

Third Party Evaluator's Opinion on Brazil's Jaiba Irrigation Project (II)

The agricultural sector in Brazil has been rapidly growing and the country has been considered a major player in world agricultural trade. Exports of agricultural commodities have played a critical role in stemming Brazil's growing trade deficit. Between 1994 and 1996 the agricultural sector contributed \$25.3 billion to the trade balance, or an average of \$8.4 billion per year. Still, the majority of agricultural production in Brazil serves the domestic market. To understand project's relevance, it is important to stress that Brazil has two distinct agricultural areas: The southern part of the country with a semi-temperate climate, higher rainfall and better soils, higher technology and input use, that contribute for the producing of most of Brazil's grains, oilseeds and export crops. The other area, located in the drought-ridden northeast and the semiarid region, lacks well-distributed rainfall, good soils, adequate infrastructure and especially development capital plus technologies. This is the case of the northern part of the Minas Gerais state, periodically submitted to adverse natural conditions such as drought and other constraints like inadequate physical infrastructure and shortage of production inputs. Despite the adverse conditions, the region is responsible for 20% of the national agricultural production, producing sugar cane, sisal hemp, and cotton wool in particular.

Objective

To face those issues, the Brazilian government launched in 1986 a 5-year Irrigation Program the Programa de Irrigação do Nordeste (PROINE) objecting to irrigate approximately 740,000ha in the northeast Brazil. Conceived under PROINE's guidelines, was the Jaiba agriculture infrastructure development district (approx. 744,200 ha), located in the São Francisco valley, northern part of Minas Gerais state, an irrigation project plan aiming to improve of the socio-economic conditions of the region by expanding the irrigated area, improving agricultural productivity and diversification of agricultural products. The project objective is to construct irrigation infrastructure and provide agricultural financing to individuals and agricultural cooperatives in order to expand the irrigation area and to improve agricultural productivity, thereby contributing to promoting the development of the region and enhance socioeconomic conditions in the rural area of Minas Gerais State.

Relevance

Project relevance is reinforced by Brazilian Federal Government's assignment in the PPA - Plano Plurianual 2004-07 (Multi-Year Plan) of R\$¹20 billion (approx. US\$12.5 billion) for the agricultural sector, out of which US\$7 billion for the PRONAF, a federal program to support producer settlement through the development of rural infrastructure and agricultural credit. Also the government of the Minas Gerais State places agriculture as the state's core industry and considers implementing third and fourth phases as Jaiba Irrigation Project as one of its priority projects.

Sustainability

Although Project's outputs has been affected by several changes, like the change of beneficiaries (from 700 small producers in parcels of 10-20 ha to large-scale producers and enterprises, from hundreds to 3000 ha), the shift seems to have helped the development of employment creation and irrigation project by medium to large producers and enterprises. On the other hand, credit for agricultural cooperatives was not executed due to inactivity of the small-scale producers that could not face the constraints like raising production costs (mainly energy and wage) and other difficulties to send their production to the markets. But, while the shift in the scale of beneficiaries is showing to be a solution for the economic development of the region, at the same time the project cannot be sustainable if the small, subsistence culture workers, that once were the aimed beneficiaries, remain unassisted, or worse, have to get back to their earlier condition. Although rural poverty has fallen significantly in Brazil, still the

¹ Exchange rate: US\$1 = R\$1.6 (April 2008)

situation of the rural poor has not improved enough, and poverty has become increasingly concentrated in the North and Northeast regions, which calls for targeted measures and the exploitation of alternative production opportunities, like promoting contract production with landowners or be employed as tenant farmers, which was considered by many local producers a more stable situation.

Impacts

Impacts are not yet really assessable, since the project completed very recently. But considering some delays and the new profile of beneficiaries, as well as other changes some positive outputs are already noticeable: After the change of policy fostering the participation of large-scale producers and enterprises, a more secure and stable level of production seems to be achieved: From the end of 2003 to nowadays, 14 large-scale producers or enterprises hold 8,200 ha, approximately 50% of the irrigable land. It is expected that the agricultural production of the Jaiba 2 area will grow greatly in the next few years. Also there have been registered improvements of agricultural productivity. Items like bananas (which had earlier been almost decimated by diseases), pineapple, ponkan, corn and other cultures have almost duplicated due to recent access to technology, research into varieties and cultivation techniques, technical guidance opportunities fostered by government organizations and improvements of soil conditions.

Finally, Project regions are beginning to attract new investments and are becoming increasingly important as exporters of tropical fruits and bio-fuel materials, nowadays extremely important for the energy business. Some new enterprises are helping to launch region-wide economic benefits, like, for example, a major Brazilian distribution company (SADA) that is investing in bio-ethanol fuel. Not only has just started a new plant operation that is supposed to produce 600,000 liters of bio-ethanol fuel daily (which requires *circa* 13,900ha of planted area) but also, together with a Japanese enterprise is starting to conduct research about Pinhao Manso as an alternative bio-fuel source that, if successful, will start a new era of development for the region: Jaiba district has potential to be an important area of the energy businesses². Other important projects are starting in the Jaiba area, such as the production of concentrated fruit juices, tomatoes and other fruits for export as bananas, pineapple, among others.

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² In Brazil, bio-ethanol fuels have already been adopted as a substitute for petroleum fuels in automobiles. Nowadays the demand is rising worldwide due to constraints on the use of petroleum and other non-renewable energies.