



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 21-Sep-2020 | Report No: PIDISDSC30161



BASIC INFORMATION

A. Basic Project Data

Country Brazil	Project ID P174197	Project Name Income Support for Low-Income Groups affected by COVID-19	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 21-Sep-2020	Estimated Board Date 29-Oct-2020	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Federative Republic of Brazil	Implementing Agency Secretariat of Citizenship Income, Ministry of Citizenship	

Proposed Development Objective(s)

The objective of the project is to mitigate the negative economic effects associated with COVID-19 on income and risks of damaging human capital of low-income families.

Components

Conditional Cash Transfers for poor and extreme poor families

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	1,000.00
Total Financing	1,000.00
of which IBRD/IDA	1,000.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	1,000.00
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Environmental and Social Risk Classification

Low

Decision

The review did authorize the team to appraise and negotiate

B. Strategic Context

Country Context

1. **Since reaching Brazil in late February 2020, the COVID-19 outbreak has caused a health, economic, and social crisis of unprecedented levels.** By September 20, 2020, the number of officially recorded cases of the novel coronavirus (SARS-CoV-2) was more than 4.5 million (the third highest in the world) with more than 136,000 deaths.¹ Moreover, some Brazilian states, particularly those in the northern and northeastern regions, had infections rate per 100,000 population comparable to the most severely affected parts of the world. The COVID-19 pandemic has put significant pressure on the public health system, which is the primary (and often only) source of care for over 75 percent of the population, especially among the poor.

2. **The Government of Brazil (GoB) put in place expansive public health measures to respond to the COVID-19 pandemic.** On February 3, 2020, the GoB declared the 'State of Public Health Emergency of National Importance'. On March 20, 2020, the GoB made use of Article 65 of the *Lei Complementar* No. 101, dated May 4, 2000, and declared the 'State of Public Calamity' through *Decreto Legislativo* No. 6, to allow an increase in public spending beyond current limits until December 31, 2020. By September 2020 the GoB allocated, through the Ministry of Health (MoH), more than BRL 28 billion (US\$5.3 billion) in additional expenses to the COVID-19 direct response actions.² These included the purchase of personal protective equipment for health professionals; the hiring of health professionals; and the provision of tests, medications, respirators, and expansion of the intensive care unit capacity. To facilitate safer access to health care, telemedicine services were allowed. All states in the country were encouraged to follow and adapt the National Contingency Plan. On March 20, 2020, the recognition of community transmission allowed policy makers across the country to adopt non-pharmacological measures to fight the pandemic, including social distancing and quarantine. However, average daily cases continued to rise until end of August when the number of new cases and deaths have seemed stabilized, and testing capacity remains limited compared to other countries.³

3. **On the economic side, following dramatic decreases in domestic and international demand resulting from the pandemic, Brazil is projected to fall into its deepest recession on record.** The World Bank has predicted a drop of 8 percent in gross domestic product (GDP) in 2020,⁴ with widespread implications for employment, poverty, and inequality. The crisis is expected to create a steep drop in labor income and employment, increasing the likelihood of falling into poverty among low-salary workers and

¹ WHO (World Health Organization), Coronavirus Disease (COVID-19) Situation Report.

² <https://www.tesourotransparente.gov.br/visualizacao/painel-de-monitoramentos-dos-gastos-com-covid-19>.

³ By early September, COVID-19 testing per 1,000 people were: Brazil 26.35; Chile 134.72; Colombia 54.10. Source: <https://ourworldindata.org/coronavirus-data?country=RUS~DEU~BRA~CHL~MEX#testing>.

⁴ World Bank. 2020. *Global Economic Prospects*. <https://www.worldbank.org/en/publication/global-economic-prospects#data>.



informal workers – two groups where vulnerable groups were overrepresented before the COVID-19 pandemic. The unemployment rate reached 13.6 percent in August 2020, the highest rate in the past three years. According to World Bank projections, without mitigation measures, inequality would increase by 4 percent (reaching a Gini index of 56.1), and about 7.2 million Brazilians would join the ranks of the poor in 2020, bringing the poverty rate (at US\$5.50 per day, purchasing power parity [PPP]) to 22.7 percent of the population.

4. **The COVID-19 crisis arrives as Brazil was still recovering from its 2014-16 recession, with unemployment and poverty rates above pre-recession levels.** Economic recovery remained weak since the peak of the recession in 2015–2016, with 1.3 percent real GDP growth recorded in 2017 and 2018 and 1.1 percent GDP growth in 2019. Industrial production declined 21.9 percent in May 2020 relative to May 2019. Virus containment measures and disruptions in demand are projected to reduce private consumption and investment and reduce labor demand. As a result, as of 2019 Brazil's poorest were still recovering from the 2014-2016 recession, with the income of the poorest 40 percent remaining below the pre-recession level. This is especially important given that, as of 2018, 19.9 percent of the population lived on less than US\$5.50 per day (2011 PPP), including 9.3 million people on less than US\$1.90 per day (2011 PPP)— the global reference for extreme poverty.⁵

5. **As of July 1, 2020,⁶ the GoB has committed US\$148.5 billion, or 11.4 percent of GDP, as response measures for COVID-19, including US\$108.1 billion in new spending.⁷** These response policies included the coverage expansion of the conditional cash transfer (CCT) program *Bolsa Família* (BF), and the launch of two temporary programs that address specific employment vulnerabilities generated by COVID-19 in the formal and informal sectors.⁸ Additional measures such as the anticipation of regular entitlement payments capitalized on the country's already strong social protection system, which includes an unemployment insurance (*Seguro Desemprego*, SD) system already designed to adjust as needed.

Sectoral and Institutional Context

6. **Before the COVID-19 crisis, Brazil's contributory and noncontributory social protection programs already reached an estimated 76 percent of the population, but coverage was skewed toward the elderly and households with formal labor market attachment.** Pre-COVID-19, total expenditure in social protection in Brazil was already large by international benchmarks (estimated at 15 percent of GDP in 2015). Social expenditure in Brazil is dominated by old age and disability pensions.⁹ As a result, only 3.8 percent of the population above 65 years old is in poverty, compared to 35 percent of children under 15 years old.¹⁰ Benefits for working households include the poverty-targeted BF, two wage supplement

⁵ Recently published data suggest only a marginal improvement in 2019. Data for poverty rates for 2019 is not yet available. The extreme poverty figure is based on a monthly per capita income below BRL 178.

⁶ This amount includes the AE extension of additional four months until the end of 2020 (MP 999, September 2, 2020).

⁷ Social spending includes all social sectors at the federal level (health, social protection, and education). This estimate includes a two-month extension of the *Auxílio Emergencial* (AE) program. This amount does not account for the higher than budgeted spending of the unemployment insurance program (*Seguro Desemprego*, SD).

⁸ The two temporary programs are *Auxílio Emergencial* (AE), which focuses on workers in the informal sector and the self-employed, and the *Benefício Emergencial de Manutenção do Emprego e da Renda* (BEm), which provides compensation for unpaid time of furloughed formal workers.

⁹ These comprise General Social Security System (*Regime Geral de Previdência Social* (RGPS)), Special Social Security System (*Regime Próprio de Previdência Social* (RPPS)), and Continuous Benefit Programme (*Benefício de Prestação Continuada* (BPC)).

¹⁰ US\$5.50 per day poverty line.



programs for low-salary formal workers,¹¹ unemployment insurance program (SD), and an employer-sponsored savings accounts (*Fundo de Garantia do Tempo de Serviço* [FGTS]). Unless they qualify for BF, informal workers and their households are largely unprotected.

7. Social protection measures were at the center of the fiscal response package to COVID-19 in Brazil; the first response measures relied on the existing social protection programs. These measures targeted several vulnerable groups, including the existing poor, families working in the informal economy who became temporarily poor, low-income single mothers, and formal workers at risk of losing their income from dismissal. The social protection measures adopted by the GoB had two objectives: to make social distancing possible for the economically affected and to mitigate the negative impacts of the crisis on welfare and human capital. The most immediate social protection expansion was achieved by (a) authorizing the incorporation in the BF of 1.2 million eligible families that were on a waitlist before the COVID-19 crisis; (b) maintaining a funded and accessible unemployment insurance (SD) system already designed to adjust as needed; and (c) anticipating payment of regular entitlements (special withdrawals from the FGTS employer-sponsored savings accounts, 13th month pension payments, and the wage supplement *Abono Salarial* for formal workers). These first measures were complemented by subsidies through the tax system for firms.

8. The Ministry of Economy (MoE) of the GoB requested the World Bank and other International Financial Institutions (IFIs) to co-finance the social protection measures that would be deployed to respond to the COVID-19 crisis, particularly the expansion of BF supported by this proposed project. The six participating IFIs (AFD, CAF, IADB, KfW, NDB, and the World Bank) coordinated to diversify their financing over the BF, SD, AE, and BEm based on specific institutional experience and in line with their broader engagements with the GoB. Projected spending on supported programs in 2020 are budgeted for US\$82.34 billion in 2020, of which US\$70.84 billion is new spending. These four programs account for 66 percent of the GoB's response to the pandemic via new spending; this operation represents 0.7 percent of the total fiscal package in response measures to COVID-19. The World Bank will finance the expansion of the BF in light of its long track record in supporting the CCT and ongoing analytical support around the reform of social assistance and the strategic value of the benefits for both the relief and restructuring stages of the World Bank COVID-19 Crisis Response Approach.

9. The decision to expand the BF in 2020 is an important policy step by the GoB to restore the BF's ability to serve as a countercyclical safety net program. The BF program, implemented by the MoC, is designed to be responsive to income shocks.¹² By relying on a combination of self-declared income tests, household visits, and extensive administrative cross-checks, the program can detect those families that fall into poverty or that exit from poverty better than most similar programs in the Latin America and the Caribbean Region. It was used as an effective measure during the 2008–2009 global financial crisis, when the BF expanded in coverage and benefit size. Despite these features, since 2012, and until March 2020, the program coverage remained stable at around 14 million families. During the 2014–2016 economic recession and the rising unemployment that followed it, the program was able to include more than a

¹¹ These comprise *Abono Salarial* and *Salario Família*.

¹² The BF program targets families with children between ages 0 and 17 years, with a monthly income up to BRL 178 (US\$34) per capita per month, that fulfill the educational and health conditionalities established by the program. Families without children but with a monthly income per capita below BRL 89 (or US\$17) can also receive a basic benefit. The average benefit paid per month per family in 2020 is BRL 188, or US\$35. This is roughly US\$10.5 per family member on average.



million new families that had fallen in poverty and achieve a 'zero waitlist' mainly by increasing its targeting efficiency¹³. Space for new families on a flat budget was also possible because the benefit amount was allowed to fall in real terms. However, as poverty continued to increase even in 2017 and 2018, and efficiency savings reached their limit, the program started to experience a 'waiting list' of uncovered poor families in 2019.

10. **The BF expansion authorized in March 2020 allows the BF to serve as a countercyclical safety net program in response to the COVID-19 crisis.** While coverage of BF increased during the 2008 Global Financial Crisis, successfully mitigating increased poverty during that crisis, BF coverage was not increased during the 2014-16 recession leaving the most vulnerable exposed. This lesson learned was quickly applied to the COVID-19 pandemic, with the Government responding swiftly with a comprehensive SP program to reduce the negative economic impacts on the vulnerable and poor. BF is expected to incorporate an additional 1.2 million families starting 2021 to help households who have been hit by the crisis and will not have any support after AE ends. The project will support CCT to families covered by BF after these expansions.

11. **During regular times, the BF program stimulates the beneficiary's investment in human capital by providing child and youth payments and requiring attendance of primary and secondary school, and regular health checkups, from prenatal to age 7.** During the COVID-19 crisis the program will serve as a protection from human capital disinvestments (such as malnourishment, child labor, sale of family assets, forgoing health expenditures) through the supplementation of essential income that has proven around the world to help mitigate human capital losses upon severe shocks. When service supply is available, conditionalities play a critical role in nudging families in using them: in this way, BF was proven to reduce beneficiaries' risk of primary school dispersion and the health risks resulting from failure to receive immunizations, health and weight check-ups, and maternal visits. Consistent with measures taken across many countries (such as Indonesia and the Philippines) during this health crisis, conditionalities have been suspended since the emergency declaration for COVID-19. However, as soon as services resume normal operations (e.g. school reopen for presential classes), conditionalities in BF are expected to be reinstated.

12. **The investments made by the GoB to develop a physical network of social assistance offices, a registry of program beneficiaries (*Cadastro Único*), and digital delivery systems, including with the World Bank support, allowed a rapid expansion of existing programs and the creation of new programs.** The creation of the new programs was made possible by leveraging the robust registries, mainly *Cadastro Único* and the social insurance registries;¹⁴ the capability to develop mobile and digital application processes; a single identification number to conduct eligibility cross-checks; established electronic payment mechanisms; and good communication channels with the population. Moreover, the social assistance offices (*Centros Referencia Asistencia Social*, CRAS), which are the first gateway to the BF and *Cadastro Único*, were designated as essential services (*Decreto* No. 10.282, March 2020) and most offices remained opened during the crisis. Employment offices (SINE), on the other hand, closed and new claims shifted almost entirely to the online modality, until May when the SINE offices also entered the essential

¹³ This efficiency was obtained through more frequent eligibility re-certifications and special crosschecks among the stock of beneficiaries, causing many to graduate, thus leaving space for new ones to enter. This is documented in the World Bank (2020) ICR of Bolsa Familia II.

¹⁴ These include General Employment and Unemployment Register, National Register of Social Information, and Base SD.



services list. The World Bank supported the development of this service delivery system through operations and TA in the last 15 years.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The objective of the project is to mitigate the negative economic effects associated with COVID-19 on income and risks of damaging human capital of low-income families.

PDO Level Indicators.

13. The PDO will be tracked through the following PDO indicators:

- (a) Families who are maintained above extreme poverty program threshold with project financing (disaggregated by sex and by vulnerable group category of direct recipient)¹⁵
- (b) Mean income support received with project financing by families as a share of the income at the time of application
- (c) Children 6-17 benefiting from CCT with project financing, whose school attendance is being monitored by the program (disaggregated by vulnerable group category)
- (d) Children under 7 years old benefiting from CCT with project financing, who are being monitored by the program for compliance with health checkups (disaggregated by vulnerable group category)

14. **The PDO indicators track the objective of the BF transfers financed by the project.** Low-income is defined as families eligible for means-tested social assistance through *Cadastro Único*. The first two indicators track the number of families whose income is pushed above the 'extreme poverty' inclusion threshold of the BF after they receive BF transfers and the magnitude of the potential impact on welfare of the transfer. The third and fourth indicators measure the mitigation of risks to human capital depletion by tracking the extent of monitoring by the CCT of school attendance and compliance with health checkups of beneficiaries; this is essential to allow the program to incentivize the use of these services (once these resume operating), and in this way reduce other preventable diseases and foregone learning.

D. Project Description

15. As part of the coordinated financing strategy involving six IFIs in the support of the response to COVID-19 by the GoB through the social protection system, this proposed project will have a single component (US\$997.50 million) to finance the scaling-up of BF to mitigate the impact of the COVID-19

¹⁵ This is defined by the BF 'extreme poverty' threshold of BRL 89 per month (equivalent of US\$1.13 per day).



pandemic on poor families. The remainder of the Loan (US\$2.50 million) will cover the front-end fee (Table 1).

Table 1. Project Costs

	Direct Recipients (Million) ¹⁶	Average benefit	Benefit duration	WB financing	
	Number	R\$	Months	BRL millions	US\$ millions
Bolsa Familia (families)	1.22	188	23	5,250	997.50
Front End Fee (0.25% IBRD)					2.50
Total				5,250	1,000

16. The project financing under the single component will cover the cost of transfers corresponding to the countercyclical expansion of the BF as a response to the COVID-19 pandemic. The BF expansion is defined as all BF eligible families in excess of 13.05 million, the number of beneficiary families in the program before the scale-up. Before the COVID-19 crisis, 1.2 million families applied and were found eligible for the BF and, because of budget restrictions limiting the growth of the program, had been placed on a waiting list. They were added to the BF program in March 2020. The project supports the extension of the BF expansion starting in 2021.¹⁷ At the confirmed benefit and coverage level, this project is expected to finance approximately 23 months of the BF expansion, beginning in the first quarter of 2021¹⁸.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

E. Environmental and Social

¹⁶ This is a baseline scenario. The number of covered families can increase up to 2.4 million depending on different policy changes, namely a) confirmation of the size of the budget increase in 2021, b) potential revision in benefit level, c) percentage of coverage of WB financing, and d) duration of WB financing.

¹⁷ As the AE was introduced immediately after the BF expansion authorization, 95 percent of the BF beneficiary families were automatically enrolled to temporarily receive the AE. The AE can be six times more generous than the average BF benefit. As a result, payments for most of the newly included households will start the month after the end of AE payments (January 2021).

¹⁸ This is the baseline scenario. The number of covered families could increase up to 2.4 million depending on different policy decisions: i) confirmation of the size of the budget increase in 2021; ii) potential revision in benefit level, iii) percentage of coverage of WB financing,; and iv) duration of WB financing.



17. **Environmental risk is considered Low.** The Project aims to provide financial support for an existing cash transfer program. The Project does not include any type of construction work or services that could cause direct or indirect adverse environmental impacts. The activities funded by the Project do not have environmental implications going forward. BF has national coverage and the payments are executed by the state-owned bank CEF, using procedures that reduce risk of exposure to COVID-19. Risks of contagion are also minimized through the diversity of payment systems, dates and points.

18. **Social risk is rated Low. The Social risk is rated low.** The potentially adverse risks and impacts on human populations of the Project's activities of cash transfer to mitigate the economic losses in poor and vulnerable households caused by the COVID-19 crisis through this established social protection program is likely to be minimal or negligible. The Project will not entail any land acquisition, resettlement, or associated livelihood impacts. Furthermore, the Project will not affect the management of natural resources or land areas upon which individuals or communities rely. 88. The principal social risk of this Project is not reaching the most disadvantaged and vulnerable individuals and groups, are minimal. Means to ensure compliance with ESS standards during Areas that will be strengthened through the Project are tracked in the results framework and summarized in the Project's Environmental and Social Commitment Plan (ESCP).

F. Implementation

Institutional and Implementation Arrangements

19. **The project counterpart is the MoC.** To align with the GoB's request and arrangements adopted by all other financiers, the project will have a Project Implementation Unit (PIU) under the National Secretariat for Citizen Income (*Secretaria Nacional de Renda de Cidadania*, SENARC). SENARC has built strong experience and capacity through the BF projects. The PIU will be responsible for monitoring and managing project activities and will undertake the primary fiduciary responsibilities of the project for its respective component. These responsibilities include (a) preparing and obtaining approval of project financial management (FM) arrangements, (b) coordinating and supervising implementation of its program, (c) submitting disbursement requests and documentation of expenditures to the World Bank, (d) preparing and submitting project unaudited interim financial reports (IFRs) to the World Bank, and (e) preparing and providing all financial documentation and project reports requested by external auditors and World Bank staff. The PIU will also be responsible for: (a) preparation of the final completion report of the project, (b) approval of the terms of reference for the project audits; and (c) preparation, update, and oversight to ensure that all project executors follow the Project Operational Manual (POM). SENARC shall assign a specialist to be responsible for management and monitoring of project environmental, social and health standards performance.

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APPROVAL

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