

The role of IFAD in a middle-income country such as Brazil

With a gross national income (GNI) per capita of approximately US\$4 730¹, Brazil is classified as an upper-middle-income country (MIC). The first country programme evaluation on Brazil, undertaken by the Office of Evaluation in 2007, revealed that the country's requirements differ significantly from those of low-income countries or fragile states supported by the Fund. The purpose of this *Insight*, therefore, is to contribute to the ongoing debate, both within IFAD and elsewhere, with regard to finding ways and means of better understanding the needs of MICs in order that international organizations such as IFAD will be able to deliver better products and assistance in response to their needs.



One question raised by this *Insight* is: **Why are Brazil's requirements from IFAD different from those of other countries?** Here, it must be borne in mind that: (i) Brazil has a relatively wealthy economy and thus allocates sufficient domestic resources to agriculture and rural development (almost US\$5 billion in 2006); (ii) with its limited financial resources, IFAD's investments in a country such as Brazil are, on the whole, small – around US\$140 million since the beginning of its operations there, whereas both the Inter-American Development Bank and the World Bank have invested far more resources in the country's agriculture sector; and (iii) Brazil possesses capable institutions, human resources and expertise in agriculture and rural development - an uncommon feature of low-income countries and fragile states.

Other questions deserving of attention are: **Why is it important for IFAD to continue its engagement in Brazil, and why is IFAD important for Brazil?** These questions are of crucial importance, especially considering that – albeit limited – IFAD's loans to Brazil have been provided on 'ordinary' lending terms (broadly similar to interest rates available on financial markets) compared with the 'intermediary' or 'highly concessional' terms granted to other borrowers. Moreover, one might argue that Brazil could obtain resources for agriculture and

rural development from capital markets, without binding itself to the types of conditions imposed by international organizations like IFAD, such as those pertaining to monitoring and evaluation, reporting, procurement procedures, auditing, and so on. So, what is it that makes Brazil important for IFAD and IFAD important for Brazil?

IFAD's main interest in Brazil is to contribute to reducing its rural poverty (the country accounts for 30 per cent of all rural poor in the Latin America and the Caribbean region). Continuing to work in Brazil will allow IFAD to make a meaningful contribution to attaining a number of the targets contained in the Millennium Development Goals; and while there is indeed scope for further improvement the CPE notes that the Fund has already contributed to increasing rural incomes, advancing water security and improving the livelihoods of its target groups in the country. However, with regard to its operations in Brazil, IFAD will need to pay more attention to defining the mutually-reinforcing roles of the Federal and State Governments in pursuit of their common agenda to reduce rural poverty. Last, but not least, by taking a proactive role in Brazil, IFAD can also contribute to ensuring stronger dialogue and partnerships with the Federal Government, for example, in terms of the important role that Brazil has always played both in the governance

of IFAD and in the periodic replenishment of its resources.

From the Brazilian perspective, IFAD remains an important international development organization. Indeed, IFAD is the only one with the exclusive mandate of reducing rural poverty through investments in agriculture and rural development, which singles it out from other international development agencies operating in the country. While the financial resources provided by IFAD are important, Brazil's main interests lie in being able to access the Fund's knowledge and experience in agriculture and rural development in other countries and regions, as well as in its flexibility and low transaction costs. In this regard, by financing quality projects and programmes focused on promoting innovative approaches, IFAD will be able to play an even stronger role in furthering Brazil's overall efforts to reduce its rural poverty. For example, IFAD has helped to promote bottom-up, participatory approaches to agriculture and rural development as well as technical innovations for promoting water security that are now being replicated by other parties, including the State Governments.

IFAD should pay more attention to finding ways and means by which it can best promote innovative approaches to reducing rural poverty, for subsequent scaling up by the Government and other partners such as international financial institutions and the private sector. Indeed, the crucial importance of replicating and scaling up innovations constitutes the ultimate test of IFAD's ability to promote innovations. This, however, implies that the Fund should now concentrate more on non-lending activities in the country, such as knowledge management, policy dialogue and the forging of partnerships – all of which are essential if innovations are to be promoted successfully. A more permanent country presence and direct supervision/implementation support of IFAD-assisted operations would also help to more effectively further IFAD's innovations agenda in Brazil.

Wider and more strategic use of IFAD grants could contribute both to identifying innovations and documenting good practices and lessons learned for knowledge-sharing purposes, and to

promoting pro-poor policy dialogue on critical issues related to agriculture and rural development of concern to Brazil and its involvement in the Southern Cone Common Market (MERCOSUR).



Agriculture is an important source of exports and employment in Brazil. Family agriculture accounts for 85 per cent of farms, 30 per cent of the farming area, and employs some 14 million people in more than 4 million farms.

Photo: Dom Helder Camara Project

The Government of Brazil is also interested in collaborating with IFAD in promoting economic and social development both in Latin America and the Caribbean and other regions, especially in the lusophone countries of Africa. IFAD's recent initiative to support Brazil's engagement in policy dialogue at the subregional level through a grant for the Seventh Specialized Meeting for Small-Scale Agriculture (REAF)² constitutes just one example of the Fund's collaboration with the Federal Government, while the establishment of a regional office of the Brazilian Agricultural Research Enterprise³ in Ghana also demonstrates Brazil's interest in strengthening development cooperation with Africa.

¹ Middle-income countries are classified into lower MICs, middle MICs and upper MICs, depending on their GNI per capita.

² A grant provided by IFAD to enable small farmers' organizations to participate in policy dialogue within the Commission on Family Farming of MERCOSUR.

³ A leading Brazilian research institute concerned with agricultural issues.

Further information:

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