



# The surprising performance of rural Brazil during the 1990s <sup>1</sup>

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## Executive Summary

This work forms part of the Rural Territorial Dynamics programme coordinated by the Latin American Center for Rural Development (Rimisp), carried out simultaneously in eleven Latin American countries, including Brazil. The main objective of this project is to contribute towards improving public policies focused on rural development. The strategy that has been adopted consists in identifying those rural zones where the progress towards sustainable development justifies further study, in order to draw lessons that provide inputs for public policies. In a first phase, a selection was made of regions in countries where the socioeconomic circumstances indicate a different and potentially constructive approach. The purpose behind this document, corresponding to the second phase of this investigation, is to detail such circumstances and offer a hypothesis that will be tested in the field. It is important to underline that this report does not include information regarding the relationship between societies and ecosystems: the reason for this is the lack of aggregated and comparable data available for the continent. This lack of data should be resolved for the next stage of the project.

Two main conclusions can be derived from the analysis of Brazil for the years 1991 to 2000, being the last period when statistical data was available regarding the three dimensions focused on by the study: income, inequality and poverty.

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<sup>1</sup> This working paper has been originally published in Portuguese: Favareto, A. y Abramovay, R. 2009. "O surpreendente desempenho do Brasil rural nos anos 1990". Documento de Trabajo N° 32. Programa Dinámicas Territoriales Rurales. Rimisp, Santiago, Chile. This document can be accessed through the following link [www.rimisp.org/dtr/documentos](http://www.rimisp.org/dtr/documentos).

The first conclusion establishes that the rural zones present much more encouraging socioeconomic results than those obtained in the urban areas during the 1990s, with everything pointing towards income transfers as playing a decisive role. It is also true that this was a difficult period in modern Brazilian history, with the impeachment of president Fernando Collor de Mello in 1992, the end of hyperinflation in 1994 and the Asian crisis of 1997, events that had a huge negative impact on the Brazilian economy. Moreover, the droughts of 1993, 1998 and 1999 in the north-east of Brazil were particularly severe. Profound differences can also be observed during this period between urban and rural zones when jointly analysing the three dimensions involved: family income, poverty and inequality.

Only 13.5% of municipalities located in urban areas (75 municipalities) incorporating 3.5% of Brazil's urban population (less than five million inhabitants) registered a positive performance for the three indicators, as opposed to essentially rural areas, where 23.1% of municipalities (637 in total), representing 20.4% of the rural population (over 10 million inhabitants) registered such a performance. Inversely, in the most heavily urbanised regions, all three indicators posted negative results, indicating a negative performance in 25.9% of municipalities (144 in total), home to 49.6% of the urban population (over 41 million inhabitants). In rural regions such negative results were verified in only 13.6% of municipalities (374 in total), home to 17.4% of the rural population (8.8 million inhabitants): this last is clearly a high figure, although still lower than that registered for urban areas.

A second conclusion indicates that just as important as this confirmation contradicting the basic linkage between urbanisation and development, is the confirmation that there is no correlation between the location of successful municipalities and the so-called dynamic hubs of the country's interior economic centres, given that it is not in the irrigated areas nor the regions where petrochemical, footwear and textile industries have been inserted, that the best indicators for the 1990s can be found.

The question that naturally arises after considering the above is as follows: if there is no correlation between the dynamic hubs of the regional economies, and that in spite of this indicators still post positive results, what is the cause of this phenomenon? There is a tendency to attribute such positive indicators to the transference of income from the social security system and social programmes, which witnessed a significant increase in Brazil over the last 20 years. However, this still doesn't provide a sufficient answer, as it does not fully identify the reasons for the enormous dissimilarities that exist in the same rural regions where the weight of such social programmes is identical.

Exploratory field analysis undertaken in this phase of the research has helped form a hypothesis that will be tested in a later stage, when more thorough work should be carried out based on qualitative methodologies. Evidence points to there being different zones in which such public transfers incorporate another five important factors, able to provide a long-term stimulus to some areas located in the country's poorest rural regions. These are as follows:

- a. Private transfers derived from work, both from the sale of goods (clothes and hammocks, for example), as well as income from temporary farming work (including sugar cane, among other products). In this case, there is a clear tendency for people to temporarily migrate and then spend the money they have earned in their regions of origin;
- b. Programmes to increase production linked to the public distribution of milk: these programmes date back to the last years of the 1990s, but have been substantially increased during the present period, although their main objective is clearly in distribution: current policies favour the supply of milk by agricultural families, establishing a ceiling per producer that is above the value that the government will pay for the product;
- c. The diversification of rural economies and industrial work undertaken at home in small municipalities, seems to increase with the transference of industries that were previously concentrated in the south-east, along with the strengthening of traditional local industries such as textiles and footwear manufacturing;
- d. An increase in those benefited by the National Programme to Strengthen Family Farming (PRONAF), with more than a million grant beneficiaries in the north-east;
- e. The infrastructure and provision of public services in the interior of Brazil is still in a precarious state, in spite of the clear progress that has been made, particularly in the areas of education, health and telecommunications, with an increase in access to electricity, mass use of Internet and mobile phones.

It also is important to mention the increase in spatial mobility thanks to a more rapid transport service between the country's states, as well as an extraordinary increase in the use of small motorbikes. Both of these factors have practically overcome the isolation that has affected the more distant regions for hundreds of years. Some of these factors, such as the increase of PRONAF beneficiaries and the milk programme, for example, have only become more effective since the beginning of the present decade. Others, such as the industrialisation of inland regions and improvements to infrastructure and

private transfers, have been taking place since the 1990s, but with much less intensity. In short, the reason for the positive indicators is the combination of the strength of the residential economy (with transfers of private and public resources) and the provision of basic public services and policies that stimulate the market insertion of small-scale economic activities (for example milk production). It is important to underline that the basis of this hypothesis is not founded in a supposed transfer of the dynamic hub of economic growth to rural zones: it is clear that the great cities are at the forefront of technological innovation and economic dynamism, and that that is where concerted efforts are being made to draw together competitive skills able to attract foreign capital. However, rural regions have the great virtue of a huge potential to attract profits derived from retirement pensions, State income, financial inputs from returning migrants, and based on the strength of the residential economy, to promote dynamics that value non-exposed local attributes, as opposed to what takes place in urban areas, so providing global competitiveness.

This is the general basis of the hypothesis that will serve as a foundation for the next step of the investigation, focused on a comparative study of two selected regions.