Northeast Brazil contains the single largest pocket of rural poverty in Latin America. The region comprises nine states and part of a tenth, with a population of 45 million (about 28 percent of Brazil’s total population). About 16.8 million people in the Northeast live in rural areas, some 64 percent of whom live in extreme poverty. Development indicators paint a dismal picture of widespread misery, compared to the rest of Brazil. Poor rural families have limited access to land, water, markets, financial services, and other basic services. Adult illiteracy rates and the rates of chronic malnutrition of children are exceptionally high. The poor natural resource base and chronic drought exacerbate the problem of poverty. The overall result is a region widely characterized by poor social conditions and an agricultural system of low productivity, with modest input use and slow rates of technology adoption.

What’s innovative? Sustainable rural poverty reduction through a decentralized approach to resource allocation, community participation, and creation of social capital.

**PROJECT OBJECTIVES AND DESCRIPTION**

The World Bank has been involved in supporting rural development and poverty reduction in Northeast Brazil since the mid 1970s. The emphasis shifted successfully from a set of rural and agricultural development objectives to poverty reduction objectives based on decentralization, matching grants, participation, and ownership. The era of CDD started with a small but successful pilot component of the Northeast Rural Development Program (NRDP) in 1985. In this component, resources were transferred directly to community associations. The activities were financed through a Fund for Community Support covering three “lines” of operation: (i) mobilization and organization of producers and communities; (ii) productive subprojects, including agricultural production, agro-processing and handicrafts; and (iii) investments for use by the larger community, mainly for infrastructure.

This component became the template for a radical program reformulation of NRDP (R-NRDP), which was virtually paralyzed by fiscal crises and weakened administrative capacity. The NRDP projects were transformed in their entirety into a community-based development program, drawing on and scaling up the successful experience of the original component. R-NRDP covered not only those individuals with productive assets but all members of poor rural communities based on a matching grant mechanism linked to beneficiary contributions toward subproject costs. These matching grants were provided directly to community associations to finance small-scale subprojects identified by the association in a participatory manner. Two different delivery mechanisms for screening, approving, and implementing community subprojects were established. First, under the state community schemes (PAC), rural communities submitted subproject investment proposals directly to their State Technical Agency which screened, approved, and released funds directly to the communities. Second, under the pilot municipal community scheme (FUMAC), subprojects identified and prepared by rural communities were presented to Municipal Councils for approval. The Councils themselves screened and submitted subprojects to the agency for subsequent financing.

The NRDP projects were closed between 1995 and 1997, and progressively replaced by the ongoing Rural Poverty Alleviation Projects (RPAP) in eight Northeast states. These projects incorporate the lessons of the NRDP and other similar Bank CDD programs, expand successful aspects of the NRDP, and enhance decentralization. Community subprojects (broadly classified as infrastructure, productive, and social) and institutional development are the main components of RPAP. The FUMAC approach has become the central mechanism under the RPAP. In addition, another delivery mechanism, the
Pilot Municipal Community Funds (FUMAC-P), was introduced. Moving from PAC to FUMAC to FUMAC-P represents increasing degrees of decentralization of decisionmaking and resource allocation responsibilities.

**BENEFITS AND IMPACTS**
The primary goal of the R-NRDP and RPAP – to alleviate poverty through the provision of basic economic and social infrastructure and income generation – is being achieved. The socioeconomic benefits are significant: more than 44,000 subprojects (77 percent infrastructure, 20 percent productive, and 3 percent social) were completed, benefiting about 7.5 million people in the long term and in a sustainable manner. These investments generated some 100,000 additional permanent jobs, and the cultivated area was increased by more than 80,000 hectares. Moreover, these investments generated additional, sustainable, annual income or savings of more than US$200 million. Typical tractor and small-scale irrigation subprojects yield annual net income or savings exceeding US$20,000. Another impressive aspect is the low overhead costs of 7 percent of total funds, with 93 percent going directly to the communities.

The social capital created by the programs, and the sustainability of these impacts, are essential in assessing the benefits. One of the primary achievements has been the support of a decentralized approach to resource allocation. The subproject development and approval process that was captured in the project design strengthened the capacity of both communities and municipal governments to prioritize investment decisions. Municipal governments are now more accustomed to participatory decisionmaking, with the community associations increasingly willing to voice their needs.

**LESSONS LEARNED AND ISSUES FOR WIDER APPLICABILITY**
R-NRDP and RPAP provide the following general lessons for rural development and specific lessons for project design and implementation:

- The decentralization of fiscal and investment decisionmaking from federal to state and local governments and to community organizations ensures efficient program administration and positive results.

- Enhanced participation in the financing of the subprojects generates a sense of ownership and a willingness to share responsibilities for project tasks, especially for the Operation and Maintenance of project investments.

- Poverty-targeting mechanisms should be simple and easily monitored. FUMAC and particularly FUMAC-P experiences demonstrated that communities themselves are the best positioned and informed to target effectively.

- Technical assistance should be provided to rural communities to enable them to identify and implement their own subprojects.

- Project sustainability improves when municipalities and communities contribute to project financing through cost-sharing arrangements, and when increased beneficiary participation is a substantial pillar of project design.

**PROJECT COUNTRY: BRAZIL**

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Northeast Rural Development Program (NRDP); Reformulated Northeast Rural Development Program (R-NRDP); Rural Poverty Alleviation Program (RPAP)</th>
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</thead>
<tbody>
<tr>
<td>Project Cost</td>
<td>R-NRDP and RPAP: US$800 million</td>
</tr>
<tr>
<td>Dates</td>
<td>R-NRDP and RPAP: 1993 – present</td>
</tr>
</tbody>
</table>
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