



# **Trip Report: Regional Diversity in Pathways out of Rural Poverty in Brazil**

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**Brazil: October 18-20, 2004**

**By Steven Helfand**

## **Trip Objectives**

The primary purpose of this trip was to hold the first work meeting for all researchers presently involved in the BASIS CRSP project “Regional Diversity in Pathways out of Rural Poverty in Brazil: Implications for the Design of Public Policies.” A second objective was for researchers to have time to meet in small groups according to thematic interest to organize themselves, plan together, and identify synergies. A final objective was for Helfand, the U.S. based project coordinator, to go to Brasília and meet with representatives from USAID.

## **Summary of activities**

Monday, Oct. 18:

9am-7pm: Project meeting at IPEA-Rio for all collaborators.

PIs and Co-PIs: S. Helfand, E. Reis, A. Moreira, K. Beltrão, J. Assunção

Collaborators: G. Rezende, A. Golgher, S. Sugahara, A. Figueiredo, R. Costa

(See agenda below for a more detailed description of the project meeting.)

Tuesday, Oct. 19:

9am-12pm: Meeting of researchers who will be involved in the productivity track.

A. Moreira, S. Helfand, A. Schmidt, A. Figueiredo

1:30pm-4:30pm: Meeting with Gerd Sparovek to discuss

a. Database on natural environment (temperature, rainfall, soil characteristics, etc.), and

b. The 2002 Census of Agrarian Reform Projects.

S. Helfand, E. Reis, A. Moreira, G. Rezende, A. Schmidt, A. Figueiredo, R. Costa

4:30pm: Helfand and Sparovek leave for airport.

Wednesday, Oct. 20:

9:45am-11am: Helfand meets with USAID and Embassy officials in Brasilia.

S. Helfand, Richard Goughnour (USAID), William Westman (U.S. Embassy, Agricultural Advisor), Oliver Flake (U.S. Embassy, Agricultural Advisor)

3pm-5pm: Helfand and Reis meet at IPEA-Rio to discuss logistics, contracts, terms of reference for researchers, and other business items.

5pm-8pm: Helfand and Moreira meet to continue discussion of the productivity track.

8:30pm: Helfand leaves for airport for return flight to the U.S.

**Detailed Agenda for BASIS Work Meeting I**  
**IPEA, Rio de Janeiro, Monday, October 18, 2004**

- 9:00-9:15 Steven M. Helfand (UCR)  
1. Overview of project themes and objectives  
2. What little we know about contracts and payments
- 9:15-10:15 Track 1: Mapping and explaining changes in rural poverty in the 1990s  
  
Steven M. Helfand (UCR), Anil Deolalikar (UCR), Edward S. Levine (UCR)  
1. Research questions  
2. Year 1 goals:  
a. Begin imputation from POF to Demographic Census  
b. Analysis of POF 2002-03  
c. Analysis of income poverty in Demographic Censuses of 1991 and 2000  
d. Analysis of state level PNAD panel 1992-2003
- 10:15-10:30 Coffee Break
- 10:30-12:00 Track 2: Poverty and migration from rural areas  
  
Eustáquio J. Reis (IPEA) and André Braz Golgher (CEDEPLAR)  
1. Research questions  
2. Year 1 goals  
3. André Golgher: presentation of related research on migration
- 12:00-1:00 Track 3: Non-agricultural sources of income: earned income and government transfers  
  
1. Kaizo I. Beltrão (ENCE/IBGE) and Sonoe Sugahara (IPEA)  
Rural Social Security in Brazil  
  
2. Brief discussion of need for research on  
a) other government programs, and  
b) non-agricultural sources of earned income.
- 1:00-2:15 Lunch
- 2:15-3:45 Track 4: Land, credit, and labor market reforms  
  
1. Juliano Junqueira Assunção (PUC-RJ)  
Land and credit markets  
  
2. Gervásio Castro de Rezende (UERJ and IPEA)  
Labor markets and rural poverty
- 3:45-4:00 Coffee Break

4:00-5:00

Track 5: Agricultural productivity growth for small farms

Ajax R. Moreira (IPEA), Steven M. Helfand (UCR), Adriano M. R. Figueiredo (UMT)

1. Research questions
2. Methodological issues
3. Year 1 goals

5:00

Closing Session

1. What needs to be done?
2. Terms of reference for each researcher
3. Plans for next meeting
4. Other

## **Observations, recommendations, and accomplishments**

The project meeting at IPEA-Rio on Monday, Oct. 18 was very successful. After introductions and a brief overview of the project, about one hour was allocated to each track of the project to discuss objectives, methodology, data, obstacles, and year one goals.

Helfand presented first and discussed the objectives of Track 1, “mapping and explaining changes in rural poverty in the 1990s.” The objectives for year one are:

- a. To begin the imputation from the Household Budget Survey (POF) to the Demographic Census that will permit mapping poverty at a municipal level with a consumption-expenditure based measure of welfare.
- b. To analyze the data in POF 2002-03 at a macro regional level.
- c. To analyze income poverty in the Demographic Censuses of 1991 and 2000

Ted Levine (a graduate student at UCR) will be involved in part (a), and Anil Deolalikar (a professor at UCR) will be involved in part (b). Helfand and Levine have already begun part (c). Helfand described discussions that he has had with people at the World Bank to try to set up a training workshop in January, 2005 on poverty mapping and small to large survey imputation techniques. He also discussed the need to identify a couple more Brazilian researchers to get involved with this piece of the project.

Reis and Golgher discussed the objectives of the Track “poverty and migration from rural areas.” Reis identified the need for our group to invest some energy in identifying more precisely the object and scope of our project. In particular, we need to be clearer about what we mean by “rural” poverty, and the pros and cons of alternative definitions. We discussed three overlapping approaches:

- a. Agricultural activities. This approach is based on personal characteristics, i.e., the economic sector in which an individual has his or her principal occupation.
- b. Official IBGE definition of rural. This approach is based on geographical space and determined by law. This has implications for, among others, whether rural or urban land taxes are applied.
- c. A USDA/ERS approach to defining rural. This approach is based on the characteristics of a municipality, including the prevalence of certain types of economic activity, infrastructure, government services, etc.

Reis plans to write an empirical paper on this issue. For poverty analysis Helfand suggested the desirability of using an “extended rural” concept that would capture all rural residents plus those people who live in urban areas but whose principal occupation is in agriculture.

Golgher (a demographer) presented a series of alternative models that can be used to study migration. He contrasted macro models (that have a county or state level focus) with micro models (that have an individual level focus). He presented some previous research on the state of Minas Gerais to illustrate the pros and cons of the alternative approaches to studying migration. Reis and Golgher plan to work together. In year one, they intend to provide a detailed characterization of migration flows in the 1990s, and to begin the study of the determinants of migration. Year two will focus on the effects of migration, and policy implications.

Beltrão and Sugahara discussed the objectives of the Track “non-agricultural sources of income: earned income and government transfers.” In year one they plan to focus on the expansion of social security benefits to rural areas in the 1990s and their impact on rural poverty. The group agreed that this was a good choice because of the tremendous importance that this program has assumed as a source of income for rural residents. According to Demographic Census data, the share of rural income derived from agriculture fell from 54% to 42% between 1991 and 2000, while the share of rural income coming from social security and retirement benefits rose from 8% to 18%. In the Northeast, where the rural poverty headcount ratio is highest, the share of this income source rose to 29% of total income. They noted how the change in this government program provides a quasi-natural experiment that would be ideal for using as an exogenous variable to study changes in all sorts of household level decisions. The group agreed that it would be useful to also conduct research on non-agricultural sources of earned income as well as on other government programs. In particular, it should be a high priority of our project to study the impact of the zero hunger program in Brazil. Helfand noted that he has had conversations with Graziano da Silva (a former Minister in the Lula government who had been in charge of the zero hunger program) about how this might be done. Given that we do not have sufficient funding to conduct a survey of our own, it is likely that we will need to wait until the 2004 PNAD household survey is available—hopefully in Sept. 2005—to conduct an evaluation of this program.

After lunch Assunção and Rezende presented their plans for the research track “land, credit, and labor market reforms.” Assunção described two papers that he plans to work on in year one. The first focuses on the impact of credit constraints on key decisions of rural families, such as occupational choice of the household head, child labor, and education, based on microdata from the Demographic Censuses of 1991 and 2000. The strategy is to estimate the relationship between these decisions and an index representing wealth, to be computed from a set of variables that capture assets owned by the household. The group discussed the pros and cons of using the demographic census or the PNAD household survey. The second paper, based on time series data on land sale and rental prices, will provide empirical evidence across states of the degree to which non-agricultural uses of land drive land prices above the expected present value of future profits from agricultural production, thus limiting access to land by poor--but potentially more efficient--peasants farmers. Several questions were raised about the empirical strategy for this paper, and we agreed to continue the discussion via email. Rezende then presented a proposal for his research in year one. He intends to focus on rural labor markets in Brazil, and how they have contributed to rural poverty in recent decades. His research will examine the impact on rural labor markets and poverty of a) labor legislation and b) seasonality of agricultural activities. His research should lead to policy recommendations regarding how existing labor laws could be made friendlier to the agricultural sector and to the poor.

Due to time constraints, the discussion of the research track on agricultural productivity was put off until Tuesday. A brief discussion of logistical and business issues ensued.

One concern that was discussed was that PIs will not be able to hire research assistants until contracts are signed between the U of Wisconsin and UCR, and between UCR and a Brazilian institution. Thus, while most PIs have already begun research on their specific pieces of the project, year one activities might be hindered considerably if the signing of the contracts drags on for a lengthy period of time. While there is nothing that we can do about this at present, it does seem likely that the project will not be fully functional until December, or more likely, January 2005. As a result, our schedule of planned activities, and the timeline for products to be delivered, may need to be altered accordingly.

On Tuesday morning, Oct. 19, we reconvened and spent the morning discussing the agricultural productivity track. Moreira made a presentation on the advantages and disadvantages of using data envelopment analysis versus a stochastic frontier production function. Schmidt (a statistician) presented options for formally including a spatial econometric component into the analysis, and we all discussed obstacles and challenges of using the 1985 and 1995/96 Agricultural Census data. On Wednesday, Oct. 20, Moreira and Helfand made considerable progress on defining variables with the census data, and on specifying a research strategy for the coming 12 months. Figueiredo has been substantially involved in this discussion via email in the weeks following the Oct. 18 meeting.

On Tuesday afternoon, Sparovek (a soil scientist) made a presentation about a municipal level database on the natural environment (temperature, rainfall, soil characteristics, etc.) that he and collaborators at his university in Piracicaba have been constructing. He has agreed to make this database available to researchers in the BASIS project. He also presented on the 2002 Census of Agrarian Reform Projects. He was involved in gathering the data for this Census and has written several papers with it. We agreed that it would be productive to collaborate on this research. In particular, Helfand and Sparovek plan to work on a paper that seeks to assess living standards on the land reform settlements in comparison with control groups of a) agricultural workers and b) small farmers, to be constructed with municipal level Demographic Census data.

On Wednesday morning, October 20, Helfand went to the U.S. Embassy in Brasília and met with Richard Goughnour, director of USAID in Brazil, and other Embassy officials. Goughnour described USAID activities in Brazil, Helfand summarized the BASIS project, and Westman and Flake (both U.S. government employees working at the Embassy on agriculture in Brazil) described other U.S. programs in Brazil. The discussion was fruitful, and Goughnour and Helfand agreed to keep each other informed regarding the development of the BASIS project and USAID activities in Brazil.

In summary, the BASIS work meeting was highly successful. The meeting allowed for considerable discussion, refinement, and improvement of the original research proposal. In light of these discussions, each PI and collaborator will now elaborate terms of reference for year one. Many of the PIs and collaborators have already begun work on their research projects in anticipation of the contracts being signed. However, the delays that are likely to exist in getting all of the institutional contracts signed will prevent the

PIs from hiring research assistants. At present, it appears that these administrative obstacles might not be resolved until December of 2004 or January of 2005. This, in turn, is likely to create the necessity of revisiting the schedule of planned activities and the timeline for products to be delivered in year one.

#### **4. Names, titles, and affiliations of all contacts**

##### **BASIS Directors/PIs:**

Steven M. Helfand, Associate Professor, Economics Dept., University of California, Riverside

Eustáquio J. Reis, Senior Research Economist, Institute of Applied Economic Research (IPEA)

##### **BASIS Co-PIs:**

Juliano Junqueira Assunção, Assistant Professor, Economics Dept., Pontifical Catholic University of Rio de Janeiro (PUC-RJ)

Kaizo Iwakami Belatrão, Professor, National School of Statistics (ENCE)

Ajax Reynaldo Bello Moreira, Senior Research Economist, Institute of Applied Economic Research (IPEA)

##### **BASIS Collaborators:**

Roberta Costa, Research Economist, Institute of Applied Economic Research (IPEA)

Adriano M. R. Figueiredo, Assistant Professor, Economics Dept., Federal University of Mato Grosso (UFMT)

André Braz Golgher, Researcher and Lecturer at CEDEPLAR/Federal University of Minas Gerais (UFMG)

Gervásio Castro de Rezende, Professor, Economics Department, State University of Rio de Janeiro

Alexandra M. Schmidt, Associate Professor, Statistics Dept., Federal University of Rio de Janeiro (UFRJ)

Gerd Sparovek, Associate Professor, Soil Science Department, ESALQ /University of São Paulo

Sonoe Sugahara, Research Economist, Institute of Applied Economic Research (IPEA)

##### **USAID and U.S. Embassy Officials:**

Richard Goughnour, Director of USAID in Brazil

Oliver Flake, U.S. Embassy, Agricultural Advisor

William Westman, U.S. Embassy, Agricultural Advisor

##### **Other:**

Paulo Levy, Director, Institute of Applied Economic Research (IPEA), Rio de Janeiro

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