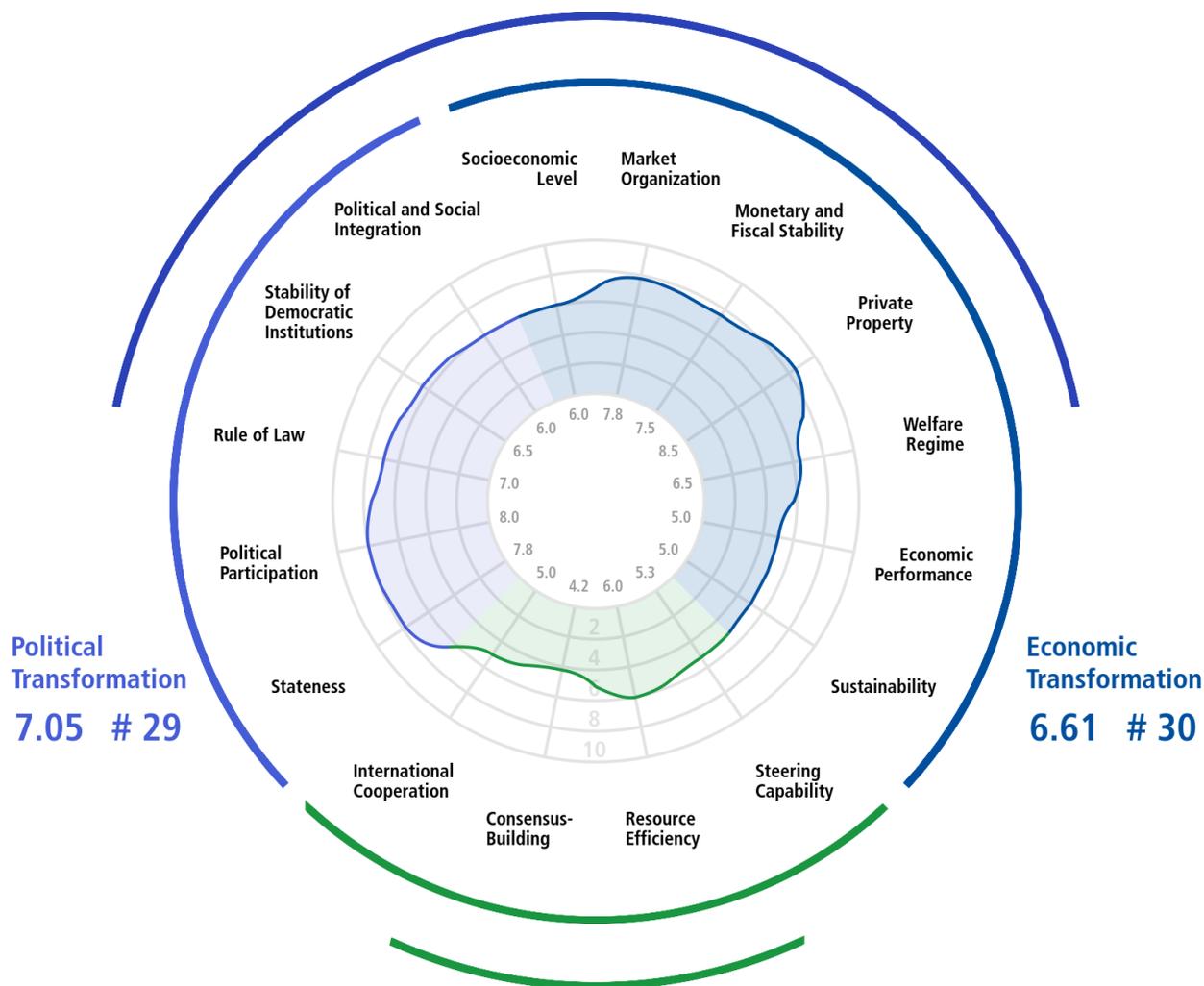


Brazil

Status Index

6.83 # 23

on 1-10 scale out of 137



Governance Index

4.42 # 85

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2022 Country Report – Brazil. Gütersloh: Bertelsmann Stiftung, 2022.

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Key Indicators

Population	M	212.6	HDI	0.765	GDP p.c., PPP \$	14836
Pop. growth ¹	% p.a.	0.7	HDI rank of 189	84	Gini Index	53.4
Life expectancy	years	75.9	UN Education Index	0.694	Poverty ³	% 9.1
Urban population	%	87.1	Gender inequality ²	0.408	Aid per capita \$	1.4

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The period under review corresponds with the first two years of President Jair Bolsonaro's four-year term. Brazilian democracy has been subjected to a tangible stress test during this period. While support for democracy among the Brazilian population stands at a solid 75% according to new polls, President Bolsonaro has repeatedly demonstrated that he poses a threat to democracy in both his rhetoric and concrete actions. He acts as a populist leader and incites some of his radicalized supporters to anti-democratic behavior. Thanks to the existing checks and balances, some of the worst excesses of the president's political plans have been prevented. In several cases, the Supreme Court has declared government decrees and measures unconstitutional and reversed them. Some of Bolsonaro's plans have failed due to opposition from Congress, and regional and local authorities. Nevertheless, the quality of Brazilian democracy has deteriorated significantly in the last two years, especially for people critical of the government and critical journalists.

Despite facing a Congress more fractured than ever, President Bolsonaro refused to form a governing coalition. In selecting his cabinet ministers, he paid less attention to political parties than to the powerful blocs in parliament. This strategy proved partially successful; for example, he succeeded in passing the long-debated pension reform in 2019. The results of the November 2020 local elections showed that the established center-right parties did relatively well, while the parties supported by President Bolsonaro achieved only moderate results.

The Brazilian economy continued its moderate upward trend in the first year in office of the Bolsonaro government, but in 2020 was severely affected by the global recession in the wake of the COVID-19 pandemic. Brazilian GDP is expected to have contracted between 4% and 5% in 2020. Pre-existing regional, social and ethnic inequalities in access to the health system have worsened considerably, especially for the black and indigenous populations. The government has also dramatically changed course in environmental policy. Budget cuts and other policies have weakened existing regulatory mechanisms and environmental protection agencies. Tough law-and-order policies led to a slight decrease in violent crime in 2019, but trends from 2020 point to

a reversal. President Bolsonaro promised during the 2018 election campaign to put an end to corruption in Brazil. In his first two years in office, however, it became increasingly clear that this was little more than a campaign slogan.

Regarding the COVID-19 pandemic, Brazil is the second most exposed country in the world in terms of the number of cases and deaths. While the measures introduced by the government to mitigate the social impacts of the pandemic have been successful and are being used by some 60 million Brazilians, the government's handling of the pandemic in terms of health policy has been a disaster. The way Bolsonaro downplayed the pandemic from the beginning, rejected social distancing measures, and partially blocked crisis policies in individual states and municipalities increased overall social conflictivity. The federal government ignored the recommendations of the ministry of health and the WHO, and did not take adequate measures to address the pandemic at the national level. As a result, each level of government had to implement response actions against COVID-19 without coordination at the state level, provoking misallocation of scarce resources.

History and Characteristics of Transformation

Democratic transformation in Brazil spanned a period of almost 20 years. The first steps toward liberalizing the authoritarian regime (1964 – 1985) were taken in 1974. In 1984, Brazil experienced the most massive political mobilization in its history in connection with a campaign calling for the direct election of a democratic president. However, the armed forces insisted on the indirect election of the first civil government since 1964. Tancredo Neves was elected president by an electoral assembly in January 1985 but died before he could take office. The office was assumed by the elected vice president, José Sarney (1985 – 1990). A new democratic constitution took effect in October 1988. The transition to democracy was completed in March 1990, when the first directly elected democratic president, Fernando Collor de Mello, assumed office. Implicated in a corruption scandal, Collor was removed from office in September 1992, and Vice President Itamar Franco served out the remainder of Collor's term. Democracy began to stabilize under President Fernando Henrique Cardoso who, elected in 1994 and re-elected in 1998, remained in office until 2002.

Democracy survived another test with the presidency of the leftist Luiz Inácio da Silva (popularly referred to as "Lula"), a former union leader and chair of the Workers' Party (Partido dos Trabalhadores, PT), who was elected in 2002 and re-elected to a second term of office (2007 – 2010) in 2006. Lula managed to ensure the nomination and election of his protégé, Dilma Rousseff, as his successor. Rousseff was elected in October 2010 and took office as Brazil's first female president in January 2011. In October 2014, Rousseff was re-elected for a second term. After a highly controversial impeachment process, Rousseff was suspended in May 2016 and removed from office in August 2016. Vice President Michel Temer became acting president in May 2016 and was sworn in as president for the remainder of the presidential term in August 2016. After a highly polarized electoral campaign, the right-wing politician Jair Bolsonaro was elected as Brazil's new president in October 2018. Bolsonaro took office on January 1, 2019.

After the end of World War II, Brazil's transformation toward a market economy was guided by the concept of import substitution industrialization. The developmentalist period lasted until the 1980s. During this time, the Brazilian government set priorities for industrialization and was a primary actor in industry. State-owned enterprises played a central role in many sectors, and the state development bank provided funding for areas deemed by government planners to be of high priority. During the 1990s, a partial reversal of the developmentalist model took place, preparing the ground for privatization and a liberalization of the economy. The Lula government adhered to the macroeconomic stability policy introduced by the Cardoso administration and at the same time massively expanded social policy. Thanks to favorable external conditions (commodity boom), the PT Workers' Party administration was able to combine economic growth with social development and liberate millions of Brazilians from poverty.

Since 2013, Brazil's economy has been increasingly in trouble and slipping into recession. President Temer began adopting in 2016 a much more neoliberal course. The economy has stabilized since 2017, but unemployment has remained high and the budget situation tense. Economist Paulo Guedes, appointed by President Bolsonaro as a "super-minister" of economics and finance, wants to foster economic growth through rigorous liberalization, deregulation and privatization efforts.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force is established nationwide in principle but is not fully functioning. There are problems related to the failure of security policies and deficiencies in law enforcement. In several large cities, the state is unable to completely guarantee private and public security. Organized crime is extremely powerful in several metropolitan areas, including Rio de Janeiro, Rio Grande do Norte and Recife. The largest of these criminal organizations is Primeiro Comando da Capital, founded in São Paulo in 1993 and operating nationwide. Among the states with the greatest violence and security problems are the northeastern states and Rio de Janeiro. While some parts of metropolitan areas are controlled by drug-trafficking gangs, others are under the influence of militias. These are paramilitary organizations, primarily formed by off-duty police and firemen. Militias control numerous favelas and operate in many neighborhoods. Several million people live in areas controlled by militias. They are known to carry out executions, extract protection money and threaten those who refuse to pay.

Civilian authorities generally maintain effective control of the federal security forces, but state-level security forces have committed numerous human rights abuses. Police forces are decentralized and under control of state governments. In 2019, the number of violent deaths decreased from 57,574 (2018) to 47,773. 13.3% of intentional homicides were caused by the police. In the first half of 2020, the number of intentional homicides increased by 7.1% to 25,712; for 2020, InSight Crime reports an estimated homicide rate of 19.3 per 100,000 people. In contrast, property crimes decreased in the first half of 2020 due to the effect of the COVID-19 pandemic on social activity. Spending on public safety amounted to \$17.6 billion in 2019, which was 0.4% more than in the previous year. The number of registered gun owners increased by 120.3% between 2019 and 2020, to more than 2.1 million.

Question
Score

Monopoly on the
use of force

7

'06 '22 10

7

1

The large majority of the population accepts the nation-state as legitimate, and the vast majority fundamentally acknowledges the state's constitution. All citizens are accorded the same civic rights. Ethnic, religious and cultural minorities are not systematically excluded from political citizenship, on either a de jure or de facto basis.

In recent years, hundreds of thousands of Venezuelans have fled to Brazil due to hunger, lack of health care and persecution. In June 2019, Brazil officially recognized a serious violation of human rights in Venezuela, accelerating the granting of asylum to Venezuelans. As of August 2020, more than 260,000 Venezuelans are living in Brazil.

In 2002 Brazil ratified the International Labor Organization's convention 169. While the convention provides that a group's self-identification as indigenous shall be regarded as a fundamental criterion for determining whether the convention applies, Brazil's

National Indian Foundation (FUNAI) in January 2021 adopted a resolution which states that the recognition of an individual by an ethnic group should be consistent with "a definition based on technical/scientific criteria." The resolution violates indigenous peoples' right to autonomously determine their membership. This has led to numerous national and international protests, and the adoption of the resolution has been delayed. Should it proceed, it would represent a clear step back for indigenous peoples' rights.

The state is secular. Religious dogmas have had no noteworthy influence on the country's legal order or political institutions in the past. However, the political influence of religiously motivated forces has grown in recent years. The percentage of citizens who identified as evangelicals has grown from around 7% in 1980 to an estimated 25% today. The so-called evangelical caucus, the group of members of parliament that either belong to or sympathize with a Pentecostal church, accounts for approximately 200 seats in the 513-seat lower house. President Bolsonaro, in office since January 2019, sympathizes with the concerns of the evangelicals. The evangelical caucus articulates positions against issues such as gender equality, abortion, and same-sex marriage, and opposes the criminalization of violence and discrimination against homosexuals, bisexuals and transsexuals and of physical punishment imposed by parents on their children. It also seeks to overturn resolutions that prevent psychologists from treating homosexuality as a disease, and is pushing for the Family Statute, which, among other provisions, defines family as the social nucleus formed from the union between a man and a woman.

State identity

9



1

No interference of religious dogmas

8



1

The administrative structures of the state provide most basic public services throughout the country, but their operation is to some extent deficient. In 2015, 98% of the population had access to a water source and 83% to sanitation. The state apparatus operates efficiently and professionally in some regions, while northern and northeastern states remain characterized by clientelism and patronage. Many cities face challenges in terms of delivering infrastructure services, reducing water and air pollution, reducing disaster risks, and addressing problems of water scarcity and the lack of access to basic services. Though the provision of jurisdiction and law enforcement extends across the entire country, a climate of lawlessness in certain remote parts of the country and in the slums of some large cities is aggravated by a weak judiciary and an often violent police apparatus.

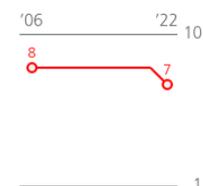
The state health system, which has long been well-equipped by Latin American standards, was already in a weakened position since 2016 due to budget cuts. This position worsened due to the COVID-19 pandemic. Especially in remote parts of the country, necessary equipment such as ventilators and oxygen were in some cases unavailable. In addition, the federal government under President Bolsonaro did not take adequate measures against the pandemic at the national level for a considerable time. There was much disagreement between the federal administration, and the states and municipalities. Each administrative level had to conduct response actions against the COVID-19 pandemic without country-level coordination. The lack of national coordination led to a misallocation of scarce resources. For example, new beds for COVID-19 patients were not sent to the clusters of municipalities with the highest incidence of COVID-19 infections (and subsequent need for hospitalization).

2 | Political Participation

There are no essential constraints on free and fair elections. This was reconfirmed by both the 2018 presidential elections and the 2020 municipal elections. Despite the heated political and social atmosphere, the country's electoral institutions function in an appropriate manner. General elections are conducted regularly on the national level, universal suffrage with secret balloting is ensured, diverse parties with varying platforms are able to run and political posts are filled according to the outcome of elections. Legal regulations provide for a fair registration procedure for all elections; candidates and parties are not discriminated against. The electoral management body is impartial and effective. All citizens are allowed to compete in elections if nominated by a registered political party. The Supreme Electoral Court enforces electoral rules and sanctions politicians and organizations that do not respect the law. Political parties operate without restriction. All adult citizens can participate in national elections. Registration and voting are compulsory. In practice, nearly all citizens of voting age are registered. Voting is accessible, secure and secret to ensure effective participation.

Basic administration

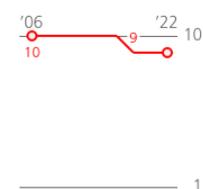
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1

Free and fair elections

9



1

Following a 2017 electoral reform, private corporate financing is prohibited. Self-financing is permitted. A special campaign finance fund was created, with 2% of the resources divided equally among all parties. The other 98% of funds are distributed according to various criteria, which take into account the number of votes obtained and congressional representation. Since 2016, the electoral campaign period has been reduced from 90 to 45 days.

The pandemic led to minor postponements of local elections due in 2020, but the elections were subsequently held with appropriate safety precautions and in an orderly manner. Political parties were authorized to hold virtual conventions for the 2020 elections. The Superior Electoral Court (TSE) suspended mandatory biometric voter registration for the 2020 elections. Because of the pandemic, TSE exceptionally authorized voters to register online. Mandatory biometric registration will resume for 2022 elections.

Democratically elected political representatives have the effective power to govern. No individual or group holds a de facto veto power. The military is effectively subordinated to civilian decision-makers. The clergy, business elites and external actors cannot be regarded as veto powers. However, there are powerful landlords in some rural areas who have strong influence on the local judiciary and police forces, and who respond violently to attempts at agrarian reform and other legal activities that run counter to their interests.

The Bolsonaro administration is criticized for excessive presence of military officials in the government. Indeed, not only do several ministers including the vice president have a military background, but the government has also relied on the armed forces for a number of measures (e.g., fighting forest fires in the Amazon and assisting with Brazil's pandemic response), which has been widely criticized as unnecessary and inefficient. However, this is a presidential decision, not a subordination of civilian decision-making power to the military.

The constitution guarantees the unrestricted freedoms of association and assembly, and these rights are enforced. Brazil has ratified international human rights treaties that obligate the government to safeguard the freedoms of expression and association. There are no restrictions on assembly and association for particular groups. Groups are able to operate free from unwarranted state intrusion or interference in their affairs. President Bolsonaro, who has been in office since January 2019, repeatedly expressed racist, homophobic and intolerant ideas. His government has not altered the right to freedom of assembly, but excessive use of force is not uncommon in police actions against demonstrations. Bolsonaro has repeatedly defended such police violence.

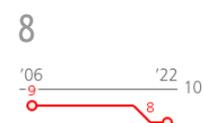
Brazil held a municipal election amidst the pandemic. Parties could organize meetings and events online, as could civil society organizations. Despite lockdown measures in place, there were never restrictions on small group gatherings. The

Effective power to govern



1

Association / assembly rights



1

government's slow and, by many accounts, inadequate response to the pandemic outbreak has led to repeated demonstrations since March 2020, which began again in January 2021 due to oxygen shortages at hospitals in Manaus and the faltering start of the COVID-19 vaccination campaign.

Constitutional guarantees of freedom of expression and freedom of the press are strong. De facto, the situation for people who hold positions critical of the government and for critical journalists has deteriorated significantly during the past five years. Since the Bolsonaro government took office, the country's ranking in the World Press Freedom Index has deteriorated further from 102 to 107 in the 2020 Index. President Bolsonaro has not only repeatedly spread fake news through his social media accounts and during speeches, but has also defamed opponents of his policies, sometimes as "unpatriotic," sometimes as "anti-developmental," sometimes as "stupid." Radicalized supporters of the president feel legitimized by such statements to threaten government opponents and groups such as environmentalists or indigenous leaders with violence and indeed physically attack them. The government has not taken any effective steps against pro government troll groups expressing hostility and hate toward government critics and LGBTQ+ activism. In the wake of the pandemic, Bolsonaro accused the media of reacting hysterically and deceiving the people. In 2020, several major media groups complained that their reporting from the presidential residence in Brasilia was being hampered by attacks on journalists by supporters of the president. Journalists who criticized the president faced harassment, hacking and other technical attacks.

Media ownership in Brazil is highly concentrated and information is often biased in favor of private power interests. There are no government restrictions on access to the internet. Brazilians are among the most active internet users in the world. Time spent on social media networks is well above the global average. More than 85% of Brazilians are active on social media platforms. Due to irresponsible and false allegations, some messages that the president wanted to spread via Twitter and Instagram in 2020 were censored. The accounts of politicians, entrepreneurs and influencers close to Bolsonaro were also temporarily blocked. As a result, the president's family declared that they would stop using Twitter, claiming it violated their right to freedom of expression.

Freedom of
expression

6



3 | Rule of Law

The principle of the separation of powers is explicitly contained in the 1988 constitution. The powers of the federal government are divided horizontally among the executive, the legislative and the judicial power. There are almost no restraints on the basic functions involved in the separation of powers, and mutual checks and balances are in place. The constitution makes the president accountable to the National Congress. The legislature can require any executive minister to appear personally to testify or answer written interrogatories. The National Congress has the power to legislate, but that power is not exclusive. Considerable legislative power is granted to the executive. The president has the right to issue delegated laws and provisional measures that have the force of law for a limited period. He or she may also veto legislation, and only an absolute majority vote of both houses of the National Congress can override this decision. In addition, the National Congress is not allowed to authorize programs that are not included in the annual budgetary law. This grants the executive extraordinary power to prevent the passage of legislation to which it is opposed. The judiciary checks both the legislature and the executive through the power of judicial review. On numerous occasions, the Supreme Court has abolished laws because of perceived constitutional violations. Brazil has a federal system of government in which governmental powers are divided among the federal government, the states and the local authorities.

The Brazilian constitution provides for the declaration by the government of a state of defense (Article 136) or a state of siege (Article 137) in the case of serious crises. These options have not been used during the pandemic, and there has been no “federal intervention” in the government of the states (provided by Article 34). On March 18, 2020, the Bolsonaro government declared a “state of calamity,” which was ratified by Congress two days later and is still in force after several extensions. The Supreme Court has approved the declaration. The “state of calamity” is based on the 2000 Law of Fiscal Responsibility and grants the federal government the ability to take action that deviates from strict spending rules in extraordinary circumstances. The two houses of Congress continued their work during the pandemic. As early as March 2020, they had enacted a regulation that allowed them to function remotely.

The judiciary is institutionally differentiated and largely independent from government intervention. Courts usually manage to control whether the government and administration conform to the law. There is ample authority granted to judges to evaluate the constitutionality of the government’s acts. The efficiency of the judicial system is partially restricted by limited capacity and corruption. The judicature is heavily overburdened. Brazilian law is heavily procedural. Despite repeated attempts at reform, the legal system still operates inefficiently.

Separation of powers

9



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Independent judiciary

7



1

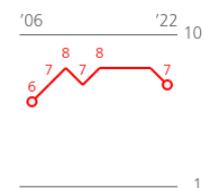
In the wake of the COVID-19 pandemic, tensions grew between President Bolsonaro and the judiciary, with the Supreme Court in particular emerging as a key counter to the president's lax response to the pandemic, repeatedly making judgments that ran counter to the president's political agenda. In April 2020, the Supreme Court affirmed that states and municipalities had the authority to take action against the spread of the pandemic. When the government stopped publishing figures on infection cases and COVID-19-related deaths in June 2020, the Supreme Court ordered it to resume publishing the figures. In July 2020, a Supreme Court judge referred to the government's handling of the pandemic as "genocide." In the same month, the Supreme Court ordered the executive to take measures to better protect indigenous people from COVID-19. The president reacted irritably to such Supreme Court orders. As early as March 2020, he publicly claimed the police should not carry out "absurd orders" from the Supreme Court. In the end, however, the court's successfully enforced orders were proof of the judiciary's still functioning independence.

While for many years there appeared to be general impunity, in recent years Brazilian institutions have displayed more capacity to bring individuals in high office to justice. The "Operation Car Wash" scandal in particular, brought to light in early 2014, broke paradigms. For the first time in Brazilian history, members of the elite sectors of society were sent to prison. Suspicious transactions identified by the operation amounted to \$1.5 trillion and involved every single mainstream political party in Brazil. In the years 2014 to 2018, prosecution of office abuse continued robustly, including also the Odebrecht scandal. President Bolsonaro, who had promised during the 2018 election campaign to fight corruption on a massive scale, has not distinguished himself with any significant activities in this regard. Rather, numerous people from his family and political environment have faced allegations of corruption, and Bolsonaro himself has repeatedly been accused of illegally instrumentalizing state agencies such as the federal police to protect and shield them from investigation and prosecution, while directing state agencies to investigate his political enemies. While hundreds of cases related to the Lava Jato scandal are still pending in 2020, investigations were initiated into alleged corruption in the purchase of medical equipment to combat COVID-19 during the pandemic.

Operation Car Wash, which has been ongoing since 2014, has over time become a testament not only to the successes but also to the disappointments of Brazil's fight against corruption. In particular, the credibility of former judge Sérgio Moro, who had been appointed justice minister by President Bolsonaro, was permanently shaken by the fact that in 2020 it emerged that he had used illegal methods. Moro resigned as justice minister after increasing conflicts over judicial competence with Bolsonaro.

Prosecution of
office abuse

7

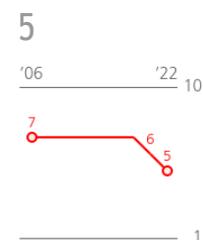


The Brazilian constitution contains comprehensive guarantees for the protection of civil rights, without prejudice as to origin, race, sex, color, age or any other potential ground for discrimination. Men and women have equal rights and duties. The freedom of religion is guaranteed. Mechanisms and institutions to prosecute, punish, and redress violations of civil rights are in place, but often prove ineffective. Due to extreme inequalities in Brazilian society, there are vast disparities in citizens' abilities to access legal counsel and the administration of justice. Despite constitutional guarantees, violations exist in practice, particularly in rural areas and urban slums. Brazil has a very high firearms-related homicide rate. Most violent crime is related to the illegal drug trade. In many states, police groups referred to as "death squads" terrorize shantytown dwellers and intimidate human rights activists. The prison system is anarchic, overcrowded and largely unfit for human habitation. Many prisons are informally "privatized," not run by representatives of the state, but rather by the very gangs they incarcerate.

During the 2018 electoral campaign, Bolsonaro stood out for his racist, misogynistic and disparaging remarks toward women, minorities, indigenous people and Afro-Brazilians. The radical segments of his supporters do not shy away from attacking minorities and people critical of the government. Between January and June 2020, the national Human Rights Ombudsman's Office received 1,134 complaints of violence, discrimination, and other abuses against lesbian, gay, bisexual, and transgender persons. The indigenous population suffers from growing violence and illegal land invasions. In 2018, the number of murdered indigenous people rose by 22.7% compared to the previous year. Especially on social media, there are repeated hate campaigns against groups and persons who do not fit into the reactionary world view of the radical Bolsonaro supporters. In the first two years of Bolsonaro's government various state institutions have prevented far-reaching legal steps being enacted against these social groups. For example, in May 2020, the Supreme Court revoked a ban enacted by the federal government on gay and bisexual men donating blood.

Religious intolerance has increased, especially toward Afro-Brazilian cults. Drug traffickers, who have joined one of the fast-growing evangelical churches, have particularly been blamed for hundreds of attacks against the followers of Afro-Brazilian cults in recent years, condemning them as "un-Christian" and "evil." The Commission to Combat Religious Intolerance reported that a number of Afro-Brazilian temples ("terreiros") had closed following assaults or threats from evangelical drug dealers.

Civil rights



4 | Stability of Democratic Institutions

Democratic institutions exist and perform their functions, but they are not free from counterproductive friction. Given the large number of parties represented in parliament, coalitions have frequently comprised more than a dozen parties. This system of “coalition presidentialism,” with the president obtaining the cooperation of Congress through negotiation and the use of budgetary clientelism, has positive and negative readings. While it promotes the search for political consensus and pragmatic behavior, it can also favor pork-barrel politics and corruption.

Despite facing a Congress more fragmented than ever before, President Bolsonaro refused to form a governing coalition. In selecting his cabinet ministers, he paid less attention to political parties than to the large conservative blocks represented in parliament: the powerful agricultural, evangelical Christian and public security blocks, known collectively as the “Bullets, beef and bible” caucus. This strategy proved partially successful, for example, in passing the long-discussed pension reform. It also helped that the powerful speakers of both houses of Congress supported Bolsonaro’s policy, at least until the outbreak of the COVID-19 pandemic. Cooperation between the executive and legislative branches was complicated by the fact that Bolsonaro resigned from his Partido Social Liberal (PSL) party in November 2019 and announced that he would form a new party.

During the COVID-19 pandemic, the performance of the democratic system suffered greatly from the permanent conflicts between the executive, legislative and judicial branches of government, as well as between the federal government and state governors with regard to an appropriate strategy for dealing with the crisis. The president downplayed the pandemic from the beginning and rejected a strategy of social distancing. Many measures to slow the spread of the pandemic and limit its impact were initiated by the state governments. Others were imposed on the executive by the Supreme Court against the former’s will.

The incumbent president cannot be characterized as a convinced democrat. A considerable segment of his radical supporters openly advocate military rule. The president has never made a secret of his admiration for the military dictatorship and has openly defended torture. In November 2019 a non-partisan forum Direitos Já! Fórum pela Democracia (Rights Now! Forum for Democracy) was created in response to the anti-liberal and often anti-democratic statements of the president, his closest political confidants, and some of his ministers. The alliance includes numerous parties represented in Congress. Their aim is not to reach a consensus on concrete policies, but to unite against a president whose political strategy includes demonizing his opponents and sowing societal division.

The Supreme Court repeatedly prevented the implementation of government measures that were deemed unconstitutional. This, in turn, led not only to conflicts between the executive and judicial branches, but also galvanized radicalized

Performance of democratic institutions

6



1

Commitment to democratic institutions

7



1

Bolsonaro supporters, who called for military intervention and openly accused democratic institutions of working against the president. The president and vice president repeatedly labeled government critics extremists and even terrorists. Bolsonaro repeatedly participated in protests by his supporters calling for a shutdown of Congress and the Supreme Court, echoing acts of the dictatorship.

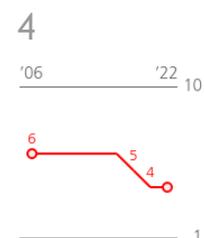
Bolsonaro openly toyed with the idea of giving the armed forces a moderating role in the conflict between the two powers on the basis of Article 142 of the constitution, which states that the armed forces are to “guarantee the constitutional branches of government and, on the initiative of any of these branches, law and order.” However, the anti-democratic interpretation of the paragraph contradicts the spirit of the constitution, which was drafted in response to the long-standing military dictatorship. Bolsonaro, on the other hand, suggested that intervention in the Supreme Court by the armed forces could be legitimate if the former were too “politicized.” Doubts about the president’s democratic credentials were rekindled by his reactions to the storming of the U.S. Capitol by radicalized Trump supporters in January 2021, threatening that something similar could blossom in Brazil in the 2022 presidential election if the country sticks to its electronic voting system. Representatives of the judiciary and legislature were equally outspoken in their criticism of Bolsonaro’s attempts to call into question the trustworthiness of Brazil’s electoral system.

5 | Political and Social Integration

The Brazilian party system is characterized by high fragmentation, volatility and polarization, and weak social roots. Clientelistic practices are common. In the Lower House of the National Congress, 30 parties are represented during the current legislature (2019 - 2023). The Workers’ Party (PT) lost 13 seats, but with 56 (out of 513) members of parliament is still the strongest party. The right-wing conservative Partido Social Liberal (PSL) won 52 mandates. In 2018, Jair Bolsonaro joined the PSL, which proved to be a good vehicle for his presidential ambitions. At the end of 2019, however, he resigned from the PSL and announced the formation of his own party. Centrist parties suffered serious losses in 2018. The Movimento Democrático Brasileiro (MDB) lost almost half of its 66 seats, winning only 34 mandates. The Partido da Social Democracia Brasileira (PSDB) accounts for only 29 (previously 54) mandates. In the Senate, the situation is very similar. The 81 senators represent 23 different parties. MDB and PSDB also suffered losses here, but with 12 (MDB) and nine (PSDB) senators, they still represent the two largest groups. The Partido Social Democrático (PSD) accounts for seven senators and the PT for six.

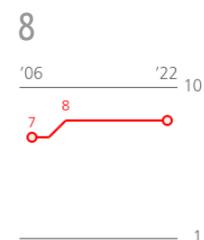
The reasons for the substantial fragmentation and volatility of the Brazilian party system are manifold, but are related to the country’s political polarization, which has increased significantly in the past 10 years, and to anti-establishment attitudes and protest voters. The organizational weaknesses of political parties and the fact that people do not vote for parties but primarily for individuals are further explanatory factors.

Party system



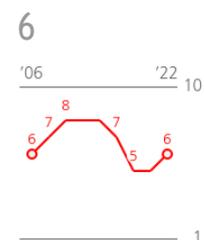
Brazil's network of interest groups is relatively close-knit, reflecting most social interests, but dominated by a few strong interests. Labor and capital associations are paramount. The country's contemporary union movement was born in the struggles against the military dictatorship that ruled the country from 1965 to 1985. Following democratization there was a gradual estrangement from traditional corporatist state models. The constitution of 1988 removed the Labor Ministry's extensive powers to intervene in union affairs, but other elements of the corporatist system remained intact. The 2017 reform of labor legislation abolished the compulsory annual union tax. Workers now have to opt-in to make the payment. This has led to a massive loss of revenue for the unions. Nevertheless, the number of individual unions has further increased from 16,517 in 2017 to 16,663 in 2018. Trade unions are increasingly seeking to provide additional services to their members in order to finance themselves. The largest and most important federation is the Central Única dos Trabalhadores (CUT). The unionization rate is approximately 20%. Approximately 60% of the formally employed are covered by collective agreements. Even in difficult times, unions have demonstrated a relatively high mobilization capacity and have forged comprehensive political and social alliances. Since 2016, however, their room for maneuver has been reduced due to the ongoing economic crisis and the shift to the far-right in politics and society. The National Confederation of Industries represents 27 industry federations in the states and federal district, with more than 1,000 associated employers' unions and almost 100,000 industrial establishments.

Interest groups



Brazil has long been one of the countries with the lowest support for democracy in Latin America. In 2018, the share of respondents that prefer democracy over any other form of government was only 34%. Support for an authoritarian regime under some circumstances reached 41% in 2018. The degree of satisfaction with democracy was only 9% in 2018. 65% of Brazilians believed that the democratic system in their country was fraught with problems and 17% even thought that one could not speak of a democracy. In this sense, the victory of political outsiders in the presidential and parliamentary elections of 2018 was a direct result of the strong dissatisfaction with the democratic institutions.

Approval of democracy

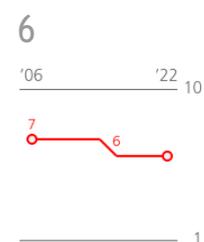


President Bolsonaro's anti-democratic posturing has tended to have the opposite effect among the population. In January 2020, 64.8% of respondents said that a democratic regime was preferable to any other form of government. In June 2020, 75% of respondents affirmed the statement that "democracy is always better than any other form of government," while 10% said that a dictatorship is sometimes preferable (and 12% had no preference). This was the highest level of support for democracy ever recorded by Brazilian polling institute Datafolha since it began asking the question in 1989. On the other hand, in the second half of 2020, in parallel with the renewed increase in approval ratings for President Bolsonaro, public opinion of the democratic institutions he criticized fell. Negative views of the performance of Congress increased from 32% to 37% between May and August 2020. Supreme Court justices were viewed negatively by 29% of respondents. In May, that figure was 26%.

There is a robust network of autonomous, self-organized groups and civil society organizations (CSOs) in Brazil. By 2016, there were 820,000 CSOs active in the country. CSOs have expanded in recent years. The sector is of economic importance in the labor market, in addition to issues of public interest. Organizations that aim to defend rights and advocate for public interests, and religiously oriented organizations represent more than six out of 10 active organizations. Of CSOs, 86% are private associations, 12% are religious organizations and 2% are private foundations.

Interpersonal trust has traditionally been very low in Brazil. In the 2018 Latinobarómetro opinion survey, only 4% of respondents considered that one could trust most people. Latin America is the region in which interpersonal trust is lowest. Nowhere does it reach more than 20%. But at 4%, Brazil ranks last, behind Venezuela (8%), Costa Rica (10%) and Peru (11%).

Social capital



II. Economic Transformation

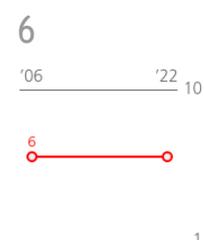
6 | Level of Socioeconomic Development

Brazil exhibits a moderate to high level of human development according to key indicators. The country's Human Development Index (HDI) score for 2019 was 0.765, ranking 84 out of 189 countries. The World Bank estimates about 24.2 million Brazilians moved out of poverty between 2004 and 2015, but this trend has reversed since then. In 2019 6.5% of Brazilians were classified as extremely poor, and 24.7% as poor. In 2019 the northeast region accounted for 27.2% of the country's total population, while encompassing 56.8% of the people classified as extremely poor by the \$1.90 PPP line. The southeast, the most populous region, accounted for between 20% and 27% of the poor population, depending on the poverty concept used.

Brazil's level of inequality is among the highest in the world. While the 2004 Bolsa Família program reduced the level of poverty, the gap between wealthy and poor remains very wide. Social exclusion is pronounced and to some degree structurally ingrained. With a Gini coefficient of 53.9 (2018), Brazil still has one of the world's most unequal distributions of income. The gender gap in terms of economic opportunity seems to be narrowing, but women remain at a substantial disadvantage. In 2019, Brazil had a Gender Inequality Index value of 0.408 (rank 95). The 2019 female HDI value was 0.760, compared with 0.765 for males, resulting in a Gender Development Index value of 0.992. Racial inequality remains a serious problem. The high-income population is essentially white, while most Brazilians who live in poverty are black.

Question
Score

Socioeconomic
barriers



Economic indicators		2017	2018	2019	2020
GDP	\$ M	2063507.9	1916947.0	1877810.5	1444733.3
GDP growth	%	1.3	1.8	1.4	-4.1
Inflation (CPI)	%	3.4	3.7	3.7	3.2
Unemployment	%	12.8	12.3	11.9	13.7
Foreign direct investment	% of GDP	3.3	4.1	3.7	-
Export growth	%	4.9	4.1	-2.4	-1.8
Import growth	%	6.7	7.7	1.1	-10.0
Current account balance	\$ M	-22033.3	-51459.6	-65029.9	-24074.0
Public debt	% of GDP	83.6	85.6	87.7	98.9
External debt	\$ M	543000.3	557742.5	568645.9	549234.3
Total debt service	\$ M	95434.1	95525.3	151811.8	131348.6
Net lending/borrowing	% of GDP	-8.1	-6.7	-5.4	-
Tax revenue	% of GDP	13.6	13.9	13.7	-
Government consumption	% of GDP	20.2	19.9	20.1	20.5
Public education spending	% of GDP	6.3	6.1	-	-
Public health spending	% of GDP	4.0	4.0	-	-
R&D expenditure	% of GDP	1.1	1.2	-	-
Military expenditure	% of GDP	1.4	1.5	1.4	1.4

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition has a strong institutional framework, but the informal sector remains significant. Informal workers represented about 41% (38.4 million people) of the active workforce in 2019, the highest figure in absolute terms since 2016. Pricing is largely unrestricted. The use and transfer of profits is not regulated. The national currency, the real, is still only partially convertible, but in 2019, the government declared that it aims to make it fully convertible within two to three years, in an effort to lower the cost of cross-border trade and investment. Brazil is open to and encourages foreign direct investment. The government generally makes no distinction between foreign and national capital. Organizing new investment remains a quite bureaucratic process.

Entrepreneurs face high costs associated with starting a business, registering property, accessing credit, paying taxes, enforcing contracts and trading across borders. The Brazilian economy stands out as extremely highly regulated. According to the World Bank's Doing Business Report 2020, Brazil ranked 124 out of 190 economies on the ease of doing business, a deterioration compared with the previous year (109). Starting a business improved slightly (from rank 140 to 138). It took on average 16.6 days, involved 11 procedures and cost 4.2% of income per capita. The business environment is characterized by a complex regulatory framework, a burdensome tax regime, and an economy relatively closed to trade and competition. Domestic competition is low. Many firms are uncompetitive and specialize in rent-seeking rather than innovation.

Competition laws to prevent monopolistic structures and conduct exist and are enforced. Brazil's antitrust framework is based on Law No. 12,529/2011. The Administrative Council for Economic Defense (CADE) is an independent agency, which reports to the Ministry of Justice. CADE's mission is to ensure free competition, its functions are preventive, restrictive and educational. CADE analyses and decides on all mergers between large companies that might undermine free competition. The council investigates and judges, all over the Brazilian territory, cartels and other anti-competitive conducts. Furthermore, CADE provides public advice on business practices that might negatively affect free competition.

As part of Brazil's efforts to join the OECD, a peer review on competition law and policy was conducted in 2018. The review pointed to existing weaknesses concerning the separation between investigation and decision-making, in the lack of a transparent appointment system for CADE commissioners and the general superintendent, and the lack of adequate resources (including personnel) for competition enforcement. It also highlighted the need for improvements in the methodology for the calculation of fines, the need for substantive guidelines to ensure legal certainty and predictability, and a clarification of the respective advocacy powers and roles of CADE and the ministry of finance.

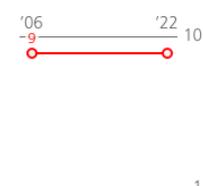
Market organization

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Competition policy

9



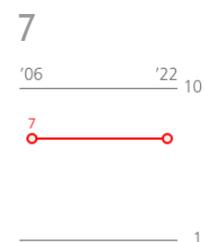
Brazil is an original member of the WTO and a founding member of the Southern Common Market (Mercosur). The country considers the multilateral trading system to be at the core of its trade regime. Brazil has accepted the 2005 protocol amending the TRIPS Agreement (accepted on 13 November 2008) and the 2014 protocol concerning the Trade Facilitation Agreement (accepted on 29 March 2016). However, Brazil has retained significant vestiges of the foreign-trade policy paradigm inherited from the period of protectionist industrialization. Exports and imports are below 30% of GDP. Brazilian companies have a very low rate of participation in global value chains. Trade barriers of various forms hinder external competition. Around 450 tariff lines are set at the maximum of 35%, including textiles, apparel and leather, and motor vehicles. The average most favored nation applied tariff was 13.4% in 2019. There are also various forms of non-tariff barriers, for example local content requirements.

There are burdensome procedures associated with the export and import of goods. The 2020 World Bank Doing Business Report ranked Brazil 108 out of 190 economies on the ease of trading across borders. Brazil is an active user of anti-dumping measures. Most technical regulations concerning trade are based on international standards. The country's Export Financing Program (PROEX) aims at providing access to credit for companies that would otherwise have difficulties obtaining it. The BNDES-EXIM program is a scheme of export credits to promote exports with local value added. Legislation allows for the application of an export tax of 30%, which can be decreased or increased up to 150%. Taxes may in principle be applied to all exports, but in practice are levied on only a few products.

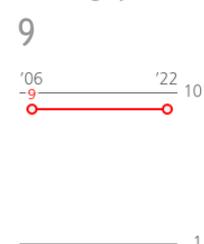
Brazil has one of the most developed and sophisticated financial sectors in Latin America. The country's banking system and capital markets are well differentiated, internationally competitive and aligned with international standards. Banking infrastructure is strong and there is a functioning system of banking supervision. Capital markets are open to domestic and foreign capital. The banking sector is dominated by domestic financial institutions, with public banks having a significant share. Meanwhile, international investors have important roles in the capital and derivatives markets.

Brazil's bank capital to assets ratio was 10.2% in 2019. Bank non-performing loans amounted to 3.1%. Brazil's external solvency and liquidity positions remain strong, while the external vulnerability of the financial sector is low. The country has been experiencing sizable capital inflows over the past decade. Reserve requirements are higher than in other emerging economies. However, the Brazilian financial system operates in a challenging environment. In April 2020, Moody's downgraded its outlook on Brazil's banking system to "negative" from "stable," as the shocks from the COVID-19 pandemic eroded asset profitability and quality. The unexpected drop in economic activity, decrease in household income and rise in unemployment were cited as causes of falling revenues and growing costs for banks. However, it was emphasized that the financial sector had sufficient liquidity and that appropriate measures had been taken to deal with the crisis.

Liberalization of foreign trade



Banking system



8 | Monetary and fiscal stability

Since 1999, Brazil has followed an inflation-targeting framework for monetary policy and a floating exchange rate regime. Foreign exchange regulations have been liberalized, but without allowing full convertibility to the real. Responsibility for the formulation and conduct of monetary policy lies with the National Monetary Council (CMN), which is responsible for coordinating monetary and fiscal policies. The CMN sets annual inflation targets and monetary policy goals. Inflation and foreign exchange policies are synchronized with other economic policy goals and are institutionalized by Brazil's central bank (BCB). The BCB is a largely independent federal institution under the organizational chart of the Ministry of Finance. In February 2021, Brazil's federal chamber of deputies approved a bill which gave an autonomous status to the country's central bank (BCB). The bill defines the BCB's main objective as guaranteeing price stability. Under the bank's newly autonomous status, the BCB president will be nominated by the president of the republic for a fixed four-year term.

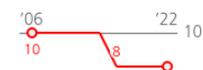
The benchmark interest rate (SELIC) has been dramatically lowered in recent years. While in January 2017, SELIC stood at 13%, in 2018 it was just 6.5%. By the end of 2019, the monetary policy committee of Brazil's central bank had cut the SELIC to 5%. In line with the global economic deceleration caused by the pandemic, in 2020 the SELIC was cut to a historically low 2%. The BCB justified this by arguing that current economic conditions demanded extraordinarily high monetary stimulus. The national inflation rate was 4.31% at the end of 2019, slightly above the 4.25% target set by the central bank. In 2020, annual inflation amounted to 4.52%, the highest level since 2016, when it was 6.29%. This was due not least to a 14% increase in food and beverage prices in the wake of the pandemic. The Brazilian currency, the real, has lost considerable value against the U.S. dollar in recent years. Despite repeated interventions by Brazil's central bank, the exchange rate fell from \$1 to BRL 3.90 in December 2018, to BRL 4.50 in 2019, and to BRL 5.70 in 2020. The real effective exchange rate index (2010 = 100) fell to 84.6 in 2014, 71.0 in 2018, and 69.6 in 2019.

Brazil has various mechanisms in place to guarantee stability-oriented budgetary and expenditure policies, including the 2000 Fiscal Responsibility Act and a constitutional spending cap introduced under President Temer in 2016, preventing the federal government from increasing public spending from one year to the next. The so-called "golden rule" bans debt issuance to fund current spending. The Bolsonaro government has taken further steps to improve fiscal stability, the impact of which will be seen in the medium to long term (e.g., the 2019 pension reform, a planned tax reform, and plans for spending cuts and a constitutional spending cap).

Brazil ended 2019 with a current account deficit of \$50.9 billion, up from \$41.5 billion in 2018. Public debt amounted to a record 89.5% of GDP, compared to 87.1% in the previous year. External debt at the end of 2019 was \$569.4 billion, marginally higher than in 2018 (\$557.7 billion). Total debt service increased dramatically from

Monetary stability

8



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Fiscal stability

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1

2018 (\$95.5 billion) to 2019 (\$151.8 billion). Government consumption remained largely stable in 2019 (20.3% of GDP) compared to 2018 (20.1% of GDP). Total reserves dropped from \$371.9 billion to \$353.6 billion over the same period.

In January 2020, the ministry of economy announced that the central government had registered a nominal primary deficit of R\$95.1 billion (\$22.5 billion) in 2019, compared with R\$120.2 billion in 2018. At the same time, the government stressed that Brazil is still a country with a high tax burden and a country in which the public sector does not have the ability to invest. Nevertheless, in the wake of the coronavirus pandemic, the government was forced to deviate, at least temporarily, from its more far-reaching reform plans. In mid-March 2020, the federal government declared a state of public calamity that allowed it to disregard its fiscal deficit target of R\$124.1 billion (1.6% of GDP). The government's program of emergency payments to informal workers and the poor has totaled as much as \$10 billion a month, adding to the country's already large fiscal deficit and to its rapidly increasing public debt. The 2020 fiscal deficit was expected to be approximately 12% of GDP, and the country's debt-to-GDP ratio to exceed 100%. The 2021 budget sets a primary deficit target of R\$233.6 billion (\$42.5 billion).

9 | Private Property

Private property rights are well defined and property acquisition is adequately regulated. Real estate registration is well developed and safe. Foreigners can purchase land and property. There are few restrictions on converting or transferring funds associated with a foreign investment. Foreign investors are allowed to remit dividends, capital and gains. Contracts are considered secure. In 2019, registering property took an average of 31 days and 14 procedures.

While once criticized for lax intellectual property (IP) rights protection, Brazil has been stepping up implementation and enforcement of international IP rules in recent years. The country is a signatory to the General Agreement on Tariffs and Trade (GATT) Uruguay Round Accords, including the Trade-Related Aspects of Intellectual Property Agreement. Brazil is also a signatory of the Berne Convention for the Protection of Literary and Artistic Works, the Patent Cooperation Treaty, the International Convention for the Protection of New Varieties of Plants (UPOV) and the Paris Convention for the Protection of Industrial Property. In most respects, Brazil's Industrial Property Law meets the international standards regarding patent and trademark protection. Patent processing is still very slow: The average time a patent awaits approval is eight years. In 2019, the federal government introduced a strategy to solve the enduring patent backlog problem. With the use of "standardized office actions" (machine-generated technical opinions that point out prior art documents to be addressed by the applicant), the aim is to reduce the patent backlog by 80% over the next few years.

Property rights



For decades, state-owned corporations dominated nearly all economic sectors in Brazil. In the 1990s and early 2000s, the Brazilian government privatized state-owned enterprises across a broad spectrum of industries. Foreign and domestic private entities are allowed to establish, own and dispose of business enterprises. Tax regulations do not differentiate between foreign and domestic firms. Foreign individuals or foreign-owned companies can purchase property in Brazil.

In its 2020 economic survey for Brazil, the OECD emphasizes that Brazil scores average with respect to the scope of state-owned enterprises (SOEs). However, the organization highlights significant weaknesses with respect to SOE governance. There are currently 133 companies in Brazil that are directly or indirectly state-owned. Their net value corresponds to 9.5% of GDP and they employ approximately half a million people. 22 of the country's state-owned enterprises, including some members of the Eletrobras Group, have a negative net value. The financial performance of state-owned enterprises has improved in recent years. From a deficit of 0.5% of GDP in 2015, this developed into a surplus of 1% of GDP in 2019, with this calculation also including asset sales.

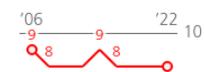
In August 2019, the government announced the privatization of nine state-owned enterprises, either partially or completely, including the postal service operator, the telecommunications company Telebrás, the port authority, and the information technology company. In November 2019, President Bolsonaro signed an executive order to end the monopoly of the Casa da Moeda, allowing private companies to print the country's currency and passports. He also presented a bill that opens up the state-owned electricity firm, Eletrobras, to privatization. 50% of the shares are to remain in the hands of the state, with the remainder available to the public. The coronavirus pandemic forced the government to postpone its privatization plans in 2020, as neither nationally nor internationally suitable framework conditions were in place.

10 | Welfare Regime

Social protection policies in Brazil consist of non-contributory policies, contributory social insurances and health care policies. Non-contributory social transfers play a key part in assuring social protection for those who do not access contributory benefits. Cash transfer programs have been credited with helping to significantly reduce levels of absolute poverty and inequality in Brazil. 62% of the decline in extreme poverty in Brazil between 2004 and 2013 was due to changes in non-labor income, mainly conditional cash transfers under the Bolsa Família program. Although the Bolsonaro government is extremely hostile to anything related to the PT Workers' Party and former president, Lula, for ideological reasons, it recognized the popularity of the Bolsa Família program at the beginning of its term and maintained it. In 2020, about 13.4 million families whose monthly income was less than R\$200 benefited from the program.

Private enterprise

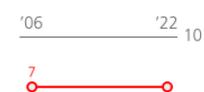
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Social safety nets

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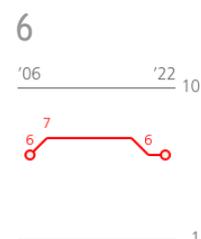
Brazil has a free and universal public health care system. Approximately 75% of the population is covered by this Unified Health System (SUS). The system provides a range of free health services to all citizens, not just those formally employed. It also plays an important role in the distribution of medicines. This contributed to Brazil being in a position to provide free access to HIV/AIDS medications as early as 1996. The SUS has suffered greatly from the austerity policies enforced by interim President Temer in 2016. The shortages caused by the austerity policies have contributed to the SUS' inability to adequately meet the sudden and dramatic increase in demand in the wake of the COVID-19 pandemic. One of the major achievements of the SUS was the community-based Family Health Strategy, under which health teams provided regular health services, even in remote parts of the country. Budget cuts have significantly reduced the coverage of this strategy in recent years. In the wake of the COVID-19 pandemic, pre-existing regional, social and ethnic inequalities in access to the health care system have been significantly exacerbated. The black and indigenous populations have been particularly affected.

In the case of contributory pensions and insurances, a dual system has been in place since the 1988 constitution, with different benefit structures for public and private sector workers. In October 2019, Congress passed a pension reform that was long-considered an urgent necessity. Before the reform, Brazil spent approximately 13% of its GDP on social security, compared to an average of 8% for the G20 countries. Pension payments alone amounted to 8.6% of GDP. The 2019 reform introduced a minimum retirement age of 65 for men and 62 for women. The previous system allowed many people to retire in their early 50s with generous pensions. The reform set the minimum contribution period at 15 years for women and 20 years for men. The reform is initially limited to federal employees. Savings of approximately \$214 billion are anticipated over the next ten years, somewhat less than previously estimated.

The government implemented a “corona-voucher” program of emergency payments to informal workers and the poor. The payment proved to be wildly successful. It reduced financial hardship, limited the economic recession, and reached over 60 million people.

Equality of opportunity is still only partially achieved. 56% of the Brazilian population identifies as black or “pardo” (mixed race). The non-white population is severely underrepresented in positions of political and economic power and disproportionately affected by poverty, unemployment and violence. 74.4% of victims of lethal violence in 2019 were black. This figure rises to 79.1% in terms of violence by police forces. 66.7% of prison inmates were black in 2019, an increase from 58.4% in 2005. The non-white population is significantly underrepresented in political terms. In 2018, of 513 members of the national House of Representatives, only 24.4% were black or pardo. In state parliaments, the proportion of blacks and pardos was marginally higher, at 28.9%. While 90% of the Brazilian population

Equal opportunity



believes racism is a social problem, President Bolsonaro and members of his government claim there is no racism in the country, arguing instead that such problems have been imported to Brazil from abroad.

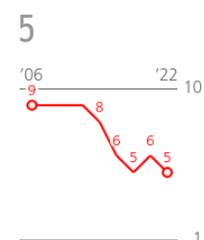
Women are equal to men under the law. In education, the gaps between men and women have narrowed, and women on average possess higher educational attainments, with a ratio of 1.1 in secondary and 1.4 in tertiary education. Women's rights have expanded in the home, the workplace and in land ownership. GNI per capita was \$10,535 for women and \$18,120 for men. Women hold 15% of parliamentary seats. 61.6% of adult women have attained at least a secondary level of education, compared to 58.3% of men. For every 100,000 live births, 60 women die from pregnancy related causes. The adolescent birth rate is 59.1 births per 1,000 women aged 15 to 19. Female participation in the labor market is 54.2%, compared to 74.1% for men.

The indigenous population of Brazil is approximately 900,000 people. The constitution provides for special protection rights, and previous governments have established protected areas. In contrast, President Bolsonaro rejects special protection for the indigenous population and wants to open indigenous lands to agricultural activities and mining. His attempts to implement his ideas, which have been heavily criticized nationally and internationally, have only partially succeeded so far, primarily because courts and parliament have repeatedly reversed his political decisions, as they obviously violated the constitution and international agreements signed by Brazil. As indigenous populations are also suffering disproportionately from the COVID-19 pandemic and are immunologically more susceptible to respiratory illnesses, the federal public prosecutor's office called for special protective measures for indigenous people to avoid the risk of a genocide. However, the Bolsonaro government did not take any measures to provide special protection for the indigenous population.

11 | Economic Performance

After suffering a severe recession in 2015 and 2016 and recovering slightly in the following two years, the Brazilian economy continued its moderate upward trend during the first year in office of the Bolsonaro government. GDP grew 1.1% in 2019, a disappointing result for the government, which has made reviving Brazil's economy and improving the business environment through ambitious fiscal and economic reforms one of its core objectives. GDP per capita (PPP) grew by 0.4%. Gross capital formation reached 15.1% of GDP in 2019. Industrial production decreased by 1.1% by the end of 2019, after recording two consecutive expansions in 2017 and 2018. The inflation rate was 4.31% at the end of 2019, just above the 4.25% target set by the central bank (BCB), representing the highest since the 6.29% registered in 2016. Over the course of 2019, the unemployment rate averaged 11.9%, down from 12.3%

Output strength



in 2018. Informal workers represented 41.1% of the active workforce, around 38.4 million people, the highest figure in absolute terms since 2016. The inflow of foreign direct investment amounted to 4% of GDP in 2019. The current account deficit widened further in 2019, to \$50.9 billion. Tax revenues accounted for 14.2% of GDP in 2018. Public debt corresponded to 89.5% of GDP in 2019, slightly more than in 2018 (87.1%). Brazil's 2019 trade surplus was at its lowest in four years, at \$46.7 billion, a 20.5% decrease on the 2018 trade surplus.

The global recession that has accompanied the COVID-19 pandemic severely affected the Brazilian economy in 2020. However, after sharp economic slumps in the 2nd and 3rd quarters, there followed a slight recovery. Brazil registered a \$51 billion trade surplus in 2020, a 7% increase on the surplus posted in 2019. The overall balance of trade decreased compared with 2019, with imports in 2020 of \$159 billion and exports of \$210 billion. Exports in the agriculture and livestock sector grew 6%, while exports in the extractive industry and in the processing industry fell by 2.7% and 11.3% respectively. Agricultural exports totaled \$101 billion in 2020, the second highest annual value recorded. Annual inflation was 4.5% in 2020. Foreign direct investment (FDI) to Brazil fell by 50% in 2020. The federal government's tax revenue amounted to \$270.6 billion in 2020. This marked an 3.75% decrease on the 2019 tax take in real terms, and a 6.91% drop after adjustment for inflation. Brazil's GDP is expected to have shrunk between 4% and 5% in 2020.

12 | Sustainability

Since its return to democracy, Brazil has developed many of the legal and institutional instruments necessary to reconcile development and environmental protection, including the Ministry of Environment, the National Council of the Environment and oversight agencies, and laws on water management, forest protection and biodiversity regulations. Nevertheless, it has shown only mixed success in dealing with deforestation and other major environmental challenges. Ecologically sustainable development is an issue in some sectors of the economy, but often tends to be subordinated to economic growth targets. One of the greatest challenges facing Brazilian politics is the preservation of the Amazon rainforest, where deforestation has increased dramatically.

President Bolsonaro's government has enacted a dramatic change of course in environmental policy compared to previous administrations. Bolsonaro and his environment minister, Ricardo Salles, have both expressed skepticism as to the seriousness of global warming. Through substantial budget cuts and other political measures, existing regulatory mechanisms and authorities for the protection of the environment have been significantly weakened. The environmental monitoring and fire suppression budgets were cut by 9.8% in 2020 and by 27.4% in the 2021 budget. With almost 600 administrative changes, a majority of which were based on executive

Environmental
policy

4

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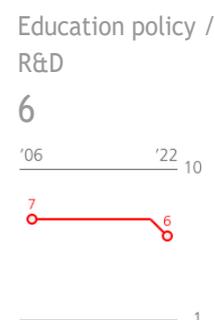
orders, the policy area of environmental legislation experienced deregulation. Deforestation increased by 34% in 2019 and 2020, and the number of wildfires in the Amazon increased by 30% in 2019 compared to the previous year. Opportunities to combat environmental crimes have dwindled due to budget cuts by the relevant authorities. Fines imposed for illegal deforestation decreased by 42% between 2019 and 2020. The COVID-19 pandemic gave illegal loggers and land grabbers additional leeway, as already fragile environmental protections were further weakened by efforts to mitigate the impact of the pandemic. Estimates suggest that Brazil released between 2.1 billion and 2.3 billion metric tons of CO₂ into the atmosphere in 2020, despite a commitment in the Paris Agreement on climate change to reduce emissions to 1.3 billion metric tons by 2025.

In December 2020, Brazil was not invited to participate in the Climate Ambitions Summit because the government's plans to meet its commitments under the Paris Agreement were deemed woefully inadequate. The government rejects any domestic or international criticism of its environmental policy. It also questions the figures on deforestation and environmental destruction published by Brazilian environmental authorities and NGOs.

Brazil has succeeded in making participation in education universal for children aged 5 to 14, but enrollment falls sharply among older children and young adults. Only 69% of 15-to-19-year-olds and 29% of 20-to-24-year-olds are enrolled in any level of education. Over half of Brazil's adult population have not completed upper secondary education. However, the proportion of young adults (25-to-34-year-olds) who have attained at least upper secondary education increased from 47% in 2007 to 64% in 2015. Only 21% of Brazilians aged 25-34 had attained a tertiary education in 2019, less than half the average for OECD countries (45%).

For 2019, Brazil was given a score of 0.694 in the UN Education Index, an improvement from the 0.610 in 2009. Total education spending amounted to 6.2% of GDP. In 2017, Brazil spent 5.1% of GDP on primary, secondary and tertiary educational institutions, one percentage point higher than the OECD average. However, education expenditure per student is rather low. Brazil spends approximately \$3,800 annually per student on primary, secondary and post-secondary non-tertiary public institutions, less than half the OECD average. Teachers' salaries in Brazil are relatively low and there are wide discrepancies in salaries between different regions of the country. While in the school system the quality of education in private institutions is significantly better than in state institutions, in the university sector this is the opposite. About 75% of the 8.6 million higher-education students study in private institutions, while the federal university system serves 1.5 million students.

The education sector is one of the areas where the Bolsonaro government's policies are most controversial, even within the government itself. Ideological hardliners, including the president, speak of the need to purge the "left-leaning" education



system of “Marxist influences.” In December 2019, the government canceled its contract with TV Escola, a public broadcast television network of educational programs, arguing that it was “un-educating” children.

Brazil’s economy includes some leading firms and excels in some high technology fields. A few universities undertake high-quality research. This performance, however, does not spill over to the economy as a whole. Research output is still low compared to OECD countries both in terms of articles published in leading international scientific journals, and patents and trademarks. In 2017, gross expenditure on R&D was equivalent to 1.3% of GDP. Availability of funding for higher education, research and development has diminished drastically at the federal level since 2016. The National Council for Scientific and Technological Development and the Coordination for the Improvement of Higher Education Personnel significantly reduced funding both to institutions and individual researchers.

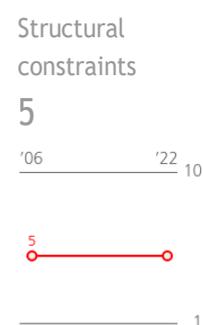
Governance

I. Level of Difficulty

Structural constraints on governance range from moderate to high. Brazil is not a poor country; nonetheless, serious socioeconomic inequalities divide population groups and regions. The country exhibits an average level of development and educational standards. It is an ethnically heterogeneous and highly secular society. Although around 40 million people have escaped poverty since 2003 and extreme poverty has been reduced, inequality and significant regional disparities continue to present major challenges. The literacy rate is 93.2% (2018). Functional illiteracy continues to be a major problem throughout Brazil. Child mortality has fallen, maternal health has improved, and efforts to combat HIV/AIDS, malaria and other diseases all have steadily strengthened. A major challenge to development is urban violence, the incidence of which has increased alarmingly, affecting the population's security and quality of life. Brazil's economic growth potential is limited by increased operational costs associated with doing business in the country, making Brazilian goods more expensive than those produced elsewhere. Brazil's transportation infrastructure, including airports, roads, rail and ports, requires significant improvement.

The COVID-19 pandemic exposes Brazil to an unprecedented challenge. Brazil is the second most exposed country globally in terms of number of cases and deaths. With nearly half of the population living in or at risk of poverty, these people are in a particularly challenging situation to protect themselves from the pandemic or receive effective treatment if they become ill. School closures affect the poor disproportionately and can have long-term impacts on human capital accumulation and opportunities. State and municipal governments are also particularly exposed to the crisis. They are bearing the majority of the pandemic response, but some of them were already facing a very difficult financial situation prior to the crisis.

Brazil has moderate to strong traditions of civil society. Since the return to democracy in 1985, civil society has become increasingly organized and influential. It consists of NGOs, community-based organizations, social movements and professional associations. There is a strong group of religious associations that participate in self-help activities and in helping the urban poor organize to claim public goods. During the 1980s, civil society was basically concerned with autonomy, the democratization of public policies and the establishment of forms of public control over the state. From the mid-nineties on, it became concerned with participation in various areas of public policy and with joining the state in the implementation of participatory forms of public deliberation.



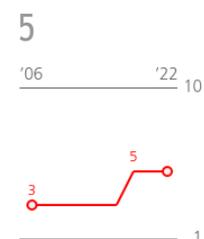
In recent years, civil society has undergone a significant transformation. A wave of unanticipated public protests reflected a society shaped by new technologies, new ways of organizing, and people's newfound confidence in expressing their concerns and claiming their rights. Conservative civil society groups, which combine various strands of conservatism and use various collective action tactics, have received considerable support. Their programs combine fighting against alleged left-wing economic and social policies with the fight against corruption. Traditionalism, conservative and illiberal moral values, and varying doses of economic liberalism and nationalism can be observed in this segment. Some sectors of conservative civil society are rather ambivalent about core democratic values or even openly defend authoritarian military rule between 1964 and 1985. The empowerment of conservative civil society groups has contributed to Brazil's political polarization.

The available data make reliable statements about social trust in Brazil difficult. In the 2018 Latinobarómetro opinion survey, only 4% of respondents felt that one could trust most people. In the OECD Better Life Index, Brazil ranks above average in civic engagement and social connections, but below average in education and skills, personal security, income and wealth, jobs and earnings, housing, environmental quality, subjective well-being, work-life balance, and health status. By this index, there is a strong sense of community and high levels of civic participation in Brazil, where 90% of people believe that they know someone they could rely on in time of need.

There are no irreconcilable ethnic, religious or social clashes in Brazil, but there are extreme social and regional disparities. Social life in Brazil is characterized by the largely peaceful manner in which a multiplicity of ethnic groups lives together. However, racial inequality is still a serious problem. Brazil continues to be an extremely unequal country, and racism is an important element in understanding the dynamic of this framework of inequality. The high-income population is essentially white, while most Brazilians who live in poverty are black. The main source of violence in Brazil is criminal rather than political. There is a high rate of criminal activity in major cities, where 25% of the population is believed to live in favelas or shantytowns. Violence is no longer purely an urban phenomenon but has spread to the countryside. An imbalance in land distribution leads to episodic violence in rural areas, a particular problem in the Amazon.

The intensity of political and social conflicts has increased significantly since 2013. Right-wing President Jair Bolsonaro has pushed polarization through his excessive rhetoric against "the left," women, LGBTQ+ and indigenous people, and Afro-Brazilians. The election of Bolsonaro was a result of social polarization and at the same time further fueled it. Bolsonaro, his political entourage and a large segment of his radical supporters hold positions opposed to tolerance and diversity, and are instead based on the creation of enemies and a rhetoric that is always extremely conflict-oriented. Some of this has been cushioned by political institutions and by

Conflict intensity



social resistance, but the way the president acts has led to continuous stress in Brazilian society and politics. The COVID-19 pandemic, and especially the way Bolsonaro downplayed the pandemic from the beginning, rejected measures of social distancing, and partially blocked crisis policies of individual states and municipalities, has further increased overall social conflictivity.

II. Governance Performance

14 | Steering Capability

Brazilian policy's reliance on scientific expertise and evidence is rudimentary. This had been the case before Bolsonaro's government took office, especially in the area of environmental policy, but has become even more pronounced since then. Although expert opinions are commissioned and introduced (e.g., in congressional debates), ideological majorities clearly outweigh the incorporation of scientific evidence in decision-making. This has become a feature of the Bolsonaro government's handling of the COVID-19 pandemic.

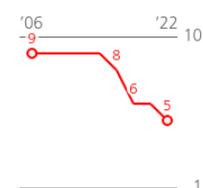
Brazilian policy fails to meet international standards with regard to the assessment of regulatory impacts. Although numerous regulatory agencies have been established since 1997, their work does not follow uniform standards. The conceptual foundations for a regulatory impact assessment, which were initiated in 2016, were implemented by executive order at the end of June 2020. It is too early to assess their effectiveness. Critics point out that Brazil has not opted for an analytical approach based on cost-benefit aspects but has left it up to the regulators themselves to choose their tools to identify and analyze the outcomes of proposed regulations. The only prerequisite is that a rationale for their choices is provided.

In the 2018 presidential campaign, Jair Bolsonaro promised to put an end to corruption, restore law, order, and security, and boost the economy. One priority in his first year in office was pension reform, which he successfully achieved by passing the relevant law in October 2019. At the same time, the president fueled the Brazilian societal debate between those who advocate traditional values and those who campaign for a more tolerant society. In economic terms, the government has set clear priorities. The appointment of the ultra-liberal Paulo Guedes as minister of the economy set the tone. With privatization and deregulation policies and an easing of monetary policy, including historically low interest rates, the government achieved a slight upswing in the economy in 2019. Following the successful passage of pension reform, the government introduced its further economic reform plans to Congress in late 2019. They have a free-market orientation, and plans include comprehensive tax reform, privatization and further deregulation.

Question
Score

Prioritization

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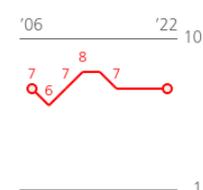
In terms of balancing environmental concerns, indigenous rights and the economy, Bolsonaro's priorities are clear. His environmental and indigenous policies have caused outrage nationally and internationally, while serving the preferences of his radicalized supporters. Bolsonaro's second year in office was largely dominated by the COVID-19 pandemic. He downplayed the pandemic and, if he had had *carte blanche*, Brazil would have dispensed with social distancing, mask-wearing and other protective measures against the "little flu." In February 2021, at the opening of the new session, the president announced his priorities for the remaining two years of his term: privatization of state-owned enterprises, independence of the central bank, administrative and fiscal reforms. He is also seeking a "federal pact" to put financial relations between the federal apparatus and states and municipalities on a new footing. Bolsonaro also announced that his government has allocated sufficient funding to vaccinate the entire Brazilian population against COVID-19 as soon as approved vaccines become available.

The Bolsonaro government has been able to achieve some of its strategic priorities. A major success for the government was the passage of the pension reform bill in October 2019. Other measures to further liberalize the economy were initiated but were subsequently put on hold due to the coronavirus pandemic, such as new budget rules and privatization plans (see "Fiscal stability" and "Private enterprise"). The government's anti-environmental policies have been partially "successful," as the financial weakening and deregulation of the relevant environmental authorities has led to increasingly fewer investigations of environmental crimes. Slash-and-burn operations have reached new highs in the past two years. The president's assimilation and integration policy toward the indigenous population has so far not only met with international protests, but also with internal resistance. Nevertheless, the government has "successfully" contributed to the further destruction of the natural habitats of the indigenous population. The government-instigated culture war between conservative-illiberal and supposedly "Marxist" worldviews in schools and society continues to be waged primarily on a rhetorical level. The government's hardline law-and-order policy led to a marginal decline in violent crime in 2019, but the data from 2020 point to a reversal in this trend.

The Bolsonaro government pursues a distinctly ideologically motivated agenda and has little willingness to learn from past experience, to rely on proven best practices and international cooperation, or to listen to academic experts and practitioners. One exception in this regard is economic and financial policy, in which the president himself is not particularly interested. He has delegated this policy area to his "super-minister," Paulo Guedes. However, in terms of its neoliberal economic policy, the extent to which the Brazilian government has learned from the experiences of other Latin American countries with neoliberal development strategies is unclear. An extreme example of the Bolsonaro government's unwillingness to learn was its handling of the COVID-19 pandemic. The federal government's attitude and nonpolicies toward the crisis were in marked contrast to numerous recommendations

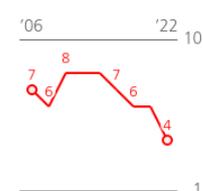
Implementation

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Policy learning

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from national and international health experts. This government attitude led to numerous completely unnecessary conflicts among the various levels of government in the country. It is little wonder that the Bolsonaro government's management of the pandemic was ranked the worst of all the countries studied in the Australian Lowy Institute's Covid Performance Index. In other policy areas, the government also stubbornly refused to take note of scientific facts and use them to inform its policies. When the Bolsonaro government reacts pragmatically, it is usually not because of learning, but because the president's governance strategy is fundamentally characterized by great flexibility. When in doubt, popularity and political alliances are more important to him than political content and consistent policies.

15 | Resource Efficiency

Brazil has a relatively well-functioning state administrative apparatus, especially at the federal level. Regulations require the civil service to be impartial, independent and fairly managed. Most appointees are hired through public examinations. In some areas, civil servants must be hired according to criteria of professional evaluation. Positions of responsibility are often filled with political appointees; in the federal sphere alone, there are more than 23,000 such positions. According to the World Bank's Worldwide Governance Indicators, government effectiveness is below what might be expected given Brazil's strong administrative capacity. Data show rather low scores especially on policy efficiency and regulatory quality. The structures and quality of the administration at the regional and local level show great variation. Some municipalities have introduced a participatory budgeting procedure that grants civic organizations substantial opportunity for input in budget preparation and oversight. However, clientelistic patterns have prevailed in a considerable proportion of municipalities.

The Fiscal Responsibility Law (FRL) approved in 2000 imposed order and accountability on spending by Brazilian states through a general framework of budgetary planning, execution, and reporting that is applicable to all levels of government. In the wake of the 2015 - 2016 economic crisis, President Temer's interim government embarked on a strict austerity course. A law with constitutional status severely limited increases in government spending (spending cap). The pension reform passed in 2019 was a further step toward budget consolidation, as is the tax reform planned by the Bolsonaro government. In 2020, the COVID-19 pandemic forced Brazil to temporarily postpone the consolidation of the national budget in favor of emergency aid for people and local authorities particularly affected by the pandemic. Once the pandemic is over, the government will need to implement further structural reforms to achieve fiscal consolidation. The federal spending cap rule as a fiscal anchor must be entrenched. To this end, the government must make the national budget more flexible so that it can better redistribute resources and respond to needs. What is also needed is an appropriate sharing of fiscal risks between federal, state and municipal governments.

Efficient use of assets

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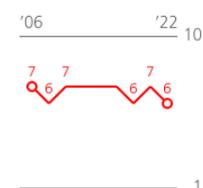
President Bolsonaro began 2019 as someone who explicitly rejected typical Brazilian “coalition presidentialism” and equated negotiations between the executive branch and Congress with corruption. Accordingly, he refused to form a coalition and fill ministries with representatives of allied parties. In his cabinet, which was reduced to 22 ministries (previously 29), three aspects stood out: the appointment of the ultra-liberal economist Paulo Guedes to the ministry of economy, the appointment of the judge, Sérgio Moro, to the ministry of justice, who had become Brazil’s top anti-corruption fighter through Operation Car Wash, and the appointment of members of the armed forces to numerous ministries. Some ministries were allocated to ideological hardliners close to the president, such as the ministry of foreign affairs and two of the four ministers of education. Other ministries went to individuals closely linked to Brazil’s evangelical churches. The repeated disputes within the administration between ideological hardliners and more pragmatically oriented politicians have proven detrimental to a coherent government policy. In this context, ministers who come from the ranks of the armed forces tend to be among the pragmatists, even if their substantial presence in the government has caused some irritation in and outside Brazil.

Bolsonaro’s political strategy mostly lacks coherence. Where it is perhaps most coherent is in the area of economic policy. In 2019 the government finally managed to pass a pension reform that had been discussed for many years. The passing of the reform was supported by the speaker of the House of Representatives and the president of the Senate. During the course of 2020 it became apparent that President Bolsonaro, despite his declared rejection of coalition presidentialism, is now relying on cooperation with a group of parties known as the Big Center. This is a group of conservative parties that are not as ideologically oriented as Bolsonaro’s former party PSL, but instead pursue pragmatic negotiation. In this respect, the modes of negotiation between the executive and legislative branches have not changed significantly, even under the alleged outsider, Jair Bolsonaro.

Brazil has a strong legal anti-corruption framework, but implementation and effective enforcement remain a problem. There are numerous laws and authorities to combat abuse of office and corruption. In the wake of major corruption scandals, the enforcement regime has been very active over the past 20 years. In the Brazilian penal code, there are laws on active and passive corruption, the violation of functional duties by public servants, and the practice of influence peddling. Many other legal provisions relate to bribery and corruption. The authorities in charge of combating corruption include the Federal Public Prosecutor’s Office (MPF), the General Prosecutor’s Office (PGR), the Comptroller-General of the Union (CGU), the Solicitor-General of the Union (AGU), the Federal Audit Court (TCU), the Council for Control of Financial Activities (COAF), and the Department of Asset Recovery and International Legal Cooperation (DRCI). The large number of anti-corruption agencies has helped prevent powerful political and economic actors from exerting excessive influence on them. However, this has led to coordination problems. To

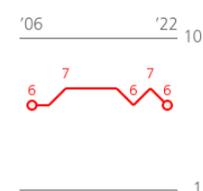
Policy coordination

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Anti-corruption policy

6



counter this, the authorities signed a technical cooperation agreement in August 2020 that aims to facilitate cooperation between different anti-corruption agencies.

Brazil is a founding member of the Open Government Partnership. The Fiscal Responsibility Law makes each government level responsible for its own fiscal performance and helps to check corrupt behavior. Citizens have a right of access to government information and basic government records. All public procurements are widely advertised, and the government is required to publicly announce the results of procurement decisions.

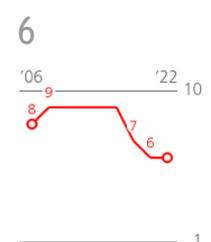
Nevertheless, endemic corruption remains a major challenge for Brazil. Though President Bolsonaro had promised to put an end to corruption, soon it became apparent that this was little more than a campaign slogan. A few months after his inauguration, Bolsonaro overhauled Brazil's money-laundering enforcement agency, which had been pivotal in allowing Operation Car Wash prosecutors to follow the money trail to corrupt politicians. The task force was forced to disclose all sensitive information to the office of the prosecutor general, a close confidant of the president, who had previously sharply criticized the task force's approach.

The mandate of the Operation Car Wash task force was not extended and therefore expired in February 2021. President Bolsonaro had already claimed in October 2018 that the Car Wash anti-corruption investigation had ended because there was no longer any corruption in the government. While the president was not responsible for ending the mandate in the first place, the end of Operation Car Wash was seen as another sign that the Bolsonaro government only takes anti-corruption seriously when it can be instrumentalized for political campaigns or against political opponents. Bolsonaro himself is not accused of corruption and has not been involved in corruption scandals. However, his eldest son and other family members as well as people from his circle of associates are suspected of corruption.

16 | Consensus-Building

The consensus on democracy among the major political actors has further weakened during the review period. President Bolsonaro has repeatedly proven to be a threat to democracy through his rhetoric, as well as through concrete actions (see "Commitment to democratic institutions"). Bolsonaro is an avowed supporter of the military dictatorship (1964-1985), he defends torture, holds racist positions, and has repeatedly distinguished himself through intolerant positions toward social minorities. Liberal values, diversity and tolerance are not values that Bolsonaro stands for. Through his example, the president, who acts as a populist leader, incites some of his radicalized followers to anti-democratic behavior. Opposed to these attempts at backsliding are the countervailing institutions and new coalitions such as the non-partisan forum Direitos Já! Fórum pela Democracia (Rights Now! Forum for Democracy).

Consensus on goals



There is a consensus among the major political actors that the market economy is a strategic and long-term goal. However, there is a wide divergence of views on how this market economy should be designed in concrete terms and what consideration should be given, for example, to environmental protection and the concerns of the indigenous population. Brazil's indigenous peoples, who comprise approximately 0.5 % of the total population, are not a major political actor. Their development ideas differ fundamentally from those of the majority of society. In the past, however, there was consensus that there should be no forced integration and assimilation of the indigenous population. The Bolsonaro government has revoked this consensus with its goal of dismantling protective measures for the indigenous population and integrating them into society.

The president and his radicalized supporters are anti-democratic actors. Reformers have used Brazil's democratic institutions and the existing separation of powers to prevent a concrete threat to democracy from materializing. In Brazil, it is not a matter of initiating a democratic reform process, but of preventing democratic backsliding, which is threatened by the rhetoric and actions of the executive branch. Bolsonaro is a polarizer, both domestically and internationally. He does not shy away from hurling vile insults at political opponents or foreign heads of state who criticize him. During his first two years in office Bolsonaro's autocratic tendencies have been successfully mitigated on a number of occasions by the counterweights of Congress, the judiciary, and federal structures.

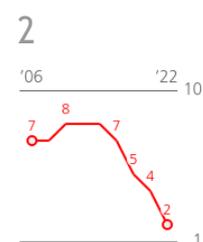
Brazil is a country characterized by a number of fundamental cleavages. These include, in particular, the contrasts between the extremely poor and extremely wealthy rich segments of the country and between advocates of conservative to arch-conservative values and defenders of diversity and liberal values. Because Brazilian politics is highly personalized, cleavages frequently form around well-known political figures, such as supporters and opponents of the former president, Lula, or current president, Bolsonaro. The cleavages are only partially reflected in the Brazilian party system. There are certainly radical parties that stand for unambiguous partisanship in one direction or another, but most relevant parties have only a limited programmatic profile and react flexibly to social developments.

President Bolsonaro's policies in his first two years in office have done little to mitigate existing cleavages. Where he expects political advantage, he encourages social disputes. On the other hand, he has no problem abandoning principles if he expects to gain political capital. A good example of this was the emergency aid program launched in the wake of the pandemic, which benefited the poor and extremely poor in particular. It has helped to significantly improve Bolsonaro's approval ratings in the poor northeast of the country, which had previously been strongly opposed to him. During the COVID-19 pandemic, the president's controversial stance helped to make the issue of how to deal with the pandemic extremely politicized and led to a polarization of the debate between supporters and

Anti-democratic actors



Cleavage / conflict management



opponents of hygiene and social distancing concepts. Nevertheless, the results of the November 2020 municipal elections suggest that, despite Bolsonaro's policies, there has been no further polarization within the electorate. The clear winners of the elections were the moderate center-right parties, while neither the left-wing parties nor the ultra-right candidates sponsored by Bolsonaro recorded major successes.

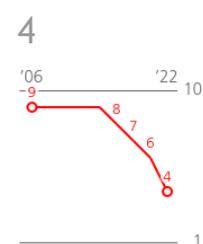
The participation of organized civil society groups in Brazilian politics has intensified since (re)democratization. An important element in enabling the participation of civil society in the political process has been the introduction of participatory budgeting in many Brazilian cities. Further examples of civil society participation are the National Public Policy Conferences, consisting of spheres of deliberation and participation aimed at providing guidelines for the formulation of public policy at the federal level and involving representatives from both government and civil society.

When President Bolsonaro took office in 2019, there were 90 participatory councils at the national level, on topics ranging from environmental issues, crime and security to health care. In April 2019, President Bolsonaro issued a decree that eliminated 50 participatory councils at the national level. These included councils for disability rights, rural development, biodiversity, and LGBTQ+ rights. Bolsonaro justified the measures by claiming that the councils created specific spaces for special interests that were contrary to Brazil's development and against the real needs of the population. For Bolsonaro, participatory councils are part of the detested legacy of the PT Workers' Party governments, which he wants to eliminate. In contrast, many experts have pointed out that numerous prominent participatory councils were created by more conservative presidents long before the PT Workers' Party took power in 2003. In this respect, participatory councils were never simply a tool of the left, but a firmly established component of democratic governance in Brazil.

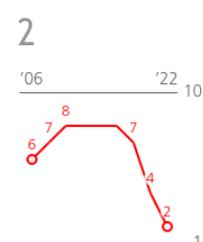
The Supreme Court partially reversed Bolsonaro's decree on participatory councils in June 2019. It did not, however, remove legal uncertainties for councils created by presidential decrees or administrative acts, such as the National LGBTQ+ Rights Council and the National Commission for the Eradication of Slave Labor. In this respect, the Supreme Court's decision was a victory for democracy, but the future of some participatory councils remains uncertain.

It is thought that more than 400 dissidents and guerrillas were killed during Brazil's military dictatorship (1964 – 1985), and more than 160 "disappeared." Thousands were tortured, jailed or exiled. A 1979 amnesty law was upheld in 2010 by the Supreme Court, indicating that neither military officials accused of torture nor left-wing guerrillas accused of violence can be prosecuted. The armed forces have gradually accepted democratic rule, but no process of national reconciliation involving the military has taken place. In December 2014, the National Truth Commission created in 2009 presented its final report. The commission highlighted that a state apparatus of repression, devised at the highest levels of the armed forces and executive branch, operated during the period of military rule.

Civil society participation



Reconciliation

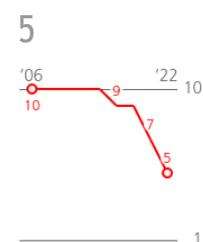


Despite the well-documented atrocities committed during military rule, there is a nostalgia among parts of Brazilian society for the country's authoritarian past. Right-wing politicians preach a nostalgic interpretation of the military dictatorship. One of them is the incumbent president, Bolsonaro. As a deputy of the National Congress, Bolsonaro had repeatedly praised the military dictatorship. During the impeachment proceedings against former president Dilma Rousseff, he dedicated his vote to Colonel Carlos Alberto Brilhante Ustra, known as the dictatorship's chief torturer. Bolsonaro and his foreign minister, Ernesto Araújo, refer to March 31, 1964, when the armed forces took power in Brazil, not as a coup but as a revolution that saved Brazil from communism. This view is shared by a segment of the Brazilian population today. In March 2019, Bolsonaro ordered the armed forces to celebrate the 55th anniversary of the 1964 coup. He caused national and international outrage, and the armed forces themselves largely spoke out against such celebrations.

17 | International Cooperation

Since the government of President Cardoso (1995 - 2002), all Brazilian administrations have worked actively with international organizations. Partnerships with organizations such as the World Bank, UNDP, ECLAC and IADB have been used by Brazil to seek international support for their own development programs. In 2017, Brazil made a formal application to join the OECD. The Bolsonaro government's long-term development strategy in the economic sphere follows a neoliberal restructuring agenda. In the economic field, the government cooperates with many international organizations. In the sociopolitical sphere, the incumbent government follows an extremely conservative orientation based on traditional values. In the review period, conflicts have emerged between various international organizations and the government on the issues of environmental protection, combating climate change, protecting indigenous peoples, and human and civil rights. The Bolsonaro government has expressed doubts about scientific knowledge on climate change, and its environmental policy and, above all, its Amazonian policy, which many national and international experts believe is misdirected, has led to numerous conflicts. In the event of a conflict, the government refers to Brazil's national sovereignty and rejects international criticism, referring to undesirable foreign interference in internal affairs. Overall, this has meant that Brazil has turned from a global player and respected partner into being relatively ostracized internationally.

Effective use of support

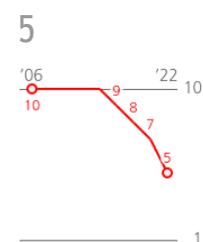


International organizations, other states and international NGOs have for many years considered the Brazilian government to be a credible and reliable partner. Brazil is an original member of the International Court of Justice. The country supported the establishment of the International Criminal Court (ICC) and has been a member since 2002. Several Brazilian judges have held offices at the ICC. Brazil cooperates with the UN Human Rights Council and has been represented with a seat on the body since 2019. Brazil has recognized the dispute settlement decisions of the WTO in principle and has itself made active use of this mechanism in the course of trade disputes. In 2016, the Brazilian government ratified its participation in the Paris Agreement on climate change. Using 2005 levels as the baseline, Brazil committed to cutting emissions 37% by 2025, and adopting an “intended reduction” of 43% by 2030.

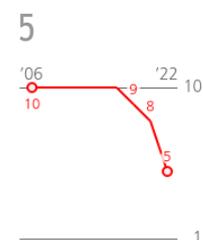
During the 2018 election campaign, President Bolsonaro drew attention to himself with anti-multilateralist and anti-globalization statements. He threatened Brazil’s withdrawal from the United Nations. After many years of advocating global governance, Bolsonaro’s attacks on international organizations and regimes, claiming that this would undermine Brazil’s national sovereignty, came as a surprise. A few weeks after Bolsonaro took office, Brazil withdrew from the U.N. Global Compact for Safe, Orderly and Regular Migration, a non-binding agreement. Bolsonaro argued that Brazilians and immigrants living in the country would be better off if Brazil made its own rules, without external pressure. Bolsonaro also threatened to withdraw from the Paris Agreement. Despite not making good on his threat, Brazil’s environmental and climate policy has shifted substantially from its original ambitious goals. Referring to national sovereignty, any criticism of the enormous increase in slash-and-burn clearing and deforestation in the Amazon is banned. In June 2020, President Bolsonaro threatened Brazil’s withdrawal from the WHO if the latter did not alter its “ideologically motivated behavior,” suggesting that Brazil did not need to hear critical opinions from outside the country about its pandemic control strategy. These examples show that under Bolsonaro, Brazil has, at least in some areas, parted from its long-standing trustworthy cooperation with international institutions and regimes.

A pragmatic foreign policy, oriented toward the long term and not changing fundamentally despite changes in government, had been one of the basic paradigms of Brazilian policy for many decades. This has changed dramatically. Under President Bolsonaro and Foreign Minister Araújo, Brazilian foreign policy follows ideological motives much more than pragmatic ones. The presidents of the left-leaning countries Nicaragua, Cuba and Venezuela were not invited to the ceremony marking Bolsonaro’s inauguration. There are relatively conflict-free bilateral relations with conservative governments in Chile, Colombia, Uruguay and Peru, although these are not a high priority for Brazil. Talks to intensify bilateral trade were initiated with the Mexican government under President López Obrador in 2020. Ahead of Argentina’s presidential elections in 2019, Brazil threatened several times to leave the Southern Common Market (Mercosur), founded in 1991, if liberal-conservative Mauricio Macri did not win the elections again. Although Brazil did not

Credibility



Regional cooperation



carry out this threat after the electoral victory of left-wing candidate Alberto Fernández, bilateral relations between South America's two largest countries were subsequently more tense than at any time in recent memory. It was not until November 2020 that Bolsonaro and Fernández held their first face-to-face meeting, having previously spoken about each other in unflattering terms. Brazil's tangible withdrawal from regional and subregional cooperation, and integration processes in Latin America has not only contributed to the weakening of these processes, but it has also undermined the trust that neighboring countries have built up over many years in Brazil as their great neighbor.

Interest in political cooperation within the framework of regional and subregional organizations has all but disappeared. Brazil has turned its back on UNASUR, seeing it as the legacy of the Lula government – although this does not correspond to historical facts. Brazil has shown little serious interest even in the conservative network PROSUR, founded in March 2019. In January 2020, Brazil also suspended its activities in the Community of Latin American and Caribbean States (CELAC). In place of regional cooperation, the country wanted to focus more on strengthening ties with the so-called developed countries, according to Foreign Minister Araújo.

Strategic Outlook

Brazilian democracy has survived the stress test posed by President Bolsonaro in the first two years of his term in office reasonably unscathed, even if the country's democratic quality has deteriorated in many respects. The results of the November 2020 local elections give hope that the 2022 elections will yield a more moderate president. Bolsonaro will not have a consolidated majority in parliament in the second half of his term because he still refuses to form a coalition government. However, he succeeded in helping his favored candidates to victory in both the House of Representatives and the Senate in the elections in spring 2021. As a result, it is unlikely that any of the numerous impeachment proceedings initiated against Bolsonaro will be successful. In many policy areas, the president will continue to try to pursue his ultra-conservative ideas over the next two years. It remains to be seen whether the checks and balances of Brazilian democracy in the form of parliament, the judiciary and regional and global local authorities will continue to prove strong enough to prevent the worst from happening.

In terms of economic policy, the government had announced its priorities at the end of 2019, but was unable to pursue them due to the 2020 COVID-19 pandemic. These priorities concern the comprehensive reform of the Brazilian state. This includes the privatization of numerous state-owned companies, a comprehensive tax reform and simplification, constitutional amendments to decentralize government budgets, reductions in mandatory spending rules, and cuts in public sector salaries and job security. Bolsonaro will also seek a "federal pact" to put financial relations between the federal level and states and municipalities on a new footing.

Further developments will depend heavily on how quickly the country can emerge from the COVID-19 pandemic. The government has made it clear that it wants to reduce emergency aid, which is used by almost a third of the population, as soon as possible and then eliminate it altogether in order to return to a more fiscally disciplined approach. By mid-June 2021, only approximately 11% of the population was fully vaccinated. Disorganized actions of the state to deal with the pandemic, new virus variants and a rise in cases pose additional challenges and threaten to exacerbate existing social and economic inequality.

A major challenge for the Bolsonaro government at the international level is the election of Joe Biden as the new U.S. president. From its beginning, the Bolsonaro government had relied heavily on close cooperation with the Trump administration, with shared political goals and personal styles. Bolsonaro's close affiliation with the United States under Donald Trump did not result in Bolsonaro's desired impacts in all areas, and the election of Joe Biden presents him with immeasurably greater challenges. Biden has already announced that he intends to make Brazil's failed climate and environmental policies an issue at the international level. In this respect, the group of states and international institutions that are in conflict with many of the Bolsonaro government's goals will be significantly more powerful in the second half of his term than in the first. Based on his previous behavioral patterns, it is likely that Bolsonaro will try to adjust and come to terms with the new international situation.