BRAZIL
INNOVATION INCREASES LAND ACCESS AND INCOMES OF POOR RURAL FAMILIES

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Overview

Brazil has developed a community-led, market-based approach to land reform in which poor rural laborers and farmers, either landless or with insufficient land for subsistence, form beneficiary associations through which to obtain financing to buy agricultural properties, for which they negotiate directly with willing sellers. The financing “package” includes complementary funds for investments to enhance land productivity (water, electricity, livestock, farm machinery) or improve welfare (housing, schools). The results are good: beneficiary incomes have increased substantially, predominantly from agricultural production, and the approach has accelerated the pace and lowered the cost of land access by the rural poor throughout the Northeast and elsewhere in Brazil.

Starting Small, Expanding Fast

The approach was tested in a two-year pilot under the Bank-financed Ceará Rural Poverty Alleviation Project in 1996/7. It proved to be fast, low-cost and non-conflictive compared to other state-administered land access methods. With World Bank support, the Government implemented a refined, expanded program under the Brazil Land Reform and Poverty Alleviation Pilot Project (Cedula da Terra – CT). CT was implemented between 1998 and 2002 in five Northeast states with severe landlessness, good prospects for rapid and effective project implementation, available land in the market, a range of natural environments, and demonstrated implementation capacity of State Governments and State Technical Units (STU) under the Bank-financed Northeast Rural Poverty Alleviation Projects. Together, these efforts settled about 16,000 families on 425,000 hectares, and are estimated to have cost much less than traditional agrarian reform in the Northeast region 1995-2002, based on average cost per beneficiary family.

The model steadily gained wide support despite a strident public debate on whether land purchase by poor families is an appropriate way to address a social injustice, rather than relying exclusively on expropriation and subsidized land distribution. An expanded, further-refined program in 14 States began with the Land-Based Poverty Alleviation Project I (Crédito Fundário, 2001-present) that will benefit 50,000 families by 2006. Government’s longer-term National Agrarian Reform Plan, led by the Ministry of Agrarian Development, partnering with the States and their STUs, civil society bodies including the 25 million-strong National Confederation of Agricultural Workers (CONTAG), and the World Bank, aims to settle 530,000 families using various land access methods, including 130,000 using the Crédito Fundário approach.

Principles and Approach

Four basic principles underlie the project design: decentralization; a community-based approach; access to complementary investments to enhance productivity of the newly acquired land; and an operational framework using innovation, pilot testing, intensive evaluation and fine-tuning. The new model relies on participation and negotiation, good governance and social capital formation. Poor rural workers are full participants, and acquire permanent title to property that is ineligible for expropriation. This complements, but does not replace, other land reform efforts.
The model rests on strong foundations: (i) detailed analytic work showing that limited access to land and extreme inequality in land ownership are strongly associated with rural poverty in Brazil, and that land reform can make an important contribution to poverty reduction, (ii) long-standing government efforts to develop efficient and effective instruments to reduce excessive land concentration and poverty in the Northeast region, (iii) a review of global land reform policy, and (iv) the experience of demand-driven community-based development programs under Bank-supported Rural Poverty Alleviation Projects in Northeastern Brazil. On the supply side, economic stabilization in the 1990s, sharp cuts in agricultural credit subsidies and a steep increase in tax rates on non-productive rural land reduced the attractiveness of holding land for speculative purposes, which increased land supply and reduced prices.

The process is as follows, with representatives of the rural workers’ unions participating at state and Federal levels. Self-selected groups of poor rural laborers and subsistence farmers form associations, which identify suitable land and directly negotiate purchase with willing sellers. The associations present, to the relevant state body, a formal declaration of the owners’ willingness to sell the land to the community at a specified price, requesting confirmation that the title to the land is clean, and the negotiated price is consistent with market conditions.

Next, the associations present their land purchase projects to the STU together with a plan for community investments. The STU verifies beneficiary eligibility according to defined targeting conditions and approves the land purchases, usually on a first-come, first serve basis. With STU approval, communities become eligible for a land loan from an account created with Federal Government budget resources and administered by a Brazilian commercial bank. The loan covers the purchase price of the land plus other related expenses such as land surveys.

Loans were initially given for 10 years with 3 years of grace at the Government long-term interest rate, later changed to conform to Complementary Law 93, i.e., 20 years with 3 years’ grace and a 50 percent rebate on the nominal interest rate for timely payment by associations located in more difficult agro-climatic areas (e.g., semi-arid).

The financing “package” per family averages R$11,200 or about US$3,825 at current rates of exchange and combines funding (repayable) for land acquisition (Subprojetos de Aquisição da Terra/SAT) and grant funding for on-farm investments (Subprojetos de Investimentos Comunitarios/SIC). Community associations submit proposals to use the grant money for complementary community subprojects and technical assistance to boost farm productivity and income. STUs appraise proposals using standard technical, economic, environmental and sustainability criteria. Beneficiaries must contribute at least 10 percent of subproject value in cash and/or kind, and undertake all operation and maintenance. SICs finance infrastructure (rural water supply, electricity, local access roads); productive investments (small-scale agro-processing, communal tractors, minor irrigation schemes, breeding animals); and social facilities (housing improvement, crèches, school and health post rehabilitation). Families also get a settlement grant of R$1,300 (about US$445) to tide them through their first year. Grant funds are disbursed directly to the beneficiary associations’ bank account upon land acquisition.

Communities decide and contract internally the division of land among members and their corresponding payment obligations. Creditor banks hold land titles until loans are repaid. Titles are then transferred to the associations, which create individual titles if members wish.

**Key Actors**

The STUs have a key role in executing the program, building on their accumulated knowledge, technical capacity and institutional memory during at least a decade coordinating community-demand-driven projects. The program is implemented by civil society, through the community associations. Participation is open to local, national and state civil society organizations and NGOs, whose participation, usually in support of distinct issues or specialized activities, has evolved under Bank-supported land reform and rural poverty programs since the mid-1990s.

CONTAG, a formal partner in the Crédito Fundiário, and other representatives of organized civil society, participate in a national council, which sets guidelines for the program. CONTAG’s role and influence is exercised through its State Federations (FETAG) by participating in the State Project Councils and at the municipal level, through the ubiquitous local rural workers’ unions (sindicatos). The latter have become indispensable, supporting program dissemination, community mobilization and organization, associations’ identification and negotiation of available properties, proposal preparation, program evaluation and technical assistance. Semi-public bodies such as SEBRAE (Brazilian Service for Support to Enterprise) conduct specialized community training, and the Church is active in community mobilization.
Project objectives and results

Poverty reduction has been the over-arching objective of this program since inception with explicit objectives evolving at each new stage. The objective of the Ceará pilot was to test demand, governance, and innovative features and outcomes under a potentially risky new approach. As the first free-standing project, Cedula da Terra’s objectives were formally defined: (i) increase the incomes of 15,000 poor rural families through improved access to land and participation in complementary, demand-driven community subprojects; (ii) raise the agricultural output of lands included in the project; and (iii) pilot test a community-based approach to land reform which, if successful, would enable Government to accelerate pace and reduce cost of its land reform actions. The follow-on Crédito Fundiário defines its core objectives as rural poverty reduction and increased income through tested, complementary activities, i.e. land and on-farm investments, using community-based and participatory mechanisms. It targets 50,000 beneficiary families in 14 states (including states in the South and Southeast), adding peri-urban rural families as eligible beneficiaries under a more flexible, “rural space” approach.

Innovative and well-funded monitoring, evaluation and information dissemination by the University of Campinas, São Paulo (UNICAMP), with the Ministry of Agrarian Reform, National Technical Unit (Center for Agrarian Studies/NEAD) and the World Bank, have produced a significant body of research findings, lessons and data. An initial baseline evaluation was done in 1998/99; then a first evaluation in 2001 surveyed an expanded sample of 2,000 families including project beneficiaries, beneficiaries of traditional (expropriation-based) agrarian reform, and a control group. Data on rural families with similar characteristics to CT beneficiaries. Beneficiary incomes increased by 75% compared to no increase in average total family income for the rural population with similar characteristics to CT beneficiaries. Beneficiary incomes shifted away from off-farm employment, towards agricultural production, which rose from 13% to 45% of total household income. Dependence on subsistence production fell; market participation increased.

Settlement projects created employment for an average 3.9 individuals per beneficiary family, mostly family members (about 3% were hired workers). In total, at least 60,000 year-round jobs were created by the end of 2002. Evaluations also showed improved dwelling quality and overall living conditions among beneficiaries.

Semi-arid regions posed a more challenging situation, with water availability the key constraint on household productive potential and income (prompting closer attention by State Technical Units to water access conditions during the approval phase for on-farm investment proposals).

Investments in land preparation, livestock and perennial crops led to a 366% increase in agricultural production between 1998 and 2000 and a further 204% from 2000 to 2003, despite drought and reduced availability of credit and technical assistance. Evaluations found numerous examples of innovative farming initiatives. In 2003, most production was predominantly individual but associative patterns were evolving as communities consolidated and began developing collaborative productive activities.

Lessons Learned

Research findings, experience and changing circumstances led to adjustments and improvements during implementation—increased funding for technical assistance; streamlined approval processes for complementary on-farm investments; more strategic, inclusive approaches to training newly-formed community associations to increase organizational level, social cohesion and ability to develop their property; making land...
loan repayment and grace periods consistent with Complementary Law 93 of 1998; and differentiating financing packages across states to account for varying agro-climatic and other circumstances.

Several factors were important to successful outcomes:

i  Political and social timeliness;
ii Commitment of Federal, State and local leaders to seek cost-effective and non-conflictive options for land-redistribution;
iii Profound changes in the relationship between the Federal Government, states and municipalities under the Constitution of 1988, permitting decentralized governance, community participation and direct resource transfer to beneficiaries;
iv The World Bank’s global knowledge base and willingness to act as “honest broker” in a risky, controversial and innovative approach;
v Innovative, proactive and extensive evaluation, monitoring and research data that enabled changes to resolve problems and improve impact;
vi Demonstration effects of successful World Bank-supported community-driven, rural poverty projects and the opportunity to replicate/incorporate their principles, practices and lessons.

Much has been learned:

- The community-led mechanism is an agile, effective complementary method for settling landless rural families, condensing the entire process from identification to purchase into an average of 90 days.
- Most properties acquired are modestly sized relative to traditional land reform projects, settling 15-30. Associations with <10 families have difficulty forming a leadership core, and aggregate resources for investment may be insufficient. Groups exceeding 50 families are unwieldy, and few available properties can accommodate large numbers.
- Associations show impressive capacity to mobilize members, select and negotiate land for purchase, prepare on-farm productive investments and execute them.
- Evaluation demonstrates the financial and economic viability of most investment subprojects, with financial returns in more favorable climatic zones exceeding initial estimates. In semi-arid zones, financial estimates are met where water access is adequate. Water access issues need resolving where applicable.
- Continuous effort to build support and dialogue with stakeholders is essential, especially in the context of program expansion.
- A strong management information system is a key instrument for monitoring and implementing; and, with evaluation, permits early identification of issues and continuous improvement/adaptation.
- Technical assistance and credit are vital inputs in the early years of new settlement to create, consolidate and innovate productive activity, build social cohesion and boost sustainability. Ensuring their availability in rural areas requires a strategy and strong follow-up. Strong evaluation and information dissemination programs are critically important.
- Institutional capacity to analyze and process massive numbers of purchase proposals and applications for complementary on-farm investments became a limiting factor.

**Sustainability**

Several factors increase the likelihood that project outcomes will prove sustainable: (i) a high degree of community participation in the land purchase process and in identification, preparation, implementation and supervision of on-farm subprojects has fostered ownership and social capital development; (ii) self-selection of participants resulted in high caliber beneficiaries (relatively younger, better educated and with more agricultural experience that the average poor rural person; (iii) except for small farms in semi-arid areas with no irrigation, the family farms have proved to be financially and economic sustainable, generating incomes well above the poverty line.

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