

The effects of Brazil's *Bolsa Família* programme on poverty and inequality: an assessment of the first 15 years

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Brazil's *Bolsa Família* programme is a conditional cash transfer: cash, rather than in-kind, transfers are made to families (not to individuals), with specific targeting (seeking to reach the poorest people) and tied to specific conditions (families must meet certain commitments, generally related to health and education outcomes, to receive their benefits).

These specific characteristics give rise to the following questions: How well targeted is the programme? What is its impact on poverty reduction? How does it contribute to reduce inequality? These questions received significant attention in the past, but in the last few years studies on these specific points have become scarce.

The recent release of complete income data from the National Household Sample Survey (*Pesquisa Nacional por Amostra de Domicílios*—PNAD) suggests a good opportunity to re-examine such issues. Ferreira de Souza et al. (2019) cover a broad period, from 2001 to 2015 (using data from the regular PNAD) and from 2016 and 2017 (using data from the continuous PNAD). Conditional cash transfers evolved significantly between 2001 and 2017: in the first two years, pioneering programmes could already be seen, such as the *Bolsa Escola* (school grant) and *Bolsa Alimentação* (food stipend), both of which were unified in 2003 into *Bolsa Família*, which went on to become one of the main social policies of the federal government.

Although *Bolsa Família* became a relatively inexpensive programme over the course of the period analysed (its budget represented less than 0.5 per cent of gross domestic product—GDP), its effects on poverty and inequality are very significant. This is largely due to its effective targeting of the poorest population: an analysis of the regular PNADs between 2001 and 2015 and of the continuous PNADs in 2016 and 2017 reveals that it is the transfer operated by the federal government that reaches poor people the most. Although social security and social assistance transfers tied to the minimum wage are well targeted, *Bolsa Família* does an even better job.

The programme's coverage among the poorest 20 per cent of people in the country has increased over time, reaching 60 per cent over the past few years. Its incidence coefficients—which measure how redistributive the first Real disbursed by the programme really is—have also become the most negative, which indicates higher progressivity. About 70 per cent of its resources reach the poorest 20 per cent of people (computed before programme transfers).

A comparison between extreme poverty rates computed before and after programme transfers shows that, since its consolidation, *Bolsa Família* reduces these rates by something between 1 and 1.5 percentage point (p.p.), which, in 2017, meant a reduction of around 15 per cent in the number of poor people and of more than 25 per cent in the number of extremely poor people. In 2017, programme transfers were responsible for 3.4 million people climbing out of extreme poverty, and 3.2 million people climbing out of poverty.

PNAD results for income inequality with and without *Bolsa Família* benefits show that the programme reduces the Gini coefficient by around 1–1.5 per cent. Dynamic decompositions indicate that the programme was responsible for almost 10 per cent of the Gini decrease between 2001 and 2015. If we consider only the period between 2001 and 2006, this contribution reaches almost 17 per cent. These numbers become even more impressive if we keep in mind that *Bolsa Família* represents a minute share—less than 0.7 per cent—of total income in the PNAD. Transfers linked to the minimum wage move around 10 times as many resources but have yielded only slightly better results, answering for 18 per cent of the fall in the Gini coefficient between 2001 and 2015, and only 13 per cent—therefore, less than *Bolsa Família*—between 2001 and 2006.

It can be said that the conclusions drawn from this paper reinforce the previous findings in the literature: the expansion and consolidation of the programme did not hinder its targeting efforts or lessen its importance in the fight against poverty.

The results also serve as inputs for discussions about possible future directions for *Bolsa Família*. The verification work regarding the eligibility of families, which has been carried out since 2005, has been improved over the years, which helps explain that, despite its expansion, the programme has remained well targeted. It is unlikely, however, that targeting can be significantly improved, given the complexities of the real world. Given the income volatility of vulnerable families, it would be advisable to increase the number of beneficiaries, even if this possibly leads to somewhat worse targeting. After all, considering the programme's current level of targeting, increasing its effectiveness in reducing poverty should be its main goal. In effect, excessive attachment to increasing targeting might even hinder the programme's role in the fight against poverty if, for example, it leads to the tightening of conditionalities and/or a decrease in the number of families covered.

The results also suggest that what keeps *Bolsa Família* from being more effective in the fight against poverty and inequality is the modest value of the benefits. Today, each family receives around BRL 188, which—although representing an advance compared to the first years of the programme—is still too little to ensure a minimum income to the poorest people. As the programme's budget is still far too small compared to the universe of expenditures of the federal government, the decision regarding readjustments reflects political priorities more than specific fiscal issues.

Reference:
de Souza, P. H. G. F., R. Osorio, L. H. Paiva, and S. Soares. 2019. "Os Efeitos do Programa Bolsa Família sobre a Pobreza e a Desigualdade: Um Balanço dos Primeiros Quinze Anos." *Texto para Discussão*, No. 2499. Rio de Janeiro: Instituto de Pesquisa Econômica Aplicada.