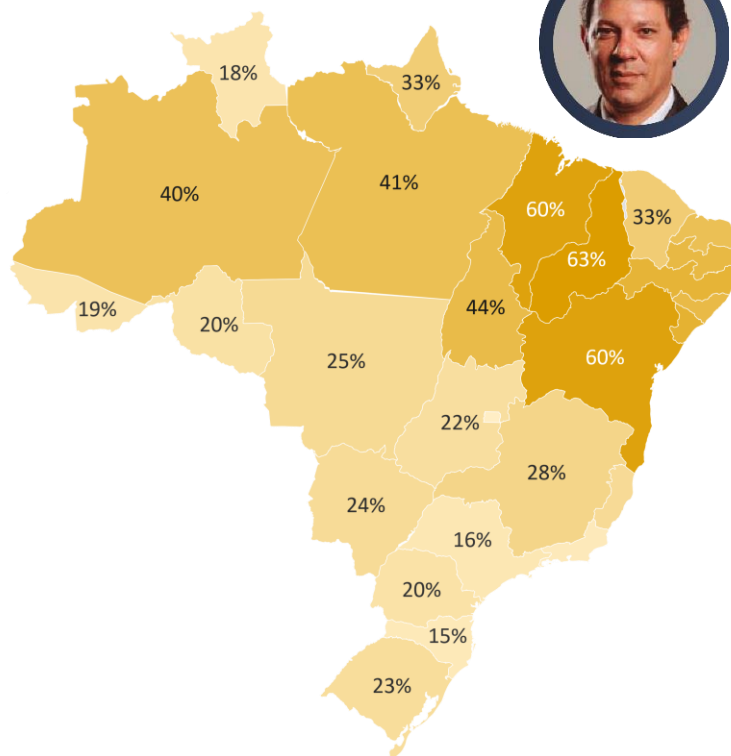
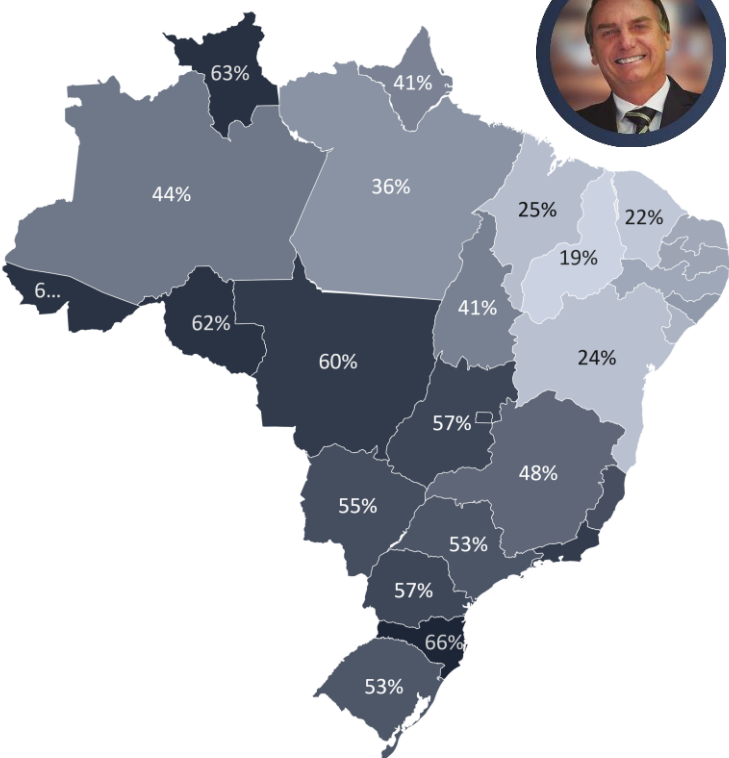


BMJ | ELECTIONS

2018

VOTE COUNT



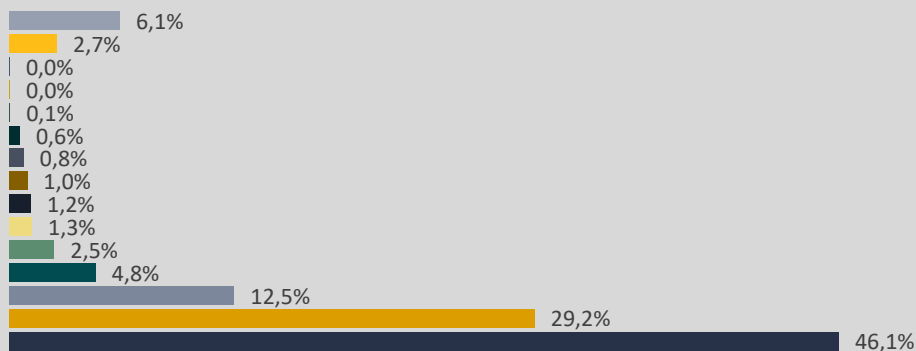
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Da plataforma Bing
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Resultado Bolsonaro
19% 66%

Resultado Haddad
12% 63%

Leading with a great advantage since the beginning of the votes count, Jair Bolsonaro (PSL) goes on the run-off after receiving more than 46% of the valid votes. Runner-up and Lula's political protégé, Fernando Haddad (PT), proceeds to the second round but arrives at a disadvantage with 18 million fewer votes than Bolsonaro.



- Null
- Eymael (DC)
- Alvaro Dias (Podemos)
- Cabo Daciolo (Patriota)
- Ciro Gomes (PDT)
- Blank
- Vera Lúcia (PSTU)
- Marina Silva (Rede)
- João Amoêdo (Novo)
- Fernando Haddad (PT)
- João Goulart Filho (PPL)
- Guilherme Boulos (PSOL)
- Henrique Meirelles (MDB)
- Geraldo Alckmin (PSDB)
- Jair Bolsonaro (PSL)

FIRST ROUND ANALYSIS

The first round of the elections came to an end and was marked by the importance of social networks, especially Whatsapp, and by the amount of Fake News. Television time, an instrument hitherto used as a fundamental tool for consolidating votes has proved not to be individually enough to leverage a candidacy.

1ST ROUND TIMELINE

Aug 8th - First open TV debate among the presidential candidates

Aug 16th - Election Campaign Begins

Aug 31st - Start of free advertisement on open TV.

Aug 31st - TSE denies registration of Lula's candidacy and gives the PT 10 days to change candidate

Sep 6th - Candidate Jair Bolsonaro (PSL) is stabbed and remains out of campaign for recovery ever since.

Sep 11th - In place of Lula, PT confirms Fernando Haddad as presidential candidate and Manuela D'Avila (PCdoB) as vice presidential candidate.

Sep 29th - Women's march for democracy. Greater supra-party mobilization led by women against the candidacy of Jair Bolsonaro.

Sep 30th - Demonstrations in the country pro-Bolsonaro.

Oct 4th - End of free advertising on open TV.

Oct 4th - Last debate among the presidential candidates held by Globo. At the same time Bolsonaro gave an exclusive interview to the Record TV channel.

PSDB's candidate Geraldo Alckmin made alliances with the center parties to get as much television time as possible, and because of the negative aspects of those alliances and the failure to identify voters' aspirations, he was not able to grow in the polls. Alckmin won the party election and lost the popular election, with a hesitant and failed campaign and in being the anti-PT candidate and the third way. In addition, several PSDB politicians were involved in scandals and were arrested during the campaign. PSDB has lost the support of a large part of its electorate and leaves the 2018 elections weakened.

Lula's campaign was based on the image of Lula, which enabled a large transfer of votes to Fernando Haddad, but also limited the discourse of the plate and did not allow a deepening and presentation of Haddad's program. The PT counted on Lula's interview to consolidate the transfer of votes, but due to a dilemma in the Supreme Court (STJ), it was not authorized.

Jair Bolsonaro was the big winner so far. Without broad partisan support, something he sought before the campaign but failed to bring the center parties into his coalition, Bolsonaro enjoyed considerable social media support and spontaneous demonstration from his followers. In the early days of the campaign, he was falling in the polls and his rejection increasing, a situation that led him to decide not to participate anymore in debates. However, after the attack on September 6, Bolsonaro was absent from the campaign and his voting intentions began to rise steadily. In spite of the controversies in which Paulo Guedes and General Hamilton Mourão got involved, having their statements denied by Bolsonaro, the candidate managed to maintain the support based on the anti-PT discourse.

Ciro Gomes made one of the best campaigns in this first round, even without broad party support and without significant television time, he managed to overcome Marina Silva and Geraldo Alckmin and position himself as the third-way candidate. He was also one of the candidates who presented proposals and programs in more advanced stages. In the end, Lula's political articulation to isolate Ciro's candidacy went well and made the PT candidate run the second round.

Marina Silva, who started the campaign as the biggest beneficiary in the case of Lula's absence and second after Bolsonaro, had a campaign that did not have a flag that caught voters' attention nor did it position itself as a viable third option. Without resources (budget and television time) and with low support in the states, Marina has dropped dramatically in surveys and lost strength. Her party, *Rede Sustentabilidade*, leaves the elections weaker than when it entered, what puts in check its survival in the next years.

The other candidates (Álvaro Dias, Henrique Meirelles, João Amoêdo, Cabo Daciolo, among others) never exceeded 4% of votes intentions and, as anticipated, were not competitive candidates with real chances of reaching the second round. Nevertheless, they played an important role in dispersing the votes and impeding the growth of the main candidates in strategic places. Alvaro Dias prevented the growth of Alckmin in the southeastern region, and especially in the Paraná, a traditional PSDB stronghold. While Amoedo drew votes from both Bolsonaro and Alckmin. The large number of candidacies also influenced the debates. The model of debate with a large number of candidates proved inefficient, bringing an extremely long and superficial debate, not allowing candidates with a structure to actually discuss their proposals.

THE ELECTIONS' HIGHLIGHTS

The anti-PT and anti-Bolsonaro sentiments were the bases for the voters' decision. Lula and Bolsonaro are the main characters of the 2018 election. Programs and proposals were put second.

Moderate candidates failed to show themselves as a third way in a polarized election.

Whatsapp Elections: Television time alone was not enough to have a decisive impact on the elections. Whatsapp proved to be a widely used tool with a large number of Fake News.

The halving of campaign time and the end of corporate donations changed electoral strategies. The presidential candidates prioritized visits to the most important electoral colleges and needed the voluntary engagement of their militants.

The knife attack against Bolsonaro contributes to intensifying the polarization scenario and has strengthened the PSL candidate by substantially increasing his exposure time in major media vehicles in an extremely positive context. The criticisms against Bolsonaro were temporarily halted by his adversaries soon after the attack happened.

The large number of candidates hampered the growth of the main names and dispersed the attention of the population, making the debates seem superficial and with little information.

THE ROLE OF THE JUDICIARY IN THE ELECTIONS

The Judicial power and the Public Prosecutor's Office (MP) played a prominent role in the first round of elections, with actions that somehow had the power to influence the electorate's vote.

Four candidates of the PSDB were targets of actions by the MP, one of them resulting even in temporary prison. Former governors Marconi Perillo (Goiás), Beto Richa (Paraná) and Geraldo Alckmin (São Paulo) and the governor Reinaldo Azambuja (Mato Grosso do Sul) were among those targeted. Beto Richa was temporarily arrested along with his wife and brother. Against Alckmin, the MP of São Paulo filed an administrative improbity action, for slush funds. These constant actions during campaign periods weakened the PSDB and hampered the speech of renewal and anti-corruption position, thus benefiting Jair Bolsonaro.

While against the PT, there was an action by the MP of São Paulo, who filed suit against Haddad for administrative improbity for alleged illicit enrichment. Another highlight of the judiciary was the disclosure by Judge Sérgio Moro of the testimony of Lula's former minister, Antonio Palocci, a week before the Election Day. The action was criticized because there was no procedural reason for the disclosure at that time.

SECOND ROUND SCENARIOS

Narrowly the elections were not defined in the first round. Bolsonaro started this new campaign phase with an undeniable advantage against Haddad, but new developments could reconfigure the dispute. Given the current conditions, **Bolsonaro has a 70% chance of winning the second round and Haddad has 30%.**



BOLSONARO WINS (70%)

Boosted by the great performance in the first round, Bolsonaro, starts the second phase of the campaign in a high, with the stabilization of his rejection rates. The candidate would be able to dilute the inconsistencies seen in the first round and adopt a more cohesive line of action. General Mourão should be isolated from public events and Bolsonaro would again participate in acts across the country to engage his militancy, while Paulo Guedes would continue to promote economic policy with investors. The recent partnership with Record TV will privilege him during the campaign and the candidate is not expected to participate in all televised debates.



HADDAD WINS (30%)

Haddad has more to gain in this new phase of the elections than Bolsonaro. In order to emerge victorious in the race, Haddad would have to reverse the growth of his rejection rates and explore Bolsonaro's polemical statements. As the two candidates will be put face to face many times, Haddad would be able to present himself as the most prepared and experienced in public administration. Haddad will also adopt a much moderate speech that is close to the yearnings of the market, giving signs that he would not make radical changes to the reforms approved by Temer. To win, the PT needs the anti-PT wave to be smaller than the anti-Bolsonaro surge.

Bolsonaro – governability index



SUPPORT IN CONGRESS

Throughout the campaign, governability with Congress was singled out as one of the critical points for Jair Bolsonaro. Even with a ticket made up of small parties, Bolsonaro managed to elect more than 50 representatives of a party until now unknown and to garner support from supra-party counterparts at the National Congress, such as the ruralist, evangelical and bullet benches. This points out that Bolsonaro must build a coalition of government based on informal support. In this scenario, Bolsonaro would be viable to build a broad base of support. In the meantime, the candidate has to face scarce resources to contemplate his allies and ensure support for approving the necessary reforms. Bolsonaro promised a reduction in the number of ministries and the appointment of military men to the government, which means that the parties will not count on these positions to bargain for their votes. At first, Bolsonaro must not yield to the pressures of traditional politicians for political bargaining, which can create tension with the relationship of the center parties, which are not based on an ideological agenda and depend on the benefits of the public machine for their support. This complex relationship with the National Congress and with the center parties can lead to a moderate reformist agenda without the adoption of more radical measures. Since the beginning of the elections, the



ECONOMIC SUPPORT

market was already more favorable to a Bolsonaro government than to a center-left candidate. The nomination of Paulo Guedes as minister of the finance led the market to buy in Bolsonaro's liberal agenda. In fact, Guedes must have enough autonomy in the economic themes and indicate a technical team aligned with the market's expectations. So far, Bolsonaro's campaign has not presented in detail what the government's economic program would be, but Guedes is expected to propose a strong fiscal adjustment agenda with liberal bias. Microeconomic measures should focus on improving the investment environment to reduce bureaucracy. More controversial measures such as the privatization of Petrobrás should not prosper or at least not be addressed in the first year when the focus will be on approving the pension reform and other measures for the rebalancing of public accounts.



POPULAR SUPPORT

With the powerful performance in the first round, Bolsonaro is able to start a government supported by a considerable base of popular support. As a reflection of polarization, Bolsonaro would also begin his government with a strong popular mobilization opposition. Taking into account the controversial statements made by members of his party, demonstrations and protests should be intensified with the support of central and left parties.

The support of the evangelical group may cause non-economic issues to enter the center of the discussion and mobilize the population for both sides. Bolsonaro has a difficult relationship with some communication vehicles, but he got the support of TV Record, which can strengthen him. The politician will continue to use social media to communicate with the people just as Trump does and will use the support base he has built up in recent years to pressure parliamentarians to vote on his government agenda.

THE BOLSONARO ADMINISTRATION



| Segment | Name | Observation |
|---------|-------------------|---|
| Family | Eduardo Bolsonaro | Bolsonaro's Son and Federal Representative, candidate for re-election by PSL-SP and political strategist. |
| | Carlos Bolsonaro | Son of Bolsonaro and councilman for the city of Rio de Janeiro, digital media strategist. |
| | Flávio Bolsonaro | Bolsonaro's Son and State Representative, candidate for Senate, strategist. |

| | | |
|------------------------|-------------------------|---|
| Economy | Paulo Guedes | Coordinator of Bolsonaro's economic policy |
| Businessmen | Fábio Wajngarten | Specialist in media and communication |
| | Meyer Nigri | Owner of the construction company Tecnisa |
| | Sebastião Bomfim | Owner of Centauro network |
| | Luciano Hang | Owner of Havan Stores |
| | Mário Gazin | Owner of Gazin Stores |
| Agribusiness | Teresa Cristina | Representative and president of the Parliamentary Front for Agriculture and Livestock |
| | Nabhan Garcia | President of the Rural Democratic Union |
| | Frederico D'Ávila | Former adviser to Alckmin and consultant in the sector, candidate for state representative by the PSL |
| Military | General Augusto Heleno | Bolsonaro's main advisor outside his family |
| | General Hamilton Mourão | Candidate for the Vice-Presidency (PRTB), he's isolated in the campaign |
| | Major Olímpio | President of the PSL - São Paulo and Senator-elect |
| Evangelicals | Magno Malta | Candidate for re-election to the Senate (PR) |
| | Silas Malafaia | Leader of the Assembly of God, celebrated Bolsonaro's marriage |
| | Edir Macedo | Leader of the Universal Church, owner of Record TV, recently declared support for Bolsonaro |
| Political Party | Gustavo Bebianno | President of the PSL, candidate for federal representative for Rio de Janeiro |
| | Marcos Pontes | Announced as possible Minister of Science and Technology |
| | Onyx Lorenzoni | Announced as possible Chief of Staff Minister |
| | Levy Fidelix | President of the PRTB, candidate for federal representative for São Paulo |

Haddad – governability index



SUPPORT IN CONGRESS

The composition of Fernando Haddad administration will have to consider the distribution of positions not only with the allied parties but also within the party itself. The PT majority has no proximity to Haddad, but the candidate will have to commit to the appointment of some names close to Lula. The PT quota must be filled according to the indications and requests of the former president and, with less positions available to grace his allies, Haddad will have to be careful not to fall into the same mistakes as Dilma, by nominating PT members to the ministries without contemplating support parties in the National Congress to have the necessary majority to approve reforms. Haddad must seek support among the parties of the center-left wing, with the exception of *Rede Sustentabilidade*, and the parties of the so-called *centrão*. As the party does not intend to reduce the number of ministries, alliances must be based on the granting of government positions.



ECONOMIC SUPPORT

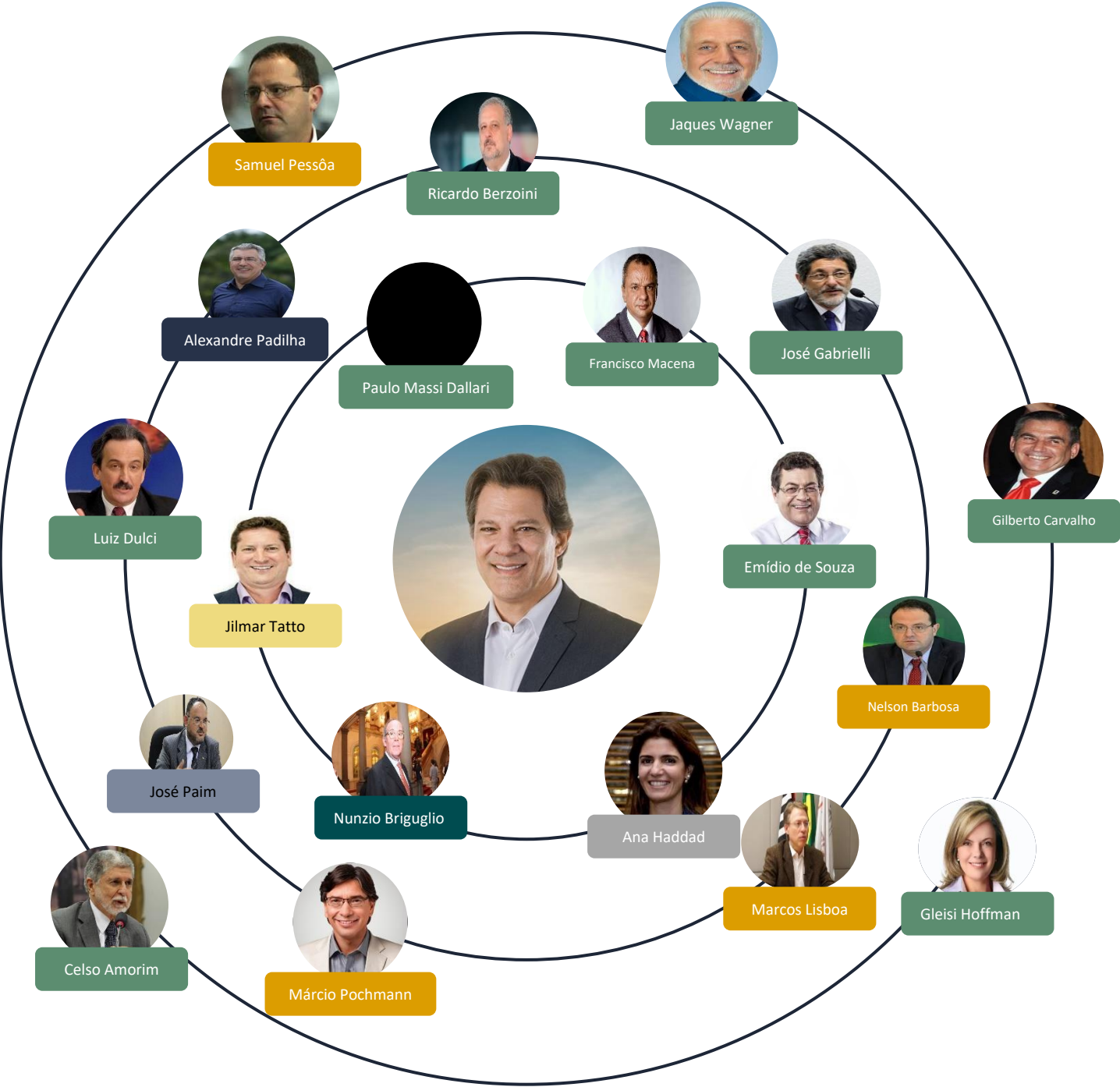
For the economic segment, Haddad still does not have a definite name, but the expectation is that an economist is indicated that reassures the market and shows that its government will be more similar to the first government of Lula than the last one of Dilma. Haddad is looking for a Finance Minister who has a similar profile to that of Antonio Palocci's, who circulated well in the academy and in the political environment. Haddad has already distanced himself from Guilherme Mello and Marcio Pochman, who are responsible for the PT economic program and who are seen as worrying for the market. One of the listed names that would meet all the requirements is Marcos Lisboa, director of Insper and a well-accepted name by the productive sector. Another name that has been raised is Samuel Pessoa, an economist and professor at FGV. Former Finance and Planning Minister Nelson Barbosa is also quoted to resume the budget cabinet. Had Haddad shown to be able to approve important economic measures in his first year in office, the market will have incentives to support his administration.



POPULAR SUPPORT

Weakened by his first-round performance, Haddad would begin his term with low rates of popular support and will have to strive to be perceived by the population as Lula's successor rather than Dilma Rousseff. Previous cases of corruption against the PT may mobilize the population to take the streets and demonstrate dissatisfaction with his government. Haddad also has an antagonistic relationship with the main media vehicles of the country that indicate he would have difficulties in passing a more positive image to the population. Add to that, the advances of the Car Wash Operation can further damage his image and the and the PT. The party's experience in the engagement with social movements and workers' union entities are in favor of the PT, but it will also prevent the party from taking a closer turn to neoliberal practices.

THE HADDAD ADMINISTRATION



| Segment | Name | Observation |
|---------|--------------------------------|--|
| Family | Ana Estela Haddad | Wife of Fernando Haddad, worked in the ministry of health, education, and on the management of São Paulo City Hall |
| Economy | Marcos Lisboa Samuel Pessoa | Economist and Director of Insper Economist and FGV professor |

| | | |
|------------------------|-----------------------|--|
| | Nelson Barbosa | Former Minister of Planning and Economy of Dilma Rousseff administration |
| | Marcio Pochmann | Unicamp professor and President of Perseu Abramo Foundation |
| Health | Alexandre Padilha | Former Health Minister |
| Education | José Henrique Paim | Executive Secretary of Ministry of Education during Haddad management and Minister of Education during Dilma Rousseff administration |
| Communication | Nunzio Briguglio | Former Executive Secretary of Communications at São Paulo City Hall |
| Transport | Jilmar Tatto | Former Transports Secretary at São Paulo City Hall |
| | Emídio de Souza | PT treasurer and candidate for federal representative |
| | Francisco Macena | Former Secretary of Government and Treasurer at Haddad Campaign |
| | Paulo Massi Dallari | Haddad's former chief of staff |
| | José Sérgio Gabrielli | Former President of Petrobrás |
| | Ricardo Berzoini | Former PT president and bank officer |
| | Luiz Dulci | PT Vice-President |
| | Gleisi Hoffman | PT President |
| | Gilberto Carvalho | Former General Secretary |
| | Jaques Wagner | Former Chief of Staff Minister and candidate for the Senate |
| | Celso Amorin | Diplomat and former Foreign Affairs Minister |
| Political Party | | |

MAIN PROPOSALS

CANDIDATES' PROPOSAL IN THE ECONOMIC AND SOCIAL AREAS

| Theme | Jair Bolsonaro | Fernando Haddad |
|---|--|---|
| Economy | <ul style="list-style-type: none"> • Creation of a super-ministry to take care of the Economy, merging Finance, Industry, Planning and General Secretariat • To subordinate to the new folder the command of the federal financial institutions • Reducing the fiscal deficit in 2019 to achieve primary surplus by 2020 • In interviews, he signaled the privatization of state-owned companies, but does not give details (suggests that Petrobras will have part of its operations sold to the private sector) • Income tax with unified tax rate of 20% for individuals. His economist spoke of recreating the CPMF, but was disallowed | <ul style="list-style-type: none"> • Reduction of interest • Promotion of credit • Resumption of the pre-salt and investments for Petrobras • Revocation of the spending ceiling • Reinforcement of income transfer programs • Maintenance of the policy of valorization of the minimum wage • Control of inflation by the Central Bank • Tax reform, with the creation of Value Added Tax and Income tax exemption for those who earn up to five minimums wages • Resumption of employment by increasing investments in stationary works, such as Minha Casa Minha Vida • Higher tax rates for banks that charge higher interest • Emergency Employment Program and Revocation of Labor Reform • Emergency Employment Program and Revocation of Labor Reform • Balance of Social Security accounts with the creation of jobs, formalization of economic activities and expansion of the collection capacity • Defends the combat of privileges, without details on how this will be done • The search for convergence between the self-regimes of the Union, the States, the DF and the municipalities with the general regime • Maintain the integration between the pension system and the Social Security • Reform of the system with the end of the housing aid for magistrates, members of the Public Prosecutor's |
| Social Security | <ul style="list-style-type: none"> • Income tax with unified tax rate of 20% for individuals. His economist spoke of recreating the CPMF, but was disallowed • Reform of the current system and gradual migration from the distribution system to the capitalization system (individual accounts) • Creation of a fund to reinforce Social Security financing and compensate for the reduction of social security contributions in the anti-rape system | |
| Judiciary / Fight against corruption | <ul style="list-style-type: none"> • Increase the number of ministers of the Federal Supreme Court (STF) | |

| | | |
|--------------------|---|---|
| | <ul style="list-style-type: none"> • Promises that there will be no political interference | <ul style="list-style-type: none"> • Office and application of the ceiling to the civil service • Reduction of vacation time from 60 to 30 days • Expansion of external control with creation of ombudsmen • Establishment of mandates for the members of the Federal Supreme Court (STF) and Superior Supreme Courts, not coinciding with the exchange of governments and legislatures |
| Safety | <ul style="list-style-type: none"> • Reduce the penal age from 18 to 16 years • Facilitate the purchase of weapons through the revision of the disarmament statute • Broader action by the Armed Forces • Immunity for military personnel (excluding unlawfulness) • Immunity for military personnel (excluding unlawfulness) • Creation of an interconnected national electronic medical record • Universal accreditation of doctors (everyone can attend at the SUS and in any health insurance) | <ul style="list-style-type: none"> • Creation of the Unified Public Security System - SUSP • Creation of a penitentiary school • Institution of National Policy on Criminal Alternatives • Gun Control |
| Health | <ul style="list-style-type: none"> • Creation of a career for State physicians • Inclusion of physical education professionals in the Family Health Program • Oral health reinforcement of pregnant women and neonates to combat child mortality | <ul style="list-style-type: none"> • Revocation of the spending ceiling for health • Total SUS implementation • Creation of the Multiprofessional Specialty Network (REM) |
| Environment | <ul style="list-style-type: none"> • Merge the Ministry of the Environment and the Ministry of Agriculture, Livestock and Food Supply. • Focus on the exploration of the Amazon (he finds indigenous lands an obstacle) • Leave the Paris Agreement. • Facilitate the environmental licensing process. | <ul style="list-style-type: none"> • Achieve zero net deforestation rate by 2022 • Monitoring compliance with the Forest Code, including the Rural Environmental Registry • Creation of the Ecological Transition Program • Creation of an instance directly linked to the Presidency of the Republic to coordinate actions from different Ministries • Present to neighboring countries a proposal to create the Adaptation |

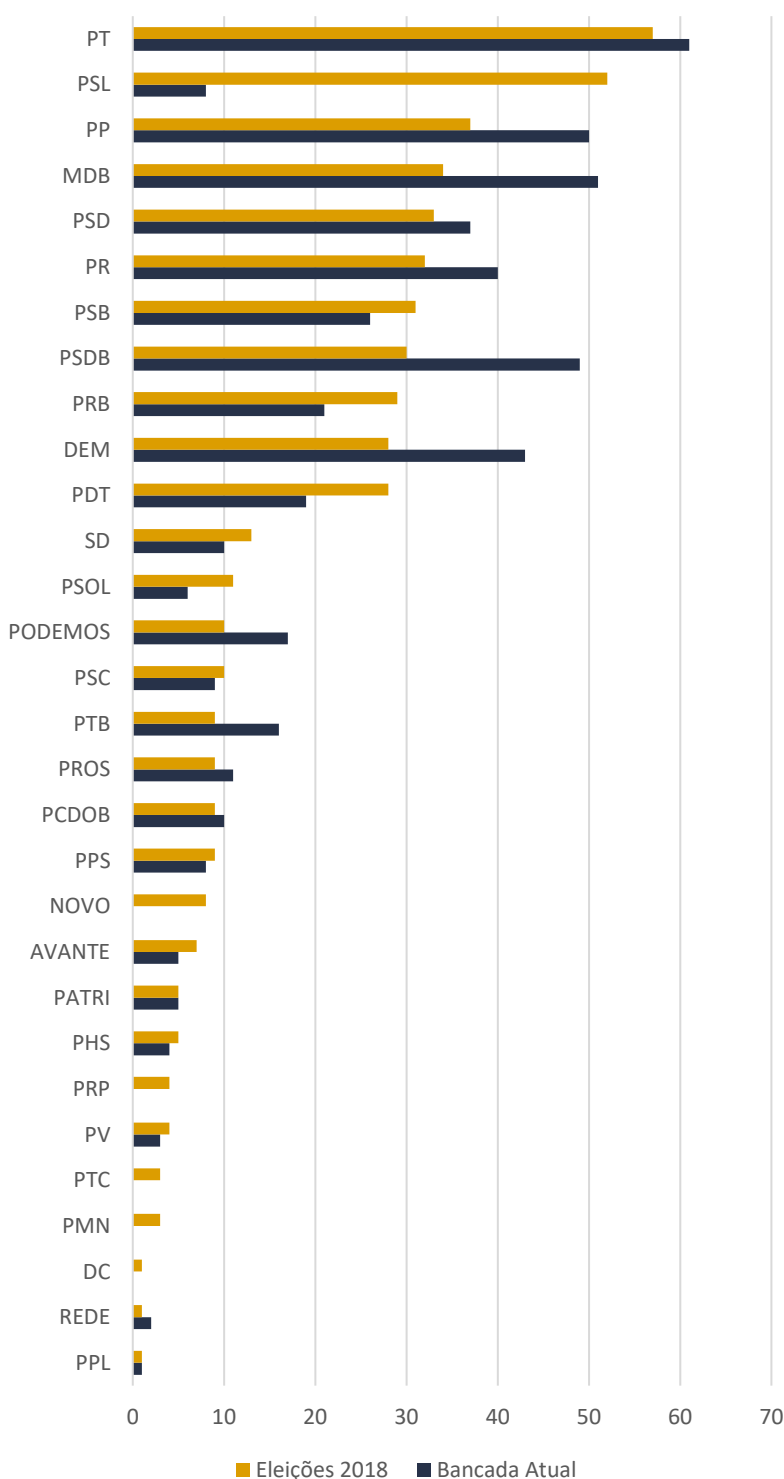
Fund for Latin American and Caribbean countries.

Education

- Strengthen teaching of disciplines related to exact science and Portuguese
- Technical education in universities
- End of automatic approval and withdrawal of influence from Paulo Freire's thinking in the school curriculum
- Create military schools in all Brazilian capitals within two years
- Defends 'school without a party' in criticizing education on gender issues
- Incentives to correspondence education for rural areas
- Implement the National Exam for Admission to the Teaching Career
- Agreement with the States and the Federal District for the federal government to take responsibility for schools located in regions of high vulnerability
- Ensure that all children, adolescents and young people between the ages of 4 and 17 are in school

THE NATIONAL CONGRESS IN 2019

HOUSE OF REPRESENTATIVES



In addition to the growth in the number of parties, which could increase from 25 to 30, the result of the election provoked important oscillations in the benches, both in relation to the current composition (2018) and the bench elected in 2014. Considering the nominal votes, that is, those received by individual candidates, not counting the party/coalition - factors of great relevance -, the parties that lost the most, having as benchmark the current bench, were PSDB, which will have 19 representatives less; MDB, with minus 17; DEM, which will have 15 less; PP, losses 13; PR, which lost eight; Podemos, seven; PTB, with also seven less; PT, with four; PSD, with four less; PROS, minus two; PCdoB, with one less; and REDE, which lost 1 and will only have 1 representative. On the other hand, Bolsonaro's party, PSL, that elected only 1 representative in 2014 and obtained a bench of 8 during last year, elected 52 representatives. With the total counting of the votes and basing the calculation also in the voting received by the electoral coalitions, these numbers can undergo changes, however, it is already possible to observe a certain pattern in the House.

The parties, considering the size of their benches, can be classified into five groups: two large, with more than 50 representatives (PT and PSL); nine medium, with between 20 and 49 (PP, MDB, PSD, PR, PSB, PSDB, PRB, DEM, PDT); four small, with between ten and 19 representatives (SD, PSOL, PODE, PSC); eight very small, between five and nine (PTB, PROS, PCdoB, PPS, NOVO, AVANTE, PATRI, PHS); and seven tiny, with one to four representatives (PV, PRP, PMN, PTC, NET, PPL, DC).

Indices of growth

Among the indices of growth, the best was with PSL, which increased its number of seats by 650%; followed by PSOL, which increased by 183%; PDT, by 147%; AVANTE, 140%; PRB, 138%; PV, 133%; SD, 130%; PHS, 125%; PSB, 119%; PPS, 112%; PSC, 111%;

Patriota, which kept 100% of its seats; and PPL, which also obtained the same number. NOVO, PRP, PMN, PTC and DC, were not present in the current composition of the House and will now have representation. Among the worst rates are REDE, with a reduction of 50%; PTB, with maintenance of 56%; Podemos, who maintained 58%

of its seats; PSDB, with 61%; DEM, with 65%; MDB, 66%; PP, which kept 74%; PR, with 80%; PROS, 81%; PSD, 89%; PCdoB, 90%; and the PT, which was a success for a big party, and kept 93.4% of its bench.

House of Representatives' Profile

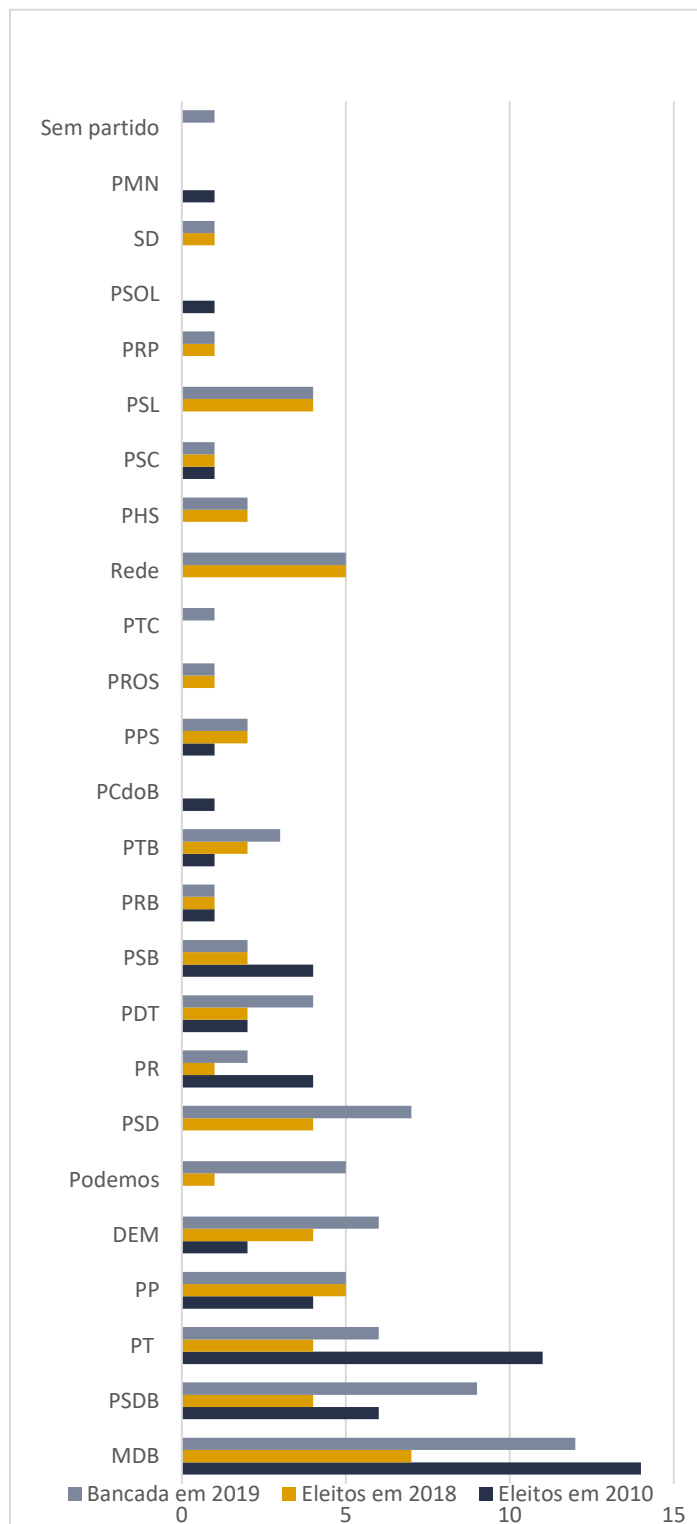
The thesis of the massive "anti-PTism" sentiment in society was not reflected in the House and the PT can remain the largest party in the House. On the other hand, Bolsonaro's popularity transformed a tiny party into the second-largest, with his son, Eduardo Bolsonaro, receiving more than 1.8 million votes and becoming the most voted representative in the country's history. The larger and more center-right parties were the ones that suffered the hardest losses – PSDB, DEM, MDB and PP. Much of the electorate of these parties seems to have been radicalized and gone towards Bolsonaro's PSL.

The Congress will thus gain a large number of Conservative representatives, based on a moralist discourse and on the defense of the family, against "everything that is there." There are many reasons for this result. On the one hand, there is the political environment in the country, with profound disbelief in the institutions, with frequent campaigns to disqualify the public agents, and, on the other hand, the lack of response from the government and the lack of strategy of the parties responsible for this scenario. The combination of these two factors – accusation and lack of response – led to the perception that Brazil is a country with no prospects and is mismanaged and left to fate, with low economic growth, high inflation, high violence and high levels of corruption.

Thus, in an environment of hostility to institutions and public agents, the constituent has come to identify with populist and messianic politicians who condemn the status quo and, in general, have a conservative bias. Voters who traditionally vote for more progressive parties also seem to have settled on parties more ideologically consistent, which will likely make the House more polarized. Either way, conservatives comes out leading.

As for the renovation of the House, what must occur is a movement or change of positions in power. In the same way that the House of Representatives exported politicians to other places, public agents who have held positions in other spheres will arrive at Congress – whether in the Executive Branch, former governors, former mayors, former secretaries, or in the Legislative, such as state representatives, former senators and former councilors. The number of effectively new, who have not previously held public office, will probably be very small, generally elected by influence of religion, evangelicals in particular, by the kinship with traditional politicians, for being celebrities, presenters of programs of television and radio, or because they are police officers with strong positions, etc. The expectation of the population by renovation in the House, thus, can be frustrated in this election. In addition to parliamentary amendments, reelection candidates had other advantages over new candidates: well-known names, consolidated electoral bases, easier access to the media, campaign structure, and an available cabinet. Besides, changes in electoral legislation did not favor changes in the House – reducing the campaign time from 90 to 45 days and the TV campaign period from 45 to 35 days are other reasons for the lower renewal. The candidates for re-election were also able to negotiate with their parties priority in public resources and space in the TV time, to the detriment of the new candidates, who have less power to "bring votes". It is also worth noting that the parties have prioritized the election of big benches in the House, since the barrier clause (minimal number of representatives to obtain access to electoral fund resources and TV time) will be in force in 2022, another reason to use politicians of relevance in the campaigns.

SENATE



Against expectations, during the year in which most candidates were ones attempting reelection – 32 out of 54 – the Federal Senate presented the biggest renovation index since the redemocratization. Starting 2019, there will be at least 46 new senators, which represents a renovation index of 85%, without considering the senators which ran for state governments and are still awaiting a second-round decision.

The Car-Wash Operation directly affected 24 of the elected senators in 2010. From these, about 17 parliamentarians attempted one more mandate in the current elections, such is the case of the champion in numbers of open inquiries at the Supreme Federal Court (STF) in relation to Odebrecht's testimonies: Michel Temer's government leader, Romero Jucá (MDB).

Three senators have opted to run for the House of Representatives, instead of attempting reelection, in order to maintain their legal immunity. Senators Aécio Neves (PSDB/MG), Gleisi Hoffman (PT/PR), and José Agripino (DEM/RN) are all defendants at the Supreme Federal Court (STF) within Operation Car-Wash. With their election for the House, besides keeping their cases at the Supreme court, the parties would benefit from more expressive numbers, thus facilitating the reaching of the election threshold.

The new composition of the Federal Senate will be of 21 parties and a high number of newbie senators, who will take office starting next year. The MDB, the Rede, and the PP were the parties which elected the most senators (7, 5, and 5, respectively). DEM, PSD, PSDB, PSL and PT come next, having elected 4 senators each. PSL's performance must be highlighted, as it had never elected a senator and from 2019 forward will have 4 of them. On the other hand, the PMN, PSOL, and the PCdoB have not succeeded in electing a single senator and now will have no representation at the Upper House.

| UF | Senators elected in 2018 | |
|----|----------------------------|--------------------------|
| AC | Sérgio Petecão (PSD) | Márcio Bittar (MDB) |
| AL | Rodrigo Cunha (PSDB) | Renan Calheiros (MDB) |
| AM | Plínio Valério (PSDB) | Eduardo Braga (MDB) |
| AP | Randolfe Rodrigues (Rede) | Lucas Barreto (PTB) |
| BA | Jaques Wagner (PT) | Angelo Coronel (PSD) |
| CE | Cid Gomes (PDT) | Eduardo Girão (PROS) |
| DF | Leila do Vêlei (PSB) | Izalci Lucas (PSDB) |
| ES | Fabiano Contarato (Rede) | Marcos do Val (PPS) |
| GO | Vanderlan Cardoso (PP) | Jorge Kajuru (PRP) |
| MA | Weverton (PDT) | Eliziane Gama (PPS) |
| MG | Rodrigo Pacheco (DEM) | Carlos Viana (PHS) |
| MS | Nelsinho Trad (PTB) | Soraya Thronicke (PSL) |
| MT | Selma Arruda (PSL) | Jayne Campos (DEM) |
| PA | Jader Barbalho (MDB) | Zequinha Marinho (PSC) |
| PB | Veneziano Vital (PSB) | Daniella Ribeiro (PP) |
| PE | Humberto Costa (PT) | Jarbas Vasconcelos (MDB) |
| PI | Ciro Nogueira (PP) | Marcelo Castro (MDB) |
| PR | Professor Oriovisto (PODE) | Flavio Arns (Rede) |
| RJ | Flávio Bolsonaro (PSL) | Arolde de Oliveira (PSD) |
| RN | Capitão Styvenson (Rede) | Dra. Zenaide Maia (PHS) |
| RO | Marcos Rogério (DEM) | Confúcio Moura (MDB) |
| RR | Chico Rodrigues (DEM) | Mecias de Jesus (PRB) |
| RS | Luis Carlos Heinze (PP) | Paulo Paim (PT) |
| SC | Esperidião Amin (PP) | Jorginho Mello (PR) |
| SE | Alessandro Vieira (Rede) | Rogério Santos (PT) |
| SP | Major Olímpio (PSL) | Mara Gabrilli (PSDB) |
| TO | Eduardo Gomes (SD) | Irajá Abreu (PSD) |

| UF | Senators elected in 2014 | |
|----|-------------------------------|--|
| AC | Gladson Cameli (PP) | |
| AL | Fernando Collor (PTC) | |
| AM | Omar Aziz (PSD) | |
| AP | Davi Alcolumbre (DEM) | |
| BA | Otto Alencar (PSD) | |
| CE | Tasso Jereissati (PSDB) | |
| DF | Reguffe (S/Partido) | |
| ES | Rose de Freitas (PODE) | |
| GO | Ronaldo Caiado (DEM) | |
| MA | Roberto Rocha (PSDB) | |
| MG | Antonio Anastasia (PSDB) | |
| MS | Simone Tebet (MDB) | |
| MT | Wellington Fagundes (PR) | |
| PA | Paulo Rocha (PT) | |
| PB | José Maranhão (MDB) | |
| PE | Fernando Bezerra Coelho (MDB) | |
| PI | José Amauri (PODE) | |
| PR | Alvaro Dias (PODE) | |
| RJ | Romário (PODE) | |
| RN | Fátima Bezerra (PT) | |
| RO | Acir Gurgacz (PDT) | |
| RR | Telmário Mota (PTB) | |
| RS | Lasier Martins (PSD) | |
| SC | Dário Berger (MDB) | |
| SE | Maria do Carmo Alves (DEM) | |
| SP | José Serra (PSDB) | |
| TO | Kátia Abreu (PDT) | |

Source: G1

The increase in the number of parties contributed to the reduction of MDB's, PT's, and PSDB's shares, which account for the largest benches of the House. The election has also strengthened the parties from the so-called *centrão* and left out the leaders of small, left-wing parties, such as PCdoB. The newest parties at the Senate are: PHS, PRP, PSC, and PSL, which took advantage of the movement of senators to the House and managed to elect their senators.

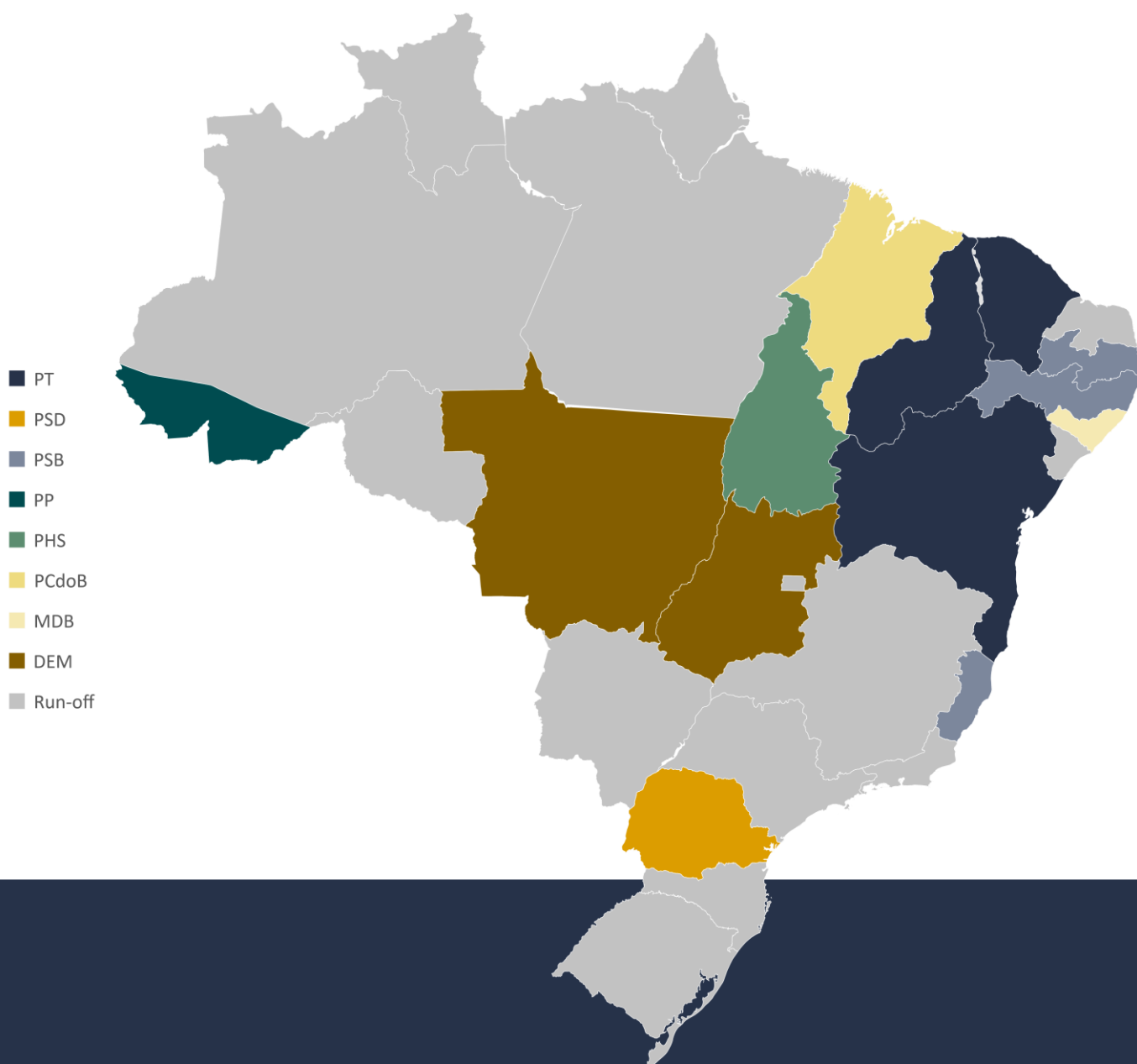
With such a high fragmentation index, the Federal Senate gets closer to the number of parties present at the House of Representatives. Nonetheless, it is expected that this phenomenon be an isolated case, considering the particularities of these elections, and that starting at the next ballot the number of parties will be fewer due to the implementation of the election threshold and to the end of party coalitions, which will make financial resources scarcer.

The fragmentation has been increasing at the Senate during the last years – in 2010, 15 parties made up the House. In 2017, this number jumped to 18 parties – this happened due to the possibility of senators changing parties during their terms with no prejudice whatsoever, unlike federal representatives which can only do so during the party exchange window. The fragmentation will be one of the main difficulties for the elected government when attempting to pass important measures at the House, such as the pension fund and tax reforms.

The failure of the Senate's leaderships in these elections is worth highlighting. Current Senate president, Eunício Oliveira (MDB/CE), and the vice-speaker, Cássio Cunha Lima (PSDB/PB), were not reelected. Just like

Edison Lobão (MDB/MA), Garibaldi Alves (MDB/RN), and Romero Jucá (MDB/RR). Jucá one of MDB's most important leaders at the Federal Senate, lost his chair by approximately 500 votes. Unlike his colleagues, Renan Calheiros (MDB/AL) managed to grant his chair for the next 8 years. The opposition, on the other hand, lost important names such as Roberto Requião (MDB/PR), Lindbergh Farias (PT/RJ), Vanessa Grazziotin (PCdoB/AM), and Jorge Viana (PT/AC).

STATE ELECTIONS



PSB and PT were the parties that most elected governors in the first round (3 each); the DEM came in second place with two governors-elect. Six other parties elected one governor: MDB, PCdoB, PHS, PSD and PP. The number of first-round elections was the same as in the last election.

Among the 14 states that will return to the polls to define the new ruler are the three largest electoral colleges of the country: São Paulo, Minas Gerais and Rio de Janeiro. The PSDB is the party with the highest number of representatives in the run-off: 7 states.

STATE GOVERNMENTS

Highlights

The PT was able to maintain hegemony in the states in which it traditionally obtained a good performance (Bahia, Piauí and Ceará). The only participation of PT in the second round will be in Rio Grande do Norte, where Senator Fatima Bezerra appears as the favorite in the state race. The biggest defeat for the party was in Minas Gerais, where the current governor Fernando Pimentel failed to reach the run-off. If, on the one hand, PT's performance in the Northeast is an element of celebration, this scenario ignited a warning signal in Fernando Haddad's campaign – since seven of the Northeastern states had already closed the regional election in this first round, it is possible that electoral engagement in the region to decrease and increase the number of abstentions.

The PSDB was not only defeated in the presidential race, but also felt the impact in the Senate disputes, where several favorites were left out. In the state disputes, however, the party managed to take seven candidates to the run-off and arrives as the favorite in at least three of them. One of the main questions that should substantially impact the PSDB candidacies in the second round is the position that the party will take in the presidential race. It is also worth mentioning the delicate situation of the PSDB in its political cradle, São Paulo. The candidate João Doria, a dissonant voice among the PSDB traditional leaders, did not wait for the party's official position and has already declared support for the candidacy of Bolsonaro. Doria's biggest challenge is to overcome his high rejection rate.

Another party that had a better regional performance than in the national race was the MDB. The party was able to elect Renan Filho in the first round in the state of Alagoas and led three other candidates in the run-off. The party begins the dispute with considerable advantage in Pará, where Helder Barbalho tries to assert the weight of his surname and in the Federal District, where the candidate Ibanez had an exponential growth and obtained a wide advantage over the second placed.

Also noteworthy is the rebirth of the Democrats. Since Rodrigo Maia (DEM) was elected president of the House of Representatives, the party started an aggressive strategy to increase its seats in Congress and grow in the polls. This movement proved productive for the regional growth of the party, which was able to elect two candidates in the first round and participate in two other rounds in the second round, in relevant electoral colleges – Pará and Rio de Janeiro, in Pará. decision for the second round was already a great achievement, given the favoritism that Helder Barbalho (MDB) presented throughout the campaign. While in Rio de Janeiro, the party expected Eduardo Paes (DEM) to arrive in the race in better conditions, but there are still good chances that the former mayor of the state's capital will be elected.

Another party that also managed to overcome a moment of decline over the last four years was the PSB. Even without formally supporting any presidential candidate, the party managed to re-elect Paulo Câmara in Pernambuco, João Azevedo in Paraíba and Renato Casagrande in Espírito Santo. The party still contests the second round in the Federal District and Amapá.

One of the biggest surprises of the election was the good performance of the NOVO party. The presidential candidate João Amoêdo was able to finish the dispute ahead of much consolidated names (Henrique Meirelles, Marina Silva and Alvaro Dias) and managed to elect a congressional bench above expectations. Yet, the biggest surprise came from the second largest electoral college in the country, the state of Minas Gerais. Romeu Zema (NOVO) was able to overcome the PT vs. PSDB dispute and was the highest-voted candidate in the state. Zema inaugurates this new phase of the dispute with the best chances of being elected – a good part of the votes received by Fernando Pimentel (PT) in the first round must be converted to the candidate of the Novo – an achievement for a newly created party.

THE STATE'S FISCAL SITUATION

The recovery of state revenues passes through the resumption of economic growth. Only the continuation of fiscal consolidation will allow the sustained evolution of the public debt, the recovery of confidence and the coexistence of inflation and lower interest rates. These measures, together with the improvement of the business environment and the incentive to increase productivity, will enable the resumption of investments, the increase of potential growth and the return of the sustained generation of employment in the country.

Since 2016, some challenges to the structural adjustment of the finances of the regional Governments have been tackled, but many others continue to exist. Four main measures were taken to attack the problems of subnational finances.

The first was the approval, in the National Congress, of the Fiscal Recovery Regime (Complementary Law 159/2017), which aims to create mechanisms to formulate and implement a Recovery Plan for States in a situation of insolvency. The second was the submission by the Federal Government to the National Congress of the Proposal of Constitutional Amendment 287/2016, which aims to reform the pensions system. The proposal, according to the federative autonomy, opens the period of 180 days for the States that wish so to approve their own reforms. If they do not approve their own reform, the rules of the Constitutional Amendment will apply.

Third, the National Treasury has initiated legal, inflexible and normative changes to modernize the Union Guarantee Scheme in order to make it more transparent and accountable. The new risk classification, in particular, will function as an instrument to help the sustainable borrowing of the Institutions. The new methodology is simpler, more comprehensible and sensitive to fiscal policy, as well as allowing for greater interaction with the State Fiscal Restructuring and Adjustment Program (PAF). Thus, the Tax Classification of CAPAG will guide the goals and commitments to be established in the PAF, as well as the possibility of obtaining credit operations.

Finally, the National Treasury promoted the approval of new rules for the Fiscal Responsibility Law (introduced by Complementary Law 156/2016), which establish a single accounting and information system standard for disclosure of the fiscal reports of the Entities. Such a measure will allow significant progress in transparency, with the standardization of accounting, budgetary and fiscal information and data in accordance with the Public Sector Accounting Manual (MCASP) and the Fiscal Statements Manual (MDF), as well as the implementation of the Accounting Balance Matrix.

Reforms that promote transparency, fiscal responsibility and the quality of spending are the only way to sustainably resume the capacity of states and municipalities to make investments and provide better services to the population.