

# The Federative Republic of Brazil

*Towards the Building of New Partnership*



March 2002

Institute for International Cooperation  
Japan International Cooperation Agency

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**Country Study for**  
**Japan's Official Development Assistance to**  
**the Federative Republic of Brazil**  
*Towards the Building of New Partnership*

March 2002

Institute for International Cooperation  
Japan International Cooperation Agency

This report was prepared based on the discussion and findings of the Country Study Committee on Japan's Official Development Assistance to the Federative Republic of Brazil by Japan International Cooperation Agency (JICA). The views expressed in the report are those of the members of the Study Committee and do not necessarily reflect those of JICA.

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## Foreword

There is a growing need to deal with globally pertinent issues such as environmental degradation, population growth and food supply in developing countries where the Japan International Cooperation Agency (JICA) has been tackling with through its cooperation projects. It is necessary to direct close attention to the characteristics and development level of each country when providing assistance to these countries. From this perspective, JICA has been implementing its country-specific and region-specific studies with the involvement of academics and researchers to enhance the country-specific approach. To this end, JICA has established 36 Country Study Committees for Japan's Official Development Assistance (ODA) and published reports based on the findings and conclusions of studies by these committees.

Japan has been providing cooperation to Brazil on a larger scale than that to all other Central and South American countries, in light of the long-term close relationship and economic ties between Brazil and Japan, and the existence of 1.3 million Brazilians of Japanese ancestry and Japanese immigrants residing in the nation. JICA set up its first Country Study Committee for Japan's Development Assistance to the Federative Republic of Brazil in 1990, and prepared a report on recommendations about future cooperation to Brazil.

However, over the subsequent decade, both the international circumstance surrounding Brazil and the domestic conditions within the country have changed dramatically. Various reforms to its economy and administration have proved fruitful, and Brazil ranked eighth in the world in terms of GNP, following China, in 1999. In addition, Brazil has been securing its position as a leader in the region, promoting the growth of *Mercado Comum do Sul* (MERCOSUL). However, there remain serious problems such as income and regional disparities and globally pertinent issues including environmental conservation in Brazil.

JICA established the second Country Study Committee for Japan's Official Development Assistance to the Federative Republic of Brazil to analyze changes occurred to Brazil during the 1990s, the current situation, and development challenges facing the country. Based on the analysis, with consideration of the changing conditions of Japan's ODA, the Study Committee makes recommendations and suggestions about future Japan's assistance to Brazil from a mid-term perspective.

The Study Committee consists of Chair Akio Hosono, Professor at the Research Institute for Economics and Business Administration of Kobe University, and fifteen other Members and Advisors, including academics and researchers, a member of NGOs, and staff members and senior advisors from JICA. They have enthusiastically discussed various themes at the meetings, together with resourceful parties from economic circles. This report is the result of their discussions throughout a total of six meetings and a symposium.

The report will be fully utilized by JICA for formulating and implementing projects when providing cooperation to Brazil. It is also expected that the organizations concerned will utilize it in a wide variety of fields.

Lastly, I would like to express my deepest appreciation to Dr. Hosono, other Members and Advisors who have devoted themselves to the study, as well as to all of those in the relevant organizations who spared no effort in cooperating with the Committee.

March 2002

**TAKAO KAWAKAMI**  
*President*

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## Preface

The Japan International Cooperation Agency (JICA) organized the first Country Study for Japan's Official Development Assistance to the Federative Republic of Brazil chaired by Hajime Mizuno, Professor of Sophia University in 1990. The objectives of the study were to analyze the situations of Brazil in the 1980s and to provide policy recommendations with respect to future assistance from Japan to the country. During the following decade, the international climate surrounding Brazil and Japan as well as their domestic situations underwent significant changes.

In the 1980s, Brazil suffered a serious economic downturn, which came to be known as its "Lost Decade," when it was hit by both a debt crisis and hyperinflation. These problems were caused by various factors, most notably macroeconomic instability due to the failure by the government which embraced excessive interventionism and was incapable of implementing effective policies. Recognizing the necessity to overcome such imperfections, Brazil underwent a dramatic policy shift toward market-oriented development in line with the rising tide of globalization and democratization in the early 1990s. Brazil launched the "Real Plan" (*Plano Real*), and a series of economic reforms including privatization, and made great efforts to correct the fiscal imbalance. As a result of that, Brazil improved the economic stability, setting the foundation for further growth of the country. In addition, Brazil strives to increase its presence and influence in the international community through the development of the country's abundant natural resources, the revitalization of the country's vast domestic market, and the promotion of regional integration such as MERCOSUR.

However, the following problems remain unsolved: vulnerability of the economy to external shocks, immature infrastructure which caused the problems such as power shortages, regional and social disparities, and environmental degradation. It is crucial for Brazil to strive further to ensure sustainable mid-to long-term development.

Japan has maintained a long-term close relationship with Brazil, a nation that has a community of some 1.3 million Brazilians of Japanese ancestry. In addition, the two countries have had strong economic ties. Brazil has been the major recipient of Japan's cooperation to Latin America. However, the recent trend of Japan's direct investment in Brazil and bilateral trade has been changing. Moreover, the total amount of Japan's overall ODA budget seems to have leveled off, which is a reflection of the tightened government budget. Under such circumstances, it is inevitable that Japan will seek to emphasize quality rather than quantity when providing ODA projects and improve the efficiency and effectiveness of cooperation activities and their implementation systems.

Considering the changes within and outside Brazil, this Study Committee for Japan's Official Development Assistance to the Federative Republic of Brazil recommends the following three basic approaches for Japan's cooperation to Brazil: 1) implementing strategic and effective cooperation through selective and focused use of ODA resources, 2) developing the relationship between Japan and Brazil on the basis of a "partnership," and 3) ensuring that such cooperation has a clearly visible profile. The Study Committee also has made its recommendations regarding priority sectors, issues and considerations for cooperation, and has provided suggestions for improving the project implementation mechanisms.

The Study Committee held its first meeting in April 2001, and since then, it has had meetings nearly every month. The Study Committee conducted a field survey in Brazil in July in 2001, and held its last meeting in September, followed by a public seminar in November in the same year. The Study Committee finalized this report in March 2002 as a result of these research and discussions.

As Chair of the Study Committee, I sincerely hope that the parties involved in Japan's cooperation to Brazil will take full advantage of this report, and that it will contribute to the further development of both countries and their bilateral relationship.

Finally, I would like to extend my deepest gratitude to the Members and Advisors of the Study Committee for their contribution and collaboration in developing this report. I would also like to express

my heartfelt appreciation to all the people and institutions who assisted this study: Japan's Ministry of Foreign Affairs, the Government of Brazil, the Japanese Embassy and Consulates, the JICA office in Brazil, which we visited during our field survey, and the relevant departments and the Secretariat of the Study Committee in the Institute for International Cooperation of JICA.

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## Abbreviations

<b>A</b>	
ABAA	Associação Brasileira dos Advogados Ambientalistas
ABC	Agência Brasileira de Cooperação
ANA	Agência Nacional de Águas
ANATEL	Agência Nacional de Telecomunicação
ANEEL	Agência Nacional de Energia Elétrica
ANP	Agência Nacional de Petróleo
AR	Administração Regional
ARENA	Aliança Renovadora Nacional
<b>B</b>	
BNDES	Banco Nacional de Desenvolvimento Econômico e Social
BNDESPAR	BNDES Participações S.A.
<b>C</b>	
CDM	Clean Development Mechanism
CEBRAE	Centro Brasileiro de Assistência Gerencial à Pequena Empresa
CEPAL	Comissão Econômica para América Latina e Caribe
CETESB	Companhia de Tecnologia de Saneamento Ambiental
CIDA	Canadian International Development Agency
CODIPI	Comitê de Desenvolvimento Integral da Primeira Infância
CONAMA	Conselho Nacional do Meio Ambiente
CONTEC	Programa de Capitalização de Empresas de Base Tecnológica
CNI	Confederação Nacional de Indústria
<b>D</b>	
DID	Department for International Development
DNOCS	Departamento Nacional de Obras Contra as Secas
<b>E</b>	
EMBRAPA	Empresa Brasileira de Pesquisa Agropecuária
E / N	Exchange of Notes
EU	European Union
<b>F</b>	
FGTS	Fundo de Garantia de Tempo de Serviço
FNMA	Fundo Nacional do Meio Ambiente
F / S	Feasibility Study
FTAA	Free Trade Area of the Americas
FUNASA	Fundação Nacional de Saúde
<b>G</b>	
GATT	General Agreement on Tariffs and Trade
GDI	Gender Development Index
GEM	Gender Empowerment Measure
GTA	Grupo de Trabalho Amazônico
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
<b>H</b>	
HDI	Human Development Index
<b>I</b>	
IBAMA	Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis
IBGE	Instituto Brasileiro de Geografia e Estatística
ICJ	International Center for Journalists
IDB	Inter-American Development Bank
IFEJ	International Federation of Environmental Journalists
IMF	International Monetary Fund
INPA	Instituto Nacional de Pesquisa da Amazônia
INPE	Instituto Nacional de Pesquisas Espaciais
IPEA	Instituto de Pesquisa Econômica Aplicada
<b>J</b>	
JBIC	Japan Bank for International Cooperation
JBPP	Japan-Brazil Partnership Program
JICA	Japan International Cooperation Agency
<b>L</b>	
L / A	Loan Agreement
LDB	Lei de Diretrizes e Bases de Educação

<b>M</b>	
MDIC	Ministério de Desenvolvimento, Indústria e Comércio
MERCOSUL	Mercado Comum do Sul
MERCOSUR	Mercado Común del Sur (Spanish)
MMA	Ministério do Meio Ambiente
MNMMR	Movimento Nacional de Meninos e Meninas de Rua
MST	Movimento dos Trabalhadores Rurais Sem Terra
<b>N</b>	
NAFTA	North America Free Trade Agreement
NGO	Non Governmental Organization
<b>O</b>	
OECD	Organization for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund
OOF	Other Official Flows
OSICIP	Organizações da Sociedade Civil de Interesse Público
<b>P</b>	
PACS	Programa Agente Comunitário de Saúde
PACTI	Programa de Apoio à Capacitação Tecnológica da Indústria
PAHO	Pan American Health Organization
PBD	Programa Brasileiro de Desenho
PBQP	Programa Brasileiro de Qualidade e Produtividade
PCI	Programa de Competitividade Industrial
PCN	Parâmetros Curriculares Nacionais
PDS	Partido Democrático Social
PETROBRAS	Petróleo Brasileiro S.A.
PFL	Partido da Frente Liberal
PICE	Política de Indústria e Comércio Exterior
PLANFOR	Plano Nacional de Qualificação de Trabalhadores
PMDB	Partido do Movimento Democrático Brasileiro
PNAD	Pesquisa Nacional por Amostra de Domicílio
PND	Plano Nacional de Desestatização
PPA	Plano Plurianual
PG7	Pilot Program to Conserve the Brazilian Rain Forest
PRODECER	Programa de Cooperação Nipo-Brasileira para Desenvolvimento dos Cerrados
PROGERO	Programa de Geração de Emprego e Renda
PRONAF	Programa Nacional de Fortalecimento da Agricultura Familiar
PSDB	Partido Social Democrático
PSF	Programa Saúde da Família
PT	Partido dos Trabalhadores
<b>R</b>	
RENIMA	Rede Nacional de Informação sobre Meio Ambiente
RMA	Rede Mata Atlântica
<b>S</b>	
SENAI	Serviço Nacional de Aprendizagem Industrial
SEBRAE	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas
SINIMA	Sistema Nacional de Informação sobre o Meio Ambiente
SNCR	Sistema Nacional de Crédito Rural
SUS	Sistema Único de Saúde
<b>T</b>	
TPA	Trade Promotion Authority
<b>U</b>	
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
<b>W</b>	
WRI	World Resource Institute
WTO	World Trade Organization



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## Background of the Study

### <Objectives of the Study>

Japan has been providing the largest scale of development cooperation to Brazil among Latin American countries, mainly in the form of technical cooperation and loan aid. This is primarily due to the many years of the close relationship including strong economic ties between the two countries and the imperative of environmental conservation in the Amazon, the necessity of which is recognized worldwide. In its search for more efficient and effective approaches to cooperation and to identify areas of focus for cooperation, Japan has conducted its own country study and has also held policy discussions with Brazil.

In 1990, the Japan International Cooperation Agency (JICA) set up the first Country Study Committee for Japan's Official Development Assistance to the Federative Republic of Brazil. The Study Committee<sup>1</sup> compiled a report of its recommendations. This was followed by a high-level mission on economic and technical cooperation to Brazil by the Government of Japan, and a session of the Policy Consultation and Program Design for Technical Cooperation with Brazil (Policy Consultations) in March 1992. As a result of the discussions, Japan identified four priority areas for its development cooperation to Brazil: the environment, industry, agriculture, and measures to reduce economic disparities and poverty. With respect to technical cooperation, Japan added tripartite cooperation and support for the economic reform initiatives to these four priority areas.

As a result of the Policy Consultation held in January 2001, the priority areas now include the environment, industry, agriculture, public health, social sectors, and tripartite cooperation. Brazil and Japan are set to hold further consultations to specify the issues for these priority areas.

During the 1990s, the international climate affecting both nations and their domestic situations changed significantly. Brazil overcame the hyperinflation that had tormented the country until the early 1990s with the *Plano Real* during the mid-1990s. As a leading participant in MERCOSUR, Brazil has consolidated its position as an upper middle-income country in the region. On the other hand, the problems of income disparities and poverty have remained serious.

In Japan, the ODA budget has been tightened and subjected to strict public scrutiny with growing internal calls for greater accountability. These circumstances prompted the Ministry of Foreign Affairs to set up the Council on ODA Reforms for the 21st Century in May 2001.<sup>2</sup> The Council members have discussed such issues as effective strategies, guiding principles, and results-oriented approaches to implement ODA reform.

In light of the current state and challenges facing Brazil, as well as the circumstances surrounding Japan's international cooperation, JICA set up the second Country Study Committee for Japan's Official Development Assistance to the Federative Republic of Brazil in April 2001. This Country Study Committee was tasked with proposing more efficient and effective approaches for Japan's cooperation and of narrowing down the priority issues for Brazil.

Consisting of 16 members and advisors, and chaired by Dr. Akio Hosono, Professor at the Research Institute for Economics and Business Administration, Kobe University, the Study Committee has held six meetings, since its first session in April 2001. In July 2001, the Study Committee conducted field research in Brazil to update the information and exchange opinions at various levels in government institutions, economic organizations, academia and NGOs. In November of the same year, the Study Committee presented its findings at a public seminar in Tokyo. After listening to the opinions of relevant parties at

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<sup>1</sup> The committee on the country study set up in 1990 was chaired by Dr. Hajime Mizuno, Professor of Foreign Studies at Sophia University, Japan.

<sup>2</sup> The Council was attended to the Minister of Foreign Affairs. Dr. Toshio Watanabe, dean of the Faculty of International Development, Takushoku University chaired the Council.

home and abroad, the Study Committee compiled this report in March 2002.

**<Structure of the Report>**

This report is organized as follows. Chapter 1 analyzes the current situation in Brazil and delineates its scenario for medium-term development. Chapter 2 recommends the optimal approach for Japan's cooperation to Brazil. Chapter 3 then proceeds to a summary of detailed analyses, ranging from cross-sectoral to sector-specific aspects: politics, economy, society, international relations, trends in Japan's cooperation, environment, industry, agriculture, social sectors and NGO activities in Brazil.



# Summary

## Chapter 1 Current State and the Scenario for Development in Brazil

### 1.1 Current State in Brazil

The OECD's Development Assistance Committee (DAC) classifies Brazil as one of the Upper Middle-Income Countries. Under the administration of President Fernando Henrique Cardoso, who assumed office in 1995, Brazil has been enjoying relative political, economic, and social stability. Activities by civic groups and NGOs have also been gaining momentum.

Brazil has been striving for a greater voice in the international community with the strategic use of abundant natural resources, a huge domestic market, and progressive regional integration, as exemplified by MERCOSUR (*Mercado Comum do Sul*). On the other hand, Brazil still faces a number of serious problems, that are rooted historically in its social structure, such as income disparities and poverty. Brazil also faces the challenge of conserving and restoring its natural resources, for instance, in the Amazon, as well as challenges related to its natural and urban environments.

Economic relationships between Brazil and Japan started to grow in the 1960s, and many large-scale investment projects in Brazil were developed and financed through collaboration. In recent years, however, Japan's involvement has been decreasing in terms of foreign investment as well as trade.

Japan has been extending large-scale assistance to Brazil through its development cooperation in light of the following factors: Brazil's political and economic roles in Latin America, the long-lasting close relationship between the two countries, and the presence of around 1.3 million Brazilians of Japanese ancestry and immigrants from Japan. Currently, this cooperation policy is being reviewed in consideration of the macroeconomic stability of Brazil and the progress of its development. The review should also take into account the changing domestic circumstances affecting Japan's tightened budget for international cooperation and growing calls for greater effectiveness and efficiency in cooperation projects.

### 1.2 The Scenario for the Medium-term Development of Brazil

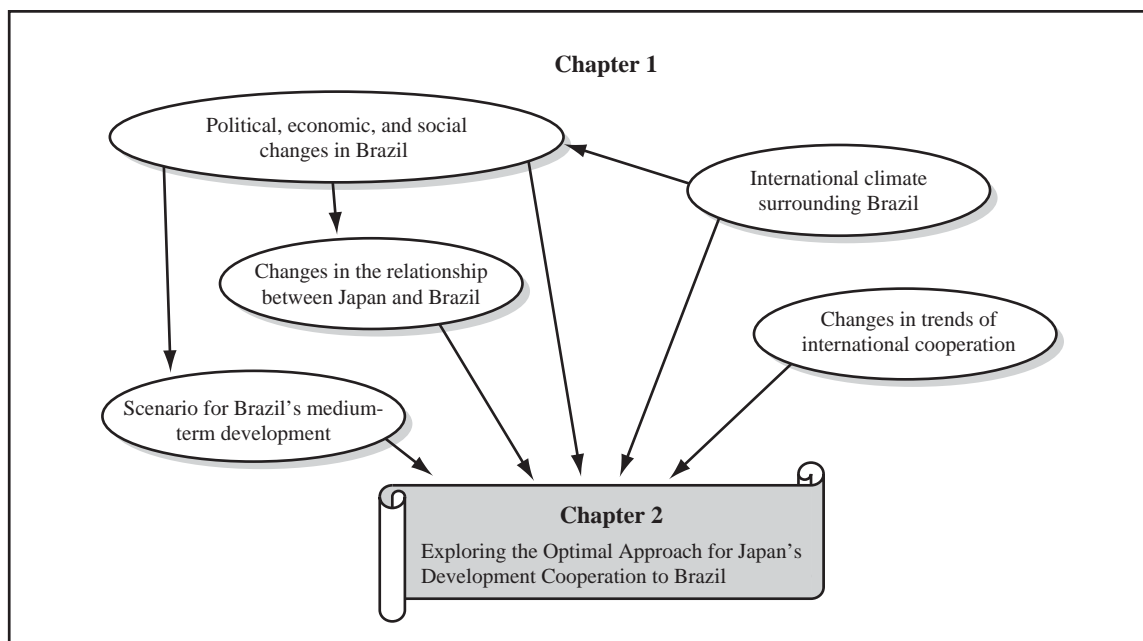
To ensure sustainable development, Brazil needs to:

- Build on its past achievements, including macroeconomic stability,
- Increase its international competitiveness, and expand and diversify its exports,
- Attract and sustain foreign investment,
- Promote social reforms, and
- Conserve the natural and urban environment.

The followings are issues of high priority:

- i) Reducing economic vulnerability
- ii) Improving governance
- iii) Decreasing social and regional disparities and poverty
- iv) Conserving the environment

The chart below shows the relationships among the factors discussed in Chapter 1 (Current State and the Scenario for Development in Brazil) leading to Chapter 2 (Exploring the Optimal Approach for Japan's Development Cooperation to Brazil).



## Chapter 2 Exploring the Optimal Approach for Japan's Development Cooperation to Brazil

### 2.1 Japan's Basic Perspectives on Brazil

As discussed in Chapter 1, Japan should consider its approach to development cooperation to Brazil from the following four perspectives:

- 1) With its huge land area and abundance of natural resources, Brazil is an important country to Japan. The community of 1.3 million Brazilians of Japanese ancestry deserves consideration.
- 2) During the 1990s, Brazil underwent a policy shift from reliance on government intervention to the utilization of market mechanisms, the government is expected to play a complementary role in areas where the market mechanism does not work efficiently. In addition, Brazil needs to nurture and reinforce a wide range of development actors, including the private sector, local governments, and NGOs.
- 3) Although Brazil still has serious problems, its poverty, and income and regional disparities, a civil society that deals with such problems with interests in other social issues has been growing in the country.
- 4) The international community must also be responsible for such global challenges as environmental conservation in Brazil.

### 2.2 Guiding Principles of Japan's Development Cooperation to Brazil and its Significance

As discussed in the above basic perspectives, the circumstances surrounding Brazil have been changing significantly, and so have those surrounding Japan's ODA. It is thus necessary to revise the roles and significance of Japan's development cooperation to Brazil. The following four points are a summary of the significance of Japan's cooperation and the guiding principles for that cooperation.

- 1) Multilevel cooperation between Japan and various development actors in Brazil, including the private sector, will strengthen bilateral economic relationship and benefit both countries. (*Benefits for both countries*)
- 2) Although poverty and economic disparities are the major challenges that Brazil faces, there are positive signs of progress in the areas of health and education. A civil society has developed well enough to take the initiative in offering social development cooperation. In these social areas, Japan can learn from Brazil's experience. Japan, for its part, can transfer to Brazil the value of social equity in the Japanese society. Such interaction will lead to a formation of model projects based on values that both Brazil and Japan appreciate. Publicizing such model projects within Brazil and to the world at large will constitute a significant contribution to the international community. (*Benefits for both countries, Benefits to the international community*)
- 3) The international community must assume its obligation in tackling problems such as food production and conservation of the global environment. Cooperation between Brazil and Japan in addressing these issues is therefore beneficial to all humankind. (*Benefits to the international community*)
- 4) Transferring acquired expertise and models to other Portuguese and Spanish-speaking countries in the developing regions will produce synergistic benefits with the involvement of more countries. (*Benefits to the international community*)

### **2.3 Basic Approaches of Japan's Cooperation to Brazil**

Based on the significance and the guiding principles of Japan's cooperation as discussed above, the Study Committee recommends that the basic approaches for effective cooperation be integrated with the following guidelines: 1) the selective and focused use of ODA resources, 2) the concept of partnership, and 3) cooperation with a clearly visible profile.

#### **(1) Strategic and effective cooperation through selective and focused use of ODA resources**

Japan should clearly give priority to certain sectors and development areas through selective and focused use of its ODA resources. The targets for this can be specified as the following five aspects :

- i) Global issues, the solution of which Brazil and Japan can contribute to jointly.
- ii) Areas where Japan can contribute from its own experience.
- iii) Cooperation based on values common to both Brazil and Japan that the international community can appreciate as a model for dealing with problems.
- iv) Development projects that promote mutual understanding between the two countries and strengthen their bilateral economic relationship.
- v) Development projects that have an impact and can be readily applied to other parts of the country and to third countries.

#### **(2) Cooperation based on the concept of partnership**

The relationship between Brazil and Japan should be regarded as one of partnership. Such partnership should be considered and be promoted from the following viewpoints:

- i) Cooperative relationships between both countries as equal partners
- ii) Multilevel interactions among a wide range of development actors
- iii) Joint efforts to extend cooperation to third countries

### (3) Cooperation with a clearly visible profile

It is important to promote the understanding of both the Brazilian and Japanese people regarding Japan's cooperation to Brazil in terms of Japan's principles, cooperation results, and lessons learned, through extensive public relations and information disclosure. It is also essential to create new ideas and suggestions through this understanding.

## 2.4 Priority Sectors and Issues for Japan's Cooperation to Brazil

The following tables list the priority sectors and issues for Japan's cooperation to Brazil and some of the examples of such cooperation, taking into consideration the targets of selective and focused use of ODA resources and the concept of partnership discussed in the previous section.

**Table 1 Compatibility between Priority Sectors Agreed on in the Previous Policy Consultation and the Proposed Criteria for Prioritization —for Selective and Focused Use of ODA Resources—**

(Double circles and single circles show high compatibility. Circles with parentheses potential.)

Priority sectors agreed on in the Policy Consultation of January 2001			Proposed Priority criteria (extent to which cooperation in each priority area will help promote partnership) of the report				
			Joint contribution to global issues	Utilization of Japan's experience	Sending a message that both countries call for social equity	Applicability and diffusion in Brazil, the Latin American countries, and other regions	Strengthening bilateral ties in economic and other fields
Bilateral Cooperation to Brazil	Environment	Green/blue				( )	
		Brown				( )	
	Industry					( )	
	Agriculture (incl. food supply)			( )		( )	
	Health		( )			( )	
	Social development (excl. health sector)			( )		( )	
Tripartite Cooperation	JBPP						
	non-JBPP						

**Table 2 Focused Issues and Approaches for Proposed Priority Sectors (Examples)**

Priority sectors agreed on in the Policy Consultation of January 2001			Priority issues and approaches
Bilateral Cooperation to Brazil	Environment	Green/blue	Conservation of the natural environment (primary research, conservation management, etc.) with special emphasis on maintenance of bio-diversity (ecosystems in tropical rainforests and the Amazon basin); prevention of desertification in northeastern Brazil; etc.
		Brown	Urban environmental policy and legal system reforms; pollution-control and restoration technologies; etc.
	Industry		Promotion of small-and medium-sized enterprises (common facilities and institution building for quality improvement and market information Sharing; development and improvement of distribution networks)
	Agriculture (incl. food supply)		Development of technology for wasteland restoration and agroforestry in Amazon area; development of technology for eco-friendly agriculture and farm product processing in Cerrado region; development of the technology to produce biomass as alternative energy; utilization of unused plants; etc.
	Health		Humanization of childbirth; development of new PHC models covering maternal and child health; etc., promotion of public health, etc., with special emphasis on their diffusion in and outside Brazil
	Social development (excl. health sector)		Joint development of new models by Brazil and Japan; strengthening coordination with NGOs to promote education and develop educators and leaders.
Tripartite Cooperation	JBPP		Cooperation in such sectors as health and agriculture in Portuguese-speaking countries in Africa; cooperation in such sectors as the environment, industry, health, and social development in Latin America (with a commitment to the principle of joint project formulation)
	non-JBPP		Integration of external projects into JBPP by priority, including projects currently in progress

## 2.5 Implications for Regional Areas of Priority

For each priority issue and sector, priority should be given to regions based on specific criteria, such as whether development cooperation and the lessons acquired from the experience will have wider implications or not.

**Table 3 Compatibility between Priority Areas and Priority Regions**

(Double circles and single circles only indicate high compatibility, and are not intended to exclude other regions.)

Priority sectors agreed on in the Policy Consultation of January 2001			Priority regions				
			Northern	Northeastern	Mid-western	Southeastern	Southern
Bilateral Cooperation to Brazil	Environment	Green/blue					
		Brown					
	Industry						
	Agriculture						
	Health						
	Social development (excl. health sector)						

Priority sectors agreed on in the Policy Consultation of January 2001			Priority regions and issues
Bilateral Cooperation to Brazil	Environment	Green/blue	Amazon basin and Pantanal in the northern and mid-west, where environmental conservation is needed; the areas in the northeast where desertification is progressing, including Cerrado area
		Brown	Urban and industrial areas in the southeast and south, where urban environment is degraded and environmental pollution is serious
	Industry	Southeast and south, which are more industrialized than other regions	
	Agriculture	North and northeast, where agroforestry and other eco-friendly forms of agriculture have priority Cerrado and other areas in the mid-west, where agricultural production, including grain production, have priority	
	Health	Southeast, where cooperation projects are likely to diffuse efficiently to other regions in Brazil and to other countries North and northeast, which are underdeveloped and where model projects are feasible	
	Social development (excl. health sector)	Southeast, where cooperation projects are likely to diffuse efficiently to other regions in Brazil and to other countries North and northeast, which are underdeveloped and where model projects are feasible	

## 2.6 Items to be Improved or Noted in Existing Mechanisms for Planning and Implementing Cooperation Projects

### (1) Upgrading Policy Consultations through comprehensive planning and coordination of cooperation policies

The government-led Policy Consultation and Program Design for Technical Cooperation (Policy Consultations) needs to be improved. This requires the existing Policy Consultations to preferably be preceded by a joint dialogue or prior discussions between the Japanese representatives (staff from the Japanese Embassy and Consulates, the JICA office, the office of the Japan Bank for International Cooperation (JBIC), and others in Brazil) and Brazilian representatives (staff from the Ministry of Foreign Affairs, Brazilian Cooperation Agency (*Agência Brasileira de Cooperação*: ABC), and the Ministry of Budget Planning). In addition, the Policy Consultation should position Japan's ODA within a broader

framework based upon multilevel dialogues and recommendations, including input from academics and researchers.

Brazil needs to pursue multilevel dialogues and consultation involving various parties and organizations as partners. One possibility is the federal government should adopt specific projects through mutual agreement with JICA and its Brazilian implementation agencies under a comprehensive program that it approves.

## **(2) Delegating greater authority to organizations in the front line of cooperation**

As the number and range of development actors is growing in Brazil, Japan needs to delegate more authority, including budgeting, to the front line carrying out the cooperation projects. For example, JICA has to delegate decision-making to the overseas office under the Country Specific Program that is stipulated by the regional divisions within the prescribed budget in order to expedite the whole process from planning to implementation.

## **(3) Project design in consideration of future applications and the diffusion of the results**

From the earliest stages of formulation and planning, cooperation projects should be designed to facilitate the wider application of such projects, not only in other parts of Brazil but also inside and outside of Latin America in the form of tripartite cooperation (wide-area technical cooperation). In the implementation stage, it is necessary to manage or even review cooperation projects to adjust them to the changing situation.

## **(4) Optimal combination and coordination of cooperation schemes based on the principle of “partnership”**

To achieve multilevel cooperation involving a wide range of development actors, “partnership” on the basis of equals, including joint research with relevant Brazilian institutions, will be effective. With this in mind, the following four issues are considered important in realizing such partnership:

- i) The range of partner institutions should be widened to include educational and research institutes, NGOs, academics, and other organizations, in addition to the central, state and municipal governments.
- ii) To strengthen the economic relationship between Brazil and Japan, it is necessary to clarify the roles of Other Official Flows (OOF) that support economic interests of both countries through the economic benefits as well as promoting mutual understanding between the two countries. Additionally, establishing relationships with the Japan External Trade Organization (JETRO) and business organization such as the Chambers of Commerce and Industry will be important to gather and provide information that aids in attracting more investment.
- iii) To improve the situation of the social sectors, it is necessary to focus on projects that can be models for wider application. These projects should be designed to encourage the greater participation of NGOs as well as educational and research institutions through the cooperation of the state and municipal governments.
- iv) Needless to say, it is crucial to ensure coordination with international organizations, governmental agencies, international NGOs, and other donors for effective cooperation.

## **(5) Establishing evaluation methods**

It is necessary to adopt processes of policy evaluation that ensure feedback to ODA policy-makers. Japan also needs to seek evaluation methods suitable for the modalities of the country while considering the five components for evaluation defined by the DAC. In particular, goal-setting procedures in line with

criteria for selective and focused use of ODA resources as well as monitoring and evaluation methods should be improved or developed as required.

**(6) Recruiting and training human resources for Japan's cooperation to Brazil**

Cooperation through human resources is one of the key elements in Japan's cooperation. To develop projects suitable for the situation in Brazil, it is crucial that Japan should make extra efforts to recruit coordinators who can effectively act as a bridge between the needs of Brazil and the resources Japan can offer. It is imperative for JICA, to make further efforts to train human resources to enable them gain expertise in the relevant regions, sectors and issues.

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## Chapter 1

### Current State and the Scenario for Development in Brazil

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#### 1.1 Current State in Brazil

##### (1) Political and socioeconomic features of Brazil

- Brazil has a huge land area (the largest of all Latin American countries), a large population of some 170 million, and abundant natural resources. The country is characterized both by ethnic and climatic diversity, and by great social and regional disparities. In terms of economic scale, in 1999 Brazil ranked eighth in the world with a GNP of about 743 billion US dollars, following China.<sup>1</sup> The country accounts for some 40 percent of the entire Latin American economy. With a per capita income of 4,420 US dollars, Brazil is classified into Upper Middle-Income Country by OECD/DAC.<sup>2</sup> Throughout the 1980s, known later as the “Lost Decade,” Brazil underwent economic hardships, such as a debt crisis and hyperinflation. In the mid-1990s, Brazil began regaining its economic stability. Although the economy faltered slightly in 1998 and 1999 mainly due to the Asian currency crises, real GDP managed to attain 4.5 percent growth in 2000, with a mild inflation rate of 13.8 percent. A number of problems, however, remain unsolved, including vulnerability to external shocks.
- In 1994, Brazil’s Finance Minister Fernando Henrique Cardoso introduced and succeeded in implementing the “Real Plan” (see Box 1) for stabilizing the economy by controlling hyperinflation. In 1995, Cardoso rose to assume the presidency with popular support. Following a constitutional amendment, Cardoso was re-elected in a presidential election held in October 1998. Although Brazil has been enjoying relative political stability, political activities are gaining momentum as the presidential election slated for October 2002 draws near. The 1988 Constitution, promoting decentralization, granted more authority to the state and municipal governments in regional development. Yet local governments still face a number of challenges, including the vulnerable fiscal position and poor management capability.

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<sup>1</sup> World Bank (2001). *World Development Report 2000/2001*.

<sup>2</sup> Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC), which is made up of 21 donor countries in the EU and other developed regions.



### **Box 1 Real Plan (*Plano Real*)**

The Government of Brazil has made tremendous progress in rebuilding the economy, which had been plagued by a debt crisis, hyperinflation, and annual inflation rates of up to 5,000 percent since the 1980s. This was achieved by a series of economic stabilization policies launched in and after 1993 under the leadership of then Finance Minister Fernando Henrique Cardoso. One such policy package, launched in July 1994 and coinciding with the introduction of a new currency, the "Real," is known as the "Real Plan."

These stabilization policies were basically designed to control aggregated demand. They included budget-balancing measures based on tax increases and expenditure cuts, and the introduction of a monetary and foreign exchange policy that pegged one real to one US dollar. The government also carried out structural reforms. Among them were the far-reaching privatization of state-owned enterprises, deregulations for major industries, and measures to bolster the financial system. Brazil attracted attention as a new investment market, and succeeded in regaining confidence in its currency and controlling inflation with the backing of ample foreign currency reserves accumulated through foreign investments that soared in and after 1992. After a series of currency crises in Mexico, Asia, and Russia in 1994, 1997, and 1998, respectively, and the deteriorating fiscal balance, Brazil shifted to a floating exchange rate system in January 1999. Nonetheless, inflation remained rather mild. The annual inflation rate, as expressed in the overall price index, stood at 7.4 percent in 1997, 1.7 percent in 1998, 19.9 percent in 1999, and 9.8 percent in 2000. The economy has been expanding since FY1993, and had a growth rate of 4.4 percent in FY2000.

On the other hand, the high interest rate policy designed to maintain the exchange rate also constituted a destabilizing factor for the economy by increasing both the government debt and the trade balance deficit. At an address commemorating the seventh anniversary of the launch of the Real Plan, President Cardoso said that he was happy with the significant achievements the plan had brought about in expanding the economy and stabilizing the currency. He admitted, though, that the plan had not produced any substantial achievements related to mitigating the income gap.

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Yatani, Michiro. "Burajiru Shin Jiyushugi Kano Kozo Kaikaku to Ho" ("Structural Reform and Law Under Neo-liberalism in Brazil"). *Latin America Report*, Vol. 15, No. 2, pp. 45-51, 1998.

- Brazil has unique experience from which other countries can learn, such as its eco-friendly urban planning in Curitiba, a program to produce and distribute free anti-AIDS drugs in Brazil, and the recycling program of the city of São Paulo. Based on its own experiences, the country is actively helping other developing countries. As one of the leaders of developing countries, Brazil is also trying to have a greater say in the international community. Its leadership has been demonstrated in the United Nation's moves to implement its own restructuring.<sup>3</sup> Many civic groups were formed during the period of the military regime and the subsequent period of transition to democracy, in response to a lack of the government's capability to tackle social problems. Such groups have developed further with the support of the international community. Their activities are now gaining momentum under the Cardoso Administration, which attaches importance to the role of a civil society.
- Although significant progress has been seen in such social indicators as the infant mortality rate and the school enrollment rate, there are serious income and social disparities including healthcare and education levels among classes, regions, and races. These disparities have diminished until the mid-1990s. However, the proportion of the poverty-stricken population has again been expanding in recent years. The nation's Gini coefficient, an indicator of the level of inequality in income distribution, has also been deteriorating recently.<sup>4</sup> The southeastern region is relatively rich, but the north and northeastern regions are seriously poor, emphasizing the extreme regional disparities in Brazil. This shows that the poor have not seen sufficient benefits from the country's economic development. Behind these disparities and poverty lie various factors such as the traditional social stratification as exemplified by the land ownership system. In this system, there is a dichotomy between land that is converted to huge plantations and the multitude of tiny farms. Another factor is a series of past policies, including the one for the clearing of the Amazon during the 1970s. Significant regional differences in natural conditions also constitute some of the factors.
- Since economic liberalization, the unemployment rate has basically been on the rise, although there has been some fluctuation along with changes in the economy. Behind this situation lie factors that exist on both the supply side and the demand side. On the supply side, an increasing number of new school graduates and women have entered the labour market. On the demand side, the employment structure has changed with the streamlining of industry. Informalization of the labour market arose while it was drastically changing after economic liberalization. This was caused by the lack of industry to absorb the available labour, significant social disparities, and inadequate regulations governing informal employment. Labour market informalization has been further expedited by economic liberalization.<sup>5</sup>
- With its large land area, Brazil has many climatic zones. Since there are no extremely arid or cold zones, the national land is covered with rich vegetation. The tropical forests and biodiversity in the Amazon basin are especially precious natural resources for the entire world and deserve special attention. However, the forests and the ecosystem as a whole in the Amazon basin and along the Atlantic coast continue to be degraded due to the clearing of land to provide farmland, pastureland, and timber. In urban areas, rapid population growth and industrialization have worsened environmental problems. Among them are air pollution due to exhaust emissions from motor vehicles and industrial plants, and water pollution from industrial and household effluent. Proper measures to treat wastes are also inadequate.

<sup>3</sup> Brazil was elected as a non-permanent member of the UN Security Council eight times, topping the list of UN member states, together with Japan.

<sup>4</sup> The Gini coefficient was 0.528 in 1993, 0.519 in 1994, and 0.538 in 1996, according to CEPAL (1998).

<sup>5</sup> Formal employment fell by 10 percent from 1991 to 2000, according to IPEA.

## (2) The international climate surrounding Brazil

- Brazil is trying to make strategic use of three factors- its abundant natural resources, huge domestic market, and the progress of regional integration, as exemplified by MERCOSUR (*Mercado Comum do Sul* or Southern Cone Common Market). While recognizing its own position as a developing country, Brazil is attempting to have a greater voice in the international community. To this end, the country is committed to strengthening its relations with other Latin American and developed countries and it is actively promoting practical trade policies.<sup>6</sup> In recent years, Brazil has been giving top priority to strengthening regional integration through MERCOSUR (see Box 2). It has been said that MERCOSUR is a *fait accompli* and that other measures are only some of the many options available to Brazil. This represents the advent of a new era in which Brazil has outgrown the Cold-War framework centered on its alliance with the United States, and is now exploring its own form of diplomacy.<sup>7</sup>
- MERCOSUR was initially launched as a customs union, but its concept has been expanded to include not only trade liberalization but also the standardization of trade and investment systems and political integration through high-level official talks and summit meetings modeled after the European Union (EU).
- The Cardoso Administration remains cautious about the leadership of the United States, although it signed the Quebec Agreement at the Summit of the Americas in April 2001 concerning the establishment of the US-led Free Trade Area of the Americas (FTAA). The administration is trying to overcome the traditional mode of diplomacy towards the US and establish new relations with it.<sup>8</sup> For example, the Cardoso Administration has implemented a program to produce in Brazil anti-AIDS drugs patented by US firms and distribute them to AIDS patients free of charge.

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<sup>6</sup> Economic Cooperation Bureau, Ministry of Foreign Affairs. *Japan's Official Development Assistance Annual Report II 2000*, 2001.

<sup>7</sup> The future of MERCOSUR seems increasingly unclear. The economic crisis in Argentina since 1999 and the exchange rate devaluation in Brazil have put the two countries at odds with each other. In addition, Argentina and the United States have moved toward bilateral negotiations on FTAA (Free Trade Area of the Americas).

<sup>8</sup> Brazil's diplomacy toward the US was historically based on the principle of cooperation but not subservience. Yet after a military junta took control of Brazil in 1964, the country consistently maintained close relations with the US under the Cold-War regime (Gordon, 2001).

### Box 2 Regional integration through MERCOSUR and FTAA

MERCOSUR (*Mercado Comum do Sul* or Southern Cone Common Market) was established in 1991 when Brazil, Argentina, Uruguay and Paraguay signed the Asuncion Treaty. With the 1994 final protocol, this common market was launched as a customs union aiming at an expanded regional market. Chile and Bolivia later joined MERCOSUR as associate members. With the exception of certain items, the member states abolished tariffs by the end of 1994. From early 1995, common external tariffs were phased in. Now MERCOSUR is aiming to become a comprehensive regional body with the purpose of not only trade liberalization but also the standardization of trade and investment systems and political integration through regular high-level talks and summit diplomacy. All the member states have a combined total GDP of some 1 trillion and 10 million US dollars, a total population of about 210 million, and total exports of 81 billion US dollars. The total amount of internal trade accounts for around 80 percent of all the total trade within Latin America. It should be noted that both internal trade and internal direct investment are growing rapidly.

In the Americas, a number of regional bodies have been established since the 1960s to pursue economic integration, besides MERCOSUR. All the countries of the Americas, with the exception of the Dominican Republic and Panama, are members or associate members of the North America Free Trade Agreement (NAFTA), the Central American Common Market (CACM), the Caribbean Community (CARICOM), the Andean Common Market (ANCOM), or MERCOSUR. This constitutes a basis for the formation of the Free Trade Area of the Americas (FTAA), which is designed to integrate the Americas into one free trade area covering 34 countries, but excluding Cuba.

The third Inter-American Conference was held in Quebec in April 2001. The conference adopted a declaration that the countries concerned would establish the FTAA by the end of 2005 and that they would begin negotiations for that purpose in May 2002. The FTAA, if established, would create the world's largest free trade area with a total population of some 800 million and a total GDP of over 11 trillion US dollars (calculation based on 1999 statistics). With some 200 million people living below the poverty line in this area, Latin American countries are cautious about the leadership of the US and the great influence US-based multinational corporations would have. In particular, Brazil, which regards MERCOSUR as the linchpin of its economy and diplomacy, is extremely sensitive to US moves toward the establishment of FTAA.

In 1995, the "Inter-regional Framework Agreement" was reached between the EU and MERCOSUR, the first agreement between two customs unions in history. In addition, MERCOSUR is a major recipient in Latin America of loans from the European Investment Bank (EIB). Such loans are used for infrastructure development, which constitutes a basis for regional integration.

For Brazil, MERCOSUR is part of its strategy to counter the initiatives of the developed countries towards the region. This is why Brazil must urgently take the initiative in strengthening integration and cooperation within MERCOSUR by coordinating macroeconomic policies, laws, trade systems among the member countries and developing the transport infrastructure.

### (3) Trends in development cooperation to Brazil by international donors (achievements and policies)

- The total amount of ODA to Brazil was approximately 400-600 million US dollars a year between 1995 and 1998. In 1999, however, the total dropped to nearly 300 million US dollars.<sup>9</sup> In general, donor countries and international organizations give priority to poverty reduction and environmental conservation. Among the major donors to Brazil are Japan, Germany, and France. International organizations such as UNDP and UNICEF also provide cooperation to the country. Furthermore, the World Bank, the IDB and the IMF provide substantial non-ODA financial assistance to the country, including a bail out package in response to the currency crisis. In 2001, the IMF approved

<sup>9</sup> The figure is on the basis of the net amount received (Source: OECD. *Geographical Distribution of Financial Flows to Aid Recipients 95-99*, 2001).

stand-by credit of 15.6 billion US dollars. Japan has been supporting trade and direct investment through Japanese-affiliated sources by providing Other Official Flows (OOF) such as export-import financing, investment credit, and untied loans. It should be noted that the donors are reviewing their aid policies for Brazil. Recently, Brazil's economy has achieved relative stability and Brazil has been recognized as an upper middle-income country. Also, the country has started to provide assistance to other developing countries.<sup>10</sup> As a result, the donor community is having discussions on the need for concessional assistance as well as the priority sectors regarding Brazil.

- Japan has been extending its development cooperation to Brazil with the following factors in mind: i) Brazil has a large land area and diverse needs for cooperation; ii) Brazil plays an important political and economic role in Latin America; iii) Brazil has a community of some 1.3 million Brazilians of Japanese ancestry and Japanese immigrants; and iv) Brazil has been maintaining friendly relations and close economic ties with Japan. Brazil is the second largest recipient of Japan's ODA in Latin America (and the 18th in the world). For Brazil, Japan was the largest donor as of FY2000. The Policy Consultation meeting held in January 2001 between the two countries identified the priority areas for Japan's assistance as: i) environment; ii) industry; iii) agriculture; iv) health; v) social sector; and vi) tripartite cooperation (South-South cooperation). As Brazil is classified an upper middle-income country, Japan's cooperation is focused on technical cooperation and loan assistance. For the past decade, it has provided loan assistance mainly for environment-related projects. In recent years, the climate surrounding Brazil has changed significantly. Brazil's economy has stabilized and expanded. The development actors have become more diverse as privatization progressed. Japan's ODA budget has been slashed. Under these circumstances, calls for a review of Japan's cooperation policy for Brazil have been mounting.<sup>11</sup>

#### (4) Characteristics and trends in Brazil-Japan relationship

- Brazil and Japan have maintained a good relationship since the two countries established diplomatic ties in 1895. In 1908, systematic immigration of Japanese to Brazil began. Economic relationships between the two countries grew in the 1960s. Many large-scale, natural resource development projects, known as "National Projects" were implemented.<sup>12</sup> Japan's direct investment in Brazil steadily increased until the early 1980s. However, because the Plaza Accord in 1985 resulted in the rapid appreciation of yen, Japan's investment was directed principally to Asian countries. During the same period, a debt crisis hit the Latin American countries. Under these circumstances, the growth rate of Japan's investment in Brazil slowed down or reversed. Japan's share of foreign investment in Brazil dropped from about 8 percent during the period between FY1951 and 1980 to roughly 2 percent during the period FY1981 and 1998. Japan's share of Brazil's foreign trade has been on the decline as well.<sup>13</sup>

<sup>10</sup> The summit meeting held in July 2001 discussed reviewing (tightening) the terms for loans from international organizations to Brazil, China, and other upper middle-income countries that can raise funds in the international financial market. Such discussions may constitute the background to moves by donors for a review of cooperation to Brazil.

<sup>11</sup> A lively debate has taken place over a review of Japan's ODA at various levels, although Japan's overall ODA is at issue, not assistance to Brazil in particular. The Ministry of Foreign Affairs set up the Second Consultative Committee on ODA Reform in May 2001. The Japan Federation of Economic Organizations published its "Recommendations on ODA Reform" in October 2001.

<sup>12</sup> Among them are the Usiminas steel plant project, an aluminum refining project, the Cenibra pulp and paper development project, and the Cerrado agriculture development project.

<sup>13</sup> Brazil's share of Japan's trade with the Latin American countries is still high. For example, Brazil was the largest importer of goods and services from Japan in Latin America, and the third largest exporter of goods and services to Japan from the region as of 1999 (Economic Cooperation Bureau, Ministry of Foreign Affairs. *Japan's Official Development Assistance Annual Report II 2000, 2001*). Brazil was the second largest exporter of iron ore to Japan, after Australia, as of 2000.

- Brazil has the largest community of Japanese descent in Latin America, estimated at 1.3 million. More than 90 years have passed since the first immigration, and the second, third and fourth generations of Japanese-Brazilians have been assimilated into Brazilian society. During and after the 1970s, the number of Japanese-Brazilians who had received higher education surged, and an increasingly number of them have given up agriculture and taken up a wide variety of occupations. Japanese-Brazilians who work in Japan, or so-called “*Dekasegi*” totaled 250,000 as of the end of 2000. In Brazil today, Japanese-Brazilians play an active role in many fields and are highly appreciated. They also play an important role in promoting mutual understanding between the two countries. Japan has long been extending assistance to Japanese-Brazilians in human resource development and regional development, including infrastructure development of roads, bridges, and irrigation facilities. Yet relations between Japan and the Japanese-Brazilians community should preferably be reciprocal in the light of their assimilation into Brazilian society and the tight ODA budget. The Emigration Council, an advisory panel to the Minister of Foreign Affairs, calls for a shift from assistance to the Japanese-Brazilian community to mutual cooperation with it.<sup>14</sup>

## 1.2 The Scenario for the Medium-term Development of Brazil

### (1) Achievements and challenges of the reform

- Brazil’s economy underwent stagnation in the 1980s. Hit by a debt crisis and hyperinflation, Brazil faced an economic crisis which has come to be known as the “Lost Decade.” The crisis was mainly caused by macroeconomic instability due both to the government’s failure in excessive government intervention and to poor policy-making capability. During the 1990s, Brazil recognized the government’s failure and made a dramatic policy shift to adopt market-oriented development policies amid the international trends toward globalization and democratization.
- During the 1990s, Brazil took measures to balance the budget by implementing the Real Plan, and economic structural reforms such as privatization. These efforts eventually paid off, and Brazil made significant progress in achieving economic stability, which set the stage for economic growth. Moreover, Brazil has the following challenges: vulnerability to external shocks; underdeveloped infrastructure as exemplified by power shortages, regional and social disparities, environmental degradation and others. Therefore, greater efforts are required to ensure sustainable medium- to long-term development. There is also a growing need for social reform.
- The reforms up to the late 1990s achieved their results mainly due to investment promotion through economic liberalization and the privatization of state-owned enterprises. The present issue is how to sustain economic stability and the other achievements of those reforms, and how to tackle the issues overlooked in the reforms, such as income disparities and environmental degradation. In other words, Brazil must increase its administrative and institutional capabilities to complement or improve the market economy while maintaining and developing its market-oriented policy.
- The reforms in the 1990s have not made sufficient progress in solving the problems of inconsistent government policies, inefficient and redundant government institutions, and the practice of seeking leases by taking advantage of the inequitable access to information. The inefficient judicial system is another example. Unless the judicial system ensures compliance with laws and rules, the foundation for the proper functioning of the market mechanism, such as the protection of private

<sup>14</sup> *Recommendations of the Overseas Emigration Council, Future Policy Regarding Cooperation with Overseas Communities of Ethnic Japanese*, December 2000.

property rights and the strict execution of contracts, will not be guaranteed. In Brazil, both informal institutions and formal ones alike have traditionally had powers of compulsion. The situation of wide social disparities translates into an information gap. This, in turn, may encourage opportunistic or unscrupulous behavior that takes advantage of access to more information. Participants in the economy therefore tend not to trust or work with each other. As a result, this pushes up transaction costs, inhibiting the smooth functioning of the market economy.

## (2) Development scenario

- To achieve sustainable development, Brazil needs to take the following actions: i) maintain and utilize the achievements of past reforms, such as macroeconomic stability; ii) boost international competitiveness and achieve expansion and diversification of exports; iii) increase or at least maintain its levels of inbound foreign investment; iv) promote social sector reforms; and v) conserve its natural and urban environments. In other words, Brazil must reinforce areas that the market can barely deal with: namely, the capability to complement or improve the market mechanism while maintaining and developing its neo-liberalistic policies; and to nurture a wide variety of development participants in those areas in which the government has traditionally played a dominant role. Among other things, the priority issues for Brazil are as follows:
  - 1) Reducing economic vulnerability
  - 2) Improving governance<sup>15</sup>
  - 3) Diminishing social and regional disparities and alleviating poverty
  - 4) Conserving the environment

### 1) Reducing economic vulnerability

The currency crisis that hit Brazil in January 1999 was triggered by the Asian currency crisis. At the time, financial and trade liberalization was progressing rapidly in Brazil, with the overvalued appreciation of the exchange rate under the US dollar pegging system. Under those circumstances, the huge fiscal deficit limited the available economic policy instruments to those for a high interest rate policy, which invited rapid inflows and outflows of short-term capital.

Therefore, to reduce its economic vulnerability, it is critical for Brazil to immediately establish sound fiscal policies, including tax reforms, and to stabilize the exchange rate. The supervision of short-term capital needs to be tightened. For the medium to long term, it is necessary to mobilize savings and boost the international competitiveness of the manufacturing sector and agribusiness with a view to improving the balance of the current account. Some measures to boost international competitiveness must be taken into consideration. They include: increasing productivity, improving distribution networks, developing export channels, honing the country's marketing skills, and improving the design and packaging of products. The promotion of small and medium-sized enterprises (SMEs) is the key both to improving national competitiveness, sustainable development based on the expansion of exports, and job creation, as well as and the reduction of income disparities. Specific measures to promote SMEs include: i) promoting accessible financing for SMEs; ii) providing quality inspection services; iii) developing human resources; and iv) devising tailor-made measures to promote local industries through decentralization.

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<sup>15</sup> The term "governance" in this report refers to the process in which the government functions efficiently through efficient policy-making and administrative processes. It comprises four elements: i) legislative and institutional building, ii) ensuring administrative competence and transparency, iii) decentralization, and iv) the enhancement of an appropriate market environment (JICA. *Participatory Development and Good Governance, Report of the Aid Study Committee*, 1995).

## 2) Improving governance

To strengthen the government's functions, it is necessary to introduce competition mechanisms in the public sector for greater efficiency, improve transparency, and promote public participation and decentralization. For this purpose, Brazil must improve the incentive structures of the public sector and the bureaucratic machinery. More specifically, the following measures are suggested: i) putting in place a system of checks and balances based on the independence of the judiciary and the separation of powers; ii) introducing a merit system and improve the promotion system; iii) decentralizing the administrative machinery; and iv) reinforcing monitoring and disciplinary mechanisms for public officials.

At the same time, it is important to help develop and involve various development proponents other than the central government. Participants may include NGOs, civic groups, state and municipal governments, the private sector, and educational and research institutions. This is based on the background that the progress in democratization and the transition to a market economy has diversified the development proponents and NGOs have long been active in Brazil. Human resource development, infrastructure development, and statistical and fiscal reform at the local level are essential to improve decentralization.

## 3) Diminishing social and regional disparities and alleviating poverty

To diminish social and regional disparities and alleviate poverty, efforts to deal effectively with regional differences in natural conditions and with traditional social structures are essential. Such traditional social structures feature land monopolization and the overwhelming power of an elite class. It is extremely difficult to solve these social issues without long-term efforts. In the meantime, Brazil has no choice but to take the following practical measures to alleviate the situation: i) sustaining the stability and growth of the economy; ii) improving access to education, including support for drop-outs; iii) improving both the quality and quantity of formal and in-house job training; iv) continuing to bolster the labor market; v) reforming the tax system; vi) improving the social insurance systems, such as reform of the pension system; vii) promoting SMEs; viii) bolstering the fiscal base of local governments; and ix) promoting local industries.

## 4) Conserving the environment

Conservation and the sustainable and effective use of biodiversity of the Amazon are essential to environmental conservation in Brazil. It is necessary to assess and then conserve (or where necessary, restore) the tropical rainforests in terra firme<sup>16</sup> and the vegetation in the várzea,<sup>17</sup> which is closely related to the water ecosystem. There is also a need to conserve the Pantanal Wetland based on status assessments and research findings. This wetland is essentially similar to várzea in that both are floodplains which are inundated during the high-water period, although they differ in the process of their development and the characteristics of their vegetation. It is also important to make an inventory of coastlines vulnerable to erosion caused by natural factors or tourism development without delay. Moreover, it is important to study the use of biomass energy, including re-evaluating the Pro-alcohol program from an environmental point of view.

Brazil must also address other environmental problems such as pollution caused by mining, including mercury contamination in the Amazon and industrial pollution caused by rapid industrialization. Other environmental problems that need to be addressed are related to urbanization. For example: air pollution caused by exhaust emissions from motor vehicles and industrial plants, water pollution due to the rapid population growth in urban areas, the increasing amounts of waste, and the deterioration of the residential environment.

<sup>16</sup> The plateau that covers over 90 percent of the Amazon Plain. Its elevation varies within 10 meters.

<sup>17</sup> The floodplain along the Amazon river and its tributaries.



### Box 3 *Avança Brasil* (Advance Brazil) Plan

In early 2000, the second Cardoso Administration announced a comprehensive development plan entitled "Multiple-Year Plan (*Plano Plurianual* -PPA) 2000-2003" as its basic strategy for socioeconomic policies. Popularly known as *Avança Brasil*,<sup>1</sup> the plan aims to build up the infrastructure and minimize social and regional disparities. The total four-year budget for this plan is estimated at 1,113 billion real or about 618.3 billion US dollars.

The plan calls for the country to be divided into nine development axes (*eixos*) with reference to its economic geography and physical distribution and from the viewpoints of economic and social development and national integration. The plan identifies development bottlenecks and outlines the scenario for sustainable development.

#### <Basic guidelines>

The plan sets out the following six basic guidelines:

- i) Securing economic stability with sustainable growth
- ii) Promoting sustainable development to create employment and income earning opportunities
- iii) Eradicating poverty and promoting social participation
- iv) Solidifying the basis for democracy and the protection of human rights
- v) Rectifying or reducing regional disparities
- vi) Guaranteeing the rights of minorities subject to discrimination and prejudice

Under this plan, Brazil is implementing a total of 211 strategic programs<sup>2</sup> in five investment areas: i) economic infrastructure (transport, energy, and communications), ii) social development, iii) environmental conservation, iv) information and knowledge, and v) water resources.

#### <Mechanism of project implementation and information disclosure>

Under the supervision of Brazil's Ministry of Planning, the relevant ministries are in charge of these strategic programs. A program manager has been appointed for each program. A system to monitor the progress of the programs has been put in place and the record of progress is accessible on the Internet.<sup>3</sup>

<sup>1</sup> *Avança Brasil* originally referred to the Long-Term National Development Vision (eight-year plan) advocated by President Cardoso during his election campaign to seek a second term of office in 1998. *Plano Plurianual (PPA) 2000-2003* is a four-year plan that was formulated based on the vision of *Avança Brasil* and in accordance with the Constitution. Nonetheless, PPA is often referred to as *Avança Brasil*. (Japan Bank for International Cooperation, et al., *Burajiru no Tanendo Keikaku 2000-2003: Yoyaku to Kaisetsu (Brazil's Multiple-Year Plan 2000-2003: Summary and Explanations)*, 2000)

<sup>2</sup> and <sup>3</sup> <http://www.abrasil.gov.br/anexos/download/relatorio0701.doc> (Retrieved in September, 2001)

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## Chapter 2

# Exploring the Optimal Approach for Japan's Development Cooperation to Brazil

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This chapter first summarizes Japan's basic perspectives on Brazil based on the current status and future prospects for the country, as discussed in the previous chapter. The following six points are then outlined:

- Japan's basic perspectives on Brazil
- Guiding principles of Japan's development cooperation to Brazil and its significance
- Basic approaches of Japan's cooperation to Brazil
- Priority sectors and issues for Japan's cooperation to Brazil
- Priority implications for regional areas
- Items to be improved or noted in the existing mechanisms for planning and implementing cooperation projects

### 2.1 Japan's Basic Perspectives on Brazil

Based on the discussion in Chapter 1, Japan should comprehend Brazil from the following four perspectives:

- Brazil belongs to the group of Upper Middle-Income Countries in the DAC List of Aid Recipients.<sup>1</sup> As the country has the largest economy in Latin America, its political, economic, and social situation significantly affects the stability of the whole region. Brazil is important to Japan as well both economically and socially, considering the fact that it has a huge land area with abundant natural resources and there are over 1.3 million Brazilians of Japanese ancestry (Nikkei people).
- Brazil's development policy underwent a dramatic shift in its focus during the 1990s from reliance on government intervention to the utilization of market mechanisms. Under these circumstances, the government is expected to play a complementary role in areas where the market mechanism does not work efficiently. In addition, Brazil needs to nurture and reinforce a wide range of development actors other than the federal government, including state governments, municipalities, the private sector, research and educational institutions, NGOs and civic groups.
- With poverty and underdeveloped regions, Brazil has a serious problem of income and regional disparities. However, the country has been carrying out institutional reform and actively adopting corrective measures in the education and health sectors. In addition, activities by civic groups and NGOs dealing with poverty and other social problems have been gaining momentum.
- The international community should work together to address environmental conservation and other related development issues in Brazil based on the recognition that these issues could significantly affect the global environment.

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<sup>1</sup> The DAC List of Aid Recipients has been compiled by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), which consists of 21 donor countries in the EU and other developed regions. In this list, based on GNP per capita, countries eligible for ODA are classified under Part I, and those that have developed beyond the need for aid under Part II. High-income countries in Part I of the list could be candidates for Part II. Brazil has not reached this level yet.

## 2.2 Guiding Principles of Japan's Development Cooperation to Brazil and its Significance (Reasons and Purposes)

For the past ten years, the circumstances surrounding Japan's ODA have been changing with growing calls for a tightened ODA budget and greater accountability in using it. As mentioned above, Brazil itself has been undergoing significant changes. These factors have placed Japan's ODA to Brazil at a crossroads, and the role and significance of Japan's development cooperation to the country need to be reviewed.

Based on Japan's basic perspectives on Brazil, the significance and the guiding principles of Japan's development cooperation to the country can be summarized by the following four points:

- Promotion of mutual understanding between Brazil and Japan through cooperation and exchanges at various levels will help expand and strengthen bilateral economic relationships, thus benefiting both countries. Likewise, multilevel cooperation between various development actors, including the private sector in Brazil and Japan, will not only enhance the effectiveness of Japan's cooperation, but also help develop human resources that will act as a bridge to link the two economies in the future. This will strengthen economic relationships between the two countries with the expectation of mutual benefits. (*Benefits for both countries*)
- The eradication of poverty and the development of less-developed regions are essential for political and social stability in Brazil, constituting important goals for the country. In the meantime, there are positive signs of progress in Brazil. Measures have been successfully implemented in the education and health sectors as mentioned in the previous section. A civil society that is able to take the initiative in extending social development assistance to the poor has been growing. For instance, in health services and primary health care (PHC), greater emphasis is being placed on community-based health care systems and more humane medical systems. In these social sectors, Japan can learn from Brazil's experience. At the same time, Japan can transfer to Brazil the principle of equal opportunity and social fairness in the Japanese social system as well as Japan's expertise in institutional development. A significant contribution to the international community would be for Japan and Brazil to devise model projects based on common principles shared by both countries and for such projects to provide useful suggestions within Brazil and to the world at large. (*Benefits for both countries, Benefits to the international community*)
- Food production and the conservation of the natural environment with special emphasis on tropical forests and biodiversity are issues that should not be confined to Brazil. They are also part of the agenda of the international community and need to be discussed at the global level. In this regard, cooperation between Brazil and Japan in addressing these issues is beneficial to all humankind. (*Benefits to the international community*)
- Expertise and models acquired in the implementation of cooperation projects in Brazil are largely applicable to other developing countries. The effectiveness and efficiency of Japan's cooperation will become greater if Brazil and Japan work together to transfer these achievements to other Portuguese and Spanish-speaking countries. (*Benefits to the international community*)

## 2.3 Basic Approaches of Japan's Cooperation to Brazil

Based on the significance and the guiding principles of Japan's cooperation, this section presents basic approaches for effective cooperation from the viewpoints of selective and focused use of ODA resources, the concept of partnership, and cooperation with a clearly visible profile.

### (1) Strategic and effective cooperation through selective and focused use of ODA resources

Japan should clearly give priority to certain sectors and development areas through selective and focused use of ODA resources to ensure strategic and effective cooperation. The criteria for this prioritization can be specified as the following five points:<sup>2</sup>

- i) Cooperation concerning global issues where Brazil and Japan can jointly contribute (e.g. conservation of the natural environment and biodiversity, stable supply of food on a global scale)
- ii) Areas where Japan can contribute based on its own experience (e.g. development of small and medium-sized enterprises (SMEs), urban environmental management and environmental pollution control)
- iii) Development projects that can be presented to the international community as remedial models based on principles shared by both Brazil and Japan, such as social fairness and alignment with local communities. In this case, potential projects should be screened in terms of the project content, target region, and target organization in order to be fully applicable (e.g. projects in health, education and other social sectors and those in such sectors as urban policy and the environment).
- iv) Development projects that promote mutual understanding between the two countries and strengthen bilateral economic relationships (e.g. projects in the agricultural and industrial sectors, those designed to strengthen cooperation with Brazilians of Japanese ancestry (Nikkei people))
- v) Development projects that have an impact and can be readily applied to other parts of the country and to third countries

### (2) Cooperation based on the concept of partnership

Brazil has shown signs of a certain level of maturity in the political, economic, and social arena. Among such signs, a shift towards development led by private sector initiatives, the emergence of a wide range of development actors, and efforts by Brazil and Japan to extend joint assistance to other developing countries are notable. In the light of these trends, the relationship between the two countries should be regarded as one of partnership. The concept of "partnership" should be defined by the following factors and be promoted (see Box 4):

- i) Cooperative relationships between both countries as equal partners
- ii) Multilevel interactions among a wide range of development actors
- iii) Joint efforts to extend cooperation to third countries

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<sup>2</sup> As examples of development projects based on these criteria for selective and focused use of ODA resources, three of such projects that Japan has previously implemented are outlined in Box 6 (p. 34).

#### **Box 4 "What is Partnership?"**

- (1) The term "partners" refers here to entities that complement each other with a view to achieving common goals.
- (2) Partnership refers to an initiative based on written or implicit rules or understanding.
- (3) Partnership between Brazil and Japan is expected to develop from the following three premises:
  - i) That the two countries can carry out joint planning and implementation on the basis of greater equality as Brazil is at a relatively high level of political and economic development with a civil society emerging in the country.
  - ii) That multilevel interactions will evolve between a wide range of development actors other than the central governments, especially between Brazilian and Japanese businesses, NGOs, universities and research institutes, and local governments.
  - iii) That the two countries should go beyond the framework of bilateral cooperation to extend assistance to third countries and contribute to the international community in a variety of ways.

#### **(3) "Cooperation with a clearly visible profile" by publicizing and utilizing the outcomes of cooperation**

- Japan needs to conduct, as a top priority, public relations regarding Japan's cooperation and its achievements. The idea is to promote the utilization of the lessons obtained from Japan's cooperation projects in Brazil and achieve a greater understanding about Japan's cooperation to Brazil and messages exchanged between the two countries among the Brazilian people. Brazilians should be encouraged to contribute to the cooperation process with new ideas and suggestions.
- Japan needs to commit itself to disclosing and updating information on cooperation projects in Japanese, Portuguese and English on the web sites of JICA's headquarters and local offices. It is important to disclose both successful and unsuccessful cases of cooperation. Special attention should be given to ensuring that "cooperation with a clearly visible profile" is designed to receive the support of Japanese taxpayers.

## **2.4 Priority Sectors and Issues for Japan's Cooperation to Brazil**

The following are the priority sectors and issues for Japan's cooperation to Brazil in the light of the criteria for selective and focused use of ODA resources and the concept of partnership as discussed in Section 2.3. Some of the examples of such cooperation are shown to illustrate the reality of Japan's cooperation.<sup>3</sup>

### **(1) Cooperation to address global issues**

Examples

- *Cooperation for the conservation of the natural environment, including primary research and conservation management, with a special emphasis on biodiversity in the Amazon region and the northeastern region*

<sup>3</sup> For more details on development issues and examples of cooperation, see Table 4.1 and Table 4.2 (matrixes of development issues).

- *Assistance for sustainable agriculture in the Amazon region (agroforestry, etc.) and in the Cerrado region (development and diffusion of technology for eco-friendly agriculture and farm product processing aimed at increasing the capacity to produce grains and other crops)*

For the past three decades, the Amazon region has been developed rapidly and extensively. This makes it necessary to conduct primary research and conservation management with the aim of halting the decline in natural vegetation, especially deforestation and the accompanying loss of genetic resources. The protection of forests is impossible without developing the techniques for sustainable agriculture for local farmers. As a participant in the Pilot Program to Conserve the Brazilian Rain Forest (PPG7),<sup>4</sup> Japan should continue to provide cooperation for the development of techniques for the restoration of denuded land, natural forest management, and agroforestry in the Amazon region.

Increased food production in the Cerrado region will contribute to mitigating the tight supply/demand conditions for world food production. In just a quarter of a century, the Cerrado region has been converted into one of the world's largest grain belts, during which Japan's loan aid and technical cooperation served as an important impetus for two decades. However, the natural environment in the Cerrado region has not been fully investigated in terms of agricultural science. Accordingly, it can be reliably said that there are no established techniques for sustainable agriculture or established policy for environmental conservation in the region. Japan should therefore extend cooperation aimed at maintaining and developing the fruits obtained from the development of the Cerrado region and at mitigating the tight world supply/demand conditions for agricultural produce.

Japan should also study the potential for cooperation in the development of technology to produce biomass energy, in particular renewable (alternative) energy using sugarcane and forest resources, with the ultimate objective of reducing CO<sub>2</sub> emissions. Sugarcane can be produced taking advantage of the benefits of the large scale of Brazilian agriculture. In this way, Japan can contribute not only to the socioeconomic development of the region but also to the alleviation of global environmental problems.

## **(2) Cooperation that makes use of Japan's experience and conveys its commitment to Brazil**

### Examples

- *Support for small and medium-sized enterprises (SMEs) in terms of expertise; the establishment of a joint organization*

SMEs have played an important role in industrial development in Japan. The government, for its part, has succeeded in implementing its policies for this sector effectively and efficiently. This has been made possible by an integrated mix of horizontal and vertical division of labor in Japan's industry. In the horizontal structure, which is usually in place for each region or industrial category, there is a cooperative division of labor as well as competition among SMEs. In the vertical structure, there is a subcontract system between large corporations, including trading firms, and SMEs. These structures have encouraged SMEs to hone their competitive edge, making it possible for them to produce and export high quality products. It is essential to build and bolster such structures if Brazil wants to see the market work effectively, make the most of the strengths of SMEs in a market economy, and enhance its competitiveness in the international market. To this end, it may be advisable to establish an organization designed to promote joint activities or mechanisms among SMEs themselves and between them and large corporations. This organization would be created

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<sup>4</sup> A cooperation program launched in 1992 with the World Bank acting as a coordinator. The participants include Brazil, the G7 countries, the EU and the Netherlands. Its objective is to explore effective ways of conserving forests in the Amazon and along the Atlantic coastal region and to establish sustainable forms of development in these areas.

based on a partnership between business organizations and SEBRAE (*Serviço Brasileiro de Apoio às Micro e Pequenas Empresas*: Brazilian Micro and Small Business Support Service, a government-related institution). Its major activities would include: joint product development, the creation of joint brands, joint use of quality inspection equipment, the establishment of joint quality standards, the construction of a design center, an information service on domestic and foreign markets, intermediary services for marketing and subcontracting, the organization of export associations, and support for transactions with export trading businesses. Japan's cooperation for such an organization would come in two forms: sharing of Japan's experience on the one hand and offering technical cooperation and information and updates on foreign markets to support and promote Brazilian business in its organizing and collaborative activities on the other. The purpose of the cooperation in this area is to create model cases. The prospective regions or industrial categories to be assisted would be those where SMEs are already integrated or predominant.

- ***Social development (mainly support for state or municipal governments and NGOs, among others)***

As discussed above, cooperation in the healthcare sector should focus on regions, organizations and people where cooperation projects are expected to serve as models for other regions or to have wider implications for the decision-making process at the federal government level as well as for other regions. Japan's cooperation for social development is directed mainly at state or municipal governments and NGOs in response to the trend towards decentralization. The target regions for such cooperation should include the southeastern part of Brazil, which has a significant influence on the federation. The target organizations should include influential NGOs and NPOs engaged in innovative activities with wide implications for Brazil, so that Japan can send a clear message that it emphasizes social fairness as an important concept for its cooperation. In addition, Japan should fully support projects with outcomes that are highly applicable to other regions.

- ***Conservation of the urban environment; environmental pollution control***

Local governments in Japan with experience in this sector have already launched programs to provide cooperation for Brazilian counterparts or to accept trainees from them, taking advantage of various relationships such as sister-city cooperation. It is worth studying the possibility of extracting models from such experience and disseminating them.

- ***IT-related cooperation***

IT is important as a tool to increase the ripple effect of cooperation projects on other regions. Distance learning, e-conference and other activities that take advantage of IT should be promoted to publicize model cooperation programs in such sectors as health, education and local public administration.

### **(3) Cooperation that contributes to mutual understanding to strengthen bilateral ties**

- Policy studies (on sector-specific development strategies, including industrial advancement)<sup>5</sup> and development research (on subjects such as the utilization of potentially useful plants and crops to be used as materials for functional food) through joint research between Brazilian and Japanese universities and research institutions

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<sup>5</sup> The Federal Government of Brazil, including the Brazilian Cooperation Agency (ABC), an aid coordination agency for technical assistance, is cautious about cooperation for policy advocacy. Yet there seems to be room for policy studies (through joint research at various levels and in the form of research support, academic exchanges, and others) as long as trade and investment can be driven by them. To the fact-finding mission sent by this study committee, ABC has expressed the idea that Japan's cooperation should attach importance to the "pre-investment" aspect of this. The fact-finding mission headed by the committee's chairman, Dr. Akio Hosono, was sent to Brazil in August 2001.

- Personnel exchanges through programs for student exchanges, training, or joint research
- Collection and provision of information that may serve as a catalyst for investment and trade (for example, publishing joint research findings and providing information on innovative projects by the private sector in Brazil and Japan)

#### (4) Cooperation based on a partnership with Nikkei people

Nikkei people are important partners for Brazil and Japan alike in that they are expected to contribute to closer bilateral relations. Based on this recognition, Japan will involve them in the process of providing Japan's cooperation.

- Japan encourages Nikkei people to serve as coordinators in Brazil as representatives of the Japanese side so that Japan's cooperation will better reflect local needs. In particular, they should be encouraged to act as agents for the Japanese side in the process of tripartite cooperation in Portuguese-speaking African countries and other Latin American countries.
- Japan should pay special attention to Nikkei people who are familiar with both Brazilian and Japanese affairs, as well as to Brazilian organizations led by them. These people and organizations are in a better position to serve as counterparts for the Japanese side in joint research and technical cooperation, including programs to train Brazilians in Japan, considering the fact that there will be less of a language barrier. Japan thus needs to encourage Nikkei people to contribute to the promotion of mutual understanding between the two countries. Accordingly, Japan should develop a system that enables Nikkei people to play an important role in the social sector in Brazil.
- JICA has been providing Nikkei people staying in Japan with technical training programs covering computer and other skills. It is important to extend assistance so that those trained in these programs will be able to contribute to the development of Brazil and other Latin American countries after their return.

#### **Box 5 Japan-Brazil Partnership Program (JBPP)**

JBPP was established in March 2000 by the Brazilian and Japanese governments as a framework in which the two countries could work together as equal partners to extend assistance to third countries. Within the JBPP framework, the two countries are supposed to have discussions from the project formulation stage and divide the costs of the project equally when it is implemented. JBPP is regarded as an innovative program that embodies a partnership between an advanced recipient country and Japan.

The first meeting of the planning committee for JBPP was held in Brasília in September 2000. The committee agreed to target Portuguese-speaking African countries (PALOPs<sup>1</sup>) for the time being. Between May and June 2001, a Brazil-Japan project formulation mission visited Mozambique and Angola. The second meeting of the planning committee scheduled for January 2002 will agree on details of the assistance program for these countries. The actual program will be launched in fiscal year 2002. For fiscal year 2001, two training courses were offered in five PALOP countries, one on public health and the other on comprehensive development for manioc (cassava) production. This joint initiative by Brazil and Japan for South-South cooperation takes into consideration the third Tokyo International Conference on African Development (TICAD III), a program to support Africa that Japan has been advocating within the international development community.

<sup>1</sup> The Portuguese acronym for Países Africanos de Língua Origem Portuguesa. PALOP includes Mozambique, Angola, Cape Verde, São Tomé and Príncipe, and Guinea-Bissau.



## **(5) Cooperation to be extended to third countries (tripartite cooperation)**

- Japan should actively extend assistance to Portuguese-speaking African countries in such areas as health and agriculture under the Japan-Brazil Partnership Program (JBPP).<sup>6</sup>
- Japan will consider emphasizing its assistance to other Latin American countries. In this case, Japan needs, under the JBPP, to carry out tripartite cooperation in which Brazil and Japan will work together to create a framework for assistance in line with the views of the Brazilian Cooperation Agency (ABC). This new approach is different from the traditional one for South-South cooperation in which Japan applies the outcomes of its technical cooperation to Brazil in Brazil's neighboring countries, emphasizing the experience of the two countries and its complementarity. The issues to be covered by tripartite cooperation could include agriculture, environment and nature conservation with special emphasis on bio-diversity (so-called green issues), IT, primary health care, medical services, productivity and product quality improvement.
- Brazil is showing a keen interest in supporting East Timor. If there are sectors or issues for which joint assistance by Brazil and Japan is meaningful or worthwhile, Japan should be ready to consider such assistance. However, as Asian countries are taking the initiative on this issue, there seems to be limited room, if any, for such assistance.

The discussions in subsections 2.3 and 2.4 are summarized in Table 1 and Table 2 (p. 36). Table 1 shows the criteria for selective and focused use of ODA resources for the six priority sectors for Japan's cooperation. Table 2 shows the priority issues and approaches for these priority sectors. The six priority sectors were identified by the Policy Consultation and Program Designing on Technical Cooperation (Policy Consultations) in January 2001 as: environment, industry, agriculture, health care, other social sectors, and tripartite cooperation.

## **2.5 Implications for Regional Areas of Priority**

In line with the New Development Strategy of the OECD/DAC, the Japanese government has expressed its position with a focus on poverty reduction in poor regions in the Policy Consultation in 1996. Specifically, it set out a policy that gave priority to the northern and northeastern parts of Brazil, which are underdeveloped regions where the poverty indicators are high. Yet, in response to the selection of priority sectors or issues in subsection 2.4, priority regions should be addressed through various sectors towards a common end.

Priority regions should be identified also in terms of the criteria for selective and focused use of ODA resources, including whether they send a clear message that Brazil and Japan are committed to social equity and equal opportunity, and whether they also have wider implications. The southeastern part of Brazil is one of the viable alternatives as a priority region as well, because in Brazil, the southeastern part of the country, like São Paulo, is known as a pivotal area of the country.

If the environment, which is one of the six priority sectors, is taken into account, the northern region including the Amazon area, the mid-western region including the Cerrado area and the Pantanal, and the northeastern regions should be selected as priority regions.

In this way, priority regions should be identified based on the criteria for selective and focused use of ODA resources as well as priority sectors or issues. Matching between the six focused areas (sectors/issues) and priority regions is shown in Table 3 (p.37).

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<sup>6</sup> The program established in March 2000 as a comprehensive framework in which Japan and Brazil work together as equal partners to extend assistance to third countries (tripartite cooperation). For details, see BOX 5.

## 2.6 Items to be Improved or Noted in the Existing Mechanisms for Planning and Implementing Cooperation Projects

Japan should extend strategic and effective cooperation to Brazil based on the newly defined significance of and guiding principles for such assistance, the concept of selective and focused use of ODA resources, and the new approach of partnership. This requires Japan to revise the existing mechanisms for implementing cooperation projects. This subsection clarifies the items that need to be improved or noted from the viewpoints of policy-formulation, planning, implementation, evaluation, and human resources.

### (1) Upgrading Policy Consultations through comprehensive planning and coordination of cooperation policies

- The Policy Consultation between the Brazilian and Japanese governments is a crucial forum for dialogue where both countries can effectively determine the guiding principles and coordinate cooperation policies. At present, the Policy Consultation is held annually or biennially for one or two days in Tokyo or Brasília. It seems preferable to hold it more often or for an extended period of time in order to have more in-depth discussions on each priority sector and issue. Moreover, dialogue and joint research among a wider range of parties, including experts, are crucial to a discussion of the issues with a broader perspective in order to create close bilateral relationship based on the concept of partnership.
- Toward this end, the existing Policy Consultation should preferably be preceded by another type of joint dialogue or consultation between the Japanese side (comprising members from the Japanese Embassy and Consulates, the JICA office, the office of the Japan Bank for International Cooperation (JBIC), and others in Brazil) and the Brazilian side (comprising members from the Ministry of Foreign Affairs, Brazilian Cooperation Agency (ABC), and the Ministry of Budget Planning). Such a joint dialogue or consultation would be expected to continually narrow down the issues identified by both countries to those that require policy decisions assigned a high priority. On these selected issues of high priority, it is recommended that an advisory panel be set up consisting of experts from educational and research institutions, NGOs, and the private sector in both countries. Soliciting opinions more widely on these issues would be another option. If experts identify specific issues that are deserving of joint research between Brazil and Japan through these processes, conducting such joint research may be a viable option.

The Policy Consultation held in Tokyo and Brasília should discuss Japan's ODA and bilateral relationship from a broader perspective, based on multilevel dialogues and suggestions, including those made by academics and researchers. This should contribute to the enhancement of government-led policy consultations.

- As a precondition for such enhancement, it is important for the Japanese government to strengthen its overall capacity for comprehensive planning and coordination regarding its ODA policy,<sup>7</sup> which may be supported through the cumulative outcome of multilevel and specific dialogues and policy studies involving experts.

<sup>7</sup> This view coincides with that of the interim report published in August 2001 by the Second Consultative Committee on ODA Reform, an advisory body to the Minister of Foreign Affairs. This report states that it is important to restructure the overall organization of Japan's ODA, including the role of interested parties such as NGOs, businesses, universities, and governments, in an organized and consistent fashion. The report calls for the establishment of a body that discusses and coordinates the ODA policy, tentatively called the "Board on Comprehensive ODA Strategy" under an ODA coordinating authority (<http://www.mofa.go.jp/policy/oda/reform/report0108.html>). The Japan Federation of Economic Organizations (Keidanren) states in its report "Recommendations on ODA Reform" released in October 2001 that the government should set up a board chaired by the Prime Minister that can formulate an overall strategy for Japan's ODA.

## **(2) Delegating greater authority to the organizations in the front line of cooperation**

- As various development actors such as the private sector, universities and research institutions, local governments, and civic groups are growing in Brazil, Japan's cooperation has to work with this wide range of development actors. Parallel to this trend, Japan needs to delegate more authority, including greater discretion in the budget execution, to entities in the frontline of the implementation of the cooperation projects. The Japanese Embassy and Consulates in Brazil need to play a greater role in formulating policy. In the implementing agencies, greater authority to manage the projects is needed.
- In fact, JICA has already launched an initiative to enhance its capacity for the comprehensive planning of cooperation projects. In the year 2000, JICA set up regional departments to be in charge of drafting the planning of JICA's Country Specific Program implementation. With regard to the implementation plans drafted by these departments, JICA's headquarters needs to delegate more authority to its local office in Brazil concerning program formulation and budget execution to make sure that implementation is prompt and less time-consuming. If necessary, the headquarters should commission the head of the local office to conduct the planning, implementation, and evaluation of some of the cooperation projects within an allotted budget. This localization of the decision-making process is expected to streamline the implementation of the projects and enhance the capacity of the local office. Such a delegation of authority will be conducted especially for community empowerment programs and other community-based programs to streamline the whole process from problem identification to planning and implementation.
- In Brazil, the ABC, the Ministry of Budget Planning, and other government organs need to ensure accountability. It is increasingly important to pursue a dialogue and consultation process that involves people from various levels with appropriate information disclosure guaranteed. Under such arrangements, the adoption of projects may be decided based on mutual agreement between aid implementing agencies in Japan and Brazil. For example, in technical cooperation, it may be advisable to consider a more flexible system in which JICA and aid implementing agencies in Brazil are given authority to adopt specific projects under a comprehensive program that ABC has approved as the policy of the Federal Government of Brazil.

## **(3) Project design in consideration of future applications and the diffusion of the results**

- The success of cooperation projects for Brazil requires that, from the initial stages of conception and planning, the projects should be designed to facilitate the wider application of their outcomes not only in other parts of Brazil, but also within and outside Latin America, in the form of tripartite cooperation (wide-area technical cooperation). This is different from the conventional, phased approach in which a project is implemented in one part of a country in the first phase and, if the project proves successful, it is then studied the possibility of extension to other countries in the form of a third-country training program in subsequent phases. The new approach is to adopt a mechanism in which, from the very beginning, the federal government is involved in the dissemination of a model project throughout the country.
- During the implementation stage, it is necessary to manage or even review cooperation projects to accommodate the changing situation.

**(4) Optimal combination and coordination of cooperation schemes based on the principle of "partnership"**

- An equal partnership, taking the form of activities such as joint research with Brazilian institutions, is the key to multilevel interactions between a wide range of development actors. Such partnership is also effective in promoting mutual understanding and assessing the diverse needs of a wide variety of development actors in Brazil. It is important to ensure an appropriate combination and coordination of academic exchanges, technical cooperation, and loan assistance. In addition, the partners involved in assistance should include a wide range of entities, not only the central, state and municipal governments, but also educational and research institutes, NGOs, academic and other types of organizations.
- To strengthen economic relationships between Brazil and Japan, it is necessary to distinguish the role of Other Official Flows (OOF) from that of yen loans. For example, OOF may be used to ensure economic benefits, while yen loans may be used to support measures to address global issues, generate replicable model projects in the social development sector, or human resource development that will contribute to mutual understanding between the two countries.
- It is important to work together with the Japan External Trade Organization (JETRO), Chambers of Commerce and Industry, and organizations of business people such as the Japan Federation of Economic Organizations (Keidanren), to collect and provide information that will help promote investment and trade.
- Activities aimed at improving social sectors such as health care and education should preferably serve as models for the entire country and beyond. In this respect, Japan should consider the following options. One option is to implement programs in which NGOs or educational and research institutions actively participate, in cooperation with state and municipal governments, as major development actors. Another option is to consider the expansion of community empowerment programs and grant assistance for grass-roots projects covering activities by such NGOs or educational and research institutions. For community empowerment programs, it is especially important to streamline the implementation procedures and greatly enhance the capacity of JICA's local office in Brazil. In addition, Japan should increase the number of community empowerment programs that are likely to serve as models for the entire country and elsewhere.
- The development of Brazil is primarily an issue that the Brazilian Government, the people, and other development actors should address. Yet international organizations, governmental agencies, international NGOs, and other donors are involved in cooperation to Brazil. Coordination with these donors is essential to ensure effective cooperation.

**(5) Establishing evaluation methods**

- Goal setting and the evaluation of program performance are increasingly important in ensuring strategic and effective cooperation. Although this is an issue that goes beyond the scope of a study aimed at exploring the optimal approach for Japan's cooperation to Brazil, the key points are discussed here. Evaluation is divided into policy-level evaluation and program/project-level evaluation. These two types of evaluation need to be discussed separately.
- ODA is, first and foremost, a mission that the government carries out as part of its diplomacy. In this regard, feedback to the level of decision-making on ODA policies is critical, and policy-level evaluation is an essential tool for such feedback. Japan needs to quickly identify the items and

indicators for ODA policy evaluation in its pursuit of evaluation methods and systems suitable for the conditions of the country.<sup>8</sup> Japan is required to adopt policy evaluation without delay through external evaluation and joint evaluation with other donors and to accumulate knowledge and experience concerning evaluation methods.<sup>9</sup>

- Program/project evaluation concerns the performance and achievements of each program and project. The implementing agencies should develop evaluation methods, carry out evaluations, and publish the findings. Japan needs to continue its efforts to improve on, or even develop, goal-setting procedures and monitoring and evaluation process in line with the criteria for selection and focused use of ODA resources, with consideration for DAC's five criteria<sup>10</sup> and other methods that have been established by international consensus through the long history of international development assistance.<sup>11</sup>

## **(6) Recruiting and training human resources for Japan's cooperation to Brazil**

- Cooperation through human resources is one of the key elements in Japan's cooperation. It is crucial for Japan to secure the human resources required for development studies, planning, implementation, supervision and evaluation. To better meet the needs of Brazil and make use of Japan's experience, it is essential to have available coordinators who can act as a bridge between such needs and the resources that Japan can offer. The short-term measures that could be taken to secure such human resources are as follows:

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<sup>8</sup> The Aid Evaluation Study Subcommittee, an advisory panel to the Director-General of the Economic Cooperation Bureau, the Ministry of Foreign Affairs, has been holding systematic discussions on how best to improve the evaluation system since 1998. In February 2001, the ODA Evaluation Study Group within the subcommittee submitted a report to the Foreign Minister at that time, Yohei Kono. The report calls for: the introduction of policy-level evaluation, the improvement of program-level evaluation, evaluation of the feedback system, the development and utilization of human resources for evaluation, ensuring consistency in evaluation, and the promotion of coordination among ODA-related ministries and agencies. The report recommends that policy-level evaluation be conducted mainly by the Ministry of Foreign Affairs, and that project-level evaluation be conducted more effectively by JICA, JBIC, and other program implementing agencies. The report also recommends that mainly the implementing agencies should conduct evaluation at the level of programs made up of a number of related projects. It should be noted that all government offices introduced a policy evaluation system in January 2001. The Standard Guidelines on Policy Evaluation released in the same month by the Ministry of Public Management, Home Affairs, Posts and Telecommunications call on all government offices to make extra efforts to elaborate the evaluation, including the improved transparency, of ODA programs as well as public works projects and research and development programs. The guidelines also encourage them to introduce preliminary evaluations.

<sup>9</sup> The Japan Evaluation Society was established in September 2000 as a research organization to study evaluation methods. In recent years, there has been growing discussion on how best to evaluate the performance of public administration, including ODA.

<sup>10</sup> The evaluation guidelines prepared by the DAC (see Note 1, p.21) indicate five items for the evaluation of assistance programs or projects: Relevance, Effectiveness, Efficiency, Impact and Sustainability.

<sup>11</sup> As of 2001, JICA revised the evaluation guidelines to clearly defines the roles of evaluation. According to the revised version, evaluation should be used as a tool for management at the preliminary, mid-term, completion, and post-project stages. Program evaluation should also be used as a means of incorporating the lessons from past programs into new ones and increasing accountability of within JICA activities. The draft reaffirms the use of the Project Design Matrix (PDM) as a tool to illustrate an objective system -the logical framework in which activities, results, project targets, overall plan, and external factors are indicated. In addition, the draft states that evaluation based on the five criteria should not only identify the results according to each criterion but also analyze from a comprehensive perspective the factors that have promoted such outcomes as well as those that have hampered them. Based on this idea, the draft indicates the means to elucidate the facts and implementation processes, and verify the outputs in relation to the five criteria.

- i) To recruit and systematically deploy people experienced in cooperation projects in Brazil for JICA's Regional Department III (Latin America and the Caribbean Division) and also JICA Institute for International Cooperation.
  - ii) To provide Portuguese language training for experts, former Japan Overseas Cooperation Volunteers, and others with a reputation for achievement in their activities in Spanish-speaking countries.
  - iii) To find and secure human resources that are already qualified in terms of language and specialty, including those who received higher education in Brazil.
- JICA has been strengthening its institutional capacity to accumulate expertise and experience for each region of the world, by establishing the regional department structure since 2000. For the medium to long term, JICA should undertake additional training of its staff to enable them to acquire expertise in the relevant regions, sectors and issues with a view to raising its overall capacity for formulation and coordination of its cooperation activities.

## Box 6 Examples of Japan's cooperation to Brazil

Three projects in Brazil are outlined below as examples of Japan's cooperation based on the criteria for selective and focused use of ODA resources:

- **Maternal and Child Health Improvement Project in Northeast Brazil (Cooperation that can make use of Japan's experience and convey its commitment to Brazil)**

**1) Background**

This project was implemented in the State of Ceará over five years from April 1996 to March 2001 with the purpose of improving services for maternal and child health. The project aimed to implement and disseminate the concept of humanized maternity care, which avoids excessive intervention by doctors. The rate of Caesarean sections in Brazil is one of the highest in the world.

**2) Activities**

- i) Improving healthcare facilities (improving the maternity environment, equipment and materials, facilities for childbirth)
- ii) Providing training for health care workers (training for practical nurses, education for doctors and nurses, providing leadership training)
- iii) Providing training to become nurses specializing in obstetrics; implementing a program to sell condoms at low prices<sup>2</sup> designed to promote contraceptive devices.

**3) Achievements**

- i) Changes in the maternity environment (provided an environment where pregnant women can relax, allowing husbands to be present at the birth, other measures)
- ii) Changes in awareness (on the part of health care workers, pregnant women and their families of the importance of humanized care)
- iii) Incorporation in national policy (the introduction of the LDR system<sup>3</sup> as a national health system, and other measures)
- iv) Application to other states in Brazil and other countries (The concept of this project became well known when an international conference was held in Ceará in November 2000. Some 2,000 people attended the conference.)

- **Research Project on the Brazilian Amazon Forest (Cooperation to address global issues (environmental issues))**

**1) Background**

The Brazilian Amazon is one of the largest treasure houses of forest resources in the world. Since the 1960s, however, this area has been increasingly deforested and the amount of denuded land has been expanding. With the aim of restoring this denuded land and establishing techniques for managing forests in a sustainable manner, this project was implemented between June 1995 and September 1998 at the National Institute of Amazon Research. (This project is commonly referred to as the "Jacaranda Project." The Jacaranda is a flowering plant that grows wild in the Amazon).

**2) Activities**

In October 1998, the second phase was launched as a five-year program. Activities include: i) determination of the mode of distribution for each forest type and the degree of degradation, ii) dynamic analysis of natural forests, and iii) research on the physiological and ecological characteristics and the site adaptability of the seeds of major tree species.

- 3)** Because this project coincides with the objectives of the Pilot Program to Conserve the Brazilian Rain Forest (PPG7) that was agreed on at the G7 Summit in Houston in 1990, it was officially approved by the Brazilian government in September 1999 as a project under PPG7.

(continued)

• **Development of the Cerrado region (Cooperation to address global issues (food security issues))**

**1) Background**

The Cerrado extends over the mid-western region and into other regions. It is a large area of some 200 million hectares. The Cerrado was long regarded as unsuitable for farming. However, the Brazilian government started to develop the area in earnest in the mid-1970s, when agricultural scientific knowledge regarding the area had been compiled and the social and economic infrastructure was developed in the mid-western region. After the international grain market soared in 1973, Japan started assistance for this agricultural development project in the Cerrado as a “national project,” a joint scheme between the public and private sectors. Its aim was to increase food production and diversify the countries from which Japan imported its food.

**2) Activities**

Japan provided technical cooperation to the Cerrado Farming Research Center (CPAC) between 1977 and 1999 as well as financial assistance to the Japan-Brazil Cooperation Program for Agricultural Development of the Cerrado Region (PRODECER) between 1979 and March 2001. At a total cost of some 70 billion yen, PRODECER developed 21 settlements (with a total area of 330,000 hectares) in the frontier areas of the Cerrado region. This served as a major impetus for the development of the Cerrado area as a whole. In addition, OECF (now the Japan Bank for International Cooperation) provided financial cooperation for a rural electrification program in Goiás (12.8 billion yen) and to an irrigation program in the Cerrado (12 billion yen).

**3)** The agricultural development of the Cerrado has turned the area into one of the world's largest grain belts in only a quarter of a century. This contributed not only to the socioeconomic development of the inland areas of Brazil, but also to food security for Japan and helped mitigate the tight world food supply/demand conditions. On the other hand, such rapid development has introduced new challenges such as environmental degradation, inadequate distribution infrastructure, and the risk to farmers associated with the large-scale planting of grain. Japan has launched assistance programs to address these challenges.

<sup>2</sup> The program was launched in 1998. In this program, condoms were sold in drugstores, supermarkets, and other places at less than half the market price. For the initial sale, condoms were offered for free. For the second and subsequent sales, a revolving fund system was adopted.

<sup>3</sup> LDR stands for Labor, Delivery and Recovery. This is a system in which a pregnant woman stays in the same bed during the whole of the periods of labor, delivery and recovery.



**Table 1 Compatibility between Priority Sectors Agreed on in the Previous Policy Consultation and the Proposed Criteria for Prioritization —for Selective and Focused Use of ODA Resources—**

(Double circles and single circles show high compatibility. Circles with parentheses potential.)

Priority sectors agreed on in the Policy Consultation of January 2001			Proposed Priority criteria (extent to which cooperation in each priority area will help promote partnership) of the report				
			Joint contribution to global issues	Utilization of Japan's experience	Sending a message that both countries call for social equity	Applicability and diffusion in Brazil, the Latin American countries, and other regions	Strengthening bilateral ties in economic and other fields
Bilateral Cooperation to Brazil	Environment	Green/blue				( )	
		Brown				( )	
	Industry					( )	
	Agriculture (incl. food supply)			( )		( )	
	Health		( )			( )	
	Social development (excl. health sector)			( )		( )	
Tripartite Cooperation	JBPP						
	non-JBPP						

**Table 2 Focused Issues and Approaches for Proposed Priority Sectors (Examples)**

Priority sectors agreed on in the Policy Consultation of January 2001			Priority issues and approaches
Bilateral Cooperation to Brazil	Environment	Green/blue	Conservation of the natural environment (primary research, conservation management, etc.) with special emphasis on maintenance of bio-diversity (ecosystems in tropical rainforests and the Amazon basin); prevention of desertification in northeastern Brazil; etc.
		Brown	Urban environmental policy and legal system reforms; pollution-control and restoration technologies; etc.
	Industry		Promotion of small- and medium-sized enterprises (common facilities and institution building for quality improvement and market information Sharing; development and improvement of distribution networks)
	Agriculture (incl. food supply)		Development of technology for wasteland restoration and agroforestry in Amazon area; development of technology for eco-friendly agriculture and farm product processing in Cerrado region; development of the technology to produce biomass as alternative energy; utilization of unused plants; etc.
	Health		Humanization of childbirth; development of new PHC models covering maternal and child health; etc., promotion of public health, etc., with special emphasis on their diffusion in and outside Brazil
	Social development (excl. health sector)		Joint development of new models by Brazil and Japan; strengthening coordination with NGOs to promote education and develop educators and leaders.
Tripartite Cooperation	JBPP		Cooperation in such sectors as health and agriculture in Portuguese-speaking countries in Africa; cooperation in such sectors as the environment, industry, health, and social development in Latin America (with a commitment to the principle of joint project formulation)
	non-JBPP		Integration of external projects into JBPP by priority, including projects currently in progress

**Table 3 Compatibility between Priority Areas and Priority Regions**

(Double circles and single circles only indicate high compatibility, and are not intended to exclude other regions.)

Priority sectors agreed on in the Policy Consultation of January 2001			Priority regions				
			Northern	Northeastern	Mid-western	Southeastern	Southern
Bilateral Cooperation to Brazil	Environment	Green/blue					
		Brown					
	Industry						
	Agriculture						
	Health						
	Social development (excl. health sector)						

Priority sectors agreed on in the Policy Consultation of January 2001			Priority regions and issues
Bilateral Cooperation to Brazil	Environment	Green/blue	Amazon basin and Pantanal in the northern and mid-west, where environmental conservation is needed; the areas in the northeast where desertification is progressing, including Cerrado area
		Brown	Urban and industrial areas in the southeast and south, where urban environment is degraded and environmental pollution is serious
	Industry	Southeast and south, which are more industrialized than other regions	
	Agriculture	North and northeast, where agroforestry and other eco-friendly forms of agriculture have priority Cerrado and other areas in the mid-west, where agricultural production, including grain production, have priority	
	Health	Southeast, where cooperation projects are likely to diffuse efficiently to other regions in Brazil and to other countries North and northeast, which are underdeveloped and where model projects are feasible	
	Social development (excl. health sector)	Southeast, where cooperation projects are likely to diffuse efficiently to other regions in Brazil and to other countries North and northeast, which are underdeveloped and where model projects are feasible	

Note: A map showing the division of Brazil (26 states and one federal district) into the five regions is given in the next page.



Note: Numbers with parentheses indicate the number of states in each region.

Source: Anuário Estatístico do Brasil IBGE

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## Chapter 3

### Summaries of Detailed Analyses from Cross-sectoral and Sector-specific Aspects\*

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#### 3.1 Overview of Brazil

##### 3.1.1 Politics and public administration

In Brazil, national policies have been greatly influenced by the presidency of the Republic. This tendency may even be seen today, even though democratic rule has been established and the previously centralized administration has been decentralized. When observing the record of presidential succession, it is necessary to relate it to changes in the balance of power between influential political parties and the states. One of the influential political parties is the Front Liberal Party (PFL), which was founded in 1986 as a faction of the Social Democratic Party (PDS), which acceded to the National Reformist Alliance (ARENA) that was in power during the years of the military regime. Another is the Brazilian Movement Democratic Party (PMDB), an opposition party, from which the Brazilian Social Democratic Party (PSDB) was founded as a faction in 1988. This can be seen as a process of judicious splitting and mergers among political groups; several influential political parties acceding to these two parties – one of them in power and the other in opposition under the military administration – have formed a coalition with each other that has held until the present.

In the meantime, among the influential states that have been involved in decentralization, are the following three groupings: Rio de Janeiro, hereinafter referred to as Rio; São Paulo and Minas Gerais, hereinafter referred to as Minas, in the southeast; and Bahia, Ceará, and Maranhão in the northeast. Where Japan's cooperation is concerned, it is essential to assume a well-balanced response that does not emphasize any particular group or region as its primary negotiating partner, but takes into consideration changes in the amalgam of political power.

The current Cardoso Administration has strengthened its support base due to the success of the Real Plan (*Plano Real*). On the other hand, as the preparations proceed for the presidential elections in 2002, discord with Mr. Magalhães and Mr. Itamar, both of whom were partners in past elections, has intensified. The fact is that under the influence of changes such as the post-Cold War globalization and IT innovations, including Internet usage, Brazilians have also become increasingly aware that so-called “international standards” cannot be overlooked. It can be said that a significant change in attitude on the part of the general population towards liberalization, deregulation, and privatization is about to emerge.

Internet websites have been set up for the 26 states and one federal district of Brazil, and many of them are designed to allow the public to ask questions and send messages to the governors through the Internet. If they are actually functioning well, this means that a democratic civil society is becoming established due to IT innovation. However, there is also some variation among the states in the amount of information provided and its quality.

On the websites of São Paulo, Rio, and Minas in the southeast, and Paraná in the south, it can be recognized that not only the evaluation of administrative services but also a high quality of services is provided in the actual administration.

Efforts to improve the quality of daily life at the citizen's level, including the maintenance of water quality, saving of electricity, and healthy living, are being made through the cooperation of the central and local governments. This is exactly the field where Japan's experience can be utilized, and through the promotion of bilateral relations between the central and local governments cooperation that is meaningful for both countries can be expected.

*(Written by Ikuori Sumida)*

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\* This chapter summarizes the sector-and issue-wise analyses compiled in the Japanese version of the report.

### 3.1.2 Economy

Having experienced the "Lost Decade" in the 1980s, economic liberalization is actively being promoted for the Brazilian economy from the 1990s. The liberalization of trade and capital markets, privatization, and deregulation of all kinds have been steadily implemented. This has led to economic stability, including the control of inflation, the recovery of economic growth, and rapid inflows of foreign capital, and ensured a good performance compared to that in the 1980s, from the macroeconomic point of view. At the same time, however, it is true that there are some problems such as increasing unemployment, deterioration in income distribution, rapid change in the market structure, uncertainty in the financial system, and the currency crisis. There is no guarantee that pursuing economic liberalization, based on neo-liberalism, can achieve a desirable outcome for Brazil, which has its own characteristic conditions. For this reason, at present, the market-complementing functions of government and institutions, and the realization of social equity, are becoming indispensable issues for "the second-generation policy reform" in Brazil.

Conditions in the economy of Brazil are currently relatively good from the macroeconomic point of view. For instance, inflation quickly settled down when an inflation control policy based on a nominal anchor using the exchange rate, called the "Real Plan", was implemented in 1994. However, as is widely known, this dollar pegging system produces an appreciation of exchange rate values and expands the external deficit, unless inflation rates are controlled to zero. The external imbalance was financed by enormous inflows of foreign capital. However, outflows of foreign capital occurred due to the impact of the Asian currency crisis in 1998, and the Brazilian economy also faced a currency crisis in January 1999. This has forced the economy to shift to a floating exchange rate system. At the moment, the operation of the macro-economy is conducted by a monetary policy that has been made possible under the floating exchange system, and inflation-targeting policies are being implemented. The primary policy variable here is the interest rates, and therefore, interest rates are under careful management. However, with the impact of the Argentinian crisis and shortages of electricity, the exchange rates have been depreciating from the level of one dollar to 1.97 real in January 2001 to 2.5 real by July 2001. Therefore, the current macroeconomic conditions are not necessarily stable. Establishing a fiscal policy that is more sound and stabilizing the exchange rates are the principal challenges for the future in Brazil.

In the meantime, issues for "the second-generation policy reform" are related to building sufficient capacity within the government and institutions with respect to the improvement of social equity. The basic steps for capacity building include the following: introducing competition into the public sector in order to improve efficiency; establishing a system of checks and balances in order to promote incentives for the bureaucratic institutions themselves, such as an independent judiciary, and the separation of powers; adopting a merit system and improving the promotion system; the decentralization of authority; and enhancement of the mechanisms for monitoring public officials and establishing punitive measures. These are prerequisite conditions for sustainable and stable macroeconomic management and industrial development, and furthermore, for the improvement of social equity in dealing with poverty, concentrated income distribution, and other social problems.

In today's Brazil, it can be said that these reforms have already made a certain amount of progress. This is due to the fact that: i) Brazil has already been exposed to international competition since the implementation of the first steps towards economic liberalization; ii) the conventional political system was not tenable with the development of democratization; and iii) it was inevitable that the existing economic system would change due to Brazil's close involvement with the world economy and the expanding and intensifying levels of regional integration. Taking these factors into consideration, it is reasonable to assume that Japan's economic cooperation with Brazil has come to a major turning point. Thus, ODA should not be provided merely to support the quantitative expansion of the economy of Brazil. Instead, it is necessary to explore the potential for ODA to make a qualitative contribution to social equity, productive efficiency, governance, and the institutional framework.

*(Written by Shoji Nishijima)*

### 3.1.3 Industrial structure and employment

#### (1) Industrial structure

##### • Current situation and problems

Among the changes in the industrial structure since economic liberalization, it is noteworthy that the proportional contribution of both industry as a whole and the manufacturing industry in relation to the GDP has declined. The substitution of imports for domestic industrial production is one of the factors involved. However, this should not be regarded merely as a contraction of the manufacturing industry and post-industrialization. Brazil is now going through a structural reform of the inefficient industries that developed during the period of import substitution industrialization. Thus, it is possible that after this structural reform, the competitiveness of existing industries may be strengthened, and new industries may be created, which will lead to an upturn in the contribution of industry to the economy as a whole. Although the proportional contribution of agriculture was tending to decline in relation to the GDP, it has almost levelled off at a little less than 10 percent since the 1980s. Nevertheless, agriculture has sufficient potential to grow, and besides, many industries are based on agriculture.

##### • Direction and challenges

Considering the factors mentioned above, it is likely that agriculture and industry will maintain their strong position in the economy in future, although the trend towards a service economy is growing gradually.

#### (2) Employment

##### • Current situation and problems

Brazil has two employment problems; a rise in the unemployment rate, and the movement towards informal employment. Although the unemployment rate varies in accordance with fluctuations in the economy, the trend is upward. Among some of the factors that underlie this on the supply side, are the entry of new graduates into the labour market and the increasing proportion of women in the workforce. Whereas the factors on the demand side are rationalization in industry, centering on the manufacturing industry, and the fact that, as a means of ensuring this, conditions of employment have become more flexible. The shift to more flexible employment conditions, especially short-term employment, is aimed at boosting competitiveness among industries in response to the globalization of the economy. The government has also started institutional reform for a more flexible system with a view to bolstering competitiveness and raising employment levels. The institutional reform is designed to reduce informal employment. While liberalization of the labour market has been introduced, the government is focusing on job training for workers at high risk of unemployment or taking up informal employment.

##### • Direction and challenges

It is uncertain whether the actual or institutional reforms for a more flexible employment system will reinforce competitiveness among industries and achieve an upswing in employment and its greater formalization. A flexible system will give enterprises a motive for choosing to lower their burden of costs to achieve competitiveness, not through reforms but by a reduction in labour costs. There is a risk of even further reducing the incentive to provide training. Furthermore, this may cause destabilization of the entire employment market. There is a need for a tax system and financial incentives to encourage an expansion of in-house training, along with the enhancement of public vocational education. Legal measures to restrict excessive short-term or informal employment are also required.

### (3) Privatization

#### • Current situation and problems

Privatization of the public sector has been carried out as part of economic liberalization policies. Apart from sectors such as oil, electricity, and finance, most have been privatized. The major objectives of privatization were the reduction of government debt and enhancement of economic efficiency. Emanating from these, stabilization of the macro-economy and correction of the balance of payments were also set as objectives. Furthermore, there was also the expectation that investment would expand. It was also expected that the participation of foreign businesses in the process of privatization would promote not only inflows of capital, but also the transfer of advanced technology and management know-how. In fact, privatization has indeed reduced the government debt. On the other hand, it is difficult to evaluate whether privatization has raised economic efficiency. It is also more difficult to determine whether it has preserved or enhanced the public interest.

#### • Direction and challenges

One of the challenges that may arise in future is the adoption of a tendency among enterprises towards the maximization of short-term profit. A large range of stockholders, including mutual investment funds, are involved in privatized enterprises. There is a risk that this may result in an inclination to institute cash flow management and to increase the rate of return based on a short-term perspective so as to maximize their stock price. Such a trend may restrict investment based on a long-term perspective and limit the furthering of the public interest. Therefore, as for public services, regulations to preserve and enhance the public interest are essential even after privatization.

*(Written by Yoichi Koike)*

#### 3.1.4 Society and culture

Brazil has inherited its basic cultural patterns from Portugal, its former suzerain. At the same time, it has also maintained characteristics and institutions that are common to so-called Latin culture. However, in the course of its historical development, indigenous peoples, Africans, and Europeans have contributed to the formation of the cultural landscape and the unique cultural character. Brazil thus basically has a mixed culture, but, at the same time, it has a certain amount of racial and ethnic discrimination and prejudice. Japanese-Brazilians (Nikkei people) living in Brazil number approximately 1.3 million. Although this figure is not so large in relation to the total population, they play not a small part in Brazilian society. In addition, as emigration of these people to Japan to work (*Dekasegi*) has become conspicuous since the 1980s, new issues have arisen regarding such *Dekasegi*.

Brazil consists of six major regions: i) the northern region (the Amazon Basin), ii) the northeastern inland region, iii) the northeastern coastal region, iv) the southern region (the southern end), v) the southeastern region, and vi) the mid-western region. While there are differences among these regions in racial composition, physiography, ethnic groups, and culture, they also have common cultural characteristics that are peculiar to Brazil. A decline in security along with urbanization and landless farmers' movements in agricultural districts and other areas are considered to be social problems.

*(Written by Takayo Takigawa)*

#### 3.1.5 International relations and regional integration

Brazil has participated actively in the trend towards globalization since the 1990s. Having been liberated from the conventional closed market structure and the constraints of Cold War enmity, the country has been striving to find a niche for itself. In this, three factors in particular have been employed strategically: abundant natural resources, a huge domestic market, and regional integration centering on MERCOSUR (*Mercado Comum do Sul*). Among its wealth of natural resources, iron ore is especially important and presently accounts for the largest share of exports, while oil reserves are promising. As

major international corporations, enterprises such as Companhia Vale do Rio Doce and Petrobrás have been following internationalization strategies, and active progress towards the integration of the energy sector, linked to the regional integration of South America, has gained considerable attention. On the other hand, a number of European multinational companies have entered the huge Brazilian market, mainly in the newly opened service sector. These foreign companies have gained a controlling market share in a short space of time by conducting mergers and acquisitions involving existing business properties. While MERCOSUR forms its core international economic relationship, Brazil has taken up free trade negotiations with the EU and is involved in the formation of the Free Trade Area of Americas (FTAA), which comprises North and South America, but with a clear assertion of its own interests. However, there seem to be some difficulty in maintaining unity within MERCOSUR due to the economic crisis in Argentina. Japan's connection with such a dynamically globalized economy as Brazil's has become progressively weaker since the 1980s. Meanwhile, Brazil has maintained and developed its interests through the financing of the natural resources sector to which Japan's economic cooperation and private investment have contributed greatly in the past. Brazil also offers business opportunities to outsiders. It may be reasonable for Japan to consider utilizing economic cooperation with Brazil, centering on human resources development, in order to help Brazil position itself firmly within an internationalization strategy in the field of information and telecommunications technology, where Japan is seeking new opportunities.

*(Written by Nobuaki Hamaguchi)*

## 3.2 Review of Japan's Cooperation and Future Direction

### 3.2.1 Japan's cooperation – Loan assistance/yen loans (ODA loans)

#### (1) Current situation

The cumulative amount of yen loans to Brazil is second only to that provided to Peru among the annual recipient countries of yen loans in the Latin American and Caribbean region. Since Brazil is an upper middle-income country, yen loans and other ODA are, in principle, limited to the environmental sector and have been provided mainly for environmental projects over the last decade. Environmental conservation projects are an important element of Japan's development cooperation in light of the need to respond to global environmental issues as well as contribute to Japan's goal of ensuring sustainable development. The Japan Bank for International Cooperation (JBIC) therefore continues to be active in these fields through yen loans. As for Other Official Flows (OOF), JBIC has also cooperated in promoting imports and exports related to Japanese development cooperation activities as well as conducting other overseas economic activities. JBIC has also provided support for the development of Brazil's economic infrastructure, including its natural resources, and the promotion of direct investment by Japanese corporations in mining, iron and steel, and communications.

#### (2) Issues

There have recently been calls for a reduction in Japan's ODA budget, reflecting the tight fiscal conditions. It has become all the more important to give due consideration to the development impact of yen loans in the stages of project formulation, appraisal, and monitoring operations. This point is especially relevant to middle-income countries such as Brazil. Meanwhile, the accelerated reform efforts by the Brazilian government in the late 1990s, (symbolized by the Fiscal Responsibility Law, including the restoration of fiscal soundness, economic liberalization, and privatization), have had more than a little impact on yen loan operations as well.



### **(3) Direction and challenges**

In light of changing circumstances in both Japan and Brazil, it is essential to ensure additional value in cooperation through concessional yen loans, besides the effective and efficient implementation of the projects themselves. For this purpose, it is critical to give positive consideration to: i) responding to diverse development needs, and ii) strengthening cooperation with various development partners. More specifically, as for the former, in addition to the environmental sector, it is important to consider projects that can contribute towards correcting gaps and regional disparities, or examine the possibility of cooperation in the social sector in order to directly contribute to poverty alleviation and human resources development. It is also meaningful to examine the actual means of cooperation in view of the trend towards privatization and private sector participation in public services. As for the latter, implementing pilot programs and strengthening cooperation with JICA, NGOs, and other international agencies in the field of research and studies should be considered.

*(Written by Izumi Ohno)*

### **3.2.2 Japan's cooperation – Technical cooperation**

#### **(1) Current situation**

Since the level of the Brazilian economy is relatively high, Japan has been providing cooperation through technical cooperation and loan assistance. Especially, as regards technical cooperation, in consideration of the standing of Brazil within Latin America and the number of Japanese-Brazilians in the country, Japan regards Brazil as the most significant country in the region, and as a country of primary importance in Latin America as a whole, as well as being the sixth largest recipient of Japanese ODA worldwide.

Japan implemented a number of development cooperation projects in the manufacturing sector, such as in agriculture and industry, until the 1980s. However, since the 1990s, it has increased the number of environmental projects or projects that take the environment into consideration. As is evident in the rapid increase in third country training, the emphasis of Japan's cooperation has shifted to the transfer of the outcomes of its cooperation with Brazil to other countries. With the intention of furthering future cooperation with third countries on the basis of an equal partnership between both Japan and Brazil, the Japan-Brazil Partnership Program (JBPP) was established in March 2000 to promote such tripartite cooperation.

#### **(2) Issues**

Brazil has a tendency to assert federal government ownership in identifying and formulating new projects. Brazil is also generally reluctant to have donor countries offer support directly to implementing agencies in Brazil or ask for their cooperation and to jointly formulate projects. On the other hand, the federal government also seems to have difficulty in properly recognizing the development needs of each state. It is therefore essential to ensure that donor countries complement each other in identifying and formulating feasible projects. This requires a close relationship among the federal government, the implementing agencies, and the donor countries.

In local areas, due to the small number of counterparts who are competent in English, there are often some difficulties in technology transfer, whereas many researchers at the top-level research institutes have the same level of English ability and knowledge as the dispatched Japanese experts. Careful consideration is therefore required in selecting personnel as experts.

#### **(3) Priority areas and development issues**

The Policy Consultation held in January 2001 reached agreement to establish the following six sectors as priorities for development cooperation: the environment, industry, agriculture, public health, other social

sectors, and tripartite cooperation. In respect of the environmental sector, which is regarded as the primary focus among these six sectors, it is necessary to continue assistance for both conservation of the natural environment and urban environmental management. As for the manufacturing sector, such as that in industry and agriculture, projects that can benefit both Japan and Brazil in terms of economic relations should be selected, and further consideration of the environmental issues related to these projects is also required. With respect to the social sector, including health care, it is necessary to choose projects that have positive implications for future policies and institutions in Brazil.

#### **(4) Direction and challenges**

As mentioned above, the environmental sector is considered the primary focus for future cooperation with Brazil, and it is also necessary to enhance tripartite cooperation under the JBPP.

With regard to the relationship with Japanese-Brazilians, not only conventional cooperation with the emphasis on “assistance,” but also the “utilization” of the unique experience of the descendants of Japanese immigrants in technical cooperation should be promoted.

*(Written by Takeshi Takano)*

### **3.3 Current Status and Issues in Each Sector**

#### **3.3.1 Environmental policy and urban environment**

##### **(1) Current situation and problems**

Brazil has established a wide range of environmental policies since the 1970s and it should be noted that the UN Conference on the Human Environment held in Stockholm in 1972 formed a turning point for the country. An advanced system of policies and legislation has developed over the past few decades. However, since the administrative capacity and financial resources of the central and local governments are so limited and scarce for the enforcement of the regulations, significant ‘defects in implementation’ or a discrepancy between the laws and the reality can be recognized. This is leading to a very slow improvement of the quality of the environment in general. One example is the rapid and unceasing degradation of tropical forests caused by many factors, including disastrous forest fires and unproductive modes of livestock farming. The problem of air pollution in metropolitan areas is still at a critical level. On the other hand, there are also some positive aspects. The federal government has enacted a new law on environmental crimes (*Lei de Crimes Ambientais*) with a view to strengthening penal regulations. An ecological type of revenue-sharing scheme that resembles an initiative to introduce a “forest subsidy” in Japan (local allocation tax to be transferred to those municipalities with interests in investments in forest preservation) has been discussed and will be introduced in some states. Moreover, there exist some model cities such as Curitiba, the capital of Paraná state, which is widely credited with having presented a futuristic vision of an ecological city (Eco-City). Preservation of historic landmarks has been pursued in some large urban municipalities. These are all positive examples. Concerning global issues, especially regarding the Kyoto Protocol on climate change or global warming, Brazil has taken the stance that ‘the developed countries should take the primary responsibility’ and is showing little enthusiasm for working on the reduction of greenhouse gas emissions on its own initiative. But this does not mean that there have been no positive actions or initiatives taken by Brazil in recent years. Some projects have already produced results, such as the introduction of equipment for wind power generation through Japanese development cooperation in the state of Ceará. Both positive and negative trends for environmental protection coexist in Brazil as described above; this means that the evaluation of Brazilian environmental policy should be undertaken from multiple points of view.

As for Japan’s loan assistance with Brazil, it is necessary to consolidate an appropriate evaluation

system and carry out evaluations with regard to these loans. As for grant aid, although the environmental assessment that has been carried out is limited, some documents and reports related to the assessment of grant projects are available. Reading these reports, it is possible to say that, generally speaking, Japan's development cooperation has been welcomed by local communities and the impacts have been positive. However, previously published evaluation reports identify some challenges, such as the need for developing technical cooperation that is more suited and tailored to the specific realities of Brazilian society. In any case, further development of evaluation techniques is required, including evaluation by independent third parties. So far, project evaluation has tended to be a kind of self-evaluation, in which those involved in the cooperation projects are called upon to evaluate the projects that they themselves have undertaken. Taking into account the fact that the assessment of projects including environmental impacts has hardly ever been conducted in Japan, it is expected that the latest evaluation techniques being developed by JICA, JBIC, and other development organizations affiliated to the Japanese government should be applied in Brazil in order to promote environmental assessment.

## (2) Direction and challenges

As regards a future scenario for development cooperation, it is necessary to narrow down the focus from a strategic standpoint and to aim at achieving the maximum impact with fewer resources. Engaging in a partnership with a variety of organizations, including the Government of Brazil, local governments, NGOs, and residential associations, will encourage Brazil to work more on environmental protection. Firstly, it should be noted that aid for the solution of urban problems, especially improvement of the residential environment of *favelas* (slums), will contribute to a reduction of the burden on the environment. As for aid for housing and urban development, self-help types of projects would be efficient and can be accomplished at a lower cost. Secondly, as regards environmental technology, in particular the transfer of equipment and facilities, the objective that should be promoted is the transfer to Brazil of an economical, effective and appropriate technology by assimilating the latest achievements of academic and scientific research in related fields. Concerning training programs for environmental management and technology hosted by JICA and held in Japan, it is essential to develop curricula that better suit the needs of Brazilian society. Thirdly, it is useful to provide assistance to advanced local governments in Brazil who are credited with having developed effective environmental projects in order to help these model cities and villages disseminate their expertise and knowledge to other localities, which will lead to more efficient cooperation between Japan and Brazil.

*(Written by Keiichi Yamazaki)*

### 3.3.2 Natural environment

#### (1) Features

Brazil has a low-lying and gently rolling topography, 99.5 percent of which is at a height of less than 1,200 meters above sea level. Since the largest proportion of its area comes within the tropical humid climate zone, there is an abundance of water resources. There is some variation in vegetation according to the difference in precipitation levels, such as tropical rain forest, tropical seasonal forest, savanna, and thorny scrub. Nevertheless, all areas are covered with a rich variety of tropical vegetation. As with some other areas, the wildlife of the tropical forests in the Amazon basin and along the Atlantic coasts is of unique importance. Its forests and aquatic ecosystems are full of endemic species, and such biological diversity is a precious heritage that cannot be found anywhere else in the world.

#### (2) Current situation and problems

The forests along the Atlantic coasts have been virtually destroyed as a result of various economic activities over a period of 500 years, starting from the arrival of Europeans, including sugarcane cultivation

in Nordeste (the northeast) and coffee plantations in the southeast. There are only remnants of the forest left, and the conservation and regeneration of this remaining forest has recently become an issue of public concern. Meanwhile, in Amazonia, the highland (*terra firme*) forest suffered from large-scale clearance for cattle ranching during the 1980s, which attracted worldwide attention. After this period of forest destruction, since timber extraction has risen in importance and forests have become a means of supporting development, the rate of forest clearance has slowed down somewhat. Nevertheless, the forest is still disappearing at a rate of 17,000 square kilometers per year. There are also some other factors that threaten the Amazonia ecosystem, such as mercury contamination of some tributaries, overfishing, and the submersion of forests as well as disruption of fish migration routes due to the construction of dams.

Brazil has come to a turning point in its use of water resources, which used to be abundant. In 2001, Brazil faced a severe electricity shortage due to the low rainfall and drought. However, when the submergence of forests and other impacts on the environment are taken into account, there is a limited amount of land available for constructing hydroelectric dams. As irrigation agriculture has become widespread, there is also a further problem of competition for water supplies between hydroelectric power generation and agricultural uses. Meanwhile, a severe drought in the Sertão region, an inland region of Nordeste, has continued for years. The situation is rather disconcerting in relation to various large and small-scale problems that are related to the salinization of soil due to the spread of irrigation agriculture.

### (3) Development issues

One of the most significant components of the biological diversity of Amazonia is the várzea forest growing on the várzea, or floodplains along the rivers. This is because the várzea forest, which is seasonally submerged, and the related wetlands are critical habitats for fish and other aquatic life. However, deforestation of the várzea forest has become a major issue, and the consequent disappearance of aquatic ecosystems has become a cause of concern. The promotion of várzea forest conservation measures and the sustainable use of the flood plains is an urgent task. This task is as important as the conservation of the Pantanal wetland, which has recently been receiving increased public attention.

The second issue concerns environmental assessment in relation to the development of water resources. For example, it is necessary to consider taking appropriate remedial action based on the current state of coastal erosion in river deltas due to the construction of dams. In addition, consideration should be given to the prospective salinization and soil degradation resulting from irrigation farming in the inland area of the Nordeste region, which comes under the semiarid climate zone.

Thirdly, although the Proalcohol Plan, which the Government of Brazil introduced after the first oil crisis, is considered to be an ambitious attempt to exploit the solar energy-rich tropical environment, it has become moribund recently due to economic and environmental problems. Therefore, technical assistance for a revaluation as well as rehabilitation of the plan is desirable.

### (4) Direction and challenges

There are many recent trends that deserve credit, such as the spread of environmental education, growing national awareness of environmental issues, and the activities of the government and NGOs in conserving the environment in Brazil. Harmonization of development and ecosystem conservation is not an easy issue to resolve. At present, an international project, the Pilot Program to Conserve the Brazilian Rain Forest (PPG7), is underway to conserve the Amazon forests and forests along Atlantic coasts and for sustainable regional development. It is necessary to continue making such steady efforts and conducting extensive research.

(Written by Eiji Matsumoto)

### **3.3.3 Industry**

#### **(1) Current situation**

Brazilian industry was long protected under an industrialization policy of import substitution. However, conditions have now changed since 1990 with the introduction of competition through the global marketplace. The goals of the industrial trade policy guidelines of 1990 were set as development of the industrial structure, improving the efficiency of industry through technological innovation, increasing productivity, and strengthening industrial competitiveness. Trade liberalization was considered to be the most powerful means of achieving these goals. As policies related to competition, exports, and science and technology have been established, industrial policies have changed their focus towards strengthening the functioning of markets and the supply side of cross-sectoral industries. Thus, 'targeting policies' that targeted specific industries for government support were basically abandoned. Brazilian industry was urged to settle some issues that conflict with each other such as reducing costs, quality improvements, product diversification, and new product rollouts. Most corporations have already responded positively, and technological and management innovations have been implemented. A number of new foreign enterprises have become involved, which has also boosted technological and management innovation. A series of structural reforms has increased imports and decreased the contribution of the manufacturing industry to the national economy.

#### **(2) Problems**

A number of market withdrawals and failures have emerged in some sectors and corporations. Nationally capitalized firms that have poor funding, low technical capability, and lack commercial acumen, especially most small and medium-sized enterprises (SMEs), have faced difficulties. This can be regarded as a process of culling. However, there were some aspects from which it could be agreed that such an extensive and rapid import liberalization pushed enterprises that could have survived out of the markets. A fundamental problem in relation to SMEs is that the extensive and rapid liberalization policy tends to exclude from the market many SMEs that are potentially competitive. This is an impediment to their active role in industrial development, in functioning as leaders of potential industrial and technological fields, flexibly providing products that match local needs, and supplementing the operations of large enterprises by supplying parts and raw materials. The government exposed the industry to competition, but at the same time it implemented support measures for the supply side, such as quality and productivity improvement plans aimed at strengthening the industry. However, in actuality, due to unclear objectives, insufficient funds and a lack of human resources, besides deficiencies in the systems, these measures are not functioning well.

#### **(3) Direction**

The manufacturing industry is likely to recover its place in the national economy. Brazil has huge domestic markets, yet it also has an accumulation of industries and industrial technology. These advantages over neighboring countries, together with the attraction of its domestic markets, will encourage industries and enterprises to target such markets and locate in Brazil. Processed products made from primary commodities form the sector in which Brazil will maintain its comparative advantage. Iron and steel, pulp and paper, soybean oil, and orange juice are major examples. The success of these industries has resulted not only from reduced production costs, but also the establishment of systems related to distribution, transportation, and marketing, as well as the introduction of know-how. Significant advances cannot be expected in the food industry. However, the development and diffusion of refrigeration and transportation technology, and the introduction of new products will make it possible to expand and deepen the market. Brazil also has an advantage in consumer durable goods production, such as automobiles, electrical appliances and electronics. Since these industries have economies of scale, their involvement in

the market has great significance. As described above, although the situation differs among the various industries, Brazilian industry as a whole has a high potential for development.

#### **(4) Issues**

There are still many issues and tasks for industry to overcome in order to realize its potential. One of these issues is innovation in the economic activities that support industrial production. There are some tasks to be accomplished, such as improvement of the design and packaging of products, standardization, upgrading of marketing skills, improvement as well as expansion of distribution networks, and exploitation of export channels. Another issue to be tackled in the industrial sector is the strengthening of SMEs. With regard to the policies for SMEs, it is important for people to recognize that the market may fail since it is not fully prepared. Credit facilities as part of a system of finance are essential, and the provision of quality control inspection services is also necessary. It is not easy for SMEs to obtain international standard certifications, such as those under the ISO. The establishment of standards that are lower than those of the ISO and a system of certification for such standards may be necessary in order to reap the social benefits of enhancing the reputation of SMEs. It is not easy to boost the marketing capacity of each of the large number of SMEs either. An alternative can be to set up incentive schemes of some kind for larger scale producers or dealers, such as supermarkets, as long as they purchase from small and medium-sized producers. As for industrial policies as a whole, decentralization is a critical element. In response to capital centralization and oligopoly, a fundamental requirement is to introduce government regulation, such as legal procedures to control behavior that limits competition as well as consumer protection to promote fair competition.

*(Written by Yoichi Koike)*

### **3.3.4 Agriculture**

#### **(1) Current situation and issues**

In Brazil, there is a wide range of climates in the various regions- some regions have a tropical humid climate while some others experience snowfall. There are also a variety of types of agriculture including ones that are characteristic to certain regions. Recently, Brazilian agriculture has created a dynamic and large-scale agribusiness sector, using the comparative advantage of its huge area of land that is suitable for various types of agriculture, and with the entry of multinational corporations. Also, this has introduced industries that are related to agriculture. Although the value of agricultural production accounts for only 8.3 percent of the GDP, that for the whole of agribusiness accounts for 32 percent of the GDP, and exports from the agribusiness sector account for 41 percent of national foreign currency earnings. Agriculture thus plays an important role in the Brazilian economy. On the other hand, in the face of rapid agricultural development and globalization, Brazilian agriculture is having to face some critical issues. It is necessary to formulate measures to deal with: i) environmental degradation—environmental problems in the Amazon and Cerrado regions; ii) marginalization of subsistence agriculture—the increase in the number of landless farmers and heavily indebted farmers; and iii) “The Brazil Cost,” a cost that is attributable to the undeveloped distribution infrastructure. It is also important to enhance competitiveness by improving productivity.

#### **(2) Agricultural policies of Brazil**

The agricultural policies of Brazil include three major schemes: i) an agricultural credit; ii) agricultural insurance; and iii) guaranteed minimum prices for agricultural products. However, the contents of these policies have undergone drastic changes since the 1980s, especially in the early 1990s, due to the fact that the conventional administration of public subsidies was replaced by the new trend towards economic liberalization. The agricultural strategies of the government since the 1990s can be summarized as: i) reducing government intervention and introducing market principles; ii) enhancement of

global competitiveness and promotion of exports; and iii) aid for impoverished peasants- farmers who cannot conform to market mechanisms.

### **(3) Analysis of cooperation trends in the agricultural sector**

The main portion of Japan's ODA to Brazil in the agricultural sector has consisted of assistance to the Cerrado region since the late 1970s, along with financial as well as technical cooperation. In recent years, there has been a conspicuous increase in technical cooperation projects in the Amazon region.

Cooperation with other aid agencies is comparatively limited in the agricultural sector, since international aid tends to be concentrated on poverty reduction and sectors related to environmental conservation.

### **(4) Direction and Challenges for international cooperation**

Brazil is a country with a major economic presence as well as being a leader in South America, and has a strong interdependent relationship with Japan. Thus, it is desirable that strategic international cooperation should be carried out based on a partnership between Japan and Brazil. There are some sectors to be considered in relation to this, such as: i) environmental conservation and the sustainable development of agricultural technology in the Amazon region; ii) the same in the Cerrado region; iii) strengthening tripartite cooperation among Brazil, Japan and third countries, including with Portuguese-speaking African countries; and iv) the development of biomass industrial technology to utilize alternative energy sources.

*(Written by Yutaka Hongo)*

## **3.3.5 Social development**

### **(1) Current situation and issues**

Brazil had the eighth largest economy in the world as of 1999. However, poverty and disparities between regions and between social strata are still serious.

Thirty-eight million people, or approximately 22.6 percent of the entire population, were in extreme poverty as of 1999. The extremely iniquitous distribution of income has seen little improvement in the past decade. The country is administratively divided into five major regions. Among them, the southern and southeastern regions are relatively rich, while the northern and northeastern regions are poor. When the Human Development Index (HDI) of each Brazilian state is compared with that of each country in the world, there are 92 countries ranked between the most developed state and the least developed one. Disparities between the states are that large.

There is also a certain amount of racial and ethnic discrimination and prejudice. In addition, the differences between the sexes indicated in the Gender Development Index (GDI) needs to be improved.

Urbanization is conspicuous, which is shown by the fact that the urban population accounts for 81 percent of the entire population. In recent years, immigrants have poured in from megalopolises to the mid-sized cities, so poverty has become conspicuous in urban areas of the northeast region especially.

### **(2) Response of the government and other organizations**

The present government, the Cardoso Administration, has announced its active commitment to tackling social problems, referring to the correction of regional imbalances, the eradication of poverty, and the promotion of citizens' participation in social activities as the basic strategy guidelines for the national development plan. In addition, citizens have become concerned about the poverty problem and other social problems. Along with this, non-governmental organizations and their activities to lead citizens have been growing.

### (3) Issues for future cooperation

With regard to the social development of Brazil, cooperation will be requested in the rectification of various disparities. The method of cooperation, however, requires deliberate study, because the causes of these disparities are derived from complicated factors, including structural factors related to Brazilian society that have accumulated over its history, past policies, and natural conditions, which sometimes makes it difficult for outsiders to become involved in the social development of Brazil. Under the circumstances that activities in the social sector have been popularized at the citizen's level, manifold cooperation should be considered. For example, cooperation with governmental organizations that seek partnership with such citizen's activities.

*(Written by Takayo Takigawa)*

#### 3.3.6 Health care

##### (1) Current situation

Brazil is the largest Latin American country and also has achieved the eighth position in the world in terms of the size of its economy. Brazil has also adopted the role of an opinion leader among developing countries. Despite many problems, under the Cardoso Administration, Brazil has set the goal of an ideal healthcare system and has been seeking the appropriate path that both developing and developed countries could take. For Brazil, "the ideal health care system" does not need to coincide with world trends. Some of the ideal systems that Brazil is proposing, such as free medical care, the principle of full public participation, family health care programs, and humane health care services, are supposed to be out-of-date in terms of the international agenda. It is important to remember that having a commitment to the Brazilian healthcare system means challenging the current world systems, including the relationship between developed and developing countries.

The current situation shows that regional disparities in the health indicators of Brazil, such as the infant mortality rate, have significantly improved over the last decade. However, the further improvement of existing disparities within or between regions is still necessary and remains as one of the biggest concerns for the public health sector.

##### (2) Development issues

###### i) Healthcare financing system

A policy of decentralization has been followed in order to maintain free medical care as the constitutional right of each citizen. The most significant task for Brazil is, in line with this decentralization, to seek ways to ensure that the coverage of the healthcare financing system is such that it can efficiently reach the people who are most in need.

###### ii) Essential drugs

Mr. Serra, the Minister of Health, despite strong criticism from multinational pharmaceutical corporations, is firm in his commitment to implement an essential drugs scheme. This has become the most significant task in healthcare policies.

###### iii) Primary health care (PHC)

Provision of primary health care is the most critical task for Brazil, where the land area is vast and the population is widely dispersed.

##### (3) Cooperation issues for Japan

###### i) Overcoming disparities in healthcare services

Action is vital to achieve the most important goal of overcoming disparities in health care services, in view of the extent of urban poverty along with the regional disparities, such as those between the wealthy south and the poor northeast and northern regions.



- ii) Establishing a new model of primary health care (PHC) by supporting the Brazilian ideals for medical care
- iii) Strengthening third country cooperation  
Brazil is a potential base for developing human resources among Portuguese- or Spanish-speaking countries. Having been involved with such countries, Japan is in a position to develop meaningful and effective cooperation projects.

(Written by Chizuru Misago)

### 3.3.7 Human resource development

#### (1) Current situation

The current education system of Brazil is being administered based on the *A Lei de Diretrizes e Bases de Educação* (LDB), the basic law on national educational guidelines that was promulgated in 1996. A system of pre-school education, eight years of primary education from the age of 7 to 14, secondary education for three or four years, and higher education has been established.

The Brazilian government is working on improvement of the foundation for education and other issues through international cooperation and other assistance, with the aim of achieving "education for all."

#### (2) Problems

The primary education period of eight years is compulsory. However, there are some dropouts attributable to the use of child labor and other factors. This has become one of the causes of illiteracy among youth and adults who have not completed a school education. There is a high illiteracy rate, especially among women over 50. In addition, since repeating a course is allowed above the fifth grade of primary school, excessive repeating of courses has become one of the factors prompting pupils to drop out.

There are serious regional disparities in education in Brazil. In the northeast, which is regarded as an area of poverty, and other rural areas, the provision of school education is less adequate than in other areas. Among urban areas, educational conditions are quite bad in the slums. Juvenile delinquency, including drugs, child abuse, and other problems, are serious, and educational problems attributable to this situation await resolution.

Moreover, teacher training as well as the treatment of teachers needs to be improved.

In addition, there is an unmet need for special education, which should be promoted.

#### (3) Development issues

Among others, the following tasks should be considered;

- providing the social infrastructure through various opportunities and means
- implementing educational measures using participatory approaches
- implementing projects that reflect regional characteristics through the cooperative efforts of the central and local educational administrations
- promoting the activities of research institutes and NGOs that are conducting community-based activities in response to various educational problems underlying Brazilian society
- providing educational assistance to children returning from Japan or other countries and promoting education for global understanding

#### (4) Direction and challenges

Educational differences can be found in various sectors in Brazilian society. For instance, the northeast region and the slums in terms of locality, women over 50 in terms of age and sex, and additionally, street children and the disabled, are all educationally disadvantaged. It is therefore necessary to take affirmative action to provide assistance to these groups and regions facing exceptional educational difficulties.

Among the educational problems underlying Brazilian society, there are also a number of problems that are common to other countries. In seeking the causes and solutions to these problems and implementing assistance projects, an effective approach would be to cooperate with existing agencies and activities in both Brazil and Japan.

*(Written by Mami Nishii)*

### **3.3.8 Tripartite cooperation**

#### **(1) Current situation**

Japan has for some time supported third countries through third-country training programs organized in cooperation with Brazil. Since this third-country training took on the character of a secondary transfer of Japan's technical cooperation, the Japan-Brazil Partnership Program (JBPP) was concluded in March 2000 in order to fulfil the objective of tripartite cooperation involving the efforts of Japan and Brazil on an equal basis. The JBPP has identified Portuguese-speaking African Countries (PALOPs) as the immediate target countries, and decided to dispatch a Japan and Brazil joint project formulation study team to Mozambique and Angola in May 2001 to examine the possibility of cooperation in the healthcare sector for the future implementation of a joint project.

#### **(2) Problems**

Japan's third-country training is one form of joint project in its relationship with the countries of its partnership program other than Brazil. However, since Brazil seeks a more equal alliance with Japan, as mentioned above, and insists that Brazil and Japan should work together from the stage of project formulation, third-country training is not considered as a project of JBPP.

However, joint training has actually been conducted under JBPP and is quite similar to third-country training, except that; i) it is not premised on the experience of Japan's cooperation with another country acting as a training base, and ii) Brazil and Japan share equally the cost of conducting the training. Since the difference is so slight, it is essential to determine the relationship between third-country training and joint training in future.

#### **(3) Development issues**

Since Brazil has a relatively high level of technology in every sector when compared to neighboring countries in South America, conventional third-country training is feasible in various sectors.

At present, joint projects under JBPP are undertaken in PALOPs, including Mozambique and Angola, where cooperation is particularly required in the health care and agricultural sectors. These sectors are also the focus of Japan's cooperation to Brazil, and Japan understands well the technical level of Brazil. Therefore, for the time being, joint projects will be planned and implemented in these sectors.

#### **(4) Direction and challenges**

Japan has concluded partnership programs in South America not only with Brazil, but also with Argentina and Chile. A major task for the future is to identify the distinctive characteristics that differentiate tripartite cooperation with Brazil from that with these two countries.

In this sense, it is meaningful that JBPP has decided that PALOPs should form the immediate target countries, since it recognizes Portuguese-language resources as a characteristic feature. On the other hand, as Brazil is a critical country where the implementation of cross-border cooperation in South America is concerned, the utilization of JBPP for cooperation in a wider range of countries should also be considered.

In addition, Brazil has a strong interest in providing support to East Timor under the JBPP, yet Japan is currently emphasizing the relationship with neighboring Asian countries in terms of support to East Timor. From the point of view of the availability of Portuguese language resources, taking into consideration that

East Timor may formally become an independent state and carry out Portuguese-centered nation-building, it is necessary to consider future tripartite cooperation with Brazil in this respect, taking into account coherence with the foreign policy of Japan.

*(Written by Takeshi Takano)*

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## Supplementary Chapter

### Case Study of an NGO-JICA Collaboration Project in its Initial Phase

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In Brazil, where deep human suffering caused by poverty, violence and other social problems are experienced and witnessed daily by a great many people, extraordinary efforts by citizens to combat them are also widespread. Since the early to mid-1990s, with the maturing of civil society movements and an increasingly collaborative government, many community level experiences have been, when found effective, copied or adopted as municipal, state and sometimes national programs. In the 1990s, for example, the Ministry of Health adopted the concept of “solidarity” in the fight against AIDS - originally a slogan created by civil society activists. The newly emerged concept of “solidarity” has helped the government not only to create a unique policy to provide free HIV treatment to all patients, but also to become a symbol of the fight against the greed of multinational corporations in the era of globalization. The “humanization of childbirth,” an effort to improve assistance for natural childbirth and to prevent unnecessary Caesarean sections, is another example of the work of a civil society movement transformed into a state, and later, a national health policy.

JICA views collaboration with civil society organizations as one of the most important strategies for improving welfare in the recipient countries. In 1997, the Community Empowerment Program (CEP) was created with the objective to implement model projects through locally organized NGOs, providing 5 to 20 million yen annually to each project over three years. The first CEP project in Brazil was agreed on in late 2001 between JICA and the Monte Azul Community Association (ACOMA), with the endorsement of the City of São Paulo. The objective of the project is to improve early childhood care and education in poor neighborhoods through the pedagogical training of “social educators,” i.e. teachers working in kindergartens, day-care centers and complementary schooling programs. At this moment, 150 educators from 90 community-based organizations are being trained in a course that will last three years.

It is hoped that this project will succeed in achieving its objectives by the end of the three-year period of the project, and contribute to communities outside the project area in the future. There exist, however, several structural obstacles on the part of the government in dealing effectively with the issue of early childhood care and education. This is a new area of social development whose importance is only now becoming recognized. International aid organizations are increasingly interested in working for children in the most formative and vulnerable years. In many parts of the world, however, it is still difficult to identify government counterparts designated with the responsibility or given the authority to deal with the issue effectively and efficiently. In the case of Brazil, education, social action and health departments/ministries are all involved in the care of children of pre-school age, and yet none of them sees itself as primarily responsible for these children

JICA’s decision to work with the ACOMA directly through the CEP, will hopefully allow both the civil society and the government to experiment with new and creative ways to deal with the issue and overcome institutional and inter-agency barriers. For ACOMA, a veteran community-based organization that has succeeded in transforming a *favela* into a peaceful and lively neighborhood through 22 years of work in education, health, income generation and community empowerment, each child is considered as a whole and his or her development is not divided into education, health and social aspects. As the project proceeds, more areas are likely to be identified and more partners that JICA could provide support to will emerge to further facilitate the experimentation. Flexible application of existing schemes and resources on the part of JICA will be required.

Brazil and Japan are known to have strong and reciprocal ties not only in terms of economic relationships, but also in cultural fields and even in the number of nationals visiting and residing in each other’s country. JICA’s role in Brazil should be not only to help, but also to learn from the experiences of

this country. Brazil offers many experiences that are not commonly found in Japan, including deep involvement of the civil society in tackling social problems. In the era of globalization, when there is fear of the dominance of the world by the economical interests of the few, civil society --government collaboration will be extremely important in dealing with social problems derived from economic and social injustice.

*(Written by Daisuke Onuki)*

Table 4.1 Matrix of Development Issues of Brazil (Summary)

Categories	Current Status and Problems	Development Issues
Politics and Public Administration	<ul style="list-style-type: none"> <li>• Inconsistency of government policies</li> </ul> <Administrative functions> <ul style="list-style-type: none"> <li>• Progressed financial decentralization</li> <li>• Weak administrative capacity of state governments after decentralization</li> <li>• Greater gaps in the administrative capacity among state governments</li> </ul>	<Administrative functions> <ul style="list-style-type: none"> <li>• Strengthening the financial management capacity of state governments</li> <li>• Strengthening the policy formulating capacity of state governments</li> <li>• Decentralization</li> </ul>
Economy	<ul style="list-style-type: none"> <li>• Insufficient judicial and institutional systems, the prerequisites for the market mechanism to work</li> <li>• Inefficiency of the law</li> <li>• Ineffectiveness and inconsistency of government policies</li> <li>• Corruption</li> <li>• Rent-seeking activities</li> <li>• Nepotism</li> <li>• Opportunistic behavior</li> <li>• Unequal income distribution</li> </ul>	<Administrative functions and legal systems> <ul style="list-style-type: none"> <li>• Increasing efficiency of the public sector</li> <li>• Creating the regulation and system, and ensuring the right of ownership for better market activities</li> <li>• Establishing checks and balances including independence of the judiciary and the separation of powers</li> <li>• Introducing a merit system and improving promotion system</li> <li>• Strengthening the monitoring mechanisms and punitive measures for civil servants</li> <li>• Improvement of social infrastructure including social safety nets</li> </ul> <Markets> <ul style="list-style-type: none"> <li>• Encouraging FDI</li> </ul>
Industrial Structure and Employment	<Employment> <ul style="list-style-type: none"> <li>• Uncertainty associated with increasing flexibility of employment system</li> <li>• Reducing interests in providing job training to employees among private firms</li> <li>• Growing fears of destabilization of the labor market</li> </ul> <Privatization> <ul style="list-style-type: none"> <li>• Risk of market activities focusing on short-term profit maximization</li> </ul>	<Employment> <ul style="list-style-type: none"> <li>• Providing more public vocational education</li> <li>• Providing financial and tax incentives for in-house corporate training</li> <li>• Establishing legal measures which restrict excessive short-term or informal employment system</li> </ul> <Privatization> <ul style="list-style-type: none"> <li>• Establishing government regulations to protect and enhance the public interest</li> </ul>
Social Development	<b>【Current status】</b> <ol style="list-style-type: none"> <li>1. Brazil has a serious problem of income and regional disparities.</li> <li>2. The creation of systems and implementation of positive measures have made achievements in the area of education and health care.</li> </ol> <b>【Problems】</b> <Income, regional and social disparities> <ul style="list-style-type: none"> <li>• Landless peasant movements</li> <li>• Disparities in the unemployment rates and wages among ethnic groups</li> <li>• Extremely low average household income, health index and educational quotient, and a high infant mortality rate especially in north and northeast Brazil</li> </ul> <Public security> <ul style="list-style-type: none"> <li>• Deterioration in public security due to the high concentration of the population in urban areas</li> <li>• Problem of street children</li> <li>• Child labor and drug problems</li> </ul> <Women> <ul style="list-style-type: none"> <li>• Inappropriate conditions to encourage women to enter the labor market</li> <li>• Lower salary levels for women</li> </ul> <Other issues> <ul style="list-style-type: none"> <li>• High unemployment rate</li> <li>• Deterioration of living conditions in middle-size cities</li> </ul>	<Networking> <ul style="list-style-type: none"> <li>• Multilevel cooperation among governments, NGOs, and the private sector</li> <li>• Supporting grass-roots activities</li> <li>• Organizing a system for cooperation</li> </ul> <Social Problems> <ul style="list-style-type: none"> <li>• Strengthening public security in urban areas</li> <li>• Providing economic and social infrastructure in middle-size cities</li> <li>• Creating job opportunities</li> <li>• Promoting the agrarian land reform and increasing transparency of the government budget</li> </ul>

Categories	Current Status and Problems	Development Issues
<b>International Relations/ Regional Integration</b>	<ul style="list-style-type: none"> <li>• High potentialities of natural resources in Brazil</li> <li>• Stagnating Japan's presence in Brazilian economy</li> <li>• Increasing entry of multinational companies due to liberalization and privatization (growing number of acquisitions of companies by foreign capital), and domestic companies operated multi-nationally</li> <li>• Sluggish growth of domestic corporate investments due to the rise in the capital cost as a result of high interest rates</li> <li>• Progress of regional integration (e.g. strategy in response to the FTAA)</li> <li>• Contraction of trade with Argentina due to its economic crisis</li> <li>• Entering business partnerships with private companies or foreign affiliates in the future</li> </ul> <p>&lt;IT&gt;</p> <ul style="list-style-type: none"> <li>• Huge domestic market</li> <li>• Special applications in distance learning and social welfare, especially remote medical care (due to the vast land area)</li> <li>• High level of information technology</li> </ul>	<p>&lt;Private sector&gt;</p> <ul style="list-style-type: none"> <li>• Promoting the entry of Japanese private companies to the natural resource sector</li> <li>• Reconfirming the benefits for Japan in the trade with Brazil</li> </ul> <p>&lt;Regional integration&gt;</p> <ul style="list-style-type: none"> <li>• Strengthening unity within MERCOSUR to reinforce its bargaining power in relation to the US</li> </ul> <p>&lt;Systems&gt;</p> <ul style="list-style-type: none"> <li>• Promoting coordination through the dialogue between both the Brazilian and Japanese governments</li> <li>• Developing new financial measures</li> </ul> <p>&lt;IT&gt;</p> <ul style="list-style-type: none"> <li>• Providing IT training with educational and medical experts</li> <li>• Formulating the strategies for information technology from Japan's viewpoints</li> <li>• Developing human resources related to information technology, focusing on software development</li> <li>• Improving the industrial infrastructure</li> </ul>

Table 4.2 Matrix of Development Issues of Brazil (Priority Development Issues from Japan's Perspective)

Categories	Current Status and Problems	Development Issues	Priority Development Issues from Japan's Perspective (Examples of Cooperation)	Japan's Stance towards Cooperation
Environmental Administration	<ul style="list-style-type: none"> <li>Lack of data and analysis of environmental conditions, including urban pollution</li> <li>&lt;Legal systems&gt;</li> <li>Lack of effectiveness due to inadequate law enforcement systems</li> <li>&lt;Administration&gt;</li> <li>The federal government: lack of financial resources. Reaching the consensus among the ministries is difficult, and thus environmental conservation is not always given a high priority.</li> <li>Lack of environmental experts in IBAMA, in charge of enforcing environmental regulations resulting from staff downsizing with limited budget</li> <li>The state governments: consideration of earnings from revenue sharing to be spent on green project</li> <li>The municipal authorities: lack of administrative capacity due to vulnerable financial basis</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of monitoring systems to prevent urban pollution</li> <li>&lt;Legal systems&gt;</li> <li>Formulating urban environmental policies and supporting the improvement of legal systems</li> <li>Improvement of law enforcement systems</li> <li>&lt;Administration&gt;</li> <li>Strengthening the administrative capacity of environmental management (at the level of states and municipal authorities)</li> <li>Evaluating comprehensive activities and projects for environmental restoration in polluted areas</li> </ul>	<p><i>Cooperation that presents Japan's strengths and message</i></p> <ul style="list-style-type: none"> <li>Formulation of urban environmental policies and improvement of the legal systems</li> </ul>	<ul style="list-style-type: none"> <li>Support for social fairness and cooperation with local communities can provide model cases based on a shared principles between Brazil and Japan; Japan should emphasize support for model areas and organizations.</li> <li>In addition to conventional cooperation at local governments level, including sister-city exchanges, Japanese local governments' experience of environmental protection should be introduced as a model.</li> <li>Approaches that encourage the citizen's participation and collaborative activities are actually effective and efficient in the improvement of the urban environment. In this regard, partnerships with NGOs, academics and state governments who are acquainted with the area are considered to be significant, since it is difficult for outsiders to understand the interests within communities.</li> </ul>
Urban Environment	<ul style="list-style-type: none"> <li>&lt;Industrial pollution&gt;</li> <li>Air pollution caused by factory and automobile emissions</li> <li>Water pollution produced by factory effluent and wastewater from slums</li> <li>&lt;Problems of the waste&gt;</li> <li>Low capacity for waste processing</li> <li>&lt;Problems of noise&gt;</li> <li>Noise from eating places and the need for urban development</li> <li>Noise from urban slums (e.g. <i>favelas</i>)</li> </ul>	<ul style="list-style-type: none"> <li>&lt;Research&gt;</li> <li>Need for epidemiological surveys of health hazards</li> <li>Research on rapidly-growing local cities</li> <li>Choosing environmental technology suitable for Brazil (e.g. sewage treatment plants and other facilities)</li> <li>Development of urban infrastructure (e.g. improvement of water supply and sewerage systems and the waste treatment facilities)</li> <li>Improvement of transportation systems</li> <li>Landscaping and streetscape preservation, and the need for greening projects (street-side trees, libraries, biotope conservation and other projects)</li> <li>Cooperative activities with civil society including residents associations, NGOs and others</li> <li>Supporting the rehabilitation of <i>favelas</i></li> <li>Need for activities involving public participation (self-help style) for urban environmental problems including housing issues</li> </ul>	<p><i>Cooperation that presents Japan's strengths and message</i></p> <ul style="list-style-type: none"> <li>Pollution controls</li> <li>Techniques for environmental restoration</li> </ul>	



Table 4.2 Matrix of Development Issues of Brazil (Priority Development Issues from Japan's Perspective)

Categories	Current Status and Problems	Development Issues	Priority Development Issues from Japan's Perspective (Examples of Cooperation)	Japan's Stance towards Cooperation
Natural Environment	<p>&lt;Crisis in the loss of biodiversity&gt;</p> <ul style="list-style-type: none"> <li>• Degradation of várzea forest in the Amazonia</li> <li>• Issues concerned with the development of the Pantanal</li> </ul> <p>&lt;Water pollution&gt;</p> <ul style="list-style-type: none"> <li>• Aquatic ecosystems in crisis</li> <li>• Mercury contamination of rivers</li> </ul> <p>&lt;Deforestation&gt;</p> <ul style="list-style-type: none"> <li>• Global warming due to the increase of atmospheric carbon dioxide levels</li> <li>• Crisis of forest loss in Mata Atlántica</li> <li>• Crisis of the Amazonian rain forest</li> </ul> <p>&lt;Desertification&gt;</p> <ul style="list-style-type: none"> <li>• Risk of salinization of soil and desertification caused by large-scale irrigation farming along the banks of the San Francisco River and other areas</li> </ul> <p>&lt;Soil&gt;</p> <ul style="list-style-type: none"> <li>• Soil degradation due to clearing of arable land and overgrazing</li> </ul> <p>&lt;Coastal erosion&gt;</p> <ul style="list-style-type: none"> <li>• Lack of environmental impact assessment concerning the construction of large-scale dam required from a high dependence on hydroelectric power generation</li> </ul>	<p>&lt;Biodiversity preservation&gt;</p> <ul style="list-style-type: none"> <li>• Conservation of várzea vegetation</li> </ul> <p>&lt;Forest conservation&gt;</p> <ul style="list-style-type: none"> <li>• Maintenance of water quality&gt;</li> </ul> <p>&lt;Preservation of aquatic life as a precious fishery resource&gt;</p> <ul style="list-style-type: none"> <li>• Mercury pollution prevention</li> </ul> <p>&lt;Research and evaluation&gt;</p> <ul style="list-style-type: none"> <li>• Use and an evaluation of biomass energy (e.g. promoting the conversion of manioc (cassava) into alcohol and upgrading alcohol production using advanced technology)</li> </ul> <ul style="list-style-type: none"> <li>• Research on the development of the Pantanal</li> <li>• Research on water resources development</li> <li>• Primary research on the current situation regarding coastal erosion and its causal factors</li> <li>• Supporting technical development for the prevention of salinization of soil and desertification</li> </ul> <p>&lt;Legal systems&gt;</p> <ul style="list-style-type: none"> <li>• Developing and enforcing a legal system ensuring land ownership</li> </ul>	<p><b>Cooperation on global problems</b></p> <ul style="list-style-type: none"> <li>• Conservation of natural resources focusing on biodiversity preservation in the Amazon area and northeastern Brazil</li> <li>• Research on techniques for the restoration of denuded lands in the Amazon area</li> <li>• Prevention of desertification in northeast Brazil</li> <li>• Conservation of Aquatic ecosystems</li> <li>• Prevention of coastal erosion (supporting primary research and maintenance)</li> </ul>	<ul style="list-style-type: none"> <li>• The international community should work together for the conservation of Brazil's vast ecosystems including rain forests, and Japan should contribute to achieve this goal in cooperation with Brazil.</li> <li>• Continued cooperation as a participant of PPG7 for environmental conservation in the Amazon area, promoting more effective use of resource, and the coexistence of local residents and nature are important.</li> </ul>
Industries	<p><b>【Current status】</b></p> <p>1. Brazilian industries had been protected by the import substituting industrialization policy. However, they became involved in global competition with the trade liberalization begun in the 1990s.</p> <p>2. The policy focus has shifted to strengthen market functions including for increasing competitiveness, promoting export, and development of science and technology in line with economic liberalization.</p> <p><b>【Problems】</b></p> <p>&lt;Constraints in attaining international competitiveness in world market&gt;</p> <ul style="list-style-type: none"> <li>• Poor design quality and quality control</li> <li>• Disparity in operational capacity depending</li> </ul>	<p>&lt;Innovation in fields related to industrial production&gt;</p> <ul style="list-style-type: none"> <li>• Improving product designs and packaging</li> <li>• Establishing standardization</li> <li>• Improving marketing strategy</li> <li>• Improving and developing distribution channels</li> <li>• Developing export channels</li> <li>• Providing products to the consumers (quick response to demand)</li> </ul> <p>&lt;Bolstering SMEs (formulating new systems)&gt;</p> <ul style="list-style-type: none"> <li>• Organizing companies and unions</li> <li>• Extending credits for SMEs through institutional finance under the same conditions as those for major companies</li> </ul>	<p><b>Cooperation that presents Japan's strengths and message</b></p> <ul style="list-style-type: none"> <li>• Development of IT distribution channels</li> <li>• Supporting the promotion of the development of SMEs</li> <li>• Intellectual support and establishing joint organizations for SMEs</li> <li>• Organizing companies and unions</li> <li>• Technical cooperation to support the joint organizations and activities of Brazilian companies</li> <li>• Providing information about overseas markets and technology</li> </ul>	<ul style="list-style-type: none"> <li>• Japan should provide intellectual support that transfers the fruits of our experience to Brazil. (SMEs promotion through partnerships with government agencies and industry groups, considering the significant contribution that SMEs have presented in Japan.)</li> <li>• Supporting for the promotion of Brazil-Japan mutual understanding and developing closer economic relationships should be prioritized.</li> <li>• It is also vital to reinforce Brazil's competitive edge in a market-oriented economy, with the SMEs being playing</li> </ul>

Table 4.2 Matrix of Development Issues of Brazil (Priority Development Issues from Japan's Perspective)

Categories	Current Status and Problems	Development Issues	Priority Development Issues from Japan's Perspective (Examples of Cooperation)	Japan's Stance towards Cooperation
Industries	<p>on companies, especially low level of technology and management among small and medium-sized enterprises (SMEs)</p> <p>&lt;Constraints SMEs are facing&gt;</p> <p>&lt;Ineffectiveness of SMEs development policies and systems&gt;</p> <ul style="list-style-type: none"> <li>• Ineffective system of state agency subcontracting (the small number of registered companies, lack of information on the companies, and of confidence in the evaluation of the companies)</li> <li>• Policy failure for industrial clustering in many areas</li> <li>• SMEs have constraints in achieving mutual cooperation due to the low level of integration, limited financing available to the companies, local characteristics of the companies, competition due to import liberalization and uncertainty due to the unstable macroeconomy.</li> </ul>	<ul style="list-style-type: none"> <li>• Providing quality inspection services</li> <li>• Approval systems for the evaluation of quality control in SMEs (less strict standards than ISO)</li> <li>• Industrial decentralization policies</li> </ul> <p>&lt;Laws and regulations&gt;</p> <ul style="list-style-type: none"> <li>• Legal action to remove the behavior disturbing competition</li> <li>• Government regulations for the promotion of fair competition</li> </ul>	<p><b>Cooperation on global problems</b></p> <ul style="list-style-type: none"> <li>• Development of environment-friendly agricultural technology in the Cerrado region</li> <li>• Development of biomass (alternative energy source) production technology</li> <li>• Research on techniques for the restoration of denuded lands</li> <li>• Development of processing technology for agricultural and forestry products</li> <li>• Development of agroforestry techniques</li> <li>• Formulation of plans for improving the infrastructure for agricultural produce distribution with consideration for environmental conservation</li> </ul>	<p>leading roles. In light of this, it is required to foster and strengthen horizontal and vertical organizations/activities among Brazilian SMEs.</p> <ul style="list-style-type: none"> <li>• Concepts of cooperation are developed as models, and actual targets for support need to be chosen from among regions and industries where SMEs are already integrated and predominant.</li> <li>• IT is an important means of disseminating the outcomes of assistance to other areas.</li> </ul>
Agriculture	<p><b>【Current status】</b></p> <ol style="list-style-type: none"> <li>1. Brazilian agriculture has recently developed a dynamic and large-scale agribusiness sector with the entry of multinational companies and the involvement of complementary industries due to the comparative advantage with its large area of diverse and suitable land for agriculture.</li> <li>2. Meanwhile, Brazilian agricultural policy changed substantially from the conventional administration depending on public subsidies to economic liberalization since the 1980s, especially in the 1990s.</li> </ol> <p><b>【Problems】</b></p> <p>Rapid agricultural development, globalization, and economic liberalization have brought about serious problems to Brazilian agriculture. These are as follows:</p> <ol style="list-style-type: none"> <li>1. Environmental destruction of the Amazon region</li> </ol>	<p>Development issues do not just require solutions, but also activities that contribute to benefiting the world, provide national benefits for Brazil and Japan, and local benefits to the certain area. It is also necessary to pay careful consideration to environmental conservation and poverty reduction, and that ensure sustainable development. For example:</p> <ol style="list-style-type: none"> <li>1. Environmental conservation and the development of sustainable agriculture in the Amazon region</li> </ol> <p>(1) Primary research:</p> <p>Techniques for environmental conservation and the restoration of denuded land, research on and utilization of genetic resources, including soil microbes (bioprospecting), and screening of medicinal plants</p> <p>(2) Applied technology development:</p> <p>Development of agroforestry</p>	<ul style="list-style-type: none"> <li>• The international community should cooperate in dealing with world food problem towards the stabilization of crop prices. The joint contribution of Brazil and Japan to this issue is of significance for humankind.</li> <li>• Support for the promotion of Brazil-Japan mutual understanding and developing closer economic relationships has priority.</li> <li>• Based on the above perspectives, Japan should continue assistance to and promoting the results of the development the Cerrado region, which has become one of the world's leading crop production regions based on twenty years of Japan's development cooperation. Moreover, Japan cooperates in narrowing the gap between the supply of and demand for agricultural products at the international market.</li> </ul>	

Table 4.2 Matrix of Development Issues of Brazil (Priority Development Issues from Japan's Perspective)

Categories	Current Status and Problems	Development Issues	Priority Development Issues from Japan's Perspective (Examples of Cooperation)	Japan's Stance towards Cooperation
Agriculture	<p>2. Environmental destruction of the Cerrado region</p> <p>3. Marginalization of smallholders (rapid increase in the anti-government activities of landless farmers and an increase in social conflicts)</p> <p>4. Increasing number of heavily indebted farmers</p> <p>5. Lack of international competitiveness due to high cost associated with so-called, "Brazil cost" (transport costs led by insufficient development of distribution infrastructure and other factors)</p> <p>6. Delays in establishing systems for agricultural research and the diffusion of technology</p> <p>7. Delays in establishing systems for the prevention of outbreaks of infectious diseases among plants and animals</p>	<p>(3) Creating networks using information and communications technology: Formulation of systems for sharing the results and experience of sustainable agriculture among government agencies, research organizations, NGOs and farmers</p> <p>2. Environmental conservation and the development of sustainable agriculture in the Cerrado region</p> <p>(1) Environmental conservation: Water resources management as a means of maintaining large-scale irrigation; Maintenance of water quality to control pollution from pesticides and fertilizers; Maintenance of the basin for land conservation</p> <p>(2) Technical development of sustainable agriculture Development of techniques to minimize risk from large-scale mechanized monoculture in farm management</p> <p>(3) Improvement of the distribution infrastructure Formulation of plans for improving the infrastructure for agricultural produce distribution with consideration for environmental conservation</p> <p>3. Development of biomass (an alternative energy source) production technology</p> <p>4. Efficient utilization of potentially useful wild plants and development of crops as functional food Investigation of potentially useful crops and establishing schemes for improving farming skills as a project to support small-scale land holders with the objective of poverty reduction and environmental conservation</p> <p>5. Improvement of systems for the prevention of outbreaks of infectious diseases among plants and animals</p>	<p><b>Cooperation for the promotion of closer relationships and mutual understanding between Brazil and Japan</b></p> <ul style="list-style-type: none"> <li>• Efficient utilization of potentially useful plants</li> <li>• Research and development of crops as functional foods</li> </ul>	<ul style="list-style-type: none"> <li>• Japan should cooperate in the development of sustainable agricultural technology and techniques for the restoration of denuded land in the Amazon region based on harmony between environmental conservation and improvement of the living standard of local residents.</li> <li>• Japan strives to contribute to global environmental problems as well as the socioeconomic development of each region. For this purpose, Japan cooperates in sugarcane production taking advantage of Brazil's large-scale production, as well as in the development of biomass technology using forest resources, with the objective using alternative sources of renewable energy and reducing carbon dioxide emissions.</li> <li>• Cooperation for development research from various aspects at universities and research institutions is also important for closer relationships between the two nations.</li> </ul>

Table 4.2 Matrix of Development Issues of Brazil (Priority Development Issues from Japan's Perspective)

Categories	Current Status and Problems	Development Issues	Priority Development Issues from Japan's Perspective (Examples of Cooperation)	Japan's Stance towards Cooperation
Health Care	<p>&lt;Decentralization&gt;</p> <ul style="list-style-type: none"> <li>Deficit in budgets for health care service at local level as a result of decentralization</li> </ul> <p>&lt;Systems&gt;</p> <ul style="list-style-type: none"> <li>Issues related to financial deficit with the SUS system (e.g. quality and quantity of health care services due to financial difficulties)</li> </ul> <p>&lt;Disparities&gt;</p> <ul style="list-style-type: none"> <li>Regional disparities in the health indexes between northern and southern Brazil</li> <li>Improvement of primary health care</li> </ul>	<p>&lt;Decentralization&gt;</p> <ul style="list-style-type: none"> <li>Providing advice and models for designing feasible policies towards Brazilian ideals (e.g. decentralization, humanization)</li> </ul> <p>&lt;Systems&gt;</p> <ul style="list-style-type: none"> <li>Making consistent policy of health finance among the federal government, state governments, and local municipalities</li> <li>Making health financing system more efficient</li> </ul> <p>&lt;Disparities&gt;</p> <ul style="list-style-type: none"> <li>Implementing activities to reduce the disparities between northern and southern Brazil, with special attention to the urban poor</li> </ul> <p>&lt;Other activities&gt;</p> <ul style="list-style-type: none"> <li>Strengthening support to third countries (technical assistance and the development of human resources)</li> </ul>	<p><i>Cooperation that presents Japan's strengths and message</i></p> <p><i>Cooperation expected to transfer the outcomes of development assistance to third countries</i></p> <ul style="list-style-type: none"> <li>Improvement of public health</li> <li>Humanized maternity care</li> <li>Establishing a new model of PHC including maternal and child health (countermeasures for infectious diseases, including HIV/AIDS)</li> </ul>	<ul style="list-style-type: none"> <li>The priority for cooperation is to support successful models that can have an impact when applied to other regions within Brazil or to third countries.</li> <li>Regarding model projects which have lessons applicable to other cases, support for the promotion of and systems for diffusion is also important.</li> <li>Japan will consider effective cooperation that conveys the message that Japan regards social fairness as important. For this purpose, the target regions for such assistance should include the southeastern part of Brazil, which has influence on the whole country. The target organizations should include influential NGOs and NPOs engaged in innovative activities with wide implications for Brazil.</li> <li>Regarding health care and education, Brazil has already organized systems and adopted positive measures, and its civil society has grown to assist to the poor with their social development. Japan will provide assistance focusing on regions, organizations and human resources, where aid projects are expected to serve as model cases for other regions.</li> <li>HIV/AIDS is global issue which is appropriate theme for both nations to collaborate in working on, since Brazil has taken a unique stance on the issue and Japan has positive attitude for solving it.</li> <li>It is also necessary to utilize the means such as distance learning and e-conference effectively for appealing the outcomes of assistance in model regions and organizations to other cases.</li> </ul>
Human Resource Development	<p>&lt;Decentralization&gt;</p> <ul style="list-style-type: none"> <li>Means of coordination between central and local educational administrations (center-led)</li> </ul> <p>&lt;Disparities&gt;</p> <ul style="list-style-type: none"> <li>Working children who do not go to school</li> <li>Illiteracy among young people and adults</li> <li>High proportion of elementary school children who repeat courses or drop out</li> </ul>	<p>&lt;Decentralization&gt;</p> <ul style="list-style-type: none"> <li>Promotion of coordination between central and local governments</li> </ul> <p>&lt;Disparities&gt;</p> <ul style="list-style-type: none"> <li>Building up social capital for education in local communities</li> <li>Development of educational policies with the participation of local residents</li> </ul>	<p><i>Cooperation that presents Japan's experiences and message</i></p> <p><i>Cooperation for the promotion of closer relationships and mutual understanding between Brazil and Japan</i></p> <ul style="list-style-type: none"> <li>Personnel exchanges through studying abroad, training, and joint research</li> </ul>	<ul style="list-style-type: none"> <li>Joint research and personnel exchanges between universities and research institutions are effective in promoting closer ties between Brazil and Japan. (Moreover, mutual dissemination of the results of the joint research may provide an incentive for investment and trade between the two countries.)</li> </ul>

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Categories	Current Status and Problems	Development Issues	Priority Development Issues from Japan's Perspective (Examples of Cooperation)	Japan's Stance towards Cooperation
Human Resource Development	<p>&lt;Public security&gt;</p> <ul style="list-style-type: none"> <li>Child abuse and juvenile delinquency</li> </ul> <p>&lt;Systems&gt;</p> <ul style="list-style-type: none"> <li>Shortage and low quality of educational professionals and their low salaries</li> </ul> <p>&lt;Other issues&gt;</p> <ul style="list-style-type: none"> <li>Weakening of the socio-cultural bonds among Nikkei people (e.g. Japanese language education in Brazil and education of returnee children from Japan)</li> </ul>	<p>&lt;Systems&gt;</p> <ul style="list-style-type: none"> <li>Supporting research institutions that study various educational issues</li> <li>Organizing school systems</li> </ul> <p>&lt;Other issues&gt;</p> <ul style="list-style-type: none"> <li>Coordination with NGO activities</li> <li>Supporting occasions and places for the promotion of further exchanges for Nikkei people who have visited Japan</li> </ul>	<p><i>Cooperation through partnership with Nikkei people</i></p> <ul style="list-style-type: none"> <li>Strengthen assistance to Nikkei people who are residing in Japan</li> <li>Accept Nikkei people to provide training in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Nikkei people are important partners for both nations in developing closer relationships, and Japan needs to support schemes that enable them to further contribute to society in Brazil.</li> <li>It is also important to enhance the contribution of Nikkei people who return to Brazil after staying in Japan.</li> </ul>
Tripartite Cooperation	<ol style="list-style-type: none"> <li>The Japan-Brazil Partnership Program (JBPP) was concluded in March 2000 (Third-country training is not included in the framework of JBPP).</li> <li>Steps have been taken to undertake tripartite cooperation from the stages of policy formulation to its implementation involving both Brazil and Japan on an equal basis including cost-sharing.</li> <li>A partnership program has also been established with other countries in South America (e.g. Argentina and Chile).</li> </ol> <p><b>【Problems】</b></p> <ol style="list-style-type: none"> <li>The difference between "Joint training" and the "Third-country training" is not clear.</li> <li>Future cooperation for East Timor needs to be considered.</li> </ol>	<p>&lt;Strategic cooperation&gt;</p> <ul style="list-style-type: none"> <li>Explaining the Third-country training to Brazil in Policy Consultations and the JBPP planning committee (reconsideration of the contents and the targeted countries, and revising them under the auspices of the committee)</li> <li>Defining the characteristics of JBPP in comparison with the partnership program for other countries in South America (including joint assistance to PALOPs)</li> <li>Consideration of assistance to East Timor</li> </ul> <p>&lt;Regional cooperation&gt;</p> <ul style="list-style-type: none"> <li>Use of JBPP for regional cooperation in Latin America</li> </ul>	<p><i>Cooperation expected to transfer the outcomes of development assistance to third countries</i></p> <p><i>Cooperation through partnership with Nikkei people</i></p> <ul style="list-style-type: none"> <li>Agriculture in Latin America: Biodiversity conservation; IT; Development and improvement of health care services, including HIV/AIDS, enhancement of productivity and quality</li> <li>Supporting PALOPs in health care and agriculture</li> </ul>	<ul style="list-style-type: none"> <li>Regarding Japan's assistance for PALOPs, collaborative activities by Japan and Brazil can be easily instituted, since current support that focuses on health care and agriculture corresponds to major areas of support to Brazil.</li> <li>Japan will actively promote assistance for PALOPs in the future.</li> <li>Japan also considers that it is important to strengthen future assistance for Latin America. Shared experience and complementarity between Brazil and Japan are important.</li> <li>Assistance to East Timor is an issue to be considered in the future based on Japan's current recognition that it is important to reinforce the relationships with neighboring Asian countries.</li> <li>Nikkei people are important partners for Japan and Brazil in developing close relationships.</li> <li>Japan will strengthen partnerships with Nikkei people who are prospective coordinator as the workforce for in Japan in order to provide cooperation that is more suitable to the local circumstances.</li> </ul>

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<p style="text-align: center;"><b>NGO - JICA Cooperation</b></p>	<p><b>【Current status】</b>                      1. In Brazil, there are 250,000 civil organizations including local citizen's groups as well as strictly defined NGOs.                      2. These civil organizations have evolved to a stage of maturity under the present regime (President Cardoso), which has attempted to strengthen partnerships with Brazil's civil society.                      3. The accountability of the civil society has become an issue of greater significance. (Reform of laws concerning the activities of civil organizations is in progress)  <b>【Problems】</b>                      &lt;Systems&gt;                      • Delay in the administrative procedures related to projects for the development of social welfare and assistance for this sector                      • Complexity of the procedures                      &lt;Coordination&gt;                      • Limited opportunities for consultation between JICA and NGOs</p>	<p><b>【Problems】</b>                      &lt;Systems&gt;                      • Speed up the administrative procedures &lt;NGO activities&gt;                      • Reinforcing accountability and transparency in the activities of citizen's organizations &lt;NGO-JICA coordination&gt;                      • Encouraging NGO-JICA dialogue to improve coordination                      &lt;Coordination and cooperation with other donors&gt;                      • Developing close cooperation and stronger coordination between JICA and other donors (joint formulation of projects)                      &lt;Securing and recruiting human resources&gt;                      • Utilizing experienced volunteers who used to work for Nikkei community</p>	<ul style="list-style-type: none"> <li>• Assignment of resident staff in the JICA office to maintain relationships with NGOs</li> <li>• Convening workshop organized jointly by JICA and NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Japan should consider effective cooperation that sends the message that Japan regards social fairness as important. For this purpose, Japan will assist active NGOs and foundations involved in social sectors.</li> </ul>