

## Brazil Land-Based Poverty Alleviation Project

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Through the Land-Based Poverty Alleviation Project, Brazil is addressing one of the major factors underlying poverty in the countryside: inadequate access to land by the rural poor. Preceded by two highly successful Bank-financed pilots, the project demonstrates the large-scale viability of a community-based approach to land reform. In the project beneficiary groups negotiate directly with willing sellers for the purchase of suitable properties. They then obtain financing for the purchase of the land, support for complementary subprojects, and technical assistance to establish themselves on or near the land and to improve the productivity of the acquired properties. The total project cost is € 436.4 million, of which the Bank is financing € 218.2 million.

With poverty heavily concentrated in rural areas, land and agrarian reform is a high priority of the Brazilian Government. Since 1995, the Government has redistributed land to about 372,500 families, using a combination of traditional approaches including expropriations, settlement on government-owned lands, and direct negotiation of land sales by the government with landowners. Beginning in early 1996, the Government also began experimenting with a community-based approach to land reform in the Northeast region under the two abovementioned Bank-supported pilots. The results have been positive, in terms of speed, cost per family, participation of beneficiaries, and expected impact. The first pilot, called *Projeto Cedula da Terra*, benefited some 23,000 families with about 617,000 hectares of land at a per hectare cost of about R\$193 and per family cost of about R\$4,759.

By mid-2007 the Land-Based Poverty Alleviation Project had financed/contracted 2,366 land acquisition proposals benefiting 44,522 families on approximately 835,000 hectares of land. The northeastern states of Piaui and Maranhao constitute 48 percent of total subprojects and 38 percent of beneficiaries. Another 157 proposals are in the contracting phase with community subproject financial institutions, representing an additional 2,944 families. About 70 percent of these proposals were expected to be financed by end-2007 benefiting 1,760 families and bringing the total number of project beneficiary families to about 46,000. On-farm investment subprojects implemented stand at 34,300 (69 percent of the target), and are

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expected to increase to 36,000 by early 2008. Owing to high demand, another 38,000 families are on waiting lists in the 14 participating states, with proposals at various stages of processing.

The project is implemented by civil society through community associations. Participation is also open to local, state, and national civil society organizations, and to governmental organizations, including the National Confederation of Agricultural Workers (CONTAG). Associations of poor rural laborers and subsistence farmers select, negotiate, and obtain

financing to purchase agricultural properties from willing sellers. Within an overall financing package for each family equal to around US\$4,000 at 2007 exchange rates, federal Government-financed land purchases are complemented by World Bank-financed matching grants that are used to fund on-farm investments. In addition, a separate settlement grant of about \$450 is used to tide families through their first year. Resources for technical assistance contracted by the associations are also included in the program. From the outset, the program's exploratory, groundbreaking approach required design

### **Box 1. The Challenge of Rural Poverty Alleviation in Northeast Brazil**

The distribution of income and assets in Brazil is among the most unequal in the world, with poverty rates that greatly exceed those of other countries with similar per capita incomes. Beyond the obvious relationship between inequality and poverty, consensus has emerged that limited access to land and extreme inequality in land ownership are central factors in rural poverty in Brazil. Most of the country's 16.5 million rural poor are landless or lack adequate land for subsistence. About 10 million of these people live in the rural northeast, where regional poverty indicators are much higher than national and regional averages. The region is characterized by: (a) a relatively poor natural resource base, (b) periodic droughts due to variable agroclimatic conditions, (c) skewed land distribution and (d) poor functioning rural financial markets. These characteristics have combined to perpetuate rural poverty. In the South and Southeast, although the quality of land and other natural resources is generally better than in the Northeast, poverty is similarly concentrated in rural areas. Any strategy for addressing rural poverty therefore needs to emphasize policies and programs to reduce this asset inequality, with a range of interventions directed at different population groups. Expanded education and training opportunities are critical variables, both for to improve rural productive activities and services, and to facilitate absorption of part of the rural poor into other sectors of the economy. Commercial agriculture can also absorb some wage labor, especially for those with basic education. Further expansion of irrigated areas in the Northeast will create more such opportunities for smallholders who remain in rural areas. Physical infrastructure, services and productive investments can significantly improve living conditions. Demand-driven, community-based approaches (including community-based land reform) can be particularly effective. Finally, there is a group of rural poor (typically older, often widows as heads of household, and those farming in areas with especially poor natural resources) who will not benefit sufficiently from any of the aforementioned strategies, and for whom a special safety net is critical to ensuring a basic decent living standard.



features sufficiently flexible to permit midstream adjustments based on research findings and responsive to changing circumstances and experiences.

A set of basic principles have been found key for successful implementation:

**Decentralization.** In the Northeast, the Rural Poverty Alleviation Projects and the Land Reform and Poverty Alleviation Pilot project were successfully implemented using decentralized approaches. These provided the basis for a model institutional framework in which community-based land reform was jointly administered by state agencies and financial institutions.

**Community-based approach.** The community-based approach has proven cost-effective and non-conflictive. Community associations take the initiative in selecting and negotiating land purchases and in deciding priorities for productive investments. Funds are channeled directly to the respective community associations. Project experience shows that reliance on community initiative leads to higher sustainability through self-selection by beneficiaries and selection of lands to be purchased.

**Access to Investments.** Rather than suffering from delays in public provision of support services, community associations have immediate access to financing for joint investments to make their newly acquired lands productive. A lump-sum amount, with a per-family ceiling, is available for infrastructure and productive investment subprojects.

**Involvement of agricultural workers federations:** The National Confederation of Agricultural Workers (CONTAG), its state-level federations (FETAGs) and local unions actively participate in all phases of the project, spreading information, identifying poten-

## Box 2. Household and Land Use Impacts of the Project

Evaluation by the University of Campinas (UNICAMP) shows that between 1998 and 2000 agricultural production on project-financed lands increased 366 percent, and between 2000 and 2003 another 204 percent, indicating markedly better use of land and an increase in family labor devoted to farm activities. Moreover, between 1998 and 2003 beneficiaries' real income rose 75 percent. These increases occurred despite drought and less-than-anticipated credit and technical assistance availability.

tial beneficiary groups, assisting in the group's business development, and providing ongoing support through monitoring and evaluation.

The project has created an agile and effective method of settling landless rural families. The community-based approach expedites land acquisition, with the entire process—from identification to purchase—typically taking less than 90 days. Self-selection for project participation has proven effective in pinpointing the landless rural poor; the vast majority of beneficiaries have household incomes and characteristics consistent with the target population.

Most properties acquired under the pilot project have been small, relative to traditional land reform settlements, ranging in size from 15 to 30 families. Groups of less than 10 families face difficulties in forming an association board, and the resources available to them tend to be insufficient to carry out critical investments. On the other hand, groups of over 50 families can be difficult to manage.



To date, communities have consistently chosen good quality land at costs that represent significant savings relative to traditional land reform, and without upward pressure on land prices. This result is quite striking, given the often low quality of agricultural lands in the Northeast. In drought-prone areas, the pilot project is focusing on ensuring sufficient access to water resources and state technical units are avoiding approval for land purchases in areas where irrigation either does not exist or cannot be rapidly put into place.

Land prices have been favorable, with lands under *Cedula da Terra* costing about 28 percent less per family than the present value of initial expropriation prices in the Northeast. Since expropriated owners often obtain additional compensation through subsequent judicial actions, the final cost of expropriated lands can be as much as three times the initial compensation amount.

Project implementation by community associations has been successful overall. The design of the project places beneficiaries in the driver's seat, and the success of community associations in mobilizing members, selecting land for purchase, designing a productive subproject, and implementing it has been impressive.

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