Moving Out of Poverty in Northeast Brazil

Northeast Brazil has seen improvements in lowering inequality and poverty through new frontiers of economic development, income transfer, minimum wage policy, and increasing support to family farming and programs such as Bolsa Familia and Aposentadoria Rural, but the challenge remains for sustainability and creating productive alternatives for success in the Region’s Rural Poverty Reduction Program.

Challenges

Unequal distributions of land and income, poor soils, and severe drought have contributed to a vicious cycle of poverty in Northeast Brazil since the early 19th Century. About 39 percent of poor rural families in Northeast Brazil live on only US$1.48 per day. Early efforts in the 1960s to redistribute land were met by limited results, mainly due to heavy centralization, slow execution by many institutions, and lack of ownership incentives. This, in turn, led to violence and lengthy court battles over land. Adding to the economic hardships, half of the Northeast territory is semi-arid and characterized by poor soils, water scarcity, and a high index of water evaporation with frequent and long periods of drought, such as in the Caatinga biome.

Larger in size than Western Europe, Northeast Brazil is home to 53 million people, about a quarter of the country’s population. Despite some registered improvements, Northeast Brazil still faces the challenge of sustainable economic growth and real alternatives to lowering inequality and poverty.

Approach

Success in Northeast Brazil is recognized as overcoming poverty and inequality, promoting economic diversification in plantation areas, and improving access to water resources for sustainable use. The Rural Poverty Reduction Program in Northeast Brazil originated with a small, innovative test component within the Northeast Rural Development Program (NRDP) 1985–1993 with 10 projects in 10 states of Northeast Brazil with support from the International Bank for Reconstruction and Development (IBRD). The Rural Poverty Reduction Program has grown to 26 separate community-driven development (CDD) projects over the nearly 3 decades since initial scale-up in 1993. The bold reformulation of the NRDP incorporated scaling up CDD mechanisms, introducing more innovations and refinements, and dropping all non-CDD elements.

The guiding principles underlying the Rural Poverty Reduction Program promote decentralization of decisionmaking, direct transfer of funds, and involvement of local authorities and civil society. They also foster transparency and community participation, as well as the use of simple and verifiable poverty targeting mechanism using state loans.

Scaling up of NRDP happened by increasing the numbers of loans, beneficiaries, and extent of geographic coverage over time using IBRD loans and borrower/beneficiary cost-

39% population of Northeast Brazil living on US$1.48 per day
sharing. State and local governments are using the CDD governance mechanisms to allocate/transfer funds from other state and federal programs to poor rural populations and, more recently, to achieve cross-sector integration of programs to increase poverty reduction impact.

The Rural Poverty Reduction Program works directly with poor rural communities while also leveraging the involvement of an increasingly broad cohort of public and private partners—municipal governments, NGOs, public and private service providers, and churches—to improve coverage, exploit special skills, and build constituencies.

The core mechanism—decentralized, participatory Municipal Councils with 80 percent of voting power resting with community representatives and 20 percent with local government—is approaching blanket coverage in many Northeast states. Council collaboration with municipal governments on local development planning and budget allocation is expected to boost the overall efficiency of local planning and resource allocation as well as the longer-term institutional sustainability of the Councils.

Results

The Rural Poverty Reduction Program has financed almost 60,000 small-scale investments in basic infrastructure through the Rural Poverty Alleviation and Reduction Projects (from 1993 to 2009). With IBRD financial support of about US$2 billion (out of total funding of US$2.5 billion with the balance of funds from borrowers and counterpart donors) the program provided productive and social facilities and contributed to reducing poverty among 13 million people.

The Program improved access to water and electricity to rural households. From 1993 to 2005, about 650,000 families received electricity, and 802,000 families received water supply through a US$1,434 million investment from program funds.

Anecdotal evidence from impact evaluation studies in the area indicate remarkable betterment in families’ wellbeing and quality of life with significant improvement in access to education and basic health services, with decreased incidences of various common diseases, including diarrhea, hepatitis, asthma, Chagas’ Disease, as well as a lower infant mortality rate. (See testimonial of beneficiary in box.)

Fazenda Itariri, Bahia

“Before, we lived in tents on [other people’s] lands or in lean-tos paying rent. We only worked one or two days a week. The children were always ill. We lived in true hunger. Today, it’s been almost two years since we bought our land and everything is better. It’s like leaving hell for heaven. Now, look, we have this beautiful house; there’s work for the whole family. We’ve got a school, her in front. And we have food every day. Here, everyone is working. At night, we have a school that operated with battery light from a tractor. In the morning we have to push the tractor because the battery is weak, but it’s our tractor. The school was built by the community. The municipality pays the teacher. Our lives have improved a lot.”


The Land Credit Program (Crédito Fundiário) from 2002 to 2008 made landownership possible for more than 40,000 landless rural families by opening access to credit and investment capital through matching grants. Incomes also improved. Impact evaluation in 2006 indicated that over a period of 6 to 7 years, program beneficiaries increased their total personal assets by an average of US$2,076, equivalent to 100 percent increase over what they owned before the Land Credit Program. Beneficiaries’ annual income increased US$669, equivalent to a real increase of 46 percent over their average gross income in the year before settlement. Under the Land Credit Program in 2002–2009, some 6,400 families headed by women gained access to land, which represents 16 percent of the total number of beneficiaries. Significantly, the boost in income was mainly from agricultural production of their land. Beneficiaries increased planted areas by about 20 hectares; they also re-
The Rural Poverty Reduction Program has strong, positive, statistically significant, and sustainable impacts on social capital, and is helping to improve local public governance. Municipal councils operate in about 1,500 of the 1,686 municipalities of the Northeast Region. The institutional mechanisms developed are being used for other local and community development programs. Moreover, many elements of the CDD approach have been included in Brazilian law. The poor rural communities of Northeast Brazil have demonstrated a capacity to decide their priorities and prepare, execute, operate, and maintain their investments with funds transferred directly to the community association bank account. Decentralization of fiscal and investment decisionmaking and implementation to states and localities, including community organizations, has improved efficiency and accountability, built social capital, and achieved better overall results in Northeast Brazil.

IBRD Contribution

- Since the 1970s, the World Bank has provided more than US$2.2 billion for the financing of 48 Rural Development and Rural Poverty Alleviation/Reduction Projects in the Northeast Region. The World Bank conducted a comprehensive assessment (2005), including a critical review of 73 earlier studies, to rigorously evaluate the direct impact of the Rural Poverty Reduction Program on infrastructure, health, and physical and social capital.
- With IBRD assistance, the design and implementation of large awareness-raising campaigns was carried out, informing the often illiterate, poor population of the project’s relevance to them.
- During the 1993 reformulation of NRDP, the World Bank invited the Northeast Region’s state governors and federal government representatives to Mexico to visit the Solidaridad project. This visit greatly influenced the Brazilian officials and World Bank staff to initiate the CDD approach to NRDP projects.
- As part of internal decentralization, the World Bank opened an office in Recife in 1974 as part of the agreement to work on rural development issues in Northeast Brazil. This office was critically important during the three decades of collaboration with government officials, rural communities, and civil society on all aspects of program design and implementation, and the exchange of ideas. The Recife Office has since been integrated with the World Bank Brasilia Office.

Partners

The World Bank has long played an important role in assisting the Brazilian Government and its agencies—and more recently with emphasis on sub-national entities—in shaping their development strategies in a spirit of cooperation and understanding. These strategies extend to matters
of agricultural sustainable development, natural resources protection and management, health, education, and infrastructure.

State governments have been strong partners in project identification, preparation, appraisal, implementation, and monitoring and evaluation. And federal government continues to partner in preparing the Country Assistance Strategy, providing loan guarantees, monitoring of fiscal health of the states, and integrating some of its own projects with the Rural Poverty Reduction Program.

Municipalities and communities play significant roles in project implementation of the many CDD project.

Nongovernmental organizations provide varied technical assistance.

The Food and Agriculture Organization (FAO) Cooperative Program participated for several years in joint reviews, and project preparation and evaluation. The Interamerican Institute for Cooperation in Agriculture (IICA) provided technical assistance for many years directly to the states.

Major partners under the Land Credit Program include the National Confederation of Rural Workers (CONTAG), state governments, local and state rural labor unions, Bank of Brazil, Bank of Northeast Brazil, NGOs, and universities.

Good Practices Developed and Replicated

The CDD principles have proven to be instrumental in overcoming the historical deficit of social capital, building it up slowly and providing a way out of poverty. (See CDD approach described in box.)

The CDD approach and the key role played by community-based organizations of family farmers in local development investments, which are the trademark of Rural Poverty Reduction Program, have now been adopted by at least two rural development projects to be financed by IBRD at São Paulo and Paraná states—São Paulo Sustainable Rural Development and Access to Market Project (P108443) and Paraná Regional Development Project (P097305).

Next Steps

A CDD approach requires longer-term commitment to reap full social and economic benefits. Local government is an essential partner in successful, sustainable CDD strate-
gies, and such programs need to institutionalize participatory governance mechanisms prior to “re-integration” with local and regional authorities.

Experience has shown that, in order to reach the poor much more efficiently, the scaling up of the program should be coupled with the participatory mechanisms of other programs and projects. In the case of Northeast Brazil, for every $1 of IBRD financing, four states are leveraging it to channel $5 to $10 from other programs.

Communities that have implemented a significant number of infrastructure subprojects and one productive subproject are meant to graduate from the program, demonstrating that the coverage of basic water and electricity has shown improvement and the demand is growing for economic opportunity. Productive subprojects are inevitably more complex, and more heterogeneous. In agricultural production projects, communities could improve their knowledge of the quantity, quality, and predictability required by buyers. It will be necessary to forge/improve links with formal credit institutions and intensify the technical assistance programs. Early experiences with “anchor” enterprises (e.g., Carrefour and Wal-Mart) and with establishing decentralized offices of state technical units to facilitate technical assistance and improve supervision closer to beneficiaries have been encouraging.

The experience of successful subprojects is further evidence of the learning by doing that characterizes 30 years of collaboration in poverty reduction in Northeast Brazil. The IBRD and IFC are exploring opportunities to combine IFC agro-business expertise with the World Bank rural development experience in the Northeast Region to strengthen small producer linkages with national and international markets. Organic cocoa might be an interesting candidate, with 31 communities cultivating about 3,250 hectares.
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Desenvolvimento Solidário (Rio Grande do Norte State)
http://www.prodesenvolvimento.rn.gov.br/home/index.php

Secretaria do Desenvolvimento Agrário (Ceará State)
http://www.sda.ce.gov.br/categoria2/#

ProRural (Pernambuco State)
http://www.prorural.pe.gov.br/

Pronese (Sergipe State)
http://www.pronese.se.gov.br/

Governo de Minas Gerais
http://www.minassistemas.com.br/idene/programas_detalhes.php?id=1


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Brazilian Poverty Reduction – The World Bank (video, 7:13 minutes)
http://www.youtube.com/watch?v=O3JO7t_fkMk