

THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

Department for International Development
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BRAZIL: COUNTRY STRATEGY PAPER 1998

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A. SUMMARY

A1. Brazil is one of the world's top ten economies, with a population of 160 million and GDP of over \$700 billion. It is an upper middle-income country, but has a highly inequitable income distribution and large numbers of poor people. The Cardoso Government gives priority to reducing social inequalities, but progress on this is relatively slow. There is a major agenda of government reform, although again progress is slow.

A2. Brazil, which is arguably the world's most biodiverse country, also has major needs in environmental management and the promotion of sustainable development. The Brazilian Government's environmental policies are gradually improving, but much needs to be done to ensure effective implementation.

A3. Future plans for DFID work in Brazil clearly need to be consistent with the objectives set out in the 1997 White Paper, particularly the targets on poverty reduction, and with Brazil's own priorities. Given the nature of our presence, we think our best contribution to tackling poverty problems in Brazil is at the level of political dialogue and influence, and in strengthening our links with the multilateral agencies primarily involved in poverty related programmes in the country. We also envisage a major change of emphasis within the present areas of focus of our bilateral co-operation programme, to reflect more directly the interests of the poor.

A4. The main focus of DFID's technical co-operation programme with Brazil to date has been to promote the sustainable management of the natural environment, with primary attention to Amazonia. There has been a secondary focus on public sector reform, including health sector reform. We have also provided some assistance on human rights.

A5. The primary objective of DFID's co-operation programme will continue to be support to Brazil in addressing environmental and sustainable development issues of national and global significance, focusing primarily

on Amazonia but also encompassing the Cerrado region. This reflects the priority placed on the protection and better management of the natural and physical environment in DFID's statement of purpose. But we will significantly change the emphasis of our environmental programme to address more specifically the development needs of poor people in these regions.

A6. Within this area of focus we will work with our partners in Brazil to promote policies and strengthen institutional capacity to contribute to better management of the natural and physical environment. We will support field-based demonstration projects to improve livelihoods and knowledge-generation to feed into broader policy formulation. We will expand our programme in Amazonia, both through bilateral projects and further support for multilateral programmes such as the G7 Pilot Programme to Conserve the Brazilian Rain Forest. We shall also pursue specific opportunities to support the land reform programme, in discussion with the Brazilian Government.

A7. In addition to this primary environmental focus, we will actively explore the scope for building on our current support for better management of public resources and improved governance in Brazil. Within this work we will seek to place a particular emphasis on supporting the Government's plans for the reform and strengthening of health services to help meet the health needs of the poor.

A8. We shall also look for opportunities to build on our bilateral partnership to support Brazil in making progress on the wider range of issues affecting national development, including the ongoing global initiatives on the environment, international trade and investment.

A9. Our plans involve a significant increase in programme resources to Brazil over the three-year planning period, to some £11 million a year by 2000/01.

B. THE CHALLENGE

B1. Brazil is a wealthy country but with many poor...

Brazil has a population of 160 million and a GNP per capita of \$3640 (1995); putting it in the top ten world economies. It is clearly the region's leading power. But it has a highly inequitable income distribution (one of the highest in the world) and 24% of the population are estimated to live on less than \$1 a day (World Bank 1995) - the highest number of absolute poor in South America. The bulk of these live in the North East and urban areas. Social indicators are relatively poor. Infant mortality is estimated at 44 per 1000 and maternal mortality at 200 per 100,000 live births. Illiteracy is high among the rural poor. Inadequate investment in human and social development and inequitable access to other forms of capital are key causes of poverty. The situation is broadly indicative of Latin America as a whole which, despite significant levels of economic growth in recent years, remains a region of extensive income inequalities and substantial numbers of extreme poverty. The extent of need and insecurity experienced by the poor have been accentuated by the rising expectations occasioned by overall economic growth, contributing also to the levels of social instability in Latin America.

B2. Macro-economic management has improved although the current situation is fragile...

The Real Plan (introduced in 1994) successfully stabilised the Brazilian economy with inflation at its lowest levels for 50 years. The last few years have seen a notable liberalisation of the economy, with reductions in state subsidies and trade tariffs linked to Brazil's (founder) membership of Mercosur¹. The Government has also pushed through constitutional reforms to try to contain public sector costs; further major reforms on social security and taxation will be priorities for President Cardoso in his second term. A sizeable privatisation programme is well under way. Brazil's external debt is at manageable levels. Foreign direct investment has been significant and has grown rapidly. On the downside, vulnerability in Brazil's macro balances has led to pressures as a result of the 1998 Asian and Russian financial crises. The Government has so far sought to resist these pressures and restore market confidence through a combination of a fiscal and monetary response, but the situation is fragile and there is a continued risk of 'contagion'. Reserves have decreased from \$70 billion in July to just over \$45 billion (on

1 October). The Sao Paulo stock exchange index has lost nearly 40% of its value since January. These pressures could have a significant effect on future growth prospects and on prospects for substantial progress on poverty concerns. Brazil is now in discussion with the International Monetary Fund and the International Bank for Reconstruction and Development (IBRD) to set up a major stabilisation programme of financial assistance.

B3. Some progress is being made on poverty.. The public position of the Cardoso Government has been to give high priority to making progress on social justice. However Brazil's federal structure imposes political constraints on firm action from the centre. The Government has not established a coherent over-arching strategy to address poverty, instead opting for a range of pro-poor policies, including action to raise the standard of primary education, to improve sanitation and nutrition and to help settle landless families. Progress on these has been mixed and the articulation and implementation of a more coherent strategy has been hampered in practice. Progress on agrarian reform and land redistribution has also been slow, but the present Government has gone further on supporting land redistribution than any of its recent predecessors.

B4. Social services need development... Health status reflects income disparities, with diseases typically associated with poverty. There is an annually reported half a million cases of malaria and 45,000 new cases of TB. Recent policy has been to decentralise responsibility for health care to municipal level; to merge social security and public health services; and to aim to establish access for all citizens. Access has indeed improved, but there are distortions in health service provision, ineffective cost controls and regulation, and insufficient capacity at municipal level.

B5. Governance is an issue... A key challenge is the improvement of public services provision, particularly health, to the benefit of the poorest. Since the mid 1980s Brazil has had legitimate democratic government. However much more needs to be done to ensure that the interests of poor people are properly reflected in government. Some government agencies are weak and the judiciary is inefficient and subject to political interference. There is a level of civil

¹ The free trade area covering Argentina, Brazil, Paraguay and Uruguay

B. THE CHALLENGE

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conflict, particularly from organisations representing the landless. Human rights concerns have been raised over street children and indigenous people in Brazil. The Brazilian Government has taken steps to tackle human rights abuses through a National Plan for Human Rights (May 1996); the introduction of legislation concerning criminal offences by Military Police; and the creation of a Secretariat for Human Rights (April 1997).

B6. Indigenous peoples face particular challenges... Many amongst the indigenous population continue to live in poverty without access to basic social services, although some groups have succeeded in raising their income levels. Living conditions are generally extremely poor and income-earning opportunities limited. Much land encroachment has been at the expense of indigenous groups: many live on reserves with ill-defined boundaries and continuing conflict with immigrant farmers and mining companies. The indigenous population has fallen from six million 'at discovery' to 320,000 today. Some 170,000 indians live in Legal Amazonia on reserves which occupy 20% of the region, almost a million square kilometres. Indigenous groups therefore occupy a key strategic position as custodians of a major portion of Brazil's biodiversity and natural wealth. There has been a marked growth in the number of indigenous associations.

B7. A major concern is the natural environment in the Amazon and its link with poverty... Brazil is arguably the most biodiverse country with 15-20% of the total number of species in the world in an area of 8.5 million square kilometres. In the Amazon, the principal international environmental concern is the continuing process of deforestation (averaging 0.5% annually in recent years). This has global environmental impacts through its contribution to global warming and loss of biodiversity, as well as national impacts through soil erosion, river sedimentation and local climate change. The fundamental factor encouraging land-extensive practices and consequent deforestation is that land in the Amazon is abundant and cheap. The main direct causes of deforestation have been

ranching, fuelled by fiscal incentives encouraging land speculation by large landholders (which have now largely been abolished); agricultural colonisation by migrant smallholders; and logging.

B8. Many of the small scale colonist farmers in the Amazon have emigrated from the poverty of the North East. Most bring with them few human and financial resources and their livelihood prospects are limited by uncertain land tenure, lack of markets and poor technologies. Declining land productivity also results from the practices which follow initial forest clearance, with much land left as semi-waste.

B9. In the *Cerrado* (the Brazilian savannah-type ecosystem), the main international environmental concern is the loss of the native tropical savannah vegetation, in particular the impact that this has on biodiversity loss, as a result of the introduction of modern large scale commercial agriculture (soya in particular, also cattle), supported in the past by significant rates of subsidy. Some 40% of the Cerrado has been converted to pasture and crop already. Many of the smaller farmers have been marginalised in this process.

B10. Environmental policies are improving.... Brazil has ratified the Biodiversity and Climate Change and Desertification Conventions, as well as the Montreal Protocol. It has developed a National Environmental Action Plan (NEAP), in response to the 1992 Rio Conference commitments, a National Programme for Biological Diversity (1994) and a National Integrated Policy for the Legal Amazon. Government institutions are responding to the conservation and development agenda advocated by donors through initiatives such as the G7 Pilot Programme to Conserve the Brazilian Rainforest (PPG7)². The Government has also introduced a number of measures which should have a positive impact on the environment: for example, it has passed a new law on Environmental Crimes (1998) and taken several recent measures on agricultural and forestry development and land resettlement which may slow the land conversion process. The prospects for making progress on environmental issues have therefore improved.

² The G7 Pilot Programme for the Conservation of the Brazilian Rain Forest (PPG7) was announced in 1991. It is the most significant donor-financed programme for environmental conservation in Brazil. The main contributors are the G7 countries, in particular Germany and the UK, and the EU.

B. THE CHALLENGE

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Bii. *But many environmental challenges remain:*

- support needs to be given for the participation of the poorer and more vulnerable groups (colonists, indigenous groups, caboclos) in resource management decision-making, both to improve the opportunities available to them and to benefit the natural environment;
- the knowledge base needs to be expanded on the natural environment and its interaction with development;
- policies need to be developed further to fully incorporate environmental considerations into decision-making; and
- environmental management capacity needs to be developed to implement policies that have been formally adopted - both the Federal Environment Agency (IBAMA) and the State Environmental Agencies (OEMAs) are under-resourced, and there are many weaknesses in the enforcement of existing forestry legislation due to lack of incentives and capacity.

B12. International Development Targets. Poverty and income distribution have improved since the introduction of the Real plan in 1994. The proportion of poor, defined as households with incomes less than half the minimum wage, has fallen from over a third in 1994 to a quarter in 1996. The share of income of the bottom 50% of households has risen from 11.3% in 1994 to 12.3% in 1996. However, it should be noted that although the figures on income inequality have improved in recent years, many indicators are still worse than their levels in the 1980s. The extreme inequalities within Brazil remain a major challenge for the Government. Brazilian progress against the key international development targets is summarised in Box 1. We are not aware that the Brazilian Government has specifically recognised these targets. Attainment of the key poverty and human development targets remains uncertain although the Cardoso Government highlights these areas as priorities in its social development strategy. Increased momentum is possible now that President Cardoso has been returned with a strong mandate. The potential for Brazil to achieve the environmental sustainability target is reasonable, given the gradual progress in political and social consciousness on environmental matters, although the task remains huge.

B. THE CHALLENGE

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BOX I. INTERNATIONAL DEVELOPMENT TARGETS: PROGRESS IN BRAZIL

KEY TARGETS	PROGRESS TO DATE AND PROSPECTS IN BRAZIL
- Reduction by one-half in the proportion of people living in <u>extreme poverty</u> by 2015 <u>Universal primary education</u> by 2015 - Progress towards <u>gender</u> equality and empowerment of women; no gender disparity in primary and secondary education by 2005 - Reduction by two-thirds in the <u>mortality rate</u> for under fives and reduction by three-fourths in maternal mortality by 2015 - Access to <u>reproductive health services</u> for all individuals of appropriate ages no later than 2015 - Implementation of <u>national strategies for sustainable development</u> in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed by 2015. - Democratic accountability, protection of human rights and the rule of law.	24% of population below \$1 a day. Mixed progress; uncertain prospects of achieving target. However there is increased momentum on land reform. World Bank figures show significant improvement in primary school enrolments in recent years (from 67.1% in 1970 to 96.2% in 1994). However this disguises significant regional variations and major problems of education quality. Brazil's gender development index (GDI) is close to its HDI (human development indices) ranking. There is no significant gender disparity in adult literacy or overall education enrolment. Some further progress on empowerment likely The infant mortality rate has halved to 44 per 1,000 live births over the last 25 years. The present maternal mortality rate is 200 per 100,000 live births. Though lower than developing country averages these figures hide significant regional differences and are still well above the 2015 targets. Prospects for achieving the latter are uncertain. Reliable figures on access to reproductive health services are not available, but probably limited progress in recent years. Coverage varies by region. Prospects for achieving universal access are reasonable. Health reform is now a top priority for Cardoso Government. Major continuing agenda here but position slowly improving despite recent deforestation figures. Significant attention being given to improving institutional capacity and legislative framework for improved environmental sustainability, with donor support. Sophisticated democratic system in place. Cardoso Government working to increase respect for human rights and rule of law.

C. PARTNERSHIPS

C1. Government. Brazil has a federal system of government. At central government level both policy making capability and the professional and technical competence of public servants is high; over the recent past, successive administrations have proven themselves keen to engage with international partners. The Cardoso Government is committed to strengthening the effectiveness and accountability of government, to which it attaches high priority, and to the promotion of human rights. At State Government level, the situation is more mixed, much depending on the economic importance of the state. A major drawback is the high level of bureaucracy, of mixed effectiveness, at all levels.

C2. Our assessment is that there is continuing potential for productive partnerships with central and state level government in the specific areas of current involvement, particularly environmental management and public sector reform. Working with both federal and state government together would normally be important for taking forward a coherent programme of collaboration.

C3. Civil Society. There are quite good prospects for partnerships with civil society in specific areas. Brazil has a long tradition of civil society involvement in development, initially associated with the Catholic church. Such groups are increasingly active in seeking to ensure that the needs of poor people are better reflected through the democratic process. More recently there has been a sharp rise in the number of environmental non-governmental organisations (NGOs), though many of these tend not to have experience of development work; and overall there are relatively few potential civil society partners in the Amazon and the Cerrado working on rural development. The number of *indigenista* NGOs has also grown, mainly involved in advocacy and indigenous rights. It will be important to identify appropriate civil society partners if we are to work at local level. Important too is effective civil society participation in areas where the government formally leads - the G7 Pilot Programme mentioned below is a good example of this.

C4. Donors. There are a number of actual and potential partners for DFID amongst the multilaterals working with Brazil. The World Bank and IDB both have significant programmes with combined commitments reaching several billion dollars a year. These programmes cover a wide range of sectors including the social sectors, state modernisation and the environment. The World Bank is responsible for administering the \$250 million G7 Pilot Programme to Conserve the Brazilian Rainforest, which has the capability to make a significant positive impact on environmental management in Amazonia (although continued efforts are necessary to make the Pilot Programme less bureaucratic and cumbersome). The EC has a fairly sizeable programme in Brazil (£19.5 million in 1996) - the main components being NGO support on social themes including streetchildren; forestry, including support to the Pilot Programme; urban poverty/environment; administrative reform, and economic/scientific cooperation. The UN, through such programmes as the Global Environment Facility, also has a presence. Prospects for effective partnerships with bilateral donors vary by sector. Where there is an actual partnership framework in place, such as the Pilot Programme, prospects are favourable. Of the bilateral donors, Germany plays an important role in work on the natural environment and it is an important contributor to the Pilot Programme.

C5. Private sector. Potential exists to develop partnerships with private sector interests centred on those areas where we will have our programme focus. For example we would propose to explore the scope for partnerships with the trade sector in environmentally sound goods, particularly in timber and timber products.

D. CURRENT UK DEVELOPMENT PORTFOLIO

D1. Given Brazil's income status, the DFID programme consists entirely of technical co-operation and related local costs support, rather than financial aid. It has a significant primary focus, that of promoting sustainable environmental management in Amazonia. The programme also includes a limited number of projects targeted at public sector reform and health reform. Disbursements amounted to £5.4 million in 1997/98, increasing to some £6.5 million in 1998/99.

D2. The focus on the *natural environment sector* in Brazil developed in the early 1990s in response to the growing levels of awareness of environmental issues in Brazil - important nationally, regionally, and globally. The programme is centred on the Amazon and has three main themes:

- research on the Amazonian environment and its problems, particularly the investigation of sustainable forest management practices;
- support for environmental policy and institutional capacity strengthening (eg the important Natural Resources Policy Project under the Pilot Programme which is helping to strengthen the environmental secretariats of four Amazonian States, and our support for the development of environmental management plans at state and municipality level in Pernambuco and Bahia States); and
- field-level programmes supporting environmentally sustainable development (eg the high-profile Mamiraua Sustainable Development Reserve Project which aims to combine environmental conservation with improved livelihoods for the local population, and the Tocantins Forestry and Rural Development Project which is promoting sustainable production on small farms on the margins of Amazonia).

D3. Overall we consider our environmental programme to have helped achieve considerable impact so far, in a number of respects:

- we have helped develop the technical skills of large numbers of Brazilian specialists in research, extension and policy agencies;
- we have helped significantly extend the necessary knowledge base for sustainable environmental management in Amazonia - eg by developing tree mapping software which is making easier the preparation of good quality sustainable forest management plans (attracting much interest from timber companies and community forest management projects); developing a potentially important new perennial crop for small farmers; and producing the first comprehensive and accessible guide to Amazonian trees, thus removing a major impediment to the improved understanding and management of the forest;
- some field projects, such as those at Mamiraua and Tocantins, are being used as models for wider replication and are directly influencing Brazilian Government policy (the Mamiraua Reserve is being used as a model for a proposed major programme to introduce environmental corridors throughout Amazonia);
- the Pilot Programme is starting to influence directly environmental policy-making within the Brazilian Government - eg the Government's Integrated National Policy for the Legal Amazon (1995) and Agenda 21 for Amazonia (1997) were clearly influenced by experience within the Pilot Programme; and the Programme has greatly strengthened coordinated action by state and federal environmental agencies resulting in the elaboration of State Environment Plans and the first Integrated Environment Management Projects.

D. CURRENT UK DEVELOPMENT PORTFOLIO

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D4. It is recognised that the institutional strengthening projects are newer and will take time to have an impact. Moreover progress has been uneven at state level, much depending upon the particular circumstances of each state. There is also scope for the programme to reflect the White Paper criteria more closely by placing greater emphasis on promoting sustainable livelihoods of poor people within Amazonia. This is discussed more fully in section E - Future UK Development Strategy.

D5. In *public sector reform*, we have supported a health reform programme aimed at developing a single integrated system of health care at federal, state and municipal levels and a project of administrative reform with the Ministry for Federal Administration and State Reform (MARE). In general our inputs on administrative reform have been at a high level, valued by the government (which would like the MARE project extended) and have helped shape policies. For example UK experience has directly influenced the current Brazilian programme to establish autonomous

operational agencies, freed from some of the bureaucratic hindrances of central government - a potentially very significant reform. This group of projects has so far had only an indirect link to poverty through their focus on improving the effectiveness of public sector provision - though the latter is, of course, an essential plank of any sustainable approach to poverty elimination.

D5. In *human rights*, we have provided support to street children and other relevant NGOs through the DFID Small Grants Scheme (a locally-managed part of our bilateral programme) and the Joint Funding Scheme.

D6. In 1997/98, in addition to expenditure of £5.4 million through our bilateral technical co-operation programme, we also provided some £1.5 million through the DFID Joint Funding Scheme for NGO projects, £0.9 million for Chevening Scholarships in the UK, and £1.2 million from DFID's research budget for natural resources research in Brazil.

E. FUTURE UK DEVELOPMENT STRATEGY

E1. The nature of DFID's Brazilian programme must be consonant with the heightened poverty focus of DFID policy, as expressed in the 1997 White Paper. There are considerable problems of poverty and of highly inequitable income distribution in Brazil, although the basic requirement in this upper middle-income country is the necessary political will to tackle inequality determinedly - rather than a significant need for external funding or expertise. The internal political climate favours an increasing momentum in this direction: the Cardoso Government is giving priority to health and education reform, and there is an increasingly active and vocal civil society pressing for (e.g.) better livelihood opportunities for the rural poor. In particular there is a strong, and very political, civil society lobby in favour of agrarian reform/land redistribution (which has encouraged the Cardoso administration to oversee more land redistribution than any previous Brazilian Government).

E2. Against this background, and given the nature of our presence, the UK's best contribution to helping Brazil tackle its poverty problems is likely to be at the level of policy dialogue and in strengthening our links with the multilateral agencies primarily involved in poverty related programmes in the country. We also envisage a significant change in emphasis in our present environment and public sector reform programmes to reflect more directly the interests of the poor.

E3. This will involve the following combined approach:

- A)** indirect support to poverty programmes through DFID's influencing activities and identifying opportunities for collaboration with the multilateral agencies;
- B)** within our bilateral programme, making continued use of the UK's comparative skills in *sustainable environmental management*, while *emphasising* interventions which directly benefit the rural poor ie rural livelihoods programmes;
- C)** increasing the opportunities to provide *directly poverty-related help* in specific areas where UK expertise is valued by Brazil (eg helping to reform

the delivery of selected government services like health which are directly relevant to poor people);

- D)** looking for opportunities to collaborate with Brazil on the wider regional and global *development agenda*, eg on environmental and trade issues.

We consider that this combination will make best use of the UK's comparative skills to the benefit of the poorest groups in Brazil. The elements are elaborated below.

E4. Better management of the natural environment. We have been in dialogue with the Government, multilateral agencies, civil society and other groups in Brazil to consider the development of this objective. Our initial conclusions are that the primary focus of our work in this area should continue to be global environmental concerns but that in doing so we also need to respond more directly to the needs of the poor, both as contributors to and beneficiaries from improved natural resource management. For environmental (and management) reasons, there should be a geographical focus on the Amazon and the Cerrado. We will keep under review the question of a larger involvement at a later stage in the North East States, which have the greatest concentration of rural poverty in Brazil.

E5. Our partnerships are likely to centre on support for sustainable agriculture, along the forest/agriculture margins; forest management; fisheries management; conservation management; and livelihoods development. These will seek to *strengthen natural resources policies and institutions* - whether at the federal, state or local level. We should also pursue field-level programmes which seek to *improve livelihoods*; and the lessons from such projects should be shared and disseminated to enable them to feed into wider, more strategic initiatives. We would expect the balance of our environmental programme to shift in favour of these two categories; and support for improved knowledge and information for effective natural resources management would be reduced accordingly. We will also examine the scope for supporting improved environmental practices by INCRA, the land reform agency.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E6. We should concentrate on working to extend our partnerships with those Ministries and institutions responsible for environmental and rural poverty issues: in particular, the Ministry of the Environment, Water Resources and the Legal Amazon (MMA) and the Brazilian Institute of the Environment and Natural Resources (IBAMA). This will build on the agreement to strengthen co-operation on (inter alia) environmental issues in the Brazil/UK Joint Action Plan signed during President Cardoso's visit to the UK in 1997. At state level, we should continue to seek to work with and strengthen the State Environmental Agencies (OEMAs).

E7. We will also look for further opportunities to work in partnership with Brazilian civil society. We will particularly look for partnerships where civil society has a comparative advantage in promoting new project initiatives as well as providing input to policy formulation. This applies both to intermediary NGOs working directly with local communities and to more centrally located agencies involved with general advocacy work. We will seek to work with civil society to strengthen the existing government structures and institutions. We should also continue to work in partnership with international NGOs that are active in the field. In addition we should explore ways of working with civil society to improve citizens' knowledge of and access to their rights.

E8. We will continue to seek to improve dialogue and develop effective partnerships with key multilateral institutions (eg the EC, World Bank and IDB) and bilateral donors (eg Germany). We will increase our involvement in the G7 Pilot Programme to Conserve the Brazilian Rain Forest. It will be important to work with the other donors involved in the Pilot Programme to ensure that the programme is managed effectively despite the many players involved and its overall size and complexity. We should also explore the scope for supporting the Global Environment Facility Small Projects Fund which is directed towards funding small community based projects in the Cerrado region.

E9. *Indigenous peoples.* In building up our natural environment programme, we should look for opportunities to help improve the position of indigenous peoples. Land demarcation, which is supported under the G7 Pilot Programme, is a necessary but not sufficient pre-condition for the survival of indigenous groups. For example, we are currently considering support to a separate project in the G7 Pilot Programme which will provide financial assistance for indigenous communities to develop initiatives which promote biodiversity conservation and strengthen livelihoods. The aim will be to help indigenous groups to establish an economically viable means of supporting themselves on their reservations. We will also explore the scope for support for the conservation of indigenous lands and natural resources under the proposed Ecological Corridors project in the G7 Pilot Programme.

E9. *Better Management of Public Resources.* We will examine the possibilities for further support to public sector and health reform, with further interventions more clearly targeted on the improvement of services for poverty reduction. It is likely to be one of the priorities of the new Cardoso Government to extend the administrative reform programme to the key sector ministries, including health, and to the state governments. There are clear opportunities to build on our present experience in Brazil and link in with the much larger IDB and World Bank support to these areas.

E10. *Land Reform.* Earlier this year we commissioned consultants to advise us on the case for DFID involvement in the critical area of agrarian reform and land distribution in Latin America, taking into account the very political nature of these issues and the active presence of the World Bank and IDB. We concluded from this review that we should seek to become involved in a limited way, in a selected number of strategic activities where there was a specific need for technical co-operation-type inputs that DFID was well placed to provide. For Brazil, we propose to (a) look at ways of helping INCRA, the national land resettlement agency, to better take account of sustainable environmental management needs in its operations, and (b) discuss further with the World Bank collaboration with them in monitoring and evaluating the new and potentially significant approach of 'negotiated land reform' currently under trial in the country.

E. FUTURE UK DEVELOPMENT STRATEGY

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Ei1. The strategy will therefore build on UK experience and comparative advantage in tropical forestry, agro-forestry, health systems reform, and public service reform. These accord well with Brazilian Government priorities for UK collaboration; clearly the latter have a wider range of priorities for international collaboration, including the urban environment, but they recognise the need to focus the UK programme.

Ei2. *Wider Development Agenda.* We shall also look for opportunities to build on our bilateral cooperation partnerships to support Brazil in making progress on the wider range of issues affecting national development, including the ongoing global initiatives on environmental and international trade and investment issues. We will need to be well focused in this area given the relatively modest scale of our bilateral programme and the extensive capacity and skills that Brazil already possesses as a nation. Given the predominant *environmental/sustainable development* focus of our programme it is likely that some opportunities would fall in this area. We shall explore the possibilities for supporting Brazil in the preparation of its National Strategy for Sustainable Development, and for collaborating with it in achieving the goals of the Climate Change Convention and implementing the flexible mechanisms of the Kyoto Protocol (in particular the clean development mechanism).

Ei3. On *trade* issues, we shall keep under review ways in which we might offer support to Brazil (and Mercosur) in the run up to the next round of multilateral trade negotiations. We shall also keep in view the bilateral implications of possible multilateral rules on investment. Brazil was one of the key non-OECD³ participants in discussions of the proposed OECD Multilateral Agreement on Investment, and is an active participant in World Trade Organisation discussions on trade and investment. There may be a particular case for helping Brazil and others consider the potential environmental implications of further investment liberalisation.

Ei4. More specifically, in discussions with our Brazilian counterparts we have identified some apparent gaps in promoting the commercialisation and marketing of Amazonian timber in sustainable ways. We will therefore examine the potential for providing support to strengthen Brazilian capacities in timber certification and forest product marketing.

Ei5. There are significant UK *investment* flows into Brazil, and we shall keep in view the potential for collaboration with the private sector - for example within the context of the Amazonia Pilot Programme. This may be a longer term objective given the need to prioritise our management time. The Commonwealth Development Corporation is not so far active in Brazil.

Ei6. *Multilateral Collaboration.* We will seek to ensure that our efforts are closely linked to those of the key multilateral donors, particularly the World Bank, IDB and EC. There is already close dialogue with the World Bank and EC within the G7 Pilot Programme. Collaboration will also be particularly important if we develop our involvement in health sector reform, given the multilaterals' important roles here. We shall continue to try to contribute to EC programme development at an early stage where we have mutual interests - there are already close links between respective environment field management staff.

³ Organisation for Economic Co-operation and Development

F. IMPLEMENTING THE NEW STRATEGY

F1. In-country administration of our development programme is undertaken for DFID by the British Council under annual contract. The British Council has also won contracts to implement specific projects: currently it is managing a metrology project and has a role in the health reform support project. The support role for formal relations and policy dialogue on development issues remains with the British Embassy.

F2. A natural environment programme manager based in the British Council office in Brasilia is responsible to DFID for field management of our natural environment projects. This includes supervision of the British Council's role in administration of these projects and control of local project expenditure. Main functions are project monitoring, day to day problem solving, in-country liaison and help to DFID's Latin America Caribbean and Atlantic Department (LACAD) in development of the programme. The natural environment programme manager is also supported by a G7 pilot programme co-ordinator.

F3. Development of the proposed programme will require a significant input of DFID staff resources over the next year. We will need to keep this under review but at present conclude that it will be manageable, on top of current programme management demands, through temporary reinforcement of the Brazil field office. We have appointed an additional professional in the field office for a period of one year. The new professional has taken on existing programme management and monitoring responsibilities to free up the natural environment programme manager to concentrate on developing the new programme. The field office would also be given greater delegated financial authority for local expenditure. We will continue to encourage linkages with other field managers in the region to foster lesson-learning and sharing of experience.

G. PROGRAMME RESOURCES

G1. Our proposals would involve a substantial enhancement in the level of DFID support in sustainable environmental management, in particular, with additional continuing resource requirements in public sector reform. Potential new activities in support of, for example, land reform and Brazil's wider development agenda would

probably not require significant funding, at least over the short to medium term. Indicative sectoral allocations are annexed. Based on these, we propose that there should be a phased increase in DFID programme resources for the country programme to Brazil from the current level of £6.5 million to some £11 million a year by 2000/01.

SUMMARY OF PREPARATION PROCESS

The preparation of this Country Strategy Paper (CSP) was the product of a wide consultation process. This involved consultation on the draft text with:

- the key Brazilian Government sectoral ministries and ABC (the Brazilian Agency for Co-operation, within the Ministry of Foreign Affairs) - future strategy was also discussed with ABC at the 1998 UK/Brazil aid talks in London in July;
- selected Brazilian NGOs (non-governmental organisations) - via the British Embassy;
- a wide range of UK development NGOs and representatives from UK business and academic bodies with interest in Latin America, at a well-attended consultation meeting at DFID organised by the Latin America, Caribbean and Atlantic Department in July;

- the World Bank and IDB (via UK delegations);
- the British Embassy and DFID technical staff in Brasilia;
- other key Whitehall departments (Foreign and Commonwealth Office, Treasury, Department of Trade and Industry).

There was widespread endorsement of the CSP approach from these constituencies. Specific comments have, in the main, been reflected in the text.

Distinct from the CSP process itself, there is regular direct discussion with the Government, other donors, NGOs, etc, on strategy - through, for example, local field managers and programme development and monitoring missions.

COUNTRY PROGRAMME EXPENDITURE PROFILE

	1997/98	1998/99	1999/00	2000/01
BINDING COMMITMENTS				
Natural Resources	2.54	3.23	2.70	2.00
Urban Environment	0.62	0.80	0.70	0.20
Good Government	0.37	0.42	0.20	0.20
Health	0.48	0.50	0.00	0.00
Others (TCT ⁺ , Small Grants, Aid Administration)	1.52	1.55	0.30	0.30
SUB-TOTAL	5.53	6.50	3.90	2.70
OTHER PLANS				
Renewable Natural Resources				
- Forest Management	0.00	0.00	0.60	0.60
- Forest/Agriculture Interface	0.00	0.00	0.60	1.40
- Conservation	0.00	0.00	0.40	0.60
- Floodplain & Fisheries Management	0.00	0.00	0.80	1.20
- Other Livelihoods	0.00	0.00	1.10	2.20
Good Government	0.00	0.00	0.50	0.50
Health	0.00	0.00	0.60	0.60
Others (TCT, Small Grants, Aid Administration)	0.00	0.00	1.00	1.20
SUB-TOTAL *	0.00	0.00	5.60	8.30
GRAND TOTAL	5.53	6.5	9.5	11.0

⁺Technical co-operation training programme

*These are planning figures only and do not represent any firm undertaking