



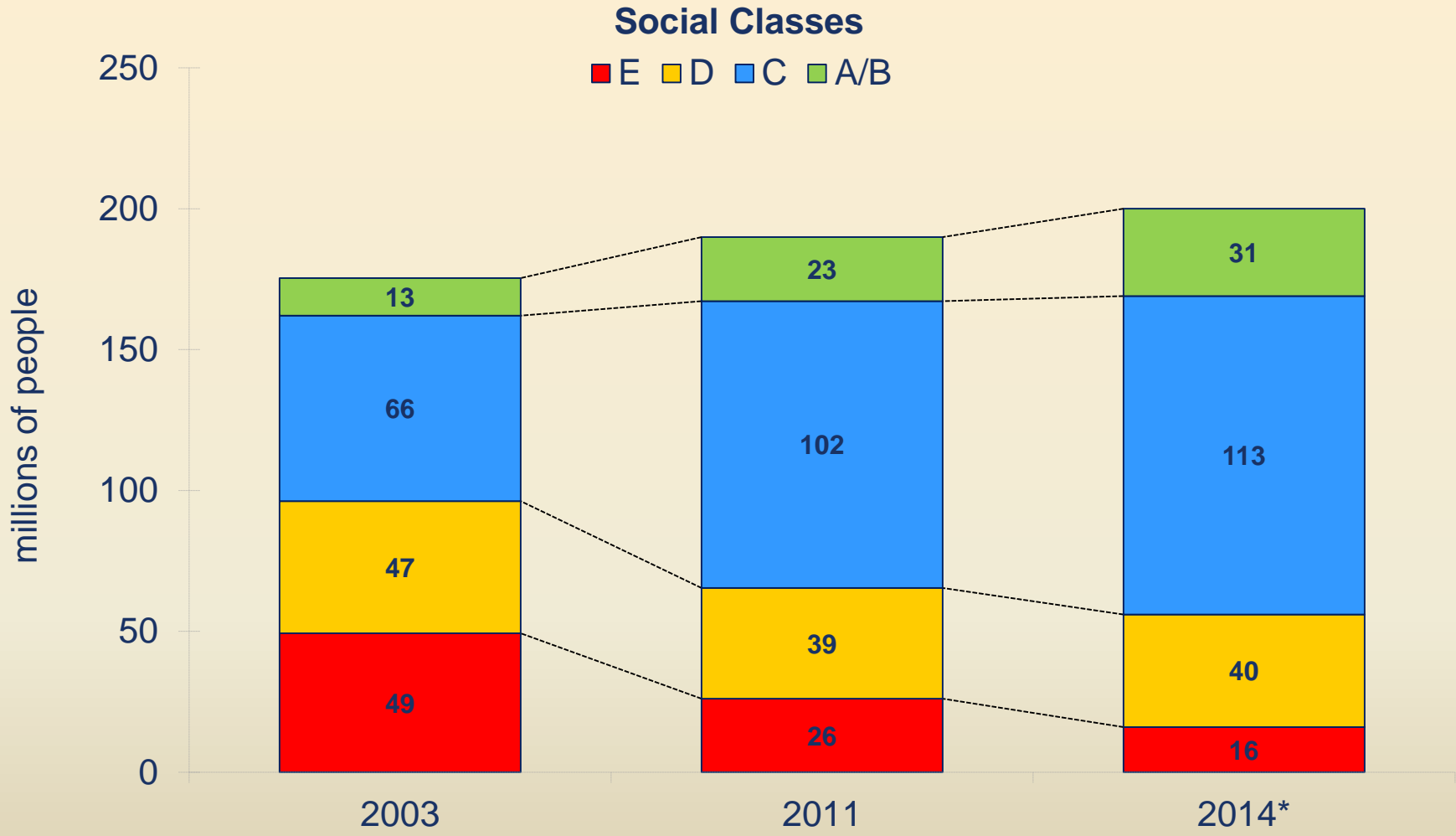
Building Consensus Through Transfers to the Poor: Lessons from Brazil

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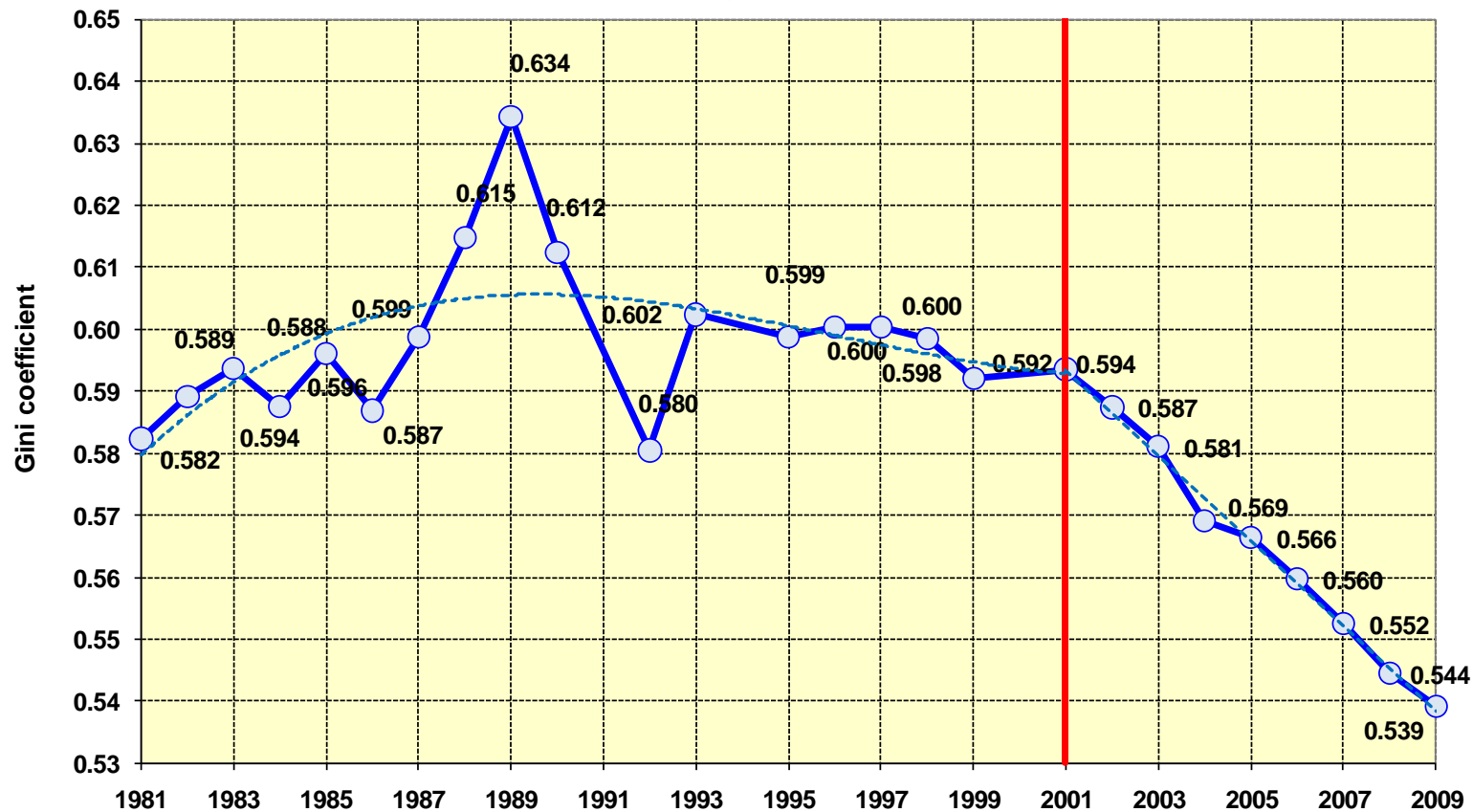
Brazil: Poverty Reduction and a New Middle Class



*FGV forecast

Brazil: Inequality reduction

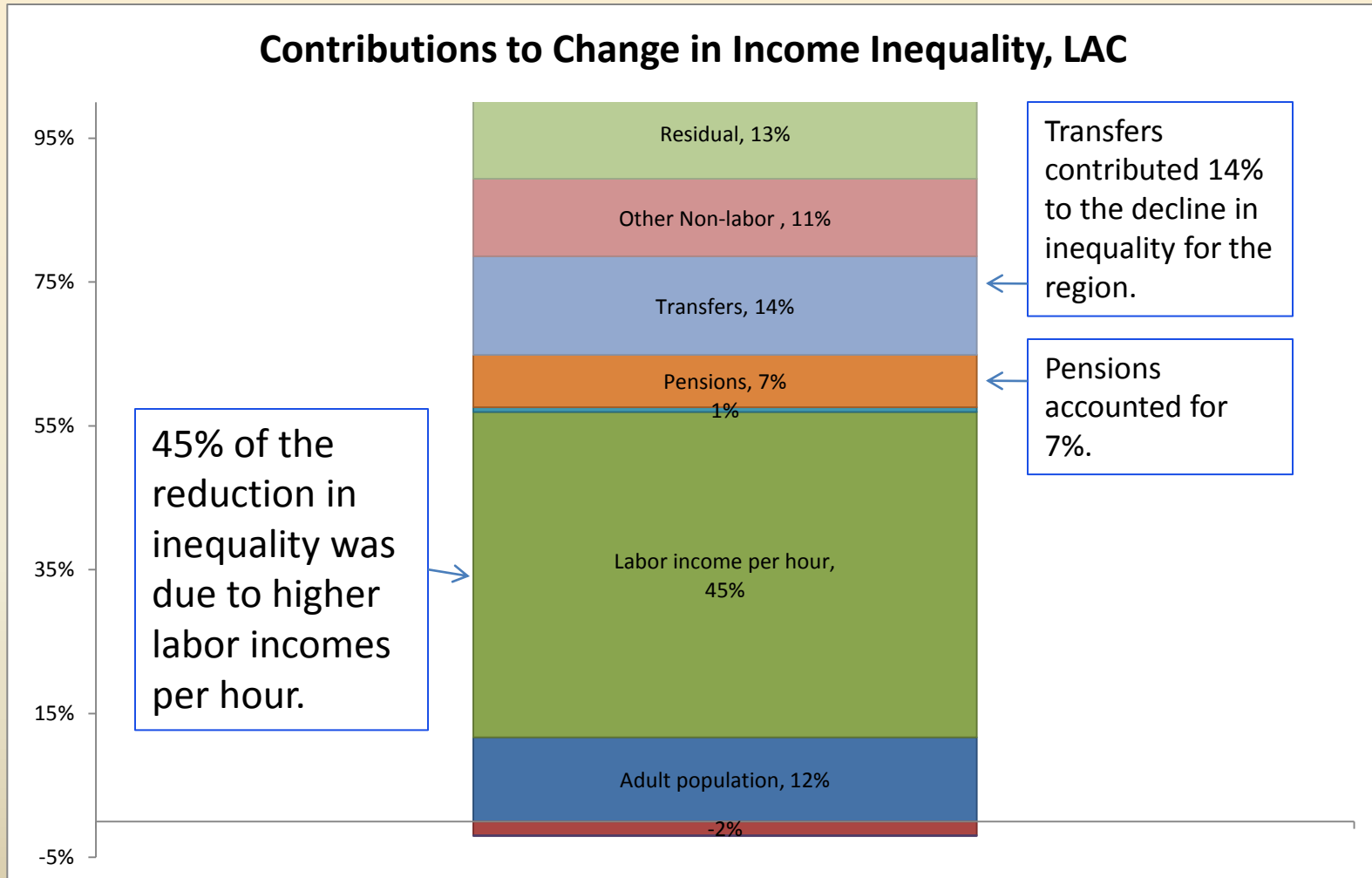
Evolution of the degree of inequality in per capita income:
Brazil, 1995-2009



What explains the decline in poverty and inequality?

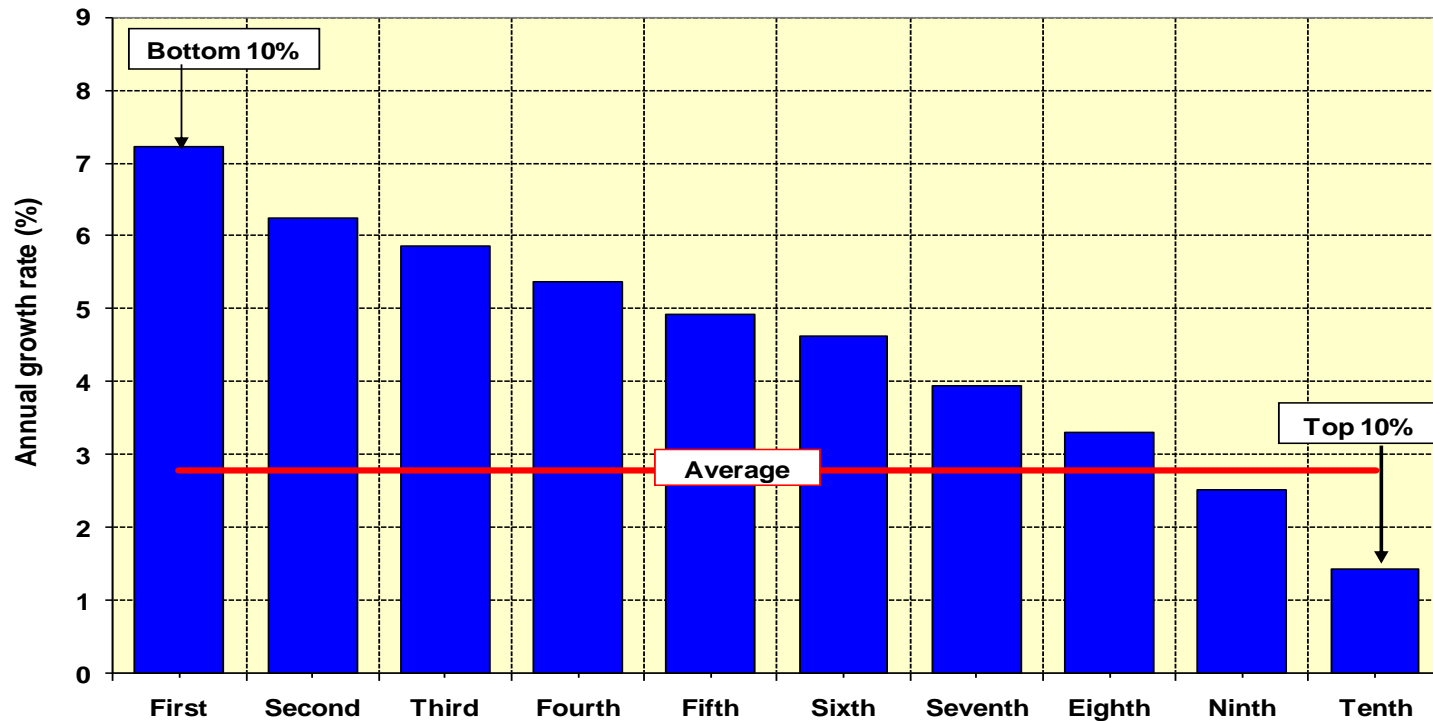
- **A stronger labor market associated with fewer jobless workers and higher wages for unskilled workers**
- **Demographic changes and greater female labor force participation**
- **A more active role in the labor market where governments took a more pro-union stance and raised minimum wages and pensions**
- **A more progressive fiscal policy including redistributive public policies through transfers.**

How important were these forces to inequality reduction?



Labor incomes grew much faster for lowest quintiles

Average annual growth rate in per capita income by tenths of the distribution: Brazil, 2001-2009

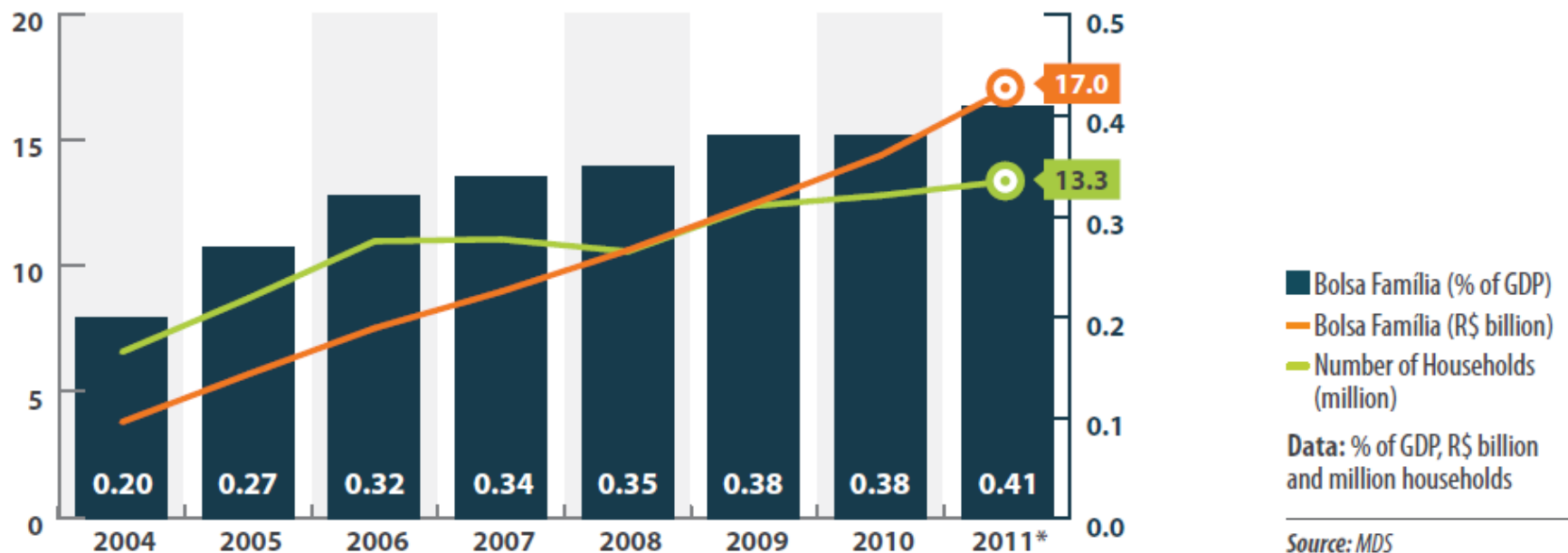


How has policy helped to reduce poverty and inequality?

- **Macroeconomic stability**
 - (inflation is a regressive tax)
- **Expansion of access to education and health services**
- **Social protection / safety nets (CCTs)**

Brazil's Bolsa Familia Program

"Bolsa Família" Income Transfer Program (% of GDP, R\$ billion and million of households)



Data: % of GDP, R\$ billion and million households

Source: MDS

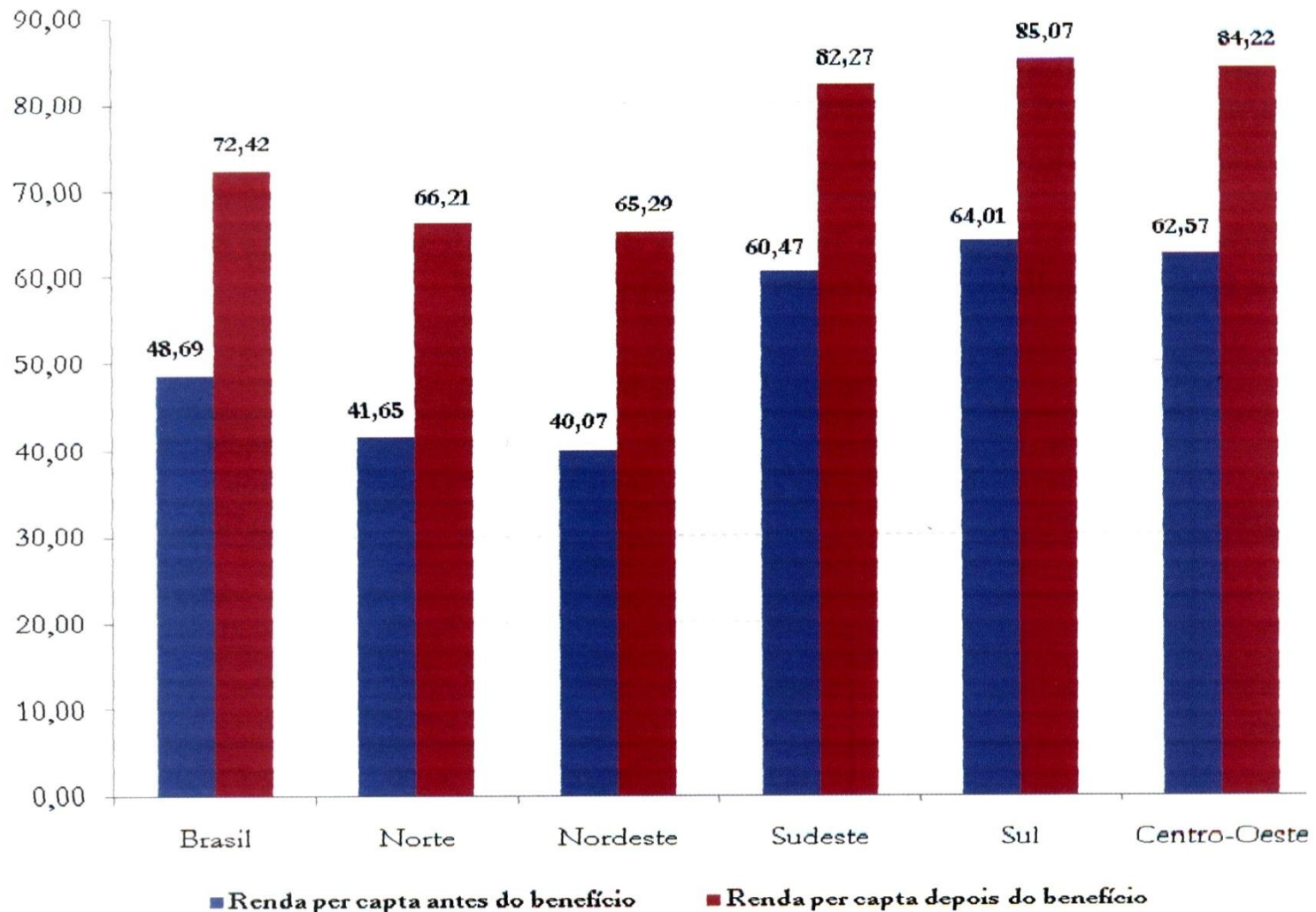
Elaboration: Ministry of Finance

Coverage: 13.8 million families (Dec 2012);

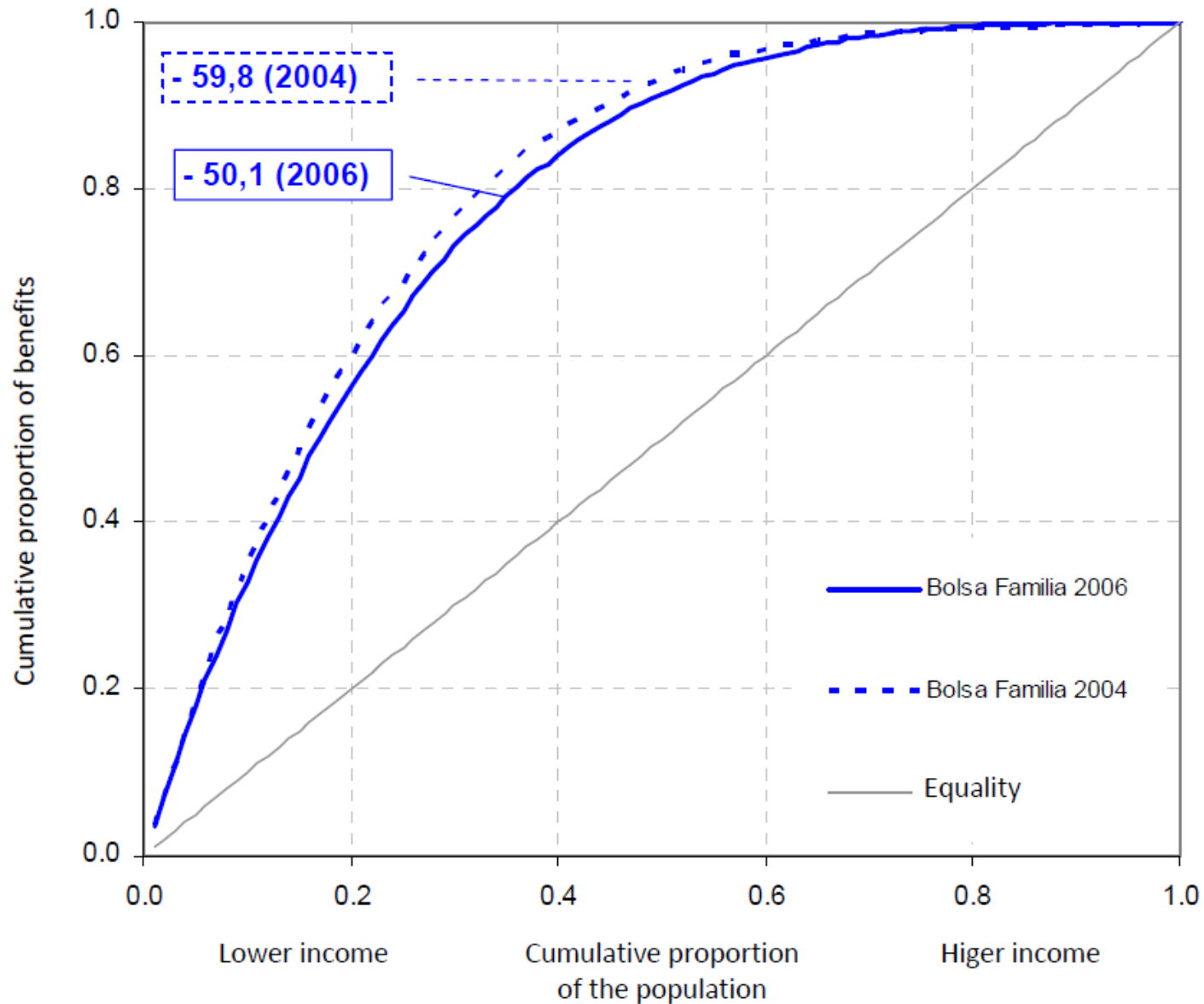
Budget (Programa Bolsa Familia): US 10,526,911.71

- **0,46 % del PIB**
- **35% of the budget of the Ministry of Social Development**
- **0.89% of the federal budget**
- **Elegibility criteria: per capita income then around USD 38,2 (or R\$ 70 – all families) and between USD 38,2 and USD 76,5 (R\$ 140 – families with siblings 18 years old or less)**

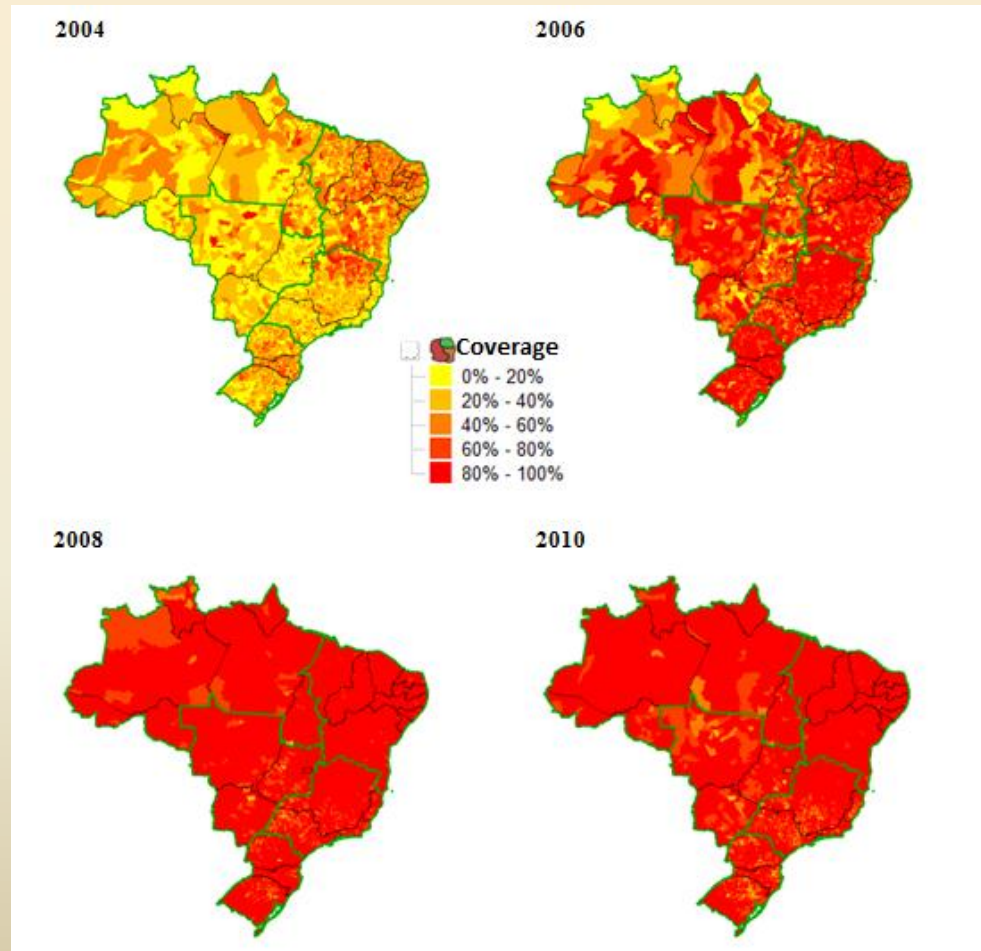
Income per capita: before and after the benefit (2010)



Incidence Curves in 2004 and 2006



Coverage of Bolsa Familia in Brazilian municipalities, 2004-2010

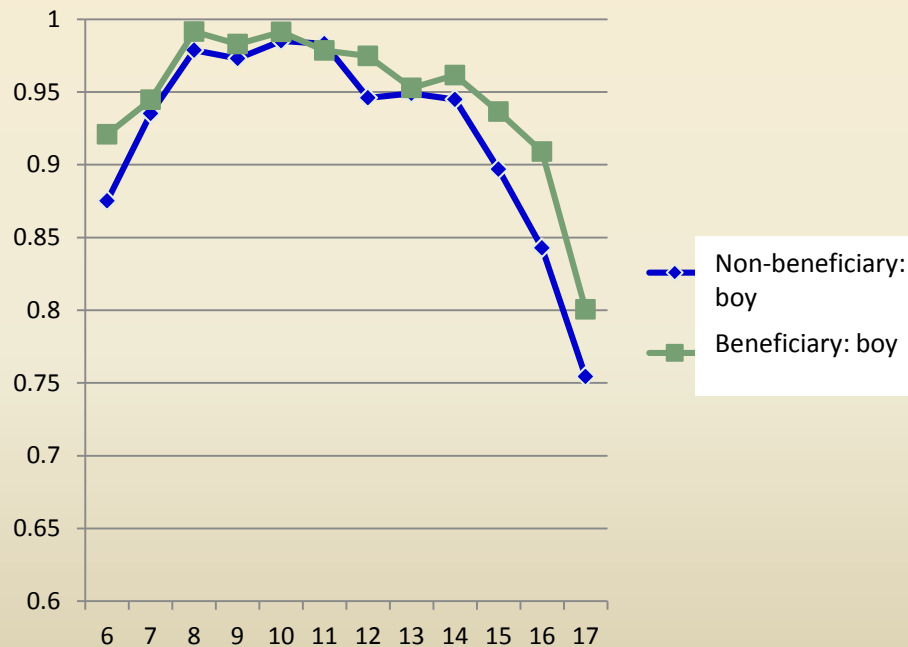


Results

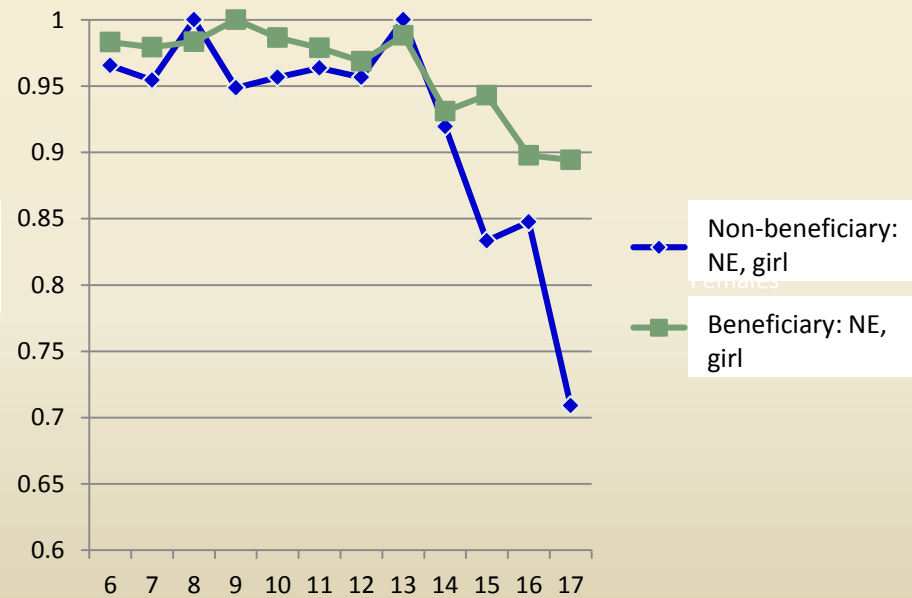
- **Decrease of income inequality**
 - **21% of Brazil's decrease of income inequality (Gini) due to Bolsa-Familia (2004-2006).** Soares et alii, 2006.
- **Extreme Poverty Pobreza extrema**
 - **18% of the decrease of the poverty gap (de 5.9% to 4.6%).** Soares and Satyro, 2009.
 - In 2009, 4.3 millions from a total of 12.4 millions of beneficiary families crossed the **extreme poverty line** (monthly US\$ 41.18 per capita) by receiving financial benefits Senarc, 2010.
- **Impact of financial benefits on monthly per capita income**
 - **Average increase: 48.7%** (from US\$ 28.64 to US\$ 42.60), allowing families to cross the extreme poverty threshold
 - **60% increase of monthly per capita income in the North and Northeast.** SENARC, 2010.

Education: in the Northeast (2008), children participating in the program have a greater probability to stay in school

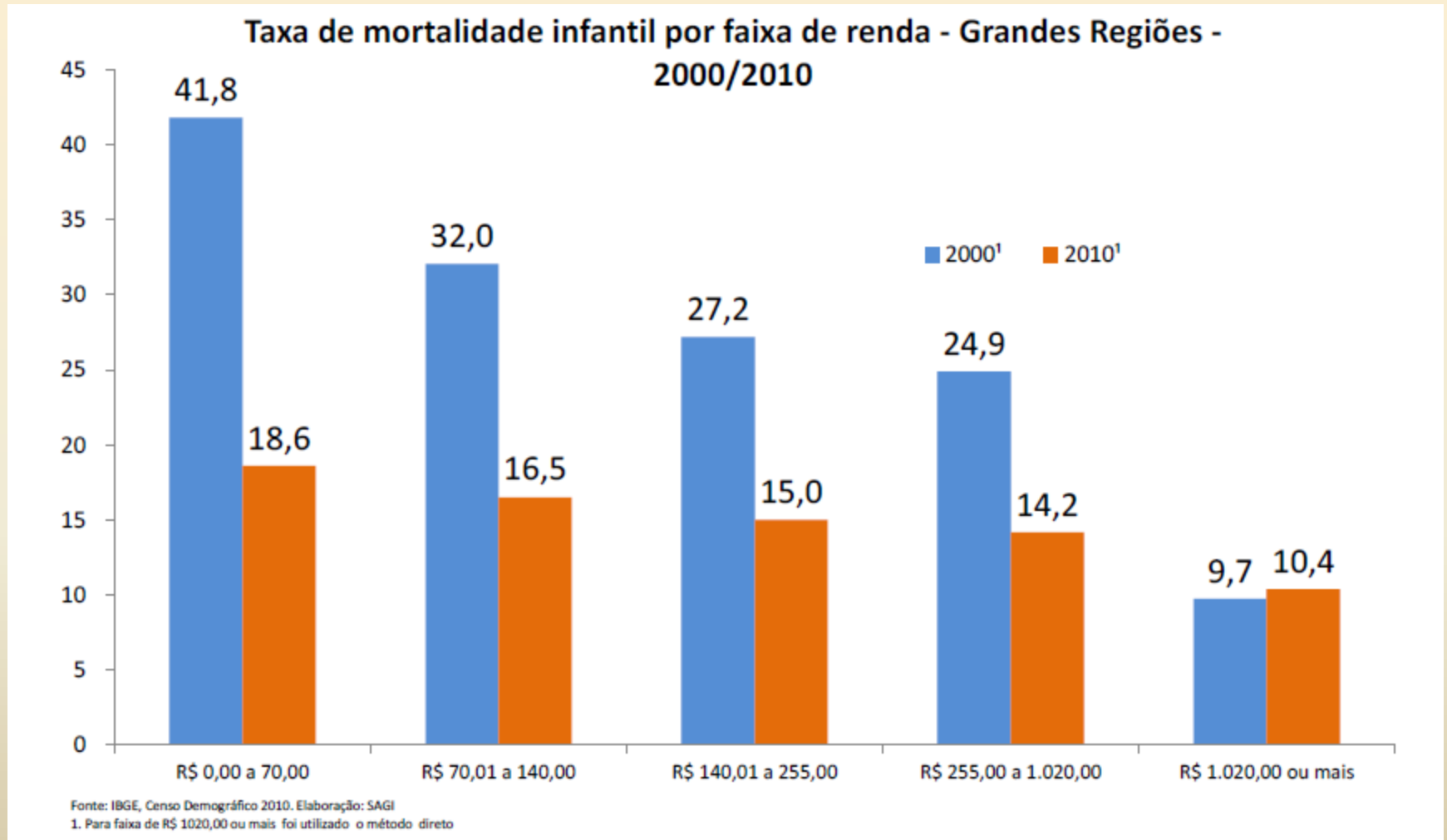
Boys school enrolment by age and PBF status - Northeast



Girls school enrolment by age and PBF status - Northeast



Infant Mortality Rate by Monthly Income



Spill-over Effects of CCTs in Brazil

- Effects on entrepreneurship
- Effects on urban crime (post-extension to 16-17 years old)
- Effects of teen CCTs on pregnancy
 - *(digression) CCTs and adolescent girls in Malawi*
- “You know the poor by the name”
- Capacity to focus responses to shocks on targets (example of the 2008 food price shock)
- Pressure of demand on supply adequacy

However, this is not enough

- **Inequality in outcomes continue to be high**
- **Inequality of opportunities perpetuate these trends**

Thank you!

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