I. Project Context

1. Ceará has made solid progress in improving both economic and social indicators in recent years and is the third largest economy in the Northeast region. Between 2007 and 2010 the State’s GDP (currently ranked 12th out of 27 States in Brazil) grew by an accumulated 58%, well above Brazil as a whole (25%). From 1981 to 2007, the average years of schooling per adult in Ceará rose by 144%, outperforming 22 Brazilian states. Other social indicators, including infant mortality and life expectancy, have also shown significant improvement over the last two decades.

2. Notwithstanding this recent progress, the State faces significant challenges: Poverty levels are still unacceptably high in Ceará, with 13% of its population living below the regional extreme poverty line and almost a third of the people (31%) are below the regional poverty line. It is evident that to sustain social inclusion gains made and substantially reduce current poverty levels will require more rapid and inclusive economic growth.

3. Agriculture is a major sector of the Brazilian economy: It is key for economic growth and foreign exchange. Agriculture accounts for about 6% of GDP (25% when including agribusiness) and 36% of Brazilian exports. Brazil enjoyed a positive agricultural trade balance of US$55 billion in 2009. The share of family agriculture’s production in Brazilian food is 70%, which means that it has a strong potential not only for food security and nutrition but also for economic growth and food price balance. While commercial farms dominate value-added production, family agriculture nationwide produces 70% of manioc, 46% of corn, 63% of horticulture, and is responsible for 56% of large animal production (including dairy).

4. Technological change in agriculture is essential to reducing poverty. Fostering development, stimulating economic growth and improving agricultural productivity will help not only the rural poor by directly increasing their income and competitiveness. The State is eager to increase efforts to reverse the decline in agricultural investments and realize employment and productivity gains; as such, it will need to invest in innovative practices and technologies and capitalize on the key linkages with agro-business and small and medium enterprises. Identifying the most promising investments and policy interventions has become a challenging task as the objectives have shifted from increasing outputs and basic services under the previous Rural Poverty Reduction Bank-financed Projects, to transforming agriculture into a more responsive, dynamic and competitive sector, including small producers.

5. Ceará’s inclusive growth strategy: The State is placing greater emphasis on inclusive growth while maintaining a commitment to further develop its good public sector management practices. The concern for a growth pattern that includes all income strata is not new. What is different is the urgency for achieving greater inclusiveness -- and a nascent realization that without it, sustained growth will not be possible over the long term. Different dimensions of inclusive growth should be emphasized, namely:
   (i) The crucial connection between income inequality and poverty: where growth has been more inclusive, poverty has been more sharply reduced.
   (iii) Greater inclusion as an aid to growth itself: highly unequal countries/states encounter additional constraints to growth compared to more equal ones.

6. Main Challenges Facing Productive Clusters and Public Services in Rural Areas: Low rural productivity and low access to basic services in Ceará are tied to several constraints, among the most important of which are:
   (a) Low technological innovation, in terms of product, process and organization, as well as downside risks of production losses and threats to household food security; and weak market intelligence that hinders a coordinated and targeted supply response;
   (b) Poor access to capital to boost smallholder asset accumulation on several fronts: physical, financial, human, managerial, and social; and
   (c) A disconnection between technical assistance and the needs of the farmers, both for meeting market demands and reducing vulnerability through climate change adaptation.

7. Weather severity and water scarcity/unequal distribution: The Brazilian Northeast experiences chronic water scarcity, with periodic, long and severe droughts that create a number of economic and social problems and hamper the development of the region. Ceará is one of Brazil’s driest States, with average annual per capita water availability of 1,150 m3, equivalent to only 4% of the national average. The semi-arid Sertão sub-region represents 87% of the State#s territory, with per capita annual water availability ranging from 400 m3 to 800 m3. Ironically, the Sertão has about 98% of the State total available water. Additionally, 23% (30,000 km2) of the Sertão is classified as consolidated areas of...
8. Particular needs in the area of natural disasters, environment and risk management: Given the State#s climatic conditions and variability derived from heavy droughts, desertification risk and floods have caused major human disasters with a massive impact on agriculture and food production. Agriculture will also have to adapt to increasingly variable and unpredictable growing conditions. In recent years several Brazilian States in different regions experienced the heaviest rainfall in their history (Alagoas and Pernambuco, in 2010, and Rio de Janeiro, Paran and Santa Catarina in 2011) causing severe floods.

9. Water supply and sanitation in rural Ceara: The State is comprised of 184 municipalities with 8.4 million inhabitants, 75% of which live in urban areas and 25% (2.1 million inhabitants) in rural areas. In 2009, the potable water supply access in the State reached 91% of the urban population and only 17% of the rural population. In contrast, the basic sanitation services reach 37% of the population in the urban area and only 0.20% in rural areas. In this context, the State#s goal to ensure universal access to water services by 2015 is considered to be too ambitious as the amount of investment needed are tremendously higher than what is currently allocated. By the end of the proposed project#s interventions, it#s expected a percentage coverage increase in rural areas reaching 22.68% for potable water supply and 3.95% for basic sanitation services.

10. The 2010 Census identified the existence of around 27,000 rural communities formed by more than five families, out of which around 2,700 communities are comprised of 50-400 households, totaling 1.4 million inhabitants. The 2008 SNIS had identified 302 rural communities served with potable water supply services, 109 of these operated by CAGECE and 193 served by municipal WSS operators. The Integrated Rural Water Supply and Sanitation System (SISAR) currently operates potable water supply services in 570 rural communities. Combined, these services reach only 872 communities. Other communities are still unidentified and/or have access to potable water supply services that are being operated by stand-alone community associations.

11. Despite the State strong and continuous investments in water infrastructure, access to potable water supply and water for irrigation is still weak. Small-scale farmers, especially in the Sert, face often very harsh and difficult conditions for their livelihoods, which places the food security of farmers# families in constant jeopardy. The impact of this extremely low level of access to water resources is a relatively stunted irrigated area (only 0.3% of the State#s total agricultural area) and periodic lack of potable water supply for rural enterprises and households, significantly limiting the growth of commercial food processing and domestic primary processing. The lack of adequate basic sanitation systems is also a constraint to producers# commercial activities, even at the level of the smaller cooperative associations.

II. Sectoral and Institutional Context
III. Project Development Objectives

Project Development objective: The proposed project would support the inclusive and sustainable growth objectives of the State’s strategic and investment plans for rural areas, by (i) improving the sustainability of rural production, including irrigation, and rural income generation; and (ii) contributing to the State’s efforts to ensure universal access to water services.

IV. Project Description

Component Name

1. Economic inclusion: would finance productive investments through business plans proposed, developed and implemented by participating rural producers organizations.

2. Water Services: would support the State’s efforts to ensure universal access to potable water and basic sanitation services in rural areas.

3. Institutional Strengthening: would support training and technical assistance activities to strengthen stakeholders and public functions that are critical to ensure the project sustainability.

V. Financing (in USD Million)
VI. Implementation
18. The State of Ceará, through the State Secretariat of Agrarian Development (SDA), would be the Borrower for the proposed loan, with the Federative Republic of Brazil serving as Guarantor. SDA will be responsible for overall management, planning, coordination, monitoring and evaluation of all project activities both at central and regional level, as well as project financial management, procurement, disbursements and accounting. SDA will also be responsible for implementing the social and environmental safeguards instruments, as well as for disseminating project results through a proactive communication strategy. Additionally, SDA will ensure that counterpart resources are foreseen in the State’s budget.

19. The Project Management Unit (UGP # Unidade de Gerenciamento do Projeto) will be housed at SDA and will be comprised of: Project Coordinator; Technical Advisor for Planning; Legal Advisor; Socio-environmental Management Advisor; six managers (Procurement Specialist, Financial Administration Specialist, Monitoring and Control Officer, Water Resources Use Manager, Economic Inclusion Manager, and Institutional Strengthening Manager); and technical staff and administrative assistants.

20. To ensure local coordination and integration between institutions and stakeholders, 13 Territorial Project Management Units (UGT) will be established covering all the State’s territories, each with three field technicians and two administrative assistants. One of the three technicians will carry out overall coordination of the UGT, reporting directly to the General Coordinator.

21. SDA will partner with several institutions for project implementation through legal agreements to formalize responsibilities regarding project actions, such as EMATERCE, CAGECE, SOHIDRA, CENTEC, SISAR, and IICA. Their roles, as well as the detailed implementation arrangements, are described in Annex 3. SDA may also partner with other institutions to ensure access of supported investments to technology, research results, technical assistance, and information, with e.g., SEBRAE, IFCE, COGERH, Agropólos Institute, Watershed Committees, EMBRAPA, FUNCEME, and CONPAM.

VII. Safeguard Policies (including public consultation)

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VIII. Contact point

World Bank
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Implementing Agencies
Name: 
Contact: 
Title: 
Tel: 

For Loans/Credits/Others | Amount
---|---
Borrower | 50.00
International Bank for Reconstruction and Development | 100.00
Total | 150.00
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