



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

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**Brazil: March 22 – March 31, 2005**

**By Steven Helfand**

## 1. Objectives

There were four principal objectives for this trip. First, to meet with Rogério Werneck, the Chair of the Economics Department at the Catholic University in Rio de Janeiro, to discuss concerns and obstacles related to the contract to be signed with UCR. Second, to spend several days working with Ajax Moreira on the productivity track of the BASIS project. Third, to meet with BASIS PIs and collaborators to discuss progress and obstacles in each of their projects. Finally, to participate in a workshop at the Ministry of Agriculture in Brasília about agricultural policies, trade liberalization, and rural poverty in Brazil. The detailed discussion below reveals that the trip was highly successful.

## 2. Itinerary

Tuesday, March 22:

Leave Los Angeles 8:40am.

Wednesday, March 23:

1pm: Arrive in Rio.

3:30-5pm: Meet with Rogério Werneck (Chair, Economics Department) and Juliano Assunção (BASIS Co-PI) at the Catholic University (PUC) to discuss details of the contract to be signed with UCR.

5pm-6pm: Meet with Juliano Assunção (BASIS Co-PI) to discuss his research on a) the impact of credit constraints on rural household decision making and poverty, and b) the impact of the social security program on rural household decision making and poverty.

Thursday, March 24:

9am-6pm: Spend the day at IPEA-Rio working with Ajax Moreira (BASIS Co-PI) on specification of a spatial stochastic frontier production function model to study productivity by farm size with the 1995-96 Agricultural Census.

6pm-7pm: Meet with Eustáquio Reis (BASIS Co-Director) to discuss contract issues with the PUC and administrative issues of the BASIS project.

Friday, March 25:

IPEA closed for Easter holiday.

12pm-6pm: Continue work with Ajax Moreira on the productivity track.

Saturday, March 26:

9am-3pm: Continue work with Ajax Moreira on the productivity track.

Monday, March 28:

9am-12pm: Continue work with Ajax Moreira on the productivity track.

12:30pm-2:30pm: Meet with Eustáquio Reis to discuss his progress on estimating a matrix of municipal level migration flows, and plans for a meeting of all BASIS researchers in July, 2005.

2:30pm-3:30pm: Meet with Paulo Levy (Director of IPEA-Rio) to discuss collaboration between IPEA and our BASIS project.

3:30pm: Leave IPEA for airport to fly to Brasília.

Tuesday, March 29:

9am-5:30pm: Meet at the Ministry of Agriculture for a two-day workshop about agricultural policies in Brazil, their impact on rural poverty, and the relationship between trade liberalization and rural poverty in Brazil. The meeting was attended by several dozen Brazilian government officials (from the Ministry of Agriculture, Ministry of Agrarian Development, Ministry of Finance, Ministry of Planning, Central Bank, Bank of Brasil, Cabinet of the President, and Brazilian Agricultural Research Corporation), representatives from the Organization for Economic Cooperation and Development (OECD), and specialists in the field.

In addition to learning about current agricultural policies in Brazil and participating in this meeting, I had the opportunity to discuss our BASIS project with José Garcia Gasques (Senior Researcher, IPEA-Brasília), Mauro Lopes (Senior Researcher, Center for Agricultural Studies at the Getulio Vargas Foundation--FGV), Eliseu Alves, Senior Researcher and former President of Brazilian Agricultural Research Corporation--EMBRAPA), Guilherme Dias (Professor, University of São Paulo--USP), Renato Heinz (Ministry of Agriculture), and André Meloni Nassar (ICONE, a research institute in São Paulo that focuses on the relationship between international trade issues and Brazilian agriculture) and Mário Jales (ICONE).

8:30-11pm: Meet with José Graziano da Silva (Special Advisor to the President of Brazil, and former Minister of Food Security) to discuss current government policies aimed at rural poverty reduction, our BASIS project, and possible collaboration on an evaluation of the *Bolsa Familia* targeted anti-poverty program using a special questionnaire that was added to the 2004 National Household Survey (PNAD). This data should be available towards the end of 2005.

Wednesday, March 30:

9am-1pm: Continue meeting on agricultural policy at the Ministry of Agriculture.

1pm-3pm: Meet with Gervásio Castro de Rezende (BASIS collaborator) to discuss his research on the relationship between rural poverty and legal and institutional obstacles to the development of more active rural labor markets in Brazil.

3pm-4pm: Meet with Antonio Salazar Brandão (President of the Brazilian Agricultural Economics Association) to discuss our BASIS project, and the current state of affairs of the agricultural economics profession in Brazil.

5:30pm: Leave hotel for the airport to return to California.

Thursday, March 31:

10:30am: Arrive in Riverside.

### 3. Observations, Recommendations, and Accomplishments

In this section, I discuss the four principal objectives of the trip. The first objective was to meet with Rogério Werneck, the Chair of the Economics Department at the Catholic University (PUC) in Rio de Janeiro, to discuss concerns and obstacles related to the subcontract that we hoped they would sign with UCR.

By way of background, it is important to clarify that PUC was the third subcontractor that we had entered into negotiations with in Brazil. The first was SCIENCE/ENCE. We began discussions with them in December, 2004, and ended these discussions in late February, 2005 when we learned that they did not have an official overhead rate, which UCR had insisted upon, and when it became apparent that they did not seem to have sufficient institutional capacity to provide the services that we were requesting.

After SCIENCE, we spent almost a month pursuing a subcontract with the UNDP International Poverty Center (IPC) in Brasilia. This seemed very promising, and would have generated numerous positive externalities due to the common issues and concerns shared by IPC and our BASIS project. Unfortunately, we eventually learned that UNDP had recently adopted a policy of not subcontracting with any federal employees, including professors at federal universities, and researchers at government think tanks and statistics agencies. This policy would have excluded a significant portion of the researchers in our project. Thus, we were forced to look elsewhere for a subcontractor.

During the meeting with Professor Werneck, it became clear that there were two important obstacles that would have to be overcome. First, the 25% overhead that PUC wanted to charge was actually 5% for the university and 20% for the economics department. Although the university overhead was a published rate, the economics department overhead was based on customary practice. This seemed like it would create an obstacle--perhaps not insurmountable--with UCR. Second, Professor Werneck explained that the way PUC calculated 25% overhead was different from how UCR did it. Rather than charge 25% of direct expenditures, PUC would charge 25% on all money received. This, in effect, was a 33% overhead rate. I was not at all pleased to learn this, especially since a) the Co-PI from PUC had seen the budget since June, 2004, and had discussed with me the revised budget that I sent to PUC in March 2005; and b) it would imply additional cuts to direct expenditures. The original budget contemplated a 10% overhead rate for ENCE. PUC's proposal would imply roughly \$20,000 more in overhead than our original budget. At the end of the meeting, Professor Werneck promised that he would raise this issue at a department meeting the following week, and was hopeful that he would obtain a waiver in order to charge the 25% overhead according to customary UCR practices. Unfortunately, he informed me a week later that he was unable to obtain a partial waiver from the department.

In light of the difficult discussions with the PUC, and the fact that 6 months of the project had already gone by, I identified a company--ISCA Technologies--that exists in Riverside, CA and in Brazil, and has considerable expertise in a) running U.S. federal grants and b) spending a portion of the grant monies in Brazil. The company specializes in agricultural pest control research and development, and has obtained over five million dollars in NSF and other U.S. grants in the past five years. This company agreed to enter into a subcontracting agreement with UCR to facilitate grant spending in Brazil. ISCA proposed a fee just under \$17,000 (which was less than 15% of direct expenditures in Brazil). UCR signed a contract with ISCA on May 5, 2005.

The second objective of the trip was to spend several days working with Ajax Moreira on the productivity track of the BASIS project. Ajax and I, as well as several other members of this research track, had been trading several emails per week since October, 2004 in an attempt to resolve issues of model specification, definition of variables, and data construction. The ability to spend three and one half days working face to face was extremely productive. As a

result of these meetings, we produced a 10 page road map of activities for the next twelve months. In short, we plan to a) estimate productivity with panel data, stochastic frontier production function, and data envelopment models, b) analyze the determinants of estimated productivity, c) incorporate a spatial econometric component into all approaches, and d) create a phenomenal database for this track by merging data from the agricultural censuses, the demographic censuses, and a database with information on soil characteristics and weather conditions. This track has made considerable progress. The main obstacle to date has been the inability to hire research assistants in Brazil to begin work on the data. Now that the contract with ISCA has been signed, this track should make rapid progress.

The third objective of the trip was to meet with other BASIS PIs and collaborators to discuss progress and obstacles in each of their projects. I met with Juliano Assunção, Eustáquio Reis, and Gervásio Castro de Rezende. Reis and Rezende reported making considerable progress on their pieces of the BASIS project. Reis is working with a demographer to estimate municipal level migration flows in the 1990s, and the extent to which they were caused by, and/or had impacts on, rural poverty. Rezende is working on an analysis of institutional obstacles that limit the use of seasonal and temporary hired labor in rural areas of Brazil. His view is that if these constraints could be relaxed, there would be a considerable increase in the demand for agricultural labor, thus benefiting the rural poor. All three researchers noted the difficulty of conducting their research without funds to hire research assistants. This has been a significant obstacle for Assunção.

The final objective of the trip was to participate in a workshop at the Ministry of Agriculture in Brasília about agricultural policies, trade liberalization, and rural poverty in Brazil. The workshop was fascinating, and much of the information that I gathered there should be of direct relevance to our BASIS project. The workshop also created the opportunity for me to discuss the BASIS project with numerous government officials who do work related to agriculture and poverty in Brazil. Many of them expressed considerable interest in our research, and asked that I keep them informed of our progress. They also offered to help in any way possible. The meeting I had with José Graziano da Silva (Special Advisor to the President of Brazil, and former Minister of Food Security), was especially valuable. He informed me of modifications to the questionnaire used for the annual national household survey (PNAD) which should permit much more sophisticated and disaggregated evaluations of the current anti-poverty programs in Brazil. He also discussed a number of emerging government initiatives related to rural poverty that we will want to track in the future.

In conclusion, the trip was extremely productive. Most importantly, it contributed to resolving the problems we were having in finding a suitable subcontractor to work with in Brazil. This is now behind us, and we can get back to focusing on research. It permitted me to have several valuable days of work with Ajax Moreira on the productivity track of the project. Considerable progress was achieved. It allowed me to meet with all but one of the PIs and to discuss their progress to date, as well as the obstacles they were facing. Finally, a number of excellent contacts were made with government officials. These people will be invited to our conferences in the future, and thus help us to achieve the objective of disseminating our research findings. It is likely that they will help in many other ways as well, including the sharing of information and insight.

#### **4. Names, Titles, and Affiliations of all Contacts**

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

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

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

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

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

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

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

##### **Other:**

-Eliseu Alves, Senior Researcher and former President of Brazilian Agricultural Research Corporation (EMBRAPA)

-Jonathan Brooks, OECD

-Antonio Salazar Brandão, President, Brazilian Agricultural Economics Association (SOBER)

-Guilherme Dias, Professor, University of São Paulo (USP)

-José Garcia Gasques, Senior Researcher, Institute of Applied Economic Research (IPEA), Brasília

-Renato Heinz, Ministry of Agriculture, Brasília

-Mário Jales (ICONE)

-André Meloni Nassar (ICONE)

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

-Mauro Lopes, Senior Researcher, Center for Agricultural Studies at the Getulio Vargas Foundation (FGV), Rio de Janeiro

-José Graziano da Silva (Special Advisor to the President of Brazil, former Minister of Food Security, Professor UNICAMP)

-Ivan Wedekin, Secretary of Agriculture, Ministry of Agriculture

-Rogério Werneck, Chair, Department of Economics, Pontifical Catholic University (PUC), Rio de Janeiro

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