



1. Project Data:		Date Posted : 03/03/2004	
PROJ ID: P006475		Appraisal	Actual
Project Name: Land Reform And Poverty Alleviation Pilot Project	Project Costs (US\$M)	150.0	121.3
Country: Brazil	Loan/Credit (US\$M)	90.0	68.5
Sector(s): Board: RDV - Other social services (27%), General agriculture fishing and forestry sector (21%), Power (21%), General water sanitation and flood protection sec (21%), General public administration sector (10%)	Cofinancing (US\$M)		
L/C Number: L4147			
	Board Approval (FY)		97
Partners involved :	Closing Date	06/30/2001	12/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The project seeks to reduce rural poverty in Northeast Brazil * by:

- (i) increasing the incomes of about 15,000 poor rural families through improved access to land and participation in complementary, demand-driven community subprojects;
- (ii) raising the agricultural output of lands included in the project; and
- (iii) pilot testing a market-based approach to land reform in which beneficiaries obtain financing for the purchase of suitable properties negotiated directly between rural communities and willing sellers and which, if successful, will enable the government to greatly accelerate the pace and lower the cost of its programs to improve land access by the rural poor throughout the Northeast and elsewhere in Brazil".

(Project Appraisal Document, p. 2)

*The project was implemented in five of the ten states of Northeast Brazil : Bahia, Ceara, Maranhao, Minas Gerais and Pernambuco.

b. Components

- (i) Land purchase account (estimated and actual cost, US\$45.0 million);
- (ii) Community subprojects (estimated US\$84.3 million, actual US\$66.4 million);
- (iii) Community development support and technical assistance (estimated US\$3.5 million, actual US\$2.6 million);
- (iv) Project administration, supervision and monitoring (estimated US\$9.2 million, actual US\$2.1 million); and
- (v) Impact evaluation (estimated US\$6.0 million, actual US\$5.2 million).

c. Comments on Project Cost, Financing and Dates

State governments were expected at appraisal to provide US\$ 6.6 million to the project but their actual contribution was only US\$1.2 million. Beneficiaries provided US\$6.6 million, compared to the US\$8.4 million that was expected. The overall project cost was only 81 percent of the estimated amount owing to a steep devaluation of the Brazilian currency. The impact evaluation proper cost US\$485,000, with US\$77,000 of this being financed from the follow-on project; the balance of component (v) costs (US\$5.2 million less US\$408,000) was used to finance other studies, seminars, training and some part of the operating costs of NEAD, the project implementing unit . (Component (v)

breakdown is not given in the ICR; this additional data was supplied on request).

3. Achievement of Relevant Objectives:

(i) *Achieved*. The beneficiary target was met: 15,267 households were served. Based on surveys of the same group of beneficiaries (N=313) conducted in 1998 and 2003, average family income rose from the equivalent of 0.7 to 2.5 monthly minimum salaries.

(ii) *Achieved*. Over three-quarters of the farm properties purchased by land reform beneficiaries were idle or semi-idle before the purchase. Despite problems of drought and restricted access to credit and technical assistance, agricultural production on the sampled farms increased 366 percent between 1998 and 2000 and a further 204 percent from 2000 to 2003.

(iii) *Achieved*. The new approach was successfully piloted. This entailed carrying out several seminars, information campaigns and training events for stakeholders and beneficiaries, conducting various studies, and monitoring progress in the five states under the coordination of NEAD. In order to test whether or not this innovative approach to land reform would lend itself to scaling up the appraisal gave substantial emphasis to an impact evaluation, entailing a panel study that would compare beneficiary households with two control groups (farms allocated under the older land reform program and households with similar characteristics). As envisaged in the project appraisal document, the impact evaluation was well-designed; but actual implementation involved a number of compromises, partly motivated by political sensitivities, which reduced the analytical rigor of the exercise. However, the project's support to evaluation capacity development has provided government and university research institutions with training and experience that may be brought to bear on future evaluations of the land reform program.

4. Significant Outcomes/Impacts:

- The project provided beneficiaries with incentives to bargain down the price of land : the lower the price they paid the more of the total financing package would be available for investment in complementary infrastructure, provision of which helped to raise incomes and farm productivity .
- Because the amount of land transferred under the project was a small fraction of total land transactions in each state the project did not push up land prices .
- The total financing package for land purchase and on -farm investment was a modest R\$ 11,200 per family (US\$3,136 at 2002 prices), substantially less than the cost of the traditional (INCRA) land reform program .
- Because the land targeted for purchase was largely unused before the transfer, it was possible for a small investment to generate an appreciable increase in output and employment .
- The ICR estimates the overall economic rate of return as 25 percent, lower than the appraisal forecast (32 percent) but still highly acceptable .

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Although the amount allocated to technical assistance was increased during project implementation (to 8 percent of the on-farm investment), this is still a relatively modest sum and only covers costs for three years after installation. The collapse of the public extension service (and the failure of private agents to fill the gap) raises questions about long-term technical support to land reform beneficiaries .
- It remains to be seen whether the newly-established farms will stand up to recurrent drought and uncertain access to credit .
- The acid test for this new approach is whether loans for land purchase will be repaid by beneficiaries . Owing to the three-year grace period most beneficiaries have not yet been required to make the first payment . By the end of 2002, 84 percent of beneficiary associations with first payments falling due had paid in full and on time; but about 60 percent of associations had yet to be required to make a first payment .
- The panel design for the impact evaluation was dropped : although there is clear evidence that beneficiary incomes improved, it is not clear how the rate of change compared with that registered by beneficiaries of the older land reform program, and non-beneficiaries; nor how much of the observed improvement may be attributed to the project .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	[
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	

Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- The market-based approach to land reform can be a timely and cost-effective approach to settling landless rural families.
- The self-selection process effectively targets the "entrepreneurial poor": those most likely to become successful farmers.
- In drought-prone areas, authorities are advised not to approve purchase proposals where irrigation does not exist or cannot be rapidly installed .
- Technical assistance and credit are vital inputs in the period following establishment of land reform communities, in order to provide a sound and sustainable base for production .

8. Assessment Recommended? Yes No

Why?

This is an innovative and highly-relevant project which potentially contains lessons for similar initiatives that might be tried in other countries. The assessment could be done in conjunction with an OED impact evaluation study that would build on the surveys carried out under the project; but a closer investigation of the technical and political feasibility of such an evaluation remains to be done .

9. Comments on Quality of ICR:

The ICR is generally sound but should have been more explicit about (a) the cost of the impact evaluation----see Section 2(c) above, (b) the reasons why the actual design departed from what was envisaged in the appraisal document, and (c) the corresponding loss of analytical rigor . The ICR could also have indicated the rate of turnover there was among project beneficiaries : how many abandoned their new farms, and how many replaced them .