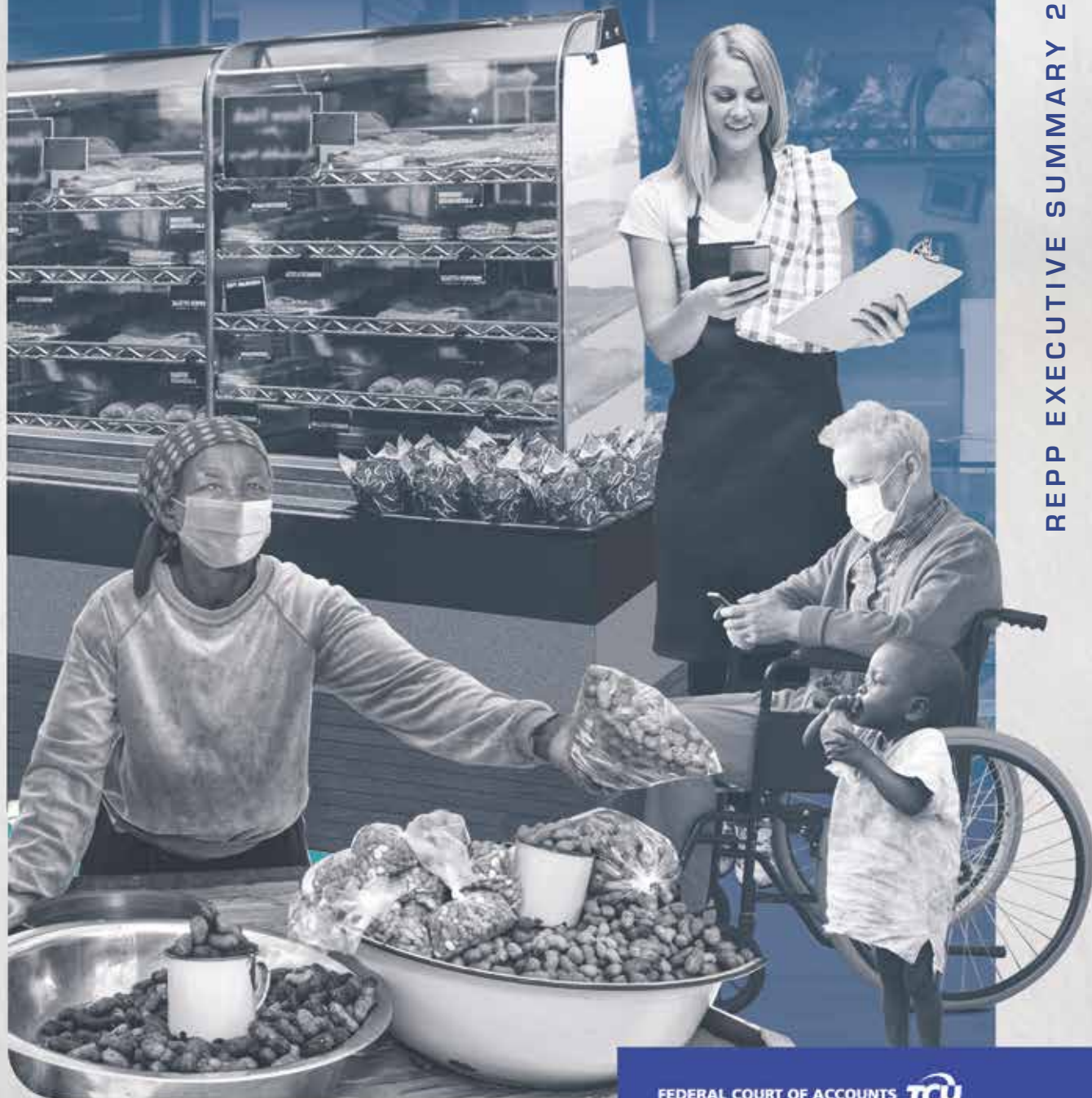


# REPORT ON GOVERNMENT POLICIES AND PROGRAMS 2021



REPP EXECUTIVE SUMMARY 2021



FEDERATIVE REPUBLIC OF BRAZIL  
FEDERAL COURT OF ACCOUNTS - TCU

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REPP EXECUTIVE SUMMARY 2021

**REPORT ON  
GOVERNMENT POLICIES  
AND PROGRAMS 2021**

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# SUMMARY

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# FOREWORD



# REPORT ON GOVERNMENT POLICIES AND PROGRAMS 2021

## REPP 2021

The Federal Court of Accounts - Brazil (TCU) prepares, for the 5th time, the **Report on Government Policies and Programs (RePP)**, as provided by the Budget Guidelines Act (LDO) of 2021, which states:

Article 144. The Federal Court of Accounts shall provide the Joint Committee referred to in article 166, paragraph 1 of the Federal Constitution, within a period of up to thirty days after the 2021 Draft Budget Act is forwarded, a summary table detailing the quality of implementation and the achievement of goals and objectives of the government programs and actions subject to performance audits conducted to support the discussion of the 2021 Draft Budget Act.

## WHAT WAS ASSESSED

The 2021 Repp shows the results of crosscutting assessments conducted in three different audits on **social protection benefits** and **emergency programs for credit access** used in the fight against the Covid-19 crisis.

The audit's objects were chosen based on criteria of materiality, relevance and timeliness, considering the scenario of fighting and overcoming social and economic problems exacerbated by the Covid-19 pandemic.

**Table 1: 2021 Repp - Programs/Benefits Assessed**

Benefits/Programs	Aspects Assessed
Bolsa Família Program (PBF)	TARGETING AND EFFICIENCY of the benefits in the fight against inequality and poverty
Continuous Cash Benefit (BPC)	
Unemployment insurance <sup>1</sup>	
Salary Bonus	
Rural Social Security	
Family Salary <sup>2</sup>	
Deduction of Dependents from the Individual Income Tax Return (IRPF) <sup>3</sup>	
National Support Program for Micro Companies and Small-sized Companies (Pronampe) <sup>4</sup>	EFFECTIVENESS of the programs in promoting access to credit and job creation/retention for small and medium-sized companies (PMEs) affected by the Covid-19 crisis  *** In the highlighted programs, the following were also evaluated: DESIGN, IMPLEMENTATION AND OUTREACH
Emergency Program for Credit Access as a guarantee (Peac-FGI)	
Emergency Programs for Credit Access – Card Machines (Peac-Maquinhas)	
Emergency Employment Support Program (Pese)	
Credit Guarantee Fund for Micro Companies and Small-sized Companies (Fampe)	

1 The Closed Season Insurance is included in the analysis.

2 Despite not being a budget expense, it was included in the analyses because it extends to families of secured workers with children up to 14 years of age.

3 The values shown here correspond to the implicit subsidy for each income bracket in the tax return, not the gross value of the deduction.

4 Act No. 14,161/2021 made the program official as a credit policy, thus making it permanent.



The social protection benefits were the object of a **comparative analysis** that focused on the **cost-benefit, equity, overlap** and **coverage** of benefits. Programs, actions, expenditure matters and other federal subsidies that make up the social protection system were selected. In addition, the deduction of dependents from the Individual Income Tax Return (IRPF), which is not a social protection benefit itself but an item within the taxation framework, was analyzed as a parameter for the internal verification of the other benefits' results.

The access to credit programs implemented in the fight against the Covid-19 crisis were the object of an **impact assessment** that focused on the following variables: **borrowed resources, interest rate, loan term, job creation and labor share**. We compared companies that were contemplated with funds (treatment group) with companies that were not (control group), both before and after the programs were implemented.

Furthermore, the Pronampe, the Peac-FGI and the Pese were assessed with a specific focus on **governance and management**<sup>11</sup>, and more specifically: **design and formalization (formalized target groups, objectives, indicators and goals); risk management, follow-up and assessment structures**, which support the **implementation of programs; and target group outreach**. We also verified the **compliance of specific conditions** established for each program: preservation of formal employment relations (Pese), employee retention (Pronampe) and limits regarding the borrowed values (Peac-FGI and Pronampe).

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<sup>11</sup> The analysis was made based on the [Public Policy Audit Reference Guide](#), prepared by the Federal Court of Accounts in 2020.

## OUTREACH OF THE PROGRAMS EVALUATED BY THE TCU

The evaluated social protection benefits totaled an amount of approximately **BRL 271.5 billion** in 2019. In turn, the audited access to credit programs used in the fight against the Covid-19 crisis had a budgetary execution of around **BRL 61 billion** in 2020.



**Table 2: Outreach of the programs assessed in the 2021 Repp**

Benefits/Programs	Executed Budget (BRL billion)	Beneficiaries	
		Individuals	Companies
Bolsa Família Program (PBF) <sup>1</sup>	31.16	13,841,302	
Continuous Cash Benefit (BPC) <sup>1</sup>	61.65	4,645,453	
Unemployment insurance <sup>1</sup>	33.85	2,562,490	
Salary Bonus <sup>1</sup>	15.15	1,791,952	
Rural Social Security <sup>1</sup>	121.59	9,346,425	
Family Salary <sup>1</sup>	2.0	5,259,000	
Deduction of Dependents from the Individual Income Tax Return (IRPF) <sup>1</sup>	6.14	18,930,497	
National Support Program for Micro Companies and Small-sized Companies (Pronampe) <sup>2</sup>	31.50		467,799
Emergency Program for Credit Access as a guarantee (Peac-FGI) <sup>2</sup>	20.00		113,892
Emergency Program for Credit Access – Card Machines (Peac-Maquinhas) <sup>2</sup>	3.20		49,559
Emergency Employment Support Program (Pese) <sup>2</sup>	6.80		131,862
Credit Guarantee Fund for Micro Companies and Small-sized Companies (Fampe) <sup>2</sup>	0.93		112,139
<b>Total</b>		<b>56,377,119</b>	<b>875,251</b>

<sup>1</sup> Data from 2019.

<sup>2</sup> Data from 2020.

<sup>3</sup> The amount allocated to the Fampe-Sebrae does not come from the Federal General Budget and is therefore not counted in the total amount of BRL 61 billion reserved for the execution of access to credit programs.

## MAIN CONCLUSIONS

### Social Protection Benefits

- All benefits are progressive, i.e., directed towards the poorer classes. The deduction of dependents from the IRPF is regressive, but it is not a social protection benefit;
- The most cost-effective benefit in the fight against poverty is the PBF. The Salary Bonus is the most costly one:

	Social Benefits	Cost-effectiveness (in BRL billion/year per percentage point of reduction)	
		Poverty	Inequality
1°	PBF	12,63	27,91
2°	BPC	24,30	38,08
3°	Salário família	30,93	40,08
4°	Previdência rural	35,59	54,21
5°	Abono salarial	61,01	74,32

- The benefits analyzed cover only 3/5 of families with minors (under 18 years of age). The poverty rate in these families is up to 30 times higher than that of families with elderly people (aged 65+);

- The PBF and the Family Salary are the federal benefits that reach the highest number of families with children and young people, thus contributing to reducing poverty in the lower-income classes in the North and Northeast regions as well as in inland municipalities;
- The data shows an overlap of benefits in middle-income families: they receive both the Family Salary and Salary Bonus at the same time. They also show an overlap in low-income families, which receive both the Family Salary and the PBF. Evidence shows there is potential to improve efficiency when it comes to these three benefits.

## **Access to Credit Programs Implemented in the fight against Covid-19**

### *Effectiveness assessment*

- The emergency programs for credit access during the Covid-19 pandemic were successful in increasing access to credit for small and medium-sized companies (PMEs), achieving higher levels of financing and lower interest rates;
- The programs enabled 180,000 additional jobs to be created and caused an increase of BRL 4.7 billion in the labor share concerning the companies in question;
- The programs' positive results should be weighed against the significant amount of public funds allocated, which amounted to a total of BRL 61 billion;
- We identified good international practices concerning the design of access to credit programs, which can be immediately

considered in the implementation of the National Credit Guarantee System (Decree No. 10,780/2021) and the improvement of permanent credit guarantee programs such as the Pronampe.

*Assessment of aspects related to governance and outreach*

- In general, the programs were successful in offering credit to their determined target groups, reaching economic agents located in all the macro-regions of the country. Nevertheless, the Pronampe did not reach liberal professionals, which are expressly mentioned in Act No. 13,999/2020 (article 2, paragraph 10, and article 3-A);
- The South and Southeast regions received shares of funds from the programs that were either greater or similar to their shares in the national GDP. In turn, the other regions received shares that were proportionally smaller;
- It was found that the Peac-FGI and the Pronampe 2021<sup>2</sup> both need proportionally fewer funds than the Pese and the Pronampe 2020<sup>3</sup> in order to support the same volume of credit operations. The Peac-FGI and the Pronampe 2021 have therefore greater leverage;
- There were also signs of employee turnover in companies that committed to credit operations with funds from the Pronampe, in disagreement with Act No. 13,999/2020 (article 2, paragraph 3).

<sup>2</sup> Operations conducted in 2021 (updated on 8/4/2021).

<sup>3</sup> Operations conducted until 12/31/2020.

- Deficiencies were found with respect to risk management and control, follow-up and assessment of results by the Ministry of Economy concerning the Pese, the Peac-FGI and the Pronampe programs.

### DECISIONS

- Court Decision No. 2,334/2021-TCU-Full Court, Rapporteur Minister André Luis de Carvalho (Case No. 017.391/2021-0)
- Court Decision No. 2,289/2021-TCU-Full Court, Rapporteur Minister André Luis de Carvalho (Case No. 038.168/2021-9)
- Court Decision No. 2,333/2021-TCU-Full Court, Rapporteur Minister André Luis de Carvalho (Case No. 014.547/2021-0)

# SOCIAL PROTECTION BENEFITS





# ASSESSMENT ON THE EFFECTS OF SOCIAL PROTECTION BENEFITS

## WHAT WAS AUDITED BY THE TCU

This report comes as a response to discussions on the need to review government programs as a way to make them more efficient. The reality of poverty and social inequality faced by the Brazilian population was aggravated by the Covid-19 pandemic. As a consequence, the federal government needed to take a series of measures in order to prevent thousands of families from becoming completely vulnerable.

The audit analyzed the effects of some of the social protection benefits in terms of reducing income inequality and poverty rates. The following benefits were selected: (i) two assistance benefits, the Bolsa Família Program (PBF) and the Continuous Cash Benefit (BPC); (ii) two labor benefits, Unemployment Insurance and the Salary Bonus; and (iii) two social security benefits, the Rural Social Security and the Family Salary. The deduction of dependents from the individual income tax return (IRPF) was also analyzed. Even though the latter is not a social protection benefit, but rather a part of the tax return's framework, it was used as a parameter for internal verification of the other benefits' results.

## THE METHODOLOGY USED

The analyses carried out in the audit sought to i) determine the composition of the national population's income, including work-related income as well as other kinds of income (social programs, rents, financial applications, etc.); ii) determine the level of targeting of the programs and their impact on income inequality; iii) identify overlaps between different programs; and iv) assess these programs' targeting on the bracket comprised of children and people younger than 18 years old.

The yearly Continuous National Household Sample Survey (Pnad-c) was chosen as the source for socioeconomic data, which allowed the analyses of the social and income profile of the beneficiary families. To prevent the study from being influenced by the effects of the Covid-19 pandemic in 2020, the Pnad-c 2019 was used as a reference instead.

As a reference for the poverty line, we used the international standard adopted by the World Bank in their analyses, namely BRL 386.62/month<sup>11</sup>. This made it easier to compare the different benefits, as the national options for poverty line standards coincide with the eligibility criteria for some of the programs assessed. It also prevented the risk of dealing with statistics with a higher standard error, which would result from the use of lower poverty lines.

In the end, the poverty gap was chosen to assess the impacts of social programs, a measurement more sensitive to the income variations among the poorest classes.

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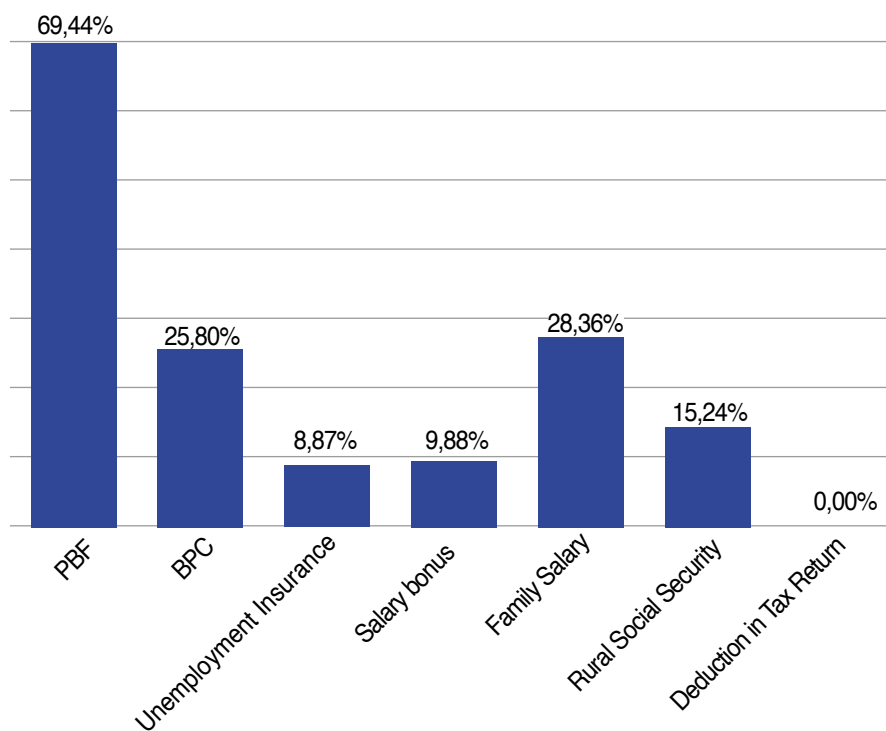
<sup>11</sup> Equivalent in BRL to the World Bank standard of USD 5.50/day.

## WHAT WAS FOUND BY THE TCU

### Impact on Poverty

It was found that poor beneficiaries are proportionally higher in the Bolsa Família Program (PBF) (69.4%), followed by the Family Salary (28.4%) and the Continuous Cash Benefit (BPC) (25.8%). This shows that these benefits are more targeted towards the poorest classes, which helps to mitigate inequality and poverty in this bracket.

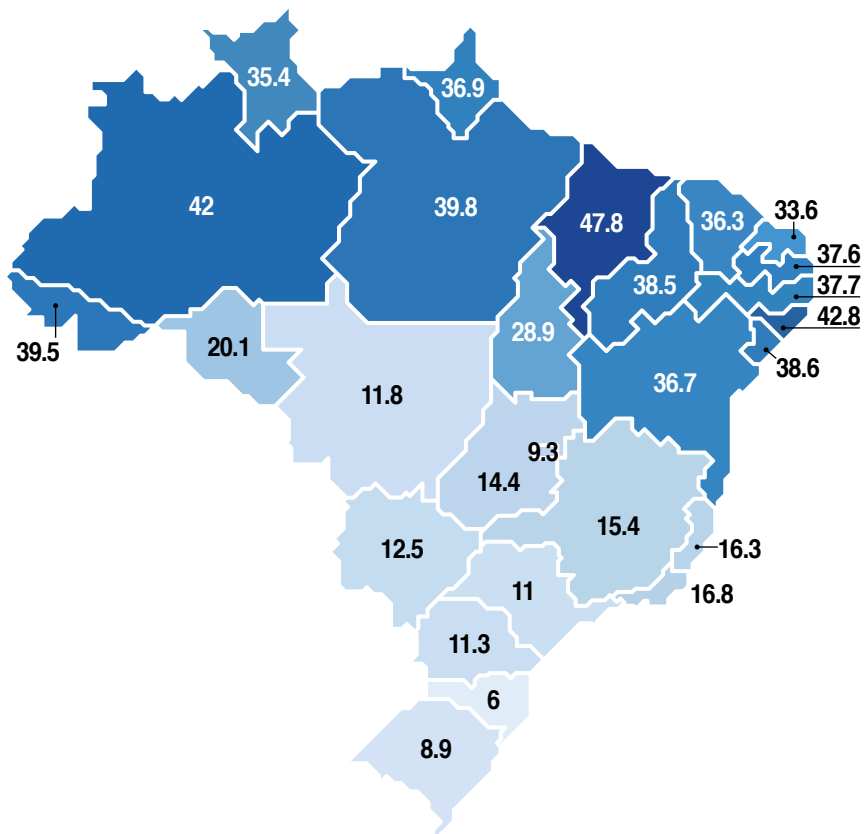
Poverty rate among beneficiaries, with reference to the BRL 386.62/month (USD 5.50/day) poverty line



Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the World Bank and the 2019 Pnad

The map below shows the Brazilian states according to the estimated post-benefit poverty rate (darker colors mean higher poverty rates). The international poverty line is taken as reference.

**Percentage of each State's population living below the USD 5.50/day poverty line**



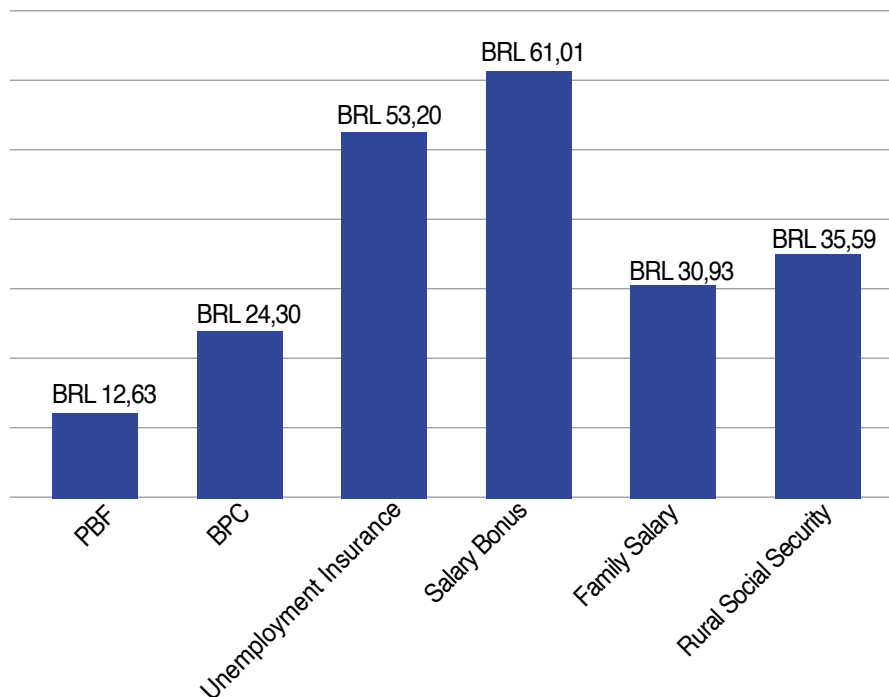
Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the 2019 PnadC

When it comes to the expenditure x impact on poverty ratio, it was discovered that in order to reduce one percentage point in the poverty gap, the PBF needs BRL 12.63 billion allocated each year. In the BPC the amount goes up to BRL 24.30 billion per year, while the family salary needs an annual allocation of BRL 30.93 billion.

In the other extreme, the labor benefits were shown to be the least cost-effective. The Salary Bonus particularly stands out, requiring an annual amount of BRL 61.01 allocated for each percentage point reduced in the poverty gap.

### Annual expenditure per percentage point of poverty reduction

Annual BRL billion per percentage point in the poverty gap



Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the 2019 PnadC

We can therefore conclude that the least costly programs when it comes to the reduction of one percentage point in the poverty gap are the Bolsa Família Program (PBF) (BRL 12.63 billion yearly), the Continuous Cash Benefit (BPC) (BRL 24.30 billion), and the Salary Bonus (BRL 30.93 billion). The labor benefits are the costliest: The Salary Bonus (BRL 61.01 billion) and the Unemployment Insurance (BRL 53.20 billion).

## The Impact on Income Inequality

Inequality in Brazil is one of the worst in the world: it is the worst in Latin America and is close to the average observed in African countries.

The Bolsa Família Program (PBF) is the benefit that is most targeted towards the poorest, followed by the Family Salary and the Continuous Cash Benefit (BPC). The other benefits focus on transfers to the population brackets that are less poor.

The social benefits can also be assessed regarding their impact on the country's Gini index. The expenditures associated with each benefit affect inequality through two factors that must be analyzed separately: the number of beneficiaries and the distribution of the benefit's funds among the population. The greater the number of beneficiaries and the ratio of the funds' concentration on the poorest, the greater the impact on reducing the Gini index.

The chart below shows the proportion of beneficiaries in the population and the ratio of concentration on the poorest. The size of the circles represents the final impact on inequality caused by an increase in the benefit's value - the "Gini index sensitivity". Blue means they reduce inequality; red means they increase it.

### Gini INDEX sensitivity of the social protection benefits



Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the 2019 Pnad.

In essence, the Gini index sensitivity quantifies the potential to increase a given benefit in such a way as to maximize inequality reduction.

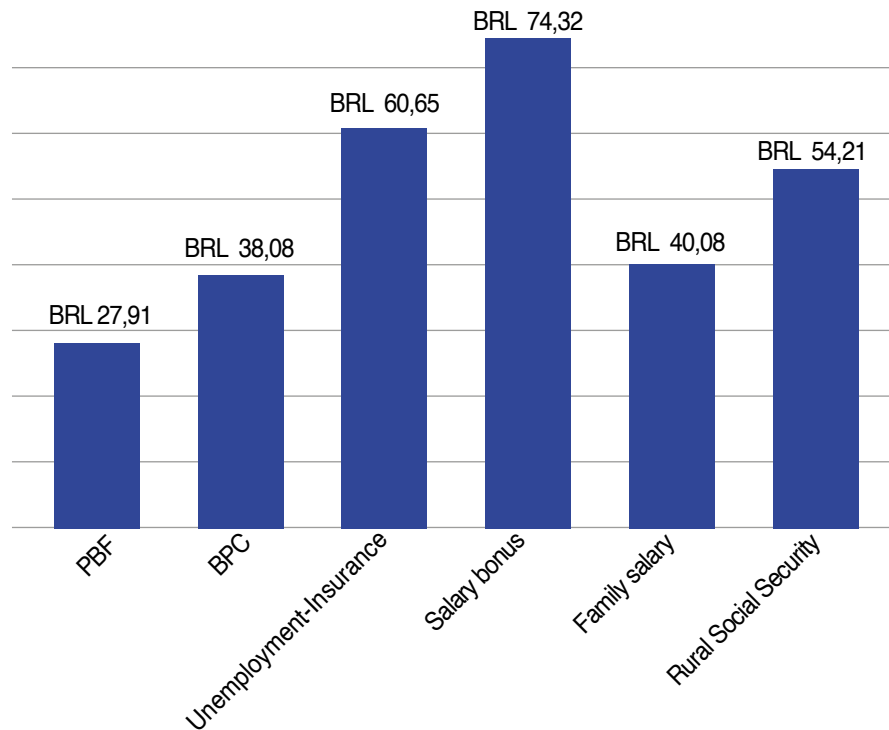
Of all the items analyzed, only the deduction of dependents from the individual income tax return (IRPF) was found to be regressive (red circle), since it would raise the Gini index if it were increased. The other benefits are progressive (blue circles), i.e., they reduce the Gini index when their value is increased.

Analyses show that an increase in the value of the PBF has the greatest efficiency among the benefits in question (maximum value equal to 1), while increases in the Family Salary and the BPC would respectively cause the equivalent of 30% and 14% of the PBF's effect.

The impacts on inequality need to be weighed against the estimated expenditures of each benefit. If we divide each benefit's expenditure by its impact on inequality, we can determine each benefit's cost-effectiveness in reducing inequality by one percentage point.

#### The cost-effectiveness of social protection benefits in inequality reduction

Annual BRL billion per percentage point in the Gini index



Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the 2019 Pnad



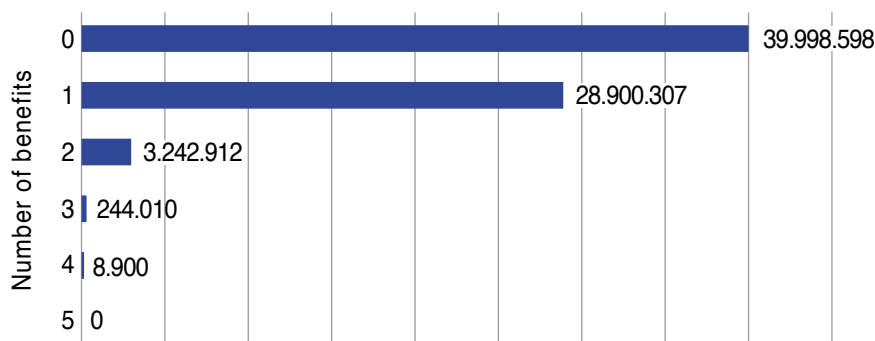
The Bolsa Família Program (PBF) is the least costly cash transfer program, being able to reduce one percentage point in the Gini index through an annual expenditure of BRL 27.91 billion. Conversely, the Salary Bonus needs BRL 74.32 billion each year for each percentage point decrease in the Gini index.

### Overlap between benefits

Overlaps between benefits indicate a potential for growth in efficiency. The analysis of such overlaps took into account the members of each family and was carried out based on the incidence of different benefits in the same family so that, in theory, each family could benefit from a maximum of seven programs.

It was found that over 95% of families either receive only one benefit (28.9 million families) or no benefit at all (40 million families). The study found no occurrences of families that received more than four different benefits. The analysis of overlaps focused therefore on the 3.5 million families that receive two to four different benefits, as shown in the figure below.

### Number of families per number of different concurring benefits



Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the 2019 Pnad

The next table shows the percentage of overlapping for each benefit pair. For better data visualization, the percentages are colored according to their value; darker tones of red mean higher overlap rates.

#### Percentage of overlaps between benefit pairs

	PBF	BPC	SD	AS	SF	PR	DIR	Other
PBF	-	14%	10%	6%	18%	10%	2%	43%
BPC	3%	-	2%	2%	2%	4%	1%	6%
SA	1%	1%	-	2%	2%	0%	1%	1%
AS	1%	1%	3%	-	8%	0%	1%	4%
SF	7%	4%	6%	24%	-	2%	2%	10%
PR	3%	6%	1%	1%	1%	-	2%	4%
DIR	1%	3%	10%	9%	4%	6%	-	6%
Other	2%	1%	0%	1%	1%	1%	0%	-

**Caption:** Bolsa Família Program (PBF); Continuous Cash Benefit (BPC), Unemployment Insurance (SD), Salary Bonus (AS), Family Salary (SF), Rural Social Security (PR), Deduction of Dependents from the Individual Income Tax Return (DIR) and other “social programs” (Other).

Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the 2019 Pnad

As an example to better clarify how the data is set on the table, the 404,655 families that benefit from both the PBF and the BPC correspond to 14% of the 2,813,651 families that benefit from the BPC. On the other hand, the same 404,655 families correspond to 3% of the 11,840,190 families that benefit from the PBF.

It is worth mentioning that the Salary Bonus, the Family Salary, the Bolsa Família Program (PBF) and “Other Programs”<sup>2</sup> show overlaps between them, in the percentages as follows: the Bolsa

<sup>2</sup> “Other Programs” refers to other cash transfer initiatives indicated in the answers to the Pnad interviews other than the PBF, the BPC, Unemployment Insurance and Social Security. In the majority of cases, they most likely refer to cash transfer initiatives at the state and municipality levels.

Família Program (PBF) and “Other Programs” (43%); the Family Salary and the Salary Bonus (24%); the Bolsa Família Program (PBF) and the Family Salary (18%).

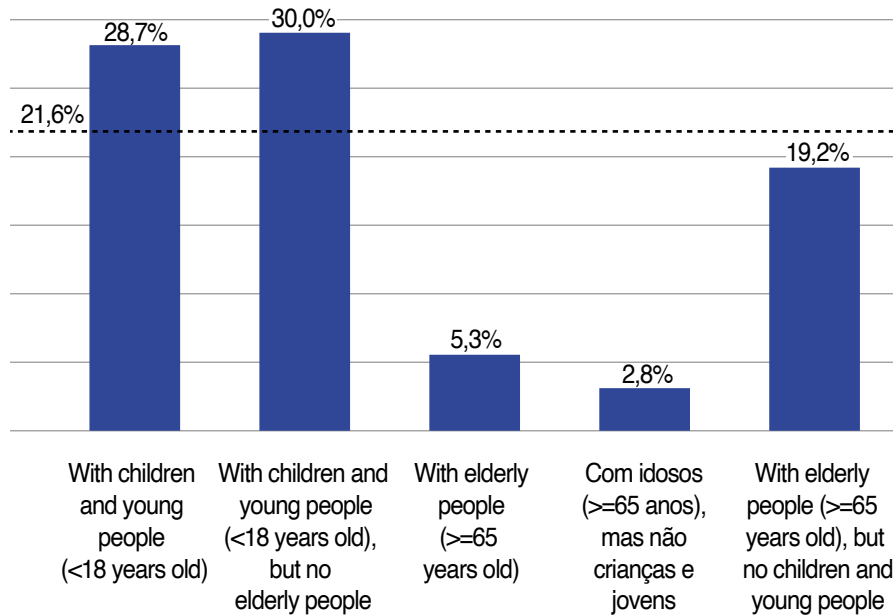
It is therefore possible to notice a significant overlap between the Bolsa Família Program (PBF) and the Family Salary, as well as between the latter and the Salary Bonus. It should be stressed that the three programs mentioned are cash transfer initiatives destined to supplement the beneficiaries’ income. We can then conclude that there is potential for improvement by eliminating the overlap between the three benefits, which should increase efficiency in the allocation of budgetary funds.

### **The targeting on children and people younger than 18 years old**

We also analyzed the extent to which the social protection benefits supported families with children and people younger than 18 years old.

It was found that the poverty rate in families with children and young people is 28.7%, while the same rate is only true for 5.3% of families with elderly people (aged 65 years old or older). In families that have children and no elderly people, the poverty rate is as high as 30%, while in families with elderly people and no children or young people the poverty rate is as low as 2.8%. This shows that the poverty rate among families with only children is up to 10 times higher than that of families with only elderly people. For comparison purposes, the general population’s poverty rate is 21.6%.

### Poverty rates in families with children and/or elderly people



Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the 2019 Pnad

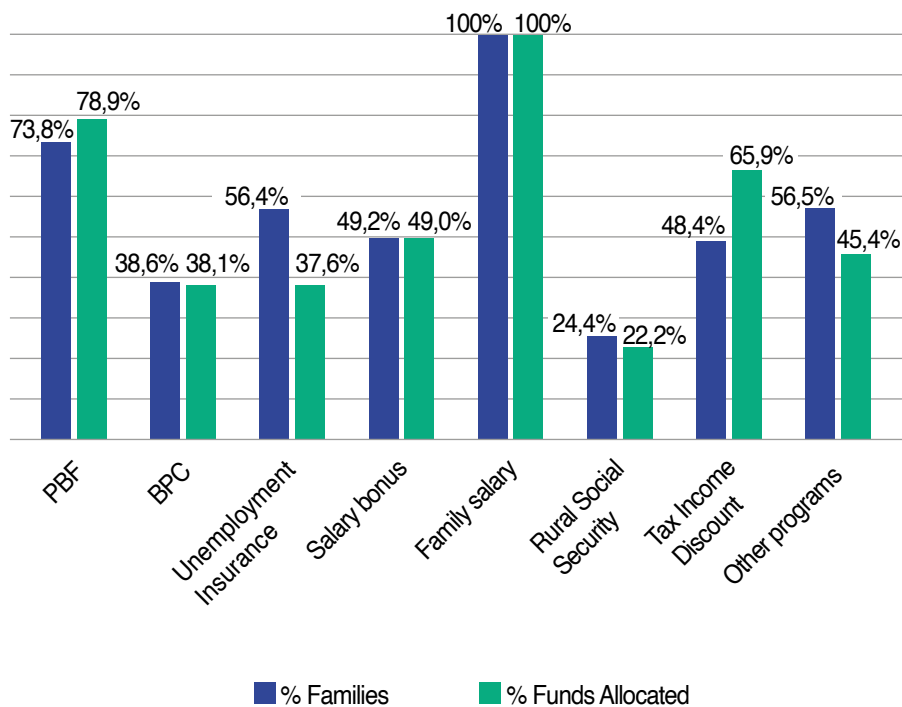
It was found that 73.8% of families that benefit from the Bolsa Família Program (PBF) have children and young people, comprising 78.9% of that program's budget. The PBF has transfers that are targeted specifically towards children and young people, subjected to certain conditions of education and healthcare.

The coverage of the Bolsa Família Program (PBF) is lower than that of the Family Salary (which has a 100% coverage), since the latter is obviously directed exclusively to families with children and young people, only because of its eligibility rules that require the presence of people younger than 14 years old.

In turn, the deduction of dependents from the individual income tax return allocates 65.9% of its funds to families with children and young people, since many of these dependents are minors.

On the other hand, we can observe a low relative participation of children and young people in families that benefit from the Continuous Cash Benefit (BPC) (respectively, 38.6% and 38.1% of families and funds) and from the Rural Social Security (24.4% and 22.2%), since they predominantly target elderly people.

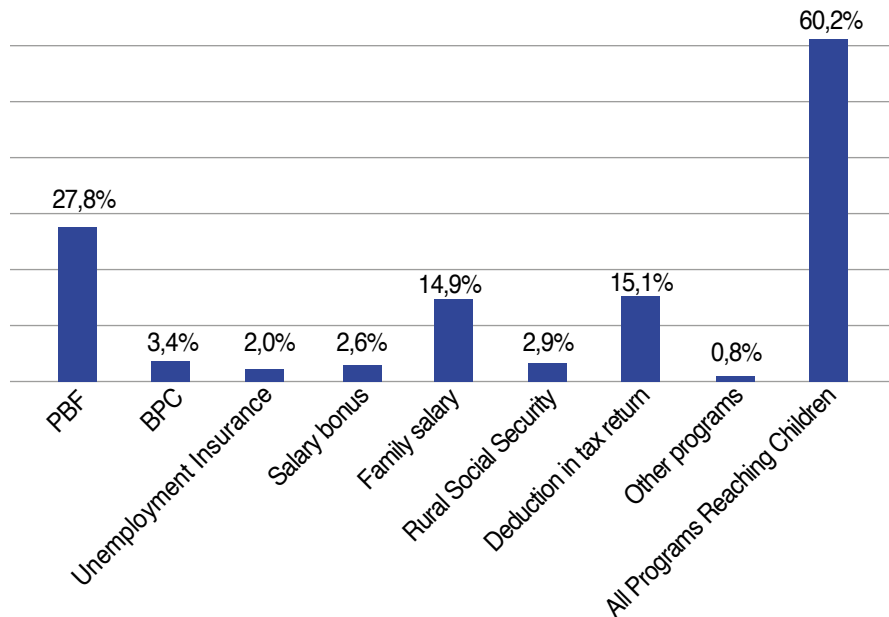
#### Participation of children and young people in each benefit, in percentage of families and funds allocated



Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the 2019 Pnad

We also analyzed the coverage of each individual benefit in relation to the 31.5 million families with children and young people (comprising 43.5% of families in Brazil), as shown in the chart below.

### Coverage of families with children and young people for each benefit



Source: SAE/Department of External Control - National Social Protection (SecexPrevidência/TCU), based on data from the 2019 Pnad

The Bolsa Família Program (PBF) is the one with the highest coverage (27.8%), followed by the deduction of dependents from the individual income tax return (15.1%) and the Family Salary (14.9%). Together, they all amount to a coverage a little over 60%, which shows that 2 in every 5 families with children and young people do not benefit from these programs.

The analyses showed signs of an unbalance in the transfer programs' budget distribution, in the sense of failing to mitigate poverty among young people and adolescents. The staggering difference (10 times) between the poverty rate among families with children and young people and families with elderly people (both groups not having labor-related income) shows the social protection system is unbalanced and favors the second group at the expense of the first.

On the one hand, transfer programs with higher budgets have limited coverage for families with children and adolescents: the Continuous Cash Benefit (BPC), the Rural Social Security and the Salary Bonus all have a coverage that is below 4%. On the other hand, programs with greater coverage towards this particular group (Bolsa Família Program PBF) and the Family Salary) have limited budgets compared to the ones mentioned above.

Failure in the targeting of families with young people and children indicate a low efficiency of programs in mitigating poverty among individuals of that age group, except in the case of the PBF.

As for the equity of the programs, it was found that the Continuous Cash Benefit (BPC), the Salary Bonus, the Family Salary and the Rural Social Security fail to mitigate poverty in an equitable way between the various age groups in the population, particularly among families with elderly people and families with children and adolescents.

Conversely, the Bolsa Família Program (PBF), the Family Salary and the “Other Programs” have provided a greater coverage in families with children and young people. These programs are responsible for 72.8% of benefits received for the 20% poorest, 52.9% for beneficiaries in the Northeast, 46.5% in the North and 38.5% in overall inland municipalities across the country. Results therefore show the programs’ impact on the reduction of social, regional and local inequalities (between metropolitan areas and smaller municipalities).

## NEXT STEPS

The conclusions of this report will be forwarded to the Joint Committee on Plans, Public Budgets and Auditing of the National Congress (CMO), as well as to the Ministry of Citizenship and the Ministry of Labor and Social Security, as supporting material for the improvement of the Continuous Cash Benefit, the Salary Bonus, the Family Salary and the Rural Social Security programs.

### DECISION DATA

- Court Decision: 2,334/2021-TCU-Full Court
- Session date: 9/29/2021
- Rapporteur: Deputy minister André Luis de Carvalho
- Case No. 017.391/2021-0
- Technical Department responsible: Department of External Control - Social Security, Labor and Social Care





# EMERGENCY PROGRAMS FOR CREDIT ACCESS



# IMPACT ASSESSMENT

## WHAT WAS AUDITED BY THE TCU

In response to the economic crisis caused in 2020 by the Covid-19 pandemic, the Brazilian federal government has launched programs aimed to facilitate access to credit for small and medium-sized companies. The offering of credit, in turn, was directed towards helping these companies survive during the period of economic difficulties and mitigating the reduction in employment levels.

The TCU analyzed the effectiveness of some of the programs established to pursue these objectives. We evaluated the National Support Program for Micro Companies and Small-sized Companies (Pronampe), the Emergency Program for Credit Access (PE-AC), the Emergency Employment Support Program (Pese) and the Credit Guarantee Fund for Micro Companies and Small-sized Companies (Fampe)<sup>1</sup>.

<sup>1</sup> The Fampe is a guarantee program within the Sebrae that already existed before the pandemic.

**Main data on the assessed programs**

Program	No. of companies participating	Value of the credit borrowed	Executed Budget	Eligibility Criteria	% of Guarantee* or funded value
Pronampe	467.799	BRL 37 billion	BRL 31,5 billion	Up to BRL 4,8 million	100%
PEAC-FGI	113.892	BRL 91 billion	BRL 20 billion	Up to BRL 300 million	80%
Fampe	49.559	BRL 8,5 billion	BRL 930 million	Up to BRL 4,8 million	85%
PESE	131.862	BRL 8 billion	BRL 6,8 billion	Up to BRL 50 million	85%
PEAC-Maquinhás	112.139	BRL 3,2 billion	BRL 3,2 billion	Up to BRL 4,8 million	100%
<b>Total</b>	<b>749.996</b>	<b>BRL 149 billion</b>	<b>BRL 62 billion</b>		

Source: audit team, based on data from credit operations sent by the Bank of Brazil and the National Bank for Economic and Social Development (BNDES).

\*The data refers to the percentage of the value of each credit operation that is guaranteed.

**THE METHODOLOGY USED BY THE TCU**

Evaluating the effectiveness of a public program means identifying the effects of government intervention on the target group (impacts observed) compared to the intended goals (impacts expected), represented by the final goals intended in the intervention. In other words, the purpose is to identify visible changes in the target group that could be reasonably attributed to the actions of the program in question.

The main goal of the programs audited was to facilitate access to credit for small and medium-sized companies so they could have support to stay in business and avoid employee turnover. Therefore, the variables chosen for the impact assessment were the following: **total loan value, interest rate, loan terms, employment rates and labor share.**

We selected companies that received resources (treatment group) and companies that did not (control group). To assess the impact, we used the difference-in-differences method, which compares both groups before and after the implementation of the programs.

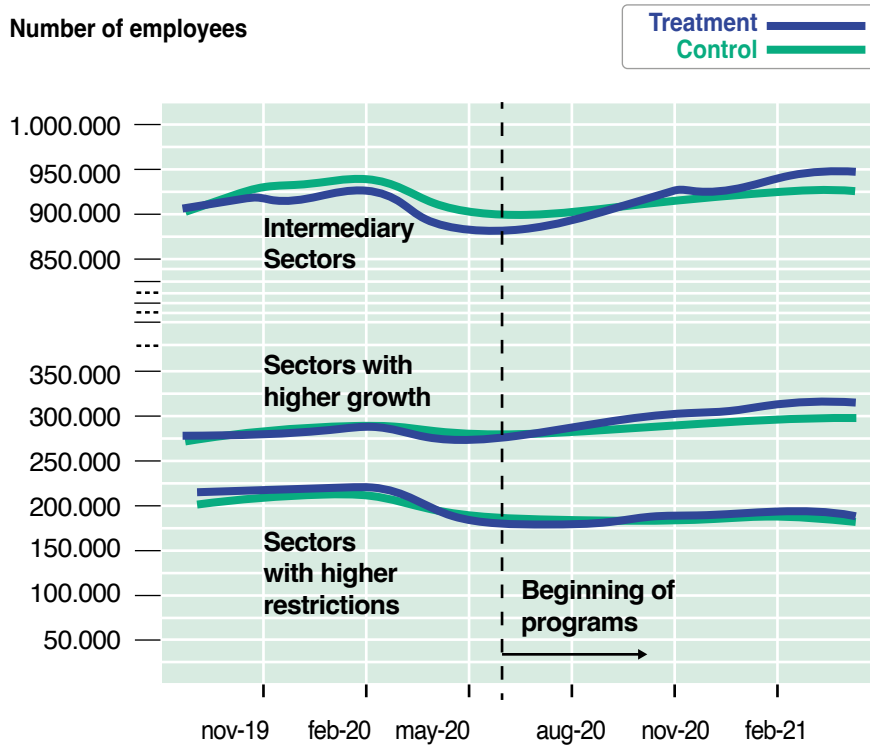
The companies were separated into three groups of economic sectors, according to the impact on employment levels caused by the pandemic: sectors where employment grew; intermediary sectors; and sectors where employment levels decreased as a result of greater restrictions on activities.

Other than conducting an impact assessment, we also analyzed technical documentation produced by international organizations to determine the optimal features that help credit guarantee schemes achieve a high efficiency.

## WHAT WAS FOUND BY THE TCU

The comparison between the treatment group and the control group shows that the programs resulted in **higher levels of employment:** more than 180,000 jobs were created in micro, small, and medium-sized companies. The impact was greater in the sectors that performed better during the pandemic.

Evolution of the number of employees in the control and treatment groups per sectors impacted by the pandemic



Source: Audit team, based on data from the Rais and the Caged

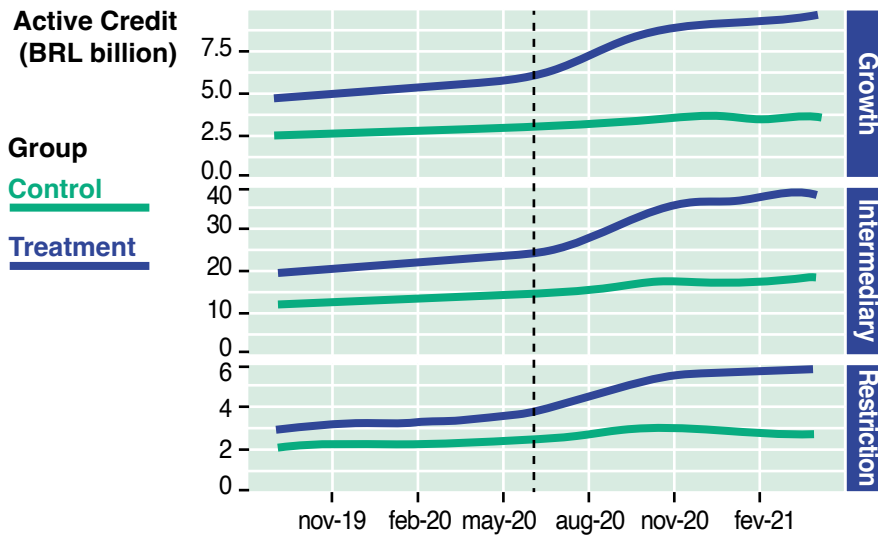
In turn, the additional **labor share** enabled by the programs was in the order of BRL 4.7 billion, against BRL 61 billion<sup>2</sup> allocated to the programs (considering the selected sample). Therefore, for each additional BRL 1.00 of labor share, BRL 13.20 were allocated in the budget.

The programs also had positive effects for the companies in terms of **greater access to credit**. While the active credit of the control group grew by 30% from May 2020, that of the treatment group grew by 73%.

<sup>2</sup> These numbers do not take into consideration the funds allocated through the Fampe-Sebrae, which do not come from the Federal General Budget.

The interest rates also went through a proportionally greater reduction for the treatment group. In this group, the average monthly spending fell from 1.20% to 0.68%, while in the control group the reduction was from 1.04% to 0.88%.

**Evolution of the total value of the active credit per group and per economic sector type**



Source: Audit team based on data from the SCR.

The positive effects of the programs, however, should be weighed against a considerable amount of budgetary funds allocated, in the order of BRL 61 billion.

It should be noted that this amount does not represent the effective cost for the Federal Government, since these funds should return to the National Treasury after the companies have paid their loans. However, there is fiscal risk for the Federal Government associated with default, which was not analyzed in this report due to the execution stage of the public policy.

## Factors that could contribute to the improvement of credit guarantee programs

The main goals of credit guarantee programs are outreach, financial additionality and economic additionality<sup>3</sup>.

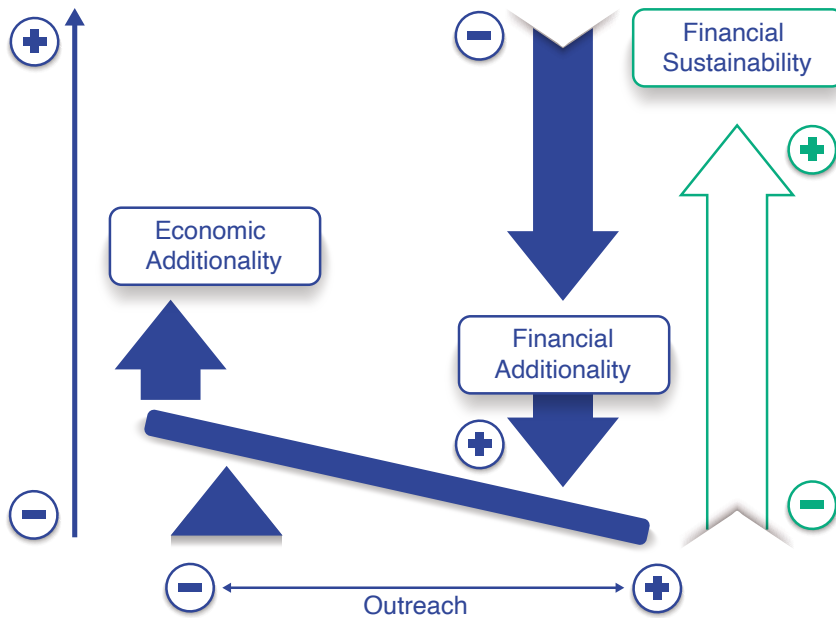
The outreach refers to the number of companies aided by the program. As for the financial additionality, it can be divided into two groups: extensive and intensive. The first one refers to the amount of credit to which the companies had access, while the second relates to the improvement in the conditions of credit such as lowered interest rates and the extension of maturity periods. Economic additionality assesses whether the programs benefited the economy in general in terms of employment, investment, exports, etc. The World Bank also considers a fourth criterion, financial sustainability, which is the program's capacity to cover losses. Therefore, in credit guarantee systems, the granting of guarantee "should adequately reflect a balance between outreach, additionality and financial sustainability, taking into consideration the country's financial sector's level of development."

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<sup>3</sup> According to the document written by the Latin American Association of Development Financing Institutions (ALIDE), the European Association of Guarantee Institutions (AECM) and the Ibero-American Guarantee Network (REGAR).



### Dynamics between the different assessment criteria for guarantee programs



Source: ALIDE, AECM, AND REGAR (2018, p.29).

Based on specialized international literature, the following good practices were suggested to guide credit guarantee programs:

- Defining a strategy for the granting of guarantees – either individually or by portfolio<sup>4</sup> – according to the objectives in terms of outreach, additionality and financial sustainability, preferably combining the two approaches, based on characteristics

<sup>4</sup> In the individual strategy, the guarantees are granted for each individual loan and companies are in direct relation with the guarantee systems. In the portfolio strategy, financial institutions are authorized to add guarantees to loans without the need for prior approval by the guarantee system but must remain within the categories previously and contractually defined between the guarantee system and financial institutions. In the evaluated programs, Brazil adopted the portfolio strategy, which was more appropriate for reducing the time needed to grant credit and ensuring greater outreach. However, one of the disadvantages of the portfolio strategy is lower financial additionality (WORLD BANK, 2015, p.19), because a larger proportion of guarantees are granted to companies that would already have access to credit without public support.

of the target group, value of the credit operation or the context of the credit market;

- Avoiding the complete coverage of credit operations and thus sharing the risk with financial agents, encouraging them to conduct a thorough analysis of creditors to avoid granting credit to companies that present a high risk of default;
- Implementing supplementary measures to credit guarantees, such as providing qualification and promoting digitalization, innovation and access to new markets, to increase the effects of a greater access to credit;
- Targeting viable companies which do not have access to credit due to a lack of guarantees, but whose business model and projects are capable of generating positive results.

## NEXT STEPS

The conclusions of the report will be forwarded to the Joint Committee on Plans, Public Budgets and Auditing of the National Congress (CMO), as well as to the government agencies and institutions responsible of supervising and operating the programs<sup>5</sup>. This shall be done as a way of offering supporting material to the improvement of permanent credit guarantee programs such as the Pronampe<sup>6</sup> and to better define the recently created National Credit Guarantee System<sup>7</sup>.

<sup>5</sup> Special Secretariat for Productivity and Competitiveness of the Ministry of Economy (SEPEC/ME), Bank of Brazil, Central Bank, Brazilian Development Bank (BNDES) and Brazilian Service of Support for Micro and Small-sized Companies (Sebrae).

<sup>6</sup> Act No. 14,161/2021.

<sup>7</sup> Decree No. 10,780/2021.

### **DECISION DATA**

- Court Decision: 2,289/2021-TCU-Full Court
- Session date: 9/22/2021
- Rapporteur: Deputy minister André Luis de Carvalho
- Case No. 038.168/2021-9
- Technical Department responsible:  
Department of External Control -  
Economic Development

# INTEGRATED AUDIT OF EMERGENCY PROGRAMS FOR CREDIT ACCESS

## WHAT WAS AUDITED BY THE TCU

The Federal Court of Accounts evaluated the implementation and results **of the access to credit programs created by the federal government in 2020 in response to the economic crisis caused by the Covid-19 pandemic**. The programs were established in order to facilitate access to credit and preserve economic agents amidst the crisis and thus facilitate job retention and protect worker income.

As a result of the emergency status, policies were designed and implemented in a short period of time, increasing the risks tied to their elaboration, the structuring of management mechanisms and the outreach of the desired results.

The audit therefore evaluated the programs with regards to **implementation**, particularly: the **design and institutionalization** (target group, competence of the institutions responsible and objectives, indicators and goals); **governance and management** (risk management and internal control, controls associated with the programs' requirements and follow-up and assessment management). The programs were also evaluated in terms of **results**, regarding their **outreach and effectiveness**<sup>1</sup>.

<sup>1</sup> The impact assessment of programs was treated in the case No. 038.168/2021-9 and summarized in the chapter that precedes this executive summary.

Concerning to implementation and outreach, we evaluated the Emergency Employment Support Program (Pese), the Emergency Program for Credit Access in the guarantee type (Peac-FGI) and the National Support Program for Micro Companies and Small-sized Companies (Pronampe). The performance evaluation, in turn, which focused on the effectiveness of programs, also included the Credit Guarantee Fund for Micro Companies and Small-sized Companies (Fampe-Sebrae).

## WHAT WAS FOUND BY THE TCU

### Design and institutionalization:

The audit assessed whether the target group of the public policies were properly identified; whether the acts that created the programs defined the competence of the various institutions involved; and whether the programs had clear and logically coherent objectives as well as indicators and objective goals concerning their products and results.

**Target Group:** It was found that the target group of the programs were identified in the acts that formalized them (Table 1). However, the Ministry of Economy (ME) did not present studies that could determine the geographical distribution and estimated number of companies and liberal professionals to be benefited. It was also found that there were overlaps between interventions, that is, the economic agents received credit from more than one program.

**Objectives, indicators and goals:** The preservation of economic agents and job retention were among the programs'

key objectives. However, there were no indicators or objective goals set concerning products and results outreach that could allow the follow-up of the programs' performance.

### **Governance and Management:**

It was found that there was no effective action taken by the Ministry of Economy to set risk management and internal controls, follow-up and assessment mechanisms for the programs. As for the Pese and the Pronampe, the conclusion was for the absence of specific control mechanisms concerning the compliance of rules and conditions that should be followed by the target group with respect to job retention.

There were signs of a reduction in the number of employees in companies that carried out credit operations through the Pronampe, in violation of article 2, paragraph 3, of Act No. 13,999/2020. These signs were found through the cross-referencing of data from the records of credit operations and from the General Register of Employment and Unemployment (Caged).

**Table 1 – Access to credit programs: identification of the target group**

Target group	Pese	Peac-FGI	Pronampe
<b>Description</b>	Entrepreneurs, civil associations, business associations and cooperative societies; except credit societies, rural employers and civil society organizations	Small and medium-sized companies, associations, foundations governed by private law and cooperative societies; except credit societies headquartered or established in Brazil.	Micro and Small-sized Companies according to article 3, items I and II, of Supplementary Law No. 123/2006; and liberal professionals without equity participation in a company and with no formal employment.
<b>Annual gross revenue (calculated based on the fiscal year of 2019)</b>	Higher than BRL 360 thousand and equal to or less than BRL 50 million.	Higher than BRL 360 thousand and equal to or less than BRL 300 million. <sup>(1)</sup>	Equal to or less than BRL 360 thousand (micro companies). Higher than BRL 360 thousand and equal to or less than BRL 4.8 million (small-sized companies).

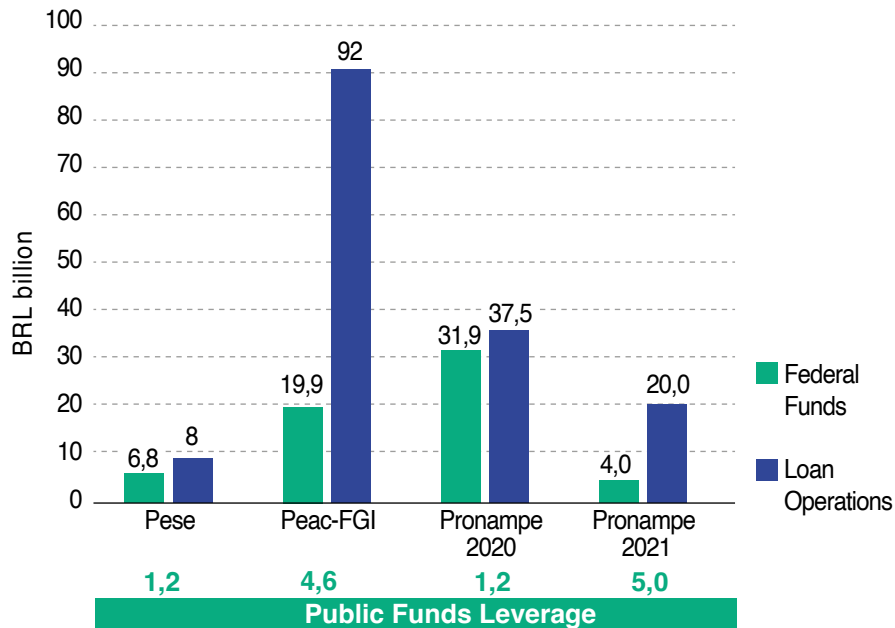
(1) Article 31 of Act No. 14,042/2020 allowed for up to 10% of the funds allocated by the Federal Government to the FGI to be reserved for guarantees for large companies, with revenues exceeding BRL 300 million, provided that they operate in the economic sectors most impacted by the pandemic (listed in Ordinance ME/Sepec 20,809, of September 14, 2020).

Author: Audit team.

## Results (outreach<sup>2</sup>)

Based on the analysis of the credit flow generated by the programs, it was found that the Peac-FGI and the Pronampe 2021<sup>3</sup> have the greatest leverage<sup>4</sup>. In other words, these programs need to grant proportionally less public funds than the Pese and the Pronampe 2020<sup>5</sup> to generate the same volume of credit operations (Chart 1).

**Chart 1 – Credit programs: value of operations and funds leverage of the Federal Government**



Elaboração: Equipe de fiscalização. Dados Pronampe: Banco do Brasil. Dados Pese/Peac-FGI: BNDES.

<sup>2</sup> The outreach refers to the number and value of guarantees granted, as well as the volume of credit generated by them. The outreach measures the dissemination of the guarantees policy and its measures can be obtained based on the total number of companies in the country, the population, the GDP or the volume of loans to Small and medium-sized companies.

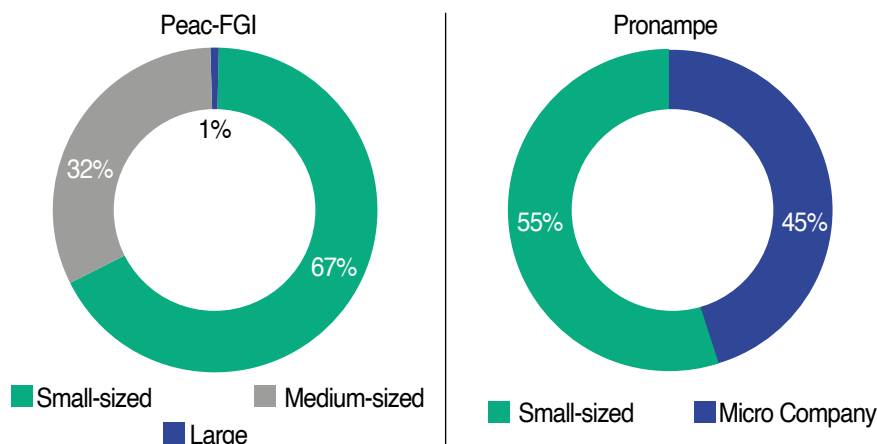
<sup>3</sup> Operations carried out in 2021 (updated on 8/4/2021).

<sup>4</sup> Result of the division of the total value of credit operations by the amount of Federal funds used.

<sup>5</sup> Operations carried out until 12/31/2020.



**Chart 2 – Credit programs Peac-Fgi and Pronampe: proportion of the various subgroups in the target group in terms of number of economic agents benefited**

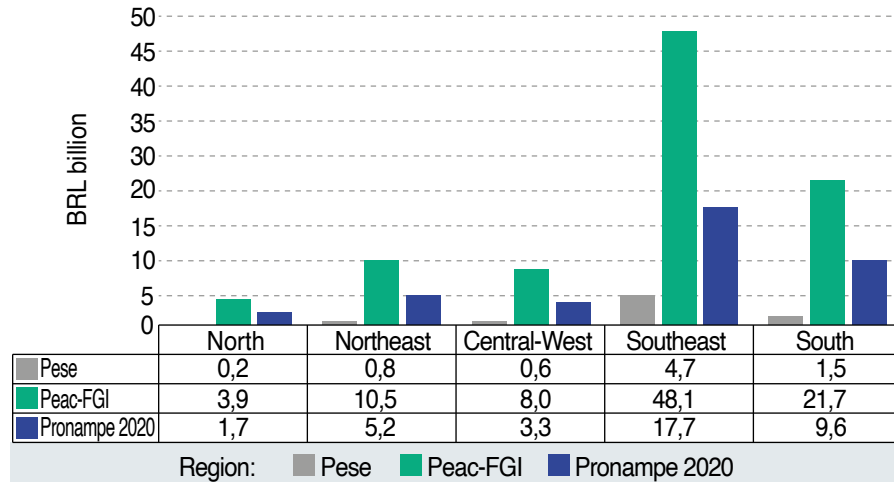


Author: Audit team. Pronampe Data: BB/FGO Website (bb.com.br/fgo, accessed on 8/16/2021). Peac-FGI Data: BNDES, Official Note SUP/ADIG 027/2021, of 8/26/2021. The size of the companies was determined based on the earnings informed by the financial institutions.

The Pese, the Peac-FGI and the Pronampe reached a total approximate of 132 thousand, 114 thousand and 468 thousand economic agents respectively. As for the size of the target group, the Peac-FGI and the Pronampe mostly reached Micro Companies and Small-sized Companies (Chart 2).

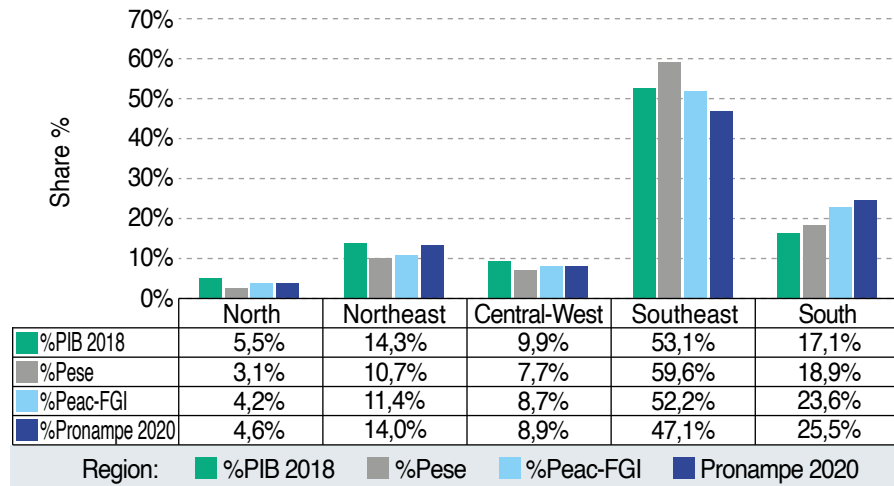
The outreach of the programs was also assessed according to the geographic distribution of the operations conducted. The credit programs were designed to grant credit to all the regions of the country indistinctively and without considering the demand for credit by region or state or what percentage of this demand should be met. Charts 3 and 4 present the distribution of funds of the programs through a global view of the credit operations values and the portion destined to each one of the country’s macro-regions. The proportion of funds from each program destined to a given region was weighed against that region’s share in the national GDP.

**Chart 3 – Credit programs: total value of credit operations by region**



Author: Audit team. Pronampe Data: BB/FGO Website (bb.com.br/fgo, accessed on 8/16/2021). Pese Data: BCB/Pese Website (bcb.gov.br/app/pese, accessed on 8/16/2021). Peac-FGI Data: BNDES, Official Note SUP/ADIG 027/2021, of 8/26/2021, and Administrative Report BNDES/FGI, 2020 Fiscal Year, table 15.

**Chart 4 – Credit programs: each region’s share in the total value of operations and the GDP**



Author: Audit team. Pronampe Data: BB/FGO Website (bb.com.br/fgo, accessed on 8/16/2021). Pese Data: BCB/Pese Website (bcb.gov.br/app/pese, accessed on 8/16/2021). Peac-FGI Data: BNDES, Official Note SUP/ADIG 027/2021, of 8/26/2021, and Administrative Report BNDES/FGI, Fiscal Year 2020, table 15. Data of the GDP 2018: (ibge.gov.br/explica/pib.php, accessed on 8/16/2021).

It was found that the South and Southeast Regions received, in absolute values, the greatest volumes of credit operations in all programs. It was further noted that the South Region received a percentage of resources higher than its share (17.1%) in the national GDP (18.9% in the Pese; 23.6% in the Peac-FGI; and 25.5% in the Pronampe). As for the Pronampe, the North, Northeast and Central-West Regions reached the highest shares of the total value of credit operations carried out (4.6%, 14.0% and 8.9%, respectively).

The programs benefited all the states of the federation and a significant number of municipalities. From a total of 5,570 municipalities in the country, the Pronampe carried out credit operations in 5,374 municipalities of them. It is followed by the Peac-FGI, with 4,006 municipalities covered, and the Pese, which benefited 2,887 municipalities.

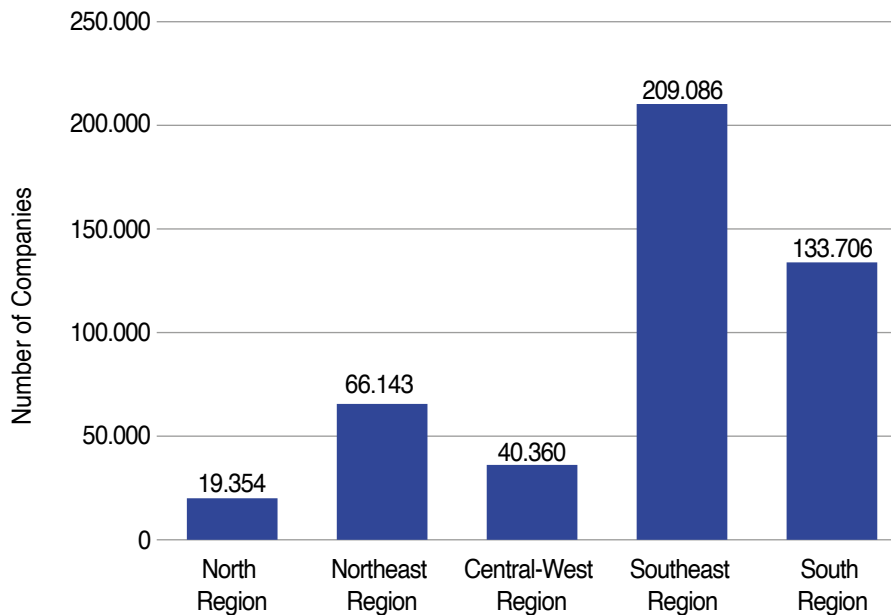
Given the country's reality of regional inequalities, we evaluated the number of companies benefited by the Pronampe in the numerous Brazilian municipalities, based on the sub-regional typology adopted by the National Policy for Regional Development (PNDR), addressed in the Decree No. 9,810/2019. For each of the high, medium and low-income typologies, we calculated the percentage of companies that benefited from the program compared to the total number of active micro and small-sized companies registered in the Internal Revenue Service of Brazil.

In absolute numbers, we found there was a higher number of companies that benefited from the program in the South and Southeast Regions amidst the total of approximately 468 thousand economic agents helped by the Pronampe in 2020 (Chart 5). Furthermore, we noted that the number of companies served by the program in the South Region (2.8%), in relation to the total number of micro

and small-sized companies active in the region (Graph 6), was notably higher than the national average.

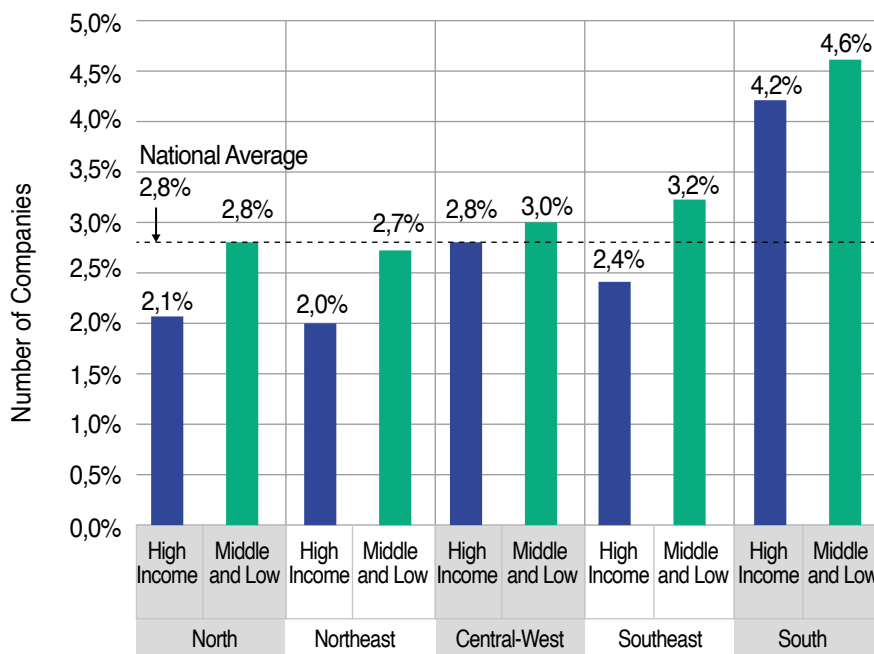
The Pronampe reached economic agents located in all the macro-regions of the country and sub-regions of high, middle and low income. From the individual analysis of each macro-region, it was possible to note that the municipalities categorized in the sub-regional typologies of middle and low income (considered a priority by the PNDR) were indeed the ones that had the greatest percentage of companies supported. The outreach in sub-regions of middle and low income was of 2.8% in the North; 2.7% in the Northeast; 3.0% in the Central-West; 3.2% in the Southeast; and 4.6% in the South Region (Chart 6).

**Chart 5 – Pronampe 2020: total number of companies reached**



Author: Audit team. Pronampe Data: Bank of Brazil.

**Chart 6 – Pronampe 2020: percentage of companies benefited in relation to the total number of active micro companies and small-sized companies, by the sub-regional typology of the PNDR.**



Author: Audit team. Pronampe Data: Bank of Brazil. Internal Revenue Service of Brazil Data: Federal Court of Accounts - Brazil LabContas. Data/Municipal Typology: CGFI/MDR, spreadsheet attached to the order SEI 1646229.

Despite Pronampe’s large coverage within the national territory, the financial institutions did not conduct credit operations in 2020 with liberal professionals, which were part of the program’s target group.

A point that must be noted about the Pronampe, which also applies to the Peac-FGI, since these two programs basically used the total amount of funds available to implement guarantees in 2020, is that there is no available data that allows the assessment of which subgroups within the eligible target group were left unreached due to a lack of available funds. There is also no information available as to the priority criteria used by the financial institutions.

## NEXT STEPS

Regarding the Peac-FGI and Pese, which are no longer operative concerning credit operations, the audit findings should be used as valuable data, both for learning and as a basis for the future design of similar programs that will eventually be implemented by the federal government.

As for the Pronampe, which became an official access to credit policy according to Act No. 14,161/2021, the activities related to risk and controls management should be properly structured in such a way as to (1) enable decision-makers to have timely access to sufficient data regarding the risks to which the program is exposed; (2) increase the probability of fulfilling the program's objectives, thus lowering risks to reasonable levels; and (3) ensure the program's compliance with applicable laws and regulations.

The program should also be improved in terms of structuring the follow-up and assessment mechanisms, which should include the prior definition of indicators and goals to be achieved.

In view of the matters identified, we issued an order to the Special Secretariat for Productivity, Employment and Competitiveness of the Ministry of Economy (Sepec-ME) to present an action plan focused on measures to structure the Pronampe's risk and controls management system as well as the follow-up and assessment actions.

We further determined that the Secretariat in question assessed the signs of non-compliance with article 2, paragraph 3, of Act No. 13,999/2000; these signs were found based on cross-referencing data from credit operations carried out under the Pronampe and records from the General Register of Employment and Unemployment (Caged) on the companies that undertook the credit.

Furthermore, the Court issued a recommendation to the Office of the Comptroller General asking for an assessment of Pronampe's efficiency and cost-effectiveness, considering the signs pointing to employee turnover in companies that benefited from credit operations through the Pronampe's funds.

Lastly, the TCU forwarded the two Court Decisions concerning the assessments of access to credit programs to the agencies and bodies concerned, as well as to the Parliamentary Front for Micro and Small Companies and the relevant committees of the National Congress.

#### DECISION DATA

- Court Decision: 2,333/2021-TCU-Full Court
- Session date: 9/29/2021
- Rapporteur: Deputy minister André Luis de Carvalho
- Case No. 014.547/2021-0
- Technical Departments Responsible: Department of External Control - Economic Development and Department of External Control - National Financial System











## **MISSÃO**

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