



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 01-Jun-2020 | Report No: PIDC29571

**BASIC INFORMATION****A. Basic Project Data**

Country Brazil	Project ID P174197	Parent Project ID (if any)	Project Name Income Support for Vulnerable Groups affected by COVID-19 in Brazil (P174197)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Jun 30, 2020	Estimated Board Date Jul 09, 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, Subsecretariat of Labor, Ministry of Economy	

Proposed Development Objective(s)

The objective of the Project is to mitigate the impact of job and livelihood losses associated with COVID-19 on the (i) welfare and (ii) human capital of the poor and low-income workers.

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

Concept Review Decision



Low

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Until recently, Brazil was on a slow recovery path from the 2015 economic recession, with little progress in reducing poverty and persistent labor market vulnerability.** Economic recovery remained weak since the peak of the crisis in 2015-2016, with 1.3 percent real Gross Domestic Product (GDP) growth recorded in 2017 and 2018 and 1.1 percent GDP growth in 2019. Job creation has been sluggish, with unemployment falling to 11.0 percent in 2019, remaining above pre-crisis levels (6.8 percent in 2014). The crisis and recovery have led to an increase in inequality (Gini index increased from 51.9 in 2015 to 54.7 in 2019) and, though average incomes have grown, the income of the poorest 40 percent had yet to recover to pre-crisis levels as of 2019. Since the latest recession, most of the new jobs have been created either in the informal sector or in self-employment. The high turnover in formal jobs observed in growth periods in Brazil has decelerated and first-time labor market entrants and low-skilled workers have experienced increasingly long unemployment spells. As of 2018, 19.9 percent of the population lived on less than US\$ 5.50 per day (2011 PPP), including 4.4 percent on less than US\$ 1.90 per day (2011 PPP) - the global reference for extreme poverty. Recently published 2019 data suggest that poverty continued a slow recovery, with the population living on less than half a minimum salary decreasing from 30 percent in 2018 to 29.2 percent in 2019.

2. **The outbreak of the coronavirus disease (COVID-19) caused by the novel coronavirus (SARS-CoV-2) reached Brazil in February 2020 and by the end of May surpassed 200,000 active cases, the world second highest number¹.** The virus spread rapidly across the world, following initial cases in Wuhan, Hubei Province, China in December 2019. On March 11, 2020, the World Health Organization (WHO) declared a global pandemic as the coronavirus rapidly spreads across the world. The first case in Brazil was confirmed on February 26, 2020, in the State of São Paulo, and by May 28, 2020 it counted 375,000 confirmed cases, of which 200,000 still active, and 23,000 deaths, making Brazil the second-most infected Nation². Prior to its first confirmed case, on February 3, 2020 the Government of Brazil (GoB) declared the “State of Public Health Emergency of National Importance” according to Decreto no 7,616 from November 17, 2011. Together with the declaration the Centro de Operações de Emergências em Saúde Pública was established, as a mechanism to coordinate the emergency response at the national level. On March 20, 2020 the GoB made use of article 65 of the Lei Complementar no. 101, from May 4, 2000, and declared the “State of Public Calamity” via Decreto Legislativo no. 6. The measure allows an increase in public spending beyond current limits until December 31, 2020, meaning the administration is no longer required to meet the fiscal target established for 2020.

3. **The Brazilian federal government took several actions to contain and mitigate the impact of COVID-19 on the national health system, including allowing for quarantine and social distancing measures.** The Ministry of Health (MoH) released R\$ 11 billion for direct response actions, which include the purchase of personal protective equipment for health

¹ https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200229-sitrep-40-covid-19.pdf?sfvrsn=849d0665_2, https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200519-covid-19-sitrep-120.pdf?sfvrsn=515cabfb_2

² Source : <https://coronavirus.saude.gov.br/>



professionals, the hiring of health professionals, and the provision of tests, medications, respirators and intensive care unit (ICU) beds. In addition to resources devoted to direct response actions, the MoH dedicated R\$ 32.9 billion to the public health sector. Testing capacity was expanded considerably; by May 12, 2020, 6.9 million tests have been distributed. 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 20th, 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.

4. **The economic downturn due to COVID-19 is bringing Brazil into its worst recession ever on record. Conditions will be exacerbated by external factors, including declining global commodity demand.** Domestically, economic disruption from virus containment measures is projected to reduce private consumption and investment and reduce labor demand. While services are expected to be hit hardest, the export-oriented part of the agriculture sector might expand. Small firms are anticipated to be more affected due to higher face-to-face interaction rates and lower cash buffers. The International Monetary Fund (IMF) has revised growth expectations from +1.1 percent to -5.3 percent for 2020, the lowest on record for Brazil.

5. **The crisis is expected to create a steep drop in labor income and employment, disproportionately affecting low-wage workers and informal workers, among whom women and families that were already vulnerable before the COVID-19 epidemic are overrepresented.** The effects are reaching both formal private-sector dependent workers, who account for about a third of workers in Brazil, as well as informal and self-employed workers, who account for 20 percent and 30 percent of the workforce respectively. Formal dependent workers can rely on several social protection (SP) programs (employer-sponsored savings accounts (FGTS), unemployment insurance, and severance pay) in case of involuntary unemployment. The self-employed (formal and not) and informal dependent workers have no access to contributory SP programs but may be eligible for social assistance.

Sectoral and Institutional Context

7. **SP measures were at the center of the fiscal response package to COVID-19 in Brazil, and they 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 (Figure 1).** These measures 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.

8. **The first line of policy response, already announced in March 2020, expanded horizontally (adding new beneficiaries), and vertically (provide liquidity to existing beneficiaries) the existing SP programs, including Bolsa Familia (BF) and Seguro Desemprego (SD).** This was achieved primarily in two ways: (i) by relaxing budget constraints to incorporate new eligible beneficiaries in the conditional cash transfer program BF and maintaining funded and accessible unemployment insurance (SD), and by (ii) anticipating payment of regular entitlements (FGTS special withdrawals, 13th month pension payments, and wage subsidies through the Abono Salarial program).

9. **As a second line of response, the GoB launched two temporary programs that would address specific vulnerabilities generated by COVID-19 to the formal and informal labor market, and that were not covered by the expansion of existing programs.** Auxílio Emergencial (AE) extended emergency cash transfers to those outside formal wage employment, but normally ineligible for social assistance, such as non-poor informal and the formal free-lance self-employed. For the formal sector workers, the existing unemployment insurance program SD remained accessible and



adequately financed. In addition, the MoE introduced the **Benefício Emergencial de Manutenção do Emprego e da Renda (BEMER)**, which supplemented income of furloughed formal workers to prevent inefficient layoffs. The SP measures were complemented by subsidies through the tax system for firms³, and all together these responses amount to 4.1 percent of GDP⁴. The response concentrated on working families given the already high coverage rate of old-age pensions (see Table 1).

Table 1: Key features of SP programs deployed to respond to COVID-19 crisis

Intervention and Implementing Agency	Program features and target group	Beneficiaries (Million) est.	Size of Transfer	WB , IFIs support
Bolsa Familia (SENARC, MoC)	Existing poverty-targeted conditional cash transfer	1.2 new + 14 existing	Average benefit: R\$ 188	WB , AFD, KfW,
Auxílio Emergencial (SENARC, MoC)	Temporary income support for working age adults without formal income sources (new program)	50 - 70	R\$ 600-1200	IDB, AFD, NDB
Seguro Desemprego (Secretaria Trabalho, MoE)	Existing unemployment insurance program for dependent workers	7	Average: R\$ 1,266	WB , KfW
Benefício Emergencial de Manutenção do Emprego e da Renda (Secretaria Trabalho, MoE)	Temporary income support for furloughed formal dependent workers in private firms (new program)	8,5	Same generosity as SD	IDB, CAF

10. **On April 8, 2020 the MoE of the GoB requested the World Bank and other International Financial Institutions (IFIs) to co-finance the SP measures that would be deployed to respond to the COVID-19 crisis, including the expansion of BF and SD supported by this proposed project.** Participating IFIs include the Inter-American Development Bank (IADB), the Corporação Andina de Fomento (CAF), the Agence Francaise de Developpment (AFD), the Kreditanstalt für Wiederaufbau (KfW), and the New Development Bank (NDB). The donors coordinated to diversify their financing over BF, SD, AE and BEMER based on specific institutional focus and their broader engagements with the GoB (Table 1 shows the programs financed by each IFI). The World Bank will finance BF and SD, in light of its long track record in supporting the conditional cash transfer with the MoC (see Annex 1) and ongoing and past ASA to Labor Secretary in support of the reform of unemployment protection programs including SD. A Carta Consulta was approved on May 28, 2020, authorizing a total financing of US\$ 3,59 Billions, of which 1 US\$ Billion from IBRD.

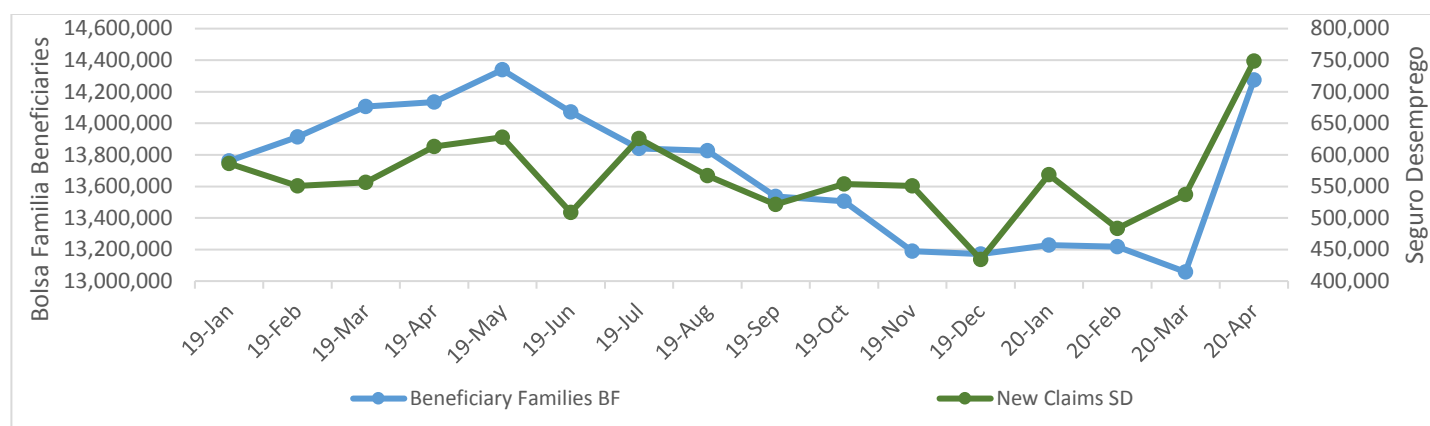
16. **The investments made by the GoB to develop a vast and well-coordinated physical network of social assistance offices, Cadastro Unico, and digital delivery systems,** including with the WB support, allowed a rapid expansion of existing programs and the creation of new programs. The creation of the new programs was made possible by leveraging the robust registries, mainly Cadastro Único and the social insurance registries (CAJED, CNIS, Base SD), 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 (CRAS), which are the first gateway to BF and Cadastro Unico, were designated as essential service (Decreto n. 10.282, March 2020) and most remained opened during the crisis. SINE offices on the other hand closed and new claims after the lockdown shifted almost entirely to the online modality. The World Bank supported the development this service delivery system through operations and technical assistance in the last fifteen years (see Annex 1)

³ Additional measures outside the real of Social Protection include instruments to provide assistance and liquidity to firms (postponement of certain types of taxes or extended credit lines for small and medium-sized firms), electricity waivers, postponement of income tax declarations, and the distribution of food baskets. See Annex 2 for the full list.

⁴ Source: Nota informativa, “Medidas de Combate aos Efeitos Econômicos da COVID-19”, 4/17/2020



Figure 2: Evolution of beneficiaries BF and SD Jan. 2019 - April 2020



Source: Team based on data from MoE, MoC

17. **These complementary income support programs are critical to mitigate the effects of COVID-19 on the destruction of human capital in poor and economically vulnerable households, who are disproportionately impacted both economically and in terms of morbidity to COVID-19.** Overall, before the pandemic half of Brazilians (52 percent) were economically vulnerable, either living in poverty (US\$5.50 per day in 2011 PPP) or at risk of falling into poverty (per capita income between US\$5.50 to US\$13 per day). These families are bearing disproportionate costs of lockdowns because these groups rely primarily on income from informal jobs and these jobs have been severely disrupted. Living in substandard housing, including overcrowding conditions, without reliable access to basic services results in them being less likely to be able to observe basic public health measures, including handwashing, because of the lack of proper water and sanitation facilities. The first epidemiological results suggest that the very vulnerable groups covered by Cadastro Unico and BF, such as dwellers of high-density poorer urban areas, marginalized groups, and indigenous people are disproportionately infected and dying from the disease in Brazil⁵. Conditional cash transfers would partially compensate the vulnerable population for their loss of income and maintain incentives to preserve human capital of children once service delivery resumes.

18. **The BF program will also serve as an incentive to rebuild human capital during the resumption of service delivery, by rewarding continued schooling for low-income children and youth and attendance of health checkups.** While in the short run conditionalities have been suspended in light of quarantine measures, beneficiaries tend to last in a program for a long time; as explained above the program will resume normal operation from July for most of its beneficiaries, with the end of AE. Once service delivery resumes, the insertion of poor households in the program in crisis puts children on a path of longer-term human capital investments. Annex 1 summarizes key features of the program and the findings from the vast literature that evaluated the impact of BF on human capital formation.

⁵ New beneficiaries added in the expansion of BF include a disproportionate share of urban poor from Sao Paulo and Rio de Janeiro, two epicenters of the pandemic. And, in March 2020 more than a quarter million BF beneficiary families were members of three marginalized groups (Quilombolas, Indigenous, and Ciganos), and 10 percent of the beneficiary families lived in rural areas. More than 180,000 new families from the states in the Amazon region, a part of the country with higher rates of rural, IP, and forest communities and currently undergoing a significant outbreak, were added to the BF program in April.



Relationship to CPF

19. **The project will contribute to the Focus Area 1 of the Country Partnership Framework (CPF) for the period from FY18 to FY23 for Brazil, which is promoting fiscal consolidation and government effectiveness.** More specifically objective 1.2 aims to increase fiscal sustainability and fairness of the pension system, and effectiveness of the SP system. The project will contribute to strengthening the SP system by supporting its ability to effectively respond during a severe crisis.

20. **The project is aligned with the World Bank's strategic response to COVID-19 and its contributions to support the objectives of the GoB's National Contingency Plan for Human Infection by the Novel Coronavirus COVID-19⁶.** This project supports the GoB's efforts to address the economic consequences of the COVID-19 pandemic by financing SP responses that support households' welfare and protect against further loss of human capital. In addition, the project supports the GoB's health response strategy, which includes social distancing, by providing alternative sources of income, particularly for those workers in occupations that cannot be conducted during the quarantine.

21. **Additionally, the project is in line with the World Bank climate change commitments and specifically with objective 3.3 "Promote socio economic development of small rural producers and protect vulnerable groups" of focus are 3 of the CPF.** Climate change disproportionately affects low-income communities, and many of BF beneficiaries live in areas susceptible to climate-induced weather shocks. BF and Cadastro Unico are central in Brazil's adaptive social safety net system; the program has coordination protocols with the national emergency agency and it has been used to respond to natural disasters in the past, such as the adoption of the payment schedules in times of floods, fires or in the context of the dam collapse in Brumadinho and Mariana. Through the Second Bolsa Familia project, the Bank has supported the development of some of the current protocols and coordination mechanisms, that can be leveraged in case of future climate-induced natural disasters. Moreover, BF is a strategic benefit to contribute to the livelihood of beneficiaries living in or at the margin of the Amazon forest, including indigenous groups.

C. Proposed Development Objective(s)

The objective of the Project is to reduce the impact of job and livelihood losses associated with COVID-19 on (i) welfare and (ii) the risk of damaging human capital.

Key Results

22. The Development Objective will be tracked via the following PDO indicators:
- Number of low-wage workers dismissed after COVID-19 whose income is replaced by SD benefits financed by the project (disaggregated by gender)
 - Wage replacement rate of labor income of low-wage workers dismissed after the COVID-19 emergency through SD benefits financed by the project (disaggregated by gender)
 - Number of individuals who are maintained above extreme poverty by BF with financing of the project (disaggregated by gender)
 - Mean income support received by families included in the BF program as a share of the income at the time of application
 - Percentage of children 6-17 benefitting from BF program expansion, whose school attendance is being monitored

⁶ Ministério da Saúde de Brasil (2020). Plano de Contingência Nacional para Infecção Humana pelo novo Coronavírus COVID-19.



23. **The PDO Indicators track the policy objective of the BF and SD transfers, co-financed by the project.** The first two indicators measure the (i) breadth and (ii) effectiveness of short-term mitigation of the shock suffered by low-wage workers who were dismissed during the economic crisis induced by COVID-19⁷. The third indicator tracks the breadth of BF expansion among extreme poor families (who cease to be extreme poor after the inclusion in the program), (iv) by how much the family income prior to COVID-19 is supplemented by these transfers⁸. The last indicator tracks the effectiveness of the Bolsa Familia conditional cash transfer in continuing its function of promoting human capital development activities of beneficiary children included in the program. The PDO Indicators will be measured using administrative data at the end of the project, to the extent feasible this will be done at the project level to clearly identify the project's attribution (TBC). The economic analysis includes simulations to show the expected mitigation impacts of these programs.

24. **The project is expected to finance 1.2 million BF beneficiary families, and an estimated 483,000 dismissed low-wage workers that receive SD, yielding up to 1.7 million direct beneficiaries.** The transfers will benefit not only direct recipients but also their household members, by supplementing or temporarily replacing foregone labor income. In particular, an estimated 2.9 million individuals will benefit from the project-financed expansion of BF for a period of at least 14 months; among them, 990,000 are children and youth, who will receive financial support and follow-up from social assistance centers to attend school and participate in health services as required by the BF program protocols. In addition, the project will benefit directly 483,000 unemployed who used to be in low-wage jobs, a total of about 1.7 million individuals when including also their family members⁹.

D. Concept Description

26. **As part of a coordinated financing strategy involving six IFIs in the support of the response to COVID-19 by the GoB through the SP system, this proposed project will finance the scaling-up of SD and BF to mitigate the impact of the COVID-19 pandemic on the existing poor and low-wage dismissed workers, through the SP system.**

27. **Component 1: Conditional Cash Transfers of BF (US\$ 600 M) for poor and extreme poor families.** After years of budgetary restrictions, resulting in no growth in the number of BF beneficiaries and falling benefit values (in real terms), the GoB authorized BF's scaling-up as a result of the COVID-19 epidemic. BF will continue to support income and human capital accumulation in poor and extreme poor beneficiary households. The financing will allow to cover BF transfers of all the 1.22 million families newly included in the program in April 2020 for a period of 14 to 15 months. As 95 percent of BF beneficiary families also qualified for the AE program due to their low income (and no family can receive both AE and BF), most BF payments will resume in July 2020.

28. **Component 2: Unemployment insurance for low-income wage workers (US\$ 397.50 M).** The project will reimburse benefits for the more vulnerable share of the unemployed, those who, prior to dismissal, earned between 1 and 1.5 MWs. This population includes domestic workers, who are under a special SD regime. Financing from the Project is expected to cover the unemployment benefits for 483,000,000 individuals, with an average benefit of 1.045 BR\$.¹⁰ Low wage workers represent about 17 percent of all SD claimants. A proposed 40 percent retroactive financing will allow the Borrower to receive reimbursement of US\$ 200 million for the benefits paid out from the declaration of the state of emergency related to the COVID-19 outbreak. The additional US\$ 197.5 million are paid upon project approval.

⁷ The team will monitor the coverage rate of SD

⁸ This is an imperfect proxy for the mitigation of shortfall of the family, in absence of more up-to-date records on household income at the time when the crisis commenced.

⁹ Estimated based on the average household size of CLT worker with rights to unemployment insurance benefit, based on BraSim.

¹⁰ The exact distribution of the benefit will vary based on the profile of the unemployed. The cost table assumes that SD benefits financed by the project will cost 1,045 BR\$ per month, which is the benefit for a claimant that used to earn 1.25 MWs.



Table 1: Project Costs Table

	Direct Recipients	Average benefit	Benefit duration	WB financing		Retroactive financing %	Counterpart Financing
	Number	R\$	Months	R\$ M	US\$ M		R\$ M
C 1 Programa Bolsa Familia	1,216,046	188	14.3	3,256	600.00	0%	26,226
C 2 Seguro Desemprego	483,357	1,045	4.27	2,157	397.50	50%	37,467
Front End Fee (.25% IBRD)					2.50		
Total				5,412.37	1,000.00	20%	63,692
Exchange Rate	0.1843						
1 BR\$ = 0.18 US\$ ¹¹							

29. **Counterpart Financing.** The GoB will provide through counterpart financing the systems and administrative arrangements to delivery to the beneficiaries BF and SD transfers at the federal and municipal levels, as well as financing for the remainder of the transfers of the entire programs that will not be refunded by the proposed Project or by other IFIs¹².

30. **The supervision of this Project will allow monitoring closely the implementation of SD and BF under a changing policy environment. Through a complementary Analytical Services and Analytics (ASA) task, the WB will assist counterparts in evaluating and modelling strategic reforms for SD and BF.** The project implementation is predicted to start when the GoB enters into the Second Phase of crisis response, which will likely focus on restoring jobs and human capital. Dedicated WB-financed ASA will complement supervision activities and support the GoB in conceptualizing the strategic reform of the programs financed to meet new challenges. SD and BF are the only two cash transfers in Brazil that by design have associated conditionalities to build human capital (health and education for BF), or to promote skills development and job search (for SD), although the latter are de facto little enforced.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

The Environmental risk is considered Low. The project aims to provide financial support for two existing cash transfer programs implemented by the Brazilian Government, Bolsa Familia and Seguro Desemprego (unemployment issuance). 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, either, environmental implications going forward. The Project is expected to have many positive social impacts on disadvantaged and vulnerable individuals and social groups of Brazil as

¹¹ Banco Central do Brasil, June 1, 2020

¹² Counterpart financing in Table 2 above is computed as budgeted-for funds for BF (32.5 B R\$) and SD (40.6 B R\$) in CY2020, minus the financing provided by IBRD and other IFIs. This is a lower bound estimate of total GoB financing of the programs over the execution period of the project.



its main objectives are intended to mitigate the economic losses in poor and vulnerable households caused by the COVID-19 crisis. 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.

Social risk is rated low. The potentially adverse risks and impacts on human populations of Project activities of cash transfer to mitigate the economic losses in poor and vulnerable households caused by the COVID-19 crisis through two long-dated and well-established social protection Programs of Brazil (Bolsa Familia and Seguro Desemprego) are likely to be minimal or negligible. Two social issues that may be strengthened through the Project are related to: (i) access to information to ensure an effective Project's benefits delivery system to most vulnerable peoples consistent with the World Bank Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals, and (ii) safe access of Project beneficiaries to register and receive their payment benefits. A strategic information and communication campaign to reach out to beneficiaries, including safety measures would be developed as stated in ESS10.

As needed, the Project will reinforce ample dissemination of communication channels to appropriately inform indigenous peoples of Project benefits, and will provide information that is culturally sensitive, respectful and inclusive. Measures to ensure cultural appropriateness of communications will build upon the approaches and forms for registration of indigenous, Quilombola, and other special traditional groups, supported by the World Bank projects. Institutional arrangements related to environmental and social requirements monitoring and reporting will be completed during Project's preparation.

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APPROVAL

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