



**ROYAL NORWEGIAN MINISTRY OF
CLIMATE AND ENVIRONMENT**

The Minister

Dear Minister José Sarney Filho,

Please allow me to express my sincere gratitude for our constructive meeting in Brasilia in March, when we discussed important issues concerning our forest and climate partnership.

Let me start by reiterating Norway's respect and admiration for Brazil's impressive achievements in reducing deforestation in the Brazilian Amazon between 2005 and 2014. This achievement had a very positive impact on the Brazilian people, the Brazilian economy, Latin America and the world. It happened, moreover, in parallel with strong growth in agricultural production and productivity in the Amazon region. Brazil is, as a result, recognized as a global leader on sustainability and climate change.

Norway has been your proud partner on climate and forests issues since 2008. Brazil's reductions in deforestation, and the ensuing Norwegian contributions to the Amazon Fund, has been officially recognized by the Secretary General of the United Nations as an excellent example of international collaboration on sustainability.

In 2015 and 2016 deforestation in the Brazilian Amazon saw a worrying upward trend. Reversing that trend will be essential to the future of Brazil, given the importance of the Amazon for your local climate and rainfall patterns.

This issue will also determine the future of our results-based partnership. On current trends, the results based contributions that can be received into the Amazon Fund – based on the rules that the Government of Brazil set unilaterally when the fund was established – are already significantly reduced. Even a fairly modest further increase would take this number to zero.

After the string of good meetings I had in Brasilia in March, I was fairly confident in Brazil's ability to reverse this trend. That optimism was particularly grounded in the strong focus on law enforcement conveyed by all government representatives I talked to. Law enforcement has been – and remains – the cornerstone of the battle against deforestation. Without full, cross government focus on law enforcement it will be very difficult for Brazil to contribute to its potential regarding the UN Sustainable Development Goals and meet its Nationally Determined Contribution under the Paris Agreement.

Since my visit, however, things have evolved, and in a partnership as long and solid as ours, I believe that it is important to express concern when concern is due. As you are aware, a set of policy measures that have caused strong public reactions in Brazil are making their way through Congress, including the revision of the environmental licensing criteria and the roll back of protection of significant tracts of the Amazon. In parallel, budgets for key institutions that provide vital services for forest protection, are being cut, and their mandate to operate effectively is put under pressure.

The combination of rising deforestation and the other developments alluded to above, gives cause for serious concern that deforestation will rise further, and that the vision of Brazil as a country that leads the world both in agricultural production and forest protection might be in retreat. Less important, but still significant, it raises the real possibility that Norway's and also Germany's very significant contributions to Brazil's sustainability efforts over the last decade – well above USD one billion from Norway as well as significant funds from other partners such as Germany – may have had a time-limited positive impact only.

Brazil's future is for Brazil to determine. Since our contributions go to the Amazon Fund – an institution whose rules and spending priorities are entirely Brazilian – I feel that we have significant credibility when saying that we fully recognize and respect that fact.

However, as long standing allies, please allow me to observe that many of the dichotomies of the current debates in Brazil, seen from the outside, appear to be false. Indeed, they have proven to be false by Brazil's own development over the last decade. Brazil has proven over the last decade that there need not be a dichotomy between expanding agricultural production and productivity and protecting the forests. And while the push for more efficient delivery of infrastructure investments is understandable, that too need not happen at the expense of environmental standards. While simplifying and making more effective the procedures to apply these standards seems to be a good idea, weakening them will undermine rural development and may be directly harmful to the rural population. Meanwhile, weakening government agencies responsible for administering rural development increases the risk of social conflict and harm the rule of law which is essential to sustainable rural development over time.

The alternative to these false dichotomies is a more comprehensive and sustainable vision of rural development in Brazil. The ability to envision and then move towards that better future rests within Brazil and its institutions. Indeed, Brazil's Indicated Nationally Determined Contribution to the Paris Agreement was in large part shaped based on such a vision, and was developed through a broad consensus building process where both the agribusiness and forestry sectors were heavily involved.

A political vision that could achieve broad alignment of interests in Brazil's society – so critical in these polarized times – could effectively build on the successes of the last decade. Effective protection of the remaining forests and wetlands in Brazil's various invaluable biomes would be one pillar. Improved infrastructure and access to markets, provided with strong but workable environmental and social safeguards, would be another. Coordinated measures to develop a vibrant and legal forest economy on the agricultural frontier would be a third. Designing public agricultural credit and regulatory regimes that incentivize these developments would be a fourth. Novel approaches to pulling in private capital would be a fifth. These are all areas where much has been achieved – and I humbly believe there is a great prize to be had for Brazil by building on this approach going forward.

During our conversation, we both emphasized the importance of working with the private sector. I was happy to hear your message that it is both desirable and possible to foster deforestation free agricultural growth in Brazil. As we discussed, a growing number of private and financial actors are directing their investments towards deforestation-free commodity production. We are trying to support this trend by working with the private sector, through the forthcoming Production-Protection-Inclusion Fund as well as through our contributions to the Amazon Fund.

Brazil is surely one of the best-positioned tropical forest countries to take advantage of this trend. The state of Mato Grosso, which despite the general rise in deforestation in Brazil actually reduced their deforestation in 2016, are actively moving down this road. Other states are thinking in similar terms. "Made in Brazil" could – if the political will to reform was mobilized at the national as well as state levels – become globally recognized as a sustainability trademark far more robust than any commodity certification scheme. That would pull private sector expertise and finance into the country at unprecedented scale, providing a massive boost to rural socioeconomic growth and development. Various successful green bond operations during the last year illustrate the potential well.

A significant development that provided some hope for a balanced course forward, was the recognition on World Environment Day by His Excellency President Michel Temer of the Paris Declaration as a part of the Brazilian law and, in parallel, the approval of an expansion of protected areas. The creation and maintenance of Protected Areas and Indigenous Peoples' Territories have proven to be an efficient and cost-effective strategy for environmental protection in Brazil. Resuming Brazil's successful efforts to increase such areas would thus be an exceedingly effective way to protect forests and signal serious intent of moving towards a new vision of rural development in Brazil.

These are but examples, and might, in the current turmoil, seem remote from reality. However, the choices Brazil takes regarding its future rural development path could not be more important. Important – to Brazil first and foremost, but – due to Brazil's immense importance globally – also to the world.

Let me thus conclude this letter by reassuring you that if the directionality of Brazil's policies on forests and rural development return to the encouraging path of the previous decade, and evolve further on that basis, you have a long-term and consistent partner in Norway.

Please be assured, Your Excellency, of my highest considerations.

Yours sincerely,



Vidar Helgesen