Project Name: Brazil-Animal and Plant (+)...
Health Protection Project

Region: Latin America and Caribbean

Sector: Agriculture and Rural Poverty

Project ID: BRPA55388

Borrower: Federative Republic of Brazil

Implementing Agencies: Ministry of Agriculture and Supply
Esplanada dos Ministerios, Bl. D
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Brasil
States of Rio Grande do Sul, Santa
Catarina, Parana (Southern
Region); São Paulo, Rio de
Janeiro, Espírito Santo, Minas
Gerais (Southeast region); Mato
Grosso do Sul, Mato Grosso, Goias
(Center-West region); Bahia,
Pernambuco, Piauí, Rio Grande do
Norte (Northeast region)

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Board Date: September 1998

Country and Sector Background. The Brazilian Agriculture Sector represents 11% of GDP (or nearly 40% when agroindustry is included), 30% of exports, and 25% of total employment. The Government views the current agricultural disease protection system -- with its centralized federal control and focus on disease rather than on health -- as inadequate to serve Brazil’s needs as it competes in the global marketplace. Current monitoring and surveillance at border crossings -- both interstate and international -- is inadequate to halt either the exit or entrance of livestock diseases and plant plagues, which severely limits the international competitiveness of Brazilian agricultural production.

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The Brazilian Agriculture Sector represents 11% of GDP (or nearly 40% when agroindustry is included), 30% of exports, and 25% of total employment. The output mix of Brazilian agriculture has shifted in emphasis from domestic staples (e.g. rice beans, cassava) to export crops (e.g. soybeans, coffee, sugar, meats). The agricultural sector faces several important challenges in this new economic environment, namely: (a) increased productivity and export growth in the face of greater international competition within GATT and MERCOSUL and (b) non-tariff barriers, among these international sanitary and phytosanitary regulations, which at present substantially limit Brazil’s participation in global agricultural markets.

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marketplace. Current monitoring and surveillance at border crossings -- both interstate and international -- is inadequate to halt either the exit or entrance of livestock diseases and plant plagues, which severely limits the international competitiveness of Brazilian agricultural production. The previous Bank project (Loan 2864-BR) successfully experimented with decentralized delivery of agricultural health protection services to the State, municipalities and local farmer associations.

Trade agreements under the WTO and MERCOSUL -- to which Brazil is a signatory -- effectively eliminate all trade barriers except those relating to sanitary and phytosanitary standards. The WTO 1994 agreement affords signatory countries the right to apply sanitary and phytosanitary regulations to protect their citizens and respective agricultural production, as long as these regulations do not block international trade. At present, Brazil’s participation in agricultural export markets is hindered by its inability to effectively document its progress in eradicating a variety of animal diseases (e.g. FMD, Hog Cholera) and plant plagues (e.g. melon fly) and, where diseases or plagues are under effective control (e.g. New Castle Disease (NCD), Salmoneloses, Mycoplasmoses), verify these controls with credible data from satisfactory monitoring and surveillance of agricultural production.

Increasing globalization and integration of markets implies significant potential for Brazilian agriculture in the international arena. However, Brazil’s capacity to eliminate plant and animal diseases in those products with greater export potential will be a major factor in exercising its agricultural competitiveness. Therefore, trade liberalization requires an ability to (a) effectively monitor the health status of livestock and plants slated for export and (b) present credible data to counter any bilateral claims which question the health security of Brazilian agricultural production.

In livestock, Brazilian beef production in 1997 was 5,820 million tons (up 13% from 1994) of which approximately 5% was exported. With the world’s largest cattle herd, Brazil’s potential for expanded beef exports is large. Brazil possesses the third largest swine herd worldwide, ranks third in total poultry production (behind the U.S. and China) and maintains the lowest total cost of poultry production per kg. (US$ 0.85). In terms of current competitiveness, wholesale market prices for Brazilian beef compare favorably with U.S. and European prices. Pork wholesale prices compare somewhat less favorably, while poultry wholesale prices are the lowest worldwide. Expanded international certification of FMD-free zones and international certification of Hog Cholera-free zones should substantially improve export potential of fresh (in natura) beef and pork. Greater poultry export will be contingent on improved biosafety measures to control NCD, salmoneloses and mycoplasmoses in poultry flocks.

In the plant sector, the Northeast and Southeast regions are major exporters of mangoes and papaya (24,000 metric tons and 5,700 tons, respectively, in 1996). In recent years, Southern Brazil has significantly increased its apple production (575,000 tons in 1997). The irrigated regions of the Northeast -- particularly Rio Grande do Norte and Pernambuco -- also boasts a substantial melon production. Furthermore, favorable climate makes Brazilian fruit production virtually year round, providing the opportunity to serve key export markets exclusively when other major producers are in "off-season". Nonetheless, various plant plagues and diseases result in losses of approximately 20% of total annual production (by volume). In the case of apple production, losses due to plague infestation (i.e. Cydia pomenella) can be as high as 30% of annual production, estimated at US$100 million for a total annual production value of US$272 million.
Objectives. The Project contributes to the objectives of the National Program for Agricultural Health Protection by seeking to increase the competitiveness and productivity of specific agricultural products (e.g. beef, pork, poultry, mango, melon, papaya and apple) through (a) eliminating or significantly controlling the incidence of relevant animal and plant disease which constitute sanitary and phytosanitary barriers limiting Brazil’s access to global export markets and (b) strengthening the agricultural monitoring and surveillance system to provide credible data on livestock and plant health.

Project Description. The Project consists of three components (1) Animal and Plant Health, (2) Institutional Strengthening at the Federal Level and (3) Administration, Monitoring and Evaluation. The project would finance subprojects implemented by eligible farmer associations (80% of total subproject costs) which would include, inter alia, (a) promotion of FMD vaccination campaigns, (b) distribution of sentinels for the monitoring of plant plagues (c) agricultural health protection training and education and (d) monitoring and surveillance (e.g. documentation of outbreaks, emergency vaccinations, livestock and plant transit control). It would also finance subprojects implemented by Participating State agencies (up to 20% of total subproject costs) presented by State entities for the execution of project activities mostly related to project promotion and dissemination, comprehensive training programs, epidemiological surveillance, laboratory reference tests, regulation, certification and supervising of state borders. For these subprojects, the Bank would finance 50% of subproject costs with Federal and State governments financing 25% each. Capacity building for technical personnel of the Secretariat of Agricultural Health Protection (SDA), purchases of laboratory equipment and materials, vehicles, computer hardware and software and feasibility studies and consultancies to increase capacity of the Federal Inspection Service would be financed through the Institutional Strengthening component at the Federal Level.

Project Financing. Total project cost is US$120.0 million of which the Bank will finance 50% (US$60.0 million). The Project will be implemented over three years starting in FY 1999. Farmer associations will contribute at least 15% (US$18.0 million) of the total subproject cost (either in cash or in-kind), with additional cofinancing of 15% (US$18.0 million) from State government and 20% (US$24.0 million) from the Federal government.

Project Implementation. Farmer associations would identify and prepare subproject proposals which address their priority concerns in animal and plant health protection. Likewise, Participating State agencies would identify and prepare subprojects which would improve their monitoring and surveillance capacity. Farmer associations and Participating State agencies would submit subproject proposals to their respective State Technical Units which would (a) appraise and approve subproject proposals, following criteria in the Project Operational Manual, (b) confirm the capacity of the farmer association to complete the subproject and contribute the necessary 15% of total subproject cost and (c) release funds to finance approved subprojects. The National Committee for Agricultural Health Protection (CNDA) will advise the Project Coordination Unit in Project resource allocation decisions. Private farmer associations, NGOs, universities and other representatives from civil society will comprise majority participation of the CNDA. The Project Coordination Unit, housed in the SDA/MAA will administer the Project. The Bank of Brasil, S.A. will administer the funds used for Project implementation.
Project Sustainability. Both increased market access and higher quality production -- leading to greater value-added -- are strong incentives for sustained participation by farmers in the agricultural health protection activities expected under the Project. Furthermore, maintenance of any newly opened market niches will be directly contingent on the continued verification of minimum sanitary and phytosanitary conditions as regulated by both importing countries and domestic authorities. Additionally, the ex ante role of farmers in the preparation of specific subprojects increases their ownership of the activities undertaken.

Lessons from Bank Experience. The Project models the experience of decentralized approaches to agricultural health protection already underway in other countries. The United States has a long tradition of strong private sector participation and local action in all areas of agricultural health protection. Since 1972, the USDA Animal and Plant Health Inspection Service has provided compelling evidence that public/private partnerships can effectively and sustainably address agricultural health protection issues. In Argentina (1992) and Uruguay (1994), decentralized approaches to livestock disease eradication were instrumental in these countries achieving FMD-free status.

Northeast Brazil, through the collective experience of nine States under the Rural Poverty Alleviation Program (RPAP) from 1993 to the present, has benefited approximately 2.1 million families with over 24,000 subprojects, each of which was proposed and implemented by local community associations and partially financed with local contributions.

Experience gained from the previous Livestock Disease Control Project (Loan 2864-BR) yielded the following inputs toward Project design:
Regarding the degree of decentralization, Government’s role is to provide leadership, policy guidance and direction; define standards and norms; promote stakeholder participation; and manage resources effectively. State-level farmer associations and municipalities have tremendous potential to participate in animal and plant disease eradication programs.

A Project Operational Manual with comprehensive and flexible rules and norms for project operation was a determining factor in spreading the idea and the practice of decentralization and facilitated project implementation.

Environmental Aspects. Environmental Assessment Category "B" is proposed for this Project. The activities programmed under the Project are not expected to generate negative environmental impact. In fact, expected activities under the Project are already shown to have a net positive environmental impact. Livestock health improvements via vaccination campaigns will have no significant environmental impact. Subprojects to achieve plague-free status in the fruit sector would imply the elimination of the use of toxic chemical inputs (e.g. pesticides, insecticides). No chemical inputs are expected to be used in the post harvest, pre export processing of plant production. The primary mode for post harvest, pre export preparation is expected to be irradiation treatment. Criteria for individual environmental screening of each subproject proposal will be detailed in the Project Operational Manual.

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Note: This is information on an evolving project. Certain activities and/or components may not be included in the final project.

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Annex

Because this is a Category B project, it may be required that the borrower prepare a separate EA report. If a separate EA report is required, once it is prepared and submitted to the Bank, in accordance with OP 4.01, Environmental Assessment, it will be filed as an annex to the Public Information Document (PID).

If no separate EA report is required, the PID will not contain an EA annex; the findings and recommendations of the EA will be reflected in the body of the PID.