A regular series of notes highlighting recent lessons emerging from the operational and analytical program of the World Bank’s Latin America and Caribbean Region.

Rural Poverty Reduction in Northeast Brazil
Achieving Results through Community-Driven Development

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Over the past two decades, Brazil has been employing a very innovative community-driven development (CDD) approach to reducing rural poverty in its Northeast region. These efforts began with a relatively small pilot in the late 1980s, which was then extended to the entire Northeast region in the early 1990s. Emboldened by early results on the ground, the State and Federal governments have since continued to steadily scale up this CDD program, known in Brazil as the Programa de Combate à Pobreza Rural (PCPR, or by its English acronym of RPRP, Rural Poverty Reduction Program), to the point where it is now reaching some 11 million people. The process has been one of continual piloting, refinement and expansion, underpinned by very active monitoring and evaluation efforts by the government itself, the World Bank as the primary external partner, foreign and local NGOs and academics.

The PCPR in Perspective

The Northeast of Brazil has an area similar to that of France, Italy, Germany and Spain combined and a population of around 48 million. Some 20 million are rural inhabitants, of which three-fourths are considered poor. The program operates on a very large scale, having reached some 38,000 community associations, working through participatory councils in over 1,500 of the 1,686 municipalities in the region. PCPR has financed more than 50,000 community sub-projects, for a total investment of US$1.4 billion, and independent evaluations suggest quite significant results. A recent book\textsuperscript{1} explores lessons learned over the past twenty-five years and suggests that the Brazilian experience may have relevance for other countries.

The emergence of CDD

Development practitioners have come to understand that poverty is not merely a lack of income, but also of access to economic and social services, as well as a lack of empowerment, opportunity, security and participation. The focus on rural poverty reduction, in Brazil and elsewhere, has tended to be a post-World War II phenomenon, with growing intensity since the early 1970s. Early sector-specific strategies (irrigation, rural transport, extension and research, etc.) tended to be followed or complemented by more holistic Integrated Rural Development (IRD) programs. While the former often failed to capture the inter-relationships between problems in different sectors, the latter suffered from complexity and delivery problems in administratively weak settings. Perhaps more important, most of these efforts were state-led and executed, and failed to harness the potential of rural beneficiaries to set their own priorities, manage resources, execute and help to maintain projects. Consequences often included a misalignment between investments and beneficiaries’ own perceived priorities, excessive expenditures on administration and other overheads, weak ownership and commitment at the local level to support and maintain investments, and failure to address the empowerment dimension of rural poverty.

What is different about the PCPR experience? When PCPR began in earnest in the early 1990s, ‘community-driven development’ was still a relatively new concept, both in the World Bank and elsewhere, and it had its share of skeptics. However, as the evidence of success has mounted, support for the CDD approach has grown,

\textsuperscript{1} "Rural Poverty Reduction in Northeast Brazil: Achieving Results through Community-Driven Development", July 2008, forthcoming World Bank
especially at the level of the Northeast states where commitment to the PCPR today cuts across the entire political spectrum. The PCPR has empowered communities to take control of their own development and work in partnership with government, the private sector and civil society to design and implement investments that respond to actual demand on the ground and fit the local context. It has decentralized program coordination to the lowest appropriate level of government, which has made management less complex and improved targeting. Funds are transferred directly to community associations, which also take charge of project execution. As mentioned above, PCPR is now operating on a very large scale; it finances a wide variety of investments and services in a cost-effective manner; the prospects for sustainability are quite strong; and the institutional mechanisms developed under the PCPR have had an important impact on the local governance environment and are increasingly being used for priority setting and delivery of non-PCPR investments. As an example, at the time the book was being prepared, one of the States estimated that for every US$1 of PCPR financing, these institutional arrangements would be used to channel an additional US$5 of non-PCPR programs in rural areas.

How does the PCPR work?

The program has three main components: community investments, institutional development or technical assistance, and program administration. Over 90 percent of the total project cost goes to the community investment component, which channels funds directly to community associations through matching grants. The community investments are managed through one of three delivery mechanisms—PAC (Community Support Program), FUMAC (Municipal Community Support Program), and FUMAC-P (Pilot Municipal Community Fund)—successive programs that have built on the lessons of the previous one and which are increasingly decentralized. Regardless of the delivery mechanism, PCPR runs on a set of clear and enforceable “rules of the game” which promote access to information, the cooperation/participation of all project stakeholders, transparency of decision-making, and empowerment at the local level.

The PCPR has some basic Principles and Operational ‘Rules of the Game’. The basic principles that guide the PCPR include: decentralization of decision making and implementation, beneficiary management of resources, active community participation, partnership with local authorities and civil society, transparency, and simplicity and clarity of program ‘rules of the game’. These rules include (i) the requirement to implement an information campaign about the program in a way that reaches even the poorest and most excluded rural people; (ii) the preparation of an Operational Manual which governs all aspects of the project and should be simple enough to be usable by all program participants; (iii) verification that the community association is part of the target group, that sub-project requests reflect the priorities of the community as a whole, that all members have participated in the decision-making process, that the community association knows how to contract potential providers of goods and services for implementation, and has a plan for operations and maintenance.

Key Actors and their Roles.

The main actors involved in the PCPR are the Community Associations (CAs, self-selected groups of people who have identified common needs), participatory Municipal Councils (MCs) and State-level Technical Units (STUs). The individual CAs identify community investment needs and prepare funding requests with technical assistance financed by the program and contracted by the communities themselves. The MCs—which consist of 80 percent representatives of communities from that municipality and of civil society and 20 percent government representatives—receive the proposals from the CAs, analyze them, verify the CAs’ eligibility and the participation of all their members in the decision-making process, and prioritize the proposals. The STU supervises the functioning of the MCs and reviews and approves the proposals from a technical standpoint. The STU then enters into agreements with the CAs and transfers resources for implementation to them. The CAs manage the sub-projects, under the supervision of the MCs and STU.

Results So Far

After 15 years, the program now operates in 89 percent of the municipalities in the Northeast. These investments and related technical assistance have benefited roughly 60 percent of people living in the rural Northeast through at least one PCPR investment.

The majority of funds invested through PCPR have financed small scale infrastructure, especially rural water supply and electrification. Over the history of the program, 800,000 families have benefited from US$235
million investment in 13,600 water supply projects. Some US$ 367 million has been invested in 15,000 rural electrification projects benefiting close to 650,000 thousand families and providing energy to many rural schools and community centers. Three-fifths of the rural households in the Northeast, which gained access to water and electricity between 1992 and 2003 alone, obtained that access through the PCPR.

The range of community investments and services supported by PCPR is diverse. PCPR includes only a small “negative list” of options that cannot be funded under World Bank policy (e.g., weapons, religious or political investments), thereby leaving the communities the broadest possible discretion in defining their priorities. Over the period 1993-2005, 75 percent of the investments have been for basic infrastructure, 20 percent have supported productive projects, and 5 percent went to social sector areas. Evidence shows that PCPR investments cost (at equal or better levels of quality) 30 to 40 percent less than most traditional supply-driven programs implemented by public sector agencies.

In addition to improving the living conditions of the rural poor, project evaluations indicate that the PCPR has encouraged the inclusion of minority groups such as women, indigenous communities and quilombolas (communities of descendents of Afro-Brazilian freed or escaped slaves). Probably the most salient result coming out of the analysis of the PCPR relates to the very positive evidence that it is creating strong and sustainable social capital in participating rural communities. This, in turn has positive implications for strengthening public governance at the local and municipal levels. This also supports the view that there are replicable lessons to be learned for other countries (see Box 1).

**Latest Developments.**

Although the book focuses on the period 1993-2005, several important developments have been taking place since then, which deserve special mention. During 2006-2008, the program financed some 4,000 additional sub-projects for about 3,300 community associations and benefiting a further 200,000 families (or about 860,000 people). Observable trends include: (a) a shift in the profile of sub-project types prioritized by the community associations. The incidence of productive sub-projects focusing on increasing incomes and employment rose from an average of 20% during 1993-2005 to 35% in 2006-2008. Equally important has been (b) the emphasis on forging linkages between small producers and national supermarket chains and markets in Europe and the US. The fact that more than 1,000 community associations are already exporting to the European and US markets, and a similar number of communities are selling to national supermarket chains, clearly indicates that small farmer community associations can benefit from the globalization phenomenon if they are organized and know how to go about doing so. Also noteworthy is (c) the increasing use of the PCPR’s participatory institutional mechanisms (community associations and Municipal Councils) for the delivery of other non-PCPR state and federal programs, thereby scaling-up the impact of the program beyond the Bank-financed projects.

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2. From the outset, the Project has been the subject of various studies and critical analyses. This literature has been recently summarized in the report, “Rural Poverty Reduction Program in Northeast Brazil Evaluation 1993-2005”, World Bank, 2008. The report included a new study using a “quasi-experimental” design and methodology to rigorously evaluate the direct impact of the Program on infrastructure, health, and physical and social capital, which other studies have not rigorously analyzed.

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**Conclusions**

For over 30 years, the Government of Brazil and the World Bank have evolved an approach to poverty reduction through experimenting and learning what works.

Through its participatory mechanisms and by scaling up to every State in the Region, the program has created impressive institutional machinery for local and community development. In addition to empowering the beneficiaries and tapping a remarkable and previously unexploited community capacity to implement investments, the Program has built significant social capital within communities and municipalities which has in turn has improved local governance and reduced corruption.

By the same token, the Municipal Councils have played a critical role in the transparent and participatory allocation of resources from the Bank-supported program. They have improved targeting, prioritization, and integration of these
investments with other investments in the municipality financed from other sources.

The challenge now is to transform the social capital created in community associations into economic capital for the region. Develop their products and link them to markets, including both the export market and national and regional markets. The approach being used links the community association directly to the buyers, with them (or their representatives) providing technical assistance in terms of preparation, processing, packaging, and transport of products. The same principles apply for the supply to local supermarket chains. It is expected that over the next three to five years, thousands of community associations will be connected to the local and international markets.

Summing it all up, the Brazilian experience has demonstrated, and continues to affirm on a very large scale, that, given the chance, poor people can do much more to solve their own problems than many development practitioners and governments assume.

Box 1 – Can this work in other countries?

Representatives of governments, NGOs, and the private sector from a great variety of countries have visited the Northeast Rural Poverty Reduction Program, including the community-based land programs. At the same time, members of the Bank’s Northeast team have participated in designing CDD programs in many countries, including, Argentina, Bangladesh, Ghana, Mexico, Mozambique, Nepal, Philippines, and Sri Lanka. Visitors first arriving in Brazil and officials welcoming Northeast team members to their countries, often remark that this type of program works well in Brazil, because it is a richer and more developed country with a longer tradition of democracy, and community organizations have been operating there for a very long time. After the visits, skeptical officials recognize that, while Brazil may have a higher per-capita income, the pervasiveness of inequality and poverty, especially in the rural Northeast, is not unlike conditions in their own countries. As a result of these visits, some have moved to design and begin to implement CDD programs of their own. Some emerging general principles include:

- **Communities in the driver’s seat.** When the community association contracts service providers for technical assistance and implementation, the results are normally less expensive, and often of better quality than similar investments executed by the public sector. These investments give the community a sense of ownership, which results in much better maintenance of investments.

- **Building self-worth.** Perhaps the most important element of the Brazilian CDD Program is that community associations have a bank account, manage financial resources, and implement activities they never imagined they would be able to do. These responsibilities bring empowerment and a sense of self-worth to communities as they shoulder them.

- **High-level political support.** Government commitment at the highest level and the perceived need to obtain results on the ground are essential conditions for getting positive results with the CDD approach. In Brazil, the Governors of each of the ten participating States bring this commitment through their advocacy, by providing counterpart funding, and by selecting qualified and dedicated technical unit staff to coordinate the program and enforce the rules of game.

- **Simple, enforceable Program rules.** The principle that the rules of the game should be few and enforceable seems to yield similar results across countries. The central requirement is for direct transfer of resources to beneficiary groups, comprising target group members—all of them participants in decisions about their community’s investment priorities. After that, the next most important rule is that beneficiaries understand and agree among themselves how they will go about finding and contracting for technical assistance to prepare and implement proposed investments. There must also be clear agreement among them on how they will maintain the investments. All these elements must be taken into consideration when evaluating a community’s commitment and capacity to implement an investment. Local authorities should participate in the Program (important to ensure long-term institutional sustainability), but the decision-making process must be fully participatory and beneficiary-led.
1. Infrastructure Provision and Rural Poverty Reduction in Ghana

Ghana is a developing country in sub-Saharan Africa with a 2008 per capita income (PCI) of US$670 (World Bank, 2009). Over the years Ghana has taken various reforms aimed at poverty reduction. Though some measure of poverty reduction has been achieved, poverty remains largely a rural phenomenon (GoG, 2007:25; GSS, 2006: entire report). Reducing poverty and inequality are two important socioeconomic policy objectives for most countries. While some can kill two birds with one stone, others may achieve either or none of these. In China’s special case, poverty reduction goes together with an increase in income inequality for at least the past 20 years. Here, I address some of the underlying factors in this mismatched trajectory. For quite a long time, economic growth, increase in income inequality and reduction of poverty concurred in China. Since 1980, the country has made remarkable progress in reducing poverty. Figure 1: Change in Poverty head count ratio and Gini coefficient in rural China since 1980. Image: World Bank.