

BRAZIL'S FAMILY AGRICULTURE FOOD PURCHASE PROGRAM (Programa de Aquisição de Alimentos, "PAA")

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Brazil is a land of contrasts; at the same time that it is emerging as a global economic power, it is also one of the most unequal countries in Latin America. When "Lula" Da Silva and his Workers' Party ("PT") won the 2002 election, they intended to pay a historical debt to the poor. Lula envisioned a country with inclusive growth, where redistribution and poverty reduction were seen as prerequisites for economic growth, and not as competing policy objectives (Leubolt, 2013: 76). In doing so, his government not only changed the content of social policies, but also the very policy-making process. Lula's *Fome Zero* strategy takes a comprehensive approach to reducing hunger in Brazil. *Fome Zero* is an umbrella framework that includes programs aimed at increasing access to food, strengthening family agriculture, fostering income generating activities, and supporting partnership promotion and civil society mobilization.

This brief presents an analysis of the *Fome Zero* policy targeting family agriculture, the Food Purchase Program (*Programa de Aquisicao de Alimentos*, "PAA"). In Brazil 30% of rural enterprises are family farms. They produce 38% of the agricultural value and employ over 70% of rural workers (Rocha, 2009: 58). On the other hand, in 2003 rural poverty was as high as 41%. Accordingly, PAA seeks to tackle rural poverty and food insecurity by guaranteeing demand in local markets for small producers through local government purchases of agricultural products. The first section of this brief presents the context in which PAA was conceived, followed by a summary of the implementation process. The following section presents an evaluation of the policy results. Finally, the analysis concludes with lessons learned and proposed changes.

As previously mentioned, the PT election can be seen as the catalyst that propitiated the introduction of PAA. However, the formulation of social policies in Brazil started after the collapse of the military dictatorship in 1985. The 1988 Brazilian Constitution set in motion the decentralization process that empowered municipalities. Then, the government of Fernando Henrique Cardoso (FHC) focused on strengthening democratic institutions and economic growth. In addition, in the early 1990s municipalities across different states devised conditional cash transfer (CCT) schemes that benefited the poor.

Moreover, during the FHC administration (1995-2002) the federal government launched CCTs at the national level (*Bolsa Escola* and *Bolsa Alimentacao*).

The PT created a positive environment that enabled the formulation of *Fome Zero*, with elements that legitimized such social policies as PAA. First, with the transition to democracy social protection policies began to be seen as investments to further development and not as drainage of public resources. Second, the provision of social services had experienced a switch from a universalist model to one that prioritizes targeting vulnerable populations, i.e. CCTs. The third factor was the current economic growth, since the government would not have been able to establish redistributive programs without it. The fourth element was the country's poor social indicators. Despite experiencing growth, Brazil had high social exclusion and inequality because the rapid economic development was elusive to the poor. Finally, the fifth source of legitimacy was the PT election. Lula based his presidential campaign on a discourse of inclusive growth. He promised to eradicate poverty and to redistribute wealth in the country, while reaffirming his commitment to continue with the orthodox liberal monetary policies introduced in previous administrations.

Rural poverty and food insecurity were the problems that drove the creation of the PAA policy. The PT designed the framework to address these issues through *Fome Zero* and the National Food and Nutritional Security Policy ("PNSAN"). However, it deliberately democratized and decentralized the policy debate. In a nutshell, *Fome Zero* is the articulation of a web of social protection policies and ministries and agencies and its, and PAA's, success relied on creating partnerships with key stakeholders (local governments, businesses and civil society organizations). The federal government created the Social Development Ministry ("MDS") to manage *Fome Zero* and its subsidiary policies. During the policy formulation process, the MDS organized meetings, workshops and symposia with a multiplicity of stakeholders. These encounters granted non-governmental organizations the possibility to exert influence in the policy process. Social movements also played a key role in the formulation of the National Law for Food and Nutrition Security ("LOSAN"). Furthermore, this law granted civil society participation through the newly created National Council for Food and Nutrition Security ("CONSEA"), which is present at the national, regional and local levels.

It was important that the new policy aimed at reducing rural poverty avoid compromising the pro-export production model that had transformed Brazil into one of the world's largest food exporters. Policy-makers considered several traditional options, three of which were discarded for various reasons. An extensive agrarian reform redistributing land to the landless and small farmers

would have reduced food outputs. A second alternative, to take no action, would assume that market forces would provide opportunities for poor peasants. The third scenario was to formulate several policies, scattered across different ministries without coordination. The selected policy option implemented by the PT followed a multi-sectoral approach. It sought to increase poor families' income through CCTs, (*Bolsa Familia*), aimed at feeding the vulnerable population via school meals, community kitchens and popular restaurants, and at strengthening family agriculture through credit and food purchase via PRONAF and PAA. Ultimately, this integral overarching policy focuses on guaranteeing food availability, improving food access and increasing food supply.

Successful implementation of such a policy demanded a new policy model that articulates the different dimensions of the policy, while also facilitating the participation of multiple stakeholders. In short, CONSEA, MDS and the Inter-Ministerial Chamber on Food and Nutritional Security ("CAISAN") established the policy system. In such policy system, the national, state and municipal executive powers have the ability to adapt the policy to their local context. The system is crafted after receiving feedback from within the political structure, as well as from the civil society. The following diagram illustrates how the food security policy process works.

Created by Law 10.969 in 2003, PAA is administered by MDS and the Ministry of Agricultural Development ("MDA"). PAA guidelines are defined by the *Grupo Gestor* ("Managing Group"), which is comprised of six ministries: MDS; MDA; Economy; Planning and Budgeting; Agriculture; and Education. The execution has two stages; first, at the national level in partnership with the National Supply Agency (CONAB), and second, decentralized execution involving the participation of state and municipal governments. These latter partnerships are crucial for PAA because the MDS and MDA budget are directed exclusively towards agricultural products procurement, while it is the local governments who ensure the system is operable to allow for the purchases.

PAA includes four programs: Purchase for Immediate Donation, Incentives for Milk Consumption and Production, Direct Purchase and Stock Formation. The first two programs aim at buying produce and milk to redistribute among the vulnerable population. Between 2003 and 2010 they represented 39% and 37% of PAA budget, respectively. The objectives of Direct Purchase and Stock formation are to facilitate resources for the promotion of public and individual's stock formation that can guarantee food availability and fair prices for family farmers.

PAA intends to benefit two groups of people: food producers and food consumers. The food producers are family farmers including fish farmers,

fishermen, extractors, indigenous farmers, quilombola and family farmers settled during the land reform. The food consumers group comprises people and families under social vulnerability, with imminent risk of nutritional and food insecurity, people assisted by national food and nutrition security programs, and children in public schools.

The following paragraph summarizes the main policy outputs. By the end of 2011 the program had reached over 204,000 small farmers, which is only 3.28% of the rural farmer population. PAA's target for 2013 is to buy products from 445,000 farmers. PAA is present in 2,300 municipalities across the country and targets the country's poorest regions. For instance, the Northeastern region receives 50% of PAA budget. In terms of resources, the MDS and MDA budget has risen from \$52 million in 2003 to \$585 million in 2013. In terms of food production, food purchases more than tripled between 2003 and 2010, from 135,800 to 426,400 tons. On average, PAA serves 25,000 institutions that feed over 15 million people.

PAA has produced both intended and unintended outcomes. First, the program has increased rural farmers' income through food purchases. Now, local farmers produce and sell to local schools and hospitals. Moreover, PAA pays an extra 30% above the regular price for organic products, boosting local economies as a result. Second, producers not covered by PAA are indirect beneficiaries because they also enjoy higher local prices. Third, food stocks have also helped control price fluctuations. Fourth, there is greater diversity of products since PPA purchases more than 330 different items. Fifth, PAA has played an important role in the strengthening of associations and cooperatives. It also provides the stimulus to establish small agro-industries so that associations can process and add value to their production output.

Two unintended outcomes attributable to PAA are an increase in price for some staple foods and the expansion of neo-patrimonial institutions, such as political corruption, patronage and clientelism at the local level. Thus, we can assume that the policy "winners" are MDS, CONAB, CONSEA, civil society organizations, farmers, vulnerable population benefited by PAA, local level authorities and local institutions (i.e. schools). On the other hand, three policy "losers" are those corporations in charge of selling food products to the government, farmers who cannot meet the PAA criteria, and low- and middle-income urban populations who must pay higher prices. Although negatively impacted by PAA, these groups do not threaten the viability of the policy. Corporations and big businesses still sell food products to the government because PAA cannot meet the food demand. Despite the fact that they cannot sell to PAA, farmers have a suitable environment that provides easy access to credit and encourages production. Finally, even though prices increased, so did

the salaries of the middle-income population.

PAA is an innovative policy because of its participatory model during the formulation process, which allows it to enjoy support from its beneficiaries and civil society organizations. Also, PAA's administration is notable since, given its multi-sectoral approach, six different ministries form the managing unit. Finally, the regular control and oversight done by social movements and the impending need to improve coordination among ministries make policy evaluation a necessary priority for PAA's success.

In a short amount of time, PAA has already undergone three evaluation rounds (2005, 2008 and 2010). Each evaluation improves the policy and guarantees more popular support. For instance, after the last evaluation the government enacted Law 12.512/2011 and Decree 7.775/2012, which aims at facilitating coordination among the implementing bodies. It also raised the maximum farmer benefits from \$1,250 in 2003, to \$2,400 in 2006, to \$4,100 in 2012. In addition, it encourages organic production by paying 30% above regular price. More importantly, the last policy redesign includes a gender component by establishing that at least 5% of PAA purchases must come from women's associations. Finally, it guarantees a quota of 30% of institutional purchases (schools and hospitals, among others) for small farmers.

However, despite the iterative evaluation and redesign process, there is still room for improvement in the policy. Most importantly, PAA does not reach the poorest of the poor. Although the registration process is very efficient because it is based on another social program (PRONAF), the poorest farmers lack land titles, thus cannot be part of PRONAF or PAA. The policy could be improved with provisions enabling the inclusion of this group.

PAA is helping with the national goals of poverty alleviation, however redefining its goals and incorporating strategic planning in rural development could improve PAA. More specifically, PAA should reconsider its strategy towards associativism and cooperativism. The policy could enhance further rural development by supporting associations and cooperatives in becoming artisanal industries that add value to their products.

In conclusion, PAA intends to solve a social problem by addressing both the supply and demand sides. On one hand, PPA's objective is to eliminate hunger by guaranteeing food availability, improving food access and increasing food supply. On the other hand, PAA reduces rural poverty by providing opportunities to small farmers with market access and better prices. The policy has demonstrated positive results and has been constantly improved through iterative evaluations. With further strategic planning on how to help associations becoming the leaders of rural development the policy could achieve

optimal positive impact.

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