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Enabling poor rural people  
to overcome poverty

## **Federal Republic of Brazil**

### **Country strategic opportunities programme**

Executive Board — Ninety-fourth Session  
Rome, 10-11 September 2008

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For: **Review**

## **Note to Executive Board Directors**

This document is submitted for review by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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## Abbreviations and acronyms

CAF	Andean Development Corporation
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPM	country programme manager
Embrapa	Brazilian Agricultural Research Corporation
ENRAP	Knowledge Networking for Rural Development in Asia/Pacific Region
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
IICA	Inter-American Institute for Cooperation on Agriculture
INSA	National Institute for Semi-Arid (of the Ministry of Science and Technology)
M&E	monitoring and evaluation
MCT	Ministry of Science and Technology
MDA	Ministry of Agrarian Development
MERCOSUR	Common Market of the South
PREVAL	Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty Alleviation Projects in Latin America and the Caribbean
PRONAF	National Programme for the Strengthening of Family Agriculture
REAF	Commission on Family Farming (of MERCOSUR countries)
SEAIN	Secretariat for International Affairs (of the Ministry of Planning, Budget and Management)
SEBRAE	Brazilian Service of Support for Micro and Small Enterprises
SO	strategic objective

# Map of IFAD operations in the country

## Brazil

IFAD-financed ongoing activities



 The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
 IFAD Map compiled by IFAD

## Summary of country strategy

1. The present country strategic opportunities programme (COSOP), the product of a broad-based consultation process in Brazil, has benefited from the institutional experience of, and discussions within, IFAD. In designing the COSOP, account was taken of lessons learned from former and ongoing IFAD projects in the country, and, in that sense, it expresses the approaches, visions and definitions shared by the Government of Brazil and IFAD. Due consideration was also given to the poverty and institutional analyses that were carried out and the opportunities for partnerships identified during the design stage.
2. The COSOP addresses the following main issues:
  - Investment projects will be focused at the state level and new loans will be agreed between IFAD and the state governments with the guarantee of the Federal Government.
  - The focus will remain on the north-east, although the possibility will be explored of working in other regions of the country in future.
  - Knowledge management and policy dialogue are priorities. Knowledge management will focus on information and technologies so as to take advantage of the productive potential of the semi-arid north-east. Regarding policy dialogue, IFAD will concentrate its efforts on cooperation with the Federal Government.
3. Projects and non-project activities to be undertaken during COSOP implementation will pay particular attention to the major challenge currently facing Brazil's rural poverty policy: breaking the vicious cycle of poverty that is perpetuated by the lack of sustainable sources of income and employment for the rural poor.
4. To achieve these goals, the following strategic objectives have been formulated:
  - **Strategic objective 1:** To increase commercial agricultural production by small farmers, with corresponding access to markets under rewarding and sustainable conditions.
  - **Strategic objective 2:** To improve access by the rural poor to off-farm employment and business activities in rural areas and villages, focusing on women and young people.
  - **Strategic objective 3:** To improve, through knowledge generation and dissemination, the capacity of the rural poor and of relevant institutions in the north-east to co-exist with semi-arid conditions, adapt to climate change and better exploit the development potential of the semi-arid region.
  - **Strategic objective 4:** To deepen the discussion on rural poverty reduction and family farming policies at national and international levels.
5. IFAD will seek to set up an office in Brazil to strengthen its presence in the country, enhance relationships with stakeholders and contribute to achieving the COSOP's strategic objectives. Through this office, IFAD would maintain a day-to-day interaction with the projects and closely follow up on knowledge management and policy dialogue activities. IFAD would also increase its commitment to project execution through direct supervision of ongoing and new projects.
6. Partnership-building is a priority in this COSOP. In this regard, IFAD will pay particular attention to partnerships with government agencies at federal and state levels, civil society organizations, other international cooperation agencies working in Brazil, academic and research organizations, and the private sector.



# Federal Republic of Brazil

## Country strategic opportunities programme

### I. Introduction

1. More than ten years have elapsed since the first country strategic opportunities paper for Brazil was prepared in 1997. Between April and November 2007, IFAD carried out an evaluation of its country programme in Brazil, covering the ten years since the first country strategic opportunities paper was prepared. This second country strategic opportunities programme (COSOP) has largely benefited from the findings of the country programme evaluation (CPE), which were discussed with stakeholders during a workshop held in Salvador, Bahia, in November 2007. That seminar initiated the design of this COSOP in such a way that the CPE and COSOP design were steps of the same process. This COSOP describes the agreement reached with the Government on IFAD's programme in Brazil over the next five years (2008-2012). The consultation process for COSOP design consisted of: (i) discussion of the CPE at the Salvador workshop; (ii) preparation of nine working papers to serve as inputs; (iii) preparation of an issues paper; (iv) a country mission in January 2008 by the COSOP preparation team,<sup>1</sup> which visited Brasilia, Rio de Janeiro, São Paulo, and six states of the north-east; (v) a workshop in Brasilia jointly organized in February 2008 by the Secretariat for International Affairs (SEAIN) of the Ministry of Planning, Budget and Management and IFAD to discuss a preliminary version of the COSOP with stakeholders; (vi) short reconnaissance missions to three states of the north-east; (vii) preparation of a draft COSOP by the design team and comments by independent peer reviewers; and (viii) finalization of the COSOP and its validation by the Government of Brazil, IFAD Management and the Executive Board (details of this process are given in appendix I).

### II. Country context

#### A. Economic, agricultural and rural poverty context

##### Country economic background

2. With a land area of 8.5 million km<sup>2</sup>, a population of 189.3 million (2007) and a GDP close to US\$1,300 billion, Brazil is the largest and most populated country in Latin America. It is also one of the world's richest countries in terms of natural resources, having vast tracts of fertile cropping lands and natural forests, abundant water sources, striking biodiversity, abundant natural gas and oil reserves, rich fisheries, a variety of mining deposits, a talented and hardworking population, and a highly educated elite. With a GNI per capita of US\$4,710 in 2006 (World Bank. Atlas Conversion Factor), Brazil is one of Latin America's nine upper middle-income countries. However, inequality and exclusion are two of the most serious problems affecting the country and they determine the situation in regions such as the north-east, where the poverty level and human development index ranking are comparable with those of the poorest countries of Latin America.
3. Overall macroeconomic conditions have been favourable since the mid-1990s, with moderate inflation rates (4.5 per cent in 2007), high reserves (US\$188 billion in January 2008), balance of payments surpluses (1.3 per cent of GDP in 2006), and strong capital inflows. The GDP grew at an annual average of 2.4 per cent in 2000-2003 and 4.5 per cent in 2004-2007, accompanied by improvements in income distribution. However, structural and short-term problems continue to stifle economic growth. The main structural problems are insufficient innovation; infrastructure bottlenecks, particularly in the energy and transport and communications sectors; and a low investment rate (especially when compared with

<sup>1</sup> José María Caballero, Antônio Buainain, Octavio Damiani, Estela Neves and Iván Cossio.

other emerging economies), although this rate continues to grow at an annual average of 8.5 per cent. Main short-term problems relate to the level of interest rates, very high by international standards, and an exchange rate that has not stopped appreciating since the strong depreciation of 2002. Interest rates have been influenced by the recent international inflation that has reduced the impact of a policy aimed at decreasing the rates; even so, Brazil ranks high on the investment scales of international agencies, with foreign direct investment totalling more than US\$33 billion in 2007.

4. The country has a Federal Government and is composed of a federal district, 26 states and 5,564 municipalities; for planning and statistical purposes, it is divided into five macro-regions characterized by significant differences in population, size, economic activity and living conditions. The south and south-east regions register the best social indicators, while the north-east and north regions show serious deficits in living standards.
5. Over the last 15 years, Brazil's economy and society have experienced many important changes associated with structural reforms launched at the beginning of the 1990s. However, the scope of such changes goes beyond the economy, for the pillars of change were monetary stabilization – which laid the foundations of today's sound macroeconomic situation – and greater democracy, which brought new and positive institutional rules. Since the election of President Lula in November 2002, Brazil has consolidated democracy while keeping the stabilization agenda. There has also been an expansion of the social agenda, with an escalation to unprecedented levels of federal fund allocations to new and existing social programmes. In addition, the Growth Acceleration Programme (PAC), launched by the Government in 2007 with a view to accelerating GDP growth, defines a set of public investments aimed at removing infrastructure bottlenecks that restrict private investments, increase systemic costs and reduce competitiveness.

#### **Agriculture and rural poverty**

6. Although agriculture's share of GDP is only about 7 per cent, it constitutes a significant source of export earnings and employment in Brazil, accounting for 28 per cent and 21 per cent, respectively.<sup>2</sup> Agriculture has grown rapidly over the last two decades, with agricultural output increasing by 47 per cent between 1990 and 2000, and 30 per cent between 2000 and 2006 (agricultural production index of the Food and Agriculture Organization of the United Nations [FAO]). The areas cultivated and the production of all main crops – sugar cane, soybeans, maize, oranges, rice, cotton, coffee, tobacco and cocoa – have grown, as has the production of animal products (mainly poultry, pork and beef), of which Brazil is a leading world producer. Rural off-farm incomes have also risen, with 30 per cent of the rural population engaged in non-agricultural employment as their main occupation (2000 population census). The agricultural sector now faces a double challenge: to maintain a balance between agricultural growth and environmental protection; and to promote social inclusion by improving the conditions of agricultural wage workers and involving the poor, family-farm sector in the growth trend.
7. Family agriculture<sup>3</sup> is important in Brazil,<sup>4</sup> accounting for 85 per cent of farms, 30 per cent of the farming area, 38 per cent of output and 50 per cent of agricultural investment, and employing 14 million people on more than 4 million farms. Half of those employed in family farming are in the north-east. Family farm conditions vary, but there is a prevalence of small, poor farms with incomes below the opportunity cost of labour on the labour market. More than half of all output is for self-consumption, and there is a lack of specialization.

<sup>2</sup> Averages for 2003-2005, available in the World Bank's World Development Report, 2008.

<sup>3</sup> "Family agriculture" is the term used in Brazil for the peasant farming sector.

<sup>4</sup> Technical Cooperation Project, National Institute for Colonization and Agrarian Reform (INCRA)/FAO: "Novo Retrato da Agricultura Familiar. O Brasil Redescoberto". INCRA 2000

8. In 2007, the population of Brazil was estimated at 189.3 million. According to the 2000 population census, 19 per cent of the population was rural:<sup>5</sup> therefore, the country must now have some 35 million rural inhabitants. The north-east is the second macro-region in terms of population (after the south-east) with around 51.5 million inhabitants, of whom some 16 million are rural. Most live in remote areas and small rural towns.
9. Poverty is widespread in Brazil, particularly in the rural areas and in the north-east, which has the highest incidence of poverty. In 2004, 7.5 per cent of the population was earning less than a dollar a day, and those earning less than two dollars a day accounted for 21.2 per cent. This ranks Brazil eighth among Latin American countries under this welfare indicator – below Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Panama and Uruguay.<sup>6</sup> Using consumption as a welfare indicator,<sup>7</sup> table 1 shows wide differences in poverty levels between the rural and urban areas, and between the north-east and Brazil as a whole.

Table 1  
**Brazil: Poverty incidence, 2002-2003**  
 (Percentage)

<i>Regions</i>	<i>Extreme poverty line</i>	<i>Upper poverty line</i>
<b>Brazil</b>		
National	8.5	52.8
Urban	6.0	50.0
Rural	20.6	66.3
<b>North-east</b>		
Urban	15.3	64.9
Rural	30.6	76.3

Source: World Bank (2007:42). Based on the 2002-2003 National Household Survey (POF).

10. Over the last 20 years, the federal and state governments have poured enormous resources into poverty reduction programmes. That the results have been unequivocally positive is demonstrated by the fact that levels of poverty and inequality have fallen consistently in recent years. According to National Household Survey data, in 2001-2005, the incidence of income poverty fell from 38.6 per cent to 34.1 per cent and that of extreme poverty from 17.4 per cent to 13.2 per cent; in the same period, the Gini index of income inequality fell from 59.3 to 56.6.<sup>8</sup> The main contributing factors for these reductions were: (i) government transfers, including pensions and conditional cash transfers (such as the *Bolsa Familia* [Family Allowance] programme); (ii) income gains thanks to improved education standards; (iii) fewer problems and discrimination in labour markets; and (iv) minimum wage increases (Paes de Barros et al, 2007).
11. Unemployment is higher among rural women (12.1 per cent) than men (9.6 per cent). Women more frequently find themselves in the position of single parents with children, and in these cases the incidence of poverty is high (75 per cent in the north-east). As far as education is concerned, however, women do no worse than men and thus the literacy rate is equal for both sexes (88 per cent), as is the rate for primary school completion. Contrary to what is usually believed, there is not a high correlation between colour and poverty among the rural population in the north-east, although the proportion of *pardos* (multiracial Brazilians) is somewhat higher among the poor compared with the non-poor (71 per cent vs. 67 per cent);

<sup>5</sup> The rural population in Brazil refers to those who have settled outside the boundaries of urban areas delimited by municipal governments.

<sup>6</sup> World Bank, World Development Report, 2008. Survey years vary among countries.

<sup>7</sup> World Bank, Brazil: Measuring Poverty Using Household Consumption. Report No. 36358-BR. January 10, 2007.

<sup>8</sup> Ricardo Paes de Barros et al: *Desigualdade de Renda no Brasil: um análise da queda recente*. Institute for Applied Economic Research (IPEA), Rio de Janeiro, 2007.

that of whites is somewhat higher among the non-poor (28 per cent vs. 24 per cent). Some 87 per cent of the indigenous population is poor.

12. Non-agricultural incomes are significant in rural areas, as illustrated in table 2, which shows the distribution of income shares for rural families in the north-east. This points to the expansion of rural off-farm incomes as an important means of reducing poverty, particularly among the landless.

Table 2

**Brazilian north-east: Rural income shares by source (and consumption)**

Quintile 1996-1997

Quintile	Farm		Off-farm
	Farming	Wage labour	
Bottom	36.3	39.1	24.6
2 <sup>nd</sup>	50.1	23.9	26.0
3 <sup>rd</sup>	62.1	6.4	31.5
4 <sup>th</sup>	56.0	9.6	34.4
5 <sup>th</sup>	62.3	2.1	35.6

Source: World Bank (2003:178).

13. In spite of recent progress, rural poverty levels remain high. The main problems facing small farmers are limited access to agricultural resources such as arable land and other assets; poor infrastructure; inadequate support services; institutional and organizational deficiencies; and little or no education, which limits the farmers' ability to innovate or secure gainful employment outside farming. The farmers find it hard to enter dynamic markets owing to their difficulty in providing reliable supplies of standard-quality produce in bulk. Furthermore, the poor level of education in the rural areas means that unskilled labourers find it almost impossible to find good employment. This keeps the rural labour markets in a situation of excess supply, with a persistent downward pressure on wages. There is no efficient system for enforcing workers' rights, which makes for unsatisfactory labour relations and, very often, poor working environments, particularly in remote areas.
14. A central issue is the sustainability of poverty reduction. Improvements in living conditions and incomes have been mostly the result of legitimate income transfers and social infrastructure policies, but these have not been backed up by similarly important improvements in the income-earning capacities needed for sustainable poverty reduction. Production-oriented poverty reduction policies are in place but are not sufficient to remove structural restrictions on income generation. The main challenges today are to: (i) increase income-generation capacity through production support services; (ii) facilitate market access; (iii) strengthen farmer organizations; and (iv) eliminate the factors that perpetuate core poverty through investments in educating rural children and providing specialized vocational training for young people in the rural areas.
15. Food crisis due to soaring prices is a relevant issue, although not to the same extent as in other countries. The possible effects of such crises on the landless, families whose main incomes derive from off-farm activities and net food buyers, must be borne in mind. However, higher prices also present an opportunity for increasing agricultural production, to the benefit of small farmers who for years have had to contend with ever-decreasing incomes.

## **B. Policy, strategy and institutional context**

### **National institutional context**

16. There is a wealth of institutions with which IFAD could develop partnerships. At the **federal level**, the Ministry of Agrarian Development (MDA) and SEAIN should receive special mention. The MDA is IFAD's main point of reference for family agriculture and rural development policies, whereas SEAIN is the Fund's official

counterpart in Brazil. Other federal entities with which IFAD might forge valuable partnerships are *Banco do Brasil*, the Brazilian Agricultural Research Corporation (Embrapa), the Ministry of Science and Technology (MCT), and the Brazilian Service of Support for Micro and Small Enterprises (SEBRAE). Potential partners at the **regional level** in the north-east are *Banco do Nordeste do Brasil*, the National Institute for Semi-Arid (INSA) of MCT, and the North-East Regional Development Corporation (SUDENE). **State governments** have proved to be committed and reliable IFAD partners in project operations (e.g. the Low-income Family Support Project in the Semi-Arid Region of Sergipe State, the Community Development Project for the Rio Gaviao Region and the ongoing Rural Communities Development Project in the Poorest Areas of the State of Bahia). This is because they are situated close to operations, directly accountable to the potential beneficiaries and state population, and are likely to develop strong project ownership.

17. Farmers' organizations such as the National Agricultural Workers' Union (CONTAG) and the National Union of Family Agriculture Workers (FETRAF) are potential partners as they already participate in the family agriculture network that is part of the Common Market of the South (MERCOSUR) and supported by IFAD. In addition, the Fund could forge constructive partnerships with the many state- and local-level civil society, knowledge and social movement organizations involved in activities relevant to the Fund's mandate. The IFAD-funded Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East, the *Dom Helder Câmara* project, has demonstrated the usefulness of such partnerships to project implementation, but they might also be extended to the spheres of knowledge management and policy dialogue.
18. IFAD has already entered into partnerships with two types of entities, albeit to a limited extent: municipal governments and the private sector. In view of their growing relevance, municipal governments are potential partners for executing state projects. Three types of partnerships are foreseen with the private sector: for services such as technical assistance, establishment of productive alliances with small farmers, and provision of non-reimbursable funds and know-how. A growing sense of social responsibility among Brazilian firms and an increasing number of private foundations favour the latter type of partnership, already tested with success in the Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East.
19. IFAD's partnerships with international institutions have been weak to date, with the exception of the Global Environment Facility (GEF), which is financing an operation linked to the Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East. The lack of cooperation with the World Bank in Brazil, except for the cofinancing of field investments in the aforementioned project, is particularly noticeable considering the Bank's large poverty reduction programme in the north-east.

#### **National rural poverty reduction strategy**

20. Reducing rural poverty is a major aim of the Brazilian government and there are many policies and programmes operated by different government entities designed to have major effects on rural poverty. Many policies for the provision of social services or the reduction of poverty are common to urban and rural areas. At the federal level, the thrust of such policies may be summarized as follows:
  - **Safety net policies.** These consist of income-transfer programmes, the most important of which are the rural pension scheme (rural citizens above 60 years of age receive a minimum wage as pension), and the *Bolsa Família* (Family Allowance) programme, a national conditional cash transfer scheme providing direct subsidies to poor families (urban and rural) who keep their children in school, which in 2006 reached about 11 million families.

- **Support to family farms** through the National Programme for the Strengthening of Family Agriculture (PRONAF), a massive programme that provides subsidized farm credit, assistance to small agro-industries, crop insurance, and support for rural infrastructure, extension and training. PRONAF has various credit lines with different levels of subsidies, depending on income: for instance, seasonal and medium-term credit, and credit for specific populations (such as PRONAF *Mulher* for women, PRONAF *Jovem* for young people). Support is also provided through the Family Agriculture Food Procurement Programme (*Programa de Adquisição de Alimentos*), a programme to procure food from small farmers.
  - **The land access programme**, which has three lines of action: (i) expropriation with compensation of abandoned or inefficient farms, through the *Assentamentos Sustentáveis para Trabalhadores Rurais* programme; (ii) subsidized loans to the landless or nearly landless to purchase farms through the *Credito Fundiario* programme; and (iii) support to agrarian reform settlements through the *Desenvolvimento Sustentável na Reforma Agraria* programme.
  - **Territorial rural development actions** focused on selected poor territories. These are coordinated by the MDA's *Secretaria de Desenvolvimento Territorial* and the *Casa Civil*, mainly through the large *Territorios da Cidadania* (Territories of Citizenship) programme that is expected to disburse R\$11.3 billion (equivalent to US\$7.11 billion) in 2008 through 15 different ministries.
  - **Various federal initiatives aimed at meeting basic needs for infrastructure in the rural areas** operate through programmes like *Saneamento Rural*, *Proagua Infraestrutura*, *Luz para Todos* (Light for All) and others, or address specific rural needs through programmes like *Conviver*, *Agricultura Irrigada*, *Probacias*, *Proteção de Terras Indígenas*, and others.
  - **Environmental programmes** of importance for poverty reduction in the north-east are the National Plan for Combating Desertification, *Programa Nacional de Apoio à Agricultura de Base Agro-Ecológica nas Unidades Familiares* and the initiatives of state governments for protecting the *Caatinga biome*, located in an area encompassing about 850,000 km<sup>2</sup>, part of which has been designated by the United Nations Educational, Scientific and Cultural Organization (UNESCO) as a Biosphere Reserve, and for sustainable land management.
21. The current Administration has increased the coverage of the *Bolsa Família* programme, intensified the emphasis on agrarian reform and support to family agriculture, and launched the *Territorios da Cidadania* programme. Innovations have been oriented in such a way as to improve gender equity and insure small farmers against price and climate risks.

#### **Harmonization and alignment**

22. IFAD has not harmonized its activities with those of other donors working in Brazil. It has never participated in donor coordination forums, undertaken joint studies or cofinanced projects (except for a project in Ceará cofinanced with the World Bank in the early 1980s); nor has it adopted harmonized approaches to project implementation.

### **III. Lessons from IFAD's experience in the country**

#### **A. Past results, impact and performance**

23. IFAD has funded six projects in Brazil for a total lending amount of US\$142 million and US\$277 million of counterpart funds. All IFAD projects have focused on the north-east, and all have included loans with ordinary lending terms. Ongoing

operations include the Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East, for a total project cost of US\$93.4 million and an IFAD loan of US\$25 million; and the Rural Communities Development Project in the Poorest Areas of the State of Bahia, involving a total project cost of US\$60.5 million and an IFAD loan of US\$30.5 million. Policy dialogue has been carried forward, mainly among MERCOSUR countries through the Institutional and Policy Support Programme to Reduce Rural Poverty in the MERCOSUR Area (IFAD-MERCOSUR programme) and Strengthening of the Participation of Small Farmers' Organizations in Policy Dialogue within the Commission on Family Farming (REAF) of MERCOSUR countries (IFAD-REAF programme).

24. The CPE on Brazil concluded that the performance of the project portfolio as a whole was good. IFAD-funded operations contributed to increasing incomes and improving livelihoods in the north-east, mainly by promoting water security, enhancing agriculture development and natural resources management, and facilitating the participation of the rural poor in development processes through improved access to education, infrastructure, and other support services. Achievements have been made in women's empowerment, for example by facilitating women's access to identity documents. Off-farm activities, mainly traditional handicrafts and other artisanal industries, have been supported – albeit to a limited extent. IFAD projects have also contributed to enhancing the capacities of grass-roots institutions and NGOs by involving them in project activities. Prospects for sustainability were found encouraging.
25. The main weaknesses identified by the CPE included inadequate attention to market linkages and to policy dialogue and knowledge management. On the other hand, IFAD-assisted operations have contributed to introducing innovations in two areas: (i) the general approach to rural development, e.g. a shift from a top-down to a bottom-up approach; and (ii) technology and infrastructure, focusing on low-cost, simple and easy-to-absorb technologies. However, the scaling up and replication of innovations has been weak, thereby limiting opportunities for replicating successfully tested innovations. Finally, cooperation with other international agencies working in Brazil was found to be particularly weak.

## **B. Lessons learned**

26. Some of the main lessons learned by IFAD in Brazil are that:
  - Disbursement of loan funds/counterpart funding and administrative management are easier in projects operated by state- rather than federal-government entities, owing to greater ownership by state governments and the issue of “no-additionality” of funds to federal entity budgets (see paragraph 27).
  - The impact on farmers' incomes is limited when insufficient attention is paid to developing market linkages and providing technical assistance and training in order to access markets. However, support to subsistence production has had a positive impact on farmers' welfare by improving their food security.
  - Limited results in knowledge management, policy dialogue and the scaling up of successful project innovations are related to the lack of strategies and resources for such activities, and to the absence of a permanent IFAD country presence.
  - The territorial perspective favours the application of a multidimensional concept to poverty reduction. It also facilitates the coordination of actions with state and municipal governments, the forging of partnerships, and participation of beneficiary organizations in local decision-making bodies such as municipal and regional councils.

- Selection of project activities based on beneficiary demand and transfer of resources to community organizations to implement such activities is an effective way of promoting ownership and learning.
- Civil society organizations like NGOs and cooperatives of technicians can play a major role in providing organizational and technical services to help implement project activities.
- Community-based organizations can play a key role in providing technical assistance services, receiving project funds to contract such assistance and, under project supervision, dealing directly with the providers.

## **IV. IFAD country strategic framework**

### **A. IFAD's comparative advantage at the country level**

27. Given that Brazil has many investment sources and wide access to financial markets, IFAD's loans are of only limited financial importance to the Federal Government. Furthermore, loans from multilateral agencies do not increase the budgets of the federal entities executing the projects because of the "no-additionality" rule. However, since the Fund provides not only loans but also other types of support, there are various advantages to the Government of Brazil in financing its projects with IFAD loans: (i) free access to specialized project preparation teams; (ii) possible IFAD grant funding; (iii) access to IFAD contacts for the purpose of obtaining resources from other donors; (iv) an external project supervision system to monitor project quality; (v) externally monitored financial/administrative project procedures that encourage transparency; (vi) project monitoring and evaluation (M&E) systems that provide records of activities, beneficiaries, outcomes and lessons from projects; (vii) increased likelihood of continuity in project activities and resources across changed political administrations; and (viii) improved access to know-how, information and networking in rural development matters. These "side advantages" to IFAD loans are particularly critical in the case of Brazil because of the limited relevance, at the federal level, of purely financial contributions. On the other hand, Brazil is very important to IFAD, given its capacity to generate innovations for sharing with other countries, its status as a leading nation of the region, the possibility of working at the subnational level, and the experience to be gained in dealing with challenges relating to pro-poor policies and programmes in such a large country.
28. State governments may benefit more from IFAD loans. As smaller players and with more limited resources, these governments may find it useful to have access to IFAD loans to expand their investment capacity. Furthermore, the "no-additionality" rule on the budgets of executing agencies does not apply to state governments. Finally, because of their more limited administrative capacities and access to international know-how, state entities may reap more benefits than federal agencies from the aforementioned elements of value added in IFAD loans.
29. Since IFAD is a specialized agency and a "small player" in terms of Brazil's size and needs, it should focus on developing a well-defined niche within the general area of rural development and poverty reduction in the country. During the CPE, two features of IFAD projects were cited by stakeholders as being of most value: their experimental dimensions; and flexibility during project implementation. With regard to IFAD's future operations in the country, the COSOP consultation process highlighted the importance of: (i) promoting sustainable income and employment sources for the rural poor; and (ii) the gathering of knowledge and discussion of policies regarding rural development and poverty reduction, with particular reference to the semi-arid north-east.
30. As an agency of the United Nations specialized in combating rural poverty, IFAD has a well-established record of work with vulnerable groups and civil society

organizations. This gives the Fund a certain advantage when promoting partnerships and acting as an “honest broker” between social and governmental sectors; using these alliances in the fight against rural poverty constitutes another niche for IFAD.

31. As IFAD projects and programmes have focused on the north-east, most state governments of the region are familiar with the Fund's work. The Fund has also accumulated specialized know-how regarding institutional aspects of north-east states and the development problems affecting their semi-arid areas. IFAD therefore has an advantage in the region.

## **B. Strategic objectives**

32. Brazil's federal and state governments and donor agencies working in the country have invested vast amounts of resources in interventions aimed at improving social infrastructure and services for the rural poor, particularly in the north-east. While IFAD has played a role in achieving the enormous progress made over the last 20 years, its attention should now turn to the major challenge currently facing Brazil: breaking the vicious cycle of poverty that is perpetuated by the lack of sustainable sources of income and employment for the rural poor. The focus will be on the semi-arid areas of the north-east. The Fund should also help create conditions that encourage young people to stay in the region, or, if they prefer to migrate elsewhere, to do so under better conditions than in the past.
33. Four strategic objectives (SOs) have been identified for the next cycle of IFAD's activities in Brazil. The SOs reflect the approach described above and the preferences expressed by stakeholders during the COSOP consultation process. They are consistent with IFAD's experience in the country, its overall strategy framework and priorities for the Latin America and the Caribbean region as a whole. The first two objectives directly target the living conditions of poor rural people, and are to be achieved mostly through IFAD-supported projects and programmes. The last two relate, respectively, to knowledge management and policy dialogue and are to be achieved mainly through non-reimbursable contributions from IFAD and its partners.
34. **Strategic objective 1: To increase commercial agricultural production by small farmers, with corresponding access to markets under rewarding and sustainable conditions.** This will call for improving productive infrastructure, equipment and support services (especially technical assistance); strengthening farmer organizations; promoting and supporting productive alliances; and providing incentives to small farmers to intensify production and introduce innovations suitable to semi-arid conditions and a climate change context. Emphasis on increasing commercial production does not mean that IFAD should not be involved in improving production for self-consumption and food security. It does indicate, however, that the main priority for this new cycle should be on commercial rather than subsistence production. Regarding commercial agriculture, the crisis in food prices has to be taken into account, both as a risk for the poor and as an opportunity for small commercial farmers.
35. **Strategic objective 2: To improve access by the rural poor to off-farm employment and business activities in rural areas and villages, focusing on women and young people.** This objective, oriented to both individuals and groups, will call for: (i) seeking local opportunities to develop business enterprises for the rural poor; (ii) investments in developing the entrepreneurial culture and managerial capacity at the individual and community levels; (iii) identification of employment opportunities and of the technical qualifications/skills that are sought after on local markets; and (iv) development of special skills training programmes aimed at IFAD's target population. A territorial approach to rural development should help in identifying such opportunities and in programming the investments needed to expand off-farm employment opportunities.

36. **Strategic objective 3: To improve, through knowledge generation and dissemination, the capacity of the rural poor and of relevant institutions in the north-east to co-exist with semi-arid conditions, adapt to climate change and better exploit the development potential of the semi-arid region.** This objective involves: (i) supporting the dissemination and exchange of information and, with the participation of state governments, academic institutes and civil society organizations, setting up discussion and knowledge-sharing networks for the purpose of sharing successful experiences and technologies for development in the semi-arid north-east; (ii) support for the monitoring of climate change in the north-east and in disseminating adaptation measures; (iii) partnerships with relevant institutions dealing with science, technology and innovations for the semi-arid areas; and (iv) strengthened capacity to learn from experience under IFAD projects. Special attention will be paid to ensuring that M&E systems work effectively and efficiently. The conceptual basis of this SO is that, rather than a problem, the semi-arid north-east should be viewed as a region with its own identity, with irregular rainfall patterns, varied and complex ecosystems, rich human and natural resources, and specific growth potential.
37. **Strategic objective 4: To deepen the discussion on rural poverty reduction and family farming policies at the national and international levels.** **National-level** activities will be undertaken with the MDA as privileged partner and include other Federal Government entities, universities and research institutions, national unions representative of the rural population, NGOs and donor agencies (areas of discussion are indicated below under "policy linkages"). The **international level** will have two aspects: continued engagement of the Fund in discussions on policy options for family farmers in MERCOSUR countries, through REAF; and IFAD support to expand Brazil's South-South cooperation programme, particularly in Africa, through its projects in the Latin America and the Caribbean region. This support will require corporate action on the part of IFAD, involving the regional divisions concerned, and will benefit from experience gained under programmes such as the Afrolatinos Programme; FIDAFRIQUE and FIDAMERICA; Knowledge Networking for Rural Development in Asia/Pacific Region (ENRAP), and the Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty Alleviation Projects in Latin America and the Caribbean (PREVAL). The possibility of extending discussions and knowledge-sharing activities to countries of the Asia and the Pacific region will be explored, especially other large, middle-income countries such as India.
38. **Six principles** will guide the attainment of the above objectives:
- An integrated view of investment projects and policy dialogue, whereby policies guide project design and implementation, and projects provide lessons that help improve policy design and implementation.
  - Clustering of investments around programmes capable of attracting a sufficient number of producers to achieve a critical mass of outputs, and use of a value-chain approach to productive development.
  - Selection of technical proposals adapted to the production conditions and abilities of potential participants.
  - Integration of rural poverty reduction measures with natural resources and environmental management, and adaptation to climate change.
  - Flexibility in the implementation of IFAD operations to accommodate changing circumstances within the agreed objectives while maintaining continuity.
  - Building on existing institutions, knowledge and partnerships.

### C. Opportunities for innovation

39. This new COSOP provides many opportunities for innovation. The most evident relate to bioenergy, partnerships with the private sector, knowledge management and policy dialogue.
40. Bioenergy brings considerable benefits to Brazilian farmers, but it is debatable whether small farmers will be able to enter bioenergy chains and, if so, whether this would open up avenues for increasing their incomes. Innovative solutions should be tested in technologies and crops appropriate for small producers, farmers, organization models, and in processing and market methods and linkages. These innovations could open up the way for major policy support programmes.
41. Innovations in partnerships with the private sector could occur through new models to link farmer groups with private-sector agents in productive alliances that facilitate small farmers' access to value chains. They could also occur in new models to associate private-sector foundations with the financing of IFAD-supported activities.
42. An innovation in knowledge management would be to create discussion and knowledge-sharing networks, as indicated under SO3. An innovation in policy dialogue would be for IFAD to support the Government of Brazil to expand its South-South cooperation, as indicated under SO4.
43. As highlighted in the CPE, interesting innovations have been made in the Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East. The dissemination and scaling up of these innovations have been limited to date, and every effort should be made to expand on them.

### D. Targeting strategy

44. **Regional targeting.** The new projects proposed in this COSOP will centre on the north-east and be executed mainly by state governments. The Federal Government has expressed its willingness to support state governments' proposals for new projects, provided they comply with the country's priorities, requirements and procedures. Three reasons justify maintaining this focus on the north-east: it has the largest concentration of rural poor; it is particularly affected by desertification and climate change; and IFAD has a comparative advantage in the region. The CPE recommended that IFAD should consider the possibility of expanding its projects to the northern region. IFAD is aware of the needs of the rural poor in the north and, within the limits of its resources, will attempt to create the conditions for expanding operations to that region in the future.
45. **Target group.** The groups targeted under this new COSOP are poor farmers, agrarian reform settlers and rural workers in the north-east. Poor farmers have received the most IFAD project assistance to date, but this new COSOP seeks to include settlers and rural workers in the Fund's target group. Women and young people will receive special attention.
46. The CPE recommended that, during COSOP preparation, the Fund's target group might be expanded to include the indigenous populations of the north. However, following discussions with stakeholders, it was decided not to include indigenous populations outside the north-east, for the following reasons: (i) these communities are often geographically disperse; (ii) IFAD lacks concrete experience with indigenous populations in Brazil; (iii) the special relationship that indigenous peoples have with the National Foundation for Indigenous Affairs, a federal entity that IFAD has never worked with; and (iv) limited IFAD resources. However, since some indigenous and other ethnic groups are present in the north-east, such as the *quilombolas*,<sup>9</sup> these populations will form part of IFAD's target group in the region.

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<sup>9</sup> Remnants of communities historically formed by runaway slaves.

47. **Targeting mechanisms.** The following targeting mechanisms will be employed: (i) self-targeting will be used for SO1 and SO2, by promoting activities, technologies and intervention methods of priority interest to the poor; (ii) inclusive targeting will be used mostly for SO3 and SO4, where most of the benefits are diffuse in nature; (iii) selective targeting, based on specific household or community criteria, will be used to establish eligibility conditions; (iv) demand-led approaches will be used to select the investment priorities of individuals and communities; and (v) competitive mechanisms will be used to allocate limited funds among eligible communities or individuals. These mechanisms should allow for fine-tuning in the selection of beneficiaries and for increasing transparency in the allocation of funds.

## E. Policy linkages

48. IFAD will collaborate with the Federal Government in analysing policy themes related to rural poverty by providing discussion inputs and assisting in setting up discussion forums, with the clear understanding that policymaking is an exclusively national responsibility. Policy dialogue will not be limited to IFAD project experience, as the Fund's knowledge of rural development worldwide enables it to cooperate in policy dialogue beyond projects in one particular country. In the case of Brazil, IFAD has already shown its value in broader policy dialogue through its support to REAF.
49. Funding for policy dialogue should derive from IFAD grants and from international agencies and government entities willing to cofinance activities related to this subject.
50. A policy dialogue area relevant to **SOs 1 and 2** is expansion of the territorial approach to rural development. Possible areas for discussion are: (i) ways of increasing rural off-farm employment; (ii) establishment of a competitive fund to cofinance investments prioritized in territorial plans; and (iii) strengthening of meso-level institutions, in particular regional councils. Other policy dialogue areas common to SOs 1 and 2 are: new policies to facilitate production-oriented alliances, including technical and organizational assistance, facilitation of market access, and funds to cofinance the investments required; and incentives for investment clustering.
51. Policy dialogue areas relevant to **SO1** include: (i) enhancement of technical assistance to expand and diversify services, increase quality, and lend an agroecological emphasis; and (ii) policies supporting the access of family farmers to bioenergy markets. With regard to **SO2**, the main policy dialogue area refers to improving rural education in order to increase knowledge and generate a disposition towards innovation among young people.
52. The focus of **SO3** is knowledge management to favour coexistence with the semi-arid conditions of the north-east. Support to knowledge networks has already been flagged as an instrument to facilitate knowledge management and policy dialogue. Of particular importance would be themes aimed at enhancing regional development based on inclusive growth, and conservation of biodiversity to fight desertification and adapt to climate change.
53. **SO4** focuses on national- and international-level policy dialogue. National-level policy dialogue issues have been detailed under SOs 1, 2 and 3. At the international level, under South-South cooperation, IFAD's support to policy dialogue between Brazil and African partners could focus on technologies and methods to improve livelihoods under semi-arid conditions. Family agriculture policies should continue to be IFAD's focus in the REAF.

## V. Programme management

### A. COSOP management

54. Programme management will be under the responsibility of the country programme manager (CPM) based at IFAD headquarters. In addition, a country office will be set up and a country officer based in Brazil hired to work on COSOP management with the CPM; the Fund and the Government will agree on arrangements for this office. The country officer will participate in supervision and implementation support to projects and grants; facilitate the sharing of information and lessons learned from IFAD projects; contribute to a permanent dialogue between IFAD and federal and state government authorities; explore possibilities for new operations in the country; promote new partnerships; and support knowledge management and policy dialogue activities within the framework defined in this COSOP. The enhanced country presence will contribute to accelerating project effectiveness and improving implementation.
55. All newly approved projects in Brazil will be supervised directly by the Fund. The CPM will lead supervision missions, accompanied by the country officer and external specialists. IFAD may, however, arrange for a service provider to support fiduciary control and loan administration aspects. Responsibility for the only ongoing project currently supervised by a cooperating institution will revert to the Fund in 2009. Regular implementation support to projects and other activities will be provided by IFAD with participation by local institutions and experts, and by international specialists with extensive experience in Brazil.

### B. Country programme management

56. Implementation of the country programme will be monitored on the basis of the COSOP results framework and the reporting of project information mandated in the Results and Impact Management System (RIMS). Implementation reviews will be carried out annually. COSOP progress implementation reports prepared for this purpose will be based on the project status reports and supervision reports of ongoing projects and grants, as well as the country programme issues sheet. Attention will be given to reviewing non-project activities, in particular policy dialogue, knowledge management and regional programmes.
57. The country team will play an important role in managing the country programme, and will comprise representatives of the main Brazilian partners, the CPM, management staff of ongoing projects, the Brazil country officer, and consultants familiar with Brazilian rural development. Annual meetings of the team will be held in Brazil to discuss the COSOP progress implementation report. IFAD will also participate in annual meetings convened by SEAIN to review progress in the portfolio of projects supported by multilateral financial agencies. A mid-term review of the COSOP will be carried out in the second semester of 2010 or first semester of 2011, depending on progress in its implementation. An independent completion evaluation is planned for 2013. Before this evaluation, the Latin America and the Caribbean Division will undertake a self-evaluation.

### C. Partnerships

58. IFAD will continue to forge partnerships with government agencies, civil society organizations, international cooperation agencies, the private sector and academic and research organizations. The state governments will be the partners of preference to carry out investment projects. In the Federal Government, the main partners will be SEAIN and MDA; partnerships with these entities will focus on policy dialogue and knowledge management. Other possible partners at the federal level include *Banco do Brasil*, Embrapa, MCT and SEBRAE. Major Brazilian universities and national knowledge centres could also be relevant partners in national-level policy dialogue activities. At the regional level, in the north-east, *Banco do Nordeste do Brasil*, the Forum of Civil Society Organizations in the Semi-Arid Regions, INSA, the

North-East Regional Development Corporation, and universities of regional influence are considered relevant partners.

59. With respect to international agencies, the Fund will strengthen its cooperation with the Inter-American Institute for Cooperation on Agriculture (IICA), the Andean Development Corporation (CAF) and GEF. With IICA, the partnership will focus on knowledge management and policy dialogue. CAF may cofinance new IFAD initiatives in Brazil and participate in the supervision of fiduciary and administrative aspects of projects. Cooperation with GEF will focus on climate change, desertification and biodiversity conservation in the semi-arid areas. Other relevant partners are the World Bank, Inter-American Development Bank (IDB) and FAO. The partnership with the World Bank will focus on coordinating efforts between IFAD projects and the Government's poverty reduction projects in the north-east cofinanced by that institution. The World Bank, IDB and FAO may also cooperate with IFAD in undertaking studies and policy dialogue activities.
60. The Fund will expand its relations with academic and research institutes, particularly those involved in the semi-arid areas. Partnerships with NGOs are also envisaged, especially through their participation in project activities. Finally, partnerships with the private sector will be explored to forge productive alliances with small farmers and take advantage of the social responsibility of private companies to finance initiatives in favour of the rural poor.

#### **D. Knowledge management and communication**

61. Knowledge management is important to IFAD's future work in Brazil, to the extent that SO3 rests chiefly upon it. Since IFAD's projects will continue to be concentrated in the north-east, the focus of knowledge management work will be on innovations related to this region, particularly its semi-arid areas, and will take advantage of successful experiences carried out by ongoing and previous projects. Core knowledge management and communication activities are indicated under SO3. Funding is expected to derive from three sources: project funds allocated to knowledge management and communication activities; partnerships with government entities, international agencies and private-sector foundations; and IFAD grants. Details will be provided in the new projects regarding the use of funds allocated to studies, evaluations and workshops, so that they serve the purpose of knowledge management.
62. Experience gained under programmes such as Afrolatinos, FIDAFRIQUE, FIDAMERICA, ENRAP and PREVAL are expected to help build capacity among IFAD project staff to assess and systematize innovative methods of dealing with rural poverty. The IFAD-REAF programme is expected to help in disseminating knowledge on innovative practices among stakeholders in MERCOSUR countries.
63. Information on IFAD experience in Brazil will be disseminated by means of newsletters, brochures, Internet-based media, IFAD's website, the Rural Poverty Portal ([www.ruralpovertyportal.org](http://www.ruralpovertyportal.org)), and the participation of the CPM, the country officer and project staff in workshops and other activities. The CPM and the country officer will ensure that projects are linked to knowledge management networks in Brazil, and that relevant information is shared with IFAD-supported projects and programmes worldwide.

#### **E. Performance-based allocation system (PBAS) financing framework**

64. IFAD funding available for the results-based COSOP implementation is based on the annual allocation established under the PBAS (table 3). The allocation for the 2007-2009 PBAS cycle is calculated at US\$45,783,683. Since IFAD did not approve any projects for Brazil in 2007, the total amount for the period is still available.

Table 3  
**PBAS calculation for results-based COSOP year one**

<i>Indicators</i>		<i>Results-based COSOP</i>
<b>Rural sector scores</b>		
A(i)	Policy and legal framework for rural organizations	5.40
A(ii)	Dialogue between government and rural organizations	4.88
B(i)	Access to land	4.10
B(ii)	Access to water for agricultural use	3.71
B(iii)	Access to agricultural research and extension services	4.25
C(i)	Enabling conditions for rural financial services development	4.38
C(ii)	Investment climate for rural business	3.75
C(iii)	Access to agricultural inputs and produce markets	4.38
D(i)	Access to education in rural areas	5.33
D(ii)	Women representatives	5.50
E(i)	Allocation and management of public resources for rural development	4.42
E(ii)	Accountability, transparency and corruption in rural areas	3.89
<b>Sum of overall point values</b>		<b>53.99</b>
<b>Average of overall point values</b>		<b>4.50</b>
Score of projects at risk (PAR)		6.00
Country score		7 908
<b>Annual allocation (US\$)</b>		<b>20 153 094</b>

65. Table 4 gives an estimate of upward and downward variations, depending on implementation performance.

Table 4  
**Relationship between performance indicators and country score**

<i>Financing scenario</i>	<i>PAR rating (+/- 1)</i>	<i>Rural sector performance score (+/- 0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Low hypothesis	5	4.2	-22
Base hypothesis	5	4.5	0
High hypothesis	5	4.8	+7

## F. Risks and risk management

66. **General risks.** State governments may find it difficult to provide counterpart funds in a timely manner, which may delay project implementation. This risk could be mitigated by carefully selecting the states with which IFAD negotiates projects, in accordance with the rules for eligibility set by the Ministry of Planning, Budget and Management. Another risk is that changes in government authorities may affect political support. The contracting of a country officer to facilitate exchanges of information among IFAD and federal and state authorities will help to mitigate this risk. Furthermore, building partnerships with a wide range of organizations should help elicit support for IFAD activities.
67. **Strategic objective 1.** One risk entails insufficient response by the private sector to opportunities for entering into partnerships with small farmers. Three means are proposed to mitigate this risk: (i) the use of investment clustering and value-chain approaches, which should attract the private sector; (ii) placing emphasis in IFAD projects to helping farmer groups to improve product quality so that they will be able to supply bulk quantities of safe, good-quality produce; and (iii) strengthening farmer groups and their capacity to make contact with potential private partners. Another risk is that bioenergy may not be a profitable option for small farmers. Prudence in investing in this area and in encouraging farmers to enter into it will mitigate the potential effects of this risk, and a pilot approach should be followed.

68. **Strategic objective 2.** The main risk here is that off-farm enterprises may find it difficult to access markets. The mitigating factors are the same as in SO1: using investment clustering and value-chain approaches, placing emphasis on production coordination and quality, and helping enterprises to establish contact with potential partners.
69. **Strategic objective 3.** The main risk is that sufficient non-reimbursable funds are not available to carry out the activities envisaged under this SO. The success of SO3 could be jeopardized should IFAD be unable to approve a reasonably sized grant for this purpose and to forge partnerships to support such activities. A carefully prepared grant application and an active search for partnerships will mitigate this risk. Another risk is the possibility of insufficient interest by north-east state governments to discuss, both among themselves and with civil society and the private sector, issues relevant to the semi-arid region. IFAD dialogue with north-east state governments will mitigate this risk.
70. **Strategic objective 4.** Uncertainty about the availability of funds is the major risk in this regard, and the main mitigating factors would be a persuasive application for an IFAD grant and an active search for partnerships. This issue raises the need for discussions within IFAD regarding mechanisms to access non-reimbursable funds addressed to knowledge management and policy dialogue. Another risk is that MDA may lose interest in IFAD's support to carry out policy analyses. Continuous dialogue between IFAD with MDA will mitigate this risk, and the presence of an IFAD country officer will be helpful.

## COSOP consultation process

### Introduction

1. The consultation process for the design of the COSOP consisted of seven stages: (1) discussions in a workshop in Salvador, Bahia, of the country programme evaluation in which stakeholders offered many suggestions for the new COSOP; (2) preparation of nine working papers to serve as inputs in the design process<sup>1</sup>; (3) preparation of issues paper and carrying out of country mission by the COSOP preparation team in January 2008; (4) workshop held in Brasilia jointly organized by SEAIN and IFAD in February 2008 to discuss with relevant stakeholders a preliminary version of the COSOP; (5) short reconnaissance missions to three Northeast states; (6) preparation of a COSOP review draft by the design team and comments by independent peer reviewers; and (7) preparation of a final COSOP draft and its validation by the Government of Brazil and IFAD's management and Board.

### Country Programme Evaluation Workshop

2. The workshop, organized by IFAD's Independent Evaluation Office, took place in Salvador, Bahia, in 22 and 23 November 2008. Its purpose was to discuss the findings and recommendations of the CPE team that assessed the performance of the Fund's programme in Brazil since the first country strategy paper was prepared in 1997. The workshop was chaired by the Secretary of SEAIN and counted with the participation, *inter alia*, of the Minister of MDA, the Vice-Governor of the State of Bahia, the Secretary of Development and Integration, the Secretary of Planning and the Superintendent of CAR of the State of Bahia, the President of the Rural Workers Union CONTAG, the Assistant President of IFAD and the Director of IFAD's Independent Evaluation Office. There were many other participants from the Ministry of Planning, Budget and Management, MDA, the Government of Bahia, other state and federal government entities, international agencies, NGOs, civil society organizations, IFAD staff, and the CPE team. The discussions and recommendations of this workshop were seminal for the preparation of the new COSOP. For all intent and purposes the workshop marked the launching of the COSOP preparation process in the country. A synthesis of the results from the workshop and of the entire CPE process is presented in Appendix IV.

### Preparatory studies

3. Eight working papers and preliminary versions of Key Files 1, 2, 3 and 4 were prepared by specialists between September and December 2007 to serve as inputs for the COSOP. The papers were:
  - (i) "Gender sensitive baseline poverty analysis"
  - (ii) "Country economic background"
  - (iii) "Agriculture and rural sector performance"
  - (iv) "National institutional context"
  - (v) "National poverty reduction strategy"
  - (vi) "Harmonization and alignment with partners"
  - (vii) "Lessons from IFAD's experience in the country"
  - (viii) "Input paper on indigenous peoples in Brazil"

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<sup>1</sup> (i) "Gender sensitive baseline poverty analysis"; (ii) "Country economic background"; (iii) "Agriculture and rural sector performance"; (iv) "National institutional context"; (v) "National poverty reduction strategy"; (vi) "Harmonization and alignment with partners"; (vii) "Lessons from IFAD's experience in the country"; (viii) "Input paper on indigenous peoples in Brazil"; and (ix) "Issues for discussion with stakeholders during the COSOP preparation mission".

### Country mission

4. Between 14 and 26 January 2008, the COSOP preparation team<sup>2</sup> carried out a mission in the country to discuss with Brazilian stakeholders the priorities and guidelines for IFAD operations in the next investment cycle. The mission carried out meetings with relevant governmental and non-governmental federal entities and international agencies in Brasília, and with groups of rural development experts in São Paulo and Rio de Janeiro. Divided in two groups, the mission also visited six Northeast states: Ceará, Maranhão, Paraíba, Pernambuco, Piauí and Rio Grande do Norte. In these visits, the mission carried out meetings with relevant state government entities and key informants. The purpose was twofold: to consult the views of stakeholders in the states with respect to the new COSOP, and to sound out state governments in the Northeast as to their interest in future project partnerships with IFAD.
5. Prior to this mission, the COSOP team prepared English and Portuguese versions of an issues paper, which opened to discussion issues relevant for the Fund's operations and management of the country portfolio during the new cycle. The paper was distributed to stakeholders before the mission and served as a basis for discussion in the meetings. The issues examined were:
  - Why IFAD loans?
  - IFAD's comparative advantage and development niche in Brazil
  - Priority thematic areas
  - Regional focus and target group
  - Type of projects
  - Broadening partnerships
  - Promoting policy dialogue and knowledge management
  - Scaling-up best practices
  - Project implementation mechanisms
  - IFAD operating model in Brazil
  - Promoting IFAD-Government of Brazil partnership beyond Brazil
6. Many ideas and suggestions were provided by stakeholders during the mission. They were largely in agreement with the findings and recommendations of the CPE and a fundamental input for the preparation of the COSOP. The main messages received can be summarized as follows:
  - Emphasis of IFAD projects during the new cycle should be on the generation of employment and income opportunities for the rural poor through productive development, access to markets, technical training, vocational education and assistance to micro and associative enterprises.
  - Policy dialogue and knowledge management should be core parts of the new COSOP rather than afterthought-type minor complementary items.
  - Flexibility and an orientation towards innovation should continue to be a distinctive mark of IFAD-financed projects.
  - The focus of IFAD operations should be in the Northeast region, and especial attention should be given to the coexistence with semiarid conditions.
  - A more continued and active presence of IFAD in Brazil is considered necessary.

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<sup>2</sup> José María Caballero (team leader), Antonio Buainain (agricultural economist), Octavio Damiani (institutions and operations specialist), Estela Neves (environmental specialist, in charge of coordination with local institutions) and Iván Cossio (IFAD's country programme manager).

7. The response received in connection to possible future project partnerships with IFAD was very encouraging in all states visited with the exception of Maranhão, and particularly strong in Piauí where the Governor personally transmitted his high interest to the mission.

#### **Brasilia Stakeholders Workshop**

8. The workshop, jointly organized by IFAD and SEAIN, took place in the morning of 21 February 2008 in SEAIN's offices in Brasilia. Its purpose was to discuss with stakeholders a first draft of the COSOP paper, which had been circulated previously in English and Portuguese. The workshop was chaired by SEAIN's Assistant Secretary and counted with the participation of representatives of the state governments of Bahia, Ceará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte, and Sergipe, the federal ministries of planning (MP), agrarian development (MDA), environment (MMA) and science and technology (MCT), the Brazilian agency for international cooperation (ABC), the institute for the semi-arid (INSA) of MCT, representatives of BID, CAF, FAO and IICA, representatives of the national rural unions FETRAF and CONTAG, staff from the IFAD projects Dom Elder Câmara and Terra de Valor, and the COSOP preparation team.
9. After a presentation of the COSOP draft by the team leader, a discussion followed where most participants took active part. All those intervening endorsed the orientations for the new COSOP contained in the draft and offered their support to IFAD during the new investment cycle. Some minor suggestions were made by some participants, which have been incorporated in the COSOP paper.

#### **Reconnaissance Missions**

10. Between 24 March and 5 April 2008, two members of the COSOP team<sup>3</sup> carried out short reconnaissance missions to the states of Paraíba, Piauí and Rio Grande do Norte, which had expressed their interest in entering in project partnerships with IFAD as soon as feasible. The purpose of the missions was to agree with the respective state governments on the basic features of the possible new projects, ensuring that they were in agreement with state policies and investment priorities, as well as with IFAD's strategy framework and the orientations of the new COSOP. In particular, the missions served to advise state governments on the preparation of the Carta Consulta<sup>4</sup>, to discuss with them possible timetables for project processing, and to identify priorities and information for the preparation of IFAD project inception papers and the pipeline annex (Annex VIII) of the COSOP. The missions were, thus, a first step in the launching of new operations under the new COSOP.

#### **Peer Review Comments on Review Draft**

11. Following the new guidelines for COSOP design, the COSOP draft was sent to internal and external peer reviewers. Many relevant comments were obtained and the final version of this document has benefited from them. However, the most important outcome of this review process is a number of ideas and proposals that will contribute to enhance IFAD Programme in Brazil. Special thanks are given to Jorge Muñoz (World Bank), Ricardo Abramovay (University of Sao Paulo), Jean Jacques Gariglio and the FAO Investment Centre.

#### **Validation of final draft by the Government of Brazil**

12. The final draft was remitted to the Government of Brazil asking for comments. In its official answer, the Government of Brazil states that *"the proposed COSOP expresses approaches, visions and definitions shared by the Government of Brazil and IFAD"*. In this framework the Government of Brazil transmitted to IFAD some specific comments that were included in the final version of the COSOP.

<sup>3</sup> José María Caballero (team leader) and Antonio Buainain (agricultural economist).

<sup>4</sup> A project identification document that entities requesting loans from international lending institutions must present to COFIEEX, a federal committee that authorizes foreign indebtedness.

## Country economic background /1

<b>Land area (km<sup>2</sup> thousand) 2007</b>	8,514	<b>GDP per capita (R\$) - 2007</b>	13,517.28
<b>Total population (million) 2007</b>	189.3	<b>GDP per capita annual growth – 2007</b>	5.4
<b>Population density (people per km<sup>2</sup>) 2007</b>	22.2	<b>Inflation, IPCA (annual %) 2007 /2</b>	4.46
<b>Local currency</b> Real (R\$)		<b>Exchange rate: USD 1 = R\$ (April 08)</b>	1.69
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual growth rate) 2001 - 2005	1.67	GDP (US\$ billion) 2007 /6	1,313
Crude birth rate (per thousand) 2007	19.8	GDP growth (annual %) 2003	1.1
Crude death rate (per thousand) 2007	6.3	2007	5.4
Fecundity rate (children per women) 2005	2.3	Sectoral distribution of Value Added 2005	
Infant mortality rate (per thousand live births) 2007	24.1	% Agriculture	5.7
Life expectancy at birth (years) 2007	72.5	% Industry	29.3
Number of rural poor (million) 2004 /3	8.8	% Services	65.0
Poor as % of total rural population 2004	27.7	Composition of GDP (%) 2005	
Economic Active Population (million) Dec. 2007	26.8	Household consumption	60.3
Female labour force as % of total 2004	41.0	Government consumption	19.9
		Gross capital formation	17
		Net trade account	3.6
<b>Education</b>		<b>Balance of Payments (US\$ million)</b>	
School enrolment, primary (% gross) 2005	105	Merchandise exports 2007	160,651
Adult illiteracy rate (% age 15 and above) 2005	11	Merchandise imports 2007	120,612
		Balance of merchandise trade	40,039
<b>Nutrition</b>		Current account balances 2007	1,460
Daily calorie supply per capita 2005 /4	3,060	Foreign direct investment, net 2007	34,585
Malnutrition, weight for age (% of children under 5) 2004	9.0	<b>Government Finance</b>	
<b>Health</b>		Cash surplus/deficit (% of GDP) 2007	-3.97
Health expenditure, total (as % of GDP) 2005	3.69	Total internal debt (% of GDP) 2007	51.68
Doctors (per thousand people) 2004	1.68	Total external debt US\$ million 2007	195,331
Population using improved water sources (%) 2006	87.0	Public sector net debt (% of GDP) 2007	42.7
Urban households with adequate sanitation (%) 2006	83.0	Basic interest rate (% annual) Jan 2008 /7	11.18
<b>Agriculture and Food</b>			
Food imports (% of merchandise imports) 2007	3.8		
Fertilizer consumption (million tons) 2007 /5	24.5		
Food production index (1999-01=100) 2005 /4	117		
Cereal yield (tons per ha) 2006	2.72		
<b>Land Use</b>			
Arable land 2006 (million hectares)	354.8		
Forest area 2006 (million hectares)	99.8		
Irrigated land 2006 (million hectares)	3.3		

### NOTES

1/ Unless specified, data are from IBGE, Brazilian Statistic and Institution and is published in IBGE and Central Bank web pages.

2/ Refers to the INPA “Enlarged Consumer Price Index”

3/ Uses official estimates poverty line and National Household Survey – PNAD of 2004

4/ FAO

5/ Anda – Associação Nacional de Defensivos Agrícolas e Ministério da Agricultura e Pecuária

6/ Brazilian Central Bank estimate.

7/ SELIC rate of interest. Brazilian prime rate o interest.

## COSOP results management framework

Country Alignment	Key Results for COSOP			Institutional/Policy Objectives
	Strategic Objectives	Outcome Indicators	Milestone Indicators	
<p>National programmes to support family agriculture, in particular <i>Plano Safra</i>-PRONAF but also SEAF, ATER, <i>Garantía Safra</i>, PGPAF, and PAA</p> <p>State programmes to support small farm agricultural intensification</p>	<p><b>SO1:</b> To increase commercial agricultural production by small farmers with the corresponding access to markets in rewarding and sustainable conditions</p>	<p>75% of targeted farmers in the North-east report an average of 20% increase in farm income</p>	<p>40,000 North-eastern family farmers participate in IFAD-supported activities linked to agriculture development in the semi-arid in a climate change context: TA, training, organizational development/strengthening, marketing</p> <p>30,000 family farmers improve their access to markets in the North-east</p>	<p>Models for farm commercial development through participatory investment clustering, value chain approaches and partnerships with private market agents successfully tested and leading to policy improvements at the state and national level</p>
<p>National and regional micro-credit and small credit programs such as those supported by <i>Banco do Nordeste do Brasil</i>, BNDS and Banco do Brasil, and PRONAF agro-industrial loans.</p> <p>Technical support programs to small and micro-enterprises of SEBRAE</p> <p>State programs to support small enterprise development (including rural)</p>	<p><b>SO2:</b> To <u>improve access of the rural poor to off-farm employment and business activities</u> in rural areas and villages, focusing on women and young people</p>	<p>7,500 rural small and micro-enterprises created/enhanced in the North-east region through IFAD-supported activities</p> <p>7,500 new jobs created, of which at least 60% are held by women and young</p> <p>75% of supported small and micro enterprises report an average of 20% increase in their profitability</p>	<p>10,000 North-eastern rural small and micro-enterprises (pre-existing and new) participate in IFAD-supported activities linked to entrepreneurial development: management, TA, training, technical innovations, marketing</p> <p>Opportunities for business development are identified, in order to support the creation of new small and micro enterprises</p> <p>At least 60% of rural entrepreneurs participating in IFAD-supported activities are women and/or young</p> <p>10,000 rural workers (men and women, mainly young and landless) trained for quality jobs with IFAD support</p>	<p>Models for income and employment generation in the rural off-farm sector through participatory investment clustering, value chain approaches, partnerships with private market agents and improved education and vocational training successfully tested and leading to policy improvements at the state and national level</p>
<p><i>Programa de ação nacional de combate à</i></p>	<p><b>SO3:</b> To improve,</p>	<p>Networks and information flows supporting policy making, public</p>	<p>Regional discussion forums set up/enhanced in the North-east with IFAD</p>	<p>The discussion of issues relative to rural</p>

<p><i>desertificação e mitigação da seca</i></p> <p>Programmes of the Instituto Nacional do Semiárido</p> <p>Programme <i>Territórios da Cidadania</i></p> <p>State programs of <i>convivência com o semiárido</i></p>	<p>through knowledge generation and dissemination, the capacity of the rural poor and of relevant institutions in the North-East to coexist with semiarid conditions, adapt to climate change and exploit better the development potential of the semiarid region</p>	<p>management and technical innovations oriented to the North-Eastern rural development and focused on coexistence with semiarid conditions and adaptation to climate change</p> <p>Improved tools and methodologies for generation, replication and scaling up innovations</p>	<p>support, in which participate public, private and civil society organizations</p> <p>Partnerships established among North-Eastern stakeholders involved in rural development</p> <p>Knowledge generation and sharing activities supported by IFAD in the North-east: studies, researches, good practices systematization, training</p>	<p>development and poverty in the semiarid region of the northeast has acquired a regional dimension over and above the state level. Regional discussions and knowledge sharing involve state authorities, public sector regional entities, private sector and civil society organizations of the region, and relevant national actors.</p>
<p>Interest expressed by MAD and SEAIN in IFAD's support for national policy dialogue and programme M&amp;E</p> <p>Ongoing South-South relevant cooperation networks and agreements with strong Brazilian presence, such as REAF-Mercosur and CPLP</p>	<p><b>SO4:</b> To deepen the discussion on rural poverty reduction and family farming policies, at the national and international levels</p>	<p>Policy improvements focused on family farming and rural poverty reduction in Brazil, where the influence of IFAD-supported activities can be traced</p> <p>Improved policy dialogue and knowledge sharing between Brazil and other countries (MERCOSUR and African countries) about rural poverty reduction and family farming, supported by IFAD</p>	<p>Identification of good practices in public policies for rural poverty reduction and family farming</p> <p>Policy studies, research activities and programme evaluations carried out with IFAD support in order to feed policy discussions</p> <p>Policy discussions, supported by IFAD, on rural poverty and family farming</p> <p>South-South cooperation activities supported by IFAD with strong Brazilian participation</p>	<p>Regular discussions of policy issues relative to rural development take place involving major public, private and civil society actors. These discussions are influential in shaping policy.</p> <p>There are regular independent evaluations of major rural development programmes conducted with scientific criteria. The evaluations are influential in shaping policy</p>

## CPE agreement at completion point

### Federative Republic of Brazil

### Country Programme Evaluation

### Agreement at Completion Point

#### A. Background

1. The Office of Evaluation (OE) undertook a country programme evaluation (CPE) in Brazil in 2007. The main objective of the CPE was to assess the performance and impact of IFAD operations, and to generate building blocks that would serve as inputs for the preparation of the new IFAD country strategy opportunities programme (COSOP) document for Brazil.
2. This Agreement at Completion Point (ACP) summarises the main findings and recommendations from the CPE. It also benefits from the main issues emerging from the CPE national roundtable workshop held in Bahia on 22-23 November 2007.
3. The ACP has been reached between IFAD (represented by the Programme Management Department) and the Government of Brazil (represented by the Ministry of Planning, Budget and Management), and reflects their understanding of the main findings from the CPE (see section B below), as well as their commitment to adopt and implement the recommendations contained in section C of the ACP.

#### B. Main Evaluation Findings

4. The four priority areas identified by IFAD's strategy in Brazil, that is, focus on the northeast, promoting access to land, policy dialogue and support to the small holder sector were and remain by and large relevant. However, the evaluation also found that the country strategy did not pay adequate attention to promoting access to market linkages and in supporting indigenous peoples of the Amazon.
5. IFAD-funded projects achieved good results in promoting water security, developing fodder production and hence a decrease in animal mortality, enhancing agriculture development<sup>1</sup> and natural resources management, building grassroots institutions, and involving Non-Governmental Organizations in project activities. Off-farm activities were promoted through the support to traditional handicrafts and other artisanal industries and services.
6. In general, the operations supported by IFAD have contributed to the increase of welfare of the rural poor in the northeast, and have facilitated their participation in rural development processes. Benefits include access to education, infrastructure (e.g., rural roads, electricity, fresh water supplies), and support services, such as rural finance through rural credit cooperatives and the facilitation of access to PRONAF loans. Achievements in the empowerment of women may also be highlighted, for example, through the provision of identity documents and their participation in development initiatives
7. On another issue, IFAD-assisted operations have contributed to introducing some location-specific innovations, concerning both the general approach to rural development on the one hand, and innovations related to low-cost, easy to adopt technology and infrastructure on the other. The participatory approaches promoted through IFAD-funded projects have contributed to the sustainability of benefits. However, the provision of technical assistance on issues such as productive development, marketing, or organizational strengthening is still largely dependent on IFAD-financed projects, mainly due to the lack of resources allocated for the purpose by local institutions. Non-

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<sup>1</sup> For example, by the introduction of pest resistant varieties of cassava and pineapples.

project activities were by and large marginal components of the IFAD country programme in the past. Policy dialogue was limited, partly because of the few resources allocated, and the lack of a systematic policy agenda and permanent country presence. There are, however, some more recent important policy dialogue initiatives such as the sub-regional grant funded programme related to the Commission on Family Farming (REAF), which provides a platform of dialogue and negotiations between farmers' organizations and governments within MERCOSUR.

8. With regard to partnership, IFAD established useful co-operation with ministries and institutions both at the federal and state levels. It is particularly noteworthy the good dialogue and co-operation existing between the Fund and two key ministries: the co-ordinating Ministry for IFAD, namely the Ministry of Planning, Budget and Management; and the Ministry of Agrarian Development. At the project level, there have been some efforts to establish links with agriculture research institutions, such as EMBRAPA. Partnerships with international financial institutions and United Nations organisations were generally weak.

9. Although there have been some activities related to knowledge management, there have been very few systematic efforts to document IFAD's experiences in Brazil or to capture relevant learning from experiences in other countries. The potential of FIDAMERICA – as one of IFAD's main knowledge management instrument in the region - has not been adequately exploited so far in the Brazil country programme.

10. In spite of the relatively limited resources invested by IFAD in Brazil (compared to the magnitude of government programmes contributing to rural poverty alleviation) the Fund has an important role to play in the country. However, given its upper middle income status, the requirements of Brazil are significantly different from the priorities of low income countries. By and large, Brazil's interest in engaging with the Fund is largely motivated by the desire to promote innovative practices and acquire knowledge on family agriculture and rural development know-how. Policy dialogue, regional integration, and south-south cooperation are also key areas for further collaboration.

### C. Recommendations

11. **Strengthen innovation promotion and knowledge management.** IFAD's future country strategy and operations in Brazil should be built around two central elements, namely the promotion of replicable innovations and knowledge management. Policy dialogue, undertaken through initiatives such as REAF can provide a main tool by which IFAD-promoted innovations and knowledge are promoted and disseminated in the MERCOSUR region.

12. With regard to promoting innovations and policy dialogue (both at the national and regional level), it is crucial to ensure that the Fund devotes enhanced attention to scouting innovative solutions from different sources, including the rural poor and their organisations, the private sector, NGOs, research institutions and others. Greater use needs to be made especially of country-specific grants, but also regional grants, for this purpose. Grant-related activities need also to be more appropriately linked to loan-funded projects and programmes. Likewise, a more systematic approach, additional resources and larger efforts should be devoted to partnership building and knowledge management. These are essential components towards ensuring the replication and upscaling of the innovative approaches promoted through IFAD operations, which is in essence the ultimate test of IFAD's capacity to promote innovations.

13. IFAD can and should become an important partner for knowledge management on rural poverty reduction issues in Brazil. More systematic efforts and greater funds need to be allocated to documenting project experiences and sharing them among key actors involved in supporting the IFAD-funded programme in Brazil. These would not only contribute to improving the performance of the portfolio in general, but also inform the Fund's policy dialogue and partnership building activities, as well as contribute to the promotion of innovations. The knowledge acquired based on

IFAD operations in Brazil can also prove of value to other developing countries. In this regard, IFAD can facilitate the collaboration and knowledge sharing between Brazil and Africa, in the Lusophone, and also other countries. Furthermore the FIDAMERICA network's coverage should be expanded in the Brazil country programme, and periodic exchange visits between project staff, government officials and other partners from Brazil to other countries with IFAD operations should be organised.

14. Finally, IFAD could provide valuable support to strengthening Brazil's monitoring and evaluation capacity by, *inter-alia*, promoting a more active involvement of PREVAL in the country.

- *IFAD would take the lead in implementing this recommendation in the framework of the development of the new Brazil COSOP, which will be presented to the Executive Board by December 2008.*

15. **Partnerships to support the IFAD country programme.** It is important for IFAD to intensify its collaboration with the federal and state governments, with national and state research and knowledge institutions (e.g., EMBRAPA), and with civil society organizations. Additional efforts should be devoted to expanding IFAD's outreach to states, municipalities and other actors involved in its activities. Opportunities for direct lending to state governments, in consultation with relevant federal agencies, should be explored. At the same time, the Fund must devote sufficient attention to maintaining close dialogue and communication with the federal government on strategic directions, policy issues and all aspects of the Fund's relations with the country. Finally, IFAD should enhance partnerships with multi-lateral and bi-lateral agencies.

- *IFAD and the Government of Brazil would be responsible for implementing this recommendation, which would also be reflected in the new COSOP and operations funded by IFAD in the future in Brazil.*

16. **Expand geographical focus and targeting options.** In addition to focussing on the Northeast, the Fund should consider the possibility of expanding its geographic outreach to cover the rural poor living in the Northern areas of the country, which also show high levels of poverty. In view of the wide experience of IFAD, especially in the Latin America region, in assisting indigenous populations, it is recommended that IFAD seeks ways and means to support indigenous peoples in the Amazon in consultation with governmental agencies for indigenous peoples, such as FUNAI. For this purpose, the Latin America division might also consider mobilising resources from the indigenous people grant facility available at IFAD.

- *IFAD should implement this recommendation, while developing the COSOP, in consultation with the Government of Brazil and its concerned agencies.*

17. **Redefine priority areas of operations.** IFAD should continue working in the provision of support services for small farmers, such as financial services, technical assistance and applied research. A key new priority area should be further cooperation in the enhancement of market linkages, including access to markets, market infrastructure and market information. For this purpose, greater partnership with the private sector should be sought. The overall enhancement of access to markets should gain prominence in the new COSOP.

18. While IFAD's experience has been positive in providing direct services and capacity-building to communities in resettlement areas (*asentados*) the Fund should not engage directly in enabling access to land. It should however pay deeper emphasis to strengthening of rural financial services at the grassroots level. Through loans, IFAD could cooperate in creating or strengthening microfinance entities capable of providing a variety of financial services, including savings and non-agricultural loans. In addition, there are good opportunities to expand outreach to the rural poor through retail partnerships. For example, "correspondent banks" could be used, which allow banks to use retail

shops for providing financial services, such as deposits and order payments, in remote locations at a much lower cost compared to opening a branch.

- *IFAD should take the lead in implementing this recommendation by seeking the support of the Technical Advisory Division, and in consultation with the Government of Brazil and other IFIs operating in Brazil. These issues would also be covered in the new COSOP for the country.*

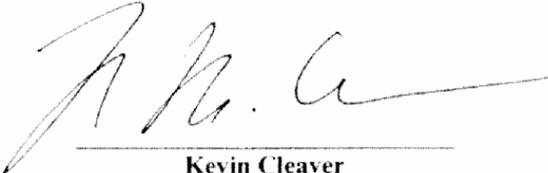
19. **IFAD's operating model.** As a means to enhancing IFAD's development effectiveness, it is recommended that the Latin America and Caribbean division explore the possibility of enhancing its country presence in Brazil. The options for using Brazil as a sub-regional office covering the MERCOSUR countries (and others) should also be explored. On a related issue, it is recommended to initiate the necessary dialogue and actions to bring under direct supervision<sup>2</sup> and implementation support the last two projects approved in Brazil. New projects funded to Brazil should also be under direct supervision and implementation support. Finally, it is important for IFAD to increase (within the overall framework of the PBAS) the level of resource allocated to Brazil and to increase attention and resources to non-project activities.

- *IFAD should implement this recommendation in close consultation with the Government of Brazil by December 2008.*



**Alexandre Meira Da Rosa**  
Secretary of International Affairs  
Ministry of Planning, Budget and Management  
of the Federative Republic of Brazil

Date:



**Kevin Cleaver**  
Assistant President  
IFAD, Programme Management Department

Date :

<sup>2</sup> PL may like to explore alternative options for undertaking the supervision of fiduciary aspects, including the possibility of performing the duties from IFAD or sub-contracting this task to another institution, as was the case in the Direct Supervision Pilot Programme. The crucial aspect is to ensure that IFAD is solely responsible for the implementation support function as part of the overall supervision process.

## Operations pipeline

### Introduction

1. We survey in this annex the ideas and consultation process that guided the identification of operations for the next IFAD cycle in Brazil, and present brief concept notes for four operations—two of investment projects and two of non-project activities. We examine also the situation of the *Xingó* project and the possible scenarios of governmental decisions and corresponding courses of action open to the Fund. We briefly discuss whether there is need for on-going IFAD operations to adjust to the new COSOP, and finish by examining the possible scope of the new IFAD programme in Brazil and recommending next steps.
2. Due to the time and other constraints in the preparation of the present COSOP document, the pipeline here presented is limited, mainly oriented to the first years of the new IFAD investment cycle in the country. It is also preliminary, requiring further identification work, as well as full-fledged preparation of the identified project ideas<sup>14</sup> and of grant applications.

### Identification of the Operations Pipeline: Guiding Ideas and the Consultation Process

#### Continuity and change

3. Compared to IFAD's work in Brazil in the ten years since the last COSOP, the programme of operations proposed in this new COSOP has elements of continuity and change. This is natural in view of the transformations that have taken place in Brazil and of the lessons learned from IFAD's work in the country. The main elements of continuity are in the target group and in the regional focus in the Northeast. The main elements of change are the priority given to the development of commercial production and employment generation, the emphasis assigned to policy dialogue (PD) and knowledge management (KM), and the view of the Northeast semiarid region as a totality, even if project operations are carved up by states and by particular regions within the states.

#### Partnerships with government entities

4. In its work in the country, IFAD established partnerships with the federal government (MDA) and various governments of the Northeast states to carry out investment projects to fight rural poverty. The federal government was identified as the main IFAD partner in the last COSOP and it was indeed an important project partner during this period. Two changes however have taken place in recent years in this connection: an increased interest of IFAD in partnerships with state governments to carry out investment projects, and an emerging cooperation between the Fund and MDA in the area of policy dialogue, particular in the dialogue among MERCOSUR countries. The proposal now is to strengthen these two trends: preferential partnerships with state governments of the Northeast to carry out investment operations in favour of the rural poor in their states, and preferential partnerships with the federal government in policy dialogue concerning national and MERCOSUR level policies. In addition, two new levels of policy dialogue have been identified: regional, within the Northeast, and international, related to Brazil's South-South cooperation. State governments and regional entities will be the main partner for the former type of dialogue, and the federal government for the latter.

#### Projects and policies

5. In line with the strategic objectives of the new COSOP, the programme of operations proposed is not a "project pipeline" but a pipeline combining investment projects and

<sup>14</sup> At the time of preparing the present COSOP document, IFAD had no projects in the pipeline in Brazil. A new project, *Terra de Valor*, in Bahia, had been in operation for less than one year, another project, *Dom Helder Câmara*, was one year away from completion with the possibility of being extended for one more year, and a third project, *Xingó*, had been approved by IFAD Directory in December 2004 but was not yet effective.

operations related to PD and KM. Furthermore, investment projects and policy dialogue are not seen in isolation. On the contrary, the proposal is to strengthen the relation between the two: federal and state policies should orient the design and implementation of projects, and projects should provide lessons that could help improve the design and implementation of policies. In addition, projects can also serve as laboratories to try out certain policies or to find ways to coordinate and articulate separate policies.

### **A programme approach to investment projects**

6. A key design idea for the pipeline of investment projects is to structure it as a programme built around core ideas and activities rather than as a sum of unrelated project proposals. The programme would consist of a set of state projects, implemented by state governments, which would be rather similar although with some differences that respond to local situations. The two project concept notes, for the states of Paraíba and Piauí, presented further down, have been drafted in this spirit.
7. The conditions are favourable for the Fund to take a programme approach because the type of regions, target groups and activities that state governments would like IFAD to support in their states are very similar across states, and there is also similarity in the scope of IFAD loans envisaged. Furthermore, the priorities of state governments are fully consistent with the strategic objectives and other features of the COSOP. Indeed, the COSOP has largely been built around them. There is hence the opportunity to design a coherent programme of IFAD interventions in the Northeast for the next five years. The World Bank followed this idea when it redesigned its poverty projects in the Northeast after the evaluation carried out in 1992, and it paid off.
8. A programme approach has advantages for project design, supervision and evaluation, and will also facilitate the exchange of ideas and the dissemination of innovations among states, regarding in particular the coexistence with the semiarid. By facilitating knowledge exchange on semiarid issues, the programme will help attaining Strategic Objective 3. Belonging to a programme should provide an identity mark to the projects supported by the Fund. This may, *inter alia*, raise IFAD's profile in Brazil and facilitate the dialogue between IFAD and state governments concerning new possible projects.
9. The name proposed for the programme is *Semiárido Produtivo* (productive semiarid). In correspondence, the individual projects would be named *Semiárido Produtivo do Piauí*, *Semiárido Produtivo da Paraíba*, etc.
10. The core features of the programme would be: (1) project focus on the semiarid areas of the states; (2) the target group are the poor (farm and non-farm) producers and workers of the rural areas covered by the projects; (3) projects have a productive thrust, an agro-ecological thrust and an institutional thrust; (4) the productive thrust aims at the generation of income and employment opportunities (on and off-farm) on a sustainable basis through five lines of action: (a) support to production enhancement; (b) support to productive alliances and market access; (c) support to the addition of value to local products; (d) provision of technical training and vocational education particularly for young men and women of the target group; and (e) support to micro and associative enterprises; (5) the agro-ecological thrust focus on the fight against desertification and goes hand in hand with the productive thrust; (6) the institutional thrust focus on strengthening territorial governance organizations and the extension/ technical assistance systems; and (7) projects endeavour to facilitate knowledge management with respect to the coexistence with semiarid conditions as well as policy formulation by state authorities.
11. Several principles would guide the operation of the projects included in the programme: (1) clustering of investments around programmes decided in a

participatory manner, capable of attracting the interest of a sufficient number of producers in order to achieve critical masses of output; (2) use of a value chain approach in the support to productive development; (3) adaptation of technical proposals to the production conditions and abilities of potential participants; (4) integration of production oriented measures with natural resources and environmental management; (5) adoption of co-financing systems through competitive funding of qualifying individuals or groups using competitive funds or similar instruments; (6) attention to the particular needs of women and young individuals; (7) inclusion of distinct ethnic communities and agrarian reform settlements as project beneficiaries when they exist in the project areas, adjusting to their particular cultural and institutional circumstances; and (8) decentralized project management through management teams located in each of the project territories.

12. Apart from the projects identified in Piauí and Paraíba, presented further down, other projects to be identified during the life of the new COSOP would also be included in the programme. Once the above two projects have been prepared and there is a more comprehensive view of the programme, IFAD could check with other Northeast state governments their interest to participate in the programme. This does not mean that IFAD should not support state government or federal entity requests of assistance for projects falling within the broad objectives of the new COSOP but outside the *Semiárido Produtivo* programme. This programme should be the core of IFAD project operations during the next cycle but other projects would also be possible.

#### **The consultation process**

13. The consultation process for the preparation of the new COSOP is described in Appendix I. Here we indicate how that process influenced the identification of the operations proposed in the pipeline and how were they conceived.
14. The identification of investment projects of Piauí and Paraíba is the result of discussions and field visits during the short reconnaissance missions to these two states carried out in March-April 2008. These missions could only achieve their purpose because the ideas for the possible projects had matured. Their maturing (in the minds of the COSOP team and of those of state stakeholders) was made possible by the previous visit to these states in January 2008 and by the Brasilia workshop of February 2008. The earlier visits and the Brasilia workshop served also to establish which states were more committed to an early IFAD operation within the new COSOP.
15. The idea of a programme approach to investment projects appeared only late in the consultation process. It was the result of gradually observing remarkable similarities in the priorities and actions proposed by Northeast, states and their interest on IFAD's assistance to exploit semiarid development opportunities in favour of the poor.
16. The idea of a non-project regional operation to promote knowledge generation and exchange among private, public and civil society actors in the broad semiarid region of the Northeast was born out of a number of meetings and visits. The most important ones were a meeting with the Secretary of Social Inclusion of MCT, meetings with intellectuals and Northeast development experts in Recife, São Paulo and Rio de Janeiro, a visit to the MCT centre for the semiarid region (INSA) in Campina Grande, discussions with the director of MMA's programme to combat desertification, and the positive feedback received from state governments and other stakeholders when this idea was floated during the Brasilia workshop and the visits to the states. Crucial to the forging of this idea and that of a programme approach to investment projects, was the recognition of the need to see the semiarid as a single unit –a region with local differences but facing similar problems and development options and with its own identity.

17. The idea of a non-project operation to promote policy dialogue grew out of the experience of the support provided by IFAD to such dialogue among MERCOSUR countries through REAF. This experience evidenced to MDA and SEAIN the value of having IFAD assistance in PD and the possibility of expanding this assistance to the analysis/evaluation of national policies and to facilitating Brazil's South-South cooperation. The possible areas of work for IFAD's assistance in PD (indicated below in the corresponding grant proposal) were discussed in various meetings mainly between the COSOP preparation team and MDA.

### **Investment Project Profile: Piauí Semi-arid Project**

#### **Background**

18. Located in the transition zone between the Northeast semi-arid and the Amazonian sub-humid zones, Piauí has a variety of agro-ecological regions in its 251,529 sq km. With its R\$2,892 GDP per capita in 2004 and its IDH of 0.656, Piauí is the second poorest Brazilian state (after Maranhão). Its population of 3 million, one third of which is rural, is sparsely settled, with a density of 12 inhabitants per sq km.
19. The semi-arid region of Piauí, which is the focus of the project, covers some 150 thousand sq km located in the central, eastern and south-eastern parts of the state, encompassing 151 of the 223 municipalities of the state.

#### **Title, Geographic Area and Target Group**

20. The project, which is named "Piauí Semi-arid Project (PISP)" or *Semiarido Produtivo do Piauí*, will cover 4 of the 11 territories in which GoP divides the state. These territories span most of the semi-arid region of Piauí and include 89 municipalities. The territories included are: *Vale do Sambito* (15 municipalities); *Vale do Rio Guaribas* (37 municipalities); *Vale do Rio Canindé* (19 municipalities); and *Serra da Capivara* (18 municipalities). These territories stand amongst the poorest in Brazil and have recently attracted much attention from both federal and state governments. Not all project activities will cover all municipalities. Precise criteria for the targeting of municipalities, communities and families will be established during project preparation.
21. The poor farmers and rural landless families of the project area form the target group of the proposed project. Within this target group, particular attention will be paid to the needs of women and young individuals. Distinct ethnic communities existing in the project area, like the *quilombolas*<sup>15</sup>, will be included. Project work with these communities will be adapted to their particular cultural circumstances.

#### **Project Rationale**

22. The high incidence of rural poverty in Piauí, especially in its semi-arid region, and the existence of interesting local economic potentials offer the main rationale for the project. Environmental vulnerability, degradation of natural resources like soils and the *caatinga* biome, and climate change with the risk of desertification are additional reasons for an IFAD operation in the proposed area.
23. Important progress has been made in the state in the last two decades in the supply of social infrastructure like rural roads, electricity and fresh water. Also, large federal and state programmes as well as projects with World Bank support are currently in operation in the state for the provision of social infrastructure and for land access. Some progress has also been made in the exploitation of the economic potentials open to small farmers and assetless rural workers. But progress here has been much smaller than in social infrastructure. This is why the thrust of the proposed project is to tackle the economic potential existing in the project area helping to develop sustainable employment and income opportunities for the target group. The Governor of Piauí is fully committed to this orientation of the project. Economic oriented interventions will be aligned with the improvement of natural resources

<sup>15</sup> Remnants of communities historically formed by runaway slaves.

management and will be complemented by other actions, like for instance "contextualized education", within an integrated view of the development process.

24. Like in other states of the Northeast, very valuable knowledge of semiarid conditions and how to coexist with them has evolved in Piauí over the years. Little however has been or is being done to systematize and disseminate/exchange this knowledge, which refers not just to physical works and farming technologies but also to incentive policies, development models, intervention methodologies for poverty reduction, and institutional arrangements. The proposed project will pay attention to the management of this area of knowledge.
25. A view based on a territorial approach is steadily taking hold of policy making in rural development in Brazil. This is evident in the creation of a *Secretaria de Desenvolvimento Territorial* (SDT) within the Ministry of Agrarian Development and the recent launching of the *Territórios da Cidadania* programme. Two of the four territories included in the project area have been selected to be part of the *Territórios da Cidadania* programme, while the other two are included as priority territories for the work of SDT in Piauí. This means that there are on-going actions to carry out territorial planning and the coordination of public-civil society stakeholders in these territories. The project will cooperate in the strengthening of this institutional framework.

#### **Project Objectives and Duration**

26. *General Objective:* The reduction of poverty in the semiarid areas of Piauí through the generation of sustainable sources of employment and income suitable to the semiarid conditions of the project area and in line with federal and state policies.
27. *Specific Objectives:*
  - Promote the generation of increased farm and non-farm incomes of poor producers in the project area in full respect of the sustainable use of natural resources, and of the human and cultural development of the target population. This will be achieved through the integration of small producers in value chains, the co-financing of infrastructure, equipment and support services, and the strengthening of social and productive organizations.
  - Enhance personal capabilities and the capacity of the target population, particularly of its young segment, to generate income and have improved access to labour markets, through the trying out and eventual dissemination of contextualized and scientifically strong education systems, and the promotion of vocational education and technical training.
  - Strengthen key institutions for the development of the project area related to technical assistance systems, organization of the territories, and policy formulation /implementation regarding semiarid development.

#### **Ownership, Harmonization and Alignment**

28. As is evident from its Pluriannual Plan 2008-11, there is a strong commitment of GoP with the fight of rural poverty, which is at the core of the proposed project. The Governor of Piauí has personally expressed to an IFAD mission his support to the project. Furthermore, in its negotiations with the federal treasury, the State Government has included in its fiscal space for state indebtedness a provision of R\$35 million (US\$21 million) for an IFAD loan. The objectives of the project are fully in line with the objectives of Piauí's Pluriannual Plan 2008-11, and project components and activities are in agreement with the actions prioritized in that Plan, particularly in axes 17 *Educação profissional*, 44 "*Fortalecimento dos arranjos produtivos*", 48 *Assistência técnica e extensão rural*, 49 *Desenvolvimento da agricultura familiar*, 53 *Convivência com o semi-árido*, 56 *Educação ambiental*, and 57 *Uso sustentável dos recursos naturais*.
29. The other major international donor active in the project area is the World Bank through its Piauí Poverty Reduction Project. This project is mainly oriented to the

provision of small social infrastructure and is thus complementary to the project proposed for IFAD financing. Synergies should be exploited. Conversations in this respect with WB managers have already been started and should be continued during preparation.

### **Project Components and Activities**

30. The proposed project would have four components. These components and the main activities envisaged are indicated below.

#### *Component 1: Productive Development*

- Integrated support to the sustainable participation of small producers in specific production chains (cashew, various fruits, sheep and goat production, manioc, handicrafts, tourism, honey, vegetables and medicinal plants, and others), including support to farm production, processing and marketing.
- Promotion of a wide use of sustainable technologies adapted to the semiarid, like agro-forestry systems, mandalas, organic gardens, medicinal gardens, caipira (rustic) chickens, and others.
- Construction of small irrigation and improved water conservation and use systems for individual or community use.
- Support to agriculture and non-agriculture associative businesses and micro-enterprises of target group members.

#### *Component 2: Human Development*

- Support to the introduction and dissemination in rural schools in the project area of scientifically based agro-ecological activities and environmental context knowledge as an instrument of education in the coexistence with the Northeast semiarid environment.
- Support to the strengthening of the Escolas Famílias Agrícolas<sup>16</sup> operating in the project area and to the creation of new ones.
- Support to the vocational education and technical training of young men and women members of the target group in non-agricultural activities, like IT, machinery operation, hairdressing, tailoring, vehicle repair and maintenance, installation and repair of electric systems, civil constructions, and others.
- Support to activities for the generation and dissemination of knowledge relevant to the semiarid such as the development of the Universidade do Campo project of the State Government, the promotion of farmer to farmer exchange and extension systems, and the promotion of farmers' field schools.

#### *Component 3: Institutional Development*

- Strengthening of the governmental and non-governmental technical assistance/extension systems for the Piauí semiarid region
- Strengthening of the territorial organizations of the project areas and support to their planning and economic coordination functions
- Support to the formulation of state policies for the semi-arid region and to the monitoring of the State Plan for Coexistence with the Semiarid (currently under preparation)
- Support to the participation of Piauí stakeholders in discussion forums of semiarid development issues and in knowledge exchanges with stakeholders from other Northeast states.
- Institutional support to producer and other associations of target group members at the ground and meso levels.

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<sup>16</sup> Agriculture vocational secondary schools with a special pedagogic system alternating residential school attendance with work in the family farm.

#### *Component 4: Project Management*

- Strengthening of the implementation unit, including the establishment and operation of an administrative/financial team.
- Setting up and operation of evaluation and management information systems.
- Establishment and operation of decentralized implementation hubs.
- Design of specific subprojects and other interventions to carry out approved project activities
- Thematic and other relevant studies
- Support to the dissemination of project results and innovations

The duration proposed for the project is five years.

#### **Cost and Financing**

31. The total cost of the project is preliminary estimated at US\$40 million. This cost would be financed with an IFAD loan of US\$21 million, a counterpart contribution from the State Government of US\$15 million, and a contribution from project beneficiaries (including labour and other in kind contributions, own financial contributions and contributions from loans) of US\$4 million.
32. The breakdown of costs among components is preliminary estimated as follows: 50 per cent for Component 1.25 per cent for Component 2.15 per cent for Component 3, and 10 per cent for Component 4.

#### **Organization and Management**

33. The proposed project would be implemented by the *Casa do Semiárido*, a Directorate of the Secretariat of Rural Development of Piauí, which is in the process of becoming a semiautonomous entity under the umbrella of the above Secretariat. The possibility should be examined during preparation of sharing the financial/administrative facilities already in place in the Secretariat of Planning for the implementation of the World Bank Rural Poverty Reduction Project.

#### **M&E Indicators**

34. Some of the outcome and milestone indicators to be used are: number of beneficiaries of income generation activities; per cent increase in the income of beneficiaries of income generation activities; number of production groups formed/strengthened; number of jobs created; number of beneficiaries trained in occasional training activities; number of producers that have received technical assistance through project support; number of young individuals that have received vocational education or technical training with project assistance; number of schools that have adopted context education systems; number of families that have benefited from support to micro-enterprises and associative business; number of organizations that have been strengthened by the project; number of individuals/organization that have participated in knowledge exchange forums and similar activities; results from support to specific production chains (measured through indicators to be developed for each chain during project preparation); results of small irrigation and other water systems (measures to be developed during project preparation according to the various types of work); results from support to state policy formulation (measures to be developed during project preparation); results from the strengthening of territorial organizations (measures to be developed during project preparation); results from the strengthening of technical assistance systems (measures to be developed during project preparation).

#### **Risks**

35. Three main risks can be envisaged at this stage. The first is the discontinuation of political support to the project during implementation upon the change in government authorities. The second is the difficulty of access to remunerative markets in the relevant chains for producers supported by the project. The third is

the resistance of farmers and extension workers in the project area to introduce measures to improve natural resources management. These risks are not considered to be high at present. Other risks and relevant mitigation measures should be identified during preparation.

### Timing

36. The Carta *Consulta*<sup>17</sup> of the project is expected to be approved during the COFIEIX meeting of late June. The project is expected to be presented to the IFAD board in April 2009.

## Investment Project Profile: Paraiba Semiarid Project

### Background

37. The state of Paraiba, located in the eastern part of the Northeast region, has 56,440 sq km and a population estimated at 3.6 million. With a GDP per capita of US\$4,165, it is the fifth poorest state in Brazil (after Maranhão, Piauí, Tocantins and Alagoas) with economic and social indicators well below the Brazilian average. Thus, the IDH of the state in 2000 was 0.661 compared to 0.766 for Brazil, the income per capita is R\$150 per month compared to R\$605 per month for Brazil, and the proportion of extreme poor in the state is four times that of Brazil.
38. Nearly 85 per cent of the state's area is considered semiarid. The semiarid region has experienced long-term relative decline, and even absolute in some parts, since the mid-80s, mostly because of the cotton crises (due to market conditions and pest infestation), since cotton was the axis of the dominant livestock-cotton-food crops production system. Contrary to what happened in other states, the semiarid region of Paraiba recovered little from the cotton crisis experiencing difficulties to find new activities to substitute for the cotton-centred production system. An exception in the project area is the surge in recent years of a promising goat-based dairy economy in the Cariri area.
39. The stagnation that has characterized the semiarid zone of Paraiba does not mean that there is lack of endogenous development potentials. It is widely recognized today that the semiarid has many resources that can be mobilized to the benefit of the poor. Thus, for instance, the project area has good advantages for goat rearing, where notable improvements have already been made, potentially irrigated areas that can support a variety of crops, areas suitable for cashew trees, mineral resources amenable to small scale exploitation, a good potential for the production of high quality bee honey, a rich artisanal tradition, and a good system of social organization, to quote some of the most obvious potentials.

### Title, Geographic Area and Target Group

40. The project, which is named "Paraiba Semiarid Project (PBSP)" or *Semiarido Produtivo da Paraiba*, will cover five regions of Paraiba state: *Cariri Oriental*, *Cariri Ocidental*, *Seridó Oriental*, *Seridó Ocidental* and *Curimataú Oriental*. The regions included are among the ones with lower rainfall in Brazil, suffering acutely from the consequences of desertification. The two Seridó regions were recently recognized as the 13<sup>th</sup> meso region of the state and have received particular attention from the Ministry of Regional development, while the two Cariri regions have been included as *Territórios de Identidade* by MDA. Not all municipalities in the project area would be covered by all project activities. Some activities would focus on municipalities with potential for the development of a particular product or value chain. Other activities may have wide coverage and could indirectly benefit families or enterprises outside the target group. Precise criteria for the targeting of municipalities, communities and families will be established during project preparation.

<sup>17</sup> Project identification document prepared by the state government and presented to COFIEIX, the federal committee that authorizes the international financing operations of government entities.

41. The target group are the poor rural families, with or without land, of the project area employed in agriculture or in non-farm activities. Within this target group, particular attention will be paid to women and young individuals.

### **Project Rationale**

42. The high incidence of rural poverty in Paraíba, especially in its semiarid region, and the existence of interesting local economic potentials not currently exploited or underexploited offer the main rationale for the project. Environmental vulnerability, degradation of natural resources like soils and the *caatinga* biome, and climate change with the risk of desertification are additional reasons for an IFAD operation in the proposed area. This area was selected by the Government of Paraíba as the one most in need of external assistance within the state.
43. Important progress has been made in the state in the last two decades in the supply of social infrastructure like rural roads, electricity and fresh water in poor rural areas. Notwithstanding this progress, the indicators of satisfaction of basic needs are worst in the project area than in Paraíba as a whole, which points to the need of further investments in social infrastructure. There are currently in operation in the state large federal and state programmes as well as projects with World Bank support, like *Cooperar*, focused on this type of investments.
44. Some progress has also been made in the provision of assets and the improvement of the production capacity of poor rural producers. Programmes like *Reforma Agrária*, *Crédito Fundiário*, *Crediamigo*, *Qualificação Profissional para o Mercado de Trabalho*, *Meu Trabalho*, and *Programa Cidadão Rural* have contributed to this effort. But progress here has been much smaller than in the area of social infrastructure. This is why the thrust of the proposed project is to tackle the economic potential of the project area helping to develop sustainable employment and income opportunities for the target group. This focus is fully shared by the Government of Paraíba. Production oriented interventions will be aligned with the improvement of natural resources management, and will be complemented by other actions devoted to the enhancement of human and social capital, within an integrated view of the development process.

### **Project Objectives and Duration**

45. *General Objective*: To enhance the rural economy of the territories included in the project area through a sustainable increase of the production capacity of the rural poor, an improved insertion of small producers in the markets, the development of human, social and institutional capital, and the adoption of measures to fight desertification.
46. *Specific Objective 1: Production strengthening and improved market insertion*. This objective aims at promoting the competitive participation in markets of small rural producers and producers' associations through the strengthening of relevant production activities and of the capacity to access markets and add value to local products.
47. *Specific Objective 2: Sustainable management of natural resources and combat to desertification*. This objective aims at fighting desertification and promoting the sustainable management of the *caatinga* biome in the project area through environmental education, adequate training of extensionists and rural development agents, reforestation of the *caatinga*, dissemination of agro-forestry systems, and the exchange of experiences of coexistence with the semiarid.
48. *Specific Objective 3: Development of human and social capital*. This objective aims at promoting the development of human and social capital through technical training, vocational education, strengthening of participatory extension systems, strengthening of producers' and community organizations, and exchange of innovative experiences.

49. *Specific Objective 4: Institutional strengthening.* This objective aims at strengthening the institutional framework of the territories in the project area through the provision of technical assistance and training to councils, forums and other organizations that can help improve local development governance.
50. The duration envisaged for the proposed project is five years.

#### **Ownership, Harmonization and Alignment**

51. The Pluriannual Plan 2008-11 of the Government of Paraíba indicates the strong commitment of the State Government to the reduction of rural poverty, the coexistence with the semiarid, the mitigation of the desertification process, and the sustainable exploitation of the resources of the semiarid region.
52. The Secretary of Agricultural Development and Fisheries of the State of Paraíba and the Executive Director of the state's planning system have indicated formally the decision of the State Governor to use IFAD's financial support to strengthen state actions to fight rural poverty and improve the capacity of poor rural producers to generate income in a sustainable manner. This commitment was evident in the assistance provided to the COSOP team throughout the COSOP preparation process and in the drafting of a preliminary version of the *Carta Consulta* for COFIEX. The State Secretariat of Planning has indicated that sufficient counterpart resources are included in the Pluriannual Plan, and that the state qualifies for an IFAD loan of US\$25 million, to be disbursed in five years, starting in 2009.
53. The World Bank has an important participation in the fight of rural poverty in the state through the co-financing of the rural poverty reduction project *Cooperar*. Over the last years, this project was responsible for the provision of small social infrastructure for rural communities, particularly electricity and fresh water supplies, with an important impact on the wellbeing of poor rural families. Because of its focus on employment and income generation, the proposed IFAD project is not competitive but complementary to *Cooperar*. Synergies should be exploited.

#### **Project Components and Activities**

54. The proposed project would have five components. These components and the main activities envisaged are indicated below.

##### *Component 1: Productive Development and Competitive Market Insertion*

- Strengthening of the goats/sheep dairy and meat production chain. This activity would have various aspects: productivity increases through the continuation of genetic improvements and the dissemination of improved forage systems and stock management practices; integration into the chain of new groups of small producers; introduction of participatory extension systems and training of extensionists; investments in processing plants and equipment; support to the organization of producers; and support to access credit sources.
- Strengthening of artisanal production. The thrust would be in lace handicrafts in the Cariri region and semiprecious stones in the Seridó region, but other artisanal lines may also be included. The activities envisaged are: expansion of the number of artisans; training; design improvements; investments in processing plants and equipment; support to the organization of producers; and support to access credit sources.
- Support to poor producers of the project area participating in other value chains. Possible activities include tanning and leather industries, bee honey, cattle dairy, cashew production, and various fruits.
- Improved market access. This activity will consist of the following: identification and study of markets for the main value chains in the project area relevant to poor producers; training of producers to satisfy the requirements of markets; support to increase the processing capacity and add value to local production;

- development of new products; design of marketing strategies for the national and international markets.
- Support to farm- and non-farm based associative and micro-enterprises. This activity will be mostly oriented to poor young rural men and women interested in becoming small entrepreneurs either individually or in groups. The main instruments will be training, assistance to access credit sources, and a fund to co-finance the investments required.

*Component 2: Sustainable Management of Natural Resources and Support to Fight of Desertification*

- Reforestation of the caatinga. This activity will promote the reforestation of degraded caatinga areas of small farmers. Reforestation will be associated with environmental improvements (erosion control, water retention systems, etc.) and the reduction of economic vulnerability through the introduction of useful vegetal species for human or animal consumption.
- Introduction of environmental activities in schools as an instrument to educate in the coexistence with the semi-arid. This activity will include the dissemination in the schools of the project area of education materials relevant to the coexistence with the semi-arid, and the introduction in selected schools of productive activities oriented to educate students in technologies and practices relevant to the coexistence with the semi-arid.
- Support to the generation and dissemination of knowledge relevant for the coexistence with the semi-arid. This includes the support to relevant research activities carried out by EMEPA-PB, support to exchanges of information on semi-arid related issues among public, private and civil society entities, and support to partnerships for the dissemination of technologies and practices relevant to the coexistence with the semi-arid.

*Component 3: Development of Human and Social Capital*

- Support to technical training and vocational education. This activity will particularly target young men and women and will involve both farm and non-farm activities. It will support relevant training and educational facilities existing in the project area and promote their possible expansion, and will use methodologies that facilitate beneficiary participation and the combination of theory and practice.
- Support to beneficiary organization. This activity will provide support to beneficiary groups and community organizations in matters relative to the management of collective assets, accounting, administrative and legal information, leadership, and others.

*Component 4: Institutional Development*

- Strengthening of the technical assistance/extension system in the project area. This will have two prongs. The first will be based on EMATER-PB and will strengthen its methodological and operational capacity to carry out a participatory type of extension based on agro-ecological principles, and to enhance the system of ADRs. The second will be based on specialized NGOs and will support them in the dissemination through various means in the project area of knowledge, practices and technologies relevant to the semi-arid conditions and to fight desertification.
- Strengthening of participatory territorial organizations. This activity will consist of technical assistance and training the municipal and territorial councils and forums of public, private and civil society organizations in the project area, relevant to rural and territorial development, to allow them to better fulfil their governance function.

- Support to policy formulation and dialogue. This activity will support the formulation by the State Government of Paraíba of rural development and poverty alleviation policies as well as the coordination in the project area of state and feral level policies relevant to project objectives. This activity will support, inter alia, the implementation in the project area of the Pluriannual Plan 2008-11, and the participation of state actors in Northeast forums oriented to the discussion of policies and the exchange of experience of coexistence with the semi-arid.

#### Component 5: Project Management

- Strengthening of the implementation unit, including the establishment and operation of an administrative/financial team.
- Setting up and operation of evaluation and management information systems.
- Establishment and operation of decentralized implementation teams.
- Design of specific subprojects and other interventions to carry out approved project activities
- Thematic and other relevant studies
- Support to the dissemination of project results and innovations

The duration proposed for the project is five years.

#### **Cost and Financing**

55. The total cost of the project is preliminary estimated at US\$55 million. This cost would be financed with an IFAD loan of US\$25 million, a counterpart contribution from the State Government of US\$25 million, and a contribution from project beneficiaries (including labour and other in kind contributions, own financial contributions and contributions from loans) of US\$5 million.
56. The breakdown of costs among components is preliminary estimated as follows: 60 per cent for Component 1. 10 per cent for Component 2. 10 per cent for Component 3. 10 per cent for Component 4, and 10 per cent for Component 5.

#### **Organization and Management**

57. The Secretariat of Agricultural Development and Fisheries of the State of Paraíba would implement the proposed project. The possibility should be examined during preparation of sharing the financial/administrative facilities already in place for the implementation of the World Bank Rural Poverty Reduction Project, *Cooperar*.

#### **M&E Indicators**

58. Some of the outcome and milestone indicators to be used are: number of beneficiaries of income generation activities; per cent increase in the income of beneficiaries of income generation activities; number of production groups formed/strengthened; number of jobs created; number of beneficiaries trained in occasional training activities; number of producers that have received technical assistance through project support; number of young individuals that have received vocational education or technical training with project assistance; number of schools that have adopted context education systems; number of families that have benefited from support to micro-enterprises and associative business; number of organizations that have been strengthened by the project; number of individuals/organization that have participated in knowledge exchange forums and similar activities; results from support to specific production chains (measured through indicators to be developed for each chain during project preparation); results of small irrigation and other water systems (measures to be developed during project preparation according to the various types of work); results from support to state policy formulation (measures to be developed during project preparation); results from the strengthening of territorial organizations (measures to be developed

during project preparation); results from the strengthening of technical assistance systems (measures to be developed during project preparation).

### **Risks**

59. Three main risks can be envisaged at this stage. The first is the discontinuation of political support to the project during implementation upon the change in government authorities. The second is the difficulty of access to remunerative markets in the relevant chains for producers supported by the project. The third is the resistance of farmers and extension workers in the project area to introduce measures to improve natural resources management. These risk are not considered to be high at present. Other risks and relevant mitigation measures should be identified during preparation.

### **Timing**

60. The *Carta Consulta*<sup>18</sup> of the project is expected to be approved during the COFIEX meeting of late June. The project is expected to be presented to the IFAD board in April 2009.

### **Non-project Operation: Grant to Facilitate Knowledge Management on Development Issues of the Semiarid Region**

#### **Rationale**

61. The evaluation of the country programme of IFAD in Brazil observed the scarce importance of knowledge management (KM) activities in the programme, and recommended giving more attention to this in the new COSOP. The COSOP preparation team included KM with respect to northeast semiarid issues as an essential ingredient of the new programme, with one of the strategic objectives (SO 3) of the programme oriented to this.
62. There are several reasons why promoting KM of semiarid issues is considered important for the new programme: (1) IFAD has developed already some expertise on the semiarid region, and more expertise will be developed during the new programme, which will be centred in this region; (2) as explained before, the region should be looked at as a unity presenting many similar problems and opportunities; (3) the exchange of experiences and innovations on semiarid issues that currently exists among Northeast states and civil organizations is clearly insufficient; (4) interesting opportunities of generating new technical knowledge on the semiarid exist through institution such as EMBRAPA's regional centres, INSA, regional universities, and state research outfits; and (5) new IFAD project are likely to become a nursery of innovations regarding economic activities, technologies, organization models, and intervention methodologies in the semiarid, which will need to be disseminated.
63. The proposed IFAD grant will be a financial instrument to carry out KM activities. Others sources of funding are also envisaged, such as resources from the projects themselves, and from partnerships with other international agencies, government entities, knowledge centres and private foundations. A basic source of non-reimbursable funding is essential, however, to start up and manage operations. Access to the proposed IFAD grant would insure the carrying out of a basic core of KM activities and would serve as seed capital to attract resources from potential partners.

#### **Proposed activities**

64. The grant will serve to finance most of the activities envisaged under SO 3. It will be used to fund: (1) the dissemination and exchange of information on sustainable livelihoods in semiarid conditions among Northeast sub-national governments, knowledge institutions, and civil organizations interested in sustainable development

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<sup>18</sup> Project identification document prepared by the state government and presented to COFIEX, the federal committee that authorizes the international financing operations of government entities.

in the region; (2) support to monitor climate change in the Northeast and disseminate adaptation measures; (3) partnerships with relevant institutions dealing with science, technology and innovation for the semi-arid; (4) a strengthened capacity to learn from experience in IFAD projects in the region and disseminate successful local innovations through appropriate KM; and (5) the organization within the Northeast of a forum of government authorities, knowledge institutions and civil society organizations similar to the system of discussion meetings of REAF under MERCOSUR. The collection and dissemination of lessons and innovations deriving from IFAD projects will for the most part be funded by the projects themselves.

#### **Duration**

65. The duration will be defined depending on the amount of the grant, the co-financing sources and the institutional arrangements...

#### **Management**

66. The grant will be operated by an independent and well-respected knowledge institution of the region.

#### **Non-project Operation: Grant to Facilitate Policy Dialogue at the National and International Levels**

##### **Rationale**

67. As in the case of KM, the evaluation of the IFAD country programme observed the scarce importance of policy dialogue (PD) in the Brazilian programme, and recommended giving more attention to PD in the new COSOP. There was one important exception, however: the support given by the Fund to PD regarding family agriculture among stakeholders of the MERCOSUR countries through its assistance to the system of REAF meetings. The COSOP preparation team included PD as an essential part of the new programme. In fact, one of the strategic objectives in the new COSOP (SO 4) refers to PD. There are two levels at which support to PD is proposed: national and international. The national level concerns federal policies related to rural development and poverty reduction. The international level relates to policy dialogue on family agriculture issues among MERCOSUR countries, and to IFAD support to Brazil in its South-South cooperation.
68. There are several reasons why promoting PD is considered important for the new IFAD programme: (1) federal policies for rural development and poverty reduction are very important in Brazil and are in a state of flux, with GOB trying out ways to promote territorial development, expand and improve credit and other assistance systems to family farms, facilitate access to land of rural landless workers, and help small producers to market their output; (2) the M&E systems of the main federal programmes is deficient and in urgent need of improvement; (3) IFAD has considerable know-how and international experience in many of the policy areas relevant for PD in Brazil; (4) MDA is interested in IFAD's support in PD; (5) because of its characteristics and reputation, IFAD has a comparative advantage to play a catalytic role and act as honest broker in policy dialogue involving different sectors of society; (6) IFAD has already shown its capacity to facilitate PD through the REAF experience; and (7) through its network of projects and contacts, IFAD is well placed to assist Brazil to expand its South-South cooperation activities, particularly in the African region.
69. The IFAD grant will be a financial instrument to carry out the PD activities proposed below. Like in the KM case, other sources of funding are also envisaged, including possible partnerships with other international agencies and government entities willing to co-finance PD activities, but a basic source of non-reimbursable resources is also essential in this case to start up and manage operations.

##### **Proposed activities**

70. IFAD collaboration with GOB in PD will mainly consist in providing discussion inputs on relevant policy themes and assisting in setting up discussion forums, with the

clear understanding that policy-making is an exclusive national responsibility. The grant will fund activities relevant to national level policy dialogue only, not international. It will finance studies, consultancies, workshops, study travel, publications, and dissemination activities. PD will not be limited to the mainstreaming of innovations coming from IFAD projects. IFAD's global knowledge of rural development and poverty issues acquired through its analytical activities and worldwide development practice allows the Fund to cooperate with countries in PD matters over and above the experience from country projects.

71. Upon discussion with relevant stakeholders, the menu of possible themes preliminary selected as options for policy dialogue are:
- Fine tuning of PRONAF through: experimentation with microfinance technologies and the expansion of financial services (like savings) to better reach poor farmers; improvement of economic sustainability through better calibration of subsidies, as well as measures to improve repayment rates; and better M&E of the Programme.
  - Reform of technical assistance and extension systems to expand and diversify services, increase quality, and give extension an agro-ecological emphasis.
  - New policies to facilitate productive alliances, including technical and organizational assistance, market facilitation, and new financial instruments, such as competitive funds to co-finance the investments required.
  - Policies regarding approaches and incentives that facilitate the clustering of investments.
  - Policies to support the participation of family farmers in bio-energy markets.
  - Deepening of the territorial approach to rural development embraced by MDA, through instruments like investments oriented to increase productive employment in rural towns, a competitive fund to co-finance investments prioritized in the territorial plan, and the strengthening of meso-level institutions, regional councils in particular.
  - Policies to expand and improve technical training and vocational education in poor rural areas.
  - Policies to support the expansion of rural micro and associative enterprises.
  - Policies to enhance regional development poles capable of promoting an endogenous and inclusive type of growth in the rural areas of the Northeast semiarid.
  - Policies for the conservation of biodiversity, to fight desertification and adapt to climate change in the Northeast semiarid.
72. These themes are a menu of options subject to change over time according to evolving circumstances and government priorities, and only a few of them could possibly be covered. In addition to the above themes and in agreement with MDA, the grant may also serve to provide support to the evaluation of rural development/poverty programs.
73. The activities related to supporting Brazil's South-South cooperation, envisaged under SO4, may be marginally supported by this grant, but a separate line of financing should be found for the bulk of these activities.

#### **Duration**

74. The duration will be defined depending on the amount of the grant, the co-financing sources and the institutional arrangements..

#### **Management**

75. The grant will be operated by an independent and well-respected knowledge institution of national authority.

#### **Programme Scope and Next Steps**

76. It is possible to envisage the preparation and launching of three investment projects during the next two years, and another three or four, depending on circumstances,

during the following three years. This will be facilitated by the adoption of a programme approach to project operations. Co-financing of some of these projects is being discussed with the CAF. The size of IFAD loans could be of the order of US\$20 to 25 million per project.

77. The two non-project operations are envisaged to start in years 1 and 2 of the COSOP.
78. The State Governments of Piau  and Paraiba are preparing *Cartas Consulta* for their *Semi rido Produtivo* projects to submit to COFIEEX. These *Cartas Consultas* will hopefully be approved during the COFIEEX meeting of late June 2008. In the meanwhile, IFAD's PL Division should discuss and clear the concept notes of these two projects. If the *Cartas Consulta* is in fact approved in late June, project preparation could take place in August-September 2008. One single mission could jointly prepare both projects. This would permit exploiting synergies and save time.
79. To expedite preparation, PL should start identifying and lining up the members of the preparation team. As soon as notice of the clearance of the *Cartas Consultas* is received, a mission composed of the team leader of the project preparation team, the CPM and a national consultant should visit the two states. This mission will have three objectives: complete the identification of the projects to IFAD satisfaction; assist in the identification and setting up of a local preparation team; and agree on a work plan for the local team for the period previous to the visit of the IFAD preparation mission. This mission could also carry out discussions and collect information for the preparation of the grant applications, which should be done well before the end of 2008.
80. It is advisable that on the basis of the experience collected in the preparation of the Piau  and Paraiba projects and of the concepts presented above when discussing the programme approach to investment projects, a short programme concept document is prepared. This document would be useful to discuss new operations with other government of the Northeast states.

## Key file 1: Rural poverty and agricultural/rural sector issues

<i>Priority Area</i>	<i>Affected Group</i>	<i>Major Issues</i>	<i>Actions Needed</i>
<b>Rural poverty in general</b>	<p><b>Poor small-scale farmers</b></p> <p><b>Landless peasants</b></p> <p><b>Agricultural and seasonally migrant workers</b></p> <p><b>Women- headed households</b></p> <p><b>Rural youth</b></p>	<p>High level of geographical dispersion in rural areas:</p> <ul style="list-style-type: none"> <li>• 86% (82% in the Northeast) of rural population live in rural areas outside agglomerations and only 11% (16% in the Northeast) in isolated rural agglomerations</li> </ul> <p>High levels of social exclusion.</p> <ul style="list-style-type: none"> <li>• In 2006, 3 million rural people living in extreme poverty</li> <li>• In 2004, 15 million people living in food insecurity in rural areas: 5.9 million (18,2%) in slight food insecurity; 6 million (23,6%) in moderate food insecurity and 3.4 million (24.7%) in severe food insecurity</li> </ul> <p>Limited productive assets; growing but still limited social capital; low level of capitalization</p> <p>Limited access to land:</p> <ul style="list-style-type: none"> <li>• Almost half of poor rural households without access to land</li> <li>• Over 2 million minifundio holdings according to the 1996 Agricultural Census</li> </ul> <p>Insecure and irregular land ownership</p> <p>Limited basic rural infrastructure:</p> <ul style="list-style-type: none"> <li>• Inadequate housing conditions, particularly water supply and sanitation</li> <li>• Overcrowded houses</li> </ul> <p>Increased degradation of natural resources</p> <p>Low productivity, limited use of available technology and unsustainable production practices</p> <p>Subsistence agricultural production with low incomes from rain fed crops and livestock farming</p> <p>Limited access to good primary education</p> <p>Limited access to good quality basic health attention in rural areas and difficult access to medium and complex medical care</p> <p>Seasonal migrations, particularly of males, within states and across states</p> <p>Large numbers of women headed rural households</p> <p>High participation of pensions and other transfers in total income</p> <p>Limited access to financial &amp; other production and marketing support services</p>	<p>Improving basic health attention and access to health care facilities</p> <p>Strengthening local organizations for community-centred, self-managed development</p> <p>Improving access to land through legal, administrative and operational improvements of current land policy mechanisms</p> <p>Facilitating access by rural youth (male and female) to quality primary, secondary and higher education</p> <p>Investment in social and economic rural infrastructure, with special attention to water supply in the rural semiarid areas of Northeast Region</p> <p>Development of local technical capacities and skills</p> <p>Provision of demand-led, participatory, market-oriented, production-related and other technical services, and natural resource conservation technologies</p> <p>Crop diversification with emphasis on high value crops</p> <p>Promotion of income-generating, non-agricultural activities and micro and small businesses in rural areas</p> <p>Promotion of productive investment funds and local micro financing services</p>

<b>Priority Area</b>	<b>Affected Group</b>	<b>Major Issues</b>	<b>Actions Needed</b>
<b>Environmentally vulnerable zones/ natural assets and degraded areas</b>	<b>All rural poor</b>	<p>Degradation and overexploitation of natural resources (soil, water, biodiversity)</p> <p>Desertification of large areas in semi-arid region</p> <p>Unsustainable agricultural practices</p> <p>Inadequate land use/allocation in environmentally fragile areas</p> <p>Systematic clandestine deforestation</p> <p>Rural energy constraints</p> <p>Lack of effective climate-change-related plans and risk-management mechanisms overall and in smallholder agriculture</p> <p>Concentration of government efforts in some regions with neglect of others</p> <p>Low levels of participation and investment in micro-watershed-based, municipal and local development programmes</p>	<p>Reinforcement and enhancement of territorially-based, integrated rural development programmes and approaches</p> <p>Participatory environmental planning and implementation, with direct involvement of local communities in decision making</p> <p>Promotion of micro-watershed management plans</p> <p>Promotion of agro-forestry</p> <p>Strengthening of decentralization policies and mechanisms to strengthen environmental governance through local control</p> <p>Training in risk prevention, vulnerability-reduction, micro-watershed-based planning and resource development</p> <p>Increased provision of social and economic rural infrastructure, rehabilitation and conservation of soils, water and vegetation, and demonstration units of innovative-technologies</p> <p>Introduction of environmental service schemes adequate to the needs of arid and other vulnerable agro-ecological zones</p> <p>Promotion of "nature-based tourism" within wider rural development strategies at micro-watershed and municipal levels</p> <p>Participatory inventories of the natural (physical), cultural and historical potential of regions and sites</p>
<b>Rural businesses and micro-enterprises</b>	<b>Micro and small rural entrepreneurs (farm and off-farm)</b>	<p>Limited knowledge of market conditions</p> <p>Limited business-management capacities</p> <p>Low &amp; inappropriate levels of capital, technology and supporting infrastructure to compete in national and external markets</p> <p>Limited local value added in production chains</p> <p>Poor quality of rural products and services</p> <p>Low capacity to articulate consistent business plans</p>	<p>Support to diversification of regional economies, including agricultural and non-agricultural production</p> <p>Provision of market information systems at local, micro-regional and sub-national levels</p> <p>Selection and training of local commercial leaders and entrepreneurs in micro-enterprise development and quality-control management</p> <p>Support to the formulation of relevant rural "business plans"</p> <p>Facilitation of access to dynamic markets and technical and managerial support services with continued "coaching"</p> <p>Facilitation of access to investment resources for micro and small rural enterprise</p> <p>Establishment, expansion and consolidation of rural financial systems</p> <p>Provision of demand-led, participatory, culturally-sensitive, market-oriented rural extension services and natural resource conservation technologies</p>
<b>Gender development issues</b>	<b>Women headed households</b>	<p>High number of rural women-headed households due to temporary and permanent migration of males and to family breakdown</p> <p>High levels of social, nutritional and economic vulnerability of household</p> <p>High demand on women time and capabilities for daily household work, community-based social responsibilities, production, marketing and other survival activities</p> <p>Limited labour-market skills beyond household work in urban areas</p> <p>Low access to social, financial and production support services</p> <p>High dependency on social development programmes</p> <p>Efficacy of numerous public initiatives to deal with gender issues to be confirmed</p>	<p>Provision of adult women literacy programmes</p> <p>Guaranteed access to education at all levels for rural males and females</p> <p>Improved facilities and resources for health and nutrition services particularly oriented to women</p> <p>Strengthening of community approaches to the delivery of social services and the provision of domestic time-saving equipment</p> <p>Innovative participatory approaches to the capitalization of rural women</p> <p>Provision of demand-led, participatory financial and extension services to rural women</p> <p>Training in farm and off-farm rural productive activities and labour skills with equal opportunities for young males and females</p> <p>Gender awareness campaigns within rural communities and local society at large</p>

<b>Priority Area</b>	<b>Affected Group</b>	<b>Major Issues</b>	<b>Actions Needed</b>
			Nutritional and health awareness campaigns for women and children
<b>Marginal regions and particularly vulnerable households</b>	<p><b>Rural poor living in marginal regions</b></p> <p><b>Small <i>minifundistas</i></b></p> <p><b>Landless rural workers</b></p>	<p>High levels of social exclusion, extreme poverty and food insecurity</p> <p>Depressed local economy with little employment and income generation opportunity for the rural poor, particularly for landless households</p> <p>Poor basic economic infrastructure and services (roads, production support services, access to markets) and low levels of social capital</p> <p>Lack of basic welfare rural infrastructure, including housing, electricity, water and sanitation</p> <p>Low levels of social capital associated with geographical dispersion of rural communities</p> <p>Dominance of paternalistic/clientelistic culture and policy approaches, with paternalistic and insufficiently funded interventions from government, philanthropic institutions and NGO programmes</p> <p>Very limited productive assets, land fragmentation and limited social and economic capitalization</p> <p>Degradation of natural resources</p> <p>Limited access to education &amp; health services</p> <p>Low incomes from subsistence, traditional technology-based rain fed crops and livestock farming</p> <p>Very limited access to culturally-suitable technical assistance, rural finance and other production/marketing support services</p>	<p>Higher priority targeting and more investment resources in marginalized territories</p> <p>Higher priority to primary education and adult illiteracy eradication programmes</p> <p>Innovative, community-centred, self-managed development processes with strong public support</p> <p>Provision of health and nutrition services with quality at all levels (primary care &amp; hospitalization)</p> <p>Investment in basic rural infrastructure and housing</p> <p>Development of local capacities through technical and labour skills training</p> <p>Provision of demand-led, participatory, culturally-sensitive, market-oriented rural extension services and natural resource conservation technologies</p> <p>Support to production diversification with emphasis on high value activities</p> <p>Development of the income-earning potential of poor households through literacy, vocational training and local development actions designed to respond to local conditions</p> <p>Nutritional and health awareness campaigns for women and children</p>
<b>Marginalized indigenous peoples and traditional communities</b>	<b>Indigenous peoples and traditional communities</b>	<p>High levels of social exclusion, extreme poverty &amp; food insecurity</p> <p>Limited productive assets in the case of traditional and indigenous communities</p> <p>Limited capacity to use available resources efficiently</p> <p>Limited social and economic capitalization</p> <p>Degradation of natural resources and tenure threats to indigenous territories</p> <p>Lack of basic rural infrastructure and housing</p> <p>Limited access to good quality education &amp; basic health services</p> <p>Low incomes from subsistence, traditional technology-based rain fed crops and livestock farming, particularly unsuitable in semi-arid areas</p> <p>Limited access to culturally-suitable technical assistance, rural finance and other production/marketing support services</p> <p>Paternalistic and insufficiently funded interventions from government, philanthropic institutions and NGO programmes</p>	<p>Higher priority and more investment resources from federal programmes</p> <p>Policy coordination between municipal, state and federal administrations to deal with all development aspects (social, economic, natural resources, land tenure etc)</p> <p>Enhanced legal framework to recognize and protect special groups</p> <p>Enhanced coordination of policies and actions between FUNAI (indigenous issues), Fundação Palmares (traditional communities) and specialized ministries, NGOs and private sector</p> <p>Innovative, community-centred, self-managed development processes and strengthening of ethnic identity and culture</p> <p>Provision of health and nutrition services with quality at all levels (primary care &amp; hospitalization)</p> <p>Access by young indigenous males and females to intercultural primary, middle and higher education</p> <p>Investment in basic rural infrastructure and housing</p> <p>Development of local capacities through technical and labour skills training</p> <p>Provision of demand-led, participatory, culturally-sensitive, market-oriented rural extension services and natural resource conservation technologies</p> <p>Support to production diversification with emphasis on high value activities</p>

## Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

<i>Organization</i>	<i>Strength</i>	<i>Weakness</i>	<i>Opportunities and Threats</i>	<i>Comments</i>
<b>GOVERNMENT IMPLEMENTATION AGENCIES</b>				
Ministério do Desenvolvimento Agrário (MDA)	<ul style="list-style-type: none"> <li>Focus on family farming, rural poverty and agrarian reform</li> <li>Recent progress in marketing support to small farmers</li> <li>Sensitive to gender and environmental issues</li> <li>Enthusiastic and proactive in bio-energy (Pronaf BioDiesel and Selo Combustível Social).</li> <li>Experience with FIDA (Dom Helder Câmara project) and other multilateral agencies</li> <li>Good relation with rural social movements</li> </ul>	<ul style="list-style-type: none"> <li>Shortage of human resources</li> <li>Limited M&amp;E capacity, especially of national programmes</li> <li>Approach to marketing and territorial development suffers from weak conceptual basis, including an insufficient understanding of value chains</li> <li>Limited direct activity in technical assistance and rural extension including supervision and training. TA services are delegated to state governments and civil society</li> <li>Little local presence (only state level offices).</li> </ul>	<ul style="list-style-type: none"> <li>Pronaf M&amp;E could improve substantially with a modicum of investment in human resources</li> <li>Present actions to support marketing are valuable in the transition to full independent integration of beneficiaries in value chains, particularly in view of bio-diesel potential</li> </ul>	<ul style="list-style-type: none"> <li>Is responsible for Pronaf and all main policies oriented to family farmers</li> </ul>
Ministério da Agricultura, Pecuária, e Abastecimento (MAPA)	<ul style="list-style-type: none"> <li>Good understanding of agri-businesses</li> <li>Wide local presence at national level</li> <li>Efficient staff cadre, but rather limited to cope with MAPA mandate.</li> <li>Proactive in international agricultural negotiations</li> </ul>	<ul style="list-style-type: none"> <li>Main focus on large-scale agriculture</li> <li>Low capacity to support small farmers to comply with SPS requirements</li> <li>Low capacity to enforce regulations and implement innovative policies</li> </ul>	<ul style="list-style-type: none"> <li>Know-how in agri-business could serve family farmers and agrarian reform settlements</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for all aspects of agricultural support to the non-family farm sector</li> <li>Has also many functions related to the SPS vigilance system</li> </ul>
Ministério da Integração Nacional	<ul style="list-style-type: none"> <li>Large budget</li> <li>Long experience with international financing agencies</li> <li>Focus on the development of Brazil's poorest macro-regions</li> </ul>	<ul style="list-style-type: none"> <li>Territorial approach incompatible with that of MDA and still to be accepted by Ministry of Planning and to be incorporated at national budget</li> </ul>	<ul style="list-style-type: none"> <li>Suffers strong conflicting pressures at state level regarding main macro-regional projects, such as the transposition of Rio Sao Francisco.</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for macro regional development actions particularly regarding hydraulic infrastructure</li> </ul>

<i>Organization</i>	<i>Strength</i>	<i>Weakness</i>	<i>Opportunities and Threats</i>	<i>Comments</i>
<b>GOVERNMENT IMPLEMENTATION AGENCIES</b>				
Companhia de Desenvolvimento dos Vales do S. Francisco e do Parnaíba (CODEVASF)	<ul style="list-style-type: none"> <li>• Long experience with irrigation projects</li> <li>• Experience with international financing</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasis on enclave-type projects rather than regional projects with a multiplier effects</li> <li>• Carries the burden of inefficient projects implemented in the past</li> <li>• Limited investment capacity in new irrigation projects</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on productive articulation and multiplier effects of projects outside their own areas is starting to develop</li> </ul>	<ul style="list-style-type: none"> <li>• Regional development company specialized in financing and implementation of irrigation projects</li> </ul>
Ministério do Desenvolvimento Social	<ul style="list-style-type: none"> <li>• Large budget</li> <li>• Strong partnership with civil society, state and municipal administration</li> <li>• Programmes focused on poor households and population with special needs</li> </ul>	<ul style="list-style-type: none"> <li>• Limited capacity of M&amp;E of main programmes</li> <li>• Very limited capacity to monitor implementation of decentralized programs</li> </ul>	<ul style="list-style-type: none"> <li>• If subsistence support (through minimum income programmes) is associated with other policies, it may favour the transition to a rural business approach</li> </ul>	<ul style="list-style-type: none"> <li>• Main implementation and supervisory agent of national social policy</li> </ul>
Secretarias Estaduais de Agricultura (SEAGRIs)	<ul style="list-style-type: none"> <li>• Closeness to served population</li> <li>• Most of SEAGRIs operate in close partnership with federal institutions, particularly MAPA, MDA, and MMA.</li> </ul>	<ul style="list-style-type: none"> <li>• Low paid and often little qualified staff</li> <li>• Low budget to deal with state responsibilities in the area</li> <li>• Low capacity to implement autonomous agro-development programmes at state level.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of appropriation with electoral purposes of projects co-financed by multilateral agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Manage state agriculture and rural development policies; are partners of ministries of agriculture, rural development and regional integration with respect to irrigation</li> </ul>
Secretarias Estaduais de Desenvolvimento Regional (SDRs)	<ul style="list-style-type: none"> <li>• Closeness to served population</li> <li>• Experience with multilateral financing</li> <li>• Most programmes funded by international agencies, subject to appropriate rules</li> </ul>	<ul style="list-style-type: none"> <li>• Low paid and often Little qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>• Risks associated with low capacity to implement development projects</li> <li>• Enhancement of policy design and efficiency through M&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible of assisting municipalities and help drafting regional development plans</li> </ul>
Secretarias Estaduais de Combate à Pobreza e Assistência Social	<ul style="list-style-type: none"> <li>• Closeness to served population</li> </ul>	<ul style="list-style-type: none"> <li>• Low paid and often little qualified staff</li> <li>• Subject to strong local pressures regarding resources allocation</li> <li>• Focus on disaster situations and short run measure</li> </ul>	<ul style="list-style-type: none"> <li>• Risks associated with low capacity to implement development projects</li> <li>• Enhancement of policy design and efficiency through M&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible for state level social policies</li> </ul>
Secretarias Municipais de Agricultura (SEMAGRIs)	<ul style="list-style-type: none"> <li>• Closeness to served population</li> </ul>	<ul style="list-style-type: none"> <li>• Very scarce or inexistent human and material resources</li> <li>• Mostly an instance of political representation, without action capacity</li> <li>• Lack of operational and policy instruments to promote agricultural and rural development</li> </ul>	<ul style="list-style-type: none"> <li>• Can be used as a local coordination unit</li> </ul>	<ul style="list-style-type: none"> <li>• Act in practice as rural development advisors to mayors</li> </ul>

<i>Organization</i>	<i>Strength</i>	<i>Weakness</i>	<i>Opportunities and Threats</i>	<i>Comments</i>
<b>GOVERNMENT IMPLEMENTATION AGENCIES</b>				
<b>SERVICE PROVIDERS</b>				
Instituto Nacional de Colonização e Reforma Agrária (INCRA)	<ul style="list-style-type: none"> <li>• Large presence throughout the national territory</li> <li>• Exclusive focus on agrarian reform</li> </ul>	<ul style="list-style-type: none"> <li>• Shortage of human and material resources</li> <li>• Unable to address marketing issues</li> <li>• Excessively responsive to social movement pressure</li> </ul>	<ul style="list-style-type: none"> <li>• Recent staff increase of 40% may serve to advance in the autonomy of agrarian reform settlements</li> </ul>	<ul style="list-style-type: none"> <li>• In charge of providing support to the agrarian reform settlements.</li> <li>• Operates under MDA.</li> </ul>
Companhia Nacional de Abastecimento (CONAB)	<ul style="list-style-type: none"> <li>• Very much involved with poverty reduction policies</li> <li>• Large presence throughout the national territory</li> <li>• Important for the marketing of family farm produce</li> <li>• Experience with IFAD project Progavião</li> </ul>	<ul style="list-style-type: none"> <li>• Responsive to political pressure</li> </ul>	<ul style="list-style-type: none"> <li>• Present actions to support marketing are valuable in the transition to full independent integration of beneficiaries in value chains</li> <li>• Risk of overstocking because of political pressure to buy surpluses</li> </ul>	<ul style="list-style-type: none"> <li>• In charge of federal government regulatory food stocks and of procurement and sale of food linked to social policies</li> </ul>
Empresa Nacional de Pesquisa Agropecuária (EMBRAPA)	<ul style="list-style-type: none"> <li>• Large and efficient technical staff</li> <li>• Good research infrastructure</li> <li>• Focus on value chains many of which relevant for small farmers</li> <li>• Many centres distributed in the national territory focussed on local technological needs</li> <li>• Experience with IFAD</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of focus on the most strategic issues for sustainable agricultural development</li> <li>• Scattering of scarce resources</li> <li>• Weak linkages with extension services that should be provided by state and local institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Increased competitiveness of small farmers in the bio-diesel chain</li> <li>• Possibility of fostering value chains by linking irrigation projects to their rain-fed environments</li> <li>• Stronger support to innovation by small farmers</li> </ul>	<ul style="list-style-type: none"> <li>• Main agricultural research and technology agency of Brazil</li> </ul>

### Key file 3: Complementary donor initiative/partnership potential

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
<b>World Bank</b>	<ul style="list-style-type: none"> <li>Human development (education, health, nutrition, poverty reduction)</li> <li>Rural development (rural poverty reduction, rural infrastructure, land redistribution)</li> <li>Private sector development</li> </ul>	2004-2007	<ul style="list-style-type: none"> <li>Rural poverty reduction: The WB is financing poverty reduction projects in nine states of the Northeast region. Projects are implemented by state government agencies, providing grants to rural community associations to cofinance the implementation of small infrastructure and income generation projects. These initiatives are evaluated, prioritized, and approved by Municipal Councils with broad participation of beneficiaries, local governments, and government agencies working in the respective municipalities. IFAD and World Bank projects occasionally benefit the same rural communities, and there have been some partnerships in the context of the IFAD-funded Dom Helder Câmara Project, especially in the state of Rio Grande do Norte. There is good potential to coordinate activities at field level that imply avoiding duplication, mobilizing additional funds, and making complementary investments in poor communities.</li> <li>Land policies: The World Bank has been financing the Land Credit Program implemented by the Federal Government through the Ministry of Agrarian Development. The program provides long-term credit to groups of landless rural dwellers in order to purchase land and make complementary investments. The World Bank and the Federal Government are negotiating a new loan of about US\$400 million that would extend the program to all states of Brazil, benefiting about 60.000 families. All IFAD projects have supported land settlements created with the support of loans from the Land Credit Program, providing technical assistance, training, and small infrastructure investments.</li> </ul>
<b>Interamerican Development Bank</b>	<ul style="list-style-type: none"> <li>Promoting sustainable economic growth</li> <li>Reducing poverty and social and regional inequities</li> <li>Urban development</li> <li>Institutional modernization</li> </ul>	2004-2007	<ul style="list-style-type: none"> <li>IADB has been implementing five projects in the area of agriculture and rural development, three technical assistance grants, and two projects financed by the Multilateral Investments Fund. Main operations focus on the Northeast region, including the states of Pernambuco and Bahia, but in zones not covered by IFAD projects. A Consolidation and Self-sufficiency of Agrarian Reform Settlements project executed by INCRA is implemented in states outside the Northeast region (with the exception of Rio Grande do Norte), reason why there was no interaction with IFAD projects. As long as there is no overlapping in the areas covered by IADB and IFAD projects, possibilities of collaboration could focus on knowledge management and policy dialogue on rural development issues like support to land reform settlements, microfinance and the promotion of rural businesses.</li> </ul>
<b>Food and Agriculture Organization</b>	<ul style="list-style-type: none"> <li>Technical assistance in agriculture, aquaculture, environment, and land reform</li> <li>Technical assistance to policy development in the area of food security</li> </ul>	No published formal strategy	<ul style="list-style-type: none"> <li>FAO has been active in the first stages of development of the Fome Zero Programa broad set of government interventions to reduce poverty and improve food security. In addition, it has national and regional technical assistance projects that cover topics like animal health, training in land policies, environmental training in schools, and planning and training on land reform. FAO has collaborated with the World Bank through a World Bank/FAO Cooperative Programme in which FAO provided staff and consultants for the formulation and supervision of World Bank rural development and poverty reduction projects. Possibilities of partnerships could include lessons sharing in rural development, participation in targeted analytical work and pipeline development.</li> </ul>

<b>Agency</b>	<b>Priority sectors and areas of focus</b>	<b>Period of current country strategy</b>	<b>Complementarity/Synergy Potential</b>
<b>Interamerican Institute for Cooperation on Agriculture</b>	<ul style="list-style-type: none"> <li>• Technical cooperation on Trade and Agribusiness Development, Technology and Innovation, Animal and Food Health, Sustainable Rural Development, Participatory Rural Development, and Knowledge and Information Management.</li> </ul>	2002-2006	<ul style="list-style-type: none"> <li>• IICA has developed partnerships with many government agencies and state governments, providing technical assistance to projects and interventions of great interest to IFAD. Some of the most important ones for IFAD include: a) support to the implementation of the World Bank funded Poverty Reduction Program in states of the Northeast Region; b) support to the Ministry of Agrarian Development on the management of the Land Credit Program and to state governments in the Northeast, Southeast, and South regions on its implementation; c) support to the management of the National Family Agriculture Strengthening Programme; d) support to rural territorial development through the Territorial Development Secretariat of the Ministry of Agrarian Development; e) support to territorial planning and sustainable rural development planning in the states of Pernambuco, Piaui, and Maranhão; and f) support to the Ministry of National Integration on the development of activities oriented to mitigate the negative impacts of natural and human disasters. Possibilities of collaboration with IICA include implementation support, policy dialogue and knowledge management.</li> </ul>
<b>United Nations Development Programme</b>	<ul style="list-style-type: none"> <li>• Human Development (poverty reduction, social inclusion)</li> <li>• Capacity Development for sustainable governance</li> <li>• Sustainable Development and Energy Development</li> </ul>	2002-2006	<ul style="list-style-type: none"> <li>• Coordination in follow-up of social agenda and progress in meeting of MDG</li> </ul>

## Key file 4: Target group identification, priority issues and potential response

<i>Typology</i>	<i>Poverty Level and Causes</i>	<i>Coping Actions</i>	<i>Priority Needs</i>	<i>Support from Other Initiatives</i>	<i>COSOP Response</i>
<b>Poor family farmers (including indigenous population)</b>	<ul style="list-style-type: none"> <li>Approximately 40% of rural poor households are small farmers. Except for unoccupied workers, rural households relying mostly on farming registered in 2006 the highest rate of poverty;</li> <li>Geographic isolation and dispersion (in the Northeast Region 87,7% of poor rural households were located in rural areas outside rural agglomerations)</li> <li>Limited land, water and other productive assets</li> <li>Degraded natural-resource base</li> <li>Inadequate housing conditions. Lack of water supply</li> <li>Limited access to good quality education and to basic and more advanced health services</li> <li>Limited access to production, financial and marketing support services</li> <li>High Adult illiteracy</li> <li>Low total factor productivity</li> </ul>	<ul style="list-style-type: none"> <li>Government transfers e.g. <i>Bolsa Familia</i> and Pension Fund (INSS)</li> <li>Low input/output farming for family subsistence and markets</li> <li>Overexploitation of natural resources base</li> <li>Seasonal off-farm employment in the region and in other regions</li> <li>Daily off farm work</li> <li>Seasonal/permanent migration to urban areas, particularly young men and women</li> <li>Direct benefits from poverty combat programs, particularly housing, electricity and water supply (Rural Poverty Combat Projects, many co-financed by the World Bank)</li> <li>Low productivity informal non agricultural activities</li> </ul>	<ul style="list-style-type: none"> <li>Technical training and vocational education</li> <li>Demand-led agricultural and non-agricultural support services</li> <li>Financial services and resources for agricultural and non-agricultural production</li> <li>Comprehensive technical assistance on production, marketing and management of production unit and natural resources</li> <li>Social investment in education, health and nutrition</li> <li>Investment in rural infrastructure, housing (particularly water supply and electricity)</li> <li>Rehabilitation and rational development of natural-resource base</li> <li>Access to investment funds</li> </ul>	<ul style="list-style-type: none"> <li>Pronaf – National Programme</li> <li>Land Reform Programs (Incra and Crédito Fundiário)</li> <li>Rural Development and Poverty Combat Programmes at State Level (mostly co-financed by World Bank)</li> <li>Crediamigo and Agrocredit (Banco do Nordeste)</li> <li>Pluristate IFAD project (Dom Helder) and IFAD projects in Bahia</li> <li>Irrigation Program</li> <li>Various state level programs and projects, such as Flores da Bahia, in Bahia and Agropolis, in Ceará</li> <li>PAA (Food Acquisition Program) – Conab</li> <li>ONGs local initiatives, from facilitating market access to water management and supply.</li> </ul>	<ul style="list-style-type: none"> <li>Employment and income opportunities</li> <li>New or more productive sustainable agricultural production (crop conversion/diversification)</li> <li>New non-agricultural activities</li> <li>Market-oriented micro and small agricultural and non-agricultural rural businesses</li> <li>Technical support services</li> <li>Social and economic organization</li> <li>Enhanced policy response through policy coordination mechanisms at project level and policy dialogue at regional and federal levels</li> </ul>
<b>Landless households, rural workers and seasonal migrant labour</b>	<ul style="list-style-type: none"> <li>Range: from poverty to extreme poverty; and from high to very high social and economic exclusion</li> <li>High illiteracy and very low professional qualification</li> <li>Inadequate housing conditions. Lack of water supply</li> <li>Limited access to good quality education and to basic and more advanced health services</li> <li>Very precarious working conditions</li> <li>Low wages</li> <li>Lack of productive assets</li> <li>Lack of social and start-up production, financial and marketing support services</li> </ul>	<ul style="list-style-type: none"> <li>Low input/output farming for family subsistence in rented land</li> <li>Seasonal employment as workers in commercial agricultural holdings</li> <li>Daily local work</li> <li>Permanent migration to urban areas (i.e. Construction work)</li> <li>Diversified household income i.e. Domestic work in urban areas</li> </ul>	<ul style="list-style-type: none"> <li>Social investment in education, health and nutrition</li> <li>Investment in rural infrastructure and housing</li> <li>Technical training and vocational education</li> <li>Better labour conditions and opportunities</li> <li>Access to land and /or to land rental markets</li> <li>Financial resources for agricultural and non-agricultural production</li> </ul>	<ul style="list-style-type: none"> <li>Agrarian Reform – Incra and Credito Fundiário</li> <li>Credi Amigo (Banco do Nordeste)</li> <li>Rural Development and Poverty Combat Programmes at State Level (mostly co-financed by World Bank)</li> <li>Food Distribution Program – MDS (Programa de Distribuição de Cestas de Alimentos -PDCA)</li> <li>Training Programs (federal, state and NGOs initiatives)</li> <li>Adult education (Ministry of Education and Agrarian Development)</li> </ul>	<ul style="list-style-type: none"> <li>Employment and income opportunities</li> <li>New non-agricultural activities</li> <li>Market-oriented micro and small rural businesses</li> <li>Technical and financial support services</li> <li>Social and economic organization</li> </ul>

<i>Typology</i>	<i>Poverty Level and Causes</i>	<i>Coping Actions</i>	<i>Priority Needs</i>	<i>Support from Other Initiatives</i>	<i>COSOP Response</i>
<b>Micro and Small rural entrepreneurs (farm and off-farm)</b>	<ul style="list-style-type: none"> <li>Moderate to extreme poverty</li> <li>Limited capitalization of non-agricultural production activities</li> <li>Low technological level and limited infrastructure</li> <li>Lack of access to production and marketing support services</li> <li>Low education level</li> <li>Limited management skills</li> </ul>	<ul style="list-style-type: none"> <li>Production and marketing micro-enterprise</li> <li>Partial involvement in small agriculture-related activities</li> <li>Seasonal labour work by some member of the household</li> <li>Permanent wage labour by some member of the household</li> </ul>	<ul style="list-style-type: none"> <li>Support services for micro-entrepreneurial activities</li> <li>Marketing analysis of small rural enterprise opportunities and limitation in the context of local and regional markets</li> <li>Assistance to prepare effective business plans, and inproject financing and implementation</li> <li>Demand-led agricultural and non-agricultural support services</li> <li>Access to financial resources and services</li> </ul>	<ul style="list-style-type: none"> <li>Pronaf (special credit line for non agricultural activities)</li> <li>Several Programmes of Banco do Nordeste</li> <li>Sebrae – Serviço de Apoio às Micro e Pequenas Empresas various programmes (Brazilian Micro and Small Business Support Service)</li> <li>State and local level initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Employment and income opportunities</li> <li>New sustainable agricultural production (crop conversion/diversification)</li> <li>New non-agricultural activities</li> <li>Market-oriented micro and small agricultural and non-agricultural rural businesses</li> <li>Technical support services</li> <li>Social and economic organization</li> </ul>
<b>Rural youth and women</b>	<ul style="list-style-type: none"> <li>Range: from poverty to extreme poverty; and from high to very high social and economic exclusion</li> <li>Limited access to good education and health services</li> <li>Lack of access to production, financial and marketing support services</li> <li>Insufficient access to professional training</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to household economy through low input/output farming for family subsistence and markets</li> <li>Seasonal off-farm employment</li> <li>Seasonal/permanent migration to urban areas</li> </ul>	<ul style="list-style-type: none"> <li>Social investment in education, health and nutrition</li> <li>Wider access to education at all levels: primary, middle and higher</li> <li>Investment in rural infrastructure and housing</li> <li>Technical training and vocational education</li> <li>Demand-led, agricultural and non-agricultural support services</li> <li>Financial services and resources for agricultural and non-agricultural production</li> </ul>	<ul style="list-style-type: none"> <li>Pronaf has special credit lines for rural youth and women</li> <li>Incra pays special attention to women as preferential beneficiaries of land settlements</li> <li>Sebrae has special activities for young entrepreneurs (limited in rural areas)</li> <li>Contag gives special attention to rural youth and women</li> </ul>	<ul style="list-style-type: none"> <li>Employment and income opportunities</li> <li>New sustainable agricultural production (crop conversion/diversification)</li> <li>New non-agricultural activities</li> <li>Market-oriented micro and small agricultural and non-agricultural rural businesses</li> <li>Technical support services</li> <li>Social and economic organization</li> </ul>

