

# **BRAZIL AS AN EMERGING ENVIRONMENTAL DONOR**

BY KATHRYN HOCHSTETLER

## **KEY POINTS**

- The international community should continue to revisit the environmental and social sustainability of biofuels.
- Brazil should move on from defending sugar cane to using its considerable agricultural innovation capacity to develop the next generation of biofuels.
- Industrialized countries, including Canada, can take advantage of Brazil's willingness to engage in trilateral cooperation agreements like those with the United States that are described in this brief.

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Brazil has always focused on development strategies, but it has recently shifted more attention, on balance, from thinking of its own development to offering assistance to other countries in their national efforts. Former President Lula da Silva has argued that Brazil's own experience with solving problems in inauspicious conditions makes it a particularly good partner for other developing countries (Instituto de Pesquisa Econômica Aplicada [IPEA] and Agência Brasileira de Cooperação [ABC], 2010: 7). Brazil self-consciously approaches its external development assistance from the perspective of a recipient, endorsing an egalitarian "solidarity diplomacy" that stresses holistic development in its partners. The ultimate aim is "sustainable growth," which includes "social inclusion and respect for the environment" (IPEA and ABC, 2010: 32-33).

This policy brief examines Brazil's emergence as an environmental donor, placing this evolution in the context of Brazil's rising international development assistance profile, outlining the plans and projects of the Brazilian government's environmental assistance, and tracking the progress

## ABOUT THE EMERGING DONORS PROJECT

This project will explore innovative financing of infrastructure development, technology sharing and food security. Research will focus on public and private financing mechanisms for the provision of global public goods, including public-private partnerships. Attention will also be given to the potential role of the private sector in contributing to global development.

The project will focus on the role of the rising donors (Brazil, China, India, South Africa), the “N11” donors (South Korea, Chile, Mexico), established non-DAC donors (Gulf States, Russia), and non-state donors (philanthropic and private sector donors), in driving innovation in global development. The research will examine the feasibility of building new multilateral arrangements between the emerging donors and the traditional donors, in the sectors of infrastructure development, technology sharing and food security.

This policy brief is the result of research from the Emerging Donors Project.

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to date. At this stage, we continue to see more promise than fully realized results. Nonetheless, the value of Brazilian development assistance has risen quickly, and the trajectory is clearly in the direction of Brazil being an increasingly important contributor to global common goods, such as achieving the United Nations (UN) Millennium Development Goals.

## THE PROFILE OF BRAZILIAN DEVELOPMENT ASSISTANCE

Lula's presidencies (2003–2010) placed new emphasis on South-South relations in Brazil's foreign policy, and Brazilian development assistance grew rapidly in that context: annual international assistance of all types totalled US\$158 million in 2005 and had doubled to US\$362 million in 2009. The total for these five years was US\$1.6 billion (IPEA and ABC, 2010: 21). Even as the sums grew, Itamaraty, Brazil's Foreign Ministry, insisted that “Brazil does not consider itself an ‘emerging donor’...Brazil believes that South-South cooperation is not help (‘aid’), but a partnership in which all involved participants benefit” (Government of Brazil, 2011).

This “Southern” orientation is evident in most of Brazil's assistance projects. Recipient demand drives the choice of projects, with Brazil responding to particular requests for its expertise and action. Brazilians have preferred the format of technical cooperation agreements, where they transfer knowledge and help to develop human resources through training, rather than giving money or material resources. Assistance is given without the conditions that are often ascribed to Northern donors. Paulo Sotero (2009: 19) suggests that Brazilian donor relations reflect a “spirit of genuine solidarity,” and contrasts them to the economically

driven motivations of traditional North-South aid. In contrast, Sean Burges (2011: 5) notes that Brazil is most interested in projects that “offer some sort of policy return to Brazil,” especially in trilateral programs where Brazil partners with a Northern country to move development resources to Southern recipients.

Recent surveys of Brazilian development assistance have tended to focus on Brazil’s bilateral assistance, particularly the technical cooperation projects overseen by Itamaraty’s ABC (Burges, 2011; Costa Vaz and Inoue, 2007; Sotero, 2009). These projects are discussed below, as they are especially important for environmental cooperation, but these bilateral projects actually form only a portion of the funds Brazil counts as international development cooperation.

Three-quarters of the US\$1.6 billion figure above consists of Brazilian contributions to international organizations and regional banks. For example, Brazil contributed to the United Nations for peacekeeping, especially in Haiti, and refugee operations. Brazil also distributed funds to the World Bank, Inter-American Development Bank and African Development Bank, to support economic growth and poverty reduction. It was the nineteenth-largest donor to the World Bank’s International Development Association in 2009, ahead of China, Russia and Mexico. At the regional development banks, Brazil has contributed small amounts (roughly US\$250 million over five years) to funds that give concessional loans to the poorest countries (IPEA and ABC, 2010: 38-39).

In a few instances, Brazil has also begun to cooperate in smaller multilateral donor arrangements with especially close Southern partners. Beginning in 2004, Brazil and its neighbours in the Mercosur trade

area created a fund into which they annually place US\$100 million, to help increase the competitiveness of small members and less competitive regions within the Mercosur countries. Brazil donates 70 percent to this pot and has the right to use 10 percent of the contents for its own disadvantaged regions. The Mercosur contributions represent 30 percent of all Brazil’s contributions to multilateral organizations, demonstrating that this regional fund is a priority (IPEA and ABC, 2010: 38-39). The emerging powers grouping of India, Brazil and South Africa (IBSA) uses the UN Development Programme to administer an additional small development fund with annual contributions of US\$1 million per member. The monies are again used for small-scale projects in the world’s poorest countries (White, 2009).

The fastest-growing category of Brazilian international assistance in recent years was bilateral humanitarian aid for emergency assistance, mostly in the form of direct donations of food and medicines. From just US\$750,000 in 2005, this category leapt to US\$43.5 million in 2009, following hurricanes that year in Cuba, Haiti and Honduras (IPEA and ABC, 2010: 20 and 26). Brazilian food, health, transport and human rights ministries have joined together in a working group since 2006 for managing these humanitarian efforts (IPEA and ABC, 2010: 22). The most stable category of assistance is the funds available for foreigners to study in Brazil, about 10 percent of the total in 2005–2009 (IPEA and ABC, 2010: 26).

Finally, since 2005, the Brazilian National Development Bank (BNDES) has provided financing to foreign governments who contract with Brazilian companies for large infrastructure and construction projects. Given that this bilateral financing is offered

long term at partially below-market rates, it might be counted as bilateral assistance — as many countries do for similar funds — but the Brazilian government does not include such funds in its assistance totals. BNDES financing for projects in Latin American countries totalled US\$204 million in 2008 and US\$860 million in 2009 (Hochstetler, 2011: 38).

## TECHNICAL COOPERATION PROJECTS

Once multilateral contributions, humanitarian aid and foreign student assistance are accounted for, only 5.5 to 13.5 percent of annual Brazilian development assistance actually takes the form of the best-known technical cooperation projects (IPEA and ABC, 2010: 20). Yet, this segment of assistance has drawn special attention because it comes closest to embodying the unique qualities of Brazilian development assistance and its “solidarity diplomacy” vision. More than 100 Brazilian agencies at the federal level have contributed expertise to such projects, representing an enormous mobilization of forces (IPEA and ABC, 2010: 16). Many of the costs of participation are simply absorbed by the agencies, meaning that the impact of the expenditure is much larger than the dollar amount (Burges, 2011: 3).

With more than 300 assistance projects underway or recently completed, the range of sectors covered by Brazilian technical cooperation is, unsurprisingly, large (see [www.abc.gov.br](http://www.abc.gov.br)). Areas of focus include: projects that seek to replicate Brazilian success on AIDS and other health problems; numerous agricultural projects from biofuels to specialized seed strains; and efforts to disseminate programs such as the Conditional Cash Transfer program *Bolsa Familia* (Family Grant) that have done so much

to lower poverty and inequality in Brazil (for more detail on such programs, see Hochstetler, 2011). The common thread in all of these projects is the effort to pass on Brazil’s own developmental innovations to other Southern countries.

Brazilian environmental assistance, in particular, focuses on disseminating the knowledge and technology that has made fossil fuel-based energy sources just 53 percent of its national energy matrix, versus a developed-world average of 93 percent (Ministry of Mines and Energy, 2010). Brazil is recognized as a country with particular weight in the global environment, because of its large tropical forests and status as a biodiversity “hot spot.” Deforestation and land-use change contribute to more than 80 percent of Brazil’s greenhouse gas emissions, and Brazil’s struggles in this area are well known. Yet, this contribution is as high as it is, in part, because energy-related emissions are much lower in Brazil than elsewhere. These efforts are placed in the context of Brazil’s participation in global climate change negotiations.

## RETHINKING “COMMON BUT DIFFERENTIATED RESPONSIBILITIES”

The UN Framework Convention on Climate Change (1992) used the formulation “common but differentiated responsibilities” to indicate that all countries needed to address global warming, but that they would have different time frames and obligations in doing so. Brazil joined other developing countries, including India and China, in arguing for a strong version of this formulation in the Kyoto Protocol negotiations, saying that industrialized countries should be held responsible



for more than a century of their historic emissions, before developing countries could be expected to forgo development to reduce emissions.

In 2009, then President Lula came to the Copenhagen Conference of Parties still demanding that developed countries needed to set much more ambitious targets for their emissions reductions. Brazil and the BASIC countries (Brazil, China, India, and South Africa) have made this a centrepiece of their negotiating agenda, since they began to coordinate their positions in Copenhagen — it was their first demand for the Durban climate change negotiations in December 2011.

Nonetheless, in his formal plenary address in 2009, President Lula also highlighted that Brazil was ready to spend US\$160 billion of its own money by 2020 to reduce its expected emissions by 35 percent or more. The next day, in an informal plenary session, he went further and said Brazil would not only shoulder its own cost of emissions reductions, but would step up to provide the financial resources to help other countries do so, if it would help result in a substantial final agreement. This promise was never formally tabled, but it shows the shift in thinking about Brazil's global position.

## **BRAZIL'S ENVIRONMENTAL ASSISTANCE IN PRACTICE**

What kinds of environmental assistance has Brazil offered developing countries in recent years? To what extent is Brazil using such assistance to help create global public goods? Since the Copenhagen meeting, most Brazilian environmental assistance has fallen into two broad categories (see [www.abc.gov.br](http://www.abc.gov.br)). The first is focused on disseminating its biofuels technologies around the developing world,

while the second involves broader research and exchange agreements, mostly in the Americas. These projects follow the general patterns that others have noted regarding Brazilian development assistance more broadly (Sotero, 2009); they are not tied-aid, but represent technical assistance on particular social development strategies. A large majority of the environmental projects tackle energy issues, with energy security, energy efficiency and sustainable development as the orienting frameworks.

The first cluster of assistance projects is primarily in Africa, where Brazil has written cooperation agreements with Guinea, Mozambique, Zambia and the eight West African countries of ECOWAS (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo) to study and/or support the introduction of bioenergy and biofuels. Brazil has also signed broader agreements with Kenya, Liberia and South Africa, which cover larger parts of the energy sector. Biofuels were also the focus of agreements with Argentina, Nicaragua and Surinam, and have been discussed in preliminary meetings with Nepal and Sri Lanka.

The second cluster of recent cooperation agreements are with countries in the Americas, to exchange research and experiences on environmental topics of common concern. Unlike the other cluster, these agreements assume more fully bidirectional exchanges of expertise, rather than simply providing ways for Brazil to pass on its own experiences. They included an agreement for research on fishing and aquaculture with Paraguay and the establishment of a branch of Embrapa — Brazil's agricultural research agency — in Panama to study food security and biofuels. In March 2010, Brazil signed a memorandum of understanding with the United

States on climate change, which highlights their shared expertise in topics like biofuels and energy efficiency — a pioneering move in South-North international cooperation for Brazil.

Notwithstanding Lula's promises of financial resources for environmental projects in developing countries, Brazil has largely stuck to the pattern of offering technical exchange and assistance rather than cash. Almost all of the agreements have clauses that state specifically that there is no commitment to transfer financial resources. Conversely, few of Brazil's small financial assistance projects are environmental. Of the seven IBISA-sponsored projects, so far (White, 2009), for example, only a waste management project in Haiti is clearly environmental in focus.

### **BRAZIL-US BIOFUELS COOPERATION: A SPECIAL RELATIONSHIP?**

The agreement with the United States is one of only two to specifically reference the global climate negotiations. The other is an agreement with Tanzania to cooperate in developing projects that can receive funding through the UN REDD+ programme (Collaborative initiative on Reducing Emissions from Deforestation and forest Degradation). For the most part, then, Brazil's climate (and environmental) assistance comes in the form of disseminating the technologies of biofuels and bioenergy. This is an area where Brazil is a technological leader, with its sugar cane-based biofuels development dating back to the 1930s. Brazil's influence can be seen in Europe, where the European Union wrote a "Biofuels Directive" in 2003, requiring ever higher biofuel quotas, on the understanding drawn from

the Brazilian example that clean-burning biofuels are a viable option for reducing greenhouse gas emissions.

At the end of the 2000s, however, a backlash questioned whether biofuels and bioenergy contributed to global public goods at all. The journal *Science* published two articles in 2008 that argued that many biofuels, including those of Brazil and the United States, had greater environmental costs than fossil fuel alternatives (Fargione et al., 2008; Scharlemann and Laurance, 2008). The crisis in global food prices in 2007 also drew attention to the ways crops grown for biofuels could displace food production and create new problems of food insecurity (Dauvergne and Neville, 2009).

Interestingly, Brazil has teamed up with the United States (mentioned above) to respond to the criticism. The two countries funded studies of the feasibility of biofuels in the Dominican Republic, El Salvador, Guatemala, Haiti and Senegal. The UN Environment Programme signed on to the report, and its methodology for evaluating sustainability (Ministry of Foreign Relations, 2010). Brazil has also met the food security critique head-on itself, by hosting a policy dialogue on food security with African states in May 2010. Beyond international policy advocacy, Brazil considers its strongest response to be its own developmental experience during the 2000s, when Brazil demonstrated that it could make gains in biofuel use, hunger, economic growth and deforestation all at once (IPEA and ABC, 2010: 37).

## CONCLUSION AND RECOMMENDATIONS

Brazil has greatly expanded its development assistance for other countries in the last decade. Technical cooperation projects are particularly representative of Brazil's "solidarity diplomacy" vision. In the environment area, these have included many projects designed to disseminate Brazil's biofuels expertise, as well as others that focus on collaborative research and exchange. Brazil has teamed with the United States to counter criticism of biofuels.

**Policy Recommendation One:** The international community should continue to revisit the environmental and social sustainability of biofuels.

Critics of biofuels are almost as indiscriminating as its cheerleaders have been. The environmental and social costs and benefits of biofuels vary a great deal by their source crops. The social costs are complicated to resolve, because they involve increasingly global food and energy systems.

**Policy Recommendation Two:** Brazil should move on from defending sugar cane to using its considerable agricultural innovation capacity to develop the next generation of biofuels.

Brazil's sugar cane is among the best of the source crops currently commercialized on a large scale — but not nearly as good as some of the second-generation crops.

**Policy Recommendation Three:** Industrialized countries, including Canada, can take advantage of Brazil's willingness to engage in trilateral cooperation agreements like those with the United States that are described in this brief.

Such projects build cooperative ties with Brazil, as well as contributing to successful development assistance endeavours.

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