Rousseff's congressional reform agenda

President Rousseff begins 2012 with enough political capital to manage any tensions within her governing coalition. But what are the prospects that she will use some of that capital to get more done in Congress? And, if she does, what might be on her legislative agenda?

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Having navigated turbulent waters, President Dilma Rousseff's administration ended its first year in a safe harbor. Although critics complained of a constant and somewhat disruptive turnover of cabinet appointees (seven in 2011), the government succeeded in highlighting to the public the message that it was determined to fight against corruption. As for the economy, some considered the central bank's decision to lower interest rates despite inflationary pressure to be a risky gamble that could disturb the balance of economic policy. The continuing global economic slump, however, increased the odds that the new strategy would be successful, and inflation remained under control despite the monetary easing.

President Rousseff's popularity numbers therefore come as no surprise. With over 70% approval ratings according to a recent poll, the president was able to improve her political standing during her first year in office. As a result, she begins 2012 with enough political capital to manage any tensions within her governing coalition.

One question, however, has yet to be answered: Will Rousseff do anything with her political capital besides deflect crises? There are two clouds on the horizon: First, though her popularity is well above the average for a healthy administration, the uncertainties of the global economy may take their toll on economic activity at home. Second, local elections are looming large; they may put the governing coalition through a stress test in the second half of the year.

On the legislative front, though, the question is really about President Rousseff's reform agenda. Survival is not necessarily the same thing as strength. Though Rousseff's favorable standing undoubtedly protected her administration from friendly fire, whether it will be equally effective in terms of working through her agenda is yet to be seen. Despite some important victories, the dynamics of

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legislative activity throughout much of last year were slower than usual. Apparently, Rousseff allocated more political capital to managing tensions between allies than to easing negotiations in Congress.

With this in mind, what can be expected when the Brazilian Congress reconvenes this month? The legislative calendar is tight due to local elections in the second half of the year, and the coalition infighting is likely to persist (one more minister resigned this year amid allegations of corruption), but the setting is reasonably favorable for Rousseff to push forward a reform agenda. The president's congressional leadership established the priorities earlier this month. These are the main items on the government's legislative laundry list—items that will certainly draw attention from the media and in political circles but that also stand a reasonable chance of moving forward this year:

- **Public pension reform:** The proposed law would replace the current pay-as-you-go pension scheme for new public servants with individual accounts in which the government matches employee contributions.
- **Oil royalty distribution:** This would establish a new method of allocating revenues from oil production between the central government and local governments. Its approval is a prerequisite to exploitation of the deep sea oil fields.

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- **New mining code:** This overhauls the law relating to the sector: It creates a new regulatory agency and is also likely to raise federal revenues from taxes and royalties.
- **Tax reform:** A particularly important aspect of this reform is that it would simplify the state-based value-added tax, which would end the tax-cutting competition ("fiscal wars") between local governments to attract businesses.
- **Forest code:** The draft reduces the amount of forest cover that rural landowners need to maintain on their properties and expands exemptions for landowners with the smallest properties.
- **World Cup legislation:** This would temporarily adjust national and local sporting legislation to comply with the requirements of the international soccer organizing body.
- **State and municipal participation fund:** This would reestablish a federative agreement between the central government and local governments on the distribution of tax revenues. The current fund is scheduled to expire late this year.