



Board of Executive Directors

Short Procedure

Expires on 6 August 2020

PR-4825
30 July 2020
Original: Spanish
Public
Simultaneous Disclosure

To: The Executive Directors
From: The Secretary
Subject: Brazil. Loan proposal for the project "Emergency Support for Vulnerable Populations Affected by Coronavirus"

Basic Information: Loan type Specific Investment Loan (ESP)
Borrower Federative Republic of Brazil
Amount up to US\$1,000,000,000
Source Ordinary Capital

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Remarks: This operation is distributed as per the terms of Resolution DE-27/20, "IDB Governance Response to the COVID-19 Pandemic Outbreak", approved by the Board of Executive Directors on 7 April 2020, whereby all operations for COVID-19 preparedness and response shall be submitted for the approval of the IDB Board of Executive Directors by Short Procedure.

The Executive Directors are requested to inform the Secretary in writing with copy to "**SEC-EXE**", no later than **6 August 2020 at 5:30 p.m.**, if they wish to interrupt this procedure. If no such communication is received by that date, the attached resolution will be considered adopted by the Board of Executive Directors and a record to that effect will be made in the minutes of a forthcoming meeting.

Reference: GN-2259-1(7/03), GN-2996(3/20), GN-2996-4(4/20), DE/27/20

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**EMERGENCY SUPPORT FOR VULNERABLE POPULATIONS AFFECTED
BY CORONAVIRUS**

(BR-L1554)

LOAN PROPOSAL

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This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

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ABBREVIATIONS

BEm	Benefício Emergencial de Preservação do Emprego e da Renda [Emergency Benefit for Preserving Employment and Income]
CGU	Controladoria-Geral da União [Office of the Comptroller General]
CREAS	Centro de Referência Especializado em Assistência Social [Social Assistance Referral Center]
Dataprev	Empresa de Tecnologia e Informações da Previdência
IBGE	Instituto Brasileiro de Geografia e Estatística [Brazilian Institute of Geography and Statistics]
PEMER	Programa Emergencial de Manutenção do Emprego e da Renda [Employment and Income Emergency Support Program]
PNAD	Pesquisa Nacional por Amostra de Domicílios [National Sample-based Household Survey]
SAGI	Secretário de Avaliação e Gestão da Informação [Information Management and Evaluation Division]
SIAFI	Sistema Integrado de Administração Financeira [Integrated Financial Management System]
STN	Secretaria do Tesouro Nacional [Office of the Secretary of the National Treasury]
TCU	Tribunal de Contas da União [Audit Court]
WHO	World Health Organization

PROJECT SUMMARY

BRAZIL EMERGENCY SUPPORT FOR VULNERABLE POPULATIONS AFFECTED BY CORONAVIRUS (BR-L1554)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Federative Republic of Brazil			Amortization period:	25 years
Executing agencies:			Disbursement period:	1 year
The borrower, through the Ministry of Economy The borrower, through the Ministry of Citizenry			Grace period:	5.5 years ^(b)
			Interest rate:	LIBOR-based
Source	Amount (US\$)	%	Credit fee:	(c)
			Inspection and supervision fee:	(c)
IDB (Ordinary Capital)	US\$1 billion	100	Weighted average life:	15.25 years
Total	US\$1 billion	100	Currency of approval:	U.S. dollars
Project at a Glance				
Project objective/description: The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to help maintain the employment and income levels of those affected by COVID-19 in the immediate period and during the post-crisis recovery.				
Special contractual conditions precedent to the first disbursement of the loan proceeds: (i) the entry into force of the Operating Regulations for Component 1, in accordance with terms approved by the Bank; and (ii) the entry into force of the Operating Regulations for Component 2, in accordance with terms approved by the Bank (paragraph 3.5).				
Exceptions to Bank policies: None				
Strategic Alignment				
Challenges: ^(d)		SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting themes: ^(e)		GD <input checked="" type="checkbox"/>	CC <input type="checkbox"/>	IC <input type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 **Background.** On 11 March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. COVID-19 is a respiratory disease caused by the 2019 novel coronavirus, or nCoV-2019. According to the WHO, to date there are more than 15.2 million confirmed infections and 628,000 COVID-19 deaths around the globe.¹ The first cases in Latin America and the Caribbean were reported in late February. Since then, their number has been growing rapidly, with over 3.5 million confirmed cases of COVID-19 and 123,000 deaths reported.² COVID-19 can spread easily from person to person through respiratory secretions and direct contact.³ For this reason, social distancing and isolation measures are essential features of the public health response with the goal of reducing the number of healthy people whom a patient can infect.
- 1.2 **Challenges and progress.** Brazil currently has the second-highest worldwide number of COVID-19 infections (surpassing 2.2 million) and confirmed deaths (more than 82,000).⁴ However, some studies suggest that these indicators might be underestimated due to the relatively low number of tests per 100,000 people that have been conducted in the country.⁵
- 1.3 When the pandemic struck, it revealed structural problems in Brazil's social and employment fabric. A slowdown in the country's economy that began in 2014 caused a recession in 2015 and 2016.⁶ Ever since, the slow pace of Brazil's economic recovery has not been sufficient to improve poverty and labor market indicators even to the levels that existed prior to the crisis.⁷ Between 2014 and 2018, the percentage of low-income households (per capita household income lower than half the minimum wage) increased from 28.0% to 29.4%.⁸ Meanwhile, between 2014 and 2019, the unemployment rate grew from 6.5% to 11.7%, and the informality rate increased from 15.6% to 17.3%.⁹ As a result of the pandemic, current estimates suggest that the Brazilian economy will contract by 5.95% in 2020, exacerbating the social and labor issues that the country was already facing.¹⁰
- 1.4 Given the economic shock caused by the pandemic, people working in sectors that require direct customer interaction and activities that cannot be performed remotely are more vulnerable to job losses and reduced income. Under this

¹ See *WHO Coronavirus Disease (COVID-19) Dashboard* at <https://covid19.who.int> (24 July 2020).

² <https://www.paho.org/en/topics/coronavirus-infections/coronavirus-disease-covid-19> (23 July 2020).

³ <https://www.who.int/es/emergencies/diseases/novel-coronavirus-2019/advice-for-public/q-a-coronaviruses>.

⁴ Ibid, footnote 1.

⁵ Imperial College COVID-19 Response Team (May 2020). "Report 21: Estimating COVID-19 cases and reproduction number in Brazil."

⁶ Real GDP decreased 3.5% and 3.3%, respectively.

⁷ Real GDP growth of 1.3% in 2017, 1.3% in 2018, and 1.1% in 2019.

⁸ Brazilian Institute of Geography and Statistics (IBGE). *Síntese de Indicadores Sociais*, based on 2014 and 2019 National Sample-based Household Surveys (PNAD).

⁹ SIDRA-IBGE: <https://sidra.ibge.gov.br/tabela/4092>.

¹⁰ Boletim Focus (17 July 2020). Central Bank of Brazil.

definition, about 40% of jobs in Brazil (37 million people) are in productive sectors that are vulnerable to the pandemic. Compared with other sectors, work in vulnerable sectors is mostly informal or self-employed (51.7% vs. 45.2%) or in jobs held by women (52.1% vs. 38.2%), people with less than a high school education (44.1% vs. 39.4%), and Afro-descendants or indigenous people (56.6% vs. 52.4%).¹¹ According to estimates from Brazil's Ministry of Economy, 34% of 35.4 million formal jobs in the private sector are at risk due to the pandemic.

- 1.5 To mitigate the social impact of the pandemic on the most vulnerable employment sectors, in April 2020 Brazil's federal government began implementing an emergency assistance program known as Auxílio Emergencial for informal, self-employed, and unemployed workers. This exceptional measure, approved pursuant to Law 13,982 of 2 April 2020,¹² provides R\$600 per month (equivalent to 57.4% of the minimum wage), payable for three months from April to July 2020, for up to two people from the same family. For households in which a woman is the sole breadwinner, the monthly benefit is R\$1,200.
- 1.6 The main automated platform for identification of Auxílio Emergencial beneficiaries is known as the Master Registry [Cadastro Único]. The objective of this information system created in 2001 is to identify and categorize all the low-income families (per capita household income up to half the minimum wage) in the country as potential beneficiaries of social programs. Municipal governments are responsible for collecting and updating the information on eligible households to be included in the Master Registry. They gather information on income (self-reported), household composition, and household characteristics, based on in-person interviews conducted at a Social Assistance Referral Center (CREAS). This information is submitted and processed at a centralized level by Caixa Econômica Federal, a State-owned bank attached to the Ministry of Economy. Caixa subsequently asks Dataprev, which is also attached to that ministry, to validate the data by cross-checking it with other administrative databases. As of March 2020, there were almost 28.5 million families¹³ (30% of Brazil's population) included in the Master Registry. In response to the increased number of households with reduced income as a result of the pandemic and the associated operational challenges, the federal government has set up digital mechanisms to enable those who are not included in the Master Registry to apply for Auxílio Emergencial.
- 1.7 People who meet the following criteria are eligible to receive Auxílio Emergencial: (i) be over age 18;¹⁴ (ii) not have a formal job; (iii) not receive other social security or social assistance benefits from the federal government, except for those from Bolsa Família; (iv) have monthly per capita household income below half the minimum wage or total monthly household income of up to three times the minimum wage; (v) not have taxable income of more than R\$28,559 for 2018; and (vi) be unemployed, own a sole-proprietorship microenterprise, be an individual or

¹¹ Komatsu, B., and N. Menezes-Filho (2020). *Simulações de Impactos da COVID-19 e da Renda Básica Emergencial sobre o Desemprego, Renda, Pobreza e Desigualdade*, INSPER, Policy Paper 43.

¹² Under Law 13,982, the Executive Branch may extend the three-month period for Auxílio Emergencial while the public health emergency caused by COVID-19 continues. The federal government is considering this extension.

¹³ Casalecchi, A. (2020). "Cenários para a despesa com o auxílio emergencial." *Instituição Fiscal Independente*. Technical Note 42.

¹⁴ With the enactment of Law 13,998 of 14 May 2020, mothers younger than age 18 became eligible for Auxílio Emergencial, as long as they met other requirements.

optional taxpayer in the General Social Security System (Sistema Geral de Previdência Social), or be an informal worker registered in the Master Registry.

- 1.8 Bolsa Família^{15, 16} is the federal government's main social assistance program. Using the Master Registry to identify beneficiaries, this program provides basic transfers to families living in extreme poverty (with per capita household income of no more than one-quarter of the minimum wage). It also provides variable benefits to families living in poverty or extreme poverty based on their household composition and conditional on the completion of activities intended to promote maternal and child health as well as school attendance. As of the end of March 2020, 13 million families were on the beneficiary rolls of Bolsa Família, and the average benefit received was R\$191.86.¹⁷ According to the 2019 PNAD, 54.4% of beneficiary heads of household for Bolsa Família are women, 77.3% are Afro-descendants or mestizos (pardos), and 0.77% are indigenous people.¹⁸
- 1.9 As part of the response to the social crisis that the pandemic caused, in March 2020 the inclusion of 1.2 million additional families in the program was expedited. As mentioned, beneficiary families of Bolsa Família are eligible to receive Auxílio Emergencial, as long as it is financially advantageous for them. While these families are receiving Auxílio Emergencial, transfers from Bolsa Família and the conditions they must fulfill to receive these benefits are suspended; they automatically restart once the special benefit ends.
- 1.10 As of 30 April 2020, more than 50 million people had been deemed eligible to receive Auxílio Emergencial and virtually all of them had received the first payment of the special benefit. In all, 59% of Auxílio Emergencial beneficiaries were automatically identified through the Master Registry (97% of the people from beneficiary families of Bolsa Família). The remainder had completed applications through the digital mechanisms made available for this purpose. Beneficiary families of Bolsa Família are receiving Auxílio Emergencial using the same plastic debit cards with which they were obtaining regular benefits. Other beneficiaries receive payments through virtual debit cards linked to digital savings accounts that are opened automatically for them once they are declared eligible. They can use these cards to make payments at supermarkets, gas stations, and pharmacies, which is intended to reduce the crowding that would result from people going in person to financial institutions to withdraw their transfers in cash.¹⁹ The federal government estimates that the total cost of Auxílio Emergencial will be R\$123.9 billion.²⁰

¹⁵ Regulated by [Law 10.836](#) of 9 January 2004.

¹⁶ For more information on how Bolsa Família works and the results it has produced, see Aline Gazola (2015), "How Does Bolsa Familia Work? Best Practices in the Implementation of Conditional Cash Transfer Programs in Latin America and the Caribbean," [IDB Technical Note IDB-TN-856](#).

¹⁷ Casalecchi, A. (2020). Op. cit.

¹⁸ Nationwide, 56.3% of the population are Afro-descendants or mestizos and 0.37% are indigenous people.

¹⁹ Virtual debit cards were unavailable for the first Auxílio Emergencial payment, and there were some groups of people that assembled as a result, despite Caixa Econômica Federal's strategy of staggering payment dates based on the last number of national ID cards.

²⁰ <https://www.gov.br/economia/pt-br/centrais-de-conteudo/apresentacoes/2020-05-22-transparencia-covid19.pdf/view>.

- 1.11 Unemployment insurance²¹ is the main income-protection instrument for the private sector's formal employees, who account for one third of the economically active population in Brazil. To prevent the dissolution of employment relationships in the formal sector that would lead to the use of unemployment insurance in the context of the pandemic, on 1 April 2020 the federal government instituted the Employment and Income Emergency Support Program (PEMER), via Provisional Measure 936, which is in effect until 31 December 2020.²² For these workers, the measure allows for: (i) the possibility of a temporary reduction in working hours and a proportional wage decrease; (ii) the possibility of a temporary furlough; and (iii) payment by the federal government of an emergency benefit known as Benefício Emergencial de Preservação do Emprego e da Renda (BEm) for workers impacted in either of these cases. Pursuant to this measure, working hours may be reduced for up to three months, under three categories: 25%, 50%, and 70%. Workers will receive a proportional BEm, based on the applicable level of unemployment insurance that they would have received. Companies that voluntarily reach agreements with their employees to participate in this arrangement are required to keep them in their positions during the period immediately following, for the same length of time for which the company reduced working hours. If the company and the employee agree to a temporary suspension of the employment contract, the BEm is provided for an amount equivalent to what the worker would have received as unemployment insurance. In this case, the contract suspension may last up to two months and the employee is guaranteed their position during the period immediately following, for the same length of time for which the company suspended the contract.
- 1.12 To participate in PEMER, companies should inform the Ministry of Economy about the agreement reached with their employees and immediately provide the banking information for those who will be receiving the BEm. If it is not possible to provide the banking information or if a mistake is made in providing it, the BEm will be deposited into a digital account to be opened automatically by the Ministry of Economy in the name of the employee at a federal State-owned bank. According to federal government estimates, maximum demand for the program could include 24.5 million formal-sector employment relationships for a total cost of R\$51.6 billion. As of 1 June, 37% of this potential demand has materialized, including a total of 9.1 million employment relationships. PEMER was designed so that lower-wage earners receive proportionally larger benefits, since wage-replacement ratios for unemployment insurance are higher when an employee's regular wages are lower. The measure is also more generous for companies with annual gross revenue up to R\$4.8 million since companies above this threshold must pay 30% of an employee's income in the case of a contract suspension.
- 1.13 **Rationale and strategy.** To offset loss of income and protect employment as a result of social distancing measures put in place in response to COVID-19, large-scale compensatory policies like those being implemented by Brazil's federal government will be needed. International experience has demonstrated that the amounts of existing cash transfer programs such as Bolsa Família can be temporarily increased and that these programs are good platforms for offsetting

²¹ Regulated by Law 7,998 of 11 January 1990.

²² The Employment and Income Emergency Support Program (PEMER) will be in effect throughout the public disaster. Legislative Decree 6 of 20 March 2020 established that the public disaster period will remain in effect through 31 December 2020.

the income losses that the most vulnerable households can experience as a result of an aggregate temporary shock to their income. In a context where the conditions of transfer programs are difficult to fulfill due to restrictions on the supply of services, it makes sense to temporarily suspend these conditions, as has already happened, with Bolsa Família beneficiaries instead receiving their benefits under Auxílio Emergencial for a predetermined period of time. This temporary transfer also constitutes an effective strategy for clarifying the special nature of the benefit, reducing the risk that individuals will begin to consider such benefits as acquired rights. Moreover, the Master Registry serves as a robust targeting mechanism to reach vulnerable households whose income prior to the pandemic was not sufficiently low to be considered as extreme poverty. This includes particularly vulnerable groups, such as women heads of household, Afro-descendants, mestizos, and indigenous populations.²³ One challenge of the pandemic is to increase the coverage of existing income transfer programs to support people who are rapidly becoming vulnerable. The federal government has addressed this challenge by adding digital mechanisms for automatic enrollment, taking advantage of the capacity provided by Dataprev to quickly verify information submitted by applicants.

- 1.14 In addition, although unemployment insurance temporarily protects loss of income for formal workers, there is evidence that the suspension of an employment relationship has an adverse impact on employability and employment income in the long run.^{24, 25} Furthermore, the massive elimination of jobs that were only lost due to a temporary crisis is undesirable. This job destruction would entail great losses of human capital specific to individual companies. Once the crisis ends, these companies would incur high costs establishing new employment relationships,²⁶ which would negatively impact productivity. This makes strategies such as PEMER even more important. Also, in the absence of PEMER, the federal government would have to pay unemployment insurance benefits to many laid-off employees.
- 1.15 The project will use the operational processes and systems established by the federal government to identify and verify the eligibility of beneficiaries, along with the respective previously described payment mechanisms (paragraphs 1.6, 1.8, and 1.10 for Auxílio Emergencial and Bolsa Família, and paragraph 1.12 for PEMER), as well as the audit mechanisms described in paragraph 3.8.
- 1.16 **Bank experience and lessons learned.** Since the mid-1990s, the Bank has supported the design, implementation, and evaluation of cash transfer programs in 18 countries in the region. For example, it pioneered support for the development of conditional cash transfer programs in Honduras and Nicaragua and the consolidation of such programs in Mexico. In 2009, as part of the response to the international financial crisis, the Bank supported the introduction of a food component for transfers in Mexico. This experience has generated lessons learned

²³ Ministry of Social Development of Brazil (2017). "Pesquisa de Qualidade do Cadastro Único para Programas Sociais do Governo Federal."

²⁴ Jacobson, L., R. LaLonde, and D. Sullivan. (1993). "Earnings Losses of Displaced Workers." *The American Economic Review*.

²⁵ Davis, S., and T. M. von Wachter (2011). "Recessions and the cost of job loss." *National Bureau of Economic Research*.

²⁶ In 2014, the average length of formal jobs in Brazil was five years, the second lowest among the 29 countries analyzed (<https://www.dieese.org.br/livro/2016/rotatividade2016.pdf>).

from interventions like those proposed for Component 1 of this project. Program evaluations demonstrated that cash transfers were effective in reducing the incidence, and particularly the intensity, of poverty and inequality and that they are the most effective instrument for quickly redistributing resources to the most vulnerable families. This knowledge was recently collected in a book on the operational cycles of conditional cash transfer programs and the lessons learned from 20 years of implementation in the region.²⁷ Experience with these operations shows that making transfer payments in cash might create a situation in which people are crowded together, which would pose a health hazard in the context of the pandemic. In the current context of social distancing and rapid crisis response, this suggests that it would be strategic to first make use of existing social protection systems (systems and beneficiary registration) and prioritize payments through bank accounts or other electronic means, as is happening in Brazil.

- 1.17 The Bank also has experience supporting active and passive job market policies, including labor intermediation services, job training, and wage subsidies. This support has been provided through specific-investment projects and technical assistance. Technical knowledge exchange has taken place at the regional level through the Technical Support Network to Employment Services in Latin America and the Caribbean (Red SEALC).²⁸ This experience is relevant for PEMER under Component 2 of the project. Significantly, the Bank has assisted several governments of the region (including Colombia, Peru, and Uruguay) with the analysis, design, and strengthening of policies for unemployment insurance and benefits.²⁹ There is also evidence pointing to the effectiveness of labor subsidy programs that operate at the company level to reduce the number of dismissals, diminish the likelihood that companies will have to close due to temporary cash flow problems, and support a more rapid recovery in terms of activity and employment.^{30, 31}
- 1.18 In addition, the IDB has been arranging support to help Brazil address the COVID-19 emergency through four other operations for over US\$1 billion, all of which are fundamentally aimed at strengthening the productive fabric of the MSME sector through special lines of credit and guarantees to help close the gap in access to financing and enable MSMEs to weather the interruption to their business activities caused by the measures imposed in response to the pandemic and the ensuing economic contraction. In parallel, as part of the portfolio in execution in Brazil, specific activities have been carried out in response to the health emergency, with over US\$56 million having already been invested to purchase medical equipment and prepare hospitals. Additional initiatives totaling more than US\$137 million are in process in other areas in 11 Brazilian states.
- 1.19 **Coordination with other multilaterals and cooperation agencies.** The Bank has coordinated the response to the COVID-19 crisis with other international

²⁷ Ibarrarán et al. 2017. <https://publications.iadb.org/en/how-conditional-cash-transfers-work>.

²⁸ <https://www.iadb.org/es/redsealc>.

²⁹ For a summary of lessons learned on active employment policies and the design of unemployment insurance, see: Alaimo et al. (2015). [Jobs for Growth](#). Washington, D.C.: Inter-American Development Bank.

³⁰ World Bank, 2013; World Development Report 2013: Jobs. Washington, DC., World Bank.

³¹ Banerji et al., 2015. Arup Banerji, David Newhouse, Pierella Paci, and David Robalino. 2015. Working through the Crisis : Jobs and Policies in Developing Countries during the Great Recession. Directions in Development—Human Development. Washington, DC: World Bank.

organizations. In the area of health, the Bank has followed the guidelines of the World Health Organization and Pan American Health Organization and coordinated with regional entities and the World Bank. With respect to the social repercussions, the Bank shares the assessments of the International Monetary Fund, the World Bank, and the Economic Commission for Latin America and the Caribbean, and the proposals presented herein are consistent with the goal of protecting the most vulnerable from COVID-19 and supporting the necessary health measures to deal with the pandemic and promote economic recovery in the medium term.

- 1.20 As requested by Brazil's federal government, this operation is part of a broader program, the Emergency Program for Income Support for Vulnerable Groups Affected by COVID-19 in Brazil, to be financed in parallel by the IDB, the World Bank (US\$1 billion), the Development Bank of Latin America (CAF) (US\$350 million), the New Development Bank (NDB) (US\$1 billion), Agence Française de Développement (AFD) (€200 million), and Kreditanstalt für Wiederaufbau (KfW) (€350 million).³² The parallel financing that these organizations are providing will be used to help support Bolsa Família (total support estimated at US\$960 million, with US\$200 million from the IDB, US\$120 million from AFD, US\$400 million from the World Bank, and US\$240 million from KfW), Auxílio Emergencial (total support estimated at US\$1.52 billion, with US\$400 million from the IDB, US\$120 million from AFD, and US\$1 billion from the NDB), the Employment and Income Emergency Support Program (PEMER) (total support estimated at US\$750 million, with US\$400 million from the IDB and US\$350 million from the CAF), and unemployment insurance benefits (total support estimated at US\$780 million, with US\$600 million from the World Bank and US\$180 million from KfW). During the preparation process, this group of organizations agreed to use consolidated tools to assess organizational capacity and carry out financial reporting and audits, even though the respective financing operations are independent.
- 1.21 **Strategic alignment.** The project is consistent with the Second Update to the Institutional Strategy (document AB-3190-2) and aligned with the challenges of: (i) social inclusion and equality, through support for maintaining minimum levels of income and welfare for the populations most vulnerable to COVID-19; and (ii) productivity and innovation, through actions to maintain employment levels and preserve human capital. The project is also aligned with the crosscutting areas of: (i) gender equality and diversity, by prioritizing the populations vulnerable to COVID-19, including providing expanded benefits to households with women as the sole breadwinners, and programs that provide broad coverage to Afro-descendants, mestizos, and indigenous populations, such as Bolsa Família. The project will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the following indicators: "beneficiaries of anti-poverty programs" and "beneficiaries of employment support initiatives." The project is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) in the areas of enhancing equity and supporting vulnerable populations. It is also consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-7), which underscores the importance of supporting vulnerable populations, particularly from external shocks, through

³² The Special Office for Foreign Trade and International Affairs of the Ministry of Economy has been authorized to process this program by means of Resolution COFIEIX 1 of 25 May 2020.

responsive social protection policies, and with the Labor Sector Framework Document (document GN-2741-7) through the following dimensions of success: (i) the region's citizens have more, and more equitable, opportunities to access formal jobs with better wage expectations; and (ii) workers are more productive and, consequently, obtain higher wages and more stable employment. Lastly, the project is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996).

B. Objectives, components, and cost

- 1.22 **Objectives.** The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to help maintain the employment and income levels of those affected by COVID-19 in the immediate period and during the post-crisis recovery.
- 1.23 **Component 1. Protection using existing cash transfer programs and beneficiary identification systems (US\$600 million).** Cash transfers will be financed under this component through existing platforms to identify vulnerable populations, specifically the Master Registry.
- 1.24 **Subcomponent 1.1. Protection of vulnerable populations using existing beneficiary identification mechanisms (US\$400 million).** This subcomponent will finance additional cash transfers made to households included in the Master Registry who meet the eligibility conditions for receiving Auxílio Emergencial (paragraph 1.11), during the period in which this measure is formally in effect (currently, for up to three months, from April to July 2020).
- 1.25 **Subcomponent 1.2. Protection of vulnerable populations using existing cash transfer programs (US\$200 million).** This subcomponent will finance cash transfers provided to beneficiaries of the Bolsa Família program, or, with Bank approval, any program that replaces it, once the special measure for Auxílio Emergencial concludes.³³
- 1.26 **Component 2. Protection for the vulnerable population not on the rolls of income transfer programs and working in the formal sector (US\$400 million).** This component will finance actions to shield formal sector jobs, as well as the income of vulnerable populations working in the formal sector who are at risk of becoming unemployed. Specifically, this component will finance the emergency benefit (BEm) that will be paid to formal workers who reached agreements with their employers pursuant to the provisions of the Employment and Income Emergency Support Program (PEMER) (paragraph 1.15), during the period in which this measure is formally in effect (currently, until 31 December 2020).
- 1.27 **Administrative costs.** There are no plans under the project to provide financing to cover the administrative, audit, or operational monitoring costs of the Auxílio Emergencial, Bolsa Família, or PEMER programs.
- 1.28 **Beneficiaries.** The interventions planned for this operation will target socially vulnerable people whose income has been directly affected or who might lose their formal jobs as a result of the COVID-19 pandemic. Through the Auxílio Emergencial program, this operation will help maintain a minimum income level for

³³ Including the 1.02 million families added in March 2020 and those that could be added after the Auxílio Emergencial program ends.

around 597,000 people in households that were already Bolsa Família beneficiaries and an additional 537,000 people included in the Master Registry, during what is expected to be the worst period of the pandemic. By design, this measure prioritizes vulnerable households where women are the sole breadwinners, automatically doubling the benefit amount. Once Auxílio Emergencial ends, the project will help maintain a minimum income level for 475,000 families per year who are beneficiaries of Bolsa Família, a program in which the percentage of beneficiary households headed by women or corresponding to Afro-descendant, mestizo, or indigenous populations surpasses national figures by a large margin. Moreover, in the framework of PEMER, the project is expected to benefit 1.02 million formal workers who are at risk of becoming unemployed as a result of the pandemic.

C. Key results indicators

- 1.29 **Expected results.** The project will contribute to maintaining standards of living for people vulnerable to the effects of COVID-19 whose income level and employment are affected. At the outcome level, the project is expected to contribute to the strategy established by Brazil's federal government to: (i) increase from 0% to 90% the percentage of Bolsa Família beneficiaries receiving special transfers from the Auxílio Emergencial program, to help them contend with the social impacts of COVID-19; (ii) increase from 0% to 32% the percentage of women beneficiaries of Bolsa Família who are heads of household (without spouses) and receive special transfers from the Auxílio Emergencial program, to help them contend with the impacts of COVID-19; (iii) increase by 10% the percentage of Bolsa Família beneficiary families receiving regular transfers as part of the strategy to contend with the impacts of COVID-19; (iv) increase from 0% to 34% the percentage of people receiving special transfers from the Auxílio Emergencial program who were not listed in the beneficiary rolls of Bolsa Família; (v) increase from 0% to 11% the percentage of women heads of household (without spouses) receiving special transfers from the Auxílio Emergencial program who were not listed in the beneficiary rolls of Bolsa Família; and (vi) ensure that the difference between Employment and Income Emergency Support Program beneficiaries and those who actually keep their jobs for six months is 4%. At the impact level, the project is expected to: (i) prevent 6% of families from falling into poverty; and (ii) ensure that the difference between Employment and Income Emergency Support Program (PEMER) beneficiaries and those who actually keep their jobs for 12 months is 2%. The parameters used to establish these targets are in the [monitoring and evaluation plan](#).
- 1.30 **Economic viability.** The economic rationale for the proposed actions is based on preserving human capital through policies that seek to ease consumption, reduce food insecurity, maintain job skills, and protect jobs. In addition, there will be a multiplier effect on the economy, and lives will be saved by reducing the COVID-19 transmission rate through the implementation of social distancing measures. Income compensation for poor and vulnerable people amid the COVID-19 crisis will reinforce health measures and help families maintain minimum levels of wellbeing. Labor policies will help drive the recovery by keeping job losses in the formal sector as small as possible during the crisis and ensuring that vulnerable populations are able to move back into the job market during the recovery. Based on the foregoing, a cost-benefit analysis was conducted that estimated a net present value of US\$951.6 million and a benefit-cost ratio of 1.76 in the base case

scenario (5% discount rate³⁴), suggesting that the set of proposed actions are economically beneficial.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is a specific investment loan for a total of US\$1 billion to be financed with resources from the Bank's Ordinary Capital. The disbursement period will be one year.³⁵

Table 1. Estimated program costs (US\$ millions)

Components	IDB	Total	%
Component 1. Protection using existing cash transfer programs and beneficiary identification systems	600	600	60
Subcomponent 1.1. Protection of vulnerable populations using existing beneficiary identification mechanisms	400	400	40
Subcomponent 1.2. Protection of vulnerable populations using existing cash transfer programs	200	200	20
Component 2. Protection for the vulnerable population not on the rolls of cash transfer programs and working in the formal sector	400	400	40
Total	1,000	1,000	100

B. Environmental and social safeguard risks

- 2.2 In accordance with Directive B.3 of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the project has been classified as a category "C" operation inasmuch as it is not expected to cause any negative environmental or social impacts, or such impacts will be minimal. The project will not finance any physical infrastructure components, so no environmental or social impacts or risks associated with such works are anticipated.

C. Fiduciary risks

- 2.3 Based on the fiduciary assessment of the executing agencies, the level of risk associated with the project is considered to be low: the federal government's fiduciary processes are carried out on robust procurement, financial, and administrative management systems. In addition, the executing agencies have extensive experience executing programs involving direct transfers to beneficiaries: Bolsa Família (Ministry of Citizenry) and Seguro-Desemprego (Ministry of Economy), both of which are run according to rules and procedures that are fully documented and consolidated, including mechanisms for identifying and rectifying errors made in the verification of eligibility criteria and beneficiary

³⁴ There is a large body of theoretical and empirical literature that justifies the use of a lower discount rate for social projects in which benefits materialize over the medium and long term, which have significant externalities, and in which the monetization of benefits is not direct. A recent study looked at the discount rate used in social projects in 17 countries in Latin America, based on which it recommends using a discount rate of 3.77%. See Moore, M., et al (2019), "Social Discount Rates for Seventeen Latin American Countries: Theory and Parameter Estimation," *Public Finance Review*.

³⁵ The Bank's project team estimates that the loan proceeds will be executed, rendered, and audited and that the information needed to prepare the project completion report will be produced and ready during this period.

payments. Both ministries have recent experience executing operations financed by multilateral organizations, and both have a solid organizational structure comprised of civil servants with technical expertise (see Annex III).

D. Other key risks and issues

- 2.4 A development risk to the program is the possibility that vulnerable groups would be excluded from the Auxílio Emergencial program because they were not listed in the Master Registry prior to the start of the pandemic, either despite meeting the corresponding criteria related to vulnerability or because they did not meet the criteria prior to the pandemic. Enabling digital platforms for people to apply for benefits minimizes this risk. However, there could be cases in which potential applicants do not know about this option or do not have the devices needed to gain access. To mitigate this risk, the federal government is offering channels of support by telephone for anybody who has questions or complaints. It is strengthening channels of communication with potential beneficiaries and establishing new safe ways to register in person for the small percentage of people who do not have access to digital media.
- 2.5 Another inherent medium-level development risk to this operation lies in the potential for a prolongation of the pandemic or additional outbreaks, which would complicate the economic recovery. This points up the need, and indeed makes it all the more necessary, to continue compensatory measures (Auxílio Emergencial) and preventive measures (Employment and Income Emergency Support Program) beyond the period currently anticipated by the federal government. The fact that Legislative Decree 6 recognizes public calamity as the cause of the pandemic until 31 December 2020 means that there is already a regulatory framework in place for extending the provision of special benefits.
- 2.6 As a notable project design feature, subcomponent 1.1 limits the universe of potential beneficiaries to those individuals receiving assistance via Auxílio Emergencial who have been identified through the Master Registry. It is both timely and relevant that digital channels have been made available to apply for benefits under Auxílio Emergencial, given the operational restrictions imposed by the pandemic and the fact that the pandemic is affecting individuals and households that have not been identified as vulnerable through traditional social assistance programs. However, during the rollout of the new digital mechanism for beneficiary registration, some errors can be expected, which will have to be remedied a posteriori based on operational audits by the federal government.
- 2.7 **Sustainability.** This operation supports the efforts of the federal government of Brazil to mitigate the economic impacts on the most vulnerable groups. The loan represents a fraction of the financial and social effort being made by the country. The federal government will keep these social protection mechanisms in place, based on the Master Registry and Bolsa Família, and it will analyze the relevance of retaining a mechanism like the Employment and Income Emergency Support Program (PEMER) as an instrument of support for the preservation of employment relationships in the formal sector once the crisis caused by the pandemic has ended. The federal government of Brazil has asked the Bank to explore the feasibility of approving a nonreimbursable technical cooperation operation in order to conduct operational and outcome evaluations of the Auxílio Emergencial program and the PEMER. These evaluations are expected to generate lessons learned on the potential use of support mechanisms for vulnerable groups in

emergency situations and on the relevance of retaining PEMER as an active employment policy.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agencies.** The Federative Republic of Brazil will be the borrower for this project. The executing agencies will be: (i) the Ministry of Citizenry for component 1, the Federative Republic of Brazil, acting through the Ministry of Citizenry; and (ii) the Ministry of Economy for component 2. Each ministry will have fiduciary, technical, and monitoring responsibilities for execution of its respective component, as well as responsibility for presenting to the Bank the disbursement plan, rendering accounts for transfers made by the Bank, and presenting documents related to the audits of the respective programs under its coordination.
- 3.2 The Ministry of Citizenry is the institution responsible for implementation of Auxílio Emergencial³⁶ and Bolsa Família (whose cash transfers will be financed under component 1), and, together with the Ministry of Economy, for setting criteria for identifying the beneficiaries of Auxílio Emergencial.³⁷ The Ministry of Citizenry will be responsible for preparing bimonthly progress reports for the indicators corresponding to component 1 in the Results Matrix and sending them to the Bank.
- 3.3 As the institution that handles the Benefício Emergencial (BEm),³⁸ the Ministry of Economy will be responsible for preparing bimonthly progress reports for the indicators corresponding to component 2 in the Results Matrix and sending them to the Bank.
- 3.4 **Execution and administration.** The project will have [Operating Regulations](#) in place for each component, which will describe the execution mechanism, including: (i) the participation of the Ministry of Economy and the Ministry of Citizenry in the project, acting through their respective offices (*secretarias*), with their respective responsibilities, processes, and competencies; (ii) the technical and operational arrangements for execution; (iii) the eligibility criteria for project beneficiaries; (iv) the arrangements for the programming, monitoring, and evaluation of results; and (v) operational procedures. The Operating Regulations will establish the governance processes for this operation, while the operational processes for Auxílio Emergencial, Bolsa Família, and PEMER are delineated in their respective regulatory decrees.
- 3.5 **The following will be special contractual conditions precedent to the first disbursement: (i) for the component executed by the Ministry of Citizenry, the entry into force of the Operating Regulations for Component 1, in accordance with terms approved by the Bank; and (ii) for the component executed by the Ministry of Economy, the entry into force of the Operating Regulations for Component 2, in accordance with terms approved by the Bank.** The Bank's experience in the region indicates that approval of the Operating

³⁶ The Ministry of Citizenry has received special funding for Auxílio Emergencial under Provisional Measures 937, of 2 April 2020, and 956, of 24 April 2020.

³⁷ Law 13,982, of 2 April 2020, which established the Auxílio Emergencial program, was implemented by the regulations set forth in Decree 10,316, of 7 April 2020, and Article 4 of the Decree defines the powers and responsibilities of the Ministry of Economy and the Ministry of Citizenry in that regard.

³⁸ Under the terms of Provisional Measure 936, of 1 April 2020.

Regulations prior to the first disbursement contributes to the internal organization of the executing agencies during the implementation of projects.

- 3.6 **Retroactive financing.** The Bank may retroactively finance eligible expenditures made by the borrower prior to the loan approval date for Auxílio Emergencial and/or the Benefício Emergencial up to US\$500 million (50% of loan amount), provided that requirements substantially similar to those established in the loan contract have been met. This amount would enable transfers under Auxílio Emergencial to be processed for some 1.5 million families over a period of 3 months, or PEMER support for over 1.2 million formal workers over a period of 2.5 months. Such expenditures must have been made on or after 20 March 2020, the date on which the period of public calamity due to COVID-19 was recognized under Legislative Decree 6. Even though this predates the project's official entry into the pipeline (document GN-2259-1), authorization of the retroactive financing on an exceptional basis is justified, given the exceptional circumstances surrounding the global health emergency.
- 3.7 **Disbursements:** Disbursements will be made primarily under the modality of reimbursement of expenditures, although the possibility of advances of funds based on liquidity needs is also anticipated. Supporting justification, for advances, will be provided pursuant to the provisions of the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) or the guidelines in effect at the time of program execution.
- 3.8 **Audit.** Throughout the loan disbursement period, the executing agencies will submit to the Bank the program's annual audited financial reports within 120 days after the close of the fiscal year. The audit will be conducted by the Office of the Comptroller General (CGU). The scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audits.

B. Summary of arrangements for monitoring results

- 3.9 **Monitoring.** The executing agencies will be responsible for implementing the [monitoring and evaluation plan](#) as it applies to their respective components. In light of the crisis, the main monitoring tool will be the project's results matrix. The main sources of information for monitoring the impact, outcome, and output indicators will be administrative records for the programs. Administrative records for the Auxílio Emergencial and Bolsa Família programs are the responsibility of the Information Management and Evaluation Office (SAGI) at the Ministry of Citizenry. Administrative records for the Employment and Income Emergency Support Program are the responsibility of the Labor Observatory in the Ministry of Economy's Special Office for Welfare and Labor. The main reporting tool will be the progress monitoring report, which will use the project's annual and semiannual reports as its main sources of information.
- 3.10 **Evaluation.** The evaluation will analyze the project's contribution to the objective of supporting minimum levels of income and employment among individuals affected by the coronavirus, in the immediate term and during the recovery. The evaluation methodology to be used will be a "before and after" analysis of the pertinent indicators. Essentially, this methodology compares the indicator values before and after the introduction of the intervention in the same area or units in its zone of influence, under the assumption that changes in indicator values are due to the intervention. In the context of COVID-19, in which the rapid and drastic

deterioration in the indicator values induced by the pandemic means that the scenario without the project is not duly approximated by the “before,” the evaluation will compare the “after” values with the values that could be expected in the absence of the project interventions, based on trends and theoretical models or evidence available from countries in which such interventions have not been implemented. For the purpose of attributing the observed results to project interventions, the quantitative analysis will be supplemented with qualitative evidence and a review of the theory of change supported by relevant evidence of the effectiveness of similar interventions in comparable contexts.

- 3.11 In addition, with resources from a technical cooperation operation that will accompany execution of this operation, evaluations of Auxilio Emergencial and the Employment and Income Emergency Support Program (PEMER) will be conducted, applying methods that make it possible to infer causal attribution, possibly through regression discontinuity analysis, based on the eligibility criteria for benefits.

Development Effectiveness Matrix		
Summary		BR-L1554
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#) -Beneficiaries of employment support initiatives (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		The Project directly supports the national priority related to managing the social impacts derived from the COVID-19 pandemia. (DLP p 1.19)
II. Development Outcomes - Evaluability		
		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.3
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.8
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Identified risks have been rated for magnitude and likelihood		
Mitigation measures have been identified for major risks		
Mitigation measures have indicators for tracking their implementation		
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Evaluability Note

The operation BR-L1554, for US\$1 billion, is part of the Bank's operational response to the COVID-19 Pandemic by supporting vulnerable populations affected by coronavirus. The general objective of the program is to help ensure minimum levels of quality of life for vulnerable people in the face of the crisis caused by COVID-19. The specific objective is to support the preservation of the levels of income and employment of people affected by the coronavirus in the immediate period and during the recovery of the crisis.

The loan proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are an appropriate response to the identified problems and their contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcomes and impacts. The outcome indicators are appropriately defined to measure the achievement of the project's specific objective. The impact indicators reflect the contribution to the general objective of the operation.

The economic evaluation shows that the operation is efficient, with a benefit /cost ratio greater than 1.76 and a NPV of \$ US951.6 million. In a context of high uncertainty, the analysis considers two types of benefits, the multiplier effect on the economy of increasing the monetary income of households and those obtained by preserving the human capital of the population in the face of the crisis. The costs considered in the analysis are the totals involved in the execution of the operation.

The monitoring and evaluation plan proposes a reflective analysis of the outcome and impact indicators included in the result matrix, complemented by a review of the theory of change, an updated review of international evidence and qualitative studies. Additionally, for the operation's impacts, the document details quasi-experimental methodologies that can be implemented within the scope of a technical cooperation under discussion. The monitoring and evaluation activities will be carried out by the executing agency in coordination with the Bank.

RESULTS MATRIX

Project objective:	The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to help maintain the employment and income levels of those affected by COVID-19 in the immediate period and during the post-crisis recovery.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
General objective: To contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19.						
Indicator 1. Households protected from falling below the poverty line through the implementation of the Auxílio Emergencial and Bolsa Família programs, during the project execution period.	Percentage	0	April 2020	6	Data source: Ongoing PNAD, 2020, IBGE Responsible parties: Executing agency and IDB	Calculation methodology: the difference between (A) the estimated percentage ¹ of households below the poverty line at the end of the analysis period if the Auxílio Emergencial and Bolsa Família programs had not been implemented; and (B) the percentage of households below the poverty line at the end of the analysis period. Described in the monitoring and evaluation plan.
Indicator 2. Formal jobs in the private sector that were shielded by implementing the Employment and Income Emergency Support Program (PEMER), one year after its implementation.	Percentage	0	April 2020	2	Data source: Administrative records from PEMER and Annual Social Information Report (RAIS) Responsible parties: Executing agency and IDB	Calculation methodology: the difference between (A) the percentage of formal-sector employment relationships covered under PEMER; ² and (B) the percentage of formal-sector employment relationships covered under PEMER that are not maintained 12 months after being covered under the program. Described in the monitoring and evaluation plan.

¹ Methodologically, the counterfactual for Auxílio Emergencial (A) could be estimated based on the net household income from these transfers for households that received them or met the conditions that would have allowed them to receive them. With technical cooperation resources, the technical viability of using as a counterfactual the poverty level of individuals who failed by a small margin to meet the eligibility criteria for Auxílio Emergencial or Bolsa Família—for example, because there was a maximum household income threshold in 2018 to be eligible—will be reviewed with a regression-discontinuity analysis.

² The assumption is that, without the program, all the employment relationships that will benefit from the operation would have already been dissolved in the period immediately after the crisis began. The Ministry of Economy estimates the loss of 12 million jobs as a result of the pandemic. With the Employment and Income Emergency Support Program (PEMER), 3.2 million jobs would be lost. With technical cooperation resources, the technical viability of using quasi-experimental evaluation techniques will be analyzed, using, for example, differences in the take-up rate in PEMER for companies that differ slightly in ways that would lead to different wage subsidies for their employees.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments ²
Specific objective 1. To help maintain the employment and income levels of those affected by COVID-19 in the immediate period and during the post-crisis recovery.						
Indicator 1. Bolsa Família beneficiaries receiving special transfers to contend with the social impacts of COVID-19, as part of the Auxílio Emergencial strategy.	Percentage	0	2019	90	Records of special transfers for Auxílio Emergencial made to the target population and records from Bolsa Família	Denominator: Total Bolsa Família beneficiaries in February 2020 (prior to COVID-19). Numerator: Bolsa Família beneficiaries receiving Auxílio Emergencial transfers during the COVID-19 response. Described in the monitoring and evaluation plan.
Indicator 2. Women heads of household (without spouses) ³ who are beneficiaries of Bolsa Família receiving special transfers to contend with the impacts of COVID-19, as part of the Auxílio Emergencial program.	Percentage	0	February 2020	32	Records of special transfers for Auxílio Emergencial made to the target population and records from Bolsa Família	Denominator: Total Bolsa Família beneficiaries receiving Auxílio Emergencial transfers during the COVID-19 response. Numerator: Women heads of household (without spouses) who are beneficiaries of Bolsa Família and receive Auxílio Emergencial transfers during the COVID-19 response. Described in the monitoring and evaluation plan.
Indicator 3. Beneficiary families of Bolsa Família receiving regular transfers as part of the strategy to contend with the impacts of COVID-19.	Percentage	100	February 2020	110	Bolsa Família records	Denominator: Beneficiary families of Bolsa Família in February 2020 (prior to COVID-19). Numerator: Beneficiary families of Bolsa Família during the period immediately after the COVID-19 crisis. ⁴
Indicator 4. People receiving special transfers from the Auxílio Emergencial program who were not listed in the beneficiary rolls of Bolsa Família.	Percentage	0	2019	34	Records of special transfers for Auxílio Emergencial made to the target population and records from Bolsa Família	As a percentage of the population included in the Master Registry as of March 2020 but who were not Bolsa Família beneficiaries. (Source: Administrative records from the Auxílio Emergencial and Bolsa Família programs. The Information Management and Evaluation Division (SAGI) at the Ministry of Citizenry is responsible for record-keeping.) Described in the monitoring and evaluation plan.

³ Women heads of household without spouses and with at least one person under 18 years old living with them receive monthly payments of R\$1,200, equivalent to twice the amount of the regular benefits.

⁴ For purposes of this document, the period immediately after the COVID-19 crisis is considered to be the months subsequent to execution of the Auxílio Emergencial program and within the period of project execution.

Indicators	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments ²
Indicator 5. Women heads of household (without spouses) ⁵ receiving special transfers from the Auxílio Emergencial program who were not listed in the beneficiary rolls of Bolsa Família.	Percentage	0	February 2020	11	Records of special transfers for Auxílio Emergencial	<p>Denominator: Individuals receiving special transfers from the Auxílio Emergencial program who were not listed in the beneficiary rolls of Bolsa Família.</p> <p>Numerator: Women heads of household (without spouses) who are beneficiaries of Bolsa Família and receive Auxílio Emergencial transfers during the COVID-19 response.</p> <p>Described in the monitoring and evaluation plan.</p>
Indicator 6. Formal jobs in the private sector that were shielded by implementing the Employment and Income Emergency Support Program (PEMER), six months after its implementation.	Percentage	0	April 2020	4	<p>Data source: Administrative records from Employment and Income Emergency Support Program (PEMER) and Annual Social Information Report (RAIS)</p> <p>Responsible parties: executing agency and IDB</p>	<p>Calculation methodology: the difference between (A) the percentage of formal-sector employment relationships covered under PEMER;⁶ and (B) the percentage of formal-sector employment relationships covered under PEMER that are not maintained for six months after being covered under the program.</p> <p>Described in the monitoring and evaluation plan.</p>

⁵ Ibid, footnote 3.

⁶ The assumption is that, without the program, all the employment relationships that will benefit from the operation would have already been dissolved in the period immediately after the crisis began.

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
Component 1: Protection using existing cash transfer programs and beneficiary identification systems						
Output 1.1. Special transfers for Auxílio Emergencial paid to Bolsa Família beneficiaries, as part of the project.	Transfers	0	February 2020	596,667	Administrative records	Amounts associated with the Auxílio Emergencial benefit for Bolsa Família beneficiaries.
Milestone: Transfers for Auxílio Emergencial made to women heads of household (without spouses) who are beneficiaries of Bolsa Família, as part of the project.	Transfers	0	February 2020		Administrative records	
Output 1.2. Beneficiary families of Bolsa Família receiving regular transfers as part of the strategy to counter the impacts of COVID-19, as part of the project.	Families	0	February 2020	475,659	Administrative records	Amounts associated with the expansion of Bolsa Família.
Output 1.3. Special transfers for Auxílio Emergencial paid to families who were not listed in the rolls of Bolsa Família beneficiaries, as part of the project.	Transfers	0	February 2020	536,732	Administrative records	Amounts associated with the Auxílio Emergencial benefit for Bolsa Família beneficiaries.
Milestone: Special transfers for Auxílio Emergencial made to women heads of household (without spouses) who were not listed in the rolls of Bolsa Família beneficiaries, as part of the project.	Transfers	0	February 2020		Administrative records	
Component 2: Protection for the vulnerable population not on the rolls of transfer programs and working in the formal sector						
Output 2.1. Employees who receive the BEm emergency benefit through the Employment and Income Emergency Support Program (PEMER), as part of the project.	Number of employees	0	February 2020	1,027,432	Administrative records	Amounts associated with the BEm for formal-sector employees in the Employment and Income Emergency Support Program

Country: Brazil **Sector:** SPH **Project number:** BR-L1554 **Year:** 2020
Cofinancing: NO **Co-execution:** Ministry of Economy / Ministry of Citizenry

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Federative Republic of Brazil, through the Ministry of Economy and the Ministry of Citizenry

Name: Emergency Support for Vulnerable Populations Affected by Coronavirus

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the project¹

Budget <input checked="" type="checkbox"/>	Reports <input checked="" type="checkbox"/>	Information system <input type="checkbox"/>	NCB <input type="checkbox"/>
Treasury <input checked="" type="checkbox"/>	Internal audit <input checked="" type="checkbox"/>	Shopping <input type="checkbox"/>	Advanced NCB <input type="checkbox"/>
Accounting <input checked="" type="checkbox"/>	External control <input checked="" type="checkbox"/>	Individual consultants <input type="checkbox"/>	Consulting firm <input checked="" type="checkbox"/>

2. Fiduciary capacity of the executing agency

The evaluation of the fiduciary capacity of the executing agencies is satisfactory.

The Ministry of Economy, under its various names, has served as executing agency for IDB-financed projects on a number of occasions. It has a solid administrative and institutional framework, supported by a workforce of highly qualified civil servants with strong technical skills to carry out the duties and functions of the institution as the apex agency of the federal public sector's budgetary, treasury, and accounting and financial reporting systems.

The Ministry of Citizenry has extensive experience running social assistance programs that make direct transfers to beneficiaries. As the Ministry of Social Development, as it was formerly known, it was responsible for the conditional cash transfer program Bolsa Família dating back to 2003. Although it does not have experience executing IDB programs, it has a long track record running programs financed by other multilateral organizations.

3. Fiduciary risks and mitigation measures

Fiduciary risk: High ☐ ; Medium ☐ ; Low ☒

¹ Any system or subsystem subsequently approved may be applicable to the operation, in accordance with the terms of the Bank's validation thereof.

Risk	Level of risk	Mitigation plan
Inconsistencies or errors in the verification of eligibility criteria or beneficiary payments during implementation of the Auxílio Emergencial, Bolsa Família, and Benefício Emergencial (BEm) programs.	Low	The Bank will monitor the ongoing supervision work done by the Office of the Comptroller General (CGU) and the Audit Court (TCU) with respect to the execution of support programs in response to COVID-19. Based on their findings and/or recommendations, the Bank may declare any previously recognized expenditure to be ineligible.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

Conditions precedent to the first disbursement: None.
For purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate will be as indicated in paragraph (b)(i) of the Article. In order to determine the equivalence of expenditures made in local currency and charged to the loan (reimbursement of expenditures), the agreed upon exchange rate will be the rate in effect on the day when the reimbursement request is submitted to the Bank.
The audited financial statements will be presented within 120 days after the end of the fiscal year, in accordance with the terms of reference agreed upon with the Bank and any other participating lenders providing support to the federal government's COVID-19 emergency response programs.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

Exceptions to policies and guidelines:

No financing of goods or services is planned under the program.	
Retroactive financing²	<ul style="list-style-type: none"> The Bank may retroactively finance eligible expenditures made by the borrower prior to the loan approval date for Auxílio Emergencial and/or the Benefício Emergencial up to US\$500 million (50% of loan amount), provided that requirements substantially similar to those established in the loan contract have been met. This amount would enable transfers under Auxílio Emergencial to be processed for some 1.5 million families over a period of 3 months, or PEMER support for over 1.2 million formal workers over a period of 2.5 months. Such expenditures must have been made on or after 20 March 2020, the date on which the period of public calamity due to COVID-19 was recognized under Legislative Decree 6. Even though this predates the project's official entry into the pipeline (document GN-2259-1), authorization of the retroactive financing on an exceptional basis is justified, given the exceptional circumstances surrounding the global health emergency.

² In accordance with the retroactive financing, recognition of expenditures, and advance contracting policy set forth in document GN-2259-1, or an equivalent policy in effect at the time of the operation.

Additional procurement support	<ul style="list-style-type: none"> • Not applicable.
Alternative procurement arrangements	<ul style="list-style-type: none"> • Not applicable.
Projects with financial intermediaries	<ul style="list-style-type: none"> • Not applicable.
Procurement agents	<ul style="list-style-type: none"> • Not applicable.
Direct contracting	<ul style="list-style-type: none"> • Not applicable.

IV. FINANCIAL MANAGEMENT AGREEMENT AND REQUIREMENTS

Programming and budget	<ul style="list-style-type: none"> • The Brazilian government implemented the Employment and Income Emergency Support Program (PEMER) through Provisional Measure 936 on 1 April 2020 and the Auxílio Emergencial program through Law 13,982 on 2 April 2020. • In addition, on 8 May 2020, Constitutional Amendment 10/2020 was approved, easing regulations on control of the country's spending and borrowing, in order to make the necessary resources available to respond to the COVID-19 pandemic. • This constitutional amendment enables public resources to be used to finance support programs for populations affected by the economic paralysis. As a result, <u>the budget allocations for the Ministry of Economy and the Ministry of Citizenry have been modified to facilitate the execution of assistance programs for vulnerable populations during the pandemic.</u>
Flow of resources and financial execution of the project	<p>Auxílio Emergencial</p> <ul style="list-style-type: none"> • Auxílio Emergencial is executed with the Ministry of Citizenry's own financial and budgetary resources. • Transfers to beneficiaries are processed electronically, following validation by the Ministry using the databases of individual persons maintained by DataPrev and the Cadastro Único [Master Registry]. • The agent that processes payment for Auxílio Emergencial is Caixa Econômica Federal, a State-owned bank with extensive experience executing direct transfers to beneficiaries of government assistance programs. • Auxílio Emergencial beneficiaries receive the transfer via the following mechanisms: <ul style="list-style-type: none"> - <u>Group 1 (Beneficiaries of Bolsa Família)</u>: As a credit to an existing account at Caixa or as a credit to their Bolsa Família e-wallet via Caixa. - <u>Grupo 2 (Registered with the Cadastro Único, but not a beneficiary of Bolsa Família)</u>: (1) As a credit to an existing account at Caixa; (2) as a credit to an existing account at Banco do Brasil; or (3) as a deposit to an individual digital account that they open at Caixa. <p>For more information: http://www.caixa.gov.br/auxilio/perguntas-frequentes/Paginas/default.aspx</p>

	<p>Benefício Emergencial de Preservação do Emprego e da Renda (BEm)</p> <ul style="list-style-type: none"> • BEm is executed with the Ministry of Economy's own financial and budgetary resources. • Transfers to beneficiaries are processed electronically, following validation by the Ministry of Economy using the databases of individual persons maintained by DataPrev and the Ministry. • Caixa Econômica Federal serves as the BEm payment agent for beneficiaries reporting that they have an account at Caixa as well as for those not reporting banking information at the time of application for the benefit. • Banco do Brasil serves the BEm payment agent for beneficiaries with accounts at banks other than Caixa. • BEm beneficiaries receive the transfer via the following mechanisms: <ul style="list-style-type: none"> - <u>For beneficiaries with valid information reported at the time of registration:</u> As a credit to the beneficiary's existing account (any bank). - <u>For beneficiaries who do not have valid banking information:</u> (1) as a deposit to an individual digital account that they open at Caixa; or (2) as a credit to their <i>Cartão do Cidadano</i> e-wallet at Caixa. <p>For more information: http://www.caixa.gov.br/beneficios-trabalhador/beneficio-emergencial/Paginas/default.aspx</p> <p>Bolsa Família</p> <ul style="list-style-type: none"> • Bolsa Família is executed with the Ministry of Citizenry's financial and budgetary resources. • Transfers to program beneficiaries are processed electronically on a monthly basis, subject to validation of beneficiary data recorded in the Cadastro Único [Master Registry] and fulfillment of the requirements set in the program rules. • Caixa Econômica Federal is the payment agent for Bolsa Família. • Bolsa Família beneficiaries receive the transfer via the following mechanisms: <ul style="list-style-type: none"> - As a credit to their individual savings account at Caixa. - As a credit to their Bolsa Família e-wallet at Caixa. <p>For more information: http://www.caixa.gov.br/programas-sociais/bolsa-familia/Paginas/default.aspx</p>
<p>Treasury and disbursement management</p>	<ul style="list-style-type: none"> • Disbursements of the loan proceeds will be made in U.S. dollars, primarily under the modality of reimbursements of expenditures. Advances of funds may also be used if requested by the executing agencies. • The IDB will process the disbursements and deposit the funds into a sub-account of the Treasury Single Account (TSA) designated by the Office of the Secretary of the National Treasury (STN). • For advances of funds, the Ministry of Economy will present a financial plan with execution estimates for up to six months, along with documentation supporting at least 80% of previous expenditures before requesting a new advance. Verifications by the IDB will be performed on an ex post basis.
<p>Accounting, information systems, and reporting</p>	<ul style="list-style-type: none"> • The executing agencies will use its Integrated Financial Management System (SIAFI) for accounting and financial and budgetary execution of program activities. The SIAFI can be used to generate the financial reports required by the Bank for disbursement requests and rendering of accounts.

External control	<ul style="list-style-type: none"> • The external audit of the project will be conducted by the Office of the Comptroller General (CGU) based on terms of reference agreed upon with the IDB and other participating lenders providing support for the federal government's COVID-19 emergency programs. • The Ministry of Economy will present consolidated audited financial statements that include the execution of all COVID-19 emergency programs receiving financing from multilateral banks and development agencies. • The external audit will examine the eligibility of expenditures based on the provisions of each loan contract signed by the federal government with the lenders. In addition, it will verify that expenditures have been presented for recognition to a lender.
Project financial supervision	<ul style="list-style-type: none"> • Financial supervision will be conducted primarily on an ex post basis via the audited financial statements, as well as any other midterm reports required by the other lenders. • In addition, the ongoing supervision work done by the CGU and the TCU with respect to these programs will be monitored.

V. RELEVANT INFORMATION FOR THE OPERATION

Policies and guidelines applicable to the operation

Financial management	Procurement
<ul style="list-style-type: none"> • Document GN-2811 [OP-273-12] 	<ul style="list-style-type: none"> • N/A

Records and files

All administrative, financial, and management information on the programs is kept on the federal government's electronic platform (Sistema Eletrônico de Informações) and on its integrated financial management system (Sistema Integrado de Administração Financeira).

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Brazil. Loan ___/OC-BR to the Federative Republic of Brazil. Emergency Support
for Vulnerable Populations Affected by Coronavirus

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Federative Republic of Brazil, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the project Emergency Support for Vulnerable Populations Affected by Coronavirus. Such financing will be in the amount of up to US\$1,000,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2020)