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Report No: PAD5108

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$300 MILLION

TO THE

FEDERATIVE REPUBLIC OF BRAZIL

FOR A

BRAZIL: SUPPORT TO NEW BOLSA FAMILIA CONDITIONAL CASH TRANSFER PROGRAM

November 13, 2023

Social Protection and Jobs Global Practice
Latin America and Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective October 19, 2023)

Currency Unit = Brazilian Real (BRL)

BRL 5.05 = US\$1

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AB	Brazil Aid (<i>Auxílio Brasil</i>)
AE	Emergency Aid (<i>Auxílio Emergencial</i>)
AESSIN	Special Adviser on International Affairs (<i>Assessoria Especial de Assuntos Internacionais</i>)
AM	Accountability Mechanism
ASA	Advisory Services and Analytics
ASP	Adaptive Social Protection
BC	Complementary Benefit (<i>Benefício Complementar</i>) (delivered jointly with BF)
BComp	Complementary Benefit (<i>Benefício Complementar</i>) (delivered jointly with AB)
BEx	Extraordinary Benefit (<i>Benefício Extraordinário</i>)
BEm	Emergency Benefit (<i>Benefício Emergencial</i>)
BF	Bolsa Família
BPI	First Childhood Benefit (<i>Benefício Primeira Infância</i>)
BVF	Family Variable Benefit (<i>Benefício Variável Familiar</i>)
CC	Carta Consulta
CCT	Conditional Cash Transfer
CEF	<i>Caixa Econômica Federal</i>
CEMADEN	National Center on Monitoring and Alerts on Natural Disaster (<i>Centro Nacional do Monitoramento e Alertas Desastres Naturais</i>)
CGU	Comptroller General of the Union (<i>Controlaria Geral da União Controlaria Geral da União</i>)
CPF	Country Partnership Framework
CRAS	Municipal Social Assistance Office (<i>Centros Referência Assistência Social</i>)
CREAS	Municipal Special Social Assistance Office (<i>Centro de Referência Especializado em Assistência Social</i>)
DRIC	Disasters Risk Index by Capacity
DTP	Diphtheria, Pertussis, and Tetanus
ESCP	Environmental and Social Commitment Plan
FM	Financial Management
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GoB	Government of Brazil
GHG	Greenhouse Gas
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HCI	Human Capital Index
IFAC	International Federation of Accountants
IFR	Interim Financial Report
IPF	Investment Project Financing
LoA	Annual Budget Law (<i>Lei Orçamentária Anual</i>)
MCASP	Public Sector Manual of Applied Accountability (<i>Manual de Contabilidade Aplicada ao Setor Público</i>)
MdE	Ministry of Education (<i>Ministério da Educação</i>)

MDS	Ministry of Development, Social Assistance, Family, and Hunger Alleviation (<i>Ministério do Desenvolvimento e Assistência Social, Família e Combate à Fome</i> , MDS)
NBCASP	The Brazilian Accounting Standards Applicable to the Public Sector (<i>Normas Brasileiras de Contabilidade Aplicadas ao Setor Público</i>)
PCU	Project Coordination Unit
PDO	Project Development Objective
PEU	Project Execution Unit
PPF	Program Financing Proposal
PIU	Project Implementation Unit
PLR	Performance and Learning Review
PNAD	National Continuous Household Sample Survey (<i>Pesquisa Nacional por Amostra de Domicílios Contínua</i>)
POM	Project Operational Manual
PPP	Purchasing Power Parity
PwD	People with Disabilities
SAA	Sub-Secretary for Administrative Affairs (<i>Subsecretaria de Assuntos Administrativos</i>)
SAGICAD	National Secretariat of Evaluation, Management of Information and the Single Registry (<i>Secretaria de Avaliação, Gestão da Informação e do Cadastro Único</i>)
SENARC	National Secretariat for Citizenship Income (<i>Secretaria Nacional de Renda de Cidadania</i>)
SEP	Stakeholder Engagement Plan
SIAFI	Federal Government Integrated Administration System (<i>Sistema Integrado de Administração Financeira</i>)
SICON	Monitoring System for Conditionalities (<i>Sistema de Condicionalidades</i>)
SPOG	Undersecretariat for Planning, Budget, and Governance (<i>Subsecretaria de Planejamento, Orçamento e Governança</i>)
SUAS	Unified Social Assistance System (<i>Sistema Único Assistência Social</i>)
TA	Technical Assistance
TSA	Treasury Single Account



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DATASHEET

BASIC INFORMATION

Project Beneficiary(ies) Brazil	Operation Name Brazil: Support to New Bolsa Familia Conditional Cash Transfer Program		
Operation ID P179365	Financing Instrument Investment Project Financing (IPF)	Environmental and Social Risk Classification Low	

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternative Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date 07-Dec-2023	Expected Closing Date 30-Apr-2026
Bank/IFC Collaboration No	

Proposed Development Objective(s)

The objective of the Project is to protect the income of poor families with children from 0 to 6 years of age and mitigate risks that might damage those children’s human capital.

Components



Component Name	Cost (US\$)
First Childhood Benefit for families with children from 0 to 6 years of age	299,250,000.00

Organizations

Borrower: Federative Republic of Brazil
 Implementing Agency: Ministry of Development, Social Assistance, Family, and Hunger Alleviation

PROJECT FINANCING DATA (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No
 Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	300.00
Total Financing	300.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	300.00
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Expected Disbursements (US\$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028	2029
Annual	60.00	165.00	75.00	0.00	0.00	0.00
Cumulative	60.00	225.00	300.00	300.00	300.00	300.00



PRACTICE AREA(S)

Practice Area (Lead)

Social Protection & Jobs

Contributing Practice Areas

Poverty and Equity

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Low
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Low
4. Technical Design of Project or Program	● Low
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Moderate
7. Environment and Social	● Low
8. Stakeholders	● Low
9. Other	
10. Overall	● Moderate

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No



ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8: Cultural Heritage	Not Currently Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description

Schedule 2 Section I A.1 (Institutional Arrangements): The Borrower shall operate and maintain, throughout the implementation of the Project a Project Implementation Unit (PIU) comprising a Project Coordination Unit (the “MDS PCU”) and a Project Execution Unit (the “MDS PEU”) ,both within MDS and with functions, resources and staffing acceptable to the Bank, all as set forth in the Operational Manual, including specialists for (i) financial management, (ii) environmental and social standards, and (iii) result monitoring.

The Borrower, through the MDS, shall: (i) adopt and thereafter carry out the Project in accordance with a manual (the Project Operational Manual), which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including, inter alia, the following: (a) specific provisions on detailed arrangements for the carrying out of the Project; (b) the composition and responsibilities of the MDS PCU and the MDS PEU; (c) Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), and disbursement procedures, including the preparation of the final report; (d) the monitoring indicators for the Project;



and (e) the criteria for the identification of the BF eligible Beneficiaries and BPI Transfers; and (ii) not amend, suspend, abrogate, repeal or waive any provision of said Project Operational Manual without the prior written approval of the Bank. 2. In case of any conflict between the terms of the Project Operational Manual and this Agreement, the terms of this Agreement shall prevail.

Schedule 2 Section I C (Anti-Corruption Guidelines): The Borrower, through the MDS, shall ensure that the Project is carried out or shall cause the Project to be carried out in accordance with the Anti-Corruption Guidelines.

Schedule 2 Section II (Project Monitoring Reporting and Evaluation): The Borrower, through MDS, shall furnish to the Bank each Project Report not later than sixty (60) days after the end of each calendar semester, covering the calendar semester, as further detailed in the Operational Manual.

Schedule 2 Section I D.1 (Environmental and Social Standards): The Borrower, through MDS, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

Conditions

Type	Citation	Description	Financing Source
Effectiveness	Condition (a)	(Article 5.01) The PIU has been established in a manner acceptable to the Bank.	IBRD/IDA
Effectiveness	Condition (b)	(Article 5.01) The Project Operations Manual has been adopted by the Borrower in a manner acceptable to the Bank	IBRD/IDA



I. STRATEGIC CONTEXT

A. Country Context

1. **Brazil's economy continues to recover, with gross domestic product (GDP) growing at a rate of 2.9 percent in 2022, propelled by a successful COVID-19 vaccination campaign, rising demand for services, and fiscal stimulus.** The labor market improved through 2022, including for women and youth, as unemployment fell to 7.9 percent by December 2022 (down from a peak of 11.1 percent in December 2021). Persistent inflation (5.6 percent as of February 2023) has prompted the tightening of the monetary policy rate (13.75 percent as of February 2023) to anchor 2023–24 inflation expectations. Improved revenues, gradual economic recovery, and elevated prices of commodities boosted fiscal results in 2022, with the 12-month primary surplus of the public sector reaching 1.2 percent of GDP and public debt declining to 72.9 percent of GDP as of January 2023 (a 5.4 percentage point reduction). GDP growth is expected to slow to 0.8 percent in 2023, due to the lagged effects of domestic monetary tightening, persistent inflation, and the deceleration of the global economy, and to mildly accelerate to 2.0 percent in 2024 on the back of a more accommodative monetary policy, easing inflation, and higher global growth. Fiscal balance is expected to deteriorate in 2023 as projections indicate a primary deficit of 0.7 percent of GDP, reflecting the higher social expenditures in 2023 and lower economic activity.

2. **With the economic recovery, poverty is expected to have gone down, yet, today nearly half of Brazil's children—the country's future workforce—are growing up in poor households.** Poverty is projected to decrease from 28.4 percent in 2021 to 24.3 percent in 2022, responding to increased job opportunities and expansion of the Bolsa Família (BF) cash transfer program. A real increase in the minimum wages combined with a major overhaul of BF and a planned introduction of additional benefits to families with children are expected to drive poverty further down to 23.9 percent in 2023. Further reduction may occur as the economy recovers but, despite the social gains of earlier decades, poverty and disparities remain prominent in the lives of many Brazilians in the absence of stronger investments in human capital among the less well-off. Before the pandemic, one in five Brazilians was chronically poor; today nearly half of Brazil's children are growing up in poor households.

3. **Brazil faces significant climate change impacts compounded by deforestation and land degradation, which could push millions of families into extreme poverty.** Climate change is altering temperature and rainfall patterns in the country, resulting in reduced water availability and extended droughts in some areas, and floods in others. These are expected to have a differential impact on low-income vulnerable households with low adaptation capacity such as small farmers or the urban poor living in informal settlements. Continued deforestation in the Amazon and Cerrado biomes remains a matter of urgency as it has increased land-use emissions—the main source of greenhouse gas (GHG) emissions in Brazil. Strengthening resilience to climate change and protecting natural assets, especially the fragile ecosystems of the Amazon and Cerrado, are essential for environmentally sustainable economic growth.

4. **COVID-19 deteriorated human capital accumulation.** The COVID-19 pandemic led to educational learning losses and falling educational achievement, with lasting impacts on future productivity of children. The Human Capital Index (HCI) estimates the productivity of a child born today when he or she reaches the age of 18 if the prevailing education completion, learning outcomes, and health conditions remain the same. The World Bank Brazilian Human Capital Review¹

¹ World Bank. 2022. *Brazil Human Capital Review: Investing in People*. Washington, DC: World Bank. <http://hdl.handle.net/10986/37626>. Notice that the Brazilian HCI follows the same spirit of the Global HCI but there are some differences due to different data sources, as explained in the report. For more details on the Global HCI consult Gatti, Roberta V., P. Corral Rodas, N. Dehnen, R. Dsouza, J. Mejalenko, and S. Pennings. 2021. *The Human Capital Index 2020 Update: Human Capital in the Time of COVID-19*. Washington, DC: World Bank Group. <http://documents.worldbank.org/curated/en/45690160011156873/The-Human-Capital-Index-2020-Update-Human-Capital-in-the-Time-of-COVID-19>.



calculates the (Brazilian) HCI for Brazil and estimates that an average Brazilian born in 2019 is expected to achieve only 60 percent of his/her full potential, similar to Argentina and Colombia. Preliminary estimates for COVID-19 impacts suggest a dramatic decrease in the HCI, especially due to school closure and uneven access to remote learning. The estimations for HCI 2021 indicate a child born in that year will have 6 percentage points less potential productivity than a child born in 2019. In a pessimistic scenario, this means reverting to pre-2009 productivity levels. Additionally, a child born in north and northeastern Brazil is only able to achieve slightly above half of his/her full potential productivity. This corresponds to a range of 4 to 6 HCI points below the southeast region.² The pandemic is estimated to significantly increase these regional differences in labor productivity.

5. **Moreover, the COVID-19 pandemic had major consequences on the health outcomes of the Brazilian population, particularly for children.** Many social indicators remain at lower levels than in the pre-pandemic period. The effects of the pandemic compromised the health not only of families who were infected with the COVID-19 virus but also of those who suffered the impacts of the dismantling of the primary health care network. While polio vaccine coverage was 84 percent in 2019, it plummeted to 70 percent in 2021. Hepatitis B vaccine coverage, which should be taken during the first 30 days of life, was 79 percent in 2019 and 62 percent in 2021. Immunization for measles, mumps, and rubella, done through the Triple Viral Vaccine until the age of 2, had its coverage reduced from 93 percent in 2019 to 73 percent in 2021. In addition, some states suffered more than others. In Roraima, for example, diphtheria, pertussis, and tetanus (DTP) coverage for pregnant women was only 15 percent in 2021, in contrast to 61 percent in the Federal District.

6. **The COVID-19 pandemic also had sizable impacts on educational outcomes in terms of coverage and school attendance.** The net enrollment rate for children ages 0–3, for example, decreased from 28.6 percent in 2019 to 27 percent in 2020 until reaching 25 percent in 2021. Recent data, however, indicate that this number increased to 31 percent in 2022. For children ages 4–5, the decline in the net enrollment rate was even larger, from 77 percent in 2019 to 71 percent in 2021, almost a 6-percentage-point difference. It then jumped to 75 percent in 2022, below the levels observed in 2019. A similar pattern was observed for attendance. The attendance rate among children ages 5, for example, reduced from 94 percent in 2019 to 85 percent in 2020, which is below the rate observed in 2015 (90 percent), and then reached 94 percent in 2022. Data relative to younger children are available only in the old version of the national continuous household sample survey (*Pesquisa Nacional por Amostra de Domicílios Contínua* [PNAD], 2015), when these figures were 49 percent for children ages 3 and 74 percent for children ages 4.³

B. Sectoral and Institutional Context

7. **In December 2022, the legacy of generous transfers made during the pandemic and the electoral period had created a widespread expectation for continued support among various segments of the society.** The Government had replaced the conditional cash transfer (CCT) BF program⁴ with a new CCT, Brazil Aid (*Auxílio Brasil*, AB) in November 2021. AB maintained the main design features of BF (such as a transfer calculated on a per capita basis) and introduced some innovations (see annex 3). However, they were not implemented as new measures were announced. Shortly after, the program was further altered with the introduction of the Extraordinary Benefit (*Benefício Extraordinário*, BEx) and Complementary Benefit (*Benefício Complementar*, BComp) programs, which provided monthly transfers of BRL 400 and BRL 600 per family, respectively. This package of benefits included a mix of permanent and temporary income support

² In 2019, the weighted average of the HCI in the north and northeast was 56.2 percent and 57.3 percent, respectively. In the south, center-west, and southeast it ranged from 61.6 percent to 62.2 percent. The difference between these 'two Brazils' is 4–6 HCI points.

³ Preschool became de jure mandatory in Brazil by 2016. Before that, it was not mandatory for the state to offer enough seats at daycare centers nor for families to enroll their children at this educational level. Implementation has been slow since the Government decided on universal child education in 2009, which means that it is not de facto mandatory yet.

⁴ The BFP has been monitoring the compliance with two conditionalities since its inception: health checkups for children and pregnant women and school attendance for children up to 18 years of age.



programs and deviated from the original BF and AB design, that determined the transfer size based on the family composition (that is the transfer size was based on a per capita bases). This shift created an expectation in society to receive a generous transfer, around half minimum wage or three times the historical average benefit. Box 1 and Annex 4 show the evolution of the flagship CCT program in Brazil over the last two decades and the increase in coverage and overall average transfer size since the introduction of the program Emergency Aid (*Auxilio Emergencial*, AE), which was quickly deployed to mitigate the impact of COVID-19 on vulnerable families.

8. **Eliminating poverty and hunger is a top national priority.** Both candidates committed during the electoral period to maintain a monthly transfer of BRL 600 per family and on the inauguration day, the new administration also committed to supplement it with BRL 150 per child and making the return of BF the catalytic instrument to fulfill these promises. During the first 100 days of the new government, the Ministry of Development, Social Assistance, Family, and Hunger Alleviation (*Ministério do Desenvolvimento e Assistência Social, Família e Combate à Fome*, MDS) worked diligently on relaunching BF and striking a difficult balance between fulfilling campaign promises, incorporating lessons learned from the adoption of digital technologies and the uptake of banking services as a result of coping with social distancing, and addressing the multiple challenges resulting from the COVID-19 crisis and long-standing structural issues in Brazil.⁵

9. **The MDS faced several challenges when designing the transition from AB to the new BF, starting with a large increase in the cost of the program.**⁶ Historically, the BF program operated with around 14 million beneficiary families and an annual budget close to 0.4 percent of GDP. But in 2020, AE expanded Brazil's social protection system's coverage and generosity reaching 67 million beneficiary persons and cash transfer programs expenditures (AE + BF) surpassing 4 percent of GDP. By 2022, the AE program was eliminated, but the combination of AB, Emergency Benefit (*Benefício Emergencial*, BEm), and BComp still stood at 1 percent of GDP. The increase in the cost of the cash transfer program came at the expense of reductions in the federal financing of other complementary programs and services, most noticeably the financing directed to the Unified System of Social Assistance (*Sistema Unificado de Assistência Social*, SUAS). The budget for federal co-financing of social assistance services was reduced from BRL 2.7 billion in 2017 to less than BRL 1 billion in 2022, and the budget for SUAS fell from BRL 133 million in 2019 to BRL 62 million in 2022.

10. **In addition, the fixed transfer per family adopted in 2022 had potentially created unintended efficiency losses.** It contributed to incentivize individual household members to register as separate single families leading to potential double dipping.⁷ The share of single-person beneficiary families increased from 15.4 percent in November 2021 to 19.0 percent in December of the same year and then again from 20.9 percent in June 2022 to 24.4 percent in July of the same year. These changes occurred just one month after the BEm and BComp were announced. In addition, the fixed transfer also created inequities, with larger families that tend to be poorer receiving less in per capita terms. Families with one member receive a transfer six times larger than families with six members but have an average poverty gap six times smaller than families with six members.

⁵ For a full account of the challenges and recommendations, see Falcao Silva, Tiago; Campante Cardoso Vale, Ricardo; Dominici Cricci, Bruna; Lara Ibarra, Gabriel; Posadas, Josefina. *New Bolsa Família : Challenges and Opportunities for 2023 - Technical Note 1 : Executive Summary* (English). Washington, D.C. : World Bank Group.

<http://documents.worldbank.org/curated/en/099092023174612801/P17483604004260dc099d4010e0e767fc3a>

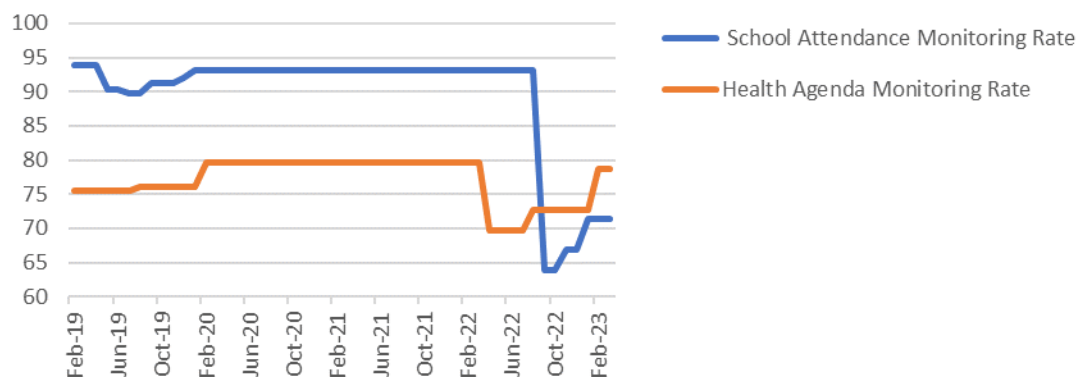
⁶ Falcao et al. (2023) provide a detailed account of the challenges, recommendations of the World Bank, and government actions in the areas of social assistance in Brazil.

⁷ The switch from BF/AB to the package of AB + BEm + BComp brought a change in the way the transfer was determined, from a per capita basis to a per family basis. In the first case, the transfer depended on the number of household members and age composition. In the second case, the transfer was guaranteeing a minimum value of BRL 600 per family. This movement created an incentive to members of a family to register as separate families to maximize the level of the transfer.



11. **Another important challenge has been the slow return of the monitoring of the conditionalities of the program—a key feature that the literature consistently finds contributes to human capital accumulation.**⁸ In March 2020, as a response to mobility restrictions to contain the proliferation of COVID-19, several services were suspended. The ministerial order (Portaria No. 335) suspended the management and operational processes, such as verification and revision of registration, benefit suspension and cancellation, and special payment actions, among others. This suspension significantly affected the rate of conditionalities monitoring (figure 1). With the relaxation of mobility restrictions⁹ and the resumption of activities, health monitoring rates have almost returned to pre-pandemic levels, but education monitoring rates are still at a significantly lower level relative to pre-crisis values. The monitoring of education conditionalities was interrupted for a period slightly over two years, from the February/March 2020 bimester to the April/May 2022 bimester.¹⁰ This large gap in monitoring surely resulted in education losses that can only be recovered with significant additional effort to rebuild and even surpass the pre-pandemic monitoring rates. The suspension of in-person classes led to a significant increase in school dropout and evasion upon the return to in-person classes, especially among children, adolescents, and young people from low-income families. The school abandonment rate increased from 2.3 percent in 2020 to 5.7 percent in 2022, with slightly higher values for boys than for girls.¹¹ The interruption of in-person instruction for such an extended period also brings serious difficulties to the normal school trajectory of beneficiary students, since their families, for the most part, certainly did not have the resources to access remote classes. Overall, learning losses, estimated as the increase in the percent of students below adequate levels of proficiency in math and Portuguese, are substantial. In 2019, 18 percent of 9th grade public students had adequate levels in math. In 2021, this rate was 15 percent. The decrease was comparable for Portuguese with a fall from 36 percent to 35 percent during the same period.¹²

Figure 1. Conditionalities Monitoring Rate



Source: VIS DATA 3. National Secretariat for Citizenship Income (*Secretaria Nacional de Renda e Cidadania*, SENARC) MDS.

12. **The BF program’s operating system also needs to be adapted to the new reality.** The single registry and benefit delivery systems were designed for a program with less coverage and less ambitious transfer sizes. There was a 50 percent

⁸ See table 2 notes for a list of studies on the topic.

⁹ The mobility restrictions were decided at the state level. They were lifted as early as November 2020 and as late as January 2022. The process was not straightforward as many restrictions were lifted and imposed again.

¹⁰ Notice that health services were not interrupted, but schools were closed for a long period for in-person teaching, with implications for the monitoring of conditionalities.

¹¹ The abandonment rate in high school for boys was 2.4 percent and for girls was 2.0 percent (based on data from INEP, 2019, <https://observatoriodeeducacao.institutounibanco.org.br/cedoc/detalhe/enfrentamento-da-cultura-do-fracasso-escolar,409247bd-cde7-4b4c-b035-b3d8dac0c7a1>).

¹² From Sistema de Avaliação da Educação Básica (SAEB): <https://qedu.org.br/brasil/aprendizado>.



increase in registered families in the social registry (Cadastro Único) during the pandemic, resulting in a surge in demand for Cadastro Único services that could not be fulfilled, especially given the reduction in SUAS resources. In addition, the regular registration updates, required every 24 months, have also been lagging, initially due to social distancing measures but later due to lack of capacity to respond to a larger clientele.¹³ The cadastral rate (defined as the number of families with current information) has not yet reached the pre-pandemic levels of 85 percent and is currently around 75 percent.

13. **The new BF program introduced in March 2023 through the Provisional Measure 1164/23 is an attempt to revert key design features to its original form, yet within the limits imposed by the current context.** The reform incorporates significant changes aimed at enhancing the effectiveness, while maintaining current high coverage levels. First, the program partially returns to a family transfer dependent on household size and composition: a per capita value of BRL 142 per month is allocated to each family member. However, if the family benefit does not reach BRL 600 with the sum of the per capita family transfers, a variable top-up benefit (Complementary Benefit, *Benefício Complementar*, BC) is added to ensure that no family receives less than that amount. On top of this, two benefits are offered: (a) beneficiary families with children up to 6 years now receive an additional BRL 150 per child, referred to as the ‘First Childhood Benefit’ (*Benefício Primeira Infância*, BPI) and (b) families with children between 7 and 18 years and pregnant women now receive an extra BRL 50 per minor child or pregnant mother, known as the ‘Family Variable Benefit’ (*Benefício Variável Familiar*, BVF). The Provisional Measure was approved by the Congress on June 1, 2023 and sanctioned by the President, under Law 14.601 of June 19, 2023.

14. **While the new BF program could not address all the challenges, it is a step in the right direction toward supporting the human capital accumulation of children and in making the benefit more equitable.** A total of 9 million children ages 0 to 6 (or 45 percent of all children in that age range) are covered by the BF program. Because of the good targeting of BF, it can be concluded that these children live in the poorest and most vulnerable families. These families have the highest infant mortality (11.90 per 1,000),¹⁴ the largest share of the annual 240,000 children born with low birth weight, and most of the 4.13 percent low weight and height at 5 years. These children also have low access to daycare (only 31 percent of children 0–3I) and preschool (they make up 17 percent of the 4 and 5 year-olds out of school nationally).¹⁵ Robust evidence from other CCT programs around the world demonstrates that additional cash for families with children contribute to improved human capital outcomes of their children.¹⁶ The introduction of BPI combined with the reintroduction of the conditionality system is expected to contribute to improved health and education performance of beneficiary families.

15. **Other actions from the MDS are directed to improving the support systems will address some of these challenges.** The MDS has introduced an action plan to enhance Cadastro Único (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)¹⁷ that involves (a) a communication campaign emphasizing the need to correct records; (b) training for interviewers in

¹³ The registration on Cadastro Único involves visiting a Municipal Social Assistance Office (*Centros Referência Assistência Social*, CRAS (or equivalent) site) to provide the needed information. This information needs to be updated every 24 months (through another visit).

¹⁴ Ministério da Saúde - DataSUS | Organizado por Datapedia.info.

¹⁵ INEP | Organizado por Datapedia.info.

¹⁶ Based on an established body of literature that examines the nexus between cash transfer programs and nutrition and health outcomes (Black et al. 2015, Galasso et al. 2016, Leroy et al. 2009, Bastagli et al. 2016). (Paes-Sousa, Santos, and Miazaki (2011).

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¹⁷ Resolução MDS/CIT nº 01, de 07 de fevereiro de 2023 and PORTARIA MDS Nº 871, DE 29 DE MARÇO DE 2023



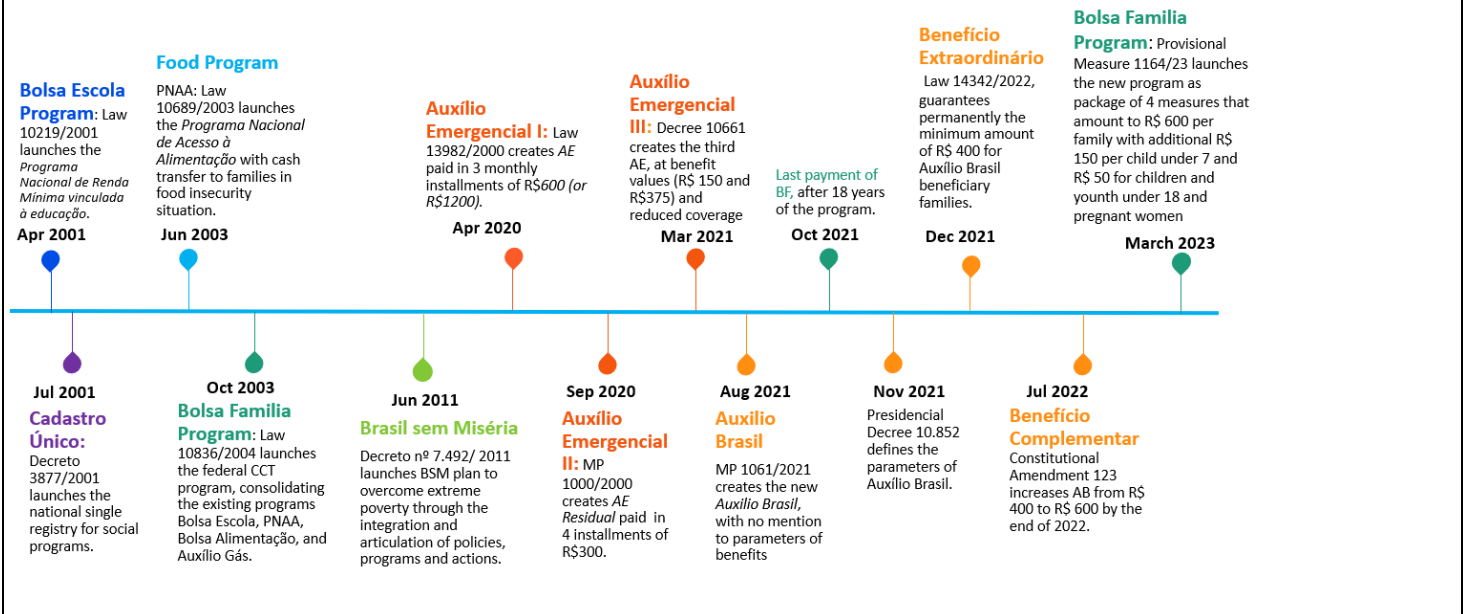
municipalities; and (c) a strategy to increase the quality of entries of the social registry, including expanding interoperability across government databases.

Box 1. The evolution of CCTs in Brazil

The first poverty-focused cash transfer in Brazil was the Nutrition Card (*Cartão Alimentação*), as part of the National Program for Access to Food in 2003. The program aimed to combat hunger and promote food and nutrition security. The BF program was introduced in 2003 with innovative design features for cash assistance in Brazil, mainly the consolidation of programs and the use of conditionalities. Law No. 10,836, of January 9, 2004, replaced the Nutrition Card with the BF program and consolidated several other support programs. Since then, the BF program design was maintained, and Government efforts focused on developing complementary programs to promote graduation and enhanced access to multiple social services.

With the arrival of the COVID-19 pandemic, a succession of changes were introduced between March 2020 and March 2023. These changes included the introduction of Emergency Aid programs (AE I, II, and III) and the transition from BF to AB, which kept various features and promised interesting innovations that were not really implemented as they were immediately followed by the introduction of the programs Extraordinary Benefit (*Benefício Extraordinário*, BEx) and Complementary Benefit (*Benefício Complementar*, BComp). Figure 2 shows the full timeline of reforms of the flagship CCT program in Brazil and a more detailed explanation is presented in annex 3.

Figure 2. Timeline of Reforms to the CCT Programs in Brazil



C. Relevance to Higher Level Objectives

16. The proposed operation is consistent with the priorities of the World Bank Group’s Country Partnership Framework (CPF) for the Federative Republic of Brazil for FY18–FY23 and confirmed by the corresponding Performance and Learning Review (PLR). The CPF for FY18–FY23 (Report No. 113259-BR) was discussed by the Executive Directors on May 16, 2017, and more recently confirmed with the 2022 Brazil PLR.¹⁸ The program will directly support Focus Area 1: Fiscal consolidation and government effectiveness and is aligned with Objective 1.2. ‘Increase fiscal sustainability and fairness of pension system, and effectiveness of SP system’ and Objective 1.4. ‘Increase effectiveness of service delivery in health’. Objective 1.2 supports the Government’s efforts to improve social assistance programs, support productive

¹⁸ CPF is report No. 113259-BR, discussed by the Executive Directors on May 16, 2017. PLR report No. 143636-BR of April 27, 2022.



inclusion, and strengthen the state’s capacity for service delivery. The operation continues the support of the country’s main CCT, in continuity with the ongoing Investment Project Financing (IPF) (Income Support for the Poor Affected by COVID-19, P174197).

17. **The project is consistent with the country’s Nationally Determined Contributions.** Brazil’s Nationally Determined Contributions,¹⁹ submitted in 2015 and most recently updated in 2022, commit to an economywide approach to emission reductions consistent with the 2°C global goal and have a broad scope including mitigation, adaptation, and means of implementation. Brazil’s adaptation strategy emphasizes the social dimensions of climate change and promotes inclusive and equitable climate action accordingly. Furthermore, Brazil’s National Adaptation Plan²⁰ includes public policies and adaptation actions and strategies at different levels of government. The Country Climate and Development Report (CCDR)²¹ finds that even without considering possible turning points toward more optimistic scenarios, climate shocks could push another 800,000 to 3 million Brazilians into extreme poverty as soon as 2030. More robust adaptive social protection (ASP) system could support families and communities and help protect them from being impoverished by climate shocks—especially when those shocks affect large swaths of the population at once. Thus, the project is consistent with these strategies by supporting CCTs that will help vulnerable families mitigate the impacts of extreme weather and climate events, therefore supporting vulnerable people and populations and food and nutritional security sectoral and thematic strategies.

II. PROJECT DESCRIPTION

A. Project Development Objective

18. **Project Development Objective (PDO) statement.** The objective of the project is to protect the income of poor families with children from 0 to 6 years of age and mitigate risks that might damage those children’s human capital.

19. **The PDO will be tracked through the following PDO indicators:**

- (a) Children from 0 to 6 years of age in poor families receiving BPI (Number)
- (b) Children from 0 to 6 years of age benefiting from the BPI, who are being monitored by the program for compliance with health checkups (Percentage; disaggregated by vulnerable group category)
- (c) Children 4–5 years old benefiting from the BPI, who are being monitored by the program for compliance with education attendance (Percentage; disaggregated by vulnerable group category)

¹⁹ Brazil has made three submissions, but its commitments have not changed; the updates reaffirmed the initial commitments and/or answered questions about those commitments. See Federative Republic of Brazil. 2015. “Intended Nationally Determined Contribution.” Brasilia. <https://unfccc.int/sites/default/files/BRAZIL%20iNDC%20english%20FINAL.pdf>; 2020. “Brazil’s Nationally Determined Contribution (NDC) - Update.” Brasilia. <https://unfccc.int/sites/default/files/BRAZIL%20iNDC%20english%20FINAL.pdf>; 2022. “Nationally Determined Contribution (NDC) - Annex: Information to Facilitate Clarity, Transparency and Understanding of Brazil’s NDC.” Brasilia. <https://unfccc.int/sites/default/files/NDC/2022-06/Updated%20-%20First%20NDC%20-%20%20FINAL%20-%20PDF.pdf>.

²⁰ Ministry of Environment. 2016. “National Adaptation Plan to Climate Change.” Volume I: General Strategy and Volume II: Sectoral and Thematic Strategies. Brasilia: Ministry of Environment (Ministério do Meio Ambiente) <https://unfccc.int/documents/302142>. The sectoral and thematic strategies include 11 areas but are relevant to the project adaptation measures in infrastructure and disaster risk management.

²¹ World Bank. 2023. <https://openknowledge.worldbank.org/entities/publication/a713713d-0b47-4eb3-a162-be9a383c341b>.



20. **The PDO indicators track the objectives of the BF transfer financed by the project.** The first indicator tracks the number of children from 0 to 6 years whose family’s income is below the eligibility threshold of BF and who will receive the BPI financed by the project. The second and third indicator measures children from 0 to 6 years who are being monitored by the program for compliance with conditionalities on health and education, respectively. The last indicator aims at measuring improvements in human capital accumulation through a dedicated survey.

21. **The PDO is aligned with the Government of Brazil (GoB) objectives as stated in the Carta Consulta (CC) submitted to Commission of External Financing (Comissão de Financiamentos Externos).** The general objective of the project, as stated in the CC, is to support the Government of Brazil in implementing the conditional cash transfers through the BF program to mitigate poverty and stimulate human capital among households affected by the COVID-19 crisis and existing structural vulnerability issues. The specific objective, as stated in the CC, is to guarantee, through the cash transfer, food security and the monitoring of the health and educational conditions of children in vulnerable situations.

B. Project Components

22. **The proposed project will support the financing of the BF CCT program for children from 0 to 6 years living in poor families (US\$299.25 million).** The project consists of a single component of benefits, paid to families that have members in specific age groups (0–6 years), who will be complying with human capital conditionalities (health and education). By financing cash transfers in BF, the loan would generally follow the same structure and activities as the latest IPF with the same ministry (P174197), which closed in December 2022, ensuring continuity of World Bank support to the program for an additional two years. The proposed loan would start disbursing in the last quarter of 2023 and close in the second quarter 2025 (20 months).

23. **The project represents a contribution of about 5 percent of the total monthly cost of the first childhood benefits for 20 months (assuming expenditures remain at levels observed in June 2023).** The project would benefit about 9 million children directly through financing of monthly transfers. See table 1 for a summary of the total cost breakdown.

Table 1. Cost Breakdown

Components	Monthly Value of the Program in May 2023 (US\$, millions)	Monthly Transfers Financed by the Project (US\$, millions)	Percentage of Program Financed by the Project (%)	Monthly Project Beneficiaries (millions)	Monthly Unit Cost (US\$)	Total Transfers Financed by the Project (US\$, millions)
First Childhood Benefit for families with children from 0 to 6 years of age	279.00	15.00	5.00	9.00	1.70	299.25
Front-end fee						0.75
Total	279.00	15.00	5.00	9.00	1.70	300.00

Note: The total project cost is based on financing of monthly value of transfers for 20 months.

24. **The GoB will finance the remaining necessary activities (not financed by the project) for the delivery of the cash transfers.** The MDS, in coordination with municipal offices that are part of the social assistance network (SUAS), will update and maintain the social registry (Cadastro Único) used to enroll, verify eligibility of project beneficiaries, and select one adult member of the household (priority given to women) to be the direct recipient of the cash transfer. Caixa Econômica Federal (CEF), the financial intermediary contracted by the MDS, will provide payments through digital accounts. These activities and processes are described in detail in annex 3. The MDS will also monitor compliance with



human capital conditionalities through the 'SICON²²' information system, which draws information from registries populated by the health and education authorities.

25. **The Intermediate indicators will track the effort by the MDS in key actions in the program's delivery chain, in addition to payment of the first childhood benefit.** These include indicators to track the number of families receiving the BF transfer beyond the BPI, as there are positive spillovers on all the beneficiaries of the BF program. It will also track the share of complaints submitted through the grievance redress mechanism, addressed within 30 days. Previous World Bank projects to finance BF adopted similar indicators.

26. **The World Bank project implementation support will provide technical assistance (TA) to overcome the overall implementation challenges of the new BF program, including improving the quality of the single registry and better monitoring conditionalities, as the package of services will determine the effectiveness of the project financing.** The goal of the new government is to overcome operational and design issues that have hindered the effectiveness of the BF program. This includes enhancing the quality of the single registry, improving conditionalities' monitoring, and improving design and operations. The World Bank, through non-reimbursable TA, will provide support to the new administration in tackling these challenges in five areas: (a) improvements to the quality of Cadastro Único data; (b) enhancements to the effectiveness of conditionalities; (c) BF design and operational improvements; (d) benefits management improvement; and (e) greater and better coordination with other ministry programs to increase the impact of the BF program, particularly for families with children from 0 to 6 years.

27. **In addition to regular implementation support and TA, during the life of the project the World Bank will also provide Advisory Services and Analytics (ASA) support to counterparts in implementing innovative approaches to the operational challenges of the new BF.** Many operational aspects of BF still need to be organized, monitored, or evaluated. The 'Brazil Social Protection Reforms after COVID-19' ASA (P174836) will include a series of studies and exchanges of global best practices in areas of demand by the MDS.

C. Project Beneficiaries

28. **The project will directly support about 9 million beneficiary children (ages 0 to 6) from households below the BF poverty line.** The project will also support the family members who are recipients of the benefit, which are projected to be around 7 million families since some families receive more than one benefit financed by the project, based on their composition (for example when there is presence of two infants). In addition, the program prioritizes women as beneficiaries first, as they make up the majority of recipients of the BF household benefit, and second, as women are overrepresented among BF beneficiaries in families with the presence of young children.

D. Results Chain

29. **Theory of Change.** The project finances transfers to support the BPI of the BF program. The MDS and municipal offices (through government resources) will run the administrative systems to enroll families in the program and deliver benefits, including monitoring of compliance with conditionalities. The BPI of the BF program will help mitigate the impact of the economic and human capital losses, induced by the recent crisis stemming from COVID-19 and global food price inflation, on children from 0 to 6 years living in poor families. Financed transfers, through the provision of additional income to the household, protect children and their families from welfare effects of income shocks with long-term implications, which can include malnourishment, poor early childhood stimulation, and increased school dropouts.²³ In

²² SICON = Monitoring System for Conditionalities (*Sistema de Condicionalidades*).

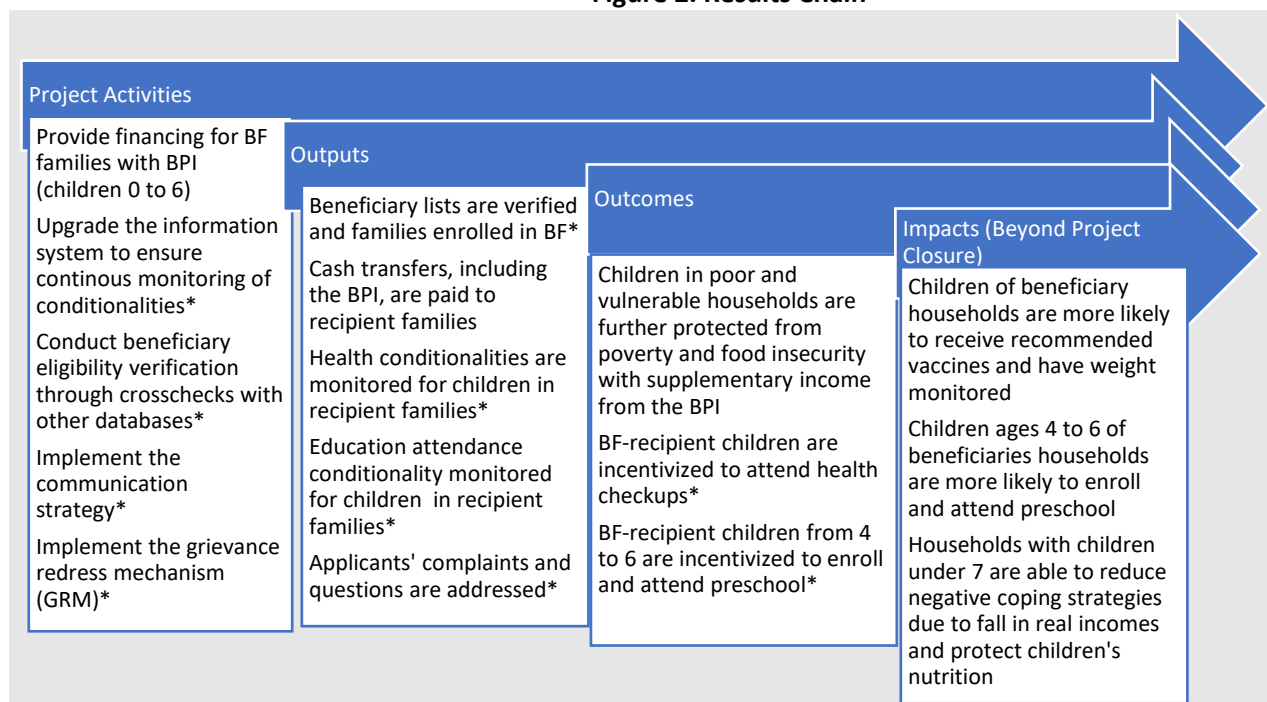
²³ Cerutti, P., E. Crivellaro, G. Reyes, and L. Sousa. 2019. "Hit and Run? Income Shocks and School Dropouts in Latin America." *Labour* 33 (4): 533–566.



addition, monitoring of the compliance with health and education conditionalities for children from 0 to 6 years contributes to improve health and education outcomes. Healthier children and children who attend preschool are found to have better learning outcomes and skills later in life and improved labor market outcomes when adults. Details of the activities, outputs, outcomes, and ultimate impacts are shown in figure 2.

30. **The human capital conditionalities strengthen the impact of financed transfers.** Conditionalities attached to the benefit for children ages 0–6 increase parents’ likelihood of taking young children for health checkups in the critical window of the early childhood development. This ensures children receive the required immunizations and have their height and weight monitored, thus preventing risk of severe malnutrition. Such conditionalities are particularly important in the aftermath of COVID-19, when use of health services, including immunizations, dropped because of pandemic-related supply and demand constraints. The conditionalities attached to education incentivize the enrolment and attendance of 4- to 6-year-olds in mandatory preschool. These conditionalities are particularly relevant in the post-pandemic period when in-person classes resumed (after years of uneven distance learning) and children benefit from additional nudges to return to class. Improvements in nutrition will also result in healthier children and higher human capital accumulation. The PDO indicators track benefit coverage of children and the effort by the MDS to monitor compliance with conditionalities for children from 0 to 6 years.

Figure 2. Results Chain



Note: Items marked with * are Government executed without financing from the project.

Assumptions: A1: Cash transfers improve the well-being of the families, and in particular, the human capital accumulation of children from 0 to 6 years by reducing malnutrition and school dropouts; A2: monitoring the compliance with the conditionalities increases health checkups and preschool attendance for children from 0 to 6 years, resulting in higher human capital accumulation.

E. Rationale for Bank Involvement and Role of Partners

31. **The World Bank has a comparative advantage in supporting Brazil’s long-standing CCTs.** In the area of social protection, the World Bank has extensive experience in assisting countries to address structural poverty, human capital



losses, natural disasters, and economic crises, including the 2008 financial crisis, and more recently, the impacts of the COVID-19 pandemic through scaling up of social safety nets. The implementation period will provide an opportunity to maximize impact and leverage the comparative advantage of World Bank involvement through an associated ASA. The project follows a long-standing operational and analytical engagement of the World Bank with the MDS to develop BF and Cadastro Único. Since its inception in 2003, the World Bank supported the development of the BF CCT and the delivery infrastructure of the current social assistance system through the BR Bolsa Familia 1st APL (P087713) and, between 2012 and 2018, through the Second Bolsa Família Project (P101504). A large World Bank operation supported the expansion of BF during COVID-19 crisis from 2020 to December 2022 (P174197). This project also has synergies with the recently approved project in basic education (Recovering Learning Losses from COVID-19 Pandemic in Brazil, P178563). The project aims to strengthen systems and recover losses caused by COVID-19 in the north and northeast of the country (where most of the AB families live), in addition to strengthening educational management in primary and secondary schools.

32. **The World Bank will be able to support Brazil with enhanced monitoring of inclusion through the Environmental and Social Framework.** While both programs have a robust monitoring system, the Environmental and Social Commitment Plan (ESCP) will encompass additional steps to monitor that the program's benefits remain accessible to vulnerable populations. To identify access challenges across groups, monitoring of the grievance redress mechanism (GRM) system will occur in a disaggregated way (by gender and special populations).

F. Lessons Learned and Reflected in the Project Design

33. **The proposed project will replicate the proven institutional arrangements of the latest loan with the MDS, closed in December 2022.** Implementation arrangements will largely mirror those of that project, which worked well and guaranteed timely disbursement and full achievement of outcomes.

34. **Lessons learned from the previous project on the implementation of CCTs in Brazil are incorporated in this proposed loan.** The first lesson is on the importance of fostering cross-sectoral dialogue between line ministries (MDS, Ministry of Education [Mde], and Ministry of Health) to address bottlenecks in the production of the needed data to accompany human capital conditionalities properly. Second, the pandemic underscored the severe capacity constraints and obstacles to monitoring school attendance and in receiving essential medical checkups. Activities are thus included during project implementation to better understand noncompliance with the conditionalities of the program, for instance, through analysis of administrative data, which will be provided through World Bank TA.

35. **The impact of this project that focuses on financial support for the top-up benefit of the CCT during the crisis recovery period and does not include Government-executed TA is maximized if swiftly implemented and complemented with World Bank TA.** The financing structure allows the World Bank to accompany the program implementation for an extended period (almost two years). The team has learned this is the minimum time for the World Bank-produced ASA to make an impact on implementation decision during the life of the loan.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

36. **The project expects to largely maintain the same implementation arrangements developed under the loan to finance BF expansion, closed in December 2022 (P174197).** The MDS is the implementing agency. It has strong experience and capacity built through the previous BF projects. Implementation arrangements in the World Bank Project (Brazil:



Income Support for the Poor affected by COVID-19, P174197) performed well, with financial management (FM) always rated Satisfactory. A new Project Operational Manual (POM) will be prepared before project effectiveness.

37. **The Project Implementation Unit (PIU)** includes the Project Coordination Unit (PCU) and the Project Execution Unit (PEU). The PCU will be composed of the Special Adviser on International Affairs (*Assessoria Especial de Assuntos Internacionais*, AESSIN); the Sub-Secretary for Administrative Affairs (SAA); and the Undersecretariat for Planning, Budget, and Governance (SPOG). The PEU will be led by SENARC, with other units in the MDS.

38. **The PCU will be responsible** for (a) the project completion report with contributions from the PEU, (b) approval of terms of references for audits, (c) general supervision, and (d) disbursement requests. AESSIN will be responsible for coordinating TA inputs and ensuring their distribution to the relevant secretariats to consider them for implementation. The PEU will be responsible for monitoring and managing activities and will assume primary fiduciary responsibilities, including (a) preparing and obtaining approval of project FM arrangements, (b) documenting expenditures to support disbursement requests, and (c) provide information for the project reports requested by external auditors and World Bank staff. The PCU will coordinate the inputs from SENARC, National Secretariat of Evaluation, Management of Information and the Single Registry (*Secretaria de Avaliação, Gestão da Informação e do Cadastro Único*, SAGICAD), and other units, as described in detail in the POM.

B. Results Monitoring and Evaluation Arrangements

39. **The PCU will have overall responsibility for project monitoring and reporting.** The management information systems will allow tracking of the project development indicators (PDIs) and intermediate result indicators using administrative data at baseline and every six months to be submitted in progress reports to the World Bank. The Results Framework will further clarify agreed monitoring protocols for each indicator. Specific targets for gender have been estimated and added when applicable. The progress in achieving expected results will be monitored during implementation and will be used to identify potential issues in need of attention and resolution. An end-of-project assessment will also be conducted two months before project closure to assess whether the intermediate results and PDO-level indicators have been achieved in an efficient manner, the sustainability of the results, and lessons learned.

40. **The World Bank-executed TA will also support in-depth monitoring of the oversight of the conditionalities for children (0–6 years).** First, the monitoring of the education conditionality for children of 4 and 5 years is an innovation within the Brazilian context. This conditionality was introduced with AB, but not put into practice until July 2022 due to the interruptions in service delivery during the pandemic. Second, a study will support SENARC to better understand the profile of children and municipalities that are unable to comply with the educational requirements of the program to attend preschool and nutritional surveillance. This will shed light on the operational improvements needed for implementing a more ambitious strategy relying on data from conditionalities for improving health and education service delivery. Early identification of non-enrollment, risk of school dropout, or child malnutrition are examples of instruments that can be developed to support states to act appropriately and in a timely manner, reinforcing this innovative aspect of Brazil's CCT.

C. Sustainability

41. **The BF program has maintained strong congressional and executive support across different administrations.** The benefits directly financed by this loan have to be confirmed yearly with the annual budget allocations. The BF program is planned in the 2023 budget. For 2024, the amounts will be approved by Congress in Q4, 2023. Over the years, the program always received allocations to cover at least the existing stock of families (though in some years it experienced constraints in covering those on the waiting lists). BF was created by Presidential Decree (*Medida Provisoria*) and ratified



in Congress into law (Law 14,601/2023), following an assessment of the fiscal space in the three future budget years. There is wide consensus on the importance of maintaining a poverty-targeted benefit, with families and children at the center, and such a consensus only increased after the COVID-19 pandemic with the rollout of the AE program and continued with the most recent food price increases. Finally, poverty-targeted cash transfer programs have historically changed parameters and names in Brazil, as was recently the case of AB and BF, but the core design of the programs have remained. For this reason, the Loan Agreement has been drafted to accommodate such a possibility, while preserving the core characteristics of the CCT program.

42. **Importantly, the size of the current loan represents about 5 percent of the monthly expenditures of the Government on the financed benefit over the 20 months of project implementation.** More broadly, the total size of the loan (US\$300 million) represents less than 1 percent of the annual budgeted expenditure for the BF program in 2023. Even if the BF budget was to be reduced beyond 2024 or the demand for the program fell due to economic improvements, a potential decrease in coverage would be a gradual process: the program would still have ample eligible expenditures even in scenarios of a smaller BF. The World Bank is currently the only planned financier outside of the Government of BF's BPI.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

43. **BF recipient families have lower human capital accumulation and are particularly vulnerable to shocks.** They have higher dependency ratios, are more likely to have a woman as the head of the household or as the sole bread winner, have higher rates of informal workers, and have lower levels of educational attainment among those over 20 years of age. Moreover, children ages 0 to 6 are overrepresented among the poor. While the share of Brazilians living under US\$2.15 a day (2017 PPP²⁴) was estimated to be at 5.8 percent in 2021; it was almost double (10.1 percent) among children between ages 0 and 6. The corresponding shares for those living below the US\$6.85 poverty line are 28.4 and 46.3 percent, respectively. Even though enrollment rates at the preschool level were at 94.1 percent in Brazil in 2019, attendance was not equally distributed. Among the poor, attendance rates at the preschool level were 2.8 percentage points lower than among non-poor, and these differences reached 8.8 and 8.2 percentage points in the south and north of the country, respectively.²⁵ The probability of reaching age five in Brazil is also 0.6 percentage points smaller among poorer families compared to their richer counterparts, demonstrating the vulnerability of poor children at very early ages.²⁶

44. **The role of social assistance programs to protect human capital is widely recognized.** Safety net programs, including CCTs, hold the promise of helping households reduce the impacts of negative shocks on the stock of human capital. Their effectiveness depends on the size and duration of the shock and the generosity of the transfer. A recent survey shows that income support for broad swaths of the population, through the expansion of cash transfers, has been used in more than 120 countries in response to COVID-19, including in the Organisation for Economic Cooperation and Development (OECD) countries, other upper-middle-income countries in Latin America (such as Argentina and Colombia), and East Asia and Pacific (such as Indonesia, the Philippines, and Thailand).²⁷ The strategy adopted by the GoB was particularly comprehensive, by leveraging both existing and new social safety net programs to reach already identified poor and new poor, focusing both on protecting dismissed workers, and trying to maintain links to the labor market. The

²⁴ PPP = Purchasing power parity.

²⁵ UNICEF. 2023. *Desigualdade na garantia do direito à pré-escola*. <https://www.unicef.org/brazil/media/22516/file/desigualdades-na-garantia-do-direito-a-pre-escola.pdf>.

²⁶ World Bank. 2022a. *Brazil Human Capital Review: Investing in People*. Washington, DC: World Bank. <http://hdl.handle.net/10986/37626>.

²⁷ Gentilini, et al. 2020. *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures*. Washington, DC: World Bank.



BF program has been shown to increase student enrollment by 5.5 percent, lower dropout rates by 0.5 percentage points (for grades 1–4 of primary school), and raise grade promotion rates by 0.9 percent among those in grades 1–4.²⁸ The program has also seemingly affected the usage of public health services by reducing AIDS incidence by about 4.4 percent in municipalities with high BF coverage, that is, over 70 percent of target population.²⁹ More broadly, cash transfer programs may also have lasting effects on beneficiaries' income, thus reinforcing the positive impacts on human capital. An impact evaluation of a one-off grant introduced in Uganda in 2008 revealed that the treatment group reported 20 percent higher income than the control group 12 years after the grant distribution.³⁰

45. **Relatively stable poverty rates in recent years owe, in no small part, to the impact of cash transfers and the substantial efforts to shield the vulnerable population from the economic repercussions of COVID-19, considering the sluggishness of labor market recovery.** Despite the historical drop in economic activity in 2020, Brazil's poverty rate decreased between 2019 and 2020, reaching 18.7 percent (US\$6.85 per day poverty line 2017 PPP). As the economy recovered, job opportunities were still below pre-pandemic levels, and the emergency cash transfers from AE were substantially scaled back. Poverty rates in 2021 went up to 28.4 percent, partially due to the shrinking of the AE program, whose coverage was halved and the average value of the benefit reduced by 58 percent. In 2022, households' real labor income is projected to finally have surpassed 2019 levels. However, labor income is expected to have a smaller role in the income of the poorest households,³¹ thus highlighting the importance of the support of government transfers for the most vulnerable. With the upward revision of BF benefits, the poverty rate is expected to go back to a pre-pandemic trajectory at 24.3 percent in 2023.

46. **The BF program will serve as an incentive to rebuild human capital of children following the reopening of schools and health services and the end of prolonged social distancing.** The BPI will help protect nutrition shortages of families with children under 7 years of age. Moreover, the BF incentivizes families of young children to go back to pediatric health services and resume or begin preschool attendance. The project is designed to support the protection and stimulation of human capital of young children, through the proven mechanism of CCTs. The conditionalities of the former BF program have shown positive impacts in improving children's educational attendance and outcomes, nutrition, and labor market participation, as well as health outcomes (see table 2).

28 Glewwe, P., and A. L. Kassouf. 2012. "The Impact of the Bolsa Escola/Familia Conditional Cash Transfer Program on Enrollment, Dropout Rates and Grade Promotion in Brazil." *Journal of Development Economics* 97 (2), 505–517.

29 Morais, G. A. Sampaio, L. Magno., A. F. Silva, N.S. Guimarães, J. A. Ordoñez, L. E. Souza, and D. Rasella. 2022. "Effect of a Conditional Cash Transfer Programme on AIDS Incidence, Hospitalisations, and Mortality in Brazil: a Longitudinal Ecological Study." *The Lancet HIV* 9(10): e690-e699.

30 Fiala, N., J. Rose, F. Aryemo, and J. Peters. 2022. *The (very) Long-Run Impacts of Cash Grants during a Crisis. RUHR Economic Papers.* https://www.rwi-essen.de/fileadmin/user_upload/RWI/Publikationen/Ruhr_Economic_Papers/REP_22_961.pdf.

31 The average share of labor income in overall income of households in the bottom quintile decreased from 55.1 percent to 49.6 percent.



Table 2. Impacts of the BF Program on Education, Labor Market, and Health Outcomes³²

Sector	Impacts
Health and nutrition	<ul style="list-style-type: none"> Consistent evidence of positive effects on utilization of health services, particularly for prenatal care. Nutrition evidence indicates that BF increases food consumption, improves children’s anthropometric measures, and decreases anemia. BF expansion correlates with lower rates of under-five mortality (reduction of 58.2 percent and 46.3 percent in mortality rates by malnutrition and diarrheal diseases, respectively). BF expansion correlates with significant reductions in new cases of tuberculosis and leprosy.
Welfare	<ul style="list-style-type: none"> BF is estimated to have contributed to a direct reduction of 0.5 percentage points on child (0–6) poverty and 3.7 percentage points on child extreme poverty in 2019.
Education	<ul style="list-style-type: none"> Increases enrolment by 5.5% in primary school. Lower dropout rates by 0.5 percentage points in primary school. Decrease in age/grade distortion.

47. **Paris alignment.** This project is aligned with the goals of the Paris Agreement on both mitigation and adaptation.

48. **Assessment and reduction of mitigation risks.** Project activities, as detailed in the project components section, will not affect GHG emissions and are not likely to have an adverse effect on Brazil’s low-GHG-emissions development pathways. The project supports cash transfers that are activities universally aligned with the decarbonization efforts as per the Paris Alignment guidelines. It is not expected that the operation will have a negative impact on Brazil’s low-GHG-emissions development pathways.

49. **Assessment and reduction of adaptation risks.** The project’s climate and disaster risk screening identified minor climate risks as the project only finances CCTs to families. The main climate and disaster risks likely to affect the BF CCT program are flooding, landslide, extreme heat events, and wildfires. However, the MDS has measures and protocols in place to ensure financing remains available and reach vulnerable families even in the presence of major climate change-related disasters. These measures include, among others, a strong network of CRAS or Centro de Referência Especializado em Assistência Social (CREAS) throughout the national territory enabling rapid identification of the affected public in case of crises and shocks; the up-to-date Cadastro Único allows individuals to be included/excluded as beneficiaries of social programs according to necessity; the universalist approach of the program promotes inclusion of all those in need of social assistance, including foreigners; the provisions to offer advanced payments for families residing in a location affected by shock and through the widespread presence of *Caixa Econômica* across the country; and the benefit payments are made to digital bank accounts to ensure faster availability in times of need. In addition, these actions are consistent with the Ministry of Environment’s Guidelines. These mechanisms and the protocols that the Government already has in place reduce the risks of the program from being affected by climate change to an acceptable level.

³² Bastagli, Francesca, Jessica Hagen-Zanker, Luke Harman, Valentina Barca, Georgina Sturge, et al. 2019. “The Impact of Cash Transfers: A Review of the Evidence from Low- and Middle-Income Countries.” *Journal of Social Policy* 48 (3); Amaral, Ernesto Friedrich de Lima, and Vinicius do Prado Monteiro. 2013. “Avaliação de impacto das condicionalidades de educação do Programa Bolsa Família (2005 e 2009).” *Dados* 56 (3): 531–570; Monteiro, Flavia, et al. 2014. “Bolsa Família: Food and Nutrition Insecurity of Children under Five Years of Age.” *Ciencia & Saude Coletiva* 19 (5): 1347–1358; Simões, Patrícia, and Ricardo Brito Soares. 2012. “Efeitos do Programa Bolsa Família na fecundidade das beneficiárias.” *Revista Brasileira de economia* 66.4:445–468; Bolsa Família 15 Anos (2003–2018)/organização, Tiago Falcão Silva - Brasília: Enap, 2018. P 530; De Oliveira, Gabriel Lyrio, and Andre Luis Squarize Chagas. 2020. “Long-term Effects of CCTs on Children: The Brazilian Case.” Diss. PhD Dissertation, University of Sao Paulo, 1–107. Glewwe, Paul and Ana Lucia Kassouf. 2012. “The Impact of the Bolsa Escola/Familia Conditional Cash Transfer Program on Enrollment, Dropout Rates and Grade Promotion in Brazil.” *Journal of Development Economics*, Elsevier, 97 (2):505–517. Lara Ibarra, Gabriel, Maynor Vinicio Cabrera, Otavio Canozzi Conceicao, and Ricardo Campante Cardoso Vale. “Poverty and Inequality Implications of Fiscal Policies: The Case of Brazil”. Policy Research Working Paper; no. WPS 10495 Washington, DC: World Bank Group.



B. Fiduciary

50. **The main FM-related risks identified are as follows:** (a) funds flow includes the transfer of funds to CEF for further payment to the eligible beneficiaries and (b) delays in budget confirmations in future years may cause implementation delays. FM mitigation measures include the following: (a) the contract with CEF will specify the reporting requirements, (b) the project will disburse by reimbursement of eligible expenditures, and (c) a specific budget line will be created to account for the program in the MDS.

51. **The project will contribute to specific budget lines identified within the Federal Government's budget cycle.** The World Bank and the project implementing agency should continuously monitor and follow up on the program budget, flagging any potential budget delays to the corresponding authorities to identify solutions. All records are electronically maintained and reconciled with budget report figures monthly.

52. **As in the latest operation (P174197) to finance BF expansion, the proposed project will continue to be implemented using the Federal Government's existing systems** and the Brazilian Accounting Rules, in line with international accounting standards. The Government has satisfactory accounting arrangements, made through its' FM information system³³ (named SIAFI).

53. **The project's implementation arrangements will be executed by the MDS.** The MDS has strong experience with the World Bank's procedures, as it has implemented three World Bank projects (BR Bolsa Familia 1st APL [P087713], Second Bolsa Familia [P101504], and Income Support for the Poor Affected by COVID-19 [P174197]), which closed on December 31, 2009, December 31, 2018, and December 31, 2022, respectively.

54. **Transaction processing will use the MDS's internal approval processes and systems,** which provide reasonable segregation of duties, supervision, quality control reviews, and reconciliation. The Federal Government has sound experience implementing cash transfer operations and has established processes and systems that allow orderly implementation and eligibility controls. During project implementation, the POM will be revised and kept current.

55. **Funds will be disbursed for eligible expenditures (the benefits listed in the project description) incurred under the project and in accordance with the agreed disbursement schedule.** The disbursement method is reimbursement. Retroactive financing will be allowed for this project up to an aggregate amount not exceeding 20 percent of the loan amount for payments made for eligible expenditures made up to one year before the signing date of the Loan Agreement.

56. **Annual audited financial statements will be required for the project.** The audit report will be submitted to the World Bank no later than six months after the end of the reporting period of each fiscal year. The project audit shall be conducted by the General Controllers Union (*Controlaria Geral da União*, CGU) following acceptable auditing standards acceptable to the World Bank. The borrower will publish the audited financial statements following the World Bank's Access to Information policy.

57. **There are no procurable expenditures in the loan,** so the overall fiduciary risk is Moderate.

³³ Federal Government Integrated Administration System (*Sistema Integrado de Administração Financeira*, SIAFI).



C. Legal Operational Policies

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

D. Environmental and Social

58. **The environmental and social risks are rated Low.** First, the activities funded by the project do not pose adverse environmental risks or impacts. The proposed project does not include any type of activity (services or construction works) that could cause direct or indirect adverse environmental impacts. Second, the project’s activities consist of CCTs through long-established social protection programs that would likely have minimal or negligible impacts on human populations. During the implementation of the Brazil Income Support for the Poor Affected by COVID-19 (P174197), the following risks were identified that remain relevant for the proposed project: (a) not reaching the most disadvantaged and vulnerable individuals and groups as defined in the World Bank’s Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups with the benefits of the project and (b) the channels of communication, engagement, and redressing grievance not being accessible in a culturally appropriate manner—did not materialize as a few material measures have been taken.

59. **As a consequence of the adoption of measures to promote social inclusion,³⁴ which will also be reinforced in the proposed project, the previous project was able to surpass its social inclusion targets.** For example, the number of indigenous peoples and quilombola families kept above the extreme poverty line as a consequence of the benefits of the previous project exceeded almost 12 times the original targets and grievance management. The proposed project is expected to continue to benefit the most poor and most disadvantaged and vulnerable social groups—such as indigenous peoples (among whom nearly two-thirds of the population is a beneficiary of BF) and quilombolas. The BF program continues to give priority to these social groups.

60. **The project’s ESCP addresses the low environmental and social risks by setting a few additional measures to enhance the institutional capacity of SENARC and the MDS.** ESS 1 (Assessment and Management of Environmental and Social Risks and Impacts Assessment and Management of Environmental and Social Risks and Impacts), ESS 2 (Labor and Working Conditions), ESS 4 (Community Health and Safety), ESS 7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities), and ESS 10 (Stakeholder Engagement and Information Disclosure) are considered relevant and the ESCP includes all the material measures and actions that are necessary for the project to meet the requirements of these standards and achieve its objectives over a specified time frame, including on labor

³⁴ These measures include (a) the preparation and dissemination of specific guidance materials for the outreach and engagement of traditional and specific population groups (including indigenous peoples); (b) the implementation of a communication plan specifically targeted to indigenous and traditional peoples and communities; (c) the opening of new channels for providing information and facilitating the resolution of grievances related with the supported CCT program—the 121 toll-free phone line, mail, an electronic form in the BF web page, its social media (at Facebook, Instagram, Twitter, YouTube, Telegram, Flickr, and SoundCloud) and an app; (d) the maintenance of the long-established and broadly consulted eligibility criteria of the Brazilian CCT programs and the automatic enrollment of the beneficiaries of the previous BF program among the beneficiaries; and (e) the expansion of the number of beneficiaries.



management, facilitation of resolution of concerns and grievances, and the social inclusion of disadvantaged and vulnerable social groups (including indigenous peoples). The measures agreed in the ESCP will be detailed in the POM.

61. **The project relies on the existing mechanisms of BF for citizen and civil society engagement, which have been a core element on the trajectory of strong delivery of cash transfers and programs in Brazil maintained over time since 2003.** The guidelines of BF (and particularly those targeting different specific traditional populations) have resulted from long-standing rounds of consultation with the civil society and social organizations representing disadvantaged and vulnerable social groups. Furthermore, civil society is broadly represented in state, district, and municipal councils for social assistance, which are responsible for planning activities, monitoring the execution of the program and its integration, and offering other public social policies to assist the beneficiary families at the local level, having full access to the Cadastro Único digital platform.³⁵ Information on the program (as well as on its predecessors) has been disclosed through dedicated web pages of the MDS website³⁶ and in its social media channels.³⁷ A booklet with basic information on the program has been produced and distributed both virtually³⁸ and in printed forms. Communication pieces already disseminated provide detailed information on criteria of eligibility, process of enrollment, payment of benefits, and available grievance redress mechanisms.³⁹

62. **The Stakeholder Engagement Plan (SEP) has been integrated in the ESCP.** Considering the low environmental and social risk of the proposed project and good performance of the MDS in the implementation of the previous similar operation, the elements of an SEP have been included as part of the ESCP and the preparation of a stand-alone SEP is not necessary.

Contribution to Climate Change Adaptation

63. **The target group benefiting from the planned project is disproportionately affected by climate-related shocks among Brazil's population.** Vulnerability to climate change-related shocks is a reality for one in every five Brazilians.⁴⁰ Impacts on health and natural disasters are identified as the principal drivers of increased poverty. Increase in the frequency of droughts displaces populations from the hinterlands to large coastal cities. Increase in the frequency of droughts and wildfires might further have an adverse impact on health indicators, affecting household income in the long run. Heatwaves generate learning losses among students. Finally, the poor are less equipped to cope with the consequences of climate change, since they have relatively low levels of asset accumulation and lower savings, are more likely to reside in flood-prone areas, and are more dependent on the agricultural sector.

64. **One in three beneficiaries of BF lives in areas of high risk of natural disasters.** A World Bank analysis completed in 2022 maps municipalities in Brazil according to the vulnerability to natural disasters, and their level of capacity to

³⁵ The CadÚnico online platform (https://cecad.cidadania.gov.br/tab_cad.php) gives detailed information on vulnerable people who are enrolled in the federal social protection programs by (a) gender, (b) specific populations, (c) race, (d) income bracket, (e) disabilities, and (f) various additional socio-demographic indicators and locations. The platform can produce information on the living conditions of the beneficiaries, such as access to water supply and sanitation services or the quality of housing materials.

³⁶ <https://www.gov.br/mds/pt-br/acoes-e-programas/bolsa-familia>.

³⁷ Facebook, Instagram, Twitter, Youtube, Telegram, LinkedIn, Flickr, and SoundCloud.

³⁸ https://www.mds.gov.br/webarquivos/MDS/2_Acoes_e_Programas/Bolsa_Familia/Cartilha/Cartilha_Bolsa_Familia.pdf.

³⁹ A key instrument of SENARC's engagement with key stakeholders is a technical and operational weekly bulletin ('Informe Bolsa and Cadastro'). This bulletin was created with the purpose of establishing a continuous and constant dialogue; sharing guidance (on best practices, management tips, courses, and so on) with the workers of the social assistance network all over the country who assist beneficiary families of the cash transfer programs, including municipal technical managers and state coordinators, and provide support to these actors; and, consequently, improving the quality of the provision of services to users. These weekly bulletins are sent by email to a list of over 70,000 registered contacts and published on the portal of the Ministry of Citizenship, where they remain available for consultation and download. Furthermore, SENARC conducts regular meetings to engage with the state and municipal providers of social assistance policies.

⁴⁰ World Bank. 2022. *Brazil Poverty and Equity Assessment - Looking Ahead of Two Crises*.



respond (further described in annex 2). The analysis shows that 25 percent of BF beneficiaries are in municipalities characterized by high or very high risk, due to exposure and low local capacity of these municipalities to cope. The high climate change vulnerability of the target populations is also evident from data in Cadastro Único on the profile of BF recipients:

- Lower asset accumulation and savings, which decrease resilience to climate shocks
- Overrepresentation of households in at-risk settlements adversely affected by climate change
- Overrepresentation of households in flood-prone areas without access to clean water or sanitation
- Small farmers in semi-arid regions whose income and employment are vulnerable to changes in the climate and extraordinary precipitation levels.

65. **ASP can help build resilience of the poor and vulnerable by investing in their capacity to prepare for, cope with, and adapt to climate-induced shocks.** Well-structured CCT programs and robust social registries increase access to safety nets and provide support before shocks, promoting nutrition, education, health, and financial inclusion. Additionally, communication tools with beneficiaries can be used to provide information and help manage risks. To cope with climate-induced shocks, CCT programs can scale up and adjust quickly (coverage, value, and conditionalities). CCTs also permit better adaptation to shocks, supporting diversification of livelihood and assets and building human capital to help the next generation adapt.

66. **The project is expected to increase beneficiary vulnerable families' resilience to climate change, through several channels.** BF is Brazil's principal social protection program to respond to climate-induced disasters and adverse weather events. The mitigation of climate shocks for vulnerable families through the BF program occurs via three channels:

- (a) More than 7 million families have at least one child age 0–6. The program is very well targeted. This means the most vulnerable part of the population is better prepared for climate-induced shocks. The project supports the program with special attention to one of the most vulnerable groups: poor families with children under age 7. By directly targeting BF to climate vulnerable groups, losses due to climate change are mitigated and resilience to climate change can be improved.⁴¹
- (b) The cash transfer can be activated whenever a family, including a non-poor household, experiences a shock that causes losses of livelihood and thus income. By ensuring financing to the program, the project maintains available the most disaster-responsive social safety net in Brazil's social protection system.
- (c) Once covered by BF and registered in Cadastro Único, families gain access to a series of protections in case of natural disaster in the locality. As discussed in the recent World Bank CCDD, the country has a mature ASP system to address climate-induced disasters and adverse weather events. Specific protocols are in place to use the programs in Cadastro Único in coordination with the civil protection agency: after a state of calamity declaration, BF can be mobilized locally to provide extra payments to the existing beneficiaries or expand temporary transfers to families in Cadastro Único.

67. **Furthermore, during the project, the MDS plans to undertake new enhancements to the ASP system, including with World Bank technical support.** Due to the increasing frequency of climate change-induced shocks in Brazil, the GoB recognizes the need to further strengthen the adaptiveness of BF and safety nets in Brazil. The MDS agreed with the World Bank, as part of the complementary ASA, to receive technical support for the development of several reforms that should

⁴¹ Fitz and League (2021) found that (a) adverse rainfall increases the likelihood of child labor and dropouts and (b) the BF CCT can partially mitigate the impact of adverse precipitation on human capital (school attendance).



improve the ASP features of BF, including (a) improvement of quality of data in the social registry Cadastro Único to more systematically identify poor and vulnerable households living in disaster-prone areas, (b) development of protocols to deploy social workers from nearby localities in support of affected communities, and (c) a review of event benefits (*Benefícios Eventuais*)—a benefit that is paid to people when disasters strike but is not regulated by the Government and which could come under the coordination of the MDS. See annex 2 of this project for more detail on climate vulnerability in Brazil and how the project addresses climate change.

Contribution to Gender Equality

68. **This IPF continues the line of support of a prior operation, Income Support for the Poor Affected by COVID-19, P174197, which received the gender tag for its contribution toward women’s economic empowerment.** The IPF will also monitor the indicators related to beneficiaries in a sex-disaggregated manner. To address the barriers Brazilian women face in accessing economic opportunities and mitigate adverse effects on gender equality, as discussed below, the proposed project will continue providing financing support to the same program as the abovementioned project (P174197), which prioritized women and children in early childhood as beneficiaries.

69. **The playing field is not level for women in Brazil.** Large gender disparities are observed in labor market engagement. Only 52.7 percent of women participate in the workforce compared with 72.1 percent of men. When women participate, they often work fewer hours and face higher unemployment rates than men with similar observable characteristics. Unemployment rates are 9.8 percent for women in contrast to 6.5 percent for men.⁴² Some of the underlying causes driving these gender gaps are the disproportionate burden of unpaid household chores (mainly care activities), occupational segregation, social norms, and discrimination. As a result, women earn less than men. Holding all other observable factors constant, they earn 28.3 percent less per hour. The gender gap in earnings reduces women’s intra-household bargaining power, which can weaken their agency. Among women recipients of BF, only 32 percent are employed (compared to 60 percent of men), and this figure drops even further to 30 percent when only looking at women residing in households with children ages 0–6 years (compared to 68 percent of men). To narrow these gender gaps, the project supports a program that prioritizes women as beneficiaries and gives special benefits for early childhood. More specifically, 81 percent of the BF benefits are paid into women’s accounts. Furthermore, 57.7 percent of BF beneficiaries are women. When considering only families with children ages 0–6, the percentage of female beneficiaries rises to 60 percent. In this way, the incentives given by the program can partially reduce the impact of gender earning gaps, with positive implications on empowerment and agency. To track progress, the project’s intermediate indicators track the percentage of women in BF in families with children ages 0–6 (based in Cadastro Único information).

70. **Finally, the project, through provision of the BF transfers that, by default, target adult women in the household, will contribute to empowering women and reducing gender-based violence (GBV).** Increasing evidence from low- and middle-income countries shows that cash transfers have the potential to decrease intimate partner violence, even if it is not the explicit objective of the transfer.⁴³ Evidence from Brazil tells a similar story: studying the effects of the former CCT BF on female homicides⁴⁴ in Brazil, a World Bank study found a strong negative effect of the cash transfers.⁴⁵ During the pandemic, Brazil experienced a sharp increase in GBV. Data from the two first months of confinement measures show a 22 percent increase in femicide and 27 percent increase in complaints to the national violence against women helpline

⁴² All estimates come from PNAD (2022), unless otherwise indicated.

⁴³ Buller, et al. 2018. “A Mixed-Method Review of Cash Transfers and Intimate Partner Violence in Low-and Middle-Income Countries.” *The World Bank Research Observer* 22 (2): 218–258.

⁴⁴ Female homicides were used as a proxy for domestic violence.

⁴⁵ Perova, E., S. Reynolds, and I. Schmutte. 2021. “Does the Gender Wage Gap Influence Intimate Partner Violence in Brazil? Evidence from Administrative Health Data.” Policy Research Working Paper 9656, World Bank, Washington, DC.



(compared to the same period in 2019).⁴⁶ The numbers furthermore reflect that disadvantaged groups were disproportionately affected: over one-third of the femicides in Brazil were women ages 18 to 29 and nearly two-third were of Afro descent.⁴⁷ Initial spikes of domestic violence during the pandemic were associated with quarantine measures. During later stages of the pandemic, job losses and economic stress for women were also identified as potential drivers of increased abuse. This development, in combination with the increasing economic stress to households because of inflation, stresses the need to address GBV in Brazil. The planned cash transfers will increase economic stability, security, and well-being, which can, in turn, result in lowered GBV among households.

Citizen Engagement

71. **The BF program has robust engagement with citizens, beneficiaries, and stakeholders at the national, state, and municipal levels, including access to information and GRMs.** These are based on the provisions of the Federal Constitution of Brazil and several other related regulations. All public administration agencies at the federal, state, federal district, and municipal levels are required to have a GRM 'Ouvidoria', whose procedures are publicly advertised, including a variety of channels through which citizens can submit their grievances (website, free telephone call, letter writing, and face-to-face attention). Claims should all be registered, maintained in the database 'Fala.br' - *Plataforma Integrada de Ouvidoria e Acesso à Informação*, and receive an answer within 30 days. These features of GRMs at Ouvidoria do not preclude or prevent access to administrative or judicial remedies in case claimants are not satisfied. Eligibility criteria, enrollment and appeal procedures, and payment of benefits of BF are widely disseminated through massive media campaigns conveyed through the internet, mobile applications, television, radio networks, and the front door units at municipal level (CRAS). The project will benefit from the feedback received through the following channels: (a) consultations meant for monitoring of most vulnerable beneficiaries and (b) periodic reports throughout project's implementation on grievances' management. Beneficiaries feedback indicators to be monitored by the project relate to the percentage of claims received and responded within the 30 days of regular response claimers according to the law.⁴⁸

72. **The BF program is part of and relies on a larger social assistance system that promotes the inclusion of people with disabilities (PwD).** PwD are eligible to the BF program if their family income (including that from other programs) is below the eligibility level. The main program to support PwD is the Benefit for Vulnerable People (*Benefício da Prestação Continuada*, BPC)⁴⁹ with a transfer size equal to the minimum wage (equivalent to twice the average BF transfer). The Brazilian system has established a process of consultations: (a) the National policy of consultations and⁵⁰ (b) the general law for the inclusion of PwD.⁵¹ In addition, the MDS has internal processes to reinforce those services. The General Ombudsman office of the MDS has a dedicated service to receive the needs of PwD, ensures the infrastructure allows accessibility in all service channels. For example, for face-to-face services it includes access ramps, officers knowledgeable

⁴⁶ Bastos, et al. 2020. *Addressing Violence against Women (VAW) under COVID-19 in Brazil*. World Bank, Washington DC.

⁴⁷ Tavares, Paula. 2021. *A Shadow Pandemic: Addressing the Crisis of Gender-Based Violence in Brazil*. Kings College London.

⁴⁸ In accordance to the law N° 13.460, of June, 26 2017, article 16.

⁴⁹ LEI N° 8.742, DE 7 DE DEZEMBRO DE 1993 Art. 20. - The BPC is the guarantee of a minimum wage monthly for the person with disabilities and the elderly (65 years of age and older) who prove that they do not have the means to provide their own maintenance or to have it provided by their family.

⁵⁰ The MDS disseminates information through various mechanisms, such as monthly lives on YouTube and the Bolsa Família Report available on the Ministry's website. Any remaining doubts can be clarified through the MDS Ombudsman's Service Channels, which have ample means of receiving questions, for example: Telephone 121, which answers free calls; the Electronic Form available to those interested in the public policies coordinated by the MDS; the receipt of Letters and face-to-face service. In addition, FalaBR and the Telegram profile contain the register of manifestations made available by the MC Ombudsman, an FAQ list. Coordination with the management network is done through group communication tools and events promoted by the Ministry, such as the collaborative network. Managers also have exclusive communication channels to resolve possible issues, such as Chat and an exclusive e-mail for PBF coordinators and municipal and state technical staff. For more details see <https://www.gov.br/participamaisbrasil/sobre>.

⁵¹ Law No. 13.146 of July 6th, 2025.



in sign language, video calls for people with hearing impairment, and so on. The service is provided through the Integrated Ombudsman and Access to Information Platform - FALA.BR, the citizen(s) with hearing disabilities has accessible content in pounds using the VLibras Widget with options of Icarus or Hozana avatars.

V. GRIEVANCE REDRESS SERVICES

73. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, visit <https://accountability.worldbank.org>.

VI. KEY RISKS

74. **The overall project risk is assessed as Moderate.** The risk is largely informed by the observed performance in the implementation of the BF program, which was already financed in the social protection project closed in December 2022 (P174197) with satisfactory performance. The only substantial residual risk, after mitigation measures, for this project is the following:

75. **Macroeconomic risk (Substantial).** The compliance with the targets of the proposed design of the new federal fiscal framework, that embodies a spending rule and a primary balance rule, will be critical to stabilize debt in the medium term and avoid a loss in confidence in Brazil by global financial markets, especially in an alternative stressed macroeconomic scenario. Public debt sustainability is vulnerable to the pace of the fiscal adjustment, as well as growth and real interest rate shocks. Hence, there is a risk that the macroeconomic adequacy of this IPF may become less adequate during the life of the operation. Mitigating factors include commitment by the authorities to implementing the necessary fiscal measures to meet the fiscal targets. The large treasury position and lower foreign currency denominated public debt reduce rollover risks. A separate macroeconomic risk is low levels of growth for 2023 and 2024. A deterioration in the external context, such as a slowdown in trading partners or the persistence of global inflation, can trigger additional increases in the interest rates of advanced countries, limiting external demand for Brazilian goods and services and weakening the external balance. It should be noted that the flexible exchange rate and the substantive foreign reserves are sound buffers against these external shocks. Low foreign currency exposure of public debt would limit the impact of currency depreciation on gross public debt and progress in productivity enhancing reforms could boost Brazil's growth potential.



VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

Baseline	Closing Period
First Childhood Benefit for families with children from 0 to 6 years of age	
Number of children aged 0-6 benefiting from the First Childhood Benefit of the BF (Number)	
Feb/2023	Dec/2025
9126300	9300000
Children aged 0-6 who are being monitored by the program for compliance with health checkups (Percentage)	
Feb/2023	Dec/2025
54.45	70
➤ Girls aged 0-6 who are being monitored by the program for compliance with health checkups (Percentage)	
Feb/2023	Dec/2025
54.43	70
Children aged 4-5 who are being monitored by the program for compliance with educational conditionalities (Percentage)	
Feb/2023	Dec/2025
51.3	70
➤ Girls aged 4-5 who are being monitored by the program for compliance with educational conditionalities (Percentage)	
Feb/2023	Dec/2025
51.38	70

Intermediate Indicators by Components

Baseline	Closing Period
First Childhood Benefit for families with children from 0 to 6 years of age	
Number of families in Bolsa Familia (Number)	
Feb/2023	Dec/2025
21219000	21700000
Number of children and youth aged 6-17 receiving additional benefit in Bolsa Familia (Number)	



Feb/2023	Dec/2025
14800000	15000000
Number of pregnant women receiving additional benefit in Bolsa Familia (Number)	
Feb/2023	Dec/2025
943000	966000
Percentage of household heads among families with children aged 0-6 and receiving BF transfer who are women (Percentage)	
Feb/2023	Dec/2025
81.2	85
Percentage of children and youth aged 6-17 who are being monitored for compliance with education conditionalities (Percentage)	
Feb/2023	Dec/2025
73.38	85
➤ Percentage of girls aged 6-17 who are being monitored for compliance with education conditionalities (Percentage)	
Feb/2023	Dec/2025
73.36	85
Percentage of pregnant women who are being monitored for compliance with health conditionalities (Percentage)	
Feb/2023	Dec/2025
99.94	100
Percentage of cases from the BF program grievance redress mechanism addressed in 30 days (Percentage)	
Feb/2023	Dec/2025
50	100
Complete an annual report on food security and nutrition (Number)	
Feb/2023	Dec/2025
0	2



Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

Support human capital accumulation of children from 0 to 6 years of age living in poor families	
Number of children aged 0-6 benefiting from the First Childhood Benefit of the BF (Number of children)	
Description	This indicator measures the number of children aged 0-6 who live in families benefiting from the First Childhood Benefit (BPI) of the BF.
Frequency	Every six months
Data source	Report from the MDS from Cadastro Único data.
Methodology for Data Collection	Number of children aged 0-6 living in families that are direct beneficiaries of BF
Responsibility for Data Collection	PIU
Children aged 0-6 who are being monitored by the program for compliance with health checkups (Percentage)	
Description	This indicator measures the percentage of children aged 0-6 who live in families that receive the BF (BPI), and who are being monitored for compliance with health conditionalities
Frequency	Every six months
Data source	Report from the SICON, MDS
Methodology for Data Collection	Numerator: Number of children aged 0-6 who receive BPI and who are being monitored for compliance with the health conditionalities. Denominator: Number of children aged 0-6 who receive the BPI
Responsibility for Data Collection	PIU
Girls aged 0-6 who are being monitored by the program for compliance with health checkups (Percentage)	
Description	This indicator measures the percentage of girls aged 0-6 who live in families that receive the BF (BPI), and who are being monitored for compliance with health conditionalities
Frequency	Every six months
Data source	Report from the SICON, MDS
Methodology for Data Collection	Numerator: Number of girls aged 0-6 that who are being monitored for compliance with health conditionalities Denominator: Number of girls aged 0-6 who receive the BPI
Responsibility for Data Collection	PIU
Children aged 4-5 who are being monitored by the program for compliance with educational conditionalities (Percentage)	
Description	This indicator measures the percentage of children aged 4-5 who live in families that receive the BF (BPI), and who are being monitored for compliance with enrollment and attendance in preschool conditionalities
Frequency	Every six months
Data source	Report from the SICON, MDS
Methodology for Data Collection	Numerator: Number of children aged 4-5 who are being monitored by the program for compliance with educational conditionalities Denominator: Number of children aged 4-5 who receive the BF
Responsibility for Data Collection	PIU
Girls aged 4-5 who are being monitored by the program for compliance with educational conditionalities (Percentage)	
Description	This indicator measures the percentage of girls aged 4-5 who live in families that receive the BF (BPI), and who are being monitored for compliance with enrollment and attendance in preschool conditionalities
Frequency	Every six months
Data source	Report from the SICON, MDS
Methodology for Data Collection	Numerator: Number of girls aged 4-5 that complies with the education conditionalities Denominator: Number of girls aged 4-5 that receive the BF
Responsibility for	PIU



Data Collection

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

First Childhood Benefit for families with children from 0 to 6 years of age	
Number of families in Bolsa Familia (Number)	
Description	This indicator measures the number of families benefitting from the BF program
Frequency	Every six months
Data source	Report from the MDS based on Folha do Pagamento
Methodology for Data Collection	Number of families being directly benefitting from the BF (BPI)
Responsibility for Data Collection	PIU
Number of children and youth aged 6-17 receiving additional benefit in Bolsa Familia (Number)	
Description	This indicator measures the number of children and youth aged 6-17 who live in families receiving BF
Frequency	Every six months
Data source	Report from the MDS based on Folha do Pagamento
Methodology for Data Collection	Number of children and youth aged 6-17 living in families that are direct beneficiaries of the BF
Responsibility for Data Collection	PIU
Number of pregnant women receiving additional benefit in Bolsa Familia (Number)	
Description	This indicator measures the number of pregnant women receiving additional benefit in BF
Frequency	Every six months
Data source	Report from the MDS, Folha do Pagamento
Methodology for Data Collection	Number of pregnant women receiving living in families that are direct beneficiaries of BF
Responsibility for Data Collection	PIU
Percentage of families with children aged 0-6 and receiving BF transfer whose head of households are women (Percentage)	
Description	This indicator measures the percentage of women in families with children aged 0-6 and receiving BF transfer
Frequency	Every six months
Data source	Report from MDS from Cadastro Único data, Folha do pagamentos
Methodology for Data Collection	Numerator: Number of families with children aged 0-6 and receiving BF transfer whose head of household are women Denominator: Number of families with children aged 0-6 and receiving BF transfer
Responsibility for Data Collection	PIU
Percentage of children and youth aged 6-17 who are being monitored for compliance with education conditionalities (Percentage)	
Description	This indicator measures the percentage of children and youth aged 6-17 who receive the additional benefit of BF, and who are being monitored for compliance with enrollment and attendance in school conditionalities
Frequency	Every six months
Data source	Report from the SICON, MDS
Methodology for Data Collection	Numerator: Number of children and youth aged 6-17 who are being monitored by the program for compliance with the education conditionality Denominator: Number of children and youth aged 6-17 that receive the benefit
Responsibility for Data Collection	PIU
Percentage of girls aged 6-17 who are being monitored for compliance with education conditionalities (Percentage)	



Description	This indicator measures the percentage of girls aged 6-17 who receive the additional benefit of BF, and who are being monitored for compliance with enrollment and attendance in school conditionalities
Frequency	Every six months
Data source	Report from the SICON, MDS
Methodology for Data Collection	Numerator: Number of girls aged 6-17 who are being monitored by the program for compliance with the education conditionality Denominator: Number of girls aged 6-17 who receive the BF
Responsibility for Data Collection	PIU
Percentage of pregnant women who are being monitored for compliance with health conditionalities (Percentage)	
Description	This indicator measures the percentage of pregnant women who receive the BF, and who are being monitored for compliance with health conditionalities
Frequency	Every six months
Data source	Report from the SICON, MDS
Methodology for Data Collection	Numerator: Number of pregnant women who are being monitored by the program for compliance with the health conditionality Denominator: Number of pregnant women who receive the BF
Responsibility for Data Collection	PIU
Percentage of cases from the BF program grievance redress mechanism addressed in 30 days (Percentage)	
Description	Number of cases submitted to the Ouvidoria of MoC related to BF that are marked as addressed in the information system of the GRM as a ratio to total number of cases submitted
Frequency	Every six months
Data source	Ouvidoria of the MDS
Methodology for Data Collection	Data is extracted from the information system. Data inputted by the staff in charge of GRM resolution.
Responsibility for Data Collection	Ouvidoria of MDS
Produce an annual report on food security and nutrition (Number)	
Description	The annual report will be produce using microdata from the health monitoring system.
Frequency	1 per year
Data source	IBGE
Methodology for Data Collection	Reports from SENARC
Responsibility for Data Collection	PIU



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Federative Republic of Brazil

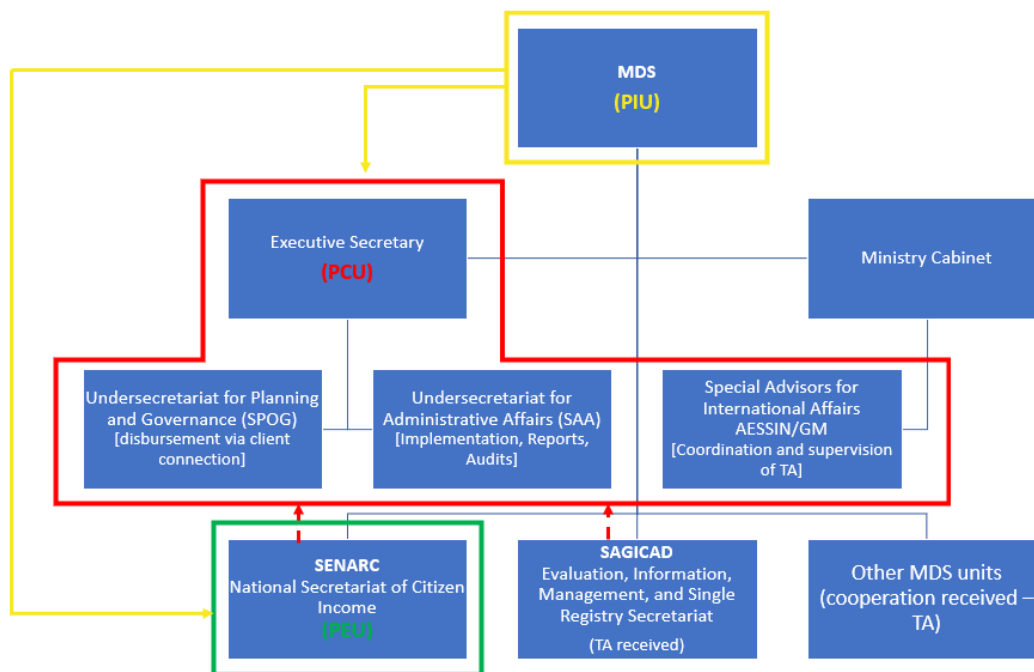
Brazil: Support to New Bolsa Familia Conditional Cash Transfer Program

1. The MDS serves as the PIU. The PIU includes the PCU and the PEU. The PCU will be composed of AESSIN and the SAA and SPOG under the coordination of the Executive Secretary. The PCU will also receive inputs from SENARC, SAGICAD, and other units in MDS. The PEU will be led by SENARC, with other units of the MDS. See the organigram of the MDS and implementation arrangements in figure 1.1.

2. The PCU will be responsible for implementation, including (a) project completion report with contributions from the PEU, (b) approval of Term of Reference (ToRs) for audits, (c) general supervision, and (d) provide inputs to STN for the preparation of disbursement requests. AESSIN will be responsible for coordinating TA demands and ensuring their application.

3. The PEU will be responsible for monitoring and managing activities and will assume primary fiduciary responsibilities: (a) prepare and obtain approval of project FM arrangements, (b) document expenditures to support STN in the preparation of disbursement requests, and (c) provide information for the project reports requested by external auditors and World Bank staff.

Figure 1.1. Organigram of MDS and Relation to the PIU, PCU, and PEU



Notes: The organigram of the MDS is represented by solid blue shapes. The PIU is represented by the yellow square and comprises (a) the PCU, represented in a red shape, and (b) the PEU, represented by the green square. The PEU will be led by SENARC, with the participation of other MDS units. ²



A. Financial Management

4. **The disbursement of project funds will be processed in accordance with World Bank procedures as stipulated in the Legal Agreement and the Disbursement and Financial Information Letter.** Funds will be for eligible expenditures incurred under the project and following agreed financing percentages. The proposed funds' flow and disbursement arrangements are streamlined within the project to facilitate execution, avoid unnecessary incremental operational arrangements, and rely as much as possible on existing country public FM systems.

5. **The disbursement method will be reimbursement.** The minimum application size for reimbursements will be US\$300,000 equivalent. Withdrawal applications and necessary supporting documentation will be submitted to the World Bank electronically through the Client Connection website. The project will also have four months after the closing date to document expenditures incurred before the closing date. Interim financial reports (IFRs) will be used to document payments of eligible expenditures.

6. **Flow of funds.** The expected disbursement will follow the same procedure as the previous World Bank-financed projects for the BF/AB programs. All payments will be made by the MDS through the Treasury Single Account (TSA), using SIAFI and the CEF systems once payment obligations have been deposited in the beneficiaries' accounts. Each month, the MDS sends a Program Financing Proposal (PFP) to National Treasury Secretary (*Secretaria do Tesoro Nacional, STN*)⁵² for approval. This PFP is established based on the list of BF beneficiaries whose eligibility was verified through the Cadastro Único.⁵² Once the PFP is approved by STN, an *ordem bancaria* (bank order) is issued, and funds are transferred from the TSA to a specific BF account in the CEF (figure 1.2 of this annex). The MDS monitors the balance of the BF account in the CEF through the FM information system, and the eligible beneficiaries (on the payroll) that withdraw their benefits. The BF benefits are paid monthly by the CEF in accordance with [Law # 14.601/2023](#) through one of the following account modalities:⁵³ (a) digital social savings account, (b) digital savings account, (c) general ledger account, and (d) deposit account. The BF benefits will be returned to the TSA credits for (a) payments made to ineligible beneficiaries; (b) the digital social savings, digital savings, and deposit accounts in which transactions ceased to occur; and (c) unwithdrawn funds from the general ledger account. Only the amounts claimed by the beneficiaries will be eligible for loan reimbursements.

7. **The contract between the MDS and the CEF states the reporting requirements and penalties.** These will be clearly spelled out in the POM. The CEF provides a payroll-type list of disbursements made to beneficiaries under the program. Funds that are not withdrawn by the beneficiaries (approximately less than 1 percent) are returned to the MDS.

8. **Project reimbursement request will be made on amounts withdrawn by the beneficiaries and will be supported by the report 'Disponibilizados, Pagos, e Não Pagos'**⁵⁴ issued by the CEF 150 days after the benefit availability. The POM will detail the process for the payment of beneficiaries and request reimbursements to the World Bank.

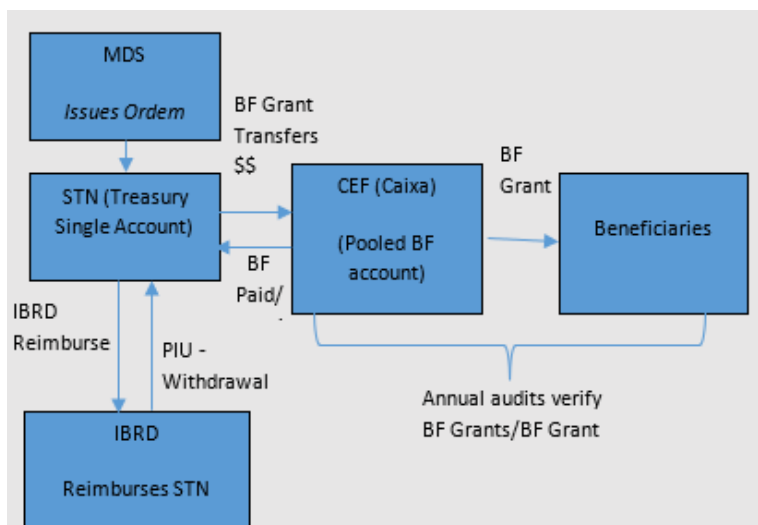
⁵² An instrument that identifies low-income families, allowing the Government to better understand the socioeconomic reality of this population. It records information such as identification of family members, characteristics of the residence, level of education, work situation, and income, among others.

⁵³ Another modality of account may be created, provided there is authorization of the MDS.

⁵⁴ The document partially represents the physical and financial quantitative of the benefits withdrawn and not withdrawn from the BF program for the month (after 120 days). It should be noted that the respective reports, with the definitive information, are submitted by the CEF through the Annual Accounts Report.



Figure 1.2. Reimbursement of BF



9. **Planning, budgeting, and accounting.** The budget cycle includes planning and implementation of all governmental activities, reflected in the Multiannual Investment Plan (*Plano Plurianual*), the Budget Guidance Law (*Lei de Diretrizes Orçamentárias*), and the *Lei Orçamentária Anual* (Annual Budget Law, LOA). The project may be subject to budgetary constraints, limiting the amounts authorized in the LOA. Considering such challenges, the World Bank and the MDS should maintain continuous monitoring and follow-ups, flagging any potential budget delays to the corresponding authorities to identify solutions.

10. **The project’s budgeting and accounting transactions will be processed through SIAFI.** Payments will follow the official commitment (*empenho*), verification (*liquidação*), and payment (*pagamento*) routines.⁵⁵ Any request for an increase of the approved budget requires preapproval, which is sought through a budget supplemental process. Actual expenditures are compared to budgeted expenditures, with reasonable frequency, and justifications are provided for variations relevant to the budget.

11. **The project will be implemented using the Federal Government’s existing systems.** The Federal Government’s accounting standards (Modified Accrual)⁵⁶ will be followed. The ministries follow (a) the Brazilian Accounting Standards Applicable to the Public Sector (*Normas Brasileiras de Contabilidade Aplicadas ao Setor Público, NBCASP*); (b) Law 4.320/64, that establishes certain high-level accounting principles (*Normas Brasileiras de Contabilidade*); and (c) the Accounting Manual Applicable to the Public Sector (*Manual de Contabilidade Aplicada ao Setor Público, MCASP*) issued

⁵⁵ At the commitment stage (*empenho*), the proposed expenditure is verified to ensure that spending proposals have been approved by an authorized official, funds have been appropriated in the budget, sufficient funds remain available in the proper category of expenditure, and the expenditure is proposed under the correct category. At the verification stage (*liquidação*), the documentary evidence that the goods have been received or that the service has been performed is verified. Before the payment stage (*pagamento*), confirmation is needed that a valid obligation exists, the competent person has signed, the goods or services have been received as expected, the invoice and other documents requesting payment are correct and suitable for payment, and the contractor is correctly identified. These controls are built into SIAFI.

⁵⁶ It recognizes revenues when they become available and measurable and, with a few exceptions, records expenditures when liabilities are incurred.



under Law 10.180 of February 6, 2001, and Decree 3.589 of September 6, 2001.⁵⁷ There are written policies and procedures covering all routine accounting and related administrative activities and only authorized persons may change or establish new accounting principles, policies, or procedures.

12. **The MDS will have access to the World Bank's Client Connection system for up-to-date information relating to the disbursement of the proceeds of the loan.** The project's accounting records in SIAFI will be reconciled regularly with this information. Accounting and financial staff are adequately trained to use and maintain SIAFI. The eligible expenditures that will be financed by the World Bank can be tracked/identified by SIAFI, using accounting codes to keep track of all sources and uses of funds. SIAFI can produce the necessary financial data regarding the project for the preparation of IFRs in Excel spreadsheets.

13. **Internal controls of BF.** Transaction processing will use the ministries' internal approval processes and systems that provide for reasonable segregation of duties, supervision, quality control reviews, and reconciliation. The process flows are well understood by the GoB personnel. The project's transactions will be processed within SIAFI, which enforces strict segregation of duties and controls the preparation and approval of transactions to ensure that these transactions are properly executed and recorded (that is, different units or persons authorize the transaction and record the transaction) and guarantees the confidentiality, integrity, and availability of data. All accounting and support documents are retained on a permanent basis, using a system that allows for easy retrieval for the authorized user.

14. **The CGU has unlimited right to information within the project's scope,** including access to all premises and facilities and authorization to consult with any member of the PIU to clarify questions. When the CGU issues recommendations, the responsible official is notified to take the required mitigation measures. The PIU and CGU follow up on the recommendations' resolutions. The CGU is responsible for carrying out activities related to the protection of public assets and increasing management transparency, through public audit, correction and prevention actions, anticorruption measures, and the ombudsman. As a central agency, the CGU should also conduct technical supervision of the federal entities that compose the internal control system and the correction system and the Federal Executive Body's ombudsman units, providing the necessary normative guidance. Different departments within the CGU are responsible for the internal and external audits of the project.

15. **The Federal Government has sound experience implementing cash transfer operations.** It established processes and systems that allow orderly implementation and eligibility controls. The BF rules and procedures were reviewed, found adequate, and clearly defined, and details will be included in the POM to be developed by the MDS.

16. **The POM documents the project's internal control system.** This comprises descriptions; flow charts; policies; templates and forms; and user-friendly tools, tips, and techniques to ensure that the approval and authorization controls continue to be adequate and are properly documented and followed with adequate safeguarding of the project's assets (including the following topics in the FM and disbursements section of the POM: flow of funds, chart of accounts, project organizational structure and responsibilities, oversight lines, authority limits, internal and external audit arrangements, accounting practices, disbursement procedures, and the financial reporting arrangements). The POM should be prepared by the MDS by project effectiveness, and it will be maintained or updated throughout the project's life.

⁵⁷ Both the NBCASP and MCASP were revised through *Portaria* STN 467 of August 6, 2009, and updated in 2013 to incorporate the text of the International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants (IFAC-IPSASB), with adaptations for the Brazilian context. There is a work plan (STN Ordinance Implementation Plan No. 548/2015) in progress, which will culminate in the convergence of 35 IPSAS currently in force by 2023.



17. **Financial reporting.** The MDS will ensure the information is available for timely production of semester unaudited IFRs to be submitted within 60 days after the end of each reporting period. These IFRs are prepared in Brazilian reais and US dollars, using information retrieved from SIAFI. The format and content of the IFRs, on a cash accounting basis, agreed with the borrower will cover the following items:

- **IFR 1-A/IFR 1-B (BRL).** Sources and uses of funds (project-to-date, year-to-date, and for the period), actual versus budgeted expenditures, including a variance analysis in Brazilian reais.
- **IFR 1-A/IFR 1-B (US\$).** Sources and uses of funds (project-to-date, year-to-date, and for the period), actual versus budgeted expenditures, including a variance analysis in US dollars. The conversion will use the exchange rate available in Client Connection for each reimbursement.

18. **The National Treasury (Secretaria do Tesouro Nacional [STN]) will submit the withdrawal applications and periodical IFRs to the Bank through the Client Connection System.** The MDS and STN have to appoint an FM Specialist each. The FM Specialists will need to be trained in the Bank's procedures.

19. **The POM would document these processes and serve as an important source for processing steps to be followed during project implementation.** It would contain detailed procedures and guidelines for disbursements, payments, approvals, commitments, and reporting which would be submitted to the World Bank for review.

20. **External auditing.** Annual audited financial statements will be required for the project. The external audit of the project will be performed by the CGU following agreed terms of reference acceptable to the World Bank and in accordance with International Standards on Auditing (issued by the International Auditing and Assurance Standards Board of IFAC) or national auditing standards if, as determined by the World Bank, these do not significantly depart from international standards.

21. **The audited financial statements will be prepared in accordance with accounting standards acceptable to the World Bank** (that is, IPSAS or national accounting standards where, as determined by the World Bank, they do not significantly depart from international standards). The terms of reference should be prepared by the MDS and be approved by the World Bank within one month after the signing date.

22. **Audit report.** The report and any accompanying Management Letter should be submitted to the World Bank no more than six months after the end of the fiscal year. The World Bank will review the audit report and will periodically determine whether the audit recommendations are satisfactorily implemented. The World Bank also requires that the borrower/recipient discloses the audited financial statements in a manner acceptable to the World Bank. Following formal receipt of these statements from the borrower/recipient, the World Bank will make them available to the public in accordance with the World Bank Policy on Access to Information.



ANNEX 2: Climate Change

COUNTRY: Federative Republic of Brazil

Brazil: Support to New Bolsa Familia Conditional Cash Transfer Program

1. Climate change impacts are intensifying and increasing in frequency in Brazil. Brazil will experience a rapid change in climate conditions. By the end of the twenty-first century, the average temperature is expected to rise between 1 and 5°C.⁵⁸ Climate change impacts are predicted to worsen in frequency and intensity, causing extreme events such as floods, droughts, landslides, wildfires, and tropical storms. These disasters are already occurring frequently in Brazil today. In southern Brazil disasters, such as landslides, flash floods, and flooding are the cause of 87 percent of disaster-related deaths.⁵⁹ At the same time, the northeast region of Brazil has experienced some of the worst droughts in the history of the country affecting millions of people every year.⁶⁰

2. Climate change and exposure to climate-related disasters, such as droughts and floods, disproportionately affect low-income households in both rural and urban areas of Brazil, who are largely covered by BF. The growing body of literature on the effects of climate change reveals significant impacts on poverty, human capital, livelihoods, and displacement through heatwaves, droughts, and heavy rainfall (table 2.1). The target group benefiting from the planned project is disproportionately affected by these climate-related shocks. First, due to their low levels of asset accumulation and negligible savings, low-income households are usually less able to cope with shocks from natural disasters. Second, BF beneficiaries are overrepresented in informal urban settlements with poor infrastructure and located in higher-risk areas (such as steep slopes, creeks, and low-lying plateaus in urban centers), which face an increased exposure to natural hazards such as floods and landslides. Lastly, many BF households are small farmers in semiarid regions whose income and employment are vulnerable to changes in the climate and extraordinary precipitation levels. Studies suggest that global warming could lead to a loss of up to 11 million ha of agricultural land by 2030.⁶¹

Table 2.1. Evidence on Different Types of Climate Change Impact Scenarios in Brazil

Impact	Climate-Induced Disaster/Changing Climate	Authors
Poverty	<ul style="list-style-type: none"> Climate change could decrease the income of the bottom 40 percent by over 6 percent by 2030. 	<ul style="list-style-type: none"> Jafino et al. 2020. "Revised Estimates of the Impact of Climate Change on Extreme Poverty by 2030." Policy Research Working Paper No. 9417, World Bank, Washington, DC.
Human capital	<ul style="list-style-type: none"> Air pollution, water scarcity, and wildfires could lead to worsened health outcomes among children. Droughts increase food insecurity and malnutrition rates Adverse rainfall increases learning losses. 	<ul style="list-style-type: none"> Rocha and Sant'anna. 2022. "Winds of Fire and Smoke: Air Pollution and Health in the Brazilian Amazon." <i>World Development, Elsevier</i> Vol. 151; Rocha and Soares. 2015. "Water Scarcity and Birth Outcomes in the Brazilian Semiarid." <i>Journal of Development Economics</i> 112 (C): 72–91; Rangel and Vogl. 2019. "Agricultural Fires and Health at Birth." <i>The Review of Economics and Statistics, MIT Press</i> 101 (4): 616–630 World Bank. 2021. <i>Climate Risk Country Profile: Brazil</i>.

⁵⁸ World Bank. Forthcoming. *Country Climate and Development Report for Brazil: Options for Greener and Climate-Smart Growth*.

⁵⁹ Pedroso, Frederico. 2021. *Scaling Up Flood Risk Management in Brazil to Build Community Level Resilience: Identifying Disaster Risk and Building Capacity to Inform Urban Resilience Strategies at both the National and Local Levels*. World Bank Group, Washington DC.

⁶⁰ World Bank. 2021. *Climate Risk Profile: Brazil (2021)*. Washington, DC: The World Bank Group.

⁶¹ World Bank. 2021. *Climate risk country profile: Brazil*.



Impact	Climate-Induced Disaster/Changing Climate	Authors
		<ul style="list-style-type: none"> Fitz and League. 2021. "School, Shocks, and Safety Nets: Can Conditional Cash Transfers Protect Human Capital Investments during Rainfall Shocks?" <i>The Journal of Development Studies</i> 57 (12) 2002–2026.
Livelihoods	<ul style="list-style-type: none"> Unemployment in the agricultural sector 	<ul style="list-style-type: none"> Wang and Guhry. Forthcoming. "Sovereign ESG - A Geospatial View on Droughts and Employment in Brazil." World Bank, Washington DC.
Displacement	<ul style="list-style-type: none"> Drought and wildfires cause displacement of workers 	<ul style="list-style-type: none"> Albert, C., P. Bustos, and J. Ponticelli. 2021. "The Effects of Climate Change on Labor and Capital Reallocation." NBER Working Paper No. w28995.

Source: Literature review based on World Bank 2022 and World Bank. 2023. *Brazil Country Climate and Development Report CCDR Series*. World Bank Group, Washington, DC. <http://hdl.handle.net/10986/39782>.

3. **One-third of BF beneficiaries are in municipalities considered at risk or high risk to climate disaster, according to a recent study on risk exposure, especially in the southeast and northeast regions.**⁶² The World Bank 2021 Disasters Risk Index by Capacity (DRIC) estimates, using Brazilian data from the center of natural disaster prevention, the extent of risk exposure to natural disasters of Brazilian municipalities, and the extent of these municipalities capacity to respond. Municipalities are divided in five groups: those in classes D and E are those at high or very high risk due to a combination of high exposure and low capacity to respond. Leveraging data from DRIC and Cadastro Único, the World Bank estimated that 30 percent of all BF recipient households in 2021 reside in such high-risk or very high-risk areas. This shows the disproportionate exposure of the poor to the effects of future disasters and the protective factor of these households being already enrolled in BF.

4. **Consistent with international best practices, BF is an ASP program that can be leveraged after climate-induced disasters and increase resilience through complementary services.** The overall average score of the World Bank-led 'stress test' on ASP shows that the country enjoys an 'established' social protection system in terms of readiness and scalability to respond to the most recurrent and disruptive climate-induced natural disasters. More specifically, the Civil Defense steps in and triggers the SUAS to support the identification of the affected and rapid enrollment of families in Cadastro Único. When a state of emergency is declared, the MDS provides temporary benefits for the affected population, including advance payments of BF. CRAS also directs families to basic services such as shelters, health services, social care, and other public services. Thus, the protection of 1.5 million children, and nearly as many families, through the project enhances resilience to climate change for years to come.

5. **The complementary ASA associated with this project seeks to support the MDS, through the World Bank-executed TA, in enhancing the ASP features during the life of the project.** The planned ASA that the World Bank will implement in parallel to this project includes the modernization of the social registry (Cadastro Único) to better identify poor and vulnerable in disaster-prone areas. Second, two activities related to the development of a wider ASP strategy will be supported through the trust fund: (a) the development of protocols to deploy social workers in disasters and

⁶² According to the National Center on Monitoring and Alerts on Natural Disaster (CEMADEN), disaster risk areas encompass areas exposed to geological processes involving mass wasting (landslide, landmass runs, and so on) and/or resulting from hydrological processes (floods, flash floods, and so on). Since 2011, CEMADEN has been monitoring 872 municipalities, selected for monitoring for being the sites of natural disasters because of geological and/or hydrological processes. Source: IBGE/CEMADEN. 2018. *População em Áreas de Risco no Brasil*. <https://www.ibge.gov.br/apps/populacaoareasderisco/>.



provide them with disaster training and (b) a review of eventual benefits (*Benefícios Eventuais*), a benefit that is paid to people affected by natural disasters from subnational government budgets.



ANNEX 3: Background on the Bolsa Familia Program

COUNTRY: Federative Republic of Brazil

Brazil: Support to New Bolsa Familia Conditional Cash Transfer Program

1. **The BF program—the first poverty-focused conditional cash transfer—has been a global benchmark of income support programs.** It was born in Brazil with the creation of the Nutrition Card (*Cartão Alimentação*), as part of the National Program for Access to Food in 2003. The program aimed at combating hunger and promoting food and nutrition security. Under President Luiz Inácio Lula da Silva, the BF program was established in 2003, bringing many innovative design features to cash assistance in Brazil: unification of pre-existing 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. Law No. 10,836, of January 9, 2004, replaced the nutrition card with the BF program. BF consolidated several other programs, such as *Bolsa Escola*, *Cartão Alimentação*, *Bolsa Alimentação*, *Auxílio Gás*, into a single CCT, among the first in the world. In the same year, the Government also established the single registry (Cadastro Único) and the MDS. The World Bank provided support through the First Bolsa Familia APL, contributing to the development of the cash transfer program and facilitating the institutional strengthening of the ministry as well as the social assistance network since its inception.

2. **Further reforms were introduced in the following years to continue improving the BF program and the supporting systems.** In 2006, the Lula administration developed the operational systems to monitor health and education conditionalities in BF, through the creation of conditionality verification mechanisms, and by instituting a decentralized resource transfer system to support subnational governments in their delivery functions of the program (*Índice Gestao Descentralizada*). In 2011, the Government of President Dilma Rousseff created the Brazil Without Extreme Poverty Plan (*Brasil Sem Miséria*) aimed at coordinating the actions of the BF CCT with other programs for social inclusion (access to several public services and to productive inclusion). The plan also expanded the incentives for municipalities to conduct 'active search', meant to support the identification and inclusion of non-covered poor families in the single registry. An additional change to BF was the introduction of 'guaranteed return' to the program, for families who voluntarily decided to disconnect. In 2012, the Dilma administration made further changes to the protocols to verify conditionalities (Order No. 251) and especially introduced a major new component of the BF benefit: the top-up benefit to overcome extreme poverty (*Benefício de Superação da Extrema Pobreza*), (Law 12,722/ 2012). In 2016, the Government of President Michel Temer expanded the system of income verifications and cross-checks of the BF program and created new institutional systems to enhance the benefit control process. Finally, in 2019, the Government of President of Jair Bolsonaro created the 13th payment (MP 898).

3. **This trajectory of strong delivery of cash transfers and programs allowed the GoB various maneuvers and responses to mitigate the impact of the COVID-19 crisis.** In response to the health crisis caused by the COVID-19 pandemic, the GoB instituted the AE, program that became the largest social protection initiative in the country. With a swift and comprehensive response, the AE stood out as the widest and most generous CCT worldwide. In 2020, over 67 million individuals received at least one payment from the AE, and a nationwide household survey (PNAD-COVID) 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 withdrawal of these benefits a politically costly measure, especially in a polarized country on the eve of the elections, such as Brazil 2022. Furthermore, the persistence of the pandemic and the slow recovery of the job market have increased the dependence on state transfers for families' subsistence.



4. **The main features of the design of BF were maintained over time, including with the launch of AB.** However, during the electoral period, two additional programs were introduced that revert that trend. In December 2021, only one month after the establishment of AB (see box 4.1 for a description of the AB program), a floor of BRL 400 per family superseded the initial rules of AB, with the incoming Extraordinary Benefit (*Benefício Extraordinário*, BEx). In July 2022, the Government managed to pass a Constitutional Amendment in the legislature that allowed an increase to a minimum of BRL 600 with the temporary BComp at the starting line of the presidential elections. Even opposition political parties supported this increase, and both candidates committed to maintain that floor if elected. Moreover, during the campaign, the main opposition candidate and eventual winner, Lula, promised to add BRL 150 per child to the existing BRL 600 floor, while Bolsonaro proposed an additional annual payment of BRL 600 in addition to monthly payments. The introduction of AB, Extraordinary Benefit (*Benefício Extraordinário*), and BComp 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.

5. **With President Lula returning to office in January 2023, the BF program was reinstated.** Some of the original features of the program design were introduced, but the political landscape and the inertia of the support provided during the pandemic and electoral years conditioned the design of the new BF program. Figure 3.1 shows the timeline of CCT programs in Brazil since its origin in 2003 and figure 3.2 shows the evolution of coverage and generosity since the pandemic.

Figure 3.1. Timeline of Reforms to the CCT Programs in Brazil

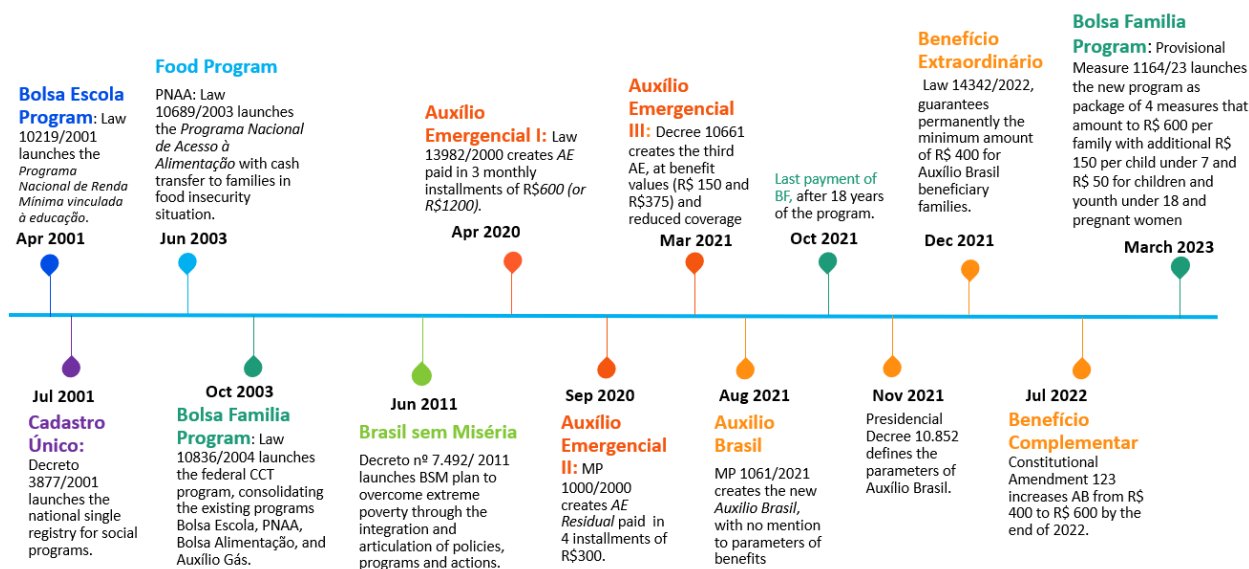
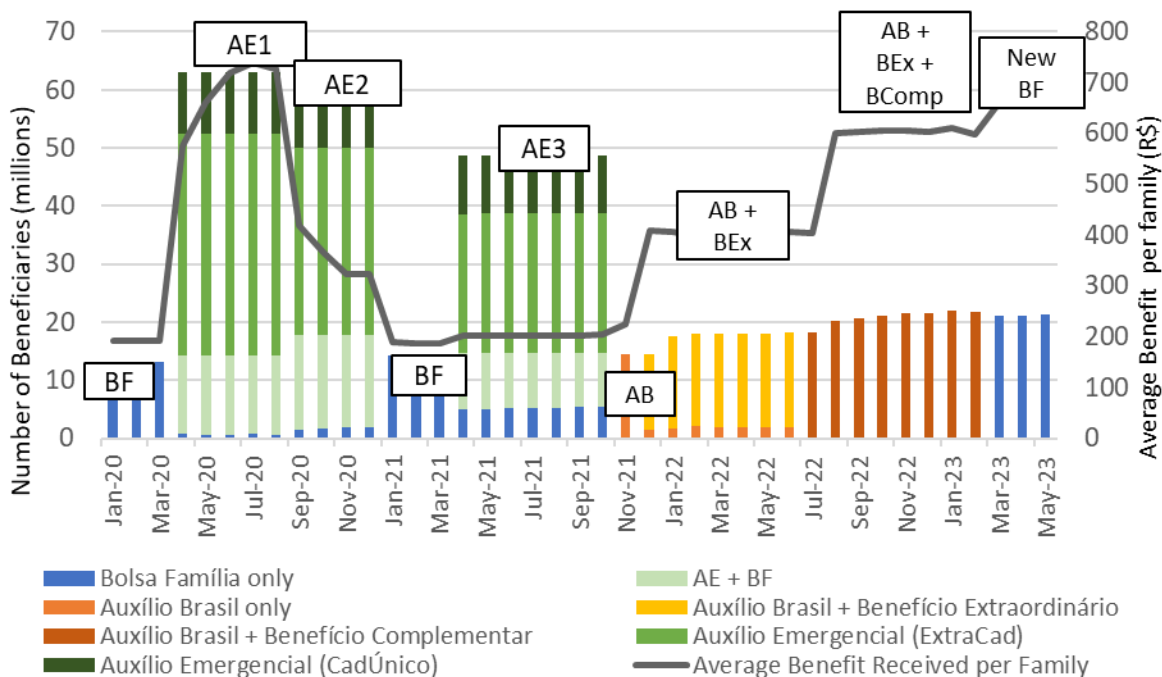




Figure 3.2. Evolution of Coverage and Generosity since March 2020



Source: see Falcao Silva, Tiago; Campante Cardoso Vale, Ricardo; Dominici Cricci, Bruna; Lara Ibarra, Gabriel; Posadas, Josefina. New Bolsa Família : Challenges and Opportunities for 2023 - Technical Note 1 : Executive Summary (English). Washington, D.C. : World Bank Group

Box 3.1. Design of AB that Could Not Be Implemented

The AB CCT aimed to target families in extreme poverty and in poverty. It established new poverty lines: the extreme poverty line was set at BRL 105 and the poverty line at BRL 210. The new program also established that families in poverty will only be eligible if they have pregnant women or people of ages up to 20 years (including), provided they are enrolled in basic education. The law also institutionalizes a process for future revisions of values and lines.

The financial benefits paid by the AB program ('core basket') are as follows:

- (a) **First Childhood Benefit (BPI).** This benefit, in the amount of BRL 130 per month, is for families in poverty or extreme poverty who have children between ages 0 and 36 incomplete months, paid per member who falls into such situation.
- (b) **Family composition benefit.** This benefit, in the amount of BRL 65 monthly, is for families in poverty or extreme poverty, paid for each one of the following members: (i) pregnant women, (ii) nursing mothers, (iii) children between ages 3 and 17, and (iv) youth ages 18–20. Each group has specific conditionalities: attending basic education (children from ages 4 to 17), being under health monitoring (pregnant and nursing mothers, children ages 0–6); being enrolled in secondary school or having completed it (youth ages 18–20).
- (c) **Benefit for overcoming extreme poverty (BSP).** This benefit is for families in extreme poverty, whose monthly per capita family income, even when added to any financial benefits received, is equal to or lower than the extreme poverty line of BRL 105.



6. **The BF program follows the same implementation processes of its predecessors.** As described in figure 3.3, the municipalities take the main responsibility of registering families and providing information into the Single Registry National System. Orientation to families on the conditionalities and complementary social assistance are also provided at the municipal level. The MDS ensures the quality of Cadastro Único, determines the eligibility process, controls the payment computation, monitors the program execution, and finances all the program. Caixa is the financial institution in charge of developing and maintaining the Cadastro Único System, processing payments, managing the saving accounts and delivery of electronic benefit cards.

Figure 3.3. Implementation Process of BF Enrollment and Payment

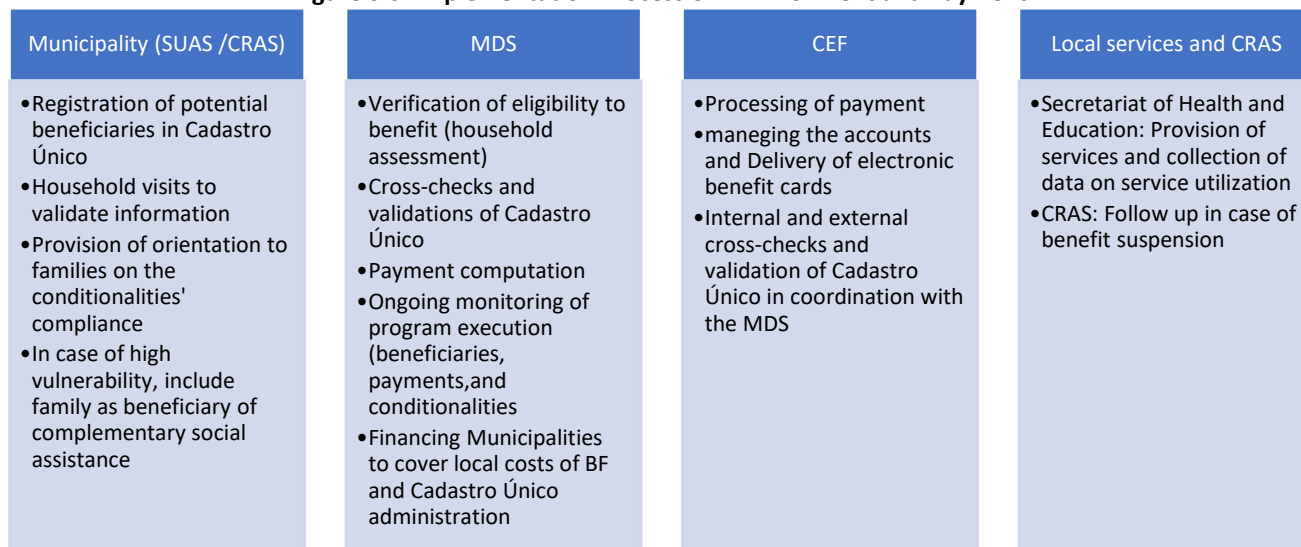
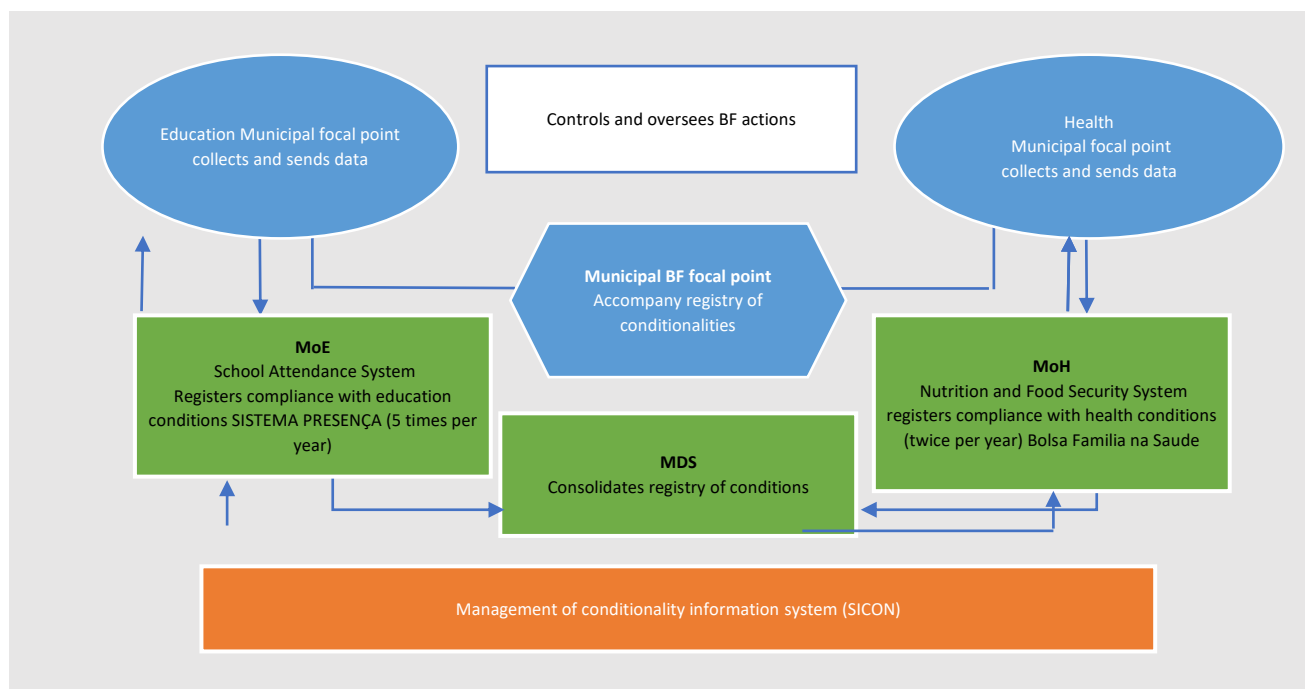


Figure 3.4. BF Process Monitoring of Co-Responsibilities





7. Figure 3.4 illustrates the process of monitoring the conditionalities of BF. Initially, the MDS is responsible for identifying the children and families requiring monitoring conditionalities. This information is then forwarded to the Ministries of Health and Education. The MdE locates the schools where these children are enrolled and shares this information with the municipalities, which in turn verify the students' attendance and send the data back to the MdE. Similarly, the Ministry of Health identifies the reference health center for each family, transmitting this information to the municipalities, which, in turn, provide data related to health monitoring (vaccination, weight, and height of each family). Finally, the MDS receives and consolidates all the data.



ANNEX 4: Economic Analysis

COUNTRY: Federative Republic of Brazil

Brazil: Support to New Bolsa Familia Conditional Cash Transfer Program

1. The GoB’s strategy of using cash-based social safety nets to protect families’ income and the erosion of human capital during economic crisis and recovery periods is consistent with the approach taken in most countries in Latin America and large middle-income peers. There is wide consensus that mitigating the individual costs of poverty and its negative social externalities, justifies the use of public resources to provide social assistance, particularly in the form of cash transfers. This is because implementing cash transfers is typically more efficient than setting price caps or food and fuel price subsidies at shielding low-income and vulnerable households from price increases.

2. Importantly, the BF BPI protects the most vulnerable among the low-income population. Children ages 0–6 are overrepresented among the poor. While the share of Brazilians living under US\$2.15 a day (2017 PPP) was estimated at 5.8 percent in 2021, it was almost the double (10.1 percent) among children with ages between 0 and 6. The corresponding shares for those living below the US\$6.85 poverty line are 28.4 and 46.3 percent, respectively (figure 4.1). In turn, infants are overrepresented among the population registered in Cadastro Único. The BF BPI has thus the potential of helping reduce this gap.

Figure 4.1a. Poverty Rates at US\$6.85 by Age Group 2012–2021

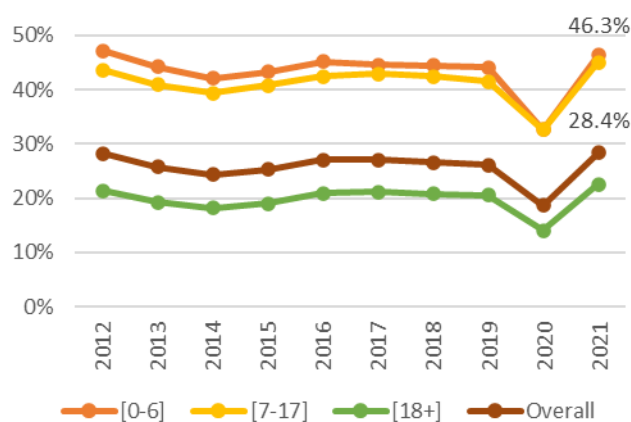
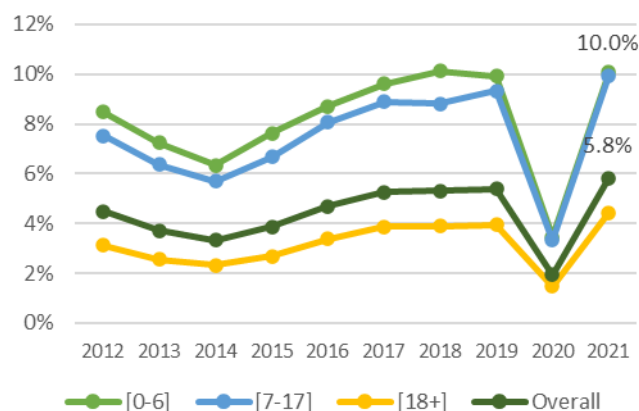


Figure 4.1b. Poverty Rates at US\$2.15 by Age Group 2012–2021



Source: PNAD-C.

Note: Poverty rates estimated using 2017 purchasing power parities.

3. The BF program transfers are expected to have a positive impact on poverty, with a significant contribution coming from the BPI, and hence a positive internal rate of return for this investment. Simulations suggest that BF transfers decrease the poverty rate by about 7.27 percentage points (thus reaching 2.61 percent).⁶³ Meanwhile, the transfers to children from 0 to 6 years of age are estimated to have an average marginal impact on poverty reduction of

⁶³ The poverty line is the equivalent to the Bolsa Familia eligibility threshold.



1.68 percentage point. in terms of poverty.⁶⁴ The positive impacts of the BPI are also reflected in terms of moderate poverty, albeit they are slightly lower.⁶⁵ The child benefits' average marginal impact on moderate poverty is 0.58 percentage points.

4. **Besides direct impacts on reducing poverty rates, support through cash transfers is expected to have significant positive impacts on the young children of program recipients.** One important dimension is childhood brain activity. Troller-Renfree et al. (2022) have shown that providing monthly unconditional cash transfers to low-income families during the first 52 months of children's lives can contribute to the enhancement of cognitive skills.⁶⁶ Another dimension is related to anthropometric measures such as the height-, weight-, and BMI-for-age. Fernald et al. (2009) studying about the Mexican flagship CCT program found that the cash transfers for children ages 0–3 whose mothers had no education has improved child growth, as per the height-for-age indicator.⁶⁷ There is also some evidence of lower prevalence of stunting and improved motor skills among young children benefited by the Mexican CCT program. Such effects might be mediated by the greater use of health services that could protect children from malnutrition and disease and the income effect of the cash transfer.

5. **CCTs may also have positive effects on the educational outcomes of children such as enrollment, school attendance, and performance.** Studies on the impacts on educational indicators of children (without differentiating young and school-age children) exposed to CCTs suggest positive and significant outcomes. In particular, Dubois et al. (2012) found that the intervention had a positive impact on school enrollment considering primary education in the first year of the program and on school continuation in both primary and secondary education.⁶⁸ The program was also found to be successful in reducing school dropout rates among beneficiary children. Barrera-Osorio et al. (2011) in a randomized experiment in Colombia also demonstrated that education-based CCTs have the potential of boosting enrollment rates at both the secondary and tertiary level.⁶⁹ Similar findings are presented in the study of Molina Millán et al. (2020) about the long-term impacts of a CCT in Honduras for very wide age ranges.⁷⁰ Importantly, the program had positive effects on secondary school completion and the probability of reaching university even 13 years after the program's implementation.

6. **Studies also found long-term effects of early childhood development programs on several dimensions.** Gertler et al. (2014) and Walker et al. (2011), for example, found that individuals who received weekly home visits from the Jamaica Home Visiting Program for child stimulation when they were 9–24 months had higher IQs, higher educational

⁶⁴ Estimates are calculated as an average contribution to the poverty reduction following two approaches. One of them compares a scenario in which no one receives BF benefits to one in which only the BF benefit for children ages 0–6 is implemented. The other approach compares a scenario in which all the benefits of the new BF design are implemented with another one in which all benefits except the one for children ages 0–6 are implemented. The rationale for taking the average of the estimates relative to each of these approaches is that the impact of interest is path dependent (that is, given the income distribution is not uniformly distributed, the impact on poverty depends on initial income position of the family).

⁶⁵ Moderate poverty is based on a poverty line equivalent to half of the minimum wage. This is the eligibility threshold to register in Cadastro Único.

⁶⁶ Troller-Renfree, S. V., M. A. Costanzo, G. J. Duncan, K. Magnuson, L. A. Gennetian, H. Yoshikawa, and K. G. Noble. 2022. "The Impact of a Poverty Reduction Intervention on Infant Brain Activity." *Proceedings of the National Academy of Sciences* 119 (5): e2115649119.

⁶⁷ Fernald, L. C., P. J. Gertler, and L. M. Neufeld 2009. "10-year Effect of Oportunidades, Mexico's Conditional Cash Transfer Programme, on Child Growth, Cognition, Language, and Behaviour: A Longitudinal Follow-Up Study." *The Lancet* 374 (9706): 1997–2005; Fernald, L. C., P. J. Gertler, and L. M. Neufeld. 2008. "Role of Cash in Conditional Cash Transfer Programmes for Child Health, Growth, and Development: An Analysis of Mexico's Oportunidades." *The Lancet* 371 (9615): 828–837.

⁶⁸ Dubois, P., A. De Janvry, and E. Sadoulet. 2012. "Effects on School Enrollment and Performance of A Conditional Cash Transfer Program in Mexico." *Journal of Labor Economics* 30 (3): 555–589.

⁶⁹ Barrera-Osorio, F., M. Bertrand, L. L. Linden, and F. Perez-Calle. 2011. "Improving the Design of Conditional Transfer Programs: Evidence from A Randomized Education Experiment in Colombia." *American Economic Journal: Applied Economics*, 3 (2): 167–195.

⁷⁰ Millán, T. M., K. Macours, J. A. Maluccio, and Tejerina, L. 2020. "Experimental Long-Term Effects of Early-Childhood and School-Age Exposure to a Conditional Cash Transfer program." *Journal of Development Economics* 143: 102385.



attainment, less violent behavior, and less depression by the time they were 22 years.⁷¹ In a follow-up study considering 31 years since the intervention, Walker et al. (2021) demonstrated that the effects of the home visits for child stimulation did not fade out but remained significant with treated children having greater IQ and cognitive flexibility compared with children who were not treated. The intervention also increased grit and conscientiousness, lowered substance use and risk taking related to health, and contributed to reduce depressive symptoms.⁷² In a similar vein, Campbell et al. (2014) demonstrated that children randomly assigned to treatment group in the Carolina Abecedarian Project in the United States for ages 0 to 5 had a significantly lower prevalence of risk factors for cardiovascular and metabolic diseases in their mid-30s.⁷³

7. **Despite the clear evidence suggesting positive impacts in the short and long run, estimating an internal rate of return for the current project would require strong assumptions to be reliable or informative.** The specific type of intervention supported by this project has not been extensively investigated in rigorous studies, and while other interventions on young children have been studied, the potential impacts on beneficiaries cannot be guaranteed to be similar or of similar magnitude given the long list of potential differences (family characteristics, educational environment and offer, future labor market, and so on). Because it is challenging to accurately measure the advantages of the program in monetary terms and there is not enough evidence to support it, a complete cost-benefit or cost-effectiveness analysis is not performed. It is difficult to assess the cost benefit of the project because the costs of the intervention are immediate and definite, while the benefits are usually postponed and uncertain. Additionally, the benefits are likely to extend beyond the outcomes examined in an impact evaluation.

⁷¹ Gertler, Paul, James Heckman, Rodrigo Pinto, Arianna Zanolini, Christel Vermeersch, Susan Walker, Susan M. Chang, and Sally Grantham-McGregor. 2014. "Labor Market Returns to an Early Childhood Stimulation Intervention in Jamaica." *Science* 344 (6187): 998–1001; Walker, Susan, Theodore D. Wachs, Sally Grantham-McGregor, Maureen M. Black, Charles A. Nelson, Sandra L. Huffman, Helen Baker-Henningham, Susan M. Chang, Jena D. Hamadani, Betsy Lozoff, Julie M. Meeks Gardner, Christine A. Powell, Atif Rahman, and Linda Richter. 2011. "Inequality in Early Childhood: Risk and Protective Factors for Early Child Development." *Lancet* 2011 378 (9799): 1325–38.

⁷² Walker, Susan P., Susan M. Chang, Amika S. Wright, Rodrigo Pinto, James J. Heckman, and Sally M. Grantham-McGregor. 2021. "Cognitive, Psychosocial, and Behavior Gains at Age 31 Years from the Jamaica Early Childhood Stimulation Trial." *Journal of Child Psychology and Psychiatry*. <https://doi.org/10.1111/jcpp.13499>.

⁷³ Campbell, F., G. Conti, J. J. Heckman, S. H. Moon, R. Pinto, E. Pungello, and Y. Pan. 2014. "Early Childhood Investments Substantially Boost Adult Health." *Science* 343 (6178): 1478–1485.