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Enabling poor rural people
to overcome poverty

Federative Republic of Brazil

Country programme evaluation

Executive summary and agreement at completion point

Evaluation Committee — Fifty-first Session
Rome, 18 April 2008

For: **Review**

Note to Evaluation Committee members

This document is submitted for review by the Evaluation Committee.

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Abbreviations and acronyms

ACP	agreement at completion point
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPM	country portfolio manager
DHCP	Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East (“Dom Hélder Câmara” Project)
EMBRAPA	Brazilian Agricultural Research Corporation
GNI	gross national income
IDB	Inter-American Development Bank
MERCOSUR	Common Market of the South
ODA	official development assistance
OE	Office of Evaluation
PL	Latin America and the Caribbean Division
PRONAF	National Family Farming Programme
REAF	Specialized Meeting on Family Farming
SEAIN	Secretariat for International Affairs
UNOPS	United Nations Office for Project Services

Federative Republic of Brazil

Country programme evaluation

Part A – Executive summary

I. Introduction

1. **IFAD's assistance to Brazil.** Since the start of its operations in Brazil in 1980, IFAD has approved six loans for a total of US\$141.6 million in the country, which corresponds to 1.2 per cent of IFAD's total lending globally and 7.9 per cent of its lending in the Latin America and Caribbean region. The total project costs for the six projects in Brazil amount to US\$419.5 million. Close to two dollars of national counterpart funding have been mobilized for every dollar invested by the Fund in Brazil. All IFAD loans have been provided on ordinary lending terms.¹ Apart from loan-funded operations, Brazil has also benefited from one country-specific technical assistance grant for US\$0.5 million and several subregional technical assistance grants, for a total of US\$4.9 million.
2. **Evaluation objectives, methodology and process.** The country programme evaluation (CPE) has two objectives: (i) provide an assessment of the performance and impact of IFAD operations (including non-lending activities);² and (ii) generate building blocks that will contribute to the development of the new results-based country strategic opportunities programme (COSOP) for Brazil in 2008, a task that will be undertaken by the IFAD Latin America and the Caribbean Division (PL) in cooperation with the Government of Brazil following completion of the CPE. In order to meet its objectives, the CPE addressed three main issues: (i) the quality of the country strategy in terms of the major thrusts defined for rural poverty alleviation and the selection of geographic and sectoral priorities; (ii) the implementation of the country strategy through a combination of project and non-lending activities; and (iii) the results and impact of IFAD's strategy and operations. Following the practice of IFAD's Office of Evaluation (OE), this CPE spans a 10-year period from 1996 to 2006, with special attention to operations since 1997, the year when the latest COSOP for Brazil was adopted. That is, the CPE included a thorough assessment of five of the six projects funded by IFAD in Brazil. The first one, approved in 1980, was excluded from this evaluation since it closed over 20 years ago in 1987.
3. The main CPE mission was fielded in April and May 2007. The mission visited all five IFAD-funded operations and conducted fieldwork in the Sertão (semi-arid interior) of the north-eastern states of Bahia, Ceará, Paraíba, Pernambuco, Rio Grande do Norte, and Sergipe. The evaluation benefited from discussion with partners. In particular, discussions were held with beneficiaries, IFAD management and staff, project authorities and the Government of Brazil – at both the state and federal levels - at various stages during the evaluation process, and their comments and inputs were considered before finalizing the CPE report. The evaluation further benefited from a peer review process within OE.³ At the outset of the CPE, PL undertook a self-assessment of IFAD operations in Brazil, which provided OE with the perspectives of those closely involved in country strategy development and project design and implementation. The dearth of baseline data and the lack of properly functioning monitoring and evaluation systems imposed limitations on the evaluation, requiring the CPE team to collect information and data on project performance and impact from various sources. For example, the evaluation relied on information collected during field visits as well as previous OE project evaluations for

¹ IFAD lends on highly concessional, intermediary or ordinary terms.

² Such as policy dialogue, partnership building and knowledge management.

³ The Director of the Division and three evaluation officers reviewed and commented on the main CPE deliverables, including the final draft report.

two IFAD-supported projects⁴ in Brazil. A CPE national round-table workshop was organized in Salvador, Bahia, on 22 and 23 November 2007.⁵ This learning workshop offered the opportunity to discuss the main results of the CPE and provide the basis for preparation of the agreement at completion point (ACP).⁶ Participants included representatives of the Government of Brazil (at both state and federal levels), IFAD, international organizations, NGOs, project staff and community-based organizations.

4. **Economic and poverty situation.**⁷ Brazil's surface area, at 8,547,400 square kilometres, is almost half that of South America (86 per cent of Europe). Its population of 186.4 million represents 37 per cent of that of Latin America and the Caribbean. Brazil's GDP, at US\$950 billion in 2006, is the largest in Latin America and ranks ninth in the world. However, when GDP is measured per capita (US\$4,297 in 2005), Brazil ranks eighth in Latin America, behind Mexico, Chile, the Bolivarian Republic of Venezuela, Uruguay, Argentina, Costa Rica and Panama. Despite improvements in recent years, the incidence of rural poverty is still high in Brazil (20.6 per cent using the extreme poverty line⁸), particularly in the north-east (30.6 per cent). The rural poor in Brazil represent approximately 30 per cent of the rural poor in the entire Latin American and Caribbean region.
5. The late 1990s and early 2000s were marked by macroeconomic turbulence associated with fiscal adjustment, inflation and the collapse of the exchange rate. Overall economic conditions have improved since 2003. They are characterized by falling inflation rates (currently between 3.5 and 4 per cent), high reserves (US\$161 billion in August 2007), a balance of payments surplus (current account surplus equivalent to 4.3 per cent of GDP in 2006) and strong capital inflows. However, both structural factors, such as infrastructure bottlenecks and low investment rates, and current macroeconomic conditions such as high real interest rates are holding back economic growth. Brazil's gross national income (GNI) per capita is US\$4,730,⁹ placing it in the upper middle-income country category according to the World Bank's classification.
6. **Agriculture** is an important source of exports and employment in Brazil (even though its share in GDP is only around 4.5 per cent) and has been growing rapidly in the last two and a half decades, particularly in recent years. Rural non-agricultural incomes and employment have also expanded, with 30 per cent of the rural population engaged in non-agricultural employment as their principal occupation. Family farming accounts for 85 per cent of farms and 30 per cent of the farming area, and employs some 14 million people on more than 4 million farms. In the north-east, family farming is even more prominent (88 per cent of farms and 44 per cent of the farming area) and employs 7 million people. According to the World Development Report 2008,¹⁰ Brazil falls in the category of an urbanized country where agriculture is a minor contributor to economic growth and poverty is mostly urban, even though some 30 per cent of the poor continue to live in rural areas.

⁴ Community Development Project for the Rio Gavião Region (PROGAVIAO) and Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East – (Dom Hélder Câmara Project).

⁵ An issues paper was prepared as the main background document for the workshop, which focused the discussions around three core themes: (i) the role of IFAD in a middle-income country such as Brazil; (ii) partnerships required to support the country programme; and (iii) selected measures to enhance the development effectiveness of IFAD operations in Brazil.

⁶ The ACP reflects an agreement between the Government of Brazil and IFAD Management on the main findings of the evaluation and the evaluation recommendations, which they agree to adopt and implement within specific time frames.

⁷ World Bank. World Development Report online database and Economist Intelligence Unit.

⁸ R\$61 per capita (approximately US\$30) per month for Brazil as a whole. World Bank: Brazil: Measuring Poverty Using Household Consumption. January 2007.

⁹ World Bank. World Development Report 2008. GNI per capita (Atlas method).

¹⁰ The World Bank's World Development Report 2008 categorizes countries into "three worlds of agriculture for development": agriculture-based, transforming, and urbanized, according to the share of agriculture in aggregate growth and share of poverty in rural areas.

Poverty reduction strategies pursued by the Government

7. Important changes took place in rural development policies with the coming to power of Presidents Fernando Henrique Cardoso in 1995 and, particularly, Luiz Inácio (Lula) da Silva in 2003. These governments attached much more policy importance to rural development than had previously been the case,¹¹ both in terms of providing infrastructure and social services to rural areas and introducing measures to improve income and employment, particularly in small-scale agriculture. A new federal ministry for land policy was created and later legally instituted as the Ministry of Agrarian Development.
8. Rural development policy in Brazil is distributed among different government entities at the federal and state level. At the state level, the secretariats for regional development and integration are responsible for developing rural development policy and implementing rural development programmes focused on issues such as land reform, credit, infrastructure and sustainable development. At the federal level, rural development policy focuses on: (i) support to family farms, particularly small farms, through the National Family Farming Programme (PRONAF), including subsidized farm credit and assistance for small agro-industries and some crop insurance with an allocation of US\$1.14 billion in the 2007 budget; and (ii) a land access programme that includes expropriation, the Sustainable Settlements for Rural Workers programme, with a US\$1.0 billion allocation in 2007; subsidized loans for US\$284 million and support to agrarian reform settlements for US\$258 million.
9. A major social programme launched in January 2003 at the beginning of President Lula's first term in office has received international recognition: Zero Hunger (*Fome Zero*). This programme, originally intended to focus on food needs and the eradication of hunger, evolved into an umbrella programme for fighting poverty. It consists of a collection of 31 programmes relating to hunger and food insecurity and their underlying causes. These programmes range from conditional cash transfers for families (*Bolsa Familia*) to strengthening income generation and family farming, promoting partnerships and mobilizing civil society. The budget for *Fome Zero* 2006 is estimated at US\$5.5 billion, of which US\$4.2 billion was for *Bolsa Familia*.
10. The current administration has intensified the emphasis on agrarian reform and support for family farming, and this is reflected in higher budgetary allocations. Central government expenditure in 2006 was US\$213 billion (20 per cent of GDP, up from 19 per cent in 2007). Agriculture received US\$2.7 billion and agrarian organization, which is mostly land reform, US\$1.4 billion. Over the period 1997-2006, Brazil received an average of US\$272 million in official development assistance (ODA) per year, that is, less than 0.1 per cent of the country's GDP or approximately US\$1.5 per capita. The average amount of ODA committed to agriculture and rural development for the same period was US\$16 million, equivalent to 6 per cent of total ODA. The principal sources of multilateral development assistance are the World Bank and the Inter-American Development Bank (IDB).¹² Annual disbursements under World Bank rural development projects in the north-east were US\$120 million, compared to IFAD's average annual disbursements of US\$5 million during the CPE period.
11. The Government's strategy to reduce poverty and inequality is working well in both rural and urban areas. Yet concern is growing within the Government and society as a whole with respect to the sustainability of a strategy largely based on government income transfers in the form of conditional cash transfers and non-contributory pensions.

¹¹ Despite the renewed interest in rural development, these governments deepened the privatization of services and contracted state services. Public extension disappeared, and the private sector did not cover the gap.

¹² Not classified as ODA by the Organisation for Economic Co-operation and Development/Development Assistance Committee since loans by the World Bank and IDB to Brazil have a grant element below 25 per cent. Similarly, IFAD's lending to Brazil on ordinary terms is not classified as ODA.

II. The quality of IFAD's strategy

12. The first IFAD country strategy for Brazil was formulated in 1988 at the end of a special programming mission. Thereafter, the first and only COSOP thus far was issued in 1997. While there is evidence of some consultation during the preparation of the COSOP, the degree of participation by the Government was limited, due in part to the limited time and resources allocated within IFAD to this task. The COSOP included four major thrusts for IFAD strategy in Brazil: (i) policy dialogue to gradually help the government shift from welfare-oriented, highly subsidized anti-poverty programmes to economically-oriented, sustainable and participatory approaches; (ii) promoting access to land, as the main constraint to any effort to alleviate rural poverty in Brazil; the proposed options for IFAD to intervene in this area were through joint interventions with the World Bank or IDB; (iii) support the Government's smallholder sector policy programme (PRONAF), which included channelling funds to finance specific credit lines to eligible beneficiaries, rural investment in small-scale infrastructure and a training and extension programme; and (iv) priority geographical areas for intervention, the north-east being considered the highest priority.
13. To guide IFAD interventions, the COSOP included a set of strategic choices. These included: (i) strategic partnership with the federal government: designing and implementing projects under the leadership of federal agencies (given the high priority accorded by the federal government to rural poverty alleviation policies), without excluding participation by state institutions, municipalities and the private sector; (ii) strengthening human resource development: vocational education and technical training in IFAD-funded projects to ensure effective beneficiary participation and the application of demand-driven approaches, and to facilitate the entry of the rural poor into the modern labour market; (iii) building new approaches to deliver critical support services: designing and implementing institutional mechanisms to reach the poorest rural population segments, such as cofinanced extension schemes where beneficiaries share a portion of the costs; and (iv) off-farm activities and microenterprise development: supporting existing rural microenterprises and promoting new ones, to provide opportunities for the landless or near landless as either independent rural entrepreneurs or salaried workers.
14. The COSOP provided a good presentation of the economic context and of the agricultural sector and policies at the time when it was drafted. It summarized priority areas to guide IFAD operations in the country. Information on geographical areas and the incidence of poverty within them was also provided by the COSOP, justifying IFAD's choice at that time to operate within the proposed area. Overall, the COSOP was consistent with IFAD's corporate and regional strategies at the time it was formulated. Its emphasis on productive assets (e.g. provision of inputs and infrastructure), technology and financial assets is in line with the objectives in the Strategic Framework for IFAD 2002-2006. It was also consistent in some areas with the PL regional strategy of 2002, such as policy dialogue and agricultural production.
15. However, the COSOP did not adequately address other key priority areas of regional strategy for Latin America and the Caribbean, such as taking advantage of market opportunities, widening the range of partnerships, learning across regions, attention to gender issues, and the development of new products such as risk insurance and the use of grants for policy dialogue. Nor did the COSOP devote attention to working with indigenous peoples, an area in which PL has accumulated considerable experience throughout the Latin American region.
16. The COSOP identified key challenges to reducing rural poverty and considered a set of possible ways to deal with them. However, it did not dedicate enough attention to analysing IFAD's strengths and weaknesses or identifying IFAD's role and comparative advantages in the country. In addition, it placed more emphasis on opportunities for investment given emerging political and economic conditions in

Brazil at the time, and on instrumentalities, than on strategy. Moreover, even though the COSOP was largely relevant when formulated, the document was never updated to reflect the changes in the overall policy and operating environment in Brazil since 1997. This is an indication that the COSOP was not conceived as a flexible tool to respond to changing needs. Finally, it did not articulate processes for promoting replicable innovation and knowledge-sharing.

17. With regard to the allocation of resources to Brazil, the evaluation noted that IFAD has made limited investments in the past decade (7 per cent of its total regional lending) in a large and important country such as Brazil that contains around 30 per cent of all the rural poor in PL. The evaluation notes that Brazil has the capacity to absorb a much larger amount of investment focusing on rural poverty alleviation than the resources allocated by the Fund thus far.

Table 1
Overview of the CPE's assessment of the 1997 Brazil COSOP

<i>Assessment criteria</i>	<i>Rating</i>	<i>CPE assessment</i>
Understanding key challenges for rural poverty reduction	5	Good analysis of symptoms and causes of rural poverty.
Analysis of IFAD target groups and their needs	3	Broad mention of target groups but without differentiation of groups. No particular assessment of gender issues.
Relevance and clarity of goals and objectives	3	Goals and objectives do not present clearly IFAD's intentions. COSOP was not updated in 10 years despite important changes in country context.
Structure of strategy and sequencing of assistance	4	The COSOP provides good operational guidance. However, it places more emphasis on identifying opportunities for investment than on strategy.
Identification of partners and partnership opportunities and a plan for building partnerships	3	A number of partners, including aid agencies working in the country, are mentioned without identifying specific opportunities for working with them.
Innovation, replicability and scaling up	4	Innovation is mentioned in general terms, but attention to replication and scaling up could have been greater.
Agenda for policy dialogue	4	Issues for policy dialogue are identified, but no mechanisms are indicated as to how policy dialogue would be conducted, nor were any specific resources allocated for the purpose.
Overall rating	4	

6 = highly satisfactory; 5 = satisfactory; 4 = moderately satisfactory; 3 = moderately unsatisfactory; 2 = unsatisfactory; 1 = highly unsatisfactory

III. Performance of IFAD-supported projects in Brazil

18. IFAD has funded six projects in Brazil (appendix 1). The first of these, namely the Ceará Second Rural Development Project, closed in 1987. Two additional projects have been closed or completed (the Low-income Family Support Project in the Semi-arid Region of Sergipe State "Prosertão" and the Community Development Project for the Rio Gavião Region "Progavião") and two are under implementation (Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East - the "Dom Hélder Câmara" Project (DHCP) and Rural Communities Development Project in the Poorest Areas of Bahia, called in Bahia "Terra de Valor"). One project (North-East Rural Family Enterprise Development Support Project, "Xingó") was approved by the Executive Board in December 2004, but has yet to become effective because of doubts as to whether the project's objectives are sufficiently consistent with the Ministry of Agrarian Development's overall current priorities and the latter's limited capacity to implement the project and monitor activities from Brasília.
19. The World Bank was the cooperating institution in the first project approved in Brazil in 1980. Since then, four projects have been supervised by the United Nations Office for Project Services (UNOPS), including the last two approved in 2004 and 2006. One project (i.e. DHCP) was included in the Direct Supervision Pilot Programme.

Despite its importance in the region, Brazil was excluded from the Field Presence Pilot Programme and still does not benefit from any form of IFAD country presence.

20. In addition to loans, Brazil has benefited from various technical assistance grants, most with a subregional scope, such as support to the Common Market of the South (MERCOSUR) Specialized Meeting on Family Farming (REAF). It also has one country-specific grant, the Castor Bean oil pilot programme.

Relevance

21. All five projects funded by IFAD and the Government have been relevant to the needs of the rural poor, consistent with government policies and strategies and aligned with two of the four strategic thrusts in the COSOP: supporting smallholder development and working in the north-east. With the exception of Prosertão, none of the projects have focused on promoting access to land. None have policy dialogue as a clear objective. Only two¹³ of the five projects are in line with the COSOP direction of working with the Federal Government, and all projects are aligned with the remaining instrumentalities, that is, priority for capacity-building (with the exception of Xingó), providing critical services (particularly credit), and promoting rural non-farm activities.
22. An important area of investment in all projects (with the exception of Xingó) is community infrastructure, in particular access to drinking water, where the projects have been very active. Despite not being mentioned in the 1997 COSOP, the need to improve rural infrastructure is considered a very important factor today, notwithstanding the progress made in the north-east over the past decade.

Effectiveness

23. The evaluation observed important progress towards achievement of project objectives. The projects were effective in promoting water security, which is a precondition in semi-arid areas for food security, and for human and animal health, through the construction of collective and individual cisterns, water supply systems and ponds, mainly for animal consumption. On the other hand, as a consequence of high unit cost (see next section on efficiency) in Prosertão, only 37 per cent of the planned 2,800 cisterns and 463 ponds were built.
24. Projects were also effective in supporting agricultural development linked to the promotion of rational natural resource use and conservation. An important achievement was the dissemination of cattle feeding technology during the dry season, which significantly reduced animal mortality. Moreover, projects were effective in supporting non-agricultural activities by promoting traditional handicraft/artisanal activities, including two enterprises under the Prosertão project, although insufficient attention was paid to promoting market linkages beyond the construction of rural roads.
25. Rural poor organizations were strengthened, which facilitated the participation of the rural poor in development planning and implementation, including access to infrastructure and services. Participatory planning has become DHCP's modus operandi, to involve beneficiaries and civil society organizations that operate as contractors/partners. All the projects supported access to PRONAF, the government-subsidized credit programme, and it also promoted the development of agricultural credit cooperatives. In the case of DHCP, 6,500 beneficiaries have accessed PRONAF loans (44 per cent of the target). Another objective of the latter project was in the area of education, where so far literacy training has been provided to 3,000 adults, compared to a target of 8,400.
26. One objective that was not achieved is land redistribution, partly because of the complexity and highly political nature of the issue and the Government's own major

¹³ DHCP and Rural Communities Development Project in the Poorest Areas of Bahia.

involvement in land reform, limiting the opportunities and potential role available to a relatively small international agency such as IFAD.

Efficiency

27. After high unit costs experienced by earlier projects for some of its works, such as the construction of cisterns, efficiency improved with the adoption of available low-cost techniques. In Prosertão, unit costs for road construction were 20 per cent higher than those paid by the National Institute for Agrarian Reform, a relevant local benchmark, although this can be attributed in part to the adoption of higher quality construction standards by the project to reduce future maintenance costs. NGOs were involved in implementation as contractors providing technical assistance, and operated as quasi project partners, which in some areas also contributed to bring down unit costs, particularly in the case of DHCP.
28. With regards to the ratio of operational to total project costs, the average operational costs for the portfolio in Brazil account for some 30 per cent of total costs, which is above the average in the PL region (20 to 25 per cent).¹⁴ The dispersion of beneficiaries over the vast area covered by the projects, time overruns in implementation (1.5 years for Progavião and 3 years for Prosertão) and delays in the provision of counterpart funds (leading to delays in loan disbursement), particularly in DHCP, are three of the factors that affected project efficiency from the outset.

Rural poverty impact

29. **Physical assets.** The cisterns and other drinking water supply works built by the projects provided the physical assets needed for water security, reducing the time spent on the daily search for water, particularly by women. Rural roads facilitated access to markets and health facilities. Infrastructure, such as small dams, underground dams, livestock fences and watering stations, was enhanced and demonstration units become a platform to experiment with agro-ecological technologies.
30. **Human capital.** Approximately 30,000 families received technical assistance to develop their skills, information and knowledge concerning agricultural production technologies, financial services, marketing, new activities (such as commercial beekeeping) and artificial insemination (in Prosertão). In addition, beneficiaries participated in learning exchanges between different communities within a project (3,800 people participated in such activities in the case of DHCP). The impact in this area also included capacity-building among young leaders (approximately 300 in DHCP), with increased participation by women in management positions and development of knowledge and skills through involvement in participatory research (particularly in the case of Progavião and Prosertão).
31. **Food security.** Cisterns played a key role in increasing water availability for families, thus avoiding the health problems associated with the lack of drinking water. Furthermore, the introduction and widespread adoption of improved forage practices contributed to significantly reduce animal mortality. The introduction of pest-resistant varieties of cassava and pineapple increased productivity without raising costs. These improvements led to an increase in food availability (both directly and indirectly through income generated by the sale of products). Moreover, increased horticultural production made possible by greater water availability, and higher incomes for beneficiaries (one to one and a half times the minimum wage on average), part of which was allocated to food purchases, led to improvements in diet and nutrition for the rural poor.
32. **Institutions and services.** Service providers for family farming have been strengthened, particularly through the DHCP modality of contracting NGOs/civil society organizations (a total of 43) to furnish technical assistance in community

¹⁴ As per information provided by PL.

organization, water management and alternative livelihoods such as beekeeping. In addition, the projects had an impact on the development and consolidation of some agricultural technical service cooperatives involved in the provision of technical services to the rural poor. As far as rural financial services are concerned, credit cooperatives have been strengthened and one microfinance organization, the Center for Support to Small Micro-enterprises (CEAPE-SE) in Sergipe, expanded its clientele to include the rural poor. In 2003 it received a solid B classification from Planet Rating, an international specialized microfinance rating agency. Moreover, the state bank of Sergipe adopted a loan guarantee mechanism that was introduced by Prosertão. However, even though IFAD-funded projects seized the opportunity provided by the loans delivered by PRONAF (see paragraph 8) to expand resources available for poor farmers, IFAD missed the opportunity to contribute to shaping this massive credit programme based on experience accumulated in Brazil and other countries.

33. **Social capital and empowerment.** Communities developed their ability to **identify** problems and plan activities to solve them, strengthening their capacities for collective action. This was done mostly through learning by doing, for example by planning and coordinating the construction of small community infrastructure such as bridges, roads and dams. Farming families strengthened their links with rural workers' trade unions, improving their social linkages and their participation in local development organizations. Social networks were developed and/or consolidated, increasing substantially the information available to rural poor families on farm and off-farm development opportunities. Furthermore, 14,257 women were provided with identity documents as a result of documentation campaigns supported by DHCP, thus reinforcing women's self-esteem, access to services and resources, and participation in governmental programmes and institutions.
34. **Financial assets.** In the case of Prosertão, an impact study conducted by the NGO responsible for providing microfinance in the project showed that more than 70 per cent of the clients reported an increase in income. All projects facilitated access by the rural poor to PRONAF funds, thus also having an impact on their financial assets. Access to financial services (and through them to financial assets) by the rural poor was significantly expanded in the state of Sergipe through the institutional changes brought by Prosertão (see paragraph 32).
35. **Environment and common resource base.** The three projects (particularly DHCP) emphasized agro-ecological practices, including the introduction and dissemination of appropriate technologies and varieties, such as *leucaena*, palm and *gliricidia* as forage, the use of biological inputs and small-scale irrigation, and *caipira* chicken fed with local fodder. Beekeeping was instrumental in developing an environmentally friendly attitude on the part of honey producers, who had a special interest in ensuring the sustainability of the native plants used by their bees. DHCP played an active role during implementation in mobilizing a US\$6.2 million Global Environment Facility grant, whose implementation would have a positive environmental impact, although the grant-funded activities are not yet in effect.

Sustainability

36. Prospects for sustainability are fairly encouraging. First, the participatory approach followed by IFAD in Brazil has contributed to generating a strong sense of ownership, especially among communities living at the grass-roots level. Second, the emphasis placed during implementation on capacity-building, combined with the promotion of simple technologies such as cisterns or fodder practices, facilitated the absorption of technical knowledge enabling project beneficiaries to continue operations without external assistance. Most of the water infrastructure – with the possible exception of desalinization plants – is likely to be well maintained and can hence be considered sustainable, particularly cisterns. Moreover, all the projects have made positive contributions to soil and water conservation and management,

and the emphasis on low-cost agro-ecological techniques is conducive to environmental sustainability.

37. The weakest aspect with respect to sustainability is the lack of institutional support for technical assistance to increase productivity, e.g. livestock feeding techniques or reproductive management, which may continue only as long as projects are providing resources to fund it. Moreover, community organizations require additional support to reach the level of maturity in management capacity necessary to take over after project closure.

Innovation, replication and scaling up

38. IFAD has not introduced totally novel ideas or methods previously unknown in Brazil or previously untested by IFAD. However, IFAD-assisted operations have contributed to introducing practices, technologies or ways of doing things (along with other actors such as the World Bank, state programmes and NGOs) which were new at the local level in the rural north-east of Brazil. They can be grouped in two categories, relating to: (i) the general approach to rural development; and (ii) technology and infrastructure. With respect to the former, the main thrust was moving from top-down to bottom-up methods, including a demand-driven system to select investments; the systematic introduction of participatory planning to identify needs, priorities and courses of action; attention to gender issues (despite not being adequately addressed in the COSOP); attention to the creation of social capital; outsourcing to NGOs with a partnership perspective; and an integrated approach to productive, social and cultural investments based on a holistic view of the rural development process. As far as the second category is concerned, IFAD promoted a focus on low-cost, simple, easily absorbed technologies relevant to semi-arid conditions such as cattle feeding during the dry season and a participatory approach to technology validation and dissemination. This included participatory demonstrations such as the demonstration units (*unidades demonstrativas*) or the technological learning fields (*campos de aprendizagem tecnológica*) as well as farmer-to-farmer extension. While some of these innovations were built into the project design, many others were attributable to the creativeness of project implementing entities, including participating NGOs.
39. There is a potential for replication and scaling-up of the programme innovations. In a way this is already taking place, in that the bottom-up approach to rural development promoted by IFAD-supported projects has now become the dominant culture for fighting rural poverty in the north-east. Also, some of the technologies and infrastructure characteristics introduced by these projects, such as underground dams, are now recognized as standards of good practice and have been mainstreamed into other development programmes and into the thinking and policy of federal and state governments. However, the promotion of innovations has generally been ad hoc, without due consideration for linkages with knowledge management, policy dialogue and partnership building, thus limiting opportunities for scaling up and replicating successfully tested innovations promoted by IFAD. For example, even though DHCP has made an outreach effort, the lack of a communications strategy in the programme to document and disseminate innovations limits their replication and scaling-up potential.

IV. Non-lending activities

40. Non-lending activities were mainly marginal to IFAD's programme in Brazil. Notwithstanding important recent initiatives at the subregional level, policy dialogue was limited, which is particularly of concern given that it was one of the COSOP's four major thrusts. This may be partly explained by the fact that in the past IFAD allocated few resources and efforts for undertaking policy dialogue on key topics, as well as the lack of a permanent country presence, which is crucial to engage

proactively in policy dialogue.¹⁵ However, there are some significant recent initiatives in promoting policy dialogue in Brazil, for example through the grant-funded REAF. Even though this initiative is too recent for a meaningful assessment by the CPE, it clearly shows potential for IFAD collaboration on policy dialogue at the subregional level as a platform for dialogue and negotiations between farmers' organizations and governments to identify and strengthen differentiated public policies on family farming.

41. IFAD established useful partnerships with ministries and institutions at both the federal and state government levels. Particularly worthy of note are the fruitful dialogue and cooperation between the Fund and two key ministries, the Ministry of Planning, Budget and Management in Brasilia, which is the coordinating ministry for IFAD and other international financial institutions, and the Ministry of Agrarian Development. At the project level, there have been some efforts to establish links with agriculture research institutions (although the mechanisms to ensure that research results are incorporated into IFAD projects are limited), and only recently have NGOs been involved in IFAD operations. The involvement of the private sector, with the exception of a few initiatives such as DHCP's partnership with Petrobras – which buys castor beans produced by DHCP's families – has been limited. Partnerships with international financial institutions and United Nations organizations are particularly weak. Despite a significant level of counterpart funding mobilized, no cofinancing from international financial institutions or other donor organizations was mobilized by IFAD in any of its operations in Brazil. Likewise, there is no engagement between IFAD and donors on policy issues or any systematic efforts for exchanging good practices and knowledge on rural poverty matters.
42. Although there have been some activities related to knowledge management, such as exchanges of experiences across IFAD-funded projects, this area cannot be considered a strength in the Brazil country programme. There have been few systematic efforts to document IFAD's experiences in Brazil or to mobilize relevant learning and experiences from other countries in the region or elsewhere. Moreover, the potential of FIDAMERICA,¹⁶ as one of PL's central knowledge management instruments, has hitherto not been adequately exploited in Brazil.

V. Performance of IFAD and its partners

Performance of IFAD

43. IFAD provided adequate support in project design and during implementation by monitoring disbursements, organizing mid-term reviews and implementation support missions, and preparing project completion reports, even though its contribution to non-lending activities has been generally weak. Moreover, the Fund has effectively undertaken direct supervision and implementation support in one project. In particular, IFAD has been instrumental in clarifying the roles and responsibilities of key partners, including the role of NGOs as both partners and contractors. It has also played a helpful role in ensuring flexibility to facilitate adapting project design to the changing environment, for which the CPE mission found widespread praise. Moreover, as pointed out by the PL self-assessment, the adoption of the direct supervision modality for DHCP allowed direct and intensive cooperation between the Federal Government through the Ministry of Agrarian Development and IFAD, starting at the project formulation phase. According to the views of partners in the country, the Fund plays an important role in rural poverty reduction in Brazil. The exclusive focus on rural poverty, bottom-up and innovative approaches, commitment to increasing the involvement of civil society and NGOs in

¹⁵ Also demonstrated by the corporate level evaluation (2007) by OE on the Field Presence Pilot Programme. In fact, the CPE argues that IFAD's development effectiveness could exponentially increase in Brazil with the CPM-outposted model.

¹⁶ FIDAMERICA is an IFAD-supported network whose purpose is to improve the efficiency and effectiveness of the poverty-elimination projects supported by IFAD in Latin America and the Caribbean.

decision-making and resource allocation as well as organizational flexibility distinguishes IFAD from other international organizations operating in the country.

44. There were however areas where IFAD performance could be improved, such as communications between IFAD and the projects,¹⁷ which were not always fluid. The project evidenced gaps in knowledge about IFAD's policies, latest thinking, policy positions and guidance. These deficiencies may be due to some extent to the country portfolio manager (CPM) being overextended. From the mid-1980s until recently, the CPM for Brazil was also responsible for Haiti (where there are several IFAD operations) and Venezuela. Currently, the Brazil CPM is also responsible for operations in Mexico.

Performance of the Government and its agencies

45. The agencies involved in implementing IFAD-funded projects have, on the whole, performed well. However, there have been some delays in the allocation of counterpart funds in some of the projects. While the allocation of counterpart funds is satisfactory in the case of projects implemented by the state governments, the same has not been true of DHCP, implemented by the Ministry of Agrarian Development at the federal government level. This is attributable to the fiscal restraint faced by Brazil during the last decade and to new priorities introduced during project implementation in light of the Government's multiyear plans. In this project, important shortfalls in the allocation of funds have affected (and continue to affect) effectiveness. In addition, complex and lengthy federal government approval processes have affected the fielding of IFAD formulation and appraisal missions, the signing of loan agreements, the fulfilment of effectiveness conditions, the staffing of project management units, and yearly budget allocations.¹⁸
46. World Bank and IDB experience, and IFAD's earlier experience in Brazil, seem to indicate that projects largely under the responsibility of state-level institutions run more effectively, partly due to greater ownership amongst local authorities, but also because they are closer to the action and can provide support in a more timely manner. Even in projects managed by state governments, however, the federal authorities have a crucial role to play in terms of overall coordination, monitoring and supervision of externally-funded operations, and establishing the broader policy framework for international cooperation.
47. Another important point is that the principle of "non-additionality"¹⁹ of foreign funding applies to all projects under federal responsibility in Brazil. That is, an executing agency's annual work programme and budget must contain a proposed allocation from the federal finance ministry for the implementation of a particular project, irrespective of whether the funds are mobilized within the country or from external sources. Clearly, the financial incentive to work with international donor agencies is diminished in such an environment.
48. The Secretariat for International Affairs (SEAIN) in the Ministry of Planning, Budget and Management plays an important coordinating role, facilitating IFAD's operations in Brazil and establishing a strong dialogue and relationship with IFAD. An area that could be strengthened, however, is SEAIN's role in country-led coordination and harmonization of IFAD and the other international financial institutions operating in Brazil in similar areas.

¹⁷ Excluding DHCP.

¹⁸ A point also made by PL in its self-assessment.

¹⁹ According to the non-additionality policy applied to external resources, foreign lending is not additional to the domestic resources allocated to a particular development project or line ministry designated as executing agency.

Performance of the cooperating institution

49. UNOPS has performed its functions well. By staffing its missions with the same team of experts, it provided continuity and appropriate support, especially in terms of fiduciary supervision. Separating implementation support from fiduciary supervision, allocating tasks to specialized consultants rather than relying on a single person, constituted a good practice. One major shortcoming, which affected project supervision and implementation support as well as the evaluation function, has been the inadequate performance of monitoring and evaluation systems at the project level. UNOPS should have brought this more forcefully to the attention of IFAD and the Government in its supervision mission reports.

VI. Summary of CPE ratings

50. Table 2 provides a summary of CPE ratings across all evaluation criteria.

Table 2

Aggregate evaluation ratings of IFAD-funded project portfolio and non-lending activities in Brazil

<i>Evaluation criteria</i>	<i>Assessment by the CPE²⁰</i>
A. Portfolio performance	4.3
Relevance	5
Effectiveness	4
Efficiency	4
Rural poverty impact	5
Sustainability	4
Innovations, replication and scaling up	4
Partner performance	
IFAD	4
Government	4
Cooperating institutions	4
Overall portfolio achievement ²¹	4
B. Non lending activities	3
C. Overall Country Programme Achievement²²	4

Note: IFAD uses a six-point rating, where 1 represents the lowest score and 6 the highest.

VII. Conclusions and recommendations

Conclusions

51. The evaluation underlines that Brazil's needs as an upper middle-income country differ significantly from the priorities of low-income countries.²³ While IFAD financing for investment projects and programmes is important, middle-income countries such as Brazil are generally more interested in the Fund's experience and knowledge on rural poverty reduction, piloting innovative approaches to agriculture and rural development, and undertaking policy dialogue at the subregional or regional level. This contrasts with the situation in low-income countries, where the provision of IFAD resources is very important. More specifically, IFAD's exclusive focus on rural

²⁰ These are the aggregate ratings for the projects evaluated by the CPE. Ratings of individual projects may be consulted in the main CPE report.

²¹ Overall portfolio achievement reflects the combined assessment (not an arithmetic average) of relevance, effectiveness, efficiency, rural poverty impact, sustainability and innovation. As per OE evaluation guidelines, the performance of partners is not included in the aforementioned calculation.

²² This is a combination of overall portfolio achievement (4) and non-project activities (3). It was assessed to be moderately satisfactory (4) because of the high amount of resources invested to the project portfolio in the country programme as compared to non-project activities.

²³ The issue of middle-income countries was the topic of a recent comprehensive evaluation by the Independent Evaluation Group of the World Bank, which also came to a similar conclusion. In addition, in producing the Annual Report on the Results and Impact of IFAD operations (ARRI) this year, OE will devote specific attention to the role of IFAD in middle-income countries within the framework of analysing the relationship between country context and development effectiveness.

poverty, as well as its participatory, bottom-up and innovative approaches, are recognized as positive by key stakeholders in Brazil (see paragraph 43).

52. Therefore, and given the relatively limited IFAD resources that will be available to Brazil in the future – compared to government programmes and other major agencies supporting rural poverty reduction in Brazil – the evaluation concludes that the Fund's potential in the country lies mainly in two interrelated areas. The first is the quality of the projects and programmes it finances in the country, in terms of targeting, partnerships and impact-orientation, and the quality of non-lending activities such as policy dialogue and partnership strengthening, which are critical to the overall success of IFAD's operations in Brazil. The second area relates to efforts made and resources invested by the Fund in identifying and promoting innovative approaches to rural poverty that can be replicated and scaled up by others. While IFAD has contributed to introducing some specific innovations at the local level (see paragraph 38), the replication and scaling-up of successful innovations has not received adequate attention, which is of key importance for IFAD in a large upper middle-income country like Brazil and the ultimate test of IFAD's ability to promote innovations. For example, mechanisms to ensure that research results are incorporated into IFAD projects are limited. Moreover, despite more recent efforts in policy dialogue at the subregional level through REAF (see paragraph 40), IFAD's performance in non-lending activities has been weak, and limited resources were devoted to these aspects in Brazil.
53. The evaluation points out two aspects of IFAD's operating model in Brazil that require attention: (i) IFAD excluded Brazil from the Field Presence Pilot Programme and does not currently have any form of country presence, which is crucial to engage proactively in policy dialogue, strengthen partnerships, support implementation and promote innovations; and (ii) recently, the Fund did not consider expanding direct supervision and implementation support, in spite of good experiences in this area in the country. In addition, the evaluation notes that IFAD has not provided adequate financial resources to Brazil in the last decade in comparison to the number of rural poor in the country (see paragraph 17).
54. Moreover, IFAD's earlier experience in Brazil indicates that projects largely under the responsibility of state-level institutions seem to run more effectively than those under federal responsibility (see paragraph 46), even though the federal authorities have a crucial role to play in terms of overall coordination, monitoring and supervision of externally funded operations. As noted, the non-additionality principle applies to projects under federal responsibility in Brazil (see paragraph 47).
55. The evaluation found (see paragraphs 29 to 35) that IFAD-funded operations have contributed to improving access to services, increasing incomes and improving livelihoods in the north-east of the country. In addition, IFAD has facilitated access to PRONAF credit, although there is room to broaden the range of financial services available to poorer population segments. However, IFAD-supported projects paid insufficient attention to market linkages, including linkages with the private sector. IFAD's objective of promoting land reform has not met with the success initially envisaged due to IFAD's limited capacity, the complexity and highly political nature of the issue and the Government's own major involvement in land reform.
56. While working exclusively in the north-east has been consistent with the COSOP objectives, this has meant that other regions in Brazil that are equally affected by acute rural poverty and unfavourable agro-ecological environments, such as the north, have not had access to IFAD support. Moreover, active support to indigenous peoples, a strong comparative advantage of IFAD worldwide and especially in Latin America and the Caribbean, has been weak. Indigenous peoples in Brazil are known to be severely under-privileged, especially in the Amazon, with the highest rates of poverty and limited access to basic education and health services.

Recommendations

57. **Strengthen innovation promotion, including knowledge management and policy dialogue** (see paragraphs 50, 51). Promoting innovative solutions in areas such as agricultural technology and market access is central to IFAD's future strategy in Brazil. In particular, IFAD should establish wider partnerships with reputed Brazilian agricultural research institutions, e.g. Brazilian Agricultural Research Corporation (EMBRAPA), using grant funds, and ensure that research results are more comprehensively included in IFAD operations. Resources need to be invested in systematically documenting good practices and lessons learned. IFAD could play a role in providing knowledge and experience to Brazil from other countries and regions. A knowledge exchange programme should also be developed with Portuguese-speaking countries in Africa and elsewhere in support of the Government's current efforts.²⁴ Moreover, ongoing policy dialogue initiatives in the area of family farming should be strengthened.
58. **Partnerships to support IFAD operations** (see paragraph 53). It is important for IFAD to intensify its collaboration with relevant state governments and institutions for project design and implementation and to replicate and scale up successful innovations. Opportunities for direct lending to state governments should also be explored. At the same time, the Fund must devote sufficient attention to maintaining close dialogue and communication with the federal government on all aspects of the Fund's relations with the country. Finally, IFAD needs to support country-led donor coordination and aid harmonization processes, as well as enhancing partnerships with multilateral and bilateral aid agencies.
59. **Explore other geographical focus and targeting options** (see paragraph 55). In addition to focusing on the north-east, the Fund should explore possibilities for expanding its geographic outreach to cover the rural poor living in the north, which manifests similar levels of poverty and has progressed more slowly. In addition, in light of the extensive experience acquired by IFAD, and PL in particular, it is recommended that IFAD identify opportunities for supporting indigenous people in the Brazilian Amazon.
60. **Redefine priority areas of operations** (see paragraph 54). IFAD should continue working on the provision of support services for small farmers, where it has accumulated experience and shown its capacity to innovate. A key new priority area should be further cooperation to enhance market linkages, including promoting access to markets, development of market infrastructure and provision of market information. For this purpose, greater partnership with the private sector is essential. IFAD should not engage in wider land reform matters, but rather focus on providing support to land reform settlement areas. The Fund should also contribute to further strengthening rural financial services at the grass-roots level, a crucial area for policy dialogue in which IFAD could support Brazil by sharing the knowledge that has emerged from its worldwide experience. Furthermore, IFAD could provide loans to 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, i.e. correspondent banks, allowing banks to use retail shops to provide remote financial services such as deposits and payments, at a much lower cost than by opening a branch.
61. **IFAD's operating model** (see paragraph 52). As a way of enhancing IFAD's development effectiveness in a country that contains one third of Latin America and the Caribbean's rural poor, it is recommended that IFAD explore the possibility of strengthening its country presence, including the option of outpostting the CPM. The option of using Brazil as a subregional office covering the MERCOSUR and other countries should also be explored. On a related issue, starting in 2008, the

²⁴ EMBRAPA has recently set up a branch in Ghana covering several countries in West Africa.

evaluation recommends bringing the two recently approved projects under direct supervision and implementation support. Finally, it is important for IFAD, within the overall framework of the performance-based allocation system, to raise the level of resources allocated to Brazil and to increase attention and resources for non-lending activities.

Part B – Agreement at Completion Point

I. 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.

II. Main Evaluation Findings

4. The four priority areas identified by IFAD's strategy in Brazil, that is, focus on the North-east, 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 development²⁵ 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-lending 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, which provides a platform

²⁵ For example, by the introduction of pest resistant varieties of cassava and pineapples.

of dialogue and negotiations between farmers' organizations and governments within MERCOSUR.

8. With regard to partnership, IFAD established useful cooperation 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 organizations 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.

III. 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 organizations, 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 organized.

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 supervision²⁶ 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-lending activities.

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

Signed by²⁷:

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

Mr. Kevin Cleaver
Assistant President
IFAD, Programme Management
Department

²⁶ 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.

²⁷ A signed copy of the document will be tabled at the Evaluation Committee session.

IFAD projects in Brazil

Project title	Total cost	IFAD loan	Cofinancing	Domestic Brazil	Board approval	Loan effectiveness	Current closing date	Cooperating institution	Disbursement of IFAD loan as at June 2007
Ceara Second Rural Development Project	151.8	25.0	44.7	82.1	04/12/80	17/06/81	31/12/87	World Bank	100%
Low-Income Family Support in the Semi-Arid Region of Sergipe State PROSERTAO	25.9	17.9		8.0	02/12/93	16/10/95	30/06/03	UNOPS	100%
Community Development Project for the Rio Gaviao Region PROGAVIAO	40.4	20.1		20.3	07/12/96	03/12/96	30/06/06	UNOPS	100%
Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East DOM HÉLDER CÂMARA	93.4	25.0		68.4	03/12/98	21/12/00	30/06/09	Under IFAD direct supervision	46%
North East Rural Family Enterprise Development Support Project XINGO	47.3	23.1		24.2	02/12/04	Not Yet Effective		UNOPS	0%
Rural Communities Development Project in the Poorest Areas of the State of Bahia PRODECAR-TERRA DE VALOR	60.5	30.5		30.0	20/04/06	11/12/06	30/06/13	UNOPS	0%
Total for BRAZIL	419.5	141.6	44.7	233.0					