other variables is also collected to help verify consistency of self-reported income (e.g., on expenditures, housing, employment status, education, etc.)</td>
</tr>
<tr>
<td>Eligibility for Benefits</td>
<td>To receive the benefit, the family must be registered in the Unified Registry for Social Programs (”the Cadastro Único”), meet the required socioeconomic profile, and comply with the education (school enrollment) and health (vaccination and prenatal care) conditionalities.</td>
</tr>
<tr>
<td>Coverage</td>
<td>Rose from 3.6 million families in 2003 to around 14 million by 2013-2015, or about a quarter of the population</td>
</tr>
</tbody>
</table>
| Benefit Amounts | Average Benefit = R$155 (US$54) per family per month. Benefit menu as of 2016:  
- Base Benefit = monthly value of R$85  
- Top-Up Benefit for Overcoming Extreme Poverty = variable amounts calculated to bring each family up to the extreme poverty line (family per capita income >R$85)  
- Variable benefits for education and health: from R$39 up to R$195 for each child< 15 years old or pregnant / lactating mother (conditional) (up to 5 people).  
- Variable benefits for Youths: R$ 46 up to R$ 92 for each child age 16-17 (conditional) |
| Conditionalities | Education: ensure school attendance of: > 85 percent time for school age children 6-15 years old and >75 percent time for youths age 16-17 years old;  
Health: Vaccines + monitoring of growth and development for children 0-7 years old; health visits for pregnant & lactating mothers |
| Payments | Payments are made on a monthly basis to each family through the banking system and the use of a magnetic card, which is personal and non-transferable. The Caixa Econômica Federal is the payment agent. Payments are preferentially paid to women in the household as the recipient of the benefit. |
| Responsible institution | Ministry of Social and Agrarian Development (MDSA) – National Secretariat of Citizenship Income (SENARC). |
| Other related institutions | Municipal, state and the Federal District governments; Ministry of Education; Ministry of Health; National Secretariat for Social Assistance (SNAS/MDSA); Caixa Econômica Federal (CEF, Caixa – a federal bank). |
| Implementation in Brazil’s Decentralized Context | There are 5,570 municipalities in Brazil. They are constitutionally autonomous and play important roles in implementing key aspects of the Bolsa Família Program. They are the “front line” to citizens, applicants, and beneficiaries and collect applications for the Cadastro Único social registry, enter application data, monitor compliance with conditionalities for education and health (with Ministries of Education and Health), and receive queries, complaints and grievances. Each municipality must appoint a local coordinator for the Bolsa Família Program. In 2005, all Municipalities signed Formal Agreements with MDS to agree on their adherence to the program and specific roles they would play in implementing the program. In 2006, due to concerns about heterogeneous quality of implementation across municipalities, MDS devised an “Index for Decentralized Management” (IGD) to monitor the quality of implementation. This Index covers four points: (a) percent of families in the Cadastro Único with coherent and complex data (quality); (b) percent of families with data < 2 years old (updating); (c) percent of participating children with monitoring of school records; (d) percent of families with monitoring of health conditionalities for women and young children. Since 2006, MDS also offers a financial incentive for quality implementation, paying an administrative subsidy to municipalities according to their IGD scores for quality implementation. They pay higher administrative cost subsidies for higher IGD scores, and if municipalities have scores lower than 40 percent, they receive intensive technical assistance but not the administrative cost subsidies. |
| Inter-sectoral coordination | Inter-sectoral coordination is promoted via collaboration between MDSA and the Ministries of Education and Health (and their sub-national counterparts) for the monitoring of education and health conditionalities as well as linking of Bolsa Familia Program beneficiaries to other programs. |
| The Cadastro Único Social Registry | The Cadastro Único is the main tool to identify and register low-income families for potential inclusion in social programs in Brazil. As a dynamic social registry inclusion system, it serves as a unified “gateway” for 30+ programs (it serves many other programs in addition to Bolsa Família). It currently covers about 27.2 million families (or about 80 million people) – or nearly 40 percent of the population. Intake occurs via on-demand applications and active outreach to inform and register vulnerable populations that may otherwise be missed by the system. Since a nationwide updating and recertification was conducted in 2005-06, updating is required for all families every two years (meaning that to be considered for eligibility for programs, they need to keep their updated and less than 2 years old). |
| Financing | Federal budgetary resources. |
Cost as percent of GDP | Rose from 0.15 percent of GDP in 2003 to 0.45 percent of GDP by 2015
---|---
More information | See World Without Poverty site—English site for useful information on the Bolsa Familia Program and the Cadastro Único (WWP.ORG.BR). See also Bolsa Familia Program Management Manual, the www.mds.gov.br/bolsaFamilia link (only in Portuguese).
Summaries of impacts: IPC One Pager No. 137 "Bolsa Familia: A Summary of Its Impacts" (February 2012); The Guardian "Brazil's Bolsa Familia Scheme marks a Decade of Pioneering Poverty Relief." (17 December 2013); and Foreign Affairs "The Surprising Success of Bolsa Familia" (December 2015) + numerous impact evaluation studies.

**ANNEX 5: ANALYZING THE DISTRIBUTIONAL INCIDENCE OF SOCIAL PROTECTION BENEFITS IN BRAZIL USING THE PNAD 2014 HOUSEHOLD SURVEY**

In absence of those data, receipt of key social programs – including the Bolsa Familia Program and the BPC Social Pension – can only be inferred on the basis of many assumptions using data available in the 2014 PNAD. Although direct data on social programs are not publicly available, the survey does include other questions that yield clues to infer potential receipt of these benefits. This Annex explains the methodology for these simulations.

- For *Bolsa Familia*, the simulations make use of questions on (a) household composition; (b) responses to questions on receipt of “other income” (if the value of other income reported in question equals certain amounts from the *Bolsa Familia* benefits menu); and (c) if the respondent answered yes to a specific question that asks if they had “applied to social programs.” These simulations yield estimates of 44.2 million people living in households receiving *Bolsa Familia* in the PNAD 2014, which is very close to the official estimate of 42.0 million beneficiaries (in 14.0 million families, which is the assistance unit for the *Bolsa Familia* Program) from administrative data. As such, these simulations slightly over-estimate the number of people benefitting from the *Bolsa Familia* Program in the PNAD 2014.

- For *BPC*, the simulations: (a) assume that BPC beneficiaries did not report receiving BPC in the survey questions for insurance pensions (“aposentadoria”);\(^{55}\) and (b) identify households that report receiving “other incomes” in the amount similar to the minimum wage in 2014 (level of the BPC benefit) to infer which households in the sample received BPC benefits. These simulations yield estimates of just 2.4 million beneficiaries of the BPC in the PNAD data, which is significantly lower than official administrative data of 4.13 million beneficiaries. Given this significant under-estimation of BPC beneficiaries in the PNAD 2014, these results have limited reliability.

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\(^{55}\) This is a “big assumption” because there is a good chance that beneficiaries of BPC confuse their benefits with other INSS social insurance pensions since both are managed by the INSS – and since the name of the program BPC doesn’t have high degree of the “brand-name recall” that *Bolsa Familia* has. Even in earlier surveys with direct questions on receipt of social programs (e.g., 2006 PNAD), the sample reporting receipt of BPC was quite low as compared with administrative data on coverage.
Given the imprecision of these simulations, the use of PNAD 2014 survey results for distributional analysis must be treated with caution. Some traditional indicators cannot be applied to this PNAD 2014 data with confidence, such as “coverage” rates by quintile (or by poverty group), or “over and under-coverage” (errors of inclusion and exclusion), or “poverty amounts in absence of the transfer” because of the limitations on the methodology and the under-estimate of coverage found in the PNAD 2014. Other indicators, such as distributional incidence across quintiles, can give some indication of patterns of the distribution across socio-economic strata (such as quintiles), albeit with caution. (See Annex 5 for further details on methodology for estimating distributional incidence not only of social programs but also for labor benefits and pension subsidies).

Interestingly, comparison of the direct survey questions from 2006 and the simulations for 2014 yield comparable results for distributional incidence across quintiles (Figure 14).

- **For Bolsa Família**, both sets of results suggest that the Bolsa Família Program is well-targeted to the poor. Data from the social programs module of the 2006 PNAD show that 64 percent of benefits of the Bolsa Família Program went to people in the poorest quintile of the population, and 89 percent went to those in the poorest two quintiles (bottom 40 percent of the population, B40). Simulations from the 2014 PNAD suggest similar patterns, with 57 percent of benefits going to those in the poorest quintile and 83 percent to those in B40. Various factors could drive the slight differences in the performance between 2006 and 2014, including methodological differences (direct survey questions for 2006 vs. imprecise imputations for 2014) and expansion in program coverage over that period of time.

- **For the BPC**, both surveys suggest that these social pension benefits are primarily received by those in the middle quintiles: 83 percent of benefits in 2006 went to those in quintiles 2-4, as compared with 69 percent in 2014. In 2006, 11 percent of reported benefits went to those in the poorest quintile, and in 2014 the estimate of benefits going to the poorest quintile was similarly 12 percent. The interpretation of these results should not be taken to mean that the BPC is weakly targeted to the poor. Rather, that due to the relatively high generosity of BPC benefits, these benefits are high enough to bring otherwise poor and vulnerable people up into higher quintiles.
Sources: World Bank – Authors’ analysis of Brazil PNAD 2014 using simulations to infer receipt of social benefits (with important methodological caveats); Leite & Lindert analysis of PNAD 2006 using direct questions on receipt of social benefits from special module on social programs. For both surveys, quintiles are ranked by post-transfer income. See Annex 5 for details.

Specifically, this annex documents notes on the methodology used to:

- Rank individuals or households using post-transfer income – with associated caveats
- Simulate or infer receipt of benefits of social programs for the purposes of analyzing distributional incidence
- Identify receipt of benefits of labor programs for the purposes of analyzing distributional incidence
- Estimate the distributional incidence of pension subsidies (net of contributions) by quintile

**Use of Post-Transfer Income for ranking of individuals of individuals or households**

This report uses post-transfer incomes as a measure of welfare for several reasons: (a) post-transfer incomes are closer to a measure of consumption, which is a proxy for welfare; (b) it allows for ranking people in their current status (with their incomes at the time of the survey); (c) this approach is used consistently across other Chapters in the BER (e.g., education, health), and (d) for programs involving large transfers or a large subsidy component (such as pensions), it is not appropriate to deduct the value of transfers from incomes to derive some measure of “pre-transfer income” since this would not take into account inevitable behavioral changes associated with the social compact for these transfers.

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This latter point on the inaccuracy of pre-transfer income is particularly important for generous pension benefits for the elderly. Very high pension benefits can induce retirement and sole dependence on pension income since benefit levels are so generous. Moreover, people know that they can count on those pension benefits, and hence they adjust their behaviors accordingly. As such, the distribution of the “elderly,” which represent only 7.8 percent of the population, is problematic when it comes to ranking quintiles via pre- or post-transfer income. This point is highlighted in Table A5.1 below. When ranking with post-transfer income, less than a million elderly people fall into the poorest quintile (600,698, as highlighted in blue). When social protection benefits are simply subtracted from incomes, the number of elderly people in the poorest quintile climbs to over 8 million. This doesn’t mean that these people were all poor “prior to” (or in “absence of”) receipt of these benefits. For most of them, it simply means that they are living quite comfortably with benefits are generous enough to put them into the upper quintiles (see Figures 13 and 15). Most had likely been formal sector workers in the past, and knew they could count on generous benefits for their primary source of income. Even with the BPC, beneficiaries receive relatively generous benefits, which are set at 100 percent of the minimum wage, and which put them into Quintile 3, very close to the median income (Figure 14).

The inaccuracy of pre-transfer income implies significant caveats and limitations for distributional analysis. In particular, the simulation of comparative poverty rates “with” and “without” specific transfers should be avoided if the “without transfers” scenario simply means deducting transfers from post-transfer incomes to see “how many would be poor” without the transfers. Moreover, care should be taken in over-interpreting distributional incidence results for benefits like the BPC, which are targeted to the poor, but because of their relative generosity would show up as primarily benefitting those in the middle quintiles of post-transfer incomes.

Table A5.1. Comparison of Relative Position of the Elderly when ranking by Post-Transfer Income vs Pre-Transfer Income (net of all social protection benefits)

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Post-transfer income</th>
<th>Pre-transfer income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not elderly</td>
<td>Elderly</td>
</tr>
<tr>
<td>1</td>
<td>38,292,724</td>
<td>690,698</td>
</tr>
<tr>
<td>2</td>
<td>36,618,926</td>
<td>2,364,830</td>
</tr>
<tr>
<td>3</td>
<td>33,374,792</td>
<td>5,608,830</td>
</tr>
<tr>
<td>4</td>
<td>34,760,485</td>
<td>4,223,164</td>
</tr>
<tr>
<td>5</td>
<td>33,930,702</td>
<td>5,052,952</td>
</tr>
<tr>
<td>Total</td>
<td>183,966,732</td>
<td>18,855,948</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations using data from PNAD 2014
Simulating (Inferring) Receipt of Benefits of Social Programs: Bolsa Família and BPC

Unfortunately, household survey data with direct questions on receipt of social programs are not available for recent years. The 2014 annual national household survey (PNAD) did include a special module with such questions, but those data are not available. The most recent PNAD for which such data are available dates back ten years, to 2006. This is a serious gap in data availability for evaluation of Brazil’s social programs, given that reliable, independent, and representative surveying is needed to assess the distributional incidence of social programs across quintiles or other strata of the population. Given the innovations and prominence of Brazil’s social programs in modernizing Brazil’s social compact to get beyond its “historically truncated welfare state,” and their importance to the poorer segments of society, it is rather alarming that such data are not available.

In absence of those data, receipt of key social programs – including the Bolsa Família Program and the BPC Social Pension – can only be inferred on the basis of many assumptions using data in the 2014 PNAD. Although direct data on receipt of social programs are not publicly available, the survey does include other questions that yield “clues” as to potential receipt of these benefits. The specific methodology for these “inferences” (simulations) is described in Table A5.2 below.

- Specifically, for Bolsa Família, the simulations make use of questions on (a) household composition (children under 15 and youths ages 16 and 17, but missing if there were pregnant mothers); (b) responses to questions on receipt of “other income” (if the value of other income reported in question equals certain amounts from the Bolsa Família benefits menu); and (c) if the respondent answered yes to a specific question that asks if they had “applied to social programs” (question V33303). These simulations yield estimates of 44.2 million people living in households receiving Bolsa Família in the PNAD 2014, which is very close to the official estimate of 42.0 million beneficiaries (in 14.0 million families, which is the assistance unit for the Bolsa Família Program) from administrative data. As such, these simulations slightly over-estimate the number of people benefitting from the Bolsa Família Program in the PNAD 2014.

- For BPC, the simulations: (a) assume that BPC beneficiaries did not report receiving BPC in the survey questions for insurance pensions (“aposentadoria”); and (b) identify households that report receiving “other incomes” in the amount similar to the minimum wage in 2014 (level of the BPC benefit) to infer which households in the sample received BPC benefits. These simulations yield estimates of just 2.4 million

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56 This is a “big assumption” because there is a good chance that beneficiaries of BPC confuse their benefits with other INSS social insurance pensions since both are managed by the INSS – and since the name of the program BPC doesn’t have high degree of the “brand-name recall” that Bolsa Familia has. Even in earlier surveys with direct questions on receipt of social programs (e.g., 2006 PNAD), the sample reporting receipt of BPC was quite low as compared with administrative data on coverage.
beneficiaries of the BPC in the PNAD data, which is significantly lower than official administrative data of 4.13 million beneficiaries. Interestingly, the share of elderly BPC beneficiaries “identified” in the PNAD is similar to the share in administrative data: 41 percent of those identified as receiving BPC in the PNAD were age 65+, which is comparable to the 45 percent of official BPC beneficiaries that are elderly (1.88 million BPC-elderly, and 2.25 million BPC-disabled). Given this significant under-estimation of BPC beneficiaries in the PNAD 2014, these results have limited reliability.

Given the imprecision of these simulations, the use of PNAD 2014 survey results for distributional analysis must be treated with caution. Some traditional indicators should not be used with PNAD 2014 data, such as official “coverage” rates by quintile (or by poverty group), or “under-coverage” (errors of exclusion), or “poverty amounts in absence of the transfer” because of the limitations on the methodology and the under-estimate of coverage found in the PNAD 2014. Other indicators, such as distributional incidence across quintiles, can give some indication of patterns of the distribution across socio-economic strata (such as quintiles), albeit with caution.

Table A5.2 – Inferring Receipt and Amounts of Social Program Benefits in the PNAD 2014 Survey (in absence of social programs module)

<table>
<thead>
<tr>
<th>Program</th>
<th>Inferring Receipt of the Transfer</th>
<th>Estimating value of benefit received</th>
<th>Comparison: # beneficiaries from admin data &amp; PNAD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bolsa Família</strong></td>
<td>Identify <em>Bolsa Família</em> families by “imputing via multiple filters” of related questions in the PNAD 2014 survey: household composition, “other incomes,” and “application for social programs”</td>
<td>Once infer that a family receives <em>Bolsa Família</em>, then we use the value reported as “other income”</td>
<td><strong>ADMIN:</strong> # Families: 14,003,441, or 42,010,323 people</td>
</tr>
<tr>
<td></td>
<td>(a) household composition (children under 15 and youths ages 16 and 17, but missing if there were pregnant mothers);</td>
<td>Average transfer per household in PNAD: R$160</td>
<td><strong>PNAD:</strong> # of Beneficiaries “identified” in simulations: 44,201,482 people (direct beneficiaries + HH members) – very close to</td>
</tr>
<tr>
<td></td>
<td>(b) Then compare the amount reported as “other income” (V1273) to imputed amounts that would expect them to receive:</td>
<td>Average transfer per household member in PNAD: R$38.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>o For base &amp; variable benefits: Look at household composition and calculate the benefit the family would get (if they did</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


not get the extreme poverty eradication benefit). If the other income value is close to that value (95 percent - 105 percent of it), we assume it is *Bolsa Família*

- For GMI benefit ("eradication of XP"): look if the value of the other income is below (number of hh members) * 77 – the value of the benefit the family would get if they got the extreme poverty eradication benefit based on zero income. If the family per capita income is below ½ minimum wage and the value of the ‘other income variable’ is between 77 and (number of hh members) * 77, we assume it is *Bolsa Família*. There are not many cases of people with higher income and a value that fit this gap

And (c) if the respondent answered yes to a specific question that asks if they had “applied to social programs” (question V33303).

<table>
<thead>
<tr>
<th>BPC</th>
<th>Imputed via “Other income” response:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Didn’t receive other public pension</td>
</tr>
<tr>
<td></td>
<td>• “Other income” = close to MW</td>
</tr>
</tbody>
</table>

Once infer that a family receives BPC, then we use the value reported as “other income”

<table>
<thead>
<tr>
<th>ADMIN (# people):</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPC-total: 4,130,432</td>
</tr>
<tr>
<td>BPC-disabled: 2,253,822 (55 percent of total)</td>
</tr>
<tr>
<td>BPC-elderly: 1,876,610 (45 percent of total)</td>
</tr>
</tbody>
</table>

| PNAD: # of individual Beneficiaries “identified” in simulations: 2,410,053 (direct only, of which 41 percent elderly). |
This is just over half of the total number of beneficiaries, hence the simulations significantly underestimate the number of people with BPC. Thus limited reliability.

Simulating (Inferring) Receipt of Benefits of Social Programs: Bolsa Família and BPC

The PNAD 2014 did include direct questions on receipt of unemployment insurance; but receipt of benefits of *Abono Salarial* and *Salário Família* had to be inferred using *de jure* program rules. The specific methodology for these “inferences” (simulations) is described in Table A5.3 below. Again, the results are imprecise. Although the PNAD 2014 did include specific questions on receipt of unemployment insurance, the PNAD data only identify about half of the official numbers of beneficiaries. For *Salário Família*, simulations in the PNAD infer greater numbers of potential beneficiaries than observed in administrative data. Simulations for the *Abono Salarial* yield slightly more potential recipients than observed in the administrative data.

Table A5.3. Identifying Labor Benefits in the PNAD 2014 Survey

<table>
<thead>
<tr>
<th>Program</th>
<th>Identifying or Inferring Receipt of the Transfer</th>
<th>Estimating value of benefit received</th>
<th>Comparison: # beneficiaries from admin data &amp; PNAD</th>
</tr>
</thead>
</table>
| **Abono Salarial** | Imputed *de jure* with program rules:            | Imputed value – *de jure* w/program rules | PNAD: 24 million PNAD  
ADMIN: 22.3 million admin data |
|                    | entitled to benefits if:                         |                                     |                                                   |
|                    | • Formal worker with <2MW                        |                                     |                                                   |
|                    | • Formal worker – with carteira asignada (declared in CAGED, RAIS) |                                     |                                                   |
| **Unemployment Insurance** | 2 direct questions in PNAD:                     | Estimated value of benefit based on admin data; R$3800 BR$for 3-5 | PNAD: 4.1 million  
ADMIN: 8.5 million admin  
Hence *under-identified* |
|                    | • Lost job                                       |                                     |                                                   |
|                    | • Received UI                                    |                                     |                                                   |
Estimating the Distributional Incidence of Pension Subsidies net of Contributions

Data in the PNAD 2014 capture both receipt of pension benefits as well as contributions. As such, we build on analysis by Skoufias & Scott (December 2015) who use the same methodology as Lindert, Skoufias, and Shapiro (2006) to estimate net pension subsidies across the distribution. Intuitively, if a pension system is self-funded, there’s no public expenditure involved: we can treat all pension income as a deferred market income or forced savings. However, when pension systems run deficits, there’s a transfer from public budget to individuals to cover the difference between revenues and disbursements.

As discussed in the main text of this paper, Brazil’s “contributory” pension regimes run significant deficits. For the RGPS pension scheme, the final balance of benefits paid minus contributions resulted in a deficit of 1.5 percent of GDP in 2015, and the deficit for the RPPS civil servant pension is estimated at another 1.2 percent of GDP for 2015. Adding both of these deficits together yields a transfer of 2.7 percent of GDP from general taxation to cover the RGPS and RPPS pension deficit – or 24 percent of the 11.1 percent of GDP in benefits paid out.

Table A5.4 below presents the descriptive statistics from PNAD 2014 on the mean value of pension contributions and receipts from individuals in each quintile. The individuals that contribute to pensions differ from the individuals that receive pensions within each quintile. By averaging across all individuals in each quintile, we obtain the general ratio of contributions to receipts in the Brazilian pension system. Consider, furthermore, that different groups of individuals receive different “net subsidies” – for example the contributions and benefits levels both vary across quintiles of the population (Table A5.4).

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57 Boletins Estatísticos da Previdência Social, and Grupo de trabalho da previdencia social (September 2016). STN/MF.
Table A5.4: Data on Pension Contributions & Benefits by Quintile (PNAD 2014)

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Pension Contributions (R$)</th>
<th>Pension Benefits (Receipts) (R$)</th>
<th>Ratio of Contributions to Benefits Received</th>
<th>Share of total Contributions from each quintile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>87,680,641</td>
<td>699,419,827</td>
<td>12.5 percent</td>
<td>1.0 percent</td>
</tr>
<tr>
<td>2</td>
<td>397,815,723</td>
<td>2,661,140,054</td>
<td>14.9 percent</td>
<td>4.6 percent</td>
</tr>
<tr>
<td>3</td>
<td>811,620,734</td>
<td>6,206,260,543</td>
<td>13.1 percent</td>
<td>9.5 percent</td>
</tr>
<tr>
<td>4</td>
<td>1,901,610,477</td>
<td>7,034,219,636</td>
<td>27.0 percent</td>
<td>22.2 percent</td>
</tr>
<tr>
<td>5</td>
<td>5,366,252,982</td>
<td>20,074,564,475</td>
<td>26.7 percent</td>
<td>62.7 percent</td>
</tr>
<tr>
<td>Total</td>
<td>8,564,980,557</td>
<td>36,675,604,535</td>
<td>23.4 percent</td>
<td>100.0 percent</td>
</tr>
</tbody>
</table>

Source: Skoufias & Scott (December 2015).

While survey data can differ substantially from national accounts data, survey data are consistent across quintiles. Hence although the absolute values of the ratios in Table A5.4 above may not line up with national accounts data, the relative size of these ratios across quintiles gives useful information. Specifically, the methodology developed derives a constant $\theta$ with two main properties:

1) $P_i = R_i \ast \theta$, where the subscript $i$ denotes the quintile. This simply says that multiplying $\theta$ by the ratios $R_i$ in each quintile from Table A5.4 above should yield the portion $P_i$ of pension benefits that represent contributions for each quintile.

2) $\sum_{i=1}^{5} P_i \ast SH_i = 0.76 = (1 - 0.24)$. This equation simply says that the weighted average across quintiles of $P_i$ (the portions of the benefits representing contributions from each quintile) using as weights $SH_i$ (the share of total contributions to pension benefits received by each quintile) must equal the fraction of the pension benefits paid out that come from private contributions, i.e. 76 percent.

Substituting 1) into 2) and solving for $\theta$ yields $\theta = \frac{0.86}{\sum_{i=1}^{5} R_i \ast SH_i} = 3.04$. Multiplying the estimated value of $\theta$ with the ratios $R_i$ in each quintile from Table A5.4 above yields the portion $P_i$ of pension benefits that represent private contributions for each quintile, which then also allows one to estimate the portion of pension benefits that represent public subsidies for each quintile.
Table A5.5. Portion of Pension Benefits that are Covered by Private Contributions vs Pension Subsidies for each Quintile & Absolute Incidence of Pension Subsidies Across Quintiles (PNAD 2014)

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Share of Benefits Covered by:</th>
<th>Absolute Value of Pension Subsidies Received R$</th>
<th>Absolute Incidence of Pension Subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private Contributions</td>
<td>Public Subsidies</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>43 percent</td>
<td>57 percent</td>
<td>431,999,557</td>
</tr>
<tr>
<td>2</td>
<td>52 percent</td>
<td>48 percent</td>
<td>1,447,827,894</td>
</tr>
<tr>
<td>3</td>
<td>45 percent</td>
<td>55 percent</td>
<td>3,730,869,932</td>
</tr>
<tr>
<td>4</td>
<td>93 percent</td>
<td>7 percent</td>
<td>3,707,840,841</td>
</tr>
<tr>
<td>5</td>
<td>92 percent</td>
<td>8 percent</td>
<td>10,552,969,211</td>
</tr>
</tbody>
</table>

Source: Skoufias & Scott (December 2015).


Putting all of these estimates together, yields the following results for absolute incidence of transfers in Brazil using PNAD 2014 data.

Table A5.6. Absolute Incidence of Social Protection Transfers in Brazil, estimated using 2014 PNAD Data

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
</tr>
</thead>
<tbody>
<tr>
<td>All social protection</td>
<td>17 percent</td>
<td>20 percent</td>
<td>22 percent</td>
<td>21 percent</td>
<td>20 percent</td>
</tr>
<tr>
<td>All social insurance</td>
<td>4 percent</td>
<td>14 percent</td>
<td>35 percent</td>
<td>12 percent</td>
<td>35 percent</td>
</tr>
<tr>
<td>Public Pensions - Subsidies</td>
<td>4 percent</td>
<td>14 percent</td>
<td>35 percent</td>
<td>12 percent</td>
<td>35 percent</td>
</tr>
<tr>
<td>All labor market programs</td>
<td>18 percent</td>
<td>24 percent</td>
<td>25 percent</td>
<td>20 percent</td>
<td>13 percent</td>
</tr>
<tr>
<td>Salario Familia</td>
<td>32 percent</td>
<td>37 percent</td>
<td>22 percent</td>
<td>7 percent</td>
<td>2 percent</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>20 percent</td>
<td>23 percent</td>
<td>24 percent</td>
<td>20 percent</td>
<td>14 percent</td>
</tr>
<tr>
<td>Abono Salarial</td>
<td>10 percent</td>
<td>24 percent</td>
<td>28 percent</td>
<td>25 percent</td>
<td>14 percent</td>
</tr>
<tr>
<td>All social assistance</td>
<td>34 percent</td>
<td>23 percent</td>
<td>18 percent</td>
<td>14 percent</td>
<td>11 percent</td>
</tr>
<tr>
<td>Bolsa Familia</td>
<td>57 percent</td>
<td>26 percent</td>
<td>10 percent</td>
<td>3 percent</td>
<td>3 percent</td>
</tr>
<tr>
<td>BPC</td>
<td>12 percent</td>
<td>19 percent</td>
<td>26 percent</td>
<td>24 percent</td>
<td>19 percent</td>
</tr>
</tbody>
</table>

Sources: World Bank – authors’ estimates using PNAD 2014; Skoufias & Scott (December 2015) for Pensions Subsidies.