



## **Financing green growth: Assessing the impacts of Brazil's largest financial mechanism (Plano Safra) on just transitions in the agricultural sector**

### **1. *Submitting organization:***

Climate Strategies

### **2. *Short description of the study:***

Brazil is one of the world's largest emitters, with deforestation and agriculture contributing to 49% and 25% of national emissions. The agricultural sector contributes to 21% of GDP and employs 8% of the workforce. To achieve its NDC targets and boost sustainable development, Brazil will need to enact a just transition to a low-carbon food production system.

Brazil's Agricultural Plan (Plano Safra) is a critical tool for enabling this transition (see policy details in following section). In 2023, the Lula Administration announced a new iteration of Plano Safra aimed at decreasing Brazil's emissions. Reduced interest is now available for farmers who engage in low-carbon agro-ecological methods, and penalties apply for those using environmentally destructive practices. This policy will provide over \$70 billion in rural credit to Brazil's agricultural producers, making it the country's largest ever finance mechanism.

The 2023-2024 Plano Safra is expected to have far-reaching social, economic and environmental impacts. The policy will reduce agricultural emissions and support the achievement of Brazil's NDCs and Ecological Transformation Plan. By expanding credit to sustainable farmers (including family farmers), the policy could increase food production, generate green jobs, and accelerate the achievement of sustainable development goals. Plano Safra has the potential to enable a just transition and green growth, and similar credit mechanisms could be scaled and delivered in other sectors and countries to increase global mitigative capacity.

Yet Plano Safra's success hinges on the feasibility of tracking the farming and forestry practices of millions of people. It also relies on the institutional capacity of lenders to conduct due diligence and fairly manage the policy's implementation. These are significant barriers, and the last year will have yielded important lessons learned for decision-makers and practitioners.

This case study will analyse the impacts of Plano Safra as a response measure to climate change. It will consider the extent to which similar climate financing mechanisms and fiscal policies could reduce emissions and boost green growth in other sectors, countries, and regions. As earlier iterations of Plano Safra have been in place since 2003, the case provides opportunities to conduct comparative analysis and extract lessons from decades of policy implementation.

The case study will provide an innovative example for managing the impacts of mitigative



policies and supporting a just transition in the agricultural and forestry sectors. This case will be particularly relevant in the lead up COP30, which is expected to focus on delivering outcomes that support food system transformation and climate justice.

We will develop the report in collaboration with the KCI and we envision four key activities:

- (i) Conduct an impact assessment on the environmental, economic, social and employment impacts of Plano Safra.

- (ii) Conduct stakeholder engagements and interviews with key actors and policymakers to understand barriers to implementation, key successes, and intersections with Brazil's wider climate policy ecosystem.

- (iii) Collaborate with Climate Strategies' international network of researchers and policymakers to understand the linkages with broader South American climate pacts (e.g. Escazu Agreement).

- (iv) Summarise the lessons learned for international policymakers, considering replicability in other sectors, countries, and regions.

### ***3. Geographical Region:***

Brazil, with linkages to regional agreements in South America.

### ***4. Area of climate policy:***

Fiscal policy; Agricultural and forestry policy;

### ***5. Short description of the policy(ies):***

Plano Safra is Brazil's largest financial mechanism, subsidising agricultural and livestock producers. Plano Safra is released in regular iterations, and in 2022/2023, the policy supported 29% of the Brazil's agricultural output, accounting for 5.6 million jobs and 15% of GDP.

The 2023-2024 iteration is focused on achieving NDCs and reducing emissions. The policy excludes producers who violate socio-environmental regulations from public financing. Producers who engage in sustainable practices receive a 0.5% interest reduction, with additional benefits for women.

The new iteration of Plano Safra aligns public financing with efforts to transform the country's highest emitting sector and achieve NDCs. This is a key part of the country's broader Ecological Transformation Plan, which spearheads practical, national-level efforts to link economic development with climate ambition, providing an invaluable example to other countries. Plano Safra also has linkages to the regional Escazu Agreement, which foregrounds climate justice and supports individuals in taking mitigative action.

### ***6. Work programme Area to be covered by the Study:***

Economic diversification and transformation; Just transition of the workforce and creation of decent work and quality jobs ; Assessment and analysis of the impacts of the implementation of response measures (with a view to understanding the positive and negative impacts);



***7. If the case study will cover assessment and analysis of the impacts of the implementation of response measures, the impacts to be studied:***

Social; Economic; Environmental;

***8. If the case study will cover assessment and analysis of the impacts of the implementation of response measures, the type of assessment (Qualitative/Quantitative/Both):***

Both

***9. If the case study will cover assessment and analysis of the impacts of the implementation of response measures, the methodology or tool used for impact assessment:***

The precise methodology for the impact assessment will depend on the final scope of the case study report, to be determined in collaboration with the KCI (and dependent on financial resources available). However, we suggest an integrated assessment model to understand impacts.

***10. Status of proposed case study:***

Case study has not been undertaken and will be developed in collaboration with the KCI

***11. If the case study is completed and published, link to the case study:***

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***12. Elaboration on how the submitter would contribute to the development of the case study:***

Climate Strategies will lead the development of the case study, with active collaboration and consultation from the KCI. Climate Strategies will collaborate with two institutions based in Brazil to support the development of the case study. This includes Plataforma CIPÓ, who will focus on qualitative and policy-focused activities. For the quantitative modelling, we will partner with either the Center for Sustainability Studies of Fundação Getulio Vargas or Universidade Estadual de Campinas. Climate Strategies has previous experience collaborating with these institutions on just transition dialogues, policy modelling, and climate finance mechanism analysis