

# EU

*How does international climate finance interact with national policy processes? Evidence from public and private climate finance in the land use and forestry sectors of Brazil.*



# About this study

## Project

Strengthen National Climate Policy Implementation:

Comparative Empirical Learning & Creating Linkage to Climate Finance

The project explores how international climate finance can support the implementation of NDCs in emerging economies and EU countries through comparative analyses and by providing a better understanding of the interface between finance and policy implementation.

## Project coordination

The German Institute for Economic Research – DIW Berlin

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## Reference

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## List of acronyms

ACF	Advocacy Coalition Framework
BMZ	Federal Ministry for Economic Cooperation and Development
CAR	Environmental rural registry (Cadastro Ambiental Rural)
EUDR	EU Deforestation Regulation
FC	Financial Cooperation
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICF	International climate finance
IPoE	Investor policy engagement
IPDD	Investors Policy Dialogue on Deforestation
JETP	Just Energy Transition Partnership
KfW	Kreditanstalt für Wiederaufbau
MAPA	Ministry of Agriculture, Livestock and Food Supply
MMA	Ministry of Environment and Climate Change
MSF	Multiple Streams Framework
NGO	Non-governmental organization
ODA	Official development assistance
PPCDAm	The Action Plan for the Prevention and Control of Deforestation in the Legal Amazon
REDD+	Reducing emissions from deforestation and forest degradation in developing countries
SDGs	Sustainable Development Goals
TC	Technical Cooperation
UNFCCC	United Nations Framework Convention on Climate Change

# Summary

International cooperation on climate policy is needed to achieve the goals of the Paris Agreement. In our report, we argue that such international cooperation is driven by interactions between international and domestic factors, and only by analyzing both can outcomes in terms of improved policy implementation for climate and development be understood. Taking Brazil's land use sectors and the challenge of deforestation as a case study, we apply a novel analytical framework to address the questions as to what roles actors of international public and private climate finance play in domestic policy processes of Brazil's land use sectors, specifically the implementation of a national law, the Forest Code. Secondly, we ask what the potential and challenges are of these climate finance actors' engagement with the Brazilian land use policy. In our analysis, we focus on two specific types of actors: (I) public German bilateral technical assistance projects, implemented through official development assistance (ODA) structures, and (II) private finance, in the form of investors policy engagement (IPoE) processes. We analyze their roles and effects on the Brazilian policy process according to the norms and values they represent, material incentives they contribute, and political strategies and motivations they pursue to assess their contribution to enhanced climate cooperation.

Overall, we find that such climate finance actors can contribute to enhanced international cooperation, but they work in a challenging context. The Brazilian forest biomes, which they aim to protect, show all characteristics of a global public good, and hence are of concern to the international community. However, the forest is managed by a national jurisdiction, which regards the management and use of the Brazilian forest biomes a matter of national sovereignty. As a result, the effectiveness of both types of climate finance actors is somewhat limited. We find that the public climate finance actor (ODA-type) contributes productively to the policy stream in the Brazilian policy process by providing policy solutions for the implementation of the objectives set out in the national forest law, the Forest Code. Contrastingly, the private IPoE actor raises its concerns about financial and economic risks in the problem stream. This development is notable as it is unusual for private actors to engage in a dialogue about deforestation as a public policy problem.

However, both actors face challenges which hamper their effectiveness. Firstly, as ODA-ICF actors work closely with the mid-level of ministries, they are generally not permitted to the political decision-making level on national policies and on the negotiation of international support itself. Since the mid-levels of ministries are subject to a similar disconnect from high-level Brazilian diplomats and politicians, the result is often a discrepancy between the international negotiation outcomes and the working levels for policy implementation. Secondly, the IPoE actor faces the challenge of showing the relevance of financial risks to government institutions and bridging two worlds which are usually separated, private finance and the public policy sector. Finally, the political environment around the implementation of the objectives of the Forest Code in which these actors are working is intense and is characterized by two rival coalitions. The first coalition advocates stricter implementation and is composed of the Brazilian Ministry of Environment and Climate Change (MMA), national non-governmental actors, and the two types of transnational policy actors. The second coalition is for weaker implementation and is mainly driven by the conservative agribusiness, operating through the Brazilian Congress.

We identify a so-called 'missing link' between the two coalitions, a lack of policy dialogue, which is a significant barrier to reaching an agreement about the terms of implementation of the Forest Code.

The 'missing link' may be caused by the intense political situation, with limited capacity for both sides to compromise and collaborate. It is recommended to increase efforts to close the gap between the two separated coalitions, for example through the investor group highlighting how deforestation as a business risk also matters for traditional agribusiness actors. To increase the impacts of the IPoE processes, greater transparency about investor motivations and more emphasis on the risks incurred through deforestation is desired.

We recommend for the funders and Brazilian government as counterparts to the ODA type to engage in a dialogue about the desirable role of this public climate finance actor in situations of intense struggle on the terms of implementation of policies. Specifically, we recommend that funders and high-level Brazilian policy actors negotiate support priorities under consideration of working level needs of Brazilian institutions in charge of implementation. Furthermore, we recommend that international climate finance funders support not only the conservation of the Brazilian forest biomes for the global climate, but also local public goods, for instance local development objectives. This could help overcome the identified dilemma of a global public good being managed by a nation-centric government.



Chapter one

# Introduction

# 1. Introduction

## Focus of the report

Brazil's land use and forestry sector has been subject to increasing attention from global media, NGOs (non-governmental organizations) and academia due to fluctuating deforestation and related GHG emissions. This increase in attention is significant, as the domestic policy actors in this sector are arguably not independent of international and transnational influences. Interactions with the United Nations Framework Convention on Climate Change (UNFCCC), market forces (Bernstein & Cashore, 2012), the diffusion of norms related to sustainability (Blondeel, 2020), and economic incentives (Jodoin, 2017), such as the REDD+ (reducing emissions from deforestation and forest degradation), presumably all play a role in shaping domestic policies, including those implemented in Brazil. Nevertheless, major empirical questions remain as to what factors drive both international and transnational actors toward effective cooperative behavior on climate policy implementation under commitments such as the Paris Agreement.

Brazil has received substantial international public climate finance within the framework of the REDD+ and other forms of bilateral and multilateral finance and technical assistance since 2007 (Gueiros et al, 2023). Nevertheless, the influence of such projects on national policy processes is a topic of contestation. For example, it has been argued that donors are influenced not only by considerations about the recipient country but also by self-interest, be that economic interests such as disproportionately providing aid to trading partners (Berthélemy & Tichit, 2004), or political/ideological interest, such as the adoption of economic policies that are more in-line with donors (Rich, 2002).

This report contributes to the literature by comparing two types of transnational policy actors that are engaged in international climate finance with the Brazilian government on policies for the land use and forestry sectors. We define transnational policy actors as agents of global advocacy for sustainability, that is individual or collective actors that seek to influence any stage of the policy process in a country outside of their origin (Béland & Orenstein, 2009; Keck & Sikkink, 1998). The clarification of definitions between transnational and international policy actors is important to avoid confusion. While the term “international policy actor” is a very generic term to describe policy actors in international relations – such as personnel from international organizations like the UNFCCC secretariat in the context of climate policy, – transnational policy actors refer to those who engage in domestic policy processes for the forementioned reasons. In our study, the first actor is funded publicly (based on official development assistance, abbreviated ODA-ICF), whilst the second is funded privately (based on investor policy engagement, abbreviated IPoE). Since transnational actors need to collaborate with national actors, it is important to understand the way they interact, especially given that transnational policy influences may vary from one policy area to another. Accordingly, these transnational climate finance actors are analyzed in terms of their potential and challenges within the Brazilian policy system of the land use sector, to explain their influence on climate policy implementation. Important is to note that our intention is to focus on actors, which are functioning as delivery agents of international climate finance, and in this regard, we omitted the important roles of international and national NGOs, including those directly working with indigenous communities, as actors for norm diffusion and integration into national policy processes. This was done for the reason that they are not classified



as delivery agents for international climate finance. Despite our recognition that local development depends heavily not only on indigenous communities but also on traditional communities, “quilombolas”, “ribeirinhos”, and other local cultures, we understand that NGOs and civil society operate more on bottom-up contexts with this study focusing mainly on top-down finance interactions. We selected Brazil’s land use and forestry sector as a subject to our case study because despite the long history of international cooperation and support given to Brazil’s forest and land use policies, the theoretical basis of what factors determine successful cooperation remain mostly unidentified. When assessing the interactions between international and domestic factors, we apply a newly developed analytical framework to study impacts on the Brazilian policy system. In particular, we look at the implementation of the programmes set out in the national forest law, the Forest Code. A more complete picture of what factors lead to favorable interaction effects will be useful in designing more effective cooperation approaches to protect Brazil’s forest biomes, a challenge of international importance.

## Research questions

Considering the above, this report aims at addressing the following questions:

1. What roles do public (ODA-based) and private (investor-led) climate finance actors play in domestic policy processes of Brazil’s land use sectors, specifically the implementation of the national law Forest Code?
2. What are the potential and challenges of ODA-based and investor-led policy engagement in the Brazilian land use policy field for enhanced international climate cooperation?

The report is structured as follows. In chapter two, we present the research design, the methodology and discuss the limitations of our approach. This chapter also explains our motivation to select climate finance actors as subjects to our study. In chapter three, we provide a literature review of theories and concepts central to our analysis. We build our own analytical framework based on the literature of policy processes which centers around the interaction of international and domestic factors in the domestic policy process. This is followed by a detailed results section, starting with an introduction to Brazil’s responses to international influences, followed by an overview of our climate finance actors. The results section finishes by exploring the potential and challenges these actors face as well as evaluating their role in the implementation of the objectives set out in the Forest Code. Chapter five brings the strings together and adds relevant discussion topics such as the question of ownership and North-South division. Chapter six concludes, and we end the report with policy recommendations and suggestions for future research.

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Chapter two

# Research design, methods and data

## 2. Research design, methods and data

We opted for a single case study research of the land use sectors of Brazil. To select, prepare and analyze the case study, we have conducted extensive literature reviews on topics related to international climate cooperation and finance, both globally as well as with reference to Brazil's land use sector. Based on these literature reviews, we have developed an analytical framework which guided our analysis of the case study.

A qualitative method of analyzing the case study was chosen to thoroughly understand the interactions between transnational policy actors and the Brazilian land use policy system (Yin, 2011). The main research method consisted of developing patterns of descriptive and explanatory nature that emerged from the sequence of interviews (DeCuir-Gunby et al., 2011). Supportive quantitative data are used to enrich the case study and provide important context.

We conducted 32 semi-structured interviews with stakeholders from national Brazilian policy processes in environment & climate and agriculture & forestry fields, both international and national representatives of academia, NGOs, finance sector and investors as well as public funders of bilateral climate finance from Germany. The interviewees were selected based on a stakeholder mapping, and as the result of a prior literature review. An overview of all interviews can be found in Table 1. The interviews were prepared through sets of approximately 5 guiding questions, which were shared beforehand with the interviewees. Interviews were recorded unless interviewees did not consent to it. All of the interviews were transcribed, and the resulting data used to establish the descriptive and explanatory patterns, as mentioned above.

It is important to note that our analysis of the case study takes place on a meta-level, in which we are not examining one specific project, but rather the mechanisms through which ODA-ICF and IPoE work on topics connected to the Forest Code implementation in Brazil. Furthermore, we restricted our analysis to the national level, excluding local government from consideration, except in specific circumstances where key ramifications were necessary to discuss.

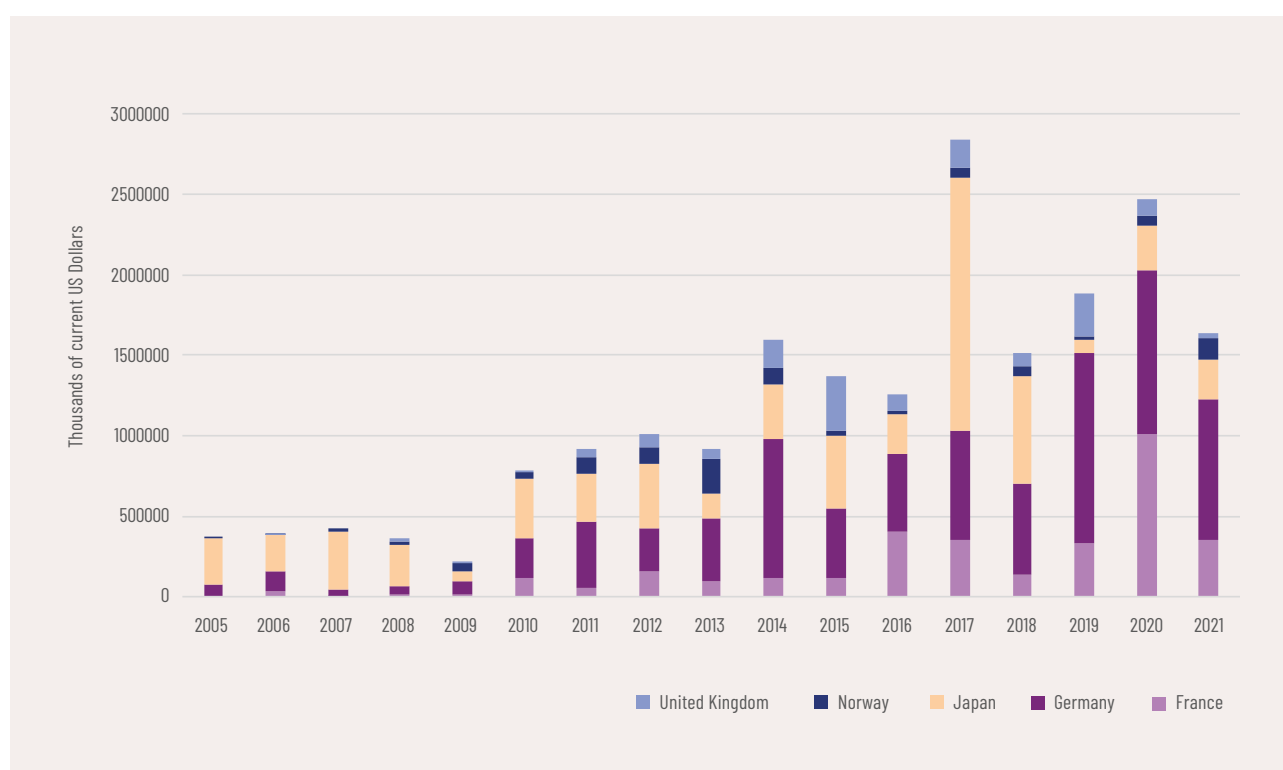
**Table 1 – Overview on the interviews conducted during March - May 2023 in Brazil and online**

Actor group	Abbreviation	Number of interviews
Brazilian policy actors (Government, Congress, Central bank)	govt	6
Non-governmental organization and policy advocacy groups	NGO	3
Academia and think tanks	academia	6
Investor policy engagement	IPoE	5
Technical cooperation actors	TC	7
Financial cooperation actors	FC	2
Private sector	PS	3
<b>Total</b>		<b>32</b>

## Motivations to select the climate finance actors

There are two major forms of climate finance - those from a public source, such as national development institutions, and those from a private source, such as corporations. Public funding represents 51% of total climate finance, with private funding making up the remaining 49% (Buchner et al., 2021). International discussion of climate finance often focuses on the relative shares, roles and issues connected to these types of funding (Giglio et al., 2021; Lundsgaarde et al., 2018; Thwaites & Bos, 2021). Each form typically has different strategies and objectives, stemming from the aims of the funder. Public finance is allocated to advancing objectives of a public nature, whilst private finance aims to generate a profit from their investment. A research project seeking to comparatively assess the roles and influence of international climate finance in a domestic setting must consider both public and private sources.

**Figure 1 – ODA Contributions from Brazil's Top 5 Donors**



Source: OECD DAC data

Within the Brazilian context, prominent examples of public and private finance were selected. German ODA-ICF was chosen due to its large share within the overall donor portfolio of Brazil and because of the longstanding history of German cooperation with Brazil (Figure 1). In particular, the organization GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) has a strong element of policy advisory work included in their technical assistance. This is likely the case with other ODA-ICF funding agencies as well, but we do not claim representativeness of our findings to the general portfolio of funders.

The IPDD (Investors Policy Dialogue on Deforestation) was chosen as the largest IPoE initiative in the field of deforestation in Brazil, both in terms of investor memberships and duration of processes. Importantly, we selected the IPDD as the most prominent initiative in the field of investor policy

engagement for sustainability. The work of the IPDD is a novel phenomenon because private investors seek engagement with governments on topics of a public nature: they voice concerns related to sustainability and because deforestation begins to threaten their businesses (Yamahaki & Marchewitz, 2023). The IPDD started engaging with Brazil's policy makers in 2019 and has explicitly urged the government to ramp up efforts to cut deforestation rates (IPDD, 2022). Other initiatives exist, such as faith-based investor groups, but they downsized activities compared to the IPDD.

## Limitations of the research approach

Due to the change of government in Brazil 2023, access to government officials was challenging, leading to a lower number of interviews from this sector than had been hoped. As such, findings on government perspectives on international cooperation are couched somewhat cautiously. Qualitative interviews feature varying degrees of subjectivity and are matters of personal interpretation by the researcher. To address this issue and ensure rigor in our data collection, we would explore the same topics with multiple interviewees and test whether similar results were obtained.

Another limitation can be found in the narrow focus of the case study. To manage the complexities of the topic, we focused on actors in the land use sector related to the interface of forests and agriculture, while leaving out other important related activities such as mining. This trade-off of external validity against reliability is common to case studies (Yin, 2011). We recognise that the findings of our paper may not be directly applicable to other sectors or countries but would rather inform and guide other researchers in tackling and understanding similar challenges.



Chapter three

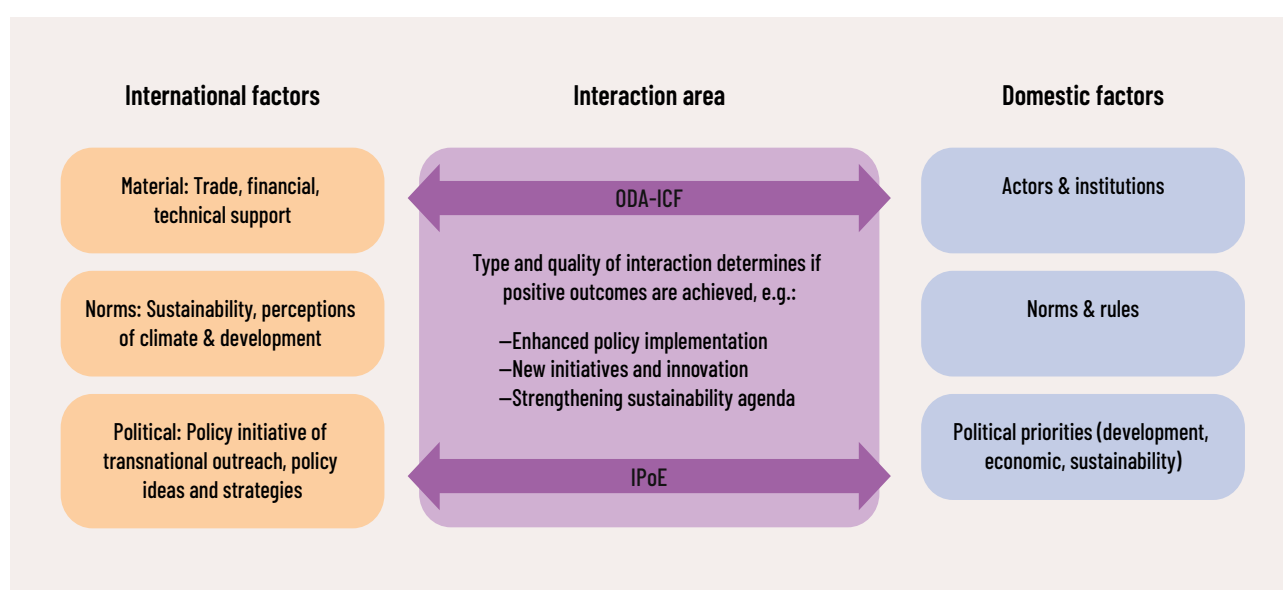
# Theories and concepts

### 3. Theories and concepts

This paper seeks to explain how transnational climate finance actors and domestic policy actors interact on the topic of national climate and land use policy. To understand how these interactions unfold in the context of the implementation of Brazil's national Forest Code, we built from Jodoin's (2017) conception of transnational policy. Jodoin recognised the importance of transnational influences on domestic policy processes. Furthermore, his work builds on Bernstein and Cashore (2012) who state that this influence expressed itself through four key avenues: international rules, international norms, markets and direct access to policymakers. Yet, Jodoin was concerned that this framing was overly 'top-down', and that it was important to emphasize that domestic actors had significant space to mediate this transnational influence through strategic behavior (Jodoin, 2017, p. 1420). Jodoin developed an analytical framework to explain this interplay, through an exploration of the results-based finance instrument, REDD+. He highlighted two major actors: international funders and recipients of REDD+. Each had their own strategies, legal obligations and rules, material resources, and policy ideas. These actors would meet in an 'interaction zone', where they would use their strategies and resources to achieve their goals and specific outcomes, whilst being constrained by certain rules, regulations, and institutions.

In line with this preceding work, we hypothesize that constellations of factors from the international sphere (left side of figure 2) and the domestic sphere of recipient countries interact to produce varying outcomes. In this case study, the area of interaction is the Brazilian domestic policy process, and the outcomes include which items appear on policy agendas, political decisions, and degrees of implementation. This conception represents our basic framework, which can be seen in the following model.

**Figure 2 –General model of interactions of international and domestic factors in the Brazilian policy process of land use and forestry.**



Source: Authors' own contribution

## Review of international and domestic factors on domestic policy processes

Two literature reviews were conducted for this report. The first assessed which international and domestic factors were important in driving climate cooperation. It revealed that three main clusters of factors are significant: (I) material resources, (II) norms, (III) political and policy. These were then used to explore Brazil's history of climate cooperation. The second review assessed the prominent theories of the policy process to guide our construction of the 'interaction area'. Elements from Kingdon's Multiple Stream Framework and Sabatier's Advocacy Coalition Framework were utilized.

Material factors typically see state action as primarily motivated by an assessment of economic costs and benefits. Influencing this assessment is seen as the route to achieving climate cooperation. This can include the promise of future economic benefits (G7, 2022), side payments for collaboration in the form of capacity-building (Pauw et al., 2020), sanctions for refusal to cooperate (Nordhaus, 2015), or an expansion in the understanding of the co-benefits from taking climate action (Hale, 2020). Furthermore, cooperation securing successful implementation is more likely when countries receive finance for mitigation projects, especially in developing or emerging economies, as they often need funding to achieve their climate and/or development objectives (Höhne, 2018).

The second cluster of factors focuses on the role of shared norms – two key norms are described for this report. A norm can be defined as “a standard of appropriate behavior for actors with a given identity” (Finnemore & Sikkink, 1998). Individuals are understood to often make decisions more on identifying behavior in line with normative expectations, rather than with a calculation of how to maximize returns from a set of choices (March & Olsen, 1989, p. 22). It is reasonable to assume collective actors, such as states, will be more calculating in their decision-making, yet their behavior often strongly aligns with norms. A recent example of this was with the spread of net-zero targets as the appropriate goal of climate policy (Blondeel, 2020; von Lüpke et al., 2022) – countries that delayed announcements were placed under significant diplomatic pressure to bring their behavior in line with others, e.g., Japan (Inagaki, 2023).

The first norm considers the role of reputation in shaping state behavior. Countries often wish to appear as credible and reliable partners on the international stage (Höhne, 2018). When countries are concerned with their reputation on the climate issue, they are more likely to cooperate and to encourage others to cooperate (Oberthür & Groen, 2012). This desire to appear credible partners likely drove many countries to adopt net-zero targets.

The second shared norm factor is that of fairness. In short, cooperation will be more likely if processes and institutions are considered fair by the actors that interact with them. Surveys of those involved in international climate policy shows they have a strong aversion to inequity in negotiation outcomes – this was found to be especially important for participants from the Global South (Lange et al., 2007). Researchers have argued that notions of fairness and economic self-interest drove their results – one without the other is incomplete (Lange et al., 2007, p. 560). Furthermore, actors will be less willing to cooperate if an agreement is considered self-serving for those who propose it, i.e., going against notions of distributive and procedural fairness (Dröge & Feist, 2022). Strong notions of fairness can be found in the norm of climate justice which has emerged in the last 20–30 years. The norm highlights



how groups and countries have differing levels of vulnerability to, and responsibility for, climate change, and determining who takes action and how quickly should depend on these considerations (Gach, 2019).

Relevant political and policy processes operate on two levels: domestic and international. Domestic processes are highly important in determining the form of cooperation a country may adopt. Governments must be cognisant of domestic stakeholders when they make decisions on how to engage with other actors internationally (Putnam, 1988), with the influence of these stakeholders being mediated by domestic political institutions (Aklin & Mildenberger, 2020). How potential cooperation is structured is also deeply significant, with communication, trust, sanctioning mechanisms, and other factors all highlighted as influencing the potential success of cooperation (Carattini et al., 2019; Messner et al., 2013; Ostrom, 2009).

Climate cooperation on the international stage can take many different formats, such as bilateral initiatives between a country and a development institution, and large multilateral arrangements between multiple countries, such as the UNFCCC. Each of these forms combines different combinations of material incentives, embedded norms, and political processes. For example, the UNFCCC process has weak material incentives (loose agreements on developed countries committing to climate finance targets), strong norms (principle of common but differentiated responsibilities), and open processes (unanimous voting requirements). Countries will have preferences and constraints in pursuing particular forms of climate cooperation. These preferences will be guided by domestic political processes.

We have tested and adjusted some of the theoretical assumptions on factors for international climate cooperation through case studies exploring ICF (international climate finance) (von Lüpke et al., 2021) and the JETP (Just Energy Transition Partnership) with South Africa (von Lüpke et al., 2023). Through these case studies, we have found that national governments are influenced by a range of international factors on whether to cooperate on climate policy development and implementation. We understand international cooperation in this context as those transnational agents and processes which help national governments to issue and implement climate policies and sustainable development strategies. We have also learned that the institutionalization of the rules of the game between funders and recipients of ICF is generally underdeveloped, and that transnational policy actors are often struggling with the legitimization of their roles in the domestic political processes (von Lüpke et al., 2023). Lastly, we have found that there is a need to integrate theories of domestic policy processes into any kind of model of international climate cooperation to understand how transnational actors seek to influence domestic policies.

## Review on policy processes

Figure 2 provides an overview of the different factors that influence how transnational and domestic actors interact in the field of climate finance. However, it does not illuminate the pathways adopted by transnational actors to engage in domestic policy processes. To gain this more granular understanding, we must turn to another set of theories - those of the policy process. We draw largely on the advocacy coalition framework (ACF) (Jenkins-Smith & Sabatier, 1994; Sabatier, 1998; Sabatier &

Weible, 2014, 2019) and the multiple streams framework (MSF) (Kingdon & Stano, 1984). We adapt these by creating linkages with (I) transnational policy processes, and (II) policy implementation.

Sabatier defines an advocacy coalition as a grouping of actors who share a certain belief system (Sabatier, 1988, p. 139). ACF argues that the policy process represents a competition between these coalitions united in their perspectives on policy problems and solutions. The coalitions are embedded within informal networks, and policymaking is structured by the struggle to assert dominance of one set of ideas over another (Sabatier & Weible, 2019). Policy beliefs are combined with resources to create strategies of how to influence public policies, which are mediated by the opportunities and constraints created by decisions of government authorities, institutional structures and external events such as socio-economic conditions and public opinion (Weible & Sabatier, 2007). Policy brokers are defined in ACF as seeking stability and acting as mediators between different coalitions (Sabatier & Weible, 2019, p. 191). The assumption is that, in conflict situations, coalitions will tend to ignore and misinterpret one another, blocking possibilities for collaboration or less confrontational policy processes (Ingold & Varone, 2012). The primary concern of a policy broker is to find reasonable compromises to reduce the intensity of conflict (Sabatier, 1988, p. 155).

Kingdon's chief contribution to our understanding of policy processes was through the MSF. Originally focusing on explaining the processes behind agenda-setting, Kingdon argued that certain topics made it onto political agendas based on the combination of three streams – the problem, policy and political streams. The problem stream can be considered as a flow in which different actors push for problems to be considered as worthy of action and as problems which need to be solved, with the overall aim of raising the political awareness of their preferred topics. The policy stream consists of the sets of solutions and policy proposals, which were introduced into this stream by policy actors, and are often dominated by technical issues. Finally, the political stream is composed of campaigns from interest groups and configurations that emerge from election results and/or due to changes in the legislative and executive systems (Kingdon, 2011; Kingdon & Stano, 1984; Monzoni Neto et al., 2022). In the MSF, the different streams are coupled by policy entrepreneurs, resulting in policy windows for the agenda setting (Monzoni Neto et al., 2022). These policy entrepreneurs play a similar role to the policy brokers of the ACF (Zahariadis, 2019, p. 74), although they couple different streams, rather than coalitions as in ACF, and do not display a stability preference.

For our study, the policy implementation is particularly relevant, as the implementation of the Brazilian Forest Code is regarded as the primary legal instrument in the fight against deforestation (Brock et al., 2021). Next to the designation of environmentally sensitive areas for permanent preservation, the Forest Code (Código Florestal, 2012) establishes threshold percentages of forests that should be maintained on private properties in Brazil. These percentages range across Brazil's six biomes from 80% in the Amazon to 20% in the Atlantic Forest (ibid). For the Forest Code's implementation, the Rural Environmental Registry is of paramount importance, as it is designed to register, analyze and validate the forest-related properties in Brazil (Chiavari et al., 2021).

The discussion over the literature of policy implementation in Brazil started to gain track mostly after 2010 with more systematic studies from authors such as de Faria (2012). According to Lotta (2019), three waves of studies about implementation can be observed, with Brazilian literature currently in a fourth wave, which considers a discussion beyond the top-down or bottom-up classical discussions about implementation from previous studies. In this study, we regard the enforcement of the

implementation of the Forest Code as a subset of the public policy cycle. At the time of writing, the implementation of the Forest Code is ongoing in Brazil.

## Interactions of international factors with the domestic policy process

Our framework takes elements from the theoretical sources presented above in an attempt to explain how international factors influence domestic policy processes in the Brazilian land-use sector. For the core of our framework, we borrow from the ACF the idea that there is a subsystem of advocacy coalitions. We presume that these coalitions work during the policy negotiations on the terms of implementation of non-linear public policies such as the Forest Code. The activities of these coalitions influence the policy brokers. These two concepts, 'advocacy coalition' and 'policy brokers', although designed for the implementation phase, are intertwined with agenda setting and public policy formulation in the Brazilian case. We consider 'policy brokers' as institutions and actors with the capacity of coupling multiple streams and coalitions.

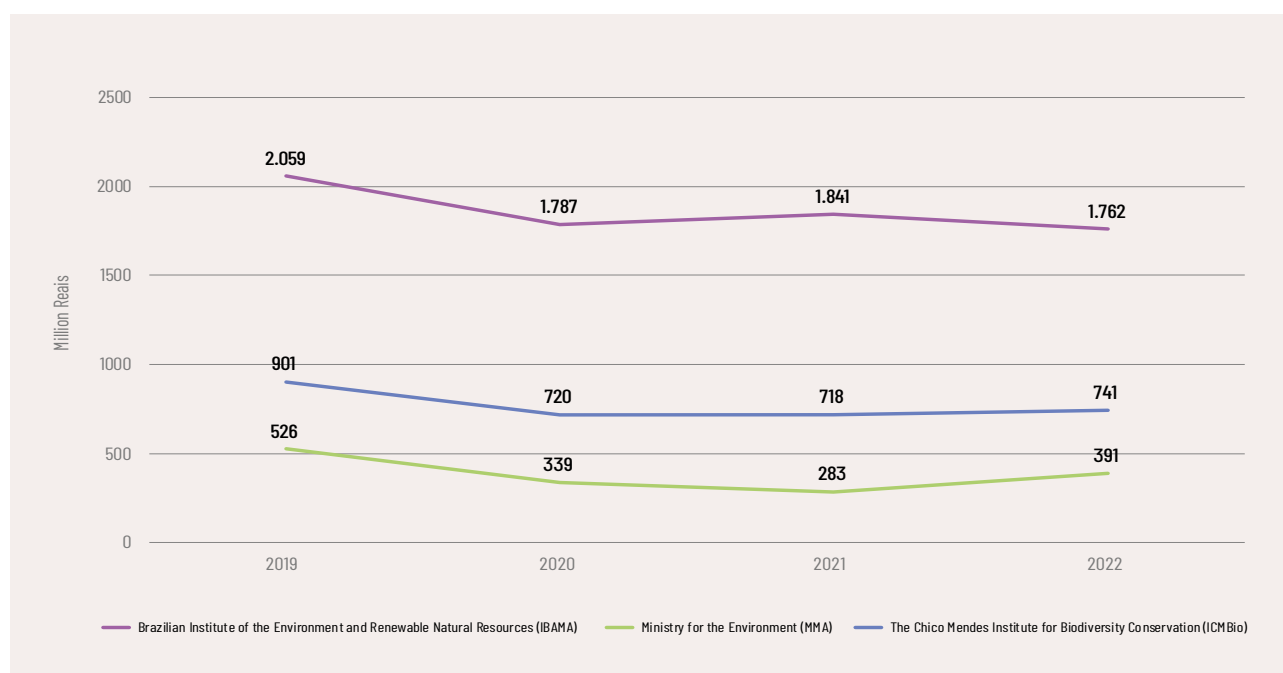
Policy actors can focus on different aspects in the definition of agenda, formulation, and implementation of the Forest Code<sup>1</sup>. An actor's choice of who and how to influence is heavily determined by the resources and strategies available to them. For example, by having more resources to focus on impacting public policy through elected parliamentarians, a given coalition can choose to focus on political institutions; by having more resources to produce information and studies on a given policy, the coalition can choose to impact the realm of policy ideas; alternatively, by having more resources to create awareness, a given coalition can choose to influence the definition of the problem they perceive. We explain this by introducing Kingdon's three streams: the 'policy stream', 'politics stream', and 'problem stream'.

As we recognised that the implementation phase was of critical importance in the case study, we included this as an element after decision-making that is still involved in political conflict. Indeed, a key difference between the Brazilian policy process around the Forest Code and the models of Kingdon or Sabatier, is that the Code has moved both forward and backwards through the segments of the classic policy cycle. Under Bolsonaro, the Forest Code was sidelined and marginalised by the government – this led to strictly limited implementation (Gabbatiss, 2022). Under the new Lula government, the expectation is that implementation will increase once more, yet before this is possible the Code will be subject to budgetary battles in Congress, representing a return to political decision-making once again.

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<sup>1</sup> While the Forest Code as such is a law and not a policy, it requires public policies and programs for implementation, such as the rural cadaster CAR.

**Figure 3 – Budget developments for Brazil’s main environmental institutions**

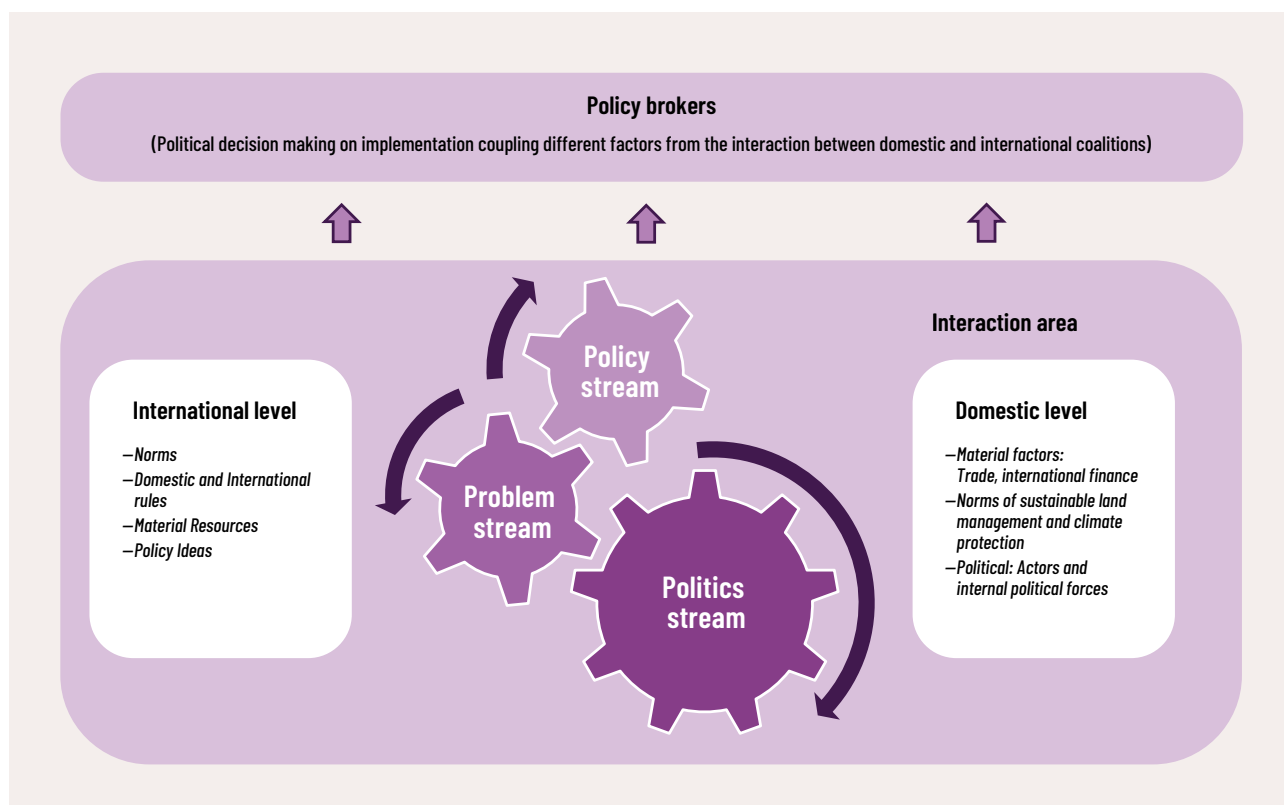


Note: Realized budget for IBAMA, MMA, and ICMBio from 2019 to 2022 in millions of Reais.

Source: Data from Sistema Integrado de Planejamento e Orçamento do Governo Federal (SIOP) (Federal Government of Brazil, 2023), authors' own elaboration.

In summary, our model of international – domestic policy interactions build on several literature findings (Figure 2). Firstly, factors which presumably have an influence on policies (material, norms, and politics of transnational reach), and secondly, adaptations of policy process theories in terms of incorporating international influences and actors, specifications of the Brazilian reality, and shifting focus to include policy implementation. We assume that in the interaction between the two sides of the model there are ongoing processes driven by various actors. To illuminate this field of interaction, we describe two types of transnational policy actors as follows in the results chapter.

**Figure 4 – Policy model of the Brazilian policy process, including international and national elements and influencing factors.**



Source: Authors' own contribution



Chapter four

# Results

## 4. Results

The results chapter is divided into four subsections. Firstly, we present international influences on the Brazilian policy process in the land use sectors (4.1.); secondly, we provide an overview of ODA and IPoE in the Brazilian context (4.2); thirdly, we lay out the specific challenges these transnational actors face (4.3); and finally, we discuss their role in the implementation phase of the policy process (4.4).

### 4.1 Brazil's policy responses to international influences in land use and forestry

#### Introduction to land use and climate policies in Brazil

Brazil is the world's twelfth largest economy, with a GDP (Gross Domestic Product) estimated at around US\$ 1.65 trillion in 2021 (Barros & Silva, 2022). The country, which experienced high growth rates due to a commodity boom in the first half of the 2000s, has suffered an economic slowdown since the recession of 2015/16. Despite a partial recovery, Brazil continued to be afflicted with economic challenges until the end of 2022 due to the Covid-19 pandemic. Currency depreciation and a surge in commodity prices have contributed to inflationary pressure in the country during the pandemic, all against the backdrop of 2020 and 2021 representing the worst two-year growth performance for Latin America since the 1980s (IMF, 2021).

Brazil ranks as the world's leading producer of soybeans, sugar, coffee, and frozen concentrated orange juice and is the second largest producer of beef and chicken products in the world. The Brazilian economy relies to a large extent on agriculture, with the sector contributing around 25 % of national GDP (Tareq, 2022). This vast agricultural production is built upon Brazil's natural endowments - its continental size, climate, and high percentage of land suitable for agriculture. The country is a major commodity and food products exporter, including the above foodstuffs, corn, fruits, nuts, cotton, and ethanol. Brazilian soybean represents 38% of global soybean exports, whilst Brazilian cattle is 17% of the global market (Barros & Silva, 2022).

The land area available for cropping has been continuously expanding in Brazil. Between 1990 and 2011 it grew from 530,000 to 680,000 km<sup>2</sup>. This has slowed since 2011, alongside the yield from annual crops (Lapola et al., 2014). In 2021/22, the country had a total area of 851 million hectares with around 85 million in crop production and 180 million in pasture (Barros & Silva, 2022). Based on UNFCCC data, GHG emissions in Brazil peaked in 2004, simultaneously with the country's deforestation rates (see Figure 5 and 6). It is estimated that emissions have risen again during 2016 till 2023, due to rising deforestation rates (Climate Action Tracker, 2022).

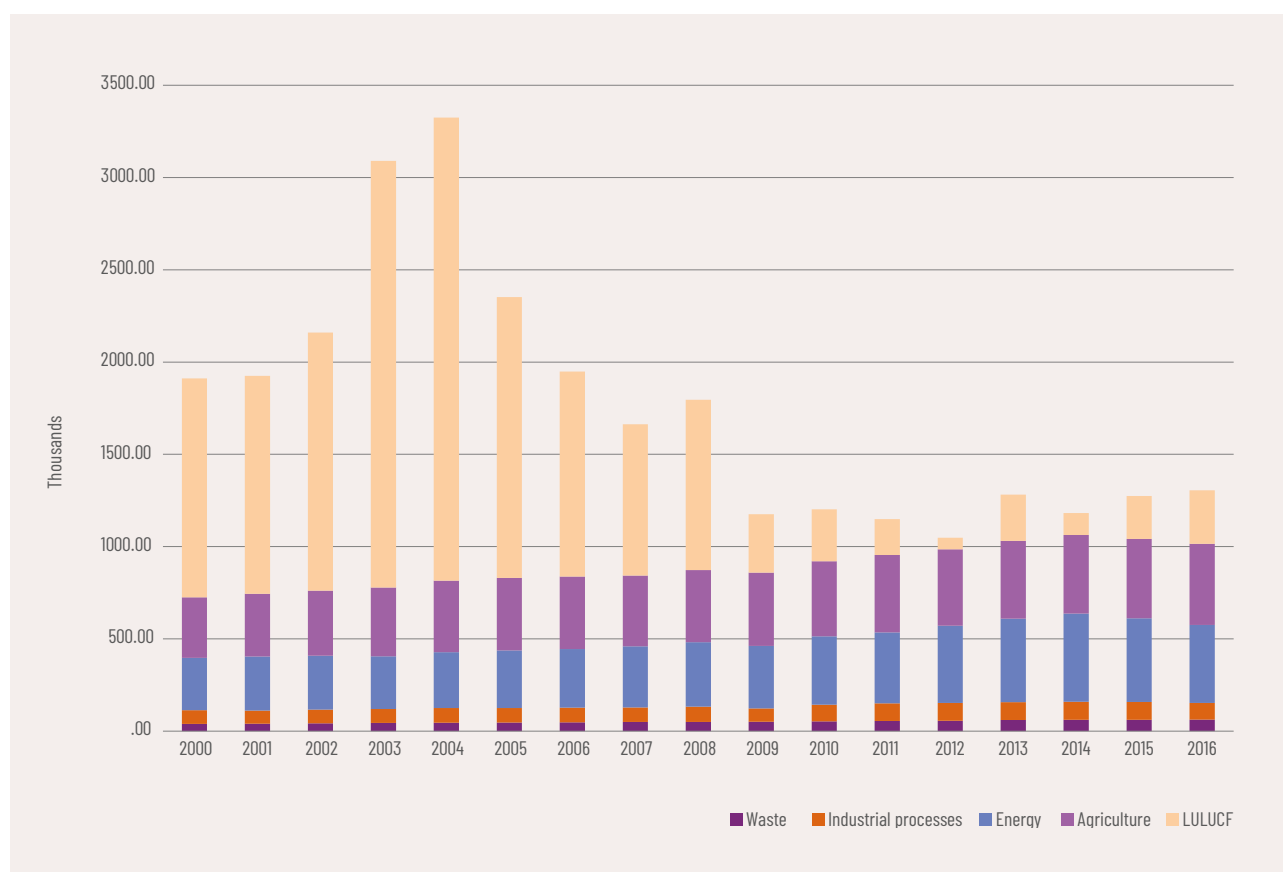
Brazil has the second largest forest cover globally, which stood in 2020 at 496,619,600 ha (FAO, 2020). However, between 2000 and 2020 this forest cover declined at a net change of -5.9% (-28.1Mha), leading to large-scale GHG emissions (Timperley, 2018). Largely driven by this deforestation, Brazil now ranks as the twelfth largest GHG emitter (Joint Research Centre, 2022). In 2020, Brazil was the

biggest contributor of land-use related GHG emissions worldwide, equating to 17%–29% of the global total (Rosan et al, 2021). Since the mid-1990s, the mean deforestation rate has been around 20.000 km<sup>2</sup> (Silva Junior, 2022). Since a record low in 2012, deforestation rates have risen to a 15-year record in 2023. Annual rates of deforestation in Brazil are depicted in Figure 6.

Brazil's geopolitical position in the world stage is inseparably bound to biomes such as the Amazon region and the Cerrado. For some observers, this is due to the international importance of these regions in the global climate. This is brought sharply into focus as the Amazon region nears a catastrophic tipping point at which the forest ecosystems lose resilience to bounce back from disturbances; if this occurs, approximately 90 gigatons tons of CO<sub>2</sub>e could be released into the global atmosphere (Harvey, 2022). For other observers, the regions are defined by their potential for economic development, due to their abundance of mineral resources and potential for agro-industrial development, both of which are significant drivers for deforestation. In these regions, land use conversion activities have replaced the old growth forest and left few forest remnants where deforestation was more concentrated (Alves et al., 2009).

These international dimensions are refracted through the trade of agricultural commodities. The EU is the second most important destination for exports of Brazilian agricultural products, representing 13.7% of market share (MAPA, 2023). In an effort to ensure that commodities imported to the EU are not linked to deforestation, the EU has approved a regulation on deforestation-free supply chains, which obliges companies to certify their products as deforestation free (European Council et al., 2017).

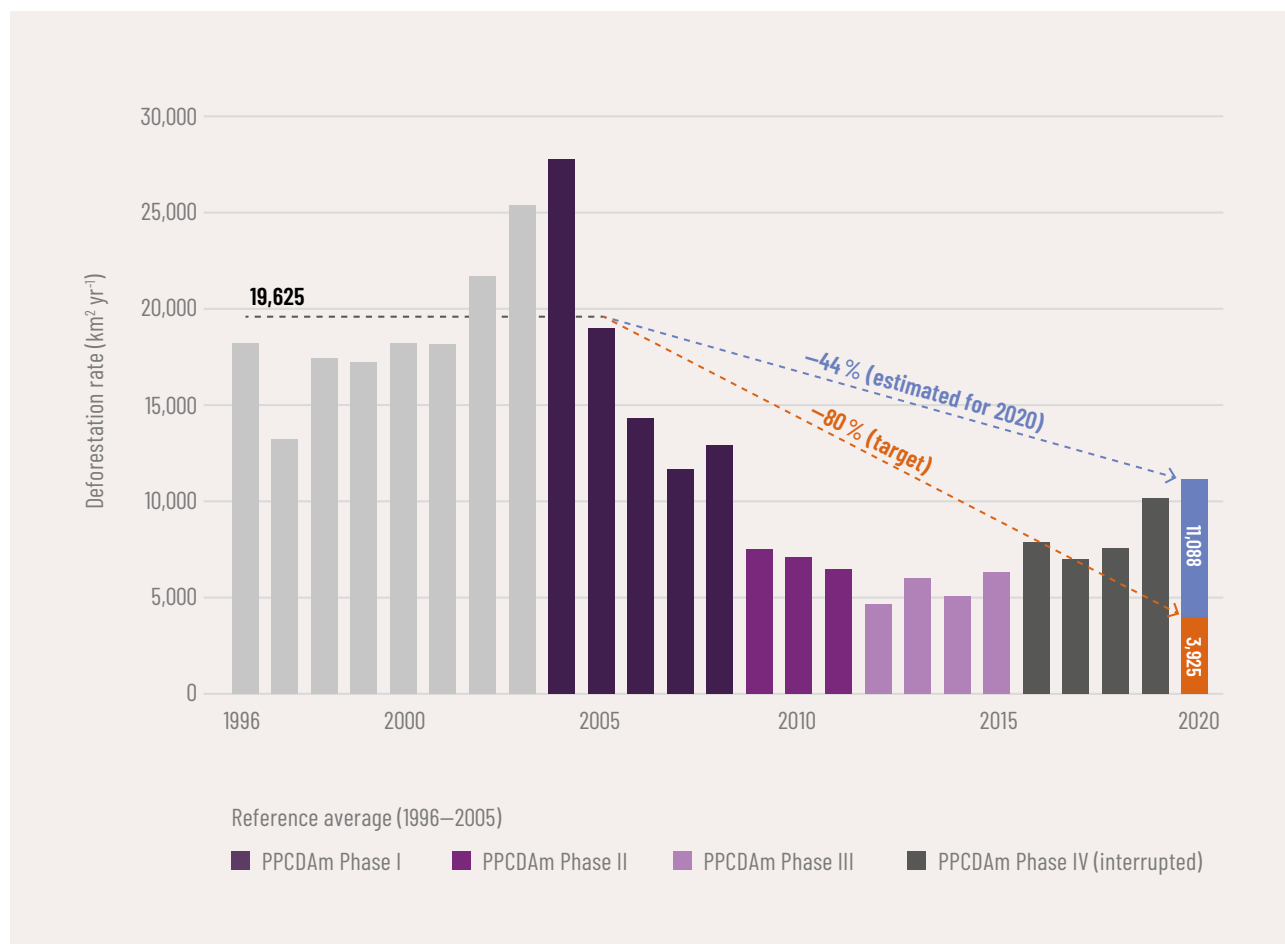
**Figure 5 – GHG emissions in Brazil, by sector**



Source: UNFCCC



**Figure 6 – Annual deforestation rates in km<sup>2</sup> of Brazil, according to phases of the Action Plan for Prevention and Control of Deforestation in the Amazon (PPCDAm)**



Source: Silva Junior et al, 2021

In recent years, Brazil has been one of the frontrunners of the Non-Annex countries of the UNFCCC. The Action Plan for Prevention and Control of Deforestation in the Amazon (PPCDAm), was launched in 2004, and enjoyed far-reaching political support, followed by a national climate plan in 2008 and a national climate law in 2009 (MMA, 2018; Hochstetler, 2021). The PPCDAm is largely credited with bringing down the deforestation rates in the decade 2004–2014 (ibid). Brazil aims at achieving zero deforestation rate by 2030. The country aims at reaching net-zero GHG emissions by 2050, which is conditional on the attainment of international financial support (Govt of Brazil, 2022).

## Responses by Brazil to international factors

In this section, we provide an overview of the findings on how Brazil reacts to international factors in the context of climate policy and land use sustainability. We explore the Brazilian public sector's response within the context of the Forest Code. This is presented by means of three subsections: material-financial, norms, and political. The latter subsection also contains the political priorities and forces, which matter to explain the responses by Brazil to the international factors.

### 1. Material factors: Trade, international finance

Material factors have been a strong motivator for Brazilian climate action. This stretches back to the Collor government (1990-1992), which saw a softening of the country's position on climate change as a potential route to increased foreign trade and investment (Kasa, 2013). The prospect of financial incentives in the form of REDD+ have prompted both the federal and state governments to take climate action (Gueiros et al., 2023; Pinto & De Oliveira, 2008). Motivations for such action include external finance offering the possibility to build state capacity and strengthen institutions such as environmental agencies. This potential can be further enhanced by the possibility of using external finance to develop programmes that are outside of domestic political budgetary control (Kasa & Næss, 2005, pp. 5-8). Furthermore, it can be more readily maintained during domestic economic crises, allowing the government to maintain political priorities (Andonova & Piselli, 2022).

In 2006, Brazil began advocating for a funds-based solution for encouraging reduced deforestation - clearly linking international financial incentives to climate action (Kasa, 2013, p. 1054). This represented a sharp divergence from previous policy (Hochstetler, 2012). These external finance flows into Brazil developed with the emergence of REDD+ and other mechanisms, which provided opportunities to reward actors for reducing deforestation. The federal states of Brazil, especially those clustered around the Amazon biome, strongly pushed the national government to accept REDD+ projects, believing they could use proceeds to fund their development (Viola, 2013).

### 2. Norms of sustainable land management and climate protection

The desire to reduce Amazon deforestation has motivated significant climate action by the Brazilian government (van der Hoff et al., 2018). However, the most important norm-related factor motivating Brazilian climate action is governmental reputation. As highlighted by Hochstetler and Keck (2007, p. 37), it was believed that allowing foreign actors into governance of the Amazon region in the 1990s would lead to international goodwill spilling over into other areas, providing a valuable diplomatic opportunity. They note that participation in transnational climate initiatives such as the Amazon Fund was intended to provide proof that the government was meeting international commitments, enhancing their reputation on the world stage, whilst simultaneously meeting domestic political pressures. Furthermore, the decision to increase Brazil's UNFCCC commitments from the mid-2000s onwards reflected strong reputational concerns, with a desire to reaffirm its commitment to the environmental agenda to maintain its position as a climate leader (Kıprızlı & Köstem, 2023, p. 4). The reality of Brazil being a climate leader is open to question, but the perception has become embedded in political discourse (Franchini & Viola, 2019).

The decision to increase UNFCCC commitments in the mid-2000s also reflected Brazil's shift in economic status. As a member of fast-growing countries, the FEDFEDS group (Brazil, Russia, India, China and South Africa), Brazil was recognised by the rest of the world as an emerging power. This change in categorisation came with enhanced responsibilities on the international stage, such as an expectation

to increase climate actions (Kıprızlı & Köstem, 2023). Brazil broadly accepted these responsibilities, perceiving that it should lead developing countries to make ambitious commitments (Hochstetler, 2012, p. 973). This has subsequently morphed into an international norm that developing countries should accept voluntary mitigation efforts (Kasa, 2013, p. 1060), providing the basis for the Paris Agreement.

### **3. Political: Actors and internal political forces**

Brazil's willingness to adopt norms to protect forests and climate is very much dependent on the way politics operate in Brazil. It is suggested that the multiparty system forces the federal executive branch to compose with a wide spectrum of political parties to win a majority in Congress (Abranches, 1988, 2018). This gives the legislature a strong role within the existing coalition presidentialism, often forcing the government to negotiate with political parties of different ideologies. This can be seen in the case of the Forest Code with the strength of the rural caucus in Congress. Thus the political system in Brazil favors the formation of internal coalitions.

Similarly, federalism in Brazil imposes a difficult challenge for the implementation of norms such as the Forest Code. Although Brazil's constitution enacted in 1988 established a decentralized Brazilian federative system, several federative arrangements have been made since then that lead to a high degree of centralization of decision-making and resources at the federal level (Arretche, 2012, 2004). This means that, on the one hand, the federal government has a lot of power in certain policies (Arretche, 2012, 2004), but on the other hand, as we see in the work of Abranches (1988, 2018), this power is shared with other parties that make up the National Congress, including supra-party interest groups such as the rural caucus.

Thus the government has to deal with a plethora of different interests in the case of the implementation of the Forest Code (e.g., internal pressure for local development from states situated in the Amazon region), economic factors (e.g., pressure from political parties for Brazil's economy to grow and have more external investment), political pressure (e.g., from government base and opposition parties with different ideologies), and pressure from external actors (e.g., NGOs and interest groups such as local trade associations).

#### **3.1. Policy discourse of the policy actors and brokers**

Recognising the imperatives of coalition politics in Brazil, the federal government in Brazil needs to collaborate with different parties in Congress, which often represent different policy discourses (Abranches, 2018). This results in a vision of development more progressive or conservative considering the implementation of the Forest Code. The situation is complex: In terms of the policy brokers (Sabatier, 1998; Sabatier & Weible, 2014, 2019), here defined as the National Congress and the Federal Government as brokering the decisions on policies, the policy discourse can be seen as polarized between the legislative and the executive branch.

In addition, the different coalitions are each grouped by similar arguments in their discourses and beliefs, which thus impact the implementing agents that act as policy brokers. The discourse coalitions are each becoming more consistent in themselves in terms of membership and arguments used. The discourse coalitions influence the Government and Congress to approve budgets and other mechanisms for implementation of the Forest Code. We also identify some level of consistency among the opposition, particularly considering the polarization faced by Brazil during the last few years. In the case of Brazil, we find two main development discourses within these legislative and executive powers:

- 1) more progressive, developmental, and focused on local development with deforestation-free by 2030.
- 2) more conservative, nationalist, and focused on expanding the land use for the agribusiness

An example of the first discourse can be found in Lula da Silva's statements on local development, for example in his 'proud and active' foreign policy (de Almeida, 2023). He argues that the protection of forests (global public goods) needs to be balanced with local development (local public goods), i.e., the need to develop the economy of the states from regions such as Amazon (Planalto, 2023).

For the second discourse, the government needs to balance these objectives against political pressure from internal groups such as trade associations of the agribusiness sector, interest groups in Congress such as the rural caucus, and the private sector which advocate in favor of the conservative neoliberal discourse when it comes to the implementation of the Forest Code.

### 3.1.1. Market access and dependence on agribusiness

Brazil's economy continues to be strongly driven by the exports of commodities and agricultural products. Important interest groups, such as the rural caucus, act to influence policy to maintain Brazil's position as one of the most important suppliers of food products in the world. The private sector promises to move towards more sustainability within its supply chains, with companies such as Cargill committing to implement full traceability within all its production by 2030 (Cargill, n.d.). Under pressure from more conservative groups within his coalition, President Lula da Silva nominated Carlos Fávaro, an important agricultural producer in the country, to be the new Minister of Agriculture, focusing on opening the dialogue with agribusiness groups, particularly in the Congress.

### 3.1.2. Need for local development

Besides the need to gain and maintain market access for agricultural products, the federal government also receives pressure from environmentalist groups which advocate for sustainable management of natural resources. This led to Lula appointing Marina Silva - his former Minister of Environment during his first two terms - to be part of his cabinet again, with a strong agenda against deforestation and for a more sustainable society.

Since Lula's election in 2023, the topic of deforestation and more sustainable land use reemerged as part of the political agenda - tackling these issues have become an essential part of the priorities of ministries such as the Ministry of Agriculture, Livestock and Food Supply (MAPA) and the Ministry of Environment and Climate Change in Brazil (MMA) (Al Jazeera, 2022). President Lula's foreign policy has also incorporated topics such as climate change and sustainable development as part of its „proud“ and „active“ foreign policy. However, the need for local development appears increasingly strong next to the conservation priorities within the discourses, as we have found in interviews with both MMA and MAPA.

## 3.2. Policy Initiatives

Understanding how to navigate the different initiatives found within the Brazilian political and normative context is paramount to successful international cooperation. Current policy initiatives from the Brazilian government are an important case study in themselves. The Brazilian government is developing „the most ambitious“ green transition package in its history in order to receive more international investments, in an attempt to compatibilize a low-carbon economy with a development plan (Harris, 2023). The topic of deforestation is handled by multiple ministries (i.e., MMA, MAPA,

Ministry of the Economy) with deforestation within the agribusiness supply chain one of the most pressing issues within the new government. Challenges around funding and credit lines such as Plano Safra continue to be an important part of the agenda, focusing on expanding the agricultural production in the country and the exports of these goods. It is reasonable to conclude that ODA and IPoE should include themselves in the discussion of the terms of development in Brazil in ways that are compatible with current policy initiatives.

In this section, we established that material factors and international norms influence the direction of Brazilian climate policymaking, and that those political structures play an important role in shaping policy responses. In the following section, we investigate two specific types of transnational climate finance actors, ODA and IPoE, and address the question, how they are acting as agents for the factors mentioned above.

## 4.2 General findings on ODA-ICF and IPoE in the land use and forestry sector of Brazil

In this chapter, we present the findings of our analysis of the ODA-ICF and IPoE climate finance actors. This analysis is based on interview data. As a general finding from the interviews, we can define both ODA-ICF and IPoE as transnational policy actors, because they are promoting international normative agendas of sustainability and aim at integrating them into the Brazilian policy process. The public ODA-ICF types are mandated by their funder and the Brazilian government, through top level government to government negotiations to provide climate policy support for Brazil. The private IPoE type involves international investors who initiate policy engagement processes with the Brazilian government to raise concerns, for example, about the risks incurred through deforestation and climatic impacts.

### Overview on ODA-ICF

In Brazil, the forestry and agriculture sectors are one of the largest recipients of ODA-based climate finance. We focus on German funded ODA-ICF projects, in particular on technical cooperations (TC), and to a lesser extent, on financial cooperations (FC). Since 2013, German institutions are the single largest contributors of financial and technical support to Brazil (see Figure 1). KfW (Credit Institute for Reconstruction) and GIZ are the main implementing agencies of the German government (see the table in the annex for a portfolio overview). They implement projects that cover a variety of topics related to sustainable value chains in agriculture, forest rehabilitation, as well as contributions to the Amazon Fund. GIZ specializes in policy advice and works on capacity building for national level institutions of the Brazilian government, whilst KfW has only limited engagement on policy advice. GIZ receives most of its funding from the German government, above all from the Federal Ministry for Economic Cooperation and Development (BMZ). The focus of the report is the GIZ work on the protection and sustainable use of tropical forests, which the organization pursues through technical support for the implementation of the Forest Code and the CAR (GIZ, 2022).

TC projects focus on policy advisory work, capacity building, and conducting pilots in the field (interviewee TC). The projects are guided by individual steering committees, in which the main political

counterpart, for instance, a high-ranking government official from the MMA, takes the lead. The project teams are composed of Brazilian and international experts, many of them from Germany.

These pilot projects are intended to demonstrate to policy makers that new sustainable pathways are possible, with the ultimate goal of moving these topics higher up the political agenda. Many sustainability topics are marginalized on political agendas, for both funder and recipient countries (interviewee TC). To fill this gap, GIZ acts as a facilitator in the political agenda setting process. It is closely attached to its Brazilian counterparts, in our case the Brazilian ministries in the capital city Brasilia, and in an ideal scenario (according to their mandate) would work jointly on the design of specific policy solutions, whilst supporting policy processes.

## Overview on IPoE

The second type of climate finance actor engaged with the Brazilian government on the implementation of the Forest Code are international investors organized in novel policy advocacy groups. Institutional investors have engaged with companies on environmental, social and governance standards (ESG) since the early 2000s, with engagement processes increasing substantially throughout the 2010s (Yamahaki & Marchewitz, 2023). However, in recent years, a new approach has emerged. This new strategy of engagement – with governments, or in the language of institutional investors, sovereigns – resembles “public sector work, usually done by international organizations” (interviewee IPoE). This policy engagement is said to constitute a complementary strategy to the traditional engagement with companies they invest in. Investors are beginning to engage in the public policy space to advocate stricter implementation of environmental policies. This unusual development is studied in this report to understand why and how the IPoEs engage with the public policy sector.

Our subject of analysis for the IPoE type is IPDD, composed of 67 asset managers and owners from 19 different countries, representing approximately USD 10 trillion in assets under management across equities, debt and forestry assets (IPDD, 2022). The IPDD as a collaborative investor engagement initiative is active since 2019, and focuses on two countries, Brazil and Indonesia. According to the IPDD (2022), the motivation to engage with public policy actors is caused by the significantly rising rates of deforestation in Brazil, which implies risks to both private and public sectors. Potential critical losses of forest ecosystems possess a threat to agricultural production due to multiple negative effects on the whole ecosystem, for example soil degradation or increased likelihood of extreme weather events. Decreased agricultural output would severely affect the national economy, which will likely be reflected in higher interest rates of sovereign bonds and possible macroeconomic instability, representing a major concern for the Central Bank (IPDD, 2022; interviewee govt.). Loss of agricultural output would be a significant blow to the Brazilian economy, likely harming the financial interests of investors.

The main objective of the IPDD in the engagement process in Brazil is to significantly reduce deforestation, support the implementation of the Forest Code, prevent large scale forest fires, and enhance public access to forest related data and information (IPDD, 2022). They introduce problems of a public nature which they argue policymakers should solve – a phenomenon identified by Kingdon (1984). The Brazilian federal government has been identified as the actor best able to achieve these objectives, with the IPDD focusing their efforts to influence the various institutions of the Brazilian public sector.

## 4.3 Potential and challenges: ODA and IPoE engagement with the Brazilian policy process

In this chapter, we present the findings of the second research question: what are the potential and challenges for the public and private climate finance actor when engaging with the Brazilian policy process? We discuss the potential and challenges based on the various elements of the policy process which the ODA-ICF and IPoE engage with.

### ODA perspective

#### *Challenges of technical cooperation*

We argue that transnational actor's policy agendas, ideas and strategies, and norms of sustainability influence national policy making processes through various channels. Here we identify TC projects as significant entities in the policy stream. This is because the policy advisors of such TC projects present policy solutions as proposals in the policy discourse (interviewees TC, govt). In this case study the policy solutions concern implementation of the Forest Code. As these projects are typically bound to their political counterparts – mainly Brazilian ministries – the track of the government institutions is the main channel into the policy stream. Products generated by the TC actors such as assessment studies, policy proposals and pilot projects need to be approved by the political counterparts to be released into the policy stream.

National sovereignty over policy processes is a challenge for the transnational policy actors in domestic policy processes. Not all approaches are considered permissible in TC projects. The line can be seen in which actors can be engaged – policy work on operational levels, such as with directors in ministries are acceptable; access to political decision-making processes is not seen as legitimate.

According to TC interviewees, the line after which national sovereignty over policy decisions becomes a concern is blurry. When asked about perceptions of TC projects as agents of foreign influence on domestic policy processes, it was stated that views were generally positive and supportive in the sense that these projects contributed to a positive agenda setting for sustainability issues. According to interviewees (ex-govt) only smaller fractions of actors within the land use policy space views them as alleged agents of negative influence in the sense of undermining development progress, especially so during the administration of J. Bolsonaro. Generally, however, interviewees of all stakeholder groups agreed on the high effectiveness of the TC work in the land use sector of Brazil and lauded its contributions to policy implementation. A few aspects are worthwhile highlighting.

Firstly, the performance of GIZ projects is highly dependent on top-level political decisions in Brazil, most notably shown by the succession of presidents since 2003 till the present day: if the top-level agenda leans already towards sustainability of land use and reducing deforestation, then the performance of a TC portfolio can be very high (Lula administrations I, 2003-2007 and II, 2007-2011). If – such as under President Bolsonaro – the importance of such topics is downgraded, then the projects cannot develop to their full potential (interviewee TC, NGO).

Secondly, in some interviews it was stated that the terms of support should not be dominated by the funders, but that Brazil should be in the driver's seat to make the decisions (interviewee TC, govt). The

view was expressed that the decision-making process on funding priorities relies too much on the infrastructure and oftentimes imperfect information basis on the side of the funders, who are not always tightly connected to the realities of the policy processes in Brazil (interviewee TC).

Thirdly, interviewees from Brazilian government and research described the role of TC as of paramount importance to supplement the scarce resources for policy implementation in finance and human resources. Such statements stand at odds with TC agency policies, which require partner governments to take the main role for implementation, and which restrict the TC agencies mostly to advisory and capacity building roles. Contributing to means of implementation for the Brazilian land use policies could be a strong case for FC under conditions of policy which are already adopted, and gaps of resources for implementation exist (interviewee TC).

*Directionality of political decision making: Vertical coordination and communication issues*

We found during interviews (govt, TC) that political decision-making in Brazil has followed mostly top-down directions in the case of the implementation of the Forest Code. Substantial powers from the executive branch are somewhat balanced by the significant power held by the legislative branch (Hochstetler, 2021) – reflected in the way priorities for TC are negotiated and agreed upon. In this sense, within the federal government and TC agencies such as GIZ, the priorities are often negotiated between top-level bureaucrats, the international development partners funders, and Brazilian line ministries and the Ministry of Foreign Affairs.

Yet we found that technical assistance projects are implemented mostly on mid-levels of ministerial and agency staff, leading to a situation in which the relevance of the TC projects is not always aligned between top-level bureaucrats and operational, technical staff. The report finds that the mid-level bureaucracy within each ministry, such as the operational needs of agencies related to environment policy, are not always considered by transnational actors such as GIZ. In other words, we find a detachment of high-level decision-making from implementation.

According to a respondent (ex-govt), around 50 % of TC project's work is considered highly useful in terms of generating innovative pilot projects and building capacity, yet urgent day to day tasks of the ministry are often not supported by the TC agreements which were negotiated between high-rank officials. The reason – according to interviewees – is the lack of a vertical communication channel in the preparation of government-to-government negotiations, which enables flows from working levels to the top level. This is viewed differently by top level executives from the ministries: they expressed that Brazil's priorities are clearly a non-negotiable item and that the terms of support are set by Brazil.

It seems that there is room for further alignment and synchronization between decision-making structures and strategy building of TC projects and their counterparts within the government institutions. To illustrate this, the level of knowledge by the top-level decision makers may be quite different compared to the reality and needs of the middle-level bureaucracy which oversees implementation (interviewees ex-govt, TC). This results in imperfect alignment between the implementation level of ministries and counterparts in TC projects (ibid). On the working level, the asymmetry persists in the sense that TC actors could not easily adjust to the demands for altered strategies and budget spending by their counterparts, as they adhere to the high-level decisions taken in the government-to-government negotiations (see Table 2).



This situation persists because of the existence, within top-level officials, of political-strategic objectives which oftentimes lack more operational information, both on the side of the funder and the Brazilian government. This contrasts with the high operational knowledge but limited decision-making over strategic objectives for technical staff and agencies – consisting of an important information transparency gap.

**Table 2 – Comparison of strategic and operational objectives with the two levels ODA-ICF involved, the government-to-government negotiation level, and the operational level.**

Levels Objectives	Government to government (top-level)	TC - Ministry staff (operational level)
Strategic objectives	Matching (funder and Brazilian governments agree); Implementation support, but emphasis on policy innovation.agree); Implementation support, but emphasis on policy innovation.	Acquire funding for implementation on the ground. Sometimes diverging from top level due to differing information and related assumptions.
Operational objectives	Assumes that the working level of ministries will concur. But incomplete information basis may lead to divergence between perceptions of strategic and operational objectives.will concur. But incomplete information basis may lead to divergence between perceptions of strategic and operational objectives.	Sometimes diverging as TC actors receive both strategic and operational objectives from top-level, while ministry staff may diverge from that.

## IPoE perspective

### *The motivation of IPDD to engage in the Brazilian policy process*

The IPDD has sought to introduce a selection of items to the Brazilian policy process, several of them with a public good character: the aforementioned role as custodian of investor interests; deforestation risks for the public and private sector; and the topic of international market regulations such as the EUDR (EU Deforestation Regulation). According to interviewees (govt), these contributions to the discourse on deforestation and sustainable land use in Brazil are useful to shift narratives from the traditional divide of environmentalism versus extractivism towards sustainable business perspectives. Interviewees (IPoE, academia) were clear about the intentions of the IPDD, which is not intended to act altruistic or work for the public good, but to promote the sustainability of their business. This is different compared to investor groups with a religious or ethical agenda, which are also implementing policy engagement processes with the Brazilian government, but with a stronger human rights and religious perspective on deforestation.

Interviewees (IPoE) acknowledged that there was concern from the Brazilian government about engaging with transnational IPoE initiatives due to concerns about national sovereignty, but that these were not directly expressed as such. In fact, a key part of the engagement strategy by the IPoE is to partner up with domestic investors of Brazil to legitimize their risk concerns and avoid being perceived as international investors seeking to influence policy outcomes by Brazil. But such international-national alliances apparently have other implications: domestic investors depend much more on

domestic policy decisions, as divestment is usually not an option for such investors. It is too early to state, however, if these different degrees of dependencies on Brazilian policy decisions, and related strategizing by investors, have an impact on the IPDD group as a whole, for instance in terms of inter-group tension or on the overall strategy.

#### *Policy engagement processes by the IPDD: Process structure and experiences*

The engagement processes with Brazilian policy actors followed two tracks. One was to build the capacities and understanding of investors on how the public policy sector works, including ministries, institutions, legal arrangements and processes. The other was intended to build capacities and awareness in the public sector in Brazil about the nature of risks to the IPDD investments. These two tracks are pursued through activities such as meetings with government across all relevant topics, levels and institutional forms. In these meetings, the concerns of the IPDD related to deforestation, investments and financial stability were raised, albeit without proposing concrete policy solutions. The engagement processes are informal in nature, which means that – unlike in the case of ODA-ICF – no formal role, mandate or responsibilities were agreed upon between the Brazilian government and the IPDD. The policy engagement processes can be described as the meeting of two different communities: the public policy world and the private investor world. These worlds have different logics, as investors are mostly concerned with the financial sustainability of their investments, and policy makers are typically more focused on issues of a public nature which concerns society at large. Furthermore, time horizons of policy making are often longer term and policy actors often deal with complicated balancing of political mandates, technical feasibility and the desires of different interest groups and societal impacts.

This meeting of two worlds has created a learning environment: the government increasingly understands that the role of private IPDD is not to contribute direct funding as a means of policy implementation but is an important factor for sustainability of the land use economy of Brazil. For instance, a learning emerged for the meetings with the IPDD about the relationship of financial risks and land management: for instance, if the Brazilian government issues green bonds, and the governance of land use is weak, then this could become a financial risk which increases the cost of capital for example, if risks compound, then interest will go up on debts issued by the government. Ultimately, these are risks affecting both government and investors because when interest rates go up, the price of the bond changes, which may result in losses for the investors.

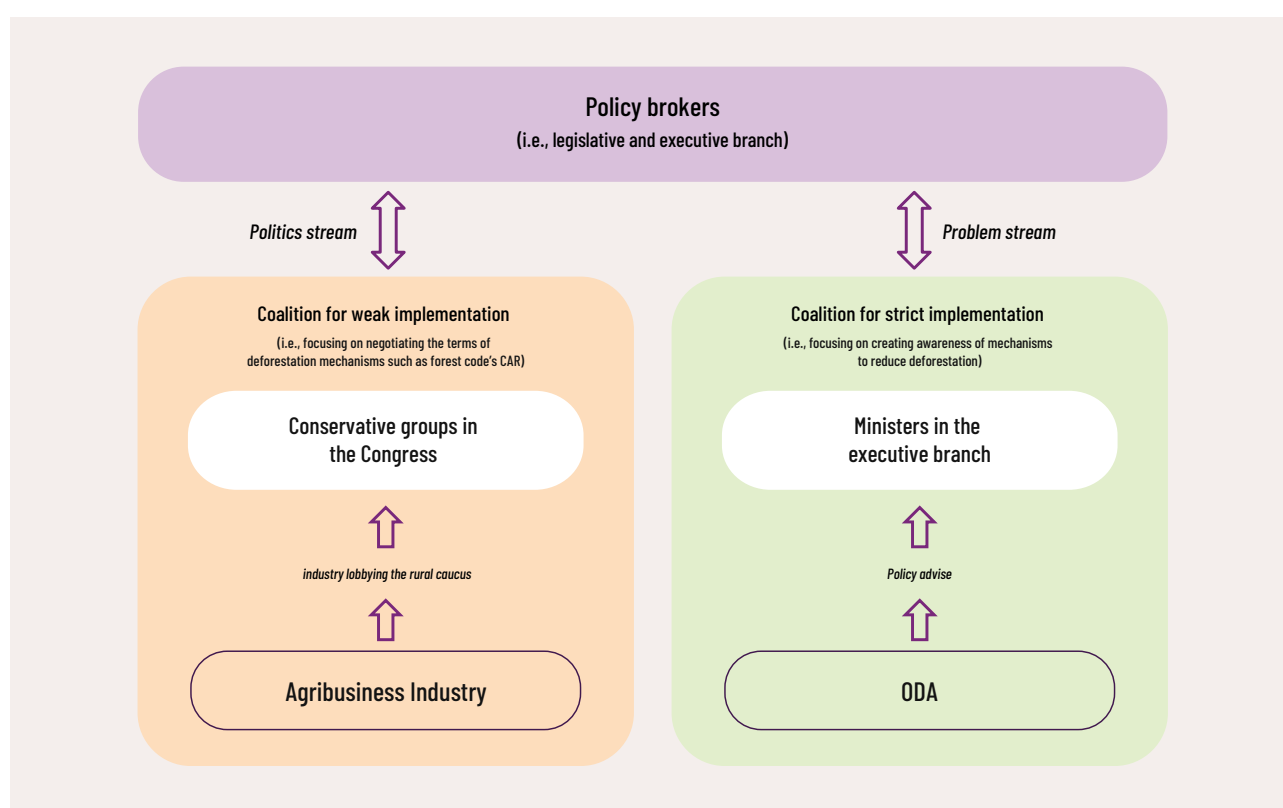
In terms of the effectiveness of the policy engagement processes, interviewees (IPoE) were of the opinion that IPoE delegations were openly received by the government, but that follow up action to the IPoE requests were not forthcoming. A range of possible explanations were offered by IPoE interviewees: that a democratically elected government cannot respond to concerns raised by particular groups such as the IPDD; and that the transversality of government structure impedes a coordinated response, as some institutions in the government are receptive to financial and economic arguments, but institutions in charge of implementing the Forest Code are more focused on technical matters. Regarding the latter argument, interviewees mentioned additionally that IPoE financial-economic arguments were more relevant to particular institutions, such as the Central Bank. Such institutions communicated the relevance of IPoE led policy engagement to other ministries, but presumably due to differing mandates and attributions, the technical ministries did not respond in the same way. It was mentioned that oftentimes clarifications were needed by the IPoE actors to explain to the technical institutions that the intention was not to provide finance to the Brazilian government, but to raise IPoE concerns, which in turn may have negative economic consequences to Brazil.

## 4.4 The role of ODA and IPoE in the implementation of the Forest Code

### *Relationship of TC actors with advocacy and lobby groups in the policy process*

We find that the ODA-ICF engages with one of the two main coalitions of actors, who play roles in the policy process on the terms of implementing the Brazilian Forest Code. The TC actors bring arguments for stricter implementation of policies into the discourse of the ‘strict implementation’ coalition but are using highly divergent channels of influence when compared to actors in the ‘weak implementation’ coalition (Figure 7).

**Figure 7 – Role of the TC actors in the Brazilian land use policy process**



Source: Authors' own contribution

TC actors appear to strengthen the arguments of the coalition for the stricter implementation of the Forest Code, composed of IPDD, GIZ, MMA, NGOs, MAPA, but are losing against the lobbying forces of the ‘weak implementation’ coalition, composed by actors such as rural caucus, agribusiness trade associations, soybeans and cattle food industry, agricultural producers. This was seen in the moving of the environmental rural registry (CAR) to the Ministry of Planning and Innovation (Metropoles, 2023). The ‘weak implementation’ coalition is using the route of the Congress, via the rural caucus, and pressures the top-level government to adopt measures to weaken policy implementation. The case of moving the CAR shows how such lobbying works: the newly elected government brought forward a temporary bill about the structure of government in January 2023. This needed to be ratified by Congress and was done with the condition that the CAR was to be moved to the Ministry of Planning and Innovation.

Interviewees (ex.govt, govt, academia, TC) generally state that the current institutional setting in Brazil gives significant power to the legislative branch, where effective action is orchestrated by advocacy groups such as trade associations and the industry. Moving the CAR to the Ministry of Planning and Innovation was understood as a weakening of Forest Code implementation (interviewees ex-govt, academia). This is due to the reduction to the level of a technical reporting tool and disconnection from more substantive policy implementation by the ministries of environment and agriculture.

#### *Relationship of the IPDD with advocacy and lobby groups in the policy process*

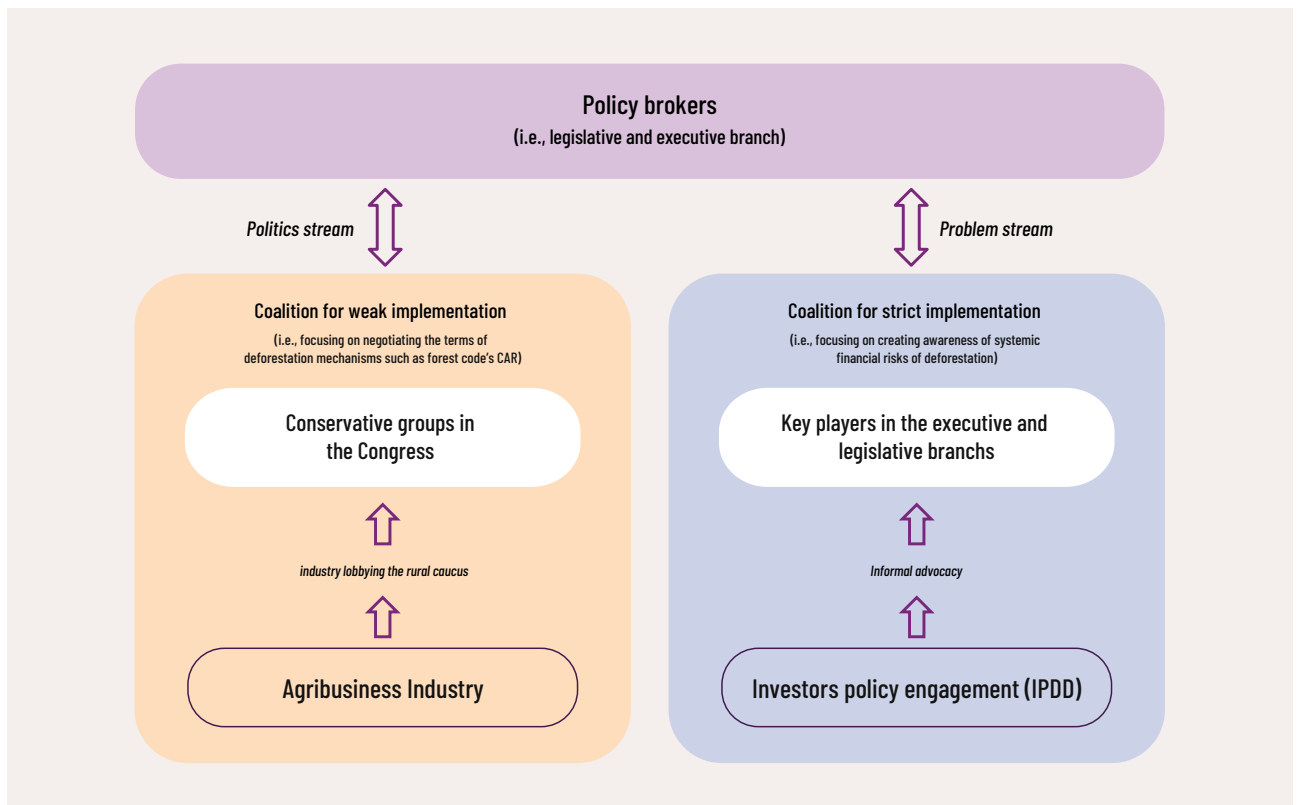
We identify the activities of the IPDD and the conservative agribusiness as two separate tracks into the policy process. The policy advocacy track of the IPDD, which consists of introducing broad arguments of investment and sovereign risks into the policy discourse – their impact thus far is limited and difficult to quantify. On the other hand, the rural caucus in Congress represents an institutionalized lobbying track with access to levers of significant legislative power – a powerful tool with which to influence decisions on government proposals for policy implementation.

As mentioned above, the Governments of both presidents, Bolsonaro and Lula, welcomed IPoE based meetings with groups like the IPDD, but with limited impacts in terms of follow up action across the public sector. Reasons for this inaction likely relate to the powerful role of the ‘weak implementation’ coalition, which is working through Congress and effectively influencing government proposals for the implementation of the Forest Code in their favor. This means that the strong role of the Brazilian president is weakened in this phase by an uncooperative Congress and opposed lobby groups, which essentially operate as a veto player (Tsebelis, 2002). The strategy which is primarily structured around influencing the executive branch of government is only as effective as lobby groups in different streams allow them to be (Figure 8). Hence, additional and stronger dialogues with actors of the ‘weak implementation’ coalition should be useful to achieve broader impacts in terms of influencing political decisions towards stricter implementation of the Forest Code.

Accordingly, we identify a missing link in this process in that discourse communities (or coalitions in ACF terminology) related to the ‘strict implementation’ and ‘weak implementation’ apparently do not have common grounds, connections or even channels of communication. In terms of contents, however, they may have potential overlaps. IPDD sees material-financial risks as a medium to long term problem and chooses to engage with the government now in an attempt to mitigate these risks. They do this, despite immediate evidence of the risks i.e., diminishing rates of return in the agribusiness sector, not currently materializing.

These risks will accrue to the conservative agribusiness as well, and potentially offer a strong rationale for connecting the coalitions and engaging in a communication process. Hence, we identify a space of potential dialogue between the two coalitions, which is currently not used, but could increase the effectiveness of the engagement process of IPoE actors such as the IPDD.

**Figure 8 – Role of the investor policy engagement in the Brazilian land use policy process.**



Source: Authors' own contribution

For the time being, the 'strict implementation' coalition seems to lose the battle for influencing political decisions, as shown by the decision to move the CAR from the MMA to the Ministry of Planning and Innovation. In an interview with representatives of the conservative agribusiness sector, the change of government which favored a neoliberal agribusiness environment to one in which more public enforcement of sustainability regulations is supported was expressed as "a battle was lost". It was stated by these interviewees that this would imply negative economic consequences (ibid). Our interpretation is that for the conservative agribusiness, the battle was lost (change of government), but not the war (fight over the terms of implementation of the Forest Code).

Chapter five

# **Synopsis: Role of ODA-ICF and IPoE as transnational policy actors in Brazil's land use and forestry sector**

## 5. Synopsis: Role of ODA-ICF and IPoE as transnational policy actors in Brazil's land use and forestry sector

The following table aims at broadly juxtaposing the main goals, interests, values, norms and instruments of ODA-ICF, IPoE, and the public sector of Brazil. This is done with the objective of showing the properties each actor has, and how the interaction between transnational and national actors can be characterized. It becomes clear that some areas are converging in terms of broad goals (e.g., forest protection), but differences persist in terms of interests, and above all, the instruments each actor prefers. While these heterogeneous actors are united under the umbrella of sustainability, how well they manage to put aside their differences and push in the same direction will likely determine their overall successes.

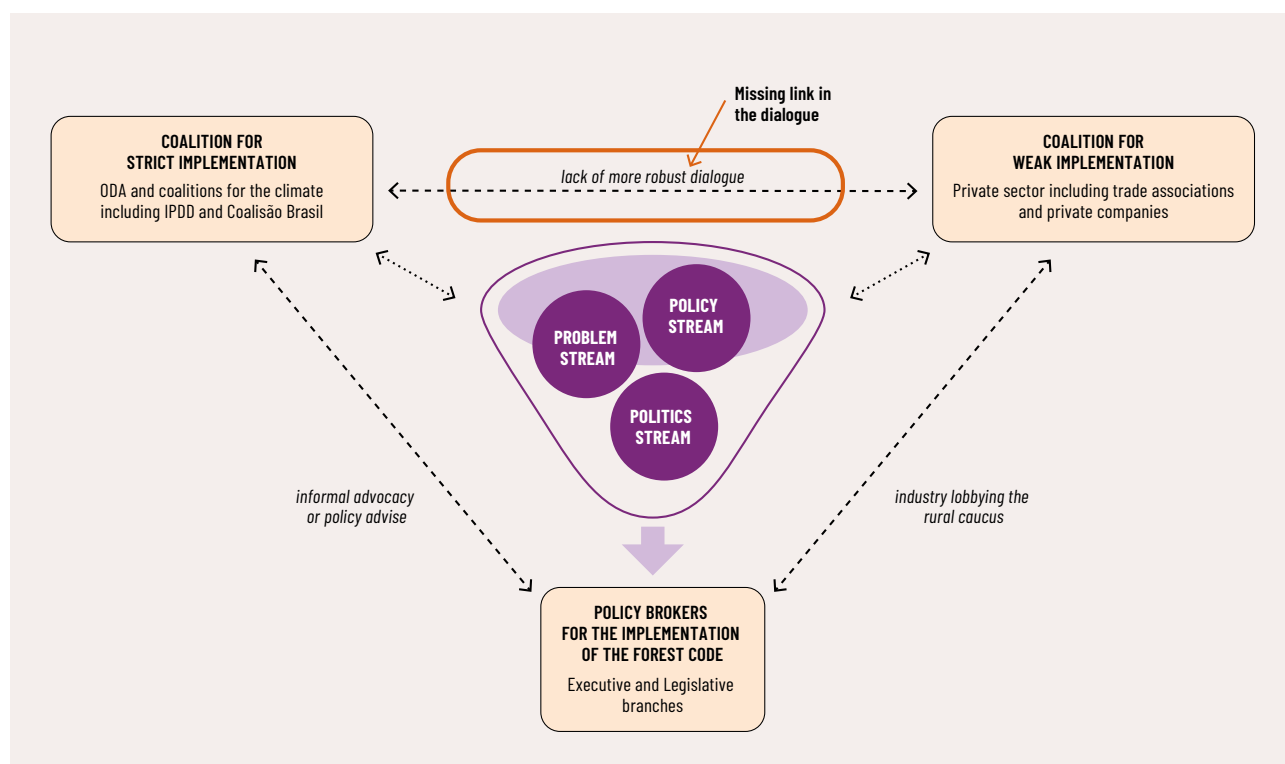
**Table 3 – Overview on goals, interests, norms, as well as instruments by type of actor in the Brazilian policy process (sources: interview results and governmental policy documents).**

	ODA-ICF	IPoE	Public sector Brazil
Goals	Working with Brazilian partners on the protection, sustainable use and the restoration of tropical forests. Exemplary goal: "The Forest Code and Environmental Rural Registry (CAR) have helped to protect and make sustainable use of the tropical forest and to restore forest cover." (GIZ, n.	Significant reduction in deforestation rates and strict implementation of Forest Code	Diverse goals: Strict enforcement of the Forest Code and zero deforestation (MMA) Foster productivity of agriculture, implementation of ABC+ (MAPA) Addressing systemic bank risks and monetary stability (Central Bank) and maintaining fiscal stability (Ministry of Finance and Ministry of Planning) Rural Caucus (Congress): defending agri-business interests
Interests	External: To move the sustainability agenda forward As organization: To stay relevant as an implementing entity	To reduce material and financial risks through deforestation  Increasing returns on investments	Policy implementation according to mandates, which can be diverse (e.g., maintain currency stability, increase agricultural production, maintain sovereignty over deforestation topic).
Values and norms	Reflected in the Sustainable Development Goals (SDGs) (sustainability agenda)	Reflected in Environmental, Social and Governance standards (ESG)  Belief in market mechanisms	Diverse: partly sustainability agenda (MMA), improve agricultural markets (MAPA) or financial market principles (Central Bank)
Instruments / methods	Policy advice, capacity building, pilot projects	Policy advocacy	Policy enforcement instruments

We have learned through the analysis of the roles of transnational actors in the Brazilian policy process that the different characteristics of the ODA-ICF and IPoE lead to a particular role and interactions with Brazilian policy making. In the terminology of Sabatier's ACF, both partake in the coalition for strict implementation of the Forest Code, but differ in their roles, which this paper argues is likely determined by their respective mandates and interests. The ODA-ICF type is an actor in the policy stream, while the IPoE contributes to the problem stream. Therefore, we argue that different coalitions act following different strategies which do not always dialogue with each other, creating a missing link between these actors in the domestic and international levels.

The following figure shows both types of transnational policy actors in the setting of the Brazilian policy process, including relations with coalitions and the political decision-making level.

**Figure 9 – Brazilian policy process in the land use sectors, including missing link in the policy dialogue between two belief coalitions.**



Source: Authors' own contribution

Both transnational actors, ODA-ICF and IPoE, are part of the coalition for stricter implementation, albeit pursuing different strategies and ways of influence seeking. From the interviews we can conclude that there is little concern by actors in the land use policy field of Brazil about the legitimacy of these transnational policy actors. The issue of legitimacy was however identified by other authors as a major challenge for transnational policy actors in countries such as Indonesia (see for instance Diprose et al., (2018)), which provokes the question, why is legitimacy not a big concern in the land use sector of Brazil?

Firstly, President Lula has ushered in a more accepting environment of international actors (interviewees govt, TC). Viewing this in a more nuanced way reveals that a certain level of skepticism



towards foreign policy influences (for instance, by regarding the EU-MERCOSUR trade negotiations as neo-colonialism and EUDR as protectionism by the EU, interviewees NGO, academia) was nevertheless maintained throughout the two presidencies of Bolsonaro and Lula. There is generally more openness under the Lula government, however, to dialogue with international actors.

Secondly, the case of the ODA-ICF shows that the formalized government-to-government agreement gave the TC project a legitimate role in the policy process.

Thirdly, an influential institution enabling access, the Central Bank, gave the IPDD initiative greater legitimacy. Despite this, the IPDD is still attempting to establish greater legitimacy by building alliances with domestic investor groups. Against such a backdrop – in which major policy decisions on land use goals have been taken (Forest Code, zero deforestation in 2030), but a struggle over implementation is ongoing – it appears that domestic actors and institutions acknowledge and value the two transnational policy actors as allies in their struggle.

A related important discussion is on the role of ownership over the use of ICF. National ownership is commonly regarded as the most important principle which should govern the flows of ICF (Browne, 2022). The question is who should have ownership: actors involved in the international negotiation level for support? National policy actors from the government, and if so, which sectors and ministries? Or, as in our case in the political struggle on the terms of the Forest Code implementation, is the coalition for stricter implementation a candidate for ownership, but not the coalition for weaker implementation? The notion of national ownership seems to assume that governments and the public sector of recipient countries are a unified actor, which is an unrealistic assumption. The analysis of the Just Energy Transition Partnership in South Africa supports this argument, as the direction and ambition level of the energy sector transition is a much-disputed political issue in South Africa (von Lüpke et al., 2023). As such, we suggest using the concept of legitimacy in addition to the established principle of ownership.

Another prominent argument centers on direct access and control over the means of implementation provided by the Global North countries. It is a common demand by the Global South that this should be their exclusive authority and that conditionality of climate finance, ultimate decision-making overuse of funds, and steering of implementation should be held by countries of the Global South. Here we argue that a significant step in terms of moving these tasks to the responsibility of the Global South can be taken, if the three dimensions of international, national policy goals and implementation are characterized positively in terms of ownership and legitimacy. As outlined in the beginning, funders disburse climate finance based on strategies which they have developed. We have also found that the governance of decision making over the use of the funds strongly leans towards the funders. A dialogue about improved governance of international climate finance needs to consider both sides: funders' strategies, objectives and domestic audit obligations, and the three levels of political decision making by the recipient. Such an approach might provide a conducive environment to discuss concerns around governance and implementation challenges, as interviewees have brought forward: who is managing and steering the programs, how to align better between ODA-ICF and government objectives. It is not necessarily a point of contention that transnational policy actors carry a foreign agenda with them: national governments and coalitions in policy processes can use that to their advantage by creating alliances in their struggle towards sustainability.

A large, stylized number '6' in a dark purple color serves as a background for the chapter title. The '6' is composed of two main parts: a thick, curved top section and a circular bottom section. The top section is slightly open on the right side. The circular bottom section is also slightly open on the right side, creating a sense of movement or a stylized 'C' shape. The overall design is minimalist and modern.

Chapter six

# Conclusions

## 6. Conclusions

Our report has assessed two types of transnational actors, the ODA-ICF and the IPoE, in terms of their respective roles in the Brazilian policy process of the land use sectors. Eight conclusions are presented as follows.

1. The applied analytical framework proves useful for the assessment of the role and agency of transnational policy actors in domestic policy processes. We have developed our framework drawing on three previously separated literatures: (1) pathways of transnational influence on policy processes; (2) interactions of international and national factors in the context of cooperating in the global climate commons; and (3) theories of the policy process. This allows us to describe types of transnational policy actors in the context of international climate finance and identify the opportunities and constraints that transnational policy actors face. Further work is needed to improve such analytical frameworks, broadening the analytical scope to assess international cooperation options across more sectors and country constellations.
2. International climate finance is inherently political. In the cases of the private (IPoE) and the public (ODA-ICF) climate finance actors, international climate finance does not come as a “blank check”, but comes with a package of political ideas, norms, strategies, and sometimes conditions from their funders.
3. For the assessment of climate finance interaction effects with domestic policy processes, two levels are important, but not always consistent. These are the international level and the level of domestic policies, including policy implementation. We find that the two levels are important for the assessment of transnational policy actors and their role in international cooperation: (I) international agreements, and (II) national policy. On the first level, high level agreements are negotiated about the type of support provided through ODA-ICF. The second level needs to be viewed in a nuanced way as it can be differentiated in terms of policy goals and agenda setting, as well as negotiating for the terms of policy implementation. Considering this complexity of levels, the sole use of national ownership as guiding principle for the design of international cooperation programs appears insufficient. Instead, it should be combined with the concept of the legitimacy of presence of transnational policy actors in domestic policy processes to understand which type of international cooperation and support are suitable for funders and recipients. Furthermore, we find that there is often a divergence between top level (international level) and national policy implementation level in terms of strategies and operationalization of policies.
4. ODA-ICF is an actor in the policy stream and a close ally for government institutions dealing with sustainability. The overall effectiveness of ODA-ICF depends on the top-level negotiations between decisions taken by the Brazilian government and the funders: if decisions in favor of sustainable land management and avoiding deforestation are taken, and if this is also agreed with international funders as a priority for assistance, there is a strong role for ODA-ICF in the process of policy implementation. On the other hand, we find that if political decisions on the terms of implementation of the Forest Code are not taken, then ODA-ICF is at risk of being in an unclear situation, as there are currently no institutional structures and no legitimization for the transnational policy actors to engage in a political process on the terms of policy implementation. For IPoE, operating in the

problem stream of the policy process, this risk is less relevant, as it is precisely the struggle on the terms of implementation they seek to engage with.

5. The gap between the 'strict' and 'weak' coalitions of the Forest Code is one of the main potential areas to work towards an improvement of the Forest Code implementation. It appears that the overlap in interests between the two coalitions is larger than participants of each acknowledge in public. Rationales for improving land management and avoiding deforestation should also be in the interest of the agribusiness actors of the weak implementation coalition, but communication channels between the two coalitions are not yet established. Trusted information and intermediaries might play a useful role in bridging the gap.
6. While the Brazilian forest biomes are showing all characteristics of a global public good, this view is not fully shared by the Brazilian government. The conundrum persists because the Brazilian forest biomes, which are of interest to the global population due to their role in global climate change and harbor of biodiversity, are managed by a national jurisdiction, which views the Brazilian forest as a matter of national sovereignty that should benefit Brazil in the first place. Transnational policy actors work within this context: driven by motivations to protect the global public good, they face a situation in which these objectives are questioned due to arguments regarding national sovereignty and the issue of legitimacy of the transnational policy actors.
7. Brazil appears to react better to international factors when local development and market access are addressed. This means providing support through ICF for the global public good while prioritizing providing support for the national policy priorities: poverty reduction, social development, and export market access for Brazilian agricultural products.

Chapter seven

# **Policy recommendations**

## 7. Policy recommendations

We structure our recommendations in adherence to the developed analytical framework and three main actors identified: (I) policy makers in the Brazilian government, (II) funders of ODA-ICF, and (III) managers of the IPoE.

### To the Brazilian government

1. Create vertical communication and feedback channels during negotiation and implementation of ODA-ICF programs to ensure ongoing alignment with policy priorities on top and working levels of the government. Currently, the ministries and respective levels involved in the negotiation for support are not identical with those ministries overseeing the implementation of ODA-ICF.
2. Brazil has the opportunity to expand international credit by creating new funding lines for agriculture (Plano Safra + ABC Plan) according to sustainability and deforestation parameters aligned with international investors.
3. Dialogues with funders should not only be about the upgrade of funding and assistance, but also about the modalities of their implementation. This can be done to reflect the dual character of the Brazilian forest biomes moving between treatment as global public goods and being subject to national sovereign decisions. Modalities for transnational policy actors and ODA-ICF can be agreed upon on the basis of such dialogues. A strong rationale and legitimacy for the presence of transnational policy actors might be the global importance of the Brazilian forest biomes. Having clarity about these modalities ultimately harbors the potential to expedite effectiveness.

### To funders of ODA-ICF

1. Expand evaluation models of international cooperation of the ODA - ICF from project level impact assessments towards analytical models that capture the role and effects of ODA-ICF projects in the wider context of policy processes. This may include the three levels of international, national and policy implementation as well as coalitions and their approaches to influencing policy.
2. Increase efforts to establish connections between 'strict' and 'weak' implementation coalitions and communicate this objective in the dialogue with the Brazilian government. The ODA-ICF contributions are implemented amid a political struggle on the terms of implementing the Forest Code. There is a pronounced gap between actors engaged in a discourse pro stricter implementation and those against stricter implementation. A dialogue with the Brazilian government should be sought on the implications of such involvement by ODA-ICF in the political struggle: is such a quasi-political role legitimate?
3. The question of "what should be funded" was less addressed in this report - the main focus was on the analysis of interactions between transnational actors and policy processes. However,

through the research process it has become clear that there are two dimensions, which cannot be decoupled: (I) The global public benefit of reducing deforestation and henceforth GHG emissions from Brazil's major biomes, and (II) the domestic public benefit of sustainable development in rural areas. The recommendation is to support the achievement of both benefits as part of a program, in the spirit of just climate transitions. Currently, programs that focus on the global public benefit are usually split from programs which aim at supporting the domestic public benefits in e.g., social, health, education programs. For many heads of states of the Global South, including President Lula, it will be politically impossible to only focus on the global public good, as the domestic public good is part of a political survival strategy. This should be reflected to a greater extent in integrated funding programs and could become a strong argument for deeper engagement in international climate cooperation.

### To managers of IPoE

1. Initiate a targeted dialogue with actors identified as members of the coalition that argue for weaker implementation. We believe there is likely more common ground between the coalitions than typically assumed.
2. Strengthen efforts to introduce sustainable business and investment practices into the general discourse on land management in Brazil: this might be appealing to mainstream actors in finance and land use policies and could help to convince these actors of the need to strengthen enforcement of the Forest Code.
3. Further strategic development to address the transversal character of government: while finance institutions are natural cooperation partners and access enablers for IPoEs, other government institutions deal less with finance topics but engage more with policy implementation aspects. A multi-dimensional strategy can reflect this transversal character of government and may require further capacity development measures and concrete suggestions on policy solutions, tailored for specific institutions.
4. There is a need to develop quantitative analysis of risks, to provide more easily graspable arguments:
  - a. Make more tangible the link of how much of the systemic risk in Brazil is due to deforestation - how much in financial terms is the loss risk?
  - b. Quantify the link of how much financial earnings can be made by having more control and monitoring of the supply chains to reduce deforestation - how much can the market profit from a stricter implementation?



Chapter eight

# Future research



## 8. Future research

- Our report is exploratory in nature and is the first of its kind for the land use sector of Brazil. Future research might broaden the analysis to include more actors which are engaging in transnational policy processes, such as different types of ODA-ICF donors, different sectors such as energy, transport, industry, and ultimately also different constellations of funder and recipient countries.
- Future research should be conducted to develop hypotheses about the effectiveness of transnational policy actors and initiatives on different phases of policy processes. Here we focus on the implementation phase, but factor constellations leading to outcomes might be very different in contexts of agenda setting and taking policy decisions on the high level of policy goals.
- Applied research could be conducted to produce assessment tools to assess international climate cooperation programs and cooperative modalities for ICF. Such tools should be built around the factors which matter for international climate cooperation, material, norms and transnational politics. Importantly, such tools should not be developed by funders alone, but in partnership with recipient governments.
- Growing literature on data-affluent methods (incl. satellite imagery and remote sensing) is able to provide useful information for actors in the study's analytical framework (e.g. quantitative risk assessment for IPoE and natural resource management for the government). As the methodology implies advanced technical proficiency, the translation of its results is recommended to enable stakeholder communication and facilitate data-backed decision-making.
- Due to its explorative character, the report identified a few international influences which had an effect on willingness to cooperate internationally on climate policy issues. Among those, the EUDR was very controversially discussed by interviewees, and it remained unclear what role the EUDR plays as a cooperation factor or barrier. This should be a field of further study, i.e., to analyze interactions of such international cooperation factors with the studied types of transnational policy initiatives and actors.



Chapter nine

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Chapter ten

# Appendix

## 10. Appendix

**Table – GIZ and KfW projects**

Title of project/program	Institution	Length	Funding (Million Euros)	Main objective	Counterpart
Bioökonomie und Lieferketten in Brasilien - (Bio economy and value chains in Brazil) [1]	GIZ and BMZ	2021 - 2025	8,5	The project supports the sustainable use and economic valorization of biodiversity, for forest maintenance and strengthening the sustainable and inclusive bioeconomy in the Amazon.	Ministério do Desenvolvimento Agrário - MDA
Programm Nachhaltige Agrarlieferketten und Standards - Programme Sustainability and Standards in global Agriculture Value Chains [2]	GIZ and BMZ	2020 - 2024	56,6	Improving incomes for agricultural workers, increasing standards, promoting fairness in supply chains, reducing deforestation, making agri-food sector a modern and attractive field of employment	Unknown
Amazonas Fonds für Wald- und Klimaschutz - Amazon Fund for Forest and Climate Protection [3]	GIZ and BMZ	2016 - 2023	9,7	National and international commitments to sustainable development and deforestation reduction are better fulfilled.	Brazilian Development Bank (BNDES)
Waldschutz in der brasilianischen Amazonasregion - Bioökonomie - Forest protection in the Brazilian Amazon - Bioeconomy [4]	KfW, BMZ	2023 - 2026	10,0	The project increases the value added from the standing forest, which will protect it from deforestation in the long term. The aim of the project is to reduce climate-damaging greenhouse gas emissions from deforestation in the Brazilian Amazon region.	Fundação Amazonas Sustentável (FAS)
Waldschutz in der brasilianischen Amazonasregion - Entwaldungskontrolle - Forest protection in the Brazilian Amazon region - deforestation control [5]	KfW, BMZ	n/a	21,0	The aim of the project is to reduce climate-damaging greenhouse gas emissions from deforestation in the Brazilian Amazon region. The project is part of the Fundo Floresta programme, which provides results-based financing for tropical forest conservation at the state level. Grants of up to 21 million EUR will be paid out from avoided deforestation in line with the REDD+.	Fundação Amazonas Sustentável (FAS)
Innovation in landwirtschaftlichen Lieferketten für Waldschutz in Amazonien II - Innovation in agricultural supply chains for forest conservation in Amazonia II [6]	KfW and BMZ	2019 - n.a.	7,5	In cooperation with producers, the private sector and civil society, state authorities are contributing to forest protection in Amazonia by promoting innovation in agricultural value chains.	Ministerio Do Meio Ambiente Projetos Demonstrativos Pd/A
Wiederaufforstung und Waldschutz durch Kleinbauern - Reforestation and forest protection by small farmers [7]	KfW and BMZ	2019 - n.a.	13,1	The aim of the project is to reforest the forests on degraded agricultural land and to restore sources.	
The grant funds of the FZ module amounting to 13.1 million Euros are used to finance reforestation with local tree species, so that sources can be restored. In addition, four demonstration units for the targeted promotion of agroforestry and measures for environmental education are being financed.	Instituto Terra				

Amazonienfonds, Phase III - Amazonia Fund, Phase III [8]	KfW and BMZ	2023 - n.a.	35,0	The project increases the value added from the standing forest, which will protect it from deforestation in the long term. The aim of the project is to reduce climate-damaging greenhouse gas emissions from deforestation in the Brazilian Amazon region.	Brazilian Development Bank (BNDES)
Ländliches Umweltkataster (CAR) III - Rural environmental cadastre (CAR) III [9]	GiZ and BMZ	2016 - 2024	10,0	Supporting the legal registration of private rural land into a state-run environmental rural registry CAR, (Cadastro Ambiental Rural) in the states of Pará, Mato Grosso and Rondônia.	Brazilian Forest Service (SFB) in MAPA

[1] GiZ, 'Bioeconomy and Value Chains' (GiZ, 2023)

[2] GiZ, 'Promoting Sustainable Agricultural Supply Chains and Improving Standards' (GiZ, 2019)

[3] GiZ, 'Amazon Fund for Forest Conservation and Climate Protection' (GiZ, 2022)

[4] KfW, 'Waldschutz in der brasilianischen Amazonasregion - Bioökonomie' (KfW, n.d.-d)

[5] KfW, 'Waldschutz in der brasilianischen Amazonasregion - Entwaldungskontrolle' (KfW, n.d.-e)

[6] KfW, 'Innovation in landwirtschaftlichen Lieferketten für Waldschutz in Amazonien II' (KfW, n.d.-b)

[7] KfW, 'Wiederaufforstung und Waldschutz durch Kleinbauern' (KfW, n.d.-f)

[8] KfW, 'Amazonienfonds, Phase III' (KfW, n.d.-a)

[9] KfW, 'Ländliches Umweltkataster (CAR) III' (KfW, n.d.-c)



