

Targeted Income Transfer Programs in Brazil
International Poverty Centre

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Transfers

- Pensions
 - Contributory (non-targeted by income)
 - Partially contributory (indirectly targeted by previous income)
 - Non-contributory (indirectly targeted by occupation)
- Income targeted social transfers
 - Non-conditional (disability and old age – BPC)
 - Conditional (Education and health – Bolsa Família)

I will focus on the targeted transfers

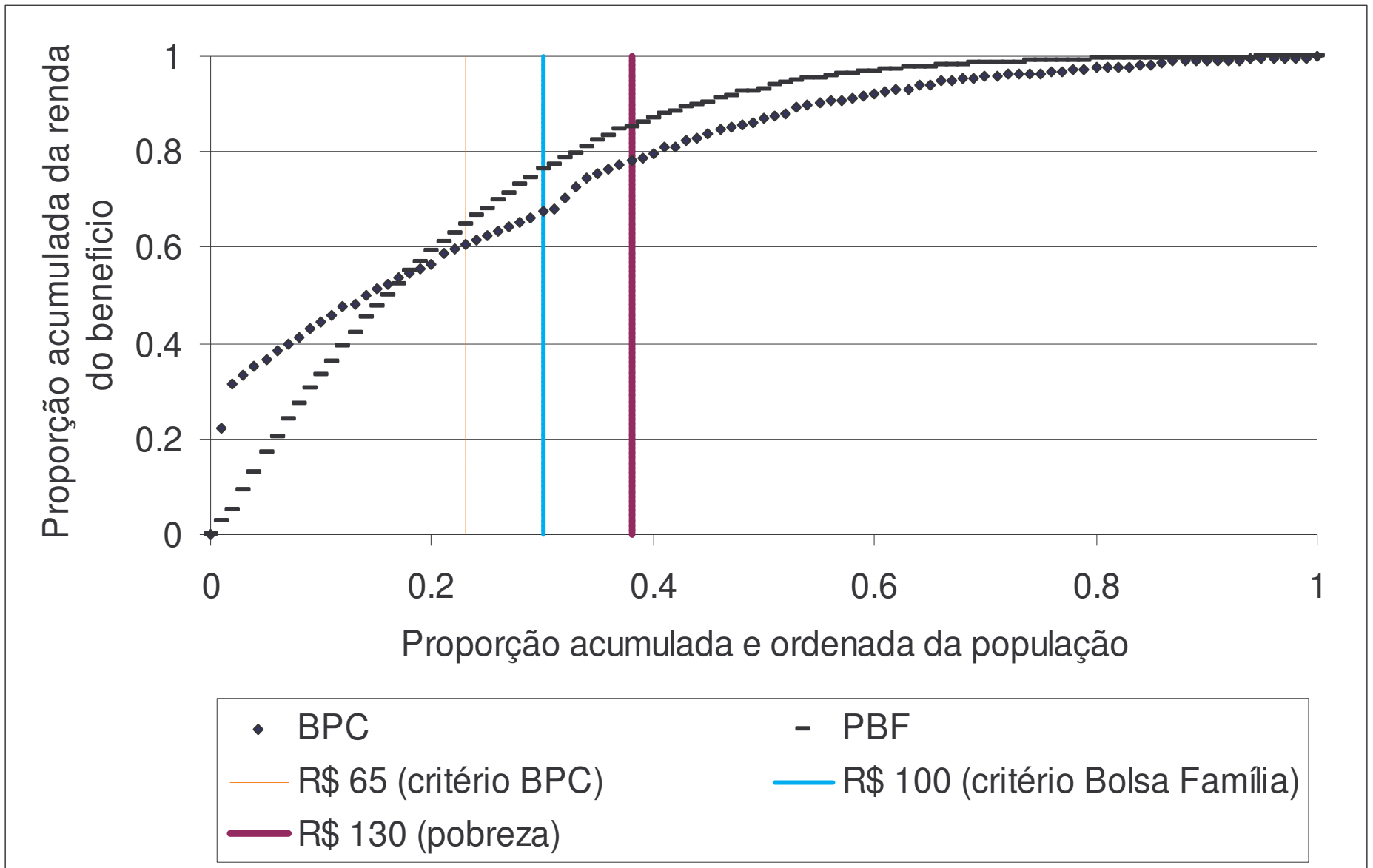
BPC – Cash Benefit

- Not conditional on behaviors (no conditionalities)
- ♦ Monthly transfer, non-contributory
- Criteria:
 - Extremely poor AND
 - Over age of 65 or with severe disability
- Objective: ensure livelihood – not only an income supplement
- ♦ Goal: eradicate (0%) extreme poverty in targeted groups
- ~2,5 million beneficiaries, cost ~0,4% GDP

Bolsa Família

- Conditional: Education and health
 - Criteria
 - Poor
 - Differentiation of values according to number of school age children
 - **Objective: supplement incomes** – assumes families can have other sources of income
 - Goal: alleviate short term poverty by transfers and long term poverty by incentives to human capital accumulation
 - Human Capital should be a mean, not an end (this has implications for targeting and evaluation)
- ≈ 11 million beneficiaries, ≈ 0,6% GDP

Distribution of Expenditures

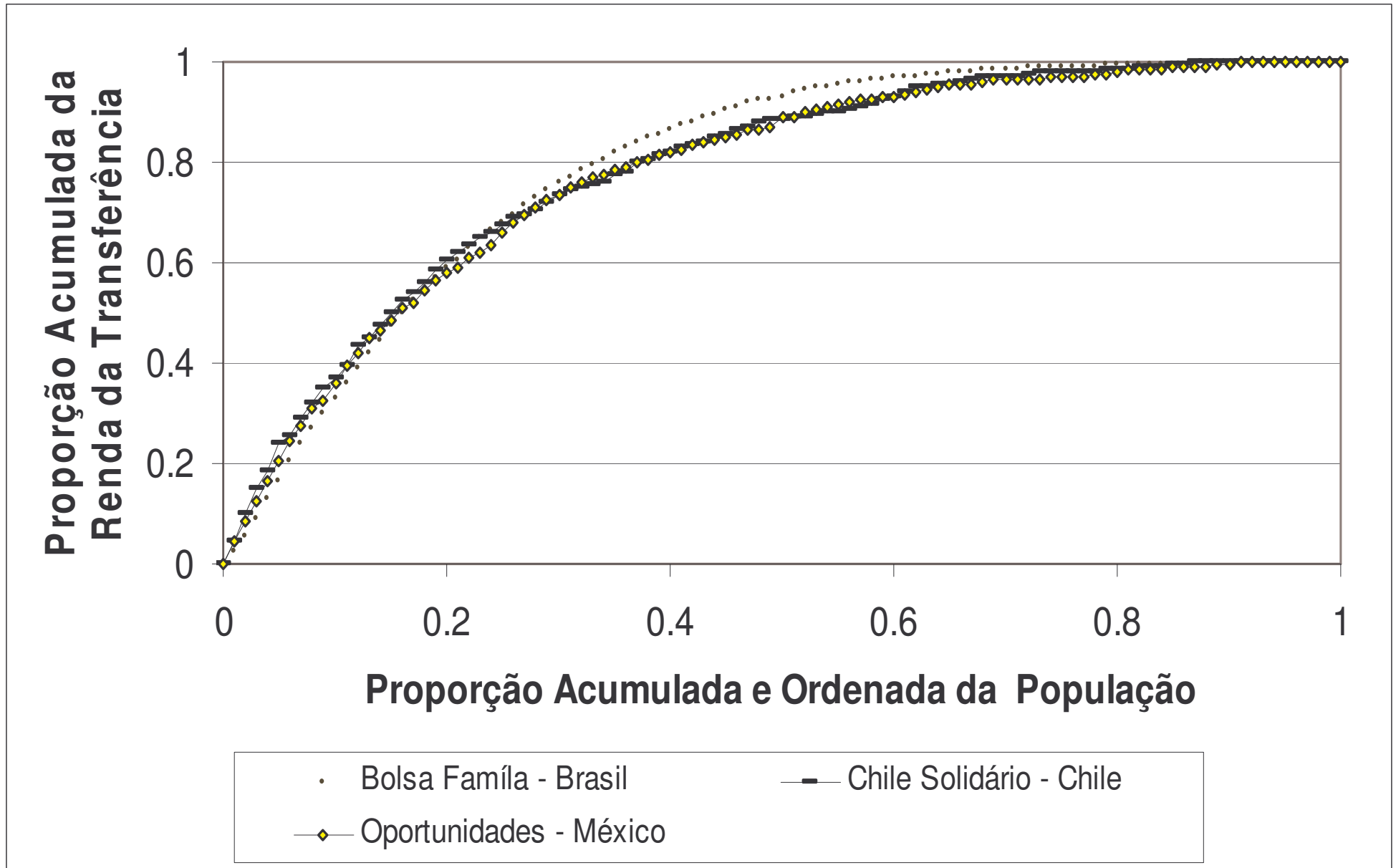


Targeting mechanisms

- BPC and Bolsa Família

- Decentralized
- Local control (municipalities)
- Social control (simple rules – except medical part)
- Qualified staff at local level
- Low quality selection tools
- Technical suggestions for new tools were made but will not be incorporated before political negotiation with relevant political actors = institutional stability **above** technical decisions
- Slowly moving to “Yellow light system”: decentralized selection is maintained but monitored independently

Centralize or decentralize?



Legal and Political Status

- BPC (non-conditional)
 - Constitutional
 - Political independence
 - Legal stability
 - Budget protected from macro adjustments
 - Social Right = State can be demanded (judicially)
- Bolsa Família (conditional)
 - Decree (= lower status law) (Brazil uses roman legal system)
 - Political dependence
 - Legal vulnerability (relative)
 - Budget not protected from adjustments
 - *Quasi* right

Conditionalities – Bolsa Família

- School and health are not intrusive
- Politically important. But...
- We don't know how effective they really are for education
- Non-conditional programs also have effect on school attendance – income effect
- Supply of quality schools is a problem not addressed
- Control: positive or negative incentives?
 - What to do in case a family does not meet the conditionalities? Double punishment of the children? Positive support?

Impacts on labor

- It makes no sense to believe small transfers may have a strong impact in regular adult labor supply
- Actually, impact can be positive (there is some scarce evidence) if the benefit work as a form of “microcredit”

Impact on pensions

- Programs reduce risks of poverty in the future
- Less risk translate in less contributions for pensions?
 - We don't know exactly
 - Apparently this effect is not relevant in budgetary terms

Exit doors

- The importance of promoting exit doors depend on the real determinant of poverty: lack of labor supply or lack of demand for unqualified workers?
- Human capital investments are long term investments – cycle of entrance-exit can hardly be short