

Brazilian Cooperation: a model under construction for an emerging power (ARI)

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Theme: The media, analysts and markets have focused a great deal of attention on the consolidation of Brazil as an emerging power, mainly in the economic and global governance spheres. However, there is little information and few studies on aid and cooperation as an instrument of Brazilian foreign policy or on Brazil's role in the new architecture of aid, despite its increasing presence in Africa and its leading role in debates on international development..

Summary: *The Economist*¹ recently published an article with a caricature of President Lula of Brazil distributing dollars in an African village, under the heading: 'Brazil's foreign aid programme. Speak softly and carry a blank check. In search of soft power, Brazil is turning itself into one of the world's biggest aid donors. But is it going too far, too fast?'.

While Brazil is not a liquid donor of resources in terms of Official Development Assistance (ODA), it possesses a significant and successful know-how and technical solutions that it shares and transfers to other countries and regions under development. In the official discourse, the technical aid furnished by Brazil does not aim for profit and imposes no conditions or obligations linked to the purchase of goods and services. It seeks to respond to requests from developing countries, who set their priorities and define the type of aid they require from Brazil. The latter, by principle, seeks the institutional strengthening of its allies as a condition for the transfer and absorption of its know-how. However, as with aid in DAC/OECD and other emerging countries, the Brazilian aid programme combines idealistic objectives combined with numerous other interests that are not always declared. This should not necessarily be interpreted negatively, especially if these interests are clearly explained and go beyond the mere rhetoric of altruistic solidarity.

This ARI examines the political vision of Brazil's aid as an instrument for its international projection and for the legitimate attainment of its domestic interests. In doing so it looks at the political guidelines underpinning it, the financial resources employed, the sectors and geographical areas in which it is concentrated and the agents that execute it.

It concludes with a reflection on the challenges facing Brazil to consolidate a public policy for international cooperation and to find a model –that is still under construction– which can differentiate this emerging power from traditional North-South cooperation.

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¹ *The Economist*, 15/VII/2010, <http://www.economist.com/node/16592455>.

Analysis: XXXXX

Brazilian Aid as an Instrument of its Foreign Policy

The origin of Brazil's role as a player in development aid dates back to the 1970s, when the experience it gained as an aid recipient was incorporated into the UN Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries (1978). Brazil was guided on this new course by the perception that it had been able to maximise the aid received from the countries of the North and that it therefore had an obligation to support and promote aid to other less developed countries.

In the 1980s the model for international cooperation had run its course while technical know-how had progressed, leading Brazil to modify its profile in order to reconcile its role as aid recipient with that of donor to developing countries, and it did so –following the example of the OECD countries– to broaden and strengthen its foreign interests. Bilateral cooperation was the instrument chosen for Brazil's foreign policy, allowing it to increase and strengthen its international presence by offering aid to other developing countries.

The significant expansion of Brazilian aid started in 2003, reflecting the country's rise on the international scene and the recognition of:

- (1) Its condition as an emerging economy with high growth rates and a strong capacity to attract investment, in addition to its capacity in various sectors (industry, energy, aeronautics) and the size of its domestic market.
- (2) Its political and institutional stability, that have allowed its development to be respectful of market forces but without relinquishing the State's regulatory authority.
- (3) Its leadership in South America and its role as a regional stabiliser, internationally projected through commitment to the peaceful resolution of conflicts.
- (4) Its commitment to multilateralism and to the reduction of regional and international asymmetries in their political, financial and commercial dimensions.
- (5) Its success in combating poverty and its successful track record in innovative social programmes and technologies (*Bolsa Família, Fame Zero*).

With the coming to power of Lula in 2003, the Brazilian government heavily restructured its foreign aid to give priority to South-South Cooperation (SSC). It has defined the principles that will guide its actions, including a constitutional mandate (article 4) whereby 'the international relations of the federative Republic of Brazil are governed... by cooperation among peoples for the progress of mankind' and that aid will be provided in accordance with commitments agreed in international visits by the President and Foreign Minister as an essential instrument of foreign policy.

The government has further specified that aid aims to offset the asymmetries in Brazil's geographical vicinity and is a strategic objective for its national security, since 'no country can feel safe next to unhappy neighbours'.² The transfer of its successful experience and

² L.H. Pereira da Fonseca (2008), 'La visión de Brasil sobre la cooperación internacional', *Revista Española de Desarrollo y Cooperación*, No. 22, Madrid, pp. 63-77.

technical know-how will have as a priority South America, Central America and the Caribbean and, in general, countries with which Brazil is linked either historically or culturally. Cooperation with Africa seeks to settle the historical debt with the continent deriving from slavery.

Brazil will also use aid to strengthen its relations with developing countries, thereby increasing its prestige and influence and contributing to the construction of a South-South coalition. Cooperation is a tool for a 'diplomacy of solidarity' that should not be subject to the rules established for donor countries in North-South aid, such as the Paris Declaration.

The view that Brazilian aid is to be subject to the national interest has been highlighted further by the priority given by the Lula government to the creation of a South-South foreign policy axis. Political discourse has developed the concept of a 'diplomacy of solidarity' based on the transfer to developing countries of Brazil's experience and know-how, without conditions or interference, in areas deemed to be relevant by the recipients, and always respecting their sovereignty.

International aid should help promote structural changes through the transfer of technology and knowledge that contribute to socio-economic development in strategic sectors, giving rise to more solid institutions. Brazil has adopted the concept of an 'association for development', based on the idea of a two-way cooperation, sharing both efforts and benefits. Completing this approach, Brazilian cooperation emphasises the idea of undertaking 'structuring action', in other words, projects that foster national capacities with a social and economic impact on the beneficiaries to ensure a greater appropriation and sustainability.

Some analysts note a connection between strengthening links with developing countries and Brazil's quest for support to its candidacy to a permanent position on the UN Security Council, or as a means for promoting multi-polarity, democracy and peace, and the development of a better bargaining position for Brazil, South America and other developing regions.³ Other strategic issues, such as the expansion of its trade and presence in the international markets, or efforts to disseminate its domestic technology in the worldwide production of biofuels, in addition to the sale of resources and equipment produced by Brazilian companies, appear to be important underlying explanations for the SSC.

Thus, development aid initiatives do not appear to be an aim in themselves, but are instead part of the larger foreign policy picture as they comprise strategic objectives for Brazil's increased international, political and economic presence.

From Recipient to Donor: How Much does Brazil Invest in Cooperation?

Just like many Middle Income Countries (MIC), Brazil shares its dual status as cooperation recipient and donor country. As recipient, the data of the DAC/OECD indicate that many countries have reduced their aid as a result of a clear perception that the country's successes in development recommend modifying the type of aid received and reducing the transfer of resources. In 2005 Brazil received US\$196 million in ODA, a figure that was reduced the following year to US\$113 million. In 2007 and 2008 ODA rose

³ M.R.S. Lima & M Hirst (2006), 'Brazil as an Intermediate State and Regional Power: Action, Choice and Responsibilities', *International Affairs*, vol. 82, nr 1, pp. 21-40.

again (due to contributions from Japan and Germany, who increased their triangular cooperation), to a total of US\$321 million and US\$460 million, respectively. In relation to Brazil's GNP, over the past three years ODA has never exceeded 0.1%. Today many donors are reviewing their presence in Brazil, reconsidering their cooperation with an emerging MIC on the basis of new instruments and types of aid to reflect the country's new profile as a prominent SSC player.

Establishing Brazil's quantitative profile as an aid donor is an arduous task, given the scarcity of official statistics, varying methodologies on what should be measured as development aid and the divergence between the estimates of international organisations and journalistic and academic sources.

Estimates on the funds devoted by the Brazilian Cooperation Agency (ABC) to technical cooperation projects suggest that between 1998 and 2004 US\$15 million were directed at the development of 119 projects. However, in addition to financial resources, some analysts include the services of other national organisations involved in foreign aid. Therefore, each dollar paid should be multiplied by 10. Following this accounting method (which calculates the impact and multiplier effect of those resources) between the year 2000 and 2004 Brazil provided close to US\$120 million in foreign aid.⁴ According to the ECOSOC,⁵ in 2006 Brazil's international aid increased threefold and amounted to US\$365 million, not including the cost of its peace-keeping and humanitarian aid missions, that are at levels similar to those of Portugal and Luxembourg.

Based on official Brazilian sources and considering that the country lacks a unified accounting system for the resources allocated to foreign aid, the latest DAC/OECD report (2007) estimates total Brazilian aid at US\$437 million. The calculation includes various forms of technical and financial cooperation in agriculture, education, renewable energies, health, professional recruitment, urban development, electronic management and the environment. Two hundred and thirty-six technical cooperation projects were financed in a total of 46 countries. Of the total sum, close to 90% was channelled multilaterally.⁶

These figures do not include two growing activities: financial and humanitarian aid.

In the field of financial cooperation, Brazil signed the HIPC initiative, reducing the debts of many African countries with the Brazilian treasury. In this context, the debts of Mozambique (US\$369 million), Tanzania (US\$10 million), Mauritania (US\$9 million) and Guinea-Bissau (US\$5 million) were cancelled. In Latin America, Brazil took part in negotiating the pardoning of the debt by the Inter-American Development Bank (IDB) in 2006, that benefited Bolivia, Guyana, Nicaragua, Honduras and Haiti. Brazil offers soft loans to several African countries and is considered by the IMF and the World Bank to be the emerging country which, after China and Kuwait, provides the most loans to low-income countries, particularly Angola, Guinea-Bissau and the Congo. On the other hand, the country stands out among emerging economies as the main contributor to the International Development Association, the 'soft' window of the World Bank. According to information from the Presidency of the Republic, through 2007 Brazil condoned or refinanced debt to other developing countries to the amount of US\$1.25 billion.

⁴ C. Schläger (2007), 'New Powers for Global Change? Challenges for International Development Cooperation: the Case of Brazil', *Dialogue on Globalization*, Briefing Papers, FES, Berlin.

⁵ United Nations Economic and Social Council (2008), *Trends in South-South and Triangular Development Cooperation*, ECOSOC, New York.

⁶ OECD (2010), *Development Cooperation Report 2010*, Paris.

In June 2006 an inter-ministerial working group was created for international humanitarian aid that fostered the coordination of humanitarian aid operations in Bolivia, Surinam, Ecuador and Lebanon, with civil society participation. Examples of these actions included the distribution of food supplies in Haiti, aid to earthquake victims in China and assistance to Belize and Myanmar, all in 2008. In 2009 an unprecedented operation for triangular humanitarian aid took place between Brazil and Spain for villages battered by hurricanes Ike and Gustav in Cuba, Haiti and Honduras. In the 2008-09 period, humanitarian aid resources sent by Brazil amounted to a total of US\$2 million.⁷

The most recent estimates have been published by *The Economist*, on the basis of information compiled at the ABC and by key informants in Brasilia. In the total calculation, direct aid would account for some US\$1.2 billion, broken down into US\$30 million of the ABC budget for projects and some US\$440 million allocated to bilateral actions by other domestic institutions. Another US\$30 million should be added in humanitarian aid and US\$10 million more allocated to Gaza. Likewise included are US\$25 million in voluntary contributions to the UNDP and US\$300 million allocated to the World Food Programme. Assistance to Haiti would add another US\$350 million.

Indirectly, the most important (and controversial) quantity, US\$3.3 billion, corresponds to commercial loans made to developing countries via the National Bank for Economic and Social Development (BNDES). The BNDES holds a portfolio of investments in South America amounting to US\$15.6 billion. The main question is that, in contrast to Brazilian technical cooperation, BNDES loans and other initiatives such as the Export Credit Programme are reimbursable and require the beneficiaries to comply with a number of conditions, the first of these being the obligation to use the resources to purchase goods and contract services from Brazilian companies.

Brazilian aid: Sectors, Geographical Destinations and Agents

Between 2003 and 2009 Brazil signed more than 400 agreements and protocols with developing countries in Latin American, the Caribbean, Africa, Asia and Oceania. During this period, the number of countries benefiting from Brazilian aid grew by 150% (from 21 to 56 countries), with a project portfolio of some US\$90 million and a number of initiated projects that rose from 23 in 2003 to 181 in 2007 and reached 413 in 2009. In Africa alone, Brazil cooperates with 35 countries.⁸

According to the ABC, in 2009 50% of the projects were in Africa, 23% in South America, 15% in Asia and 12% in Central America and the Caribbean. It should be highlighted that although official discourse stresses the priority of South America in Brazilian foreign policy, this is not reflected by the technical aid it provides. According to consolidated data for 2007 Africa took the lion's share of Brazilian cooperation aid (more than 52% of the total, invested in 125 projects in the continent's five Portuguese-speaking countries, accounting for 78% of aid to Africa), while South America appeared in second place (119 projects and 18.36% of the total) with Paraguay and Bolivia as the preferred destinations (23.8% and 17.1% of regional resources, respectively). The country that receives the greatest volume of aid in the global calculation is Haiti, followed by Cape Verde, East Timor, Guinea-Bissau, Mozambique and Angola.⁹

⁷ IPEA (2010), *Objetivos de Desenvolvimento do Milênio, Relatório de acompanhamento*, Brasília.

⁸ Data presented by the ABC's Director, Marco Farani, at the seminar 'Brasil y China: desafíos de la cooperación internacional para el desarrollo de África', Brasília, 9/VI/2010.

⁹ Ministério das Relações Exteriores (2007), *South-South Cooperation Activities Carried Out by Brazil*, Brasília.

By sectors, in 2009 agriculture (22.6%) absorbed almost a quarter of Brazil's SSC activities, followed by health (16.6%), education (12.6%), the environment (7.5%), security (6.5%), public administration (5.1%), energy (3.5%), technical cooperation (3.3%) and industry (0.1%). The remaining 21.8% was unspecified.

In the regional and interregional sphere, Brazilian cooperation has seen a substantial revitalisation as a result of the initiatives adopted in MERCOSUR (Structural Convergence Fund, Family Agricultural Fund and the Small and Medium-Sized Enterprises Fund), in UNASUR (a US\$100 million fund to support reconstruction in Haiti, of which Brazil furnished US\$55 million) and within the Community of Portuguese-Language Countries (CPLP), where Brasilia promotes the strengthening of its executive secretariat and develops projects for telecommunications, electronic management and human resource training.

In the IBSA Forum (India, Brazil and South Africa), a trust fund of US\$12 million was created to be used in Guinea-Bissau, Cape Verde and Haiti, executing projects in agriculture, health and waste treatment. In the interregional field, Brazil has prioritised dialogue with Africa on matters of food security in alliance with multilateral organisations and supporting cotton-producing countries (the Cotton-4 group: Benin, Burkina Faso, Chad and Mali). One innovative initiative was the Brazil-Africa Cooperation Programme on Social Protection that shares Brazilian know-how on conditional income transfers.

In addition to acting in different sectors, Brazilian cooperation also mobilises an array of domestic and international partners. It is estimated that more than 120 domestic institutions, counting Ministries, Secretariats, foundations, universities, research centres, companies and NGOs are currently involved in these development initiatives. The main agents are the Agricultural Research Corporation of Brazil (EMBRAPA), the Oswaldo Cruz Foundation (FIOCRUZ) and the National Service for Industrial Training (SENAI). In specific projects some Brazilian state-owned enterprises are involved as financial agents (Caixa Económica Federal) and suppliers of technical cooperation (PETROBRAS). In the security area, the Brazilian Federal Police Force and the National Secretariat for Public Security participate in police training programmes in Surinam, Colombia, Paraguay and Uruguay.

The involvement of civil society in the formulation and management of cooperation projects is particularly important in that it shows a tendency to participate in Brazilian foreign policy. This is the case, for example, of the NGO Viva Rio, in Haiti. Other NGOs, such as Alfabetización Solidaria, Luta pela Paz and Afro Reggae, develop projects in the field of community organisation, although their financing comes from Norway, Sweden and Canada.

One striking novelty is the growing participation of Brazilian universities and institutions of the national scientific and technological research system such as CAPES (Coordination for Improvement of Higher Education Personnel) and CNPq (National Research Council). Other agents include the Ministry of Social Development (responsible for Bolsa Família), the Higher School of Finance Administration (ESAF), the Federal Data Processing Service (SERPRO), the Higher Electoral Board, the Institution of Research and Applied Economics (IPEA) and the National Institute for Space Research (INPE). Yet to be started are the first initiatives of decentralised cooperation, such as with the state of Bahia and the cities of Curitiba and Diadema.

Conclusions: Over the past decade, international development aid has seen the inclusion of new topics and perspectives, but has yet to resolve the dilemma of how the so-called 'emerging donors' such as China, India and Brazil fit into the new architecture of aid.

Brazilian cooperation is an instrument of the country's foreign policy, subject to its national interests and to its legitimate aspiration for a greater international projection, for opening new markets and for exercising influence in the multilateral sphere. The fact that Brazil, similarly to donors from the OECD and to other emerging countries, seeks to fulfil its domestic interests by offering cooperation is not incompatible with the recognition of its contribution to SSC.

Three of these can be highlighted: the transfer of best practices in several sectors; the participation of multiple players, both public and private, in the domestic as well as international sphere; and the commitment to development cooperation in regional, interregional and multilateral actions.

During the government of President Lula, cooperation grew sharply in line with the priority given to establishing a south-south axis in his foreign policy. The aid offered by Brazil has mainly focused on Africa, particularly the Portuguese-speaking countries where, on the other hand, Brazilian cultural and economic penetration is greater and competition with traditional and 'emerging' donors is stronger. South American countries have also been a priority objective for Brazilian aid, mainly least-developed, where tension has built up over the expropriation of Brazilian assets (PETROBRAS in Bolivia) or where energy contracts are being renegotiated (Itaipú in Paraguay).

However, this increase has domestic and international implications. In terms of the former, the multiplicity of cooperation projects has not been accompanied by the necessary political, technical and social debate on their impact on the administrative structures of cooperating Brazilian institutions. Neither have legal aspects been considered, planning tools designed or specialised human resources been relied upon. Financial resources are assigned from project to project, without budgetary forecasts to ensure the continuity of the actions or the necessary stability. One example of this is that the government and its institutions are subject to legal restrictions to receive or grant cash donations and that agencies such as EMBRAPA were not statutorily conceived to engage in international action, which causes major difficulties.

Transparency is another considerable challenge. On this point it should be borne in mind that the lack of information on the exact resources devoted to development cooperation is a limiting factor for the Brazilian government, hampering the recognition of its contribution to international development and decreasing further its accountability, which is practically nonexistent at present. A clear definition of the volume of resources in cooperation is essential for the strengthening of relations with countries of the South-South axis, as well as for its participation and presence in regional and multilateral forums. The recent presentation of a proposal for an accounting system for Brazilian cooperation resources for international development (COOP-BRADI) is one hopeful sign.

Brazil is facing the challenge of building a public policy for international cooperation that is sustainable and long-lasting, beyond the personal commitments of its political leaders. To do so, given the quantitative and qualitative significance it now has, it is imperative to clearly define strategically and operationally the elements that can allow its institutions

and society establish a State policy on cooperation. The current administration has already announced a new legal framework and the design of an institutional model to meet the requests for cooperation that have been received.

Another urgent task is to enhance the coordination between the agencies that execute Brazil's aid programmes and to define how they interact on the ground with other cooperation programmes. An example of this is the absence of Brazilian participation in the donor conferences that coordinate international cooperation in countries that are highly dependent upon aid, such as Mozambique.

In the international sphere, the cooperation offered by Brazil illustrates the success and importance of the SSC, as well as the relevance of the MIC in the structure of the new architecture of aid. Hence the need to open up channels for dialogue with this group of countries. In this respect, a growing number of voices are requesting that Brazil should urgently take part in the forums for coordination and dialogue sponsored by the DAC, given its increasing profile as a source of development aid. Nevertheless, there are doubts about the acceptance of the coordinating role of the DAC/OECD by the current Brazilian government which, for example, does not participate in the *Task Team* on SSC and is relatively mistrustful of the Paris Declaration on aid effectiveness.

This reluctance is based on ideological differences and objections to the OECD, while the Brazilian government has a more positive attitude towards cooperation being coordinated at the ECOSOC Development Cooperation Forum. The preference for ECOSOC is coherent with the Lula government's foreign policy priorities and with the establishment of a South-South axis. Nevertheless, Brazil's reluctance to accept the international consensus on aid effectiveness might have more to do with the institutional dispersion of its cooperation efforts and to its limited transparency.

Qualitatively, Brazilian cooperation is much more participatory and inclusive than China's or India's, both in terms of the number of domestic and international institutions involved and of the type of aid involved, which exceeds the strictly bilateral to innovate in triangular, multilateral, regional and interregional forms of cooperation. Brazilian cooperation may become a model for other emerging countries, to the extent that it is less bound by undeclared material interests and promotes the appropriation and alignment with the national priorities of developing countries.

The next few years will be decisive for Brazil to define a cooperation model based on its own characteristics and on its distinct nature as a multicultural and emerging country, still on the borderline between the developing and advanced worlds. It will have to overcome its tendency towards a certain wilfulness and to rely on nostalgic third-world rhetoric to enable it to engage and lock into the new architecture of international aid. Fostering a greater professionalization and to proclaim unashamedly that Brazil's cooperation aims to help others while likewise helping itself are options that can be defined or postponed. To achieve a cooperation of quality, that is transparent and that promotes international development is neither an easy nor a quick task. But it is feasible and it will help deflect unnecessary domestic and external questioning.

In short, Brazil is currently in the process of constructing and finding its own cooperation model, based on the institutional, social and historical characteristics that have shaped its progress from developing country to emerging power. In this process, the more wide-

ranging participation of domestic agents (beyond mere diplomacy) will be decisive. To date, debate has been limited and restricted to academic circles.

The question is whether this model, and its practical application, will be different from traditional North-South cooperation, in terms of its objectives, instruments and implications, for example, through the integration of financial agents (eg, Brazilian infrastructure companies) who can benefit from the doors opened up by presidential visits and from the need that technical cooperation has for a broader range of development initiatives, especially in Africa.¹⁰

Perhaps it will soon be necessary to overcome the rhetoric on the presumed generous nature of *all* Brazilian aid, making explicit the entire range of legitimate interests there might be in its South-South cooperation and recognising that it is possible and desirable for all the parties involved (governments, companies and beneficiary countries) to benefit.

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¹⁰ A good example is the Camargo Correa company's construction of water-related infrastructures in Mozambique.