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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eighty-Third Session**

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**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

**FEDERATIVE REPUBLIC OF BRAZIL**

FOR THE

**NORTH-EAST RURAL FAMILY ENTERPRISE DEVELOPMENT  
SUPPORT PROJECT**



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**CURRENCY EQUIVALENTS**

Currency Unit	=	Brazilian real (BRL)
USD 1.00	=	BRL 2.8
BRL 1.00	=	USD 0.357

**WEIGHTS AND MEASURES**

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

**ABBREVIATIONS AND ACRONYMS**

BDB	<i>Banco do Brasil</i> (Bank of Brazil)
BNB	<i>Banco do Nordeste</i> (Bank of the North-East)
CPAN	<i>Coordenação do Programa de Agroindústria do Nordeste</i> (North-East Agro-Industry Programme Committee)
MDA	<i>Ministério do Desenvolvimento Agrário</i> (Ministry of Agrarian Development)
PCU	Project Coordination Unit
PMU	Project Management Unit
Progaviao	Community Development Project for the Rio Gaviao Region
PRONAF	<i>Programa Nacional de Fortalecimento da Agricultura Familiar</i> (National Programme for the Development of Family Agriculture)
Prosertao	Low-Income Family Support Project in the Semi-Arid Region of Sergipe
SAF	<i>Secretaria da Agricultura Familiar</i> (Secretariat for Family Agriculture)
SDT	<i>Secretaria de Desenvolvimento Territorial</i> (Secretariat for Territorial Development)
SEBRAE	<i>Serviço Brasileiro de Apoio às Micro e Pequenas Empresas</i> (Brazilian Support Service for Small and Microenterprises)

**GOVERNMENT OF THE FEDERATIVE REPUBLIC OF BRAZIL****Fiscal Year**

1 January – 31 December

MAP OF THE PROJECT AREA



**FEDERATIVE REPUBLIC OF BRAZIL**

**NORTH-EAST RURAL FAMILY ENTERPRISE DEVELOPMENT SUPPORT PROJECT**

**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	Federative Republic of Brazil
<b>EXECUTING AGENCY:</b>	Ministry of Agrarian Development
<b>TOTAL PROJECT COST:</b>	USD 47.39 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 15.45 million (equivalent to approximately USD 23.16 million)
<b>TERMS OF IFAD LOAN:</b>	18 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum, as determined by the Fund annually
<b>COFINANCIERS:</b>	None
<b>CONTRIBUTION OF BORROWER:</b>	USD 22.76 million
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 1.47 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services

## PROJECT BRIEF

**Who are the beneficiaries?** The identified project beneficiaries are the rural poor of the North-East Region of Brazil, who face lower than average social and economic conditions in income, housing, sanitation, education and health and who orient their primary productive activities towards the development of small agro-industries and other rural enterprises. Specifically, they mainly include family agriculture producers and rural women and youth and also incorporates beneficiaries of agrarian reform who have an outstanding need for technical services and credit. Some of these people are already active in rural enterprises with varying degrees of capitalization, connection to agricultural transformation chains, microbusiness experience and market insertion or are interested in developing business proposals so as to start new entrepreneurial activities. The project area consists of about 100 municipalities in the North-East Region, where poverty and semi-arid land prevail. The direct project beneficiaries will comprise approximately 20 000 rural women and men.

**Why are they poor?** While rural poverty in the North-East originates, historically, from the coexistence of large landholdings (“plantations”) and small family holdings, the processes of farm mechanization, technological change and diversification in production have contributed, over recent decades, to the loss of rural employment and to out migration. Rural poverty in the region is due to marked limitations in both production technology and the natural resource base. This is apparent in frequent droughts, soil erosion and low agricultural productivity. Poverty is also linked to high illiteracy rates, insufficient social and economic infrastructure, unequal land distribution and difficult access to technical and financial services and resources. Furthermore, there remain signs that discrimination with respect to women is aggravating the poverty among woman-headed households.

**What do they expect from the project?** The proposed IFAD intervention will catalyse an innovative, business-oriented and participatory development and capitalization process at the municipal and territorial levels. The objective is to assure that the rural poor in the targeted area can improve their business and organizational capacities and increase their incomes through: (a) their sustainable involvement in economically viable rural agro-industries and other enterprises linked to markets; (b) the more intensive application and management of financial resources; and (c) the integration of poor rural women into the local economy and the provision of support so as to improve their social and economic standing through the promotion of gender equity. The specific project objectives comprise: (a) the strengthening of organizations among the rural poor and entrepreneurs, as well as the development of local mechanisms for the identification of business opportunities and opportunities for investment in productive initiatives and business development; (b) the establishment of guaranteed access to technical support services and markets; and (c) the creation of an efficient system of rural financial services (credit and microcredit), based on the existing supply, on programmes in the formal banking system and on a consolidated network of local savings and credit cooperatives. The project will strengthen the entrepreneurial capability of approximately 20 000 rural women and men in the family agriculture sector of the North-East Region through the consolidation or creation of an estimated 3 000 economically viable agro-industries and enterprises of a varied nature, all linked to markets, capitalized and supplied with the necessary technical and financial support.

**How will the beneficiaries participate in the project?** Project beneficiaries will be involved in the identification, selection and prioritization of their rural enterprise development activities, including technical assistance and financial support. The project will promote the participation of representatives of the beneficiaries in gender-balanced municipal and territorial fora of the project that will be empowered to prepare municipal and territorial development agendas, as well as in the project’s steering committee. The project will seek to implement practical mechanisms to alleviate workloads within the home, thus guaranteeing the participation of rural women in entrepreneurial and income-generating activities.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD  
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE  
FEDERATIVE REPUBLIC OF BRAZIL  
FOR THE  
NORTH-EAST RURAL FAMILY ENTERPRISE DEVELOPMENT  
SUPPORT PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Federative Republic of Brazil for SDR 15.45 million (equivalent to approximately USD 23.16 million) on ordinary terms to help finance the North-East Rural Family Enterprise Development Support Project. The loan will have a term of eighteen years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually. It will be administered by the United Nations Office for Project Services as IFAD's cooperating institution.

**PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy and Agricultural Sector**

1. Brazil is the largest country in Latin America (8.5 million km<sup>2</sup>) and has the greatest number of inhabitants of any country in the region (176 million in 2003). The rural sector comprises 37 million inhabitants, or approximately 21% of the total population. Brazil has a federal government and is composed of a Federal District and 26 states, which, for purposes of planning and the execution of diverse development programmes and according to specific socio-economic characteristics, have been grouped into five regions: North, North-East, Centre, South-East and South. The North-East Region comprises nine states and includes the entire area of the so-called *poligono da seca* (the polygon of droughts) and the semi-arid *sertão* (semi-arid zone).
2. Following a long period of economic and financial instability, the situation began to change in Brazil in 1994, when the *Plan Real* introduced structural reforms based on fiscal deficit equilibrium and public debt reduction, an increase in global economic efficiency and social security programmes, the privatization of public enterprises and services, and tax reform. The inflation rate dropped from three or four digits to one or two. However, between 1997 and 2002, the growth of the Brazilian economy was adversely affected by internal and external factors that had a negative impact on employment and income.
3. During the present Government's mandate (in office since January 2003), commitments reached with international financial institutions have been maintained, and the primary surplus of 4.25% of the gross national product exceeded targets. Meanwhile, the gross national product has slightly contracted, though an annual growth rate of 3% is expected in 2004 and 2005, and it is anticipated that the fiscal situation will remain stable. A reduction in interest rates would stimulate an expansion in credit and improve investment levels. After various unfavourable years, there are good prospects for the recovery of real income, with a rise in real salaries before the end of 2004 and a positive contribution of exports to national growth.

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<sup>1</sup> See Appendix I for additional information.

4. **The agricultural sector.** Transformations in the economic development model have led to changes in the role of the agricultural sector, while new policies have introduced a switch in the responsibilities for public and private institutions and civil organizations. The sector, however, maintains a key role in aggregate income generation and exports, as revealed by growth rates in gross domestic product (GDP) that are higher than are the rates for the economy as a whole, while the sector generates 24% of the country's employment.

5. The Federal Government has put into effect explicit policies to achieve significant changes in both the structure of the agrarian economy and the composition of agricultural output. The strategies and resources applied in the smallholder sector – which dominates in terms of the number of holdings in the country – aim at the promotion of: (a) land distribution; (b) local decision-making, wherein a crucial role is given to the municipalities in the allocation of public resources and investments for support services in agricultural production; (c) increased farmer participation in local planning processes, whereby support services are provided through demand-driven mechanisms; and (d) private sector involvement based on initiatives in microenterprise development and the entry of microenterprises into local, sub-national and external markets.

6. **Rural poverty.** Poverty is still a persistent and pervasive socio-economic phenomenon in Brazil. The country has the largest rural poor population in the Western Hemisphere. According to the unmet basic needs criterion (equivalent to slightly less than USD 2.00 per capita per day), approximately 50% of the country's population is poor. According to estimates based on a poverty line of USD 1.00 per capita per day, about 50 million people live in poverty conditions in Brazil, representing 30% of the total population (2001); of these, 55% are located in rural areas. In these poverty zones, one in every three children is poor, and close to 40% of all children 10 to 14 years of age are working, while woman-headed households account for 27% of the rural poor.

7. Over half of the households in the approximately 4.8 million family smallholdings in the country subsist in marginal social circumstances and degraded environments. They have only limited access to technology, and, overall, their productive activities are undercapitalized. They therefore experience an overbearing need to generate some household income through salaried labour, informal microentrepreneurial activities and handicrafts.

8. While rural poverty in the North-East originates, historically, from the coexistence of large landholdings ("plantations") and small family holdings, the processes of farm mechanization, technological change and the diversification of production have contributed to the loss of rural employment and to out migration over recent decades. The North-East Region has the largest proportion of rural poor (over 12 million) and exhibits the poorest indicators in the country in housing, sanitation, education and health.

9. **Small and microenterprises.** Most of Brazil's 4.6 million enterprises (99.2% of the total) are either *microenterprises* (i.e., up to 19 employees in production or up to 9 employees in services and commerce) or *small enterprises* (between 20 and 99 employees in production or between 10 and 49 in services and commerce). These enterprises account for 56% of total formal employment (net of public sector employment). In the North-East Region alone, there are about two million (formal or informal) small and microenterprises, of which 30% are located in rural areas and most (food, commerce, textile handicraft) are initiatives of poor rural women. The rural enterprise sector offers great potential for the social and economic development of IFAD's target groups in the North-East Region, particularly when the technical and capitalization needs of the sector can be met.

## B. Lessons Learned from Previous IFAD Experience

10. **Project operations.** Thus far, IFAD has approved four loans to Brazil: (a) the Ceara Second Rural Development Project (IFAD Loan 051-BR), approved in December 1980 and closed in December 1987; (b) the Low-Income Family Support Project in the Semi-Arid Region of Sergipe State (Prosertao) (IFAD Loan 344-BR), approved in December 1993 and closed in June 2003; (c) the Community Development Project for the Rio Gavião Region (Progavião) (IFAD Loan 404-BR), approved in December 1995 and presently in the final phase of implementation; and (d) the Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East (the Dom Hélder Câmara project) (IFAD Loan 494-BR), approved in December 1998; the project is being implemented in six states of the North-East Region and seeks to generate new policies and effective models for the consolidation of agrarian reform settlements.

11. **Lessons learned.** Lessons derived from the implementation experience of IFAD projects in the North-East Region have been taken into account in the design of the proposed project. These lessons highlight: (a) the importance of the rural enterprise sector for the region in view of the region's agro-ecological limitations; (b) the work the Brazilian Support Service for Small and Microenterprises (SEBRAE) undertakes so as to facilitate the identification and creation of rural enterprises; (c) the relevance of microcredit and of the experience of non-governmental organizations specialized in financing; (d) the importance of strengthening local organizations and their involvement in the generation of demand; and (e) the promotion of self-development, whereby individuals and groups of beneficiaries identify their own business opportunities, which favours more effective product development and greater quality control in production.

## C. IFAD's Strategy for Collaboration with Brazil

12. **IFAD's strategy.** Based on the Country Strategic Opportunities Paper (1997), IFAD reformulated its institutional and operational strategy for collaboration with Brazil. The guiding elements of this strategy comprised: (a) the assignment of priority to the North-East Region, which has the highest concentration of rural poor; (b) the reintroduction of access to land as one of the axes of IFAD interventions by giving preference to the support of established agrarian reform settlements; and (c) support for the Government's policy to develop and consolidate the family agriculture smallholder sector by exploring appropriate ways to link a future IFAD operation to the National Programme for the Development of Family Agriculture (PRONAF). Key instruments that have been recommended for IFAD interventions included: (a) a strategic partnership with the Federal Government, accompanied by an effort to gain the participation of state and municipal governments and the private sector; (b) the strengthening of human resource development; (c) the creation of new approaches in the delivery of critical support services, such as rural financing services; and (d) encouragement for off-farm activities and enterprise development by way of the provision of support to existing rural enterprises and the promotion of new ones through the supply of critical services, including access to market outlets, technological support, appropriate sources for credit and legal assistance. The adoption of the strategic guidelines and criteria of the Country Strategic Opportunities Paper led to the identification of two types of investment opportunities. The first corresponds to the ongoing Dom Hélder Câmara project; the second, involving financial and technical services for small farmers and entrepreneurs, served as a basis for the formulation of the proposed project.

13. **Government policy.** The Federal Government has put into effect explicit policies designed to achieve significant changes in the structure of the agrarian economy and in the composition of agricultural output, while expanding its social policy interventions aimed at facilitating the access of the rural poor to public goods and services. The strategies and resources being applied in the family agriculture sector, which dominates in terms of the number of holdings in the country, focus on the promotion of: (a) food security, income and employment generation and the reduction of external

economic dependency; (b) the integral development of semi-arid zones through a sustainable, territorial development approach; (c) growth in the non-agricultural sector, especially agro-industry, processing and services; and (d) consolidation in agro-industry production and transformation chains.

14. **Government programmes.** In recent years, the Government has implemented a set of high-priority programmes oriented at reducing rural poverty and supporting the family agriculture sector. These programmes are directed at facilitating the access of marginal small farmers and landless people to land, technology and production-support services and credit. The programmes also seek to strengthen agro-industries and processing industries, generate foreign exchange through the diversification of production and exports, add value to family agriculture production and implement strategies to organize producers, while promoting decentralization. For the present Government, support for family agriculture is a fundamental pillar in the effort to eradicate poverty, as well as a mechanism to enhance food security, employment and income generation. Key government initiatives relevant to the project are: (a) the “Zero Hunger” programme, which, together with other social programmes, confronts structural poverty and hunger in the country in a unified manner; the present Government is deeply committed to guaranteeing adequate food for all; (b) PRONAF and the subsidiary Family Agriculture Agro-Industrialization Programme; and (c) various credit and non-banking financial service programmes.

15. **Main institutions involved.** The Ministry of Agrarian Development (MDA), which will be the executing agency for the project, is responsible, at the federal level, for the sustainable development of the family agriculture sector, as well as for agrarian reform. It is composed of key secretariats, including the Secretariat for Family Agriculture (SAF), which is in charge of the corresponding sectoral programme PRONAF and the agro-industrialization programme, and the Secretariat for Territorial Development (SDT), which is responsible for the implementation of the national territorial development strategy and for the execution of the PRONAF-infrastructure programme. SEBRAE is the entity responsible for supporting the development of small and microenterprises. It has a local development department that focuses on rural enterprises. The Bank of Brazil (BDB) and the Bank of the North-East of Brazil (BNB) are the main financial agents for the application of PRONAF resources.

16. **The poverty eradication activities of other major donors.** The World Bank and the Inter-American Development Bank are the most active lending institutions in the provision of loan resources for poverty eradication in the North-East Region. The World Bank is implementing a number of projects that are complementary and possess great potential for synergy with IFAD-financed operations. This includes rural poverty reduction projects in Bahia, Ceara, Pernambuco and Piaui that supply resources to community associations to finance small-scale investments. Similarly, the projects of the Inter-American Development Bank in the semi-arid North-East comprise initiatives that hold high potential for complementarity with the Fund’s strategy in the region. The Inter-American Development Bank’s land reform and settlement self-sufficiency project aims at the establishment of a system for the consolidation of rural settlements, while the north-eastern microenterprise programme will support BNB’s CrediAmigo programme.

17. **Project rationale.** The general strategy of the proposed project is framed by the Government’s current policies and priorities for the consolidation of its rural poverty alleviation and family smallholder agriculture programmes in the North-East. These programmes are being implemented by various secretariats under the MDA. They focus on agro-industrialization, support for family agriculture and the provision of infrastructure. The Government’s approach has a great deal of affinity with IFAD’s intervention strategy. It has identified the North-East as a region with substantial rural poverty and focuses on approaches that are complementary to smallholder agriculture (for example, support for processing industries).

18. The project strategy is founded on the fact that the rural microenterprise sector has a high development potential in the semi-arid North-East. The sector represents a valid alternative for the generation of income and employment in a region with a limited natural resource base that restricts agricultural productivity and production. The project strategy is determined by: (a) the constraints on and the opportunities for rural capitalization highlighted by the underutilization of PRONAF resources and (b) the strengths and weaknesses of ongoing programmes and related institutions. To address these issues, the proposed project calls for an operational alliance among, inter-alia, SAF's Family Agriculture Agro-Industrialization Programme, SEBRAE, the two main banking institutions in the North-East (BNB and BDB), and private providers of specialized technical and financial services. While the difficulties of specialized technical and financial services have been identified as principal constraints being faced by IFAD's target groups, serious limitations have also been detected in the current government efforts to reach the intended service clientele in rural areas effectively. The proposed project would thus assume a catalytic role in expanding operations and impacts at the field level.

## PART II – THE PROJECT

### A. Project Area and Target Group

19. **Project area.** Project activities will be initiated in the 30 municipalities of the Xingo area located in the states of Alagoas, Bahia, Pernambuco and Sergipe, where rural poverty and semi-arid conditions prevail and where previous local development actions have been carried out in order to organize rural family producers, create a community of local actors and identify municipal and territorial development plans. The project area will be rapidly expanded to incorporate other areas of the North-East Region with a similar profile of poverty and semi-arid conditions and a similar potential for rural enterprise development, most of these areas having benefited from other development programmes, in particular other IFAD projects.

20. **Target group.** The incidence of rural poverty exceeds 80% in the North-East; critical poverty affects more than 50% of the rural population, and economic and social indicators are generally below average, with dramatic unemployment and underemployment rates. Rural poverty in the North-East affects households of which the fragile socio-economic well-being depends on the amount of access to production assets (size of the landholding or number of heads of livestock), the level of production for self-consumption and the marketing of a meagre output derived from small-scale agriculture and livestock raising. Most people in the target groups have only a limited capacity for subsistence agriculture, and their survival strategy must also include the processing of simple agricultural and non-agricultural products and seasonal agricultural and non-agricultural wage labour. Poverty is particularly acute among households headed by women.

21. The rural poor in the North-East Region who have oriented their primary productive activity to the development of small agro-industries and other rural enterprises form the project target group. Specifically, the potential target population includes smallholders in family agriculture and rural women and youth and also incorporates beneficiaries of agrarian reform who have a substantial need for technical services and credit. They are already active in rural enterprises that are supported by varying degrees of capitalization, linkages to agricultural processing chains, microbusiness experience and market insertion, or they are interested in the development of business proposals to start new entrepreneurial activities.

### B. Objectives and Scope

22. **Objectives and scope.** The overall development objective is to reduce the levels of poverty and social inequality among the rural poor of the country's North-East Region. The project's objective is to assure that the rural poor in the target area can improve their business and

organizational capacities and increase their income through: (a) the establishment of sustainable, economically viable market-oriented agro-industries and other rural enterprises; (b) the application and management of financial resources; and (c) the incorporation of poor rural women into the local economy and the provision of support to them so that they can improve their social position and achieve gender equity.

23. Specific project objectives include: (a) the strengthening of organizations among rural family entrepreneurs, as well as the development of local mechanisms for the identification and implementation of productive investments and business development schemes; (b) the assurance of access to technical support services and markets and to financial services by the targeted beneficiaries; (c) the establishment of an efficient rural financial service system (credit and microcredit) based on the existing supply and programmes and the formation of a consolidated network of local financial intermediaries; (d) the creation of gender-oriented mechanisms to guarantee equitable, ongoing access to project services and resources; and (e) the promotion, through a dedicated monitoring, evaluation and learning system, of accelerated processes for learning and innovation and for the replication and scaling-up of successful schemes from the initial municipalities to the rest of the project area.

24. **Intervention methodology.** The project methodology is based on: (a) demand-led technical services offered by private entities and grounded on local, municipal and micro-regional entities for the generation of demand and for development planning; (b) the promotion of business as an instrument for the effective development of financially efficient and sustainable ventures; (c) initial interventions in areas where pre-investment activities have been carried out through ongoing IFAD projects or other programmes; (d) gender-oriented studies of the workload of rural women so as to identify support mechanisms that help guarantee women's control over rural enterprise activities; and (e) effective operational partnership between public and private entities, e.g., MDA/SAF, SDT, SEBRAE, the states and municipalities, and producer and business organizations.

### C. Components

25. The project has two pivotal components: (a) technical support services and (b) financial services. The project duration will be six years.

26. **Technical support services.** The objective of this component is to promote and identify new businesses opportunities among potential beneficiaries and to ensure technical assistance in the planning and implementation of rural enterprise development projects. Support for the development of rural family enterprises will be provided at two levels: (a) by strengthening the human assets of individual entrepreneurs in business development and (b) by reinforcing the social assets of communities so as to consolidate productive chains through the improvement of the capacity of the communities in organization and in the creation of linkages with groups of local producers, other enterprises and institutions involved in the same economic activity, and local authorities and institutions that may provide support. The component has been structured into two sub-components.

27. The **promotion and business identification** sub-component will seek to identify economic development opportunities and strengthen social assets in order to generate an environment conducive to the emergence of sustainable businesses. A five-step strategy will be adopted in territories where the participatory formulation of municipal and territorial development agendas is already occurring. The five steps are: (a) enhancement of the local supply of technical services; (b) the promotion and identification of sound business schemes and opportunities (business promoters); (c) the selection of beneficiaries, including existing family or associative enterprises and individuals or groups with new ideas or initiatives for the creation of enterprises; (d) the diagnosis of businesses; and (e) the elaboration of business plans and the processing of requests for technical assistance and financing. In territories where development actions have not previously been

undertaken, four preliminary steps are being considered: (a) the selection areas of intervention; (b) the development of municipal development fora; (c) the creation of municipal development agendas; and (d) the creation of a micro-regional development agenda. Through the **technical assistance** sub-component, technical services for the planning and implementation of approved business proposals will be provided in a flexible manner and in cooperation with all institutions that can contribute to the consolidation of the individual enterprises or productive chains being supported. They will be oriented towards: (a) the promotion of commercial contacts so as to facilitate marketing; (b) the direct provision of support to technical services for businesses; and (c) the strengthening of entrepreneurial development and organization.

28. **Financial services.** The objective of this component is to increase the access of the rural poor to financial services through an expansion in the coverage of PRONAF and the strengthening of a competitive and sustainable system of local non-banking financial services. For this purpose, the component will address current difficulties in the formal banking system (i.e., BDB and BNB) in order to build up the still limited rural clientele, foster the design of new banking products and less restrictive bureaucratic practices and support the creation of guaranteed funding.

29. The component will be implemented through three activities. (a) Credit activities will seek to expand the utilization of PRONAF's credit lines, i.e. agro-industry, agricultural production, processing, handicrafts, etc., through a wide range of training and support initiatives involving potential entrepreneurial clients, local bank-agency staff, beneficiary representatives and so on. The initiatives will also involve precise institutional arrangements among participating government and banking institutions. Among these, BNB and the MDA have formulated a statement of intention to coordinate the national Family Agriculture Agro-Industrialization Programme. The programme envisages the training of technical personnel in agro-industrial project formulation, support for agro-industry management and the establishment of business networks. (b) Activities related to guaranteed funding will be aimed at the expansion of the coverage of banking services among the rural poor through the strengthening of capital funds and institutional capacity. Activities will include the diagnosis of existing guaranteed funding schemes and the establishment of new ones, the negotiation of agreements with public entities for the contribution of capital and the provision of training and technical assistance for capacity-building to support the guaranteed funding schemes. (c) This activity will strengthen the network of savings and credit cooperatives in the project area, particularly the capacity of these networks to mobilize local resources and to branch out credit and microcredit services so as to reach the rural poor.

#### **D. Costs and Financing**

30. The total project cost has been estimated at USD 47.39 million (including price and physical contingencies), which is to be financed as follows: an IFAD loan of USD 23.16 million (49% of total costs), a government counterpart contribution of USD 22.76 million (48% of total project costs) and a contribution from beneficiaries of USD 1.47 million (equivalent to 3% of project costs). The coverage of project costs will be phased over six years. Of the total USD 44.53 million base costs, the technical support services component has been allocated 47%, or USD 20.81 million, including resources for the promotion of business and for technical assistance. The financial services component will represent 43% of base costs, or USD 19.09 million; this includes the resources required to provide credit and training and strengthen cooperatives. The project coordination unit has been allocated USD 4.63 million, or 10% of base costs. These resources will be used to run the project management and coordination units.

**TABLE 1: SUMMARY OF PROJECT COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Total Base Cost
<b>A. Technical support services</b>					
Promotion and business Identification	2 932.6	1 149.7	4 082.3	28	9
Technical assistance	11 785.9	4 944.0	16 729.9	30	38
<b>Subtotal</b>	<b>14 718.5</b>	<b>6 093.6</b>	<b>20 812.2</b>	<b>29</b>	<b>47</b>
<b>B. Financial services</b>	<b>18 766.2</b>	<b>322.0</b>	<b>19 088.2</b>	<b>2</b>	<b>43</b>
<b>C. Project management unit</b>					
Central unit	1 581.8	107.8	1 689.6	6	4
Field coordination units	2 773.8	169.3	2 943.1	6	7
<b>Subtotal</b>	<b>4 355.5</b>	<b>277.2</b>	<b>4 632.7</b>	<b>6</b>	<b>10</b>
<b>Total base costs</b>	<b>37 840.3</b>	<b>6 692.8</b>	<b>44 533.1</b>	<b>15</b>	<b>100</b>
Physical contingencies	850.7	332.6	1 183.4	28	3
Price contingencies	1 246.3	424.5	1 670.8	25	4
<b>Total project costs</b>	<b>39 937.3</b>	<b>7 449.9</b>	<b>47 387.2</b>	<b>16</b>	<b>106</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Component	Government		IFAD		Beneficiaries		Total		Foreign Exchange	Local (excl. taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
<b>A. Technical support services</b>											
Promotion and business identification	636.9	14.3	3 806.4	85.7	-	-	4 443.2	9.4	1 251.1	2 658.9	533.2
Technical assistance	2 354.4	12.6	14 919.1	79.6	1 471.3	7.8	18 744.8	39.6	5 540.5	10 954.9	2,249.4
<b>Subtotal</b>	<b>2 991.3</b>	<b>12.9</b>	<b>18 725.4</b>	<b>80.8</b>	<b>1 471.3</b>	<b>6.3</b>	<b>23 188.0</b>	<b>48.9</b>	<b>6 791.6</b>	<b>13 613.8</b>	<b>2 782.6</b>
<b>B. Financial services</b>	<b>17 641.8</b>	<b>91.9</b>	<b>1 554.9</b>	<b>8.1</b>	-	-	<b>19 196.7</b>	<b>40.5</b>	<b>354.5</b>	<b>18 700.4</b>	<b>141.8</b>
<b>C. Project management unit</b>											
Central unit	767.0	42.1	1 056.9	57.9	-	-	1 823.9	3.8	118.7	1 619.3	85.8
Field coordination units	1 360.3	42.8	1 818.4	57.2	-	-	3 178.7	6.	185.1	2 829.3	164.2
<b>Subtotal</b>	<b>2 127.4</b>	<b>42.5</b>	<b>2 875.2</b>	<b>57.5</b>	-	-	<b>5 002.6</b>	<b>10.6</b>	<b>303.8</b>	<b>4 448.7</b>	<b>250.1</b>
<b>Total disbursement</b>	<b>22 760.5</b>	<b>48.0</b>	<b>23 155.5</b>	<b>48.9</b>	<b>1 471.3</b>	<b>3.1</b>	<b>47 387.2</b>	<b>100.0</b>	<b>7 449.9</b>	<b>36 762.9</b>	<b>3 174.4</b>

<sup>a</sup> Discrepancies in totals are due to rounding.



### E. Procurement, Disbursement, Accounts and Audit

31. **Procurement.** The vehicles, equipment and furniture financed by IFAD will be procured in accordance with the Fund's guidelines. International competitive bidding will be applied for the procurement of any vehicles, equipment, furniture and technical services that are expected to cost more than USD 500 000. National competitive bidding will be applied for purchases of goods and services estimated to cost between USD 50 000 and USD 500 000. Limited national bidding will be applied for contracts estimated to cost between USD 5 000 and USD 50 000, and these will be determined on the basis of proposals made by at least three eligible suppliers. The procurement of goods and services estimated to cost an equivalent of USD 5 000 or less will be effected through direct purchase. The project's administrative unit will establish a procurement committee to guarantee procedural transparency. Consultancy services and service suppliers will be contracted in accordance with the procedures of the cooperating institution and in a manner satisfactory to IFAD.

32. **Disbursements.** Disbursements to cover operating expenses, salaries, vehicles, equipment and furniture costing less than USD 10 000 will be carried out based on statements of expenditure as per the loan agreement. Disbursements to cover payments equal to or exceeding USD 10 000 for the items above, as well as for other items of expenditure not specifically listed above, will require the presentation of supporting documentation. A special account in United States dollars will be opened at the Central Bank of Brazil in the name of the project. Upon fulfilment of the loan effectiveness conditions and the receipt of a borrower's application, IFAD will advance USD 2.3 million as an initial deposit to the special account. A project account in the local currency will be opened at BNB into which counterpart funds will be deposited annually. This account will be replenished in accordance with the procedures stipulated in the loan agreement and the general conditions.

33. **Accounts and auditing.** Immediately upon loan effectiveness and prior to the initial deposit in the special account, accounting and internal control systems will be set up for the project through a specialized accounting firm. Accounting will be by component, disbursement category and government expense classification. A qualified audit firm paid for through the project's proceeds will be selected, to IFAD's satisfaction, to perform annual financial and management audits. The audited project accounts and audit report, including a separate opinion on the statements of expenditures and the special account, will be submitted to IFAD no later than six months after closing of the project's financial year.

### F. Organization and Management

34. The MDA will be responsible for project execution; structurally, the project will be attached to SAF. Project operations will be guided by a steering committee, the **North-East Agro-Industry Programme Committee (CPAN)**, linked to the National Council for Sustainable Rural Development. It will have, inter-alia, the following specific responsibilities: to approve the project's annual work plans and budgets, make sure project activities are consistent with MDA policies and Government/IFAD agreements on the project and overall periodic follow-up on project results and impact. CPAN will be chaired by an MDA representative and consist of three directors of SAF departments (income-generation and value-added production, production financing, and technical assistance and training), the coordinator of the Family Agriculture Agro-Industrialization Programme, one representative of SDT; one representative each of SEBRAE; BNB and BDB, and three civil society representatives.

35. The **project management unit (PMU)** will enjoy legal, technical, financial and administrative autonomy in line with a similar scheme set up by the MDA for the IFAD-financed Dom Hélder Câmara project. It will consist of a central office in Brasilia and a project coordination unit (PCU) in the project area. The main functions of the PMU will be to maintain consistency among project operations in line with the Family Agriculture Agro-Industrialization Programme,

and it will coordinate the work with all entities involved in the project, including other SAF departments and other MDA secretariats, but particularly SDT and its infrastructure programme. It will be responsible for strategic management, the preparation of the annual work plans and budgets, overall monitoring and evaluation, the follow-up on implementation and on institutional and partnership agreements, project staff recruitment and contracts with service providers. The PMU will be headed by a project manager, who will be appointed to IFAD's satisfaction, and will also rely on three staff for planning and coordination, technological support, and administration and finance.

36. The PCU will have technical and operational autonomy, and it will have direct responsibility for project implementation, particularly through the provision of advice to and the supervision of contracted service providers. It will be headed by a technical coordinator, who will be assisted by a multidisciplinary team of six specialists (gender, producer organization, agro-industrial technology, marketing and logistics, technical assistance and training, and financial services) and a small support team for the overall technical and administrative follow-up of project operations and monitoring and evaluation.

37. **Project execution** will be initiated in areas where pre-investment work, such as studies, training and local organizational strengthening, has already been undertaken so as to create a favourable environment for the successful launch of agro-industrialization and other rural entrepreneurial activities. Most of this preparatory work has been carried out in the Xingo area through SEBRAE, which will be associated in the project. There will also be close cooperation between the project and programmes financed by the Government and international or bilateral development agencies, in particular in areas of IFAD projects such as Prosertao, Progaviao and the Dom Hélder Câmara project and other areas prioritized by the MDA/SDT.

38. Due to its strategic nature, the technical support services component will be implemented under the direct responsibility of the project manager, and follow-up activities in the field will be carried out by PCU staff through services contracted with SEBRAE, private technical providers, universities and specialized non-governmental organizations. The financial services component will be implemented under the responsibility of the financial services specialist through agreements with the participating financial institutions and contracts with consulting firms and public and private entities.

39. **Beneficiary participation and gender balance.** Project beneficiaries will be involved in the identification, selection and prioritization of sound business development ideas and proposals and of requests for technical and financial assistance in the design and implementation of entrepreneurial projects. A gender-balanced group of beneficiary representatives will be encouraged to participate in the project's municipal and territorial fora, which will be the entities empowered to prepare municipal and territorial development agendas. Three civil society representatives will be part of the CPAN. The project's gender specialist will seek to guarantee gender equity in project activities and investments. Within the horizontal, cross-project approach, key gender-strengthening activities will include training for the staff of technical service providers, the sensitization of local and municipal authorities, the creation of specialized advisory services, the training of rural women to assume roles of leadership, the identification of steps to lighten women's household workloads, the negotiation of agreements with municipalities and state governments to set up and operate infant and childcare centres.

40. **Monitoring, evaluation and learning.** A monitoring, evaluation and learning unit will be created within PMU to follow up on the project objectives and targets and on resource allocation. The unit's information system will be employed as a management and social auditing tool and will rely on a database created initially through a baseline study of the project area. The monitoring and evaluation system will use performance indicators that are gender, spatially and time specific, in

addition to the various profiles of the beneficiaries and technical service providers. The system will be based on a logical framework that is consistent with the results and impact monitoring system being adopted at IFAD. It will draw on participatory evaluations by beneficiaries and other project entities, and it will be supported by PRONAF's monitoring tools. Special studies and seminars will be conducted on decentralization, the impact of women, business development, technology and innovation.

### G. Economic Justification

41. **Beneficiaries.** The project will strengthen the entrepreneurial capability of approximately 20 000 rural women and men involved in the family agriculture sector in the North-East Region. It will achieve this through the creation of 3 000 economically viable rural family enterprises of various sorts that will all be linked to markets and capitalized and assisted through key technical and financial support mechanisms. The number of indirect beneficiaries will reach 100 000, mostly members of the families of direct project participants. As a result of project-induced gains in income, the living and nutritional conditions; as well as the health and the education levels, of the overall target population will be improved significantly. It is estimated that 15 000 additional people will indirectly benefit as a result of the enterprise linkages created and the multiplier effects of the initiatives within the regional economy. Similarly, the project will create 20 000 new jobs, thereby contributing to a reduction in the unemployment in the region.

42. **Project benefits and economic analysis.** Project benefits have been estimated, indicatively, based on key assumptions and parameters regarding firm size for microenterprises, technologies in use, the nature of production and products, organization type, etc. The information has been compiled through the Family Agriculture Agro-Industrialization Programme. Accordingly, it has been estimated that, once all intended beneficiaries have been incorporated into the project, the value of aggregate production will reach USD 70 million annually; with a value-added production of USD 40 million. This latter figure implies a value gain of USD 2 000 per annum per beneficiary. Individual viability analyses of microenterprises will be conducted from the perspective of financial, economic and environmental impacts.

### H. Risks

43. The main risks in the project can be summarized as follows. First, institutional changes that might take place at the ministry or secretariat level (MDA/SAF) and that could affect the project's standing have not been envisaged, and relevant policies for the national PRONAF programme are not expected either. The programme is supported by a law enacted by Congress and in effect since 1996. The risks have also been minimized because of the strong commitment of the present federal administration to undertake actions to reduce rural poverty. Second, risks of a technical nature are not expected. The technical elements to be delivered through the project for business development have been validated within other rural enterprises, and the technical content of the product processing procedures are grounded upon a rich base of specialized research conducted through the Xingo programme and relying on the extended work of the Brazilian Agricultural Research Corporation and regional universities. Third, market-related risks may arise because of limited diversification, the crowding up of similar products, or faulty business and marketing studies that tend to restrict penetration in local, regional or external markets. This is, however, the key challenge of the project, through which a culture of private business will be introduced that is founded on business financial plans formulated for each initiative and taking into account state-of-the-art business management and regional planning methods.

### I. Environmental Impact

44. The project has been classified as Category B based on the fact that the identifiable potential impact can be addressed through environmentally sensitive recommendations and interventions. For the purposes of this assessment, it has also been assumed that the low-intensity agro-industrial development will not generate serious industrial residuals because of the nature of the primary inputs involved. In addition, account has been taken of the fact that the project's investments and initiatives aimed at microenterprise development and the agricultural processing industry will indeed remove the pressure exerted by the beneficiaries on the region's natural resource base. Moreover, no major infrastructure construction is contemplated, and the region is well electrified so that agro-industrial production is expected to be able to utilize an energy resource already in place. All technical assistance by private providers will include environmental impact elements and will be consistent with safe practices in terms of the conservation of soils, water and vegetation and the regulated use of pesticides and chemicals. Training, technical assistance and the dissemination of technology will rely on appropriate soil and water conservation practices.

### J. Innovative Features

45. The innovations in project operations are apparent along three principal axes. First, the regional development strategy, according to which networks of rural businesses are to be created at the municipal and micro-regional levels, takes into account the entire range of production-processing chains rather than the promotion of agricultural production alone. The creation of business networks and of development management committees at the municipal and regional levels and the formulation of municipal development agendas and development compacts (i.e., agreements among stakeholders); as well as the formulation of micro-regional development agendas and the corresponding development compacts, are all sources of innovation in project implementation in the North-East. Second, the innovations of the project will be carried out through key operational alliances, e.g., among the SAF Family Agriculture Agro-Industrialization Programme, SEBRAE, BDB and BNB. Third, the project will focus on the decisive institutional strengthening of local entities and programmes, while putting gender-oriented actions at the centre stage in project implementation. These goals will be pursued through practical measures, such as the establishment of infant and childcare centres and efforts to alleviate household workloads, thus guaranteeing the participation of rural women in entrepreneurial and income-generating activities.

## PART III – LEGAL INSTRUMENTS AND AUTHORITY

46. A loan agreement between the Federative Republic of Brazil and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

47. The Federative Republic of Brazil is empowered under its laws to borrow from IFAD.

48. I am satisfied that the proposed loan will comply with the *Agreement Establishing IFAD*.

**PART IV – RECOMMENDATION**

49. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Federative Republic of Brazil in various currencies in an amount equivalent to fifteen million four hundred fifty thousand Special Drawing Rights (SDR 15 450 000) to mature on or prior to 1 September 2022 and to bear an interest rate equal to the reference interest rate per annum as determined by the Fund annually, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge  
President



**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES  
EXPECTED TO BE ACHIEVED DURING LOAN NEGOTIATIONS**

(Loan negotiations yet to be concluded)

1. The Government of the Federative Republic of Brazil (the “Government”) will open within the 30 days following the effective date and thereafter maintain, in a bank proposed by the Government and accepted by IFAD, a current account denominated in local currency for project operations (the “project account”). The project account is to be protected against set-off, seizure or attachment on terms and conditions proposed by the Government and accepted by IFAD. The project director and the administration and finance officer will be fully authorized to jointly operate the project account.
2. The Government will make the proceeds of the loan available to the lead project agency and each project party in accordance with the annual workplan and budget (AWP/B) and its customary national procedures for development assistance to carry out the project.
3. In addition to the proceeds of the loan, the Government will make available to the lead project agency and each other project party, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the project in accordance with the loan agreement.
4. The Government will also make available during the project implementation period counterpart funds from its own resources in an aggregate amount of USD 22 760 000 equivalent for project operations, in accordance with its customary national procedures for development assistance. For such purpose, the Government will make a budgetary allocation to cover the first year of project implementation, and will make budgetary allocations for each fiscal year equal to the counterpart funds called for in the AWP/B for the relevant project year, annually in advance.
5. Within the 30 days following the effective date, the Government is to have opened the special account.
6. Within the 90 days following the effective date, the Government is to ensure that the AWP/B for the first project year has been approved by IFAD.
7. Within the 90 days following the effective date, the SEBRAE agreement, approved in draft by IFAD, is to have been signed and delivered to IFAD.
8. Within the 90 days following the effective date, the Government is to ensure that the project implementation manual has been approved.
9. Within the 90 days following the effective date, a copy of each financial institution agreement, acceptable to IFAD, is to have been delivered to IFAD, and all conditions precedent to the effectiveness of each such financial institution agreement (other than the effectiveness of the loan documents) are to have been fulfilled.
10. As part of maintaining sound environmental practices as required by the general conditions, the project parties will maintain appropriate pest management practices under the project and, to that end, the Government will ensure that pesticides procured under the project do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in Tables 1 (Extremely Hazardous) or 2 (Highly Hazardous) of the World Health Organization’s

Recommended Classification of Pesticides by Hazard and Guidelines to Classification, 1996-1997, as amended from time to time.

11. Throughout the project implementation period, the Government will: (i) facilitate gender equity in access to all project resources and services; (ii) apply diagnostic methodologies that take into account gender focus; (iii) develop advisory assistance focused on heterogeneity of roles; (iv) support the effective participation of men, women, adults and young people in producer organizations, forums and all decision-making processes; and (v) quantify men's and women's contribution to family income. Gender will be a particular focus in the following project activities: (i) training; (ii) identification of beneficiaries of both genders; and (iii) establishment of a baseline survey and monitoring system, including gender indicators, as presented in the logical framework.

12. The monitoring and evaluation (M&E) system of the project will follow the IFAD *Guide for Project M&E* and will be a management and social auditing tool, counting on a database established initially through a baseline study of the project area. The M&E system will be based on performance indicators that are gender-, spatial- and time-specific, in addition to the various categories of beneficiaries and technical service providers. The system will be based on a logical framework that is consistent with the results and impact monitoring system of IFAD; it will contemplate participatory evaluation by beneficiaries and project parties; and it will be linked to PRONAF's monitoring tools. Special studies and seminars will be conducted on decentralization, impact on women, business development, technology and innovation.

13. The Government will exempt from taxes the importation, procurement and supply of all goods, civil works and services financed by the proceeds of the loan.

14. The Government will insure all project staff against health and accident risks to the extent consistent with, and in accordance with procedures under, its customary practice in respect of its national civil service.

15. The following are specified as conditions precedent to the effectiveness of the loan agreement:

- (a) the project steering committee has been duly established;
- (b) the PMU has been duly established;
- (c) the project director has been duly appointed and approved by IFAD;
- (d) the Government has made the initial budgetary allocation of counterpart funds;
- (e) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action;
- (f) a favourable legal opinion, issued by the Attorney General of the Government in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.



APPENDIX I

COUNTRY DATA

BRAZIL

<b>Land area</b> (km <sup>2</sup> thousand) 2001 a/	8 457	<b>Gross national income per capita</b> (USD) 2001 a/	3 070
<b>Total population</b> (million) 2001 a/	172.39	<b>GDP per capita growth</b> (annual %) 2001 a/	0.2
<b>Population density</b> (people per km <sup>2</sup> ) 2001 a/	20	<b>Inflation, consumer prices</b> (annual %) 2001 a/	7
<b>Local currency</b>	Brazilian Real (BRL)	<b>Exchange rate:</b> USD 1 =	BRL 2.8
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1995-2001 a/	1.3	GDP (USD million) 2001 a/	502 509
Crude birth rate (per thousand people) 2001 a/	19	Average annual rate of growth of GDP a/ -1981-1991	2.9
Crude death rate (per thousand people) 2001 a/	7	-1991-2001	2.9
Infant mortality rate (per thousand live births) 2001 a/	31	Sectoral distribution of GDP 2001 a/	
Life expectancy at birth (years) 2001 a/	68	-% agriculture	9
Number of rural poor (million) (approximate) a/	n/a	-% industry	34
Poor (as % of total rural population) a/	n/a	-% manufacturing	21
Total labour force (million) 2001 a/	80.68	-% services	57
Female labour force (as % of total) 2001 a/	36	Consumption 2001 a/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	20
School enrolment, primary (% gross) 2001 a/	162 b/	Household final consumption expenditure, etc. (as % of GDP)	60
Adult illiteracy rate (% age 15 and above) 2001 a/	13	Gross domestic savings (as % of GDP)	20
<b>Nutrition</b>		<b>Balance of Payments</b> (USD million)	
Daily calorie supply per capita, 1997 c/	2 974	-Merchandise exports 2001 a/	58 223
Malnutrition prevalence, height-for-age (% of children under 5) 2001 d/	11 b/	-Merchandise imports 2001 a/	58 265
Malnutrition prevalence, weight-for-age (% of children under 5) 2001 d/	6 b/	-Balance of merchandise trade	-42
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2001 a/	8 b/	-before official transfers 2001 a/	-25 145
Physicians (per thousand people) 2001 a/	n/a	-after official transfers 2001 a/	-23 211
Population using improved water sources (%) 2000 d/	87	Foreign direct investment, net 2001 a/	24 895
Population with access to essential drugs (%) 1999 d/	0-49	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 2000 d/	76	Overall budget balance (including grants) (as % of GDP) 2001 a/	-8 a/
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2001 a/	27 a/
Food imports (% of merchandise imports) 2001 a/	6	Total external debt (USD million) 2001 a/	226 362
Fertilizer consumption (hundreds of grams per ha of arable land) 2000 a/	1 397	Present value of debt (as % of gross national income) 2001 a/	49
Food production index (1989-91=100) 2001 a/	151	Total debt service (% of exports of goods and services) 2001 a/	75
Cereal yield (kg per ha) 2001 a/	3 095	Lending interest rate (%) 2001 a/	58
<b>Land Use</b>		Deposit interest rate (%) 2001 a/	18
Arable land (as % of land area) 2000 a/	6		
Forest area (as % of total land area) 2000 a/	63		
Irrigated land (as % of cropland) 2000 a/	4		

a/ World Bank, World Development Indicators database CD ROM 2003.

b/ Data are for years or periods other than those specified.

c/ UNDP, *Human Development Report, 2000*.

d/ UNDP, *Human Development Report, 2003*.

**PREVIOUS IFAD FINANCING IN BRAZIL**

<b>Project Name</b>	<b>Initiating Institution</b>	<b>Cooperating Institution</b>	<b>Lending Terms</b>	<b>Board Approval</b>	<b>Loan Effectiveness</b>	<b>Current Closing Date</b>	<b>Loan/Acronym</b>	<b>Currency</b>	<b>Approved Loan Amount</b>	<b>Disbursement (as % of approved amount)</b>
Ceara Second Rural Development Project	World Bank	World Bank	O	4 Dec 80	17 Jun 81	31 Dec 87	L-I-51-BR	SDR	15 600 000	80%
Low-Income Family Support Project in the Semi-Arid Region of Sergipe State	IFAD	UNOPS	O	2 Dec 93	16 Oct 95	30 Jun 03	L-I-344-BR	SDR	12 900 000	100%
Community Development Project for the Rio Gaviao Region	IFAD	UNOPS	O	7 Dec 95	3 Dec 96	30 Jun 06	L-I-404-BR	SDR	13 500 000	87%
Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East	IFAD	IFAD	O	3 Dec 98	21 Dec 00	31 Dec 05	L-I-494-BR	SDR	17 800 000	19%

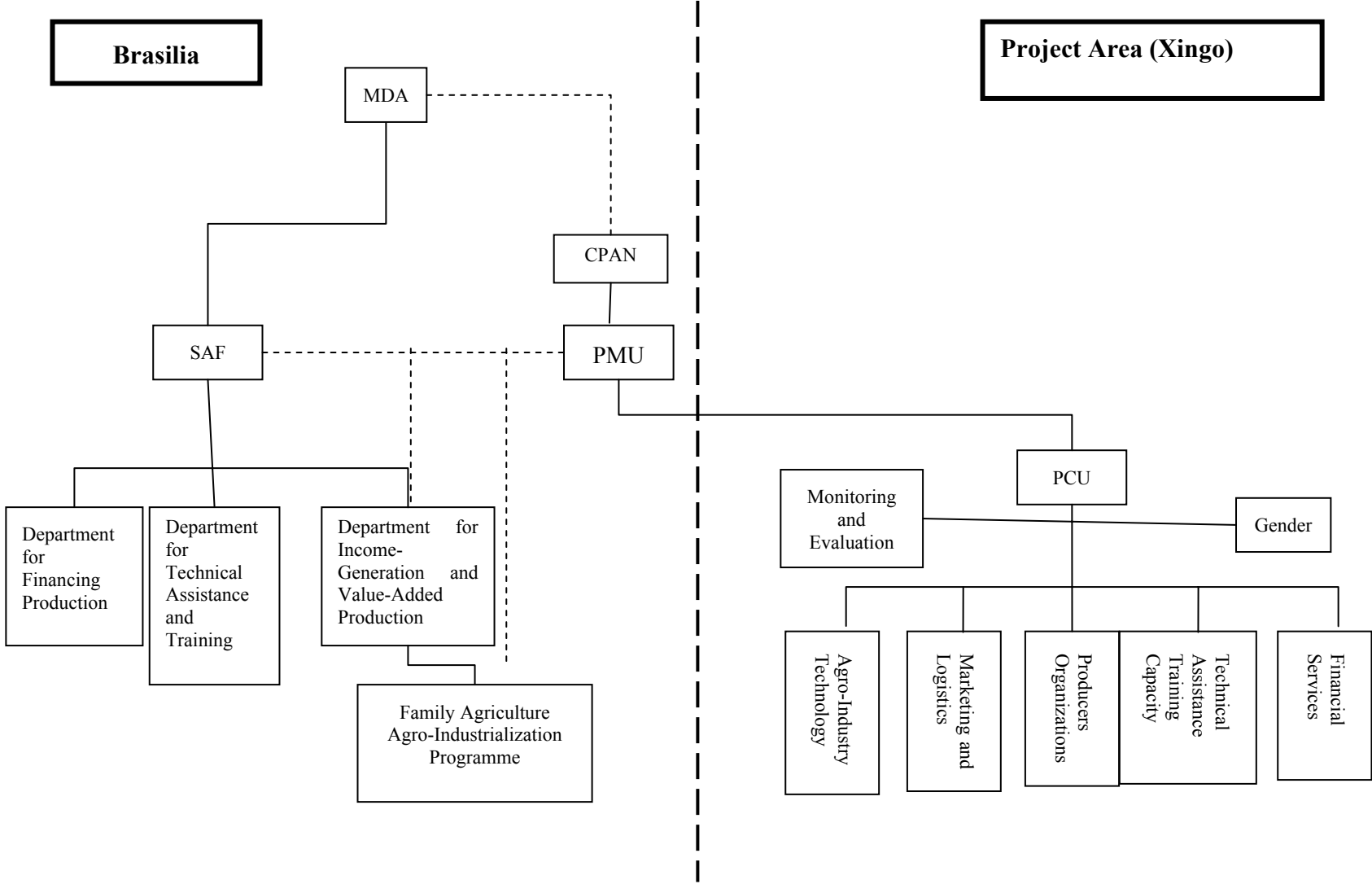
UNOPS = United Nations Office for Project Services.

## MARCO LÓGICO

Objetivos	Indicadores	Medios de Verificación	Supuestos
<p><b>Objetivo de Desarrollo</b> Se han reducido los niveles de pobreza e inequidad de la población pobre del semiárido del Nordeste</p>	<ul style="list-style-type: none"> <li>• Los niveles de pobreza rural se reducen en un 50% hasta el año 2015.</li> <li>• El Índice de Desarrollo de Género aumenta de acuerdo a las metas nacionales de desarrollo (para el año 2015).</li> </ul>	<ul style="list-style-type: none"> <li>• Encuesta de hogares</li> <li>• Estudios sobre las metas del milenio</li> </ul>	
<p><b>Objetivos del proyecto</b></p> <p>Los pobres rurales mejoran sus capacidades de negocios/organizacionales y aumentan sus ingresos mediante:</p> <ul style="list-style-type: none"> <li>• La inserción sustentable y rentable de microempresas rurales vinculadas en el mercado;</li> <li>• El uso y manejo de recursos financieros;</li> <li>• Incorporando a las mujeres pobres rurales en la economía local y apoyando para mejorar los desequilibrios de género;</li> </ul>	<ul style="list-style-type: none"> <li>• Cerca de 20 000 pobres rurales se benefician de financiamientos y servicios rurales del Programa, siendo el 40% mujeres y un 15% jóvenes.</li> <li>• Las actividades rentables de hombres y mujeres (orientadas al mercado) incrementan los ingresos en al menos el 50% de los hogares rurales pobres.</li> <li>• 5 000 mujeres están en condiciones de operar sus propios negocios.</li> <li>• 15 empresas de asistencia técnica de apoyo a microempresas y 2 intermediarios financieros operando permanentemente en el área del Proyecto con un enfoque de equidad de género.</li> <li>• Se generan 40 000 nuevos puestos de trabajo</li> <li>• Aproximadamente un 60% de las mujeres microempresarias acuden a servicios de apoyo de cuidado de niños mientras laboran.</li> <li>• El 60% de las microempresas apoyadas incluyen medidas de sostenibilidad ambiental.</li> <li>• 60% de reducción de la prevalencia de desnutrición en niños (peso por edad) en las familias de beneficiarios.</li> <li>• 60% de hogares aumentan sus activos de capital.</li> </ul>	<ul style="list-style-type: none"> <li>• Censos y estudios</li> <li>• Estudio de base</li> <li>• Informes de SyE</li> <li>• Estudios de impacto</li> <li>• Contratos de negocios</li> <li>• Información generada para RIMS, medio término y final</li> </ul>	<ul style="list-style-type: none"> <li>• Se agilizan los mecanismos de intermediación entre la institucionalidad de gobierno (Estado Federal, Estado y Municipios) y la sociedad civil.</li> </ul>
<p><b>Producto (resultado) 1: Servicios Técnicos de Apoyo</b></p> <p><b>1.1 Promoción e identificación de negocios</b></p> <ul style="list-style-type: none"> <li>• Las empresas existentes y las nuevas consolidan su organización y se orientan a negocios</li> <li>• En Municipios operan Comités Gestores de Desarrollo y redes de negocios</li> </ul> <p><b>1.2 Asistencia Técnica</b></p> <ul style="list-style-type: none"> <li>• Los beneficiarios/as organizados adquieren capacidades productivas y de gestión</li> <li>• El enfoque de género se incorpora en las actividades de apoyo a los grupos microempresariales</li> </ul>	<ul style="list-style-type: none"> <li>• En al menos 80 municipios existe un convenio de cooperación con el Proyecto para el desarrollo de microempresas</li> <li>• 80% de las microempresas grupales y familiares recién constituidas (nuevas) cuentan con buena gestión administrativa y están aptas para la aprobación a solicitudes de créditos</li> <li>• 70% de los Municipios estructuran redes de emprendimientos microempresariales</li> <li>• La membresía de mujeres en las microempresas de acumulación crece en 40%.</li> <li>• 80% de las microempresas grupales y familiares reciben servicios privados de asistencia técnica.</li> <li>• Los servicios de las empresas incluyen elementos de impacto ambiental</li> <li>• 80% de las microempresas han mejorado la calidad de sus productos y los precios y volúmenes de venta</li> </ul>	<ul style="list-style-type: none"> <li>• Estudio de base</li> <li>• Estudios de impacto.</li> <li>• Informes de evaluación</li> <li>• Reportes de SyE</li> <li>• Contratos de negocios</li> </ul>	<ul style="list-style-type: none"> <li>• Los municipios tienen condiciones técnicas y financieras para apoyar el desarrollo de foros y redes de negocios</li> <li>• Las condiciones para el acceso a los mercados locales y nacionales son favorables</li> </ul>

Objetivos	Indicadores	Medios de Verificación	Supuestos
<p><b>Producto 2: Servicios Financieros</b></p> <ul style="list-style-type: none"> <li>• Los microempresarios hombres y mujeres se vinculan sistemáticamente a los servicios financieros de los programas públicos y privados de financiamiento al pequeño productor que operan en el Nordeste.</li> </ul>	<ul style="list-style-type: none"> <li>• 20 cooperativas de ahorro y crédito (entidades financieras locales) se han instalado en las microrregiones en que opera el Proyecto.</li> <li>• 80% de las microempresas apoyadas reciben créditos de PRONAF</li> <li>• 3 500 mujeres y 6 500 hombres de las microempresas apoyadas son ahorrantes en las cooperativas de ahorro y crédito instaladas</li> <li>• 3 500 mujeres y 6 500 hombres de las microempresas apoyadas son prestatarios de las cooperativas de ahorro y crédito instaladas.</li> <li>• 15 cooperativas de ahorro y crédito que operan para el Proyecto alcanzan sostenibilidad operativa.</li> </ul>	<ul style="list-style-type: none"> <li>• Estudio de base</li> <li>• Informes de evaluación de efectos e impactos.</li> <li>• Reportes de SyE.</li> <li>• Planes elaborados.</li> <li>• Archivos de las cooperativas de ahorro y crédito</li> </ul>	<ul style="list-style-type: none"> <li>• PRONAF agiliza los mecanismos de traspaso de recursos financieros a las entidades intermediarias</li> </ul>
<b>Actividades por Componentes</b>			
<p><b>Servicios Técnicos de Apoyo</b> <b>1.1 Promoción y organización</b></p> <ul style="list-style-type: none"> <li>• Elaboración de Agenda Municipal de Desarrollo y firma de Pacto de Desarrollo</li> <li>• Elaboración de Agenda de Desarrollo Microrregional y firma de Pacto de Desarrollo</li> <li>• Fortalecimiento de la oferta de servicios técnicos</li> <li>• Promoción del proyecto e identificación de ideas y oportunidades de negocios</li> <li>• Selección de empresas y grupos beneficiarios</li> <li>• Elaboración de diagnósticos y planes de negocios y solicitudes de crédito</li> <li>• Promoción de contactos comerciales para facilitación del mercadeo</li> <li>• Fortalecimiento organizacional en empresas existentes de subsistencia y en nuevas empresas</li> </ul> <p><b>1.2 Asistencia Técnica</b></p> <ul style="list-style-type: none"> <li>• Apoyo técnico (tecnología, mercadeo, gestión empresarial)</li> <li>• Implementación de planes de negocios</li> </ul>	<p><b>Servicios Financieros</b></p> <ul style="list-style-type: none"> <li>• Vinculación entre entidades financieras participantes en PRONAF y usuarios a nivel local</li> <li>• Capacitación del personal bancario, modalidades y mecanismos de crédito del PRONAF</li> <li>• Capacitación a usuarios uso y manejo del crédito</li> <li>• Solicitud de créditos</li> <li>• Constitución de Fondos de Aval</li> <li>• Apoyo para el fortalecimiento de Fondos de Aval</li> <li>• Exploración y contacto con el sistema financiero local no-bancario</li> <li>• Fortalecimiento de cooperativas de ahorro y crédito</li> <li>• Consolidación de un sistema financiero rural</li> </ul>	<p><b>Acciones de Género</b></p> <ul style="list-style-type: none"> <li>• Capacitación a técnicos de empresas prestadoras de servicios técnicos</li> <li>• Sensibilización a autoridades locales</li> <li>• Capacitación en liderazgo a mujeres de microempresas grupales</li> <li>• Asesorías técnicas</li> <li>• Identificación e inversión en acciones de alivio a las tareas domésticas</li> <li>• Convenios con municipios y gobiernos estatales para brindar servicios de guardería infantil a las microempresarias madres de hijos menores de 6 años</li> </ul>	<p><b>Seguimiento y Evaluación</b></p> <ul style="list-style-type: none"> <li>• Crear sistema que vincule el Sistema de seguimiento y evaluación del Proyecto con los instrumentos de monitoreo de PRONAF</li> <li>• Establecer y aplicar encuesta de Estudio de Base</li> <li>• Establecer los indicadores de seguimiento y evaluación</li> <li>• Montar el sistema de seguimiento y evaluación</li> <li>• Capacitar a asistentes técnicos y promotores de negocios en metodologías de monitoreo de las acciones de apoyo a beneficiarios.</li> </ul>

ORGANIZATIONAL CHART



## LA ESTRATEGIA DE GÉNERO EN EL NORDESTE DEL BRASIL

1. **Estrategia de género.** La estrategia tendiente a superar los problemas de la pobreza rural mediante el desarrollo y/o consolidación de negocios de pequeña escala o microempresas incorpora los aspectos de género como un enfoque transversal y coherente con el propósito de posibilitar un acceso equitativo por parte de hombres y mujeres, adultos y jóvenes, a todos los servicios y decisiones relacionados con los servicios del proyecto. La estrategia reconoce la heterogeneidad de arreglos y estructuras familiares existentes. La estrategia diferenciada prevé: i) analizar la división del trabajo; ii) favorecer la incorporación y participación efectiva de las mujeres y los jóvenes en los negocios; iii) definir cuotas de participación de mujeres y jóvenes en cursos especializados y, una oferta de servicios atenta a las restricciones y características específicas de los negocios que desarrollan las mujeres y los jóvenes.
2. **Aspectos de género en la zona del proyecto.** Las mujeres participan y en muchos casos se encargan de la generación de una parte relevante del ingreso familiar en el trabajo productivo y asisten a las reuniones comunitarias, pero sus actividades se perciben como circunscritas a la esfera doméstica, su trabajo de producción hortícola o de cría de animales menores es considerado “no productivo”, así como su participación en labores de preparación de suelos, siembra, cosecha y procesamiento es referida como una “ayuda”.
3. Las condiciones de pobreza de la población-objetivo del proyecto son particularmente críticas para los segmentos de las mujeres y jóvenes. En el área del Proyecto, un efecto visible de este proceso es la exclusión progresiva y persistente de los segmentos más pobres, agudizando disparidades de género, etáreas y entre zonas geográficas. Se han profundizado las relaciones desiguales entre capital, fuerza de trabajo y procesos de producción, acelerando un proceso de diferenciación social y productiva en detrimento de las mujeres y de los jóvenes. Los jóvenes y las mujeres del área del Proyecto son los segmentos más frágiles y siguen enfrentándose a múltiples obstáculos para mejorar su posición, contribuir al desarrollo y obtener ventajas de éste. El acceso desigual por parte de las mujeres y jóvenes a los recursos y al mercado del trabajo caracteriza su situación y determina su dificultad en acceder a los programas de desarrollo y a la toma de decisiones en los espacios de representación.
4. Es el caso del programa de reforma agraria, que presenta graves asimetrías de género, las mujeres catastradas corresponden sólo a un 12,6% del total. A pesar de que la legislación brasileña no excluye ni discrimina a estos segmentos las actitudes burocráticas de las instituciones encargadas de seleccionar a los beneficiarios y catastrarlos los excluyen sistemáticamente del beneficio. Ello por dos razones principales: en primer lugar porque la oferta pública de políticas y de programas para el sector rural está dirigida a la familia y, en segundo lugar, porque las actitudes de mujeres y hombres en las zonas rurales refuerzan estereotipos tradicionales respecto del acceso y participación de mujeres y jóvenes. La imposibilidad de acceder a la propiedad de la tierra impide la representación por parte de mujeres y jóvenes en los sindicatos, organizaciones y cooperativas.
5. Los aspectos de género tienen especial relevancia en este proyecto centrado en el desarrollo de emprendimientos rurales, actividad que puede ofrecer interesantes opciones de generación de ingreso para mujeres y jóvenes. La importante experiencia específica acumulada en los proyectos Prosertao y Pro-Gavião será ampliada y fortalecida mediante la aplicación del enfoque de género en todas las acciones del proyecto, así como con actividades específicas que permitan la plena equidad de género. El proyecto contemplará mecanismos de inclusión y representación de mujeres y jóvenes, de manera tal que las demandas de desarrollo local no resulten sesgadas y excluyentes. En el caso de la metodología de Desarrollo Local Integrado Sostenible (DLIS), se incorporarán criterios que aseguren la participación de mujeres y jóvenes en los foros, así como el levantamiento de sus propias demandas. Se tomará en cuenta el carácter multisectorial y segmentado de las actividades de la economía familiar que necesita una amplia gama de propuestas de apoyo. La estrategia de

focalización para los más pobres contará con instrumentos que permitan ofrecer opciones de generación de ingresos a grupos de beneficiarios que no tienen acceso a los instrumentos normales de crédito y a los servicios de apoyo. El enfoque de género buscará potenciar las oportunidades de participación más equitativas e igualitarias entre hombres y mujeres pobres del medio rural.

6. Para promover la incorporación de mujeres y jóvenes el proyecto, reconociendo la heterogeneidad de arreglos y estructuras familiares existentes establecerá en los POA resultados anuales específicos a lograrse con mujeres y con jóvenes, definirá metas anuales de atención directa a mujeres y jóvenes en cada componente, apuntando a una meta de incorporación de beneficiarios de los cuales el 40% sean mujeres y el 15% jóvenes.

7. **Emprendimiento Juvenil y género.** El Proyecto desarrollará esfuerzos específicos para incorporar a los jóvenes al proceso de planificación del desarrollo municipal y para fortalecer sus capacidades emprendedoras, mediante la implementación de un programa de Emprendimiento Juvenil<sup>1</sup>. El Programa de Emprendimiento Juvenil (PEJ) formará adolescentes con el objetivo de sensibilizarlos sobre el desarrollo local e incentivarlos a permanecer en el municipio participando en la gestión del desarrollo. Consiste en la capacitación y acompañamiento de los jóvenes a través de instructores y tutores/promotores. Los primeros son educadores que transmiten a los adolescentes contenidos específicos relacionados con la participación ciudadana y la capacidad emprendedora. Los adolescentes serán seleccionados mediante una convocatoria abierta realizada por los Comités Gestores Municipales. Los postulantes son jóvenes que deberán tener entre 14 y 19 años, que provengan de una familia pobre rural, que se encuentren cursando o hayan terminado sus estudios secundarios y que cuenten con el apoyo de sus comunidades. Se tratará de que las condiciones para el acceso se ajusten a los requisitos establecidos por la línea de crédito PRONAF JOVEM a fin de facilitar su acceso al financiamiento para implementar iniciativas de negocios.

8. **Género. Restricciones y limitaciones para el desarrollo de microempresas encabezadas por mujeres.** Factores ligados a la dedicación al trabajo doméstico y reproductivo impiden a las mujeres pobres rurales transformar sus pequeños negocios de subsistencia y de permanente inestabilidad en formas más empresariales y sostenibles. El mayor obstáculo para el desarrollo de microempresas rurales de mujeres pobres está casi siempre ya definido en el momento de la selección del rubro o actividad: la mayor parte de las microempresas de mujeres se dedican a actividades “compatibles” con su rol doméstico y con fracciones de tiempo. Factores externos como acceso al crédito, a la capacitación, el tiempo destinado al entrenamiento y mejoramiento técnico y empresarial, están entre los elementos que limitan el desarrollo económico de las microempresas de mujeres.

9. Es necesario reconocer la heterogeneidad de arreglos y estructuras familiares que se dan, especialmente en función de los microempresas. En algunos casos, todos los integrantes de un hogar participan o están incorporados en todos los ámbitos de la producción o gestión de un negocio “familiar” (Ej. Producción de leche de cabra y venta de queso). En otro tipo de actividades o negocios, sólo participan las mujeres de la familia (ciertas artesanías) o sólo los jóvenes (producción de miel). La participación depende de: i) la naturaleza del negocio (sus exigencias productivas); ii) la estructura familiar; iii) la importancia que tenga la actividad microempresarial dentro de la estrategia de generación de ingreso; y iv) el grado de dotación de recursos, capital y la posibilidad de incorporar innovaciones técnicas.

10. **El Proyecto propone incorporar los aspectos de género:** i) propiciar la equidad de hombres y mujeres en el acceso a todos los servicios del Proyecto, ii) aplicar metodologías de diagnóstico de las microempresas que tomen en cuenta enfoque de género, iii) desarrollar asesorías focalizadas y atentas a la heterogeneidad de roles, iv) apoyar e incentivar la participación efectiva de los usuarios hombres y mujeres, adultos y jóvenes, en las organizaciones de productores, en los foros y en todos los

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<sup>1</sup> Metodología de Protagonismo Juvenil desarrollada por SEBRAE y aplicada en Xingó.

procesos de toma de decisiones. El Proyecto puede utilizar como guía el Manual de Diagnóstico con Enfoque de Género que produjo y utilizó el Proyecto Prosertao financiado por el FIDA, en Sergipe.

11. Las principales acciones del Proyecto para aplicar el enfoque de género son:

- **Capacitación.** i) para facilitadores municipales y promotores; ii) para técnicos de campo; iii) Sensibilización en género a autoridades locales; iv) capacitación especializada en liderazgo para mujeres. La capacitación en género a facilitadores, promotores y a los técnicos de campo será contratada una entidad experta en el tema de género y desarrollo rural, así como también la formación en liderazgo a mujeres microempresarias.
- **Identificación y caracterización de los usuarios.** Diagnóstico pormenorizado que identifique y caracterice los potenciales beneficiarios directos (hombres, mujeres y jóvenes): a) microempresarios preexistentes –individuales o asociados<sup>2</sup> (micro o pequeña escala) y b) nuevos grupos o individuos con ideas de negocios (con ideas precisas o grupos de interés), considerando sus restricciones y potencialidades para el desarrollo de sus negocios.
- **Establecimiento de línea base y sistema de seguimiento.** El diseño de un sistema de seguimiento y evaluación, así como de un sistema de registro del proyecto tomará datos desagregados por sexo, incorporando algunos indicadores de género en concordancia con el Marco Lógico del Proyecto.
- **Visualizar y valorizar el aporte de mujeres y hombres al ingreso familiar** para los cual se diseñará un instrumento que recopilará información sobre la carga de trabajo y el aporte en jornadas y monetario de mujeres y hombres al ingreso. Desarrollo de un análisis del impacto de estos aportes en la generación de ingreso. Desarrollo de una metodología para validar este aporte monetario.

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<sup>2</sup> Productor individual: Individuo que opta por articular su producción en forma individual con el mercado de forma directa o como proveedor de empresas. Productor asociado: Grupo de personas que voluntariamente optan por formar una empresa asociada formal para desarrollar sus negocios.



