

Policies for Rural Development: an Analysis Focusing on the North and Northeast Regions of Brazil

by Izabelle Vieira, Consultant; Pedro Arruda (IPC-IG); Simone Battestin, Consultant; Wesley J. Silva, Statistical Consultant; Laécia R. De Souza (IPC-IG); Sergei Soares (Ipea and IPC-IG); Rovane Schwengber (IPC-IG) and Aquila Estevão da Silva Campos, Fellow (Ipea)

This One Pager synthesises the key findings of a study regarding the main programmes aimed at rural development and rural poverty reduction, most notably in the North and Northeast regions of Brazil. The resources allocated by public social policies—welfare and labour benefits (retirement pensions, grants), cash transfers (*Benefício de Prestação Continuada*, *Bolsa Família*, *Bolsa Verde*)—and those targeting family farmers (PRONAF, *Garantia Safra*, *Programa de Aquisição de Alimentos* (PAA), *Programa Nacional de Alimentação Escolar* (PNAE) and *Cisternas*) add up to almost BRL350 billion a year, of which BRL140 billion targets rural areas and producers (which reflects the increased social importance of family farmers and the rural population as a whole). For methodological reasons, this budget does not include expenditures related to land reform, public health, education or infrastructure.

The set of policies and programmes under analysis has mobilised resources amounting to BRL18 billion in the North and BRL78 billion in the Northeast (representing 7 per cent and 18 per cent, respectively, of each region's Gross Domestic Product (GDP), and 27 per cent and 82 per cent, respectively, of primary-sector products).

In the Northeast, there are over 4 million rural recipients of retirement pensions and benefits, in addition to 800,000 micro-investment contracts for poor family farmers, almost 1 million rural producers under the *Garantia Safra* (Harvest Guarantee) programme, 500,000 artisanal fisherfolk, 6.5 million retirement pensions and grants, 7 million *Bolsa Família* beneficiary families (almost 2.5 million in rural areas alone) and 1.5 million beneficiaries of the *Benefício de Prestação Continuada* programme.

Effects and impacts of these policies

Between 1990 and 2014 the North and Northeast regions represented, respectively, 44 per cent and 33 per cent of the total number of agrarian reform settlers; 76 per cent and 12 per cent of the total area obtained; and 23 per cent and 46 per cent of all national settling projects. Settlements, however, were mostly established through non-onerous acquisition, which does not alter the landholding structure.

PRONAF, a family farming credit programme, presents itself as a policy for the protection of employment in smallholder agriculture; however, its regulations for credit loans incentivise labour-saving technologies. The concentration of loans in the south of the country, as well as PRONAF-B's distribution privileging the least poor among poor households even in the Northeast, demonstrates that its target population are rural producers with close market access.

In general, and especially in the Northeast, PRONAF has had no effect on the production model (crop options and techniques)—which follows traditional agribusiness practices, including those which are vulnerable to drought and, therefore, inadequate for the region. It does not slow down rural depopulation, is focused on few producers, deepens the differences between profiles and modalities of family agriculture, and is directed at

commodity-producing activities featuring labour-saving technologies. These negative effects are mitigated by the beneficiary gains and the programme's effects on the local and regional economies, in addition to promoting social participation.

Rural social security ensures families' basic consumption and is a source of credit and insurance to rural activities. Were it not for social security benefits, in 2013 the national rates of poverty and extreme poverty would have increased by 57 per cent and 70 per cent, respectively. In the North and Northeast regions of the country, this increase would have been of 33 per cent and 47 per cent for poverty, and of 56 per cent and 62 per cent for extreme poverty, respectively. Its effect on the reduction of poverty and extreme poverty is more significant than that of *Bolsa Família*, without which poverty would have increased by 21 per cent and extreme poverty by 32 per cent nationally in 2013. In the North and the Northeast, these increases would have been of 22 per cent and 23 per cent for poverty, and 33 per cent and 39 per cent for extreme poverty, respectively.

Bolsa Família reaches 2.4 million rural families in the Northeast, and 500,000 in the North, exhibiting excellent targeting and rates of coverage. Poverty estimates in rural and/or agricultural households are 1.4 million in the Northeast and 300,000 in the North. This over-coverage is a result of considering those who have lived through a situation of poverty at any time during a two-year period, and not only those who have experienced poverty across the entire cycle. The programme has been essential to achieve the recently observed decrease in inequality and extreme poverty; it has also had a less significant effect on the reduction of poverty as a whole.

The ***Garantia Safra*** programme deals with a cyclical problem, enabling damage control without requiring productive reconversions and/or the incorporation of new technologies. It allows for and decreases the risk of engagement in new activities, given that traditional activities are assured. Similar programmes, such as ***Auxílio Defeso***, have operational and monitoring aspects, which are difficult to equate.

Production-oriented policies have a smaller target audience among agricultural establishments. Half of these have no future in agriculture, since they are entitled to public social policies which do not produce significant effects on productive reallocation outside agriculture or on rural poverty in the North and the Northeast. Productive opportunities must be created for these groups, given that what they need is access to assets—land, infrastructure, capital—as well as educational and technical assets.

Reference:

Gaiger, Fernando, et al. (Forthcoming). "Public Policies for Rural Development and Fight Against Hunger and Poverty in Brazil and its North and Northeast regions." *IPC-IG Working Paper*. Brasília: International Policy Centre for Inclusive Growth, UNDP.

This One Pager is a partnership between the IPC-IG and the International Fund for Agricultural Development (IFAD).