

AUXÍLIO EMERGENCIAL (EMERGENCY AID): LESSONS FROM THE BRAZILIAN CASH TRANSFER EXPERIENCE AMID THE COVID-19 PANDEMIC

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The Emergency Aid program—Auxílio Emergencial (AE) in Portuguese—was the main policy measure adopted by Brazil to mitigate the socioeconomic impact of COVID-19. The AE reached 68 million people or more than 40% of Brazilian households at a total cost of R\$ 353 billion (approximately USD 67 billion^[1]). Never had a cash transfer program reached such a large scale in the country. The AE is recognized for its wide coverage and high benefit amount, which allowed for substantial poverty reduction in 2020, as well as for its payment system, which used a simplified and free bank account (Ipea, 2022). But the AE also faced some implementation challenges, suggesting that adjustments can be made to increase the program's social and economic effectiveness if it needs to be adopted again.

Emergency cash transfers were widely adopted during the COVID-19 pandemic as a strategy to both mitigate the economic recession and to provide financial relief for those with low income who had lost their jobs or could no longer work because of lockdown measures adopted to prevent the spread of the virus (Gentilini, 2022). Unlike in the United States, where stimulus checks also reached the middle class, in Brazil the program was restricted to families in poverty. Studies show that emergency cash transfers targeting this population have the most significant economic impact. Since the poorest lack savings, they tend to spend cash transfers immediately and in full, turning the local economy around, guaranteeing tax collection, and preserving jobs (Murphy, 2021).

Targeting individuals with a monthly family income of up to 50% of the Brazilian minimum wage^[2] per capita, the AE benefited: (1) receivers of Bolsa Família (a long-existing conditional cash transfer program for poor families); (2) other low-income individuals included in the Single Registry^[3] (a unified, federal database with information on poor families); in addition to (3) self-employed and informal workers not yet in the Single Registry. For groups (1) and (2), the AE was granted automatically after their information was crosschecked with other federal agencies to verify eligibility. For group (3), an application was required via a phone app, in which the applicant provided basic data such as identification, income and household composition. Those registered through the app constituted most program beneficiaries in all three cycles of cash payments.

Table 1 shows that, through the three payment cycles, the amount of AE transfers was continuously reduced. Unlike the stimulus checks in the United States, each AE cycle comprised multiple monthly payments. The program was briefly interrupted in the first months of 2021 due to political and budgetary uncertainties. This was precisely the period when Brazil recorded the highest numbers of COVID-19 deaths^[4], leading state and local governments to implement stricter social distancing measures, which further compromised the economy and increased unemployment (Ipea, 2022).

Cycles	Amount of each payment ^[3]	Number of payments
1st (April-August, 2020)	R\$ 600.00 (USD 113.20)	5
2nd (September-December, 2020)	R\$ 300.00 (USD 56.60)	4
3rd (April-October, 2021)	R\$ 250.00 (USD 47.20)	7

Table 1. Payment Amount and number of payments, three cycles of Auxílio Emergencial (2020–21). Source: Auxílio Emergencial legislation^[4].

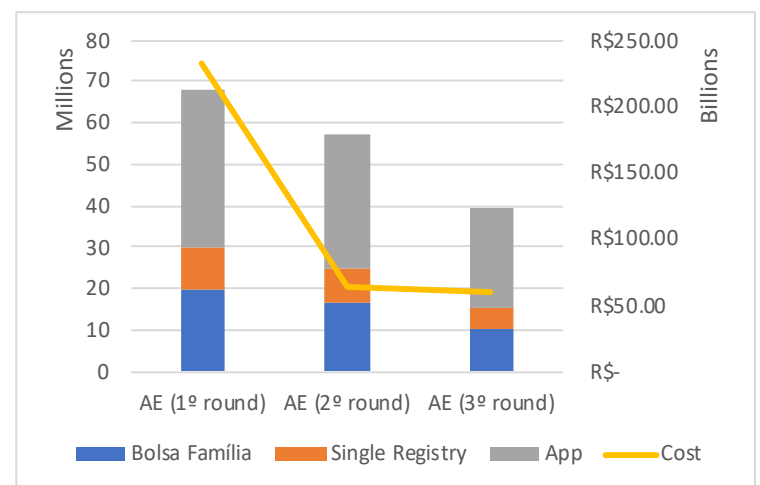


Chart 1. AE beneficiaries, by target audience, and spending, within each cycle (2020–21). Source: CGU (2022).



Chart 1 shows the same dynamic by highlighting the cost and number of people benefited during the three AE cycles. After a more comprehensive first cycle, the AE gradually incorporated eligibility restrictions, excluding people, for example, who were income tax dependents, received scholarships, or had taxable income above the exemption limit in the previous year. Accordingly, the number of beneficiaries fell from 68 million in 2020 to 39 million in 2021, which is equivalent to 57% of the initial total.

With lower coverage and benefit amounts, the third cycle's capacity to reduce poverty and inequality was much more limited. Souza, Hecksher and Osorio (2022) estimate that the poverty rate dropped to 7.6% in 2020, when the AE had its first cycle. The reduction in the AE's amount in 2021 and the resurgence of the pandemic caused the poverty rate to rise back to 10.8%.

Moreover, for emergency cash transfer programs to be successful, the government must quickly and accurately identify the target population and ensure that the money reaches them as soon as possible and in full. The Brazilian experience has shown difficulties in this regard, as problems of app accessibility and payment logistics have especially harmed 'ultra-vulnerable' beneficiaries (those who were neither in government databases nor had access to digital technologies or to the internet to submit their applications). Because of that, assisted registration was provided through Post Office branches. However, it would have been more appropriate to use the Reference Centers for Social Assistance (CRAS), which are designed to serve low-income families and run welfare services (IPEA, 2022). Moreover, due to difficulties in making electronic transactions with the program's app, many beneficiaries had to visit banks to make a withdrawal, hence spending time and part of their transfer money in transportation while becoming further exposed to COVID-19.

Despite those challenges, the AE experience brought important legacies to the Brazilian social protection system. The checking of information provided by applicants through consultations of several federal administrative datasets was remarkably improved, providing greater consistency to the granting and maintenance of benefits. The creation of a Cadastro Único app in 2022 allowed applicants to pre-fill the form, turning face-to-face interviews into an opportunity for welfare officials to just check and validate the information applicants had provided. This maintains the interaction between the beneficiary population and local welfare agencies, while speeding the registration process. Still in the field of technology, payment via the Caixa Econômica Federal app allowed other welfare benefits to be paid more quickly.

Among recommendations to improve AE's implementation in the future, there is a need to revise the Single Registry system to simplify the application process during emergencies. Also recommended are active searches for potential beneficiaries through other government databases, such as micro-entrepreneurs. Moreover, strategies to verify eligibility based on data from previous years may not be the most appropriate, as a family's living conditions may deteriorate drastically under events such as a pandemic. Monthly revalidations of the eligibility status do not speak to the uncertainties brought by successive pandemic waves,

bringing great financial instability for beneficiaries and limiting the safety net effect sought by the program (World Bank, 2021).

Additionally, access to emergency programs should not happen exclusively through digital platforms. Many of the AE problems would have been avoided with the support from local welfare agencies in registering the ultra-vulnerable. Finally, there is a need to invest in welfare services that prevent or treat family-related issues. Money meets only one's most immediate needs, there being other serious issues that may occur within one's family, such as homelessness, child abuse and domestic violence.

Notes

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^[1] Considering 1 US\$=R\$ 5,3.

^[2] The minimum wage in December 2020 was R\$1,039.00 (around USD 196.00).

^[3] To learn more about the Single Registry and Bolsa Família visit: <https://bit.ly/3ybtFgX> e <https://bit.ly/3tSWYm4>

^[4] Between March and April/2021, Brazil reached the peak of deaths from COVID-19, exceeding 3,000 daily deaths. Available in: <https://www.conass.org.br/painelconassCOVID19/>

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