BRAZIL

RURAL POVERTY REDUCTION PROGRAM:

EXPERIENCES FROM COMMUNITY-DRIVEN DEVELOPMENT PROJECTS

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Policy Dialogue: Creating Agency Amongst The Rural Poor

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Brazil is a Federation, with 27 States and Municipal local governments; area of about 8,500,000 sq km and a population of about 185 million inhabitants.

Northeast of Brazil comprises 10 states (1,700 municipalities) covering 1.6 million sq. km (size of Germany, Spain, France and Italy, combined), with a population of 52 million inhabitants.

About 20 million people leave in rural areas, of which 75 percent are still considered poor. Half live in semi-arid zones with poor soils and several cyclical drougts.
A BRIEF HISTORY...

- From the 1970s, to 1980s, poverty reduction was treated through sector-specific strategies, like (1) irrigation, rural transport, extension and research, followed or complemented by (2) Integrated Rural Development (IRD) programs.

- Both strategies had limited impact on reducing poverty:
  - Administrative complexity and delivery problems.

Only 20% of funds reached the poor.

- Perhaps, most important, most of these efforts failed to harness the potential of rural beneficiaries to set their own priorities and participate in the project execution and maintenance.
Table 1.1 Overview of World Bank Support for Agriculture and Rural Development in Brazil as of 1985

<table>
<thead>
<tr>
<th>Number of Loans</th>
<th>Purpose of Loan</th>
<th>Total Lending Amount US$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agricultural credit and export</td>
<td>303.0</td>
</tr>
<tr>
<td>1</td>
<td>Supplemental financing</td>
<td>30.5</td>
</tr>
<tr>
<td>3</td>
<td>Agro-industry</td>
<td>519.2</td>
</tr>
<tr>
<td>2</td>
<td>Livestock development</td>
<td>60.5</td>
</tr>
<tr>
<td>1</td>
<td>Grain storage</td>
<td>18.2</td>
</tr>
<tr>
<td>2</td>
<td>Agricultural research</td>
<td>100</td>
</tr>
<tr>
<td>1</td>
<td>Agricultural extension</td>
<td>100</td>
</tr>
<tr>
<td>19</td>
<td>Settlement, irrigation, and rural development</td>
<td>672.1</td>
</tr>
</tbody>
</table>

Note: These projects had relative success in expanding rural extension, research and other sectors. However, they had limited impact on small farmers and rural poor in Northeast. Source: World Bank 1985c
1985 - Under the Northeast Rural Development Program (NRDP), the World Bank approved 10 loans to the Federal Government of Brazil, totaling US$826.7 million piloting CDD for the First Time with 5% of funds.

Table 1.2 Northeast Rural Development Program (US$ million)

<table>
<thead>
<tr>
<th>Project</th>
<th>Actual project cost</th>
<th>Loan amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alagoas</td>
<td>42.1</td>
<td>42.0</td>
</tr>
<tr>
<td>Bahia</td>
<td>198.5</td>
<td>171.0</td>
</tr>
<tr>
<td>Ceará</td>
<td>156.5</td>
<td>122.0</td>
</tr>
<tr>
<td>Maranhão</td>
<td>149.4</td>
<td>84.0</td>
</tr>
<tr>
<td>Minas Gerais</td>
<td>82.9</td>
<td>55.0</td>
</tr>
<tr>
<td>Paraíba</td>
<td>96.0</td>
<td>60.0</td>
</tr>
<tr>
<td>Pernambuco</td>
<td>123.7</td>
<td>92.0</td>
</tr>
<tr>
<td>Piauí</td>
<td>89.7</td>
<td>78.0</td>
</tr>
<tr>
<td>Rio Grande do Norte</td>
<td>97.4</td>
<td>61.4</td>
</tr>
<tr>
<td>Sergipe</td>
<td>113.8</td>
<td>61.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,150.0</strong></td>
<td><strong>826.7</strong></td>
</tr>
</tbody>
</table>

*Sources: World Bank Project Implementation Completion Reports.*
A BRIEF HISTORY...

- From the beginning, overall NRDP implementation lagged way behind schedule, and barely US$300 million of the original US$826.7 million had been disbursed by end-1991. About US$100 million was disbursed for the PILOT APCR component alone!!!!.

- 1993 – Federal and State government (after Mexico visit) agreed to extend the CDD program to the entire Northeast, known in Brazil as Programa de Redução da Pobreza Rural – PCPR or Rural Poverty Reduction Program - RPRP.
HOW DOES THE PCPR WORK?...

Three main components:

1. Community Investments;
2. Institutional Development or Technical Assistance; and
3. Program Administration.

Under Community Investment Component about 70-90 percent of total project costs goes to the community associations account through matching grants, to fund community investments up to US$50,000 total cost.
How the Program Works

Community Associations

Identify, Prepare, Contract, Manage, Maintain, Co-finance investment subproject

Present project proposal

Municipal Councils (MC) (70%/30%)

Analyze
Legitimate
Prioritize
Supervise

Supervises MC
Evaluates Project Monitoring & Evaluation

Project Account

Manages $

State Technical Units

Project Implementation Agreement

Authorizes release of $
BASIC PRINCIPLES AND “RULES OF GAME”

Principles:

- Descentralization of decision making
- Beneficiary management of resources
- Partnership with local authorities and civil society
- Simplicity and clarity of the “rules of the game!”
“Rules of the Game:

- Requirement to implement an information campaign - in the way that reaches even the poorest and most excluded people.

- Preparation of a Operational Manual.

- Verification that the community is association is part of the target group; that the investment request reflects the priorities of the community etc.

- Requirement to implement a Monitoring and Information System (MIS) and Evaluation studies.
The Subproject Cycle

1. Selection and Preparation of Community Subprojects
   - Community Association (CA) members determine community priorities by majority vote, and then prepare a subproject proposal.
   - Technical assistance providers
     - Subproject standard designs

2. Eligibility and Approval of Subproject Proposals
   - CA submits a subproject proposal to the Municipal Council (MC).
   - The MCs decide on priorities by majority vote.
   - After completion of the selection and prioritization process, MC sends the proposals to the Technical Unity (TU) for final approval on technical grounds.
   - After approval, a convênio (subproject agreement) is signed between the STU and the CA.
3. Transfer of Funds for Implementation to Beneficiaries

- Once a subproject has been approved, TU transfers funds to the CA’s bank account.
- CA contributes 10 percent of the total cost payable in labor or kind; productive subprojects require up to 20 percent.

4. Implementation.

- Procuring good and services
- Keeping Financial Records
5. Operation and Maintenance
   - Productive Subprojects
   - Subprojects involving public social services (e.g., health posts or schools).
   - Infrastructure subprojects

6. Management Information System (MIS)
   - Management Information
   - Transparency
   - Reporting, supervision and evaluation.
The Scale of the Program (1993 - 2005)

- Operates in 1,500 municipalities (out of 1,700) throughout Northeast Brazil

- 38,000 community associations

- 11 million people have benefited—roughly 60% of rural NE have benefited from at least one subproject

- Over 50,000 subprojects, with total investment of US$ 1.4 billion
  - 67% in infrastructure
  - 25% in productive activities
  - 8% in social areas
Infrastructure Projects

- 15,000 rural electrification projects benefiting close to 650,000 families, investment of about US$ 367 million (US$ 568 per family)

- 14,000 water supply projects benefiting over 800,000 families, investment of about US$ 236 million (US$ 294 per family)

- Community implementation on average gave 30% lower unit costs than through government agencies
  - US$ 3,491 per km of low tension lines vs US$ 5,043
  - US$ 105 per sq meter building substations vs. US$ 152
Land Reform Using a CDD Strategy

Crédito Fundiário Program

Guiding Principles:

The core principles of the Crédito Fundiário model are:

(i) decentralization,
(ii) community-based decision-making,
(iii) voluntary transactions between willing sellers and buyers,
(iv) civil society participation to ensure transparency and
(v) timely support for complementary investments to enhance the productivity of purchased lands.
Methodology:

- Associations of poor rural laborers and subsistence farmers select, directly negotiate, and obtain financing to buy agricultural properties from willing sellers.

- Each family receives an amount of between R$12,000 and R$18,000, depending on the region, with a loan for land purchase complemented by a matching grant to pay for initial on-farm investments (on infrastructure, social and productive sub-projects) to boost production/productivity.
Families also receive a separate settlement grant of R$1,300 to tide them over their first year on the farm. Grant funds are disbursed directly to a beneficiary association’s bank account.

After purchase, families decide internally on division of the land and corresponding family loan repayment obligations.

Some 52,000 families or around 260,000 people have been settled by Crédito Fundiário. (2008)

In late 2008, the Brazilian government incorporated the operational principles of Crédito Fundiário into its own legislative framework, thereby ensuring the longer-term sustainability of this innovative approach to improving access to land by the rural poor.
Challenges ahead

- Current generation of CCD projects have to:
  - Concentrate on investments to increase productivity, incomes, and job creation
  - Expand access of Community Associations to regional, national, and global markets
  - Expand role of Municipal Councils in decisions regarding other sector investments (and thereby increase the cost-efficiency of State and Federal spending and investments)
  - Aim for 100% coverage of water supply and energy in rural areas of all Northeast States
HOWEVER, CDD IS NOT A PANACEA...

- CDD Works Best For Small-scale Investments (<US$50,000)
  - Promote Integration Or Complementarity With Sector Programs (e.g. education, environment, agriculture, health);

- Well-organized Communities Tend To Attract More Investments.
  - Indicative Resource Envelopes Based On Objective Criteria (Municipal HDI, Rural Populations Etc).

- Entrenched Burocracy Restricts Access To Resources And Makes Financial Control Difficult.
  - Simplify Procedures.
HOWEVER, CDD IS NOT A PANACEA...

- Community Based Priority-settings Can Deviate From Provision Of Not Perceived Essencial Services (e.g. potable water vs. available contaminated sources; choosing low-productivity technologies etc.)
  - Promote Awareness-raising For Potential Beneficiaries And Technical Assistance.

- Political interference in community and council decisions.
  - Systematic supervision, dissemination of project rules and application of previously-agreed penalties.
Two recent books present detailed description, lessons learned and an evaluation of this program:


THANK YOU!