BRAZIL

HUMAN RIGHTS IN TIMES OF AUSTERITY

Brazil made meaningful progress in tackling poverty over the past decade, largely as a result of public investments in health, education and social protection. Not coincidentally, the country’s economy thrived from burgeoning domestic demand. Brazil set an example in its initial response to the 2008-2009 global economic crisis by increasing social investments (Tesouro Nacional, 2016), which in turn sustained the economy while protecting human rights.

Yet, as this factsheet illustrates, these advances are at imminent risk from a series of harmful and severe austerity measures put in place by the government starting in 2015. While aimed at tackling spiking deficits, these initiatives are deepening socio-economic inequalities in Brazilian society, with particularly disproportionate impacts on those already disadvantaged. Among the most extreme of these measures, the Constitutional Amendment 95/2016 (EC 95), known as the “Expenditure Ceiling” act, is particularly far-reaching in its harm to human rights. Coming into force in 2017, this act took the unprecedented step of freezing real public spending for 20 years. By constitutionalizing austerity in this way, any future elected governments without an absolute majority will be prevented from democratically determining the size of human rights investments needed to deal with aging populations and increased financing needs. The UN Special Rapporteur on Extreme Poverty and Human Rights considered the EC 95 “a radical measure, lacking in all nuance and compassion”, arguing that the amendment “has all the characteristics of a deliberately retrogressive measure” (Alston, 2017). This call reinforced an earlier statement by the Inter-American Commission on Human Rights that the government’s turn to harsh austerity measures may well be in violation of its legal obligations (IACHR, 2016). Under international law, states’ margin of discretion in responding to economic crises is not absolute. To be in compliance with human rights standards, fiscal consolidation measures must: be temporary, strictly necessary and proportionate; non-discriminatory; take into account all possible alternatives, including tax measures; protect the minimum core content of human rights; and be adopted after the most careful consideration with genuine participation of affected groups and individuals in decision-making processes (Committee on Economic, Social and Cultural Rights, 2012, 2016).

On the first anniversary of Brazil’s ‘New Fiscal Regime,’ this factsheet assesses whether the Expenditure Ceiling Act—and the austerity measures surrounding it—comply with these aforementioned criteria established under international human rights law. EC 95 has already begun to disproportionately affect disadvantaged groups, such as Afro-Brazilian women and people living in poverty. Since its approval, new findings presented here show that significant resources have been diverted from the most important social programs towards debt service payments, threatening to exacerbate the extreme levels of economic inequality. This factsheet demonstrates how these fiscal decisions put at risk the basic social and economic rights of millions of Brazilians, including the rights to food, health and education, while exacerbating gender, racial and economic inequalities. Meanwhile, the Brazilian government has not demonstrated that EC 95 was necessary, proportionate and a last-resort measure, nor that less restrictive alternative measures have been explored and analyzed. In fact, there is solid evidence showing that alternatives—such as more progressive taxation and tackling tax abuses—are readily available. Further, these fiscal consolidation measures have not benefitted from public participation, as the measures were pushed through in the midst of narrowing opportunities for public scrutiny, accountability, and access to information. The EC 95 is also hardly temporary, but will extend far into future economic recoveries that may occur over the next two decades. These pro-cyclical fiscal measures even run counter to the government’s own aims of deficit reduction. This factsheet illustrates how austerity in Brazil stands in serious breach of human rights obligations, including those enshrined in the country’s Constitution, while jeopardizing decades of socio-economic progress.
EXTREME LEVELS OF ECONOMIC INEQUALITY COEXIST WITH WIDESPREAD POVERTY

Income concentration in the top 1% of Brazilians is the highest in the world. Brazil’s six richest men have the same wealth as the poorest 50% of the population. Meanwhile, 16 million Brazilians live in poverty (Oxfam Brasil, 2017), while more than 50% of Brazilians are vulnerable to falling into poverty (IPEA, 2016).

Fig. 1. Income share by deciles in Brazil vs other countries, 2014

Brazil lags behind in several quality of life indicators

The gap is particularly high in areas such as personal security, education, income and housing (OECD, 2016). Brazil’s homicide rate is 26.7 per 100,000, more than six times the OECD average of 4.1. Meanwhile, only 46% of Brazilian adults have completed upper secondary education, much less than the OECD average of 76%. While Brazil ranks “high” in the Human Development Index, the ‘loss’ due to inequality (25.6%) is higher than the average in Latin America (23.4%), itself the most unequal region of the world (UNDP, 2016).

Fig. 3. Homicide rates (homicides per 100,000 inhabitants) in Brazil vs OECD average and non-OECD countries, 2016

SOCIO-ECONOMIC INEQUALITIES ARE MASSIVE: THE MAJORITY OF THE POPULATION – AND 9 OUT OF 10 BLACK RURAL WOMEN – LIVE BELOW THE MINIMUM WAGE

Despite progress tackling poverty, 50.3% of Brazilians earn below the minimum wage. 88.3% of black women living in rural areas earn less than a minimum wage in contrast with 42.8% of urban, white men. While extreme poverty has fallen to 1% for populations such as white men living in the Southern regions, poverty is 7.9 times higher for black women in rural areas (IPEA, 2017).

Fig. 4. Percentage of the population living below the minimum wage in 2015
TAXATION AND PUBLIC SPENDING IS NOT VERY EFFECTIVE AT REDUCING INEQUALITIES IN BRAZIL

In contrast with comparable countries, inequality in Brazil changes very little from the current system of taxes and social transfers. In other words, Brazil’s redistributive capacity is very low – not only in comparison with OECD countries but also with some Latin American countries.

FISCAL POLICY IS PUSHING HOUSEHOLDS INTO POVERTY

When pensions are excluded from transfers, Brazil’s poverty increases as a consequence of fiscal policy. If pensions are included, poverty decreases but less than in other BRICS and middle income countries. If the current proposal to reform the pension system (Reforma da Previdência – PEC 287) is approved, the most redistributive policy of the country would be seriously eroded (Anfip/Dieese, 2017).

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TAX STRUCTURE PLACES HEAVIEST BURDEN ON THE POOR AND MIDDLE CLASS

The tax burden on consumption and work reached 76% of total tax revenue in 2014 – the highest among OECD members. Meanwhile, property and capital gains taxation (7.4% of GDP) is far below the OECD average (13.6% of GDP) (Tibiriçá et al, 2017). Consequently, the richest 10% spend 21% of their income in taxes while the poorest 10% in Brazil spend 32% (IPEA, 2011). While personal and corporate income taxes generate on average 24.9% of total revenue in Latin America, in Brazil they amount to only 16.2% of revenue.

THE RICHER THE TAXPAYER, THE LOWER THE REAL TAX RATES

Although the personal income tax (PIT) has a redistributive impact overall, the richer someone is in Brazil, the lower their effective PIT rates are. This is largely because Brazil is one of the few countries worldwide that does not tax the dividends paid by corporations to their shareholders. In addition, tax payers can deduct a fictitious expense termed “interest on own capital” from their taxable earnings (Gobetti & Orair 2016). These and other measure considerably reduce the taxes paid by rich, and especially super-rich, Brazilians.

BLACK WOMEN ARE DISPROPORTIONATELY AFFECTED BY THE REGRESSIVE TAX SYSTEM

Black Brazilian women are over-represented among the poorest, and under-represented among the richest (ECLAC, 2017: 55, 231). In 2011, almost 15% of black Brazilians were in the poorest 10%, while only 7% of whites were in this segment. Further, almost 20% of black women were in the bottom 10% in contrast with only 5% of white men. Regressive fiscal policies in Brazil which place more of the tax burden on the poor therefore indirectly discriminate against black women (INESC, 2014), while disproportionately benefitting rich, white men.
Austerity measures are exacerbating inequality & deprivation

AUSTERITY EXACERBATES INEQUALITY

Despite the fact that weakening commodity prices, weak revenue generation (IMF, 2016) and monetary policy-induced high interest rates (CEPR, 2016) (Forum 21 et al, 2016) are roundly assessed to be the main causes of Brazil’s surging fiscal deficits, the Brazilian government has decided to engage in pro-cyclical budget cuts principally targeting investments in human rights, social protection, climate change and racial and gender equality. Meanwhile, debt service payments have soared.

Fig. 10. Nominal budget variations for selected programs in Brazil, 2014-2017

Source: Authors’ calculations based on data from SIGA Brazil.

EXPENDITURE CEILING WILL REDUCE MUCH-NEEDED HEALTH AND EDUCATION SPENDING

If a similar limit had been imposed since 2003, the health budget in 2015, for example, would have been reduced by 43% (R$55bn instead of R$100bn) (Sulpino & Pucci, 2016: 9). Over the next two decades, forecasts show that the constitutional amendment will result in significant losses to key investments in health and education.

Fig. 11. Estimated social spending as percentage of GDP under the EC 95, 2017-2036


Indeed, the budgetary impacts of the Constitutional Amendment are already beginning to emerge. In 2017, the share of health and education spending within the federal budget dropped 17% and 19% respectively (INESC, 2017b).

DRASTIC CUTS TO FOOD PROGRAMS RISK A RETURN TO HUNGER AND MALNUTRITION

Over the last decade, Brazil was a world-renowned model in the fight against hunger and malnutrition. Yet, even before the austerity measures, some disadvantaged groups saw little progress. While the overall prevalence of undernourishment fell below 2.5% in the last decade, prevalence of anemia among women remained high at 27% – well above the Latin American average (FAO, 2017: 82). Rather than addressing these deficits, the government in 2017 reduced funding for food security programs – essential for low-income mothers in particular – by 55% (INESC, 2017). The Food Acquisition Program (PAA), which links small-scale farmers to food-insecure households and children, is an alarming example of this undercutting of food security. After a decade of increased funding, social recognition and real benefits to the poorest Brazilians, the PAA faces deep, austerity-driven budget cuts. The budget authorized to the Ministry of Social Development and the Secretary of Agrarian Development in 2017 was only 31% of the one authorized in 2014 – a 69% cut over three years. As a consequence, many small-scale farmers – especially in the poorest Northern regions of the country – have been stripped of this benefit.

Fig. 12. Number of farmers benefiting by region, and budget allocated and executed for the Food Acquisition Program (PAA)

*Budget executed and beneficiaries in 2017 is an annual projection based on spending trends up until June 2017.

Source: SIGA Brazil and PAA

By November 10, 2017, spending data show that the government has not spent a cent from the 2017 programmed budget for one of the modalities, but only remnants from previous years. The budget is being spent exclusively to pay past commitments.
FEMICIDE AND OTHER FORMS OF VIOLENCE AGAINST WOMEN IS EXTREMELY HIGH, DISPROPORTIONATELY AFFECTING YOUNG, BLACK WOMEN

At least 13 Brazilian women die to homicide every single day. Brazil has the fifth highest female homicide rate in the world. In the decade leading up to 2013, the female homicide rate jumped 21%, and is now 2.4 times higher than the global average. Half of homicides were committed by family members, and a third by other people who knew the victim. Young women faced the highest rates. While some progress has been made for white women, the killings of black women have jumped by 54% (Dossiê Feminicídio, 2017).

Fig. 13. Homicide rates for black and white women in Brazil, 2003-2015

Source: Dossiê Feminicídio, 2017. Data: Flacso/OPAS/OMS/SPM

SINCE AUSTERITY MEASURES BEGAN, THE BRAZILIAN GOVERNMENT IS DISMANTLING INSTITUTIONS WHICH ENSURE GENDER EQUALITY

The Secretariat on Policies for Women (SPM) was created in 2003 as a joint Ministry to the Presidency. However, since 2015, significant setbacks have weakened gender-based institutions at the federal level.

Fig. 14. Austerity includes dismantling institutions for gender equality

Fig. 15. Budget allocation on women’s rights programs, 2014-2017

Source: Authors’ calculations based on LAI.

AS A CONSEQUENCE, WOMEN’S RIGHTS PROGRAMS ARE BEING UNDERCUT

For example, women’s rights advocates have successfully established a government goal to create a physical space providing combined specialized services for victims of violence—the “Brazilian Women’s Houses”—in 25 Brazilian capitals. However, only three of these houses are even open, and no new houses have been built in 2017, with the execution well below the goal. Despite their importance, public campaigns to prevent gender violence have also diminished since 2014; the “Gender Observatory” has lost institutional priority and its Annual Socio-Economic Report for Women has not been released since 2014. The government has stopped publishing biannual statistics from a phone line for female victims of gender violence. Finally, the number of specialized services offered to women suffering from violence has already been reduced by 15% as a result of budget cuts. This means that while the number of cases of violence against women has been on the rise, the number of services offered to support them has decreased.

Fig. 16. Networks of specialized services for victims of gender violence, 2014-2016

Source: Authors’ calculations based on LAI.

WOMEN’S RIGHTS HAVE SUFFERED BUDGET CUTS

Between 2014 and 2016, women’s rights programs have sustained a 40% budget reduction. For every R$ 1 cut from the budget for women’s policies between 2015 and 2016, debt servicing payments increased by $1,350. Programs to strengthen women’s autonomy, promote gender equality and provide services for women in situations of violence suffered major cuts. The budget for the Policies for Women program was initially set at R$ 96.5 million in 2017. However, only R$ 32.2 million were effectively released. With a budget allocation so low in the first year of the “Expenditure Ceiling Act”, it is highly unlikely that over the next few years appropriate budgets will be allocated to the promotion of “Policies for Women”.

Fig. 16. Networks of specialized services for victims of gender violence, 2014-2016

Source: Authors’ calculations based on LAI.
Austerity measures are stunting the right to health

DESPITE PROGRESS, UNEQUAL ACCESS TO MEDICINES PERSISTS

Until 2014, Brazil made impressive progress in ensuring access to medicines for all people, regardless of their level of income. Public spending on access to medicines by the Brazilian Ministry of Health increased from R$ 1.8 billion to R$ 14.8 billion between 2003 and 2015 (INESC, 2016) an increase of over 260% in real value (Mengue et al, 2016). As a result, 94.3% of adults who need medicines for chronic diseases obtained them. Only 0.5% failed to obtain any medicine for their treatment. Among those who got full access to treatment, about half of them (47.5%) got all medicines for free. The poorest Brazilians, as well as those without a health plan (55.7%), benefited the most (Tavares et al, 2016). In comparison with national averages, however, the poorest regions (North and Northeast in particular) face the widest barriers in access to life-saving medicines within the country, using medicine use as a proxy indicator (Bertoldi et al 2016: 7s).

“POPULAR PHARMACIES”: A SUCCESSFUL PROGRAM AT RISK

Key to this progress, the “Popular Pharmacy” program, established in 2004, became one of the most successful social policies in Brazil. The program began with the aim of providing access to essential medicines through a public network of pharmacies. It later expanded to provide 90% subsidies for purchase in private pharmacies. In 2011, the Ministry of Health made medicines for diabetes, hypertension and asthma fully subsidized, both through the public network and at private pharmacies. Against this trend of increased access to life-saving medicines, the Brazilian government began reducing the program budget from R$ 3.34 billion in 2015 to R$ 3.11 billion in 2016. By the end of October of 2017, public investments in the program amounted to R$ 2.4 billion in current values. If this paucity of resources is maintained, this key program freeing millions of Brazilians from disease will receive only R$ 2.9 billion in 2017; a 15% cut since austerity measures began.

Fig. 17. Prevalence of medicine use by region in Brazil, 2014

Source: Bertoldi et al, 2016

Budget executed in 2017 is a projection until the end of the year based on expenditure trends up to October 2017.

Number of public pharmacies and municipalities covered in 2017 is calculated by subtracting the pharmacies that were in operation by June 2017 according to the Ministry of Health (367) from the 314 pharmacies that were closed by Order No. 1630 issued in August 2017.

ACCESS TO MEDICINES AT PERIL FROM AUSTERITY-DRIVEN CLOSURES OF PUBLIC PHARMACIES

Before austerity measures, more than a third of beneficiaries could only access medicines in public pharmacies (Tribunal de Contas da União, 2011). In 2017, the Ministry of Health decided to close 314 public pharmacies, leaving only 53 in operation today. As a result, Brazilians in 305 municipalities no longer have access to public pharmacies. The Northern, poorest regions are the most affected by the discriminatory decision to dismantle the network of public pharmacies. As shown in Fig. 17, inhabitants of the northern, poorest regions face lower prevalence of medicine use, partially due to barriers to access. Around half of the pharmacies in the richest southern regions are private, whereas in the north and northeast regions, more than 90% of the pharmacies are public. The government’s decision to close public pharmacies will, therefore, virtually cut off the channels available to access medicines to those living in rural areas who need them the most.
Austerity is unreasonable and completely unnecessary

AUSTERITY, AND PARTICULARLY THE EXPENDITURE CEILING, IS UNJUSTIFIED AS IT FAILS IN ITS OWN AIMS

The declared aims of the EC 95 are to reduce the deficit and restore financial confidence. Yet, projections strongly suggest that the amendment will not make much of a dent in the deficit, and will hold back economic growth. These economic costs of austerity compound the social costs illustrated in this factsheet.

Fig. 19. Growth rate and fiscal balance forecasts with and without EC 95, 2015-2021

There are alternatives to austerity

The Expenditure Ceiling is unnecessary in human rights terms because it was adopted without considering less restrictive measures to reduce the deficit. Combatting tax evasion, for example, could raise R$ 571.5 billion, according to the Brazilian Union of Tax Prosecutors—almost four times the 2016 federal deficit of R$ 155.8 billion, and almost 90% of total revenue raised by states and municipalities altogether (Sinprofaz, 2017). A progressive tax reform, including a personal income tax rate of 35% for very high incomes while taxing profits and dividends progressively, would generate another R$ 72 billion in additional revenue, while reducing inequality by 4.31% (Gobetti & Orair, 2017).

Fig. 20. Alternatives to finance social spending vs Brazilian deficit, 2016

CONCLUSIONS AND RECOMMENDATIONS

- Brazil is one of the most unequal countries on the planet, with deep human rights deficits. Inequality poses significant costs to economic performance, sustainable development and human rights enjoyment.
- Instead of seriously assessing available alternatives to raise revenue equitably, Brazilian governments over the last three years have decided to engage in deep cuts to key social sectors—including the extreme measure of constitutionally mandating a 20-year public spending freeze (“EC 95”).
- Austerity, and EC 95 in particular, is not a plan for fiscal stabilization, but an assault to the human rights of Brazilians, particularly women, blacks and others at greatest risk of poverty. It also increases social and economic inequality.
- With a constitutional limit to public spending in place, progress in achieving human rights and the Sustainable Development Goals remains out of reach in Brazil.
- This factsheet finds that the harmful, disproportionate and unnecessary austerity measures, in particular EC 95, are unjustified and retrogressive. These measures thus stand in serious breach of international human rights law, and even constitutional law. As the Supreme Tribunal recently found, some austerity policies are not admissible as they undermine cornerstone clauses of the Brazilian Constitution, such as the duty to progressively fulfill social rights (Supremo Tribunal Federal, 2017).  
- Brazilian authorities should take immediate steps to repeal Constitutional Amendment 95 and to subject any fiscal consolidation measures to an independent and rigorous assessment of their human rights impacts, in line with the criteria set out by international human rights bodies and with the full participation of civil society organizations, national human rights institutions and equality bodies.
- As an alternative to austerity, a comprehensive progressive tax reform—based on principles of fiscal justice and the elimination of corruption and tax dodging—could resurrect needed investments in health, education, food security and women’s rights while dismantling discrimination, deepening democracy and upholding the human rights of all Brazilians.

Tackling corruption and fighting illicit financial flows, among other measures, could likewise offset the need for austerity, while also boosting tax morale and helping to regain the public’s trust.
ABOUT THIS FACTSHEET
This Factsheet was prepared by the Institute for Socio-economic Studies (INESC), Oxfam Brasil and the Center for Economic and Social Rights (CESR) to examine the human rights impacts of austerity measures in Brazil, and to promote alternatives.

ABOUT THE ORGANIZATIONS
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