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ARTIGO

POLICY DISMANTLING IN BRAZIL: RATIONALES AND EFFECTS IN THE INNOVATION SUBSYSTEM

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Policy Dismantling in Brazil: rationales and effects in the innovation subsystem

Abstract
The paper's main goal is to analyze the policy dismantling process in motion in the Brazilian innovation system since mid-2010. The research describes how this type of policy change has been undertaken and, primarily, explains the strategies deployed and major causes. The inquiry is theoretically grounded in the debate of policy dismantling, meaning changes that result in cuts, reductions, or even abolition of budget, rules, capacities, and instruments of a governmental sector. A mixed-methods approach, both quantitative and qualitative, is employed. First, it examines the dismantling process in the last years, focusing on the budget execution patterns of the major policy instruments and agencies in charge of innovation at the federal level. The research relies on the stakeholders' perception by conducting semi-structured interviews with experts regarding strategies, rationale, reactions, and effects. The empirical findings are intriguing in many ways. The deconstruction occurs in both dimensions: density (number of tools reduced) and, mainly, the intensity (budget cuts), varying according to government sectors. The interviewees highlighted the prevailing strategy as active dismantling, in which the fiscal austerity aggravated by the Covid-19 crisis, an ideological turn in the government coalition, policy particularities, and a low level of prioritization in innovation by the domestic business community are the main factors that affect the politicians' preferences to dismantle. Finally, the process has serious adverse effects on the national innovation system, such as the loss of bureaucratic and policy capacity, brain drain, and lag in technology, productivity, and economic performance.

Keywords: policy dismantling; innovation; decision making; political economy; Brazil.

Introduction

The paper's main goal is to analyze the policy dismantling process in the governance arrangement of the Brazilian innovation system since mid-2010. The research focuses on describing how this policy change has been undertaken and, primarily, explaining the main ideas and underlying causes that culminated in the dismantling processes of different dimensions of its policy instruments in the federal government. Therefore, it is an inquiry that aims to understand these critical junctures with a predominant emphasis on decision making, how they were implemented, and possible effects on the National Innovation System (NIS).

Innovation policy consists of an intervention formulated and implemented by the government, including its different agencies and spatial levels (national, regional, state, or municipal). Its primary purpose is to support, promote, and catalyze the generation, introduction, diffusion, adoption, and use of innovations. These, in turn, mean product, service, process, or business model to be used, commercially or not (Edler & Fagerberg, 2017) that add new value to the firms, public sector, or society.

The advance in understanding this current phenomenon is essential since promoting innovation is a vector for inclusive and sustainable socio-economic development (Lundvall, 2010; Mazzucato, 2013; Reynolds, Schneider & Zylberberg, 2019; Cirera *et al.*, 2020). Moreover, innovation also contributes to improving the well-being of citizens and building solutions to urgent global and social challenges, such as the Coronavirus pandemic. Building a NIS that promotes this process is always desired but little achieved by most countries. It is a long-term, complex, and, above all, a multicausal phenomenon of construction (Lundvall, 2010). The State plays diverse roles, such as funder, regulator, and skill trainer.

Despite the consensus regarding the potential returns of countries' innovation capacity, most governments fail to adequately design and implement policies to build an institutional environment favorable to economic, industrial, and/or high-technology development (Cirera & Maloney, 2017). As a result, this paradox tends to reflect in a hostile business setting, technological dependence, as well as low levels of labor productivity and economic complexity, which is the case in Brazil. Although the nation improved its innovation governance arrangement from the 1990's to the mid of the last decade by diversifying the number of policy instruments and constantly increasing its budget, it has changed with the reversal of this situation materialized by a recent trend of deconstruction of its policy mix.

The policy dismantling, meaning changes that result in cuts, reductions, or even abolition of budget, rules, capacities, and instruments of a governmental sector (Bauer, 2014), is noted both in density (number of instruments implemented) and intensity (the degree of prioritization, e.g., a decrease of personnel involved and budget) of the innovation policy mix. For instance, regarding the financing dimension of the NIS, the protagonist organization is the Brazilian Development Bank (BNDES). After an intense expansion of new programs and loans focused on innovation at the beginning of the century, since 2015, the Bank gradually reduced over 50% of the set of instruments with cuts of approximately 75% in the total disbursements. The same trend can be observed in different areas of the National Innovation System, such as education, science & technology, industry, and commercial policies. Several key programs were extinct or had their budget drastically decreased during the last six years.

Therefore, crucial research questions emerge: how these policy changes were undertaken? What are the prevailing dimensions and strategies used? Considering its adverse effects on the country's innovative capacity and long-term development trajectory, what are the main effects and determinants of this phenomenon? Are there organized reactions among this policy subsystem stakeholders? To answer them, the paper employs an analytical framework aimed to explain the features and causes of dismantling that usually involve a complex process including a variety of complementary factors, such as the country's socio-economic situation, changes in the ideological orientations of the ruling coalition, interest groups influence and supranational pressures that culminate in changes in preferences, decisions and actions regarding a particular policy subsystem (Bauer & Knill, 2013).

In methodological terms, the paper is a quantitative-qualitative approach grounded in official documents analysis, multidisciplinary bibliographic research, and interviews with experts, from universities and the private sector as well as top government officials engaged in the innovation policy mix. The interviewees were selected based on the snowball sampling or chain-referral method, in which the interviews are chosen based upon a referral from prior participants (Trochim, Donnelly & Arora, 2015).

Besides this introduction, the paper has three other sections. Next is dedicated to presenting the types of dismantling and the analytical framework used to explain its causes. In the empirical part, the methodology strategy is briefly described, followed by the description of the innovation policy dismantling in motion, and then the stakeholders' assessments and perspectives are discussed. The last section outlines the final remarks and future research agenda.

Explaining Policy Dismantling: a theoretical framework

In this section, the theoretical basis of this research is discussed, including the policy dismantling concepts, its dimensions, implementation strategies, and how the phenomenon can be explained. Lastly, the paper outlines insights regarding how the bureaucracy can react to this type of policy change.

The approach to policy dismantling is crucial because it is related to one of the critical topics of public policy: the analysis of policy change. Although it is not a new subject in the field of study, it predominates the focus on policy expansion, implementation, and evaluation. The dismount, disassembling, demolishing, or deconstruction of policies is also an increasingly relevant topic. It has been addressed, since the 1970s, with other nomenclatures - termination of public policies, deregulation, and welfare state dismantling. The latter became notorious with Paul Pierson's (1994) seminal research on the significant cuts in social policies during the conservative governments of Ronald Reagan (USA) and Margaret Thatcher (UK).

Nevertheless, this theoretical lens gained even more prominence with the liberal turn that marked the reforms of different focuses at the end of the last century and, recently, after the 2008 financial crisis when some developed nations, under the justification of budget constraints and the need to fiscal austerity, have undertaken contraction efforts, especially in social and environmental policies (Bauer *et al.*, 2013).

The term ‘policy dismantling’ consists of changes resulting in cuts, reductions, or even abolishing the budget, rules, laws, organizational structures, capabilities, and instruments of a policy or government sector (Bauer, 2014). It is, therefore, an institutional change with effects on the State's degree of commitment to a particular policy subsystem. The phenomenon, however, is not homogeneous and can be analyzed under different and complementary perspectives.

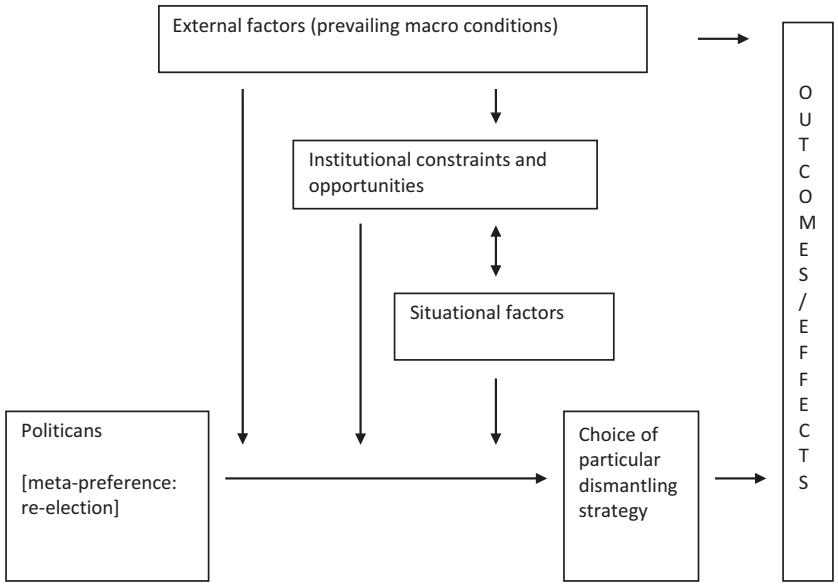
First, regarding the description of the process, changes can occur in two dimensions of the policy mix (Bauer & Knill, 2013):

1. Density: quantitative modifications of the policies and instruments, e.g., reduction of public programs effectively implemented or extinct in a certain period;

2. Intensity: qualitative modifications in the policy mix can be measured by the degree of prioritization granted by the government to a sector. It can occur substantially or informally. The first occurs via reductions of social benefits, fees, and exemptions and in the policy's range or target audience. At the same time, informal change focuses on capacity changes and administrative procedures essential for the implementation process, such as operational resources, budget, and staff.

To explain how the dismantling is undertaken, Bauer and Knill (2013) argue that two crucial questions must be addressed: i) under which conditions do politicians engage in policy dismantling; ii) which strategies of policy dismantling do they choose? Then, the authors formulated an analytical framework to help understand it, considering that the processes may vary according to the sector's priority level on the government agenda, political costs and benefits of changes, and policy particularities. Figure 1 displays the framework and its components:

Figure 1 – Analytical framework for policy dismantling explanations



Source: Bauer and Knill (2013).

The model departs from the premise that politicians, including elected officials and top-ranked bureaucrats, are rational actors who maximize their goals, i.e., to ensure their reelection or stay in office. So, why would they deliberately and consciously engage in a usual potentially unpopular direction, such as the policy dismantling? In this 'game,' these key actors' preferences, either in the Executive and Legislative branches, are affected by three types of factors during their political costs and benefits calculation of which strategies to choose. In their decision process, they behave bounded rational (Simon, 1955) when evaluating the outcomes and effects of their objectives and the policy sector in a broader sense.

The framework highlights three main aspects that influence the politicians' preferences to engage in policy dismantling: situational and external factors and institutional constraints and opportunities. The last is conjunctural and rarely predicted, such as natural catastrophes, scandals, or accidents. External shocks can trigger policy dismount by macroeconomic conditions, such as fiscal crisis, inflation, recession, etc., leading to austerity-type pressures on programs and budget cuts. External factors also occur due to disruptive technological changes, new ideas (e.g., neo-liberalism), or political events, such as an unforeseen election. Lastly, institutional opportunities and constraints, which vary according to the characteristics of different political-administrative arrangements and policy subsystems, also affect the politicians' engagement or opposition to changing the status quo. These may include Legislative voting rules, the number of institutional veto players, the constitutional court's role in the policymaking, and closeness to the election cycle.

These factors may interfere in the actors' cost and benefits calculations and, therefore, shape their preferences and choices in which dismantling strategy to follow. This is the other key component of the framework that encompasses different features and consequences to the policy mix. Despite the difficulties in framing the dismantling strategies, Bauer and Knill (2013) develop four ideal types varying in the extent to which a political decision to dismantle is actively and consciously taken or not. The typology also involves whether the political actors wish to hide or reveal their dismantling activities. These strategies may change during the policy deconstruction process and even be coexisted, especially in a broad policy mix, such as the innovation sector that typically encompasses many governmental areas (science & technology, education, finance, etc.).

The *Dismantling by Default* is the most discrete strategy, generally relying on the policy reduction justification due to changing external conditions, such as recession or inflation. This strategy usually guarantees low visibility because there is no public decision that attracts attention, debates, and open opposition to the dismantling process. Its effects tend to generate non-adjustment of substantial intensity in the instruments of the policy mix.

The second type - *Dismantling by Arena Shifting,* is considered an opaque strategy as the previous one as it also relies on low visibility. However, it is generated by transferring the whole policy responsibility to a different arena, e.g., another agency in the Executive branch, government level, or even private or non-profit sectors. The delegation, decentralization, or concession to an outsider organization can decrease the costs directly credited to politicians and impact manipulation of the formal intensity dimension of the dismantling, such as gradually decreasing enforcement capacities, administrative capabilities, and procedural requirements.

On the other side, *Dismantling by Symbolic Action* has high visibility. Its primary goal is to ensure that dismantling intention is clearly and directly a decision of the political actors. They expect to profit from their revealed preference, for instance, by announcing the reduction or termination in a particular policy density or intensity of a particular policy or re-labeling programs. The main feature of this strategy is that governments pretend to cut public budgets and address the efficiency of spending without actually doing it.

The last strategy, *Active Dismantling*, also focuses on high visibility with a strong and clear preference for dismantling. However, in this case, politicians not only are willing to be associated with the process, but they may genuinely want to disassemble the existing policies. As with the other strategies, it is also triggered by many factors mentioned in the framework. The effects of this option tend to be a complete decrease in density (abolition of policies or instruments) or a reduction in substantial intensity (reducing social benefits, research grants, financial subsidies, etc.).

Therefore, if the choice of a particular dismantling strategy depends on the political actors' costs and benefits analysis and further engagement, it is also reasonable to expect that other 'game' players will organize and mobilize against this process. Nonetheless, in this case, the Isaac Newton law - "for every action, there is an equal and opposite reaction," does not apply. In democratic regimes, characteristics of the polity can make it difficult for 'unilateral strategies' of policy dismantling. However, it only occurs because the supporters have greater executive control over the policymaking.

Understanding how the opposition to dismantling behaves is equally relevant, considering that they can avoid, postpone, or reduce drastic policy changes, such as program termination or complete budgeting cuts. Besides the politicians, another key player is the bureaucracy. According to Bauer, Peters, Pierre, Yesilkagit, and Becker (2021), civil servants can act in this situation in three ways: working, shirking, and sabotage. The first supposes that the bureaucracy's behavioral intentions are allied with the dissemble supporters, and they tend to obey and execute the politicians' decisions strictly. On the contrary, civil servants can also prefer to shirk and sabotage if appointed to dismantle their policy mix. They protect the agencies and the policy system to some extent from the harms that attack public administration's structures, resources, personnel, norms, and accountability, usually resulting in the dismantling.

Dismantling the Innovation Policy in Brazil: strategy and causes

Methods

To analyze the policy changes of a National Innovation System in a country with a complex political, administrative, and institutional arrangement, such as Brazil, requires different methodological approaches. Therefore, this paper employs a mixed-method, both quantitative and qualitative.

The first will help to describe the dismantling process in the last years and understand which strategy is predominant in the Brazilian case; the inquiry focuses on the budget patterns attributed to innovation policy instruments and public agencies in charge of the essential functions in the NIS. The empirical analysis is based on data from the Annual Budget Law (Chamber of Deputies), Brazilian Development Bank (BNDES), and the federal government's Transparency Portal. This information enables us to explore directed the dimensions of intensity and density of the policy changes (Bauer & Knill, 2013), consequently providing insights to assess which

dismantling strategy has been undertaken. The selection of these agencies and instruments is based on the typology of Edler, Cunningham, Gök & Shapira (2016), which organize the innovation policies according to their primary goals, i.e.:

I. Increase investments in research and development;

II. Improve skills;

III. Enabling access to specialized knowledge;

IV. Strengthen the capabilities of the whole system and explore complementarities;

V. Increase the demand for innovation;

VI. Improve innovation frameworks, including regulation and standards;

Regarding the dismantling explanations, the research focuses on qualitative data gathered through semi-structured in-depth interviews with leading Brazilian experts from different areas of this policy mix, such as industry, science & technology, education, and entrepreneurship. The twelve interviewees comprised a broad span of individuals from different professional backgrounds and vast experiences in academia, the corporate sector, and top government positions during the last two decades.

To reach the interviewees, the inquiry chose snowball sampling, a technique in which you sample participants based upon a referral from prior participants (Trochim, Donnelly & Arora, 2016). In short, purposive and nonprobability sampling is recommended to reach a group of individuals that are hard to find or relevant for a particular subject. In this research, stakeholders either have advanced knowledge about innovation policymaking or have been crucial to it.

The answers provided critical assessments on the policy changes in progress in the country and perspectives on the effects on the Brazilian NIS and the economy in general. The interviews have been transcribed and coded, allowing the identification of the key insights presented by each interviewee. Then, their statements were compared in line with the two primary theoretical grounds used in this paper – policy dismantling (Bauer & Knill, 2013) and the reactions to this phenomenon (Bauer *et al.,* 2021), which offered possibilities to find consensus as well as diverging viewpoints amongst the interviewees. Finally, the interviews were all conducted online, and the experts gave explicit permission to record and use the material.

Active Dismantling in a Fast Move

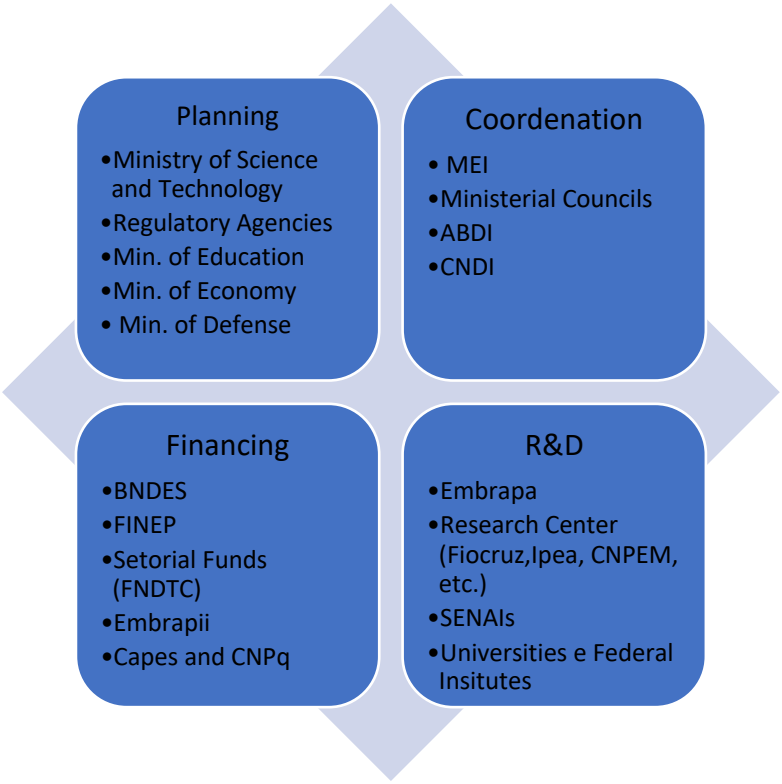
As discussed in the theoretical section, dismantling is not a new topic in the policy analysis field. However, it has gained more relevance in the last decades. In Brazil, the approach is emergent because, since the 1990s, the government's emphasis and academic attention were towards several efforts to build policy capacities as the democratic Constitution of 1988 set ambitious goals and new roles for the state. Nevertheless, between 2015 and 2016, a recent turnaround has dominated most Brazilian policy areas, predominantly characterized by

instruments and programs extinction allied with drastic budgeting cuts. Therefore, the first research question is: which dismantling strategy has been deployed? Before addressing the current dissembling process, a brief overview of the innovation policy mix in Brazil seems necessary.

Historically, this area has been linked to industrial policies that have changed significantly in the last decades. According to Arbix (2016), between the post-war and the 1980s, the context was grounded in the economic model of import substitution, with state leadership and trade protection policies supported by the premise that industrialization would act as a vector of competition, generation of technologies and national companies' competitiveness. During this period, it is worth mentioning the creation of public agencies that are still essential to the governance arrangement: the National Council for Scientific and Technological Development (CNPq) and Coordination for the Improvement of Higher Education Personnel (Capes), both in 1951; the Financier of Studies and Projects (FINEP), in 1967 and, in the mid-1980s, the Ministry of Science and Technology (Castro, 2020).

As a result, the policy governance is realized through a set of public organizations with different areas of activity but with a clear mission: to promote other fronts of innovation in the country. Although with varied configurations, they include, above all, ministries, state companies, foundations, autarchies, universities, and research centers, but with a fragmented pattern of functioning, with more sectoral and less holistic coordination. In an illustrative and not exhaustive effort, Reynolds, Schneider and Zylberberg (2019) organized the Brazilian public institutions according to their primary functions, adapted in Figure 2 below:

Figure 2 – Institutions of the National Innovation System, by type of function -



Source: adapted from Reynolds, Schneider and Zylberberg (2019).

The bulk of them is public organizations that perform central and complementary functions within the Brazilian innovation system, implementing a combination of policy instruments that have been modified in the last two decades. This comprehensive policy mix includes direct and indirect financing tools (tax incentives), the creation of new public organizations and councils fostering innovation, human capital formation programs, regulatory changes, both on the supply and demand side of innovation policies (Mazzucato & Penna, 2016; Zuniga *et al.*, 2016). Therefore, according to De Negri & Rauen (2018, p. 13), this governance arrangement "...has many of the same instruments used in the most developed world".

Despite this expansion process, which intensified in the century's first years, the sector has recently experienced a reverse worrisome. An example was the Inova Empresa Plan, considered a sophisticated and effective public policy (Arbix, 2016) that Finep manages with the purpose of promoting R&D in companies with financing instruments' integration. The program was launched in 2013 with a budget that, in the first year, exceeded US$ 3.35 billion in resources to support firms' innovation[1]. It included different support strategies and focused on complementary economic areas. Still, since 2015, the program has not launched a new line of financing. It is

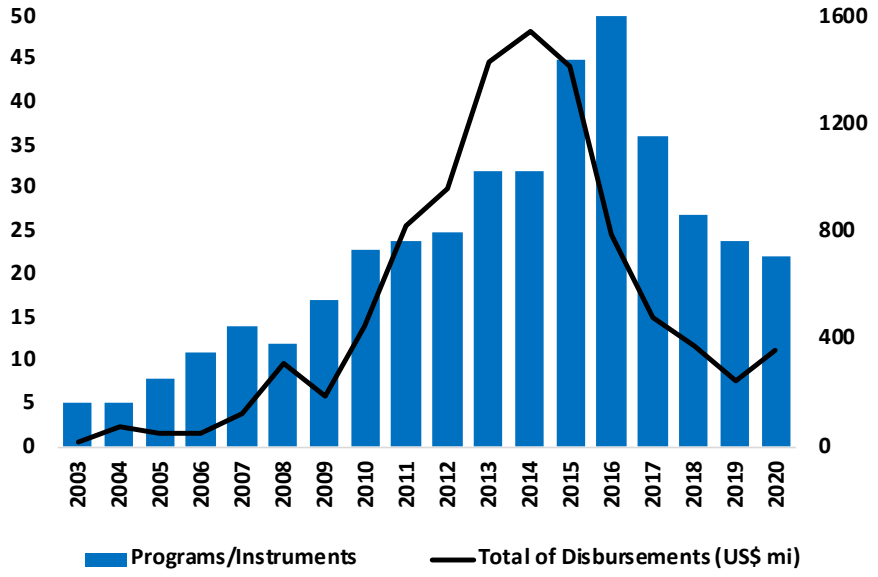
[1] Real values deflated with correction by the government official index in January of 2021.

restricted to one instrument: FIP Inova Empresa, a single exclusive or proprietary fund with a limit of US$ 37.4 million, dedicated to investments in larger firms.

Another institution involved in implementing Inova Empresa was the National Bank of Development (BNDES), which has historically led the initiatives of funding support to firms investing in their innovative capacities in Brazil. Similarly to Finep, the Bank's portfolio also undergoes an intense process of dismantling, both in terms of density (number of policy instruments) and intensity (total disbursements). Between 2013 and 2016, investments were approximately US$ 140 million in the annual average of the period, distributed in different modalities and economic sectors of the Inova Empresa. In 2020, however, only three are still ongoing (I-Defense, I-Energy, and I-Mineral), and the total disbursement dropped to US$ 4 million, i.e., less than 3% of the program's first-year budget.

In addition, after expanding the BNDES financial lines in projects of technological nature, such as connectivity, advanced manufacturing, professional training, and solar energy generation, among others, since 2015, the engagement in the innovation system has also gone towards the dismantling processes. Graph 1 depicts the changes in the number of programs/financial instruments and the respective disbursements:

Graph 1 - Evolution of BNDES Programs/Instruments and Disbursements related to Innovation, 2003-2020 (em US$ 1 mi)



Source: BNDES.
Note: values deflated with correction by the government official index - Jan/2021.

The advance of the BNDES' activities on innovation is evident after 2006, reaching its peak ten years later. In the middle of the last decade, the expansion process gives way to dismantling in density and intensity. The number of these programs and instruments was gradually reduced, from

50 to 22 in 2020, directly impacting the innovation funding. This, in turn, went from US$ 15 million in 2003 to R$ 1.5 billion eleven years later and, since then, an intense reduction that reached 23% (US$ 350 million) of the 2014 total budget.

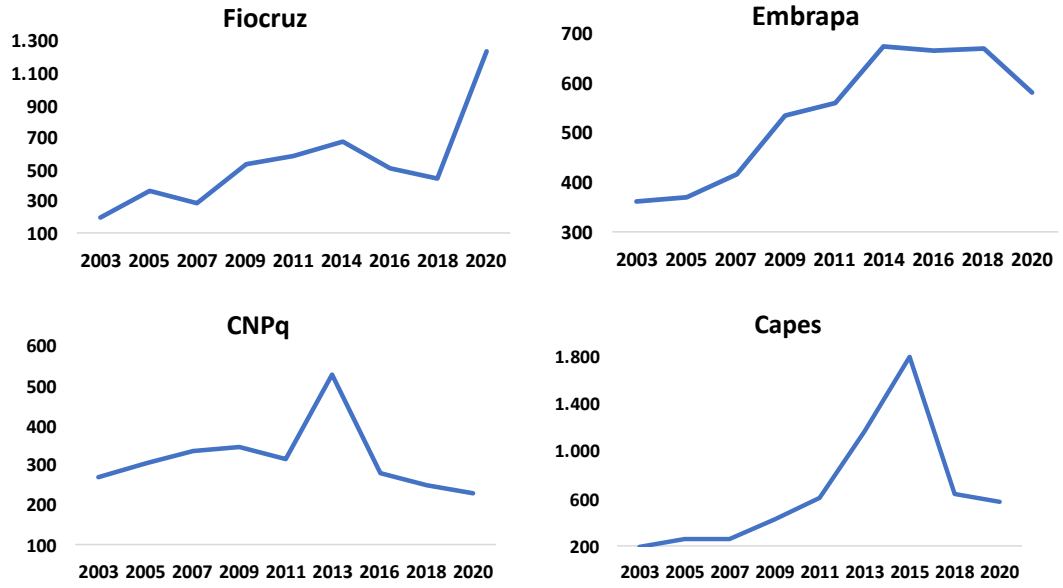
The policy tools related to investments in R&D are not restricted to the focus on firms since public institutions also carry out a relevant set of initiatives of innovation promotion or production. In this sense, the following graphs show the evolution of four central organizations for the Brazilian SNI in different areas of activity: Oswaldo Cruz Foundation (Fiocruz), Brazilian Agricultural Research Corporation (Embrapa), National Council for Scientific and Technological Development (CNPq) and Coordination of Improvement of Higher Education Personnel (Capes).

They are public agencies with diversified designs and linked to distinct ministries but converge by acting directly or indirectly in different types of innovation policy instruments, such as improving skills, providing access to specialized knowledge, strengthening the capacities of the entire system, and exploring complementarities, increase demand for innovation, and facilitate exchange and dialogue (Edler *et al.*, 2016).

Graph two clearly shows the occurrence of budget expansion followed by continuous reduction of these expenditures. The only exception was Fiocruz, which had been reducing executions in 2015, but it has shown a considerable increase in the last two years. This is explained by the actions to face the Coronavirus pandemic. In 2020, the original endowment to the foundation projected a reduction of 7% compared to the previous year. Still, with the emergency Covid crisis, the institution received about US$ 750 million for research and production of vaccines against this disease. (Fiocruz, 2021).

Graph 2 – Evolution of annual Budget Execution, by SNI agencies (2003-2020)

(em US$ 1 mi)



Source: Brazilian Chamber of Deputies.
Note: values deflated with correction by the government official index - Jan/2021.

Another emblematic program encompassing different types of innovation policy instruments in Brazil was Science Without Borders, a joint initiative of the Ministries of Education and Science, Technology, and Innovation, also operated by Capes and CNPq. The policy aimed to promote the consolidation, expansion, and internationalization of science and technology, innovation, and Brazilian competitiveness through exchange and international mobility. Created in 2011, the program exceeded US$ 840 million in four years of existence, but it underwent a dismantling strategy with a total extinction between 2016 and 2018[2].

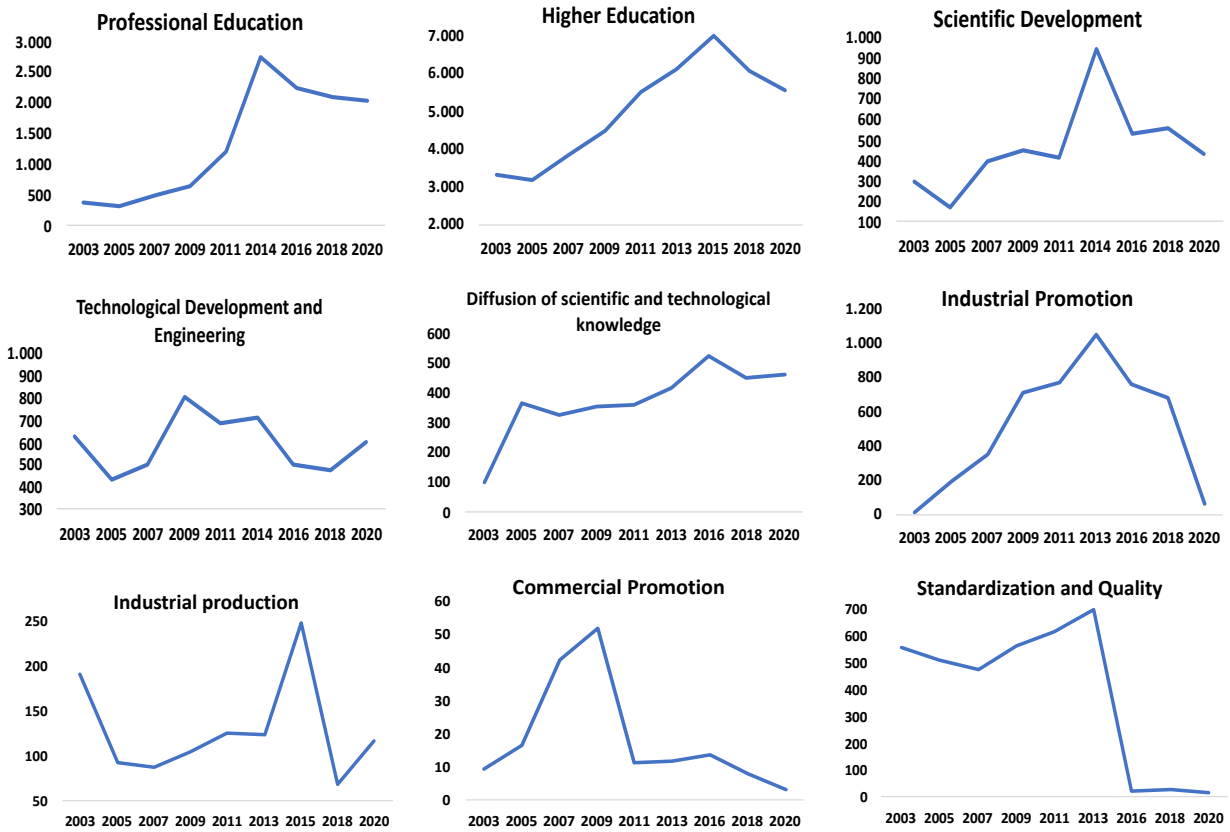
The National Program for Access to Technical Education and Employment (Pronatec) also aimed to improve the labor force's skills and competencies, especially in professional and technological education. Launched in the same year as Science without Borders, it reached almost US$ 750 million in the budget executed in 2014. Still, it has gone through a retraction type of dismantling since then, as the funding was gradually reduced until it was finalized entirely in 2019[3].

The last analysis of the policy mix dynamics addresses the execution of budgetary sub-functions related to innovation governance within the federal government. The sub-function is the partition of the function that includes a set of programs and has a transversal pattern crossing

[2] https://www.portaltransparencia.gov.br/programas-de-governo/08-ciencia-sem-fronteiras?ano=2018. Access on 11/14/2021.
[3] https://www.portaltransparencia.gov.br/programas-de-governo/14-pronatec?ano=2018. Access on 11/14/2021.

a variety of agencies and governmental areas. Graph 3 displays the changes in the spending of nine subfunctions of various dimensions of the SNI[4].

Graph 3 – Evolution of Budget Execution, by sub-functions, 2003-2020 (em US$ 1 mi)



Source: Brazilian Chamber of Deputies.
Note: values deflated with correction by the government official index - Jan/2021.

The first two involve expenditures in professional and university education and, therefore, are part of instruments for improving human capital (Edler *et al.*, 2016), such as training and research programs in organizations related to professional education networks and S&T and public universities. In both educational sub-functions, the dismantling has been evident since the second half of the last decade. With different patterns but following the same expansion-dismantling logic, the following three subfunctions encompass various programs of science and technology focused on building innovative environments and capabilities within SNI. The policies include initiatives in defense, telecommunications, energy, health, and sustainability, among others. Although expenditures are higher than at the beginning of the century, they are still a long way from when they peaked in prioritization in the federal budget between 2009 and 2016.

[4] https://www.portaltransparencia.gov.br/pagina-interna/603317-funcao-e-subfuncao.

The situation is even more worrisome in the industrial and commercial areas that aim to strengthen the capabilities of the entire system, explore system complementarities and increase the demand for innovation (Edler *et al.*, 2016). If in trade promotion, the budget reduction began at the beginning of the last decade, the sub-functions of industrial policy reached their peak in 2015, which may be the result of the prioritization of this agenda in the government reflected in the implementation of the macro-programs Inova Empresa and Brasil Maior Plans, for instance. In all of them, the funding provisions decline, indicating in 2022 the lowest levels of the historical series. The last subfunction is standardization and quality, which aims at improving innovation structures, including regulation and standards (Edler *et al.*, 2016). In this case, the data shows a moderate expansion between 2003-2013 but a sharp drop with the residual budget remaining in recent years.

In sum, the quantitative analysis of the budget execution for the national innovation policies has experienced an active dismantling strategy. Except for the Covid-19 emergency spending at Fiocruz, the other policy instruments that expanded, mainly after 2003, started in 2016 to suffer comprehensive and multisectoral disassemble. The phenomenon is perceived in reducing policy density (number of instruments effectively implemented) and intensity (prioritization and budget allocation in agencies and sub-functions). In addition, the degree of dismantling varies according to the sector and its level of institutionality;. At the same time, education and R&D in agriculture suffered less, the impacts in the area of development of S&T and industrial policy are much more damaging. Finally, it is worth remembering that, since the middle of the last decade, within the scope of the federal government, there has not been a macro policy for guidance and coordination of the SNI, which despite the notorious problems of execution, minimally aimed to articulate actors and instruments central elements of this governance arrangement.

Stakeholders' perceptions

In this section, the paper presents the experts' assessments and perspectives about the characteristics of the innovation policy changes in the last years. To organize the discussion, the analysis is structured as the interview (see the script in the appendix), according to the policy dismantling's theoretical concepts: changes' dimensions and strategies; decisions rationale; reactions and effects.

To begin with, the most convergent perception of the experts is that the innovation policy mix recently has been through evident changes, especially at the federal level. All interviewees agreed that modifications in the innovation governance instruments are in the course. However, they have different opinions regarding when these changes started and their effective magnitude.

Some interviewees indicated that the dismantling began showing signs with the reduction of the economic cycle around 2013/14 (I4; I8), while others identified more significant changes in the Rousseff's second term (2015) and after her impeachment process in 2016 (I1, I2, I6). Their view about trends of cooling or reduction towards some policies also varies according to the area of expertise; for instance, industry and S&T suffered modifications in the policy

instruments and budget before education. Moreover, when questioned about the size of changes, the majority agree that they are substantial; some highlight this process as a brutal dismantling (I1), the collapse of the NIS (I11), or a "profound dematerialization based on the deliberate disarticulation of policies" (I12).

As discussed earlier, dissembling a policy mix can follow two different dimensions: the number of programs and instruments (density) or qualitative modifications (intensity), measured by the degree of prioritization granted by the government to a sector with effects on crucial aspects of the implementation process, such as operational resources, budget, and staff involved (Bauer & Knill, 2013). They all converge with the perception of dismantling in progress, although half points out that both dimensions are in progress. Nonetheless, most experts highlight that most policy modifications have focused on government program funding, which can differ according to the innovation policy area, e.g., greater in S&T and industry than in education (I3; I4). As interviewee 11 put it:

> "It is the biggest crisis in the development system, the crisis of an architecture built and consolidated with long-term financing institutions long-term…for example, the S&T budget corresponds to less than it was a decade ago".

The dismantling of the intensity dimension, primarily in the funding of the policy mix and its agencies, becomes worrisome as innovation, in its essence, is a market failure (I3), a highly risky enterprise that requires constant investment (6). Besides the termination of several instruments and the financial reduction, experts also mentioned the disassembly of the policy management and governance basis (I1, I5, I6, I11). As a result, it tends to directly affect the already weak coordination mechanisms that existed in the policy mix, the lack of goals and prioritization, as well as the reduction of bureaucratic capacity to design and implement the programs. In this sense, interviewee 1 outlined that "in the case of S&T, the process has eroded the Ministry's techn the two main agencies – Finep and CNPq".

Regarding the type of disassembly strategy adopted, since mid-2010, by the federal government, most of the interviewees agreed that the prevailing is the Active (Bauer & Knill, 2013), i.e., marked by high visibility and clear preference to dismantle. However, the policymakers' willingness to undertake the process is different among the Administrations, as Interviewee 6 supported: "Dilma and Temer cut, but they tried believing". Similar to the relative consensus regarding the occurrence of innovation policy's mix reduction, many experts also agree about the level of visibility the governments have given to it. They defended that these changes are being gradual, fragmented and without much fanfare or not declared as such, in other words, an 'embarrassed dismantling'" (I11).

So, if this is not a popular or award-winning set of decisions, why are politicians willing to embark on this adventure? What are the main reasons behind the innovation policy dismantling since mid-2010 at the federal level? As a complex and comprehensive political phenomenon, the experts were asked to identify, among the range of factors displayed by the theoretical framework

of this research, which ones would be determinant to influence the politicians' preferences to engage in the policy disassembly.

The general perception is that different drivers triggered the process in a complementary and dynamic way over the analyzed period. However, the experts did not cite any aspects of situational factors or institutional constraints and opportunities as relevant to explaining the Brazilian federal government's innovation policy dismantling. Therefore, the determinants, based on the interviews, rely mostly on the external shocks or exogenous factors of this particular policy subsystem, which may involve macroeconomic conditions (fiscal crisis, inflation, recession, etc.)., a wave of new ideas or political events (elections or ideological changes in the ruling coalition).

Although the interviewees emphasized the policy disassembly's causes differently, one variable that they share in their opinions is the impact of the fiscal crisis. More specifically, the financial constraints generated by the recession that the country has experienced since 2015 impacted and keep affecting the politicians when they make budget allocation decisions. Besides, some of the experts highlighted that the approval of the 'spending ceiling' (Constitutional Amendment 55 of 2016[5]) institutionalized the dismantling path of the innovation policy mix by creating an effective legal barrier for financing the policy tools of the NIS with an official justification for it.

The second most mentioned aspect in the rationale behind the changes in the ideological turnover in the presidential coalition occurred in 2016, after President Rousseff's impeachment. Since then, right-wing parties have governed Brazil with a declared and intense emphasis on the neoliberal agenda of economic reforms. Consequently, a complete transformation in the country's development project, with innovation clearly out of the government's priority agenda (I2, I3, I4, I5). In this sense, interviewee 12 points out that: "innovation policy is not seen as an important solution to the country's problems; it is not a state policy." Likewise, the current situation is considered the 'demonization of industrial policy in the federal government, caused by three related factors: fiscal crisis, non-prioritization in the agenda, and simplification of liberal economic theory (I7).

The experts also added two other critical reasons for the dismantling, endogenous: the policy particularities and the domestic business view and interest in innovation. The first was considered necessary because of the difference and mismatch between the short-term political goals and the long-term needs embedded in the innovation capacity building and outputs (I1, I4). Moreover, the policy mix's sustainability, including its instruments implementation and financing, is hampered by the low level of institutionalization, typically because politicians generally do not understand the logic and peculiarities of how a national innovation system operates (I1, I4, I6). As regards business, many interviewees highlighted that the private sector historically in Brazil also does not prioritize innovation as a driver for profits and competitiveness (I7, I12). The perceptions

[5] The amendment establishes that the government can only spend the same amount paid in the previous year, adjusted only for inflation. The measure limits for 20 years all federal expenses of a given year to the previous year's budget, as corrected by an official index (IPCA).

of non-innovator firms in the country may come from the discredit of the corporate sector regarding the results of innovation and subsequently culminate in a poor degree of business engagement and funding (I10). As an interviewee stressed: “the Brazilian business doesn’t care for innovation” (I3).

Finally, the Coronavirus, as an external factor, brought even more complications to the context with its severe and unprecedented economic, political, and social implications. In this sense, interviewee 2 provides a tentative summary by reinforcing that the dismantling process is “a variable geometry, first the rupture of 2016, which led to transition, paralysis, and fall of the government revenues and expenditures, aggravated by the world Covid-19 crisis”.

Policy changes tend to provoke a variety of impacts not only in the public sector but also in the universities, industry, services companies, and startups, among others. Consequently, it is natural to expect that a dismantling process, intense as observed in the innovation’s policy mix, would provoke reactions among these stakeholders. Given the scope of the Brazilian NIS, the experts agreed that the responses existed but were diverse among the different leading players related to the subsystem and primarily disorganized.

The state bureaucracy is one of these players that performs crucial tasks in all phases of policymaking. Because of that, usually one of the first to suffer the consequences of the dismantling strategies. As previously mentioned, this case affects the decline of technical competencies in the ministry and public innovation agencies (I1, I5, I6, I11). According to Bauer *et al.* (2021), civil servants may act in three ways: working, shirking, and sabotage. The majority of the interviewees did not identify the bureaucracy as a locus of resistance; only three cited it and highlighted that civil servants, in general, have opted to work or shrink as their organizations or even the National Council of Science and Technology (I1, I4, I11, 12) became less relevant in the policy subsystem during this period (since mid-2010). Consequently, sabotage is not a strategy employed to protect the attacks on public administration’s structures, resources, personnel, norms, and accountability, usually resulting from the dismantling.

Overall, the experts underscored that, like the bureaucracy, the other key players, especially from business, industry, and science organizations, are not as independent of the government. This institutional arrangement leads to a predominant sectorized and particularistic behavior rather than an organized one, culminating in minor criticisms and low intensity of general reactions as expected. This situation reflects an insufficient capacity to resist effectively and a low degree of accountability of the policy subsystem (I1, I3, I4 I5, I6, I7, I8, I11, I12).

However, it does not mean that there is no resistance. Probably, the most significant victory against the policy dismantling was the approval of Law 177/2021 which modernizes the management of the National Fund for Scientific and Technological Development (FNDCT) and primarily protects it against blockages of resources by the public administration (I1, I4, I6, I7, I8, I11, I12). The interviews did not provide one only responsible for the new legislation because it was the fruit of intense and collaborative lobbying pressures of the country’s innovation activists and organizations in the Legislative Arena.

When they were questioned about assessing the changes' effects on the National Innovation System's functioning and the country's current and future scenarios, the interviews also provided a vast range of implications. The answers converge in the extent that the impacts are seen as significant, affecting the innovation capacity and performance of the economy. However, the difficulties in measuring this dimension of the phenomenon were also highlighted.

First, one main concern is the loss of policy capacity in the subsystem (I1, I5, I11), which is quite interconnected to the unlearning process that the dismantling brought along (I3, I8, I11, I4). This negative output was cited as a problem for the public sector that hampers its capabilities to design and implement programs and initiatives. Still, it is also an inconvenience to the firms and universities that suffer from the lack or the poor quality of government support and partnerships. Some experts emphasized that the dismantling process has led to uncertain contexts (political, economic, and administrative), decreasing the needed investments and provoking opportunity losses for entrepreneurs in the competitive global market (I7, I8, I12).

Another recurrent effect mentioned was a risk or the intensification of the brain drain, i.e., the emigration of highly trained or intelligent people from Brazil to seek better job opportunities abroad. The Brazilian diaspora of high skills professionals can compromise one whole generation, impacting the depreciation of human capital, which is essential for the innovative capacity of any economy (I2, I8, I4). Interviewee 11 added: "…the reduction of research capacity, brain drain - a central issue that had been reversed around 2010, since Brazil had become a pole of attraction for foreign researchers, who found better working conditions here than in their countries of origin, including Europeans".

For the economy, in a long-term perspective of development, the dismantling increases the process of deindustrialization in compass with the decline of labor productivity, helping to transform Brazil into an importer of innovation and an exporter of agricultural and mining commodities (I6, I8, I7, I9, I10). In sum, as interviewee highlighted the prevailing view of innovation policy in the government:

> "Innovation is not an end; it is a strategic project for development, for resuming productivity. This national development agenda is now in second place, weakening its institutions. Without innovation and industrial policies, our economic advance will be by imitation."

Lastly, some experts demonstrated specific concerns about the reconstruction after the policy dismantling (I1, I5, I6, I12). Although they diverge on the timeframe for the process, varying from a few years to a decade, the recovery will be complex and demand many complementary efforts in different areas. The focus should address the reversal of the bureaucratic capacities and policies as well as promoting the engagement and dynamism of the innovation ecosystem's players.

Final Remarks

This paper aims to describe and explain an ongoing policy dismantling process in the innovation policy mix of the Brazilian government since mid-2010, based on multidimensional and diversified methodological ways. A mix-method approach was employed to provide a comprehensive overview of how this process has been executed, including its dimensions, strategies, causes, reactions, and effects on the NIS and the country's economy.

The research subject seems quite relevant for different reasons. There is a relative consensus that innovation, allied with technological upgrading, is a critical driver for economic progress and competitiveness in developed and developing countries (Cirera *et al.*, 2020) as well as can contribute to solutions for urgent societal challenges and improve citizens' living standards (Edler and Fagerberg, 2017). Besides, Brazil historically has struggled with the innovation paradox, i.e., the failure to adequately design and implement quality policies to foster economic, industrial, and/or high-technology development (Cirera & Maloney, 2017). On the top of that, the policy dismantling in the country is on the opposite way of the guidelines promoted by developed nations, which are massively investing in different fronts of the NIS to cope with the dynamic economic, social, and environmental transformations of the pandemic world (OECD, 2021).

The empirical findings are intriguing in many ways. The analysis of the innovation policy instruments and budgets demonstrated that deconstruction occurs in both dimensions: density (number of tools reduced) and, mainly, the intensity (budget cuts). The dismantling with different patterns covered a variety of key government sectors and started showing signs around 2013 and accelerated after 2016. The interviews also reinforced the data analysis, as most experts agreed with these results. Moreover, the interviewees highlighted the prevailing strategy as active dismantling with distinct and complementary reasons to explain it. In a nutshell, fiscal austerity aggravated by the Covid-19 financial implications, an ideological turn in the government coalition since 2016, policy particularities, and a low level of prioritization in innovation by the domestic business community are combined the main factors that affect the politicians' preferences to dismantle. Finally, the resistance efforts of different key stakeholders, except for the Law 177/2021 approval, are not seen as capable of reverting the current situation, which is reverberating in serious adverse effects on the national innovation system, such as the loss of bureaucratic and policy capacity, brain drain and lag of technology, productivity, and economic performance.

It is worth mentioning the inquiry's limitations. The first involves the decreasing degree of transparency and accountability regarding the information and data of the policy instruments that used to be important in the innovation governance at the federal level, which is, in fact, an additional indicator of the dismantling in progress (Bauer *et at.*, 2021). Secondly, with regards to the disassembly effects, as it is still an in-motion process, assessing the practical consequences on the NIS and the Brazilian economy tends to be uncertain and unpredictable. Notwithstanding, the subject relevance provides a fertile ground for future research that may focus on analyzing the innovation policy dismantling of the regions (state and municipalities) and comparing this phenomenon among developing nations, such as the Latin American countries.

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Appendix

Interview list (alphabetical order, not in the sequential order used in the paper)

1. Carlos Henrique de Brito Cruz – Senior Vice President of Elsevier Research Networks and former Scientific Director at the São Paulo Research Foundation (Fapesp);
2. Dyogo Henrique de Oliveira - former Minister of Planning and former President of the BNDES;
3. Fernanda De Negri – Coordinator of the Center for Research in Science, Technology and Society at Ipea;
4. Francilene Procopio Garcia – Director at the Brazilian Society for the Progress of Science (SBPC);
5. Helena Bonciani Nader - Professor and President of the Brazilian Academy of Sciences (ABC);
6. Jackson De Toni – Professor and Analyst at the Brazilian Agency for Industrial Development (ABDI);
7. Jefferson de Oliveira Gomes – Professor and Technology and Innovation Superintendent (Brazilian National Confederation of Industry).
8. Luis Manuel Rebelo Fernandes – Professor, former Executive Secretary of the Ministry of Science and Technology, and former President of Finep;
9. Luiz Ricardo Mattos Teixeira Cavalcante – Professor and Legislate Consultant at the Federal Senate;
10. Marcos Vinicius de Souza – Former Secretary of Innovation (MDIC) and deputy Secretary of Economic Development (State of Sao Paulo);
11. Mariano Francisco Laplane - Professor and former President of the Brazilian Centre for Strategic Studies and Management (CGEE);
12. Mario Sergio Salerno - Professor and Coordinator of Innovation Management Laboratory (USP).

Semi-structured Interview Script

A – Performance and trajectory of the interviewee in the innovation policy

1. How was your trajectory within the innovation policy at the federal government? Today, what are your role and the degree of engagement in debates and the country's innovation policy?

B – Perceptions of policy changes, their characteristics, and the type of strategy adopted

2. Based on the analytical model of this research, the strategies for policy changes (cooling down and/or reduction) may vary according to: i) the number of substantive changes that the policy undergoes (active, residual or symbolic) and, ii) the degree of visibility that politicians give to these changes. How do you perceive the strategies underlying the recent changes (since 2015)? (no changes, punctual or substantive - low or high visibility)?
3. Could you provide examples of reorientation of priorities or key moments in the change in the trajectory of innovation policy since 2015?
4. If the interviewee agrees with the dismantling interpretation: In your opinion, the changes have been more focused on the number of programs and instruments (density) or their resources - physical, financial and structure - and the policy prioritization on the government agenda (intensity)?

C – Rationality of decisions and actions

Based on the analytical model (used in this research), a set of aspects can affect the preference of decision-makers (executive leaders and parliamentarians) to change public policy; they are:

i. Situational factors (e.g., natural disasters, scandals, accidents, etc.);

ii. Institutional opportunities and constraints (e.g., proximity to Executive or Legislative elections, the role of the judiciary, number of actors with veto power, etc.);

iii. External factors to the public policy subsystem, such as unexpected political events (impeachment and untimely elections), technological transformations, the trend of new ideas or ideological changes in the ruling coalition, and macroeconomic conditions (fiscal crisis, inflation, recession...).

5. In this context, which of these factors do you believe have most influenced the formation of decision-makers' preference to change innovation policy since the middle of the last decade?
6. In your opinion, are these factors externalized by the actors, and are they used to justify this process? Would you add any other factors that may have influenced or continue to influence these changes?

D – Perceptions about the effects and reactions to policy changes:

7. What effects have these changes had on the National Innovation System's functioning? And for the future of the country and the economy?
8. In your opinion, is it possible to identify loci of resistance to these changes in innovation policy? Among academics, bureaucracy, the business community, and/or other social entities?
9. If so, is it possible to give any concrete examples of foci of resistance?
10. What is your assessment of the ability of these actors to affect ongoing changes in the federal government's innovation policy?
11. What is the purpose of these reactions? Can they stop this process and reduce its intensity, or are they just residual and ineffective?

E - Conclusion/Open Question:

12. Are there any other vital aspects that you would like to highlight about the characteristics of this process of policy change, its effects, and causes?