



### **Tupandi Fund for Agricultural Development (FUNDAT).**

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Tupandi is a small town in the state of Rio Grande do Sul (RS), in the far south of Brazil. With 61 Km<sup>2</sup> in area, it has a population of approximately 3,600 inhabitants<sup>3</sup>. It was emancipated from Bom Princípio, another small town in the region, in 1988, and today it is part of Greater Porto Alegre. One characteristic of RS is that 64% of the towns have fewer than 10 thousand inhabitants and in general agriculture activities are their main support.

Soon after its emancipation in 1988 and despite the existence of some excellent social indicators, Tupandi had problems that made its economic growth unfeasible. Agricultural production stagnation was one of these. Other infrastructure problems, such as the lack of asphalt or any telephone network in the township not only impeded the development of agricultural activities, but also the establishment of industries in the region that could diversify local economic activities. Some regions of Tupandi, such as Morro da Manteiga, which is today bustling with highly productive poultry farms, were very poor areas at the time.

In that scenario, the population had no other employment options except for the few opportunities on the more productive rural properties. As a consequence of this general stagnation in the township, there was an exodus of the productive age population to work in the footwear industries in neighboring townships, or even more common, their migration to more distant places. There were approximately 500 small rural properties in Tupandi at the time. Part of the problem stemmed from the lack of incentive or knowledge, on the part of the producers, concerning more rational and effective means of production, since they tended to adopt the conventional productive techniques and processes learned and taught by the ancestors. The issue that had to be confronted was how to integrate these small family producers in a modern economic context characterized by large scale production with modern infrastructure, technology and

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<sup>3</sup> Data from the IBGE population count for 2007. Available at: <http://censos2007.ibge.gov.br/>

quality in a manner that was linked to the large integrating companies that generally provided technical assistance, access to raw materials and production placement. It was indispensable not only to have the support of the township for these small producers to make their properties viable in this new context but also to have the support of the producers and their willingness to assume the responsibility of seeing that taxes on the sale and circulation of goods produced in the municipality (ICMS) were properly paid. (Under Brazilian tax law, the ICMS is a state tax of which 50% returns to the municipality where the transaction took place).

In this context the mayor propose debates a creation of a Fund to help the agricultural development of the region. After three months of debates, Law # 154/93 of March 31, 1993 was approved, creating the Tupandi Fund for Agricultural Development. The law was based on supporting and providing incentives for the township's agricultural activities, establishing a sort of agreement between City Hall and the tenant farmers whereby City Hall would subsidize the producers and the latter would agree to issue bills of sale for every transaction made.

With FUNDAT's results, rural properties in Tupandi became economically feasible. The program's success can be seen in the following indicator: in 1993 Tupandi produced 660,000 chickens and in 2005 production reached 21,170,000, for a 3,200% increase in total production. The articulation between producers and the municipal authorities with the integrated poultry production companies such as Avipal and Frango Sul/Doux also permitted Tupandi to enter the global market, with a large part of its production destined for exportation to Europe and the Middle East.

The economic dynamism provided by FUNDAT's direct and indirect results also played a role in increasing income and public investments in the township. The increase in collections generated a virtuous circle in the local economy that can be seen in all productive sectors. This increase in economic activity led to an increase in income that increased the township's aggregate demand, creating a growth in supply to meet it.

As a result, not only did new commercial and service activities emerge, but base industries also arrived, such as the pre-molded brick and tile factories. The incentive for industries to move into the township simultaneously created greater economic diversification and industry's added value in 2004's GDP thus exceeded agriculture's added value by 25%<sup>4</sup>.

**To learn more please see the complete article at:**

**[http://www.eaesp.fgvsp.br/subportais/ceapg/Acervo%20Virtual/Livros/Liaison/livro\\_impact\\_web\[2\].pdf](http://www.eaesp.fgvsp.br/subportais/ceapg/Acervo%20Virtual/Livros/Liaison/livro_impact_web[2].pdf)**

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<sup>4</sup> IBGE data, available at: <http://www.ibge.gov.br/cidadesat/topwindow.htm?1>