

BRAZIL

Projeto Fome Zero

Report of the Joint FAO/IDB/WB/Transition Team Working Group

A. Introduction

On his election as President, Luiz Inácio Lula da Silva announced his intention to give the highest priority to the eradication of hunger through the implementation of *Projeto Fome Zero* (PFZ). The Director-General of FAO, in congratulating him on his election victory, agreed to the President-Elect's request that an FAO technical team visit Brazil to work with the Transition Team in reviewing the proposed project and in defining how the Organization could support its operationalisation through the Special Programme for Food Security (SPFS). Subsequently, the leader of the PFZ component of the Transition Team requested both the IDB and the WB to assign staff to the team with the aim of ensuring a well-coordinated inter-agency response to the Project. The members of the Joint Working Group formed by staff of the three international institutions and representatives of the Transition Team are listed in Annex 1.

An extended informal meeting took place during the week of 2 to 6 December during which the overall concept of PFZ was discussed and more detailed consideration was given to the design and operationalisation of its key components, especially those relating to institutional arrangements, family farming (including the special cases of land reform settlements and the North East), and broadening access to adequate food. The meeting benefited from a series of excellent presentations by invited guests (see Annex 2), most of which focussed on ongoing projects and programmes in Brazil that are considered as offering experience relevant to the design and implementation of PFZ.

Many documents were assembled for reference by the Working Group (see Annex 3). These included a number of papers prepared by members of the Transition Team and national experts, following the elections, for presentation at this meeting.

This brief report seeks to summarise the most important observations that arose in the discussions and on which there appears to be a large measure of consensus. It also seeks to represent the diversity of opinions expressed during the meeting. Finally it explores possible responses of the three international institutions to the immediate challenges posed by PFZ.

It is important to note, however, that PFZ is still “work in progress” and that this meeting simply provided an opportunity for a preliminary – and very constructive – exchange of views between technical staff of the three institutions and members of the Transition Team. The representatives of the three agencies strongly welcomed this opportunity to participate in the evolution of PFZ, and saw it as the beginning of a joint dialogue, which is expected to continue as the Project begins to unfold. They noted, however, that it was beyond their mandate to appraise PFZ or to commit their institutions to any specific actions. Any commitment by each of the institutions to support the operationalisation of PFZ would be contingent upon formal requests from the government-elect, once it had taken office.

The members of the visiting team wish to record their deep appreciation for the opportunity given to them to share in the design of a key component of the incoming government's programmes.

B. Projeto Fome Zero

Projeto Fome Zero places primary importance on the reduction of hunger, malnutrition and extreme poverty. Such an approach is inspired by the World Food Summit and Millennium Development Goals, which call for cutting hunger and extreme poverty by half by 2015. Extreme poverty – inadequate resources to produce or to acquire enough food – is estimated by PFZ to affect 9.3 million households or 44 million people in Brazil. While a national problem, occurring throughout the country (with an incidence of 19% in metropolitan zones, 46% in non-metro urban centres and 35% in rural areas), extreme poverty has certain regional “pressure points”, with a concentration of the poor in the North East Region (50%) and the South East Region (26%).

Hunger robs far too many Brazilians of a full life, infringing the most fundamental of human rights, the right to adequate food. Hunger thwarts children's learning abilities, reduces the productivity of working adults, makes people susceptible to illness and provokes early death, perpetuating poverty and detracting from economic growth. Hunger passes from one generation to another, as undernourished mothers beget underweight children. And hunger provokes desperation, providing a fertile breeding ground for crime, insurrection and terror.

In Brazil, hunger, although a distinct concept from poverty, is closely related. Indeed PFZ defines its target population through the use of an available income based poverty line (monetary income *minus* fixed rental payments or instalments plus value of food self-reliance). Hunger, poverty, and malnutrition are related concepts with causal relations running from each to the others. Nonetheless, in Brazil, the main cause of hunger, defined as inadequate access to food, is inadequate purchasing power.

The goal of eradicating hunger within four years is admirable and implies an enormous national commitment. Brazilian society, however, is united in its determination to banish hunger and has sufficient wealth to be able to afford it. The Project faces two main challenges: first that of strengthening, with the full engagement of civil society, the institutional capacity to implement what is necessarily a complex multi-faceted programme; and secondly that of mobilising the required resources in ways which are consistent with economic and fiscal stability.

If PFZ is successful, Brazil will more than fulfil its commitment, made at the *World Food Summit* (WFS) in 1996 and reaffirmed this year at the *World Food Summit – five years later* (WFS:fyl), to reduce the number of undernourished people by half by 2015. Its actions will inspire other countries to follow its lead and bring about a world free from hunger.

The concepts embodied in PFZ are consistent with those of the Rome Plan of Action and the strategy converges closely with that set out in the Anti-Hunger Programme, which was unveiled by FAO at WFS:fyl. In particular, the Project:

- Embodies many of the basic concepts of the human right to adequate food;
- Recognises that eradicating hunger is not simply a moral imperative but also generates important social and economic benefits;

- Is fully inclusive and nation-wide in its approach;
- Posits a twin-track approach to reducing hunger and malnutrition which combines actions to improve the production and livelihoods of the family farming subsector with measures to broaden access to food and improve nutrition;
- Aims to use the growth in effective demand for food attributable to broadened access to stimulate the expansion of small farmer output without distorting price formation processes;
- Proposes planning and implementation with the full engagement of civil society, in line with the concept of a National Alliance against Hunger;

It is also recognised that PFZ cannot be limited simply to interventions and programmes in support of the incremental consumption and production of foodstuffs. It is essential to consider the possible need for far-reaching structural changes in the broader policy environment to create conditions which are favourable to hunger and poverty reduction in the medium to longer term. In this context PFZ is signalling the start of a process which is expected to lead to the formulation of new national policies towards hunger and malnutrition which would be sustainable in the longer term.

Elements of PFZ fit well with the strategies of the two international Banks. IDB's strategy in Brazil emphasises (i) reform and modernisation of the public sector at the federal, state and municipal levels; (ii) improved competitiveness by supporting the financial system, small and medium enterprises, rehabilitation of basic infrastructure and modernisation of the productive sectors; and (iii) reduction of social inequality and poverty, giving priority to education and health, and seeking out associations with community and civil society.

The World Bank's mission is poverty reduction. Poverty and hunger are closely related, and mutually self-reinforcing. The World Bank's strategy in Brazil gives priority to public policies that *directly* contribute to poverty reduction. Within these actions, two important categories are (i) improving productivity in the rural space, including support to family farms, and (ii) strengthening the system of social protection. Both form part of the outline proposals contained in PFZ.

One of the main issues facing the incoming government will be how to reconcile the high expectations of the Brazilian people for rapid results on a very large scale with the need to ensure quality, avoid contributing to a culture of dependency and minimise unintended side-effects.

C. Institutional Aspects

Themes in the Implementation of PFZ

The team's discussions emphasized the importance of the following dimensions:

- The role of the State: identifying the responsibilities of the public and private sectors, and civil society, and defining the respective roles of government at federal, state and municipal levels;
- The span of responsibility of the leading institutions: particularly the trade-offs between a specific focus on hunger-related issues and a broadening of responsibilities to include the full range of social security programmes;
- Institutional capacity: identifying the strengths and weaknesses of the institutions involved, the opportunities for efficiency improvement through reducing overlaps and

the means of ensuring coordination between institutions in the implementation of the programme;

- Monitoring and evaluation: the development of an integrated system to monitor the execution of the components of the programme;
- Impact evaluation: the development of a system whose goal would be the analysis of the effectiveness of each of the components of the programme and of the programme in its entirety. Such a system would be designed to measure the overall impact of PFZ with respect to a baseline, with the objective of allowing responsive adjustments, thus promoting its sustainability;
- Developing and applying relevant indicators: to the extent that the PFZ is to address hunger and malnutrition, it is appropriate to use anthropometric indicator for assessing its direct impact in addition to income-related assessments and other relevant indicators (such as performance in school, engagement in employment etc);
- Short versus long-run objectives: the need to define short-run actions to achieve rapid results without jeopardizing long-run investments or introducing incentive effects that might reduce the programme's long-run effectiveness;
- Urban vis-à-vis rural contexts: the development of strategies reflecting the distinct realities of metropolitan, urban and rural populations, and related definitions of vulnerability to hunger;
- Options for developing programme delivery methods which promote self-reliance and create incentives for exit from state-dependent assistance.

Mobilization and Participation of Civil Society

The goal set for PFZ of bringing about a rapid reduction in hunger can only be achieved through a massive national effort involving the whole of Brazilian civil society. The engagement of civil society, however, must be done in such a way that it respects the dignity and rights of the people.

To secure the necessary level of participation, it is necessary to design an institutional framework, which will deepen the engagement of entities which are already active as well as lead to the inclusion of people who currently remain beyond the reach of existing mechanisms.

These considerations suggest the following approaches towards developing an appropriate institutional framework:

- Reinforce existing mechanisms through which the people participate in decision-making;
- Design flexible institutional arrangements which ensure that actions respond to local conditions and demands, as expressed by the target population themselves. Rather than simply be the passive recipients of programmes, the people should be encouraged to articulate their own requirements and define their own survival strategies, adjusting technical and institutional proposals to their particular situation within the general objectives of PFZ;
- Bring the municipal councils closer to the communities. Beyond thinking how the municipal councils might contribute to the implementation of PFZ, it is necessary to consider how they can better reflect the views of communities and of the people who will participate in PFZ;

- Encourage an area focus, in which an integrated approach is adopted to make the best use of local human and physical resources, and synergy is generated between the different programmes and policies operating within the same area;
- Improve the performance of existing participative mechanisms, both at municipal and community level, through strengthening training and communication programmes;
- Link local actions in support of PFZ to community education and the promotion of local leadership capacities, representative of poor people;
- Strengthen the engagement of the population in programme supervision and monitoring.

For those people – especially the food insecure – who lie outside the ambit of existing participative mechanisms, an essential first step is the creation of some kind of autonomous and representative organisation. This implies a broadening of institutions beyond those that are now in operation, which will bring PFZ within the reach of communities which are currently excluded from such programmes. This suggests a need to:

- Promote large-scale training and capacity building activities, using participative methods, to empower people who are excluded from current support programmes as well as those who receive food assistance through broadening their access to knowledge and skills through which they can reduce their dependency;
- Support processes which lead to the emergence of genuinely representative local leadership and engage people in jointly defined programmes and projects for increasing food production locally and broadening access to food;
- Encourage the development of activities which make good use of the resources and potential of the target population, based on survival strategies which they themselves define;
- Engage the target population in the market economy – whether the market for goods, the labour market or the consumer market – as a means of deepening their participation in society;
- Open up public discussion and debate, so as to increase transparency and limit the opportunities for political patronage.

There are many encouraging experiences within Brazil of effective work with excluded groups which combine skills training and the promotion of small and medium-scale enterprises with the formation of self-reliant organisations. These are considered as *emancipating* programmes because they depend principally on local resources and on releasing the latent potential of the individuals involved, thereby creating conditions for sustainability without undue dependence on external assistance.

If participative approaches are to be effective, conditions must be created in which representative groups of people can express themselves effectively. For this, the following ideas are put forward:

- Set up institutional arrangements which create a process for broad and continuous consultation involving the beneficiaries of PFZ: this could include involve assemblies, conferences, public hearings with or without the election of delegates, consultations led by social networks and interest groups etc;
- Establish institutional mechanisms which take up the results of such consultative processes and provide feed-back to the people, through such mechanisms as joint working groups set up to introduce improvements in programmes, information

systems which report on results and innovations and the adjustment of responsibilities for programme management and oversight;

- Increase the representativeness of municipal councils, deepening the role of communities in all aspects of programme management, including conception, planning, implementation, monitoring, evaluation;
- Consider how to rationalise the roles of different municipal councils within the same municipality, so as ensure their synergy and full backing for PFZ;
- Allow for the full engagement of group representatives in all aspects of the conception, planning, execution and monitoring of programmes which affect them, and train members of such groups so that they can fulfil their roles effectively; develop information systems which allow for good communication between representative bodies, technical agencies and programme management at all levels;
- Identify indicators and set up systems for monitoring and evaluation of the programme and projects, relying both on participatory methods and on contracts with external evaluation and audit teams; make results public through annual reports and other instruments;
- Set up decentralised arrangements for policy implementation, developing local level capacities, through training and discussion, to understand policies and their implications for all key actors – whether programme management teams, beneficiaries, donors, partner institutions or volunteers;
- Create at community, municipal, state and federal levels, *Anti-Hunger Round-Tables* (or *Alliances*), bringing together representatives of government institutions concerned with hunger reduction, programme managers, civil society and unions, with the aim of ensuring the coordination of actions towards the eradication of hunger within their respective areas of responsibility: this would build on the experience of *Anti-Poverty Round-Tables*, being implemented in Peru;
- Establish effective new institutional arrangements for the management of the Fund for Combating Poverty or create a Fund specifically to support PFZ;
- Create institutional arrangements for coordination of all activities related to popular participation and the engagement of civil society organisations in the programme, possibly within the proposed Institutional Relations Department of the management structure for PFZ implementation.

D. Family Farming, Agrarian Reform Settlements and Living with Drought in the North East

Context

Within the Working Group, a single team considered the above themes which all relate to family farming. While small-scale farmers play a most important role in Brazil's rural economy and in the use of agricultural land, they face serious policy constraints in relation to access to goods and services. There was a consensus amongst those who considered the issue of family farming that the objectives of the PFZ, and particularly its focus on family farming, are valid, as is the proposed framework for reviewing policies, which makes the distinction between structural policies, specific policies and local policies.

PFZ is notable because it adopts a multisectoral approach to combating hunger, looks systematically at means of reducing the vulnerability of the rural population and ensures inclusive access to food. Dynamic economic growth and macro-economic stability are important conditions for the success of such a programme. It is also important to recognise

that PFZ needs to be shaped to respond to the enormous diversity of conditions in Brazil, drawing heavily on the wealth of relevant experience already available. Such experience exists within the many projects addressing all aspects of small farm development being implemented with assistance from FAO, the IDB and the World Bank. While these projects need to be evaluated, there is no doubt that they offer a foundation for the design and application of policies at the three levels proposed for PFZ.

The following points were highlighted:

- The important advances which had been made in broadening the focus of rural development, recognising the need for a multisectoral rather than merely agricultural dimension, given that in many cases farming now generates only a minor part of rural family incomes;
- The range and number of community-level employment and income generating projects which need to be taken into account in creating new local development policies;
- The achievements which had been made in terms of decentralisation, strengthening of local management capacities, and empowering communities through participative processes;
- The linkages being developed between measures to increase productivity and the recovery and sustainable use of natural and environmental resources;
- The potential for replicating successful approaches in micro-finance and small-scale enterprise development;
- The application of large-scale training methods aimed at developing productive enterprises in rural areas;
- The experience in land reform and the availability of resources (in terms of credit) for its expansion;
- Pilot experiences in providing integrated services to land reform settlers;
- The considerable availability of appropriate technologies in institutions such as EMBRAPA, amongst others;
- The existence of firms, producer organisations and cooperatives prepared to participate in community development programmes.

References were also made to pertinent experiences in other countries, which could be of use to the team responsible for PFZ implementation. The international members of the working group indicated their preparedness to facilitate an exchange of knowledge and information on such experiences.

Given the multi-functionality of PFZ, the need was recognised to approach the design and implementation of the programme, distinguishing between policies at Federal, State and Municipal levels, and identifying opportunities for interaction and synergy between these levels.

In general terms, it was considered that the success of PFZ in the rural space would depend on two main lines of action:

- i. ***The large-scale mobilization and participation of potential beneficiaries.*** This implies a need to put an end to processes of social exclusion and to engage the most vulnerable members of the population in development processes. Currently the target group for PFZ is characterised by being poorly organised.

ii. ***A substantial increase in the efficiency with which policies and public sector programmes are implemented so as to ensure the inclusive participation of the people.*** It is suggested that existing programmes should be evaluated and rationalised with the aim of reducing transaction costs and avoiding a dispersion of effort, which could undermine effective participation. For the rural population and especially settlers and small farmers, it is particularly important to promote the development of local and regional markets; to open access to financial services (both grants and credit), and to broaden access to technical assistance and training services which paradoxically, in spite of the availability of appropriate technologies and information, are in a state of disarray in most parts of the country.

There is a wealth of experience both in Brazil and outside which is relevant to such approaches, and it is important to identify best practices and make these widely known, focusing particularly on simple procedures and technologies which lie within the reach of poor people. Much of the relevant experience has been generated by local organisations, and hence the need to develop networks for sharing knowledge, using information technology, modern systems of communication and distance learning techniques.

In allocating resources for family farming development, particular attention must be given to addressing the needs of indigenous communities and *quilombolas*.

Family Farming

About 60% of the food consumed in Brazil and almost 40% of the gross value of agricultural output is produced by small-scale family-managed farms. There are some 4.1 million family farms (85% of the total number of holdings) which occupy some 30% of the cultivated area in the country. The family farming sub-sector is characterised by its diversity in terms of the very wide range of products which it generates as well as in relation to farm size: some 20% of the family-managed farms – those which are most fully integrated with the market – account for around 71% of the sub-sector's output; a further 35% generate about 20% of the output, while the remaining 45% contribute only 9%. Rural poverty is heavily concentrated amongst the latter, which are also vulnerable to food insecurity.

PFZ envisages the creation of linkages between transfer programmes aimed at broadening access to food and the family farming sector, thereby opening opportunities for income improvement, both in farming and non-farm rural activities. This implies a need to integrate family farms more fully with markets for goods and services.

The team therefore recommends that, in the context of PFZ, priority should be given to the design of policies and programmes which lead to a broadening of the access of family farms to food marketing systems, finance and technical services. In line with this, it is essential to review and adjust the *National Programme for Strengthening Family Farming (PRONAF)* so that it becomes one of the main tools for PFZ implementation.

By deliberately linking the increase in demand for food which will be created by expanded entitlement programmes to supplies derived principally from the family farming sub-sector, PFZ will play an important role in stimulating market access. In the short term it would also be important to use food purchases funded by the public sector (e.g. for

institutional feeding) to strengthen local demand, using purchasing systems which avoid distorting markets.

Increasing farmers' access to quality technical assistance services is an issue which requires special attention. According to the analyses presented to the team, a large vacuum in the provision of services has been left following the dismantling of the former public sector programmes. In the short term, PRONAF must give high priority to promoting a range of different technical assistance mechanisms. These may include state technical assistance enterprises, but should also build on the experience of non-governmental and private service providers as well as that of producer organisations. Particular emphasis needs to be given to the large-scale dissemination of good practices through engaging rural farmers in the local testing and adaptation of technological and institutional innovations. In addition, attention needs to be given to reinforcing local organisations which contribute to the horizontal transfer of technology between farmers.

Currently rural finance systems depend heavily on directed and subsidised credit programmes, to which rural people have limited access and face high transaction costs. The team recommends that the whole issue of rural finance be revisited, drawing on the vast body of international experience in the subject. Broadly, there is a need to consider financing systems which respond to rural (rather than solely agricultural) needs, and which, instead of financing highly specific investments, take account of the overall earning and repayment capacities of rural families. Moreover it is necessary to recognise that credit is not always the most appropriate solution, especially where producers do not have good market opportunities: in such cases non-reimbursable transfers (such as seed capital or guarantees) may be used to expand market access and avoid over-indebtedness.

The team recommends that careful consideration be given to the encouraging experience of Rural Investment Funds in responding in a demand-driven manner to the financing needs of family farms, an experience which is relevant also to the particular needs of land reform settlers. Advances from such Funds may be useful for financing technical assistance, working capital (especially related to subsistence production and storage) and seed capital for starting up new businesses linked to the market.

The team's attention was drawn to a number of successful experiences in micro-finance which appear to have a potential for large-scale sustainable expansion. The Banco do Nordeste (BNB) micro-finance programme, supported financially and technically by the World Bank, manages an active loan portfolio valued at some US\$24 million, serving 100,000 customers in over 700 municipalities in the North East. The team recommends that PFZ should build on this experience by (a) developing an alliance between PFZ and BNB aimed at expanding micro-finance programmes in rural areas, and (b) encouraging other banks to develop similar micro-finance operations, drawing on the lessons emerging from the experience of the BNB.

A valuable presentation was also made on the experience of the savings and credit cooperative movement in the South of Brazil (CRESOL) which brings together 71 cooperatives with some 29,000 members and manages some 40,000 loans. This experience also appears to be replicable elsewhere in Brazil, provided that there is a substantial investment in technical assistance until the programme is put on a sustainable footing.

Finally the team had an opportunity to exchange ideas on PRONAF and to consider the findings of a recent evaluation which led to the conclusion that, as it is now constituted, the Programme cannot respond adequately to demands from the family farming sub-sector. It noted the need for an in-depth review of the Programme, recognising the need for fundamental adjustments if PRONAF is to become a major instrument for the implementation of PFZ support to the family farming sector.

As an immediate step, therefore, the team endorses the recommendation for a through review of PRONAF, focusing on its agricultural credit and technical assistance components. The current FAO-executed technical cooperation project in support of PRONAF could contribute to such a review, which should also lead to an adjustment in the type of cooperation provided by the Organization to bring it in line with PFZ requirements.

Land Reform Settlements

The difficult situation faced by settlers and the particular problems of settlers-in-waiting (*acampados*) require an immediate response. The challenges are to provide for an adequate development of existing settlements, to normalise the situation of settlers-in-waiting and to create institutional arrangements which respond adequately to the growing demand for access to land. The immediate need is to use existing resources, eventually supplemented by additional budget allocations, to respond to the most urgent needs, including for food security.

It is noted that, under present arrangements, neither the settlers nor settlers-in-waiting are receiving services from institutions other than INCRA and that they are not linked into local administrative systems. In the medium to long term it is important to ensure that actions in support of land reform beneficiaries are taken within the policy and institutional framework for local and regional development and governance.

In general the team recommends the development of a more fully integrated programme in support of existing land settlements so that these quickly become more self-reliant. Such an approach could include the following components: an investment fund, improvements in access to support services supplied by existing programmes, advice on farming systems development, training in business management, and nutrition education, amongst other. Finally, there is a need to review the adequacy of the current institutional capacities to achieve the goals set for Brazil's land reform programme, giving particular attention to ways of responding effectively to the growing demands for access to land. In this context, it seems important to examine how to make better use of existing mechanisms (for example land credits) to take over rural properties for redistribution which cannot be expropriated.

Living with Drought in the North East

The North East of Brazil, which represents 18% of the national territory, has a population of approximately 45 million people, equivalent to 28.5% of the country's total population. There are 9 states in the region, characterised by considerable variations, both in agro-ecological terms and in relation to social-economic indicators of the rural population, which are below national averages.

A large proportion of the rural families, around 42% of the region's population, live below the poverty line. Some 71% of the rural holdings are smaller than 10 hectares and occupy less than 5% of the region's total area, whilst 44% is occupied by properties over 500 ha in size,

representing only 1% of the total number of properties. The possibilities for improving the livelihoods of the majority of the rural population in the North East are constrained by the complex pattern of land distribution, by the considerable climatic variability and by recurrent droughts.

Development in the region is accorded high priority by the new government, as demonstrated by its intention to recreate SUDENE (the Superintendence for the Development of the North East). It has also signalled that it intends to give special attention to the implementation of PFZ in the North East.

A sustainable programme to contribute to the improvement of livelihoods in the semi-arid zones of Brazil must be based on participative development processes, without being solely limited to emergency actions and the construction of large hydraulic public works, from which the family farming population will not necessarily benefit. The PFZ, although not including policies and programmes directed specifically at development in the North East, offers an excellent opportunity for integrating development and social welfare actions in support of rural families in the Region. There is a wealth of experience in participative development approaches, although dispersed, on which to base the design and implementation of PFZ in the North East.

Irrigated commercial agriculture in the North East covers a surface of approximately 9.2 million hectares, mainly for grain and fruit production. Even though this is important in rural employment generation and can expand further, the focus of PFZ is on the rural poor and especially on low income farmers.

Current actions in the North East include various projects supported by the World Bank (IBRD), the Inter-American Development Bank (IDB), the Inter-American Institute for Agricultural Co-operation (IICA), the International Fund for Agricultural Development (IFAD), the Ministry of National Integration for Irrigation Projects, German bilateral assistance and some international and national NGOs. Of particular interest are the programmes of ASA (Brazilian Semiarid Action Programme) which are implemented together with the Ministry of the Environment (MMA), for the construction of 1 million cisterns (*PIMC*) for improved family water supply amongst other actions. A similar programme, the *Sede Zero (Zero Thirst)* project will benefit around 700,000 people in the State of Piauí.

Securing access to good quality water is the greatest challenge faced by the rural populations of the North East in their day-to-day lives. Satisfying this demand is of vital importance and a fundamental requirement for any programme or project in support of rural communities.

However, development in rural communities cannot be limited to satisfying their water needs, but also needs to involve the better management of land resources, implying a need for strengthening of community organisations and the development of stronger linkages between production and markets.

In the North East, the PFZ should develop actions concentrated on four priority dimensions:

- The hydraulic dimension: giving priority to the dissemination of suitable technologies for capture, storage, treatment and use of the water for domestic consumption and family farming, based on participative rural diagnoses identifying the true needs of the communities, empowering people to test and demonstrate technologies that are easily applied and have a low cost;
- The productive dimension: adjust production systems to respond to local market demands, promoting agricultural diversification as part of production systems adapted to the semiarid conditions, with an emphasis on increasing labour productivity, diminishing risks and strengthening community and farm business management;
- The educational/organisational dimension: the training of local facilitators to work with rural families in the identification, validation and updating of existing technologies;
- The normative dimension: the formulation and implementation of policies which provide access to public financing for actions in support of living with the drought. One element would be the application of the legislation for Water Basin Management Councils.

In addition, the team recognised the need for PFZ related actions in the following fields:

- Identifying non-agricultural activities for making better use of the natural resources in the North East's rural space, generating jobs and improving the welfare of the rural families;
- Identifying and applying agricultural practices that favour water infiltration in the soil profile and that conserve moisture; applying conservation agriculture practices, such as the recycling of the vegetative biomass;
- Strengthening the current capacity of the early warning system co-ordinated by the Brazilian National Meteorological (INMET), to improve its local specificity and assure better access to the information by the potential users;
- Identifying and disseminating local knowledge and technologies for reducing the vulnerability of farming systems to the drought;
- Developing agro-ecological zoning systems as a basis for planning the use and sustainable management of natural resources, making decision-making easier at a regional and local level;
- Strengthening of producer networks to encourage horizontal transfer of knowledge and experience between farmers.
- Developing the capacity of communities to prepare participative local development plans, strengthening community organisations and developing business management capacities.

E. Hunger, Malnutrition and Extreme Poverty

Issues relating to Food Access, Incomes, Social Protection and Nutrition

Context

Hunger and malnutrition are both a cause and an effect of extreme poverty. The determinants of hunger and malnutrition include poverty, which limits people's access to food and other non-food essentials; behaviour, including feeding practices, food preparation, hygiene, etc; and poor health and lack of access to water and sanitation.

The effects of hunger and malnutrition are also multiple, resulting in a vicious cycle with poverty. The physical effects are cumulative and irreversible: these include the difficulty for stunted children to “catch up,” and irreversible physical consequences such as increased morbidity, poor cognitive development, mental retardation, blindness, and eventually, shorter life. Low worker productivity and low educational attainment result in lower incomes. A weak immune response in turn fosters greater susceptibility to disease.

Social Protection Interventions: Assuring Access to Food

Well-targeted social safety nets can be used to alleviate extreme poverty and protect people against the adverse consequences of hunger and malnutrition. By supplementing family income, these programmes allow for improved access to food and other essentials (e.g. health care, education, and housing). Interventions can be both short and/or long term. The ideal intervention would provide short term support coupled with measures which reduce a household’s long term vulnerability to hunger. This involves primarily the accumulation of assets, whether human (education, nutrition, and health) and/or productive (land, employment, micro-enterprises, etc). Short term income support by itself is generally not sustainable in the long run (that is, once transfers have ended), does not foster household accumulation of assets, and thus may create a culture of dependency. Such measures should be considered only in emergency situations.

A wide variety of social protection interventions have been employed in Brazil and other countries over the past few decades. Brazil has accumulated a broad range of experiences, at different levels of government, with multiple interventions spread out over the country. These are documented in the PFZ document and elsewhere, and should not be forgotten in the process of implementing a new vision of social protection.

The Joint Working Group recognised that PFZ supports the distribution of food only in emergency situations and agreed on this approach. In general, food supplements are not considered as a cost-effective means to improve food access or transfer income. This is because delivery is costly (procurement, distribution, storage), quality problems are common, family consumption choices are distorted, and the increase in total food consumption is limited, due to substitution effects.

PFZ will have to make some tough choices on which current programmes to maintain, and which new initiatives to implement. In terms of hunger and extreme poverty, one key decision appears to be on whether to focus on conditional cash transfers vs. food stamps. Both options increase household income. The first, however, makes no restrictions on how transfers are spent, while the second restricts spending to certain food articles.

Conditional cash transfers

In Brazil (at least) two types of cash transfer programmes are in operation: conditional cash transfers, and restricted cash transfers. Conditional cash transfers involve linking cash transfers via a “social contract” to actions by beneficiaries (growth promotion, nutrition education, micronutrient supplements, ending of child labour, and/or education etc.). Brazil’s Federal Government currently operates several such programs, including: PETI, Bolsa-Escola, and Bolsa-Alimentação. These programmes are currently being evaluated and have recently developed systems for monitoring. Such interventions aim to reduce both short and long term risk and vulnerability to hunger and malnutrition, through short term cash and long

term accumulation of human capital (of their children). These programmes have the following advantages:

- Extensive experience in Latin America and in Brazil from which to learn;
- Less stigma attached to participation;
- Empower people to take their own decisions;
- Permit investment: studies show that even the extreme poor may invest some part of the transfer in a productive activity, and hence the programme can serve to reduce long-term as well as short-term poverty and hunger;
- Linked to health/nutrition/education interventions, thereby building human capital, and hence serve to reduce long-term as well as short-term poverty and hunger;
- Allow people increased access to food, but also other basic needs such as housing, health care, education;
- Do not distort local relative market prices and provide a local economic stimulus;
- Do not directly distort decisions about breast-feeding;
- Clear exit strategy can be linked to conditionality (accumulation of assets by children).

The disadvantages include:

- May be less politically acceptable than food-based transfers;
- Increase in food consumption is limited (12-13% in US/Mexico food stamps programmes);
- By focusing mainly on children, and to a lesser extent on pregnant women, the intervention does not take advantage of all possibilities of asset accumulation by adults.

Restricted cash transfers

Restricted cash transfers, such as the *Renda Cidadã* programme in the State of Goias, provide cash via a debit card, but this can only be spent on certain “good” items, including food and cooking gas. This is thus very similar to a food stamp programme, but providing the benefit in cash, with restrictions over how the transfer is spent. This will presumably lead to more “good” consumption than through an unrestricted transfer, as well as a number of the other advantages listed above for conditional cash transfers. However, any move to replicate this programme should be preceded by a thorough evaluation.

The use of magnetic debit cards would be a positive feature, less costly or distorting than a formal food coupon system, which would require special infrastructure for printing, secure distribution, and redemption. Such a program would ideally aim to avoid introducing excessively rigid monitoring controls, instead relying more on the symbolic association of the transfer with food, an aggressive information and awareness campaign, and accompanying conditions, such as attendance at nutrition education workshops to promote improved diets and food utilization habits. In general, this type of program should move away from an exclusive focus on short term hunger alleviation by introducing conditionalities and/or broadening flexibility in the use of resources to allow for asset accumulation so as to promote longer-term benefits with the aim of reducing household dependency on the transfer. Potential conditionalities could include: participation in skills training, functional literacy courses, or nutrition education workshops.

Programa Cartão de Alimentação (PCA)

The PFZ project document proposes the creation of a food entitlement programme, the PCA. Food entitlements differ from the conditional cash transfer programmes described above in that instead of unrestricted cash, households are given coupons or debit cards (the latter in the case of the PCA), the value of which can be redeemed only for selected food items. This makes the PCA conceptually similar to the *Renda Cidadã* programme. However, as discussed in the PFZ document, the programme would have a conditionality requirement, such as adult literacy or vocational training, which makes it similar to a conditional cash transfer programme. The positive aspects of such a food entitlement programme could include:

- May be more broadly politically acceptable than cash transfers;
- Result in increased food consumption (higher marginal propensity to consume food from food stamps than cash transfers, 20-45% in US);
- If implemented as a conditional programme, it constitutes a long term as well as short term intervention against hunger vulnerability;
- If linked to a health or nutrition education intervention, can have a bigger impact in reducing malnutrition;
- Does not distort local relative market prices and can provide a local economic stimulus;
- Does not directly distort decisions about breast-feeding;
- Clear exit strategy can be linked to conditionality;
- Possibly could be linked to the family agricultural support programme.

On the other hand, such a programme has potentially negative aspects which need to be considered in refining its design:

- Compared to a conditional cash transfer programme, incurs greater transaction costs in implementation (enforcement of spending restrictions in addition to currently high bank charges);
- Households have less flexibility on how to spend money, which has both good and bad aspects, some concerns being that it excludes the use of transfers as small business investment or for investments in human capital (such as health care or education);
- If stamps are distributed as paper coupons, a black market may develop, which means that the coupons become monetized, but lose some of their value (efficiency loss). If distributed as debit cards, this is less of a problem.

From this perspective, the food entitlement-cash transfer debate boils down to the following trade offs:

1. Political feasibility-philosophical congruence vs. transaction costs.
2. Larger food consumption impact vs. freedom to spend, ability to invest and increase productive assets.

If the Government chooses to pursue the PCA program, one challenge for its designers would be to strike the right balance between the programme's immediate impact on improving nutrition and its longer-term effects on reducing dependence on assistance by attaching appropriate conditionalities. If such a programme can successfully combine the best elements of both food entitlement programmes and conditional cash transfers, while keeping

transaction costs down, it would have successfully overcome the most serious problems facing other food safety net programmes in Latin America and the Caribbean.

If the PCA is chosen and implemented on a pilot basis, then we would urge that it include an impact evaluation component similar to the evaluations being conducted for other programmes. This would permit comparison of impact with other programmes and provide a unique opportunity to discern, in the Brazilian context, the relative merits of each type of intervention, serving as a key input for longer term policy decisions. Under a carefully monitored pilot programme, it would be worth considering the implementation of PCA in areas both with and without the conditional cash transfer programmes, in order to unveil any synergies or contradictions between these programmes.

Similar observations should be drawn over potential synergies or problems at the beneficiary household level between the PCA and other programmes considered under PFZ. Particular attention should be paid to the support to family agriculture programme, which also seeks to increase household food consumption, but from the supply side.

It is worth noting that in general a philosophy of rigorous impact evaluation should be extended to all current and future social protection programmes.

Issues common to both types of programmes

Both types of programmes require targeting to distinguish between eligible and non-eligible beneficiaries. Targeting is crucial to ensure that funds go to the poorest when budgets are limited. Targeting can take place at both the geographic and/or household level. Most income transfer programmes in Latin America begin with geographic targeting, by identifying the most marginal communities, municipalities, or regions (determined through a variety of methodologies). Some programmes also use household targeting; that is, selecting specific households within a geographical unit to receive benefits. It is crucial that both geographic and household targeting be a transparent process based on objective criteria, applicable equally to all. Data collection serves as the basis particularly for household level targeting, but often insufficient attention is given to the quality of these data.

Two additional issues complicate targeting strategies. First, non-registered citizens lack identity papers and thus cannot be incorporated into the income transfer programmes described here. Second, residency requirements for programme participation, with in some case up to five years of residency required, aim to dissuade migration to programme areas, but also exclude needy citizens from participating.

Brazil has been working to improve efficiency in targeting across programmes via its “Cadastro Único” registry of poor households. The use of the “Cadastro Único” as a targeting tool – as compared to a monitoring tool – should be reevaluated. Its current format may be too unwieldy for either function. There is a need to look particularly at data accuracy and completeness, as well as sample selection (inclusion of households on the list), at how the system might be adapted to serve as a tool for continuous monitoring and at how it can be kept up-to-date at acceptable cost.

Both types of programmes face resolving a tension between centralization and decentralization. In the decentralized administrative setting of Brazil local governments play a very important role in the implementation of transfer programmes. While this may permit

more local control over programmes, it also leaves them susceptible to patronage and the influence of local political agents. The federal government, which due to its size is less open to local pressure, is better placed to assure transparency and objectivity in the selection of beneficiaries, but lacks local knowledge. The federal government thus needs to work in order to minimize local political influence over selection and monitoring of beneficiaries, to remove subjectivity from all selection criteria, to assure equitable financing for the poorest municipalities, and to assure equality of opportunity for all potential beneficiaries, regardless of where they live.

Both types of programmes need clear and objective exit strategies. The operational indicator of hunger in PFZ is income. While this may be appropriate in policy discussions and when analysing data, income is not necessarily a good indicator, from a practical standpoint, as an exit (or targeting) criteria. Income is difficult to measure without error, and as such it is not necessarily a good measure of long term vulnerability to hunger. Some examples of more easily verifiable indicators to use as exit criteria include asset accumulation (particularly education or health), duration of a training program, or simply a fixed time period.

Nutrition and Health Interventions

No single policy can eliminate malnutrition. Instead, a programme against malnutrition must have a number of different components. Beyond improving access to food, either through employment or targeted social assistance, other determinants of malnutrition can be addressed through health care, health promotion and behaviour change interventions (nutrition education) related to child care and feeding practices. First, programmes aimed at reducing malnutrition should be integrated into a robust basic care system that provides the following interventions on a regular basis: nutritional surveillance, case management for diarrhoea, promotion of breastfeeding, pre-natal and well-baby care, vitamin A supplementation, promotion of birth spacing and dietary counselling.

Second, a common tendency of nutrition programmes is to focus on children who are already malnourished as identified through a “static” growth chart, rather than detecting growth faltering early enough to prevent malnutrition. When faltering is caught early on, growth promotion interventions can induce small changes in feeding practices that are within the reach of many families. These interventions can be effective in reversing the trend.

Third, nutrition programmes require a clear set of objectives. For example, a nutrition programme aimed at reducing childhood nutritional deficiency would contain different activities than a programme aimed at reducing child mortality. Finally, low birth weight is difficult to address. A combination of interventions appears to work best, including iron fortification, nutrition education, pre-natal care, smoking cessation and lengthening of birth intervals.

Strategic Issues

PFZ should take into account the context of the broader social safety net. It is important not to discount current efforts and begin from zero. As such, one key action that could be taken within the coming months includes the formulation of a global vision and strategy of social assistance programmes in Brazil. While the PFZ project document provides a first look, a more in depth study is urgently needed, focusing on such questions as:

- Who is covered by which programmes;
- Where are their gaps in coverage, who is not covered and where;
- What complementarities, conflicts, and duplications exist;
- What works and what doesn't work.

Next, based on this analysis prepare a comprehensive strategy for the social safety net that seeks to:

- Emphasize an integrated household approach, taking the family as a unit (that may receive various transfers);
- But, keeping a focus on young children, pregnant and lactating mothers due to their particular needs and vulnerability to malnutrition (which requires a coordinated approach of transfers, health/nutrition interventions);
- Develop clear exit criteria and strategies to help beneficiary households reduce their dependence on the social safety net, both nationally (poverty reduction and malnutrition strategy) and at the household level (working with households to improve their living conditions in a concerted way);
- Reduce duplications between programmes;
- Reduce gaps in coverage by bringing in more eligible beneficiaries (expanded budgets) or by introducing new programmes;
- Rationalize the programmes, making them more consistent (e.g. age group classifications, unit transfers);
- Improve targeting of programmes;
- Rethink the function of the “Cadastro Único” (targeting vs. monitoring), and regularly update it;
- Develop and implement consistent and comprehensive monitoring and evaluation of programmes, including income, behavioural change, and anthropometric indicators.

Once a decision is made on the types of programmes to include, first steps towards implementation could include:

- Strengthening those existing programmes with a proven positive impact:
 - To reach larger target population (bringing in eligible beneficiaries who may have been excluded due to insufficient programme funds/quotas or information);
 - To increase the size of unit transfers (after careful review) or provide bonuses for “completion” of programmes (e.g. completion of primary school or maintaining adequate weight for age for beneficiary children);
 - To reach new target populations (e.g. poor primary or secondary school students for Bolsa-Escola);
- Development of pilot programmes for new components of PFZ.

F. Possible International Action in Support of PFZ

The decision of the President-elect to assign the highest priority to eradicating hunger in Brazil within 4 years through PFZ implies a need to reshape many ongoing programmes and projects – whether funded nationally or internationally – so as to ensure that they embody an explicit anti-hunger dimension. In the case of many of the larger programmes, these have

sufficient flexibility to enable some reallocation of resources to respond to new priorities, without any need for extensive reformulation or renegotiation.

The Transition Team is anxious to attract immediate international support for a Pilot Programme aimed at testing the simultaneous implementation of the Project's multiple components in a single State. For this, the State of Piauí has been selected, given the high incidence of hunger and its representativeness of many of the socio-economic and physical situations found in the North East.

Responsibility for coordinating donor assistance in support of the above Pilot Project as well as other aspects of PFZ implementation rests with the Government of Brazil. As noted during the meeting, however, the three international institutions have long-established and active mechanisms for inter-agency collaboration which can contribute to coordinated inputs into PFZ.

Ongoing projects of the three agencies are summarised in Annex 4, with indications of their relevance to PFZ.

The **IDB** is in the process of analysing possible short and mid-term actions to support the efforts of the future government in implementing the PFZ. In the short-run, the Bank is in the process of identifying activities, within ongoing projects, that directly complement the PFZ and that can be implemented rapidly. In the medium-run, the Bank will assist the future government in their ongoing design of the programme.

The **World Bank** is already supporting activities in a variety of areas relevant to PFZ. These activities and their relationship to the PFZ framework are shown in Annex 4. The Bank remains committed to supporting policies to reduce poverty, malnutrition and hunger, through existing and new activities, in response to requests from the new government.

In the same way, **FAO** believes that it is necessary to revisit its ongoing and pipeline projects, particularly those in support of PRONAGER and PRONAF, with a view to exploring how they could contribute directly and on an appropriate scale to the early operationalisation of PFZ.

FAO would also stand ready to consider requests from the incoming Government, once it has taken office, for assistance in the context of the Special Programme for Food Security (SPFS), funded by its Technical Cooperation Programme (TCP) and other sources, whether national or international. Two possible areas for early TCP assistance have been identified:

- *Support for Operationalisation of PFZ*: this would provide (a) access to international and national expertise required for firming up the design of major components of PFZ, particularly family farming, settlements and the agrarian reform process, urban and peri-urban agriculture, updating of ongoing FAO projects, and monitoring and evaluation systems; (b) financing of visits to countries which have experience relevant to PFZ, and (c) 3 workshops (the first in May 2003) to allow an interchange of views between specialists and representatives of civil society as well as international agencies on progress in PFZ implementation.
- *Empowerment of Poor Rural Communities in the North East through Capacity-Building*: this would underwrite the work of a national team which would prepare

a large-scale capacity building programme, tailored to the needs of poor members of rural communities (especially recipients of food assistance) in the North East with the aim of increasing their self-reliance, reducing their vulnerability to drought and improving their nutrition. The project would fund (a) observation visits to livelihood improvement projects in Central America, and to farmer empowerment projects, using self-financing farmers' field schools in Kenya and Uganda; (b) national study tours and workshops on experiences in adult education for rural areas, and on pro-poor technologies for drought-prone areas; (c) curriculum development and training of trainers for 60 facilitators from Piauí and Pernambuco States, and (d) field testing and monitoring of capacity building at community level in these States.

A further area of possible assistance from the TCP relates to the provision of technical assistance to the institution set up to manage PFZ to enable it to work with the international financing agencies in developing anti-hunger components in ongoing or new projects, drawing on the services of FAO staff and consultants.

Two other possible activities under consideration by FAO relate to a school garden programme (for possible bilateral financing under twinning arrangements), and to South-South Cooperation between Brazil and a Lusophone country in Africa, involving volunteers from civil society.

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