

Negotiated Agrarian Reform in Brazil: principles and practice¹

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Introduction

The Brazilian Negotiated Agrarian Reform (NAR) went through four generations since its beginning as pilot project in 1997, a national consolidation phase in 1999, and present time of intensified implementation. During these 10 years, NAR experienced periods of greater and smaller intensity, different institutional designs; distinct arrangements and partnership with World Bank, and diverse engagement of the State and social movements.

Regarding an international scenario, the initial concept of NAR originated by the document *Land Reform Policy Paper* in 1975 (WORLD BANK, 1975, DEININGER & BINSWANGER, 1999), and was operationally first implemented in Colombia in 1994². Resembling the Brazilian case, the practical adoption of these principles was carried out worldwide under different institutional arrangements, political

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² Colombia was the first country that regulated the NAR with the Law 160 in 1994 (HOLLINGER, 1999)

designs, motivations, operating rules, targeting and also variable results. In some cases (e.g. Colombia, Brazil, Malawi, Guatemala and Honduras) World Bank partially supported the initiatives. The Brazilian experience with NAR is worldwide the most comprehensive, long standing and diverse. In at least two periods, independent surveys covered important issues related to its results and impacts. Also, in Brazil the NAR is applied parallel to a wide program of State led Agrarian Reform (SAR); thus allowing some comparative analysis. The understanding of the Brazilian case is therefore important, because it permits the assessment of potentialities and restrictions of NAR, in a scenario where the model is mature and comprehensively adopted. This is in special valid considering poverty alleviation aspects.

This article aims to present a synthesis of the historical origin of Agrarian Reform in Brazil, with focus on the period during which NAR was initiated. It also describes the main NAR periods, followed by empirical survey results that covered each period. The conclusion part of the text synthesizes the objectives achieved by NAR in Brazil, the weak and the strong points of its performance, and also suggests some challenges to be faced in order to improve the model.

Agrarian Reform in Brazil

History

The State led Agrarian Reform (SAR) started in Brazil with the Land Statute and the establishment of the Brazilian Institute for Agrarian Reform at the beginning of the military regime in 1964 (GOMES DA SILVA, 1971). At that time, the military leaders aimed to react against the peasant leagues organizations and create an alternative to reduce agrarian conflicts. Its intensification occurred after a long period of social and

structural transformation, during which the industrialization and the new world organization after World War II had important influence. Over this time, the SAR experienced periods of greater and lower priority. From the beginning of the 1980s, and with the end of the military regime in 1985; the most important shift was the strengthening of the peasant social movements (e.g. Landless Rural Workers' Movement – MST), that started to have a more expressive role in intermediating and conducting the Agrarian Reform process. Even though, the SAR in Brazil was always conducted with a strong orientation towards colonization, and agricultural frontier expansion in remote areas. The contribution of SAR in promoting profound changes in land distribution patterns and high land property concentration is questionable, and the uneven land distribution was not significantly changed over time (HOFFMANN, 1998).

Conceptual basis of SAR

The conceptual basis of SAR is the social function constitutionally attributed to land ownership. In Brazil, large land properties (*latifundia*), which are not productive, promote land or natural resources degradation, are not conform to labor legislation or contacts, and don't contribute to the well-being of employed workers; may be expropriated with a return payment of the land in titles. Farm improvements and infra-structure is paid cash. The expropriated land is distributed to rural landless workers for the establishment of family based agricultural production. In its practical implementation only the productivity aspect is considered to evaluate the social function of land. Other characteristics of the Brazilian SAR are: i) the agrarian conflicts (e.g. occupation of unproductive area by social movements, with frequent violent reactions of the landowners); ii) a strong popular base organization always pushing the process forward (e.g. MST, catholic church land pastoral, rural workers' unions

confederation, and other popular supporting organizations); iii) legal contest of expropriation acts by the landowners; and iv) a strong presence of the State as central actor leading the process.

The circumstances in the period of NAR establishment

With the end of the military period of government (1964 to 1985) and the reestablishment of a democratic regime, the popular movements for agrarian reform were strengthened, and MST was organized nationally in 1984. At the beginning of President Fernando Henrique Cardoso's period (FHC from 1995 to 2002) the construction of a "*new Brazil*" was concerned with the restoration of democratic principles under a neoliberal and globalized logic. The NAR fit in ideologically and was established as an alternative to the difficult liaison with the strong social movements. The NAR also aimed to handle some of the weak point of the State model such as: i) the high costs of the expropriation processes, ii) reduction in burrocracy, iii) accelerate the access to land and productive resources, iv) promote a decentralized operation at Federal State level, and v) establish direct self-selection and volunteer pathway for application. The suggested design promised at the same time an alternative way for access to land, that was fast, efficient, inserted in a market logic, and in which the conflicts (land occupation) and expropriation weren't essential elements. MST and other popular movements related to agrarian issues immediately opposed the new model, interpreting the NAR as part of a strategy to weaken and becalm them. Also, in the same period the massacre of MST militants in Corumbiara (RO) in 1995 and Eldorado dos Carajás (PA) in 1996 (OLIVEIRA, 2001) raised and caught attention to the topic of agrarian reform dramatically, in both, the Brazilian and international scenarios. After these massacres FHC immediately established the Ministry of Agrarian Development (MDA) and accelerated the

execution of the SAR considerably. Even though, the parallel conduction of the NAR model was continued at that time, and is carried out until present under supervision of the same Ministry (MDA). This scenario was not significantly changed during the first term of FHC's successor President Lula (2003 to 2006) and no concrete political measurements were adopted until now by Lula in his second mandate (2007-2010) regarding changes in the agrarian policy.

The evolution of the NAR in Brazil

The first Pilot Project period: São José project

NAR was first implemented in Brazil in the Northeast State of Ceará in February, 1997 as a pilot project named **São José** Project. **São José** financed the purchase of land targeting landless rural workers organized in associations that should trade directly with the land owners. The credit had a loan component to be paid back by the association following a collectively signed contract. The project also had a grant component for the establishment of infra and social-structures. The grant was used by the associations based on proposals previously submitted and agreed with the project's coordination (GARCIA, 1998a; SAUER, 2004; PEREIRA, 2004). **São José** financed the purchase of 23,400 hectares of land settling 7,000 families with an average cost per family of R\$ 6,083 or R\$ 179/ha. The Brazilian government, World Bank and project coordination considered the results of the beginning phase of **São José** positive, and promising in relation to administrative efficiency and costs. Because of these results the Brazilian government suggested World Bank a new project, named **Cédula da Terra** (WORLD BANK, 2000).

The second Pilot Project phase: Cédula da Terra

The “*land reform and poverty alleviation pilot project*” also known as **Cédula da Terra** was approved in April, 1997. The coverage of the project was restricted to four Federal States (Ceará, Maranhão, Pernambuco, and Bahia) and the north part of Minas Gerais (SAUER, 2004; PEREIRA, 2004). **Cédula da Terra** was operationally initiated in July, 1997 and discontinued in December 31, 2002 (PEREIRA, 2004). The beneficiaries were landless rural workers (contract workers, sharecroppers, tenant farmers) or farmers with less land than necessary for providing subsistence. From 1997 to 2002 the project benefit approximately 15 thousand families on 399,000 hectares of land with a cost per family of R\$ 11,975 or R\$ 191/ha (WORLD BANK, 2003). The beneficiaries associations were responsible to purchase land based on a loan, and for the communitarian investments a grant was also available. **Cédula da Terra** allowed the purchase of any type of rural land, even if unproductive and suitable for SAR (conducted by the National Institute for Colonization and Agrarian Reform - INCRA). **Cédula Terra** introduced an important mechanism to stimulate the bargain during the negotiation to purchase land. The total amount of the credit, ruled regionally by limits, was divided in two parts: part 1 composed of a loan for land purchase, and part 2: a grant component for infra- and social-structure improvements (the same way as in **São José**). The innovation was that a credit limit applied for the sum of part 1 and 2. Thus, buying cheaper land, or reducing its price during negotiation; would result in a greater share of the grant that could be immediately invested in infra-structure. The debt of the loan was based exclusively on the cost of land, stimulating bargain. The exact impact of this mechanism is not clear, but empirical evidences indicate that the cost for land purchase during the **Cédula da Terra** period was equivalent or lower than market prices.

The transition of the pilot phase to a Consolidated Phase

An important fact in the history of the NAR in Brazil occurred in February, 1997 when the parliament issued the Law number 25 from Senator Esperidião Amin (PPB-SC), creating the Land Bank (**Banco da Terra**) and the Land Fund (**Fundo de Terras**), that were finally approved and regulated in February, 1998. NAR was not a pilot project any more nor entirely dependant on resources from World Bank. The Brazilian NAR was secured by a national fund constitutionally ruled to finance the purchase of land by rural workers. Since then, the basic principle of NAR – voluntary transfer of land purchased under market conditions instead of State led expropriation – was formally incorporated in the national agrarian policy under the frame of a legislative regulation approved by the absolute majority of the Parliament (PEREIRA, 2005).

The first consolidated phase: Banco da Terra

Banco da Terra was created in a period of strong opposition of social movements and rural workers unions against NAR. This opposition and the suggestion of an Inspection Panel for **Cédula da Terra** hindered the negotiation with World Bank to support **Banco da Terra** that finally did not happen. **Banco da Terra** was established totally based on the resources of the recently created **Land Fund**. Short before the creation of **Banco da Terra** in 1995, more than 30 social movements including MST, the union confederation of rural workers CONTAG, the catholic rural pastoral CPT, and the Brazilian Association for Agrarian Reform (ABRA) established the National Forum for Agrarian Reform and Rural Justice (PEREIRA, 2005). The Forum was responsible for several actions in Brazil and abroad towards compelling European governments to support an Inspection Panel for World Bank actions regarding NAR in Brazil. The main actions were: i) denounce

Cédula da Terra to Federal Justice for corruption and intentional purchase of land over market prices, ii) supply World Bank with documents showing non-following of the operational rules defined for NAR, iii) articulation with European and USA governments showing irregular actions and political use of **Cédula da Terra**. These actions aimed to enforce World Bank to accept the request for an Inspection Panel in Brazil. In May, 1999 the Inspection Panel refused the arguments presented by the Forum and recommended World Bank not to precede the suggested investigation. Because of this turbulent scenario, World Bank delayed additional support for the Brazilian NAR and **Banco da Terra** was run completely with domestic resources. Also, in **Banco da Terra** the poverty alleviation component was reduced, and all the investments, including infra-structure were included in the loan (**Banco da Terra** had no grant component). **Banco da Terra** targets also changed when compared to the previous pilot programs, allowing beneficiaries with higher income and estate. Another important difference to **Cédula da Terra** that had maximum loans per family of R\$ 15,000; **Banco da Terra** allowed up to R\$ 40,000 or higher in exceptional cases. The majority of the resources during the **Banco da Terra** period were applied in the three Federal States of the South region of Brazil (more developed region), and the individual cost per family were significantly higher than **Cédula da Terra** (WORLD BANK, 2002). **Banco da Terra** was extinguished in 2003 as one of the first actions of the recently initiated government of President Lula in 2003.

The re-start of World Bank investments: The Land Credit and Poverty alleviation Program (CF-CPR)

The discussions around the Inspection Panel contributed to a better articulation of the social movements against World Bank actions in NAR issues. Also, World Bank

delayed for almost two years the requested support for NAR in Brazil during this turbulent period. A legitimate support from one representative organization of rural workers was therefore essential to overcome this period and allow new initiatives. This happened when the national direction of the union confederation of rural workers CONTAG decided to support the negotiation of a new program named Land Credit and Poverty Alleviation (**CF-CPR**), that resulted in additional financial support from World Bank (PEREIRA, 2005). **CF-CPR** started operating in 2002 at the end of FHC's government. The territorial coverage was increased including the nine Federal States of the Northeast Region, Espírito Santo in the South East region. Experimentally the three States of the South region (Rio Grande do Sul, Santa Catarina e Paraná) were also included. **CF-CPR** aimed to benefit 50,000 families divided in 40,000 in Northeast, 5,000 in Southeast and 5,000 in South (WORLD BANK, 2000). Access to the program was possible through workers associations, the same way as in **Cédula da Terra**. In exceptional cases, also individual proposals could be considered, as in was usual in **Banco da Terra**. In **CF-CPR**, areas that qualified for SAR (unproductive *latifundia*) were not allowed for purchase.

Credit (PNCF)

In November, 2003 the Ministry of Agrarian Development (MDA) launched the National Program of Land Credit (**PNCF**) in which the previous **CF-CPR** and the **Land Fund (Banco da Terra)** were unified. At this time a new modality was created, named Consolidation of Family Agriculture (**CAF**) targeting established family farmers, operating with higher loans, and no grant component in the credit for infra-structure or social investments. **CAF** was not supported by World Bank, as it was the case for **CF-CPR** modalities related to the poverty alleviation program (PNCF, 2005). For the young rural workers, targeting the ages between 18 and 28, and aiming to insert the offspring's of family agriculture workers in rural economy, **PNCF** created the **Our First Land (NPT)** modality. When **PNCF** was created the aim was to benefit 50,000 families covering the Northeast, Southeast and South regions. **PNCF** was first implemented in July, 2002 until the end of 2004, first postponed until August, 2006 and again until December, 2007.

Table 1 summarizes NAR periods in Brazil covering its different phases.

Second consolidated period: The National Program of Land

Table 1: Negotiated Agrarian Reform in Brazil over time

Period	Beginning	End	Attended Families	Region (Federal State)
São José	1997	1998	700	CE
Cédula da Terra	1997	2002	15,000	CE, MA, PE, BA, MG
Banco da Terra	1999	2003	34,500	Brazil
CF-CPR + PNCF*	2002	Present	30,583**	Brazil minus AC, AM, RR, PA and AM
Total			80,783	

* CF-CPR = initial period of Land Credit and Poverty Alleviation Program (2001 to 2003); PNCF = National Land Credit Program starting in 2003 with the modalities CF-CPR, Consolidation of Family Agriculture (CAF) and NPT (Our First Land)

** Source: MDA/SRA (2007) Management Indicator Panel. Bulletin 08/07, Year II, April 10th, 2007

Main results of NAR evaluations in Brazil

São José project

The only evaluation that describes **São José** comprehensively was the *Preliminary evaluation of the rural component of São José Project* (GARCIA, 1998a). Field data were collected in seven settlements during the initial period of establishment. The principal objective of the evaluation was to guide the formulation of **Banco da Terra** with information on economic impacts and the payment capacity of the beneficiaries. The survey was expeditious (three week of total survey time), and coincident with a year of severe drought in the projects region, thus limiting the comprehensiveness of the findings. The program had positive economic impacts on the income of the families, mainly because of the increase in self-consumption. The increase in income varied between 450 and 800% when compared to the income previous to the project. Although, only in a few cases the projection of monetary income was sufficiently high to insure the payment of the loan, despite of the use of optimistic indexes during modeling, avoiding the bias of the data collected in a severe dry year. The restrictions were related to climatic conditions (semi-arid climate) and the low technological level adopted for agricultural production. The evaluation suggested changes and improvements for the program, as: *i)* longer contract term, *ii)* reduction of the financial interests, *iii)* reduction of the time for access the infra- and social-structure resources, *iv)* increase the participation and the responsibilities of the associations, *v)* decentralize the elaboration of the agricultural projects, *vi)* produce and distribute informative material about the project, and *vii)* include a grant component for technical assistance contracts.

Cédula da Terra

Cédula da Terra is the period of the Brazilian NAR better covered by evaluations and academic studies. The main evaluations are: *i)* Preliminary evaluation of projects from **Cédula da Terra** in the State of Bahia (GARCIA, 1998b), *ii)* Preliminary evaluation of projects from **Cédula da Terra** in the State of Ceará (CORRALES, 1998), *iii)* **Cédula da Terra**: preliminary results, challenges and constrains (BUAINAIN, 1999), e *iv)* Impact evaluation of **Cédula da Terra** (BUAINAIN, 2002 and 2003).

The *preliminary evaluation of projects from Cédula da Terra in the State of Bahia* (GARCIA, 1998b) conducted field studies in 1998 to subsidize the first evaluation of the program launched in 1997. The sampling procedure was carried out in 16 associations. The results showed good targeting, and most beneficiaries were landless rural workers, temporary workers, or small farmers (holders or sharecroppers). In most cases the family income previous to the project was bellow one minimum wage. Land was purchased at market prices or even lower. The production systems resembled the local and regional family agriculture, and, eventually, crops that were expanding in the region. Also, in some cases, production systems technically dubious and not adopted by other farmers were suggested by the beneficiaries. In these cases, there was always a need for high investments, not accessible for the families. The prediction models based on the suggested production systems showed and estimation of a considerable increase in income, but still not in all cases sufficient to guarantee the payment of the credit debts.

The *Preliminary evaluation of projects from Cédula da Terra in the State of Ceará* (CORRALES, 1998) aimed the assessment of **Cédula da Terra**'s implementation at institutional and field level. A case study methodology was used by selecting five settlements in distinct ecological zones, in order to permit the comparison of different production systems.

The study evaluated: *i*) the institutional arrangement, *ii*) selection criteria for beneficiaries and land, *iii*) components for the definition of land price, *iv*) agricultural system types, *v*) payment capacity, *vi*) recommendations, and *viii*) projections. The experimental design was composed of 13 interviews for economic and projection assessment, 5 aiming the analysis of the origin and trajectory of the workers associations, and 5 describing the agricultural systems. As main results, the study showed that the institutional design was not articulated. The result was a morose procedure, mainly for the approval of the grant for infra- and social-structure investments. The consequences for agricultural production and well-being in the projects were noticeable. The associations had limited experience for trading and planning agricultural production. Infra-structure and estate deficiencies were also present. The associations were not capable to organize adequately the collective work and didn't participate actively during the negotiation to purchase the land that was leaded by the **Cédula da Terra** representatives. Most of the beneficiaries were sharecroppers and rural workers, thus in the targeting group of **Cédual da Terra**. Some leakage of the targeting group was also observed. In the semi-arid and altiplano regions, the beneficiaries had insufficient capital to completely occupy and produce on all land that was purchased. The production, organization and financial condition of the beneficiaries were considered mostly precarious. The author considered that the payment of the debt was conditioned to additional investments, improved agricultural production and technical assistance.

*The **Cédula da Terra**: preliminary results, challenges and constrains* (BUAINAIN, 1999) survey was carried out from December, 1998 until July, 1999. Field data were collected in 116 settlements covering the five Federal States **Cédula da Terra** was active. The president or director of the workers association responded to one

questionnaire, and a random selection of families in each project was also surveyed. Also, the analysis considered information from local administrators of **Cédula da Terra**. Among the several objectives of the survey, we will show the results of the socio-economic profile of the beneficiaries and some important findings of the establishment period of the projects. **Cédula da Terra** showed good targeting, with almost no leakage in relation to the defined profile. In the five Federal States the predominance of beneficiaries were temporary workers, small producers (sharecroppers, tenant farmers), and others cultivating little land with subsistence crops. The beneficiaries were composed of experienced rural families, with no or little estate, and income that placed them beyond the poverty line (in some cases beyond the extreme poverty line). The average annual income form the beneficiary was R\$ 958 during 1998, equivalent to 73% of a minimum wage at the survey time. The average annual family income was estimated in R\$ 2,057 also for 1998. Considering the mean number of residents per family of 5.2 persons, the monthly per capita income was R\$ 33 (beyond the poverty line). The illiterate members of the family represented 14%, another 45% of the family member had formal education between the 1st and the 4th grades, and 14% between the 5th and the 8th grades. Only 25% of the beneficiaries were resident in the projects, 23% lived in other rural areas close to the purchased areas, 21% in villages, also located near to the projects, and 31% in urban areas. 57% of the families had good living and housing conditions before **Cédula da Terra**. Each Federal State organization, locally responsible for **Cédula da Terra**, differently influenced the projects establishment and administration, prevailing local priorities. The normative and operational procedures were not lined-up with the high intensity of program implementation, thus not completely followed. By the time, local organizations selected preferably the poorest within the targeting group, and the author suggested

that future surveys should evaluate the payment capacity of this selection bias. Regarding social and organizational capital, the associations were not prepared to achieve the goals aimed for them.

The Impact evaluation of Cédula da Terra (BUAINAIN, 2002) is important because additionally to evaluate **Cédula da Terra**, this study aimed a comparison with SAF settlements from INCRA. The beneficiaries' selection from **Cédula da Terra** and INCRA showed a differentiation between these two groups and the regional rural poor population. In both cases, the beneficiaries had a more precarious socio-economic condition in comparison to the regional population outside the programs (before joining the agrarian reform programs). Also, in both cases, most of the beneficiaries were landless rural workers with migration experience and non-rural employment. Targeting was efficient in both cases. The positive impact on income was greater for INCRA beneficiaries that also started with a lower level of income (R\$ 982 for **Cédula da Terra**, and R\$ 871 for INCRA), in 1997. After three year the income was similar for both groups. In 2000 R\$ 3,273 for **Cédula da Terra**, and R\$ 3,334 for INCRA. Although, the income comparison had methodological restrictions, because INCRA settlements were created before **Cédula da Terra** projects, thus not completely comparable. Unfortunately, no other survey allows a better assessment on this topic. Any result in the survey showed significant differences between **Cédula da Terra** and INCRA.

The Impact evaluation of Cédula da Terra (BUAINAIN, 2003) complemented the previous study and focused the socio-economic impacts of **Cédula da Terra**, the evaluation of agricultural production and productivity, and the income of the beneficiaries compared to the reference period of 1999 (beginning of **Cédula da Terra**). No control group was established for a complete impact assessment, because the study aimed mainly the progress trend and quantification of the projects. The

families showed progress in both, the establishment of agricultural production and increasing income. The families total income was R\$ 2,057 in 1998, R\$ 2,672 in 1999; and reached R\$ 5,777 in 2003. The increase in income from 1998 (previous to **Cédula da Terra**) and 2003 was in average 181%. Net income in 2003 was R\$ 4, 913. During the same period, the mean income of the rural poor population slightly decreased regionally. The main agricultural systems were based on annual crop and subsistence production, but with increase in production trade, starting with 13% in 1998 and ending up with 33% in 2003. The authors suggested increase the amount of credit and technical assistance, in order to reduce production inefficiencies. The production activities in the projects were sufficient to occupy the beneficiaries and their families, evidenced by a reduction of income form outside. Substitutions (official and informal) of beneficiaries were usual.

Banco da Terra

Despite the comprehensiveness of **Banco da Terra** that benefited 34,500 families, only few studies focus on it. A recent survey, that should be pointed out, was made by the Department of Rural Socio-Economic Studies (DESER) that evaluated the payment capacity of the beneficiaries from the South region, where the program was more active (NUNES, 2006). **Banco da Terra** operated between 1999 and 2003 (when it was substituted by the CAF modality of PNCF), and in this period financed 17,886 projects covering 1.4 million hectares, and 34.5 thousand families. In total, R\$ 731 million of loans were distributed. Approximately 54% of this budget was applied in the South region that encompasses 48% of the beneficiaries. The experimental design selected six municipalities (3 in RS, 2 in SC and one in PR) in which approximately 30 beneficiaries were interviewed (a total of 181 questionnaires). The results indicated that access to land increased. Before **Banco da**

Terra the farmers had in average 0.5 ha of own land and leased other 2.5 ha. After receiving the credit the own farmland was increased to an average of 12.9 ha and the leased are decreased to 0.7 ha. 64% of the beneficiaries declared that the debt parcels were not yet due. From the 40% that declared due parcels (7% didn't respond this question), 18% declared they had no financial condition to pay the debt. The projections taking into account the yield of 2004-05, indicated that 60% of the **Banco da Terra** beneficiaries had conditions to pay the program debts together with Pronaf-A (a special production credit available after joining agrarian reform projects). These projections deducted from income the expenses with the family maintenance. Also, 62% of the beneficiaries had monetary savings at the survey period. The beneficiaries from **Banco da Terra** formed a very heterogeneous group in relation to income, with a large variance.

The Land Credit and Poverty alleviation Program (CF-CPR)

CF-CPR was comprehensively evaluated in two occasions: i) Diagnosis of the **CF-CPR** projects (SPAROVEK et al., 2003) and ii) Trajectory of **CF-CPR**: from establishment to consolidation (BRASIL/MDA/SRA, 2006)

The 2003 evaluation (SPAROVEK et al., 2003) reflected the condition of 174 projects of the 226 existing in July 6th, 2003 with field interviews between October and November, 2003; covering the initial establishment period of the projects. Targeting was adequate in relation to two aspects: i) the selection of beneficiaries followed the rules defined in the operational manual of the program, ii) in the large universe of eligible families the lower income profiles prevailed. The poorest among the poor were selected by the self-indication procedure. Illiterate had lower access to the credit, when compared to average rural population. The average age of the beneficiaries was 39 years, and the

families were composed of 6 members of which 3.6 occupied with production in the projects areas. Approximately 1/3 of these were resident in the projects. The associations were stable with little members' alterations or abandon, and were most constituted of members with previous communal experience or kinship. The mobilization to purchase land was in average a period of 15 months, after which, in approximately 4 months the first families occupied the projects with production or infra-structure implementation. The majority of the families came from neighborhood areas and only one option of land was considered for purchase, usually located close to urban areas. The representative of the rural workers union participated during the association's organization and the representative do **CF-CPR** administration during the price negotiation for land, but in a non-continuous way. Technical assistance was present, but only available for 1/3 of the families. The mean education of the beneficiaries was in the cycle between the 1st and the 4th grades. Agricultural production was not implemented in most areas, but if present, concentrated in individual areas. The income, considering the condition before and after the credit was similar because most production activities in the new areas had not been started and the previous agricultural sites were still in use. Considering only the group that occupied the areas with production, an increase in agricultural production income was evident. This increase was due to land ownership, because of the reduction in cost for leasing land or sharecropping. The standard of living increased in all analyses items such as housing conditions, access to electricity, sanitary conditions, garbage disposal, telephone, refrigerator, and own transport by car or motorcycle.

The 2006 survey (BRASIL/MDA/SRA, 2006) was developed by the same research group that worked in 2003. A sample of the projects visited in 2003 (establishment period) was re-visited in 2005 (initial consolidation period). The evaluation was

based on the evolution over this period. The transition from the establishment (2003) to the consolidation period (2005) brought important changes in dynamic and structure to the projects. The families occupied and transferred housing to the new areas; infrastructure especially housing and sanitary conditions improved, individual agricultural production was present in almost all cases, and new initiatives in post-harvest processing and value aggregation were more frequent. The rapid and important changes that reflected in an increase in well-being were highly dependent of the grant part of the credit designated to social and infrastructure investments. The consolidation phase also increased significantly the income of the beneficiaries that changed their position in relation to the regional condition. The income of the beneficiaries was inferior to the regional level of eligible rural population by the time of entrance in **CF-CPR** (2003), and after the beginning of the consolidation period (2005) the income of the beneficiaries was significantly superior. This increase in income was directly related to the new land occupation, to better agricultural production conditions, and a better insertion of the families in the local labor market (salaries and temporary work). The better insertion in labor market can also be attributed to a greater stability of the families regarding housing and future perspectives. External effects, such as income transfer programs, pensions, retirement funds, and other non agricultural income sources also, sum together, represented an important income increase. The intensification of agricultural income (increase in area, productivity, and more profitable trade), and the better performance in the labor market also were considered to have the greatest potential for income increase in the future. Quantitatively, some changes of the condition of the projects in 2003 (establishment period) and 2005 (initial consolidation period) were: i) in 2003, 8% of the beneficiaries lived exclusively in the projects that was changed to 66% in 2005 (in 99% of the cases the house was build by

masonry); ii) the average annual income per family in 2003 was R\$ 1,656 changing to R\$ 4,064 in 2005, the latest greater than the mean regional rural income; iii) agricultural production was undertaken by 37% of the beneficiaries in 2003 increasing to 82% in 2005; iv) the annual income from agricultural production in 2003 was R\$ 460, increasing to R\$ 1,210 in 2005, and the number of beneficiaries that traded agricultural products doubled.

The challenges for the permanence of NAR in Brazil

The political scenario for the permanence of NAR

The political scenario and the institutional arrangements favor the permanence of NAR in Brazil, and possibly, its intensification. The factors that confer stability to NAR are:

- NAR is independent of international financing or national budgets negotiated specifically. With the creation of the **Land Fund** in 1998, the financial resources for NAR were constitutionally guaranteed.
- NAR is supported by the rural workers union confederation (CONTAG) that is spread over the entire Brazilian territory, and a legitimate representative of rural workers. CONTAG was historically responsible for important victories of rural workers.
- With the exception of some Federal States, NAR counts with a diverse and decentralized supporting network; setting-up an extensive cooperative chain comprising municipalities, State governments, official and private technical assistance institutions, NGOs. All these act together with the official partner from the rural workers union movement (CONTAG).

- Coexistence over 10 years of two models of Agrarian Reform (NAR and SAF) with its implementation being supported most of the time by the same Ministry (MDA). The ideological disputes between the two models were not strong enough to discontinue one or other and institutional room is available for both.
- The positive results of independent research of at least two periods of NAR (**Cédula da Terra** and **CF-CPR**), indicating its feasibility and payment capacity of the beneficiaries. In 2004, 85% of the **Cédula da Terra** associations were up-to-date with the debt payments and several were still negotiating credit contract changes. More comprehensive and official data on debt payment are not yet available and most contracts of the recent NAR periods are not due until present. With these payments, the cycle of the **Land Fund**, with decreasing input of external resources will be initiated, providing a more independent investment capacity in short time.

The Challenges for the future

Within the permanence scenario, several important questions still don't have an adequate answer and important issues will have to be addressed.

- **Comprehensiveness:** considering NAR has a market based credit approach an important issue always will be the payment capacity of the beneficiaries. As a social inclusion policy, considering that most of the NAR is conducted under the frame of a poverty alleviation program, the inclusion of the poorest under the poor should be prioritized. Conciliate these two concepts in a self-demand driven model is still a challenge. Conduct the RAN in extremely poor regions, reduced social and organization capital, strong deficiency in institutional support and limited natural resources (e.g. the semi-arid part of Northeast region) may compromise the payment capacity, not occur naturally by self-demand, and need induction mechanisms (not present in current NAR implementation in Brazil).
- **Self-demand:** recent evaluations of **CF-CPR** (BRASIL/MDA/SRA, 2006) indicated that even the poorest of the eligible, and the less educated (illiterate) progressed similarly as more favored beneficiaries, considering income and well-being indicators. Although, those with better education and greater social and organizational capitals have a more privileged access to NAR by the self-demand mechanism. Considering the poverty alleviation objective of NAR this bias is not desirable.
- **Credit limits:** the credit in all modalities of NAR is regionally limited. The limits exclude more developed regions, in which the market price of land is high. The increase of these limits to adjust to the market, may attract non-poor beneficiaries to NAR. The maintenance of low credit limits, necessarily from this point of view, reduces the territorial coverage of NAR, excluding the more developed regions, and, consequently, the poor rural workers and farmers from these regions.
- **Evaluation and monitoring:** despite NAR is present in Brazil for 10 years, the availability of empirical studies is limited, and almost all composed of case-studies. No systematic, comprehensive and continuous monitoring is performed. Operational problems and deficient institutional designs or arrangements are therefore not detected in time to avoid damages that may generate liabilities, considering environmental impacts, inclusion of non-eligible beneficiaries (leakage), or compromise agricultural production performance that may reduce payment capacity. Increasing monitoring is essential to improve NAR, to publicly justify the invested resources, and validate NAR in the very diverse regions

it is adopted. Different regional performance is expected to occur. In the year 2006 two robust surveys started with a complete project impact assessment design (including control group and probabilistic sample), one for **Cédula da Terra** and the other for **PNCF**, but results are not yet available.

- **Land market:** in regions of intense adoption of NAR, suitable land (considering the credit limits) tend to become scarce, consequently increasing market prices. Monitoring land markets is important to identify and quantify this trend, and to allow payment conditions for the beneficiaries. In all modalities of NAR the credit for land acquisition is considered a loan (and not a grant as for social and infra-structure investments in the modalities of NAR inserted in the poverty alleviation program). The purchase of land above its market price may compromise the beneficiaries' payment capacity.

Summary and final remarks

The comprehensiveness of the future targets of NAR and the past implementation rates suggest that NAR will not significantly revert the extreme land property concentration in Brazil. Its action will be localized, inserted in poverty an alleviation context (mainly in the Northeast and North

regions) and important to sustain a family farm based rural landscape in some parts of the South and Southeast regions (**CAF** modality that operates with higher credit limits).

Within these objectives and aims, the Brazilian NAR showed an important evolution over time, moving from a pilot project period, dependent of international resources (1997 to 1999) to a national policy, supported constitutionally (1999 to present), with increasing performance since then. Also, from 2002 to present, NAR is supported by the strong rural workers union movement, assuring popular representativeness. From that time on, a wide cooperative network was also constructed. Despite methodological weakness, data collected until present indicate that the payment capacity is guaranteed (probably with exception of a grater part of **Banco da Terra** beneficiaries), assuring the effectiveness of the **Land Fund**. All these move towards RAN independence and stabilization.

The greatest challenges are related to its expansion in extreme poor regions and restricted natural resources, improvement of monitoring and evaluation procedures, the maintenance of targeting on the poorest among the eligible (considering the poverty alleviation modalities), and the non-negative interference in land market prices in regions where RAN is more intensively present.

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