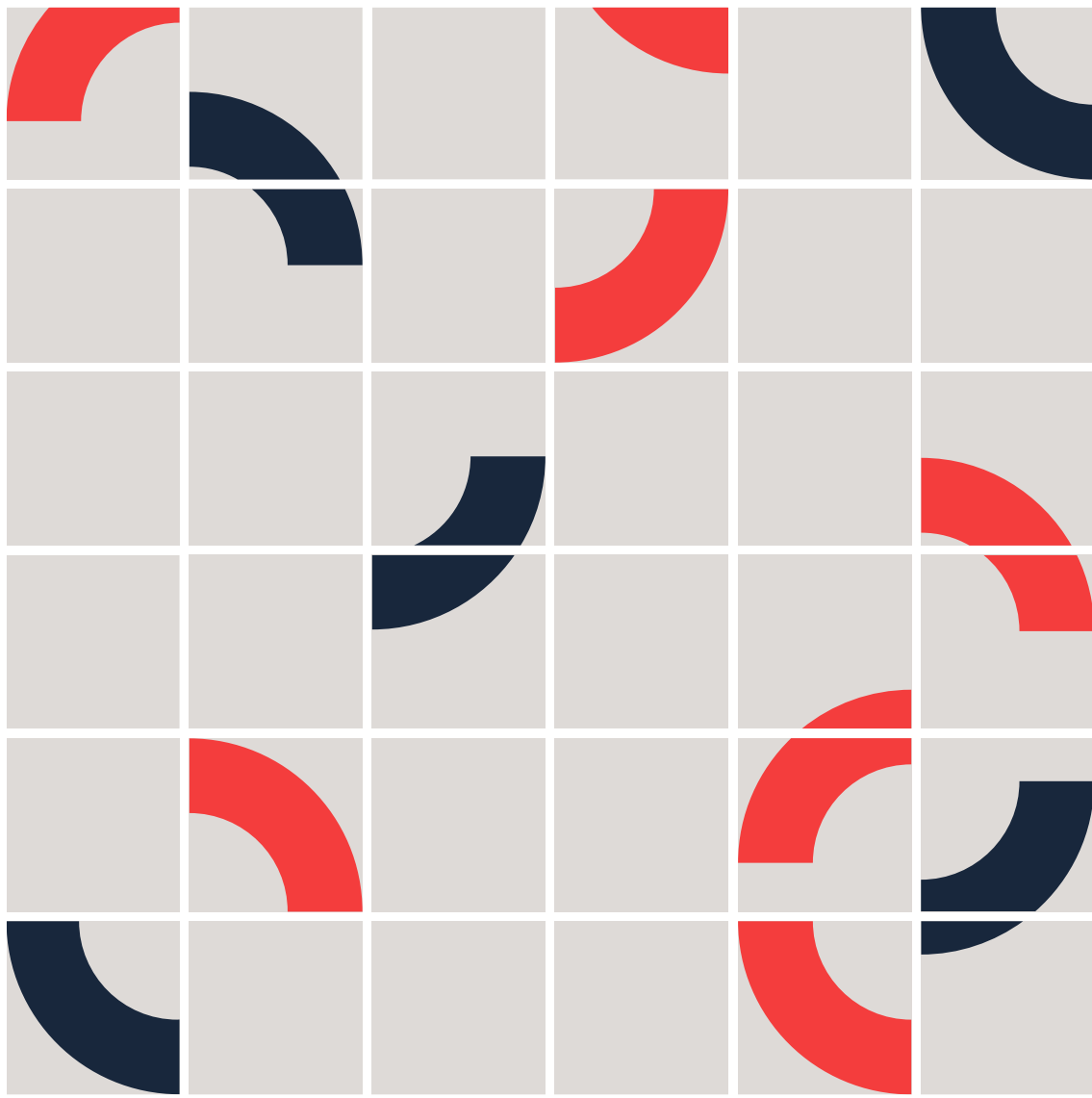# New *Bolsa Família*:
Challenges and opportunities for 2023

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LIST OF ACRONYMS

AB   *Auxílio Brasil* (Brazil Aid)

AB+   *Auxílio Brasil + Benefício Extraordinário + Benefício Complementar* (Brazil Aid + Extraordinary Benefit + Complementary Benefit)

AE   *Auxílio Emergencial* (Emergency Aid)

AE1   First Phase of Emergency Aid

AE2   Second Phase of Emergency Aid

AE3   Third Phase of Emergency Aid

BComp   *Benefício Complementar* (Complementary Benefit)

BEx   *Benefício Extraordinário* (Extraordinary Benefit)

BF   *Bolsa Família* Program

BFS   *Sistema de Gestão do Programa Bolsa Família na Saúde* (System for Managing the Bolsa Família Program in Health)

BSM   *Brasil sem Miséria* (Brazil without Extreme Poverty)

CadU   *Cadastro Único* (Unified Registry)

CAIXA   *Caixa Econômica* Federal Bank

CCT   Conditional Cash Transfer

CEQ   Commitment to Equity

CGU   *Controladoria Geral da União* (General Controller's Office)

CIT SUAS   *Comissão de Gestores Tripartite do* SUAS (Tripartite Managers Commission)

CNAS   *Conselho Nacional de Assistência Social* (National Social Assistance Council)

CNIS   *Cadastro Nacional de Informações* (National Information Register)

CRAS   *Centro de Referência de Assistência Social* (Social Assistance Reference Center)

CREAS	*Centro de Referência Especializado de Assistência* (Specialized Assistance Reference Center)
ECB	Early Childhood Benefit
EMI	Expedition of Measure of Interest
FVB	Family Variable Benefit
G2P	Government to Person
GDP	Gross Domestic Product
GoB	Government of Brazil
IBGE	*Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics)
IGD	*Índice de Gestão Descentralizada* (Decentralized Management Index)
INEP	*Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira* (National Institute for Educational Studies and Research Anísio Teixeira)
INPC	*Índice Nacional de Preços ao Consumidor* (National Consumer Price Index)
IPEA	*Instituto de Pesquisa Econômica Aplicada* (Institute of Applied Economic Research)
MC	*Ministério da Cidadania* (Ministry of Citizenship)
MDS	*Ministério do Desenvolvimento e Assistência Social, Família e Combate à Fome* (Ministry of Development, Social Assistance, Family, and Hunger Alleviation)
MEC	*Ministério da Educação* (Ministry of Education)
MF	*Ministério da Fazenda* (Ministry of Finance)
MPO	*Ministério de Planejamento e Orçamento* (Ministry of Planning and Budget)
MPS	*Ministério da Previdência Social* (Ministry of Social Security)
PEC	*Proposta de Emenda à Constituição* (Constitutional Amendment Proposal)

PIX   *Pagamento instantâneo brasileiro* (Brazilian instant payment)

PLP   *Projeto de Lei Complementar* (Complementary Law Project)

PM   Provisional Measure

PNAD-C   *Pesquisa Nacional por Amostra de Domicílios Contínua (*National Continuous Household Sample Survey)

POF   *Pesquisa de Orçamentos Familiares* (Family Budget Survey)

PROCAD-SUAS *Programa de Fortalecimento Emergencial do Atendimento do Cadastro Único no Sistema Único da Assistência Social* (Program for the Emergency Strengthening of Assistance to the Single Social Assistance Registry in the Unified Social Assistance System)

PRONATEC   *Programa Nacional de Acesso ao Ensino Técnico e Emprego* (National Program for Access to Technical Education and Employment)

SAGICAD   *Secretaria de Avaliação, Gestão da Informação e Cadastro Único* (Secretariat for Evaluation, Information Management and Unified Registry)

SENARC   *Secretaria Nacional de Renda e Cidadania* (National Secretariat for Income and Citizenship)

SUAS   *Sistema Unificado de Assistência Social* (Unified Social Assistance System)

SUS   *Sistema Único de Saúde (Unified Health System)*

TCU   *Tribunal de Contas da União* (Federal Court of Auditors)

VISDATA   *Visualizador de Dados Sociais* (Social Data Viewer)

EXECUTIVE SUMMARY

This technical note discusses the challenges and opportunities faced by the Ministry of Development, Social Assistance, Family, and Hunger Alleviation (*Ministério do Desenvolvimento e Assistência Social, Família e Combate à Fome*, MDS) in reshaping and implementing the new *Bolsa Família* Program (BF) at the beginning of 2023, along with the initial measures adopted.

Challenges of the effectiveness and efficiency of the New *Bolsa Família* Program

The note discusses **four main challenges** that the new administration faced in improving both the design and operation of the flagship conditional cash transfer (CCT) program of Brazil.

1. Reduced fiscal space. During the pandemic and the election period, the coverage and generosity of the CCT programs increased substantially. First, with the three phases of the COVID-19 relief program Emergency Aid *(Auxílio Emergencial,* AE), coverage increased to 67 million beneficiaries. Later, with the package of programs of Brazil Aid (*Auxílio Brasil*, AB) supplemented with the *Benefício Extraordinário* (Extraordinary Benefit, BEx) and Complementary Benefit (*Beneficio Complementar*, BComp) (AB+ refers to the package of these last three benefits hereafter), coverage decreased to rise again from 14.5 million families at the end of 2021 to 21 million by October 2022. These developments that occurred between 2020 and 2022 resulted in a significant increase in the budget required to sustain them in 2023. The spending in cash transfer programs increased from 0.5 percent of gross domestic product (GDP) in 2019 to 4 percent in 2020 and decreased to 1.2 percent of GDP by end of 2022. This expenditure expansion has reduced the available fiscal space for other important social assistance spending and has received special treatment in fiscal rules. The rapid growth in expenditures on income transfer programs has affected the

implementation of complementary services that further propel the effectiveness of the cash transfers and has generated uncertainty among beneficiaries due to constant changes in the amounts.

2. Insufficient (in-kind) social assistance services. The expansion of cash benefits with AE and AB+ has been accompanied by reduced resources allocated to social assistance services, affecting the effectiveness of cash transfers and even compromising the overall effectiveness of social expenditures. The federal social assistance budget has experienced a drastic decline (from R$2.7 billion in 2017 and R$2.5 billion in 2019 to less than R$1 billion in 2022). This situation affects the capacity of the Unified Social Assistance System (*Sistema Unificado de Assistência Social*, SUAS) to provide adequate support and assistance to families in extreme poverty, resulting in gaps in identifying and addressing vulnerabilities. Moreover, the shift from complementary programs to cash transfers may limit the ability to meet the diverse needs of families beyond income insufficiency. This transition represents a significant departure from previous overall social strategy to eliminate poverty that focused on addressing the multiple dimensions of poverty through comprehensive programs and services.

3. Potential effectiveness losses. The introduction of BEm and BComp jointly with AB led to some undesired effects and potentially affected the targeting accuracy of the cash transfers programs. Introducing a per-family transfer has created inequalities in the support provided to families, favoring smaller families. The average per capita transfer increased for small families and decreased for larger families, which are more likely to be poor. For instance, by the end of 2022, single-person families received an average of R$588 per capita, while four-person families received an average of R$151 per capita and those with six members R$106 per capita.[1] Hence, the per-family transfer incentivized single-person registration in Unified Registry (*Cadastro Único*, CadU), with large jumps observed in the second and third quarters of 2020. Another challenge inherited from BF is the lack of clear mechanisms to adjust eligibility and transfer values, leaving the program vulnerable to arbitrary government policies and exposed to erosion of its real value over time. While the nominal values have consistently increased, they have not been large enough to maintain the real values of the eligibility threshold.

4. Operational challenges. Several weaknesses are observed in the implementation of activities along the service delivery chain of social assistance systems.[2]

4.1. Weaker quality of CadU.. The quality of CadU is imperative for effective targeting—minimizing inclusion and exclusion errors—and understanding the depth of needs

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[1] Estimates based on PNAD-C.
[2] Lindert et al. (2020) define the social protection delivery system as "the operating environment for implementing social protection (including labor) benefits and services, including the implementation phases and processes along the delivery chain, main actors (people and institutions), and enabling factors (communications, information systems, and technology)" and divide the service delivery chain in seven steps: outreach, intake and registration, assessment of needs and conditions, eligibility and enrollment decisions, determination of benefits and service package, notification and onboarding, and provision of benefits and/or services.

that require to be covered by social assistance support. However, its quality has significantly declined since the pandemic, resulting in outdated and unreliable data. This situation is largely attributed to the interruption of services during the period of social isolation, coupled with the lack of personnel increase in the SUAS at a time of significant increase in demand for registrations in the system. Additionally, the isolation situation has contributed to a backlog of updates in the registry. Another factor that has compromised the accuracy of information is the design of AB+, which unfortunately encouraged the inadequate separation of members within the same family.

4.2. Possible compromised targeting. The quality of CadU, which is essential for effectively targeting social programs, has been negatively affected by the pandemic, resulting in outdated and unreliable data. BF has been long considered one of the most progressive fiscal policies in Brazil with a positive impact on reducing inequality and poverty. AB maintained a strong targeting performance, despite experiencing rapid growth in coverage. However, there is no certainty today that the registry maintains its reputation. Constant monitoring of targeting accuracy is crucial, considering that the deterioration of the social registry may take time to reflect in program data.[3] Maintaining the quality of CadU data and expanding the coverage of AB are priorities to ensure the effectiveness of these policies.

4.3. Slow return of conditionality monitoring. The new government encounters yet another challenge regarding the weakened oversight of conditionalities. Emergency measures were implemented during the pandemic, including suspending conditionality enforcement, which significantly affected the rate of conditionalities monitoring. Health monitoring rates have almost returned to pre-pandemic levels, but education monitoring rates remain significantly lower than previous values. The COVID-19 crisis has also negatively affected the health and education of the Brazilian population, especially among children benefiting from the program. The lack of monitoring hinders understanding of the situation and addressing the issues arising during the interruption of conditionality enforcement. Returning to the previous monitoring rate will require significant efforts from the government.

4.4. Zero waiting list. Achieving a zero waiting list for the program remains challenging due to budgetary and operational constraints. BF has experienced periods with both zero and positive waiting lists. The existence of a waiting list compromises the goal of providing immediate assistance to vulnerable families, affecting their ability to meet basic needs. Maintaining a zero waiting list is crucial to provide security to beneficiaries and encourage them to take risks in employment and entrepreneurship.

4.5. Ability to respond to crises and shocks. The ability of BF to respond to shocks and crises remains an area for improvement. The current rules require legislative approval to implement emergency measures, which makes the response slow and

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[3] Measurement of targeting accuracy relies on the data from PNAD and hence it is too early to evaluate this indicator for the new BF.

bureaucratic. This can delay the provision of resources to affected families, compromising the program's effectiveness in times of calamities such as disasters or pandemics.

4.6. Innovation and use of new technologies. Technological advancements have transformed how the government interacts with beneficiaries and delivers public services, bringing improvements and challenges. Mobile applications for digital registration have allowed millions of people in Brazil to access social protection programs. However, this approach challenges the decentralized logic of CadU and raises questions about data quality and access to smartphones and the internet. Additionally, the transition to digital payments during the pandemic has brought benefits but requires beneficiary education and consideration of risks. The Government of Brazil (GoB) needs to better understand the impact of digital financial inclusion and address concerns regarding complaints, accountability, and fraud detection.

Improvement in program design to tackle fiscal space and potential effectiveness losses: Results from microsimulations

Microsimulation tools allow conducting pre-reform analysis of the distributional impact of reforms to design parameters of the cash transfer program. Using the BraSim tool, several models were estimated. The parameters were selected following two principles: (a) align to Lula's promises during the campaign and (b) revert to a transfer scheme that would consider family demographics. A scheme of transfers that depends on the family composition can be more effective to reduce poverty overall, ensure reporting incentives are aligned, and maintain low fiscal cost.

The preferred model suggested a transfer of R$150 per family member—equivalent to the promised R$600 for a typical family of four members—and an additional R$150 per child and youth below 18 years old. This model would also be more equitable by bringing larger transfer sizes to larger families, and it will cost the GoB around R$129,518 million. These are important savings that could be used to strengthen other programs and services.

First government actions

Within the first 100 days, the GoB undertook several actions to respond to the challenges described above. Two main initiatives introduced by the MDS stand out: (a) the redesign of BF and (b) the Program for the Emergency Strengthening of Assistance to the Single Social Assistance Registry in the Unified Social Assistance System (*Programa de Fortalecimento Emergencial do Atendimento do Cadastro Único no Sistema Único da Assistência Social*, PROCAD-SUAS). In addition, measures

that affect the fiscal space for social assistance spending were introduced. First, the Transitional Constitutional Amendment Proposal *(PEC da Transição - 32/22)* was passed in December 2022 and authorized an increase of R$145 billion as the spending cap of the 2023 budget. This measure provided additional resources to finance the new BF and other critical public policies such as the Gas Aid and the Popular Pharmacy. Also, the Law No. 14,578 (May/23) authorized the opening of a special credit of R$71,440 million to the Social Security Budget of the Union, allocated to the MDS. These resources aim to ensure adequate funding for the new BF and for the municipalities through the Decentralized Management Index (*Índice de Gestão Descentralizada*, IGD), thereby contributing to the continuity and effectiveness of the income transfer program. Second, the New Fiscal Framework (*Novo Arcabouço Fiscal*), which is a mechanism for controlling public debt and establishing a sustainable fiscal regime based on the balance between revenue and expenses, and the tax reform (PEC 45/2019), which aims to restructure consumption-based taxation to simplify and facilitate tax collections, were sent to Congress.

Recommended next steps to tackle the remaining challenges

While the implemented measures are a step in the right direction, further efforts are needed to tackle the remaining challenges. Eight recommendations for continuing improvement of the social assistance system in the short term are presented.

1. Fiscal improvements. Amid fiscal challenges, the fiscal recommendations to strengthen BF involve maintaining fiscal neutrality by reallocating resources within the social protection system, alongside adopting prudence in implementing fiscal adjustments in the program, as changes of this nature require time to be fully assimilated by the system and for their effects to be comprehensively understood. Additionally, structural measures proposed in Congress, such as tax reform and the New Fiscal Framework, to uphold economic stability and expanded operations should be prioritized.

2. Increasing (in-kind) social assistance services. The economy is expected to recover—even if at a slow pace given the international and domestic landscape—generating jobs that will contribute to graduate BF beneficiary families. As families graduate, the MDS could use those savings to rebalance expenditures between cash and in-kind programs, staying within the current high budget ceiling. Because this process will be gradual as the graduation rules (*Regra de Proteção*) allow participants to stay in the program, it is critical to pursue effectiveness and equity gains in delivering existing social assistance services. The complementary programs that have suffered from budget cuts and would benefit from additional budget are those for early childhood, productive inclusion, and elderly care, as they are a fundamental part

of the social assistance system, aiming at poverty reduction and promoting productive inclusion. Lastly, the governance of social programs should be enhanced with evaluation and monitoring to improve coordination and system efficiency.

3. Increasing effectiveness of BF through further changes in program parameters. While this first reform of BF is welcomed, further changes are necessary to fully eliminate the distortions of a family benefit, starting with the elimination of the variable complement and fully reverse to a per capita transfer. This reform would promote greater equity and effectiveness. Although politically complex, this reform could be implemented with a period of protection for acquired rights (between 12 and 24 months). It is also necessary to increase predictability and transparency in benefit monetization mechanisms and poverty line adjustment as well as reevaluate the frequency of adjustment, establishing a maximum interval of two years. For example, to provent the erosion of value due to inflation, the program could establish the need of revising transfer and eligibility values every two years. It is advised not to have automatic rules as they may further exacerbate the problem in periods of high inflation.

4. Enhancing operational effectiveness. While several steps have been taken to improve the effectiveness and efficiency in the delivery of services, further actions could be taken to build on those enhancements:

4.1. Further strengthening CadU by leveraging interoperability with other systems and modernizing the registration form, ensuring data quality, and improving program management.

4.2. Accelerating the return of conditionality monitoring by involving state and municipal governments, expanding conditionalities to all children in public schools and users of the Unified Health System (*Sistema Único de Saúde*, SUS), and leveraging existing systems for monitoring and personalized intervention.

4.3. Sustaining targeting precision. Ensuring the effectiveness of BF targeting remains crucial for the vulnerable. While concrete evidence of targeting deterioration is lacking, continuous monitoring and further studies are imperative. The 2023 Census data provide an opportunity to reinforce monitoring of the program's targeting.

4.4. Continuing further leveraging new technologies by analyzing families' financial behavior and financial institutions' role in promoting financial planning, access to relevant services, and financial inclusion.

4.5. Guaranteeing a zero waiting list and BF's capacity to respond to crises and shocks by establishing an automatic financial fund to meet the needs of vulnerable families in times of crisis without depending on legislative approval.

New *Bolsa Família*:
Challenges and opportunities for 2023

Challenges

1 Reduced fiscal space

2 Insufficient (in-kind) social assistance services

3 Potential effectiveness losses

i. **Change to per-family transfer:** created inequities. in favor of smaller-sized households;

ii. **No inclusion of a clearly defined mechanism to adjust eligibility thresholds and transfer amounts.**

4 Operational challenges

i. **Weaker quality** of Cadastro Único

ii. **Possible compromised targeting**

iii. **Slow return** of conditionality monitoring

iv. **Zero waiting list**

v. **Ability to respond** to crises and shocks

vi. **Innovation** and the use of new technologies

First government actions

1 Broadening fiscal space

i. **Transitional Constitutional Amendment Proposal** *(PEC da Transição - 32/22):* enable an increase of R$ 145 billion in the spending cap of the 2023 budget.

ii. **Law No. 14.578 (May/23):** authorized the opening of a special credit to the Social Security Budget of the Union. allocated to the MDS.

iii. **PLP 93/2023** *(Novo Arcabouço Fiscal):* mechanism for controlling public debt. establishing a sustainable fiscal regime based on the balance between revenue and expenses.

iv. **Tax reform** *(PEC 45/2019):* restructure consumption-based taxation to simplify and facilitate tax collections.

2 New *Bolsa Familia* Program

- **Partially returns to a family transfer** dependent on household size and composition.

- **New benefits:** "First Childhood Benefit" (FCB); and "Family Variable Benefit" (FVB).

- **Article 7 stipulates periodic adjustments.** with a minimum interval of twenty-four months.

- New **"Protection Rule"** and **"Guaranteed Return Mechanism".**

- *Caixa Econômica Federal* as the operating and paying agent of *Bolsa Família.*

3 Strengthen quality of *CadU*: PROCAD-SUAS

- **Public utility campaign:** clarifying the rules and criteria.

- **Training** for interviewers and operators.

- **Emergency strategy** to qualify the *Cadastro Único.*

- **Integration** with the CNIS.

- **Expansion of home visits** and active search strategies.

- **Inter-federative action:** monitoring results and financial support based on the IGD.

Recommendations

1 Fiscal improvements

i. **Priority:** Progress with the structural measures proposed within the National Congress (tax reform and New Fiscal Framework).

ii. **Uphold the principle of fiscal neutrality** within the proposed measures.

iii. **Be parsimonious in fiscal adjustments related to Bolsa Família:** they require a time lag for their complete assimilation by the system.

2 Increasing (in-kind) social assistance services

i. **Create space for key complementary programs** such as early childhood. productive inclusion. elderly care.

ii. **Connect with services provided by other ministries** through referral. especially for employment. health and education.

iii. **Reinforce social assistance budget.**

iv. **New governance of social programs** with evaluation and monitoring.

3 Increase effectiveness of BF(changes to parameters)

i. **Fully return to a transfer depending on family composition.**

ii. **Introduce a reasonably long grandfathering period** if needed.

iii. **Reassess the frequency of the benefit readjustment:** max interval of two years.

4 Enhancing Operational effectiveness

i. **Further strengthening** *Cadastro Único.*

ii. **Accelerate the return** of conditionality monitoring.

iii. **Sustaining targeting precision.**

iv. **Continue further leveraging new technologies.**

v. **Guaranteeing a zero-waiting list and BF's ability to respond to crises and shocks.**

1. INTRODUCTION

On January 1, 2023, the new administration took office in Brazil, with ambitious promises to fight against hunger and reduce inequality and with the announcement of the return of the *Bolsa Família* Program (BF). While it is not unusual for candidates to make generous promises on increased support for vulnerable segments of the population during the campaign (Lindert and Vincensini 2010), this one particularly felt like a competition among candidates on the conditional cash transfer (CCT) program coverage and generosity.[4] Two transitory and supplementary benefits were introduced in the 12-month period before the elections—Extraordinary Benefit (*Benefício Extraordinário*, BEx) and Complementary Benefit (*Benefício Complementar,* BComp)—and 6 million families entered the Brazil Aid (*Auxílio Brasil*, AB) program. By election day in October 2022, Bolsonaro was paying 21 million families at least R$600 per family and announced an annual 13th additional payment. Lula promised to retain R$600 per family plus R$150 per child (from 0 to 6 years of age),[5] which represented a huge political constraint for the future of the decision-making process regarding the design of the new BF. Box 1 summarizes the main evolution of the CCT program from BF until its return in 2023.

On the one hand, having a sound antipoverty program has never been under debate. Not only had the COVID-19 crisis left acute scars in the population, but structural problems present in 2019 were also acknowledged and had to be addressed to speed up the recovery and achieve long-standing development outcomes. Hence, there was overall endorsement of the higher coverage and generosity levels for the main CCT program, with the aim of improving effectiveness. However, it was noticed that both coverage and generosity achieved levels never observed in the program in its 20 years of life. Since 2012, BF has supported around 14 million families with average

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[4] See newspaper headlines: https://www1.folha.uol.com.br/mercado/2022/08/campanha-de-lula-lanca-ofensiva-e-promete-adicional-de-r-150-por-crianca-ate-6-anos-no-bolsa-familia.shtml;
https://www.poder360.com.br/eleicoes/no-2o-turno-bolsonaro-aposta-em-13o-do-auxilio-para-mulheres.
[5] These transfer values were about half of the minimum wage at the time.

transfers ranging between one-fifth and one-third of the minimum wage per family. The changes introduced in 2021/22 were a breakpoint for the flagship CCT program.

On the other hand, there were several challenges that were impeding the efforts to fulfill the promises of a more generous program while improving the overall effectiveness and efficiency of social spending. While there have been positive developments over the past four to five years, they have also been accompanied by some significant challenges. Among the positive developments are the implementation of the 'zero waiting list' for some periods, the introduction of education conditionalities for children of 4 and 5 years of age, technological innovations in registration and payment methods, expansion of the number of beneficiaries while maintaining a high targeting accuracy,[6] and expansion of the variable benefit to include youth of up to 21 years of age—even if only for a short period. However, there have also been multiple challenges, encompassing diverse aspects, and not all the introduced innovations were taken to practice. As further described in the next section, the increase in the coverage and generosity has taken more fiscal space than authorized under the fiscal rules; the combination of AB, BEx, and BComp, (abbreviated as AB+ hereafter) brought unintended behavioral responses by families, reduced space for strengthening the delivery of services (quantity and quality) through the Unified System of Social Assistance (*Sistema Unificado de Assistência Social*, SUAS) network, and amplified problems throughout the delivery system: registration, monitoring of conditionalities, and payment.

The persistence of the pandemic and a sluggish labor market recovery contributed to make Brazilian families increasingly reliant on the state transfers. During the initial phase of the pandemic, poverty incidence was reduced to the lowest levels in history as a result of the quickly deployed and generous implementation of a myriad of programs including Emergency Aid (*Auxílio Emergencial*, AE).[7] However, with the withdrawal of that program, the increase in inflation of 2020 and 2021, the global and domestic uncertainties brought by the invasion of Russia in Ukraine, the disruption in the global value chains, and the upcoming elections, poverty incidence bounced back by 9.7 percentage points peaking at 28.4 percent in 2021. Poverty simulations already indicated that 3.6 percentage points of poverty reduction in 2020 was associated with AE and that 1.9 percentage points of poverty reduction expected for 2023 is also associated with the increase in the transfers as a result of the new BF and the fulfillment of the campaign promises.[8]

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[6] It should be noted that maintaining high targeting accuracy, which leads to poverty reduction, might not necessarily translate to less food insecurity—another important problem observed today in Brazil. While the two concepts are linked, the measurement of both is different and can explain the apparent paradox. Measurements of poverty are based on annualized income estimates, while those of food insecurity are based on the occurrence of an event, whereby the sudden, uncompensated loss of a job or reduction of benefits (such as AE) can turn into the loss of a household's ability to feed itself in the short term. For further details, see World Bank 2022b.

[7] For more information about the vertical and horizontal expansions, see World Bank 2021b.

[8] Simulations by the World Bank using labor market projections and BraSim 2.0.

This note summarizes the challenges and opportunities the Ministry of Development, Social Assistance, Family, and Hunger Alleviation (*Ministério do Desenvolvimento e Assistência Social, Família e Combate à Fome*, MDS) faced when arriving at the office, presents the first measures adopted, and proposes recommendations to improve the flagship income support program. Section 2 describes the design and operational challenges at the time of government transition and the respective recommendations to address them. Section 3 presents the microsimulation results and discusses improvements to the program design. Section 4 outlines the concrete actions thus taken by the current government and the inherent challenges within the Brazilian social assistance context. Finally, the note concludes with new recommendations from the World Bank team for future improvements.

BOX 1. CHANGES IN THE MAIN CCT PROGRAM IN BRAZIL

BF was introduced in 2003 bringing many innovative design features to cash assistance in Brazil: unification of preexisting programs (gains in efficiency and effectiveness), unified national registry, automatic eligibility, prioritization of families with children and adolescents, direct payment to families through magnetic cards, priority payment for women, respect for federative competences, and effective follow-up of conditionalities.

In response to the health crisis caused by the COVID-19 pandemic, the Government of Brazil (GoB) instituted the AE program that became the largest social protection initiative in the country. With a swift and comprehensive response, AE stood out as the widest and most generous CCT worldwide. In 2020, over 67 million individuals received at least one payment from AE, and a National Continuous Household Sample Survey (*Pesquisa Nacional por Amostra de Domicílios Contínua*, PNAD-C) identified that over 50 percent of the country's families benefited from it. In contrast, the country's main CCT program BF typically reached only about one-fifth of the population. AE temporarily improved the well-being of Brazilian families, making the replacement of these benefits a politically costly measure, especially in a polarized country on the eve of the elections, such as Brazil in 2022. Furthermore, the persistence of the pandemics and the slow recovery of the job market have increased the dependence on state transfers for families' subsistence.

The main features of the design of BF were maintained over time, including with the launch of AB in 2021. However, in December of the same year, a floor of R$400 per family (BEx) superseded the initial rules of AB, and in July 2022, the government managed to pass a Constitutional Amendment in the legislature that allowed an increase to a minimum of R$600 per family (Benefício Complementar, BComp) at the starting of the presidential elections. The opposition political parties supported this increase. Moreover, during the campaign, the main opposition candidate and eventual winner, Lula, promised to add R$150 per child to the existing R$600 floor, while Bolsonaro proposed an additional annual payment of R$600 in addition to monthly payments. The introduction of AB+brought fundamental changes into the design of cash transfers programs in Brazil. The most salient reform is the departure from a per capita transfer to a per family one.

Figure 1.1. Timeline of reforms to the CCT programs in Brazil

Bolsa Escola Program:
Law 10219/2001 launches the *Programa Nacional de Renda Mínima vinculada à educação.*

Food. Program:
PNAA: Law 10689/2003 launches the *Programa Nacional de Acesso à Alimentação* with cash transfer to families in food insecurity situation.

Brasil sem Miséria:
Decreto nº 7.492/2011 launches BSM plan to overcome extreme poverty through the integration and articulation of policies, programs and actions.

Auxílio Emergencial II:
MP 1000/2000 creates *AE Residual* paid in 4 installments of R$300.

Auxílio Brasil:
MP 1061/2021 creates the new *Auxílio Brasil*, with no mention to parameters of benefits.

Presidencial Decree 10.852 defines the parameters of Auxílio Brasil.

Benefício Complementar:
Constitutional Amendment 123 increases AB from R$ 400 to R$ 600 by the end of 2022.

APR 2001 | **JUN 2003** | **JUN 2011** | **SEP 2020** | **AUG 2021** | **NOV 2021** | **JUL 2022**

JUL 2001 | **Oct 2003** | **APR 2020** | **MAR 2021** | **OCT 2021** | **DEC 2021** | **MAR 2023**

Cadastro Único:
Decreto 3877/2001 launches the national single registry for social programs.

Bolsa Família Program:
Law 10836/2003 launches the federal CCT program, consolidating the existing programs *Bolsa Escola, PNAA, Bolsa Alimentação,* and *Auxílio Gás.*

Auxílio Emergencial I:
Law 13982/2000 creates *AE* paid in 3 monthly installments of R$600 (or R$1200).

Auxílio Emergencial III:
Decree 10661 creates the third *AE,* at benefit values (R$150 and R$375) and reduced coverage.

Last payment of BF:
After 18 years of the program.

Benefício Extraordinário:
Law 14342/2022, guarantees permanently the minimum amount of R$ 400 for *Auxílio Brasil* beneficiary families.

Bolsa Família Program:
Provisional measure 1164/23 launches the new program as package of 4 measures that amount to R$ 600 per family with additional R$150 per child under 7 and R$50 for children and youth under 18 and pregnant women.

Figure 1.2. Average value of the benefit and number of beneficiaries over time (Jan 2020–May 2023)

Legend:
- Bolsa Família only
- Auxílio Brasil only
- Auxílio Brasil + Benefício Complementar
- Auxílio Emergencial (CadU)
- AE + BF
- Auxílio Brasil + Benefício Extraordinário
- Auxílio Emergencial (ExtraCad)
- Average Benefit Received per Family

Source: SAGICAD - VISDATA 3 and based on coverage data (GoB, MC 2021) and candidacy data informed during interviews with program managers.

Note - box 1, figure 1.2

About the number of families/individuals:

For BF only, AE + BF, AB only, AB + BEx, and AB + BComp, the unit of measurement used is families and the information was obtained from the VISDATA 3 website.

In (AE + BF):

Refers to families from BF who also received AE.

For AE (ExtraCad - People not registered in Unified Registry [*Cadastro Único, CadU*]):

The data include individuals who were not registered in adU but received AE. Similarly, AE (CadU) includes individuals registered in CadU and did not receive BF but received AE. Due to the unavailability of monthly data for both AE (ExtraCad) and AE (CadU), the coverage values provided for the first phase of Emergency Aid (AE1) and second phase of Emergency Aid (AE2) represent monthly peaks during the respective phases, and for third phase of Emergency Aid (AE3) coverage data are consolidated monthly as of July 2021. Additionally, the available data are provided for individuals rather than families. Hence, we established a 1:1 count, where each AE beneficiary corresponds to one family, despite AE allowing payment for multiple families. Notably, AE3 restricts to one beneficiary per family. Thus, the coverage values expressed for individuals are equivalent to those expressed in terms of families.

The following values were used for these audiences: ExtraCad - AE1: 38,200,000 for the entire period; AE2: 32,300,000 for the entire period; AE3: 24,000,000 for the entire period. CadU - AE1: 10,500,000 for the entire period; AE2: 8,700,000 for the entire period; AE3: 10,000,000 for the entire period.

About the average benefit:

The average benefit is calculated by summing the total amount spent for each program and dividing it by the total number of families/individuals who received the programs in force during the respective month. All values used in this calculation were obtained from the VISDATA 3. It is worth noting, however, that the monthly reported disbursement amount for AE3 was aggregated and divided over 7 months (the duration of the program) to calculate the average benefit.

2. CHALLENGES OF THE EFFECTIVENESS AND EFFICIENCY OF THE NEW *BOLSA FAMÍLIA* PROGRAM

Throughout the implementation of the expansions of CCT programs during the COVID-19 pandemic and its recovery, new challenges emerged and valuable lessons were learned that can be leveraged to inform the design of the new BF and the social assistance system more broadly. This section discusses the main challenges confronted by the new government and lessons from the implementation of programs during the pandemic. The recommendations highlighted in the blue boxes at the end of each subsection provided by the World Bank's Social Protection team, both before and during the development of the new BF.

2.1. Reduced fiscal space

A first challenge for the new government is the reduced fiscal space. During the pandemic and the election period, the expansion of coverage (figure 1) and the increase in the average benefit provided to families (figure 2) have led to a significant rise in the budget required by the CCT program. Historically, BF operated with around 14 million families and annual budget values close to 0.4 percent of gross domestic product (GDP). AE expanded coverage and generosity to reaching 67 million beneficiaries and surpassing 4 percent of GDP (figure 3). With the retrenchment of the pandemic and phasing out of AE, coverage and generosity started to retrocede but still remained way beyond its historical value. In 2022, the combination of AB+ stood at 1 percent of GDP, with projections as high as 1.62 percent by the end of 2023 (figure 3).

This spending expansion has reduced the availability of fiscal maneuvering and it was only possible due to special treatment given to the cash transfer programs in

the fiscal rules.[9] The World Bank recognized the country has made progress toward rebalancing its budget by winding down much of the pandemic's emergency spending package. But debt levels remain elevated, spending pressures are high, and a less favorable global and domestic growth outlook presents considerable risks (for more details see World Bank 2022a). The rapid growth of cash transfer program spending affected the viability to increase complementary services that reinforces the effectiveness of the cash program (as described below). Moreover, the continuous change in the amounts created a perception of lack of continuity, generating uncertainty among beneficiaries.

Figure 1. Number of families receiving the CCT program, 2016–2023
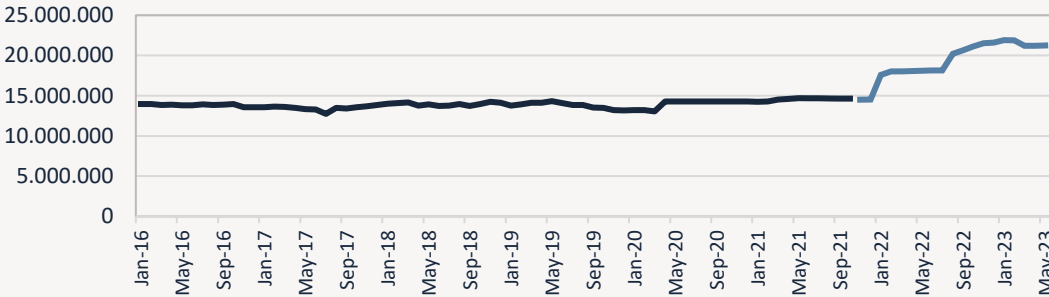
Source: SAGICAD - VISDATA 3. January 2016 to May 2023.

Figure 2. Number of families receiving the CCT program and average benefit per family, 2021–2023
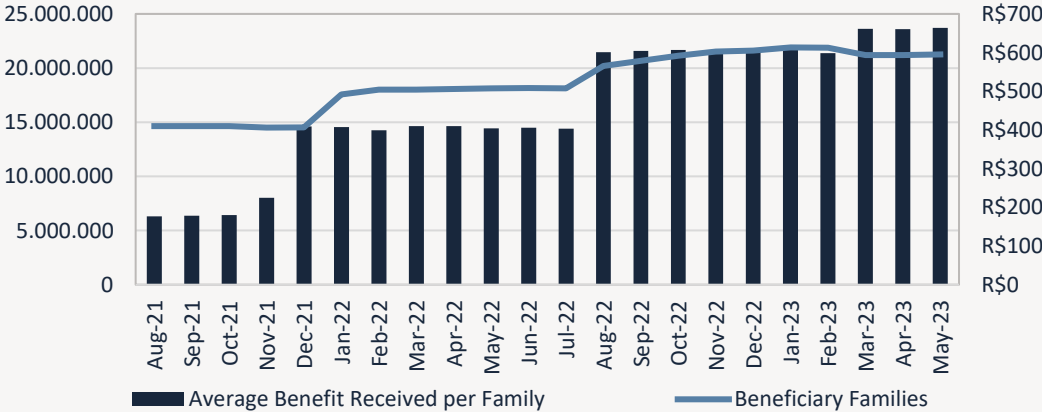
Source: SAGICAD - VISDATA 3.

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[9] Proposed Constitutional Amendment 32/22, the Transition Amendment. The approved text guarantees resources outside the spending cap rule and establishes a new fiscal rule through a complementary law starting in 2024, New Fiscal Framework in 2024.

Figure 3. Total cash transfer program spending as % of GDP
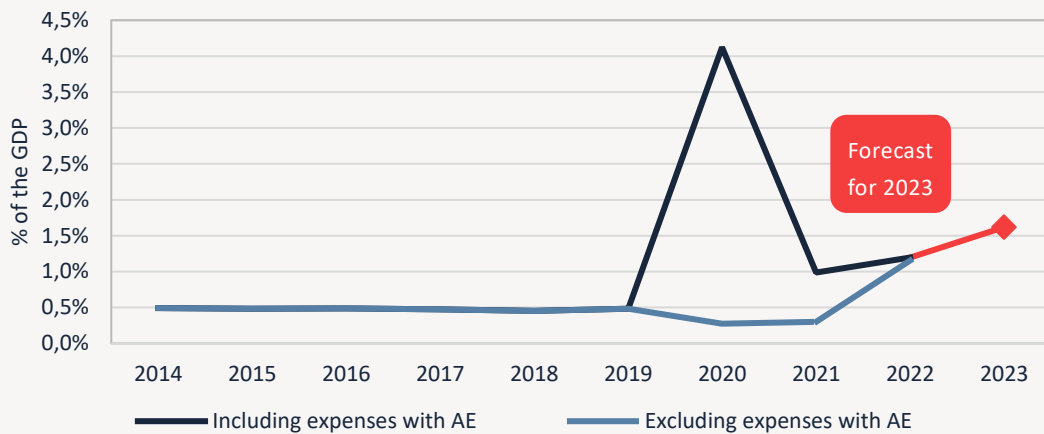
Source: Data on total expenditure were obtained from Transparency Portal of the Republics Comptroller General (*Portal da Transparência da Controladoria-Geral da União*). The nominal GDP data were obtained from the Institute of Applied Economic Research (*Instituto de Pesquisa Econômica Aplicada*, IPEA) website. The GDP forecast was calculated based on the 2022 GDP using a growth rate of 1 percent (based on the growth estimate from the Focus Bulletin of the Brazilian Central Bank on 12/05/2023). The budget forecast used was R$175.7 billion, obtained from the Expedition of Measure of Interest (EMI) No. 00006/2023, from the MDS, Ministry of Planning and Budget (*Ministério de Planejamento e Orçamento*, MPO), and the Ministry of Finance (*Ministério da Fazenda*, MF).

Recommendations:

Carve out space for priority development needs by improving the efficiency and effectiveness of fiscal policy while shoring up the credibility of the fiscal framework. The policy options that could form key pillars of such a plan are (a) maintaining a credible fiscal anchor, (b) rationalizing regressive social transfers, (c) making taxation more progressive, and (d) controlling public sector pay and pensions.

Source: World Bank 2022a.

2.2. Insufficient (in-kind) social assistance services

Along with the increase in resources allocated to cash benefits, there has been an excessive reduction in resources allocated to social assistance services that can compromise the overall effectiveness of social assistance spending. More specifically, there has been a reduction in funds allocated to finance SUAS (figure 4). The social assistance federal budget fell sharply from R$2.7 billion in 2017 to less than

R$1 billion in 2022. From the outset, BF has been a program with a multidimensional understanding of poverty, which led it to work with three fundamental pillars: monetary benefit, conditionalities, and complementary programs, especially social assistance services. This comprehensive approach recognizes that overcoming poverty requires not only cash transfers but also investments in education, health, and addressing of multiple family vulnerabilities. By integrating these three pillars, BF seeks to provide immediate relief and promote social inclusion, human development, and interruption of the poverty cycle. Therefore, the reduction in resources allocated to social assistance services undermines the program's logic and may have significant implications for the effectiveness of cash spending.

Social assistance delivered at the municipal level has an important role in BF's effectiveness. The registration of families in CadU[10] and the processes of home visiting and verification are carried out at the municipal level, with local interviewers being contracted by the municipalities. The resource reduction compromises the capacity of SUAS to provide the necessary support services and social assistance services to families in extreme poverty. This can result in a gap in identifying and addressing vulnerabilities, making it difficult to promote social inclusion and improve the living conditions of these families. Moreover, the lack of resources can negatively affect the quality of services, affecting the ability to provide technical support, guidance, and appropriate referrals. In this sense, program inclusion errors and exclusion errors can also be affected.

The impact of cash transfers hinges on the availability of complementary programs. The multifaceted conception of BF relies on the acknowledgment that poverty is multidimensional and hence cannot be solely addressed through income support. Its maximum expression was seen during the implementation of Brazil without Extreme Poverty (*Brasil sem Miséria*, BSM) (from 2011 to 2016). To further support BF beneficiaries, this initiative established a diverse set of programs aimed to provide training opportunities, access to health care and education services, and housing support for families living in extreme poverty, integrating various social policies (Campello, Falcão, and Costa 2015).

Over time, however, these complementary programs gradually changed from in-kind benefit to cash transfers. Since the demobilization of the BSM Plan, several programs have been drastically reduced or discontinued. *Minha Casa Minha Vida* (housing), *Água pra Todos* (water), National Program for Access to Technical Education and Employment (*Programa Nacional de Acesso ao Ensino Técnico e Emprego*, PRONATEC) (training), *Bolsa Verde*, *Fomento Rural* (technical support and grants to family farmers), and *Mais Médicos* (health) are some examples. Furthermore,

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[10] The CadU for Federal Social Programs is the tool used for the identification and socioeconomic characterization of low-income Brazilian families. It serves as a crucial instrument for the planning of public policies, as it provides a comprehensive overview of the living conditions of the most vulnerable Brazilian citizens in a single database. The registry incorporates information regarding income, household characteristics, education, and disabilities, among other factors, making it an invaluable resource for policy makers.

Figure 4. Expenditures with social assistance program
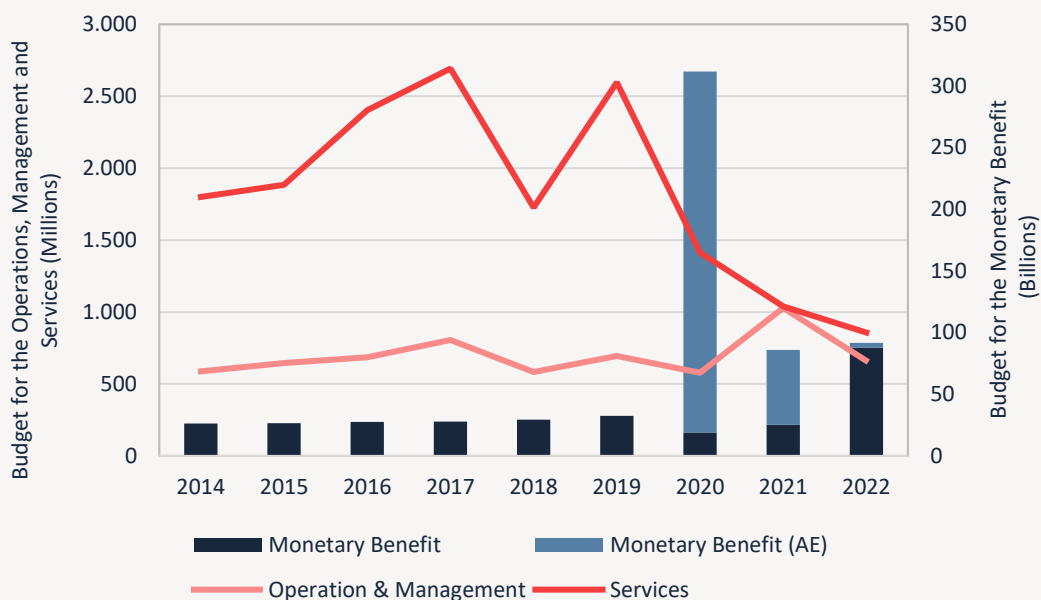
Note: The category 'Monetary Benefit' includes direct cash transfers, excluding AE; 'Monetary Benefit (AE)' includes the amount paid in direct cash transfers by the AE program. The category 'Services' includes all resources allocated to actions of Basic and Special Social Protection and the Social Assistance Reference Centers (*Centro de Referência de Assistência Social*, CRAS) and Specialized Assistance Reference Center (*Centro de Referência Especializado de Assistência*, CREAS). Finally, the 'Operation and Management' category includes all resources for the operationalization of AE and CadU as well as the resources transferred to the municipalities through Decentralized Management Index (*Índice de Gestão Descentralizada*, IGD) and the resources for SUAS.

this trend was accentuated with the introduction of the additional benefits of AB, primarily focused on direct financial assistance to the detriment of services. For example, the *Auxílio à Inclusão Produtiva Rural* (Aid for Rural Productive Inclusion), aimed at family farmers, offers monthly installments of R$200, lasting up to 36 months or the *Auxílio Inclusão Produtiva Urbana* (Aid for Urban Productive Inclusion) is directed at beneficiaries who secure formal employment without any additional support for the families. At the same time, *Auxílio Criança Cidadã* (Child Citizen Aid) targets families with children ages 0 to 48 months, aiming to subsidize access to private daycare centers using vouchers. It is important to emphasize that, besides the exclusive focus on financial transfers, these new benefits failed in design and encountered implementation challenges. *Auxílio Criança*, for instance, has never been paid due to design and operational restrictions. The limits of using vouchers model to improve inexistent supply of daycare services and difficulties in identifying

mothers in the profile of the program made it unfeasible. This shift toward monetary transfers may reflect a simplification of complementary programs and a greater emphasis on families' capacity to decide how to utilize the resources. However, this approach may also limit the ability to address the diverse needs and challenges families in poverty face, which extend beyond the lack of income. Therefore, the transition to more direct monetary benefits in AB represents a significant departure from previous complementary programs that sought to address the various dimensions of poverty through a wide range of interventions and services.

Recommendations:

- Create space for key complementary programs such as early childhood, productive inclusion, and elderly care.

- Connect with services provided by other ministries through referral, especially for employment, health, and education.

- Reinforce social assistance budget.

2.3. Potential effectiveness losses

The initial conception of the AB program incorporated numerous groundbreaking features. First, the program aimed to simplify the structure of the variable benefits (box 2), reducing them from three to two types.[11] Second, the education conditionality was extended to young people between the ages of 18 and 21 incomplete, requiring basic education enrollment or completion. This was an innovative response given the increase in dropouts—especially among youth—during the pandemic.[12]

However, the immediate introduction of BEx and BComp altered the AB design. These two additional benefits were introduced as a government response to social and electoral pressures, in the 9 months before the elections. The initial design of the AB program was only in force for 1 month. The first payment occurred in November 2021, and a new change occurred in December of the same year. The Provisional Measure (PM) 1.076/2021, converted into Law 14.342/2022, made available the BEx to AB beneficiary families.[13] This benefit was equivalent to the amount needed to reach an overall transfer of R$400 per family. Furthermore, the constitutional Amendment

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[11] The three variable benefits, per child, per pregnant, and per adolescent, with different values for each, were combined into two varying benefits: the Early Childhood and Other Groups Benefit.

[12] According to National Institute for Educational Studies and Research Anísio Teixeira (*Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira*, INEP) data in 2021, the school dropout rate was 6.7 percent (a 26 percent increase compared to 2019).

[13] The BEx was created transitory and Congress made it permanent, during MP procedure, in May 2022.

123/2022 additionally guaranteed AB families a complementary monthly increase of R$200 from August 1 to December 31, 2022. In summary, AB families received a total of R$600 (AB + BEx + BComp). The temporary measures resulted in significant improvements in family well-being, but the abrupt withdrawal of the benefits would be politically costly, especially in a polarized country like Brazil. Given this reality and the demands of society, there was social and political pressure to revise and adjust the initial design of the program to guarantee the continuity of benefits.

The introduction of a per-family transfer in the new design resulted in one unintended consequence—the increase in the registry of one-person families. This movement entailed a breaking point in the 18 years of the program's design. It created inequities in the support given to families and favored smaller households. As figure 5 shows, the mechanics of the new design mean that average per capita transfer increased for small households and decreased for larger households that were more likely to be poor. Indeed, figure 6 shows that the bigger the family, the higher the average per capita amount needed to reach the poverty line (X axis). However, the larger the family, the lower the average per capita transfer received in 2021 (Y axis), resulting in higher poverty incidence among most of the households.

BOX 2. *AUXÍLIO BRASIL* PROGRAM DESIGN AT THE OUTSET

AB established four types of cash transfer benefits, with conditionalities that differentiated the support based on level of poverty and family composition: (1) the *Benefício Primeira Infância* (Early Childhood Benefit) of R$130 per month per child ages between 0 and 36 incomplete months of age living in families in poverty; (2) the *Benefício Composição Familiar* (Family Composition Benefit) of R$65 per month for each pregnant or nursing mother or person ages between 3 and 21 incomplete years living in families in poverty; (3) the *Benefício de Superação da Extrema Pobreza* (Extreme Poverty Overcoming Benefit), which aimed to help families in extreme poverty whose monthly per capita family income, even with the inclusion of the financial benefits mentioned above, was equal to or below the value defined as the extreme poverty line; and (4) the *Benefício Compensatório de Transição* (Transitional Compensatory Benefit) granted to beneficiary families of BF that had a reduction in the total value of the benefits received due to the newly established benefit structure. In addition, AB revised the eligibility thresholds as follows: the extreme poverty and poverty lines were increased from R$89 to R$105 and R$178 to R$210, respectively. Additionally, new aids were introduced, such as those for sports and scientific performance, emancipation rules, benefits for rural and urban productive inclusion, daycare for working mothers' children, and the possibility of using IGD funds for economic inclusion services.

AB, like its predecessor BF, does not include a clearly defined mechanism to adjust eligibility thresholds and transfer amounts. This omission leaves the program vulnerable to discretionary government policies and exposed to real value erosion over time. In addition, when differentiated benefits are in place, it can create additional inequities and compromise the overall effectiveness of the program. Figures 7 and 8 show that the nominal eligibility threshold values have been consistently significantly above the real ones for different measures.

Figure 5. Cash transfers per capita by household size (nominal)
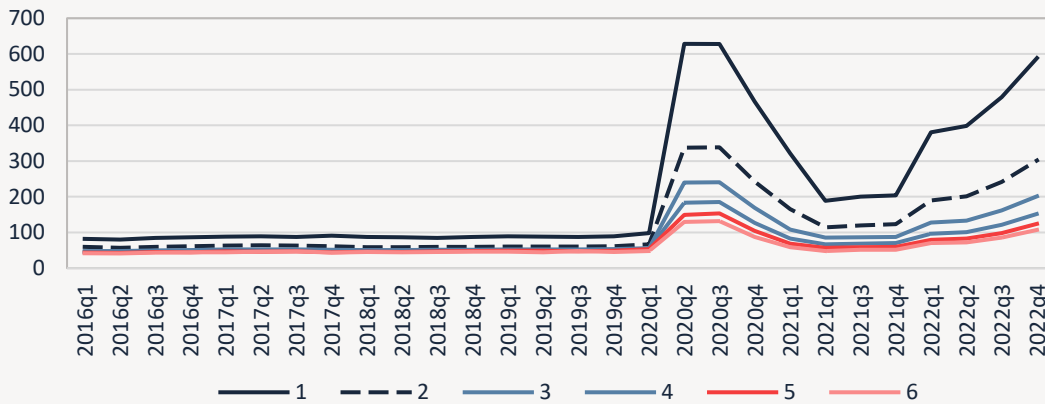
Source: PNAD-C 2016–2022.

Note: The household size is reported by the survey respondents. The cash transfers shown here are the sum of reported BF transfers and unspecific public transfers. PNAD-C did not include a specific question about AE when it was in place.

Figure 6. Average per capita transfers and average poverty gap for cash transfers beneficiaries, by family size
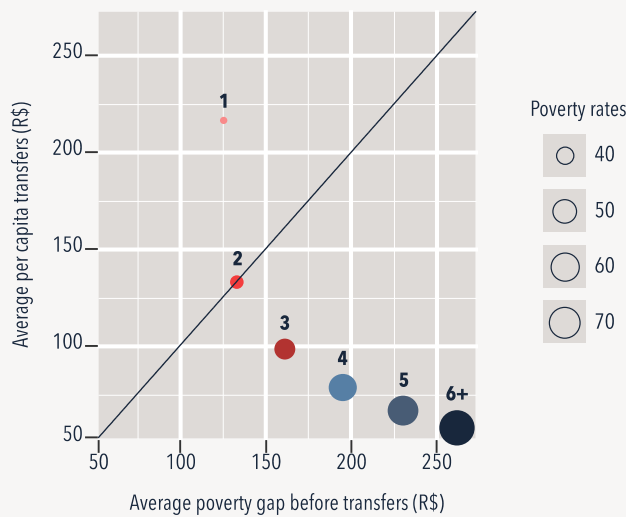
Source: PNAD-C 2021.

Notes: The statistics are estimated among beneficiary families' members. Average poverty gap is calculated in absolute terms. Poverty line = US$6.85 per day (2017 PPP[14]). Transfers are the sum of BF benefits and unspecific transfers. In the annex, table A3 shows a full account of poverty statistics and shares in BF by family size.

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[14] Purchasing power parity (PPP).

Figure 7. Difference in real and nominal value of the eligibility lines

- BF Eligibility Line (Nominal)
- BF Eligibility Line (Real 2003)
- Cadastro Unico & RP Line (Nominal)
- Cadastro Unico & RP Line (Real 2003)
- Basic Benefit Eligibility line (Nominal)
- Basic Benefit Eligibility line (Real 2003)
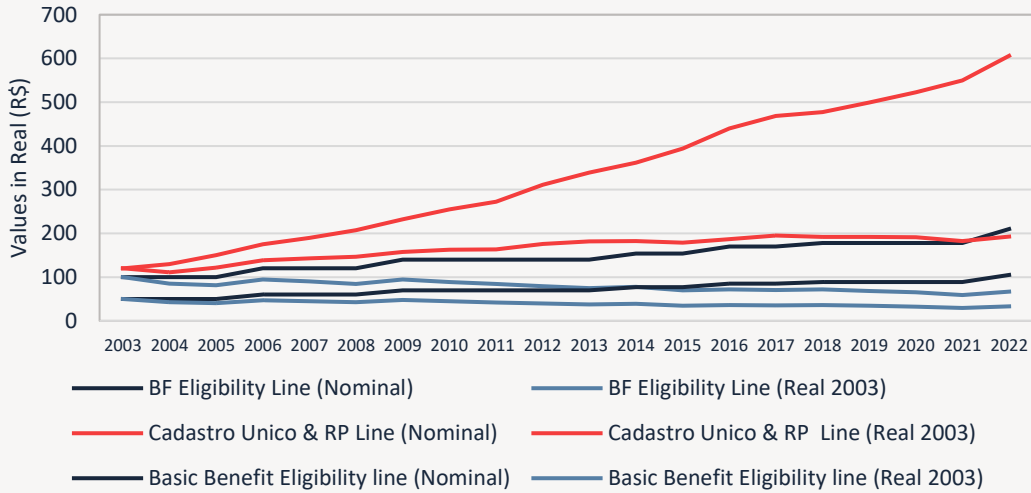
Source: Inflation data come from Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*, IBGE)-National Consumer Price Index (*Índice Nacional de Preços ao Consumidor*, INPC).

Note: 'RP' refers to the 'Rule of Continuity' (*Regra de Permanência*). This rule enables beneficiary families to continue receiving benefits even if their per capita income exceeds the eligibility limits as long as it remains below half the minimum wage for up to two years from updating their registration. This provision aims to facilitate a gradual transition toward financial independence.

Figure 8. Average benefit received per family from Brazilian CCT programs
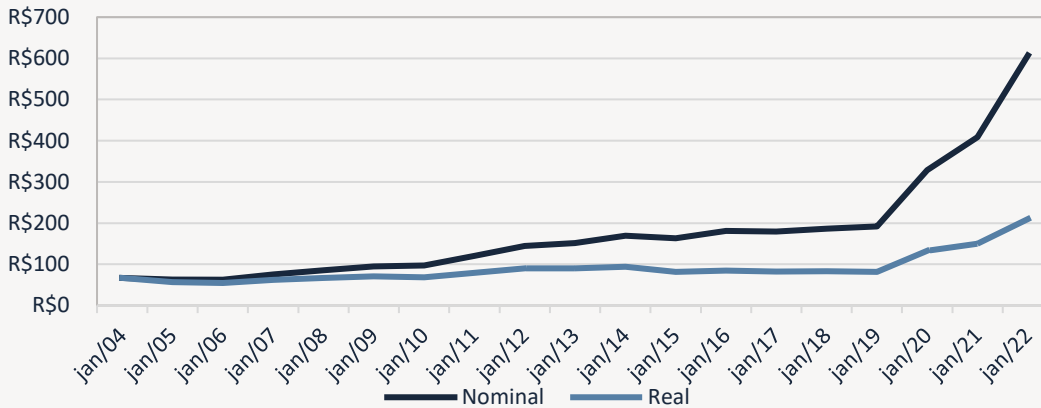
Source: The nominal value was taken from SAGICAD - VISDATA 3. The inflation used was INPC taken from IBGE.

Reversing the design to a per capita transfer would address the unintended increase of single-person family beneficiaries. Another unintended consequence of the introduction of family-based transfers was the increase in single-person

households in CadU (a challenge explored in more detail in section 2.4.1). For example, the design could comprise an offer of R$150 per person and an additional R$150 per child up to 17 years of age (or up to 21 if they are continuing education). The benefit received by the average family of four would constitute more than R$600. Larger households would receive a larger total transfer, better suiting the higher levels of vulnerability of this group. It would be more progressive and further improve poverty outcomes since poorer households tend to be larger in size and have more children. World Bank simulations of this example suggest that it would even offer savings. At an estimated cost of R$144 billion, benefits to individuals in BF would cost around 17 percent less than the projected cost of Lula's electoral proposition (R$173 billion) (World Bank 2022a).

> **Recommendations:**
>
> - Fully return to a transfer depending on family composition.
>
> - Introduce a reasonably long grandfathering[15] period if needed, for example of 12 months.

2.4. Operational challenges

Beyond design weaknesses, the overall effectiveness of the CCT can be compromised by implementation challenges. These span a wide range of topics: quality of the social registry, technological innovations related to registration and payment methods, and difficulty in targeting and monitoring conditionalities.

2.4.1. Weaker quality of *Cadastro Único*

The quality of CadU is imperative for effective targeting—minimizing inclusion and exclusion errors—and understanding the depth of needs to be covered by social assistance support. Currently, this administrative database is used by 34 federal programs, hundreds of municipal programs, and the entire social assistance system in Brazil, serving as the central source of information. Therefore, a weak CadU directly affects the effectiveness and efficiency of a wide range of federal, state, and municipal programs. These programs rely on accurate and up-to-date information to make appropriate decisions regarding resource allocation, beneficiary identification, and implementation of social assistance actions. Moreover, the administrative data

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[15] 'Grandfathering period' refers to the period in which an old rule remains in effect for existing situations while a new rule is applied to future cases. This measure is implemented to support the smooth transition from one design to another and ensure that the program's redesign does not negatively affect any individuals or households. It is a policy aimed at safeguarding the well-being of beneficiaries and preventing any adverse effects resulting from the changes made to the program.

can be used to inform higher-level policy actions as exemplified by Morgandi et al. (2023) for the design of productive inclusive policy.

While the strong CadU and the quick deployment of applications for virtual enrollment were critical for the success of the pandemic mitigation measures, their quality suffered over time. With social distancing and mobility restriction measures imposed to contain the spread of the COVID-19 virus, the social registry faced significant challenges. First, the discontinuity of the service resulted in a backlog of families already registered and who needed to update their personal information but could not do so.[16] The resumption of this service only occurred in 2022, meaning that the problem of outdated registries only started to be addressed in 2022. Second, there was a 50 percent increase in registered families in CadU during the pandemic (figure 10a), resulting in a surge in demand for CadU services. During the pandemic, the attendance of the increased demand for new registrations was prioritized to the detriment of registration updates.

Without a proportional increase in SUAS staff to attend the increased demand for registration, CadU data became outdated and unreliable. Figure 10b shows the decline in the percentage of families with up-to-date information during the pandemic. The cadastral rate (defined as the number of families with current information) is slowly coming back to the pre-pandemic level of 85 percent, standing at around 75 percent in March 2023.

Other factors could also come into play for the slow response in the share of families with current information in CadU. In addition to the backlog, the persistence of the economic crisis and hence the multiple demands for services and shorter staff due to the government's budgetary constraints could explain the factors for the observed pattern. Figure 9 reveals that despite the growing number of vaccinated individuals in Brazil and the subsequent relaxation of mobility restrictions, the number of families requiring registration updates continued to grow. This indicates that mobility restrictions alone do not account for the accumulation of demand.

Moreover, the AB+ design affected the quality of CadU. The design of AB+ ended up incentivizing family members to register separately. While there has been a steady increase in the number of small families, especially unipersonal ones, figure 10 clearly shows drastic spikes in the family profiles in November 2021 and in June 2022, in close relation with the dates BEx and BComp were launched. While the behavioral response aimed at maximizing income is often cited as a primary factor contributing to the rise in smaller households, this phenomenon warrants further investigation. Additional factors that could potentially explain this trend include the influence of COVID-19 on households, scars from the crises especially in young adults, new beneficiaries brought to system due to large coverage of AE, instances of household members

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[16] Families need to update their information in CadU every two years or when there is a family event that affects eligibility.

relocating in pursuit of employment opportunities, and other factors that deserve exploration.

Figure 9. Mobility restrictions and number of families in CadU

Legend: Non updated families in Cadastro Único — Total Covid Vaccinations — Non Vaccinations
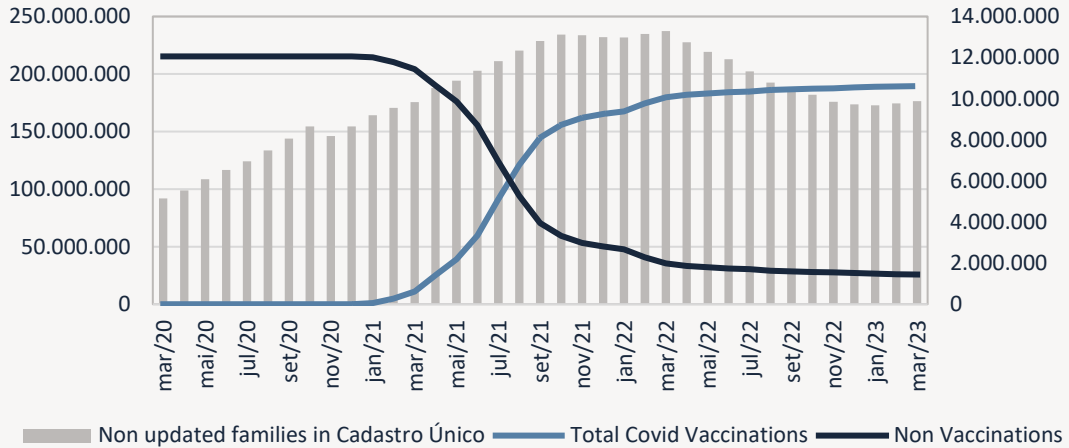
Source: Hale et al. 2021.

Figure 10. Data from the families in CadU

(10.a) Comparison between the total number of families registered and the number of families updated in the respective database

Legend: Families registered in CadÚnico — Updated Families
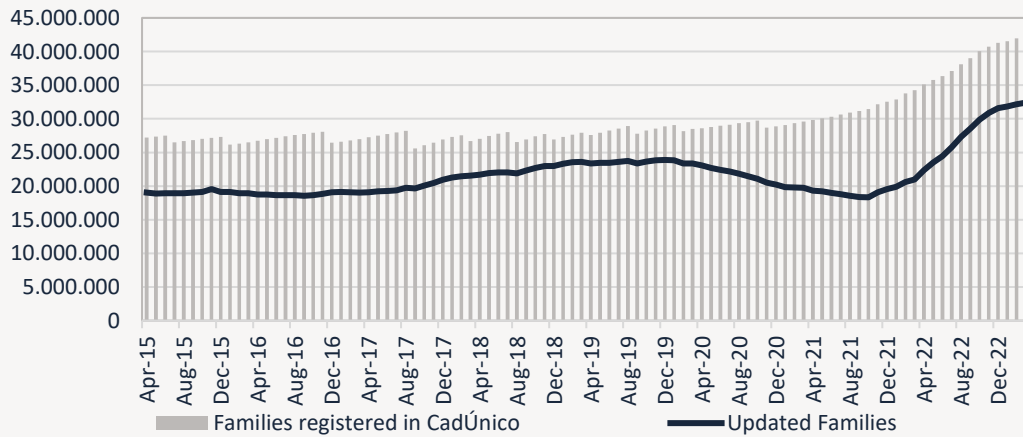
Source: Cecad, MC. CadU para programas Sociais (03/2023).

(10.b) Cadastral rate

Note: Cadastral rate = number of families with verified and up-to-date information/total number of families registered in CadU.

Figure 11. Share of families in the program by family size

Single-person — 2 people — 3 people — 4 or more people
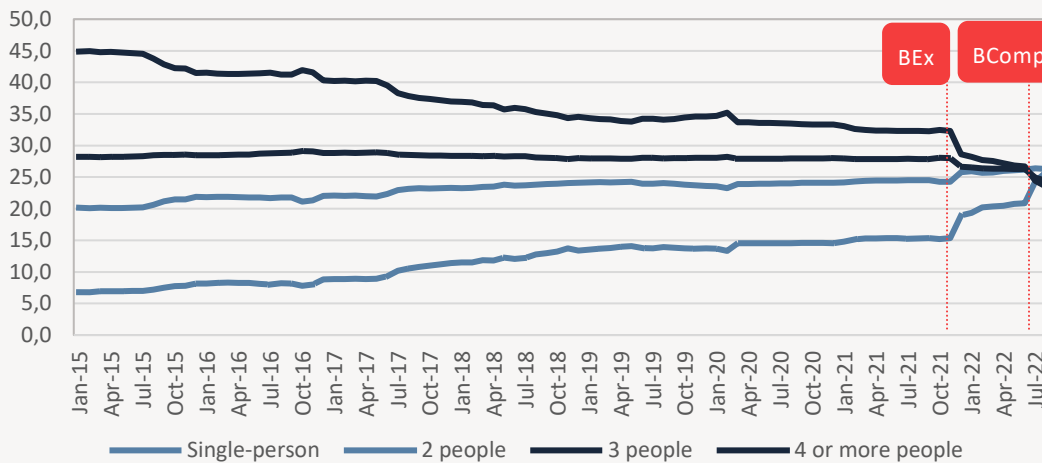
Maintaining a high share of families with updated information is more important than ever before given the changes in the program design. As mentioned above, the switch to a per-family transfer with the introduction of AE and later with AB+ could have resulted in unduly division of families for reporting purposes within CadU. Coincidentally, there are jumps in the number of single-person families in December 2021 and June/July 2022, 1 month after program announcements were made (see box 1 and figure 11). This fact calls for the need for verification of family information.

2.4.2. Possible compromised targeting

BF has been long considered one of the most progressive fiscal policies in Brazil. Higgins and Pereira (2014) used the Family Budget Survey (*Pesquisa de Orçamentos Familiares*, POF) 2008/2009 data and find that BF is the most progressive policy in the country among cash and in-kind transfers, direct and indirect taxes. Silveira and Palomo (2023), using the more recent POF 2017/2018, reiterate the earlier finding. BF has also been one of the main drivers of the decrease in inequality during the 2000s. Using PNAD-C[17] 2019 data, it was estimated that BF's (average) marginal contribution to inequality reduction was equal to 0.011 Gini points, while it was 0.4 percentage points for poverty reduction, one of the most pro-poor policies in Brazil (Lara Ibarra, Cabrera and Campante Vale 2023)).

AB maintained a strong targeting performance, **despite experiencing rapid growth in coverage**. Analysis of the PNAD-C suggests that in 2022 over three-quarters of AB beneficiaries (76 percent) were in the bottom 30 percent of the population, and 37 percent belong to the lowest decile (figure 12), comparable to the levels observed in 2018 and 2019. In terms of the program eligibility rules, 78.2 percent of the reported beneficiaries had their pre-BF/AB income below CadU eligibility line (R$606 per capita in 2022). CadU eligibility line is close to R$599 which is the poverty line set by the World Bank (Lara Ibarra, Paffhausen, and Duque 2021) and to the US$6.85 per day 2017 PPP poverty line used for upper-middle-income countries.

While a rapid expansion of beneficiaries and the deterioration of social register quality usually lead to targeting losses, this is yet to be observed in Brazil. Continued monitoring of targeting accuracy will be critical in the coming years. First, it may take time for the deterioration of the social register to be observed in the program and hence in the data. Many persons included in CadU and as beneficiaries could be in a dire situation but only for a short period at the peak of crisis and if the register is not adequately maintained they would only be errors of inclusions as they recover from the crisis.

2.4.3. Slow return of conditionality monitoring

The new government encounters yet another challenge regarding the weakened oversight of conditionalities. At the onset of the pandemic, the Ministry of Citizenship (*Ministério da Cidadania*, MC) implemented emergency measures in the BF and CadU for Federal Social Programs due to the Public Health Emergency of National Importance caused by COVID-19. One of these measures was the temporary suspension of the enforcement of program conditionalities.

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[17] PNAD-C conducts interviews at the household level and their residents are declared during the interviews. Also, individuals are asked to report their earnings, both in monetary and nonmonetary forms, derived from up to three occupations. Furthermore, individuals also disclose nonlabor income sources, such as the continuous cash benefit, BF, other social programs, pensions, unemployment benefits, rent and leasing, donations, scholarships, and financial asset remuneration.

Figure 12. Targerting of BF and AB

(12.a) Share of benefits of BF by decile of pre-BF income
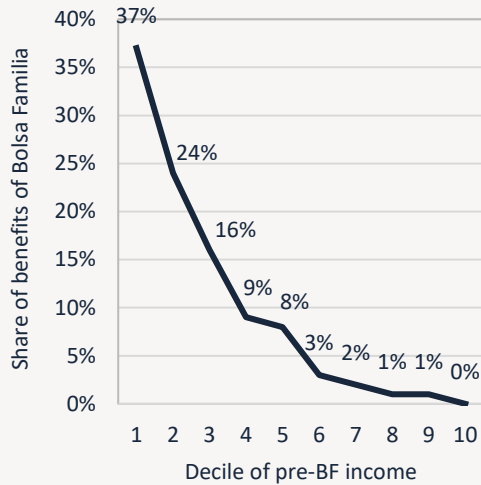
(12.b) Average per capita benefit by decile of pre-BF income
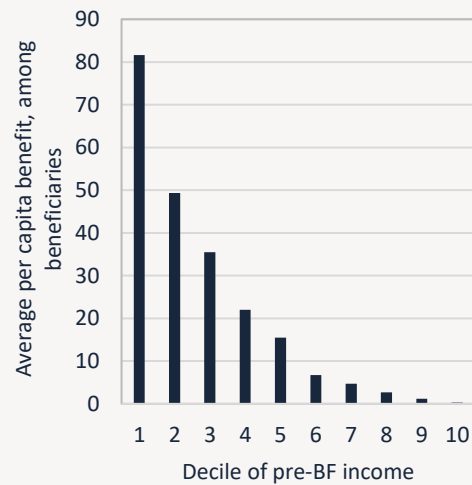
Source: PNAD-C 2022.

Notes: The period of analysis was restricted to the first semester of 2022 - when the World Bank's financing was in place. Pre-BF income is defined by households' income minus BF transfers (expressed in per capita terms).

In March 2020, as a response to mobility restrictions to contain the proliferation of COVID-19, several services were suspended including the monitoring of conditionalities. The ministerial order (Portaria No. 335) mandated the interruption of management and operational processes, such as verification and revision of registration, benefit blocking and cancellation, and special payment actions, among others. This suspension significantly affected the rate of conditionalities monitoring (figure 13). Even with the relaxation of mobility restrictions and the resumption of activities, monitoring rates remain lower than pre-pandemic levels. Although the average health monitoring rate is close to precrisis values, figure 13b highlights that women's compliance drives the return, while that of children remains low. Similarly, education monitoring rates are still at a significantly lower level relative to pre pandemic values.

Figure 13. Conditionalities monitoring rate

(13.a) School and Health Monitoring Rate

School Attendance Monitoring Rate — Health Agenda Monitoring Rate
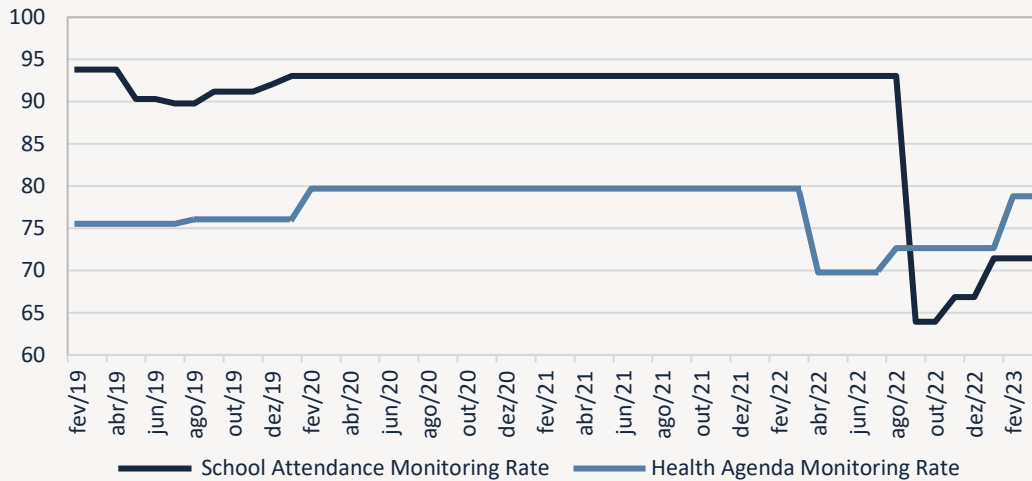
(13.b) Monitoring rate of children and women on health

Monitoring rate of children on health conditionalities

Monitoring rate of women on health conditionalities
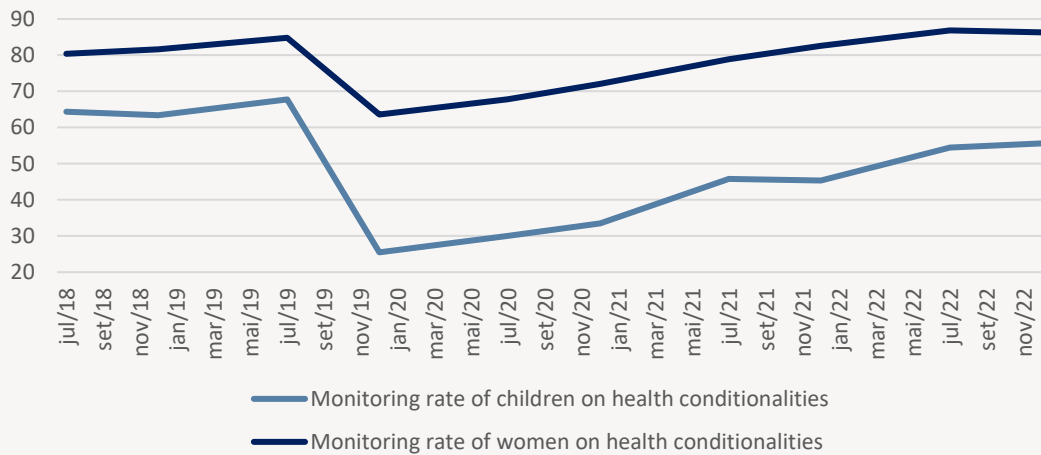
Source: SENARC - VISDATA 3.

The pandemic has had significant consequences on the health and education of the Brazilian population, particularly among children. Preliminary findings from the 'The Unfinished Pandemic' report by the education team from the World Bank in Brazil reveal that children from beneficiary families of BF have been the most affected in terms of learning losses (see World Bank note 'The Unfinished Pandemic - An old-new learning crisis in Brazil' - forthcoming). Furthermore, various health indicators exhibit lower results than in the pre-pandemic period. The maternal mortality rate has increased by 89.3 percent across the country. The vaccination coverage for polio has declined from 84 percent in 2019 to 70 percent in 2021. Similarly, hepatitis B vaccination coverage has decreased from 79 percent in 2019 to 62 percent in 2021. The

immunization against measles, mumps, and rubella, up to 2 years of age, has also experienced a drop in coverage, from 93 percent in 2019 to 73 percent in 2021. Both situations are challenging and reinforce the need for increased monitoring of these indicators.

The resumption of monitoring conditionalities would have provided the government with concrete and timely data on these and other education and health indicators, offering valuable information to understand the severity of the situation in these areas, specifically concerning the most vulnerable children. Unfortunately, due to the lack of monitoring, the GoB will have to wait over a year until statistical and other administrative data, such as PNAD-C and the School Annual Census, become available, making it challenging to grasp the reality and address the issues that emerged during interrupted conditionalities.

This lack of monitoring of conditionalities has resulted in an additional operational challenge for the new government. The network was disbanded, and the attendance system (*Sistema Presenças*)[18] was discontinued. Therefore, the return to previous monitoring rate will require significant efforts.

2.4.4. Zero waiting list

While the zero waiting list was achieved during several periods since 2016, it remains a challenge due to the lack of mechanisms to guarantee it permanently. Minimizing the waiting list of CCTs is challenging due to budgetary planning and operational constraints. Also, as mentioned earlier (section 2.4.1), after the introduction of AE and AB+, a lack of clear definition of the cash transfer program's target population contributed to the increase in the number of applications for the program, giving room for the reappearance of waiting lists. Figure 14 shows that BF had periods with zero and positive waiting lists. A waiting list compromises the program's primary objective of offering immediate financial assistance to vulnerable families providing a real social safety net. Delayed access to resources can exacerbate the economic and social difficulties beneficiaries face, compromising their ability to meet basic needs such as food, health care, and education. Keeping the waiting list zero means all the beneficiaries complying with the criteria of the program are attended to. This is an important signal for beneficiaries who are about to reach the income limits for remaining in the program. The certainty that if they fail, they can return quickly to the CCT program is an additional incentive to take risks in the world of work or entrepreneurship.

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[18] The School Attendance Monitoring System of the *Bolsa Família* Program (*Sistema de Acompanhamento da Frequência Escolar do Programa Bolsa Família*), also known as *Sistema Presenças*, is a tool developed to monitor the attendance and academic performance of program beneficiaries, aiming to ensure regular attendance of students and compliance with the conditionalities of BF. This system is under the responsibility of the Ministry of Education (*Ministério da Educação*, MEC).

2.4.5. Ability to respond to crises and shocks

While Brazil has progressed over time, the ability of BF to respond to shocks and crises remains an area for improvement. During disasters such as the Brumadinho (2019) and Mariana (2015) or pandemics such as COVID-19, social assistance programs are a crucial tool for providing financial support to affected families. However, the current rules governing the program require the approval of a new specific law for each crisis, making the response slower, more bureaucratic, and dependent on negotiation with the National Congress. The need for legislative approval to implement emergency measures for BF can be a significant obstacle in crises. Bureaucracy and dependence on Congress can delay providing the necessary resources to affected families. This slowness can compromise the program's ability to act swiftly and effectively, leaving many families in a vulnerable situation for a prolonged period. Currently, the only automatic measure of support that can be used by the program in case of disasters is the anticipation of the payment schedule in case of decree of public calamity.

Figure 14. Number of families in the queue for the Brazilian CCT program over time
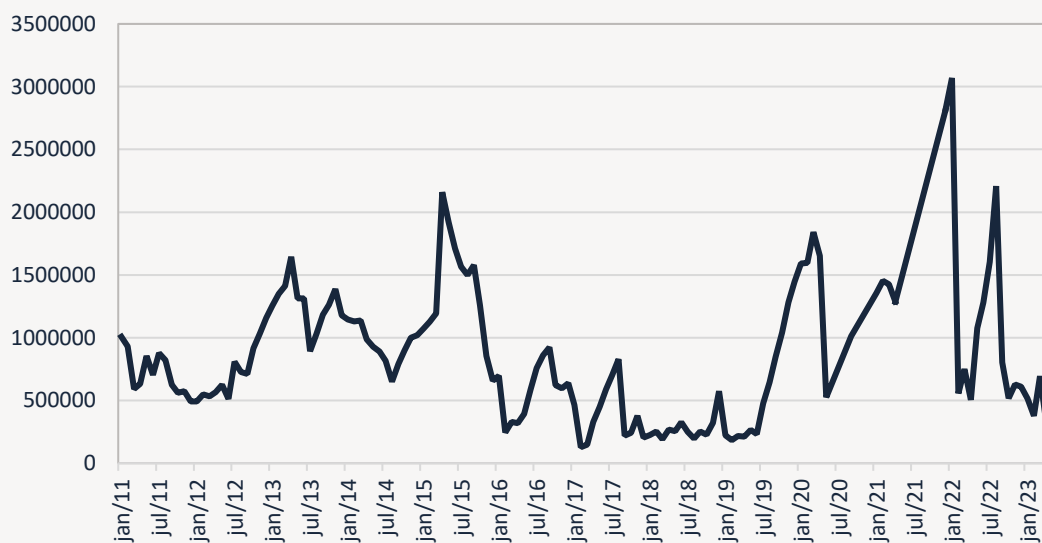
Source: MC. VISDATA 3.

Note: Data from May to November 2021 is not available.

Recommendations:

- Fast return of conditionalities monitoring for all beneficiaries from 0 up to 21 years.

- Increase in IGD resources for municipalities linked to registry updating (home visiting) and better conditionalities monitoring performance.

- New cross-checks/improvement of auditing process using the history of families in CadU and other administrative records to understand the increase in registering.

- Media campaign about the importance of accurate registration.

- Elimination of the incentive to split households to receive more benefits.

- Improvement of benefits and poverty line upgrade policies.

Note: Many suggestions were incorporated in the first government action (see section 4).

2.4.6. Innovation and the use of new technologies

Technological advancements have transformed how the government interacts with beneficiaries and delivers public services, bringing improvements and challenges. Mobility constraints and the urgency of response related to the COVID-19 crisis accelerated innovation and use of technology in social programs. AE had an innovative approach all over the delivery chain. Registering, eligibility, payment, grievances, and control against fraud processes were shaped under a specific context, with bringing lessons learned and challenges hand in hand for the new government.

The use of the smartphones application for digital registration became a reality with over 57 million applicants using this channel to access social protection programs. The app was developed by *Caixa Econômica* Federal Bank (CAIXA) (a state-owned Brazilian financial services company), with free access and use, lightweight, and with automatic updates, to identify workers out of CadU (World Bank 2021b). The technology brought agility and efficiency to the registering process. It showed that it is possible to use applications for updating registration information or pre-registration and to expedite the in-person processes.

This new approach challenges the decentralized logic of CadU which is built upon the municipal actions of social assistance. While a centralized registering strategy with a direct access to the registry system by citizens sounds effective, it questions

the quality of data provided by the app, the limitations on internet and smartphone access, and the barriers to the use of digital platforms. It is also necessary to better understand the effects of this direct relation at the municipal level as it is not clear how the municipalities are going to react to this innovative signal. The lesson learned from AE experience shows the necessity of combination of digital strategies with face-to-face service channels. The quality of information obtained from the application was significantly lower compared to CadU. Many fraud cases identified in AE originated from the data collected through the app.

Another challenge is the emergence of a new data entry gateway for CadU. With the application, citizens can input their information directly into the database. An increasing number of people are expected to demand direct update through CadU applications in other areas of government services. Therefore, the new government needs to be prepared to handle this growing demand and ensure the security and reliability of direct updates.

AE experience also shows that a simple registration in the mobile app involves a complex verification system involving several cross-checks. On the AE eligibility process, the innovations and technology were used for the integration of multiple government's databases, development of new solutions to treat enormous amounts of data, and consolidation of National Information Registry (*Cadastro Nacional de Informações*, CNIS) as the data reference in the interaction among different databases. DATAPREV (state-owned data company)[19] played an important role in this process. Going forward concrete advances for interoperability between government administrative databases are needed and a new data governance system needs to be in place.

The COVID-19 crisis has contributed to addressing the challenge of transitioning to digital payments. During the pandemic, CAIXA provided free digital savings accounts to beneficiaries without bank accounts, creating 105 million new digital accounts, including 35 million previously unbanked individuals. Government-to-person (G2P) digital payments offer extensive benefits, including cost reduction for governments and the facilitation of efficient resource distribution, particularly in rural areas (Aker et al. 2013; Babatz 2013). These payment methods have demonstrated their effectiveness in times of crisis, as evidenced by their prompt delivery to beneficiaries during the pandemic with the AE program and in the Haiti disaster. Digital payments also enhance transparency, reduce resource leakages (Klapper and Singer 2017), improve security (Klapper and Singer 2017), and promote financial literacy and inclusion for overall economic and social development (Beck 2015; Klapper and Singer 2017).

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[19] DATAPREV (Social Security Technology and Information Company) is a Brazilian public company responsible for processing and managing data and systems related to social security in the country. Established in 1974, DATAPREV aims to provide technological and informational solutions for the National Institute of Social Security and other related agencies, contributing to the efficient management of social security benefits such as pensions, retirement, and allowances as well as assisting in the formulation of public policies related to social security.

Further advancing the use of digital payment may pose additional challenges. Beneficiaries' education regarding the functioning and access to digital payments (Klapper and Singer 2017) is important so that they become familiar with the process and feel comfortable using this payment method. Risks related to fraudulent business practices, privacy, and data security should also be considered.

An outstanding agenda for Brazil involves gaining a deeper understanding of the extent of the impact resulting from the significant expansion of financial inclusion stemming from the digitization of payments and the introduction of Brazilian instant payment (*Pagamento instantâneo brasileiro*, PIX). Although millions of digital accounts have been created during the pandemic, little is known about how beneficiaries are using them—do they withdraw the entire amount deposited in these accounts? Do they manage to save? Do they leave a portion of the deposits to earn additional income? Assessing beneficiaries' behavior and the use of the accounts will serve to evaluate the success in achieving financial inclusion. Additionally, it would be important to investigate whether digital payment accounts are a gateway to access other financial services, such as loans, insurance, or investments. The use of digital accounts has been further boosted by PIX—the instant payments system created by the Brazilian Central Bank (November 2020). These simple electronic real-time payments system, 24/7, 365 days a year, free of charge was the final push for financial inclusion. However, little is known today about the implications of PIX for vulnerable groups, let alone the AB/BF beneficiaries.

Finally, AE brought important lessons and challenges related to grievance, accountability, and fraud detection process. With higher formal education and a higher income level than those traditionally served by BF, AE beneficiaries demanded the opening of more qualified service channels, clear communication, and possibilities to appeal in case of denied benefits. A more coordinated action involving executive and judicial power was established for fast-tracking lawsuits and judicial orders. Control institutions (General Controller's Office, *Controladoria Geral da União,* CGU and Federal Court of Auditors, *Tribunal de Contas da União*, TCU) reinforced the necessity to distinguish between error and fraud. Federal Policy developed intelligence to track suspicions of criminal frauds and behaviors.

3. IMPROVEMENT IN PROGRAM DESIGN TO TACKLE FISCAL SPACE AND POTENTIAL EFFECTIVENESS LOSSES CHALLENGES: MICROSIMULATION RESULTS

Revisions in the design parameters of BF can contribute to making fiscal space for other social services, reduce incentives for misreporting in CadU, and improve overall program effectiveness. Four key parameters are the cornerstone of the program: (a) eligibility threshold—also referred as the program poverty line, (b) transfer scheme as a response to family composition, (c) level of transfers, and (d) graduation/exit level. Each of these parameters are then accompanied by further design elements, such as frequency of updates, duration of protection period before graduation, conditionalities, which are further discussed below. This section discusses parameter options that were considered to simulate the impact on key indicators associated with the fiscal space challenge and effectiveness losses due to incentives to misreporting family composition in CadU and inequities in transfer size among the poor.

Several models with different parameter combinations were estimated to inform the program reform. A scheme of transfers that depends on the family composition can be more effective to reduce poverty overall, ensure reporting incentives are aligned, and maintian low fiscal cost. As explained above, one of the biggest shifts in program design has been the abandonment of the per capita transfer in favor of per-family transfer. Using the BraSim tool and data from PNAD-C and CadU (box 3), several models were estimated to assess the potential gains from a reform in the parameters. The parameters were selected following two principles: (a) align to Lula's promises during the campaign and (b) revert to a transfer scheme that would consider family demographics. Table 1 shows the main welfare and fiscal indicators for the most

relevant models discussed with the MDS, and table A1 in the appendix provides a more exhaustive list of the models considered. All models considered improved all well-being measures with respect to the old BF (column 1 of table 1), as all of them started from a more generous level of transfer as discussed during the elections runoff by both candidates.

The preferred model suggested was one that would give R$150 per family member—equivalent to the promised R$600 for a typical family of four members—and additional R$150 per child and youth below 18 years. The reason for proposing extension of the additionality to youth lies in lessons from previous technical notes (Schady et al. 2023) as the crisis has severely affected high school completion for youth. The results for this simulation shown in column 5 of table 1 indicate that this combination results in the highest marginal contribution to poverty reduction (figure 15a) while keeping the program's budget capped by Lula's campaign proposal (column 4). This model would also be more equitable (figure 15b) by bringing larger transfer sizes to larger families (figure 5), being especially effective in reducing child poverty.

However, transitioning to a transfer scheme associated with household demographics creates losers among small families, which potentially involves major political costs. Table A2 in the appendix shows the distribution of families by demographic composition and the gains and losses from the proposed reform. While single-person families would lose the most (R$450) and may not be considered the most vulnerable group, other typologies of families would also lose like single mothers with one child (who would lose R$50). Figure 16 shows the distribution of family types by loss size.

Because one of the most salient promises of this administration is to end hunger and because having losers would be politically unfeasible, other models were considered. First, column 6 of table A2 shows the results of a combination where the per capita transfer is raised to R$226—a level above the per capita poverty line of AB—supplemented by a transfer of R$150 for children. Naturally, this model improves poverty outcomes and increases fiscal costs. On the one hand, it reduces poverty incidence measured as at US$6.85 per day in 1 percentage point (from 27.6 to 26.5 percent, equivalent to 4 percent reduction). On the other hand, the cost of the program increases in about 20 percent.

Grandfathering families comes at large fiscal cost and small poverty performance gains while in place. Further models were estimated to assess the cost and the benefits of keeping the same level of transfer for those that would lose with the reform. First, when comparing families that lose with a change to a benefit varying according to the family size (that is, column 2 versus column 5 or column 6 versus column 7 in Table 1), the poverty line/eligibility threshold is not being modified, and hence there are no losers or winners in accessing or losing the program (extensive margin) but only winners and losers in transfer size (intensive margin). Second, maintaining the same transfer size for those that would be losing, the cost rises to R$7 billion per year, with only small improvements in the poverty gap (column 7, Table 1).

Table 1. Welfare and fiscal indicators of selected microsimulations

Indicator	Old BF	600 floor	600 + 13th	600 + 150/kid	150/capita + 150/young	226/capita + 150/kid + 20/young	226/capita + 150/kid + 20/young + transition	142/capita + 150/kid +50/young + transition
Eligibility line	220[a]	210	210	210	210	226	226	218
Gini	0.51	0.50	0.50	0.50	0.49	0.49	0.48	0.49
Poverty at 1/2MW (%)	28	26.7	25.7	26.1	25.7	24.6	24.5	25.9
Poverty $6.85 /day (%)[b]	29.6	28.4	27.8	27.9	27.6	26.5	26.4	27.7
AB Ext PL R$ 210 (%)	6.9	4.4	3.1	3.1	2	0	0.0	2.6
Children Pov (%) [c]	45.2	43.8	43.2	42.3	41.2	39.7	39.7	42.3
Pov. Gap (%) [d]	12.1	10	9.7	9.3	9.7	7.9	7.6	8.9
Avg pc income - overall (R$)	1,654	1,676	1,680	1,681	1,680	1,691	1,695	1,685
Avg pc income - benef (R$)	556	648	664	669	666	709	722	683
Program cost (R$ million) [e]	60,552	118,508	128,272	131,694	129,518	157,000	165,004	140,726

Source: BraSim 2.0 - Simulations based on 2019 data. **Note:** PL is poverty line; MW is minimum wage; (a)R$ 178 of 2019 updated by the inflation to the end of 2022; (b) PPP2017; (c) Children Pov at 1/2 minimum wage (%); (d)Pov. Gap at 1/2 minimum wage (%); (e) Minimum based on PNAD-C 2019.

BOX 3. BraSim TOOL AND DATA SOURCES USED FOR THE SIMULATIONS

BraSim is a microsimulation tool that quantifies the impact of different policies over poverty and equity simultaneously. BraSim is based on the commitment to equity (CEQ) methodology (Lustig 2018) that has been already applied to several countries worldwide. In short, CEQ uses the information available in household surveys to simulate how direct taxes, indirect taxes, and transfers affect family's welfare as well as estimations of government spending under alternative fiscal policies. Based on the application of legal and regulatory parameters over income, labor characteristics, and demographic profile, the tool is able to build several household income aggregates through the systematic and phased integration of fiscal policies. For instance, the first level of pre-fiscal income is market income plus pensions, which consists of income from the remuneration for labor and nonlabor assets. When direct taxes and state transfers are considered, disposable income is obtained. Indirect taxes can then be estimated, and consumable income is calculated. From the quantification and comparison of indicators (for example: poverty rates and Gini) at different levels of income aggregates, the tool allows assessing the distributional impacts of policies. Lara Ibarra et al. (2023) analyze all taxes and transfers policies in place in Brazil and conclude that BF is the most progressive fiscal policy according to the Kakwani Index, and it is the fourth in contributing to the decrease of poverty rate.

Source used in BraSim: PNAD-C 2019.

Figure 15. Simulation results

(15.a) Marginal contributions to poverty reduction of simulated programs

Marginal contribution to poverty reduction (percentage points)

Program	Moderate poverty	Extreme poverty
Old PBF	1,16	2,93
600 floor	2,52	5,46
600 + 13th	3,48	6,73
600 + 150/kid	3,10	6,79
150/capita + 150/young	3,49	7,84
226/capita + 150/kid + 20/young	4,56	9,86
226/capita + 150/kid + 20/young + transition	4,72	9,86
142/capita + 150/kid + 50/young + transition	3,26	7,27

■ Moderate poverty　■ Extreme poverty
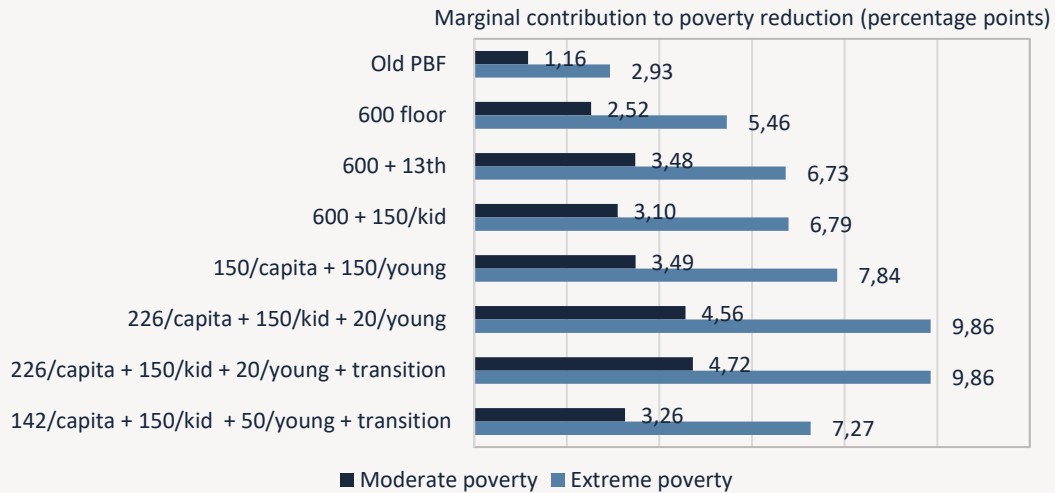
(15.b) Distributional indicators of the simulated programs

Coefficient points

Program	Marginal contribution to Gini reduction	Kakwani coefficient for transfers
Old PBF	0,016	1,119
600 floor	0,027	1,061
600 + 13th	0,029	1,061
600 + 150/kid	0,031	1,076
150/capita + 150/young	0,033	1,143
226/capita + 150/kid + 20/young	0,039	1,132
226/capita + 150/kid + 20/young + transition	0,041	1,123
142/capita + 150/kid + 50/young + transition	0,034	1,088

■ Marginal contribution to Gini reduction　■ Kakwani coefficient for transfers

Source: BraSim.

Notes: The marginal contribution is the difference between the indicator when the transfer is in place and the indicator when the transfer is retreated. Moderate poverty measured at half the minimum wage and extreme poverty measured at the AB eligibility line (R$210 per capita per month).

Figure 16. Winners and losers when moving from R$600 per family to R$150 per family member and R$150 per child/youth
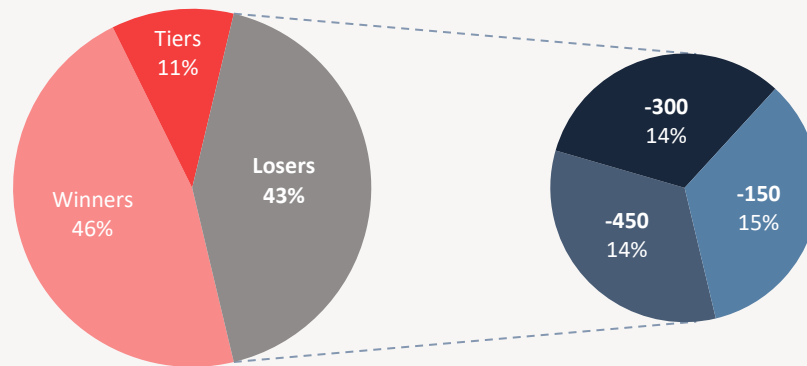
Source: CadU 2021 microdata.

Note: Random sample of 325,781 (about 1 percent of the total number of families) families, yielding 818,272 individuals. Margin of error=<1 percent, CF = 95 percent, N = 32,553,488, for binary variables (p = 50 percent).

4. FIRST GOVERNMENT ACTIONS

This section discusses the concrete actions taken by the current government so far in response to the challenges faced and how World Bank recommendations have been taken on board by the government. Two main initiatives stand out: (a) the redesign of BF, known as the new BF, aimed at addressing the identified limitations in the design of cash transfers package (AB+) and (b) the Program for the Emergency Strengthening of Assistance to the Single Social Assistance Registry in the Unified Social Assistance System (*Programa de Fortalecimento Emergencial do Atendimento do Cadastro Único no Sistema Único da Assistência Social*, PROCAD-SUAS), which aims to tackle the challenges and issues previously highlighted regarding CadU. Furthermore, additional specific measures to address some of the challenges mentioned above are presented.

4.1. Broadening fiscal space

The new BF and supporting programs and systems required a considerable higher budget. The new BF currently serves approximately 21 million families requiring a budget of approximately R$175.7 billion for 2023. For the same year, additional administrative costs to support the federated entities and other management actions are estimated at R$850 million. In addition, R$880 million are needed for payments of the contract with the program's operating agent. Hence, the total expenditure for 2023 is expected to amount a minimum of R$177.4 billion, five times larger than the BF budget before the COVID-19 crisis.

The new government implemented specific measures to create fiscal space. First, the Transitional Constitutional Amendment Proposal (*PEC da Transição* - 32/22) enables an increase of R$145 billion in the spending cap of the 2023 budget. This measure provided additional resources to finance the new BF and other critical public policies such as the Gas Aid and the Popular Pharmacy. Second, Law No. 14,578 enacted on May 10, 2023, authorized the opening of a special credit of R$71,440 million

to the Social Security Budget of the Union, allocated to the MDS. These resources aim to ensure adequate funding for the new BF and for the municipalities through IGD, thereby contributing to the continuity and effectiveness of the income transfer program.

Going forward, the government is committed to developing a New Fiscal Framework based on fiscal deficit—as opposed to spending—that could serve to maintain this gained fiscal space. The Sustainable Fiscal Regime or New Fiscal Framework (*Regime Fiscal Sustentável or Novo Arcabouço Fiscal*, PLP 93/2023) is a mechanism for controlling public debt that aims to replace the current spending ceiling (*Teto dos Gastos*), establishing a sustainable fiscal regime based on the balance between revenue and expenses. The legislative process for approving this New Fiscal Framework is still ongoing. If approved, the new framework would ensure a real increase in new BF budget. Even if the fiscal target is not met, the program is safeguarded from potential fiscal constraints, ensuring an actual increase in the payment of BF.

In addition to the newly proposed framework, the Brazilian National Senate is currently deliberating on PEC 45/2019, which concerns a comprehensive tax reform that marks another advance in the country's fiscal environment. This effort aims to restructure consumption-based taxation to simplify and facilitate tax collections. If approved at all levels of the legislative process, this overhaul could affect substantial transformations in the economic and public finance spheres, improving the fiscal environment and promoting a more efficient and equitable tax base.

4.2. Partially addressing effectiveness losses: the New *Bolsa Família*

The new BF constitutes a first step in the right direction toward aligning incentives and improving effectiveness. On March 2, 2023, a new version of the CCT program was launched, restoring its original name, *Bolsa Família*, and some of the traditional design elements. The reform incorporates significant changes aimed at enhancing the effectiveness while maintaining the existent high coverage of the program. First, the program partially returns to a family transfer dependent on household size and composition: a per capita value of R$142 is allocated to each family member. However, to maintain the campaign promises, if the family benefit does not reach R$600 with the sum of the per capita family transfers, a variable top-up benefit is added to ensure that no family receives less than R$600. On top of this, three benefits are offered: (a) beneficiary families with children up to 6 years old now receive an additional R$150 per child, referred to as the 'early childhood benefit' (ECB); (b) families with children between 7 and 18 years old now receive an extra R$50 per child or adolescent, known as the 'family variable benefit' (FVB); and (c) pregnant women receive an additional R$50. The PM was converted into law on June 19, 2023.

The ECB and FVB will likely play an important role in the fight against child poverty and in aligning education and health conditionalities with SUAS functions. The ECB, specifically, aims to support families to increase investment during early childhood once the evidence shows that ample cognitive and emotional development during this period of life is fundamental to the full development of a citizen, with robust reflexes in youth and adulthood.

Monitoring of education and health conditionalities is maintained as one of the pillars of the program, reinforcing its objective of breaking intergenerational poverty traps. Promoting access to health, education, and family and community life is essential to develop human capital, particularly among children and adolescents, to provide better opportunities for them to prosper and overcome historical vulnerabilities. Therefore, the government is fully committed to addressing the challenge of the sluggish restoration of conditionalities monitoring. However, it must be noted that the new law does not provide clear guidelines for the implementation of this action.

The new BF takes a positive stride toward automatic updates by establishing a defined time frame for adjusting benefit/parameter values. The new law of BF, Article 7 stipulates periodic adjustments, with a minimum interval of 24 months. This provision reflects the government's attempt to address the challenge associated with defining the mechanism to adjust eligibility thresholds and transfer amounts albeit in a rather incipient manner and without a predetermined rule. Article 11 establishes that the federal executive power will reconcile the number of beneficiaries and financial benefits with the available budgetary allocations. This article, hence, gives room to the possibility of having waiting list in the program again, as program coverage depends on available budget.

The new BF continues offering protection to beneficiaries in the process of graduation. The now called 'Protection Rule',[20] guarantees program participation for up to 24 months to families whose income reached half of the minimum wage per capita, even if above the program's eligibility line. One innovation is the reduction of the benefit during this graduation process: now the transfer amount equals only 50 percent of the benefit. Furthermore, families that voluntarily leave the program or lose their job and need to return will benefit from the 'Guaranteed Return Mechanism' which prioritizes these families' rejoining program in case there is a waiting list at that time. Bringing the 'old return rule' to law is a strategy to make it more known.

CAIXA will resume its role as the operating and paying agent of BF, as mandated by the new law of BF. This will bring greater security and more investment in the program's infrastructure as well as open the possibility of other federal institutions supporting the operationalization of the cash transfer.

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[20] Previously called *Regra de Permanência* for BF and *Regra de Emancipação* for AE.

Table 2. Key indicators of *Bolsa Família* as of May 2023

Panel A. General Information		Panel B. Benefits	
Number of people	54,615,407	Total Benefits [b]	95,508,730
Number of families	21,249,015	Early Childhood (ECB) [c]	3,314,031
Monthly average benefit (R$) [a]	672	Early Childhood (ECB – BF) [c]	9,041,075
Monthly value transferred (R$) [a]	14.100.224.092	Family Composition (BCF)	24,422,420
		Compensatory Transitory (BCT)	2,895,123
		Add. Supplementary	20,968,425
		Overcoming Ext. Poverty (BSP)	15,176,863
		Extraordinary (BEx)	19,690,793

Source: This information was all translated from the website of the MDS , SENARC, Physical/Financial Statement of the BF Program. (Link: https://aplicacoes.mds.gov.br/sagi/ri/relatorios/cidadania/). **Note:** (a) The total amount of transferred resources and the average benefit do not consider the families currently suspended in the Payroll of AB.(b) The benefit basket, as provided in Article 7 of MP No. 1,164/2023, is at the core of BF, as it serves as the instrument to associate the family composition with the value of the benefit to be transferred to beneficiary families. (c) Due to operational reasons, this basket will be fully implemented starting from June 2023, except for the BPI-BF, which will already be paid between March and May 2023, along with the benefits that compose the basket of the AB program, which succeeded BF since March 2023.

4.3. Strengthen quality of *Cadastro Único*: PROCAD-SUAS

CadU's current priorities for the MDS are the qualification of the database, the enhancement of the instruments and the CadU informational system, and the reconstruction of the decentralized implementation network. To correct the deterioration of the administrative base, the MDS formulated the *Cadastro Único* Action Plan for 2023–2024, planning emergency actions and delineating initiatives. In early February 2023, the PROCAD-SUAS was launched, as agreed with the SUAS Tripartite Managers Commission (*Comissão de Gestores Tripartite do SUAS*, CIT SUAS) and the National Social Assistance Council (*Conselho Nacional de Assistência Social*, CNAS). Also, in February, the CadU application launched a feature to request the exclusion of single-person family records suspected of inaccuracy.

The approach to enhance CadU was threefold, encompassing multiple strategies. First, in March 2023, a public utility campaign was launched clarifying the rules of CadU and the criteria for participation in the new BF and emphasizing the need to correct the records. Second, the training for interviewers and operators was resumed, including training of trainers who will further deliver the content of the courses to all municipalities throughout 2023. Third, the MDS launched an emergency strategy to qualify CadU. This measure carried out (a) the verification of families' income to correct divergences between declared incomes and the income stated in CNIS; (b) the investigation and the correction of single-person registrations to remedy distortions

generated by the errors in AB+; and (c) the registration review, which aims to correct outdated registrations, with priority for those from 2016 and 2017.

The MDS plans to review 5 million single-person registration forms in 2023 and deploy new techniques to verify registration information, potentially correcting the income of approximately 16 million people. By the end of 2023, about 5 million families who claim to be single-person households and currently beneficiaries of BF will go through a registration reassessment. This massive endeavor includes a prioritization strategy. The MDS plans to analyze the trajectory of families in CadU and cross-check information with other databases. In addition, in June 2023, CadU was integrated with CNIS establishing a new process for automated correction of family income discrepancies. This new process involves the population of databases and the interoperability between systems, breaking with the current process of cross-checking data and summoning families to CRAS and CadU service posts. The MDS estimates that the income of approximately 19 million people (comprising about 16 million families, from beneficiaries and nonbeneficiaries of BF) will be corrected.

Municipality offices will complement this effort by expanding home visits and implementing active search strategies for the most vulnerable populations in the territories. The Federal Government will provide about R$400 million to states and municipalities through PROCAD-SUAS to support these efforts. The initiative also reinforces the inter-federative nature of the program and the logic of engagement between municipalities, states, and the federal district through monitoring results and financial support based on IGD. Social control and transparency are fundamentals of BF, with direct participation of the CNAS. In cases of misconduct by beneficiaries against CadU and BF, billing procedures for reimbursement to the treasury will be triggered. In case of irregularities by public agents in registering information in the administrative database, a competent police authority will be triggered to investigate the irregular behavior.

Table 3. Status of PROCAD-SUAS (May 2023)

Single person verification	8,219,835
Transfer – State (R$) [a]	9,500,000
Transfer – Municipal (R$) [a]	190,000,000

Source: This information was all translated from the website of MDS, SENARC, Physical/Financial Statement of the BF. (Link: https://aplicacoes.mds.gov.br/sagi/ri/relatorios/cidadania/). **Note:** (a) Rounded transfer value to the federative entity of PROCAD-SUAS resources for strengthening the management of the CadU in 2023, according to the criteria established in Article 5 of MDS Ordinance No. 871, dated March 29, 2023. Please refer to the list of municipalities located in the Legal Amazon region according to the level of urbanization, excluding the metropolis.

Interoperablity between CadU and CNIS has been established to further enhance the quality of the data. The Interministerial Ordinance MPS/MDS, signed by the MDS and the Ministry of Social Security (*Ministério da Previdência Social*, MPS), authorizes interoperability between CadU and CNIS. Starting in June 2023, the integration between the two registries will kick off, which involves populating the income data from CNIS directly into CadU, specifically updating the information related to work

records and revenues. This measure has the potential to enhance data reliability in CadU and ultimately ensure more efficient management of social programs, allowing resources to be directed more accurately and effectively.

5. RECOMMENDED NEXT STEPS TO TACKLE THE REMAINING CHALLENGES

In less than 6 months, the MDS has implemented a series of measures to address the existing challenges. However, further efforts are needed to tackle the remaining challenges. As highlighted in the previous section, the MDS has already taken a remarkable number of actions to address issues related to fiscal space, some of the deficiencies arising from the poor design of the AB+, and resolve operational difficulties associated with CadU. This section provides recommendations for continuing improvement of the social protection system in the short term, by addressing the remaining challenges. Medium-term recommendations can be found in Morgandi et al. (2023).

5.1. Fiscal improvements

Given the reduced fiscal space and the current reforms pursued by the MF, it is important for the MDS to take actions to achieve efficiency gains within the existing budget. It is important to respect the principle of fiscal neutrality within the proposed measures. This signifies that all recommendations and propositions delineated in this note about budget augmentation for specific facets of BF, such as our suggestion for enhancing the budget for social assistance services, should be achieved through cost savings and budget restructuring derived from within the MDS. This guiding principle operates so that savings made by the MDS should also be reinvested within the ministry itself. This approach calls for continuous improvements to optimize the available resources. It should be noted that many of the changes instituted by the new government, as well as the proposals delineated in this note, may take time to yield fruits. Hence, fiscal adjustment endeavors must be executed

gradually, facilitating adaptations to occur without impeding the efficacy and continuity of the program.

5.2. Increasing (in-kind) social assistance services

Enhancing support for social assistance services is imperative, even while operating within the constraints of existing budgetary limits. Within the current overall social assistance budget, there are opportunities to expand social services. First, rebalance spending across programs. For instance, a mere 1 percent reduction in the budget allocated to cash benefits can more than double the budget available for service provision (figure 4). Second, as the economy recovers and the labor market improves, beneficiaries will gradually exit the program. The generated surplus of resources can then be reallocated to essential services or complementary programs to BF such as productive inclusion and early childhood support.

Seek efficiency gains in the provision of existing social services. The government can adopt measures to optimize the utilization of available resources to strike a balance between monetary benefits and social assistance services.

These recommendations aim to maximize the impact of available resources. Through fortifying the infrastructure of social assistance services and enacting complementary programs, an expansion in the ability to deliver comprehensive support to families in vulnerable situations can be achieved with better coordinated action. Geographic targeting, synchronal action at the territory using CadU, reshaping of existing programs and encompassing of poverty in a multidimensional manner, are examples of what can be done. Finally, it is essential to highlight the importance of responsible and strategic fiscal management to ensure the long-term sustainability of the social protection system and promote continuous improvement in the services provided to the population.

The government should prioritize reintroducing complementary programs to the new BF as an essential part of the social protection system. These programs play a crucial role in protecting income levels by increasing income opportunities through productive inclusion measures and promoting human capital accumulation through expanding access to public services and housing. The package of programs can then be more effective in reducing overall poverty. The experience, exemplified by BSM, highlights the potential of combining different social policies to accelerate productive inclusion in the country. BSM's main objective was to support families living in extreme poverty with cash benefits of BF and complementary programs that would tackle other deprivations through high-quality services.[21] For the future, a new governance of social programs with evaluation and monitoring process can be an important measure to improve coordination and efficiency of the system.

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[21] For more details see Morgandi et al. 2023

Accompany the process with increased monitoring. As the provision of in-kind benefits expands, monitoring the effectiveness of delivery outcomes is crucial. This evaluation will provide valuable insights into determining the appropriate balance between cash transfers and in-kind support. By conducting such monitoring, policy makers will be equipped to make well-informed decisions and refine their strategies accordingly.

5.3. Increase effectiveness of *Bolsa Família* through further changes to program parameters

While the new BF has introduced a per capita transfer, the top-up to the minimum transfer value of R$600 maintains some of the distortions. Most notably, it still results in inequities in the support to families of different sizes. A more equitable allocation of resources could be achieved by eliminating the variable top-up to reach R$600. Maintaining this parameter creates an additional hurdle in reducing the number of single-person registrations in CadU once the adverse incentives remain, and it impacts the accuracy of the family composition declarations in the system. The microsimulations show that the poverty incidence is reduced from 26.1 to 25.7 (columns 4 and 5 of table 1) when the program uses a per capita transfer instead of per-family transfer and an increased child transfer while maintaining the same budget. Even further efficiency gains can be achieved for extreme poverty (with a reduction from 3.1 to 2 percent) and child poverty (from 42.3 to 41.2 percent). Adopting per capita values would promote equity and efficiency gains in the program. The microsimulations also indicate that if the top-up to R$ 600 is eliminated, the additional transfers for children, adolescents, and pregnant women can be maintained or even further increased. These families have specific needs and would benefit from further services linked to those needs, besides the additional cash.

It is acknowledged that such a reform is politically complex, and hence a reasonable grandfathering period could be adopted. Given the gains to be reaped, the recommendation continues to be to fully revert to a transfer only on a per capita basis. The grandfathering period could be 12 months as is usually the case in other countries or 24 months for a more generous measure aligned with the period for revisions in CadU. Further enhancing programs of productive inclusion would be important to support the group of losers who are basically families with one working adult.

Within the scope of the inappropriate design, another challenge pertained to the mechanisms of benefit monetization and poverty line readjustment. In this regard, the authors understand that enhancing predictability and transparency regarding such mechanisms is crucial, as it provides security to beneficiary families and facilitates program management.

In the current context of the new BF, there is a minimum two-year periodicity for benefits review, which presents significant drawbacks. Such rigidity is unnecessary

and, at times, can be considered restrictive, particularly in situations of significant inflationary acceleration or external shocks. Therefore, we recommend reassessing the frequency of readjustment, ensuring that a maximum interval of two years is established.

5.4. Enhancing operational effectiveness

5.4.1. Further strengthening *Cadastro Único*

While PROCAD-SUAS is an enormous step forward, further actions can be taken to strengthen the quality of the data and the use of registry. The recently established interoperability between CadU and CNIS can be replicated in other spheres. CadU can also leverage information from banking transactions, expenses, and assets, which are associated with data provided by the *Receita Federal* (Federal Revenue Service), in addition to health and education information obtained from the respective ministries and secretariats, which involves negotiations at the federal level. Even if not for verification process, at least in the short term the integration could help better understand the population to be served and their needs.

CadU registration form can be modernized. The current form is outdated and excessively long. It was developed based on the 2010 Census form, which underwent subsequent improvements. Enhancements should align with the standards adopted in the current forms of the IBGE. Importantly, the new form should consider the information that would now become available through the interoperability with CNIS and future recommended integration.

Other innovations to CadU relate to the integration of digital technologies and selected data collection. For example, Ohlenburg et al. (2022) propose cost-saving measures for household data collection, aiming to reduce expenses by approximately half the typical costs using innovative approaches. Their study introduces techniques such as streamlined questionnaires, optimized sampling methods, and integration of digital technologies to enhance efficiency and alleviate financial burdens associated with data collection. It would be valuable to conduct further research within the context of Brazil to evaluate the applicability of these measures and their potential impact on optimizing data collection processes and resource allocation. When addressing data update and the integration of multiple databases with CadU, it becomes crucial to consider an appropriate allocation of resources. Integrating diverse databases into CadU facilitates the incorporation of variables that are presently not captured, thereby enhancing the connectivity of information. Nevertheless, it is imperative to emphasize that interoperability among databases does not prevent the necessity for the aforementioned essential improvements in the quality of the CadU data.

Each database harbors specific and distinct information, and interoperability supplements the extant information in either database. Consequently, it is paramount

to allocate adequate resources to ensure the continuous updating and ongoing enhancement of CadU while enabling effective integration with other databases. Thus, the discourse surrounding the monetary expenditure in this process is highly nuanced and necessitates a further comprehensive inquiry into the matter, considering the desired degree of interoperability and the specific characteristics intrinsic to each database. Although some aspects of this discourse have already been addressed in the AE note (World Bank 2021b), additional research is still imperative to comprehensively explore the potential cost savings or additional efforts CadU may need to undertake to transform the Brazilian information system into a more robust framework.

5.4.2. Accelerate the return of conditionality monitoring

It is essential to resume and restructure the existing conditionalities network. To do so, it is necessary to effectively mobilize the action networks, involving state and municipal governments, valuing the professionals involved, and promoting efficient communication between social assistance. New monitoring systems and a closer relation with education and health sectors are also needed.

In addition to resuming the existing system, we proposed to expand the application of conditionalities to all children enrolled in the public education system and all users of the Unified Health System (*Sistema Único de Saúde*, SUS). Previous studies have shown that monitoring conditionalities has resulted in significant improvements in the attendance and academic performance of beneficiary students and the health indicators of beneficiary families. However, this tool is currently limited to program beneficiaries, which reduces its impact on the health care system and public education network. Therefore, to improve indicators related to education, health, and, consequently, poverty, it is crucial to expand the mechanisms for monitoring the conditionalities of BF to all users of SUS and public education.

This second step is feasible, considering that the attendance system (*Sistema Presenças*) can already monitor the majority of children enrolled in public education. All public schools in the country have at least one BF beneficiary, which already provides a structure for monitoring conditionalities. This expansion would enable updated monitoring and constant feedback of data, which is essential for promptly identifying specific problems in schools, regions, and students. This approach would enable more effective collaboration between the MEC and state and municipal departments in implementing targeted and effective public policies to combat school dropout and improve the quality of education.

Similarly, expanding the System for Managing the *Bolsa Família* Program in Health (*Sistema de Gestão do Programa Bolsa Família na Saúde*, BFS)[22] is feasible

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[22] The System for Managing the Bolsa Família Program in Health (*Sistema de Gestão do Programa Bolsa Família na Saúde*, BFS) is a platform developed to manage and monitor the health conditionalities of program

by capitalizing on the existing and well-structured framework for monitoring the conditionalities of BF beneficiaries within the SUS. This approach would allow monitoring and identifying potential noncompliance issues regarding health-related conditionalities for all system users, thereby enabling more precise and personalized interventions.

A third recommendation is to leverage the valuable data collected through these monitoring systems to feed a system of prompt responses. For instance, the BFS allows identifying children who are not complying with the national vaccination plan and provide anthropometric measurements of weight and height. The *Sistema Presenças* enables the detection of students at risk of school dropout. Such information should be utilized to create prompt and individualized responses by the government. Instead of only removing families from the program in cases of noncompliance or threats of noncompliance with the conditionalities, it is necessary to establish clear measures and protocols to address such situations and prevent the worsening of these families' circumstances. This is a coordinated and multisectoral effort; therefore, involving the Ministries of Education and Health is essential. There is good international experience in this field to inspire Brazil (see Chile *Ventanilla Única*).

5.4.3. Sustaining Targeting Precision

Maintaining the effectiveness of the BF's targeting mechanisms is paramount, mainly due to its critical impact on the most vulnerable segments of the Brazilian population. As highlighted in section 2.4.2, despite the program's expansion, there is no concrete evidence of targeting deterioration. However, this process may take time to manifest in the data, and given the clear evidence of social registry deterioration, ongoing monitoring and further studies on the program's targeting need to be conducted.

In this context, the recently collected data from the 2023 Census gain prominence and provide an opportunity for conducting new targeting studies. Through these data, it is possible to identify the potential audience at the municipal level, representing highly detailed and relevant information that can be explored in future studies. This approach has been of utmost importance in the past for enhancing the program's targeting. The 2023 Census opens a window of opportunity for developing novel methods to assess and monitor the targeting of BF.

5.4.4. Continue further leveraging new technologies

Understanding how families manage their finances in this new structure of bank accounts is essential to assess the impact of changes in the socioeconomic context. It is essential to understand whether families maintain the same patterns of financial behavior observed in using the magnetic card or if there have been changes. For instance, whether the majority continues to withdraw the total amount at the

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beneficiaries, ensuring access to health care services such as vaccinations and medical appointments and promoting the improvement of the health of families in vulnerable situations.

beginning of the month or if they effectively use savings for specific purposes. Identifying patterns of conscious and strategic use of savings enables the implementation of actions that promote financial planning, responsible use of available resources, and the building of reserves for emergencies.

Moreover, it is crucial to analyze the role of financial institutions in this context. It is necessary to investigate whether banks offer financial instruments that meet the needs of families who have migrated to this new payment structure, considering their profiles and vulnerabilities. This analysis includes examining the financial products available and assessing the families' access to microcredit and other relevant services.

Considering these, it is recommended to continuously conduct in-depth studies that analyze both the behavior of families and the performance of financial institutions with them. These comprehensive research efforts are essential for evaluating the effectiveness of measures adopted by banks and government programs as well as for comprehending the challenges and opportunities present in this new structure. Such understanding will facilitate the implementation of more effective measures to adequately address the needs of families and promote their financial inclusion.

5.4.5. Guaranteeing a zero waiting list and BF's ability to respond to crises and shocks

Guaranteeing a zero waiting list means adopting ex ante measure to be able to respond countercyclically. For BF to effectively fulfill this role of reducing poverty, it is essential to ensure an efficient dynamic of entry and exits of families. Program demand increases during periods of crisis, which go hand in hand with fiscal scarcity. To prevent these situations, it is recommended to establish a financial fund specifically designed to buffer fiscal pressures, enabling the program to meet the needs of the most vulnerable families during tough times. The use of this fund should be automatic and avoid hinging on legislative approval which is usually lengthy and unnecessarily delays the delivery of support, as was the case of Brumadinho, Mariana, and COVID-19.

Due to the variations in the magnitude of each crisis, it is recommended to establish protocols that guide the design choices regarding cash amounts and coverage. In other words, the government should have a protocol in place that determines when BF alone will be able to respond to the crisis and incorporate affected groups within the program or when the creation of a new program is necessary in situations where the existing BF structure may not be sufficient, as was the case with AE during the pandemic.

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ANNEX

Table A1. All the program designs tested in simulations

BF 2022	600 floor	600 + 13th	600 + 13th women	600 + 150/kid	600 + 150/kid (max: 2)
Old BF adjusted by the inflation: * Basic benefit: R$ 110 * Children 0-15 and pregnant/nursing women: R$51 * Adolescents 16-17: R$ 59 * Eligibility Lines: R$ 110/capita and R$ 220/capita * Top-up to reach the lower line	*R$ 600/family OR * Children 0-3: R$ 130 Children 4-17 * Youth 18-20 enrolled or completed school, pregnant: R$ 65 * Eligibility Lines: R$ 105/capita and R$ 210/capita * Top-up to reach the lower line	*R$ 600/family monthly + R$600 extra payment in December Eligibility Lines: R$ 210/capita	* R$ 600/family monthly + R$ 600 extra payment in December for families headed by a woman Eligibility Lines: R$ 210/capita	* R$ 600/family * Children 0-6: R$ 150 Eligibility Lines: R$ 210/capita	* R$ 600/family * Children 0-6: R$ 150 (limited to 2 variable benefits) Eligibility Lines: R$ 210/capita

150/capita + 150/kid	150/capita + 150/young	Top-up benefit + 150/kid	200/capita + 150/kid + 100/young	226/capita + 150/kid + 20/young	226/capita + 150/kid + 20/young + transition
* Everyone: R$ 150 * Children 0-6: R$ 150 Eligibility Lines: R$ 210/capita	* Everyone: R$ 150 * Children 0-20: R$ 150 Eligibility Lines R$ 210/capita	* Minimum to reach the eligibility line, plus: * Children 0-6: R$ 150, Eligibility Lines: R$210/capita	* Everyone: R$150 * Children 0-6: R$ 150 * Children 7-20: R$ 100 Eligibility Lines: R$ 210/capita	* Everyone: R$226 * Children 0-6: R$ 150 * Children 7-20: R$ 20 Eligibility Lines: R$ 226/capita	* Everyone: R$ 226 * Children 0-6: R$ 150 * Children 7-20: R$ 20 * Floor for unipersonal: R$ 300, and other families: R$ 600 Eligibility Lines: R$ 226/capita

Final new BF: 142/capita + 150/kid + 50/young + transition
* Everyone: R$ 142, * Children 0-6: R$ 150, * Children 7-18: R$ 50.Floor of R$ 600 per family regardless the size of it. Eligibility Lines: R$ 218/capita

Source: Own elaboration based on BraSim 2.0.

Table A2. Family composition, share in cash transfer program, and potential benefit at different proposed designs

Family Profile	Share of families (%)	Share of people (%)	(i) Status quo: 600 floor	(ii) 600 + 150/kid (0-6)	(iii) 150/ind +150/young (0-6 or 4-17 or 18-20 w/ SE or studying)	(ii) - (i)	(iii) - (i)
Single woman	10.2	3.5	600	600	150	0	-450
Single man	7.9	2.7	600	600	150	0	-450
Single woman, one 7-17 kid	6.9	4.7	600	600	450	0	-150
Single woman, one 0-6 kid	5.3	3.6	600	750	450	150	-150
Man-woman Couple	4.2	2.9	600	600	300	0	-300
Single woman, two 7-17 kids	3.8	3.9	600	600	750	0	150
Single woman, one 0-6, one 7-17 kids	2.9	3.0	600	750	750	150	150
Couple and one 7-17 kid	2.5	2.5	600	600	600	0	0
Two women	2.4	1.6	600	600	300	0	-300
Single woman, two 0-6 kids	1.8	1.9	600	900	750	300	150
Couple and one 0-6 kid	1.8	1.8	600	750	600	150	0
Single woman, three 7-17 kids	1.6	2.2	600	600	1050	0	450
Two women, one 7-17 kid	1.5	1.6	600	600	600	0	0
Two men	1.5	1.0	600	600	300	0	-300
Single woman, two 7-17 and one 0-6 kids	1.4	1.9	600	750	1050	150	450
Man-woman couple, two 7-17 kids	1.4	1.9	600	600	900	0	300
7-17 alone	1.2	0.4	600	600	300	0	-300
Two men, one woman	1.2	1.2	600	600	450	0	-150
Two women, one 0-6 kid	1.1	1.1	600	750	600	150	0
One woman, one 18-20 young adult	1.1	0.8	600	600	450	0	-150

Source: CadU data from December 2021.

Table A3. Poverty statistics by household size

Household size	Poverty headcount ratio (%)	Poverty gap ratio (%)	Share in the total population (%)	Share in the poor population (%)
1	10.1	4.6	5.1	1.8
2	11.8	5.1	18.2	7.5
3	20.9	8.3	27.2	20.1
4	31.0	11.9	27.0	29.5
5	45.1	18.6	12.8	20.4
6+	60.7	27.2	9.6	20.6
Total	28.4	11.7	100.0	100.0

Source: PNAD-C-2021.