The new strategies of European countries' development cooperation with Brazil: drivers and *rationale*.

Pedro da Motta Veiga (CINDES)
Sandra Polónia Rios (CINDES)[1]

February 2016

1. Introduction

The emergence of Brazil and other middle-income countries (MICs) as relevant players in the international economic and political arenas, alongside their growing weight as aid donors, has impacted the ways traditional donors relate to these "newcomers" in the domain of development cooperation.

New strategies for cooperating with the MICs have been put in place. Yet, these new strategies do not derive directly from the "graduation" of these countries under the various national development policies of the traditional donors – a process that is primarily related to domestic political and economic factors in developed countries and that, in many cases, took place many years before the setting of new strategies regarding development cooperation with the MICs.

Instead, these new strategies respond to motivations and perceptions that are distinct from those behind the process of "graduation".

Rather than motivated by the progression of national income, the traditional donors' new strategies vis-à-vis the MICs have been driven by a mix of domestic and international factors. These drivers "matured" during the first decade of the XXIst Century and led to an "upgrade" of the MICs as international partners of developed countries in different areas of their foreign policy. In this new scenario, development policy has been increasingly

[1] Lídia Cabral, doctoral researcher, Institute of Development Studies, UK, acted as a consultant to this project and directly contributed to this paper, being responsible for the sub-sections geared at "contextualizing" the debate on graduation and cooperation to the MICs (included in section 2), as well as for those (included in section 3) where the recent trends in national development policies (of the selected countries) to the MICs are addressed.

integrated to the broader framework of foreign policy and the limits between aid, trade, investment and other objectives of foreign policy have become blurred.

This paper addresses the issue of what drives the new strategies of traditional donors vis-à-vis the MICs. It focuses on the recent evolution of bilateral development policy implemented by four European countries in their relations with Brazil: Germany, the Netherlands, Norway and the United Kingdom. These countries share a tradition of being bilateral aid donors to Brazil, but have been revising their development policy towards Brazil in recent years, a trend which led to the adoption of new goals, instruments and criteria for assessing their policies.

The specific questions that this paper intends to address – and, if possible, to answer – are:

- taking into account the previous history of bilateral cooperation, what have been the drivers of the new strategies adopted by these four countries toward Brazil? What factors have pushed these countries to define new bilateral cooperation strategies with Brazil and prioritize certain issues and instruments within these strategies?

- what are the main components of the new bilateral strategies, in terms of objectives, instruments and the institutional dimension?

- what are the main continuities and discontinuities in the trajectories of the four countries' bilateral development policy, when the new strategies are compared to those prevailing at the end of the XX Century and the first years of the XXIst Century?

- does trilateral cooperation play a relevant role in the new strategies, beyond rhetoric?

- is there any (self) evaluation, even a preliminary one, of the new strategies adopted by the four countries?

To discuss these issues, the paper addresses in its second section the emergence of a new consensus on development financing and the challenges raised by this consensus with regards to the issues of aid graduation and the targeting of aid, particularly *vis-à-vis* the MICs. The third section is pivotal to the objectives of the paper: it describes the four national cases of bilateral development cooperation with Brazil and addresses the questions presented above. The fourth section presents some factors that, in the Brazilian side, have interacted with the shifts observed in the European strategies of development cooperation, improving (or alternatively, reducing) the effectiveness of these strategies. The fifth section focuses on the lessons learned from the four case studies, while a

synthetic sixth section presents some implications of the lessons learned for other development cooperation agencies, as SDC.

2. The new consensus on financing development and donor policies on working with the MICs and emerging economies

2.1. Elements of the new consensus on financing development

The traditional concept of aid or development assistance is under pressure (Klingebiel, 2014). An unprecedented process of rethinking aid has been unfolding in the 21st century with several factors playing a role. Amongst these are: (i) the persistence of some major development challenges, particularly poverty, inequality and insecurity (FitzGerald, Heyer, & Thorp, 2011); (ii) pressure over the development industry to assert its credibility (Moyo, 2009); (iii) the difficulty in coming up with credible and commonly accepted and observed standards on how to assess the effectiveness of aid; (iv) the failure to coordinate action on outstanding global issues such as climate change, security and international trade; and (v) the emergence of 'new' development actors, such as Brazil and the BRICS group, and the growing emphasis on South-South cooperation. Business as usual in the aid industry is, therefore, insufficient to deal with the current context. There has been a search for new concepts as part of re-energising the debate on how to support international development, while creating space for all actors, old and new, to be accommodated (Woods, 2008).

The end of the MDG-era and the beginning of the sustainable development- (SDG-) era constitute a critical juncture in the conceptualisation of aid, adding new elements to the debate. One is the framing of development as a universal challenge that concerns all nations, particularly with regards to global sustainability; the SDG process has been crucial in crystallising this perspective and giving weight to the idea that there is a global moral responsibility toward international development (Kanbur, 2014).

In addition, a new perspective on the geography of poverty and vulnerability highlights the significant challenges still facing countries that are no longer classified as poor and developing on the basis of the nation's income status. An influential study by Sumner (2010) provided evidence that almost three quarters of the world's extreme poor – dubbed the 'new bottom billion' – live in middle-income countries (MICs) and not in the poorest countries. The poor in these countries still require international assistance, no matter what their countries' income status is.

Yet, another new element of the emerging consensus is the recognition that aid, as traditionally defined, is only one amongst various instruments to finance development,

which include a range of domestic and external, private and public sources. The concept of 'international public finance for development' has been proposed to capture all these relevant flows besides the traditional Official Development Assistance – ODA (Glennie & Hurley, 2014). MICs, in particular, require a new kind of international development cooperation. Sumner argues that '[g]lobal public goods and innovative finance mechanisms will be areas where middle-income country governments, traditional donors and philanthropies can work together and the policy coherence, in areas such as in the trade policy of traditional donors will be more important to middle-income country governments that aid flows' (Andy Sumner cited by Villarino, 2011: 3).

Furthermore, emerging development actors, such as the BRICS, have put the emphasis over 'win-win' relations, 'mutually benefit' and 'reciprocity' in cooperation with 'southern' nations, moving beyond the unreciprocated charity or gift ethos that has dominated the traditional aid cannons, even if only discursively (Mawdsley, 2012). China, particularly, has been very forthright in pursuing the mutual benefit principle in its cooperation relations with developing countries thereby blurring the lines between aid, trade and investment (Bräutigam & Xiaoyang, 2009).

The new emerging 'consensus' on supporting international development therefore understands development as a global challenge and understands the changing geography of poverty and vulnerability. It highlights complementarities between different instruments for financing development and it recognises the role played by emerging development players and South-South cooperation.

This new 'consensus' is having implications over decisions by individual development agencies on how to allocate resources to address development goals – specifically, how to support countries at different stages of development (developing countries *vis-à-vis* MICs particularly) and how to address development challenges that are increasingly global in nature.

2.2. From the old aid graduation concept to the new rationale for supporting MICs and emerging economies

Aid graduation is closely connected to a country's national income status progression. The OECD's Development Assistance Committee (DAC) clusters ODA eligible countries into four groups: countries are defined as Least Developed Countries (LDCs), following the United Nations' definition, or as Other Low Income, Lower Middle Income or Upper Middle Income Countries, based on their GNI per capita as reported by the World Bank. If a country's per capita Gross National Income (GNI) exceeds the Upper MIC threshold for three consecutive years that country is no longer eligible for ODA and is removed from the list of recipients,

that is, it graduates from aid.[2] Furthermore, within eligible countries there is also the question of eligibility for different levels of concessionality for ODA loans (the degree to which it the price of the loan is below market interest rates), with LDCs being eligible to the higher levels of concessionality.

On the basis of these income-based country clusters, individual donor agencies have their own policies on how they distribute aid across ODA eligible countries (as the following section will discuss in further detail). For example, the European Commission put in place an aid differentiation policy whereby it has refocused its aid spending on LDCs and low-income countries and scaled back aid from MICs, including Brazil, China and India (Piccio, 2014a, 2014b). Some European countries are following the same policy for their bilateral programmes, including the UK that has pledged to axe its aid programme in India and South Africa by the end of 2015 (Piccio, 2014b). The OECD has also called for a refocus on LDCs, whose volume of aid has started to fall despite these nations' difficulty in attracting flows beyond aid (OECD, 2015).[3]

The fall is explained as resulting from 'decreases in bilateral aid, in part because of overall budget pressures in a few OECD DAC countries and changed priorities in OECD DAC countries' overall aid allocation. The call for reversing the declining trend of ODA to LDCs has already led to pledges by individual member countries (DAC, 2014). A country's income status remains therefore a strong basis for deciding on aid allocations, particularly when resources for international development become tighter.

Yet, the emerging consensus described previously raises new challenges with regards to the issue of aid graduation and the targeting of aid, particular vis-à-vis MICs. The changing geography of poverty suggests aid targeting should be based on incidence of poverty, regardless of a country's *per capita* income. A significant proportion of poor people still live in MICs. India, home for a third of the world's poorest (World Bank, 2013), is a case in point. There has been a heated debate in the United Kingdom on whether India should continue to be the target of UK aid, given its growing wealth and creation of a cooperation programme to help other countries (Ghosh, 2015; New Internationalist, undated).

Besides targeting poverty, there is also a case for supporting MICs to help them address structural challenges and vulnerabilities that can compromise progress and even lead to

---

[2] The Upper Middle Income threshold for ODA flows for the period 2013-16 corresponded to a capita GNI of US$ 12,745 in 2013 (Source: OECD, DAC http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf; accessed 10/12/2015).

[3] Aid to LDCs is reported to have fallen from US$ 46 billion in 2010 to US$ 38 billion in 2014 (OECD, 2015: 2).

reversals of their development process – the so-called 'middle income traps' (Im & Rosenblatt, 2013).

Furthermore, the notion that outstanding development (and global) challenges, such as climate change, migration and transmissible diseases, are universal and cut across country income groupings begs a different look on aid targeting. Aid to Upper MICs can play a catalytic role in addressing global challenges, in and beyond these countries – this is indeed part of the justification used by Germany and UK for continuing engaging with Brazil (Rosengren, de Roquefeuil, & Bilal, 2013).

However, the new focus on MICs by traditional donors does not derive exclusively – or even, mainly – from a shift in concepts and priorities of their development policy. It also owes to the growing integration of development policies into foreign and trade (and investment) policies. As a consequence of such integration, "serving national interests has become a more explicit objective" of development policies for many DAC members (OECD, 2014).

In fact, shifts in foreign policy of donor countries are re-assigning the objectives, the functions and the means of the development policies toward MICs and of the public agencies in charge of setting and implementing these policies. New forms of development cooperation are emerging and they are growingly – but not exclusively – evaluated for their contribution to serving "national interests" of the donor countries and to creating synergies between development policies, on one side, and trade and investment interests of donor and recipient countries, on the other[4].

Overall, there is a case for (i) maintaining development cooperation relationships with MICs and emerging economies to support international development; and (ii) introducing and developing new objectives and instruments of development cooperation, taking into account the "national interests" of the donor countries and the potential contribution of MICs to address global challenges. This is reflected by the diverse practices of a number of aid agencies.

---

[4] Spain, a case not studied in this paper, has prioritised aid relations with MICs (Alonso, 2014), in the context of a significant reduction in its development cooperation budget. Its IV Master Plan for the period 2013-2016 consolidates Spanish cooperation in fewer countries, particularly in Latin America, and makes innovation and capacity building an explicit goal of its assistance with MICs in the region. In relation to Upper MICs, specifically, the Master Plan indicates the 'desire to move toward a horizontal model of co-operation focusing on contributing to global and regional public goods and using instruments such as triangular co-operation' (DCD/OECD, 2013). Triangular cooperation is defined as one way of supporting inter-governmental South-South cooperation between partner countries and an intermediate space or nexus between both North-South and South-South cooperation (AECID, 2009). With this in mind, Spanish cooperation engages with MICs in third countries, within the Latin America region.

Yet, aid as traditionally understood is hardly the key channel used for working with these countries. New instruments are emerging. At least four areas have been identified where development cooperation relations with MICs and emerging economies have been blossoming: (i) the provision of global public goods, such as environmental management in the case of Norway in Brazil; (ii) policy dialogue and engagement in international development, such as the UK support to China's engagement in global *fora*; (iii) support to strengthening capacity for South-South cooperation and engagement of Southern donors with the international debate of development effectiveness, such as the support provided by Germany to the Mexican development agency; and (iv) triangular cooperation in topical areas for the benefit of third lower-income countries, such as practiced by Germany, the UK Japan and Spain with countries like Argentina, Brazil, China and South Africa.

Different agencies have focused on one or several of these areas, depending on their own capabilities, interests and preferences, which are, in turn, directly and indirectly influenced by the shifts introduced by many traditional donor countries in their broader foreign policy toward MICs or emerging economies.

3. Recent evolution in European countries development cooperation with Brazil: four case studies

Donor aid allocation policies with regards to MICs and emerging economies vary somewhat. Although the income status of a country remains an important guide for aid allocations, there are many factors that determine individual agencies' cross-country allocation decisions, not least historical ties, commercial interests and geopolitical considerations (Riddell, 2007). The weight of each determinant in agencies' decisions is hardly verifiable as agencies often conceal the real drivers for their aid allocation decisions in order to emphasise solidarity and comply with the unreciprocated charitable ethos.

While the OECD has pledged to increase aid to LDCs (OECD, 2015), several individual members have also displayed interest in supporting MICs and working with emerging economies in addressing global challenges and in assisting (third) poorer countries through the instrument of trilateral or triangular cooperation[5].

[5] Although recognising there is no internationally agreed definition of triangular cooperation, the OECD describes it as an arrangement typically involving 'at least one provider of development co-operation or an international organisation and one provider and recipients of development co-operation (for instance, providers of South-South co-operation, SSC) to promote a sharing of knowledge and experience or implement development co-operation projects in developing countries' (DAC/OECD, 2012: 13).

In line with the OECD pledge, the EC has introduced an aid differentiation policy for its grant-based spending that discontinued assistance to 16 upper-middle-income countries and refocused aid toward poorer countries (Herbert, 2013). This policy followed from the guideline expressed in the EU Development Policy: An Agenda for Change (2011), where it is stated that the EU 'must seek to target its resources where they are needed most to address poverty reduction and where they could have greatest impact' (EC, 2011: 9)[6].

Individual European governments have, however, contrasting policies with regards to aid to MICs and emerging economies. Indeed, these differences came to light in the debate on the EU aid differentiation policy (Herbert, 2013). In many cases, they also have differentiated among emerging countries, in terms of objectives and instruments used, when applying their general directives toward MICs.

Brazil provides a good example of how development policies geared at MICs and emerging economies "land" in a particular country, adapting to its characteristics and potential, as perceived by the donor countries.

3.1. Germany

a) Recent trends in development policy to the MICs

Germany has historically prioritised development cooperation with MICs, to the extent that peer reviews conducted by the DAC in 2005 and 2010 recommended that it strengthened its focus on lower income and LDC countries to reflect its poverty reduction objective (OECD, 2011). Within aid relations with MICs, triangular cooperation plays an increasingly important role and it serves to strengthen partnerships with emerging economies with emerging South-South cooperation programmes (but that are not part of the DAC) and thereby complement North-South cooperation, and German aid specifically, for the benefit of low-income countries (BMZ, 2013). These relations also serve to strengthen capacities for South-South cooperation[7] as well as promote shared learning on global development issues, including on the issue of development effectiveness.[8] German support for triangular

[6] Five countries were exempted from this policy (South Africa, Cuba, Ecuador, Peru and Colombia), allegedly as result from pressure from EU lawmakers in Brussels, particularly from Spain for the Latin American countries (Piccio, 2014b). South Africa has been spared from the exemption possibly because of the good reputation the EU aid programme has in that country (ibid).

[7] For example, supporting the Mexican development agency in monitoring and evaluating its aid programmes (Rosengren, de Roquefeuil, & Bilal, 2013).

[8] For example: 'By working with the emerging economy and discussing with it international processes (e.g. within the UN or G20 context or with regard to the Global Partnership of Effective Development Cooperation founded in Busan), we are able to arrive at a firmer shared understanding of what development policy means.

cooperation includes provisions of financial and technical cooperation and is focused in Latin America, with Brazil, Chile and Mexico as its major partners (ibid). The Latin America Triangular Cooperation Fund was established to support various triangular projects that have countries in Latin America as well as in Africa as beneficiaries. Outside the framework of this fund there are other ongoing triangular cooperation projects with Brazil in Mozambique and with Mexico in Bolivia. There is also a trilateral cooperation fund with South Africa for projects in various African countries. These various initiatives cover a range of issues including post-conflict reconstruction, water management, public administration, democracy and civil society strengthening. Besides triangular cooperation and support to South-South cooperation programmes, German cooperation with emerging economies also concerns global issues such as climate change, economic development and global governance, particularly with countries like Brazil, China, India, Indonesia, Mexico and South Africa (BMZ, 2015). For example, although traditional cooperation with China is being phased out, Germany has recently established a new partnership with China in the areas of climate action, environmental, energy technology and food security.[9]

b) Development cooperation with Brazil: background[10]

Germany has a large history of cooperation with Brazil, involving not only governments, but also non-governmental entities as political parties and their foundations, trade unions and religious groups. Until 2008, bilateral cooperation projects had a traditional profile: poverty reduction, especially in least developed regions, rural and local development, etc. Support to Brazilian's civil society institutions was targeted by German non-governmental organizations, during and after the authoritarian period that Brazil went through the Seventies and the first half of the Eighties.

Besides these projects, between 1992 and 2009, Germany had an active participation in financing the Pilot Programme to Conserve the Brazilian Rainforest (PPG7), assuming a leading role in the implementation of the project. Under the Programme, significant areas of the Amazon and of the Atlantic coastal forests have been declared protected zones. In the Amazon region, a large area of land inhabited by indigenous peoples has been officially designated as indigenous land and placed under the protection of the law.

Germany can learn lessons for its development cooperation from both partners, particularly when it comes to the flexible and relatively rapid procedures used by the Southern partners.' (ibid: 10).

[9] Source: http://www.bmz.de/en/press/aktuelleMeldungen/2014/october/141022_pm_104_New-partnership-with-China-for-innovation-and-sustainable-development-Minister-Gerd-Mueller-leaves-for-talks-in-Beijing-and-Shanghai-on-23-and-24-October/index.html.

[10] The following subsections rely largely on an interview with the First Counsellor on Sustainable Development Cooperation at the Germany Embassy, in Brasília.

In the first decade of the XXI Century, some trends led Germany to gradually question the traditional forms of aid to development benefitting Brazil and other emerging economies. In the case of Brazil, economic growth and the growing international (economic and political) weight of Brazil were taken into account when assessing the bilateral ODA provided by Germany. The importance assigned by Germany to the global environment agenda and the perception of the potential role of Brazil in addressing the most pressing issues relating to this agenda – climate change, biodiversity – also contributed to the shifts in the form and content of German bilateral cooperation, which took place from 2008 on.

c) Drivers of the change and shifts in the political and institutional framework of cooperation

In 2008, the Germany government decided to concentrate 100% of the resources assigned to bilateral cooperation with Brazil on two broad issues: renewable energies / energy efficiency and conservation and sustainable use of the rainforest. A similar shift did not take place in other Latin American countries – especially the least developed ones – where bilateral cooperation can still focus on more traditional issues, as poverty reduction.

According with the German Embassy in Brasilia, the new priorities were defined based on perceptions that "matured" within the Germany in the years preceding 2008. Contrarily to the case of the UK (see 3.4.), the setting of new priorities has not been driven by the economic impacts of the 2008 international economic crisis. Instead, in the case of Germany, the setting of a new strategic framework for the relationships with emerging economies – based on values and interests – seems to have been the main driver of change. This framework is not restricted to development policies, encompassing the various dimensions of foreign policy[11].

An important reference to understand the strategic framework proposed by Germany is the document "*Shaping Globalization – Expanding Partnerships – Sharing Responsibility*", issued in 2012, as a "Strategy Paper by the German Government". The perception of the emergence of "developing or newly industrialized countries" as "an influential force in shaping international policy in an interdependent world" is the starting point of the paper. These countries – not individually named in the document - are now "economic motors and key regional players, active beyond their own regional boundaries", (…) "able and willing to play an increasingly important role in international decision making processes" (BMZ, 2012).

[11] Brazil is the only Latin American country with which Germany enjoys a "strategic partnership". This is based on the German-Brazilian Strategic Partnership Action Plan of May 2008, in which both countries agreed to further step up bilateral and multilateral cooperation

The ideas presented in this government paper are developed and applied to development policies in another Strategy Paper, issued by the Ministry for Economic Cooperation and Development (BMZ) in 2015, under the title "*Development cooperation with global development partners – sharing responsibilities – shaping sustainable development*". At the centre of the German concerns, two broad issues, perceived as global challenges: human rights and climate change/sustainable development. Here, countries "able and willing" to play a role in shaping and addressing global agendas, while at the same time "self-confidently defending their own interest', are named: Brazil, China, India, Indonesia, Mexico and South Africa. The document proposes that Germany engages with these countries, through a multiple (governmental, nongovernmental, European and multilateral) vectors strategy, "as Global Development Partners and accept them as partners with all that this entails" (BMZ, 2015).

According to the document, "GDP are emerging economies that have been identified as special partners for German development cooperation using the following criteria: desire to become proactive in the shaping of a changing global order, as reflected above all in membership of the G20 Group; relevance to the achievement of international development and sustainability targets and to the safeguarding and provision of global public goods: economy of a size that is regionally and globally relevant; and central role played in regional integration and in cooperative agreements".

Recognizing GDP as a very heterogeneous group, the document argues that "we have to offer country specific forms of cooperation that are in our common interest and meet the demands of the country concerned. Reflecting the divergent interest of these countries, our development cooperation with them focuses on different priority areas (…) Governments of Brazil and Mexico wish to focus official bilateral DC on fields such as tropical forest protection, biodiversity and renewable energy" (BMZ, 2015).

In the case of Brazil, the setting of a new bilateral agenda for development cooperation dates back to 2008, four years before the 2012 Government Strategy Paper and seven years before the 2015 BMZ one. Therefore one could question the statement that the Government of Brazil "wish to focus" the German aid on issues that make for the bulk of bilateral cooperation since 2008 and that whose choice seems to owe a lot to German values and preferences.

In any case, bilateral cooperation with Brazil is nowadays framed, in political and institutional terms, by the Global Development Partners strategy, which concentrates cooperation in two areas: "jointly shaping sustainable development <u>with</u> the countries

(aimed above all at safeguarding and providing regional and global public goods)" and "shaping sustainable development in the countries" (BMZ, 2015).

The broader political, economic, social and cultural framework for the bilateral relationships is set by the German-Brazilian Strategic Partnership Action Plan of May 2008. However, the relevance of this Action Plan – *vis* à vis other more focused documents – should not be exaggerated: the first intergovernmental consultations under the umbrella of this Action Plan took place only in August 2015, in Brasilia.

d) The new profile of development cooperation with Brazil

From 2008 on, a series of initiatives turned into concrete programmes and specific projects the two thematic priorities defined for bilateral cooperation: renewable energies and energy efficiency, as well as conservation and sustainable use of the rain forest.

In the area of renewable energies and energy efficiency, Germany has a wide portfolio of projects supported by financial cooperation through KFW – loans with an aid component – with public and private partners. The biggest projects have Brazilian public – national and subnational – entities as partners and they include the setting of wind energy parks, solar plants and initiatives aimed at increasing the energy infrastructure efficiency in Brazil. In general, these projects have a component of technical cooperation, then also mobilizing GIZ, the governmental agency responsible for this modality of aid.

In the area of conservation and sustainable use of rain forest, the explicit aim of German cooperation is "to achieve a better balance between Brazil's interest in deriving economic benefit from the Amazon region and the exigencies of protecting tropical forests and the climate". In practice, this objective is made concrete through projects aimed at controlling deforestation, preserving indigenous lands and promoting activities that benefit the local populations and that appear to be sustainable both economically and environmentally.

Besides these initiatives, Germany is the second biggest international contributor to the Amazon Fund (Fundo Amazônia), managed by the Brazilian Bank of Development (BNDES) and invested in actions to prevent deforestation and to promote the conservation and sustainable use of the Amazon biome. In 2010, the German government, through KFW, transferred to the Amazon Fund 21 million euros. More recently, during the visit of Chancellor Angela Merkel to Brazil, Germany committed to additional grants amounting to 100 million euros to be made until 2020.

In the area of forest conservation and sustainable use, grants are responsible for the majority of the resources assigned to cooperation, although financial cooperation also

takes place. Technical cooperation plays its role also in this area, through projects with governmental entities, as BNDES.

The adoption of a theme-based logic – composed of two sub-themes – by the German development cooperation with Brazil did not imply major changes as far as political and institutional responsibilities for setting and implementing developing policies are concerned.

The Ministry for Economic Cooperation and Development kept the central role, although other Ministries and institutions are getting involved with cooperation with Brazil in the wake of the development of new bilateral initiatives, mainly related to climate issues, as well as education, innovation and technologic themes.

In institutional terms, maybe the main shift associated to the new German approach to bilateral cooperation has been the growing role of KFW as an executive agency for BMZ and the consequent relative loss of relevance of GIZ, responsible for technical cooperation.

This shift reflects, at the institutional level, the fact that financial cooperation, executed by KFW, has become by far the leading modality of German bilateral cooperation with Brazil[12]. According to the German Embassy in Brasilia, this is a strong trend in the bilateral cooperation with Brazil and the share of financial cooperation is expected to grow in the next future[13]. In May 2015, the portfolio of KFW ongoing projects and projects in the pipeline in Brazil totaled 2 billion euros. The bank is present in Brazil, through an agency based in Brasília[14].

GIZ, the German agency in charge of technical cooperation has 22 ongoing projects in Brazil, with a total budget of 99.3 million euros. In 2015, projects geared at "general environment protection" accounted for 45% of the total budget, followed by projects in "energy generation, distribution and efficiency" (27%), "education" (15%) and "energy generation, renewable sources" (9%). As these data indicate, financial and technical cooperation converge in terms of priority themes and many projects include both modalities of cooperation[15].

---

[12] https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Latin-America-and-the-Caribbean/Brazil/

[13] However, according to the Embassy officer, this expectation can be frustrated by the deep fiscal and financial crisis that Brazil is facing nowadays, impacting the federal and sub federal governments – precisely the partners of the German financial cooperation.

[14] KfW IPEX-Bank, which is responsible for international project and export finance within the KfW Group has an office in São Paulo since 2002.

[15] https://www.giz.de/projektdaten/index.action?request_locale=en_EN#?region=1&countries=BR

Scientific and technological bilateral cooperation between research centers and universities also focuses on – although it is not limited to – the main themes prioritized by the German cooperation: environmental issues (forest, energy, climate change).

Recently the Ministry of Foreign Affairs and the Ministry of Education and Research set in São Paulo the German Centre for Science and Innovation, to represent locally the German institutions of research and innovation acting in Brazil and to promote new initiatives of bilateral cooperation in this field.

Triangular cooperation is also part of the German portfolio of cooperation in Brazil. The principles, objectives and instruments of the German triangular cooperation have been set in a BMZ Strategy Paper, issued in 2013, on "*Triangular cooperation in German development cooperation*". According to this document, "German-supported triangular cooperation is booming in Latin America, in particular" and Brazil is listed among its major partners (BMZ, 2013). The Regional Fund for the Promotion of Triangular Cooperation in Latin America and the Caribbean was created by GIZ on behalf of BMZ, to operate between 2010 and 2016.

According to GIZ site[16], "to date, a total of 17 participating countries have launched 29 individual measures on various themes, 22 of which are currently being implemented" in the countries of the region (…). In the meantime, interregional triangular cooperation projects are also being supported by the Regional Fund. Following cooperation with Brazil and Mozambique, there is now a cooperation project with Costa Rica and Morocco for managing forests, conservation areas and watersheds in the light of climate change".

In the specific case of Brazil, currently two projects are in progress in Mozambique, and a third has just been completed in Peru:

- Mozambique: Building the institutional capacity of the National Institute of Metrology (INNOQ) and Disaster and Risk Management (INGC);

- Peru: Developing an Environmental Technology Centre (CTA).

e) Assessing the new strategy and its perspectives

As far as we know there has been no broad and systematic evaluation of the agenda of bilateral cooperation with Brazil that Germany has set from 2008 on. Implicitly there is a

[16] https://www.giz.de/en/worldwide/12942.html,

positive evaluation, which emerges from the decisions of increasing the "package" of resources assigned to bilateral cooperation, adopted at the high-level meetings that took place in 2013 and 2015. Following the 2015 meeting, Germany decided to increase to 515 million euros its budget to development cooperation with Brazil[17]. By the same token, the decision to make a second financial contribution to the Amazon Fund seems to signal the perception of positive results generated by the German cooperation policy.

In the case of KFW, however, ex-post assessments of specific projects are made and publicized in the site of the Bank. These assessments follow a standard model, presenting the basic data, a short description, the objectives and the target group (if any) of the project. The project is then rated, based on five DAC criteria: relevance, effectiveness, development impact, efficiency and sustainability. The average of these individual ratings produces an "overall assessment" rating. The remaining of the assessments provides a short text on the evaluation made according to each criterion.

These assessments cover the period between 2002 and 2013 and the latest ones refer to projects that were part of PPG7, an international pilot programme to conserve the tropical forests in Brazil, and that have been concluded no later than 2009. Assessments of recent projects developed under the aegis of the German bilateral cooperation outside multilateral initiatives are not listed in the site of KFW. Hence it is not possible to know if such kind of project evaluation has been interrupted or if is not made public any more.

3.2. The Netherlands

a) Recent trends in development policy to the MICs

The Netherlands has cut aid to MICs significantly and has no specific policy for working with emerging economies on development cooperation (Rosengren et al., 2013). Yet, its "*New Agenda for Aid, Trade and Investment"*, published in 2013, highlighted the increasing role played by emerging MICs in international development and the need to engage with them as the influence of the Netherlands in the world stage diminishes (Ministry of Foreign Affairs of the Netherlands, 2013). Having reduced significantly the number of aid recipient countries, cooperation relations with MICs and emerging economies, such as the BRICs, are almost on the same footing as relations with world leading economies like the US, France, Germany or the UK and concern the promotion of trade and investment with activities that contribute to economic growth and employment in the Netherlands. The "*New Agenda"* announces, however, that triangular arrangements with emerging MICs that hold specific expertise, such as Brazil on poverty reduction, are an area of growing importance.

[17] German is nowadays the second most relevant donor of development cooperation with Brazil. In 2013, Brazil was the 10th recipient of the German cooperation all around the world.

Furthermore, the safeguarding of international public goods (such as climate, trade and security), an area strongly highlighted by Dutch foreign policy (PBL, 2011), is another field where relations with MICs and emerging economies play a role – the Netherlands is committed for example to improving the balance of power in international trade negotiations.

b) Development cooperation with Brazil: background[18]

Taken literally[19], development cooperation is only marginally included in the current menu of objectives and instruments of the Dutch bilateral policies toward Brazil. For sure this has not been the case until 1st January 2006, when technical cooperation with Brazil was terminated. This decision came in the wake of a process of revision of the Dutch aid policy to developing countries.

Resources assigned to development policies were gradually reduced as was the number of developing countries eligible for such policies. At the end of the XXth Century, 35 countries could benefit from the Dutch cooperation, but new reductions were undertaken in the following years, taking the number of eligible countries to 17 – essentially LDCs and LICs. The domestic political support to development policies focusing in human rights shrunk along the first decade of the new Century, a trend that only intensified as the impacts of the 2008 crisis became evident in Europe and in the Netherlands.

From 1999 on, Dutch technical cooperation with Brazil was seriously reduced and limited to one theme – environment – a situation that lasted until the end of 2005, when bilateral cooperation was interrupted by the Netherlands[20].

Therefore, when the Dutch government began a process of revising its relationships with Brazil, in 2007/2008, this country was not anymore eligible for bilateral development cooperation. The Dutch foreign policy toward Brazil underwent a deep change, where

---

[18] The following subsections benefitted from an interview with the Strategic Policy Advisor of the Western Hemisphere Department at the Ministry of Foreign Affairs of the Netherlands.

[19] According to OECD DAC definition, official development assistance are "grants or loans to countries and territories on the DAC List of ODE Recipients (developing countries) and to multilateral agencies which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms (if a loan having a grant element of at least 25 per cent). In addition to financial flows, technical cooperation is included in aid".

[20] From 2007 on, the Dutch cooperation, in partnership with Germany, has supported the Amazon Cooperation Treaty Organization, an institution that gathers eight South American countries. The Organization is based in Manaus (Brazil), but in this case, given the characteristics of the Organization, Dutch cooperation cannot be said bilateral to Brazil.

development cooperation had only a marginal (if any) place and economic diplomacy was brought to the center of the Dutch bilateral strategy.

c) Drivers of the change and shifts in the political and institutional framework of cooperation

Following a period when Brazil barely attracted the Dutch attention as an economic and political partner – the same period when bilateral development cooperation was withdrawn – the years 2007 and 2008 record the beginning of a process of deep reassessment of the bilateral relationships by the Dutch government.

This process took place within the framework of a broader shift in the Dutch foreign policy, driven by the new priority assigned to national economic interests as well as by the focus on the emerging markets, from which 70% of the global economy's growth was expected to come (IOB, 2013b). Geographical diversification of trade and investment relations – traditionally concentrated in Europe – became a major goal of the foreign policy adopted by the Netherlands.

The irruption of the 2008 crisis seems to have amplified incentives to put the national economic interests at the driver's seat of the Dutch foreign policy – not only toward Brazil – and to intensify the focus on rapidly growing emerging economies. This shift seems to reflect primarily the emergence of a new consensus on the priorities of foreign policy.

In the case of Brazil, the new orientation of the Dutch foreign policy reflected the perception of the emergence of this country as a relevant international player and as a large market in expansion where new opportunities were potentially available to Dutch companies.

To be sure, the international emergence of Brazil was perceived, in documents from the Ministry of Foreign Affairs, as well as from the Dutch Embassy in Brasília, as an opportunity for the Netherlands to establish "strategic relations" with this country in multiple fields, not only in the economy. The hypothesis of a "strategic partnership" in the multilateral agendas of energy, environment and climate change, reform of the UN system was explicitly formulated in these documents.

Despite reciprocal visits of the Chiefs of State, the political dimension of the new strategy did not gain traction and has been gradually downgraded by the facts[21]. The ground for

[21] The Dutch government seems to have perceived that the hypothesis of a strategic relation with Brazil in international political issues was too optimistic and that the divergence of views and values between the two

bilateral relations was then almost completely occupied, in the Dutch side, by economic diplomacy. This strategy has been further favored by the growing influence that "economic ministries" have acquired in the Dutch foreign policy during this period of time.

This trend has been strengthened from 2010 on as Brazil was selected as one of the ten top priority markets for all the sectors seen by the Government as overriding for internationalization through exports and/or foreign direct investment.

Among Latin American countries, Brazil was the only one classified as a priority for the new Dutch foreign policy, but economic diplomacy was adopted as the main dimension of foreign policy toward Latin America in 2011, as development cooperation was phased out[22].

d) The new profile of development cooperation with Brazil

In the new framework set by the Dutch foreign policy to manage its relationships with Brazil there has been almost no place to development cooperation or ODA, as defined by the OECD DAC (see footnote 20). This does not mean that all initiatives of bilateral cooperation have been suppressed (see below), but in general they hardly comply with the criteria defining aid.

As the promotion of economic interests of the Dutch companies were placed at the center of the foreign policy, the focus of the bilateral relationship, from the Dutch point of view, was put on "economic diplomacy". This expression is understood as "the mobilization of governmental relations and influence to promote trade and investments" of Dutch companies, in countries and situations where the (Dutch) government intervention is perceived as necessary to allow national firms to have access to the business opportunities.

This is the case of Brazil, where the strong presence of the State and its agencies in the economy, especially in areas of interest of the Dutch companies (ports, maritime services, oil and gas), generates complex regulations and barriers to trade and investment. This business environment provides the rationale for the mobilization of governmental resources through a strategy of economic diplomacy.

---

countries was larger than previously supposed by The Hague. This perception appeared in the process of evaluation of the Dutch foreign policy toward Brazil, conducted by IOB/MFA, and in an interview with a MFA official based in The Hague.

[22] "With regard to the Dutch policy on Latin America, economic diplomacy has only recently been included in official policy documents. In the 2004 policy for the region, for example, development cooperation was the main focus (for example private sector development and corporate social responsibility through NGOs)", (IOB, XXX).

The economic diplomacy materialized, in the case of Brazil, through the strengthening and "densification" of the Dutch diplomatic network, with an emphasis on the functions and positions directly related to the economic dimension of the bilateral relations and, specifically, to the sectors prioritized in the bilateral relationships. Besides the Embassy and two General Consulates (in São Paulo and Rio), the diplomatic network encompasses two Netherlands Business Support Offices, located in Porto Alegre (in the South) and Recife (in the North East).

To promote the interests of Dutch companies acting in the sectors appointed as priorities in the Brazilian economy, the strategy combines bilateral MoU to address issues of mutual interest to unilateral incentive instruments.

Two MoU were signed by Brazilian and Dutch authorities in 2009 and 2011 concerning the sectors where economic diplomacy focused on in Brazil: ports, maritime transport and logistics sector. In the view of the Dutch diplomacy, these sectors in Brazil are clearly eligible for an economic diplomacy approach because (IOB,2013a):

- "There is complex regulation and legislation in the sector and fluctuating policy developments that at times hinder foreign investment and trade;
- There are benefits to the collective promotion of Dutch expertise in the sector;
- There is significant involvement of the Brazilian government in the sector at both the state and federal levels (access function). Moreover, the customers are large, often fully or partly state-owned companies".

Besides defining intentions and goals of the bilateral cooperation in the sectors elected, "the MoU also include an action plan through which a number of services of Dutch companies are offered to the Brazilian government. This is partly covered by the public-private partnership, with some co-financing from the Brazilian government. For example, Dutch companies have been involved in the development of a master plan for seaports and with the policy for developing hinterlands".

The incentive programmes are referred to, in Dutch official documents, as "instruments of the economic diplomacy". One of these programme, "known as '2g@there' ('to-get-there'), supported various consortia of companies from a specific sector (such as ports or horticulture) to position themselves in one of the Latin American countries, with the Dutch companies receiving financial support for various activities such as organizing trade missions or a joint 'Holland Pavilion' at trade fairs, to commission feasibility studies or pay for other forms of advice, and for the establishment of local representation (such as a 'Holland House', as in Brazil)". Since 2012, all these programmes have been replaced by the new

Partners for International Business programme, "which puts a stronger emphasis on the nine key sectors and requires more financial commitment from the participant companies (that is, a lower subsidy component"(IOB, 2013a)[23].

Outside the framework of economic diplomacy, other bilateral initiatives have been developed that involve some dimension of cooperation. One of them relates to the promotion of sustainable economic development in Brazil and Latin America.

In poor countries of the region, the financial support to promote sustainable development is granted through bilateral ODA and through NGOS working on fair trade initiatives, multistakeholder dialogues, etc. In Brazil, the Dutch government has actively supported, politically and financially (with a contribution estimated at 5 or 6 million euros), a multistakeholder initiative denominated Roundtable on Responsible Soy (RTRS), besides financing a research on sustainable soy. The RTRS initiative aimed at setting a standard for sustainable soy, a goal which was achieved in 2010. In 2011, a group of Dutch companies decided to require a certificate RTRS for the soy to be consumed in the Netherlands.

In the field of science and technology, bilateral cooperation seems to have gained some traction in the last years. A MoU has been set in 2012, identifying themes of common interest: bio-economy, sustainable cities, climate change, hydric resources, among others (AWTI, 2015).

No project of triangular cooperation between Brazil and the Netherlands – if one excludes the support given, together with Germany, to ATCO – is currently under way.

e) Assessing the new strategy and its perspectives

The Dutch foreign policy toward Latin America and Brazil has been evaluated in detail, in 2013, by the Office of Policy and Operations Evaluation of the Ministry of External Affairs of the Netherlands (IOB/MINBUZA for the Dutch acronym)[24]. A specific evaluation was dedicated to the strategy of economic diplomacy.

---

[23] "At the same time, a new programme, the Transition Facility, was established, in which there is still substantial public funding for economic diplomacy. This funding, however, largely originates from the development cooperation budget of the Ministry of Foreign Affairs. The programme was created in 2011 and designed to be used in countries where the Netherlands wanted to move from development cooperation with a mutually profitable economic relationship. Colombia is one of the three transition countries (along with South Africa and Vietnam). The Transition Facility provides funding for demonstration projects, feasibility studies, and promotion of Dutch business" (IOB,2013a).

[24] IOB makes independent assessments of the implementation of policies adopted by the MFA of the Netherlands.

In general, the economic diplomacy put in place in Brazil is positively evaluated under an economic/business metrics. From the official documents, a perception emerges that the Netherlands have been able to identify and reap business opportunities in the sectors assigned as priorities and to consolidate as a credible partner for Brazilian authorities and companies.

Beyond the assessment of costs and benefits of the economic diplomacy in Brazil, the work conducted by IOB raises some concerns focusing on what could be named the "side-effects" of an excessive emphasis in the economic dimension of foreign policy (in Brazil, as well as in other Latin American countries).

This view appear in commentaries on the lack of attention received (in the period of the evaluation) by "public diplomacy", geared at forging a positive image of the Netherlands and promote its political, social and economic values. The Dutch performance in this area is unfavorably compared with the strategy followed by other European countries, most notably Sweden and Norway. These countries are perceived as having been able to associate their economic strategy toward Brazil with a well defined political and institutional strategy, which included the setting of strong relationships with Brazilian stakeholders in their areas of interest.

The relevance of deepening the debate on the integration of the sustainable economic development dimension to the bilateral foreign policy is also stressed by the IOB evaluation. This is perceived as a means to increasing the legitimacy of the economic diplomacy strategy and to involve different stakeholders in Brazil and in the Netherlands.

3.3. Norway

a) Recent trends in development policy to the MICs

Norway makes an interesting contrast with regards to its cooperation with MICs. Operating on a theme-based logic – whereby it picks few global themes on which it has a special competence and expands them globally – Norway has Brazil as its largest recipient with the aid programme earmarked to climate and environment issue, including reducing deforestation through the Amazon Fund – a fund constituted with a Norwegian grant of US$1 billion and managed by the Brazilian Development Bank (BNDES).

b) Development cooperation with Brazil: background

Norway has been one of the most active national players in the field of development policies. These policies are embedded in a tradition of foreign policy, characterized by its "uniqueness", largely derived from its autonomy *vis à vis* the major world powers' views and interests[25].

This has allowed Norway "to play a leading role in certain fields of international diplomacy - as in peace facilitation, in which Norway tends to be seen as an impartial mediator -, and to coordinate initiatives with global reach, with a group of selected partners, as in the areas of health, innovative financing for development and eradication of certain types of weapons" (Guimarães, 2012). Norway – and NORAD, its cooperation development agency - has also played this kind of leadership in development policies and the example of its recent cooperation with Brazil adequately illustrates this point.

But Brazil has not always been a relevant partner for Norway as far as development cooperation is concerned. In the Nineties, despite two decades of steady growth, Norway's ODA to Brazil slightly outpaced 0.1% of the total amount assigned by the Nordic country to development cooperation. Since the Eighties, Norway was providing grants to support indigenous populations in Brazil, but this aid was financially marginal in the portfolio of NORAD at this time. This situation barely changed until 2008: between 2000 and 2008, Brazil was the recipient of less than 0.2% of the total Norway's ODA.

However, between 2009 and 2014, the amount assigned by Norway's ODA to Brazil multiplied by almost twenty (in the comparison with the 2000/2008 period) and reached 3.5% of the total of ODA resources in this period[26].

Despite Norway's ODA being primarily focused on sub-Saharian Africa and on low income countries often designated as "fragile" States, Brazil was, in 2012 as well as in 2013, the worldwide main recipient of such aid, far ahead from the other relevant recipients[27].

According to a NORAD (2011) report, "a large part of Norwegian development aid is channeled to fragile states. At the same time, Norway has placed the issue of global common assets on the development policy agenda"

c) Drivers of the change and shifts in the political and institutional framework of cooperation

---

[25] It is worth reminding that "Norway stands out for not being a member of the European Union, following clear expressions of popular will in the referenda of 1972 and 1994" (Guimarães, 2012).

[26] https://www.norad.no/en/front/toolspublications/norwegian-aid-statistics/

[27] OECD (2014). In 2014, Brazil ranked third as aid recipient from Norway, preceded by Afghanistan and Palestine.

The enormous increase in the amount assigned by Norway's development cooperation with Brazil is fully attributable to:

- the Norwegian decision to prioritize some themes, most notably the preservation of so-called "global common assets", within the framework of its development policies; and
- taking Brazil and its Amazon Forest as one of the main targets of the policies associated to these new priorities.

In December 2007, during the 13th Conference of Parties to the United Nations Convention on Climate Change in Bali, Norway launched its International Climate and Forest Initiative (NICFI), pledging up to three billion Norwegian Crowns (around US$ 500 million) a year in development cooperation funding in support of REDD+ - Measures to Reduce Emissions from Deforestation and Forest Degradation. The Initiative was adopted within the framework of the 2007 Climate Policy Report, as part of a "multi-national payment mechanism for verified emission reductions."

The launch of the Norwegian initiative coincided with the setting, on the Brazilian side, of the Amazon Fund, geared at financing REDD+ project, managed by the National Development Bank of Brazil (BNDES). In 2008, a partnership was established between Brazil and Norway and the Nordic country began to contribute to the recently created Amazon Fund (Guimarães, 2012).

It is hard to assess if the role of the NICFI/Amazon Fund partnership, beginning in 2008, exerted some influence in the upgrade received by Brazil within Norway's foreign policy. The upgrade in Norway's foreign policy toward Brazil is made explicit in the ambitious and far-reaching document "*The Norwegian Government's Strategy for Cooperation between Brazil and the Norway"*, issued in March 2011 by the Ministry of Foreign Affairs[28]. As its title indicates, the document is entirely dedicated to the bilateral relationships, understood in their various dimensions, as forms of "cooperation" – in a sense which goes far beyond the idea of "development cooperation" or ODA.

One can reasonably suppose that the well evaluated experience of the NICFI/Amazon Fund partnership – although still a work in progress – contributed to call the attention of the Norwegian government to the recent evolution of Brazil, as a dynamic economy, a "vibrant democracy with a flourishing civil society and (an) active policy for social cohesion (that) has lifted millions of people out of poverty over the last few years"[29] (NMFA, 2011).

[28] Hereinafter quoted as NMFA (2011).

[29] It is worth remembering that the President Lula da Silva underwent an official travel to Norway in September 2007

The policy framework set by the document goes far beyond the partnership on forests. The partnership is included in the strategic document as "climate and forest cooperation", but it is one among five goals of one out of the four headings of "cooperation on climate and environment issues and sustainable development". The other headings are: private sector cooperation, trade and investment; global challenges; and knowledge exchange and social development.

The rationale for upgrading the broad bilateral relationship with Brazil lies on two factors:

- first, the perception of Brazil as an emerging regional and global player, in different fields. This makes this country a perfect target for the Norwegian objective of seeking "new cooperation partners and alliances" in a scenario where the global governance system "is being redefined". The fact that Brazil is perceived as playing "an influential international role in the area of climate change and biodiversity" – one of the most valued by Norway's foreign and development policies – only increases the relevance of Brazil for Norway, from this country's point of view.

- second, economic interests, which seem to have played an important role in the upgrading of Brazil. As the document stresses, "the size of the Brazilian market, the country's diversified economy and the growth of its middle class offer opportunities for a broad range of Norwegian companies". Beyond this generic observation, the Norwegian economic interests are closely related to a sector which was booming in Brazil at the time the document was released: the oil and gas sector, where huge discoveries had taken place on the Brazilian continental shelf, attracting investments of a large diversity of Norwegian companies. As known, Norway has a long-lasting experience in this sector and Norwegian companies enjoy an expressive comparative advantage in it[30].

The section on "private sector cooperation, trade and investment" – the first section of the document – make it explicit how relevant the economic dimension of the Norwegian bilateral strategy toward Brazil is. In a broad sense, the document addresses issues typical of the Dutch "economic diplomacy" agenda – related to the hurdles and obstacles that Brazil´s complex regulatory environment create for Norwegian companies. As "companies tend to find the Brazilian legislation and taxation system complex (…) at the same time as

[30] In the area of economic cooperation, the document on the bilateral strategy lists the sectors were the potential for investment and the establishment of relationships between Brazilian and Norwegian companies exists - not by chance these are sectors where Norwegian companies enjoy strong comparative advantages and have accumulated technological expertise.

there are local content requirements", Norway should "seek greater market access and a better framework for Norwegian companies in Brazil" (NMFA, 2011). High duties on import goods, technical and sanitary barriers to trade and obstacles to investment are listed in the document as part of the interest agenda of Norway.

Besides trade and investment negotiations, the "private sector cooperation" agenda emphasizes the institutional network put in place by Norway to support its companies in Brazil – something also relevant in the case of the Netherlands.

Other topics addressed in this section of the document relate to capacity building and industry-oriented research, as well as to CSR. Here, it is interesting to notice that the Norwegian document extends its framework of economic cooperation to Brazilian social actors others than business. The proposed cooperation between "Norwegian and Brazilian interest organizations, companies and institutions in the area of competence-building and education" includes, as an example, "the agreement of February 2011 between the Norwegian seamen's unions and their Brazilian sister organization".

In a broader perspective, the Norwegian document includes many proposals for bilateral cooperation that goes beyond the business and economic dimension. This is the case of the "support for indigenous people", for which the document proposes the "cooperation and exchange of experience between the Norwegian and Brazilian indigenous peoples, for example in the fields of culture, higher education, consultation practices, and natural resources management". Other examples refer to the cooperation among universities, centers of research and NGOs of both countries (NMFA, 2011).

d) The new profile of development cooperation with Brazil

The grant provided by Norway to the Amazon Fund largely dominates the scenario of the bilateral relationships, in financial terms. In 2014, 90% of the bilateral development cooperation went to "environment and energy", the remaining 10% being shared by "good governance and human rights" (around 6%) – mainly support to indigenous people – "economic development and trade" (3%) and "education" (1%)[31].

The implementation of the NICFI/Amazon Fund partnership took place from March 2008 on. Contributions to its projects derive mostly from the budget of development cooperation, although in matters regarding the NICFI, NORAD reports to the Ministry of Climate and

[31] https://www.norad.no/en/front/countries/latin-america/brazil/

Environment. The use of NIFCI funds must meet the ODA guidelines set by the OECD DAC[32].

Funds of NICFI are provided "to a range of partners through four major channels", among which "bilateral country partnerships (that) provide an opportunity to demonstrate how REDD+ might work in a range of countries at different places along the forest transition curve"[33].

Brazil was rapidly targeted as one of these countries, not only because it is the main Amazonian country. In fact, the launch of this Initiative coincided with the setting, on the Brazilian side, of the Amazon Fund, geared at financing REDD+ projects, managed by the National Development Bank of Brazil (BNDES). Besides that, the government of Brazil had made public commitments to avoid deforestation or reduce emissions from forest loss and Brazil already had a successful track record in reducing deforestation before engaging with NICFI (NORAD 2014).

Still in 2008, "Brazil signed an agreement with Norway to receive payments during a 5-year period for bringing greenhouse gas emissions from deforestation below a 10-year average (1996-2005)", - a "performance-based payment" agreement, according to the expression used by Birdsall *at al* (2014). Norway "pledged up to US$ 1 billion for this agreement, which stipulated that these funds would be donated to the Amazon Fund and invested in actions to prevent deforestation and to promote the conservation and sustainable use of the Amazon biome".

In March 2009, Norway made its first contribution to the Amazon Fund: 700 million NOK (around US$ 120 million at the time). Norway has been the first – and until today the largest – donor to the Amazon Fund. Its various contributions to the Fund have reached, on December 31, 2014, more than US$ 867 million. In 2015, a new contribution from Norway led the total of grants assigned to the Amazon Fund to reach US$ 1 billion.

---

[32] "In addition to the central position of NICFI in relation to delivery of Norwegian climate policy, NICFI is also strongly linked to Norwegian development policy and there is a clearly stated intention that climate policy and development policy should be mutually supportive" (NORAD, 2014).

[33] The other channels used by ICFI are:
- activities focused on the United Nations Framework Convention on Climate Change (UNFCCC) negotiations (*inter-alia* development of submissions; knowledge generation by supported initiatives and processes; consensus building research; offline workshops; funding of meetings);

- multilateral REDD+ Institutions (Congo Basin Forest Fund; Forest Carbon Partnership Facility; Forest Investment Program; UN-REDD Programme);
- civil society organisations to generate needed knowledge; advocacy (international and political); piloting; and facilitate / enable implementation

Between 2008 and 2013 Brazil received 44% of the total NICFI disbursements, by far the main beneficiary of these funds. The combined share of other countries included in the NICFI programme (Guyana, Tanzania and Indonesia) did not surpass 8%.

During the COP-21, in Paris (December 2015) the governments of Brazil and Norway launched the second phase of their partnership (2016-2020), which implies that the NICFI/Amazon Fund partnership will keep the top position in bilateral development cooperation in the next years.

Beyond the NICFI/Amazon Fund partnership, support to indigenous people has been, since the Eighties, an area where Norway has "invested" in development cooperation with Brazil. Although projects financed by the Amazon Fund can target indigenous populations, Norway has specific lines of grants that are assigned to the support to such populations, representing the bulk of "good governance and human rights" contributions in the NORAD budget for Brazil in 2014.

Norway's support to indigenous people is based on ILO Convention 169, ratified by both Norway and Brazil and is justified by NORAD as follows: "the rights of indigenous people are specially precarious in a society where further economic development mainly depends on expansion of infrastructure and extraction of natural resources". Hence, although Brazil has established government institutions to safeguard the rights of various groups (…) a growing political resistance to implementation of indigenous peoples' rights has been observed". The support is given directly to indigenous organizations or through NGOs working with indigenous people, in Brazil and Norway[34].

It is interesting to notice that this kind of support addresses a sensitive area of domestic policy in Brazil, where the government is often criticized for not defending the indigenous people and for backing the interests of large landowners in the Amazon and other regions of Brazil. The relevance of this item in the Norwegian development policy seems to owe to the "uniqueness" of Norway's foreign policy and to the role played in this policy by the agenda of values, most notably human rights[35].

Bilateral cooperation in business and economic area was fostered by the oil and gas boom in Brazil, but is likely to have been hurt by the deep crisis of Petrobras and its impacts on

[34] https://www.norad.no/en/front/countries/latin-america/brazil/

[35] Norway supports the rights of indigenous people not only in Brazil, but also in other Latin American, African and Asian countries. According to NORAD, "the support for indigenous peoples is human-rights based and linked to the goals for poverty alleviation, development of good governance and political and social inclusion, as well as environmental protection and sustainable use of resources".

the whole sector. In any case, Norway has put in place an institutional network to supporting Norwegian companies and to promote cooperation between companies and entities of both countries. Beyond the Embassy and the General-Consulate in Rio, the network includes Innovation Norway Brazil, which "provides advisory, promotion and networking services for Norwegian companies". As the oil and gas sector is at the center of Norway's economic interests in Brazil, INTSOK (Norwegian Oil and Gas Partners) offers a range of services to this industry, "including advisory services to individual business, technical seminars and, in cooperation with Innovation Norway, a network programme for companies wanting to enter the market" (NMFA, 2011).

In the area of scientific and technological cooperation, Brazil has been identified by a white paper issued by the Research Council of Norway as one of the eight priority countries for cooperation in research. As such, a roadmap for bilateral cooperation has been elaborated by the Council, in 2014, which provides an assessment of the current cooperation and of opportunities for further bilateral cooperation. Oil and gas, renewable energy, bio-economy / food and social sciences and the humanities are identified in the document as relevant areas for research cooperation (The Research Council of Norway, 2014)[36].

Trilateral cooperation receives some attention of the Norwegian strategic document, but the paragraphs dedicated to it refer essentially to intentions and to the potential for this model of cooperation: "such cooperation would naturally be on a case-to-case basis and involves a study of areas where Norwegian and Brazilian expertise could complement each other, realise synergies and add value in the context of sustainable development in third countries" (NMFA, 2011).

e) Assessing the new strategy and its perspectives

The recent time extension of the NICFI/Amazon Fund partnership indicates that the Norwegian's decision to allocate US$ 1 billion to this project and to present it as a benchmark for the NICFI performance is not regretted by the donors.

Specific assessments of the NICFI/Amazon Fund partnership have been conducted, one of them commissioned by NORAD, the other one produced by a Washington DC – based think tank. The assessment commissioned by NORAD evaluates in detail the performance of NIFCI during five years (2008-2013) and its conclusions are largely favorable to the partnership: "the 'one billion' commitment to Brazil provided the first example of how

[36] According to the Brazil's roadmap, Brazil is given priority in the allocation of Funds of the Ministry of Industry, Trade and Fisheries and f the Minsitry of Petroleum and Energy , available to research cooperation.

national payments for emissions reductions could be managed at a large scale and increased pressure on both Brazil and the global REDD+ process to deliver results. It cemented Brazil's role as a major player in the international REDD+ negotiations and Norway's relationship with Brazil is regarded as instrumental in engaging other Amazon basin countries in REDD+" (NORAD, 2014).

Domestic impacts in Brazil are also evaluated positively, beyond the most relevant fact that Brazil's deforestation rate and corresponding greenhouse gas emissions have strongly decreased and activities established through NICFI's payments for these results are also paving the way for future emissions reductions. "The prominence of the Amazon Fund has stimulated policy debates and participation in the REDD+ debate has become a priority for policy-makers and civil society organisations. The Amazon Fund has also influenced the development of other elements of Brazil's national low carbon framework financed state-level programmes to reduce, control and monitor deforestation".

The other assessment document (Birdsall *et al*, 2014), goes in the same direction, emphasizing the domestic impacts and implications of the initiative in Brazil: "the Norwegian offer of US$1 billion endorsed the Brazilian government's ongoing and dramatic efforts to reduce deforestation in a way that improved the domestic legitimacy of these policies. The Agreement enhanced the standing of the Environment Ministry in relation to other ministries and raised the level of attention and organizational status of environmental concerns within BNDES. Earmarking the money for environmental projects gave legitimacy and resources to domestic constituencies who are promoting a conservation- oriented agenda in and out of government".

3.4. The United Kingdom

a) Recent trends in development policy to the MICs

The United Kingdom has had a somewhat ambiguous position with regards to aid to MICs and emerging economies (Mason, 2015). A report by the UK Parliamentary Committee on International Development notes that although the UK no longer has a traditional aid relationship with countries like Brazil, India and China, it still spends ODA in these countries but 'is rather diffident about admitting this' (House of Commons, 2015: 2). The report argues that this spending is legitimate and recommends the UK government to think creatively about developing non-aid forms of cooperation with MICs. It also calls for UK support for reform of international financial institutions to ensure that the global prominence of BRICs countries and other emerging powers are reflected in those institutions, so that these remain 'fit for purpose' (ibid: 3).

Although UK's traditional bilateral aid programme has been, or is being, discontinued in countries like Brazil, China, India and South Africa (UK government, undated a, undated b, undated c, 2013), other mechanisms have been put in place to manage cooperation relations with these countries and centre these around the issue of tackling global development challenges. This is reflected by the creation of the Global Partnerships Department and an Emerging Powers' team within the UK Department for International Development (DFID) (Rosengren et al., 2013).

Strengthening relations with emerging powers on global development issues is indeed a strategic priority stated in DFID's Global Partnerships Operational Plan 2011-16, which foresees partnership agreements, formal dialogues and joint programmes with China, Brazil, India, South Africa and countries in the Gulf (DFID, 2014: 7). Instruments used include policy dialogue on global development issues, policy engagement on the global aid architecture and triangular cooperation in (third) low-income countries. Examples of ongoing initiatives with regards to policy dialogue on global development issues include the UK-China dialogue global health and the UK-Brazil dialogue on food and nutrition security. As for engagement with the global aid architecture, DFID has facilitated the Chinese government's engagement in international *fora*, including around the aid effectiveness debate. As for triangular cooperation, there are collaborative programmes to share the Chinese and Brazilian experiences on agriculture with African countries.[37]

b) Development cooperation with Brazil: background

Brazil has been an important target for the UK policy of bilateral aid, especially during the last decade of the XX Century and the first years of the XXI Century. The focus on helping Brazil to tackle environmental issues was formalized by the 1989 Memorandum of Understanding (MoU) and confirmed by the 1995 and the 1998 Country Strategy Papers. However, the Country programme was gradually "broadened, in response to Brazilian Government requests, to encompass a wider range of issues including health, water and sanitation, and urban environmental problems (…) Support for the public sector reform programme was prioritized as an area where the UK had experience and expertise to offer" (OPM, 2004).

The debate within DFID about the case for aid to MICs in general, and to Brazil in particular, was at the origin of the *"Middle-Income Strategy Paper"*, issued in November 2001, "which set out the development challenges in MICs and how DFID aimed to address

[37] Examples include the Africa-Brazil Agricultural Innovation Marketplace and the China-Britain Cooperation Project of Accelerating Agri-technology Transfer to Low-income Countries (AgriTT). Both aim to promote technology transfers and knowledge sharing between China/Brazil and African countries to improve food security.

them. It emphasized that DFID's main financial contribution should be made through multilateral channels" (OPM, 2004).

According to an assessment report on DFID's Brazil Programme from 1997 to 2003, tensions arose between the environmental focus of the Programme and the objectives relating to poverty reduction – growingly prioritized by the Brazilian Government – and most notably by the government in charge in Brasilia from 2003 on. A new Country Assistance Plan was approved in principle in late 2003, but became immediately redundant by the cuts to the bilateral country programme in Brazil (and other programmes in MICs) in November 2003 (OPM, 2004).

Since 2004, Brazil is not among the countries targeted by DFID for bilateral development cooperation. DFID remains present in Brasilia, but its programmes and projects involving Brazil are targeted to third countries, especially in Africa.

c) Drivers of the change and shifts in the political and institutional framework of cooperation[38]

The impacts of the international economic crisis on the more relevant and traditional markets for UK goods and services have led the government to look with a renewed interest at the big emerging economies. These economies (mostly upper middle income countries) seemed to be more resilient to the negative impacts of the crisis and have been able to follow a growth trajectory, then offering a wide range of opportunities to UK companies. The UK government set annual exports goals, which, to be achieved, required the expansion of UK exports to emerging economies.

Brazil was among these countries perceived as promising markets in the eve of the international economic crisis, but other factors seem to have played a role in the setting of a new bilateral strategy, after the withdrawal of DFID bilateral programmes in Brazil.

One of these factors do not relate specifically to Brazil, referring instead to the revision of UK relationship with Latin America, formally announced by the Minister of Foreign Affairs in its Canning Lecture of 2010 (Hague, 2010)[39].

The 2010 Lecture is perceived as the landmark of a strategy of "reengaging" the UK with Latin America after a long period (broadly speaking the entire XXth Century) when the UK

[38] The following subsections benefitted from an interview with a Senior Economic Advisor of the British Embassy, in Brasília.

[39] https://www.gov.uk/government/speeches/britain-and-latin-america-historic-friends-future-partners

lost the capacity to be present in the region, as it had intensively been, in economic and political terms, during the XIXth Century. The Lecture calls for "at last to think afresh about Latin America and the opportunities it presents for political cooperation and trade and investment (…)as part of a new commercialism" and it was followed by the allocation of additional resources to the relationships of the UK with Latin America, most noticeably Brazil, Mexico and Chile.

Another factor, specific to Brazil, was the perception that Brazil had emerged as an increasingly important player, both regionally and internationally. At the regional level, Brazil was seen as a strong supporter of economic and political integration and its performance was supposed to have important implications for sustained poverty reduction in neighboring countries. Besides the region, Brazil's links with other developing countries, including in Africa, were stressed as assets in the trajectory chosen by Brazil to assert its activism in seeking international institutional change and in establishing alliances to increase its leverage in the global arenas**.**

The new international role of Brazil also derives, in the UK rationale for revising its bilateral relations, to the relevance of Brazil to the environment agenda: "it is one of the most bio diverse countries in the world, containing perhaps 20% of the total number of species. This, and the presence of key environmental habitats such the Amazonian and Atlantic coastal rainforests, gives Brazil a globally important status and role. Brazil is a significant player in international environmental fora" (Hague, 2010).

Nowadays, the resources allocated by the UK development cooperation to Brazil outpace largely those directed to other Latin American countries, independently of the trade and investment relevance of these countries to the UK.

To summarize, the setting of a new strategy of bilateral development cooperation cannot be understood outside a broader framework where the impacts of the international economic crisis on the traditional markets for UK goods and services act as a major driver for economic partnership diversification. Brazil's economic features – large domestic market, growing middle classes – would be enough to make Brazil eligible as a priority country for the UK.

But two other drivers concur to strengthen the UK focus on Brazil. First, the "rediscovery" of Latin America by the UK foreign policy and its "new commercialism", as stressed explicitly in 2010. Second, the perception of the emergence of Brazil as a major regional and global player among developing countries and as a critical actor in the global environmental agenda.

d) The new profile of development cooperation with Brazil

While DFID activities in Brazil were revitalized in the beginning of the current decade (see below) this was totally related to triangular cooperation targeting Africa and secondarily Latin America. Bilateral cooperation from UK to Brazil shifted, since 2010, from DFID to other Ministries – most notably the FCO – while, at the same time, diversifying its objectives, instruments and partners.

For sure, there are relevant continuities between the situation prevailing until 2003 and the current one. The environmental issues are still a priority, to which climate change concerns have been added nowadays. The intersections between the environmental and the pro-poor agenda are still taken into account through a relevant project in Brazil (see below). The quality of (Brazilian) public sector – a priority before 2003 – remains relevant among the priorities of the UK aid.

However, innovations – or discontinuities – in the UK aid to Brazil are not minor. On the contrary, they point to the setting of new objectives and instruments for the cooperation, as well as to the relevance accorded to influencing Brazilian public policies through the support given to key (public and private) players.

Clearly, the objectives set for the UK cooperation seem to follow a rationale where the UK national interests – and especially economic interests – have a major role in shaping the cooperation agenda. The cooperation agenda is embedded in a bilateral foreign policy where broader economic objectives, related to trade and investment interests, are systematically pursued by the UK. It is not by chance that the FCO has taken a leading role in setting and managing bilateral cooperation with Brazil.

Maybe the best example of the new trends in UK bilateral aid to Brazil can be found in the setting (in 2010) and operation of the FCO's Prosperity Fund (PF). The Fund is not exclusive to Brazil, but Brazil is considered, with other emerging countries, one of the priorities of the Fund[40].

The explicit purposes of the Prosperity Fund combine goals deriving from a normative view of the domestic (low carbon economy) and international economic system ("an open, transparent and strong rules-based international economic system") with objectives more closely linked to generating economic opportunities for UK business and building

[40] According to the Brazil's Programme Strategy of the Fund, for the Fiscal Year 2015/2016, "the UK seeks to broaden and deepen cooperation with Brazil across the Prosperity agenda, given not only the scale of the country but the size of the opportunity" (BPFPS, 2015).

international reputation for UK companies ("to build international awareness of UK strengths, values and increase the impact of British companies abroad").

The Prosperity Fund has a national programme for Brazil, updated at each financial year (called Brazil's Country Business Plan), whose long term objective is (for the UK) "to have a broader and deeper cooperation with Brazil across the Prosperity agenda, with a particular focus on global economic cooperation, energy, science and technology, sport, education, climate change and sustainability". The programme focus, for the financial year 2015/2016 in Brazil, are put on climate change and sustainability, energy, infrastructure and urban development, education and knowledge and business environment (BPFPS, 2015).

A call for proposals is annually issued by the Prosperity Fund in Brazil, based on defined priorities. These priorities reflect not only the objectives of the Fund for Brazil, but owe also to a continuous process of dialogue between the UK Embassy in Brasilia and public as well as private partners in the country (Ministries, the Central Bank, national business associations, etc.)[41]. As stressed by an Embassy officer based in Brasilia, "the PF resources must be spent in issues of Brazil's interest, but the selection takes into account win-win criteria. Nowadays it is important to demonstrate that addressing the issue can generate benefits to the UK"[42].

The providers of services for the projects are Brazilian entities – public institutions, private associations, consultancies and think tanks – and some of them involve British institutions with policy or commercial expertise in the issues dealt with through the projects. The effectiveness of the projects and the whole program seems to be evaluated for their capacity to influence the debate on the Brazilian public policies targeted by the issues selected[43].

---

[41] An additional dimension of the Fund in Brazil is its Outreach Strategy, which "seeks to engage in a more cohesive and thorough manner with key emerging Brazilian states, cities and municipalities to further the prosperity agenda throughout the country (…). Therefore, projects can be considered not only in the federal level, but also in the local level" (BPFPS, 2015).

[42] In some cases, especially in the area of economic policy and business environment, PF sponsors projects that are perceived at the Embassy as "pushing" the Brazilian debate on liberalization policies, despite the fact that some of them can be controversial in Brazil. These are the cases of a project with the Central Bank of Brazil, addressing the "internationalization" of the Brazilian currency, and a project with the Ministry of Industry and the National Confederation of Industries on a strategy to negotiate trade in services.

[43] The concern about influence on public policies design and implementation appears in the definition of priority issues as well as in the identification of "preferential" partners for the development of the projects.

For the financial year 2015/2016, a total of 33 projects, with an allocation of 4.6 million pounds are being implemented. The financial resources are quite evenly distributed among four sectors or issues: better business environment (22%), infrastructure (22%), climate and sustainability (22%) and energy (22%). The remaining resources are allocated to education.

The Prosperity Fund seems to be, among the funds allocated by the UK to development cooperation with Brazil, the one that best expresses a new trend. However, the most robust fund, in terms of financial resources, is the International Climate Fund (ICF), managed jointly by three Departments of the UK Government: DFID, Dept. of Energy and Climate Change and Dept. of Environment and Food and Rural Affairs.

The ICF addresses the climate change agenda in developing countries, with an emphasis on helping the poorest people to adapt to the effects of climate change on their lives and livelihoods. In the case of Brazil, a four-year project was launched in 2013, with resources equivalent to 24.9 million pounds, focusing on "small and medium-scale farmers in the Amazon and Atlantic Forest (that) will be financially and technically supported to adopt low carbon practices. These include integrated crop-livestock-forestry systems, forest management and recovery of degraded land".

Another line of cooperation involves a more recent initiative – the launching of the Newton Fund – directed to science, technology and innovation. This is a more recent initiative, mobilizing around 10 million pounds and requiring the co-participation (in financing the projects) of Brazilian research institutions. Research in climate issues is one of the priorities of the Fund.

Besides these bilateral initiatives, DFID remains active in Brazil – embedded in the UK Embassy – in the framework of its Global Development Partnerships Programme (GDPP), which emphasizes "the participation of emerging economies in global discussions on the global aid architecture". At the project level, GDPP engages in joint projects with emerging economies in third countries (trilateral cooperation), focusing on South-South transfer of technical expertise (DFID, 2015).

Since 2011, DFID has a Memorandum of Understanding with Brazil, focusing on "supporting the sharing of Brazilian technical expertise in poverty and hunger reduction, partnering with low income countries (LICs), mainly in Africa". Two programmes are supported by DFID Brazil:

- "Building Brazil's Development Impact in Low Income Countries" (2012-2017), whose expected outcomes are: to assess, promote and increase the impact of

Brazil's development cooperation in low income countries (especially in Africa).

- "Africa-Brazil Partnership on Sustainable Agriculture and Food Security: New tools and New approaches " (2012-2017), whose expected outcomes are: to increase the uptake of Brazil's climate-smart practices in Africa which reduce food insecurity by: improving agricultural productivity; improving access to domestic agricultural markets for smallholder farmers; and improving access to food for at-risk population.

e) Assessing the new strategy and its perspectives

In the case ok UK, the implementation of a new strategy is still underway. The main lines of the strategy and the portfolio of initiatives seem to be defined, but they are being adjusted, in terms of resources allocation, priority issues, etc. There has been no formal assessment of the new strategy and the deep economic crisis that Brazil is going through has not radically affected the perceptions toward the perspectives of the country and its relevance to the UK interests.

Officials at the Embassy adopt a strategic view, focusing on Brazil's middle-term perspectives and on the need for Brazil to adopt an agenda of policy reform driven by "liberalizing" criteria. This agenda is clearly perceived at the UK Embassy as a win-win game that will open many new opportunities for bilateral cooperation and for the interests of the UK government and business.

4. Looking at the "Brazilian side": the demand for cooperation in the first decade of the Century

During the first decade of the XXIst Century, Brazil was one of the "rising stars" in the international arena. The projection of Brazil as a new regional and global player seemed unchallengeable[44]. The evidence came from its increasing capacity to influence, alone or together with large emerging economies under the BRICS umbrella, various international agendas across different fora: trade in the WTO, macroeconomic coordination in the G20, climate change in the UNFCCC negotiations, and so on. In all these areas, Brazil was invited to participate in the processes of *agenda-setting* to address global economic and governance challenges.

[44] It is true that the country's economic growth did not compare to China's or India's, but the reduction in inequality and poverty observed in Brazil – but not in the other BRICS – largely compensated, in reputational terms, its relatively poor economic performance.

From the Brazilian side, the projection obtained in the international stage was fostered by the ambitious and active foreign policy adopted during the eight-year period of Lula da Silva's presidency, including in the field of development cooperation, where Brazil emerged as one of the new donors.

To be sure, the evolution of Brazil's foreign policy during this period did not represent a rupture with the historically dominant model of foreign policy, characterized by the search of national autonomy to implement the strategy of industrial development and by the priority accorded to South-South alliances and coalitions.

But some relevant shifts in the Brazilian international strategy were perceived as Brazil opted for playing an active role in the Doha Round negotiations and in the first meetings of the G20. In the wake of different negotiations taking place in the first decade of the XXIst Century, the ambitious Brazilian foreign policy led the country to be actively involved with the agenda of "global challenges".

This has become particularly clear in 2008 and 2009. Specifically in 2009, some events clearly point to a stronger commitment of Brazil to the global governance agenda. Among these initiatives, it is worth referring to the presentation, at the UNCC CoP 15, held in Copenhagen, of a voluntary, although quantified, target for the reduction of GHG emissions, as well as to the decision to buy US$ 10 billion in bonds emitted by the IMF as a contribution to the capitalization of the Fund in the immediate outset of the international crisis.

The ambitious foreign policy followed by Brazil was domestically legitimated by the (far from outstanding) economic performance recorded in the first years of the Century and by the results obtained in reducing inequality and poverty. At the same time the recognition by developed countries of Brazil as a "success case" on development grounds and as a new relevant player in the international policy arenas contributed to the emergence of interests and ideas less defensive as far as the international integration of Brazil and its relations with developed countries are concerned.

Without any doubt the net output of these evolutions has been, in Brazil, a political and institutional environment more receptive to the new strategies of development cooperation put in place by many European countries. This holds especially true in the cases where the policy areas and the instruments selected as priorities by these countries "matched" Brazil´s own priorities and demands. This "matching" seems to have taken place more intensively in the cases of Norway and Germany strategies.

As for Norway, the "matching" of the initiatives adopted by Brazil and this country as far as the reduction of deforestation is concerned has been stressed by a Brazilian diplomat: "the launch at the Bali Conference in December 2007 of Norway's Forest and Climate Initiative coincided with the announcement by Foreign Minister Celso Amorim and Environment Minister Marina Silva of the creation of the Amazon Fund, which immediately received public support from Government of Norway" (Guimarães, 2012). Norway has become by far the main contributor to the Amazon Fund and the initiative is perceived in Norway and in Brazil as a success case.

The choice of the instruments of development cooperation also matters, when assessing the degree of "matching" between the offer and the demand for cooperation. Assessing the performance of the "performance-based agreement between Brazil and Norway", Birdsall and al (2014) stress the fact that the "Norwegian offer of US$ 1 billion endorsed the Brazilian government ongoing and dramatic efforts to reduce deforestation in a way that improve the domestic legitimacy of these policies" as a factor that strongly contributed to the success of the bilateral initiative. At the same time, according to Guimarães (2012) "it recognizes the challenges related to reducing deforestation in tropical countries where forest management is poorly developed, and the complexity of developing systems for monitoring, analysis, reporting and verification of emission reductions from deforestation and forest degradation".

In the case of Germany, the focus on global issues and more precisely on themes where Brazil perceives itself as a major (even if only potentially) international player - renewable energies and forests conservation - also matches Brazilian priorities. As in the case of Norway, the German contribution to the Amazon Fund is the expression of the "matching" of perceptions and priorities that makes bilateral cooperation welcomed by Brazilian authorities. On the other side, the growing relevance acquired by economic instruments - namely subsidized loans - in bilateral cooperation also matches the demand for "cheap long-term finance" from many governmental bodies and entities at the federal and sub-federal levels[45].

The relevance of the "matching" between the offer and demand for cooperation was emphasized in the IOB document that assesses the Dutch foreign policy for Brazil (IOB, 2013a): "the 'Brazilian' strategies of these countries[46] show a high capacity to associate

[45] The fact that the bulk of development cooperation to Brazil, in the case of Norway and Germany, is forwarded through governmental agencies is positively perceived by Brazilian authorities in general and "matches" the Brazilian official preference for inter-governmental initiatives as far as foreign policy is concerned. Cooperation through Brazilian and foreign NGOs - as the one provided by Norway for support indigenous people - certainly deserves a much less favourable reception from the Brazilian official side.

[46] Norway and Sweden, among others.

their offensive economic interests to 'demands' – relating to policy issues – from influent Brazilian stakeholders".

The matching between the offer and demand for development cooperation seems to be less clear in the case of the UK. On one side, despite the relevance of climate issues in the UK bilateral agenda, the priority in this agenda is becoming more and more focused on economic and business related issues and on the objective of fostering an agenda of domestic policies reform perceived by many Brazilian authorities as "liberal". The potential sensitivity generated by some mismatch between the offer and the demand for cooperation seems to be addressed by the UK representatives through a process of discussion and negotiations with Brazilian official partners and through the setting of punctual alliances with public and private players.

As previously argued, the "virtuous circle" established, in the middle of the first decade of the new Century, between Brazil's domestic economic and social performance and the international recognition of Brazil as a new global player created (in Brazil) a favorable environment for innovative projects and strategies of development cooperation from developed countries. In a period when strong priority was given to South-South relationships, bilateral initiatives as those provided by Norway's and Germany's cooperation strategies have been among the most successful cases of North-South political and economic cooperation involving Brazil.

Although the shifts introduced in the Brazilian foreign policy during this period were relevant, some lines of continuity remained strong in the setting of this policy and they acted to limit the extent and the forms of cooperation between European countries and Brazil.

On one side, differences between European and Brazil views and stances towards human rights and the global order and global governance acted as a barrier to political cooperation initiatives, as have been perceived by the IOB document. In Europe, the prevailing view on human rights focuses on individual and civilian freedoms, while in Brazil it emphasizes the social and economic rights and development as an assertion of human rights. Besides, Brazil tends to see the global system as an essentially "inter-State" domain, while the European view(s) is much more permeable to the idea of a system driven by State and non-State actors.

On the other side, as Brazil emerged as a donor of development cooperation, it adopted a strategy of "differentiation" from the more traditional donors, emphasizing the relevance of a "demand-driven" cooperation and the absence of political conditionalities when selecting the countries and projects to be targeted.

This strategy of "differentiation" is certainly a relevant factor to explain the difficulties faced by some European countries to put in place development cooperation partnerships with Brazil in third countries. However, it should be noted that this factor has not be an insurmountable obstacle to the setting of triangular cooperation schemes, as the case of the UK's DFID and of German's GIZ referred in the previous section demonstrate.

The positive political momentum that Brazil went through until 2010 has vanished. Foreign policy became much less active since the beginning of the first term of Dilma Rousseff's presidency and Brazil's economic and social performance has gone worse and worse since then. This has not prevented the European countries here considered from keeping the objectives and instruments prioritized by their development cooperation strategies, but it will surely have impacts and implications on these strategies in the near future if the economic and political perspectives for Brazil do not begin to improve.

5. Lessons learned from the case studies

Against the above described background, Brazil rapidly ascended the ranking of priority countries explicitly or implicitly adopted by many developed countries' foreign policies. These policies opted for different frameworks to define the relationships with emerging countries, either regional (policies toward Latin America, as in the case of Spain) or non-regional (policies toward the BRICS or "emerging powers", as in the UK case). However, irrespective of the criteria adopted, Brazil was accorded a specific and special treatment in these policies.

Therefore, it is not surprising that the debate, among traditional donor countries, on aid to MICs (as above discussed) had an impact not only on bilateral development policies of European countries *vis-à-vis* Brazil, but also on the broader (economic and political) relationship that frames development cooperation.

As a matter of fact, the shift observed in many European countries' foreign policies toward Brazil cannot be explained by this country's graduation as a recipient of aid. Graduation of MICs has been a process primarily driven by domestic politics in donor countries and by negotiations among these countries, especially within the OECD DAC. In addition, there is a considerable time lag between Brazil's graduation and the shaping of a new strategy of bilateral aid, within the framework of a renewed foreign policy.

The new aid strategies toward Brazil do not simply derive from graduation, but result from deeper and broader adjustments in bilateral foreign policies operated by many developed countries and driven by "new" criteria. In the four cases considered herein, two **drivers**

have "pushed" the setting and implementation of new bilateral strategies of development cooperation:

- The relevance of international agendas (e.g., climate change and energy) for which Brazil is perceived as a relevant regional and global player. Brazil is broadly perceived as an emerging global player, acting beyond its regional setting, and – as such – a relevant actor in efforts to address global challenges. More specifically, Brazil is identified as a particularly relevant player in addressing the environmental, climate and energy global challenges. This is due to Brazil's natural endowments (forests, bio-diversity) and their relevance to the achievement of international targets and the provision of global public goods in these areas. This driver was found to be especially relevant in the cases of Germany and Norway, but was not absent from the UK and – although less notably – the Netherlands.

- The size and attractiveness of the Brazilian market for exports and investments from the four countries[47]. Economic growth, the expansion of the middle class and demand for imports have acted as magnets for European exporters and investors, at least until 2012. The promotion of national economic interests by the four countries reviewed was clearly one of the drivers of their new cooperation strategies, and their foreign policy more broadly. This priority has led many developed countries to review their foreign policy toward the MICs. For some countries – most notably, the Netherlands – the impact of the 2008 international economic crisis on traditional markets seems to have amplified the weight of this driver.

Although the economic driver is not specific to Brazil, for at least two of the countries reviewed by this study (the Netherlands and Norway) their bilateral development and foreign policies toward Brazil encompassed very specific economic interests. These interests relate to sectors where these two countries enjoy considerable comparative advantage: the oil and gas sector and associated services. Brazil has gone through a boom of new discoveries in this sector that has unquestionably acted as an additional (not minor) driver of the new strategies – particularly for the Netherlands and Norway.

Pre-existing values and preferences of the European countries are also explicitly present in the new strategies of some of the countries. The value assigned to issues as the environment, global governance and human rights is a case in point. It appears in the cooperation and/or broader foreign policies of the four countries, under different shapes and with various levels of relevance. In any case the discontinuity here, *vis à vis* the traditional cooperation model, is less on the issues targeted by cooperation than in the

[47] See the Annex with data on trade and investment between the four European countries and Brazil

priority accorded to these issues, as expressed by new and more robust instruments of support (the US$ 1 billion contribution of Norway to the Amazon Fund being the best example of this), leading the "scale" of bilateral cooperation to levels previously unseen.

The **new profile** of bilateral cooperation with Brazil expresses the weight attributed to these drivers by each country. The dominant theme is environment and energy, particularly emphasized in the case of Norway and Germany, but also present for the UK. This is followed by economic cooperation and the agenda of trade and investment, except in the case of the Netherlands for which the latter is the priority. The economic agenda is, however, a theme strongly prioritized across the documents of the four countries – receiving perhaps a less emphatic treatment in the case of Germany.

Innovation, research and development and technology is an issue that has gone up in the ranking of priorities for bilateral cooperation of the four countries. Some have set specific funds (the Newton Fund, in the case of the UK) or institutional mechanisms Germany (the German Center for Science and Innovation, set in São Paulo) for fostering cooperation in this area. Norway, through its Research Council, has defined Brazil one of its priority countries for cooperation in research and innovation. In general, projects in these areas require co-financing from Brazil, which makes them Ia strong candidate to becoming one of the victims of the ongoing deep economic crisis that Brazil is going through.

Across the four countries, trilateral cooperation is present in the narratives of their policy documents. In practice, Germany and the UK stand out for the initiatives in this field. Germany is undertaking joint projects with Brazil in Mozambique and Peru, while the UK's DFID, although not having bilateral cooperation relations with Brazil, remains an active partner, promoting programs of trilateral cooperation in Africa and in Latin America, in the framework of its Global Development Partnerships Programme (GDPP).

The new bilateral development cooperation strategies mobilize a wide set of **instruments**, distributed in two broad categories: grants (tied to technical cooperation or not) and financial cooperation. The significance of each category varies across the four countries. Grants are used by Norway, Germany, the UK and – very marginally – by the Netherlands. Yet, the amounts allocated to grants vary significantly, with the largest amounts assigned to this modality coming from Norway (US$ 1 billion to the Amazon Fund) and Germany (more than US$ 120 million to the same Fund). German grants also flow through its technical cooperation projects (undertaken by GIZ). The same happens with the UK, although in this case projects are mostly executed by Brazilian entities.

As far as instruments are concerned, the most distinctive feature is the concentration of Germany's bilateral aid on the financial cooperation modality. This modality represents the

bulk of Germany's cooperation and it seems that the intentions of the Germany government are to increase the share of this modality in the cooperation budget.

Taking a broader perspective on instruments and resources it appears that Norway´s and Germany´s contributions to Brazil under the umbrella of development cooperation far exceed the amounts made available by the UK and, even more significantly, the Netherlands. Both Norway and Germany have emphatically expressed the relevance of the environmental agenda and "global challenges" in their policy documents. It is therefore not surprising that Brazil became the largest recipient of Norwegian aid and ranks among the 10 top recipients of German aid.

The Brazilian partners of the four European countries' initiatives are mainly Government agencies: BNDES, in the case of Norway, and federal and sub-federal institutions acting in the areas prioritized by cooperation, in the cases of Germany[48] and the UK[49], or by "economic diplomacy", in the case of the Netherlands.

Norway and the UK also have non-governmental actors as partners of some of their projects. In the case of Norway, this kind of partnership involves essentially NGOs and indigenous associations, within the framework of the initiatives undertaken in support for indigenous populations. As for the UK Prosperity Fund, although the presence of a governmental institution in the projects financed is almost a pre-requisite, some of these projects involve business organizations and think tanks in charge of the technical work required by the projects.

All the countries envisage to contribute to and **influence** the policy debate through their cooperation projects and, to the extent possible, to generate changes in the real world of policies in the areas prioritized. As result, the debates they intend to influence vary according to the priorities of the cooperation programmes and projects. This emerges very clearly from the document evaluating NICFI in Brazil and from the documents on the UK Prosperity Fund. In contrast, the Dutch "economic diplomacy" focuses on the narrower objective of influencing the specific conditions (of market access, competition in official bids, etc.) affecting the interests of the Dutch companies in Brazil.

---

[48] As Germany works mainly through financial cooperation, its projects are large and often imply building and assembling activities. The German partners tend to be large governmental enterprises acting in the energy sector.

[49] In the case of the UK, the Brazilian partners are, in a large part, Government institutions at federal and sub-federal levels, but the projects can also engage private partners, especially business associations and think tanks,.

As for the **institutional framework** within which development cooperation is set and implemented by the four countries, the most relevant trend concerns the involvement of different Ministries and institutions in this process and the suppression of institutional monopolies exerted by one player (be it the Ministry of Foreign Affairs or the Ministry of Cooperation). This trait has appeared in documents and interviews with representatives of all the countries, including the Netherlands where the exclusive focus in "economic diplomacy" was simultaneous to the growth of relevance of the Ministries of the Economy and of Agriculture in the setting of foreign policy. Beyond this general trend, the main institutional shift concerning bilateral cooperation from the four countries to Brazil has been, for the UK, the displacement of DFID by the FCO in the managing of UK's development initiatives with Brazil.

The recent evolution of bilateral development cooperation has received, in general, positive **assessments**, as reflected by decisions to intensify the main lines of cooperation with Brazil in the cases of Germany and Norway. These positive perspectives also emerge from specific documents, as the assessments of the NICFI/Amazon Fund partnership and of the recent economic diplomacy practiced by the Netherlands. In the latter, evaluation is positive when economic and business metrics are used, but less favorable when broader foreign policy criteria are taken into account.

Looking ahead, however, it is hard to imagine that frustration will not grow, especially among countries whose cooperation's (or foreign policy's) rationale lies on exploring economic opportunities. The current situation of the Brazilian economy – and the dramatic scenario prevailing in the oil and gas sector – will challenge the optimistic scenarios generated in the period of the oil and gas boom.

Our final comment concerns the **relations between development cooperation and the broader domain of foreign policy** that emerge from the new strategies and institutional arrangements. For all the countries considered in this paper, foreign policy has included, in the new Century, a focus on the emergence of new players in the international political and economic arena. This shift took place at a time when ideas of "global challenges" and "provision of global public goods" were gaining traction in international policy debates. The 2008 international crisis added a new element to this scenario, given its stronger impact on "mature" markets relative to emerging ones. This element has not been ignored by developed countries.

Independently of the choices made by each country on how to balance national economic interests and the interests of emerging countries – through economic diplomacy, political dialogue or development cooperation - foreign policy toward Brazil of the four European countries has been adapted, driven by the sum of these evolutions and perceptions.

Brazil went up the ranking of national priorities for all the four countries reviewed, irrespective of the model and instruments of bilateral relationship used by individual countries. Some countries have even opted for formalizing this "upgrade", through the establishment of a bilateral "strategic partnership" or the setting of a strategic document for guiding bilateral foreign policy in all its dimensions (Norway). Although concentrating almost exclusively in economic diplomacy and in the promotion of national economic interests, the Netherlands has also included Brazil among its top priorities for foreign policy.

6. Some implications for SDC

Based on the available evidence, we found that new development cooperation strategies by European donors are not always strictly derived from foreign policy directives[50]. Yet, the link between the development cooperation and foreign policy is in most cases quite tight.

In the case of Brazil, whose attractiveness as a trade and investment partner for European countries is evident, the "resetting" of development cooperation took place *in tandem* with a new emphasis in the promotion of national economic interests – often with sectorial focus and priorities – in the bilateral relationships. As political cooperation *strictu sensu* faced some difficulties to show positive results, the relevant link to be built, in the Brazilian case, concerns economic foreign policy (or economic diplomacy, according to the Dutch terminology) and development cooperation.

However, fully subordinating development cooperation to the promotion of national economic interests or simply withdrawing the development cooperation dimension from the scope of bilateral relationship – as has been the Dutch option – does not seem the best way of address the dilemmas set by the trade-offs between the objectives targeted by trade and investment policies, on one side, and by development cooperation strategies, on the other.

The most successful cases examined in this paper – Norway and Germany – were able to combine the use of powerful instruments of development cooperation with the defense of their national economic interests. Not by chance, these were the countries that focused their new strategies of development cooperation with Brazil on agendas and issues which explicitly imply the recognition of Brazil's role and influence in addressing global challenges.

[50] The contrary may have happened, in some cases. The most illustrative example here is Norway, whose contribution to the Amazon Fund, leading bilateral cooperation to completely new levels, preceded by three years the issue of the strategic document on foreign policy toward Brazil.

Besides that, their development cooperation strategy are set and implemented with a high degree of autonomy *vis à vis* the dynamics of "economic diplomacy", which allows the strategy to be perceived in Brazil as a win-win game. In this sense, they met the expectations of Brazilian authorities and, as argued, they contributed to legitimate domestic policy choices, as in the case of forest conservation and the fight to deforestation. As already stated, the 'Brazilian' strategies of these countries show a high capacity to associate their offensive economic interests to 'demands' from influent Brazilian stakeholders.

In such a context, the dialogue, in traditional donor countries, between institutions and policies that address the promotion of trade and investment interests, on one side, and those that target development cooperation goals, on the other, seems essential to guarantee the coherence of the different instruments available in the tool box of foreign policy.

Besides, the strengthening of diplomatic resources in countries like Brazil appear as a very relevant step to allow a traditional donor country as Switzerland to identify new trends and opportunities as well as to formulate bilateral initiatives able to comply, at the same time, with the values and interests of Switzerland, and with the demands of Brazil.

ANNEX

Trade and investment relations between the four selected European countries and Brazil

A.1. Bilateral trade flows

From the point of view of the four selected European countries, Brazil has been a secondary trading partner, in general terms, during the period between 2000 and 2014, accounting for less than 1% of the total exports and imports of these countries. However, the share of Brazil in the imports of these countries is slightly above the levels recorded for their exports. This difference between import and export shares is more accentuated in the case of the Netherlands and Norway.

Although small, Brazil's participation in the trade flows between the selected countries and the rest of the world showed noticeable growth in the period, especially between 2000 and 2010 for the Netherlands and Norway. However, between 2010 and 2014, Brazil's shares in the bilateral trade flows with these countries stagnated or even receded (in the case of Germany and the UK).

In general Brazil's shares in the trade flows of the four selected countries evolve in line with the pattern recorded by the European Union as a whole, although in 2010 and 2014, Brazil appears to be more relevant as a trading partner for three of the selected countries (the exception being the UK) than for the European Union.

For Brazil, bilateral relationships with three of the selected countries – the only exception being Norway – tend to be far more relevant than for the European countries. This holds true particularly for Brazil's trade with Germany (for Brazilian imports) and for the Netherlands (in this case for Brazilian exports). Six per cent of Brazil's total imports originated in Germany in 2014, while the Netherlands was the destination of 6% of Brazil's total exports in the same year.

Taken together, the four selected countries were responsible for 10.7% and 9.3% of Brazil's total exports and imports, respectively. These levels are below the ones observed in 2000, when the common share of the four countries in Brazil's exports and imports reached 12,8% and 11,8%, respectively. The same trend is noticeable in the case of the EU as a whole. In this case, the loss of participation in Brazil's trade was even more accentuated,

especially In the case of Brazilian exports, a trend closely related to the astonishing growth of Brazil's bilateral trade with China since 2000.

As expected, the sectorial composition of the trade flows between Brazil and the four selected countries reveals the international specializations of the trading partners: Brazilian exports to the four countries concentrate in agricultural and mineral products (commodities), while the European exports to Brazil are essentially made of manufactured products. This pattern does not seem to have changed between 2000 and 2014, the main shift between these two years being the "intensification" of Brazil's specialization in the exports of primary goods. In 2014, Brazil has consolidated a strong position as a provider of the selected countries for agricultural and mineral commodities: Brazil appears as the first provider of Germany for eight out of the ten main products exported by Brazil to this country in 2014, with market-shares in total imports always above 35%. In the case of Norway and the Netherlands, the same holds true for seven out of the main products exported by Brazil to these countries in 2014.

The sectorial composition of European exports to Brazil reveals – beyond the bilateral specialization in manufactures – the relevance of some sectors and products, among which automobile (HS 87), chemical and pharmaceutical products (HS 29, 30 and 31), and mechanical equipment and machinery (HS 84).

In 2014, the countries with the strongest positions in Brazil's imports were Germany and Norway. This year, Norway appeared as the first Brazilian provider for seven out of the country's ten most relevant exports to Brazil, with market shares above 35% of the total Brazilian imports. Germany is the first provider for six out of its ten most relevant exports to Brazil, although in this case the market shares in total imports are well below the ones recorded by Norwegian exports.

Although the main competitors of the four European countries in the Brazilian market are other EU members, the USA and, to a lesser degree, Mexico and Argentina, China seems to be emerging as a relevant challenger for different products and sectors. This seems to be the case especially for Norway and the Netherlands.

A.2. Bilateral investment stocks and flows

For the four selected European countries, Brazil was, in 2014, a more relevant partner for investments than for trade – and most noticeably than for their exports to Brazil. In 2014, Brazil was the destination of almost 4% of FDI stock originating in the Netherlands, 1.7 % of Norway's FDI, 1.5% of UK's FDI and 1.2% of Germany's FDI.

Except for Germany, the stock of FDI originating in the selected countries has shown an impressive growth between 2009 and 2014. Surely, for none of the selected countries, Brazil is a major destination of outward FDI, but Brazil's shares in these stocks are far from

small, especially when one considers the fact that three of the selected countries (Germany, the Netherlands and the UK) are among the world's largest FDI emitters.

For the four countries, the largest stocks of outward FDI are by far concentrated in EU countries. If one excludes the EU countries, the picture changes and Brazil appears as one of the main destinations for FDI for the four countries.

Excluded the intra-EU stocks of outward FDI originating in the four countries, Brazil appears in 2013 as the sixth destination of German FDI stock – and the second among developing countries (after China) – the third destination – and the first one among developing countries – of Netherlands and Norway FDI stocks and the seventh destination of UK FDI stock – and the third among developing countries, after India and South Africa.

From the point of view of Brazil, taken together the selected countries are important sources of inward (net) FDI flows. Before and after the international crisis, the common share of these four countries in FDI flows directed to Brazil was around 25%, well above the level (19,4%) reached at the beginning of the Century (2001/2003). However, these aggregated data hide the fact that this high level of participation of the four countries owes largely to the performance of FDI flows originating in the Netherlands.

As it is well known, the Netherlands adopts a tax system which attracts holdings and financial centers of many multinationals companies from other countries (including Brazilian multinationals). FDI outflows generated by these companies are then channeled through holdings or special purpose entities based in the Netherlands, producing a significant geographical bias in the FDI data and leading to an overestimation of the flows originating in the Netherlands. As a consequence, the Netherlands represents around 75% of the common share of FDI flows "immediately" originating in the four selected countries, in 2006/2008, as well as In 2012/2014.

When the data allow for distinguishing between FDI flows or stocks originating in the country of the "immediate investor" and the country of the "ultimate investor", the picture changes significantly. For 2012, when the "immediate investor" criteria is used, the Netherlands represents almost 30% of FDI stock in Brazil, while the UK and Germany shares are quite limited: 3,5% and 2,2%, respectively. In contrast, when the "ultimate investor" rule is adopted, the shares of UK and Germany show an expressive increase (reaching 7,6% and 4%, respectively) while the share if the Netherlands is substantially reduced to 2,2%.

For all the four countries, the manufacturing industry is the main sectorial destination of their FDI stock in Brazil. The share of manufacturing industry in total FDI stock is especially high in the case of Germany (73,5%) and Norway (64,5%). For the other two countries, the manufacturing industry retains the largest share, but other sectors have important participation in the FDI stock. In fact, other two relevant sectorial destinations are

extractive industries (for Norway and the UK) and financial and insurance services (for the Netherlands and the UK)[51].

Since the beginning of the XXIst Century, the outflows of FDI from Brazil have significantly grown, although Brazil is far from the performance of China and other Asian countries as emitters of capital. The EU has been the main destination of Brazilian FDI outflows, due to the role played by countries with favored tax systems – as the Netherlands and Austria – in channeling foreign investments of Brazilian multinationals companies. As a consequence, in 2011/2013, the EU concentrated 52% of Brazil's FDI stock, a sharp increase in comparison to the pre-crisis period and to the beginning of the Century – when a large part of Brazil's outward FDI was channeled through the so-called "tax heavens". As expected for data using the criteria of "immediate country of the company invested", the Netherlands captured, in 2011/2013 the bulk of Brazil's FDI stock destined to the four selected countries: 11.2% out of a total 12% common share in the Brazilian outward FDI stock. The shares of the three other selected countries are marginal in any of the periods considered in the table.

A.3. Summing up

Brazil is a partner much more relevant for investments than for trade, as far as the four European countries are concerned. When on exclude developed countries, Brazil appears as one of the world leading recipients of FDI originating in these countries. As a consequence, one can expect that the bilateral foreign policy of the four countries toward Brazil will assign a large and growing part to the investment agenda – barriers to investment in Brazil, regulatory hurdles impacting investment, etc. This seems especially relevant for countries, like Norway and the Netherlands, whose comparative advantages are in sectors where market access requires investments in Brazil (oil and gas as well as associated goods and services).

But trade remains relevant. For the Netherlands, this is clear. A good part of Brazilian exports to the EU and imports from the block is channeled through the port of Rotterdam. For the other three countries, the relevance of trade is related to the expectations – nowadays postponed – of Brazilian market's growth, but also to the fierce competition European countries face in Brazil from other developed countries and, growingly, from China. From this point of view, the Mercosur – EU trade negotiations and the possibility of engaging EFTA and Mercosur in a similar process are issues that tend to gain relevance in the bilateral economic agenda

[51] These data refer to investments made by "ultimate investors".

References

AECID. (2009, September). *AECID's approach and experience in triangular cooperation in Latin America and the Caribbean*. Presented at the Policy Dialogue on Development Co-operation, Mexico City.

Alonso, J. A. (2014). Cooperation with middle-income countries: An incentive-based approach. AECID. Retrieved from http://www.aecid.es/Centro-Documentacion/Documentos/Eficacia%20y%20calidad/DT03%20AECID_CooperationMiddleIncomeCountries_030414-final.pdf

AWTI (2015) - Collaborate to innovate - knowledge and innovation cooperation between Brazil and the Netherlands, Advisory Council for Science, Technology and Innovation, August.

Birdsall, N. , Savedoff, W. and Frances, S. (2014) - The Brazil - Norway Agreement with performance-based payment for forest conservation: successes, challenges and lessons, CDG Climate and Forest Paper Series # 4, Center for Global Development.

BMZ. (2013). *Triangular cooperation in German development cooperation* (BMZ Strategy Paper No. 5). Federal Ministry for Economic Cooperation and Development. Retrieved from http://www.bmz.de/en/publications/archiv/type_of_publication/strategies/Strategiepapier334_05_2013.pdf

BMZ. (2015). *Development cooperation with Global Development Partners* (BMZ Strategy Paper No. 4). Federal Ministry for Economic Cooperation and Development. Retrieved from https://www.bmz.de/en/publications/type_of_publication/strategies/Strategiepapier354_04_2015.pdf

Bräutigam, D. A., & Xiaoyang, T. (2009). China's Engagement in African Agriculture: "Down to the Countryside." *The China Quarterly*, *199*, 686–706. http://doi.org/10.1017/S0305741009990166

DAC. (2014). DAC High Level Meeting Communiqué. Presented at the DAC High Level Meeting, Paris: DAC/OECD. Retrieved from http://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.PDF

DAC/OECD. (2012). Triangular Co-operation: What can we learn from a survey of actors involved? The Development Assistance Committee, OECD. Retrieved from http://www.oecd.org/dac/dac-global-relations/OECD%20Triangluar%20Co-operation%20Survey%20Report%20-%20June%202013.pdf

DCD/OECD. (2013). Mid-term Review of Spain, 19 November 2013, Madrid. Development Co-operation Directorate, OECD. Retrieved from http://www.oecd.org/dac/peer-reviews/MTR_SPAIN_2013.pdf

DFID. (2014). Operational plan 2011-2016. Global Partnerships Department (updated December 2014). UK Department for International Development.

DFID (2015) - Current DFID activities in Brazil - Summary Note - updated to April 2015.

EC. (2011). Increasing the impact of EU Development Policy: an Agenda for Change. European Commission. Retrieved from http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A52011DC0637&qid=1412922281378&from=EN

FitzGerald, V., Heyer, J., & Thorp, R. (Eds.). (2011). *Overcoming the Persistence of Inequality and Poverty*. Houndsmill, Basingstoke, Hampshire ; New York: Palgrave Macmillan.

German Government (2012) - Shaping Globalization - Expanding partnerships - Sharing responsibility - a Strategy Paper of the German Government.

Ghosh, J. (2015, October 9). Cutting off aid to India is more about selfishness than sense. *The Guardian*. Retrieved from http://www.theguardian.com/commentisfree/2015/oct/09/cutting-aid-india-selfishness-uk-government

Glennie, J. (2011, December 1). Norway's wise ways on aid. *The Guardian*. Retrieved from http://www.theguardian.com/global-development/poverty-matters/2011/de/01/norway-progressive-ways-on-aid

Glennie, J. (2013, February 26). Spain can be a trailblazer in this new age of aid austerity. *The Guardian*. Retrieved from http://www.theguardian.com/global-development/poverty-matters/2013/feb/26/spain-trailblazer-age-aid-austerity

Glennie, J., & Hurley, G. (2014). *Where Next For Aid? The Post-2015 Opportunity* (Discussion paper). London: Overseas Development Institute and UNDP.

Guimarães, P. (2012) - Brazil and Norway: building partnerships in areas of strategic importance, NorLARNet analysis, March 15.

Hague, W. (2010) - Britain and Latin America: historic friends, future partners, Speech pronounced on November 9. Retrieved from https://www.gov.uk/government/speeches/britain-and-latin-america-historic-friends-future-partners.

Hardus, S. (2013, February 28). Trilateral cooperation not the panacea to "China in Africa." Retrieved December 15, 2015, from http://www.thebrokeronline.eu/Blogs/Emerged-Powers/Trilateral-cooperation-not-the-panacea-to-China-in-Africa

Herbert, S. (2013). What Future for EU Development Cooperation in Middle-Income Countries? Bond and ODI. Retrieved from https://www.bond.org.uk/data/files/Bond_ODI_-_What_future_for_EU_development_cooperation_in_MICs.pdf

House of Commons. (2015). The Future of UK Development Co-operation. Phase 2: Beyond Aid. Retrieved from http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/663/66306.htm

IOB (2013a) - Buscando novas relações - Avaliação da política externa dos Países Baixos para a América Latina. Informe especial sobre o Brasil- IOB avaliação 382, agosto.

IOB (2013b) - Economic diplomacy in practice - An evaluation of Dutch economic diplomacy in Latin America, IOB Study 385, October.

Im, F., & Rosenblatt, D. (2013). *Middle-Income Traps A Conceptual and Empirical Survey* (Policy Research Working Paper No. 6594). The World Bank. Retrieved from https://www.openknowledge.worldbank.org/bitstream/handle/10986/16045/WPS6594.pdf?sequence=1%3B%2520and%2520www.imf.org/external/pubs/ft/wp/2013/wp1371.pdf

Jumbert, M. G., & Leira, T. (2015, December 1). The Brazilian Aid Paradox. Retrieved from http://blogs.prio.org/2015/12/the-brazilian-aid-paradox/

Kanbur, R. (2014, January 28). “The Donors” Dilemma’ - Resetting IDA’s Graduation Policy. Retrieved from http://www.globalpolicyjournal.com/blog/28/01/2014/donors%E2%80%99-dilemma-resetting-ida%E2%80%99s-graduation-policy

Klingebiel, S. (2014). *The Future of the ODA Concept: The Political Dimensions of a Seemingly Technical Discussion* (Briefing Paper 8/2014). Bonn: German Development Institute (DIE).

Mason, R. (2015, February 2). China, Brazil and India still need British aid, say MPs. *The Guardian*. Retrieved from http://www.theguardian.com/global-development/2015/feb/02/china-brazil-india--british-aid

Mawdsley, E. (2012). The changing geographies of foreign aid and development cooperation: contributions from gift theory. *Transactions of the Institute of British Geographers*, *37*(2), 256–272. http://doi.org/10.1111/j.1475-5661.2011.00467.x

Ministry of Foreign Affairs of the Netherlands. (2013). A World to Gain A New Agenda for Aid, Trade and Investment. Ministry of Foreign Affairs of the Netherlands. Retrieved from file:///Users/lidiacabral/Downloads/a-world-to-gain-en-1.pdf

Moyo, D. (2009). *Dead aid : why aid is not working and how there is another way for Africa*. London: Allen Lane.

NMFA (2011) - The Norwegian Government's strategy fofr cooperation between Brazil and Norway - New perspectives on a long-standing relationship, Norwegian Ministry of Foreign Affairs.

NORAD (2011) - NORAD's strategy towards 2015: results in the fight against poverty.

NORAD (2014) - Real-Time evaluation of Norway International Climate and Forest Initiative - Synthesising Report, Evaluation Department, Report 3/2014.

New Internationalist. (undated). World Development book case study: Does India need aid? *New Internationalist*. Retrieved from http://newint.org/books/reference/world-development/case-studies/india-need-foreign-development-aid/

OECD. (2011). *OECD Development Assistance Peer Reviews OECD Development Assistance Peer Reviews: Germany 2010*. Paris: OECD Publishing.

OECD (2014) - Development Co-operation Report 2014 - Mobilisng resources for sustainable development.

OECD. (2014, January). An outlook on ODA graduation in the post-2015 era. OECD. Retrieved from https://www.scribd.com/doc/201565993/Study-of-economic-growth-forecasts-and-how-that-affects-the-qualification-for-aid
OECD. (2015). Taking stock of aid to least developed countries (LDCs). Presented at the Third International Conference on Financing for Development, Addis Ababa: OECD. Retrieved from http://www.oecd.org/dac/financing-sustainable-development/Taking_stock_of_aid_to_LDCs_Flyer_2015.pdf

PBL. (2011). A global public goods perspective on environment and poverty reduction. Implications for Dutch foreign policy. Netherlands Environmental Assessment Agency.

Piccio, L. (2014a, January 20). It's (almost) final: EU to slash aid to middle-income countries. Retrieved from https://www.devex.com/news/it-s-almost-final-eu-to-slash-aid-to-middle-income-countries-82686

Piccio, L. (2014b, December 19). Top development finance stories of 2014. Retrieved from https://www.devex.com/news/top-development-finance-stories-of-2014-85108
Research Council of Norway, The (2014) - Roadmap for bilateral research cooperation - Research Cooperation with Brazil.

Riddell, R. (2007). *Does foreign aid really work?* New York: Oxford University Press. Retrieved from http://www.loc.gov/catdir/toc/ecip077/2006102395.html
Rosengren, A., de Roquefeuil, Q., & Bilal, S. (2013). *How do European Donors engage with emerging development partners?* (ECDPM Discussion Paper 150). Brussels: ECDPM.

Sumner. (2010). *Global Poverty And The "New Bottom Billion": What If Three-Quarters Of The World's Poor Live In Middle-Income Countries?* (IDS Working Paper 349). Institute of Development Studies. Retrieved from http://www.ids.ac.uk/publication/global-poverty-and-the-new-bottom-billion-what-if-three-quarters-of-the-world-s-poor-live-in-middle-income-countries

UK government. (undateda). DFID Brazil - GOV.UK. Retrieved December 15, 2015, from https://www.gov.uk/government/world/organisations/dfid-brazil

UK government. (undatedb). DFID China - GOV.UK. Retrieved December 15, 2015, from https://www.gov.uk/government/world/organisations/dfid-china

UK government. (undatedc). DFID India - GOV.UK. Retrieved December 15, 2015, from https://www.gov.uk/government/world/organisations/dfid-india

UK government. (2013, April 30). UK to end direct financial support to South Africa - Press releases - GOV.UK. Retrieved December 15, 2015, from https://www.gov.uk/government/news/uk-to-end-direct-financial-support-to-south-africa

Villarino, E. (2011, October 12). Andy Sumner: A voice for the New Bottom Billion. Retrieved from https://www.devex.com/news/andy-sumner-a-voice-for-the-new-bottom-billion-76197

Woods, N. (2008). Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance. *International Affairs*, *84*(6), 1205–1221. http://doi.org/10.1111/j.1468-2346.2008.00765.x

World Bank. (2013). The State of the Poor: Where are the Poor and where are they Poorest? Retrieved from http://www.worldbank.org/content/dam/Worldbank/document/State_of_the_poor_paper_April17.pdf