

**PROGRAM INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

January 24, 2014  
Report No.: 84989

<b>Operation Name</b>	PIAUI: Sustainable Growth and Social Inclusion Development Policy Loan (DPL)
<b>Region</b>	Latin America and the Caribbean
<b>Country</b>	Brazil
<b>Sector</b>	Sub-national government administration (20%); general water/sanitation/flood (20%); general education (20%) health (20%); public administration/agriculture (20%)
<b>Operation ID</b>	P146981
<b>Lending Instrument</b>	Development Policy Lending
<b>Borrower(s)</b>	State of Piaui, with the counter-guarantee of the Federative Republic of Brazil
<b>Implementing Agency</b>	Piaui State Secretariat of Planning
<b>Date PID Prepared</b>	January 24, 2014
<b>Estimated Date of Appraisal</b>	April 2014
<b>Estimated Date of Board Approval</b>	June 16, 2014
<b>Concept Review Decision</b>	February 12, 2014

**I. Key development issues and rationale for Bank involvement**

Over the past two decades, Brazil has made significant advances in terms of economic management, poverty reduction, and improvement in social indicators. The share of the population living in extreme poverty fell from 10.5 percent in the early 2000s to 4.7 percent in 2011, while the Gini coefficient, a measure of income inequality, fell from 0.59 to 0.53 over the same period. The country is recovering from a slowdown that started in mid-2011, driven by both external and domestic factors. Brazil's growing population is demanding actions to improve governance and the delivery of public services, as highlighted by mass demonstrations in major cities during the second half of 2013.

The state of Piaui, in Northeast Brazil, has also experienced strong economic growth over the past several years, mainly due to the expansion of Piaui's agricultural sector, Piaui's economic growth faces sustainability issues since it is largely based on the exploitation of natural resources which is, in turn, characterized by unorganized occupation of large land areas, that is, often times, unregulated. Piaui's social development indicators are low: poverty and extreme poverty rates are far above the national average. Approximately 21.73 percent of Piaui's population lives in extreme poverty. The situation is exacerbated in rural areas, where 54 percent of residents are considered poor and 40 percent live in extreme poverty. In 2011, Piaui's annual per-capita income of R\$ 7,835 was the second lowest in Brazil, well below the national average of R\$ 21,252.

The proposed DPL is aligned with the objectives of the Brazil Country Partnership Strategy (CPS) for 2012 – 2015 (Report 63731-BR, discussed by the Executive Directors on November 1, 2011), especially with the objective of developing new partnerships at subnational level and focusing on the country's pending environmental and poverty reduction challenges.

## II. Proposed Objective

The proposed development objective is to continue to support the Government of Piauí (GoPi) in its efforts to promote sustainable growth and social inclusion. Specifically, the program is comprised of the following pillars:

**Pillar 1: Promote sustainable growth in rural areas**, through the improvement of land tenure security, employment and income growth for subsistence and small scale producers, sustainable agriculture, water resources management, and rural fire prevention, control and combat.

**Pillar 2: Promote social inclusion** through the enhancement of education and employment opportunities for vulnerable youth, and improved health attention to the poorest and most vulnerable groups.

**Pillar 3: Enhance public management** through increased efficiency in public expenditure management and result-based monitoring.

## III. Preliminary Description

**Pillar 1, promotion of sustainable growth in rural areas**, comprises of land-tenure regularization for small-scale producers as well as for 300,000 acres of land occupied by medium and large producers, and the establishment of an integrated system for processing such regularization, particularly that of public land sold to private actors in the future. Going forward, this system seeks to underpin a more transparent, competitive and systematic allocation of natural resources and water rights in Piauí's Cerrado, one of Brazil's last agriculture frontiers and half of which remains yet to be occupied.

With the support of the proposed DPL, the GoPi will complement and enhance land management reforms initiated in 2013. By providing land titles to small holders, predominantly subsistence and small scale producers, the GoPi will facilitate their access to financial and other assistance programs, and it will protect their land rights in the context of land conflicts, especially in situations involving large landholders. Also, consistent with State Law No. 6,127/2011, the government will sell through public auction suitable, as yet unoccupied or unclaimed state public land and regularize through sale at established prices, land currently occupied by medium and large scale producers who have applied for regularization under this law. These interventions will generate tax revenues to help finance public services for the poor which will help prevent future land conflicts. Under this same pillar, the *Corregedoria de Justiça*<sup>1</sup> will establish the function of land regularization services as part of its operations. An adequately resourced nucleus will support the *Corregedoria* to supervise the *cartorios*' compliance with the Code of Norms

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<sup>1</sup> The *Corregedoria de Justiça* is the Judiciary institution in charge of supervising the *cartorios*.

and Procedures for Notary Offices to establish consistent data quality and service standards for land information management in the State.

This pillar also seeks to increase employment and income in rural areas. The DPL promotes interventions in rural activities aimed at improving family and subsistence farming by providing technical assistance to the most vulnerable groups so they can gain access to new markets and receive business mentoring. The State Program for Employment and Income Generation in Rural Areas (PROGERE) also implements educational campaigns to ensure the sustainability of undertakings by these farmers. The proposed DPL will support the GoPi's improvement of PROGERE's positive impacts by focusing on a smaller number of project types targeted to poor communities in each Development Territory. It is expected that 2,000 additional families in rural areas in the state will benefit from PROGERE.

Likewise, the GoPi will create a State Plan of Low Carbon Agriculture (ABC-PI), modeled on its federal namesake,<sup>2</sup> to improve systems and good practices for sustainable use and management of natural resources, thereby encouraging the development of GHG reducing-emission technologies and increasing fixation of atmospheric CO<sub>2</sub> by vegetation and soil. The program will be informed by a diagnosis of Piauí's major rural productive chains, detailed by family and commercial farming. By adopting sustainable management practices, registered in an Annual Crop Plan, producers will be eligible for special credit lines. This program is targeting a reduction of CO<sub>2</sub> emissions for 2014 in comparison to a baseline estimate of CO<sub>2</sub> emissions of business as usual scenario for Piauí's agricultural sector.

Additionally, in terms of water resources management, the proposed DPL will support the creation of a "State Registry of Water Users" (CEARH) to improve and complement the information contained in the national system, and to assist the State Secretariat of Environment and Water Resources (SEMARH) to ensure the availability of water for human consumption, especially in semi-arid regions; ensure the supply and quality of ground and surface water for its intended purposes; regulate and control the use of groundwater and surface water, including clear and transparent allocation of water rights; and regulate the flow of the Parnaíba River and its tributaries to prevent and mitigate periodic flooding of large tracts of land and promote their resources for navigation, irrigation and power generation.

Piauí faces problems related to rural fires every year. Uncontrolled fires can easily spread to large areas in the dry season and may destroy cultivated areas, indigenous lands, protected areas and legal reserves, affecting hardest the poor. After a rural fire, poor farmers do not have sufficient resources and technical support to adequately recover their lands, nor adequate health treatment and other public services to mitigate the effects of such events. To support GoPi's efforts to prevent, control and combat rural fires, the proposed DPL will support institutional reforms targeting priority areas according to critical parameters including rainfall, vegetation, productive activities, poverty incidence, responsiveness of local government agencies and historical fire occurrence.

**Pillar 2** seeks to **promote social inclusion** by means of: (i) improving education and employment opportunities for the youth; and (ii) improving health conditions of the population exposed to poverty-related diseases. For the first aspect, the GoPi will transform the educational

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<sup>2</sup> At the federal level, the ABC Plan is promoted by the Ministry of Agriculture, Livestock and Supply (MAPA), the Ministry of Agrarian Development (MDA) and other public and private sector stakeholders.

incentive program “More Life Scholarship” (*Programa Bolsa Mais Viver*, PBMV) in a long-standing State policy. The program’s purpose is to reduce school drop-out and repetition in secondary education by granting annual stipends to students for each of the three years of secondary education successfully concluded. The State’s target is to increase municipality enrollment in the program from the current 44 to 88 municipalities by 2017, representing an additional 10,500 students.

In the health sector, it is important to note that, at present, facilities and staffing are insufficient, especially in rural areas serving the most vulnerable groups; management and coordination are weak; and too many patients are transferred to the capital, Teresina, to receive health care. Communicable diseases still play an important epidemiological role in Piauí, especially for the poor. “Neglected diseases” such as Hansen’s, leishmaniasis, trachoma, tuberculosis, and geohelminthiasis, which are commonly linked to poverty and epidemiologically predominant at the poorest municipalities of the state, remain very relevant. As part of Pillar 2 of the proposed DPL, the GoPi will create the “State Unit for the Combat of Neglected Diseases” (NECDN). The NECDN’s mandate and work program will focus on targeted municipalities and the following axes: diagnostic of Epidemiological Profile of municipalities, active search for new cases, diagnosis and treatment, training of health professionals, vector control and social communication campaigns for prevention.

Finally, **Pillar 3** seeks to **enhance efficiency in public management**. The GoPi created the Strategic Actions Monitoring System (SIMO) in order to monitor priority projects and programs. The system is a cross-sectoral effort coordinated by the State Secretary of Planning (SEPLAN) to ensure that all Secretaries and subordinate agencies are working towards common, well-defined goals. With the support of the proposed DPL, the GoPi intends to consolidate its results-based management system and SIMO as a matter of State policy. SIMO will spearhead the activity and will have as a target the extension of project monitoring coverage to all program activities included in the State’s Multi-Annual Plan 2012 – 2015 (known per its acronym in Portuguese, “PPA”).

#### **IV. Poverty, Social and Environment Aspects**

Preliminary results from the Poverty and Social Assessment (PSIA) currently underway show that the actions supported by this operation will boost shared prosperity and contribute to alleviate poverty, particularly in the rural area of Piauí, where the most vulnerable live. The land regularization policy supported by this DPL provides full land tenure titles through the donation of land to small farmers. This measure will contribute to reduce poverty among small family farmers and, particularly, among groups who have been traditionally discriminated against such as the *quilombola* communities residing in the state (ethnic groups who deem themselves descendants of Afro-Brazilian slaves who escaped Brazilian plantations). The program is guided by a highly participatory process that requires prior, informed and culturally adequate consultations leading to broad support and consent by the community population, as well as the participation of representatives of *quilombola* communities in all stages of the land regularization and titling process. It also ensures the rights of the owners of lands claimed by *quilombola* communities are properly respected and compensated.

Moreover, by stipulating that the land titles be issued in the name of both spouses, the land regularization policy supported by this operation is expected to contribute to reduce gender inequalities associated with poverty.

The recent increase in GDP experienced by Piauí is partially due to expansion of commercial agriculture, mainly soybean cultivation in the Cerrado macro-region. The increase of agricultural production has been mostly linked to the clearing of new cultivation areas and high levels of pesticide applications, rather than productivity growth. From 2008 to 2012, despite an increase in cultivated area of 75 percent, soybean productivity dropped from 3.2 to 2.79 tons per hectare. Seventeen percent of Piauí's Cerrado native vegetation was deforested until 2010 and this rate has increased since then. Every year Piauí faces problems related to rural fires, and the incidence of such events is expected to increase with climate change.

Preliminary estimates from the Policy-Level Strategic Environmental Assessment (Policy SEA) show that the annual cost of environmental degradation in Piauí is calculated at 7.1 percent of its GDP (2012). This cost is mainly linked to environmental health problems, deforestation, soil erosion and contamination, as well as to impacts on water resources quality and availability. The economic cost attributable to environmental health problems is estimated at 3.8 percent of Piauí's GDP. The proposed DPL will support policies that take into account sustainable practices and the efficient use of natural resources, while encouraging productive chains in rural areas. For instance, it aims to improve the GoPi's capacity to manage water resources and to promote social inclusion through health, education, employment and income generation, so the poorest can effectively participate in the productive market and overcome the poverty condition that makes them more vulnerable to environmental health effects.

## V. Tentative financing

Source:	(US \$ million)
Borrower	0
International Bank for Reconstruction and Development	200
Borrower/Recipient	0
Others	
<b>Total</b>	<b>200</b>

## VI. Contact point

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