



**Federative Republic of Brazil highly appreciates all initiatives of the conference held by the Forum for the 21<sup>st</sup> Century. Brazil is definitely aware of the fact that water issue is one of the basic elements for creating life on the planet Earth and that without this source evolution would not have been possible at all. We would also like to express our thanks to the Forum for the 21<sup>st</sup> Century to let us participate on this conference.**

Water is a resource of paramount importance in Brazil and, as such, requires a careful management system. This situation is aggravated when there is rapid population growth with fast urbanization rates. Several uses are competitors for this beneficial resource: human supply, industry, agriculture, among others. Furthermore, water is essential to sustain development.

Brazilian government opened the discussion on what should be the country's water policy in 1984. The major change came in 1997, with the promulgation of the National Water Resources Management Act, establishing both the National Water Resources Policy and the National Water Resources Management System. This paper describes the policy and the management system, as established in the 97 Act and now in process of implementation.

The National Water Act of 1997 defines the National Water Resources Policy, with its objectives, principles and instruments, and also the National Water Resources Management System, establishing the institutional arrangement under which the country's water policy is to be implemented. The National Water Resources Policy was proposed to achieve the following objectives:

- ✿ Sustainability: to ensure that the present and future generations have an adequate availability of water with suitable quality;
- ✿ Integrated management: to ensure the integration among uses in order to guarantee continuing development;
- ✿ Safety: to prevent and protect against critical events, due either to natural causes or inappropriate uses.

Issue of water is very often a centre of discussions in Brazil. It is known that our country has plentiful of water, with the highest total renewable fresh water supply of the planet. In fact, 70% of such available water is in the Amazon Basin where only 7% of the population lives. The rest 93% of the country's population will depend on the remaining 30% of the water availability. It is estimated that about 12% of the world's surface water resources are located in Brazil.

In Brazil there are four major different areas in contrast. The North, including the Amazon basin with abundant freshwater resources, is very sparsely populated and poor. The Northeast, semi-arid with a constant threat of severe droughts, struggles to sustain a population of 40 million people living in oppressive poor conditions. The West, with two dominating ecosystems, the savanna and the wetlands, is dominated by cattle raising activities and intensive agriculture development. The South is where the industrial and financial centers are located, with its water resources under a very unbalanced supply/demand relationship, due to excessive consumption and pollution of the large urban areas. In each region, there is a different problem.



## Proposes

### Funding

Brazil highly appreciates efforts of the Forum for the 21<sup>st</sup> Century to accumulate some financial sources for purposes which are currently needed to be raised and to create new organizational structure which will be represented by committee. Water issues have in Brazil also strong financial encouragement, with many parties involved. The great majority of investments in water and sanitation in Brazil are financed from domestic resources, with some additional financing from international financial institutions. In general, utilities with the greatest need to improve performance and expand services find it hardest to access funding, partially because they do not know how to access funding (including grant funding), partially because of weak institutional capacity, and partially because of their lack of creditworthiness.

We can divide the sources of financial support of water policy in Brazil to these groups:

- **Self-financing.** By far the major source of funding in 2004 was self-financing by the utilities, accounting for 1.82bn Reals or 51% of all financing. This is a remarkably high share by Latin American standards,
- **State contributions,** which are funded by federal public banks and international financial institutions. The federally owned Caixa Economica Federal (largest government-owned financial institution in Latin America) and the Brazilian Development Bank BNDES both play important roles in financing water supply and sanitation investments in Brazil. They administer large public pension funds, such as the FGTS, which invest, among others, in water and sanitation. However, loans from the Caixa and BNDES are not made directly to utilities, but to the states. Loans to state governments from international financial institutions, such as the World Bank and the IDB, are also passed on to utilities as a non-reimbursable contribution to their capital,
- **The capital market.** The financially most solid utilities also tap the capital market directly either through the Brazilian stock market or borrow from commercial Banks. The state water utility for São Paulo, is even listed on the New York Stock Exchange,
- **Output-based grants from the federal government.** Since 2001 the federal government "buys" treated wastewater through an innovative program called PRODES, which allows utilities to access federal grants if they properly operate and maintain their wastewater treatment plants,
- **The National Health Foundation FUNASA.** For small towns and rural areas a major source of funding is the National Health Foundation FUNASA under the



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Ministry of Health, which has invested 890 million Reales in 3,500 municipalities benefitting 11.43 million people between 1995 and 1999, mainly through its Programa Alvorada,

- **Program for the Acceleration of Growth (PAC).** In January 2007, the federal government announced a new Program for the Acceleration of Growth (PAC) that includes major investments in highways, airports, ports, energy, as well as providing housing, water and sewage that would benefit poor Brazilians.

We seem also the participation of NGOs in this area as very effective and needed, because if they really want to build sustainable environment on the one side and economical profit on the other, financial contribution from their side is inevitable. At the moment estimated level of Brazils expenditures to water policy and sanitation is 0, 7% of GDP, so we seem a propose of 1, 5 % GDP directed to the funds created by the committee by each signing member country as unreasonable from our point of view. Our budget won't allow us to allocate such a high amount of money for this purpose. We firstly propose to negotiate at lower level of expenditures, because it would be very important how effective and visible would be these resources used and it the case of creating a new committee is it crucial fact for us. At the beginning of the function of the committee we suggest to negotiate about outgoings in the range of 1 – 1, 3% of GDP.



### Representation

Regarding to the representation we would like to express our full agreement with all proposes involved. This new created committee has to have very clearly defined structure and methods of decision making process mainly if we would decide to give it a day to day decisions competence. We also highly recognize the pursuit of potential evaluating system. We strongly believe that only if real effects of our efforts and work are seen, we can talk about closer cooperation in this area and to come up with new ideas and improvements.

We seem the participation of the TNK in our aspiration to create funds and proper bodies for this purpose as a very essential component. TNK are those subjects in the issue of water which can be very supportive according to our common budget. If we would be able to give them appropriate chance to be part of the decision making process, where would they be able to express their standpoints, it would be much easier to reach some reasonable compromises and to harmonize the priorities of the states and NGO, which are as we know very much different. In such a significant environmental issue, as the water with no doubt is, would be the presence of NGO very important mainly in the questions of budget creating and its approval.



### Agenda

Firstly, we would like to express our full agreement with an initiative to direct more financial sources towards creating new sources of water. It is necessary to strengthen the efforts to divide water sources more equally to all humanity, mainly in region of Africa,



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where the problems are most visible. We would be very pleased also to participate on creation of fund, which should be supportive in this case. Cooperation with nongovernmental sector is also very intensive in Brazil, so we hope that for this purpose their contribution to the project will be irreplaceable and we will benefit from their experiences, which they obtained in this area during years of their function. We seem the creating of the special committee, which would support NGOs as very successful step forward, because communication with authorities in the stricken area would be a key factor for the next development.

Secondly, we are fully aware of the fact that every country, institution, NGO or other subject which would participate in this new committee would also have other priorities, ideas and proposes to push through. Therefore it would be very important to negotiate some relevant compromises and not to minimize the importance of the problems which are global in favor of the issues which are only prioritized by singles. We are sure that the character of the presented standpoints will differ from state to state. In Brazil, there are some basic issues which we would like raise to the attention:

- **Pollution:** Brazil's major and medium size metropolitan areas face increasing problems of water pollution. Coastal cities such as Rio de Janeiro, São Paulo and Recife suffer effects of upstream residential and industrial sewage contaminating rivers, lakes, and the ocean. In 2000, only 35% of collected wastewater received any treatment.
- **Droughts and Floods:** In the Northeast of Brazil droughts are a cyclical phenomenon occurring every 10 to 12 years. The region has an annual average rainfall ranging from 400 to 800 mm. Droughts are also frequent in the South, home of most of Brazil's industry.
- **Quality of the water:** is a major cause of water pollution in Brazil, According to the 2000 National Survey of Sanitary Conditions (PNSB), less than 10% of the wastewater produced in urban areas is treated. In 2006, only nine Brazilian states (from 26) had water quality monitoring systems that were rated as excellent or very good; five had good or fair systems; and thirteen had weak systems.

The matter of legislation, legal framework and law implication is one of the Brazils strongpoints in comparison to other countries, mainly those least developed. We realized a need of some legislation baseline a long time ago. At the beginning of this process was **Water Code** which was approved in 1934. This act was the first legislation for water resources management in Brazil, and was applied for more than 60 years. The Water Code ensured the free use of any water for basic life and permitted everyone to use any public water.

The intention of reforming Brazil's water resources management system began to shape during the 1970s when other water users challenged the priority given to hydropower. Different initiatives and institutions for water management were established by the Federal Government and states such as São Paulo and Ceara. The Constitutional reform





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of 1988 was the first step in the creation of a National Water Law, whose responsibility was given to the Federal Government. The reformed Constitution also established a distinction between federally controlled water, for rivers across state boundaries, and state-controlled water, for rivers and groundwater that remained completely within state boundaries. Based on this new responsibility, the states began to implement their own water resources management systems. Today 25 of Brazil's 26 states and the Federal District have adopted legislation to modernize water resource management.

Currently **National Water Law** (NWL) is the main instrument in Brazil's water resources management system. A National Water Authority was created in 2000 aimed at implementing the National Water Law. Numerous local, regional, and national initiatives, public and private bodies, and technical, scientific, and professional associations also play a role in Brazil's water resources management system. NWL is based on these principles:

- water is a limited resource with economic value,
- the management of water resources should be decentralized,
- priority is given to human consumption and watering of animals,
- and the aim is on the development of the hydraulic infrastructure.