

## Considerations on Brazil's Roadmap – impacts for forestry and climate change policies



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## Intro

On June 10<sup>th</sup>, 2022, the OECD released the *Roadmap for the OECD Accession Process of Brazil*<sup>1</sup>, the official document that guides the assessment process which Brazil will undergo as the main critical milestone in its journey to becoming a full member of the Organization. This roadmap contains several points of positive innovation regarding the accession process and may indeed lead to regulatory improvements, and, consequently, productivity gains.

*On 25 January 2022, the OECD Council decided to open accession discussions with Brazil as well as five other countries, taking into account the criteria of like-mindedness, significant player, mutual benefit and global considerations and recognizing the progress made by these countries toward fulfilling the criteria outlined in the Framework for Consideration of Prospective Members [C(2017)92/FINAL].[...]*

*In accordance with the Council Resolution of 25 January 2022, this Roadmap sets out the terms, conditions and process for the accession of Brazil with the objective of enabling Council, at the end of the process set out in this Roadmap, to come to a decision on whether to invite Brazil to accede to the OECD Convention and thereby become a Member of the Organization. In response to changing circumstances, the Council may introduce changes to the Roadmap during the accession process.*

*The overarching objective of the accession process is to achieve convergence of Brazil with OECD standards, best policies and best practices, resulting in better outcomes for OECD Members as well as for Brazil and its citizens. Throughout the accession process, the OECD will work closely with Brazil to support the adoption of long-lasting reforms to align with OECD standards, best policies and best practices.*

**(ROADMAP FOR THE OECD ACCESSION PROCESS OF BRAZIL, 2022, pg. 2)**

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<sup>1</sup> Access to full Roadmap: <https://www.oecd.org/mcm/Roadmap-OECD-Accession-Process-Brazil-EN.pdf>.

In May 2022, Talanoa published a study on Brazil's OECD accession process with special focus on forestry and climate change policies<sup>2</sup>, with qualitative and quantitative evaluation components. This evaluation led to the following five recommendations:

1. **Promote transparency throughout the accession process with particular attention to effectiveness of existing normative instruments.** As stated, there is a homogenization of norms. However, the existence of a normative instrument does not ensure effective implementation of a public policy – it is a necessary, but not sufficient condition.
2. **Ensuring that the policies that affect forests and climate be contemplated in different relevant thematic committees, not only in the environmental committee.** Market, economic, and fiscal instruments must be seen as forms of effective forest and climate change policies to ensure that the government actions lead to smaller deforestation and can promote adapting actions to climate change. Using the committees of the Colombian process, we recommend that forestry and climate aspects be addressed in, at least, the following committees: Committee on Chemicals, Committee on Public Governance, Committee on Regulatory Policy, Committee on Policies of Territorial Development; Committee on Employment, Work, and Social Matters; Committee on Agriculture; and Committee on Fishing.
3. **Promote transparency in the institutional governance of the Brazilian government of the accession process.** The currently existing governance is not effective and not transparent. Decisions are not articulated among the ministers, evidenced by the misaligned public manifestations by the Ministry of Environment, Ministry of Economy, Ministry of Foreign Relations, and Civil House.
4. **Engage OECD Civil Society in the accession process.** Seeking broad participation throughout the accession process, civil society must align itself with the OECD division that is focused on participative process. Studies and precise positions of the civil society can strengthen positive potential gains from the accession process and once Brazil becomes a full member.
5. **The debate regarding what is to be expected with the accession of Brazil to OECD must be qualified,** especially considering potential effects on forest and climate change. Data and careful analytical modeling can guide both the accession process and indicate which paths Brazil can follow once it becomes a full member.

Based on our analysis and the recommendations above, we present below our initial considerations on Brazil's OECD Roadmap. Our considerations are presented in four sections: (i) Committees that will assess the state of Brazil's selected policies as well as crosscutting Policy Areas; (ii) Highlights of Brazil's Roadmap, from Talanoa's point of view; (iii) Next steps to

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<sup>2</sup> Access to full study: <https://www.politicaporinteiro.org/ocde-relatoio-executivo>.

be taken in the accession process by Brazil's government; and (iv) Points of caution and what to expect in the upcoming moments.

## Committees and Policy areas

The group of committees that will assess Brazil's accession is, in general, aligned with what was done in other recent accession processes, namely Colombia and Costa Rica. However, we note that new social and economic challenges (such as responsible business, steel, shipbuilding, biotech and digital economy) have been added to Brazil's. The committees established to conduct accession reviews of Brazil and provide a formal opinion to Council are:

- Investment Committee and the Working Party on Responsible Business Conduct;
- Working Group on Bribery in International Business Transactions;
- Corporate Governance Committee;
- Committee on Financial Markets;
- Insurance and Private Pensions Committee;
- Competition Committee;
- Committee on Fiscal Affairs;
- Environment Policy Committee;
- Chemicals and Biotechnology Committee;
- Public Governance Committee;
- Committee of Senior Budget Officials;
- Regulatory Policy Committee;
- Regional Development Policy Committee;
- Committee on Statistics and Statistical Policy;
- Economic and Development Review Committee;
- Education Policy Committee;
- Employment, Labour and Social Affairs Committee;
- Health Committee;
- Trade Committee and the Working Party on Export Credits;
- Committee for Agriculture;
- Fisheries Committee;
- Committee for Scientific and Technological Policy;
- Committee on Digital Economy Policy;
- Committee on Consumer Policy;
- Steel Committee;
- Council Working Party on Shipbuilding.

These committees should cover in their technical reviews the following Policy areas:

- Structural reform;
- Open trade and investment;
- Inclusive growth;
- Governance;
- Environment, biodiversity, and climate;
- Digitalization;
- Infrastructure.

It is important to note that climate change has been inserted as a general point of attention. Furthermore, within the Annex of the Roadmap detailing the committee's evaluation points, seven Committees make direct reference to climate change and/or sustainability, which are:

- Environment Policy Committee;
- Regional Development Policy Committee;
- Economic and Development Review Committee;
- Committee of Senior Budget Officials;
- Regulatory Policy Committee;
- Committee for Agriculture;
- Committee on Consumer Policy.

## Highlights of Brazil's roadmap in relation to previous roadmaps

In comparison to Colombia's roadmap<sup>3</sup>, the OECD has shown significant and positive innovation in their accession process guidelines for Brazil. These include:

1. Insertion of Policy Areas, specifically, Environment, biodiversity and climate are recommended to be addressed throughout the committees' assessments.
2. Explicit inclusion of deforestation, climate change, and sustainability in several committees. For instance, sustainability is included in Regional Development Policy Committee and deforestation, in the Agriculture Committee. Deforestation is clearly mentioned in the Agriculture Committee and Environment Policy Committee, respectively:

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<sup>3</sup> We benchmark using Colombia as it is a frontier country to Brazil, has recently joined the OECD and also possess challenges associated to the Amazon biome. Accession roadmap available at: <https://www.oecd.org/officialdocuments/publicdisplaydocument.pdf/>.

- a. *Whether agriculture policies foster sustainability, in particular the sustainable use of available water, land, energy, soil, biodiversity resources, forest – including with respect to deforestation – and contribute to solutions to climate change.*
  - b. *Implementing target-based, transparent policies to ensure long-term biodiversity conservation and its sustainable use, including stopping and reversing biodiversity loss, deforestation and land degradation by 2030 (...).*
3. More detailed list of core principles for technical reviews by OECD committees. This may induce a clearer path for what to assess within each committee and lead to quicker regulatory improvements.
  4. Directly linking international agreements, the country has signed to the accession process to the OECD - namely the objectives of the Paris Agreement on climate change and COP26 climate goals. This, in itself, is a strong inducer of more efficient regulatory practices as there is expected aligned between instruments.

## Next steps for Brazil

With Brazil's roadmap publicly presented, the country must now:

1. Submit to the Secretary-General of an Initial Memorandum, including a first self-assessment of the alignment of Brazil's legislation, policies and practices with each OECD legal instrument in force that applies to all OECD Members. This includes all substantive Decisions, Recommendations, Declarations as well as international agreements or arrangements developed within the OECD framework<sup>4</sup>.
2. The Secretariat will then proceed to reviewing the Initial Memorandum and the respective relevant parts distributed to each committee.
3. The committees will then proceed to conducting their technical assessments and elaborate a formal opinion on Brazil's accession. The formal opinion of each committee will include an assessment of the willingness and ability of Brazil to implement any OECD legal instruments within the committee's competence. The technical assessments will evaluate Brazil's policies and practices compared to OECD best-practices (and policies), besides the strict legal instrument compatibility evaluation. The formal opinions may also consider Brazil's position on other rules, standards and benchmarks by which OECD Members abide. The

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<sup>4</sup> A full list is available at <https://legalinstruments.oecd.org>.

formal opinions should follow the List of Accession Core Principles for OECD Committees, available in the Appendix of the roadmap.

The timeline for the full accession process will rely on the timeliness of Brazil's provision of information and coordination among public agencies. However, the OECD explicitly states in the provided roadmap that "Brazil will be expected to fulfil all requirements of the accession process within a reasonable time and the Council will regularly discuss Brazil's level of progress in the technical reviews" (OECD, 2022).

## What to expect and points of caution

1. Brazil's roadmap contains several elements of innovation and more carefully designed processes to guide technical reviews of the country's policies and alignment with OECD best-practices. For instance, this is the first time the OECD explicitly states climate as a policy area of interest to be addressed throughout the accession process.
2. However, it is still unclear to what extent forestry and climate change effects will be considered within each committee. For instance, land-use regulation directly impacts forest and climate change results and may significantly impact labor, production, and trade.
3. Civil society can subsidize the OECD community with technical reviews and anticipate points of tension. It should not be taken for granted that because general guidelines include caution with respect to climate change and sustainability, that the OECD community will fully grasp the particularities of the Brazilian reality.
4. For productive gains from regulatory improvement, climate change should be addressed between committees, not only within each one. If and how this coordination will occur is still unclear. For instance, there is a need to rationalize and implement climate policy with medium-term budgetary planning. Currently, the climate budget is not easily identified in Brazil and governmental subsidies are in their majority directed to high-carbon sectors. How the trade and senior budget officials will interact to promote effective actions from the Brazilian government is critical. sectors.
5. Deforestation is a major economic and environmental challenge for Brazil. It is mildly addressed within the Environment and Agriculture committees and within the policy area of Environment, Biodiversity and Climate. The two committees should work together to foster low-carbon agriculture alongside command-and-control mechanisms to reduce deforestation rates.



6. With this detailed list of Accession Core Principles for OECD Committees, we expect more qualified analysis within the committees and more coherent instruments toward reaching previously established climate goals.