

# Federative Republic of Brazil

Capital: Brasília

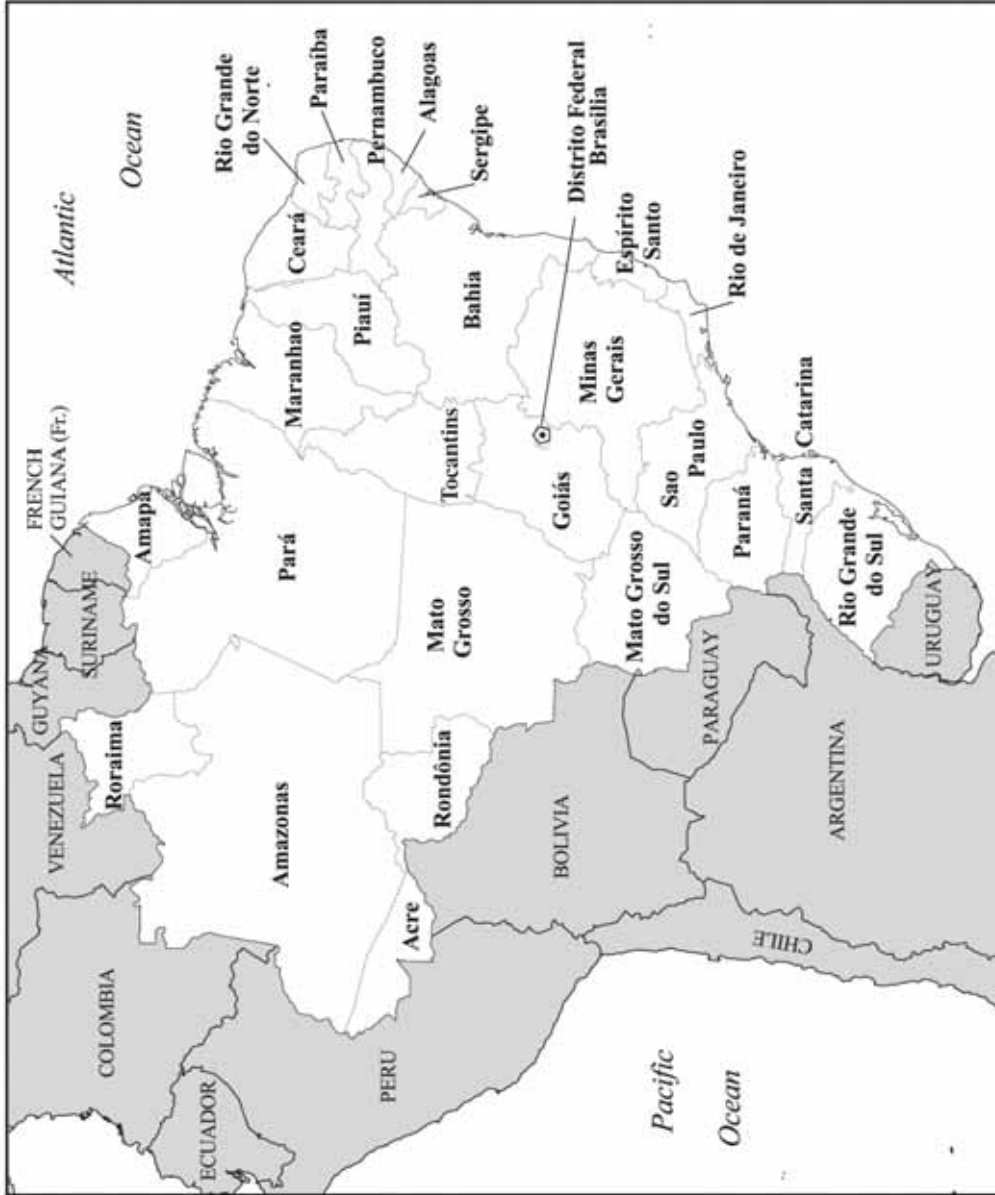
Population: 178 Million (2004 est.)

Brasília, the Capital, is situated within the Distrito Federal.

Boundaries and place names are representative only and do not imply official endorsement.



Source: ESRI Ltd., CIA World Factbook; Times Atlas of the World



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# Brazil

## *(Federative Republic of Brazil)*

VALERIANO MENDES FERREIRA COSTA

### 1 HISTORY AND DEVELOPMENT OF FEDERALISM

With a total area of over 8,500,000 km<sup>2</sup>, the Federative Republic of Brazil is the fifth largest country in the world. Its population is more than 170 million inhabitants (census 2000), and it has a Gross Domestic Product (GDP) of around US\$470 billion (2003 estimate). Brazil has historically been characterized by major social and economic disparities and its pattern of inter-governmental relations, even before the institution of federalism, has evolved through alternating phases of centralization and decentralization. The Brazilian federation encompasses three levels of government: the Union; 26 states plus the Federal District; and over 5,500 municipalities.

Although its formal discovery by Pedro Alvares Cabral took place only in 1500, the Treaty of Tordesillas (1494) had already legally settled the question of division and possession of the new lands between Spain and Portugal. As the settlement of the land evolved, an integrated system of administration was deemed necessary and the Portuguese Crown divided the territory into 14 hereditary fiefs, or captaincies (*Capitanias Hereditárias*), “ceded” to Portuguese nobles, who became responsible for their defence and development. The captaincy system has influenced the territorial and political pattern of the country.

The first three centuries of European occupation were marked by the presence of scattered population in fortified coastal settlements

and, occasionally, military and commercial expeditions, called *bandeiras*, that expanded Portuguese possessions in the seventeenth century. The boundaries of the country were established by the Treaty of Madrid (1777), leaving only secondary conflicts of delimitation that were settled after independence.

From independence, proclaimed in 1822, to the end of nineteenth century, Brazil adopted a monarchical regime (headed by two descendants of the deposed Portuguese monarch) as the only political regime that could preserve the two basic elements of the colonial system deemed necessary to the maintenance of the dominant landed aristocracy – slavery and a unitary political administration. Although this period was characterized by political and administrative centralization, it was also a time of consolidation of the power of regional elites whose economic success was not matched by political participation.

Immediately after the military coup d'état that ended the monarchy in 1889, the republican alliance adopted a federal system in which the provinces of the empire were transformed into states. The parliamentary system was replaced with a presidential one, a bicameral Congress (Chamber of Deputies and Senate) was created, and a completely independent Supreme Court was created. The federal regime, incorporated by the constitution of 1891, accorded great political autonomy to the already economically powerful state elites.

The federation, however, was only consolidated during the presidency of Campos Sales (1898–1902). Known as the “Governors’ Politics” (*Política dos Governadores*), the Brazilian oligarchic version of federalism meant, in fact, a pact between state elites and the President of the Republic. According to this pact, in exchange for the non-intervention of the Union government in the states’ internal affairs, the members of National Congress would approve all presidential initiatives. As the system evolved, it resulted in a peculiar federative party system in which there was only one political party in each state (all called “republican”). The system was supported by systematic electoral fraud.

Contested presidential elections in 1929 led to revolution in 1930. Revolutionary forces installed a Provisional Government (1930–37) that reduced the autonomy of the states through the imposition of *interventores*. These *interventores* were politico-administrative managers of the states who were appointed by Getúlio Vargas, a defeated presidential candidate and leader of the movement. In November 1937 Vargas led another military coup that centralized political power in the President’s hands. During this dictatorial regime, known as *Estado Novo*, the autonomy of the states was officially abolished.

The overthrow of the *Estado Novo* by military officials in 1945 reinstalled a federal regime associated, for the first time in the Repub-

lic's history, with a competitive national party system. During this period, state governorships became highly disputed political assets because of their importance for the presidential elections. This peculiar federative dynamic is one of the reasons for the easy political success of the 1964 military coup. The heated dispute of the Governors of the greater states (São Paulo, Minas Gerais, Guanabara e Rio Grande do Sul) around the coming 1965 presidential election played an important role in the institutional weakening of President João Goulart's authority.

The distinguishing characteristic of the military regime installed in 1964 was that it maintained several representative constitutional provisions, including the federal provisions and the regular election of the Governors (albeit indirectly by the state assemblies) and state assemblies. At the national level, the military Presidents were confined to fixed mandates, with no right to seek re-election. Although the armed forces had a decisive influence in their choice of President, their choice had to be formally ratified by an Electoral College composed by the members of the National Congress and representatives of state assemblies.

In 1982, the first direct elections for state governments since 1965 were held, and the first elections for Congress under a multi-party system. The election of the state Governors before the presidential popular election influenced the pattern of re-democratization. The tragic death of the indirectly elected President Tancredo Neves in 1985 contributed to the worsening of the situation. There are several reasons for this. First, Governors were directly elected in 1982, simultaneously with deputies and Senators, and they exerted increasing influence over federal congressional decisions. Second, the President's authority was rapidly weakening as the end of his mandate neared. When Tancredo Neves, the popular Governor of Minas Gerais, was chosen as the new President through hard negotiations between the opposition forces and the military, he became the symbol of democratic transition. After his death, the Vice-President José Sarney, a former leader of the government's party (ARENA, later PDS), assumed the presidency. Between 1982 and 1994 the state Governors were the most powerful elected officials occupying executive posts. From 1990, when Fernando Collor became the first directly elected President of the Republic in 30 years, to 1994 when Fernando Henrique Cardoso became President, the Governors played a major role in national politics – blocking, for example, fiscal adjustments such as reform of the tax and social security systems and influencing the behaviour of federal deputies especially through the exercise of patronage or manipulating their chances of re-election.

The increased predominance of state interests in the federal regime culminated in the creation of the Constitutional Assembly (1987–88) in which the state and municipal governments consolidated the process of fiscal decentralization initiated in the late 1970s. However, this process of political and fiscal decentralization coincided with the crisis of the “Developmental State,” based on import substitution and industrial protectionism. The 1980s, and the first half of 1990s, were largely characterized by inflationary surges, debt and economic stagnation. The economic crisis affected the national government more directly than it did the states and, combined with the decentralization of revenues contributed to it, severely reduced the capacity of the Union to coordinate inter-governmental relations in Brazil.

Since the second half of 1990s, the political event that has had the greatest impact on the configuration of Brazilian federalism was the election (and re-election) of Fernando Henrique Cardoso. Leading a heterogenous coalition of centre-rightist forces, President Cardoso won the 1994 presidential election against Luis Inacio Lula da Silva, a popular leftist leader.

The political mandate of the new President was strongly associated with the adjustment of the chaotic situation of the national economy, particularly the lack of fiscal balance in the public sector. In fact, his greatest political asset as candidate was the successful implementation of a monetary stabilization program, known as *Plano Real*, while in charge of the Ministry of Finance in the last months of President Itamar Franco’s administration (1992–1994).

During his first administration (1995–1998), President Cardoso introduced in the National Congress an extensive set of legislative measures, such as economic deregulation, privatization, downsizing of the public administration, and reform of the social security system. These measures were enacted by Congress and, among other things, resulted in monetary stabilization and a reduction in inflation. Unlike the economic crisis of the early 1990s which negatively affected the federal government, the effects of the reforms made by President Cardoso hit with particular virulence the finances of the highly indebted sub-national governments. The federal government took this opportunity to reverse the adverse balance in inter-governmental relations. This ended the earlier process of decentralization in Brazil in which the states and municipalities behaved like “predators” of a politically and fiscally wounded federal government.

Despite general expectations, during his second mandate (1999–2002) Fernando Henrique Cardoso was not capable of reaching the two most important goals of his government: the sustainable “takeoff” of the Brazilian economy; and the consequent reduction of unemploy-

ment. In fact, the international financial crisis of 1998 weakened the fragile basis of the Brazilian fiscal reforms initiated three years earlier. From 1998 onward he was forced to focus on defensive measures designed to prevent the resurgence of inflation and an increase of the deficit.

It was symptomatic that the most significant political achievement of his second administration was the passage of the Fiscal Responsibility Law (2000). This law imposed maximum limits on the debts and personnel outlays of the federal government, states and municipalities. Although this and other legislative measures have had great impact on the pattern of inter-governmental relations – i.e., improving the coordinative capacity of the federal government without recourse to authoritarian centralization practices – there are still several challenges facing the Brazilian federation.

The two most important obstacles to economic growth were the tax system that produced distortions like cumulative charges and incentives for fiscal war among sub-national governments, and the public social security system that was responsible for a large portion of the federal deficit. The postponement of reforms in these two crucial issues was not only the most important cause of the political fragmentation of Cardoso's party coalition in the 2002 election campaign, but reform continues to be a central challenge to the new government.

## 2 CONSTITUTIONAL PROVISIONS RELATING TO FEDERALISM

The republican regime in Brazil – except during the authoritarian periods – has been marked by two general characteristics:

- 1 a presidential system in which a strong President is sided by a symmetric, bicameral, multi-party and regionalist, legislative power and an independent judiciary; and
- 2 a federative system which reproduces the presidential division of powers at the state level (except that there are no state Senates) and accords considerable constitutional autonomy to states and municipalities.

Brazilian federalism is marked by the complex combination of these majoritarian and consociative institutional arrangements. The consociative arrangements mean that the dispersion of powers throughout the political system facilitates the incorporation of almost all political forces and economic and social interests of Brazilian society. The combination of a weak party system, low barriers to participation, and

proportional representation at all levels (federal, state and local) produces some sort of compensation to the electoral force of Presidents, Governors and Mayors, who are directly elected.

The 1988 constitution has detailed provisions about the political, administrative and fiscal organization of the federation. Article 18 defines the Federative Republic of Brazil as composed of the Union, the States (26), one Federal District (Brasília) and the Municipalities (approximately 5,500). All of them are autonomous in their own jurisdiction. The constitution also provides (paragraphs 3 and 4) for the possibility of the creation of states and municipalities, subject to the approval of the concerned population, by means of plebiscites, and of the National Congress (or the state assemblies in the case of municipalities), by means of specific laws. However, these legal constraints have not impeded the creation of over 1,300 new municipalities between 1988 and 1997.

Articles 20 to 25 of the constitution establish the division of powers between the members of the federation. Article 25, paragraph 1, provides the states with residual power – i.e., all the powers which are not specifically reserved for the federal government or assigned to the municipalities. However, the detailed and extensive definition of the Union's constitutional powers (Articles 20 to 22) has limited the exercise of this power by the states.

Article 23 is one of the constitutional provisions that could be crucial to the configuration of a cooperative pattern in inter-governmental relations as it lists the several powers that should be exercised *in common* by the Union, the states and the municipalities. The supplementary law that should establish the rules for inter-governmental cooperation, however, has not up to now been approved by Congress.

Article 24 defines the powers that should be concurrently legislated by the Union, the states and the Federal District. These powers include, *inter alia*, education, health, social assistance and environmental protection. However, as the Union's legislation over-rides state and municipal legislative powers, there have not been substantial opportunities to exercise concurrent legislation by sub-national governments without federal consent.

Unlike most other federations, the Brazilian constitution provides detailed rules for the management of the over 5,500 municipalities that are autonomous in strictly local affairs. Each municipality operates under its own constitutional provisions, called Organic (Basic) Law, which must be approved by a qualified majority in the Municipal Council (Article 29).

The federal executive is headed by the President of the Republic. A constitutional amendment (1997) permits the President and the Vice-President to seek re-election, but they cannot serve more than two con-

secutive terms. The President appoints the state Ministers who are directly responsible to him and who he may dismiss at any time. Unlike most presidential regimes, members of the National Congress may be appointed as Ministers (or to any other political position in the federal administration).

The President of the Republic has important powers in the legislative process. Thus, for example, Article 61(1) defines the cases in which the President has exclusive initiative to introduce laws in financial and budgetary matters, and Article 64(1) provides that the President may request urgency in the examination of bills of his own initiative. Article 66(1) authorizes the President to veto a bill that was approved by the Congress, and Article 66(4) states that a presidential veto may only be rejected by an absolute majority of Deputies and Senators by secret voting.

The representation of the population is provided by the election of the members of the Chamber of Deputies for a four-year term through a system of proportional representation. The representation of the constituent units in the central government is guaranteed by the direct election of three Senators from each state and the Federal District. Senators are elected for a term of eight years. Both Deputies and Senators can stand for re-election without restriction. There are currently 513 members of the Chamber of Deputies and 81 Senators.

One aspect of the political system that affects the actual configuration of Brazilian federalism is the over-representation of the less populated (and less developed) regions of the country in the Chamber of Deputies. This unequal distribution of parliamentary seats results from the constitutional provision (Article 44) which establishes that the states must have a minimum of eight and a maximum of 70 deputies. This provision favours especially the north, the least populated region, in detriment to the southeast, the most populated. The extreme case is the state of São Paulo, the richest (35% GDP) and most populated (21%) state, which should have 111 deputies rather than the current 70.

Another important political feature that affects Brazilian federalism is the configuration of the federal Senate. Senatorial representation of the northern, northeastern and centre-western states – which represent 43% of the population – controls 74% of the seats. This fact acquires importance when one takes into account that the Senate has symmetric legislative powers to the Chamber and, most of all, that it has exclusive power to approve presidential nominations and authorize debt margins for the states and municipalities.

The Federal Supreme Court is the apex of the judicial system (Articles 101–103). It is composed of 11 Justices who are appointed by the



President, and subjected to the approval of the Senate. The Federal Supreme Court is vested with the power to make decisions about constitutional conflicts that involve the members of the federation. The state judiciary follows the federal pattern and has its jurisdiction defined so as to avoid any conflict with the federal courts.

Constitutional amendments (Article 60) can only be proposed by: (1) at least one-third of the members of the Chamber of Deputies or of the federal Senate; (2) the President of the Republic; or (3) more than one-half of the Legislative Assemblies of the units of the federation, each by a relative majority of its members. Constitutional amendments (Article 60, paragraph 2) must be discussed and voted upon in each House of the National Congress, in two readings, and will only be approved if they obtain in both readings, three-fifths of the votes of the respective members. Four constitutional matters are excluded from amendments: the federal form of state; the direct, secret, universal and periodic vote; the separation of government powers; and individual rights and guarantees.

The definitions in the constitution about the national tax system – in contrast to the ones relating to the expenditure responsibilities – are detailed and precise. In fact, the constitutional fiscal provisions resulted in a transfer of revenues from the federal government to the states and municipalities without precedent in the country's history. Moreover, the 1988 constitution strengthened the already significant tax base of the states and municipal governments.

The provisions relating to fiscal federalism are in Title VI (Taxation and Budget). Articles 153 to 159 define the taxes that are exclusive of each member of federation and the procedures for the sharing of tax revenues between the Union and the states and municipalities. The most important taxes pertaining to the states (Article 155) are the ICMS, a kind of state value-added tax (VAT), accounting for about 25% of the total amount of taxes levied in Brazil, and the IPVA, a tax on the ownership of automotive vehicles licensed in each jurisdiction. The municipalities can levy two taxes which has considerable impact on the revenues of the major ones (Article 156). They can levy the IPTU, levied on urban buildings and urban land property, and the ISS, which is levied on services of any nature not included in Article 155. In fact, the level of fiscal autonomy of each sub-national government varies greatly with the level of economic development which is highly concentrated in the southeast and south regions.

The sharing of revenues among the Union and the states and the municipalities is accomplished through two funds composed of about half the net revenues of the three main federal taxes: personal income taxes (IRPF); corporate (IRPJ) income taxes; and the selective VAT (IPI). The

Revenue Sharing Fund of the States is constituted with 21.5%, and the Revenue Sharing Fund of the Municipalities with 22.5% of these net revenues. The distribution of the funds among the states and municipalities is mainly based on redistributive criteria.

At the end of 2003, Congress approved a constitutional amendment that created two new sources of revenue for states and municipalities. The first source is the transfer to sub-national governments of 25% of the tax levied on the consumption of gasoline (CIDE) which is to be applied to the recovery of state and federal highways. The other source is the strengthening of the federal fund (FCEX) that will transfer annually over 2 billion dollars (US) to the states as a compensation for the exemption of the state's VAT (ICMS) on exported goods.

These recent amendments to the tax system reinforce the trend toward fiscal decentralization, especially in the distribution of the expenditures by level of government. Sub-national governments account for over 60% of payrolls for active civil servants, around 70% of other current expenditures and near to 80% of fixed investments. On the other hand, the central government concentrates its outlays on transfers to persons (basically, social security benefits) and interest on the public debt (respectively, 80% and 90% of the total).

### 3 RECENT POLITICAL DYNAMICS

The landslide victory of the long-time leader of the Workers' Party (Partido dos Trabalhadores (PT)), Luis Inácio Lula da Silva, in the presidential election of October 2002, was the most important political event since democratic rule resumed in Brazil in 1985. After almost three decades of hard political apprenticeship that included building a national party and three failed attempts to gain the presidency, he won the election with over 53 million votes (63% of the total valid votes), and has the potential to become the most important Brazilian political leader since Getúlio Vargas. The new President has the political qualities of the most important national leaders (Getúlio Vargas Juscelino Kubitshek and Fernando Henrique Cardoso), like great popularity and an innate political ability to captivate and manipulate friends and foes. But unlike these earlier leaders he is not a populist, and is the founder and leader of the Workers' Party (PT), the most professional and well-organized national party. Finally, while the President has gathered a technical and political staff as qualified as Cardoso's, he seems prepared to build a stronger and lasting party coalition that could govern the country for many years.

The public's optimism during the election campaign (and since the election as well) did not influence economic actors who were fearful of

the victory of a supposedly radical leftist. When it was clear that Lula – as the new President is popularly known – could win, the already fragile public solvency indicators worsened creating challenging economic conditions at the start of his term.

In addition, Lula's high personal popularity was not matched by equivalent political representation in Congress. Although his party almost doubled its representation in Congress, this represented less than 20% of the total seats of the lower chamber and only 14 of 81 seats in the Senate. The performance of the Workers' Party at the state level was even worse: it gained the control of only three lesser state governments.

However, the political competence of the ex-union leader has astonished groups across the political spectrum, from his party's left wing to the conservative political forces in the country. Through a firm command over macroeconomic policy and a pragmatic political strategy, the new government has completely reversed initial expectations.

While it is too early to analyse the influence of the new government on the pattern of inter-governmental relations, it seems that some initiatives in the economic and political realms have contributed to neutralizing the decentralizing trends built into the dynamics of Brazilian federalism.

First, through the nomination of Henrique Meirelles, a former director of the Boston Bank and recently elected representative of the PSDB (the party of former President Cardoso), to head the Central Bank, and the authorization given to the Minister of Finance to substantially increase the budget surplus designated to pay off the foreign debt, the new government has deepened the already tight monetary and fiscal policies of the Cardoso era, and kept control of inflation and public debt. The successful management of macroeconomic factors has eliminated the main part of the opposition's political agenda.

Second, through the skilful use of the President's political resources, the federal executive has built a large and heterogeneous parliamentary coalition, including a number of deputies and Senators who "migrated" from the opposition parties to the government coalition parties. Control over a large majority in the Congress is essential for the success of the federal government since a significant part of the legislative reform agenda involves the passage of constitutional amendments which require qualified majorities ( $\frac{3}{5}$ ) in both chambers.

Third, the government mobilized broad sectors of civil society, through the creation of an Economic and Social Development Council, to negotiate and propose to Congress a set of constitutional amendments relating to the long-delayed reforms of the public service pension system and the tax system. The passage of this legislation in

less than one year, achieving what Cardoso failed to do in his eight years as President, has been the most significant political achievement of the government thus far.

These legislative victories would have been much more difficult without the support of the state Governors. While such cooperation is a daily feature in many parliamentary federations, it was the first time in the contemporary history of inter-governmental relations in Brazil that the chief executives of the federal and state governments held an official meeting that resulted in a political agreement to influence the legislative process. After a two day meeting, the President and the Governors released a public document in support of the pension and tax reforms.

In fact, the strong commitment of the Governors to reduce the huge burden of the state civil servant pension system on their budgets was decisive in getting the controversial pension system reform approved. The aim of the reform was to bring pensions for government workers (federal and state) into line with those in the private sector and so gradually reduce the deficit of the system which in 2002 amounted to 4.3% of Gross Domestic Product, or 56bn reais (US\$19bn, £12bn).

Although there was a formal agreement about the principles of tax reform, the negotiations between the federal government and the state Governors were much more difficult. Unlike the pension system reform which most Governors could support, tax reform divided the Governors amongst themselves. Some reforms, like the reform of the state VAT (ICMS), were opposed by some states. Other reforms, especially the tax exemption of exported goods, concerned the export-oriented states that were also committed to strengthening the federal fund to compensate the state losses (FCEX). Briefly, while the states were hungry for new transfers of revenue, the federal government was strongly committed to the rationalization of the overall system and the fiscal neutrality of the reform.

The decisive agreement, negotiated among the federal government, the Governors and the Senators, was in some measure favourable to the states. Some key revenue-raising portions of the plan, crucial to the fiscal solvency of the federal government, passed in the Senate and will not return to the lower house for approval.<sup>1</sup> However, the main points

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<sup>1</sup> According the constitution, all constitutional amendments shall be approved by the Chamber of Deputies and the Senate, but if the legislative proposition was initially examined and approved by the lower house and changed by the Senate, it must return to the Chamber of Deputies for final examination and approval. The same occurs if the Senate initiates the legislative process and the Chamber modifies the legislation approved by the upper house.

of the tax reform were modified by Senators and will need to be sent back to the lower house and voted on in two stages, the first in 2004 and the final round in 2005. Measures like the rationalization of the state VAT (ICMS) that could terminate the “Fiscal War” between the states will be voted on by the lower chamber only in 2005. In addition, the less developed states will get another federal fund for regional development as compensation for supposed losses.

A final account of the first year of the Lula administration is positive for the federal government. Even some concessions to the states and municipalities in the tax reforms could be viewed as politically advantageous if we consider that over 5,500 municipalities will chose new Mayors and councillors in 2004.

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Table I  
Political and Geographic Indicators

Capital city	Brasilia
Number and type of constituent units	<p>26 States: Acre, Alagoas, Amapá, Amazonas, Bahia, Ceará, Espírito Santo, Goiás, Maranhao, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Pará, Paraíba, Paraná, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Rondônia, Roraima, Santa Catarina, Sao Paulo, Sergipe, Tocantins.</p> <p>1 Federal District: Brasilia</p> <p>(Note: Formally the 5 561 municipalities are considered constituent units since the constitutional reform of 1988, but in practice the 26 states and the Federal District are the constituent units.)</p>
Official language(s)	Portuguese
Area	8 514 215 km <sup>2</sup>
Area – largest constituent unit	Amazonas – 1 577 820 km <sup>2</sup>
Area – smallest constituent unit	<p>Sergipe – 22 050 km<sup>2</sup></p> <p>Federal District (Brasilia) – 5 822 km<sup>2</sup></p>
Total population	178 256 172 (February 2004 est.)
Population by constituent unit (% of total population)	<p>Sao Paulo 21.8%, Minas Gerais 10.5%, Rio de Janeiro 8.5%, Bahia 7.7%, Rio Grande do Sul 6.0%, Paraná 5.6%, Pernambuco 4.7%, Ceará 4.4%, Pará 3.6%, Maranhao 3.3%, Santa Catarina 3.1%, Goiás 3.0%, Paraíba 2.0%, Espírito Santo 1.8%, Alagoas 1.7%, Amazonas 1.7%, Piauí 1.7%, Rio Grande do Norte 1.6%, Mato Grosso 1.5%, Federal District (Brasilia) 1.2%, Mato Grosso do Sul 1.2%, Sergipe 1.0%, Rondônia 0.8%, Tocantins 0.7%, Acre 0.3%, Amapá 0.3%, Roraima 0.2%</p>
Political system – federal	Federal Republic
Head of state – federal	President Luiz Inácio Lula da Silva (2002–2006), Partido dos Trabalhadores ((PT) Workers' Party). President elected by popular vote for a 4-year term.
Head of government – federal	President Luiz Inácio Lula da Silva. President appoints Cabinet.
Government structure – federal	<p>Bicameral: National Congress (Congresso Nacional)</p> <p><i>Upper House</i> – Federal Senate (Senado Federal), 81 seats. Senators serve 8-year terms.</p> <p><i>Lower House</i> – Chamber of Deputies (Camara dos Deputados), 513 seats. Members are elected by proportional representation to serve 3-year terms with a fixed maximum number of representatives allowed to each constituent unit, with all states being guaranteed a minimum of 8 seats and a maximum of 70.</p>

Table I (continued)

Number of representatives in lower house of federal government of most populated constituent unit	Sao Paulo State – 70
Number of representatives in lower house of federal government for least populated constituent unit	Roraima State – 9
Distribution of representation in upper house of federal government	Each state and the Federal District has 3 Senate seats. Members are elected by majority vote from the 27 constituent units (26 States, 1 Federal District).
Distribution of powers	The constitution enumerates 54 exclusive powers that belong to the federal government, including foreign affairs, defence, citizenship, trade and commerce, customs, finance, banking, currency, coinage, and nationwide public services. It is also responsible for formulating and implementing plans for economic and social development and for legislating on criminal, civil, commercial, agrarian, labour, and procedural law. The federal government delineates the guidelines for national education and may operate – directly or through authorization – concession or permission radio and television services, as well as electrical power supply and nuclear energy. Concurrent powers (16) include public health and social welfare, housing, environment, exploitation of water and mineral resources, education, culture, and taxation. In the event of conflict federal law will prevail.
Residual powers	Residual powers belong to the states.
Constitutional court (highest court dealing with constitutional matters)	Federal Supreme Court. 11 Justices. Appointed by the President and confirmed by the Senate.
Political system of constituent units	Unicameral: Legislative Assembly. Members are elected by popular vote to serve 4-year terms. Each state has its own constitution.
Head of government – constituent units	Governor, directly elected for a 4-year term.

Table II  
Economic and Social Indicators

GDP	us\$1.31 trillion at PPP (2002)
GDP per capita	us\$7 516.4 at PPP (2002)
National debt (external)	us\$233.9 billion (2004 est.)
Sub-national debt	us\$11.6 billion (October 2003 est.)
National unemployment rate	12.9% (October 2003)
Constituent unit with highest unemployment rate	Salvador – 15.7% (December 2003)
Constituent unit with lowest unemployment rate	Porto Alegre – 9.4 (December 2003)
Adult literacy rate	87.3%
National expenditures on education as % of GDP	4.7%
Life expectancy in years	67.8
Federal government revenues – from taxes and related sources	us\$98 billion (2002)
Constituent unit revenues – from taxes and related sources	us\$28.5 billion (January-September 2003)
Transfers to constituent units	us\$16.2 billion (Jan-Oct. 2003)
Equalization mechanisms	Federal tax revenue is transferred to the states on the basis of a fixed percentage.

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