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**FEDERATIVE REPUBLIC OF BRAZIL –
EUROPEAN COMMUNITY**

**COUNTRY STRATEGY PAPER 2001-2006
AND NATIONAL INDICATIVE PROGRAMME 2002-2006**

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EXECUTIVE SUMMARY

Brazil is a middle-income country of continental dimensions, with the 10th largest economy of the world, with a key position in regional and international negotiations, with a population of over 170 million people and with a US\$ 32 billion inflow of FDI during the year 2000. Brazil is also a country where the population more than tripled during the past 50 years, with inequalities in wealth, where 30% of the population lives below the poverty line, and where poverty has bred violence and social exclusion. Brazil is also a country that has held steadfast as a political, economic and financial anchor for a region hit by economic crisis and social instability, maintaining economic growth at a time of parallel recessions in all three major economic centres of the world. Brazil is also a country with one of the richest natural environments and greatest biodiversities in the world, which are, however, threatened by degradation and deforestation. Finally, Brazil is a very special partner for the European Union, reflected by the on-going EU-Mercosul association negotiations, aimed at establishing a strategic partnership between the two regions.

To solve its problems Brazil needs to embark on a pathway of sustained and sustainable economic growth, as well as implementing measures to put social wrongs right and provide protection to its precious environment. Growth implies important structural reforms, an issue which the current government has been seriously tackling during the past seven years. As such, in this context, the Brazilian government's own development objectives are the following: 1) building a more competitive productive system; 2) fostering social progress by alleviating poverty and enhancing distributive equity, and 3) consolidating regional integration. The aim of the macroeconomic and sectoral policies currently in place is to deepen ongoing structural reforms, in order to achieve all three objectives simultaneously, while consolidating a sound fiscal regime.

Building upon the EC's co-operation objectives, while looking at past EC co-operation in Brazil, and while also taking into account co-operation provided by other international donors, as well as trying to ensure the coherence of EC policies towards Brazil, the following paper tries to analyse an appropriate EC response strategy to Brazil's needs. This analysis concludes on three priority areas where EC co-operation in Brazil should concentrate: 1) Economic reform; 2) Social development; and, from a more global perspective of shared responsibility, 3) The Environment.

BRAZIL AT A GLANCE

POLITICAL :

Official Name : Federative Republic of Brazil

Population : 170 million people (estimate Jan. 2001)

Area : 8,547,403 sq km

Main cities : Brasilia-capital (1,821,000), Sao Paulo (17,148,000), Rio de Janeiro (10,386,000), Belo Horizonte (3,980,000), Porto Alegre (3,329,000), Recife (3,124,000), Salvador de Bahia (2,812,000), Curitiba (2,530,000)

President of the Republic : Fernando Henrique Cardoso

Minister of External Relations (incl. external trade) : Celso Lafer

Next elections (Presidential, congressional, state-level) : October 2002

ECONOMIC :

GDP : US\$ 624 billion/ R\$ 1,089 billion (2000)

Income per capita : US\$ 3,467 (2000) at market exchange rate

Annual growth : 4% (2000), 1.64% (2001), 2.4% (estimate 2002)

Open unemployment rate: 6.8 % (4th Q2001), 7% (estimate 2002)

Inflation : 6% (2000); 7.7% (2001), 5% (estimate 2002)

Currency : R\$ 2.72/US\$ (15 Oct. 2001), R\$ 2.29/US\$ (19 Dec. 2001), R\$ 2.35/US\$ (28 Feb. 2002)

Interest Rate: 19.0% (2001), 18.5% (Feb. 2002)

Livestock : 168 million heads of cattle (est. Jan. 2002)

TRADE :

Exports: US\$ 58.2 billion (2001)= growth 5.7%

Imports: US\$ 55.6 billion (2001)= decline 0.5%

Trade Surplus: US\$ 2.6 billion (2001)

Exports to EU : 16.8 billion Euro (2001) = 25.5% total exports

Imports from EU : 16.7 billion Euro (2001) = 26.7% total imports

1. EUROPEAN COMMUNITY CO-OPERATION OBJECTIVES

General Objectives

According to article 177 of the EC Treaty, Community policy in the sphere of development co-operation, shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

In addition, in their “Declaration on the Development Policy of the European Community” of 10 November 2000 (1), the Council of the European Union and the European Commission decided to concentrate the activities of the Community in a limited number of areas, six in total, chosen in function of their contribution to the fight against poverty, and in which the activities of the Community may offer an added value. These areas are: 1) trade & development; 2) regional integration & co-operation; 3) macro-economic policies & equitable access to social services; 4) transport; 5) food security & sustainable rural development; 6) institutional capacity building (2).

Objectives concerning Latin America

With regard to the countries of Latin America said objectives have been confirmed and reinforced through various general and specific documents(3), in which in particular the

1 Council doc. 12929/00 (Presse 421).

2 Following the WTO ministerial conference in Doha during Nov. 2001, the areas of trade & development and institutional capacity building have taken on a renewed priority, noted by the European Commission in SEC(2001)1903 of 20 Nov. 2001.

3 See COM (95) 495 final “The EU and Latin America. The present situation and prospects for closer partnership 1996-2000”, COM (1999) 105 final “A new EU-Latin America partnership on the eve of the 21st century”, COM (2000) 670 “Following up to the Rio

human dimension of development has been underlined and where the European Community has stressed the great importance it attaches to:

- human rights;
- processes of democratization;
- good management of public resources;
- protection of the environment;
- trade liberalization;
- and a strengthening of the cultural dimension.

In addition to this, for the countries of Latin America, an important guideline was the first ever Summit meeting of June 1999 between the Heads of State and Government of the Latin American and Caribbean region and of the European Union, which focused on the strengthening of the strategic bi-regional partnership in its political, economic, social, environmental, educational, cultural, technical and scientific dimensions. The declaration issued by the Heads of State and Government and the follow-up given to the summit conclusions since then are also to be taken into account. Following this, the results of the second Summit meeting of May 2002 in Madrid will also be taken into account.

Objectives concerning Mercosur

At the sub-regional level, the EU and Mercosur, of which Brazil is a member, signed an Interregional Framework Co-operation Agreement in December 1995, which fully entered into force in July 1999 (provisional application already 1996). This Framework Agreement consists of three main elements: political dialogue, co-operation and trade issues. This agreement is expected to be replaced by a more comprehensive bi-regional association agreement in the future, for which negotiations have been on-going since November 1999.

Objectives concerning Brazil

At the bilateral level, the main objectives of EC co-operation are set out in the EU-Brazil Framework Co-operation agreement, signed in 1992 and ratified in October 1995. This bilateral Framework Agreement emphasizes the development of co-operation in particular in the areas of trade, investment, finance and technology, though taking into account the special situation of Brazil as a developing country. Co-operation in this agreement encompasses a wide range of issues, but in the end activities concentrate on a number of key areas: modernization of the economy, the public administration, social development (poverty), and the environment. These key areas were included as priorities in the Country Strategy Paper covering the period 1998-2000 and in the draft Memorandum of Understanding (MoU) on co-operation between 2002-2006, the last version of which is being currently analysed by the Brazilian Ministry of Foreign Affairs.

2. BRAZIL'S POLICY AGENDA

Brazilian President Fernando Henrique Cardoso is nearing the end of his second term as president. He is barred constitutionally to stand again in the presidential elections of October 2002. A new president will be inaugurated in January 2003, bringing to an end

Summit of 1999", and Regulation (EC) 443/92 concerning financial and technical aid and economic co-operation with the developing countries of Latin America and Asia.

eight years of government by President Cardoso, who also served as Brazil's Finance Minister for two years under the preceding president. Based on the current government's programme, Brazil's paramount development objectives are the following: 1) Building a more competitive productive system; 2) Fostering social progress by alleviating poverty and enhancing distributive equity; 3) Consolidating regional integration.

President Cardoso's legacy will be impressive when he leaves. Few Latin American countries have pursued reforms as sweeping as those carried out by Brazil in the past ten years. Serious structural reforms were undertaken to modernize the country. Privatisations have been very widely carried out, important public sector reforms implemented. However, a number of important reform are still outstanding. Despite an impressive economic upturn over the last decade, the reduction of social inequalities continues to be relatively slow, generating tensions and criticism. Persisting social inequalities generate not only political tensions but contribute also to serious security problems. The current government has also repeatedly stressed the importance it attaches to sustainable development. The aim of the macroeconomic and sectoral policies currently in place is to deepen ongoing structural reforms to achieve the above-mentioned development objectives simultaneously, while consolidating a sound fiscal regime. Brazil's policy priorities for 2001-2003 are:

1. Overall economic competitiveness enhancement by supporting/promoting technology development and innovation dissemination programmes, vigorous and sustainable export performance improvements, regulatory framework improvements, and capital market developments.
2. Structural reforms follow-up/review by formulating a so-called "second generation" of reforms, designed to build and improve institutions, strengthen governance, and provide solutions for new issues as those resulting from market-failures (inter-alia, antitrust regulations, competition rules, consumer protection).
3. Overall poverty reduction and raising of living standards by supporting targeted and innovative social programmes designed to provide broader access, better coverage and higher quality of basic education, health and sanitation services;

In the international scene Brazil is strongly attached to the process of Mercosul integration, but also interested in leading the process of South American integration. Brazil plays an increasingly prominent role at the multilateral level (UN, WTO, etc.). In its trade policy it aims at maintaining a balance between its main partners, the EU and the US, hereby trying to maximise results in different negotiations. Due to its economic and political weight, Brazil is also affirming itself as a leader in the developing world, often assuming leadership on horizontal issues important to the developing world (WTO round, TRIPS, medicines).

3. ANALYSIS OF THE CURRENT SITUATION

3.1. Political situation

President Cardoso's tenure (1995–2002) must be considered as ground-breaking for Brazil. Against many odds the president, a social-democrat in terms of political persuasion,

succeeded in forming a broad political consensus for the far-reaching reforms he initiated and which have transformed the country. However, it is not clear whether the political conditions for the continuation of a broad reform-orientated coalition, which has supported him during his two mandates, will continue beyond the next election. The next elections (President, Gubernatorial and Congressional) are scheduled for October 2002. In the case of an opposition victory, some changes to the political approach followed up until now are to be expected. Brazil is a federal republic composed jointly by 26 states and one federal district (Brasília) and by 5,000 to 6,000 municipalities. Both at the federal and state levels executive, legislative and judicial branches exist. The Constitution of 1988 grants broad powers to the federal government, but also important fiscal transfers to sub-national governments (states and municipalities absorb 50% of the fiscal revenues). Brazil completed its transition to a full-fledged democracy in 1989 when the first direct presidential election were held since 1960, after 21 years of military rule between 1964-1985 and the four year Sarney presidency, who was chosen indirectly (originally as vice-president) through an electoral college in 1985.

1990-92 President Fernando Collor de Mello (impeachment/resignation 1992) 1992-94 President Itamar Franco (vice-president to Collor de Mello 1990-92) 1995-02 President Fernando Henrique Cardoso (finance minister 1993-94, re-elected 1998)

In line with international standards, Brazilian elections are universal, representative and transparent. Every Brazilian citizen enjoys full voting rights. Electoral registration is mandatory for citizens aged over eighteen years and optional for illiterates and persons over seventy years of age. In the last municipal elections (2000) an electronic polling system was used in nearly all of Brazil, without any significant implementation problem. This makes Brazil one of the most advanced countries in the world in this respect. The rate of participation in general elections is around 70 – 75%.

Brazil is a country with a somewhat precarious human rights record. During his tenure, President Cardoso has made serious efforts to curb human rights violations and impunity. The President created a Secretariat of State for Human Rights and launched a National Human Rights Plan which was prepared together with civil society. Nevertheless, important violations and use of excessive violence remain recurrent phenomena. The Brazilian penitentiary system is also a major concern as prison riots and take-overs are frequent. Although some improvements have been made, the Brazilian legal and procedural system is complex and often far from transparent. The need for judicial reform is widely recognised because the current system is inefficient. Due to the overburdening of the court system, judicial decisions can take years. At the appellate court level a large backlog of cases hinders the courts' ability to ensure fair and expeditious trials. Decisions of the Supreme Federal Tribunal are not automatically binding on lower courts, leading to more appeals than would otherwise occur. In rural areas, the judiciary is sometimes subject to influence or intimidation by local landowners. More generally, Brazil's legal system suffers from a clear contradiction between the existence of well conceived laws, following international standards, on the one hand, and their frequently poor implementation and enforcement on the other.

3.2. Economic and trade situation

Brazil is the 10th largest economy in the world, representing 75% of Mercosul's GDP and accounting for around 1.5 % of world trade over the last 20 years. It is the main player in South America, with over half of the region's GDP and population. Brazil has very divergent *levels of prosperity*. While overall per capita GDP adjusted for PPP was US\$ 6,971 in 1997, it varied between US\$ 13,533 and US\$ 1,789 for different states in the country. As such Brazil contains both the First World and the Third World.

Portugal	US\$ 14,489
Brasilia DF	US\$ 13,533
Czech Republic	US\$ 12,930
Sao Paulo State	US\$ 11,362
Hungary	US\$ 9,914
Rio de Janeiro State	US\$ 9,211
Rio Grande do Sul State	US\$ 9,062
Chile	US\$ 8,895
Mexico	US\$ 7,637
Brazil (as a whole)	US\$ 6,971
Russia	US\$ 6,900
Minas Gerais State	US\$ 6,592
Thailand	US\$ 6,169
Bahia State	US\$ 3,722
China	US\$ 2,984
India	US\$ 2,036
Maranhao State	US\$ 1,789
Pakistan	US\$ 1,739

source: IBGE, WB (via OECD)

Brazil has a very *diverse economy*. Agriculture, cattle-raising, forestry and manufacturing industry are the main engines of the economy. Brazil leads the world in coffee production, with about 30% of the global total and is among the world's top producers of soya-beans, cocoa, citrus fruits, and sugar. With large-scale and export-oriented agriculture taking up an important position in the Brazilian economy and foreign trade, the country is particularly interested in the containment and elimination of possible sanitary and phytosanitary threats to this important sector. Brazil is endowed with abundant forest as well as mineral resources such as iron, bauxite, manganese, precious metals and petroleum. But at the same time, Embraer is the world's fourth largest aeroplane producer and is currently teaming up with Dassault and EADS to start producing Mirage 2000 jetfighters in Brazil. In Alcantara (Maranhao State) Brazil has a space centre close to the equator, where its space programme involves co-operation with the USA, China, Russia and the Ukraine. Most international automotive companies are located in Brazil (a.o. GM, Ford, VW, Fiat, PSA, Renault), making the country the biggest car producer among emerging economies. Practically all multinational companies are established in Brazil.

After decades of a predominantly inward-looking policy orientation Brazil started to implement important *structural reforms* based on macro-economic adjustment, trade liberalisation and large-scale privatisation from the early 1990s onwards. Building upon these initiatives, Brazil underwent a major change in economic regime with the introduction of the Real Stabilisation Plan in mid-1994, which allowed a resumption of economic stability, invigorated economic growth and fostered improvements in social

indicators. In contrast with previous stabilisation programmes, the Real Plan has privileged the creation of private sector-led economic opportunities through deregulation and removal of impediments to competition. Over the last years, Brazil's macroeconomic policy framework has focused on promoting sustainable economic growth in a context of low inflation, with the aim of improving living standards, strengthening market confidence and ensuring smooth financing of its external financial requirements.

Brazil's *fiscal performance* has improved markedly at all government levels since late 1998, as a result of the successful implementation of the fiscal adjustment programme agreed with the IMF. Fiscal efforts under the programme have been focusing on expenditure control to raise the primary surplus, while protecting spending on priority social areas. At the same time, achieving the programme's fiscal targets has ensured that the public debt dynamics remain under control, leading the ratio of debt to GDP to decline in the medium term. In effect, the overall public sector borrowing requirements declined to 4.9% of GDP in June 2001, as compared to 10.2% of GDP in 1999. As part of a more active government debt strategy, the decline in rollover risk since 1999 (owing to maturity lengthening) has been an important improvement, but domestic public debt remains relatively short-term. The average maturity of federal debt rose from 8.3 months in January 1999 to 22.9 months in June 2001, while the average duration increased from 3.2 months to 9.7 months over the same period. The structure of domestic public debt renders fiscal accounts vulnerable to interest and exchange rate movements. In June 2001, the share of foreign-exchange indexed debt reached 26.4% of the total domestic debt outstanding, while the shares of fixed-interest rate indexed debt and floating-interest rate indexed debt amounted, respectively, to 15.1% and 58.5% of total domestic debt outstanding.

Since 1995, *FDI* has increased significantly as inflation came down and as the foreign investment regime started to be liberalised quickly. Brazil's potential economic growth, in conjunction with structural reforms carried out and its considerable market potential, made the country increasingly attractive for foreign investment. In 2000 Brazil became the second-largest emerging economy destination for FDI inflows (just after China) and Latin America's largest FDI recipient, accumulating 34% of all inflows to the region (against 8.6% in 1990). The FDI stock reached an estimated US\$ 197.6 billion by the end of 2000, with a share of 31.3% in gross fixed capital formations (against 1.7% in 1990). Although the pace of the privatisation programme has slowed somewhat, FDI inflows related to it remain substantial, accounting for up to 22% of all foreign capital inflows. EU companies are by far the leading foreign investors in Brazil. Brazil offers comparative advantages in certain industrial sectors such as the automotive, where its sub-federal authorities offer special regimes to FDI. Germany, Italy and the Netherlands have concentrated their FDI in the secondary sectors while Spain and the UK have focused more on services sectors. Restrictions remain on FDI in some sectors of the Brazilian economy, in particular nuclear power, health care services, property of rural land, fishing, postal services, airlines and aerospace. Legislation is currently being considered that would allow foreign participation up to 30% in media companies.

FDI total:	US\$ 32.8 billion (2000)
	US\$ 22.6 billion (2001)
	US\$ 18 billion (2002 est.)

FDI from EU: 18.3 billion Euro (1998)
 11.8 billion Euro (1999)
 19.0 billion Euro (2000)
 9.3 billion Euro (2001)

EU investment stock in Brazil: 35.7 billion Euro (1998)
 48.2 billion Euro (1999)
 67.2 billion Euro (2000)

Main sectors: telecom, energy, financial services, automotive, agro-industry, retail sector.

Brazil has witnessed a significant *market opening* in recent years. As a result, the importance of foreign trade for the Brazilian economy has greatly expanded over the past decade: in 2000, merchandise trade (exports + imports) accounted for around 18.5% of GDP, as compared to a 10.8% of GDP in 1990. Over the past decade, the EU maintained its position as Brazil's leading trade partner, representing around 30% of the Brazilian external trade. The emerging markets' financial crisis of 1998/1999 interrupted the progress Brazil had been making in consolidating its liberalisation/stabilisation programme. Ranking 4th amongst beneficiary countries, Brazil is one of the biggest users of the GSP scheme (1997). Preferential imports represented 30% of total imports from Brazil.

Brazilian exports: US\$ 55.1 billion (2000), US\$ 58.2 billion (2001)= growth 5.7%
Brazilian imports: US\$ 55.8 billion (2000), US\$ 55.6 billion (2001)= decline 0.5%
Trade balance: US\$ -0.75 billion (2000), US\$ 2.6 billion (2001), US\$ 6 billion (IMF estimate for 2002)

Exports to EU: 16.6 billion Euro (2000), 16.8 billion Euro (2001) = 25.5% total exports
Imports from EU: 17.6 billion Euro (2000), 16.7 billion Euro (2001) = 26.7% total imports

Exports to EU (2000) by product:

Agricultural products	7.01 billion Euro
Energy	0.08 billion Euro
Machinery	0.86 billion Euro
Transport material	2.33 billion Euro
Chemical products	0.63 billion Euro
Textiles and clothing	0.15 billion Euro

Imports from EU (2000) by product:

Agricultural products	0.61 billion Euro
Energy	0.15 billion Euro
Machinery	5.49 billion Euro
Transport material	3.60 billion Euro
Chemical products	2.85 billion Euro
Textiles and clothing	0.25 billion Euro

Export to EU of services:

2.75 billion Euro (1998)
 2.47 billion Euro (1999)
 3.49 billion Euro (2000)
 In 1999: Travel services 34.5%
 Transport ser. 29.3%
 Other services 36.1%

Import from EU of services:

3.22 billion Euro (1998)
 3.05 billion Euro (1999)
 3.49 billion Euro (2000)
 In 1999: Travel services 24.3%
 Transport services 26.6%
 Other services 49.2%

Brazil suffered a severe *energy crisis* during 2001. This had serious consequences for Brazil's economy during 2001. Brazil depends on hydroelectric power for more than 90% of its energy supply. Low rainfall and a lack of diversification and investment in generation facilities and transmission lines left the country facing the threat of massive blackouts during 2001. The government introduced an emergency energy rationing programme, which required industrial, commercial, government and residential consumers to cut

consumption by a fifth. The rationing programme became a success, while heavy rainfall in the later part of 2001 helped restore some of the hydroelectric capacity. Though the government ended rationing in February 2002, to overcome the problems in the long run it has accelerated plans to build thermoelectric power stations and to increase the use of alternative energy sources, as well as natural gas supply from Bolivia.

3.3. Social situation

As previously stated, Brazil contains both the First World and the Third World. This forms a paradox(4). While parts of Brazil are comparable in terms of prosperity to certain Member States of the EU or candidates for the first wave of EU enlargement, at the same time inequalities, poverty and social problems remain dramatic in Brazil. Brazil has suffered a number of systemic shocks during the past 50 years, which its socio-political system had difficulties to cope with. Among such changes are industrialization, democratization and the opening up of the interior, but probably the *demographic change* and its various consequences for education, health services, social services and employment may have been the most dramatic one to deal with.

1900:	20 million people	
1950:	50 million people – literacy rate 49%	
1975:	100 million people – literacy rate 71%	
2001:	170 million people – literacy rate 85%	source: IBGE

While the population more than tripled, economic growth rates did not keep up with this dramatic growth in numbers during the past 50 years. However, economic growth alone is not enough to address Brazil’s growing population’s needs. In the present *socio-political system* redistribution mechanisms are inefficient or tilted towards the needs of the middle and upper classes(5). As President Cardoso once stated: “Brazil is not an underdeveloped country, it is an unjust society”(6). Approximately 50 million Brazilians (roughly comparable in numbers to the total population of the UK, France or Italy) live below the poverty level. As such, the *distribution of wealth* in Brazil is very unequal. The minimum wage, earned by roughly 20 million Brazilian, has just been raised in December 2001 to 200 BRL per month (+/- 90 Euro). In some parts of the north-east region of Brazil people live on half this sum. Although the policies carried out over the last decade have allowed for the development of a visible, though modest middle class, the gap between the wealthiest 20% and the poorest 20% of the population remains among the highest in the

4 As confirmed by many commentators, such as for example the well-known Brazilian academic Helio Jaguaribe, in his contribution to the collection “Brasil 2000: Para um novo pacto social”, 1986, Paz e terra, Rio de Janeiro, page 187, where he states that: “In Brazil there exists an unviable dichotomy between the minority of the population- which operates a modern industrial society and lives well within it, with a productive, technological and administrative capacity equal to or superior to many European countries- and the majority, urban as well as rural dwellers, which drifts along in miserable and extremely poor conditions, at the margins of the benefits of the industrial society. This dichotomy is incompatible with the preservation of a stable democracy”.

5 See the UNDP Human Development Report 1990, pp. 56-57, which states about Brazil that “Substantial public subsidies were provided for “private” goods, usually consumed by the better-off sections of society, while “public” goods and services likely to have the widest impact on human welfare were neglected”.

6 See R. Roett, page 217, “Brazil: Politics in a Patrimonial Society, 5th ed. 1999, Praeger Publishers, Westport CT.

world: the wealthiest 20% hold 67% of the national wealth, while the poorest 20% own 2.1%. The *distribution of land* is another example of the inequalities prevailing in Brazil: 55% of the country's arable land are owned or controlled by just 2% of all farmers. Land reform is a key issue. Despite the important progress achieved by the current government in terms of redistribution of land, the Landless Workers' Movement (MST) considers the government's accomplishments far too limited.

The government of President Cardoso launched integrated policies to tackle *poverty*, in order to overcome serious problems in Brazilian public policies in this field: being the overlapping of programmes and the loss of coherence and co-ordination. The Programme "Projeto Alvorada" aims at reducing regional disparities and at promoting the improvement of the living conditions of the population of the poorest areas of Brazil. In the first component of the project (2001–2002) funded with 11.6 billion R\$, it focussed on 14 states with an index of human development lower than the average of the country. The second component concentrates its actions (Provision of Social Infra Structure), on 57 micro-regions and 389 municipalities. 1.7 billion R\$ were provided to this component. The Programme "Comunidade Ativa" was created in 1999 under the umbrella of Comunidade Solidaria, the major social initiative of the Cardoso government, followed up by the first lady, Ruth Cardoso. The programme focuses on the social and human development, through training, development of a micro-business culture (Brasil Empreendedor) and access to information. Some 10,000 "items" identified by local communities are scheduled to be tackled until the end of 2002. Most actions focus on the areas of family farming, agro-industry, tourism, health, sanitation, environmental management, education, vocational training. 1000 municipalities are covered by this programme.

Another factor reflecting the inequalities that characterise the Brazilian society is the situation of the various *racial groups*. According to recent research in Brazil⁽⁷⁾, the bulk of the underprivileged population in Brazil is formed by people of African or mixed-race descent. The education and income levels of these sections of the population have remained almost static, although there is no political or legal discrimination banning their social advancement. The results of this research appear to contradict the long-held perception of Brazil as a multi-racial democracy that is blind to colour or race. Main conclusions from this research indicate that poverty is not equally distributed among racial groups, that coloured people are over-represented among the poor and desolate, that within racial groups there is more poverty and more equality among coloured people, while among whites there is more inequality and more prosperity. Research proposes that the main cause for the social and economic disparities between the white and coloured sections of society in Brazil would be formed by an established set of prejudices ingrained in the Brazilian society and makes recommendations for positive discrimination policies at the public level. By the end of 2001 a debate is going on as regards positive discrimination policies for

⁷ See: Instituto de Pesquisa Economica Aplicada (IPEA), Texto Para Discussao No. 807- "*Desigualdade racial no Brasil: Evolucao das condicoes de vida na decada de 90*" by Ricardo Henriques, Rio de Janeiro, July 2001, pp. 1-4 and 46-47. Also: Instituto Brasileiro de Geografia e Estatistica (IBGE), Estudos & Pesquisas-Informacao Demografica e Socioeconomica no. 5, "*Sintese de indicadores sociais 2000*", Rio de Janeiro, 2001, pp. 297-330. In addition, in March 2001 the UNDP launched a research programme in partnership with and co-ordinated by IPEA, called "Racial Inequality in Brazil". This research programme will last two years.

coloured people, both in public and private organizations, in which politicians at the federal and state levels are calling for the first steps to be taken in this direction.

Brazil also suffers from serious *geographical disparities*, which are shown in figures such as illiteracy, poverty rates and income levels. Great differences exist between the poorer North-Eastern and Northern states against the more wealthy South-Eastern and Southern states. These persisting inequalities within the Brazilian society are also one of the main causes of the growing *violence* and insecurity that is being felt in Brazil. Crime statistics are both frightening and worsening. Violence in large cities like São Paulo or Rio de Janeiro is especially dramatic, but the deterioration of security in Brazil is evident everywhere. Sao Paulo had a higher murder rate in 2001 than Bogota, where a civil war/guerilla war is going on. Rural violence is also significant, while criminal violence against politicians has become the latest problem. In May 2000, the government launched a special National Security Plan to co-ordinate the efforts of the States in preventing violence, but no rapid improvement may be expected and the population is increasingly concerned about serious security problems. It is expected that the issue of violence might become one of the leading issues in the 2002 presidential election campaign. *Gender* equality is stipulated by the Brazilian Constitution of 1988. However, there is strong evidence of discrimination against women in the labour market, as generally women obtain lower salaries than men for the same position in Brazil. Public policies in the area of education have led to excellent results and currently 51% of enrolled students are women. However, better education has not been able yet to significantly improve the representation of women in politics and their access to decision-making positions in Brazil.

A major effort has been made to improve the quality of Brazilian *educational system*. Today 93% of all children attend school, but illiteracy remains a problem. At the same time, many centres of academic excellence exist, and Brazilian research centres are sometimes outstanding even by international standards. The situation is similar for *health*. A number of first class medical institutions are at the disposal of the better-off classes, but significant parts of the population have to rely on a deficient public health system. Few treatments are free of charge and social security coverage is low in comparison to international standards. The *anti-AIDS programme* developed by Brazil has been particularly successful and become an international reference. The country which had been one of the most affected by the epidemic during the 1980s, was able to successfully combine a mix of actions at the level of both prevention and treatment, to seriously curb the incidence of the disease in the country. This Brazilian experience could be an important reference for other programmes in different regions of the world, in particular Africa.

3.4. The natural environment

The environment in Brazil is at the same time one of the world's richest and one of the most undervalued and threatened ones. According to the Ministry of Environment (MMA), based on international valuation studies, the value of the environmental services rendered by Brazil's ecosystems, many of which are global, especially mega-biodiversity conservation and carbon sequestration, is several trillion dollars per year. Brazil's natural

biomes(8)—both well known and globally important—play a significant role in biodiversity conservation, in global climate change mitigation and in environmental services. While the Amazon basin forests are chief among these, the Cerrado, Pantanal, Mata Atlântica and Caatinga biomes also offer significant characteristics.

Brazil's Amazon Basin comprises about four million square kilometres of tropical forests and amounts to 47% of the country's territory. An estimated 50% of the world's biodiversity may be stored in these forests, and their total biomass is claimed to be one of the world's major carbon sequestration sinks. Thus, sections of the Basin have been set aside as strictly protected reserves (3.8%) and areas of sustainable management (6.1%), the later primarily Indian and Extractive Reserves. The dynamics of land use in the Amazon over the past 40 years have entailed both social costs and the loss of natural resources. Historically, large-scale farming, ranching and forestry activities have resulted in minimal investment in labour and capital per unit area, and have paid little attention to long-term productivity. The land's short productive span is followed by degradation and abandonment. Other biomes in Brazil are subject to rapid loss of biodiversity and species habitat: the coastal rainforest or Mata Atlântica has been reduced to 7% of its original area, while the savannah-type grasslands of the cerrado (identified as a biodiversity "hotspot" by Conservation International) have lost 14%, as much as the Amazon. The risk of increasing desertification and the loss of species-rich dry caatinga scrubland are also in evidence in the North - East.

Because of the global dimension of most environmental issues and the shared responsibility of the international community therein, and based on the special abundance of Brazil's natural environment, the G7 Summit in Houston in 1990 took a unique initiative in launching the Pilot Programme for the Conservation of Brazilian Tropical Forests (PPG7). This is a unique experiment, preceding even the UNCED of 1992, representing a partnership that includes the Brazilian government and civil society and international donors. It aims at addressing the global environmental problem of deforestation, a major problem in Brazil, through a new form of international co-operation. Though this programme is global in perspective, its practical relevance is very specific to the Brazilian situation.

3.5. External relations

Since the conclusion of the 1992 EC-Brazil Framework Co-operation Agreement, the bilateral relationship has strengthened and the improvement of relations with the EU has become one of the priorities of Brazilian foreign policy. The relations took on a new dimension with the signature of the 1995 EU-Mercosul Framework Co-operation Agreement, which has as its long term objective the preparation of an Inter-regional Association. To this end, specific negotiations were launched in 1999 and Brazil is an active partner in these EU-Mercosul negotiations, which aim at the intensification of political and co-operation ties, as well as the establishment of a free-trade area. The EU's objective is to conclude an association agreement, which includes a free trade area, between two common markets, while Mercosul is also aiming at completing its own common

8 Biome = 1. large, naturally occurring community of fauna and flora adapted to the particular conditions in which they occur; 2. the geographical region containing such a community.

market. Brazil is the major partner in the Mercosul integration project, alongside Argentina, Uruguay and Paraguay, with Bolivia and Chile as associated partners. The further strengthening of Mercosul is Brazil's top foreign policy priority. Over the past two years the advance of the Mercosul integration process has slowed down. However, notwithstanding conjunctural difficulties, Brazil continues to expose a strong policy priority in support of further integration and completion of the Mercosul common market.

Brazil also has an important interest in the greater regional and hemispherical affairs. Brazil's free trade agreement with the Andean Community, its support for a future Mercosul-Andean Community free trade area, its ideas for a possible South American Free Trade Area, all these issues point towards a continental or hemispherical ambition. In line with this tendency Brazil organized a first-ever South American Presidential Summit, held in August 2000 in Brasilia, to discuss non-economic issues such as democracy, stability and security. With the previous military conflict between Ecuador and Peru, the persisting security problems in Colombia, the political instabilities of the previous Fujimori regime in Peru and the policies of the current Chavez government in Venezuela, Brazil decided to not shy away from its regional responsibilities and engaged in confidence building discussions. Brazil is also an active participant in the process of negotiations aiming at the creation of a Free Trade Area of the Americas (FTAA). Brazil has entered into bilateral trade agreements with Mexico, while currently Brazil is participating in 2002 as part of Mercosul in the 4 + 1 discussions on trade and investment with the United States, based on the Rose Garden Understanding that was signed in 1991 before the creation of Mercosul with the individual countries Argentina, Brazil, Paraguay and Uruguay. Brazil is also a prominent member of WTO, which participated actively in the recent WTO meeting in Doha. As a member of the Cairns Group and one of the key "emerging" member countries of WTO, Brazil is fully involved in the work to start a new round of WTO negotiations. Brazil is member of G-20, G-77, Rio Group and ALADI. Brazil has the intention of becoming a Permanent Member of UN Security Council, on the occasion of a possible reform in the future, an ambition which received official support by Russia in January 2002 and by Germany in February 2002. Brazil is a provider of co-operation, mainly to Portuguese-speaking and Central American countries and also takes part in the UN Mission to East Timor. In the environment area, Brazil is an important partner to the EU, influential within the G-77.

3.6. Sustainability of current policies

President Cardoso's term of government is coming to an end. The policies and reforms set out under his two terms are not completed yet. The mix of Brazil's policies seems to be appropriate to consolidate further the positive achievements of the past years. However, the pace and consistency of the reform process will remain exposed to: 1) domestic political pressures; 2) a variety of external influences. These two elements will determine the sustainability of President Cardoso's legacy.

On the *domestic political front*, it is not yet clear whether the current coalition of political parties that supports President Cardoso will be able to rally around a single presidential candidate and win the October 2002 elections, or whether the opposition parties will be able to create a viable coalition and present the winning candidate for the presidency. In all cases, a new president will be inaugurated in January 2003 and he or she will set out to create a new government team and a new policy programme during the first semester of

2003. During the course of 2002 meaningful debate on reform measures and the prospects of their adoption could be frustrated by greater political uncertainty created ahead of the elections. Although evidence of political commitment to prudent fiscal policies has been strengthened throughout all levels of government, as well as in the political leadership across many party lines, the foreseen political struggle over the presidential elections renders it unlikely that progress on controversial matters could be achieved before the elections.

In the *external scene*, confidence in the ability of the government to lead and to engineer the appropriate policy responses to unexpected external shocks remains high. Over the past few years the Brazilian government has shown a great capacity to manage risks, pursue structural reforms and stay the course on fiscal adjustment. As a result of the implementation of a consistent macroeconomic framework, Brazil at present seems better equipped to withstand external shocks than compared with the pre-1998 period. However, fiscal and external vulnerabilities, although improving, remain significantly high and constrain creditworthiness. The volatile regional (Argentina) and international (recession) situation does not create a risk-free environment for the out-going government.

In terms of sustainability, the most likely scenario for the near future will be the reinforcement of a healthy set of economic, social and environmental policies, that would include resolute actions to avoid financial crisis contagion and put Brazil on a sustained trajectory towards renewed growth, though possibly at significant short-term costs. This could also include a growing emphasis on strengthening social and environmental policies, compatible with the financial situation, in the period before the election and afterwards, independent of the political colour of the new government.

3.7. Medium term challenges

No matter who becomes the new president in 2003, Brazil's government will be faced by a number of serious challenges, ranging from poverty and violence to structural economic reforms and environmental protection. The key to solving these challenges lies in creating sustained and sustainable economic growth and through this social development and greater support to environmental protection. The issue of economic growth has been the main focus of the current government's policies during the past years. However, the policies and reforms set out under President Cardoso to attain sustained growth and greater competitiveness are not completed yet. Real growth in GDP since the beginning 1990 has been good, but the long term growth perspectives of the economy are not ensured. At the same time government policies also need to continue to focus on the immediate social and environmental issues facing the country. In all, this creates challenges that can be divided into four areas: macro-economic stability, fiscality, social development and the environment.

In the area of *macro-economic stability* the situation since 1994 has improved. The process of opening of the Brazilian economy gave positive returns in terms of stability, in particular by improving the quality of life of the middle class. But the government's objective to strengthen the economic competitiveness and to consolidate the results of the reforms is still far from being fully achieved. Some important reforms are still pending and the modernisation of the economy is a medium-term process. To obtain high growth rates in

the future, Brazil needs to carry out a number of key internal structural reforms in order to increase its competitiveness, diversify its exports, reduce public debt, stimulate domestic savings and improve trade liberalization. A permanent source of concern remains the vulnerability of Brazil's external accounts, including the reduction of the current account deficit and of the dependency on foreign investment, in the face of continued chronic external deficits and debts. In respect of its external financing requirements, Brazil remains strongly vulnerable to an adverse external environment.

In the area of *fiscal reform* crucial components that are still outstanding are the social security and pension reforms, aimed at phasing-out the generous pension regime for civil servants and establishing a regulatory framework for private pension funds. Moreover, tax reform also remains critical to reduce inefficiencies created by the existing complex tax system and federal/state governments' revenue sharing arrangements. Various proposals to simplify the tax system and improve tax assignment have been extensively discussed, but consensus has not been reached yet.

In the *social area* policies need to be strengthened in the future, both in terms of the financial volumes allocated as well as the efficiency and coherence of the instruments. To address its social problems, in particular the poverty issue, Brazil's programmes, which in general are seriously managed, will have to try to overcome a number of weaknesses of the past. Apart from a lack of co-ordination, another traditional limitation in Brazil used to be the degree of paternalism in the approach, which limited long-run effects and sometimes even created links of political dependence on local political leaders. The absence of a global strategy and insufficient follow-up on the ground were other limiting factors. The continuity of the current government's programmes after 2002 is not ensured, but it seems unlikely for any new government to reject the basic principles, such as planning and coherence. However, effective social policies are also linked to other policies: inter-alia, a comprehensive tax reform allowing to reduce the weight of indirect taxation on the poor or the introduction of more effective political guidelines aimed at improving the mechanisms of public spending. In the end, solving social problems through greater economic growth will only help if it is accompanied by a more efficient redistribution mechanism. The issue of redistribution is a highly sensitive one, to be addressed through the domestic political system.

In the *environmental area* the principal policy initiatives of the present government constitute an impressive list, but as a rule they are poorly integrated, isolated from development policies and lacking effective implementation. This is due to the traditional distance between official rhetoric and actual practice, general problems of governance and institutional weakness in this vast and sparsely-populated area, prolonged financial crisis and lingering doubts about trade-offs between environment and development. The unique experiment of the PPG7 forms a showcase of these problems and of their possible solutions. Having finalized its first phase, the PPG7 is now facing the challenge of preparing and seeking financing for its continuation during a second phase.

Progress in social and environmental policies will depend on sustained economic growth and financial stability. These in turn will depend on a continuation of structural reforms.

For these reasons, political continuity after 2002 (in terms of prolongation of the reform policies, not of political colour) is crucial for tackling Brazil's medium term challenges.

4. ASSESSMENT OF PAST AND ON-GOING EUROPEAN COMMUNITY CO-OPERATION

4.1. Overview of past and ongoing EC co-operation

The Country Strategy Paper for Brazil of 1998 was the first attempt to define a strategy for the co-operation with Brazil. Its priorities have been the basis for EC co-operation in Brazil during the past years. The draft Memorandum of Understanding (MoU) on co-operation with Brazil between 2002-2006, which is still being considered by Brazil, also reflects many of the priorities of the previous strategy with Brazil. At present EC co-operation with Brazil amounts to some 210 million Euro in terms of projects under implementation. The sector where most financial resources are allocated to ongoing projects is the environment (80 million Euro) mainly in the framework of the PPG7. In the social field, the fight against poverty is the key priority and two significant projects are under way, for a total amount of 12.6 million Euro. They are aimed at improving the living conditions of underprivileged communities in urban areas of São Paulo and Rio de Janeiro. Supporting NGOs is also an important part of ongoing co-operation. Many European NGOs pursue active development projects in Brazil with the support of EC funding, generally aimed at improving the living condition of underprivileged communities. They cover development activities in many sectors and are being carried out all over Brazil. In 1999 and 2000 EC funding for NGO activities in Brazil amounted to 43 million Euro.

Bilateral projects with Brazil under preparation or already in implementation at present are the following:

- Biotechnology centre "Sao Rafael" in Bahia;
- Community development in the favelas of Rio de Janeiro ("Movimento Viva Rio");
- Assistance to the development of favela populations in Sao Paulo and Rio de Janeiro (MoU);
- Human rights support to the Brazilian police (MoU);
- Modernization of the tax system (ESAF)(MoU);
- Modernisation of the public administration (EuroBrasil 2000)(MoU);
- Support to the Council of European Chambers of Commerce in Brazil (MoU);

In the field of *horizontal programme* Brazil is very active in the framework of the URB-AL programme for co-operation among cities in Latin America and the EU, and in the ALFA programme for academic co-operation between institutions of higher education in the EU and Latin America. Concerning economic co-operation, current activities are essentially structured around the AL-INVEST programme (co-operation among European and Latin American SMEs). AL-INVEST counterparts in Brazil are the so-called "Eurocenters", of which there are 15 up now, covering all main regions of the country. These 15 Brazilian members represent 38% of the total of Eurocenters in Latin America.

In the field of the *environment*, the PPG7 is of central importance. It is a unique partnership, bringing together the Brazilian entities and international donors, in addressing the global environmental problem of deforestation. The Programme's objectives are to:

- Reconcile sustainable economic development and conservation of tropical forests;
- Preserve forest bio-diversity;
- Reduce the forests' contribution to the world's emission of greenhouse gases;
- Provide an example of co-operation between industrial and developing countries on global environmental problems.

To date, funding commitments have totalled over 350 million Euro, with 60 million Euro administered by the World Bank through a core Rain Forest Trust Fund. Over 80% of total co-financing contributions come from the EU, with Germany, the EC, the UK, Spain, Italy and the Netherlands contributing. For the EC, the PPG7 represents a unique initiative, in responding to global environmental problems through direct and applied co-operation. The PPG7 also responds to current EU development and environmental policy priorities and to our global environment commitments. In recent years, the Commission has been working to consolidate and enhance EU participation, increase the effectiveness of its financial contribution, and assist in guiding preparations for the second phase of the PPG7. The Brazilian government has repeatedly stressed the priority it attaches to the PPG7. With elections coming up this year, the government is keen to consolidate advances already made, while permitting the new government in 2003 to establish its ownership of the programme. Currently the programme finds itself in an intermediate phase, in order to plan for the second phase of the PPG7. It is hoped that the G8 summit of 2004 will take stock of the achievements of the first phase and give political endorsement to the second phase of the programme. In addition to the PPG7 programme, the Commission continues to fund various other projects, mainly with NGOs, in the environmental field. Since 1992, over 60 projects were financed through EC aid instruments for the environment and tropical forest conservation.

In the field of *research and development*, co-operation with Brazil started in 1983 (1st Framework Programme for Scientific and Technologic Co-operation). In more recent years, 53 projects involving 77 research centres in Brazil were approved in the framework of the 4th Programme (1994-1998), while under the 5th Programme 26 projects with Brazilian participation have been approved so far. Brazil is by far the most involved country in Latin America in these programmes. In addition, the Commission received a mandate for negotiations on a bilateral science and technology agreement with Brazil and those negotiations are still currently on-going.

4.2. Information on programmes of other donors

EU member states are the first providers of bilateral co-operation to Brazil. The sector absorbing most resources is environmental protection, followed by social, educational and scientific co-operation. It needs to be pointed out that the data made available by Member States' embassies in Brasilia are not always strictly comparable, but allow nevertheless for a general overview. The actual *German* priorities for co-operation in Brazil, agreed on with the Brazilian Government in 2002, are the following: (1) Environmental Protection and Management of Natural Resources, composed by conservation of the tropical forests, and urban and industrial environmental protection; (2) Integrated regional development in

disadvantaged areas (North, North-East). By the end of 2001, the German commitments for financial co-operation with Brazil amounted to 700 million Euro, and for technical co-operation to 417 million Euro. The main field of action is environmental protection, which represents 60% of the total. Most of this co-operation is channelled through the PPG7, making Germany the first contributor to the programme. The **UK** allocated 63.35 million Euro to co-operation with Brazil over the period 1999-2003. Given Brazil's income status, programmes consist entirely of technical co-operation only. The UK (Department for International Development DFID) aims to assist government and the international community to concentrate on coherent efforts to eliminate poverty and inequality in Brazil. DFID aims to add value to the international community effort to develop effective poverty reduction approaches and to promote greater donor co-ordination in support of the Millennium Development Goals. The UK also supports the PPG7 in its efforts to help maintain a clear poverty focus in the programme and achieve conservation through development for the people of the Amazon. **Denmark** concentrates on indigenous peoples – as part of “the Danish Support to Promotion of Human Rights and Democratisation”, under the DANIDA's programme. In 2001 Denmark was involved in 2 projects; an indigenous lawyer's follow-up on the Parliamentary process for the new indigenous laws, where he functioned as a middle man between the indigenous communities and the public organs; the creating of an office in Manaus where indigenous people can get help in legal matters, as well as information. Denmark will in the future focus on capacity and competence building among indigenous lawyers and law students, creating a network in-between them and with other indigenous lawyers in Latin America. Scholarships for indigenous law students are a priority, in co-operation with the Department of Human Rights within the Brazilian Ministry of Justice.

The **Netherlands** concentrate their action on environment. 17 million Euro are allocated to existing programmes in this field, 50% through the PPG7, 50% outside it, mainly through NGOs. **Belgium's** ongoing projects, mainly supporting NGOs in fields like handicraft, vocational training, social services, strengthening of civil society, totalled 2.5 million Euro in 2000. **Austrian** on-going co-operation includes actions in fields like education and training, social and agricultural development, for a total amount of 3 million Euro. An additional 0.3 million Euro are devoted to NGO support. **Finland** does not have bilateral co-operation programmes with Brazil. However, Finland supports NGO-projects, which are ongoing mainly in the field of environmental protection (outside PPG7) but also in the social and educational sector, for 2.4 million Euro. **Spain** financed co-operation projects in Brazil for a total amount of 2,505,764 Euro during the year 2000. This co-operation included technical assistance, co-operation with schools, support to NGOs, training programmes and scholarships, trade-related assistance and Brazilian participation in horizontal programmes covering Ibero-America. **France** is also a significant aid donor to Brazil. The financial resources for French co-operation in Brazil during the year 2001 reached an amount of 5 million Euro. To this amount should be added 12 million Euro made available to different French research institutes active in Brazil, 8 million Euro of the French Fund for the Global Environment made available to six projects being implemented in Brazil, and 10 million Euro contributed to the development of French language and education (Alliance Française). **Italian** ongoing co-operation projects total some 17 million Euro. Social co-operation represents 60% of the portfolio, education and training 30%. Italy also contributed to the PPG7 Rain Forest Trust Fund. **Portugal** provides 2.4 million Euro

for ongoing projects, half of which is devoted to cultural co-operation and remainders for projects in the health sector. Of the remaining EU Member States only limited information is available, indicating that **Luxembourg** had commitments between 50,000 and 100,000 Euro per year during the past few years, **Greece** had commitments between 10,000 to 20,000 Euro per year, **Ireland** does not operate a bilateral aid programme with Brazil. Ireland's bilateral aid is focussed on least developed countries. Ireland's commitments in Brazil are organised through NGOs and principally involve projects focussed on poverty reduction measures. Ireland provided 1,167,640 Euro for projects in 2001. **Sweden** has no programme support to Brazil. But Sweden has working programmes with Brazil through NGOs and with the annual amount of 16 million Kronor. Sweden also underlines the importance of Swedish-related enterprises working in Brazil, which employs more than 30,000 people. Sweden notes that even trade and investments are important in the area of development support.

To date the **European Investment Bank** (EIB) has committed 13 loans in favour of Brazilian borrowers up to a total amount of 677 million Euro during the period 1997-2001, most of these projects deal with infrastructure, the automobil industry, the energy sector, the telecommunication sector and the financial sector. Most EIB loans in Brazil were extended to complement financing by BNDES, the Brazilian development bank, and other multilateral and bilateral donors and promoters' own funds. All loans granted by the EIB in Brazil were in support of private sector investment. EIB loans to Brazil constituted up to 40% of all loans granted by the EIB in Latin America up to September 2001. Outside the EU, the main countries co-operating with Brazil are the the United States, Japan and Canada. The **USA** is active in the field of poverty reduction, through the NGO "Brazil At Risk Youth Program". The US also contributes to PPG7 and supports the National Program for Energy Development of States and Municipalities (PRODEEM). **Japan** supports education, training, scientific research and the PPG7. **Canada** is active in the fields of scientific and technological co-operation, infrastructure and governance/public sector reform.

Current **World Bank** loans to Brazil amount to 11.65 billion Euro in 2001. Of this total, 38% of funds were geared towards the development of public infrastructures and energy, another 29,02% to educational projects. Agricultural development represents 14% of World Bank loans. Apart from its traditional banking activities, the WB is the co-ordinator of PPG7, being specifically in charge of the management of the Rain Forest Trust Fund. The current lending volume of the **Inter-American Development Bank** (IDB) in Brazil stands at 1.75 billion Euro. The funds are destined mainly for education (32%), infrastructure and energy projects (28%). The rest is devoted to micro-enterprises and SME promotion and agrarian reform. The **UNDP** intervenes in Brazil through a special mechanism: the 303 million Euro made available to the country are in reality Brazilian resources lent back to public institutions to recruit international and national experts. This procedure effectively bypasses the complex mechanism for recruiting public servants. **UNESCO** and **UNICEF** are active in the field of education, with UNESCO concentrating on supporting the national education system and UNICEF acting mainly through local programmes combining civic education and health. **UNPF** is active in the fields of reproductive health, population control and statistical co-operation.

4.3. Recommendations

Based on the EC's experience in external relations and development co-operation during the past 40 years, it has become clear that key factors for sustainable development are: 1) stable democracy and the rule of law; 2) well-functioning institutions; and 3) the implementation of healthy internal policies based on good governance, fair distribution of incomes, maintenance of macroeconomic equilibrium, economic and commercial openness, respect for the environment and social dialogue. In the case of Brazil many of these key factors are present, though several of them could be improved. Past co-operation in Brazil, based on the experience of the Commission, has shown a number of general lessons to be taken into account: 1) call for realism- co-operation with a country of Brazil's geographical dimension, population size, and contrasts/contradictions is far from simple; 2) engage in partnerships- the need to develop a genuine partnership with the Brazilian government and society; 3) clear procedures- a major challenge concerns the range of existing procedural bottlenecks in both the EC and Brazil; 4) consider the regional dimension- co-ordination needs to take place between the EC co-operation policies at the regional level and at the bilateral level within Mercosul. Assessing key areas of past and ongoing EC-Brazil co-operation, mainly based on the experiences and information of the Commission, but also following evaluation reports on specific programmes and projects, the following recommendations can be made:

- In the field of economic co-operation, the bilateral approach based on the existing co-operation mechanisms was not successful, and will not work in the absence of a financial framework convention. By contrast, horizontal programmes (a.o. AL-INVEST), directly operated with civil society (business community in this case), were successful and remain promising, despite occasional difficulties.
- In the field of social co-operation, evaluations done so far have shown that the results of technical assistance and of NGO supported projects have been essentially positive. The exchange of experiences has resulted in a number of local follow-up actions whose sustainability seems adequate. Some positive synergies with Member States' co-operation activities are also visible (9), but there is still room for improvement.
- Regarding the support to the consolidation of administrative reforms, no evaluation has yet been carried out in respect of project ESAF. However, monitoring has shown so far that progress has been satisfactory.

9 Evaluations in the field of social co-operation, among others the mid-term and final evaluations of the project B7-310/94/107 "Programa Infancia Desfavorecida no Meio Urbano", the mid-term evaluation of the project B7-310/95/115 "Programa de Apoio as Populações Desfavorecidas" indicate that various programmes showed good results and could be seen as models to replicate. Also they recommended that the pilot project approach lead to a follow-up or continuation of activities. The report of the July 2000 mission as regards budget line B7-6000 for NGO co-financing indicated that more priority should be given to poverty reduction, and to advocacy over poverty alleviation, because it is generally easier to find private money for charities than for structural change. It was considered a positive aspect of EC projects that they stress the relationship between European constituencies and Brazilian beneficiaries. The recommendation was made to put more stress on the institutional relationships than the project-to-project analysis, putting Brazilian NGOs more at the forefront. Analysis of financial figures showed that priority was being given to the poorest regions in Brazil, the North-East and the North, where more than 50% of funds were allocated, concentrating on about 35% of Brazil's population.

- As far as science and research is concerned the participation of Brazilian universities and research institutions in programmes and networks via the 4th and 5th Framework Programmes, has matched Brazil's possibilities and needs. The partnership of Brazilian institutions with European and international networks contributes greatly to the modernisation and development of Brazil and its economy. The co-operation agreement on science and technology, currently under negotiation, should further enhance this dimension.
- On the environment, European concerns over the Amazon forest continue and, particularly in the light of the debate on climate change, consciousness of the importance of saving the tropical forests is higher than ever. The PPG7 responds directly to current EU policy priorities and global commitments. It also addresses potential conflicts of social and environmental objectives by promoting projects which favour sustainable economic alternatives. Overall, the PPG7 has been a considerable success so far. The programme merits substantial EC funding also in the future for its second phase. Moreover, new activities of environmental co-operation could be developed beyond the PPG7, to address other ecological concerns in Brazil(10).

5. EUROPEAN COMMUNITY RESPONSE STRATEGY

5.1. Coherence with EC policies.

The main strategic objective of Brazil and the other countries of the Mercosul is to fully integrate themselves into the global system and to participate in international organisations in order to ensure their sustainable development. Respect for democratic principles, the rule of law and good governance constitute the cornerstone of the relations between the EU and the countries of Mercosul, to be implemented through the *political dialogue* at various levels between the parties. As far as *trade aspects* are concerned, the long-term objective in relation to Brazil and the other Mercosul countries is the full liberalisation of trade and investment. This will imply both pursuing the conclusion of the EU-Mercosul negotiations for an Interregional Association Agreement, as well as participating in the new round of WTO negotiations. In the short term this implies continuing EU-Mercosul negotiations, starting WTO negotiations, while at the same time at the national level trying to solve the main trade irritants and prevent the introduction of new barriers. The priority is thus to come to amicable agreement with Brazil on priority market access cases, which contravene WTO rules, via bilateral consultations. The wish to liberalize trade has a number of important side effects : the EU is trying to promote its way of functioning in the field of other EC policies in order to facilitate exchanges and strengthen the commercial opportunities available, in particular in the fields of single market policy, tax and customs policies, competition policy and statistics. Moreover, Council and Commission have adopted a joint statement in 2000 on development policy, which clearly links trade and development and recognizes the need for technical assistance in this area. The adoption of the WTO Doha Development Agenda in November 2001 underlines the major role trade

10 Conclusions and recommendations as regards past and on-going environmental co-operation were mainly based on two important and recently conducted evaluations: 1) the PPG7 Mid-term Review; 2) NRPP Mid-Term Evaluation. A number of other evaluations has been made of smaller projects in the field of the environment.

could play in economic development and the alleviation of poverty, confirming the need for technical co-operation.

The EU is by far the most important importer of *agricultural* produce from Brazil and the other Mercosul countries, absorbing 39% of the agricultural exports of Mercosul. More than 60% of the agricultural imports from Mercosul enter the EU at a 0% customs rate. In addition, certain products benefit from a preferential access in the framework of tariff contingents. However, Brazil and the Mercosul countries, which are major producers in the agricultural field, reject the EU's Common Agricultural Policy (CAP) and are striving for a total liberalization of trade in this area. As far as agreements on *wines and spirits* are concerned, the EU and Mercosul have agreed to pursue negotiations on wines and spirits between the EC and the Mercosul countries, it being understood that an agreement on wines and spirits resulting from these bilateral negotiations will be part of the single undertaking of the future bi-regional association agreement. In the field of *fisheries*, the Mercosul countries are also important partners of the EU. A co-operation agreement was signed with Argentina in this field, which included a science and technology co-operation section and support to the creation of joint ventures and temporary partnerships for the exploitation fishery resources. This agreement was not renewed in 1999, but the EU is in discussion with the Argentinean government and wishes to conclude a similar agreement with Chile and Brazil. Measures taken by the EU in the framework of some of its policies, such as its *health and consumer protection policy*, are referred to by some as being "protectionist", however, they relate to an established level of quality required by European consumers. If Brazil wishes to maintain its strong presence in the European market, it will have to adapt to the established requirements for food safety of European consumers, thus the importance for Brazil of concluding a veterinary and phythosanitary agreement with the EU. As far as *veterinary and phythosanitary* agreements are concerned, the EU and Mercosul have agreed to pursue negotiations on veterinary and phythosanitary issues between the EC and the Mercosul countries, it being understood that a veterinary and phythosanitary agreement resulting from these bilateral negotiations will be part of the single undertaking of the future bi-regional association agreement.

In the area of *science*, EC policy also has a significant impact on Brazil, Argentina and Chile. The EU is seeking co-operation with these countries, in particular to allow high-level researchers from these countries to participate in community research, not covered under current R&D activities. The EC has already signed a science and technology co-operation agreement with Argentina, in order to open up reciprocal possibilities to participate in the programmes and activities managed by each party in the field of R&D, while negotiations are underway with Brazil. It is the EU's strategy to favour the concrete implementation of these agreements, obliging the Mercosul authorities to finance the participation by their researchers in the projects of the 6th Framework Programme and supporting the participation of European researchers in the research programmes of these countries. Technological innovation and improvement of productivity and competitiveness, as well as greater diversity in terms of production and exports, could be an important result of the science and technology co-operation agreement being negotiated with Brazil. This area could provide an important contribution to Brazil's economic reform.

In the field of the *environmental policy*, EU policy has a very specific impact on Brazil. Brazil may have one of the richest environments in the world, but also one of the most endangered ones. Deforestation is a major concern but, it is not the only issue and Brazil is a highly urbanised country, facing problems of congestion, air and water pollution, sewage and water supply. Our priorities in Brazil are in keeping with the 6th EC Environment Action Programme (2002-2011), which identifies a number of priorities for action: climate change and the depletion of natural resources and the loss of bio-diversity are among the biggest threats to sustainable development and require global action to solve them. The EU's commitment is to halt and reverse global deforestation and forest degradation. The EC's main activity in Brazil is focused on the PPG7.

Finally, the greater part of the other community policies have an indirect impact on Brazil and the other Mercosul countries, but deserve to be mentioned to the extent where they may influence the EC's co-operation strategy. The development of the *information society* is an important objective for the EU, having a positive impact on development. In the field of *transport* priorities are market integration and improvement of security/safety in air and maritime transport, while in the field of *energy* the EU seeks to ensure security of supply including an appropriate energy infrastructure network and to develop alternative sources of energy. In this field the Synergy programme allows for the financing of co-operation projects with the Mercosul countries, to assist them in defining, formulating and implementing their energy policies and to promote industrial co-operation in this sector. In the area of *competition* the EU is stimulating Brazil and the Mercosul countries to adopt legislation on competition which basically follows the EU model for competition policy. In the area of the *single market policy* the EU's strategy is to conclude a public procurement agreement, which it is currently negotiating with Mercosul, thus aiming at an opening up of the sector to European companies and, more in general, the EU is seeking to promote its practices in this area. The EU is also interested in concluding an agreement on concessions and other types of public-private partnerships. Current negotiations with Mercosul should ensure that countries also provide adequate and effective protection of intellectual and industrial property rights in accordance with the highest international standards, including effective means of enforcing such rights provided for in international treaties.

With regard to the question of coherence with EC policies, one can *conclude* that our policies towards Brazil form part of the framework of EC policies towards Mercosul as a whole and are linked to the EC policies towards the other members of Mercosul. Moreover, EC policy on Brazil is not isolated from the politico-economic environment in which Brazil acts and provides a realistic perspective for further developing the EC-Brazil relationship. In terms of coherence between EC co-operation in Brazil and other EC policies in Brazil one can conclude that they all form part of the same framework of ideas, priorities and objectives. As such they form a coherent policy mix.

5.2. Complementarity with programmes by other donors.

Activities of the main donors can be grouped together in five topics. *Economy and trade*, an area mainly dealt with by some of the regional banks such as the IDB and the EIB, but also one on which the EC put much emphasis in the past and which serves very prominently in Brazil's own development strategy. *Public administration*, an area not much dealt with, mainly only by the United Kingdom, France and Canada, but an issue that

underpins and forms a pre-condition for any progress in the field of the aforementioned priority area (economy & trade); the EC has also contributed much to reform in this area. **Research and technology**, an area that receives the specific interest of bilateral donors like Germany, France, Japan and Canada, and an area where the EC has a specific interest and is currently negotiating a co-operation agreement with Brazil; co-operation in this area has an important effect for the success of co-operation in the field of economy and trade, in terms of improving competitiveness, productivity and technological innovation. **Social development**, an area covered by various bilateral donors such as Germany, , the United Kingdom, Italy and the United States , but also an area where much work has been done in the past by the EC and can still be done in the future in Brazil. **The environment**, an area covered by many bilateral and multilateral donors, ranging from the Netherlands and Finland to Germany and the United Kingdom, Spain and the United States, and clearly an area in which the EC has a prominent interest and wishes to partake in the shouldering of a shared international responsibility. Of course the PPG7 programme stands out in this area as a major commitment of the EC and the EU.

There are some areas supported by other donors that remain outside of the EC's scope of activities, such as **infrastructural work**, for obvious financial and logistical reasons. The search for complementarity between EC, EU and international co-operation should take place in particular in the day-to-day practice of co-operation activities, which will be facilitated by the current deconcentration exercise of the management of co-operation activities to the Commission's Delegation in Brasilia. It should bear upon the sharing of information, the exchanging of ideas, the co-ordination of activities and the timing of activities, and the identification of a division of activities, or a conversion of activities. This type of complementarity should therefore have a greater impact and effect during the various phases of the project cycle.

5.3. Proposed priorities for future co-operation

The EC response strategy is of course in line with EC general co-operation objectives, specifically those most relevant for Brazil like sustainable economic and social development, integration into the world economy and poverty reduction. The response strategy should also be consistent with the draft Memorandum of Understanding, which is currently being considered by Brazil, and which is expected to be agreed on between the parties during 2002. The Memorandum foresees an indicative budget of 64 million Euro for the period 2000-2006. EC co-operation must also take account of the experience of past co-operation and ensure a degree of continuity and coherence, while also looking for ways to ensure complementarity with other donors' co-operation and a strong degree of coherence between EC co-operation in Brazil and other EC policies in Brazil. Considering the relatively modest financial resources available and the dimension of Brazil's problems, EC co-operation will have to be selective and focus on a limited number of focal areas. Given that Brazil is a federal republic, EC co-operation should not exclude activities at any level of the federation. In function of the modalities and needs, co-operation can thus be foreseen with federal entities, state-level entities or municipal-level entities.

In the case of Brazil there is a paradox. On the one hand co-operation with a middle-income country like Brazil, having a relatively well-organized government apparatus and level of economic development, should in principle not be based on the same criteria as

development co-operation with poorer countries. On the other hand, due to wide-spread social problems, often related to poverty, EC co-operation is unavoidably drawn towards social needs. This paradox implies that for a country like Brazil EC co-operation could include both economic reform as well as social development activities(11). In addition, the special position of Brazil's environment and the shared responsibility of the international community in global environmental governance, also could lead to the inclusion of Brazilian environmental issues in EC co-operation considerations. Based on the assessment of the challenges faced by Brazil, the response strategy aims at areas where EC co-operation can effectively play an important role in contributing to on-going government efforts. The objective of EC co-operation with Brazil is to assist in implementing structural economic reforms, so as to create greater competitiveness and generate sustained, sustainable and equitable economic growth, without overlooking structural social needs or long term environmental necessities. At all times the response strategy needs to recognize that the EC contribution is a limited one, compared to Brazil's dimensions. On the other hand, in the light of relevant European Union experiences, the Brazilian government has shown interest for closer co-operation on policy instruments and on territorial development. Considering the EC limited contribution, as compared to those of the Brazilian government and of multilateral financing, it seems important to complement the project approach with increased institutional co-operation, where appropriate.

In view of the above, the EC response strategy should focus on the following three focal areas as priority sectors for EC co-operation in Brazil: 1) Economic reform; 2) Social development; 3) The Environment. Co-operation in these three focal areas should provide support to the Brazilian government's efforts to tackle economic challenges, as well as provide support to social and environmental problems. These three areas should be supported by the financial resources available under the budget lines B7-311 for economic co-operation (30 million Euro) and B7-310 financial-technical co-operation (34 million Euro).

Economic reform

Co-operation in this sector has a crucial relevance for Brazil in respect of its need to create sustained, sustainable and equitable economic growth, by means of continuing the structural reforms process and modernizing its economy. The objectives of both the European Union and Brazil are to establish a balanced partnership among their institutions in all sectors of the economy. EC co-operation can contribute to Brazil's efforts by concentrating on two major areas of activity: 1) support to efforts to continue specific types of structural reform within Brazil; 2) assistance to efforts to better integrate Brazil into the world economy and adapt to a more liberalized and competitive market. By assisting both the government and the business community in their efforts in these two areas of activity, EC co-operation could contribute to progress in diversifying products, promoting exports, improving quality, improving productivity, strengthening competitiveness and improving

11 Or they may be inter-linked, as stated by President Cardoso in his letter to the UNDP Human Development Report of 1996: "... for any development to be human, we must go beyond the logic of economics. If growth is an indispensable prerequisite, particularly in poor countries, human development will have to be sustained by values that show how economic gain acquires social meaning Constructing a state that cares for the well-being of citizens is a necessity".

trade liberalization. Actions should avoid any overlap with AL-INVEST actions or actions by the WB and IDB.

Supplementary support to the above-mentioned objectives of improving competitiveness and productivity, and strengthening economic integration, can be realized by contributing to Brazil's technological innovation capacity and by enhancing Brazil's capacity to participate in international negotiations and implement their results. This would on the one hand imply co-operation activities in the field of science and technology, fully in line with current EC-Brazil negotiations on a co-operation agreement in this area, while on the other hand it would imply trade-related technical assistance. In the particular context of the 4th WTO Ministerial Conference (Doha Development Agenda) and the need of developing countries to effectively participate in and benefit from these multilateral negotiations, the European Community, taking into account the Brazilian situation, could support Brazil with technical assistance to enhance its capacity to participate in the WTO negotiations and fully implement the results. The European Community will support Brazil in its efforts to further build its institutional and regulatory capacities, notably in the areas of trade facilitation (customs administration and valuation, import, export and transit procedures, trade statistics, etc.), standards (SPS, TBT). Moreover, the EC will provide technical assistance in fields such as intellectual property, market access for non-agricultural products, trade and investment, trade and competition policy, transparency in government procurement, trade and the environment.

Social development

The social sector, being a government priority in its development strategy, will also form part of EC co-operation during the next five years in order to alleviate hardships during the structural reform process and to contribute to the longer term solution of Brazil's social problems. Specific key "geographic" areas for intervention should in principle be foreseen, in particular the Northern and North-Eastern regions of Brazil, rural areas in general in Brazil, and shanty towns close to/inside major cities. This would help tackling poverty alleviation and related social exclusion.

Environment

Co-operation in this sector should support Brazilian efforts in conservation, protection and sustainable development, through both government and civil society partners, particularly in the Amazon area. This implies continued support to the PPG7 programme, in particular during its second phase. However, this may also imply developing wider EU-Brazilian co-operation on environmental issues, such as urban environment, international environment, bio-diversity, forests, desertification and climate, depending on the availability of resources after the provision of support to the PPG7 programme.

EC co-operation with Brazil in other non-focal areas and through other financial instruments or programmes should be continued during the next five years and as such could either provide additional resources to the priority areas of the response strategy, or provide supplementary assistance to areas important for Brazil's development, where it was not possible to provide priority resources from the B7-310 and B7-311 budget lines. Budget lines that could provide additional resources for established priority areas could be: 1) horizontal programmes for co-operation in Latin America (AL-INVEST, URB-AL, ALFA,

@LIS); 2) horizontal framework programmes in the field of science and technology; 3) the Synergy programme (energy); 4) horizontal environmental/tropical forests B7-6200 budget line; 5) co-financing with NGOs B7-6000 budget line. Budget lines that could provide supplementary assistance to important non-focal areas could be: 1) horizontal programmes on human rights; 2) horizontal programmes on drugs; 3) the LEADER programme. Finance from these other instruments and programmes will, however, be decided in accordance with the Commission's procedures for the budget lines concerned and will depend on the availability of funds.

Following the October 2002 elections in Brazil and the inauguration of a new President and a new government in January 2003, it should not be excluded that it might be necessary to revise the EC response strategy in the course of 2003 in function of the new government's priorities.

6. NATIONAL INDICATIVE PROGRAMME 2002-2006

6.1. Introduction.

The National Indicative Programme is the operational translation of the response strategy and covers the budgetary period 2000-2006 with an indicative financial envelope that amounts to close to 64 million Euro (63,739,872 Euro to be precise) and which only concerns budget lines B7-310 financial and technical co-operation (34 million Euro) and B7-311 economic co-operation (30 million Euro). The National Indicative Programme is based on the principle of consistency with the draft Memorandum of Understanding being considered by Brazil. The focal areas identified as priority sectors for the co-operation strategy with Brazil are the following:

1. Economic reform (30 million Euro/or 47% of the indicative budget) (B7-311)
2. Social development (15 million Euro/or 23% of the indicative budget) (B7-310)
3. The Environment (6 million Euro/or 9% of the indicative budget) (B7-310)

In addition, certain projects were already committed during 2000-2001, or are currently under preparation and close to implementation.

4. Commitments during 2000-2001 (13 million Euro/or 21%) (B7-310)

These resources already committed have been spent on actions in the field of public administration reform (3 projects) and social development (1 project), in line with the draft Memorandum of Understanding. All the public administration projects mentioned in the draft Memorandum of Understanding have as such been committed and therefore the issue of public administration reform was not included in the focal areas of the country strategy for Brazil until 2006.

The National Indicative Programme as presented in the following can be revised on a yearly basis in function of developments, events and special needs that may arise during the course the period of implementation of the country strategy for Brazil until 2006. Following the October 2002 elections in Brazil and the inauguration of a new president and

a new government in January 2003, it might be necessary to revise this National Indicative Programme in the course of 2003.

Final project selection and amount will be subject to a detailed identification and appraisal to be undertaken by the Commission. The scheduled work programme will be subject to the availability of respective budget funds in the overall EC budget.

6.2. National Indicative Programme.

6.2.1. Economic reform

Background and justification

Brazil needs to create sustained, sustainable and equitable economic growth, by means of continuing the structural reforms process and modernizing its economy. The EC can contribute to the governments' efforts by concentrating co-operation in two key fields of reform:

- 1) support to efforts to continue specific types of structural reform within Brazil;
- 2) assistance to efforts to better integrate Brazil into the world economy and adapt to a more liberalized and competitive market.

EC co-operation should assist both the government and the business community in these two areas by contributing to progress in diversifying products, promoting exports, improving quality, improving productivity, strengthening competitiveness and improving trade liberalization. In support to these objectives of improving competitiveness and productivity, and strengthening economic integration, the EC can also provide assistance to Brazilian efforts to strengthen its technological innovation capacity and by enhancing Brazil's capacity to participate in international negotiations and implement their results. This implies activities in the field of science and technology, in line with the EC-Brazil negotiations presently taking place on a co-operation agreement in this area. It also implies activities in the field of trade-related technical assistance.

In the particular context of the 4th WTO Ministerial Conference (Doha Development Agenda) and the need of developing countries to effectively participate in and benefit from these multilateral negotiations, the European Community, taking into account the Brazilian situation, could support Brazil with technical assistance to enhance its capacity to participate in the WTO negotiations and fully implement the results. The European Community will support Brazil in its efforts to further build its institutional and regulatory capacities, notably in the areas of trade facilitation (customs administration and valuation, import, export and transit procedures, trade statistics, etc.) and standards (SPS, TBT, standardisation, technical regulations, conformity assessment procedures). Moreover, the EC will provide technical assistance in fields such as intellectual property, market access for non-agricultural products, trade and investment, trade and competition policy, transparency in government procurement, trade and the environment. However, using codification of Trade Related Technical Assistance and Capacity Building (TRTA/CB) activities, as defined by the WTO in co-operation with the OECD and bilateral donors, based on the Doha Ministerial Declaration of November 2001, probably most of the

“Economic Reform Programme” under a) could be identified as TRTA/CB, amounting to 22 million Euro or 35% of the indicative budget.

a) *Economic reform programme*

General objective :

- support structural reform initiatives;
- assist further integration of the Brazilian economy and business community into the world economy and help them adapt to more liberalized and competitive market structures.

Specific objectives :

- strengthen competitiveness and productivity of businesses;
- diversify production and improve quality of products;
- modernize economic regulation and market structures;
- promote exports and improve access to international markets;
- provide trade-related technical assistance.

Expected results :

- more sales of products manufactured in Brazil, reflecting a stronger competitive position;
- greater diversity in the type of goods produced in Brazil and exported from Brazil;
- higher quality of products made in Brazil, based on internationally recognized standards;
- a more modernized and efficient regulatory framework/market structure in various sections of the economy ;
- more business relations between Brazilian and EU companies;
- strengthened institutional capacities at government and private-sector levels;
- strengthened regulatory capacities, notably in the field of trade facilitation and standards ;
- better management of international negotiations and their results.

Key indicators of achievement :

- precise performance indicators should be defined in the financing agreement of the programme.

Cross-cutting issues :

- sustainable social and economic development;
- good governance;
- gender equality ;
- race issues and indigenous people’s concerns.

Identification:

- all assistance should be conceived in such a way so as to seek complementarity with AL-INVEST activities or co-operation by the WB or IDB.

Financing : 22 million Euro/or 35% of the indicative budget (B7-311)

b) *Science & technology programme*

General objective :

- support to the research and science community in Brazil;

Specific objectives:

- contribute to Brazil's technological innovation capacity.
- improve production systems, productivity and competitiveness of businesses.

Expected results :

- strengthening of technology centres in Brazil;
- improve the disparities between centres in the North and South of Brazil ;
- more partnerships and network between Brazilian and EU technology centres;
- greater involvement of Brazilian institutions in EU research projects and networks;
- application of technological innovations to enhance the productivity and competitiveness of specific industries and companies.

Key indicators of achievement :

- precise performance indicators should be defined in the financing agreement of the programme.

Cross-cutting issues :

- sustainable social and economic development;
- good governance;
- gender equality ;
- race issues and indigenous people's concerns.

Financing : 8 million Euro/or 12% of the indicative budget (B7-311)

6.2.2. *Social development*

Background and justification

Social development, and the wide range of specific issues that this general term covers, is a major challenge for Brazil. The analysis in the country strategy shows that Brazil has a long way to go before all issues on its social agenda are solved. Among the many issues, one of the key problems is poverty. There are a variety of elements that are related to the poverty issue, among others :

- unemployment/underemployment
- lack of skills
- lack of education or training
- health issues
- housing issues
- social exclusion
- gender issues
- race issues
- environmental degradation

- violence and crime issues

EC co-operation cannot solve all these issues, especially considering the dimensions of Brazil's geography and population, compared to the modest resources available. However, if the EC programmes focus on a few well-defined issues and communities, a difference could be made at the local level and the added value of EC interventions would be to develop a model/example as best practice, which might be followed and applied by other donors and/or the government in the future. Co-ordination should be sought with State level poverty-equity planning processes, linked to work being done by the World Bank and EU Member States.

The three key areas of intervention chosen for EC co-operation in the social field are: 1) the poverty issue, specifically in the Northern and North-Eastern regions of Brazil; 2) the mix of poverty and social exclusion issues, specifically in the rural areas of Brazil; and 3) the mix of poverty and social exclusion issues in shanty towns close to/inside major cities. This selection provides a thematic focus for the programmes to be created (poverty, social exclusion), as well as a geographic/spatial delineation (N/NE region, rural areas, urban shanty towns), all while recognizing the relative limitations of the financial resources involved and the need to concentrate these resources in specific areas/communities in order to develop a model of best practice.

a) *Poverty programme in the Northern and North-Eastern regions.*

General objective :

- fight against poverty in Northern and North-Eastern Brazil.

Specific objectives :

- support the creation of a process of sustainable social and economic development at the local community level in a specific area;
- create better employment/income opportunities in this area ;
- concentrate on a sustainable form of employment at the individual and/or community level (co-operatives) ;
- improve living conditions, schooling/education, skills opportunities.

Expected results :

- a decrease of the degree of poverty in the community involved ;
- an improved education, living and income situation in the community involved;
- an improvement of the future opportunities of the communities/participants involved;
- creation of a sustainable means of providing employment to participants.

Key indicators of achievement :

- precise performance indicators should be defined in the financing agreement of the programme.

Cross-cutting issues :

- poverty ;
- good governance ;

- gender equality ;
- racial issues and indigenous people's concerns.

Financing : 7.5 million Euro/or 11.5% of the total budget (B7-310)

b) *Social programme for rural areas and urban shanty towns.*

General objective :

- fight against poverty, in particular in respect of social exclusion, in rural areas and urban shanty towns.

Specific objectives :

- improve income situation, raise standard of living, improve social situation ;
- break down situation of social exclusion and create more social integration ;
- address underlying issues such as education, skills, employment experience, health, the environment and social identity (gender, race, indigenous populations) ;
- use EU experiences in rural development programmes, in order to improve situation for population in rural areas, mainly dependent on subsistence agriculture;
- use EU experience in social and regional development programmes, in order improve situation for population urban shanty towns;

Expected results :

- improvement of the social, educational and income situation of the communities/the participants involved in this action, in particular those most affected by social exclusion;
- improvement of the future development possibilities of the communities/the participants involved in this action ;
- creation of a methodology and a model to fight social exclusion/poverty in rural areas and urban shanty towns, which can be repeated and copied in other parts of Brazil.

Key indicators of achievement :

- precise performance indicators should be defined in the financing agreement of the programme.

Cross-cutting issues :

- poverty ;
- good governance ;
- gender equality ;
- race issues and indigenous people's concerns.

Financing : 7.5 million Euro/or 11.5% of the total budget (B7-310)

6.2.3. *The environment*

Background and justification

The Pilot Programme for the Conservation of Brazilian Tropical Forests (PPG7) is of central importance to the protection of the environment in Brazil. As said before, it is a unique partnership. The EU has been the leading contributor during the first phase of

the PPG7. Both from the EU's own point of view of international responsibility, as well as from Brazil's national point of view of environmental conservation, one can agree that the environment in Brazil merits a very special consideration. This special consideration should be translated into a continued support to the next phase of the PPG7 programme.

a) Support to the second phase of the PPG7.

Objective : The second phase of the PPG7 will possibly start in 2003. Currently the programme finds itself in an intermediate phase, in order to plan for the second phase of the PPG7, which is likely to focus on mainstreaming lessons and experiences gathered to date into wider Brazilian policy and programmes. This planning exercise for the second phase of the PPG7 is still continuing and the European Commission will be contributing to its formulation. Once the planning for the second phase of the PPG7 is established, financing will have to be found within the international donor community and a division of activities will have to be decided. Once again, EU and EC financing will be much sought after in order to realize this new phase of the programme. From the point of view of the EC response strategy in Brazil the objective is to provide a continuation of financial support to the PPG7. However, since the second phase is still being planned, it is too early to be able to describe and identify the precise elements, objectives, results, indicators and activities that will benefit from the EC's continued financing.

What is possible to identify at the present time is the structure of the EC's financial support to the second phase. Based on the indicative budget available until the end of 2006, the response strategy and the National Indicative Programme, 6 million Euro from the B7-310 budget line will be available for continued support to the PPG7. This amount should be complemented by financing from the horizontal budget line that has provided the major part of EC financing to the PPG7 during the previous phase: the horizontal environmental/tropical forests budget line B7-6200. Thus EC financing for the second phase of the PPG7 could consist of two elements:

- financial-technical co-operation (B7-310) : 6 million Euro;
- horizontal environmental/tropical forests (B7-6200) budget line: amount to be defined.

Once the second phase has been planned and its financing assured, more details could be identified as regards the exact nature of the EC's actions and activities in this area and how the two different financial instruments used to realize the EC's financing should relate to the various activities undertaken. At that moment it will have to be clarified whether the 6 million Euro allocated from B7-310 should be used to finance one large action, or whether the 6 million Euro will be used for a variety of different actions, or whether it will contribute to a section of a much larger action. Once defined, more precise information on the EC actions and activities could be provided during a future revision of the National Indicative Programme, possibly in 2003 or 2004.

Financing : 6 million Euro/or 9% of the total budget (B7-310)

6.3. Calendar of actions and financial commitments.

2002: -Poverty programme in Northern/North-Eastern regions, 7.5 million Euro.

2003: -Science & technology programme, 8 million Euro.

2004: -Support to the second phase of the PPG7, 6 million Euro.

-Economic reform programme- first section, 11 million Euro.

2005: -Economic reform programme- second section, 11 million Euro.

2006: -Social programme for rural areas and urban shanty towns, 7.5 million Euro.

Brazil									
		2000	2001	2002	2003	2004	2005	2006	
1. Economic reform:									
Economic reform programme						11	11		
Science and technology programme					8				
2. Social development :									
Poverty programme in N/NE regions				7.5					
Social programme for rural areas and urban shanty towns								7.5	
3. Environment :									
Support to the second phase of the PPG7						6			
4. Commitments 2000-2001:									
Total	<i>63.65</i>	<i>10.3</i>	<i>2.35</i>	<i>7.5</i>	<i>8</i>	<i>17</i>	<i>11</i>	<i>7.5</i>	

7.1. ANNEX: Donor matrix of co-operation with Brazil.

recipient_name	Brazil				
APD Brute, (Dons + prêts), millions de \$ US					
Sum of dac2a_amount	year				
donor_name	1995	1996	1997	1998	1999
ALL Donors,Total	462,66	468,59	426,89	507,3	495,44
Arab Donors,Total			0,19		
Australia				0,02	0,04
Austria	2,81	2,62	2,22	2,01	2,04
Belgium	7,07	4,97	5,26	4,87	3,68
Canada	3,41	3,68	4,28	3,92	3,86
DAC Countries,Total	349,65	333,07	303,3	352,35	366,93
Denmark	0,09	5,59	-2,39	0,2	0
EC	27,63	30,45	16,95	17,73	30,18
EU Members,Total	184,63	206,09	181,86	185,89	151,63
Finland	0,26	0,25	0,36	0,45	0,33
France	39,67	37,66	33,37	36,18	39,38
G7,Total	307,3	283	263,64	310,22	347,23
Germany	83,17	93,86	93,82	96,45	79,76
Greece			0,01	0,02	0,01
IDB Sp.Fund	54,03	57	72,04	67,8	28,95
Ireland	0,47	0,76	0,9	0,84	1,24
Italy	16,69	20,8	9,19	4,03	4,89
Japan	152,02	112,73	104,22	150,72	198,21
Korea (not in Total)		0,01	0,01		0,01
Luxembourg	0,83	0,49	1,02	0,85	0,64
MONTREAL PROTOCOL			3	4,14	0,94
Multilateral ,Total	113,01	135,52	123,4	154,95	128,51
Netherlands	19,93	21,34	18,67	18,9	0,2
New Zealand	0,2	0,19	0,22	0,06	0,17
Norway	2,04	2,09	1,89	2,11	1,95
Other UN	1,81	17,67	17,46	52,1	62,53
Poland (not in Total)					0,1
Portugal	0,07	0,83	0,34	0,93	0,86
Spain	3,67	6,04	6,72	6,13	5,39
Sweden	2,56	2,61	2,61	2,02	1,63
Switzerland	2,35	2,29	1,83	2,72	1,52
UNDP	2,49	2,97	1,87	0,9	0,3
UNFPA	2,28	1,8	2,16	2,38	1,32
UNHCR	2,1	1,78	1,62	1,46	
UNICEF	15,54	21,85	4,83	6,35	1,74
United Kingdom	7,34	8,27	9,76	12,01	11,58
United States	5	6	9	6,91	9,55
UNTA	5,75	2	3,47	2,09	2,55
WFP	1,38				

7.2. ANNEX: Draft Memorandum of Understanding 2002-2006.

MEMORANDUM OF UNDERSTANDING ENTRE LA COMMUNAUTE EUROPEENNE ET LA REPUBLIQUE FEDERATIVE DU BRESIL CONCERNANT LES ORIENTATIONS PLURIANNUELLES POUR LA MISE EN OEUVRE DE LA COOPERATION TECHNIQUE COMMUNAUTAIRE

La Communauté européenne, ci-après dénommée «la Communauté », représentée par la Commission des Communautés européennes, ci-après dénommée «la Commission», d'une part, et le Gouvernement de la République Fédérative du Brésil, d'autre part,

CONSIDERANT l'Accord-cadre de coopération du 29 juin 1992, entre la Communauté européenne et la République Fédérative du Brésil qui prévoit le développement de plusieurs axes de coopération, notamment dans les domaines de coopération économique, commerciale, industrielle, scientifique et technologique, technologies de l'information, environnementale, développement social, administration publique et culture et notamment l'article 28 qui établit que les parties procéderont à une programmation pluriannuelle et à la fixation des priorités.

CONSIDERANT l'Accord-cadre de coopération interrégionale entre l'Union européenne et le Mercosul, signé le 15 décembre 1995,

CONSIDERANT que le règlement (CE) N°443/92 du Conseil des Communautés européennes du 25 février 1992, établit les principes de base de l'aide financière et technique et de la coopération économique avec les pays en voie de développement en Amérique latine et que dans son article 9 il suggère l'établissement, quand ceci est possible, d'une programmation pluriannuelle indicative par pays,

CONSIDERANT l'importance que les deux parties accordent à la coopération comme instrument de développement économique, social et de renforcement des liens réciproques,

CONSIDERANT le plan d'action adopté à l'occasion du Sommet des Chefs d'Etats et de Gouvernement d'Amérique Latine, des Caraïbes et de l'Union européenne à Rio de Janeiro le 28 et le 29 juin 1999,

CONSIDERANT l'importance qu'attache le Gouvernement brésilien au développement de la relation avec la Communauté européenne,

CONSIDERANT le document des Orientations Stratégiques pour le Brésil adopté en octobre 1998 au Conseil de l'Union européenne,

CONSIDERANT la nécessité de donner un dynamisme plus important à la coopération instaurée dans le cadre de l'Accord de Coopération UE-Brésil 1992,

CONSIDERANT l'efficacité de la coopération comme instrument d'approfondissement des relations entre les parties et en se félicitant du succès déjà obtenu avec la coopération jusqu'au présent,

ONT CONVENU LES DISPOSITIONS SUIVANTES :

ARTICLE 1 Objet et contexte

1. Objet

L'objet du présent Memorandum of Understanding est la définition des orientations pluriannuelles pour la mise en œuvre de la coopération communautaire avec la République Fédérative du Brésil, pour la période 2002-2006.

Le présent Mémorandum répond à l'intérêt réciproque de dynamiser et élargir la coopération avec l'objectif d'établir un partenariat stratégique.

2. Contexte

L'ensemble des activités couvertes par le présent Memorandum pour la période indiquée, relève de la coopération financière et technique et de la coopération économique, dont les règles de gestion et modalités

d'assignation sont fixées par le Règlement (CE) n°443/92 du Conseil des Communautés européennes, du 25 février 1992.

Outre les actions de coopération visées par le présent Memorandum d'autres actions de coopération, financées par la Communauté, pourront également être développées, ayant un caractère régional (MERCOSU), national (projets développés par des ONG, par exemple) ou décentralisé (programmes AL-INVEST, ALURE, URB-AL, ALFA, @LIS, ALBAN, SYNERGIE).

Les secteurs prioritaires de coopération pour la période 2002-2006 ont été fixés en cohérence avec les orientations politiques du gouvernement brésilien et sur base des « Orientations pluriannuelles indicatives pour le Brésil (OPIN) », document établi par la Commission en concertation avec les autorités brésiliennes et approuvé au Comité PVD-ALA en octobre 1998.

ARTICLE 2

Principes de base

Les principes prévalant pour la fixation des secteurs et sous-secteurs sur lesquels la Communauté concentrera ses actions de coopération pour la période 2002-2006 sont les suivants :

Tous les secteurs et sous-secteurs retenus correspondent aux priorités du gouvernement brésilien et devront s'insérer dans le cadre de la promotion du développement durable ainsi que les politiques sectorielles gouvernementales pouvant compter sur des ressources nationales adéquates. L'action communautaire viendra en appui aux efforts déployés par le Brésil en vue de la définition et de la mise en œuvre de ces politiques;

Le gouvernement brésilien s'engage à fournir les moyens de contrepartie nécessaires à la mise en œuvre des actions découlant du présent Memorandum y compris les moyens financiers;

Une attention particulière sera accordée à la coordination des actions de coopération communautaire avec celles des Etats membres de l'Union européenne au Brésil ainsi que celles d'autres bailleurs de fonds;

Le gouvernement brésilien s'engage également à mettre en œuvre des mécanismes de coordination intersectoriels pour permettre une bonne coordination entre les différents ministères/institutions impliquées;

Les projets et activités de coopération seront conçus, exécutés et évalués de commun accord, en tenant compte des règlements juridiques respectifs et des priorités politiques du Gouvernement brésilien et de la Communauté européenne;

En ce qui concerne la République Fédérative du Brésil, le Ministère de Relations Extérieures sera responsable pour la coordination des actions de coopération qui seront exécutées en accord avec le présent Memorandum et indiquera les contreparties brésiliennes responsables pour l'exécution des projets;

Pour l'exécution des programmes, la Communauté européenne et le Brésil pourront établir des partenariats avec les institutions des secteurs publics et privés ainsi que les organisations non-gouvernementales.

Ce Memorandum a été élaboré en concertation avec les Ambassades des Etats membres à Brasilia.

ARTICLE 3

Secteurs de la coopération

En conformité avec l'Accord-cadre de coopération avec la République Fédérative du Brésil du 29 juin 1992, les priorités définies par les « Orientations pluriannuelles indicatives pour le Brésil (OPIN) », enfin, sur les résultats de la VII Commission Mixte UE-Brésil qui a eu lieu le 24 et le 25 mai 2000, sur base des principes précédemment énoncés, la coopération entre la Communauté européenne et la République Fédérative du Brésil pour la période 2002-2006 se concentrera sur les secteurs et sous-secteurs suivants :

1. Administration publique

Montant indicatif de la contribution communautaire : 13.000.000 euros.

Objectifs :

La réforme de l'État et la modernisation de l'administration brésilienne constituent des enjeux majeurs pour le Brésil.

La contribution communautaire vise l'accompagnement des efforts et des politiques publiques du Brésil en faveur de la modernisation de l'État. Le gouvernement brésilien a introduit une politique de transformation en faveur d'une Administration plus efficace, flexible et moins bureaucratique pour améliorer la relation avec les citoyens.

2. Coopération économique et commercial

Montant indicatif de la contribution communautaire : 22.000.000 euros.

Objectifs :

En tenant compte que le Brésil est devenu le premier partenaire commercial de l'UE en Amérique Latine et l'UE est le premier investisseur au Brésil, ce secteur est orienté vers la coopération économique d'intérêt mutuel. Les priorités envisagées se concentreront sur la création des sociétés mixtes et des partenariats technologiques dans les domaines de la société de l'information, la diffusion des nouvelles technologies, du développement industriel, de la promotion de l'emploi, des télécommunications.

Quelques actions pourraient être développées dans le domaine vétérinaire et phytosanitaire , pêche et patrimoine culturel.

3. Développement Social

Montant indicatif de la contribution communautaire : 15.000.000 euros.

Objectifs :

En tenant compte de l'objectif défini dans le cadre international de réduire la pauvreté d'ici à 2015, la lutte contre la pauvreté est fondamentale pour la coopération entre l'UE et le Brésil, surtout dans les régions plus pauvres comme le Nord et le Nord-est. Cet objectif, qui réclame des changements dans les systèmes de l'éducation, de la santé et du logement, est un objectif prioritaire de la coopération entre l'UE et le Brésil. Les domaines suivants seront retenus: a) développement des projets à fort contenu humain, b) aide institutionnelle et technique pour l'amélioration du niveau de vie dans les mégapoles brésiliennes et c) projets de développement soutenable dans les régions les moins développées du pays et projets de protection aux communautés indigènes.

En général, les projets de lutte contre l'extrême pauvreté et l'exclusion sociale devraient retenir, comme objectifs complémentaires: la création d'un tissu productif (micro-entreprises), la protection de l'environnement (utilisation équilibrée des ressources) et l'éducation (sous toutes ses formes).

4. Recherche et Technologie

Montant indicatif de la contribution communautaire : 8.000.000 euros.

Objectifs :

Le développement des partenariats technologiques sectoriels représente un objectif essentiel pour les industries de l'UE et du Brésil.

L'innovation technologique et le "know-how" représentent aujourd'hui un des éléments plus importants de la relation bilatérale. Le Brésil a plusieurs centres d'excellence reconnus.

Dans le cadre de ce secteur, est en cours la négociation de l'Accord de Science et Technologie UE-Brésil qui porte sur le renforcement de la coopération dans ce domaine, surtout en ce qui concerne les secteurs de la biotechnologie, automatisation, micro-électronique, métrologie, sociétés de l'information, innovation technologique et les technologies de l'espace.

L'intérêt commun dans la future négociation de l'Accord EURATOM-Brésil pour l'utilisation pacifique de l'énergie nucléaire permettra d'établir la coopération dans les domaines de la recherche, environnement, gestion des déchets nucléaires.

5. Environnement et développement durable

Montant indicatif de la contribution communautaire : 6.000.000 euros.

Objectifs :

L'environnement devra demeurer une dimension importante dans l'action communautaire à la lumière des résultats du projet PPG7 pour la protection de la forêt tropicale et de l'Amazonie.

Le rôle important que joue le Brésil au niveau mondial, dans ce domaine va attirer nécessairement l'attention de la coopération communautaire. D'autre part l'environnement a été bien défini comme une des priorités de la relation bilatérale pouvant contribuer à un dialogue privilégié en ce qui concerne les enjeux internationaux ainsi qu'à une meilleure coordination de positions dans les organisations internationales.

Une attention particulière sera dédiée à la poursuite du Programme PPG7.

Les problèmes environnementaux urbains font également partie des objectifs de la coopération communautaire, tenant compte du taux de concentration de la population dans les grandes villes.

La liste des actions envisagées est reprise dans l'annexe qui est agréé par les parties et qui représente une partie intégrale du présent Memorandum.

ARTICLE 4

Enveloppe financière indicative

Le financement de la Communauté prévu pour l'ensemble des activités couvertes par le présent Memorandum s'élève à 63.739.872 millions d'Euros, pour la période 2000-2006, dans les lignes budgétaires de coopération financière et technique et coopération économique. Le montant de la coopération financière et technique est de 34 millions d'Euros et pour la coopération économique est de 30 millions d'Euros. Ce montant est purement indicatif, étant sujet à des éventuelles variations en fonction des dépenses de la part du bénéficiaire. La République Fédérative du Brésil contribuera aux programmes, et activités de coopération qui seront développés sous l'égide du présent Memorandum.

ARTICLE 5

Modalités de consultation

Les deux parties maintiendront, par le biais de leurs représentants respectifs, un dialogue permanent sur le suivi du contenu du présent Memorandum.

ARTICLE 6

Revue à mi-parcours

Dans le cadre du dialogue prévu à l'article 7, le présent Memorandum fera l'objet d'une revue à mi-parcours conjointe, afin de déterminer les éventuelles mesures et révisions qui s'avèreraient nécessaires pour assurer sa bonne exécution.

ARTICLE 7

Dispositions finales (Clause évolutive)

Il est convenu qu'à la demande d'une des deux parties, celles-ci pourront d'un commun accord amender, modifier voire compléter les dispositions prises dans le cadre du présent MoU.

Fait à Brasilia le 28 mai 2002 en deux originaux en langue portugaise et deux originaux en langue française.

ANNEXE
LISTE INDICATIVE DES PROGRAMMES ET PROJETS

Note: Cette liste de programmes et des projets pourra être modifiée sur base des dispositions des Articles 6 et 7 du Memorandum of Understanding entre la Communauté européenne et la République Fédérative du Brésil, concernant les Orientations Pluriannuelles pour la mise en oeuvre de la Coopération Communautaire.

1. Administration publique

Type d'intervention :

1.1. Appui institutionnel au Secrétariat des Droits de l'Homme

Les objectifs de ce projet sont, d'un côté, soutenir les initiatives existantes en ce qui concerne la police communautaire, au niveau des Etats et aussi dans les villes les plus peuplées du Brésil et, d'autre côté, le renforcement de l'institution des «*ouvidores de policia*», la réduction des méthodes violentes de la lutte contre la criminalité et, finalement, la mise en oeuvre d'un programme de formation pour les policiers et fonctionnaires judiciaires.

1.2. Support à la modernisation de l'appareil de l'Etat

Le projet sera orienté vers le renforcement de la capacité du Gouvernement Fédéral à transformer l'Administration publique, en contribuant à la définition d'un nouveau système du service public, plus orienté à faciliter les relations avec les citoyens. Un autre axe sera la formation des fonctionnaires publics en créant des liaisons durables avec l'Union européenne. L'idée de mener des futures actions au niveau des États et des municipalités est aussi présente dans ce projet.

1.3. Assistance technique à l'Ecole Publique des Finances (ESAF)

Les actions envisagées dans le cadre de ce projet sont la formation des fonctionnaires publics brésiliens dans des écoles européennes, l'assistance technique au Gouvernement Fédéral pour l'introduction de la taxe sur la valeur ajoutée et la formation au Brésil des fonctionnaires publics pour l'application des politiques tributaires, notamment dans les différents États.

2. Coopération économique et commerciale

Type d'intervention :

2.1. Coopération dans le domaine de la Société de l'Information UE-Brésil

Ce projet pourrait établir une alliance stratégique entre les deux parties dans les domaines des télécommunications, de la télévision terrestre digitale, de la technologie et de la formation de fonctionnaires et de techniciens. On envisage un accord de coopération entre ANATEL, Autorité brésilienne de régulation de télécommunication et la Commission européenne représentée par la DG RELEX et la DG INFSO.

2.2. Promotion des Eurochambres

Le projet prévoit plusieurs activités de promotion et de diffusion (information, formation, marketing, séminaires, production de la «Europágina» et de la « Home page » de Eurocâmaras, en anglais et portugais) destinés à utiliser les Eurocâmaras (association composée des Chambres de Commerce et Industrie des pays de l'UE au Brésil) comme point d'appui pour les relations entre les entreprises de l'UE et du Brésil. Le projet vise aussi la réalisation des études du commerce et des investissements UE-Brésil, ainsi que la promotion des contacts entre les entrepreneurs de l'UE et le Brésil.

2.3. Appui au Secrétariat de l'Emploi et aux Relations du Travail du Gouvernement de São Paulo (SERT)

Le projet vise le renforcement institutionnel du SERT pour introduire des solutions innovatrices contre le chômage, par le biais de l'échange d'expériences entre experts brésiliens et européens. La formation des fonctionnaires du SERT et l'organisation des séminaires sont des volets importants pour assurer l'organisation des services de l'emploi et de la formation professionnelle.

2.4. Aspects Sanitaires et Aflatoxines

Le projet prévoit une assistance technique européenne dans le domaine sanitaire afin d'assister le Brésil dans la lutte contre la présence d'aflatoxines dans quelques produits agricoles d'exportation à l'Union européenne.

3. Développement Social

Type d'intervention :

3.1. Promotion de l'artisanat et développement durable

Il s'agit d'un projet pour le développement des activités de l'artisanat, en promouvant les ressources naturelles, la compétitivité des produits et le rôle des femmes dans le processus de production et le soutien aux communautés indigènes et coopératives. Il est aussi prévu l'amélioration de réseaux de commercialisation et de divulgation des différentes activités de l'artisanat (expositions dans les EM de l'Union européenne, participation dans les foires d'artisanat, production du matériel graphique).

3.2. Programme de développement communautaire dans les « favelas » de Rio de Janeiro

Le projet vise la promotion du développement communautaire, par l'implémentation d'une infrastructure d'appui aux travailleurs et aux micro-entreprises des « favelas » dans la ville de Rio de Janeiro. Il faut souligner que l'objectif principal de ce projet est la lutte contre l'extrême pauvreté des « favelas » et la possibilité de surmonter les grandes difficultés sociales par le biais de la formation professionnelle et la création des micro-entreprises.

3.3 Développement rural et développement social

Le projet prévoit l'échange d'expériences entre l'Union européenne et le Brésil en ce qui concerne l'agriculture et les possibilités d'améliorer les revenus dans les régions plus pauvres du Brésil.

4. Recherche et Technologie

Type d'intervention :

4.1. Réseau des Centres Technologiques

Le projet vise l'amélioration des Centres Technologiques existants au Brésil et le renforcement de la compétitivité des PME, avec des nouvelles technologies. Les méthodologies pour la prospection technologique dans les domaines de la recherche, développement technologique et formation des ressources humaines sont également incluses dans le projet, ainsi que des actions spéciales pour la formation des PME en commerce électronique.

5. Environnement

Type d'intervention :

Le choix de l'intervention sera en fonction des programmes à élaborer en accord avec les autorités brésiliennes.

7.3. ANNEX: Map of Brazil.

