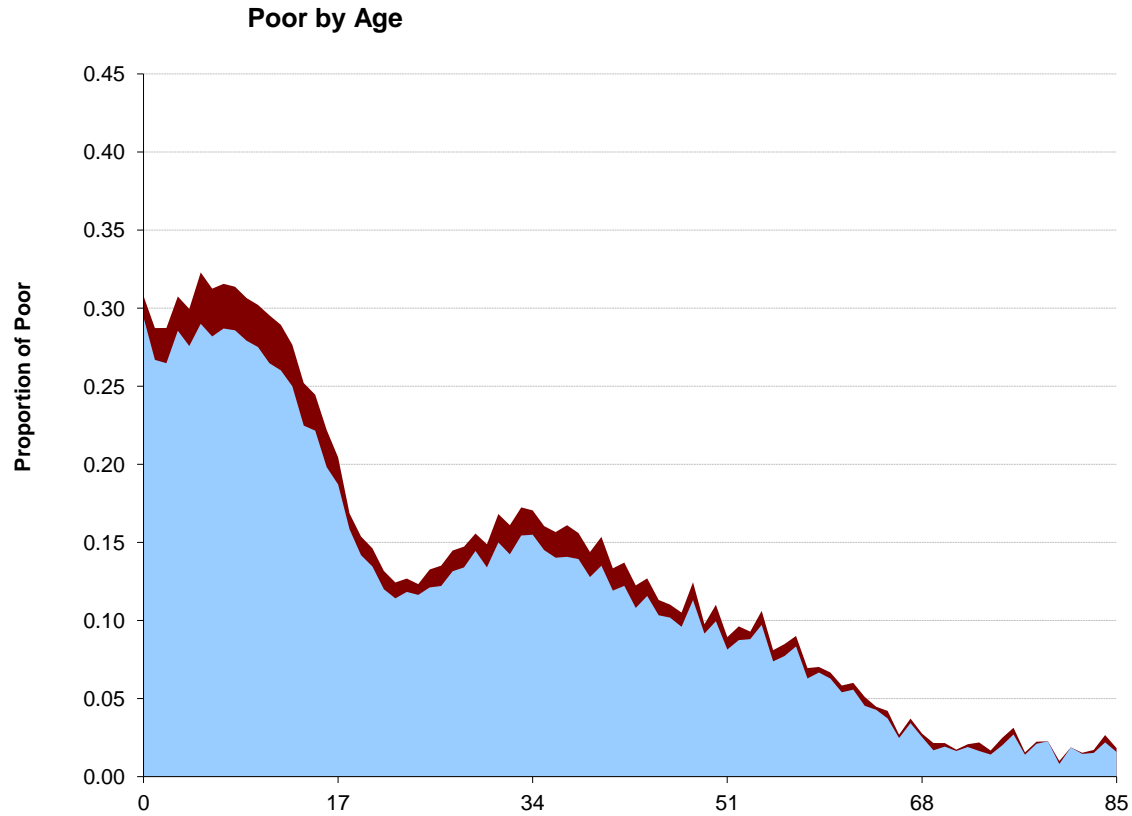
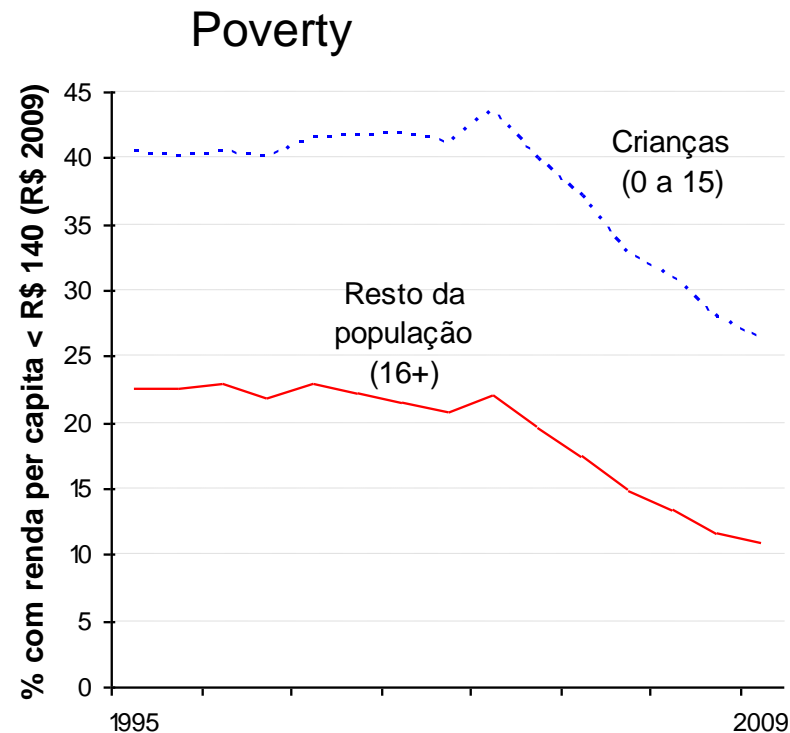
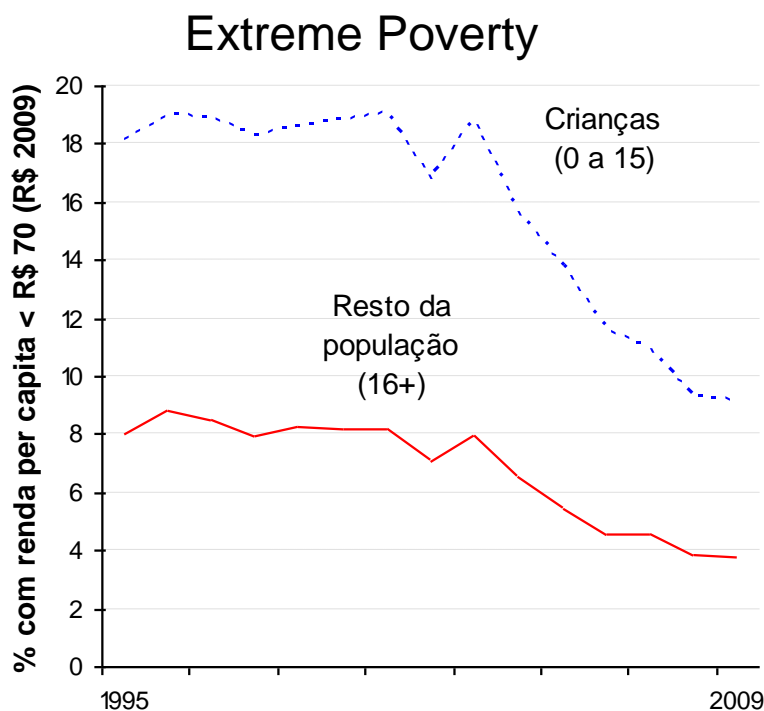

A Universal Child Benefit for Brazil

Sergei Soares
Pedro Ferreira de Souza

Poverty by Age



Poverty and Extreme Poverty by Age: Evolution Over Time



Monetary Support for Children in Brazil

- The Personal Income Tax Deduction (IRPF)
 - Exists since 1961
 - Fixed deduction per child (and other dependents)
 - Actual subsidy depends upon marginal tax rate
 - Targeted at children of high earners
 - The *Salário Família* (SF)
 - Exists since 1963
 - Fixed value per child
 - Targeted at children of low-medium formal earners
 - Very poor administration
 - The *Bolsa Família* Variable Benefit (PBF)
 - Exists since 2003
 - Fixed value per child
 - Targeted at poorest children
-

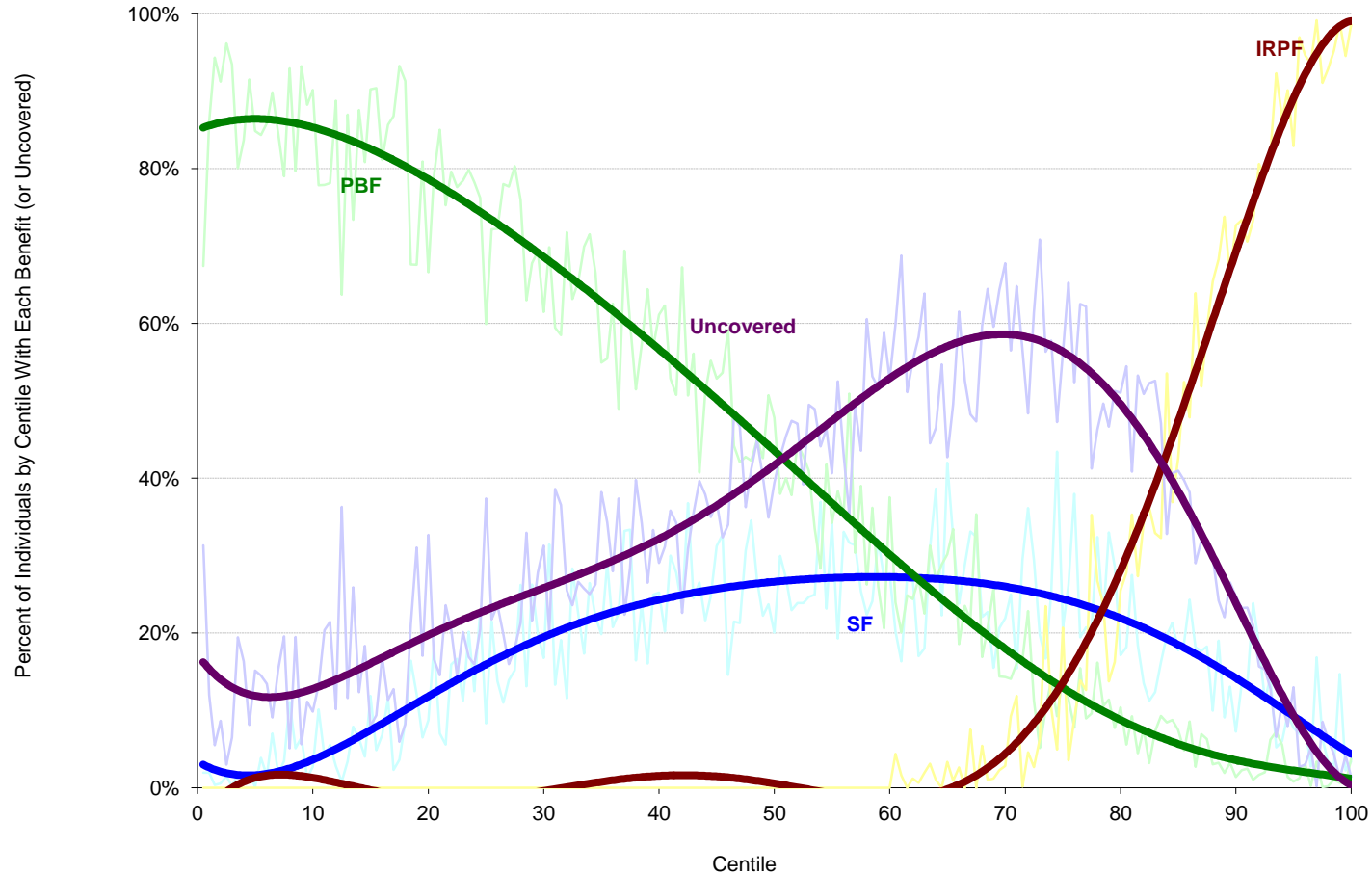
Size of Each Transfer

Benefit	# children (millions)	Expenditure / GDP (%)	Average benefit per child*
IRPF	7.87	0.08	27.03
Salário Família	9.41	0.06	16.99
PBF	22.24	0.14	16.86
Total	34.55	0.28	21.64

Who is Covered and How Much

Situation	# children (millions)	% of children	Expenditure/Child	Per Capita Income
Uncovered	16.58	32.4	0.00	357
Only PBF	17.92	35.0	16.92	135
Only IRPF	6.86	13.4	27.52	1436
Only Salário Família	4.85	9.5	17.74	351
PBF + Salário Família	3.91	7.7	33.09	186
IRPF + Salário Família	0.60	1.2	40.12	1090
IRPF + PBF	0.37	0.7	38.26	804
All three	0.04	0.1	47.52	669
Total	51.13	100	14.62	423

Who is Covered (distribution)



The Problem and The Solution

- The Problem: Our Monetary Support for Children ...
 - Is fragmented
 - Is completely uncoordinated
 - Leaves 1/3 of children unprotected
 - Is overlapping
 - Pays more to richer children
 - The Solution ...
 - **A Universal Child Benefit!**
-

Transfers and Costs

Value per Child	% GDP	% additional GDP
14.62	0.28	0.00
20	0.39	0.10
25	0.48	0.20
30	0.58	0.30
35	0.67	0.39
40	0.77	0.49
45	0.87	0.59
50	0.96	0.68

Inequality

	Concentration Coefficient	Variação (%)	Gini Coefficient	Variation (%)
Today	-0.146		0.570	
14.62	-0.231	57.8	0.569	-0.1
20	-0.229	56.7	0.568	-0.4
25	-0.227	55.6	0.566	-0.7
30	-0.226	54.5	0.564	-0.9
35	-0.224	53.5	0.563	-1.2
40	-0.223	52.4	0.561	-1.5
45	-0.221	51.3	0.560	-1.7
50	-0.220	50.1	0.558	-2.0

Child Poverty

Values	# Children in Extreme Poverty	P0	FGT P1	P2
Today	4,329,901	0.085	0.030	0.015
14.62	4,281,352	0.084	0.030	0.015
20	3,912,173	0.077	0.025	0.012
25	3,626,852	0.071	0.022	0.010
30	3,314,430	0.065	0.019	0.008
35	3,014,280	0.059	0.016	0.006
40	2,708,506	0.053	0.013	0.005
45	2,381,256	0.047	0.011	0.004
50	2,047,870	0.040	0.009	0.003

So How Does it Stack Up Against *Brasil Carinhoso*?

- Universal Benefit
 - Ethical: a child *qua* child is entitled to protection by the State
 - No targeting issues
 - No incentive issues
 - Generates an organized coalition
 - Can be complementary to a targeted program
 - *Brasil Carinhoso*
 - Much better bang for the buck on poverty or inequality
 - Can be complementary to a universal program
-