international policy centre for inclusive growth

The International Policy Centre for Inclusive Growth is jointly supported by the United Nations Development Programme and the Government of Brazil.

ONE PAGER 436

March 2020 ISSN 2318-9118

Targeting in the *Bolsa Família* programme from 2012 to 2018 based on data from the Continuous National Household Sample Survey

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Conditional cash transfer (CCT) programmes are usually targeted—that is, they deliberately target the poorest members of the population. The evaluation of CCT targeting accuracy has always generated significant interest among researchers, policymakers and practitioners. Several studies from the early 2000s have found that the *Bolsa Família* programme is well targeted—compared to other national programmes and other CCTs worldwide—and contributes to reducing income inequality.

The recently released income data files from the Continuous National Household Sample Survey (*Pesquisa Nacional por Amostra de Domicílios Contínua*—PNAD) for the period between 2012 and 2018 allow us to assess whether the good performance observed in the early 2000s has endured over time, despite changes in management.

The main process to ensure the reliability of the means-testing approach adopted by the programme was established in 2005. In that year, the self-reported household income registered in the federal government's Single Registry for Social Programmes started being verified against other federal administrative records, especially the Annual Report of Social Information (*Relação Annual de Informações Sociais*—RAIS), an employer-informed database on formal-sector workers from the public and private sectors that includes individualised information on employee wages.

The results based on the new income data suggest that between 2012 and 2018, *Bolsa Família*'s share of beneficiaries in the first decile of net per capita household income (that is, those among the poorest 10 per cent in the country) increased by 6.3 percentage points (from 32.6 per cent to 38.9 per cent), and the share of beneficiaries among the poorest 20 per cent (between the first and second deciles of per capita household income) increased by 7.5 percentage points (from 58 per cent to 65.5 per cent). As the value of the benefit is higher for the poorest beneficiaries, the targeting of the majority of benefits is even better. This improvement seems to result from a continuous and incremental process, without significant fluctuations during the period analysed.

The capacity of *Bolsa Família* to reduce income inequality, which was already high at the start of the period, has also improved consistently. The programme's concentration coefficient had a non-trivial decrease of 6 percentage points between 2012 and 2018 (from -0.58 to -0.64), which demonstrates that additional investments in the programme will have a direct impact on the reduction of inequality in the country.

However, it is estimated that almost one in five of the poorest 10 per cent of people in Brazil are not receiving transfers from the programme.

The poorest regions of the country (Northeast and North) 'drive' the programme's good targeting performance, with the share of beneficiaries among the poorest population well above the national average. Interestingly, the poorest regions also present the fewest exclusion errors, suggesting that the trade-off between inclusion and exclusion errors does not happen at subnational levels. The result also challenges the hypothesis that state capacities (supposedly linked to their wealth) would improve results in the richer regions of the country, namely the South and Southeast regions.

A comparison of *Bolsa Família* outcomes against ASPIRE/World Bank indicators for selected countries in Latin America suggests that the programme not only has good targeting accuracy but is also a rare case in which that feature is combined with good coverage (a low exclusion rate).

Bolsa Família has some potential alternative routes to improve its design, depending on government priorities. Based on our findings and the past literature, we can say that if policymakers think it is still necessary to improve its targeting performance, adopting proxy means-testing as a targeting mechanism might be risky, ineffective and inefficient. Comparative analysis against other Latin American countries has shown that countries that adopt proxy means-testing for their CCTs do not achieve better targeting performance than *Bolsa Família*'s. Thus, maintaining the programme's current design and reinforcing its institutional apparatus may be a better option, particularly coupled with the regular adjustment of benefits and eligibility criteria (cut-off points) according to inflation rates. Finally, if exclusion errors are a concern, a third alternative could be the creation of a universal benefit for children with the inclusion of top-up benefits for poorer beneficiaries (Paiva, Sousa, and Nunes 2019).

Reference:

Paiva, L.H, M.F. Sousa, and H.M.P. Nunes. 2020 (forthcoming). "A focalização do Programa Bolsa Família no período 2012-2018, a partir dos dados da Pnad Contínua." *Texto para Discussão*. Brasília: Institute for Applied Economic Research.

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