

# SMALL NORTH AND BIG SOUTH: THE OWNERSHIP-DONORSHIP NEXUS IN THE AMAZON FUND

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The Amazon Fund is a Brazilian creation with the aim of raising funds to implement national strategies for the reduction of deforestation and sustainable development in the Legal Amazon. This article explains the governing structure of the Amazon Fund and argues that it is an example of an innovative instrument for sustainable development which to a large extent secures national ownership. The innovative elements include pay-for-performance funding, participatory governance and independent monitoring. The fund differentiates itself from traditional development aid by avoiding economic and political conditionalities, emphasizing recipient ownership and responsibility, yet it involves donations from the North to the South. The article further investigates the donors' scope of influence, focussing on the largest donor, Norway. Notwithstanding the institutional safeguards from donor influence, the article shows that donors remain in power to withhold disbursements if breaches occur, which is illustrated by the example of the 2019 donor freeze of donations and funds use to new projects, and that donors use their partnership with Brazil to discuss how sustainable forest management contributes to the climate and to income generation for local peoples.

**Keywords:** Amazon Fund; REDD+; development aid; country ownership; sustainable development; pay-for-performance; forest financing; South-South cooperation; North-South cooperation; multilateralism.

## PEQUENO NORTE E GRANDE SUL: O NEXO PROPRIEDADE-DOAÇÃO NO FUNDO AMAZÔNIA

O Fundo Amazônia é uma criação brasileira com o objetivo de captar recursos para a implementação de estratégias nacionais de redução do desmatamento e desenvolvimento sustentável na Amazônia Legal. Este artigo explica a estrutura de governança do Fundo Amazônia e argumenta ser este um exemplo de instrumento inovador para o desenvolvimento sustentável que, em grande medida, assegura a propriedade nacional. Os elementos inovadores incluem financiamento através de pagamento por resultados, governança participativa e monitoramento independente. O fundo se diferencia da tradicional doação ao desenvolvimento por evitar condicionalidades econômicas ou políticas, enfatizando a propriedade e a responsabilidade do destinatário, apesar de envolver doações do Norte ao Sul. O artigo investiga ainda o escopo de influência dos doadores sobre o fundo, com foco no maior doador, a Noruega. Não obstante as salvaguardas institucionais da influência dos doadores, o artigo mostra que os doadores mantêm o poder de reter os desembolsos se ocorrerem violações, o que é ilustrado pelo exemplo do congelamento de doações e uso dos recursos para novos projetos em 2019, e que os doadores usam sua parceria com o Brasil para discutir como a gestão sustentável das florestas contribui para o clima e para a geração de renda para as populações locais.

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**Palavras-chave:** Fundo Amazônia; REDD+; doações ao desenvolvimento; propriedade nacional; desenvolvimento sustentável; pagamento por resultados; financiamento a florestas; cooperação Sul-Sul; cooperação Norte-Sul; multilateralismo.

## NORTE PEQUEÑO Y SUR GRANDE: EL NEXO PROPIEDAD-DONACIÓN EN EL FONDO AMAZONIA

El Fondo Amazonía es una creación brasileña cuyo objetivo es recaudar fondos para la implementación de estrategias nacionales de reducción de la deforestación y el desarrollo sostenible en la Amazonía Legal. Este artículo explica la estructura de gobernanza del Fondo Amazonía y defiende que este es un ejemplo de instrumento innovador para el desarrollo sostenible que, en gran medida, garantiza a la propiedad nacional. Entre los elementos innovadores están la financiación mediante pagos por resultados, la gobernanza participativa y el monitoreo independiente. El fondo se diferencia de las subvenciones tradicionales para el desarrollo en que se evita aplicar condicionalidades económicas o políticas enfatizando la propiedad y la responsabilidad del receptor, aunque involucre donaciones del Norte hacia el Sur. El artículo investiga el alcance de la influencia del donante sobre el fondo, centrándose en el mayor donante, Noruega. A pesar de las salvaguardias institucionales contra la influencia de los donantes, el artículo muestra que estos conservan el poder de retener los desembolsos si se producen violaciones, lo que se ilustra con el ejemplo de la congelación de donaciones y el uso de fondos para nuevos proyectos en 2019, y que los donantes utilizan su asociación con Brasil para discutir cómo la gestión de la foresta sostenible contribuye al clima y a la generación de ingresos para las poblaciones locales.

**Palabras clave:** Fondo Amazonía; ayuda para el desarrollo; propiedad nacional; desarrollo sostenible; financiamiento de pago por desempeño; pago por resultados; financiamiento de bosques; cooperación Sur-Sur; cooperación Norte-Sur; multilateralismo.

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### 1 INTRODUCTION<sup>3,4</sup>

The Amazon Fund (the Fund or Fundo Amazônia in Portuguese) is a Brazilian fundraising mechanism established in 2008 to raise funds to combat deforestation and foster sustainable development in the Legal Amazon. The Fund has been hailed as an innovative success because of its ability to respect the recipient's sovereignty and maintain a high degree of trust between the funding and operational partners (Birdsall, Savedoff and Seymor, 2014). Recent research has found that the Fund's positive impact on deforestation rates in the Legal Amazon can largely be attributed to the Fund's innovative design, inclusive national decision-making process and qualified management (Ferraz, Santiago and Ramos, 2023). The Brazilian National Bank for Economic and Social Development

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(Banco Nacional de Desenvolvimento Econômico e Social – BNDES) runs its operation and supervision, and the Fund is used to finance the two Brazilian strategies for reducing deforestation and fostering sustainable development in the Amazon, namely the National Strategy for Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (ENREDD+) and the Plan for Prevention and Control of Deforestation in the Brazilian Amazon (Plano de Ação para Prevenção e Controle do Desmatamento na Amazônia Legal – PPCDAm).

The Amazon Fund represents an interesting case for the wider debate about cooperation for sustainable development in the post-pandemic world. While it contains elements of both more traditional development aid, and South-South cooperation, it differs in many ways from the traditional analytical images of North-South aid, South-South cooperation. On the one hand we have North-South development aid which has often been characterized by the provision of aid, Official Development Assistance (ODA), often accompanied by a discourse of charity but with economic or political conditions (conditionality) (Stokke, 1995). On the other hand we have South-South cooperation, which can be defined as a collaboration among countries which self-defines as developing, which includes claims of solidarity and mutual benefit (Gray and Gills, 2016; Mawdsley, 2012b; Gosovic, 2016). The Amazon Fund fits neither of these analytical lenses. The Fund was established to raise new funds, based on the results of reduced deforestation achieved by Brazil with its own resources, to be invested in new projects that would support Brazil's strategies for sustainable forests.

In this article we demonstrate that the Amazon Fund is a unique and innovative instrument for sustainable development which differentiates itself from North-South aid and South-South cooperation. While significant attention has been paid and critical discussion made on the question of the Amazon Fund's effectiveness (Hoff, Rajão and Leroy, 2018; Correa, Hoff and Rajão, 2019; Hermanrud and Soysa, 2017), in this article we look at a different but equally pertinent issue, namely the political organisation and structure of the Fund. We tease out the characteristics that differentiate the Fund from the more traditional analytical images of North-South aid and South-South cooperation. Central to the discussion are the elements of pay-for performance financing, national and inclusive ownership and the ownership-donorship nexus in forest conservation efforts. The article applies a case-study approach, in which the Amazon Fund represents unusual case (Yin, 2014, p. 52). The Fund deviates from our traditional lenses of aid and cooperation and thus begs further investigation. The analysis is based on semi-structured interviews with donor representatives carried out in Brasília, Brazil in March 2023, secondary literature and information available in official documents.

The article proceeds in the following way: section 2 outlines the commonly used analytical lenses for international cooperation, namely North-South development aid and South-South cooperation. Section 3 gives an outline of the Amazon Fund's structure and organisation and delineates its three main innovative elements – pay for performance funding, participatory governance and independent monitoring – which in principle leave the donor at an arm's length and allows for national ownership and sovereign decisions over the Fund's finances. Following, section 4 discusses how the partners to the Fund experienced the ownership-donorship nexus in practice using the 2019 donor-freeze of funds as an illustrative example. Finally, in section 5 we conclude.

## **2 FINANCING FOR DEVELOPMENT: FROM DEVELOPMENT AID TO SOUTH-SOUTH COOPERATION**

“Development aid” has been a central feature of the post-war era. It involves financial contributions from a donor to a recipient with varying degrees of donor's earmarking and involvement. Development aid can count on some success stories worldwide, contributing among other things to disease prevention, clean water provision, supporting democratic and human rights activists. Comprehensive reviews of academic literature find a pattern of economic growth increase after an increase in foreign aid (Hatlebakk, 2021). Yet, North-to-South development aid has also been widely criticized (Easterly, 2006). Some critics highlight that the redistribution aspects of aid have been counterproductive. For instance, Moyo (2009) held that aid increases poverty rather than curtailing it because it increases corruption rates, makes export more expensive and lures recipients into a dependency-cycle that prohibits them from developing their own economy. Other critics focus on the political side of donor-recipient relations and highlight that aid works as a tool of influence for donor countries. Providing aid with economic or political conditions works as a political buy-in for strategic influence with governments that are of political importance to the donor (Langan, 2012). Another prominent criticism has been the lack of donor co-ordination which leads to an excessive burden on recipients which are forced to deal with many different reporting systems, meetings and visits from donor representatives from different countries. The label “donorship” is common, defining a “syndrome in which all initiative emanates from the donor side and donors determine which values and objectives are good for the beneficiaries of aid” (Edgren, 2013, p. 4). One can think of the phenomenon on a scale that goes from donorship to ownership,<sup>5</sup> where one side indicates complete control of the donor while the opposite indicates full ownership and control by the recipient. Most cooperation

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5. A common definition of ownership is: “the degree of control recipient governments are able to secure over implemented policy outcomes” (Whitfield and Fraser, 2009, p. 4).

projects will find themselves somewhere in the middle of that scale or moving towards the end of donorship.

Due to these important criticisms, donors and aid-organisations frequently make some changes to their aims and programmes. More commonly known as the aid effectiveness agenda, the principles of donor alignment and coordination and securing recipient ownership became frequent determinants of aid among donors in the global North. The European Union, for instance, restricted how many of its member states could be present in each recipient country and sector within that country (Saltnes, 2019). Another example of reform was the introduction of the Poverty Reduction Strategy Papers (PRSPs) in the late 1990s, where the International Monetary Fund (IMF) and the World Bank sought to increase the ownership of the recipient country by making recipients formulate and thereby own their poverty reduction strategy. Yet, research shows that the PRSPs did not succeed in creating the wanted ownership by recipients. Rather it led to even more donorship, where donor representatives set the agenda for the recipients only for them to window-dress it as their own. Another example of reform to foster national ownership was the rise (and fall) of bilateral budget support. This was a development cooperation modality that was seen to secure recipient ownership as it involved direct transfer of finances from a donor to the treasury of the recipient government without earmarks or conditions of how the recipient should use the money. The recipient was thereby, or at least on paper, less bound by donor preferences and could itself decide on how to make use of the aid monies. Yet, scholars have shown that also using this aid modality, donors attempt to increase leverage over recipient decision-making (Swedlund, 2013). Although popular among recipient countries, this aid modality did not survive the ravages of time among donors, as it proved difficult for donors to report on effectiveness and mitigators to corruption risks (Swedlund, 2017). Yet, the focus on ownership in financing sustainable development has not vanished. In December 2022, Northern development agencies released a donor statement on supporting locally led development at the 2022 Effective Development Cooperation Summit in Geneva (USAID, 2022).

With the 2030 Agenda for Sustainable Development agreed by the United Nations (UN) in 2015 came a shift in focus in the aid effectiveness discourse, which also had implications for how cooperation partners understood ownership. The Sustainable Development Goals (SDGs) implied a shift from government-to-government cooperation to a prioritisation of multi-stakeholder partnership “in which sovereign states are still key but not necessarily primary partners” (Keijzer and Black, 2020). Partnerships for sustainable development required participatory governance, inclusion of minority voices and a due hearing of affected parties. Development was not something that was seen as a task

for “developing countries” only, but common goals for all. The inclusive and participatory process leading up to the 2030 Agenda also represented a shift from sustainable development being a project for political elites to something that encompasses society as a whole. Yet, there is strong dissonance between pushes for inclusive and participatory partnership and today’s political realities entrenched with short-term goals and responses to different crises.

The 2030 Agenda also brought to the fore discussions the different available sources of finance to sustainable development. Alternatives to North-South development cooperation have been a central issue of these discussions. South-South cooperation emerged as a reaction to traditional North-South aid, with an aspiration to deliver cooperation for sustainable development in the spirit of solidarity and partnership between nations of the global South. South-South cooperation can be broadly defined as the “transfer and exchange of resources, technology and knowledge, set within claims to shared colonial and post-colonial experiences and identities, and anchored within a wider framework of promoting the collective strength and development of the global South” (Mawdsley, 2012b). Four key characteristics further define South-South cooperation: a shared identity as developing countries, expertise, the rejection of hierarchies such as donor-recipient relations and a starting point of mutual interest and opportunity (Mawdsley, 2012a, p. 256). By avoiding strong normative agendas (or conditionality), focusing on mutual interests, and emphasizing non-hierarchical relations, South-South cooperation claims to solidarity, ownership and partnership, being considered more honest and sincere than North-South development aid:

the language of reciprocity affords the recipient nations of Southern development cooperation a degree of honour, dignity and status that Western charity does not, even when it is clothed in the language of “partnership”. The focus on mutual opportunity – or win-win as it is normally called in this context – can therefore be seen not as a “moral deficit” of generosity, as proof of the inferior ethics of Southern donors, but as constitutive of a more honest and desirable relationship (Mawdsley, 2012a, p. 268).

Following from the South-South agenda, triangular cooperation became popular after the 2008 high-level forum on aid effectiveness in Ghana. Although with roots back to UN conference on technical cooperation among developing countries in Buenos Aires in 1978, the importance of triangular cooperation rose in conjunction with the rise of new and emerging donors from the global South in the new millennium. Triangular cooperation means collaboration among developing countries supported by a traditional donor or multilateral organization (Haug, 2021).<sup>6</sup> As such, triangular cooperation seeks to maintain

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6. The OECD definition is: “when countries, international organisations, civil society, private sector, private philanthropy, and others work together to co-create flexible cost-effective and innovative solutions for sustainable development”. Available at: <https://www.oecd.org/dac/triangular-cooperation/#ourWork>. Accessed on: Aug. 6, 2023.

the structure of mutual respect and benefits from South-South cooperation while bringing in financial resources from more traditional donors such as countries from the North or multilateral organizations.

In line with the above-described developments, the role of multilateral organizations generally and development banks particularly has increased in the cooperation for sustainable development landscape. We have seen the emergence of regional development banks both in the North and in the global South, such as the African and Asian Development Bank, the Brazilian Development Bank, the Inter-American Development Bank and the European Bank for reconstruction and development. It is within this growing importance and role of development banks and their link to foreign funders that we locate the emergence and uniqueness of the Amazon Fund, which we now turn to.

### **3 THE AMAZON FUND: AN INNOVATIVE INITIATIVE FOR SUSTAINABLE DEVELOPMENT**

The Amazon Fund emerged as one of many initiatives to tackle deforestation in the Brazilian Amazon and to create sustainable living opportunities in the region. A partnership between the government of Brazil and national and international donors, its aims are to reduce carbon emissions from deforestation and “fostering a productive, resilient, and inclusive-oriented economy in the Amazon region” (Ferraz, Santiago and Ramos, 2023, p. 2). Before we tap further into the innovative sides, origins and aims of this instrument for sustainable development, we shortly describe the status of deforestation in the Amazon.

#### **3.1 Deforestation in the Amazon**

The Amazon is the world’s largest tropical rainforest, and it spans eight South American countries and one territory. Two-thirds are within Brazilian territory, where it is home for more than 25 million people. We differentiate here between the Amazon Biome and the Legal Amazon. The Amazon biome is an area covering the countries of Brazil, Bolivia, Colombia, Ecuador, Venezuela, Guyana, French Guiana, Peru and Suriname (8 million km<sup>2</sup>). The Legal Amazon (referred hereafter as the Amazon or Brazilian Amazon), is a political and geographical region created by Brazilian federal law in 1953, with the objective of promoting development and conservation policies for the area. It comprises the sub-national states of Acre, Amapá, Amazonas, Maranhão, Mato Grosso, Pará, Rondônia, Roraima and Tocantins, covering five million square kilometres (or 59%) of the Brazilian geographic territory.<sup>7</sup>

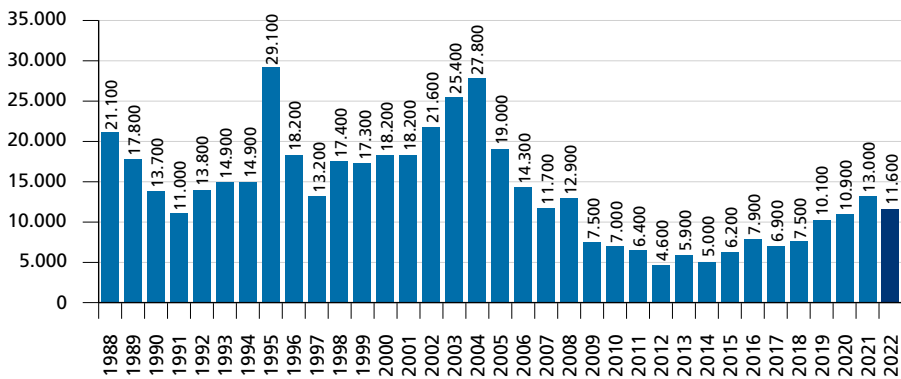
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7. Available at: <https://www2.camara.leg.br/legin/fed/lei/1960-1969/lei-5173-27-outubro-1966-358978-norma-pl.html>.

At the turn of the millennium, knowledge about the essential role of tropical forests for containing global warming and the importance of its biodiversity to the planet expanded rapidly. Deforestation is of global importance because it is a significant cause of greenhouse gas emissions causing climate change. The fifth assessment report delivered to the UN Intergovernmental Panel on Climate Change (IPCC) in 2014 showed that deforestation and forest degradation contributed to about 11% of greenhouse gas emissions (IPCC, 2014). At the same time, reducing deforestation and forest degradation was highlighted as one of the most effective ways to mitigate and reduce greenhouse gas emissions and to reach the goal of limiting global warming to less than two degrees Celsius. More recent research confirms this finding. Not only is forest conservation cost effective, but it can also be done more rapidly compared to measures in other sectors, thereby giving leeway for climate adaption measures that takes more time.<sup>8</sup>

During the last 50 years, Brazil has lost about one-fifth of its forest cover in the Amazon. In 2004, deforestation rates peaked to 27,772 km<sup>2</sup>. Increasingly aware of the problem, the Brazilian federal government initiated a number of policies to reduce the destruction of forests. A national plan was built to combat deforestation in the Legal Amazon, known by the acronyms PPCDam (Brazil, 2004). The plan was made in a collaborative effort with active participation of civil society, national and sub-national governments, and non-governmental organizations, as well as academia (Santiago, 2021). As a result, Brazil managed to reduce its deforestation rates by more than 53% between 2004 and 2008.<sup>9</sup>

FIGURE 1  
Deforestation rates: Legal Amazon (1988-2022)  
(In km<sup>2</sup>)



Source: Brazilian National Institute of Space Research (Instituto Nacional de Pesquisas Espaciais – Inpe). Available at: [http://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal\\_amazon/rates](http://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal_amazon/rates).

8. Available at: <https://www.economist.com/leaders/2023/03/02/saving-the-rainforests-would-be-a-bargain>.

9. Available at: [http://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal\\_amazon/rates](http://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal_amazon/rates).



### 3.2 The creation of Amazon Fund

Combatting deforestation in the Amazon quickly moved from being a national and regional issue for Brazil and its neighbours to take the centre stage in global efforts to reduce climate change. Due to tropical forests ability to absorb carbon dioxide, store carbon and preserve biodiversity, they have occupied the centre of a global geopolitical, economic and environmental debate about how to combat climate change. As a consequence, joint international efforts have increased to reduce deforestation.

The United Nations were early at the forefront of international efforts to reduce deforestation of tropical forests. REDD+, a framework established by the United Nations Conference of the Parties (COP), aims to promote international collaboration to initiatives that reduces the emissions from deforestation and forest degradation of tropical forests. In addition, REDD+ seeks to foster the sustainable management of forests and the conservation and enhancement of forest carbon stocks in developing countries.<sup>10</sup> During the 13<sup>th</sup> COP taking place in Bali in 2007, Brazil proposed to create a Fund to raise voluntary donations as payments for Brazilian REDD+ results. The proposal received positive international reactions and the Amazon Fund was created in 2008.

Since its creation in 2008, the Amazon Fund has supported actions to prevent, monitor, and combat deforestation and promote the conservation and sustainable use of the Brazilian Amazon. Up to 20% of the Fund's resources may also be allocated for deforestation monitoring and control systems throughout Brazil and other countries with tropical rainforests. To date, 102 projects have been funded amounting to USD 693 million (BNDES, 2021). As defined by Decree No. 6527/08 the Fund supports actions in the following areas (Brazil, 2008):

- management of public forests and protected areas;
- environmental control, monitoring, and inspection;
- sustainable forest management;
- economic activities developed from the sustainable use of vegetation;
- ecological-economic zoning (ZEE), territorial planning, and land tenure regularization;
- conservation and sustainable use of biodiversity; and
- recovery of deforested areas.

The Amazon Fund does not resemble the traditional forms of North-South aid or South-South cooperation discussed above. It is rather an innovative instrument, as it avoids the traditional donor-recipient modes of operation by

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10. Available at: <https://unfccc.int/topics/land-use/workstreams/redd/what-is-redd>. Accessed on: Aug. 6, 2023.

relying on a pay-for-performance funding mechanism and national capacity for public policies implementation (Ferraz, Santiago and Ramos, 2023). We will discuss this further below.

The Amazon Fund was a nationally owned program from the start, while the international community served as a dialogue partner in its creation phase. The Fund's slogan is "Brazil protects it. The world supports it. Everybody wins". From its inception, it was clear that it was up to Brazil to reduce deforestation, while the international community would contribute with payments for some of these results. With the funds raised, the Fund would support further actions to implement Brazil's ENREDD+<sup>11</sup> and the PPCdAm (Brazil, 2004), creating a virtual cycle of forest protection and sustainable development.

Brazil's proposition attracted the foreign community for several reasons. Since the 1980s, the Inpe had developed a reliable system to monitor the Amazon deforestation through satellites. In addition, the international community had a positive view of the robust governance and compliance practices of the Brazilian development bank (BNDES), assigned to be the managing institution of the Amazon Fund. Brazil was a country with well-functioning civil society and counted a number of non-governmental organizations (NGOs) that worked with questions related to deforestation and the rights of the local peoples living in tropical forests (Santiago, 2021). These factors contributed to a favourable view among the international community and the motivation to invest ODA to the Amazon Fund.

In 2008, Norway and Brazil signed a Memorandum of Understanding which set out a political partnership and pledged Norwegian Funding to the Amazon Fund.<sup>12</sup> The funds were to be used on projects that would reinforce Brazil's work on reducing deforestation and foster sustainable development in the Amazon. On March 25, 2008, a donation agreement was made by Norway and BNDES which set out the respective roles of the parties to the Amazon Fund.<sup>13</sup> It was agreed that the financial contributors would be kept on the side-line of the Fund's operational work. Importantly, it was agreed that donors would not interfere with the guidelines for project funding, they were not given a seat in the Amazon Fund Steering Committee (Comitê Orientador do Fundo Amazônia – Cofa) or neither any formal role in the process of project eligibility. Cofa would set the guidelines for calls for proposals, and BNDES would carry out the evaluation process leading to funding of projects. Yet, donors would be allowed to participate in

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11. Available at: <http://redd.mma.gov.br/pt/estrategia-nacional-para-redd>.

12. Available at: [https://www.regjeringen.no/contentassets/2ecbe3693ac04a85bf4d8ddb5d78d858/mou\\_norway\\_brazil.16.09.08.pdf](https://www.regjeringen.no/contentassets/2ecbe3693ac04a85bf4d8ddb5d78d858/mou_norway_brazil.16.09.08.pdf).

13. Available at: [https://files.nettsteder.regjeringen.no/wpuploads01/blogs.dir/245/files/2020/12/donation\\_agreement\\_bndes.25.03.09.pdf](https://files.nettsteder.regjeringen.no/wpuploads01/blogs.dir/245/files/2020/12/donation_agreement_bndes.25.03.09.pdf).

the Cofa meeting as observers (without voting rights), would have full access to information about the fund, and would convene in annual meetings with BNDES and the Ministry of the Environment (Ministério do Meio Ambiente – MMA) to discuss progress of the cooperation (BNDES, 2021; ECLAC, 2019).<sup>14</sup> Furthermore, the agreement stipulated the right to withhold donations if the terms of the agreement are not fulfilled (See article XII Reservations).

### 3.3 Donors

In 2007, the Norwegian government launched what would become the country's most important international endeavour to mitigate climate change: Norway's International Climate and Forest Initiative (NICFI). At the time, two renowned Norwegian NGO's sent a knowledge-based letter to Norwegian authorities arguing that "curbing tropical deforestation is one of the most cost-effective climate measures that can be taken" (Hermansen, 2015a).<sup>15</sup> When Brazilian diplomats introduced the proposal of an Amazon Fund at the COP in Bali, international diplomats and policymakers identified it as a unique opportunity to support and strengthen efforts to combat deforestation. For Norwegian government in particular, Brazil's suggestion of creating an Amazon Fund was considered a perfect opportunity to kick-start its climate and forest initiative.

By the end of 2019, the Amazon Fund was the world's largest financial instrument to support actions to REDD+ in terms of funds raised: US\$ 1.3 billion, of which a portfolio of projects supported amounts to US\$ 676 million (BNDES, 2020). However, 2019 brought a sudden political freeze on donor contributions to the Amazon Fund. The freeze was a result of the Presidential Decree No. 9.759/2019 which eliminated participation by civil society stakeholders in the Cofa and in the Amazon Fund Technical Committee (Comitê Técnico do Fundo Amazônia – CTFA). Cofa was a multi-stakeholder steering committee, a participatory forum that legitimated the Fund's established priorities in the use of funds and, together with BNDES's professional and independent management, core elements that brought confidence in the governance structure to the donors. The unilateral decision by the Brazilian government at the time of altering Cofa structure without discussing it with donors beforehand was considered breach of the contribution agreement.<sup>16</sup>

Throughout 2019, the Brazilian government and representatives of the donor countries' governments underwent negotiations about the Fund's governance structure, but negotiations remained unsuccessful (BNDES, 2020).

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14. Available at: [https://files.nettsteder.regjeringen.no/wpuploads01/blogs.dir/245/files/2020/12/donation\\_agreement\\_bndes.25.03.09.pdf](https://files.nettsteder.regjeringen.no/wpuploads01/blogs.dir/245/files/2020/12/donation_agreement_bndes.25.03.09.pdf).

15. See also Hermansen (2015b) and Hermansen and Kasa (2014) for accounts of the initiation of the NICFI.

16. Interview with donor representatives 28 March 2023.

As a consequence, new donations to the fund were suspended, and the Amazon Fund's support for new initiatives was frozen. Only projects approved before 2019 continued to be implemented. In 2023, there was a change in government in Brazil with the election of Luis Inácio Lula da Silva (Lula) as president for the 2023 to 2026 term. One of president Lula's first act was the promulgation of the Presidential Decree No. 11.368/2023, through which the participation of civil society representatives in the Cofa and CTFA was re-established. Negotiations with the donors resumed, Norway and Germany governments authorized the funds to be unfrozen, and the Brazilian government initiated with multiple countries to receive new donations to the fund.

Until the political freeze in 2019, the Amazon Fund has counted on three main donors: the government of Norway, the Federal Republic of Germany and Petrobras. In 2023, the international community has shown significant interest to contribute to the fund, with political commitments announced by the governments of the United States and United Kingdom, and interests shown by France, Spain and other European countries.<sup>17</sup> Table 1, shows the amount of donor contributions from 2008 to 2018 and Table 2 shows the amount of projects supported.

TABLE 1  
Donor contributions: total (2008-2018)

Donor	Donations received (R\$)	Donations received (US\$)	%
Government of Norway	3,186,719,318.40	1,212,378,452.36	94,1
Federal Republic of Germany (KFW)	192,690,396.00	68,143,672.60	5,3
Petrobras	17,285,079.13	7,713,253.30	0,6
<b>Total</b>	<b>3,396,694,793.53</b>	<b>1,288,235,378.26</b>	

Source: Amazon Fund Activity Report 2021. Available at: [https://www.amazonfund.gov.br/export/sites/default/en/.galleries/documentos/rafa/RAFA\\_2021\\_en.pdf](https://www.amazonfund.gov.br/export/sites/default/en/.galleries/documentos/rafa/RAFA_2021_en.pdf).

TABLE 2  
Amazon Fund projects approved (2009-2011)

Year	Number of supported projects	Amount of support (US\$ million) <sup>1</sup>
2009	5	38
2010	8	69
2011	10	41

(Continues)

17. Available at: [https://www.reuters.com/business/sustainable-business/norway-backs-brazils-efforts-draw-donors-amazon-fund-2023-03-22/?taid=641b76e6c22aaa00015516aa&utm\\_campaign=trueanthe&utm\\_medium=trueanthe&utm\\_source=twitter](https://www.reuters.com/business/sustainable-business/norway-backs-brazils-efforts-draw-donors-amazon-fund-2023-03-22/?taid=641b76e6c22aaa00015516aa&utm_campaign=trueanthe&utm_medium=trueanthe&utm_source=twitter).

(Continued)

Year	Number of supported projects	Amount of support (US\$ million) <sup>1</sup>
2012	14	89
2013	14	150
2014	21	113
2015	11	61
2016	8	58
2017	12	73
2018	11	107
Cancelled projects	12	72
Reduced balance	-	34
<b>Total</b>	<b>102</b>	<b>693</b>

Source: Amazon Fund Activity Report 2021. Available at: [https://www.amazonfund.gov.br/export/sites/default/en/galleries/documentos/rafa/RAFA\\_2021\\_en.pdf](https://www.amazonfund.gov.br/export/sites/default/en/galleries/documentos/rafa/RAFA_2021_en.pdf).

Note: <sup>1</sup> Rounded to the nearest million.

### 3.4 Securing ownership: three elements of innovative policy design

Brazil is a country that highly values the principles of non-intervention and sovereignty in international politics. Brazil's scepticism against international meddling with internal affairs can be understood as an expression of autonomy necessary to balance against American and European interventionism and hegemony in global affairs (Kotyashko, Ferreira-Pereira and Vieira, 2018). Self-determination, non-intervention and the sovereign equality of states forms part of the Brazilian Constitution of 1988 and serves as core principles of Brazilian diplomats and politicians self-image and self-understanding (Tourinho, 2015). These principles also penetrate Brazil's approach to international development cooperation, both as a donor and a recipient of funds. Thus, from the start, Brazil wanted to establish a mechanism for international funding of the ENREDD+ and PPCDAm which avoided donorship and secured Brazilian ownership of strategies, implementation and monitoring (Santiago, 2021; Forstater, Nakhooda and Watson, 2013; Hermansen et al., 2017).

To safeguard Brazilian ownership, it was important to keep donors at an arm's length in the Amazon Fund. The fund's policy design distinguished it from traditional aid relations based on the participatory elements already developed by Brazilian policymaker's craftsmanship, with following elements.

- 1) Donations received on a pay-for-results basis with a specific methodology on how results were to be calculated.
- 2) Cofa – a multi-stakeholder steering committee, is responsible for establishing guidelines for applications and monitoring of the Fund's results.

- 3) CTFA – a technical committee, is in charge of certifying the calculations made by the MMA concerning reductions of carbon emissions from deforestation, based on information coming from an existing reliable satellite monitoring system from the Inpe. Monitoring is conducted by independent institutions within Brazil as they have sufficient expertise to do so and therefore avoids international verification which was unwanted by Brazil.
- 4) Resources were to be centrally managed by the BNDES, a national development bank with an established international credibility, institutional capacity and well-proven expertise in development finance.
- 5) Projects should be adherent to the PPCDAm and ENREDD+.

In the following we will discuss the three main innovative elements of the Amazon Fund, which is based on Brazilian ownership and distinguishes the fund from North-South aid and South-South cooperation: participatory governance, results-based funding and independent monitoring.

#### 3.4.1 Participatory governance

The Amazon Fund's governance structure was comprised of two committees: the Cofa and the CTFA. The Cofa is responsible for determining the guidelines and priorities of the Fund's use of proceeds and report on the Fund's activities. Composed by 25 members, Cofa is divided in three segments: i) the federal government, represented by ten ministries or agencies of the federal government and BNDES; ii) the nine Brazilian states of the Legal Amazon, represented by their governments; and iii) six members from Brazilian civil society, including representation of social movements, indigenous peoples, the scientific community and business sectors (BNDES, 2023).

The BNDES was assigned the role of implementing agency for the Amazon Fund. Naming BNDES as the fund's manager reinforced the country's ownership (Hermansen et al., 2017). According to ECLAC (2019, p. 56):

there was an understanding that BNDES had a managing capacity like those of great multilateral institutions which traditionally operate large funds (i.e., the PPG7 in the previous decade). The national and international reputation of the BNDES was shared with donors and both parties agreed on its capacity to manage a fund amounting to a total US\$ 1 billion. Therefore, this recognition of national sovereignty converged with the existence of an entity capable of such management.

The Cofa serves as an open policy space for representatives of groups that were affected by the fund's activities, covering institutions and constituents. It fostered a problem-solving atmosphere and after a few years a conflict-resolution

mechanism emerged to deal with colliding positions. The inclusion of civil society organizations was crucial as they represented the interests of the people that were most affected by the Fund's projects (Ferraz, Santiago and Ramos, 2023, p. 12). The civil society organisations represented in Cofa are (BNDES, 2023):

- National Confederation of Industry (Confederação Nacional da Indústria – CNI);
- Coordination of the Indigenous Organization of the Brazilian Amazon (Coordenação das Organizações Indígenas da Amazônia Brasileira – Coiab);
- National Confederation of Agricultural Workers (Confederação Nacional dos Trabalhadores na Agricultura – Contag);
- Brazilian Forum of NGOs and Social Movements for the Environment and Development (Fórum Brasileiro de ONGs e Movimentos Sociais para o Meio Ambiente e o Desenvolvimento – FBOMS);
- National Forum for Forest-based Activities (Fórum Nacional das Atividades de Base Florestal – FNBF); and
- Brazilian Society for the Progress of Science (Sociedade Brasileira para o Progresso da Ciência – SBPC).

During the negotiations leading to the establishment of the fund, civil society organisations were directly and indirectly involved in ensuring the participatory governance of the Cofa. As Hermansen et al. (2017) show, many of the policymakers that were negotiating the Fund's organisation had backgrounds working in civil society organisations and therefore carried with them the principle of participatory governance. The participatory and innovative organisation of the fund was recognised by minister Carlos Minc in the Brazilian newspaper *Folha de S. Paulo*:

I explained that this fund is much more autonomous and sovereign than the G-7. The funds will be managed by BNDES. It will be persons from the federal government, from the scientific community, from NGOs and from the state governments of the Amazon (Desmatamento..., 2008, our translation).

The fund's participatory governance was one of the core foundations of the donation agreement between Norway and BNDES, and one of the reasons the donor countries did not demand seats as members in the Cofa.<sup>18</sup> The inclusive structure of Cofa was highlighted by the ECLAC (2019, p. 63):

Cofa's tripartite composition recognizes the shared responsibility of different sectors of society to combat deforestation and the importance of their interaction

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18. Interview with donor representative, Brasília, 28 March 2023.

in promoting the sustainable development of the Amazon. The intergovernmental, multisectoral and participatory nature of Amazon Fund management is innovative for the Amazon, historically treated as a homogeneous region.

Civil society organisations also are key recipients of the fund's resources. According to the Fund's 2019 Activity Report, 58 of the 102 projects supported by the Amazon Fund had the NGOs as the responsible implementing entity, equivalent to 38% of the fund's resources committed to projects (BNDES, 2020). With this double role of civil society, being representatives in the Cofa and recipients of funding from the fund there is a risk of co-option of these organisations. Although there has not been extensive research on this, one study shows that rather than being co-opted, civil society organisations show an "entrepreneurial, pragmatic and largely effective NGO approach which may be summarised in the phrase result-oriented pragmatism" (Hermansen et al., 2017). Civil society organisations were not silenced, but used an approach where they voiced their critique directly to policymakers and managers avoiding public criticism.

#### 3.4.2 Result-based funding

The second innovatory element of the Amazon Fund is pay-for-performance or pay for results cooperation. Performance-based funding involves the idea that the donor makes the funding available only after a verified positive performance has occurred (Correa, Hoff and Rajão, 2019). The Amazon Fund was a pioneer in using this type of cooperation. Its success led it to become a standard mode of sustainable financing under the REDD+ mechanism (Ferraz, Santiago and Ramos, 2023). Performance-based funding strengthens the recipient partners interest in achieving results and strengthen their ownership by providing larger freedom with regards to realizing projects and managing results.

There exists a large scholarly debate regarding results-based funding and its ability to foster sustainable development. Its proponents praises it as a "green fix", a compromise between market mechanism and unconditional donations and an innovative way to leverage additional funding from private finance which seeks to offset their own carbon footprint (Horn, 2023). Critics, on the other hand, have pointed to contestation and disagreements regarding the calculation of results and distribution of resources as well as slow implementation and the lack of targeted funding strategies (Correa, Hoff and Rajão, 2019; Marcovitch and Pinsky, 2014; Paul, 2015; Oxman and Fretheim, 2009; Hoff, Rajão and Leroy, 2018). The majority of these studies focus on the effectiveness of the funds and not on the political implications for the partners to the agreement of using a results-based mechanism as opposed to more traditional development aid.



The agreement of using a pay-for-performance based funding in the Amazon Fund occurred after long dialogues between Brazilian and Norwegian policymakers and diplomats, researchers and environmental policy experts. It was important to Brazil at the time to establish a mechanism that distinguished itself from traditional donor-recipient aid relations. For Brazil, a performance-based mechanism was key, because it secured national ownership over the funds raised. When you pay for results you avoid, by design, donor influence because the results are already in place.

Norwegian donations to the Amazon Fund can on the one hand be characterized as development aid as it adheres to the definitions of ODA as defined by the Organisation for Economic Co-operation and Development (OECD). Yet, on the other hand, paying for results distinguishes itself from traditional project aid and puts the donor at an arm's length because the results are already achieved. The funds raised are used for projects aiming to support the recipient's achievement of new results.

We also see some elements that are in line with the definitions and intentions embedded in South-South cooperation. Cofa decided that the Fund can support projects in the Amazon region outside Brazil's borders with the aim to transfer monitoring knowledge to other tropical forest countries. One example are the support granted by the Amazon Fund to the Amazon Cooperation Treaty Organization (Organização do Tratado de Cooperação Amazônica – OTCA). OTCA is an intergovernmental organization comprising eight countries, which, together, cover 99% of the Amazon Biome: Bolivia, Brazil, Colombia, Ecuador, Guiana, Peru, Suriname and Venezuela. It is an institution that is responsible for implementing the Amazon Cooperation Treaty (Tratado de Cooperação Amazônica – TCA), signed in 1978, and operates as a permanent cooperation forum, exchange and know-how, under the principle of reducing regional disparity, helping implement programs and projects that foster sustainable development and regional cooperation to improve the standards of living for Amazon inhabitants. The project “Monitoring Forest Coverage in Regional Amazon”, supported by the fund, aimed to develop the capacity to monitor deforestation, changes in the use of land and forest in OTCA member countries, offering information on the extent and quality of forest coverage, pre-requisites for monitoring and controlling deforestation. Among the results, the project allowed to strengthen observation rooms by offering support to purchase physical infrastructure and to hire staff; structured research rooms; offered training in monitoring technology for forest coverage; and designed national monitoring plans. Efforts also focused on regional cooperation to combat illegal deforestation and to exchange experiences related to public policy instruments aimed at reducing deforestation rates (BNDES, 2020).

### 3.4.3 Independent monitoring

The final innovative element involves independent monitoring of deforestation rates in Brazil. The principal donor, Norway, agreed to the suggestion of performance-based funding with two conditions related to the calculation of deforestation rates: the calculations should be carried out by an agent that was independent of the executive, and the calculation should be impeccable technically. To carry out the technical calculations, the CTFA was created to certify the calculations of emission reductions in liaison with the Inpe and its well-developed satellite monitoring system that was already in use to monitor deforestation in Brazil.

The CTFA, composed of independent experts appointed by the MMA after consultation with the Brazilian Forum on Climate Change, verifies reductions in greenhouse gas emissions from deforestation and thus Brazil's eligibility for REDD+ fundraising from international cooperation via the Amazon Fund. For Brazil, it was important to have national control over the monitoring process, to ensure its sovereignty over its forest conservation policy.

In addition to independent monitoring, the Amazon Fund complies with the requirement of transparency publishing yearly reports of the fund's operation and making available in its website the official minutes of the Cofa and CTFA meetings.

Together, these elements of participatory governance, pay-for-performance and independent monitoring make the Amazon Fund an innovative instrument for sustainable development, which helps secure Brazilian ownership and reduce donorship. Yet, as we shall see below, the role of the donors is not completely eradicated.

## 4 THE OWNERSHIP: DONORSHIP NEXUS

Above we have discussed the institutional components of the Amazon Fund and how it is constructed to safeguard Brazilian ownership and avoid donor influence. We now turn to analyse the ownership-donorship nexus in practice.

In the scholarly literature, Brazilian ownership of the Amazon Fund has been considered to work also in practice: "the Amazon Fund is an alternative to Northern controlled national REDD+ funds. Its foundation was an effort to resist Northern hegemony in Southern forest governance", writes Horn (2023, p. 17).

For Norway, the Amazon Fund represented a possibility to contribute with finances to a project that was considered nationally owned and with sufficient safeguards for transparency, monitoring and inclusive participation. Central to

Norway's evaluation was the role of BNDES, which would act as the manager and implementing agency of the fund. BNDES was considered "among the best in class" with regards to transparency, accountability and anti-corruption measures.<sup>19</sup> Brazilian ownership was considered key for Norway for several reasons. First, due to the sheer size of the funds provided, it was impossible to envisage a solution where Norway would be responsible for the management of the Funds. While the Norwegian embassy in Brasilia manages other aid programmes, for instance the Norwegian Indigenous Peoples Programme (NPIP), the size of the Amazon Fund would require a huge amount of new resources, simply to manage the fund. As a solid institution and one of the biggest development banks worldwide, BNDES already had the capacity in place. Second, the principles of recipient ownership and responsibility had been important for Norwegian development policymakers for a long time. Norwegian development minister Hilde Frafjord Johnson had together with her counterparts in the United Kingdom, Germany and the Netherlands (known as the Utstein group) promoted an aid effectiveness reform in Europe and served as interlocutors for a normative shift in European development policies (Saltnes, 2022). Also Norwegian prime minister Gro Harlem Brundtland had been an important advocate for a Norwegian partnership with Brazil in the 1980s.

Policymakers both on the Norwegian and Brazilian side highlighted ownership as a key feature of the fund and central to establish a partnership between financiers and beneficiaries. Interviews with donor representatives from Norway highlight the importance of ownership and the necessity of a partnership based on equality:

ownership is the most important factor for the establishment and operation of the Amazon Fund and the partnership between Norway and Brazil on climate finance. We have an explicit hands-off approach. We do not have any opinion about or interfere with who should receive financing from the fund.<sup>20</sup>

When asked about how Norway can endure and accept this hands-off approach when so much money is involved, interviewees highlighted the fact that Norway is a small country, that there was trust in the partnership (except for the 2019-2023 period) and in Brazilian institutions. The partnership could not have materialised if Brazil had not taken ownership of the fund:

it is a partnership between the small North and the big South. There is no other possibility than a partnership on equal terms. Little Norway simply cannot dictate how Brazil should develop their deforestation reduction policies and should not do so either.<sup>21</sup>

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19. Interview with donor representative, Brasilia 28 March 2023.

20. Interview with donor representative, Brasilia 28 March 2023.

21. Interview with donor representative, Brasilia 28 March 2023.

BNDES is one of the most trusted development banks in the world. It has a long history of management of development projects and it has the international trust.<sup>22</sup>

There were a few reasons that the donor countries decided to engage with Brazil in this innovative mechanism. First, it was established as a payment for verified deforestation reduction, a result already delivered. Second, the cooperation would respect Brazil's sovereignty in deciding the best use of the resources. Third, BNDES as manager had technical independence in selecting the projects, following Cofa's guidelines and its rigorous due-diligence criteria (Santiago, 2021, p. 95).

An evaluation made by the office of the Auditor General of Norway in 2018 highlights this:

Brazil's deforestation reduction efforts, in financial terms, is larger than the funds that come from Norway. The size of the funds from Norway is therefore essentially a political signal... According to the embassy, there are significant limits to what Norway should and can do to influence Brazil' work on deforestation (Norway, 2018, p. 38, our translation).

Also, for Brazilian policymakers and stakeholders it was important to safeguard against donorship. Brazil does not think of themselves as an aid recipient. Rather, donations to the Amazon Fund are a way for the world to contribute to Brazil's forest conservation efforts and that benefits the world at large (Santiago, 2021).

In the institutional set-up of the Amazon Fund, there are several safeguards against unwanted donor interference. As highlighted above, donors were only given observer status in the Cofa. This would ensure oversight and transparency, but limit donor influence in the operation of the Fund. In her thesis, Santiago (2021) shows how this was a central concern for the actors that were involved in constructing the Amazon Fund:

the challenge, though, was to create a simpler mechanism of international cooperation that would evolve from the traditional cooperation (Official Development Assistance or ODA). We wanted to overcome issues such as donors' top-down, hands-on approach, with support for pilot projects with limited transformational impact, and the significant bureaucracy demanded by this international oversight. We had to find a methodology that could support the country's strategic plan, making the implementation of our environmental policies more effective (Santiago, 2021, p. 79).

Brazilian ownership is also highlighted by researchers and policymakers in the context of the re-opening of the fund in 2023, and the work that has been done to attract new donors. Eugênio Pantoja, director of the Amazon Environmental

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22. Interview with donor representative, Brasília 28 March 2023.

Research Institute (Instituto de Pesquisa Ambiental da Amazônia – Ipam), for example, told Euronews “When the European countries agree to finance the Fund, they are actually financing public policies of the Brazilian government that aim to reduce deforestation in the Amazon”.<sup>23</sup> Furthermore, Pantoja highlighted its national and inclusive character when explaining recent donor interest in the fund:

for the countries that want to invest, there is no doubt that the Amazon Fund is the most robust vehicle and structure that Brazil possesses. It has a national outlook and a public policy character which is preferable over NGOs with a shallower agenda (Our translation).<sup>24</sup>

On the other hand, the role of donors is not completely wiped out. Norwegian representatives highlight that while they have a hands-off approach regarding the Fund and how the money is spent, the Fund has given Norway an important political relationship and dialogue with Brazilian politicians and a political partnership that they would otherwise not get.

A focus group analysis with eleven team members of BNDES that work (or worked) in the Amazon Fund management highlighted the importance of the donors voice (Santiago, 2021). Despite not having a formal seat and voting right in Cofa, donors always showed a high level of interest concerning the Amazon Fund operational progress, paying close attention to the fund’s operation:

donors’ relative structural and influential powers follow suit: They are lower than those from the federal administration but still quite high. Despite not having a formal seat and voting rights in Cofa, donors hold a strategic asset: They are the fund’s source of resources, and their contribution is conditioned to the fund’s overall policy design, as mentioned above. Donors’ influential power emerges through legal documents and advocacy of the fund’s principles by political forces and civil society in Norway and Germany (Ferraz, Santiago and Ramos, 2023, p. 130).

One of the participants in the Focus group led by Santiago (2021) to her thesis said: Donors had a power equivalent to a golden share. It was there but only triggered if necessary (Santiago, 2021, p. 107).

It was a soft power: periodic questions would come as a request for clarification, but the donors’ satisfaction had always been a relevant concern over the years. We had to make sure they were happy (Santiago, 2021, p. 109).

The participants of the focus group gave the following examples of donors’ influence: requesting meetings with BNDES, the MMA and stakeholders to the

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23. Available at: <https://www.euronews.com/my-europe/2023/03/03/heres-why-european-nations-are-considering-joining-the-amazon-fund>.

24. Available at: <https://infoamazonia.org/2023/03/23/fundo-amazonia-ganha-importancia-na-diplomacia-brasileira-e-chama-atencao-de-novos-paises/>.

Amazon Fund; frequent questions about the fund's performance and efficiency; reviews of the Fund's Annual Activity Report; donors' suggestions for improving the Fund's communication; donor missions including questions and clarification requests and visiting projects that received funding and audits and evaluations performed by donor control agencies (Santiago, 2021, p. 108).

According to donor representatives, they do not discuss strategic prioritisations with the Fund's managers. Being the single most important donor to the Fund has been the foundation for a close political partnership between Brazil and Norway. Norwegian diplomats enjoy easy access to Brazilian ministers and politicians and are able to use political dialogue with the MMA and Itamaraty (the Brazilian foreign ministry) to discuss Norway's strategic priorities for sustainable development (Santiago, 2021). Yet, they maintain a hands-off approach when it comes to the management and prioritisations of the fund. In their annual meeting with BNDES donor representatives would convey opinions related to transparency or communication of results, but not to the management or operation of the funds.

Being the single most important donor to the Amazon Fund has provided us with an important political dialogue with Brazilian politicians. We use this political partnership not to influence the Fund as such, but to convey to Brazil our strategic prioritisations for sustainable forest management.<sup>25</sup>

The fact that we are the largest contributor to the Fund and a long-time partner in forest conservation means that they listen to us if we have opinions. Minister Marina Silva, the MMA, and BNDES, we have meaningful political dialogues with them on many issues and they value our opinion.<sup>26</sup>

#### 4.1 The 2019 donor freeze

The political transition in Brazil that occurred in 2019, with the subsequent donor freeze of the Amazon Fund finances, further illustrates donors' space for influence. In 2019 Brazil underwent a political transition in the federal and state governments. After taking office in January, the national government began a substantive process of reviewing public strategies and policies for the country, including those related to climate and forests. The transformation of Brazil's foreign policy has been highlighted as a conservative turn (Herz, 2022) and foreign policy oriented towards personal interests (Lima and Albuquerque, 2022).

Bolsonaro's political project, which was characterized by an anti-globalism stance, had direct consequences for the operation of the Amazon Fund. The Decree No. 9.759/2019, promulgated on April 11, 2019, established new rules

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25. Interview with donor representative, Brasilia 28 March 2023.

26. Interview with donor representative, Brasilia 28 March 2023.

for collegiate bodies of Brazilian federal public administration, and repealed the national social participation policy which ensured civil society participation in councils, committees and commissions created through presidential decrees. This had consequences for the Amazon Fund because it could alter the Cofa composition in number and diversity of participants. A grace period was established where ministries could recommend to Casa Civil (Office of the Presidency Cabinet) an exemption for specific committees under their jurisdiction (Santiago, 2021). While an application for exemption was submitted for the Cofa with broad support among Amazon Fund policymakers, managers and civil society representations, it was never granted. In June 2019, the Bolsonaro administration altered the Cofa composition (in number and diversity of members), and limited participation of the states and civil society.

Minister at the time, Ricardo Salles also proposed a change in Cofa's decision-making process, from consensus to a majority of votes – which would cause an imbalance that would privilege the federal government. Cofa would incorporate a new role of approving BNDES analysis of projects, giving the MMA the power of veto. These changes would substantially dismantle the original concept of participatory governance in effect since the creation of the Amazon Fund, as well as BNDES' role as an independent technical body, exposing decisions to potential political influence (Santiago, 2021). Perhaps even more important was the fact that minister Salles launched a revision of the two Brazilian strategies that the Fund sought to support, namely the PPCDAm and the Action Plan for the Prevention and Control of Deforestation and Burning in the Cerrado Biome (Plano de Ação para Prevenção e Controle do Desmatamento e das Queimadas no Bioma Cerrado – PPCerrado), and in practice put these plans on hold.<sup>27</sup> In addition, Decree No. 10.144/2019 issued on November 28, 2019, revoked art. 2 of Decree No. 6.527/2008, which was the original act that created the Amazon Fund and authorized BNDES to proceed with the raising of donations to the fund. Thus, the role of BNDES in raising donations and issuing the corresponding diplomas to donors was no longer regulated (Santiago, 2021).

These changes worried the foreign donors of the fund, namely Norway and Germany who immediately entered into dialogue with the Brazilian authorities. On 16 August 2019 Norway, after failing to reach agreement with Brazil in political dialogue, froze funding to the Amazon Fund with immediate effect. In a press release the government of Norway stated:

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27. Available at: <https://www1.folha.uol.com.br/ambiente/2022/10/o-que-foi-o-ppcdam-plano-do-pt-contra-desmatamento-desmobilizado-por-bolsonaro.shtml>.

the Brazilian government has dissolved by decree the Amazon Fund Guidance Committee (COFA) and Amazon Fund Technical Committee (CTFA). Thus, given the current circumstance, Norway has no legal and technical basis for providing the annual contribution to the Amazon Fund planned for this year.<sup>28</sup>

For the donors, the Bolsonaro government's acts constituted a breach of the Amazon Fund Agreement and, in accordance with the agreements article XII, donors reserved their right to withhold disbursements. The news was not well received by the Brazilian government. Minister of Environment Ricardo Salles launched what has been labelled by some "a crusade" against the Amazon Fund (Toni e Chaves, 2022). Central to Salles' argumentation was accusations of mismanagement of the Fund's resources and its use by foreign powers do defend their interests (Figueiredo, 2019). Bolsonaro made use of anti-colonial arguments in this critique of Norway and Germany's actions: "I would like to give a message to the beloved Angela Merkel... Take your dough and reforest Germany, ok? It's much more needed there than here".<sup>29</sup> Yet, this critique came only from government representatives. The majority of policymakers and managers of the Amazon Fund did not voice public criticism against the donor freeze. Donor representatives explain how BNDES, in the donors' view, fully respected the 2019 freeze. BNDES was characterised as a 'tough and cooperative partner' throughout the Bolsonaro presidency.<sup>30</sup>

The 2019 donor freeze illustrates that donors' power to suspend agreements in whole or in part remains an important characteristic of the Amazon Fund. While the Fund differentiates itself in many ways from the conditionalities that has characterised North-South development aid and donor influence on the management and monitoring of results, the power to suspend cooperation in case of a breach of agreement remains.

The Amazon Fund's financial contributions remained suspended from Norway and Germany until 1 January 2023, when Brazilian president Lula issued Decree No. 11.368/2023,<sup>31</sup> revoking the changes made by the Bolsonaro administration and restoring the governance structure of the Cofa and the CTFA. The first meeting of Cofa, after the re-opening, took place 15 February 2023, with donor representatives in their observer seats.

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28. Available at: <https://www.regjeringen.no/en/historical-archive/solbergs-government/Ministries/kld/news/2019-nyheter/norway-amazon-fund/id2665810/>.

29. Available at: <https://www.dw.com/en/jair-bolsonaro-to-merkel-reforest-germany-not-amazon/a-50032213>.

30. Interview with donor representative 28 March 2023.

31. Available at: [http://www.planalto.gov.br/ccivil\\_03/\\_ato2023-2026/2023/decreto/D11368.htm](http://www.planalto.gov.br/ccivil_03/_ato2023-2026/2023/decreto/D11368.htm).



## 5 CONCLUSION

The Amazon Fund is one of the mechanisms that was put in place to combat deforestation and promote sustainable development in the Legal Amazon. It was created by Brazil, to support the strategies set out in the PPCDAm and ENREDD+. There is no single solution to curb the deforestation of tropical forests and the Amazon Fund should be understood as one of the foreign policy elements of Brazil's national and international strategy to foster sustainable development.

In this article we have argued that the Amazon Fund is an example of an innovative instrument for sustainable development which to a large extent secures national ownership. The innovative elements include pay-for-performance funding, participatory governance and independent monitoring. The fund differentiates itself from, respectively North-South aid and South-South cooperation, by being a partnership between the small North and the big South, which in its institutional set-up manages to safeguard against donor influence. The Amazon Fund was a Brazilian creation with the aim of raising funds to implement national strategies for the reduction of deforestation and sustainable development in the Legal Amazon, creating a virtual positive cycle of investments towards climate actions and local communities well-being. Notwithstanding the institutional safeguards from donor influence, this article has shown that the informal influence of international donors (Norway and Germany) is considered important. While donors had no votes in the Cofa and only participated as observers, frequent meetings, donor missions, evaluations, requests of effectiveness reports, among other things, influenced the managers in BNDES. The 2019 freeze of payments also illustrates the power the donor maintains when the terms of the contract was breached.

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