CORRUPTION IN DEMOCRATIC BRAZIL

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ABSTRACT

Lauren Biddle: Corruption in Democratic Brazil
(Under the direction of Jonathan Hartlyn)

This three article-style dissertation analyzes several major facets of bureaucratic corruption using information collected in over two and half years of field research. The case that I focus on to investigate these questions is Brazil, a middle-income, democratic country with high levels of corruption, where both past and present issues of corruption have dominated the public discourse. Two articles are mainly based on quantitative data, while the third is an institutional analysis of an anti-corruption agency. In the first article, I explore the determinants of sub-national corruption patterns, including socio-economic and political factors through regression analysis. I find that corruption overall is most prevalent in areas where resources for public accountability are low and political competition incentivizes corrupt tactics. Next, I look at what factors shape citizens’ corruption perceptions with respect to their sub-national governments through an investigation of political attitudes, individual characteristics and environmental factors. I compare different measures of corruption in a multi-level model, including perception, performance and victimization, and discuss the benefits and drawbacks of these measures. I found that citizens do perceive more corruption where higher rates of corruption in local government are detected, and especially when they are politically disempowered and otherwise marginalized. In the third article, I examine a major anti-corruption agency’s efforts to combat corruption through the use of interview, observational and archival data. I find that horizontal mechanisms to combat corruption are disabled by a lack of enforcement, which coupled with high levels of detection, may reinforce the culture of impunity.
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<td>ACA</td>
<td>anti-corruption agency</td>
</tr>
<tr>
<td>CGU</td>
<td>Office of the Comptroller General in Brazil <em>(Controladoria-Geral da União)</em></td>
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<tr>
<td>CPI</td>
<td>official investigation commission in the Brazilian Congress <em>(Comissão Parlamentar de Inquérito)</em></td>
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<td>CPI</td>
<td>Corruption Perceptions Index</td>
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<tr>
<td>IBGE</td>
<td>Brazilian Institute of Geography and Statistics <em>(Instituto Brasileiro de Geografia e Estatística)</em></td>
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<td>ICAC</td>
<td>Independent Commission Against Corruption of Hong Kong</td>
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<td>LB</td>
<td>Latinobarómetro public opinion survey</td>
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<td>MG</td>
<td>Brazilian state of Minas Gerais</td>
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<tr>
<td>MST</td>
<td>Landless Movement in Brazil <em>(Movimento dos Sem-Terra)</em></td>
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<tr>
<td>NGO</td>
<td>non-governmental organization</td>
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<tr>
<td>OAS</td>
<td>Organization of American States</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PSDB</td>
<td>Brazilian Social Democracy Party <em>(Partido da Social Democracia Brasileira)</em></td>
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<tr>
<td>PT</td>
<td>Worker’s Party in Brazil <em>(Partido dos Trabalhadores)</em></td>
</tr>
<tr>
<td>RJ</td>
<td>Brazilian state of Rio de Janeiro</td>
</tr>
<tr>
<td>TCU</td>
<td>Federal Court of Accounts in Brazil <em>(Tribunal de Contas da União)</em></td>
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<tr>
<td>TI</td>
<td>Transparency International</td>
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<tr>
<td>TSE</td>
<td>Superior Electoral Court in Brazil <em>(Tribunal Superior de Eleições)</em></td>
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INTRODUCTION

Corruption, in a world of states struggling to improve democracy, is often a systemic problem. Because of this, it is useful to examine it at different levels of analysis in order to understand better how it functions in a given society. The major goals of the research agenda presented here are to examine definitions and measures of corruption, identify what conditions make corruption more likely, understand how citizens see corruption, and evaluate the effectiveness of anti-corruption programs. This is done through the examination of the case of Brazil, which illustrates the issues involved in improving democracy in an environment where corruption has been a long-standing impediment towards improved governance and participation. This is a situation common to many newer democracies in Latin America, Africa and elsewhere. Within this context, I explore the connection between the conceptualization of corruption and how best to measure it. I also look at corruption at the national and the subnational level, taking into account the institutional framework in which it operates. Thus, this analysis includes data on individual corruption attitudes, municipal-level corruption data, national and regional patterns of corruption, and the federal institutional structure of anti-corruption agencies.

In the first article, I explore the determinants of sub-national corruption patterns, including socio-economic, political and structural features. Next, I look at what factors shape citizens’ corruption perceptions with respect to their sub-national governments, including respondents’ attitudes and municipal characteristics. I also compare different measures of corruption and discuss their benefits and drawbacks. In the third article, I examine a major anti-corruption agency’s efforts to combat corruption within the national governance framework. Among my major conclusions are that corruption is most
prevalent in areas where resources for public accountability are low and political competition incentivizes corrupt tactics. I also find that citizens do perceive more corruption where higher rates of corruption in local government are detected, and especially when they are politically disempowered. I find that horizontal mechanisms to combat corruption are disabled by a lack of enforcement, which coupled with high levels of detection, may reinforce the culture of impunity and disempowerment.

In the paragraphs below, first I briefly summarize the reasons for my case selection. Then, I describe the main findings of these articles, discuss further how they relate and outline some future areas of study.

Studying corruption through examining a single country makes it possible to isolate the political and socio-economic factors that cause corruption to vary sub-nationally. Instead of viewing corruption as a single phenomenon that can be measured as a national characteristic, this approach looks at political corruption as a particular pattern of interactions that is created by a certain environment. Instead of assuming that the phenomenon of corruption is the same in all countries and throughout all countries, I examine a particular pattern of corruption in a particular place and time. This avoids the issue of whether or not corruption definitions are constant cross-nationally, a problem often cited in corruption research. It also provides a more dynamic interpretation of the forces impacting corruption, helping to explain why it varies over time and region. This analysis presents corruption as the product of actors’ decisions and interests and the constraints provided by their environment, not just as an artifact of historical factors or an institutional configuration. As an approach, this method allows us to produce generalizations about a single case and generate inferences that may be relevant to other countries. Brazil provides an excellent case for such research as corruption is a highly salient issue, especially in the context of deepening democracy as it moves into its second quarter-century. Brazil also exhibits significant within-country variation in corruption levels, as well as high levels of decentralization. The Brazilian government has made several efforts to combat corruption, though the problem remains
entrenched. Finally, the information that these government programs have collected provides a rich source of data on corruption within the country.

I completed over two years of fieldwork in Brazil, during which I gathered most of the data for this project. In this time, I spent more than ten weeks in five different municipalities observing audit programs run by the government anti-corruption agency examined in the third paper. I further read and coded reports from over 750 of these audits, to create a nation-wide database of errors in municipal governance for use primarily in my first article. I interviewed more than 25 employees of this anti-corruption agency, in two different states and at the national headquarters in Brasília. Further, for comparison between government organizations, I spoke with several analysts working on anti-corruption programs in other branches of the federal government. These interviews of civil servants, along with extensive archival research and reviews of news coverage, provided the basis for my third article. In order to understand public attitudes, I began by speaking with leaders and members of five different citizen-run, non-governmental organizations that work to combat corruption. Later, in four municipalities, I completed 120 interviews with the public to provide the basic data for my second article, discussed below. I also spoke with dozens of Brazilian academics from several different disciplines working on issues of corruption and legitimacy in order to better situate my research within the Brazilian context.

In the first article, using a performance-based measure of corruption created from municipal audits, I find that both socio-economic and political factors affect the pattern of corruption across the country. Specifically, I found that municipalities with lower average education and higher poverty levels are linked with higher corruption, as is expected from previous cross-national studies. However, contrary to initial expectations, local media presence had no significant impact in the municipalities studied, while higher municipal population had a negative effect on corruption. This is likely because local media lacks independence, especially in small towns. I further determined that increased
fragmentation in the town council and increased competitiveness in mayoral races are associated with higher corruption. Having a mayor from an anti-corruption party, the Worker’s Party (PT), had only a weakly significant effect on lowering corruption. The size of the public sector was negatively related to corruption rates. Instead of a large public sector generating corruption by stifling competition, as I saw during my fieldwork, poorly funded municipalities have little resources or expertise to detect or deter corruption, allowing it to thrive. Finally, there were also increased levels of corruption found in the election year. Overall, I believe the most interesting finding is that political variables matter; the dynamic of a fragmented political system with high competition, citizens with low ability to detect and punish corruption and a public sector with limited resources all create the ideal conditions for corruption to thrive.

In the second article, I examine how three different types of corruption measures, perceptions, victimization and performance, relate. Using audit and interview data from four Brazilian municipalities, I created a multi-level model of the determinants of individual perceptions of corruption. I find that experience with corruption is not significantly linked to individuals’ perceptions of corruption, while the corruption rate in municipal-level government is positively linked with perceptions. I also find that age, trust in institutions, support for the incumbent government, political information and assessment of government performance all have significant effects on individual-level corruption perceptions. More specifically, younger, more informed citizens are likely to see more corruption. Those less trusting of societal institutions, more dissatisfied with municipal performance and opposition voters are also more likely to perceive higher municipal corruption. Overall, I consider that the most important finding is that corruption rates based on municipal performance are positively and significantly related to citizens’ perceptions of corruption, while corruption victimization is not a significant determinant of perceptions. This means that corruption perception and victimization should not be treated as interchangeable measures. It also enhances the validity of performance-based corruption measures.
The final article examines the premier executive anti-corruption agency in Brazil, the *Controladoria-Geral da União* (CGU), which was a particular focus of my research. Indeed, as noted above, I used its reports of municipal corruption audits to create the performance-based measure of corruption that I utilize in my first two articles. These audits are one way that the CGU performs detection, one of the three key functions of an anti-corruption agency, along with enforcement and prevention. However, my analysis shows that overall, the CGU has a limited impact on corruption. I find that despite a clearly-stated mandate to combat corruption and high resources to do so, the organization is only successful in the detection of corruption. Enforcement and prevention mechanisms are weak by design, a legacy of the way that the institution was created. Despite various cycles of reform by two presidents, the CGU failed to become more effective on enforcement nor was there substantial progress on corruption prevention. I argue that these reforms and even the CGU’s creation were intended to give the appearance of combatting corruption while actually largely maintaining the status quo. When faced with public and Congressional pressures to act on combatting corruption, especially while under electoral tensions, the executive reacted to diffuse these demands by manipulating the CGU. The result is an agency that is largely responsive to executive interests: it focuses on corruption at municipal- and state-levels and produces high quality information, but it does not have significant enforcement power and does not pursue substantial anti-corruption reforms. Due to these characteristics, the overall impact of the CGU in actually combating corruption is not significant.

Taken together, these three articles contribute to a research agenda on understanding corruption throughout a particular country case in order not only to understand that country case as well as identify systematic subnational variations within it, but also to provide hypotheses that may be tested in other similar country cases. The analysis of the CGU shows how even at the executive-level, efforts to combat corruption in Brazil are stymied by a system that offers perverse incentives to allow corruption to persist as a tactic to obtain political and personal goals. Similarly, in the context of poor,
less-educated municipalities with fewer public resources, corruption becomes a tactic used to respond to fragmentation, competition and electoral pressures. These pressures also make corruption harder to deter. Individual citizens perceive this corruption, especially when they feel excluded from the political system; the lack of enforcement and prevention mechanisms then create a culture of impunity. The public sees corruption but feels powerless to do anything about it, especially as elections in a context of imperfect information and high competition and fragmentation return corrupt politicians to office. Horizontal and vertical accountability mechanisms to deter corruption are both flawed.

Brazil’s corruption problem, as shown by this research, is quite deep. It reaches into the majority of municipalities and through the other levels of government. The problem is recognized by citizens and may shape their political behavior, affecting democracy. While both citizens and politicians claim to want less corruption, we see here that other considerations tend to trump even good faith efforts. This inertia leads through several different mechanisms to a lack of progress in reducing corruption levels. Some citizens may believe that all politicians are corrupt, and thus “hold their nose” but continue to vote for corrupt candidates. Other citizens may want to punish corrupt politicians but find that other issues are more important when they stand at the ballot box. Public servants may be against corruption but may have little power to identify and act on corruption within their own offices. Politicians may campaign for office promising to combat corruption but find that the only way to win is to engage in corrupt practices common among candidates. Or effective anti-corruption programs may be too costly to politicians’ personal goals and futures even once in office.

One major contribution of these articles is the examination of corruption detection and measurement. In my institutional analysis, I find that the CGU is not an effective anti-corruption agency because it does not act credibly on enforcement and prevention. However, I find that the agency is successful in detecting corruption, especially through their municipal audit program. The reports from this program provide one of the main measures of corruption utilized in the first two articles. This
performance-based measure of corruption provides, with victimization and perception, yet another way to quantify underlying corruption levels. The advantage of this measure is that it is well-suited for studying sub-national corruption since it is collected by a single agency, with a standard methodology, and through a process insulated from political influences. This measure is significantly related to citizen perceptions of corruption, which helps to further validate both measures. When higher levels of corruption in local government are detected through audits, citizen perceptions of corruption are also likely to be higher. This could be a hopeful sign for eventually enhancing vertical accountability since it indicates that citizens do have some accurate information on corruption, which if activated could be used to de-incentivize local corruption. Some possible mechanisms for this effect could be local watchdog groups or popular mobilizations that act to educate and monitor the public about corruption, enhancing the possibility for electoral accountability.

In these articles, I examine several different aspects of the nature of corruption in Brazil and efforts to combat it. Understanding the determinants of individual-level perceptions of corruption, the factors associated with municipal-level corruption and the flaws of the anti-corruption agency provide some insight into why this problem is so intractable. A mixture of socio-economic and political factors creates an environment that allows corruption to exist and hinders efforts to curtail it. None of these factors is easily or quickly changed and their interdependence complicates efforts even more. Further research may build on these findings to try to unravel this complicated knot, perhaps through examining lessons learned in other countries. One suggested area for future examination is the consequences of corruption for democracy in this context. For example, how much does corruption actually affect political behavior, such as voting, party affiliation or protest? Is behavior only affected by perceptions measures or does it also relate to performance-based measures? And does the level of government matter? Another area of investigation suggested by this research is evaluating specific anti-corruption programs for their efficacy. For example, do courses intended to improve the probity and transparency
of local government officials affect municipal corruption measures? Do citizen awareness and education programs worsen or improve levels of corruption perceptions? Do prevention programs lead citizens to change their political behaviors, such as voting, organization or protest? All of these questions are relevant to debates among public policy makers and academics. Only by studying corruption systemically can we better understand its causes and effects; and perhaps eventually, how to combat it.
CHAPTER 1: CAUSES OF MUNICIPAL CORRUPTION: THE CASE OF BRAZIL

Introduction

Decentralization has been championed by advisors to many governments in Latin America and throughout the developing world as a way to make local governments more responsive and accountable to their citizens. However, in countries where corruption is endemic, local governments may be highly vulnerable to elite capture and the development of networks of corrupt influence, which may actually compound their problems. Currently, there is relatively little data on corruption at the subnational level. In addition, while the causes of corruption at the national level have been widely studied, there is a lack of information on the correlates of corruption within countries. In this paper, I use a dataset I created based on information from municipal audits in Brazil, the Biddle Brazil Corruption Database, to identify risk factors associated with corruption. Brazil, a large, diverse country with strong decentralized government and a long history of problems with political corruption provides an important and informative laboratory for examining this problem. This is particularly true as it exhibits significant within country variation in corruption levels and different types of potential explanatory factors. Informed by cross-national research and aware of the particular local context of the Brazilian case, this analysis finds that education and poverty act as expected based on cross-national research to decrease and increase, respectively, municipal corruption rates. Surprisingly, I find that the specific characteristics of this subnational level analysis provide results on the role of the media, size of the public sector, urbanization and political competition that are not predicted by current cross-national research. I also find that government fragmentation, political ideology of government and election cycle all have
significant effects on subnational corruption, which adds a new dimension to this research that cross-
national studies have not examined. The first contribution of this paper is that it examines corruption
at a lower level of analysis than commonly utilized in previous research. Studying corruption on a
subnational level allows us to explore the micro-foundations of this phenomenon in a way that cross-
national investigations cannot, emphasizing contextual political dynamics and social climate. For
example, most previous studies of corruption define the phenomena as “the improper use of public
office for private gain”. Because corruption must be improper, it is rooted to a particular understanding
based on local attitudes and norms. Studying corruption cross-nationally becomes complex when the
same act can be interpreted differently across cultures as norms vary. What is considered corrupt in one
context may not be considered corrupt in another, especially if corruption is quantified using
perceptions data. By selecting a single country of analysis, we can control for these major cultural
differences in views. In addition, major historical factors, such as legacy of colonization and ethno-
linguistic fractionalization, are also held constant through this approach.

Further, analyzing patterns of corruption within a country by necessity requires us to identify
causal factors that cross-national studies do not, adding to our understanding of why corruption occurs.
Some of the most important characteristics that are commonly associated with corruption in cross-
national research include presidential vs. parliamentary, federal vs. unitary, proportional representation
vs. majoritarian voting systems, and type of legal system. However, these remain constant within a
country, and thus cannot explain variation in local corruption patterns. Macroeconomic characteristics,
such as trade, structural reforms and resource exports, are also ineffective for the same reason.²
However, though the above variables do not explain within-country variance, cross-national research on

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¹ This definition of corruption, though widely used and accepted within the literature, is not without controversy. See Johnston 2002 and 2005, Warren 2004 and 2006, and Kurer 2005 for a discussion of some alternative ways to define corruption.

² In Brazil, some resource royalties are distributed to a few municipalities. However, federal transfers make up far more of municipal budgets in general, so any “resource curse” effect would be negligible.
the correlates of corruption does hint at several possible factors affecting subnational corruption. Informed by this research, I investigate a variety of political and economic variables, including economic development, education, media influence, size of public sector, urbanization and political competition. Factors specific to this subnational analysis include government partisan ideology, political fragmentation and election cycle.

The second major contribution of this paper, in addition to identifying subnational factors affecting local corruption, is in creating and utilizing a measure that richly captures subnational corruption. The measure that I create contributes to the growing literature on performance-based measures of corruption, which are created relying on outside evaluations of government programs that identify compliance with institutional rules and principles for the proper use of public office. They can be used as proxies for corruption because they identify when government agents go against the rules of their profession for private gain. In this study, I used government audit data on Brazilian municipalities to construct a detailed indicator for the rate of corruption in local government.

While corruption is manifested in all types of societies throughout the world, this problem has been particularly serious in Brazil, where its historical persistence and many recent well-publicized episodes of corruption have given the country a reputation for dishonest political dealings (Geddes & Ribeiro Neto 1992, 647-9; Samuels 2001a, 2001b; Hunter & Power 2007). In addition, Brazil has a candidate-centered presidential system with a federal structure, making it practically a perfect storm of institutional factors believed to foster corruption, based on cross-national research (Rose-Ackerman 2001; Gerring & Thacker 2004; Chang 2005). According to a Latinobarómetro public opinion survey carried out in 2005, Brazilians think that on average 62% of public officials are corrupt, compared to the regional average of 68% (30). According to the 2010 version of the Latinobarómetro survey, 26% of Brazilian reported that they or a family member had heard of a corrupt act in the past year, compared to a regional average of 11% (2010, 95). Despite Brazil’s high levels of corruption internationally, according
to these surveys, it falls in the middle range when compared to all the countries in Latin America, though it does outstrip roughly comparable rivals, such as Argentina (Latinobarómetro 2006). Every year the Brazilian government spends millions to try to combat corruption, with less than satisfactory results. If the effects of corruption include lost growth and wasted investments, as shown by many studies, Brazil has paid and continues to pay a heavy economic penalty for its political maladies. If the effects of corruption are detrimental to deepening democracy, through decreasing legitimacy and participation,\(^3\) Brazil’s great project of inclusion, equality and liberty established in the 1988 Constitution may lag behind its potential. Overall, the Brazilian case is extremely compelling for this project since it unites current salience and importance of corruption issues with a historical legacy of corruption and the challenges of deepening democracy. Additionally, Brazil’s institutional configurations make it ideal for exploring the causes of subnational corruption patterns, employing the Biddle Brazil Corruption Database.

The remainder of this article is organized as follows. I first discuss the differences between examining corruption on the macro- and micro- levels, illustrating what can be gained from micro-level research. Next, I use an actor-centered approach to explore what conditions affect corrupt behaviors, broadly dividing these forces into permissive and proximate factors. Using previous research as a starting point, I identify the potential correlates of subnational corruption. Then I portray some forms of corruption found in the cases of interest, Brazilian municipalities, in order to introduce a discussion of how best to measure this phenomenon, the key dependent variable of interest. I describe how the measurement was created, and elaborate on the characteristics and distribution of the measure. After briefly clarifying how the data on my independent variables was collected, I present the results of the statistical model. The discussion of the results evaluates what support for the proposed hypotheses the

\(^3\) See, for example, Anderson and Tverdova (2003), on the role of corruption in determining legitimacy.
model provides, and interprets these findings. In conclusion, I use the results of my analysis to suggest some possible future avenues of research.

**Micro- vs. macro- corruption**

As corruption is a complex phenomenon that is manifested in a variety of different ways, it is a challenge to create a grand theory of its causes at all levels of analysis. Rational actor explanations are the starting point for many theories about which factors relate to corruption. However, these theories about individual behavior should be used with caution, especially when extrapolating to larger units of analysis. The assumption that individual choices and behavior can be aggregated may be problematic; group dynamics are not always directly deductible from individual choices. Because of this concern, it is productive to look at an actor-based theory of corruption. Studying corruption at the municipal level brings one closer to the modal political actors (citizens), which may help to explain apparent paradoxes that aggregated models cannot. As corruption is defined as the improper use of public office for private gain, it necessarily takes into account individual behavior. Examining municipal corruption moves the analysis closer to the decisions of actors, their incentives and disincentives, the rules that bind them and opportunity structures within a given context. Moving up the unit of analysis, findings about corruption sub-nationally may reinforce the validity of cross-national studies by illuminating mechanisms by which the causal variables actually affect corruption. In addition, dropping down to a lower level of analysis may help clarify the direction of causation among associated factors in future research.

While this article does not directly address corruption involving presidential, ministerial or legislative agents, some useful inferences about these can be developed by analyzing the local level. Municipalities have governing structures, called prefeituras, that are analogous to those at other levels of government. Like many national systems, these municipalities each possess an executive (mayor), a

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4 For example, the counterintuitive evidence that while voters in Brazil complain about corrupt officials, they consistently act against these interests in re-electing corruption politicians.
legislature (town council), a bureaucracy (city administration), political parties and citizens-voters. The types of corruption produced under this institutional configuration may hold similarities to corruption patterns at higher levels. In addition, due to high levels of federalism, “the ills currently afflicting the federal government are also present in lower tiers of government, so that the three tiers cross-infect each other with corrupt practices” (Macaulay 2011, 222). Thus, wider implications for this research may be found at the national or even cross-national level.

Understanding corruption in subnational governments as a phenomenon in itself may be more important than it appears at first glance. While the amounts of money or goods at stake on the municipal level may not be large and the news stories may not be as sensational, this type of corruption still has serious consequences. It can prevent citizens from fully exercising their rights, erode overall trust and legitimacy, decrease participation and affect political behavior. For many average citizens, the municipal government and its service providers are the front-line and perhaps their only contact with the state apparatus. All but a small percentage of citizens in any country will never have contact with government at the ministerial or presidential level; but many citizens will receive municipal garbage services, visit a community health clinic, register for social security benefits or attend a public school. Corruption experience in these arenas can shape their political ideas in ways that corruption higher in government may not, especially if this type of corruption remains hidden. Citizens may have greater interest in, or more access to, information about local corruption, through direct experience, social networks or community media, making it more salient in their overall views of the regime. Thus, if and when corruption works to degrade democratic quality and retard democratic development, municipal-level corruption may have a disproportionate effect relative to national-level corruption. Empirical research shows that even in the case of so-called petty offenses, “exposure to corruption erodes belief in the political system and reduces interpersonal trust” (Seligson 2002b, 408).
Explaining subnational corruption

To examine the causes of municipal corruption, I begin by looking at actors and the conditions that facilitate and inhibit their opting for corrupt behavior. The opportunity for an actor to indulge in corrupt behavior varies. Some types of situations or roles are more conducive to corrupt acts; others work to reduce the opportunities for wrongdoing. For example, an agent that handles more public contracts may be more often approached with corrupt offers; his opportunity is greater. In addition to their opportunity for corrupt acts, actors’ decisions about whether or not to indulge in corrupt behavior are influenced by several important factors. These include:

1. their beliefs about the likelihood they will be caught;
2. their beliefs about the severity of punishment they will receive if caught; and
3. their beliefs about the potential rewards of the corrupt act.

Based on the elementary assumptions above, I divide my explanatory variables roughly into two groups: permissive and proximate variables. Permissive (or facilitative) factors are those variables that may affect corruption levels by conditioning the basic environment and thus the basic possibility for corruption. These factors provide the fertile or barren ground in which corruption may or may not flourish. These mostly socio-economic factors include level of economic development, level of education, population and size of the public sector. These factors permit corruption because they provide an environment where the resources for detection and punishment are low and the incentives for corruption are high. Permissive factors are the most difficult to alter in the short-term and are also the most likely to be resistant to efforts to clean up corruption. The second set of factors includes more proximal variables. These are mostly political variables, including political competition, local media.

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5 This approach to explaining corruption is based on the public choice literature. See Rose-Ackerman (1999) for a good summary of research using this approach to studying corruption.
presence and party in power. These explanatory factors more directly affect the beliefs of the actors about the likely quality of oversight and the political will to uncover and punish corruption. When actors believe that they will not be punished, it is presumed that they may indulge in corruption more often. The two sets of factors, permissive and proximate, are related and both may affect opportunity, rewards, detection and punishment. However, we conceive permissive factors to work more directly on opportunity and rewards, and proximal factors to work more directly on beliefs about detection and punishment.

**Permissive factors**

To identify the factors that are permissive of corruption, it is useful to begin with past research on corruption causes cross-nationally. In these studies, depending on the time period, countries and measures of the dependent variable utilized, many different factors appear to significantly affect levels of corruption through their impact on the structure of rewards and opportunities. Only a few are consistent across most studies, indicating that conditional relationships or causal heterogeneity could be at work. However, several factors often emerge as key permissive variables that may also be applicable in explaining subnational corruption.

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6 There is also a possibility that other variables may impact municipal corruption, especially the strength of civil society and the network of local associations, crime rates, rule of law and informality. However, all of these variables are problematic in one way or another. Strength of civil society cannot be directly measured in the cases analysed here, and it is unclear which types of associations could have a positive and/or negative effect. Density of civil society itself could be an indicator of “insider politics”, exaggerated patronage networks or clientelistic tendencies that may actually foster more corruption instead of checking it. Crime rates and rule of law variables are too intertwined with measures of corruption itself and could present the problem of tautological explanations or statistical collinearity. Finally, informality is highly correlated both with rule of law and inequality.

The first relevant permissive variable is level of economic development. Higher levels of development are generally linked to lower levels of corruption. According to cross-national research, in richer countries, the normative separation between public and private is clearer and more economic competition and opportunities provide viable alternatives to corruption (Treisman 2000). Another explanation is that countries with more developed economies have higher quality governments, which are associated with lower perceived corruption (Treisman 2000, 401). Countries at lower levels of development are thought to be less likely to possess the expertise and ability to create the proper mechanisms for effective government oversight of corruption.

The dynamics of poverty may provide the clearest mechanism for why low economic development is associated with higher corruption. According to the World Bank,

Corruption thrives in an environment where power of individual members of society measured in terms of access to people in power and financial resources supercedes the rule of law. The poor lack power and thus lack opportunity to “make it” in such a society. They are more vulnerable to extortion and cannot use corruption in their favor.

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8 Two further economic variables examined in cross-national studies of corruption are trade openness and resource dependence. The argument for the role of trade openness is that corruption should be lower in more open systems because competition penalizes bribe-taking, fewer decisions are in the hands of corrupt government officials and international rational norms of administration spread through increased contact (Montinola & Jackman 2002, 153; Sandholtz & Koetzle 2000, 39-40). With resource dependence, countries with large endowments of valuable raw materials – especially fuel, ore, and metal – are expected to have higher levels of corruption because corruption in these sectors offers greater potential gain to officials who control the rights for exploitation (Ades & Di Tella 1999, 992). These two variables were not examined in this study, as they are decided and have deeper effects at the national as opposed to local level. They are not expected to significantly affect municipal corruption.

9 There is also a possible reverse causal relationship between development and corruption, as Mauro (1995) suggests that high levels of corruption are a deterrent to foreign investment, though this is hypothesized to be less relevant than the relationships discussed above.

10 Indirectly, economic development may act on corruption through its effect on public sector wages. Montinola and Jackman state that less economically developed countries generally have lower public sector wages, which may increase incentives for state employees to engage in illegal rent-seeking activities to supplement their low income (2002, 154). However, evidence for this aspect of the argument is not without controversy. La Porta et al. find that relatively low government wages actually lead to better government performance (1999, 239).

In the context of Brazilian municipalities, corruption may be more attractive in impoverished regions because “where incomes are low, economic insecurity, if not outright poverty means that marginal additions to income can have a large impact on a family’s living conditions” (Sandholtz & Koetzle 2000, 36). In Brazilian municipalities, income is often highly unequally distributed. Therefore the standard measure of economic development, gross domestic product per capita of a municipality, may not capture the key concept of what part of the population is more vulnerable due to economic factors. When a municipality is highly unequal, with much of the population living in poverty and wealth highly concentrated, GDP per capita would not capture the permissive effect of economics on corruption. 12

Thus, I use poverty rate instead to capture this effect. Poverty rates vary widely across municipalities and I hypothesize that they affect the environmental possibilities for corruption through the above mechanisms. Where there is a larger portion of the population living in poverty, the motivation for corruption is greater and the marginal reward may be higher. While poverty and economic development may be linked, especially cross-nationally, in this case, I expect the most relevant relationship to be that lower levels of poverty should lead to lower levels of municipal corruption. 13

A second permissive factor for sub-national corruption generated from cross-national research is education. According to previous research, higher levels of education in a society should decrease the levels of corruption. A more educated population should provide fewer opportunities for corruption through ignorance. As a population becomes more educated, it should be able to consume and process more sophisticated political information. Indirectly, education gives citizens more tools to identify and

12 I tested GDP per capita in the model of municipal corruption and found it to have an insignificant effect. This supports the hypothesis that in conditions of unequal distribution of wealth, poverty rates better capture the permissive effect that this vulnerability has to corruption.

13 Inequality is one other factor commonly used to explain corruption cross-nationally. However, the results are inconsistent, with inequality sometimes significant, and often not. In the context of this study, the causal mechanisms by which inequality on the municipal level would affect corruption are unclear. I tested inequality as a control variable in various model specifications for municipal corruption, but it never reached statistical significance. This result may be due to shortcomings in the data on inequality, which was only available for a single year, two years prior to the beginning of the period of analysis.
punish corruption. Education may also work to diminish corruption by diffusing more de-personalized, rule-based norms throughout the population. This could change the values of a population, with more acts considered improper and corrupt, and thus avoided and punished. I hypothesize that this effect will hold on the municipal level: higher levels of education should lead to lower levels of municipal corruption.

Another permissive factor of interest, urbanization, has been related to decreased corruption levels. The expectation is that corruption can thrive in rural areas, where people have little information and contact with other citizens, making it easy to hide corruption and increasing the opportunity. Previous case studies suggest that larger cities tend to have denser populations, more political information available and more extensive webs of communication among citizens, all of which act as deterrents to corruption. However, in the context of corruption in Brazilian municipalities, this conventional wisdom may not be true in all instances. It might be the case that more populous, urbanized municipalities provide more opportunities for corruption given the larger number of players involved and higher competition among them to win government contracts. Conversely, it may be that collusion amongst a small group of power players to make corruption “the only game in town” is easier amongst smaller populations. Or it may be easier to hide corruption in smaller municipalities since social networks are more spread out and information resources may be lower. Given these considerations, I include population as a control in my model, but I do not have a clear hypothesis about how it should affect municipal corruption.14

The final permissive factor is the relative size of the public sector, which previous research holds may increase corruption through its effect on the opportunity structure. According to public choice arguments, the larger the relative size of the public sector, the greater the likelihood of corruption

14 I tested for a possible curvilinear effect (using a multiplicative term of the population) as well as a possible “diminishing returns” effect of population size (using the natural log of population). There was no statistical evidence for either of these types of effects.
because “the more contracts a government has to offer, the more incentives private sector actors have to bribe officials authorized to dispense contracts” (Montinola & Jackman 2002, 154). Large public sectors are believed to not only offer more opportunities for rent-seeking by political and economic actors, but also distort competition. However, the cross-national data on this issue does not offer unequivocal support for these arguments. In large sample statistical analyses carried out by Husted (1999, 350-351), Montinola and Jackman (2002, 166), and Treisman (2000, 436), size of government has no significant effect on corruption.

In the context of Brazilian municipalities, too small of a public sector could be associated with more corruption. In small, poor municipalities, few resources in local government could lead to low institutional capacity. Low public sector wages and their result, lower levels of competency in personnel, may increase corruption because they cause difficulties for detection while making corruption payoffs more attractive. In addition, in underfunded municipalities, many of which lack basic computing equipment, adequate facilities, and sometimes even telephone service, combatting corruption may be a low-priority goal. Because there is a lack of consensus on the effect of public sector size, I have no clear hypothesis about its relationship with local corruption in my sample.

Proximate factors

Several proximate factors that may influence corruption levels sub-nationally through their effects on beliefs about detection and punishment are suggested by the findings of cross-national research, including the role of media and several political variables related to democracy. According to

15 This argument is plausible, although as Montinola and Jackman point out using lobbying as an example, not all rent-seeking activities necessarily involve corruption (2002, 154).

16 Much of the cross-national research on corruption focuses on institutional configurations associated with corruption. For example, Westminster and party-centered parliamentary systems are hypothesized to be superior to both party- and candidate-centered presidential systems, which in turn are better than candidate-centered parliamentary systems for avoiding corruption (Rose-Ackerman 2001, 40). This is expected because the first two types of parliamentary systems provide more effective checks on individual politicians by their party, constituents
previous research, media can play a strong role in diminishing corruption, by providing oversight and acting as a whistleblower (Camaj 2013). Strong, independent media may help lower information costs to citizens gathering evidence about corruption. However, media may not always play such a positive role. In Latin America especially, there is anecdotal evidence of reporters who are threatened and intimidated out of reporting on corruption, as documented by groups such as Reporters Without Borders.\textsuperscript{17} Other stories of journalists who are paid by politicians to write corruption exposés about their political opponents have surfaced as well.

A valid and specific concern about the importance of media in deterring corruption in the context of Brazilian municipalities is press independence. Though politicians in Brazil are banned from owning public media concessions by the 1988 Constitution, research in 2007 found that over 320 communication channels had politicians as shareholders (Donos da Mídia, 2008). Several other channels are “owned” by frontmen and controlled by political interests. Especially in small towns in Brazil, it is often the case that whatever elite interests control politics also exercise \textit{de facto} or \textit{de jure} control of local media. Porto finds that “press in the less developed states is usually owned by local political oligarchs that tend to manipulate news coverage for political purposes” (2011, 107). Thus, the presence of local media outlets in Brazilian municipalities may not act to deter corruption through increasing the probability of actors being caught and punished for corrupt acts. Given these details, there is no clear hypothesis about the effect of media presence on local corruption in this sample.

The role of democracy in deterring or promoting corruption is one of the biggest controversies in cross-national research. Some argue that democracy decreases corruption. Sandholtz and Koetzle and opposition. Gerring and Thacker find that presidential systems do tend to have higher corruption levels than parliamentary systems and that unitary governments have less corruption than federal systems (2004, 327). At the level of municipalities within a country, these institutional factors do not vary, so I cannot test their effects in my sample.

\textsuperscript{17} The phrase “plomo o plata” (literally “lead or silver” in Spanish, figuratively implying take our money or face violence) is applied to the situation that many reporters in Mexico must confront when reporting on corruption. See Committee to Protect Journalists (http://www.cpj.org/).
state that “the more extensive are democratic freedoms and the more effective are democratic institutions, the greater will be the deterrent to corruption” (2000, 38). This argument is based on the expectation that democratic governments are more open and therefore more transparent. In addition, elections are a necessary condition for democracy; when leaders must compete for re-election, the public is free to punish office-holders for corruption. Economists further claim that the coordination problem in bribe-collection is more difficult to solve among legislators in a democracy, also leading to less corruption (Bardhan 1997, 1330). However, in his quantitative analysis of cross-national data on over 60 countries, Treisman finds that the current level of democracy in a country does not strongly affect corruption (2000, 438-439). A simple transition from an authoritarian government to a democracy is not enough to reduce corruption. In fact, the democratization process may be a particularly turbulent time with respect to corruption, as norms and expectations are shifting (see Geddes & Ribeiro Neto 1999). Weyland states that “by dispersing power and requiring the consent of several institutions in decision making, the return of democracy has extended the range of actors who can demand bribes” (1998, 108). In Latin America during the Third Wave of Democratization, this may have been particularly true.

Part of the controversy about the relationship between democracy and corruption arises because democracy is not a single phenomenon, but involves many dimensions and qualities. The previous research on the cross-national effects of democracy described above suggests that two aspects of democracy that may particularly affect corruption are competition and fragmentation. Competitive elections, a prerequisite to democracy, may allow the participation of a wider group of people in government. If informed citizens can choose their leaders from amongst competing alternatives, there is a higher possibility that citizens will “throw the scoundrels out”, i.e. punish corrupt officials through sanctions, impeachment or withdrawing their votes. However, there may be a threshold effect of competition. Montinola and Jackman state that “corruption is typically a little higher in countries with
intermediate levels of political competition than in their less democratic counterparts, but once past the threshold, higher levels of competition are associated with considerably less corruption” (2002, 167). In her discussion of this issue, Rose-Ackerman theorizes that

Democracies based on strong legal foundations provide a stable framework for economic activity. For this framework to operate efficiently, however, politicians must seek re-election and must feel insecure about their prospect, but not too insecure. This leads to a ‘paradox of stability’. Too much security of tenure can further corrupt arrangements. Too much insecurity can have the same effect (1999, 127).

In the case of Brazilian municipalities, there is reason to believe that competition may have this type of complex relationship with corruption, perhaps captured by a curvilinear term. In systems like Brazil, where corruption is considered simply just another way of doing business, politicians may resort to corruption to preserve and/or increase their power in highly competitive and insecure situations and voters may be resigned to this fact. I argue that based on the preceding considerations, there is no clear hypothesis of the effect that competition will have on municipal corruption.

While high levels of political competition in a municipality could be either positive or negative, the structure of that competition matters as well. It is well known that highly fragmented legislatures where there is difficulty in forming cohesive alliances tend to be weaker with respect to the executive. This means that they would be less able to apply sanctions to a corrupt executive. In systems that depend on checks and balances between branches of government, a fragmented legislature may be ineffective at providing oversight of other government functions and acting as a robust competition and electoral alternative. In these cases, fragmentation may lead to higher levels of corruption. The risk of high levels of fragmentation generating more corruption was dramatically highlighted in the Brazilian case of the mensalão scandal. Faced with the challenge of achieving ambitious legislation in a legislature composed of representatives from 20 different political parties, the president’s party made illegal
payment to legislators from various other parties to vote for government programs in order to overcome their own limited legislative weight of only about 18% of seats.\(^{18}\)

The combination of the effects of fragmentation and competition in the Brazilian system can be toxic. Brazil’s fragmentation problem is compounded by the weakness of its political parties, creating a system where “electoral volatility is comparatively high; more than one-third of sitting legislators change parties during a term; and individualism, clientelism, and personalism, rather than programmatic appeals, dominate electoral campaigns” (Samuels 2006, 1). Samuels argues that the legislative branch is so weak in Brazil that most politicians are more concerned with using their time in office to cultivate opportunities for career advancement into higher office or achieving some other personal advantage than they are in re-election (2003). If this is indeed the case, the assumption that politicians refrain from corrupt acts because they are worried about competition from cleaner challengers may not hold.

Unfortunately for Brazil, with its open list electoral system and chaotic party system, legislative fragmentation and the resulting deadlock is all too common; corruption may frequently be utilized as a tactic for coping with this challenge.

Most Brazilian municipalities mirror the national-level dynamic – a relatively strong executive and a weak, fragmented legislature – and thus may face the same pressures. Several cases have been documented where mayors funneled municipal money to campaign funds for their own re-election, for example. In less competitive, fragmented municipalities, it may be easier to hide corruption since there is no strong, cohesive opposition that is able to expose the abuses of the group in power. Thus competition and fragmentation must be analyzed as permissive covariates of municipal corruption.

Despite the weakness of political parties in Brazil, corruption may vary according to the specific party in power. Parties that come to power based on platforms of combating corruption may find themselves committed to this principle once in office at the risk of losing future votes and support. Thus

\(^{18}\) The term *mensalão* translates approximately to “big monthly allowance”. That is because legislators reportedly earned about $30,000 *reais* per month to vote with the government.
these parties, whether completely willing or not, may practice less corruption while in government since their electoral appeal is based particularly on this issue. In contrast to other Brazilian political parties, the Partido dos Trabalhadores (PT), or Worker’s Party, is the only party to have shown a dramatic increase in mass partisanship in the last 15 years (Samuels 2006). It is also considered the most organized, institutionalized and ideologically cohesive of the Brazilian political parties. Interestingly, the PT was founded with and continues to display a commitment to combatting corruption (Keck 1986). PT governments at the subnational level, for example in Porto Alegre from 1989 to 2005, were widely seen as examples of clean government. While this reputation has become somewhat tarnished, especially by the 2005 mensalão scandal under President Lula, municipal governments headed by the PT may still show reduced corruption levels relative to municipalities governed by other parties. The strength of the PT is not equally distributed throughout the country as shown in Figure 1.1, so this may also explain some of the sub-national variance in corruption levels. The question of the effect of PT governance on deterring corruption is valid and relevant to investigate; it is the final permissive factor analyzed here.
Measuring municipal corruption

The principal dependent variable of this study is municipal corruption, viewed in the Brazilian context. In order to help illustrate what this phenomenon looks like, I briefly describe some forms of municipal corruption observed. Next, I discuss the problems of measuring corruption, beginning with a discussion of the principal ways that corruption has been measured in previous studies, then elaborating on the method that I chose. Then I describe how the data was collected on the dependent variable. Finally, I briefly summarize the data on the independent variables utilized in the study, before moving on to discussing the results of the analysis.

I take the most commonly used definition of corruption as a starting point: the improper use of public office for private gain. Thus, municipal corruption would occur when any municipal official uses
their office to ensure private gain. These officials include figures as diverse as the mayor, city council representatives, workers in the municipal bureaus of health, transportation, education, etc. The gains in question include monetary bribes, political favors, jobs, preferential treatment, kickbacks and other benefits. These benefits are considered part of a corrupt act whether they go directly to the official or to his or her friends, family, political party, allies or cronies. As this study focuses on corruption within the municipal bureaucracy, it also does not take into account some forms of corruption. Bribes or illegal payments by corporations or non-governmental organizations to public officials would not be recognized as political corruption unless they involved these organizations with the prefeitura. In addition, bribe-taking by police within the boundaries of a municipality would not be included because the police are not directly controlled by the municipal government. Corruption within a large works project carried out by the federal government, though within the geographic confines of the municipality, would also not be captured since it doesn’t involve the agents of the municipal government.

What types of corruption occur in Brazilian municipalities and under what conditions? Some illuminating examples can be drawn from fieldwork that I completed accompanying government audits (which will be described more in depth below) for ten weeks in five different municipalities in 2009 and 2010. In one municipality observed, the outgoing mayor’s faction had been in power for over twenty years; however, he lost his bid for re-election to the opposition group in the October elections. After the election results were known, the municipal secretary of health ordered about 1.6 million reais worth of medications for the municipal pharmacies, equivalent to a two years’ supply of these medications, some of which were not even needed at the time. The acquisition order attested that the medications were a one year supply; the pharmacist responsible for the order and signer of the document was a relative of the outgoing mayor. When the new party took power in January, there was no proof that the medications had ever been delivered, the medications were not in stock, and the paperwork required by
law as proof of the transactions had disappeared. The facts of the case established through the municipal audit show clear indications of fraud and possible embezzlement.

More generally, many forms of municipal corruption are relatively simple. For example, a company owned by the mayor’s daughter may have won a construction bid after all other competitors were eliminated due to minor technicalities. Or the wife of the municipal secretary of health may be receiving monthly conditional cash payments through the *Bolsa Família* program that her family does not actually qualify for. Other common types of corruption found are fraud in public works: projects that had been built meters smaller than the legal contract specified, with the excess materials presumably enriching someone else’s pockets. The forms of corruption vary widely, though some types are repeated in almost every municipality sampled. For example, in practically every municipality examined, health workers in the public system are routinely paid for various different posts where their work schedule as required by law would total over 100 hours.

The best publicized and most commonly used measures of corruption in academic literature are those based on aggregated perceptions indices created from survey data on citizen and/or expert attitudes. Examples of these indices include the World Bank’s Governance indicators, Transparency International’s Corruptions Perceptions Index, the Economist’s Business Risk Index and others. However, though these measures are widely used for cross-national research, they do not capture variations within a country. Alternative measures of corruption that offer more flexibility include indices based on corruption prosecutions and convictions, victimization reports and media stories on scandals. Yet these measures can be difficult to collect and hard to standardize across units of observation. A newer type of measure that is uniquely suited to analyzing corruption in subnational governments is performance-based measures. These measures are desirable because they are generally based on uniform criteria,

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19 Determining the causes of corruption by using measurements of national corruption composed of aggregated perceptions data can risk ecological fallacy. This problem is discussed in-depth in Seligson 2002a. My measurement is of corruption on the municipal level and my explanatory variables are also municipal-level characteristics, avoiding this issue.
generated by disinterested, professional staff and directly record deviations from professional rules of conduct for public servants. These measures have also previously been utilized in the Brazilian context, so my study may build on the findings of these analyses by using a broadly comparable measure.

In order to look at corruption on a sub-national level in Brazil, I use a measure of municipal corruption based on government performance, derived from audits conducted by the Controladoria-Geral da União (CGU) or Office of the Comptroller General, an organ of the federal government. The audit program has as its stated goal improving the use of public funds passed from the federal government to the municipalities. The audit process operates quarterly, and it begins in Brasília with the random selection by lottery of 60 small and medium municipalities throughout Brazil. Audit teams of 10 to 15 analysts and technicians are sent out from each state branch of the CGU to the municipalities, where they remain for 1-2 weeks, collecting information on the municipal government. Specifically, they “examine accounts and documents and make personal, physical inspections of public works and services in action, but above all they privilege contact with the public, directly or through community councils and other organized entities, as a way to stimulate citizens to participate in the control of the application of resources coming from the taxes that they are charged” (CGU 2012). Auditors evaluate documentation of transfers and use of the public funds, such as bank accounts, receipts, solicitations for public projects, bids, production accounts, stock reports, etc. They also monitor the outcomes of this spending in various ways, including visits to locations of public service provision, interviews with those

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20 The CGU, the executive anti-corruption agency in Brazil, is widely known for its institutional excellence. Employees are subjected to rigorous national testing to be hired and it is a career occupation with advancement within the organization. There is a strong culture of commitment to high quality job performance, with an emphasis on professional conduct, technical rigor hours and political neutrality.

21 These types of municipalities account for over 70% of the Brazilian population, so the coverage of the country is quite large. Excluded from the pool of municipalities in the lotteries are the 26 state capitals, the federal district (Brasília) and 17 of the most populous cities. This amounts to no more than two or three municipalities per state that fall outside the universe of possible cases.

22 Author’s translation. See http://www.cgu.gov.br/AuditoriaeFiscalizacao/ExecucaoProgramasGoverno/Sorteios/leiamais.asp
who use public services, in loco confirmation of the existence and conditions of public patrimony, measurement and verification of building projects, etc. Once the data collection stage is complete, the team returns to the capital, analyzes all of the accumulated information and prepares a report on the municipal government, which is eventually made available to the public online.

Due to the wide scope and deep level of investigation of the audit program, the CGU reports are a valuable and unique resource to analyze the efficiency, effectiveness, probity and general performance of Brazilian municipalities. More relevant to this analysis, these audits reports can be used to create a high-quality proxy for the overall levels of corruption in Brazilian municipalities. This is because: CGU data is neutral (municipalities selected by lottery, conducted by technocratic analysts and municipal outsiders); collected uniformly (set procedures and questionnaires); and based on direct evidence of how the government functions through evaluating confidential files and other information (the access to documentation is much greater than for any other measure). However, there are some limits to this performance-based method of assessment. It may miss corruption at the municipal level that does not directly involve municipal agents, such as violations involving police or federal highway authorities. In addition, because of the difficulties of detecting quid pro quo exchanges and influence-peddling, some of these acts may not be captured by the CGU audit process. Thus the CGU’s assessment of municipal government corruption produces a measure that is a proxy for overall corruption in a municipality, rather than a direct measure of all such corruption. Especially since the data will be used to compare across municipalities, I argue that this is a reasonable measure of municipal corruption despite these limitations.

The CGU has carried out this municipal audit program continuously since 2003, covering a total of 1965 municipalities (as of June 2012) or 35.32% of Brazilian municipalities and over $18.4 billion reais

23 My database only includes municipalities audited from 2006 to 2010. In 2006, the methodology of the audits was altered to be more comprehensive, making earlier audit reports less consistent and informative in comparison to the newer data. I also chose to limit the time period due to the change in political leadership: President Lula’s
of federal resources (Leia mais, CGU 2012). While the audits only cover the use of federal funds, these represent the most important source of municipal revenues, making up 65% of municipal budgets on average (Brollo & Nannicini 2011, 14). My database comes from the reports on the 719 municipalities that were audited by CGU teams from 2006-2010. Since there were about 5,564 municipalities in Brazil according to the Instituto Brasileiro de Geografia e Estatística (IBGE), this sample represents almost 13% of the universe of municipalities. Through careful coding of the violations cited in the audit reports, I constructed a database of municipal corruption and irregularities. As each report averaged roughly 100 pages per municipality, over 7,000 pages of audit accounts were considered. The coding scheme that I used to classify errors was based on a method devised by Ferraz and Finan. They describe their coding rules as follows:

For the purpose of coding irregularities, we define political corruption to be any irregularity associated with fraud in procurements, diversion of public funds, and over-invoicing. Specifically, we define a procurement to be irregular if: i) a required procurement was not executed; ii) the minimum number of bids was not attained; iii) there was evidence of fraud in the procurement process (e.g. use of bids from non-existing firms). We categorize diversion of public funds as any expenditure without proof of purchase or provision and/or direct evidence of diversion provided by the CGU. Finally, we define over-invoicing as any evidence that public goods and services were bought for a value above the market price (Ferraz & Finan 2007, 15).

Using these rules as a basis for my coding of the irregularities indicated in the audit reports, I classified the errors into two main categories with subtypes as described in Table 1.1 below.

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24 Further, Brollo and Nannicini find that “excluding some big cities, such as Brazilian state capitals, municipal governments are strongly dependent on these transfers for their budget, as tax revenues average to only 5.5% of municipal total revenues” (2011, 14).

25 Some municipalities were audited multiple times, so the actual coverage of municipalities is slightly less.

26 I double-checked my coding reliability and consistency by re-checking a random sample of 10% of the reports and found that the margin of error was small. I also compared my coding outcomes to those of Ferraz and Finan and found that they were highly consistent and compatible with their work.

27 Studies that use the Ferraz and Finan measure (or one closely related) include Ferraz & Finan 2007, 2008; Pereira, Melo & Figueiredo 2009; and Colaço Alves & Azevedo Sodré 2008.
Table 1.1: Classification of errors in audit reports

<table>
<thead>
<tr>
<th>Category 1: Serious Irregularities Indicative of Corruption</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 1 Errors in bidding process</td>
<td>bids received from &quot;façade companies&quot;, participation of firms owned by members of the political administration in bidding, unjust disqualification of companies from bidding process, no competitive bidding process carried out</td>
</tr>
<tr>
<td>Type 2 Errors in execution</td>
<td>forged receipts documenting purchases, purchased goods inexistent, works executed using less-expensive goods than supposedly purchased, unexecuted works reported complete, receipt of social services by municipal employees who fail to qualify for programs</td>
</tr>
<tr>
<td>Type 3 Errors in contracting</td>
<td>contract to purchase goods or services for above the market price</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category 2: Administrative Irregularities</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 4 All other irregularities including those due to incompetence, lack of resources, or unclear reasons</td>
<td>selection of municipal employees without proper competition process, incorrect names or birthdates on official social security roles, receipt of Bolsa Família by families apparently above income conditionality for program, lack of planned menus for school lunches</td>
</tr>
</tbody>
</table>

All irregularities were further classified by area, that is, the Federal Ministry that disbursed the funds for the program, such as Health, Education, Public Works, Agrarian Development, Justice, etc. The number of programs evaluated in each area and the amount of money involved in the programs evaluated were also included in the database so that they could be used as controls for the frequency rate and relative size of irregularities detected. Further research plans include looking at which part of the program process generates more errors and why and which policy areas had more or less corruption and irregularities, but that is outside the scope of this particular article.
avoid “false positives” on Types 1, 2 and 3. Thus, only about 16% of the total irregularities cited were considered to present serious indications of corruption and as such to be included in my proxy measure of corruption.

**Figure 1.2: Distribution of types of irregularities in the database**

The main dependent variable, the rate of serious irregularities indicative of corruption (Types 1, 2 and 3) per service order (number of programs evaluated) per municipality, ranges from a minimum of 0 to a maximum of 1.72 errors per service order, with a mean of 0.36, a median of 0.29 and a standard deviation of 0.28. Figure 1.3 summarizes the averages of this dependent variable by state. As expected, the cleanest states are generally those of the South and Southeast, which are relatively developed areas of the country where we would expect corruption to be least likely. The states with the highest levels of irregularities are mostly those from the Northeast of the country, a region that is not only poorer and less educated but also less equal. As the figure shows, the rate of serious irregularities often goes hand-
in-hand with the rate of all irregularities, but the correlation is not perfect. In order to determine whether or not errors of Types 1, 2 and 3 were in fact capturing a different underlying phenomenon (i.e. corruption) than Type 4 errors, I performed a factor analysis on the four types of error rates. The results confirmed the decision to use rate of serious irregularities as the dependent variable, by yielding two factors, one including Types 1, 2 and 3, and the second factor including only Type 4 errors. This outcome further validates my choice of measurement for the dependent variable.

Using principal component factor (pcf) analysis, the eigenvalues were as follows: Type 1 = 1.79, Type 2 = 0.93, Type 3 = 0.72 and Type 4 = 0.5.

I tested alternative measures of the dependent variable, including total value of errors (rate of monetary expenditures of programs in which errors were detected), rate of all irregularities (including Types 1, 2, 3 and 4) and total value of irregularities (rate of monetary expenditures of programs in which any irregularities were detected). None of these dependent variables were as precise as the dependent variable that I chose to measure corruption, rate of serious errors per service order.

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29 Using principal component factor (pcf) analysis, the eigenvalues were as follows: Type 1 = 1.79, Type 2 = 0.93, Type 3 = 0.72 and Type 4 = 0.5.

30 I tested alternative measures of the dependent variable, including total value of errors (rate of monetary expenditures of programs in which errors were detected), rate of all irregularities (including Types 1, 2, 3 and 4) and total value of irregularities (rate of monetary expenditures of programs in which any irregularities were detected). None of these dependent variables were as precise as the dependent variable that I chose to measure corruption, rate of serious errors per service order.
Figure 1.3: Rate of serious errors and irregularities by state

Average rate of serious violations

Average total error rate
Independent variables

The main independent variables evaluated with respect to the dependent variable municipal corruption (captured by the rate of serious errors detected per service order) are population, poverty rate, education levels, municipal government spending per capita, media presence, competition in the mayoral race (electoral dominance), legislative fragmentation, PT mayor and a dummy for the 2008 election year. For the permissive variables, poverty was measured as the percentage of the municipal population below the poverty line in 2003 according to official statistics of the IBGE. Education was captured using the average years of schooling in the municipality in the year 2000 according to the official census figures. Population figures are also from the IBGE, comprising the estimated municipal population in thousands, lagged one year in relation to the audit year. Municipal government size, drawn from the IBGE @cidades database, is total expenditure per capita by the prefeitura in thousands for the year previous to the audit.

As for the proximate variables, media presence is a dummy variable that takes on a value of one if there was a local AM radio station in the municipality as of 2006, according to the IBGE Pesquisa de Informações Básicas Municipais. This measure was selected because previous studies on Brazil emphasized the role of local media, especially AM radio, in disseminating information about municipal government abuses and thus, lowering corruption (Ferraz & Finan 2007; 2008). Electoral dominance, a measure of competitiveness, is the vote share of the current mayor (in office during the year of the audit) in the first round of the elections that brought him or her to power, according to official results from the Tribunal Superior de Eleições (TSE). Fragmentation is the effective number of parties in the town council (Câmara Municipal), calculated using the method devised by Laasko and Taagepera (1979).

31 Other variables and alternate measures tested include: economic development (municipal GDP per capita), inequality (municipal Gini coefficient), literacy (rate of adult literacy), PT legislative weight (percentage of seats on the town council held by PT), lottery edition (iteration of the CGU lottery in which the audit was performed), an interaction effect between development and inequality, curvilinear effect of competition, Human development index (HDI of municipality), and others. None of these were found to have significant effects on the dependent variable.
This measure captures fragmentation in the legislative branch and thus its ability to check the abuses of the executive branch, the prefeitura. PT mayor is a dummy variable that gets assigned a value of one if the mayor in the audit year was from the Partido dos Trabalhadores (PT). The final variable was a dummy assigned to audits conducted in an election year, 2008. This control was necessary because the dynamics of election year politics could affect how much corruption the CGU detects, either because the competition pressures of elections could lead to more corruption to fuel the campaign machine, or less corruption as dirty mayors try to hide their misdeeds in order to preserve their electoral bids from damage. Table 1.2 below describes these variables further by summarizing their means at varying levels of corruption rates: low (0-0.43), medium (0.43-0.86), high (0.86-1.25) and very high (1.25-1.73).

Table 1.2: Means of independent variables by corruption rate

<table>
<thead>
<tr>
<th>Variable</th>
<th>Low corruption</th>
<th>Medium corruption</th>
<th>High corruption</th>
<th>Very high corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>27401.12</td>
<td>27240.58</td>
<td>40496.49</td>
<td>26779.00</td>
</tr>
<tr>
<td>Poverty</td>
<td>39.89</td>
<td>50.92</td>
<td>52.80</td>
<td>54.01</td>
</tr>
<tr>
<td>Education</td>
<td>4.52</td>
<td>3.66</td>
<td>3.23</td>
<td>3.13</td>
</tr>
<tr>
<td>Size of municipal government</td>
<td>1283.36</td>
<td>1041.57</td>
<td>769.16</td>
<td>695.50</td>
</tr>
<tr>
<td>Media presence</td>
<td>0.24</td>
<td>0.18</td>
<td>0.23</td>
<td>0.25</td>
</tr>
<tr>
<td>Electoral dominance</td>
<td>53.17</td>
<td>51.53</td>
<td>50.22</td>
<td>52.23</td>
</tr>
<tr>
<td>Fragmentation</td>
<td>0.10</td>
<td>0.06</td>
<td>0.05</td>
<td>0</td>
</tr>
<tr>
<td>PT mayor</td>
<td>4.56</td>
<td>4.66</td>
<td>5.10</td>
<td>5.87</td>
</tr>
<tr>
<td>Election year</td>
<td>0.15</td>
<td>0.19</td>
<td>0.26</td>
<td>0.75</td>
</tr>
</tbody>
</table>

Analysis and results

To test the effects of my independent variables, I completed a cross-sectional regression analysis of municipal corruption using serious violations per service order as my dependent variable. The dependent variable was weighted to compensate for the fact that municipalities, while randomly

---

32 Including a variable capturing municipal governments run by mayors from other parties would not be expected to demonstrate any impact on corruption levels, since the parties rarely take a stand on the issue of corruption. In fact, many of these parties are more personalistic and clientelistic vehicles with heterogeneous policy preferences and radically varying coalitions at various levels of government. See Samuels 2006 for a further discussion of Brazilian parties and PT exceptionalism.
chosen, did not have the same probability of selection. This is due to the design of the lottery, which selects a certain number of municipalities per state to audit in a quantity out-of-proportion to the total number of municipalities contained within the state. Thus, the correction ensures that states that over-sample their municipalities do not drive the results and states that under-sample will not have more negligible explanatory weight. The results of my analysis are summarized in Table 1.3.\textsuperscript{33}

\textsuperscript{33} I also looked for possible multicollinearity through examining the correlation coefficients of all of the independent variables. Most of the correlations between the variables were quite low, indicating that there was little danger of violating the regression assumption of noncollinearity. There was one correlation of 0.6, which might be considered problematic, between the poverty and education measures. To deal with this possibility, I computed the model with each of these variables separately and compared the results to Model 1, which includes both. I found that in each case the estimated coefficients of the variables in the model remained almost the same and with the same levels of significance, though the indicator of model fit decreased when either of the variables was dropped from the model. Thus, the effect of poverty did not appear to compensate for the effect of education and vice versa. From this testing, it appears that multicollinearity is not a serious concern here.
Table 1.3: Regression results for municipal corruption rate (serious violations per service order)

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Expected sign of coefficient</th>
<th>Model 1 Predicted coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td>?</td>
<td>-0.01* (0.00)</td>
</tr>
<tr>
<td><em>municipal population in tens of thousands, lagged 1 year</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Poverty</strong></td>
<td>+</td>
<td>0.22** (0.07)</td>
</tr>
<tr>
<td><em>proportion of municipal residents living in poverty in 2003</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>-</td>
<td>-0.09*** (0.01)</td>
</tr>
<tr>
<td><em>average years of school attended for population in 2000</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Size of municipal government</strong></td>
<td>?</td>
<td>-0.02† (0.01)</td>
</tr>
<tr>
<td><em>municipal government spending per capita in thousands, lagged 1 year</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Media presence</strong></td>
<td>?</td>
<td>0.06** (0.02)</td>
</tr>
<tr>
<td><em>dummy variable for local AM radio station in 2006</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Electoral dominance</strong></td>
<td>?</td>
<td>-0.16* (0.07)</td>
</tr>
<tr>
<td><em>proportion of votes won by current mayor in first election round</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fragmentation</strong></td>
<td>+</td>
<td>0.01* (0.01)</td>
</tr>
<tr>
<td><em>effective number of parties on the town council</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PT mayor</strong></td>
<td>-</td>
<td>-0.04† (0.02)</td>
</tr>
<tr>
<td><em>dummy variable for a PT mayor in office</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Election year</strong></td>
<td>?</td>
<td>0.10*** (0.03)</td>
</tr>
<tr>
<td><em>dummy variable for audits that took place in 2008</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Constant</strong></td>
<td></td>
<td>0.62*** (0.08)</td>
</tr>
</tbody>
</table>

N=719; Standard errors in parentheses; data has been weighted by number of municipalities selected versus total number of municipalities per state to deal with the unbalanced sample. Analyses performed using StataSE 12.

p<0.001***; p<0.01**; p<0.05*; p<0.1†

According to this model, the permissive variables that had significant effects on the corruption variable were economic development, education, population and size of the municipal government.

Economic development acted as expected: increased development (understood as a decline in poverty levels) is associated with lower corruption levels. Higher education levels also decreased corruption, a result that is congruent with other research studies. Population of the municipality did have a significant effect on the level of the dependent variable. There is evidence for the expectation that more populous
municipalities have lower levels of corruption, perhaps due to increased networks of information. Size of municipal government was found to have a weakly significant negative effect on corruption. This supports the argument that there is space for local governments to play a healthy role in their municipalities without necessarily increasing corruption.

With respect to the proximate factors hypothesized to affect corruption levels, media presence, electoral dominance, fragmentation and PT mayor all had significant effects on the dependent variable. There was no evidence for the expectation that media presence acts as a check on corruption; on the contrary, the positive coefficient supports the contention that significant media capture is occurring in these cases.\(^\text{34}\) In the case of electoral dominance, there was a significant negative effect of vote share on corruption. That is, increasing competition was linked to increasing corruption, substantiating the claim that corruption can be a tactic to cope with high competition in these municipalities (rather than an effective check on government corruption by competitive opposition parties).\(^\text{35}\) Fragmentation had a significant positive effect on corruption; more fragmented legislatures were associated with more system corruption. The outcome for PT mayors was in the predicted direction, though weakly and significant; the PT’s reputation for clean governance at the municipal level still finds some support within this sample.\(^\text{36}\) Finally, the election year dummy variable also reaches significance in a positive direction. This indicates that in an election year, there tend to be more corrupt violations. This could be

\[^{34}\text{Alternative explanations of this result may be that there is a lack of programs dealing with local politics or that there are few listeners to these stations and programs.}\]

\[^{35}\text{I also ran the model with two other specifications of competitiveness in order to test Rose-Ackerman’s argument that both high competition and low competition can generate corruption. I tested for a curvilinear effect of competition and tested for a \textit{threshold effect}, through a categorical measure of high, medium and low competition. The results for both of these specifications showed insignificant effects of competitiveness on corruption.}\]

\[^{36}\text{I also tested for PT influence in government by running the model with a variable capturing the percentage of PT politicians on the town council. This variable did not reach significance, though it was in the expected direction, i.e. more PT presence associated with reduced corruption.}\]
because corruption is a tactic used to win elections, perhaps by funneling public resources to buy support, and thus will be higher during political campaigns.

**Conclusion**

The goal of this analysis was to begin to explain variation in corruption patterns at the subnational level. It analyzed corruption at the level of municipalities, using an innovative proxy variable based on actual government performance. Informed by previous research on the correlates of corruption in large, cross-national studies, I generated a series of hypotheses about which variables could explain varying levels of corruption within a single institutional environment. I investigated the case of Brazil, which offers both a rich source of data on municipal government performance and a highly relevant and important case for corruption research. The results that supported previous research were that both increased level of development and increased education levels were correlated with lower corruption in municipalities. The effects of population size, electoral dominance, media presence and municipal government size were also significant, though in ways not hypothesized by most cross-national studies. These divergent effects may be due to the particular characteristics of municipal governments versus national governments that impact the causal processes of corruption or they may be due to factors specific to the Brazilian context. More study is necessary to determine to what extent these findings characterize other political entities. Below, I elaborate more on some further implications of my research.

Local political conditions are one set of explanatory factors that are often overlooked when the analysis of corruption focuses on the national and international levels. According to this analysis, these are very significant elements in explaining variation in levels of corruption within a country. When analyzed in conjunction with other, more stable factors such as population, education levels and socio-economic development, these political and social variables provide a much fuller picture of corruption.
dynamics. While cross-national research indicates several variables that could affect subnational patterns of corruption, these factors can only suggest that we should expect higher corruption in small, poor municipalities with relatively low levels of education. By adding the dimension of local political variables, we can understand more about why even in those regions prone to corruption, some cities remain cleaner than others. There is some evidence that having a pro-transparency party in power, a strong, cohesive opposition, and some healthy level of political competition – all improve the likelihood that corruption will be lower in a municipality.

Political competition, measured by electoral dominance, plays a more complex role than expected, perhaps because higher competition incentivizes politicians to consolidate or buy support in an uncertain climate through corrupt means. This may be especially true in fragmented legislatures and party systems, as seen in this case. These findings point to some possible reasons why the effect of democracy on corruption levels varies widely. Further research may explore under what contexts democratic competition is effective in deterring corruption. One initial hypothesis is that while voters may prefer to throw out corrupt politicians and elect clean politicians, in systems where corruption is pervasive, voters view all candidates as corrupt and base their vote choice on other issues.

Fragmentation should also be explored further to examine its primary mechanisms of acting on corruption. One possibility is that it inhibits the formation of a cohesive opposition and decreases the ability of the legislature to provide oversight. Another possibility is that fragmentation may lead to deadlocked legislatures incapable of forming majorities to pass legislation. In this situation, corruption, probably along with patronage, pork-barreling and logrolling, is used to solve the coordination problem.

In the municipalities studied here, several variables impact corruption in ways that conventional wisdom might find counter-intuitive. Media presence appears not to be an active check against corruption, which may mean that media independence is a necessary condition for the media to decrease corruption. In many towns in Brazil, the key political figures are also the owners of the media.
or allied to these owners by class, family or professional ties, making them less likely to criticize local
government. Local media may also not have a strong enough power base to confront the political power
players on their abuses, even if it were disposed to do so. It would be interesting in further research to
see if media does have an effect in larger cities, where a more independent, resource-rich, plural
perspective may be present.

Another interesting finding that deserves further research is the effect of public sector size on
corruption levels. Contrary to the expectations of neoliberal economics, a larger public sector appears to
be not entirely undesirable, at least on the local level. In addition, it seems that decentralization of
competencies should be accompanied by fiscal decentralization. At least in the municipalities studied,
higher municipal spending was not related to higher corruption. This may be because higher per capita
spending by the municipal government could actually be used to provide higher wages, attract more
capable public servants and provide city governments with better facilities and tools to do their jobs
cleanly and transparently. Based on field research that I carried out in Brazil, this explanation has face-
value validity: the poorest municipal governments that I observed were understaffed, badly paid, under-
educated and over-worked. All of these characteristics could make corruption both more attractive to
government functionaries as well as easier to get away with. This may be especially true in the context
of a mayor who lacks the political motivation or interest to combat corruption. Cross-national research
may support the findings on public sector size, especially with respect to the positive effect of higher
public sector wages (La Porta et al. 1999; Montinola & Jackman 2002, 169). Future research on local
government could explore under what conditions money is well spent and under what conditions it is
diverted into corruption. It may also illuminate whether there is a threshold effect to per capita
municipal spending, beyond which basic necessities are provided for and incentives to indulge in
corruption begin to rise.
The most intriguing findings of this study, about the importance of political fragmentation, electoral dominance, the size of public sector and party in power, suggest interesting possibilities for research on corruption at the state and national level in Brazil. Many of these factors may also be at work in other levels of government, which share some similar dynamics and problems of governance. As Macaulay points out, “the problems of coalitional presidentialism visible on the national stage as the mensalão scandal of 2005 are also present as “coalitional gubernatorialism and mayorism” in state and municipal governments” (2011, 222). Legislative fragmentation and competition may be particularly relevant to explaining corruption in government, since mayors, governors and presidents are subject to the same challenges. Other political figures may also make calculations based on these pressures that lead them to opt for more corrupt acts. The need to win elections in a fractionalized electorate and to build coalitions in order to pass legislation in a fragmented legislature may incentivize corruption throughout the Brazilian political system, though only future research can illuminate that issue.
BIBLIOGRAHY


CHAPTER 2: DETERMINANTS OF CORRUPTION PERCEPTIONS IN BRAZILIAN MUNICIPALITIES

Introduction

Beginning in June of 2013, massive protests erupted in Brazil, the like of which have not been
seen since the 1992 marches against then-President Collor de Melo. Like the earlier marches, which
eventually ended with the impeachment and exit from office of the president, these demonstrations
also have as one of their key rallying points popular disgust with corruption in government (Romero
2013). According to a public opinion poll taken in July 2013, citizens believe that the single most
important demand of the protesters is the end of corruption, with over 40% of respondents naming this
as the primary goal (MDA Pesquisa 2013, 27). The on-going mobilization of millions of Brazilians on this
issue is a significant sign of both the high levels of perceived corruption and the considerable weight
citizens assign to the problem.

In this article, I explore the determinants of corruption perception in Brazil using quantitative
and qualitative data from four municipalities. Through surveys and audit reports, as well as information
drawn from extensive fieldwork in these towns, I analyze the relationships between three different ways
of measuring corruption: experience, perception and performance. The primary quantitative data comes
from 120 interviews that I completed; the responses are collected in the Biddle Southeast Brazil
Corruption database. In a multi-level model, I find that age, trust in societal organizations, support for
the incumbent government, political information and assessment of government performance are the
most important variables conditioning individual-level measures of corruption based on perceptions.
More specifically, younger, more informed, those less trusting of societal organizations, more
dissatisfied with municipal performance and opposition voters are more likely to perceive higher
municipal corruption. At the same time, contrary to what some analysts have argued, I find that personal experience with corruption plays an insignificant role in determining perceptions among the population of my sample. However, this analysis does show that citizens’ perceptions of corruption are positively correlated with performance-based measures of corruption in municipal government operations. The results add to previous research on the advantages and disadvantages of different corruption measures, as well as the determinants of corruption perceptions.

The first contribution of this article is its focus on corruption at the subnational level, through a database I created. While many studies examine corruption cross-nationally, focusing on variation within a single country can provide complementary data on the mechanisms at work and the direction of causation. Looking at variations of municipal corruption and their role in determining citizens’ attitudes is one way of limiting the analysis to a specific institutional context in order to draw implications that may illuminate the dynamics at work at the nation-state level. Municipalities are similar to national structures, in that they have an executive, a legislative branch, a bureaucracy, elections and citizen-voters. Thus if hypotheses find support at the local level, they may provide inferences for the dynamics operating at higher levels of government. Municipal-level corruption is also important to study in itself because it is the closest to the everyday experience of most of the Brazilian population. Municipal governments administer services such as trash collection, public education, basic healthcare, road maintenance and social assistance that reach the majority of the population. Corruption in these areas thus may be particularly salient for citizens and damaging to their confidence in government. Because corruption perceptions erode legitimacy and participation, it is necessary to analyze who is most affected, where and why. Through combining data on corruption at the level of the municipality and at the level of the individual, the context that conditions these relationships can be more fully understood.

37 In a study of about 38,000 respondents in 24 Latin American countries, Bohn finds that the most common location of respondents’ experiences with corruption was in the municipal government (2012, 74).
Another contribution of this article is in exploring the relationships among several different corruption measures: individual perceptions, victimization and underlying levels of corruption as assessed through auditing local government performance. These three types of measures represent the major methods of capturing corruption in previous research, though there has been less research on how they relate. Typically all three measures are not available for the same population, so there is little known about how well they correlate and how each affects the others. Since they are a relatively new method in the literature, especially little is known on how well performance-based metrics relate to the more conventional measures. Thus, this article adds to a growing research agenda that does not employ only a single measure to operationalize the challenging concept of corruption, but rather helps to understand how multiple measures can complement each other.

Studying subnational corruption in the Brazilian context is not just particularly timely given events in Brazil; it also has characteristics that make it highly relevant to a variety of other cases. Brazil is a large, diverse country with a high degree of decentralization. It combines a developing economy with a democracy that is still in the process of consolidation. The country’s institutional configuration, which combines a presidential structure with federalism, open-list proportional representation and a fragmented multi-party system combines several political-institutional elements that scholars generally identify as being most associated with corruption (Rose-Ackerman 2001; Gerring & Thacker 2004; Chang 2005). The media in Brazil has been particularly aggressive in publishing and investigating news of scandals, though few guilty parties ever face serious sanctions for wrong-doing. The belief that the rich, powerful and well-connected operate with impunity is common, often expressed in the supposed words of former President Getúlio Vargas, “for my friends, anything – for my enemies, the law”. In addition, average Brazilians acknowledge the importance and ubiquitoussness of the “jeitinho”, a difficult to define...
phrase that generally means getting around complicated rules or other obstacles through not altogether licit methods – including some that can be classified as corruption.

The paper begins with a brief discussion of ways of conceptualizing and measuring corruption. It then describes several main ways of measuring corruption and their strengths and weaknesses. I next explore the factors that may affect corruption perceptions, including corruption victimization and corruption performance. Several hypotheses are developed about these relationships based on a summary of previous research. I then move on to explain my case selection and how the data was collected. This data is then utilized in a multi-level model of individual corruption perceptions with both respondent characteristics and municipal government corruption performance data. Next I discuss the model findings, particularly how the three corruption measures relate, and what impact attitudinal and political characteristics have on perceptions. In the conclusion, I point out other areas where these findings might apply and possible directions for further research.

**Defining and measuring corruption**

A complete list of what acts are called corruption would be practically impossible to compile. A few major examples include illegal surveillance, sale of public office, extortion, graft, perversion of justice, misappropriation, forgery, embezzlement, intimidation, undeserved pardons, blackmail, cronyism, accepting or coercing kickbacks, influence-peddling, perjury, and cover-ups (Caiden 2001, 17). Providing a definition that captures the key elements of the concept and that includes so many different manifestations is challenging. The clandestine nature of corruption adds even more to the difficulty of definition, as most of what goes on is concealed behind layers of schemes to protect the perpetrators from detection. Nonetheless, a tenuous consensus has developed in academic research that defines political corruption as “the improper use of public office for private gain”.
This definition limits corruption to acts in the public sector; transactions that do not involve government agents or funds cannot be considered instances of this type. Thus, what some might call corporate corruption or corruption within non-governmental organizations would not be captured by this definition when no governmental official is involved. In addition, the actions must be improper, which means that they must be condemned either by formal rules, widely held norms or professional standards of conduct. Thus, corruption depends partially on context and beliefs about what is proper, but also on rules that govern what is and is not permitted to government agents. However, popular attitudes and media reports often conflate various actions not covered by a strictly academic definition under the heading of corruption. Fraud in business, clientelism, patronage and even incompetent or poor governance may be considered corruption by citizens who are critical of the system. Both popular perceptions and personal experiences with corruption have been found to decrease regime legitimacy and political participation in Latin American publics (Seligson 2002; Davis, Camp & Coleman 2004). Investigating the links between these elements is important to understanding how corruption shapes behavior.

Measurement of a political variable is itself a political issue. With a phenomenon as elusive and complex as corruption, decisions about measurement can change not only the causal stories that academics tell, but also where businesspeople invest their money, which programs governments decide to implement, what laws are promulgated, who goes to jail and many other vital decisions. More specifically, in academic studies, how one measures corruption helps to determine the relationships that one sees with other variables of interest. In most studies of corruption, corruption’s links to either economic outcomes such as growth, FDI and inequality, or political outcomes such as regime support, participation, quality of democracy and legitimacy have been studied. However, these relationships may be subject to variance depending on how corruption is measured. Below I describe some common methods used to measure corruption and their strengths and weaknesses.
Perceptions measures

The most widely used way to measure corruption is through metrics based on corruption perceptions: asking respondents how much corruption they see. Some studies rely on businesspeople or experts in a given polity, others ask any citizens. These measures are helpful because they take definitional variation among cultural contexts into account, which is necessary for understanding when behavior is improper. They are also fairly comprehensive since they tend to incorporate all types of corruption in a system. However, depending on the research question, this may paint corruption with too broad a brush, since there is no regard for distinctions between sectors (e.g. business vs. government), functions (e.g. police vs. bureaucracy), institutions (e.g. executive vs. legislature) or types (e.g. embezzlement of state funds vs. giving an unqualified relative a job in municipal government). These measures further imply that units with similar overall levels of corruption are somehow analogous in kind. For example, Slovakia and Cape Verde both scored a 4.9 of 10 on the 2007 Corruption Perceptions Index (CPI); however, this comparison illustrates nothing about the radically different patterns of corruption in these two countries (TI 2007). At worst, as Johnston states, these measures can create a “one size fits all” view of corruption and of reform as the process of making developing societies more like the West (2005, 1).

The best-publicized corruption measure, celebrated in annual press releases and appearing in worldwide media, is Transparency International’s Corruptions Perception Index (CPI). The CPI has the widest coverage of countries over time of all of the publicly available data sets on corruption in the public sector. Transparency International (TI) defines corruption as “the abuse of public office for private

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39 One could possibly make the argument that corruption is rarely confined to a single state sector and instead is a pervasive characteristic. In these cases, such as some Latin American and Caribbean countries, general corruption perceptions may serve as an indicator of the level of a specific type of (otherwise unmeasured) corruption that is of interest.

40 To avoid over-generalization and preserve more fine-grained significance in classification, Johnston prefers to identify patterns of corruption, including those found in advanced societies, and rejects single aggregate measures altogether (2005, 195-219).
gain”, which is quite similar to the common academic definition (2005). There are no distinctions made between administrative and political corruption, petty and grand corruption. It simply measures the “degree to which corruption is perceived to exist among public officials and politicians” (TI 2005). The information is from surveys of businesspeople and assessments by country analysts from around the world, including some who are locals in the countries evaluated; final scores thus reflect the perceptions of thousands of knowledgeable individuals. The CPI is a survey of surveys – it gives a single number that represents the aggregated results from several different surveys of thousands of respondents’ views on how much corruption is present in a given country.

While the work of TI has been commendable and has certainly raised awareness about corruption, even its own experts readily acknowledge the CPI’s shortcomings. In general, there are problems with using aggregated perceptions of corruption and careless research may commit the error of ecological fallacy (Seligson 2002a, 273). Further, it is a relatively blunt measure, even looking cross-nationally. However, perceptions seem to matter in determining both other attitudes that citizens hold about their governments and political behaviors. For example, studies have shown a negative effect of aggregate corruption perceptions on several factors responsible for preserving and deepening democracy, including legitimacy, system support and confidence in government (Morris 1991; Della Porta 2000; Davis, Camp & Coleman 2004, etc.). For Latin American and Caribbean publics, Bohn finds that corruption perceptions matter more than experience with corruption in determining satisfaction with democracy (2012, 90). The mechanisms and direction of causation are unclear in these relationships; trust could be the driver of both corruption perception and regime legitimacy ratings, or low legitimacy could make for high corruption perceptions. Thus, research on the micro-foundations of these effects is necessary.

In the case of economic studies, while several show that corruption perceptions impact economic outcomes, including growth, investment and inequality (Mauro 1997; Gupta, Davoodi &
Alonso-Terme 1998; Ades & Di Tella 1996, etc.), similar concerns are justified. There may be problems of endogeneity or feedback effects among these variables. For example, if country X is ranked as extremely corrupt, this could lower investment from abroad and in fact lead to slower growth – a different direction of causation altogether (Mauro 1995). Further, the CPI and similar indices include the opinions of businesspeople who are the investors in many of these countries. If they believe that a country is highly corrupt, they will rate the country as highly corrupt on the CPI and they will also be less likely to invest in it – leading again to slower growth. Thus, we can see that how corruption is measured matters, with perceptions especially vulnerable to reputation effects and feedback loops.

While perception measures may be particularly useful in explaining the links between corruption and regime support and legitimacy, perception by itself may be a misleading measure. It can be highly correlated with citizen satisfaction with their situation (pocketbook evaluations). Membership in or opposition to the faction in power also tends to affect whether citizens see the government as corrupt (Davis, Camp & Coleman 2004). Perceptions also vary across types of citizens (social class, neighborhood, etc.); different populations may have widely varying definitions of what and where corruption is. Thus, to gain a wider picture of corruption perceptions, the factors that shape these attitudes need to be taken into account.

Victimization measures

A second type of corruption measure based on citizens’ experiences is called “victimization”. These measures ask survey respondents to identify whether or not they have been the victims of certain types of corruption, such as bribes extorted by public officials or payment in exchange for their votes. Victimization data avoids some of the disadvantages of perceptions measures, since it can be fairly specific about types and locations of corruption experienced and thus more comparable across contexts.

41 Cross-national studies with questions about victimization include the UN’s International Crime Victim Survey, the Latin American Public Opinion Project (LAPOP) and Transparency International’s Global Corruption Barometer.
This measure is also less subjective, at least in theory, than perceptions measures. These characteristics suggest that victimization measures may be useful in examining specific types of corruption taking place across many different countries. They can also help identify those agencies that appear to operate under a norm of corrupt practices and which types of corruption average citizens have to deal with most frequently.

Victimization data does have some disadvantages. The first problem is fear; as in any study of criminal acts, you may have respondents that do not answer truthfully for fear of retribution or judgment. Unlike perceptions of corruption, which are slightly removed from reflection on the self, respondents may feel that positive responses on victimization items implicate themselves. According to a meta-analysis of 35 years of studies, Lensveldt-Mulders et al. (2005) find that when asked about sensitive topics, such as criminal activities, respondents give incorrect answers 49% of the time on average. Also, victimization measures do not capture many types of corruption that are not directly observed by citizens, especially those at higher levels of government. They also cannot capture corruption that does not have direct “victims” or witnesses, for example, embezzlement or undocumented campaign funds (caixa dois in Brazil).

Subjectivity also plays a role; citizens may not always be aware of when they have been victimized and respondents may not feel that they have been victimized. For example, the clearest case that we would expect this type of measure to capture is that of a citizen who is asked by a state agent to pay a bribe in order to receive some good or service. However, if the citizen offers that bribe without being asked, he or she may not respond to a survey item asking about victimization since, after all, she offered the bribe. Both cases are still corruption; only one would “show up” in the victimization measure. In other cases, citizens do not realize that they have been subject to corruption; for example, studies in Mexico have found that payment of “la mordida,” a payment made to police to avoid a complex legal proceed, fine or loss of driving privileges, is not always understood by respondents as
corruption. Quid pro quo exchanges, gifts in kind of goods and services, vote-selling and granting sexual favors are all typical practices that can occur without the “victim” necessarily recognizing it as corruption. This is especially true when populations are uneducated and isolated.

There is also a statistical issue that commonly arises with victimization data: excess zeros in the data distribution. Since a relatively small percentage of survey respondents typically claim to be victims of corruption, it may be difficult to gain samples large enough to learn much about the conditions under which victimization occurs. In sum, victimization data alone may be complicated to use because 1. most corruption is hidden from citizens; 2. direct and clear corruption experience is rare; and 3. awareness of what is and is not corruption may be lacking on the part of citizens. However, it may be quite useful as a way to capture highly specific forms of corruption, especially at low levels of analysis.

*Performance-based measures*

The third broad type of corruption measures are based on government performance. These are a creative new family of indicators that capture shortfalls between what government should be doing and what it actually is doing that are indicative of corruption. One method is to measure the difference between goods supposedly distributed to citizens and goods actually received by the target population (Olken 2006; Reinikka & Svensson 2004). Another example is to compare the predicted

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42 In Brazil, small cash payments such as these are often referred to as a “cafezinho”, a small coffee. For slightly larger amounts, a “cervejinha” (a little beer) is commonly used.

43 All of these types of behaviors were reported to me by residents during the period of my fieldwork. However, almost no one identified with the language of “victimhood”; most were reluctant to label anything corruption for fear that as a participant, they could be punished. This is related to the common conception that laws protect the powerful and fall heavily on the poor.

44 For example, Seligson finds that the percentage of respondents experiencing corrupt practices was low, though varied by country: 5% in El Salvador, 9% in Honduras, 15% in Nicaragua, 19% in Ecuador, 22% in Paraguay and 27% in Bolivia (2006, 11).

consumption possible on government wages to the actual consumption levels of government functionaries to identify the receipt of non-reported compensation or bribes (Gorodnichenko & Peter 2007). And Di Tella and Schargrodsky measure the prices paid by government for basic inputs before and during a crackdown on corruption (2003).

The most valid versions of these measures are based on outside evaluations by independent auditors of government programs’ compliance with professional and bureaucratic norms. This type of data can be used as a proxy for corruption since it captures the failure of government agents to comply with the rules of their profession. As it is program-based, it can also capture corruption in different levels of government, allowing for disaggregation between municipal, state and federal authorities. While this type of data is limited to strictly evaluating outcomes according to official rules, it is usually more neutral, collected more uniformly and more broadly comparable from unit to unit. As this measurement is based on the specific performance of the government on measurable tasks and within structured settings, it is one of the clearest and most proximate ways to measure corruption in subnational government. Performance-based data cannot pretend to capture every instance of corruption in a certain government but it can be considered an indicator of corruption levels, appropriate for comparison among units. A disadvantage of this type of measurement is that, since it is based on particular programs, it is not available at the national level. It may also be costly and/or time-consuming to produce this type of data. In addition, these measures tend to underestimate corruption, since only clear instances of corruption are generally counted as part of the dependent variable so as to avoid Type I errors.

Other measures

There are several other ways to measure corruption that do not fall neatly into the categories discussed above that may be worth considering. For example, one could measure corruption by
counting the number of prosecutions or court cases for “corrupt acts” as they are defined by the researcher. However, these types of aggregate counts tell more about the stringency of laws, the willingness of prosecutors to pursue such cases and the structure of court systems in particular countries than they do about the actual existence of corruption. Another measure, used in Pharr (2000), analyzes the frequency of reports of corruption in news media. Similarly, this tells more about the relative independence of reporters or the popularity of such sensationalistic stories than about corruption. In Latin America, especially, anecdotal evidence seems to directly warn against trusting this type of data since some politicians allegedly have paid reporters to write stories accusing their political enemies of corruption. Under conditions of high corruption and high levels of violence, courts and media may be unable to expose and sanction corruption. As these other measures are less commonly used and the data is difficult to collect, this analysis focuses solely on perceptions, victimization and performance.

Factors affecting corruption perceptions

Since most previous studies utilizing measures of corruption perceptions use nationally aggregated measures, the most significant explanatory variables are at the system level, including economic development, resource dependence, configuration of political institutions and quality of democracy. However, the approach in this paper is to look at corruption perceptions on the micro-level, identifying what characteristics make perception of corruption more or less likely for individuals. Previous literature suggests that a combination of variables may be responsible, including socio-economic, political and attitudinal factors. For example, in an analysis of survey data from Costa Rica, Mexico and Chile, Davis, Camp and Coleman find that corruption perceptions are linked with respondents’ party identification, ideological orientation, trust, economic assessments, socioeconomic status and size of their community (2004, 692). While the effects of age, socioeconomic status and
community size varied across the three countries, they found that in general opposition support, social
distrust and poor current and future economic assessments were linked to higher perceived corruption
(ibid.). Using data from Indonesian villages, Olken (2009) observes that individual perceptions of
corruption are linked to age, gender, social participation, education, levels of trust and income, finding
in particular that better educated, younger, male, and more participatory citizens perceive more
corruption. In her study analyzing individual-level survey data of corruption perceptions, Tverdova
(2011) finds perception of corruption is higher amongst older, male, less-educated and lower income
respondents; opposition supporters; and those with more negative beliefs about the political system
and their ability to change it. McCann and Redlawsk find further support for the role of partisanship
based on data from the United States: pro-government voters tend to perceive corruption in
government much less seriously than opposition voters, though the effect varies according to the
knowledge and resources of the individuals (2006, 800).

One general hypothesis about attitudes that I draw from these findings is that people who feel
more disadvantaged in the current situation will perceive higher corruption. When citizens feel that
their lot in life is poor and that the political system does not respond to them, they are more likely to
see the system as corrupt. Low education, low socio-economic status, dissatisfaction with government
services and political marginalization are all expected to increase the probability of higher levels of
corruption perceptions. Thus, in line with Tverdova and Davis, Camp and Coleman, I hypothesize that
low-income and less-educated individuals will have higher perception levels because they are
disproportionately affected by corruption in the system. These citizens may be excluded from access to
certain public goods because of an inability to pay bribes, thus increasing their sensitivity to information
about corruption. I also hypothesize that people with lower trust in societal organizations and negative
system evaluations will perceive more corruption. Citizens who did not vote for the current
administration in power and who distrust other organizations will view corruption as more common. I
further expect that several other individual characteristics should be included as controls due to their relevance in previous studies, which have found that younger, rural and male tend to perceive more corruption. Younger and rural citizens may feel overlooked by an unresponsive political system and thus judge it to be corrupt. Having higher levels of political information may also play a role in increasing corruption perceptions, especially since the Brazilian media tends to be highly focused on exposing and publicizing corruption scandals. These factors may work in concert with the above variables, shaping people’s beliefs that the system is responsive to their needs as well as their beliefs about their own ability to affect the political system.

In addition to these characteristics, I also hypothesize that individual experiences with corruption will increase perceptions of corruption. Assuming that experience informs perception is not without controversy, however. Comparing these two types of data for respondents in 60 countries, Weber Abramo finds that on average, respondent opinions do not hold significant relationships with experiences of corruption (2008, 4). In an analysis of data from the 2012 Americas Barometer, covering about 38,000 respondents in 24 countries, Bohn finds that corruption experience does have a positive, significant effect on corruption perceptions (2012, 85). However, this effect is much smaller than the effect of attitudinal variables on perceptions, including trust and perceived system efficacy, which are also included in my analysis.

The final major factor that I hypothesize may shape individual corruption perceptions is corruption performance of municipal government. If a local government is highly corrupt in its bureaucratic dealings and that corruption is known to citizens, then their overall perceptions of corruption should be higher. There is some previous evidence to suggest that this is the case. Olken finds that villagers’ perceptions of the amount of corruption in road projects do correlate positively and significantly with the amount of money missing through corruption on these projects as assessed by independent auditors (2009, 951). I expect that the level of corruption detected in subnational
government by a performance-based measure should also affect corruption perceptions of residents of that locality. By nesting individuals in municipal governments and comparing these two levels of measurement, the validity of each may be reinforced if they are seen to covary.

Individuals’ perceptions of municipal corruption should be significantly positively related to both their reported corruption victimization and the calculated rate of corrupt errors found through municipal auditing. If their local government is more corrupt, as measured by audit data about the rate of corrupt infractions, the respondents should also perceive more corruption. However, average citizens in a town may not experience or be aware of corruption in their municipalities that may be revealed by municipal audits, so it necessary to include also the individual characteristics described above to account for variation amongst populations. Factors that make citizens feel more marginalized by their governments should lead them to perceive higher levels of corruption, just as actual detected bureaucratic corruption and personal experience with corruption do.

Case selection, data and measurement

The main data on individual-level variables analyzed in this article is based on 120 interviews that I completed in 2009 and 2010 in four Brazilian municipalities in two states in the Southeast region, collected in the Biddle Southeast Brazil Corruption database. I chose to study municipalities in this region for several reasons. First, the Southeast is the most populated region, representing about 42% of the national population in 2007 according to the Instituto Brasileiro de Geografia e Estatística (IBGE). Secondly, since some researchers claim that corruption definitions vary culturally, I wanted to choose a single region that shares many similar cultural attributes. In a country as large as Brazil, corruption definitions within a rural, isolated municipality dominated by indigenous populations may differ from those found within a highly globalized, super-metropolis such as São Paulo. Also, the Southeast region is fairly well-developed and cosmopolitan. Of all of the different regions, it would be the one most
expected to share “Western”, bureaucratic notions of what constitutes corruption, including particularly the distinction between public and private spheres (Sandholtz & Koetzle 2000, 34). In addition, the two states analyzed had relatively similar patterns of colonization and Portuguese cultural transfers, which should ensure that the influence of historical legacies on corruption would remain constant.

In the state of Rio de Janeiro, I studied the municipalities of Rio Bonito and Sapucaia. In Minas Gerais, the municipalities were Santo Antônio do Monte and Itamogi. These municipalities were selected because they were randomly chosen for audits of municipal administration by the federal government, which are described in more detail below. These municipalities are all located within a roughly 450 mile radius in the middle of the southeastern region. They vary in population from 11,000 to 55,000 residents. The levels of economic development of these towns are representative of their states and regions, ranging from about 7,500 to 16,000 reais per capita. In 2009, the GDP per capita in Brazil as a whole was 16,918 reais; Rio de Janeiro was 22,102 reais and Minas Gerais was 14,328 reais. Income is distributed unequally in Brazil; large cities and state capitals represent a disproportionately higher GDP per capita.46 Thus, the types of municipalities that I studied, of small and medium size, are more representative of the levels of development where most of the population lives.

I spent between one and three months in each municipality, first accompanying the audit process used to generate the performance-based corruption measures and then later carrying out public opinion surveys. In each town, I interviewed 30 residents from various neighborhoods, socio-economic backgrounds, racial mixtures, genders, etc. Respondents were selected randomly through examination of the health registry rolls. These rolls are created by community health agents, who keep detailed records on residents in their assigned geographic zones (typically 50 – 120 households) through monthly door-to-door visits and records of patients attended in local clinics. In each of the four municipalities,

46 In addition, wealth in Brazil is highly concentrated amongst upper classes the highest 10% had about 43% of the wealth, while the lowest 10% had less than 1% according to estimations for 2009. In 2007, the Gini index was 0.52. Data from the IBGE and World Bank (World Development Indicators).
these zones cover the entire area of the municipality. The rolls are updated on a monthly basis and thus represent the most current registry of municipal residents. Calculating the total quantity of people registered at each health clinic, I chose a proportionate number of my sample size from each area through random selection of every $n^{th}$ entry on the alphabetical rolls. I then visited the homes of the selected residents requesting interviews until the goal of 30 respondents was met. The size of the sample was limited by logistical and monetary concerns. Obviously a larger sample size would allow for a more sophisticated analysis, as well as higher statistical power in my explanatory models. However, the sample was chosen randomly, using the best means available, and every precaution was taken to ensure

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47 I used a random number generator. See Pollock 2003, pp. 97-98 for more information on this sample selection method.

48 To avoid bias due to non-response, I visited at times before, during and after normal working hours, and made appointments when necessary. See Pollock 2003, p. 97.
as little bias as possible. According to spot checks, these samples appear to reflect the population within reasonable limits of variance.

The interviews generally lasted from 45 to 90 minutes. The questions were both multiple choice and open-ended items; many respondents added their own commentary, which was also recorded when relevant. Some of the modules covered include: how the respondent defines corruption; how the respondent evaluates municipal services; trust in societal organizations; support for democracy; political involvement and behavior; victimization; and socio-economic profile (age, gender, employment status, income, education, and race). The overall goal of such comprehensive interviews was not just to gather quantitative data on the variables of interest, but also to listen to people’s stories about these questions in order to better illustrate the context that these variables operate in. In addition to the relatively long periods that I spent living in each municipality and the extensive contact that I had with politicians and

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49 I first attempted to select respondents based on estimates of municipal population collected by the IBGE in 2007. The population data was broken down by census districts roughly the size of a few streets. I first proposed to use the population weights of these districts relative to the municipality as a whole to proportionately, randomly select districts, then streets within districts, then house numbers on streets, until the desired sample size was reached. However, I soon found that this method was impractical. First, this data is not census data, which is more likely to capture all residents, but estimated counts. The most recent census data available was from 2000, clearly not current enough to apply to residence patterns in 2009 and 2010. I found that even the data from the 2007 estimates did not reflect existing patterns of residence in the municipalities studied. Isolated, new and illegal settlements were excluded, leading to a systematic bias against sampling the most precarious and marginalized households. Next, it became clear that many areas did not have official or recognized street names or even streets, neither in the 2007 data nor in official maps of the IBGE, making random selection difficult without mapping in person each particular district. Further, house numbers were non-sequential, inexistent or alphanumeric, with no discernible patterns. I determined the difficulties of this method to be insurmountable. I briefly considered telephone and/or internet surveys, but these would also lead to highly biased samples in the municipalities I studied. For the reasons stated above, I opted for the community health rolls as the least problematic method of sampling.

50 The table below illustrates some of the sample statistics vs. official statistics. Although not completely comparable, they do show that the sample is largely congruent with the population within reasonable limits.

<table>
<thead>
<tr>
<th>variable</th>
<th>Rio Bonito sample</th>
<th>Sao Antonio do Monte sample</th>
<th>Itamogi sample</th>
<th>Sapucaia sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>rural</td>
<td>7.14%</td>
<td>25.7%*</td>
<td>25.81%</td>
<td>14.60%*</td>
</tr>
<tr>
<td>male</td>
<td>46.43%</td>
<td>49.2%*</td>
<td>45.16%</td>
<td>50.80%*</td>
</tr>
<tr>
<td>incumbent vote</td>
<td>42.86%</td>
<td>46.75%</td>
<td>74.19%</td>
<td>71.73%</td>
</tr>
</tbody>
</table>

* these data are for the entire population based on the 2010 census, therefore they are not completely comparable to the sample data, which is a sample only of voters.
public servants at these sites, the in-depth interviews and qualitative observations help to validate my quantitative results.

**Dependent variable**

The dependent variable is citizens’ perceptions of corruption in municipal government. It is measured through an index averaging responses on three survey items. Respondents were asked:

On a scale of 0 – 9, with zero signifying “very honest” and nine signifying “very corrupt”, how corrupt do you consider....?

1. your municipal government;
2. your town council; and
3. your mayor?

Each of these items asks about an essential portion of municipal government: bureaucracy, legislative and executive branches. The overall perception measure was created by averaging responses on these three questions. The Cronbach’s alpha of this measure, which determines the internal consistency or average correlation of items in a scale to determine its reliability was 0.81, indicating good reliability. The sample mean of the perception measure was about 4, indicating that on average citizens believe that their local governments are neither very corrupt nor very honest. However, there was significant variation among the municipalities, with averages ranging from 5.9 to 3.4 (see Table 2.1). The highest average aggregated perceptions were found in Rio Bonito and the lowest in Itamogi, with Rio Bonito showing a considerably higher level of perceived corruption.

**Independent variables**

My indicator of corruption victimization follows from Seligson (2006). In this and other projects, researchers have found that victimization is best captured by asking citizens whether they have
experienced any one of several common types of corruption, rather than just questioning them about corruption in general. Specifically, the types of corruption that are included are those most likely to be experienced by regular citizens of Latin American democracies. These items were as follows:

In the last year, [if you experienced this situation or used this service],

1. did any police officer ask you for a bribe or tip?
2. did you see anyone bribe or tip a police officer?
3. did any public servant ask you for a bribe?
4. did you see anyone bribe a public servant?
5. did a functionary ask for money to avoid cutting off your electricity?
6. if you interacted with the municipal government, were you asked to pay any money above what is required by law?
7. if you had any case in the justice system, were you asked to pay a bribe?
8. if you used the public health system, were you asked to pay a bribe or tip?
9. if you had a child in public school, were you asked to pay a tip or bribe?

In addition to these more standard items about common forms of corruption that respondents may have experienced, I also asked an open-ended item about whether they had seen any other type of corruption in the past year. For those who responded “yes” and described an action that was in fact corrupt, I also awarded them a point on the dummy variable for corruption experience. The accepted responses were: witness to vote buying/selling; paying a fee for preferential or expedited service from public employees; and witness to diversion of public funds or goods. Vague, unspecified or imprecise answers, such as “I saw corruption in political campaigns”, were not counted as corruption experience. Thus, if a person received a score of one on the dummy variable for corruption experience, then he or she has experienced one or more of the most common forms of corruption on the local level.
Previous research on trust and corruption perceptions has found that those respondents with high levels of trust in individuals and institutions are less likely to perceive corruption (Davis et. al 2004; Seligson 1999). To capture individuals’ level of trust in societal organizations, I constructed another index from an average of several items where respondents rated their level of trust in various societal institutions from 0 (no trust) to 7 (a lot of trust). The results were then averaged from their responses to these items to generate their average institutional trust, which ranged from a low of 1.33 to a high of 7.

The Cronbach’s alpha, was 0.7, indicating that these items are likely to be measuring the same underlying variable, trust in societal organizations and that a scale is appropriate. The institutions mentioned in the survey included the Landless Movement (Movimento dos Sem-Terra or MST), the Catholic Church, unions, the media, indigenous movements, businessmen, etc. These institutions were selected since they are all institutions that are non-governmental, yet prominent within Brazilian society. At the time of my analysis, many of these institutions were critically perceived by the Brazilian public. A high trust in these institutions would indicate that the respondent fits a trusting profile, which may mean that they are also hesitant to form negative perceptions of governmental institutions.

The final attitudinal variable, local government performance, captures the respondents’ rating of municipal government services. The actual question asked respondents to evaluate the overall quality of services provided by the municipal government. The options for responses were very bad, bad, neither good nor bad, good and very good, coded from 1 to 5. The average responses for each town ranged from about 2 to about 2.8, indicating that on average, municipal services are rated fairly negatively by citizens. The highest average evaluation of service was found in Santo Antônio do Monte; interestingly, this municipality also had the lowest rate of serious errors on the government performance-based corruption measure, which is explained further below.

Most of the data on the remaining individual-level variables and controls were taken directly from information provided by respondents to the survey questions, including age, education (years of
schooling), dummy for male and income (household income per capita). The dummy for rural respondents is based on the IBGE’s classification of the respondents’ locale of residence; the only options are urban or rural. Political information is captured via a dummy variable for respondents who report reading newspapers and/or magazines with political news. Incumbent vote is a dummy variable that takes on the value of one if the respondent reported having voted for the current mayor in the previous election cycle, in 2004.

**Macro-level variable**

In order to capture corruption in municipal government, I use a performance-based measure that is constructed from government audit data produced by the *Controladoria-Geral da União* (CGU) or Office of the Comptroller General. The audits evaluate the use of federal funds in municipalities according to their compliance with laws and professional norms. Each program is analyzed for its probity and all irregularities are recorded. The evidence considered includes accounts documentation, receipts, inspections on location and interviews with citizens on the quality of service provision. The major advantages to this measure are that the data is basically neutral, collected uniformly and based on access to documents and information available for no other performance indicator. The CGU data is neutral because municipalities are randomly selected by lottery for audits. These audits are conducted by the technical corps of the CGU, career employees of the federal government who are outsiders to the municipalities evaluated and held to strict standards of political neutrality. The data is comparable across municipalities because it is collected using set questionnaires and procedures that ensure that the same criteria are applied in each unit. In addition, the CGU teams have more access to information.

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51 The particular item asked respondents to report if they read any newspaper or magazine and if so, to specify which. Sports newspapers and celebrity tabloids were not classified as sources of political information.

52 See CGU (2013) for more information on the audit program, including how municipalities are selected and how audits are conducted.
than any other performance-based measure; they have the power to requisition confidential
documentation from banks, municipal governments, tax rolls, company registries and other sources.

The government audit data is summarized in publicly available reports, which I coded for the
frequency of irregularities indicative of corruption. The coding criteria are based on Ferraz and Finan and
are described as follows:

For the purpose of coding irregularities, we define political corruption to be any irregularity
associated with fraud in procurements, diversion of public funds, and over-invoicing.
Specifically, we define a procurement to be irregular if: i) a required procurement was not
executed; ii) the minimum number of bids was not attained; iii) there was evidence of fraud
in the procurement process (e.g. use of bids from non-existing firms). We categorize
diversion of public funds as any expenditure without proof of purchase or provision and/or
direct evidence of diversion provided by the CGU. Finally, we define over-invoicing as any
evidence that public goods and services were bought for a value above the market price

Any error cited by the CGU reports that fits into these categories was counted as a serious error
indicative of corruption. I then controlled for the number of programs analyzed in order to get a
measure capturing the rate of corruption found by auditors.

Overall, corruption based on municipal performance in the four towns analyzed here is fairly
congruent with other municipalities of their size and in their states.54 In these cases, the corrupt error
rates ranged from 0.22 errors per program analyzed to 0.5 errors per program, slightly lower than the
national average. These results are also consistent with the observation that on average municipalities
in the state of Minas Gerais tend to be fairly low corruption; in the state of Rio de Janeiro, average
municipal corruption is moderate.55

53 Studies that use the Ferraz and Finan or another closely-related measure include Ferraz & Finan 2008; Pereira,

54 I accompanied all four of these audits in process. I also questioned the CGU analysts responsible afterwards,
completing about 25 interviews with them. All had experience completing audits, many having worked for the CGU
for several years and in various states. These analysts all said that the four audits here were normal for their
regions and that the levels of corruption found were pretty typical for these types of municipalities.

55 See my article “Causes of Municipal Corruption: The case of Brazil” for more.
There were two kinds of errors indicative of corruption found in all four municipalities. The first involved medical personnel who exercise multiple competencies within the public health system (at times with obligatory schedules of over 100 hours per week) and regularly receive payments for hours not actually worked. The second corrupt error common to all locations concerned employees of the *prefeitura* who were receiving monthly cash benefits from the federal government through the means-tested *Bolsa Família* although they did not qualify for the program due to income over the limit specified for eligibility. Otherwise, there were variations in the patterns of serious errors. In Rio Bonito, the most common form of corruption indicated by the CGU reports involved fraud in procurement. For example, various pieces of equipment bought with public funds and verified in situ were actually of different (and inferior) brands and specifications from the equipment that was supposedly purchased and received. In Santo Antônio do Monte, there were fewer signs of problems overall, though there was one case where goods purchased by the municipality were bought for a price far above market value (*superfaturamento*, or over-invoicing). In Itamogi, most indications of corruption were also in bidding processes. In one case, the municipal employee who elaborated a project plan was the same person to win the project contract. Other solicitations for bids were publicized only through notices on a bulletin board inside the guarded *prefeitura*, indicating an improper restriction of competition and favoritism. In Sapucaia, there were a few instances of the improper movement of funds through municipal accounts and a lack of receipts proving that the funds were used for legitimate purposes.

Table 2.1 summarizes the descriptive statistics for the variables analyzed here. They are presented both by municipality and by overall sample. These summary measures indicate that the sample is diverse, capturing individuals with various different configurations of characteristics that may influence perceptions. It also demonstrates that there appear to be significant differences across the four municipalities on corruption measures. Rio Bonito (RJ) has the highest average levels on all three indicators: perceptions, rate of victimization and rate of serious performance errors. Santo Antônio do
Monte (MG) has the second-highest levels of corruption perceptions, but the lowest rate of corrupt errors on the performance measure and the second-lowest rate of victimization. Sapucaia (RJ) has the second-highest frequency of victimization, the second lowest average perceptions and the second-lowest rate of performance-based corruption. Finally, Itamogi (MG) has the lowest reported frequency of corruption victimization, the second-highest rate of corruption violations on the performance measure and the lowest reported corruption perceptions. Together, these statistics do not offer a clear picture of the relationship between these three measures, though there are some suggestive combinations. In the next section, these relationships are tested empirically with controls for individual characteristics that may condition corruption perceptions.
Table 2.1: Descriptive statistics of key variables by municipality and overall sample

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MICRO-level</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy variables</td>
<td>count</td>
<td>count</td>
<td>count</td>
<td>count</td>
<td>count</td>
</tr>
<tr>
<td></td>
<td>(percentage)</td>
<td>(percentage)</td>
<td>(percentage)</td>
<td>(percentage)</td>
<td>(percentage)</td>
</tr>
<tr>
<td>Male</td>
<td>13 (46.43%)</td>
<td>14 (45.16%)</td>
<td>14 (46.67%)</td>
<td>13 (43.30%)</td>
<td>54 (45.38%)</td>
</tr>
<tr>
<td>Rural</td>
<td>2 (7.14%)</td>
<td>8 (25.81%)</td>
<td>9 (30.00%)</td>
<td>1 (3.30%)</td>
<td>20 (16.81%)</td>
</tr>
<tr>
<td>Incumbent vote</td>
<td>12 (42.86%)</td>
<td>23 (74.19%)</td>
<td>21 (70.00%)</td>
<td>19 (63.30%)</td>
<td>75 (63.03%)</td>
</tr>
<tr>
<td>Political press</td>
<td>10 (35.71%)</td>
<td>8 (25.81%)</td>
<td>4 (13.33%)</td>
<td>7 (23.30%)</td>
<td>29 (24.37%)</td>
</tr>
<tr>
<td>Corruption victimization</td>
<td>11 (39.29%)</td>
<td>4 (12.90%)</td>
<td>1 (3.30%)</td>
<td>9 (30.00%)</td>
<td>25 (21.00%)</td>
</tr>
<tr>
<td><strong>Other variables</strong></td>
<td>mean</td>
<td>mean</td>
<td>mean</td>
<td>mean</td>
<td>mean</td>
</tr>
<tr>
<td></td>
<td>(minimum - maximum)</td>
<td>(minimum - maximum)</td>
<td>(minimum - maximum)</td>
<td>(minimum - maximum)</td>
<td>(minimum - maximum)</td>
</tr>
<tr>
<td>Citizens’ corruption perception</td>
<td>5.89 (0 - 9.00)</td>
<td>3.62 (0 - 8.67)</td>
<td>3.43 (0 - 7.67)</td>
<td>3.56 (0 - 8.00)</td>
<td>4.09 (0 - 9.00)</td>
</tr>
<tr>
<td>Trust in institutions</td>
<td>3.88 (1.60 - 6.17)</td>
<td>4.40 (1.80 - 7.00)</td>
<td>4.08 (2.17 - 6.33)</td>
<td>4.56 (1.33 - 6.17)</td>
<td>4.16 (1.33 - 7.00)</td>
</tr>
<tr>
<td>Age</td>
<td>39.71 (20 - 72)</td>
<td>47.62 (20 - 72)</td>
<td>42.30 (19 - 76)</td>
<td>44.77 (18 - 73)</td>
<td>43.70 (18 - 76)</td>
</tr>
<tr>
<td>Education</td>
<td>7.25 (0 - 16)</td>
<td>5.71 (0 - 18)</td>
<td>7.30 (3 - 16)</td>
<td>7.47 (0 - 14)</td>
<td>6.92 (0 - 18)</td>
</tr>
<tr>
<td>Income</td>
<td>563.73 (42.50 - 2040.00)</td>
<td>741.15 (85.00 - 6120.00)</td>
<td>375.94 (63.75 - 765.00)</td>
<td>553.63 (85.00 - 1530)</td>
<td>560.06 (42.50 - 6120.00)</td>
</tr>
<tr>
<td>Local government performance</td>
<td>2.04 (0 - 4)</td>
<td>2.77 (0 - 4)</td>
<td>2.57 (0 - 4)</td>
<td>2.27 (0 - 4)</td>
<td>2.42 (0 - 4)</td>
</tr>
<tr>
<td>N</td>
<td>28</td>
<td>31</td>
<td>30</td>
<td>30</td>
<td>119</td>
</tr>
<tr>
<td><strong>MACRO-level</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal government corruption rate</td>
<td>0.50</td>
<td>0.22</td>
<td>0.44</td>
<td>0.24</td>
<td>0.35</td>
</tr>
</tbody>
</table>
Model results and discussion

In order to analyze the relationship between the various measures of corruption and the characteristics that influence them, I constructed a multi-level model where citizens are nested within the four municipalities studied. The dependent variable of interest is citizens’ perceptions of corruption in municipal government, which was measured as described above. On the macro-level of the municipality, I included the independent variable capturing the performance-based corruption rate created from the CGU audit data. On the micro-level, I included a set of controls for demographic factors that have been seen as important in previous studies, including age, income, gender, education and urban/rural. In order to test the effect of personal experience of corruption on a respondent’s corruption perception, I included a dummy variable for any type of corruption that a respondent experienced, as explained above.\(^{56}\) Other explanatory variables included captured political and attitudinal factors: political information, incumbent vote, government performance evaluations and trust in societal organizations. The results of the models are summarized in Table 2.2 below. Model 1 included all of the explanatory and control variables and Model 2 is a trimmed model of only the variables expected to have the most significant effects on corruption perceptions.

\(^{56}\) I also tested for the effects of social participation, race, unemployment and political interest. None of these variables reached significance in any model specification.
Table 2.2: Results for multi-level model estimates of citizens’ perceptions of corruption in municipal government

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MACRO-level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal government corruption rate</td>
<td>1.69***</td>
<td>1.48***</td>
</tr>
<tr>
<td>rate of serious errors per program detected by audits</td>
<td>(0.77)</td>
<td>(0.71)</td>
</tr>
<tr>
<td><strong>MICRO-level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>-0.02</td>
<td>-0.20*</td>
</tr>
<tr>
<td>expressed in years</td>
<td>(0.01)</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Gender</td>
<td>0.12</td>
<td></td>
</tr>
<tr>
<td>dummy variable for male</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td>years of schooling</td>
<td>(0.05)</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>household income per person</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban/rural</td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>dummy variable for rural</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption experience</td>
<td>-0.35</td>
<td>-0.59</td>
</tr>
<tr>
<td>dummy variable for reported personal experience of corruption</td>
<td>(0.43)</td>
<td>(0.44)</td>
</tr>
<tr>
<td>Political information</td>
<td>0.89*</td>
<td>0.71*</td>
</tr>
<tr>
<td>dummy variable indicating respondent reads political news</td>
<td>(0.40)</td>
<td>(0.31)</td>
</tr>
<tr>
<td>Incumbent vote</td>
<td>-0.70*</td>
<td>-0.83*</td>
</tr>
<tr>
<td>dummy variable indicating a vote for the current mayor</td>
<td>(0.35)</td>
<td>(0.37)</td>
</tr>
<tr>
<td>Trust in societal organizations</td>
<td>-0.72***</td>
<td>-0.46***</td>
</tr>
<tr>
<td>index of the respondent’s trust in societal organizations</td>
<td>(0.14)</td>
<td>(0.14)</td>
</tr>
<tr>
<td>Local government performance</td>
<td>-0.76***</td>
<td>-0.81***</td>
</tr>
<tr>
<td>rating of municipal government services</td>
<td>(0.18)</td>
<td>(0.18)</td>
</tr>
<tr>
<td>Constant</td>
<td>6.23***</td>
<td>9.42***</td>
</tr>
<tr>
<td></td>
<td>(1.13)</td>
<td>(0.87)</td>
</tr>
<tr>
<td>AIC</td>
<td>492.30</td>
<td>502.43</td>
</tr>
<tr>
<td>BIC</td>
<td>527.43</td>
<td>527.44</td>
</tr>
<tr>
<td>N observations</td>
<td>119</td>
<td>119</td>
</tr>
<tr>
<td>N groups</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

p<0.001***; p<0.01**; p<0.05*; p<0.1†; Analysis performed in Stata 12 SE.

The control variables for the characteristics of respondents, age, gender, education, income, and urban/rural did not reach significance in Model 1. The closest to reaching the level of significance, age, was included in the trimmed model, where it is significant and negatively related to perceptions. This
indicates that younger respondents perceive more corruption than older respondents, providing support for a life cycle effect. Because younger citizens work, send their kids to school, build houses, etc. they have greater contact with government bureaucracy, in contrast to older cohorts who are less actively engaged with society. More contact leads to higher perceptions of corruption. In addition, I observed that many older respondents who had grown up under the military dictatorship that lasted from 1964 to the late-1980s tended to be less interested in and critical of government, perhaps because they had been conditioned not to challenge or question a repressive regime. This is consistent with survey research that young people in Brazil tend to consider more situations as instances of corruption than older respondents (Almeida 2007, 62).

The political characteristics of individuals all reached significance with the same direction of effect on perceptions in Models 1 and 2. As expected, trust in societal organizations had a significant negative effect on corruption perception. This supports the idea that citizens with a generally trusting, non-critical profile are less likely to perceive corruption as pervasive. Political information had a significant positive effect on perceptions of corruption; respondents who were more interested and informed on politics tended to see more corruption in municipal government. Incumbent vote was also significant, with the expected effect. Citizens that had voted for the current mayor were less critical and perceived less corruption in the municipal administration. Similarly, respondents who rated municipal services as better quality had significantly lower levels of perceived corruption. This provides evidence for the argument that citizens who approve of the government and judge that it is performing well perceive less corruption in municipal government. This could be because publics who feel they are represented by or benefitting from government are less likely to recognize government acts as corrupt and/or to ignore indications of corruption in order to avoid cognitive dissonance.

Almeida finds that older respondents are less likely to classify the following as instances of corruption: asking a friend who works in public services to get a document more rapidly than normal; a public employee who receives a Christmas present from a company that he helped to win a government contract; and someone gets their government loan expedited because they have a relative who works in government.
The relationships between the different measures of corruption in the model are interesting. In both models, the effects of experience and corruption performance on perceptions remain consistent in significance, direction and even magnitude of the estimated coefficients. However, these effects differ greatly in consequence. Municipal government corruption rate had a significant, positive effect on individuals’ perceptions even while controlling for other individual-level characteristics. Thus, perceptions of municipal corruption are related to the level of corruption in government captured by the more-objective performance measure. This provides increased validity for both measures, suggesting that each portrays some aspect of the underlying latent variable of corruption. It appears that performance-based measures are effective in indicating relative corruption levels and that citizens’ perceptions are at least partially based on this reality as well.

However, in contrast, victimization had no significant effect on perceptions when controlling for other variables. These results were consistent even when other attitudinal measures that may be correlated with victimization, such as government performance evaluations and trust in societal organizations, were removed from the model. As further evidence, we can see that the effect of victimization failed to reach significance even in Model 2, which removed several demographic features that are correlated with the likelihood of victimization, and thus may have been “soaking up” the influence of that variable. These results may be due to the low rate of respondents who admitting to experiencing corruption, which was only 21% of the sample. Given the problem of zero inflation, due to the very low number of respondents who responded that they had experienced corruption, it would be difficult statistically-speaking to reach any significant result for this variable. There may simply not be enough information available about this portion of the sample to reach statistical significance. Since not enough respondents reported direct experiences of corruption, it is not statistically possible to make inferences about this population. A larger sample could help to mitigate this issue in future research. But these concerns aside, the results are consistent with previous research, which shows that perceptions
and experience are not always linked. Direct evidence of corruption is not the most important
determinant of perception; people employ complex political reasoning, gathering information from
many sources in order to shape their attitudes. And, these findings are consistent with performance-
based measures of corruption, such as the one employed here.

Conclusion

In this article, I examined the sources of individual perceptions of corruption in local
governance. I drew on source data from government audit reports, as well as case studies and surveys
of citizens in four Brazilian municipalities. I found that, while controlling for individual-level
characteristics, the performance-based measure of municipal corruption had a significant positive
relationship with corruption perceptions, while personal experience of corruption did not. I also found
significant effects of several political variables on corruption perceptions, including support for
incumbent, government performance ratings, political information and organizational trust. Overall,
respondents who felt excluded perceived higher corruption generally.

This analysis contributes new information to corruption research because it compares the
micro- and meso-foundations of corruption measures within a specific context. By including as units of
analysis both the individual and the government structure in which he/she is nested, we can get a fuller
picture of how corruption attitudes are formed. These attitudes depend on the level of corruption that
respondents see in their communities, how represented they feel by their government, their exposure
to political information and their overall distrust of societal organizations. Citizens’ perceptions of
corruption are shaped by the corruption actually going on in their local governments, according to the
results linking perceptions and the performance-based corruption measure. Thus, while perceived
through the filter of their political attitudes, people are taking in information about the state of local
affairs, and forming opinions based on this evidence.
I do advocate the further development of performance-based measures of corruption; these measures make valid and novel contributions to the other attempts to measure corruption that are more common in the literature. By uncovering types of corruption that citizens do not perceive or that are essentially “victimless”, performance-based measures can be juxtaposed with the other measures to see if the hypothesized relationships between corruption (as captured by these measures) and other factors still hold. It is also important to clarify that this analysis does not attempt to draw conclusions about what is the “best” measure of corruption. Rather, I described the advantages and disadvantages of each measure and suggested situations in which choosing one measure over another might be preferable. By illustrating more about the complex relationships between various measures, researchers may be able to discern how to combine measures and better interpret their significance in future works.

One interesting example of this type of investigation would be an analysis of the relationship between corruption performance and political participation. When corruption is measured through perceptions, political participation decreases in environments with high corruption. Would that relationship still hold true for performance measures and participation? If so, there may be a mediated relationship whereby corruption performance acts on political participation through its effect on the intermediate variable, perceptions. Or it could be that underlying corruption, as indicated by corruption performance, actually prevents citizens from participating by closing avenues of access and distancing government from the public in the interests of maintaining secrecy. Investigating the implications of both of these hypotheses could be highly informative.

Public opinion variables are notoriously difficult to understand and model. Some researchers even argue that “most of what gets measured as public opinion does not exist except in the presence of a pollster” (Zaller 1992, 265). Even if we assume a less-skeptical approach, it is difficult to validate measures of public opinion without showing consistency between and among many different measures. In the case of corruption, there are several different ways that this may be done. In this article, a multi-
level model was utilized to relate characteristics about municipal government corruption to individual-level opinions and experiences. Other approaches might involve bringing in other units of analysis, such as state and national, to test for correlations of corruption measures at these levels. We could further explore what types of corruption information or experiences are most powerful in determining global and specific corruption perceptions.

Looking at how corruption perceptions are formed, as this paper does, allows us to understand more about who feels most disenfranchised or doubtful about governments. It also illuminates what experiences may lead individuals to react against high levels of corruption. This research further adds a productive contribution to research on “distrusting democrats”, critical citizens and “rational-choice corruptors” (Bohn 2012, 74). As mass publics begin to demonstrate against government corruption, as they recently have in places as diverse as Brazil, Egypt, Bulgaria, India and Spain, the issue of popular perceptions of corruption can only take on more importance. Understanding the links between perceptions, experience and performance will help us to better study and understand these citizens and their grievances.
BIBLIOGRAPHY


CHAPTER 3: “PARA INGLÊS VER”? \(^{58}\) EVALUATING A BRAZILIAN ANTI-CORRUPTION AGENCY

Introduction

Since the early 2000s, there has been a new preoccupation with governance in the international financial and development communities, both within their own organizations and in the projects that they support. Accordingly, the international financial institutions, aid organizations, development bodies and donor countries have all made combatting corruption a priority. Like structural adjustment reforms in the 1990s, improving governance and especially controlling corruption have become conditions upon which aid and loans are granted to countries in need. \(^{59}\) This new focus has yielded international conferences, new non-governmental organizations and several treaties, including most importantly the Organization of American States’ (OAS) Inter-American Convention Against Corruption, United Nations (UN) Convention Against Corruption, Organization for Economic Cooperation and Development (OECD) Anti-bribery Convention, Convention of the African Union to Prevent and Combat Corruption and the Council of Europe’s Civil and Criminal Law Conventions on Corruption. The first of these, the Inter-American Convention Against Corruption of 1996, requires signatories to create “legal and public policy

\(^{58}\) Literally, “for the English to see”, this phrase is used to describe laws that exist, but are not complied with in practice. The phrase is reputed to have originated when the English, having abolished slavery in 1807, forced several of their trading partners, including Brazil, to also abolish slavery so that English prices would not be undercut. Brazil duly passed a law in 1831 declaring Africans arriving after that date to be free. The law was never enforced in fact; slavery was actually abolished in 1888.

\(^{59}\) This may be a problematic condition for some countries as they fall into a low-resource trap and lack even the funds to control corruption (Andvig 2005). According to Arndt and Oman at least one donor country stopped aid due to a highly corrupt score on the Transparency International’s Corruption Perceptions Index (2006, 48). See Andersson and Heywood for more information on how the CPI is used to condition aid and loans, and their fear that “as aid becomes increasingly conditional on the adoption of Western-defined measures to combat corruption, so those countries with the least resources to implement ‘good governance’ stand to suffer most from the withdrawal of precisely the support they need to stand any realistic chance of tackling corruption” (2009, 760).
actions to promote and strengthen the development of mechanisms necessary to prevent, detect, sanction and eradicate corruption” (OAS). The UN convention requires the establishment of anti-corruption agencies (ACAs) for the purposes of law enforcement and prevention.60

This focus on corruption and conditional requirements to create ACAs has resulted in an explosion of new control and monitoring bodies throughout the world. The International Association of Anti-Corruption Agencies, created in 2006, has over 300 organizational members; the International Association of Supreme Audit Institutions has over 190 members.61 It is unclear what the real effect of this proliferation of agencies has had on corruption, though the apparent results are dismal as most countries continue to decline on measures such as Transparency International’s Corruption Perceptions Index. Despite comprehensive handbooks published by the OECD and UN Development Program on evaluating anti-corruption agencies (ACAs), it is also uncertain how much the institutional design matters to the efficacy of the agency.

In order to fill in some of these gaps, in this article I present a case study about one such agency, the Controladoria Geral da União (CGU). Founded in Brazil in 2001,62 this ACA is similar to many others throughout the world, with a design based on the multi-purpose agency model. As the executive agency to combat corruption, the CGU is the most visible international and domestic face of the Brazilian government’s “national integrity system”, a phrase coined by Transparency International to describe the parts of a country’s governance system that contribute to fighting corruption in government and society. This agency has now existed for over a dozen years and has undergone various reforms and re-


61 See http://www.iaaca.org/ and http://www.intosai.org/about-us.html for more on these organizations.

62 Although originally founded in 2001 as the “Corregedoria Geral da União”, in 2003 this organization was re-organized and re-named the “Controladoria Geral da União”. In this article, I consider these essentially the same institution, although subject to some changes over time.
organizations, all intended to make it stronger and more effective in combatting and preventing corruption.

Using an approach inspired by historical institutionalism, I look beyond simply the formal rules governing the CGU to evaluate its performance and identify institutional strengths and weakness. I find that despite a clearly stated mandate, wide jurisdiction, high capacity and ample resources, the CGU fails to adequately affect corruption due to its weakness on enforcement and prevention. I argue that this weakness is primarily due to institutional design, rather than a difficult position in the larger institutional framework. Based on an examination of the underlying conditions and the history of the CGU, I trace the origins and evolution of the institution. I find that manipulations of the CGU provided a shield that for the executive when threatened by legislative and public accountability. While these changes to the CGU were substantive on paper, I show that the overall development of the institution exhibits significant path dependence and stability. The continued lack of credible enforcement and independence, reforms which could have been more costly to the actors involved, kept the CGU from ever becoming truly effective.

The case of Brazil is particularly relevant to the debate about controlling corruption for several reasons. First, according to the World Bank, Brazil makes up over 34% of the population and over 42% of the GDP of the Latin America and Caribbean region, giving it significant symbolic, economic and political power among its neighbors. Brazil’s Gini coefficient, after years of successful efforts to decrease inequality, is close to Latin America’s regional average of 0.5. The country’s history in the last few decades also exhibits similarities to the experience of many other countries in the area. Brazil’s 25-year period of military dictatorship ended with the adoption of a democratic constitution in 1988 and free and fair elections for president in 1989. Since this phase, the country has grappled with the problem of consolidating democracy in the face of challenges common to many Latin American countries: hyper-

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inflation, high unemployment, low levels of educational attainment and the dislocations produced by neoliberal reforms. Brazil’s new institutions have now managed to hold up under the challenge of a presidential impeachment and four executive transitions (three of which were from one political party to an opposing party).

However, despite the overall positive picture of stability, several serious flaws exist in Brazilian democracy. According to a Latinobarómetro (LB) public opinion survey carried out in 2005, Brazilians think that on average 62 out of 100 public officials are corrupt. The same survey showed that many, over 74% of respondents, have experience with corruption, either first-hand or through relatives. In the 2011 survey, 58% of Latin Americans said that they prefer democracy, while only 45% of Brazilians did (LB). In addition, when asked what democracy lacks in their country, 58% of Brazilians answered corruption reduction, compared to 48% in the region as a whole (ibid). As several previous studies have found strong links between corruption perceptions, regime legitimacy and political participation (Seligson 2002; Anderson & Tverdova 2003; Davis, Camp & Coleman 2004), corruption emerges as a strong obstacle to making democracy more meaningful in this region and in Brazil particularly. The protests that erupted in major Brazilian cities in June of 2013 began over transportation costs, but as the demonstrations grew, citizens shifted to broader demands for less corruption in government (Romero 2013). Currently, the Brazilian government has dozens of departments meant to combat corruption, including the CGU. According to the public, these agencies are falling far short of success.

The primary data for my analysis comes from fieldwork completed in Brazil between 2009 and 2011. During this time, I accompanied five major actions of the CGU in two different states, for a total period of about ten weeks. I also conducted over 25 interviews with CGU functionaries and supervisors in two states and the federal capital. Further, I observed and interviewed 20 leaders of anti-corruption NGOs, employees in several federal ministries and academics working in the field. The secondary information that I examined includes news articles from 1992 to 2013, archival research and over 840
CGU audit reports that I read and analyzed. Using this data, both qualitative and quantitative, provides a deep case study of a single anti-corruption agency with implications for research of other institutions within Brazil and on ACAs elsewhere.

The article begins by summarizing some general approaches to studying institutions, theories of institutional strength and tools to analyze anti-corruption agencies specifically. Guided by these considerations, I examine what the CGU currently looks like. I then look at what it produces, evaluating how well the agency accomplishes its stated goal of combatting corruption and where it falls short. I then examine some explanations for the CGU’s ineffectiveness, including whether it is due to a lack of resources, an inhospitable position in the institutional climate or due to its design. I then trace the major moments of evolution in the CGU, including pre-existing conditions, previous institutional models, its creation and reform periods. This provides evidence for the argument of design through exploring the pressures and interests of the principal actors involved. In conclusion, I expand on the implications of my analysis within Brazil and for other cases.

**Studying institutions**

In order to analyze the origin and evolution of the CGU, I begin with what Hall and Taylor call the historical approach to examining institutions (1996). This approach assumes that institutions are created in a world that is already full of institutions – both formal and informal. It emphasizes how institutional creation borrows from existing templates, rather than designing new models based solely on efficient outcomes. However, this approach also emphasizes that institutions are shaped by existing power relations among actors. Thus, the changing interests and relative power of actors conditions the ability of different groups to affect institutions (Thelen 2003, 213). This can lead to unexpected outcomes and institutional conversion over time.
Building from this approach, Levitsky and Murillo (2009) argue that in the Latin American context, institutions are not always effective or efficient at producing the expected or stated outcomes. While actors may write formal rules creating institutions for stated goals, they are not always reflected in corresponding behavior. Thus, examining only the stated goals of an institution does not give an accurate picture of de facto operations or the strength of an institution. They identify two key dimensions of institutional strength, enforcement and stability. By enforcement, the authors mean the extent to which formal and written rules are complied with in practice. By stability, they mean durability of institutions, not just over time but also through changing conditions – such as power and preference distributions. The authors argue that “rules of similar design but distinct levels of enforcement [and/or stability] may generate dramatically different expectations, behavior, and outcomes” (ibid. 126). They also identify several factors that explain variations in the levels of enforcement and stability, summarized in Table 3.1.
Table 3.1: Summary of determinants of low enforcement and low stability and their consequences, adapted from Levitsky and Murillo (2009)

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Low enforcement</th>
<th>Low stability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Examples</td>
<td>conditions</td>
</tr>
<tr>
<td>divergence between political actors’ real and publicly stated goals</td>
<td>ineffectual, “window-dressing institutions” in order to satisfy international demands or confer domestic legitimacy</td>
<td>disconnect between rule writers and power-holders</td>
</tr>
<tr>
<td>weak actors who create formal rules but cannot make them binding on all players</td>
<td>zones of lawlessness, low state penetration</td>
<td>precarious compromises between major actors; failure to incorporate new/powerful actors</td>
</tr>
<tr>
<td>disconnect between the actors with formal authority to make rules and actors who possess the real power</td>
<td>religious, monarchic, or military groups exercise tutelary power</td>
<td>institutions are repeatedly overturned or rendered ineffective</td>
</tr>
<tr>
<td>reformers pass ambitious legislation beyond the current possibility of implementation</td>
<td>agenda-setting; increased bargaining power for future</td>
<td>lack of investment in institutions and low legitimacy further damage stability</td>
</tr>
<tr>
<td>states with low levels of quasi-voluntary compliance</td>
<td>states forced to rely on costly or ineffectual coercion</td>
<td></td>
</tr>
<tr>
<td>high levels of social, economic or racial/ethnic inequality</td>
<td>elites evade policies for greater equality; disadvantaged lack resources to demand it</td>
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</table>

A more specialized approach to evaluating the strength of anti-corruption institutions specifically can be drawn from rational actor models. Economic theory of crime assumes that if government wants to combat crime, it must be able to detect it, credibly punish those responsible, and prevent future crime by identifying and minimizing the incentives for it. Based on this analysis, an anti-corruption institution has to change the incentives for agents to participate or not in corrupt actions. The key is to convince agents that the gains from corruption are low; that if they engage in corruption, they are likely to be caught; and that if caught, they are likely to be punished severely. Thus, the three
main functions of an institution to combat corruption would be detection, punishment, and prevention, as depicted in Figure 3.1. Each of these duties may have effects on the others, leading to a virtuous circle. However, if even one of these steps fails or remains weak, the effect on corruption can be perverse.

Figure 3.1: Process of combatting corruption

Prevention → Detection

Detection → Prevention

Detection → Punishment

Punishment → Prevention

For example, if an institution is able to detect high levels of corruption, but remains unable to effectively punish it, corruption may worsen. Actors responsible for corruption will remain in government and continue to practice it. Other actors may begin to practice corruption, as they see that there is no risk of punishment. A further risk is the societal effect: “exposed but unpunished political corruption will erode confidence in all politicians – whether corrupt or not – and perhaps even in the political system itself” (Power & Taylor 2011, 8). Thus, the success of an anti-corruption agency can be evaluated by their ability to carry out or appropriately delegate all three of these duties.

Some general observations can be made to draw these considerations together. One, institutions are rarely, if ever, designed on a blank slate by all-knowing, disinterested actors who want only the most efficient way to produce their stated outcome. Rather, institutional creation often draws from previous institutional templates and occurs in the context of competition amongst interested
actors. Two, the formal rules and stated intentions of actors are not always reflected by the de facto functioning of the institution. Actors may also be subject to conflicting and competing interests that they must accommodate, including conflicting short- and long-term goals (Fritzen 2006). Three, the current de facto function of an institution may be different than what the original creators intended. And in the specific case of anti-corruption agencies, the three key functions that the institution should perform or effectively delegate are detection, enforcement and prevention.

If only formal rules, efficiency and stated intentions mattered, we could assume that the CGU was an effective ACA because that is what its creators said it would be. Instead, it is necessary to evaluate how the CGU actually functions, its strengths and weaknesses, and the context in which it is situated. In the next section, I begin by describing the CGU, and then I evaluate how well it accomplishes its stated goal of combatting corruption though detection, enforcement and prevention.

Evaluating the CGU

As the flagship anti-corruption agency and premier internal control agency of the executive branch, the CGU has offices in every state of the union as well as a headquarters in Brasília. Its main organizational units currently include audit and inspection, preventing corruption, disciplinary action and the ombudsman’s office. The CGU employs over 2,300 functionaries and spent almost R$640,000,000 in 2011, almost 350 million US dollars.\(^4\) Over the more than ten years since its creation, the institution has seen consistent growth in budgets, prestige and jurisdiction. The CGU also enjoys reasonable visibility and support amongst the public, bolstered by commercials on television and public

\(^{4}\) All of these figures on the CGU are from their official data, available at http://www.cgu.gov.br.
awareness campaigns. Their internet presence is also moderately high for a country where only 45% of the population can access the internet, with average page views of 246,494 per month in 2010.

The CGU is headed by a minister chosen by presidential appointment, who is required to have no special qualification and may be hired and fired at will. Almost all of the CGU technical corps, both in the federal and state offices, has a college degree and has passed a rigorous, competitive nationwide qualification exam. These analysts and technicians are also highly experienced and motivated. In the 25 interviews that I conducted with various CGU employees, I found that they generally view their jobs in the CGU as professions and pursue specialized qualifications accordingly. Many analysts have worked in more than one state or job function within the CGU, accruing experience in several different areas. In my experience, these civil servants were careful to maintain professional standards; they were especially concerned to safeguard against biases in their work, whether based on personal affinity or political sympathies. At almost no point in my observation did I see any slacking, falsification or abuse of power among the CGU employees I scrutinized. Rather, even facing the long hours, subpar facilities, travel requirements and time away from families that were required on the projects I observed, the overall willingness and dedication of the staff was impressive.

So how does this organization actually perform in combatting corruption? The area in which the CGU has produced the most volume of output is detection. One of the most important programs in this area, as evidenced by the high levels of resources and publicity that the agency devotes to it, is the Random Audits Program, the Programa de Fiscalização a partir de Sorteios Públicos. This was one of the first initiatives announced (with great fanfare) and implemented by the agency after its creation.

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65 This data is for 2011. See World Bank Development Indicators for more information on how this figure is calculated: http://data.worldbank.org/indicator/IT.NET.USER.P2

66 These claims by the CGU’s press releases and statements by its leadership were borne out through my own interviews with over 25 functionaries and over ten weeks of observation time with CGU analysts.

67 This was also the main program that I observed, accompanying audits in two different states and a total of five municipalities.
This program uses a lottery to randomly select municipalities, which are then audited on their use of federal funds. Carried out continuously since 2003, this program has analyzed a total of 2,084 municipalities, or 37% of Brazilian municipalities and over 19.9 billion reais of federal resources (Leia mais, CGU 2013). Between 2004 and 2008, the program also included 77 random audits of federal fund use by states and 455 audits in state capitals and large municipalities (ibid). The program has yielded thousands of pages of audit reports, pointing out errors in administration as diverse as failure to produce planned menus for school lunch programs to outright theft of resources by the acting mayor. All of these reports are available to the public and the media through the CGU website. According to a study published in the CGU’s review, grave irregularities indicative of corruption were detected in 70% of the municipal governments audited (Amaral 2008, 10). Apparently, the audit programs are uncovering at least a portion of the corruption that exists in the system.

However, whether there are any repercussions resulting from detection of irregularities in audits is unclear; the enforcement function is largely unmentioned. The CGU presents no data on how many of these indications of corruption were investigated or led to further outcomes. As far as prevention, there is some evidence to suggest that the audit program has no direct impact on political behavior and reducing corruption. One study found that in municipalities that were audited twice under the same administration, there was no significant difference between the rate of errors detected in the first and second audits in certain program areas (Leal Santana 2008, 26). Further, there appears to be no corruption deterrent effect produced by the municipal audit program: Ferraz and Finan (2007) find that second-term mayors, having seen both success and impunity, are more corrupt than 1st term mayors, both in terms of the quantity of resources misappropriated and the number of irregularities.

Investigating indications of minor municipal corruption in small, isolated areas, like many errors revealed in CGU reports, may be quite a low priority, so it is perhaps to be expected that there are few indications of corruption.

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68 The lack of data on the CGU’s work is even more general. The last annual report available to the public, which summarizes the CGU’s activities and judges their efficacy, is from 2008.
repercussions. Enforcement resources may be scarce and thus, not allocated to these cases of detected corruption. However, even when CGU investigations generate revelations of corruption that become front-page news, they have few to no concrete results as far as enforcement. For example, routine CGU work uncovered the first indications of what became the highly publicized Sanguessugas ("bloodsuckers") scandal in 2006. Further investigations revealed a scheme that extended to over 100 municipalities in at least eleven states. Eventually, 90 incumbent and 25 former members of Congress were accused of diverting funds from the sale of overpriced ambulances to municipal governments. Despite a thorough investigation and the findings of a congressional CPI that recommended the expulsion of 72 members, none were expelled. In addition, no one faced legal consequences in either electoral or federal courts (Taylor 2011, 164).

Looking at the enforcement function more generally, according to their annual reports, from 2003 to 2009, CGU actions resulted in 2,030 firings of government employees and 141 were further punished by loss of their political rights. Considering that the CGU has the ability to examine the use of federal resources at any level of government, municipality, state and national, this represents a vanishingly small percentage of probable corrupt employees. In addition, many of these administrative sanctions fail to “stick” due to the peculiarities of Brazil’s Labor Tribunals. Labor law is very complex, consisting of more than 900 articles and Constitutional provisions, which result in cases that drag on for years. Many workers are re-instated and/or continue to receive salaries or pensions while they exhaust their extensive opportunities to appeal any judgment rendered. According to The Economist, in 2009 2.1 million Brazilians opened cases against their employers in the labor courts and these courts rarely side with employers (2011).

Legal enforcement applied to corruption detected by the CGU cannot be directly carried out by the agency. Administrative penalties are the only direct sanctions that the CGU possesses; any criminal or civil proceeding must be referred to the Public Ministry for review at their own discretion. With
limited resources and diverse interests of their own, the agencies empowered with investigation and enforcement powers have little motivation to pursue each case that the CGU uncovers. In addition, while the CGU may investigate the wrongdoing it finds, most of the evidence needed to build a plausible case must be produced by the Federal Police. This dependence on the actions of other institutions leads to near complete impunity, even in cases where corruption is detected. According to a recent study, among civil servants already given administrative penalties for corruption, the chance of being prosecuted for corruption is less than 30%, the chance of being criminally convicted is about 3% and the chance of being held liable in a civil suit is less than 2% (Ribeiro de Alencar & Gico 2010). Thus, administrative, civil and criminal enforcement appear to be neither common nor costly, making them unlikely to deter actors from choosing corruption.

While there is little evidence for success on the enforcement function, the success of the CGU in the area of prevention is even more difficult to gauge systematically. Most of the prevention efforts consist of educational and awareness-raising efforts. Some programs that the CGU carries out in this area include university partnerships to promote corruption studies, an annual writing competition, the Transparency Portal on government funding and spending, the “Child Citizen” website, training courses on public management for functionaries and more. However, the effects of these programs on preventing corruption may never be clearly attributable to the institution or may only appear after years of the programs. Initial information suggests that corruption has not been significantly prevented. Results for the goal of corruption prevention through institutional reform have been particularly weak, with no systemic changes accomplished. An article on September 19th, 2012 in the Correio Braziliense newspaper reported two sobering results of a study by the Fundação Getúlio Vargas: an estimated $7 billion reais were wasted per year due to loss of productivity through fraud in the public sector; and over 139 proposed anti-corruption bills were stalled in the Congress, some awaiting voting procedures for more than a decade.
The CGU, while supporting some minor legislative reforms such as an access to information law, has made no attempt to pursue major corruption preventative reform, especially when it would affect its own executive branch of government. For example, Weber Abramo (2006) argues that the major systemic sources of corruption, discretionary appointments and discretionary budgets, remain unchanged despite commonplace abuses. He points out that incoming administrations still have over 22,000 government posts to fill at their discretion, which the executive generally trades to politicians in the legislature in return for their support for government programs. Further, he argues that discretionary budgets allow the executive branch to spend and manipulate public funds at any time in accordance with their own interests, “to use them to corrupt” (Weber Abramo 2006). Both of these sources of corruption reside in the executive branch, as does the CGU; however they remain untouched and unchallenged. Prevention of corruption even in its own backyard is apparently neglected. On balance, the CGU appears to be most successful at detection, less successful in prevention and even less successful in enforcement. This weakness means that the CGU has very little effect on corruption, as “accountability delayed is accountability denied” (Speck 2011, 143).

Explanations of CGU weakness

What explains the CGU’s weakness? Levitsky and Murillo suggest that the two key dimensions explaining institutional strength are stability and enforcement. From the discussion above, it appears that the CGU is weak due to a lack of enforcement, while accomplishing detection well. The prevention function is harder to judge, but no major reforms have been produced, so on balance it may be counted weak in the short-term. In this section, I evaluate several explanations for why the CGU is unsuccessful, including a lack of resources, an inhospitable institutional climate, time and institutional design.

The first possible explanation is that the CGU lacks the necessary resources to tackle corruption. According to Pope, “to operate successfully, an anti-corruption agency must possess the following:
committed political backing at the highest levels of government; political and operational independence to investigate; adequate powers of access to documentation and to question witnesses; and, leadership which is seen as being of the highest integrity” (1999, 1). By this standard, the CGU appears to possess the resources to be a successful ACA. The CGU is highly placed in the government, directly reporting to the office of the president, with a ministerial-level chief. As discussed above, it has high quality personnel, most of whom are highly professional, career employees; selected based on impersonal, merit-based criteria; and college-educated. The CGU also enjoys generous budgets, which have tended to rise over time. It further has a broad mandate to deal with all matters:

related to defending public assets and enhancing management transparency through internal control activities, public audits, corrective and disciplinary measures, corruption prevention and combat, and coordinating ombudsman’s activities. As a central agency, CGU is also in charge of technically supervising all the departments making up the Internal Control System, the Disciplinary System, and the ombudsman’s units of the Federal Executive Branch (CGU 2013).

In addition, the weakness of the CGU is not uniform. We have seen that it does well at detection, indicating that the agency does have adequate resources to carry out at least some of the key functions of combatting corruption. And its programs in another area, prevention, while hard to gauge their short-term success, are extensive and involve high amounts of financial and personnel investments. The only area in which the CGU is seriously, demonstrably deficient is enforcement. Thus, the evidence does not support the argument that the CGU is ineffective due to low resources.

Another explanation for the failure of the CGU is that it is overly constrained by its place in the larger system of governance. Power and Taylor argue that in the case of corruption, “even if formal institutions are strong, friction between them may contribute to a weak overall institutional framework; as a result, even individually strong institutions – if they are embedded in a weak overall accountability system – may coexist with public tolerance and support for corrupt behaviors” (2011, 16). When the CGU was created, it added to the institutional confusion already present in Brazil’s so-called national integrity system. Figure 3.2 illustrates just a few of the most important parts of this system in a highly
simplified manner; most of these institutions have state- and municipal-level counterparts as well. Because this system involves so many different organs, dangers include fragmentation of duties, overlapping competencies and inter-institutional competition. This suggests that the CGU may be unsuccessful due to the restrictions imposed upon it by so many other institutions working in the same space.

Figure 3.2: Major institutions of the control system organized by supervising government branch

Notes: The AGU (Advocacia Geral da União) is the Office of the Attorney General; the CGU (Controladoria Geral da União) is the Office of the Comptroller General; the TCU (Tribunal de Contas da União) is the Federal Court of Accounts; CPIs (Comissões Parlamentares de Inquérito) are official Congressional investigations; and the TSE (Tribunal Superior de Eleições) is the Superior Electoral Court.

However, this argument finds little further support. First, it does not account for the success of the CGU in detection and its actions in prevention. If the CGU was constrained by other institutions operating alongside it, there is no reason to expect that these institutions would allow investigations that could uncover dishonesty within their own organizations. In addition, there are few agencies within this system that would have incentives to hamstring the CGU. The Public Ministry and the Judicial Branch are unlikely to come into direct conflict with the CGU since they do not overlap on most

69 As described in the preceding section, the CGU does have to rely on some of these other institutions because only they have the power to apply civil and criminal sanctions. But that is not an issue of organizational friction, but rather of design, an issue I return to later.
functions, as they are concerned primarily with enforcement through civil and criminal sanctions.\(^70\) In addition, Macaulay argues that the Public Ministry is ambivalent about combatting corruption and not fully independent (2011, 229). In the executive branch, the CGU is pre-eminent; the other organizations within this branch also report to office of the president, which coordinates their efforts to prevent conflict. The most likely source of institutional friction and competition inhibiting the CGU would thus be expected from the legislative branch.

The most important legislative control agency is the Federal Court of Accounts or *Tribunal de Contas da União* (TCU), which shares a similar and specific primary mandate of combatting corruption with the CGU.\(^71\) The TCU is responsible to the legislature, older and more established.\(^72\) This could conceivably lead the TCU and the CGU into competition or efforts to block each other’s programs. But the CGU and TCU have slightly different focuses and jurisdictions. As seen above, the CGU tends to concentrate on corruption in states and municipalities and pursues multiple types of programs, including education, training, ombudsman, research, audits and inspections. In contrast, the TCU has a narrower mandate to audit the accounts of officials responsible for public funds or those who might cause loss to the public treasury.\(^73\) The bulk of TCU time and resources end up being spent on evaluating the post-hoc annual accounts that government agencies must report when spending federal funds,

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\(^70\) The Public Ministry, an autonomous branch made up of independent prosecutors, is charged with representing the public interest in the legal system and can bring cases to forward that interest; however, it must rely on the Federal Police to carry out investigations (Arantes 2011, 195). The Judicial Branch is concerned with applying legal sanctions.

\(^71\) The two bodies function with very different organizational models. The CGU is hierarchical and exerts internal control. The TCU exerts external control, and follows a collegial model, with congressionally-appointed ministers and auditors.

\(^72\) Speck argues that the creation of the CGU has served to distance the TCU from the executive branch, as “the executive branch can now resort to its own audit institution to diagnose shortcomings and loopholes in the budget management cycle. Obviously, the executive branch is more likely to prefer the CGU’s recommendations to those of a body like the TCU that answers to Congress” (2011, 146).

leaving them little time for elective outside investigations.\textsuperscript{74} The two agencies are thus unlikely to come into conflict over whose purview a certain case is.

In contrast to providing a source of institutional friction, the CGU and TCU have successfully cooperated on many past operations. Two examples include providing joint oversight of the Pan-American Games and investigating the Sanguessugas scheme described above. Based on information from my interviews with multiple CGU analysts and administrators involved in these two projects, inter-agency collaborations are generally successful and do not involve conflicts of interest, due to the high level of impartiality and professionalism of the functional corps. My respondents stated that CGU and TCU provide complementary expertise when working together, since they have differing strengths: the CGU has more motivated, trained personnel, while the TCU has a larger organizational structure and subsequently more financial resources.

As lack of resources and an inhospitable institutional environment do not appear to explain the CGU’s limited success, another possibility is that the CGU has just not had sufficient time to successfully impact corruption. Corruption is a large problem in Brazil; the CGU was only founded in 2001, though it has remained stable ever since according to Levitsky and Murillo’s criteria.\textsuperscript{75} It could be the case that well-designed, good-faith, ambitious efforts at combatting corruption simply take long periods of time to have any effect. Even small results might not be detectable for years. However, by looking at other countries’ experience, it becomes evident that this is not always the case. In fact, some ACAs have been remarkably quick to produce results, even in initially hostile environments.

There are several examples of successful ACAs that offer different institutional models. For example, Singapore is now the least corrupt country in Asia, despite initial challenges, due to the efforts of its successful ACA. Though a poor country with widespread civil service corruption inherited from

\textsuperscript{74} This is according to interviews with TCU auditors, academics and anti-corruption NGO workers.

\textsuperscript{75} This will be discussed more in depth below.
British colonial rule and Japanese occupation, it managed to implement an anti-corruption body in 1960 that rapidly diminished corruption throughout government, through attacking both incentives and opportunities (Quah 1999, 490-491). Another example, Hong Kong’s anti-corruption agency, the Independent Commission Against Corruption (ICAC), is considered one of the most successful in the world. It has maintained that success for over 30 years despite the 1997 transfer from governance by the United Kingdom into Chinese hands. In 1974, systemic corruption was found throughout Hong Kong’s government and business sectors, including significantly, the police and the justice system (de Speville 2010, 63). Yet it took only a few months to found the ICAC and by three years after its creation it had “been able to ‘break the back’ of syndicated corruption; by July 1977 ‘no major corruption syndicates were known to exist at that time’”(ibid., 64). The Hong Kong model was exported to several other countries plagued by deep-rooted corruption with noted success. Botswana adopted the model in 1994; it is now the least corrupt country in Africa and among the top 25% of countries worldwide (ibid., 48).  

These cases illustrate that the lack of quasi-voluntary compliance alone – a “culture of corruption” – does not necessarily doom institutions to weak enforcement, as Levitsky and Murillo suggest. In fact, the Hong Kong model suggests that CGU’s lack of success may lie in its institutional design. The ICAC is an independent body with three main attributions: prevention, education and enforcement. It carries out investigations, but these investigations must be triggered by a complaint. Like the CGU, the ICAC addresses the main actions necessary to combat corruption: detection (investigation), prevention (through reforms and education) and enforcement. However, unlike the CGU, the ICAC is autonomous and possesses the ability for credible, costly enforcement.

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76 Some of those countries include Madagascar, Benin, Ethiopia, India, Kenya, Malawi, Nepal, Nigeria, Pakistan and Sierra Leone.

77 This is according the Transparency International’s Corruption Perceptions Index.
Looking more generally, the common element that successful ACAs share that has not been instituted in the case of the CGU is an ability to apply meaningful sanctions against corrupt behavior. In the case of Hong Kong, this usually is accomplished through a quasi-judicial function within the ACA that has the power to determine punishments which are then carried out by law enforcement mechanisms. These courts have the ability to order financial restitutions, apply institutional sanctions, authorize search and seizure, arrest and grant bail, and dismiss corrupt officials. Other countries that successfully follow such a model include Lithuania and Latvia. The CGU does not possess these abilities, which are delegated to law enforcement bodies, weakening its ability to make a credible contribution to deterring corruption. The CGU must rely on the Public Ministry and the Federal Police for all such actions – thus the power is divided from the responsibility, weakening accountability.

Of the other possible reasons for low enforcement suggested by Levitsky and Murillo (2009) the most compelling in this case is the divergence between political actors’ real and publicly-stated goals. As the discussion below explains, the creators and reformers of the CGU, presidents, were not weak actors who lacked the capacity to make formal rules binding on all players. Brazilian presidents have high levels of budgetary discretion and are free to create and abolish executive departments. Several different Brazilian presidents managed to create and change anti-corruption institutions. There also was not a significant disconnect between rule-writers and power-holders; as described above, the CGU actually has quite high resources and bureaucratic capacity, accomplishing its detection function in a variety of settings. Rather, I argue that actors’ publicly stated goal of combatting corruption was not always congruent with their real goals – or at least not completely. When subjected to competing interests and pressure to act on corruption, politicians designed and perpetuated anti-corruption agencies that were fundamentally flawed through their dependence and lack of strong enforcement. The following section outlines the evidence through an analysis of events.
Making the CGU

In this section, I examine the institutional design and evolution of the CGU. First I discuss the underlying conditions and pre-existing institutional models. Then I look at several critical moments in the development of the CGU, including its creation and various structural reorganizations. I argue that each event was part of an established strategy by the executive, beginning under Franco’s presidency, for deflecting criticism on the issue of corruption. When faced with congressional investigations and/or public mobilization around corruption that threatened his political interests, the president reacted by “reforming” the CGU, especially if he was also under electoral pressures. In doing so, he drew from an existing institutional template for a certain type of anti-corruption agency, one that was controlled by the presidency and that had no reliable enforcement mechanism. This strategy was successful in so far as it helped resolve crises by generating positive publicity on how the administration was combatting corruption, while actually leading to no real effects on corruption. In Levitsky and Murillo’s terminology, the actors’ real and publicly-stated goals diverged, leading to a weak institution.

Underlying conditions and antecedents

Historically, corruption has been endemic to Brazil. Key thinkers on Brazilian society and culture as diverse as Gilberto Freyre, Sérgio Buarque de Holanda, Raimundo Faoro, Darcy Ribeiro and Roberto DaMatta trace the problem of corruption to the period of Portuguese colonization and see it as virtually encoded in society’s DNA. Many of these authors examine “malandragem”, which is a term often used in an admiring manner for the practice of using ingenious and subtle tricks to take advantage of a situation, often in an illicit fashion. Another powerful part of both popular and academic discourse is the “jeitinho brasileiro”, a particularly Brazilian phrase describing actions taken to facilitate favorable outcomes through particularistic measures which at times may become corruption (DaMatta 1984, 95-

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78 For details, see their respective works: The Masters and the Slaves, Roots of Brazil, The Owners of Power, The Brazilian People, and A casa e a rua.
Institutions with formal rules have thus long been situated in a climate of significant, systemic corruption and informality, existing “para inglês ver”.

After a long period of bureaucratic-authoritarian rule, the Constitution of 1988 established Brazil’s current democracy as a federal structure with significant decentralization. The municipalities, the basic unit of governance, receive on average 65% of their budgets through transfers from the federal government (Brollo & Nanninnici 2011, 14). These transfers are accompanied by relatively little oversight and the principal-agent problem tends to breed more corruption among local governments. The Constitution does include some discussion of accountability in public administration, dividing the spheres into external – i.e. outside of the executive -- control (epitomized by Legislative oversight and the TCU) and internal control (now epitomized by the CGU). In addition, there is also mention of social control, which is exercised by citizens over their government. When these changes were introduced, they helped move corruption into the realm of public administration problems instead of just being a criminal issue (or no issue at all due to the laws of immunity protecting many public figures from prosecution), as it had been under the military regime.

The first major corruption episode that the new democracy faced erupted in 1991, as outlined in work by Geddes and Ribeiro Neto (1992, 1999). President Fernando Collor de Mello, the first popularly elected president of Brazil since 1961, had built his successful campaign on the promise to go after the privileged and corrupt, as a “caçador de Marajás”. By the first half of his term, revelations surfaced about an extensive scheme of influence-buying, auctioning of political appointments, bribery and false bank accounts that had begun during his campaign and continued throughout his mandate. After repeated media reports and public outcry, the National Congress could ignore the issue no longer and in

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79 According to public opinion research, 63% of Brazilians admitted to taking a jeitinho (Almeida 2007, 49).

80 Literally, this means “maharaja hunter”. “Maharaja” was the word that Collor’s campaign used for public functionaries that received high, unearned and disproportionate salaries. An interview with Collor, where he explains the origin of the phrase, is available here: http://mais.uol.com.br/view/1575mnadmj5c/1989-collor-conta-origem-da-expressao-cacador-de-marajas-0402346ADCA17366?types=A&.
1992, they installed a *Comissão Parlamentar de Inquérito* (CPI) to investigate (Fleischer 1997, 299). To the surprise of many politicians who believed that it would come to nothing, the immediate recommendation was impeachment. Although the president attempted to have the impeachment debate as a secret session, 441 of 503 legislators voted for impeachment in open congress. Collor left office in disgrace.

The institutional reaction to the corruption scandal and its fallout did not come until two years later. As a reaction to the Collor episode and the so-called “budget-dwarves” scandal, in 1994 the Federal Secretary of Internal Control was created within the Finance Ministry along with a Special Investigation Committee (CEI) made up of representatives of civil society. This strategy was based on the outcome of the budget CPI and the Collor CPI, along with recommendations from the TCU, and became law through executive order of President Itamar Franco, who had assumed the presidency upon Collor’s exit (Fleischer 1997). Debate within the administration over the creation of this institution was fierce; it was widely seen to have been former vice-president Franco’s attempt to make amends (ibid.). The office of the secretary was intended to strengthen internal control through oversight and auditing mechanisms within the federal government. Perhaps due to its location under the aegis of the presidency or perhaps because it was considered a usurpation of Congress’s traditional prerogative, the legislature showed no interest in passing the necessary law to maintain the Secretary of Internal Control. The executive order guaranteeing its existence had to be reissued 87 times between 1994 and 2001, when the office ceased to exist (Amaral 2008, 15).

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81 In this scheme, lawmakers received fat commissions from big businessman in exchange for passing legislation that created large, publicly-funded works projects. They also made amendments to other bills that allocated money to supposed philanthropic organizations which were actually linked to their relatives and other frontmen. The scandal and resulting investigation eventually lead to the removal of the president of the *Câmara dos Deputados* (the lower house of the national legislature), the leader of the PMDB political party and one other congressman.
In 1996, Fernando Henrique Cardoso won the presidency, mostly based on the popularity he accrued from taming hyperinflation. One of his first acts was to decree the end of the Special Investigation Committee on corruption created under Franco, though many important cases were still left to investigate. Among these upcoming cases were several banks and construction companies that had been Cardoso’s biggest campaign donors (Fleischer 1999, 317). The duties of the CEI reverted to the Federal Secretary of Internal Control, which did not possess its special investigatory powers, and no significant outcome was attained. In his first term in office, Cardoso did not make combatting corruption a focus, though his administration and allies were dogged by an average number of scandals, including the privatization scandal (1997), the re-election vote-buying scheme (1997), the Cayman dossier (1998), diversion of funds in the construction of the São Paulo Regional Employment Court (1999) and the Sudam revelations (2001). Cardoso vigorously maintained his own innocence in each of these cases; he was quoted as saying “I can state comfortably that there is no corruption in this government. When we know about it we act straightforwardly”.

Over time, the vote-buying scandal became one of the most serious threats to the Cardoso administration. The controversy began in 1997 with the campaign by the presidency to amend the constitution to allow re-election to executive offices. Shortly after this measure was approved by the lower house of the legislature, the Câmara dos Deputados, and awaiting approval by the Senate, the newspaper Folha de São Paulo revealed a recording of two congressman admitting to having taken 200,000 reais to vote in favor of the amendment. The scheme was alleged to have involved at least

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82 According to Veja magazine, Cardoso said that the authors of the dossier, which accused him and others of being the beneficiaries of an off shore account worth $368 million, “[they] are buffoons, forgers and people that Brazil worked hard to expel from public life”. See Rede de Escândalos for more information: http://veja.abril.com.br/infograficos/rede-escandalos/.

five more deputies, including the head of the lower house, and two state governors. The coordinator was reportedly the Minister of Communication, a personal friend and chief advisor to the president. The day after the news was released, the house created an investigatory commission. Immediately, Cardoso’s government reacted by doling out public appointments and liberating resources. According to Lucio Vaz writing in the *Folha de São Paulo*, over 47 million reais were liberated in one week, with almost two million of that amount going to the home districts of four deputies who removed their names from the petition for an investigative committee. One senator, Maguito Vilela, accused the Cardoso government of using any means to stifle various CPIs on corruption and said that he received offers of money in exchange for retiring his support of these investigations.

The scandal continued to gain steam even through Cardoso’s re-election campaign in 1998. The Cayman dossier episode, which was never fully investigated, added fuel to the fire. Then in 2000, as part of political jockeying to preserve his own power, the president of the Senate, Antônio Carlos Magalhães, began to publicize revelations of government corruption. Soon, the Cardoso government was labeled by congressional critics, the media and public opinion as ineffective and unwilling to combat corruption.

According to IBOPE opinion polls, presidential approval ratings were low and disapproval was much higher after 1998, never again achieving previous average levels. ⁸⁴ Amid calls for impeachment, Congress began proceedings to install a CPI to investigate 16 cases of alleged corruption, including vote-buying and other schemes that could incriminate Cardoso’s immediate associates and perhaps even the president himself. At first, it appeared that there was significant and sufficient support for a Corruption CPI in both houses. However, after much behind-the-scenes maneuvering and a temporary closure of the legislature, significant pressure from the administration won out and the measure failed. ⁸⁵

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⁸⁴ Survey results reported in *Veja* (http://veja.abril.com.br/040401/p_040.html). IBOPE is the largest public opinion polling firm in Latin America.

⁸⁵ See “Como FHC enterrou a CPI da Corrupção” by journalist Bernardo Kucinski in *Carta Maior* for one summary of these events: http://www.cartamaior.com.br/templates/colunaMostrar.cfm?coluna_id=3360.
Cardoso’s government escaped the immediate danger of impeachment and CPIs, but elections were only a year away and the President’s party was far from holding a comfortable lead. In order to repair its image as soft on corruption and preserve its chances of election, some measure was necessary. The strategy that the administration pursued was similar to that of Itamar Franco: creation of a new internal control institution with the mandate to combat corruption in the federal government. Through a medida provisória (n° 2.143-31), a direct act of the president that carries the force of law without the participation of the legislature, Cardoso established the Corregedoria-Geral da União. The stated goal of this agency, which focused on internal control and was directly responsible to the executive, was to combat fraud and corruption and to protect public patrimony. This followed generally along the lines of the model provided by Franco’s Federal Secretary of Internal Control created. Cardoso’s official speech announcing the creation of the Corregedoria actually contained very little content on the concrete role or goals of the future institution. Roughly eighty percent of his discourse dealt extensively with two political topics: Cardoso’s innocence from involvement in corruption scandals and the wrongness of a Corruption CPI.86

_Evolution_

On balance, the creation of the Corregedoria was generally judged to be a direct result of pressures on the Cardoso administration both from public opinion and political opponents (Braga 2008, 44). The most radical opponents of the administration alleged from the beginning that the institution was an “órgão de fachada”, a façade agency, created only to deflect criticisms generated by the

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Corruption CPI affair. There is some circumstantial evidence for this interpretation. Conveniently, Cardoso would be leaving office in 2002, so the newly formed Corregedoria would have little time to evaluate his own administration. All the political capital of the anti-corruption initiative could thus accrue to Cardoso, and by extension to his party’s presidential candidate, with little risk of sanctions on his own behavior. However, since the Corregedoria was designed to be a permanent, standing agency of the executive branch, it would be expected to continue functioning under Cardoso’s successor. Thus, Cardoso established an anti-corruption body with the purview of revealing corruption, including corruption in the presidency, which might constrain the behavior of future administrations. Cardoso in fact did attempt to constrain the behavior of his possible successors in another arena: he extracted a promise from each presidential candidate to abide by the IMF’s conditions and follow the general economic policy of his own administration.

As early as 2001, it already appeared that Luis Inácio “Lula” da Silva of the opposition Worker’s Party (PT) was a frontrunner for the presidency, with the candidate from Cardoso’s own Brazilian Social Democracy Party (PSDB), José Serra, in a fairly distant third place. Demonized by conservatives within Brazil and doubted by the international press and markets, Lula was painted by his opponents as an irresponsible socialist who would undo the important policies of the Cardoso years. In 2002, as the electoral competition between Lula and Serra, heated up, the Federal Secretary of Internal Control and

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87 Several blogs by political figures advance this argument, as well as more radical interpretations. See for example, http://www.consciencia.net/brasil/03/cardoso.html and http://saraiva13.blogspot.com/2013/06/escandalos-de-corrupcao-de-fhc.html. Interviewees within the CGU also mentioned this criticism as one that they had commonly faced.

88 It is not possible to come to a definite conclusion on this point, as it would assume too much knowledge of the actors’ interests than the data can actually provide.

89 For one account of Cardoso’s ambitions, see the report by The Economist from August 17, 2002 titled Brazil and the IMF: A matter of faith, available at www.economist.com/node/1284003.

90 See several IBOPE/CNI and TSE polls reported in the April 4, 2001 edition of Veja magazine.

91 Several article titles from the Economist give a sense of the international reaction: Who’s afraid of Lula?; The 685 billion reais question; and the Beauty and the Beast.
another agency were folded into the Corregedoria, which also took on the role of general ombudsman from the Justice Ministry. This may have sent a further signal to the electorate of the commitment of the PSDB to combatting corruption. It may also have served to further strengthen the Corregedoria, which could reap benefits for the administration regardless of the results of the election.

Lula’s campaign was based partially on the PT’s image as “clean” and anti-corruption. The PT had originally been founded by opponents of the military regime, including labor leaders, leftist intellectuals and progressive Catholics, who organized around issues of social justice (Keck 1986, 68). In contrast to most Brazilian parties, the PT was organized from the bottom up and began by emphasizing democracy and openness in its own internal structure (Samuels 2006). The party built a domestic following and a reputation for clean management over more than a decade and a half of subnational governance. One focus of PT administration, the city government of Porto Alegre in Rio Grande do Sul from 1989 to 2005, even achieved worldwide renown for the quality and probity of its governance.

Despite moderation on several other aspects of PT ideology, including swapping a socialist outlook for a more pragmatic economic policy, Lula’s campaign stayed true to the anti-corruption message. Transparency International reported that alone among the candidates, Lula signed an eight measure anti-corruption pledge outlined by Transparência Brasil. His official platform mentioned corruption explicitly several times; in one section, it reads:

> Corruption continues corroding public resources. Our government will not promise magical responses. But it can promise an ethical orientation and a tireless fight for the country’s advancement (Partido dos Trabalhadores 2002, 16).

The election was close and hard fought, eventually pitting Lula against Serra in the second round, which ended in a final vote share of 61% for Lula. On January 1, 2003, Lula assumed the

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92 After three previous unsuccessful bids for the presidency, Lula’s image in this campaign was much less radical. This approach came to be labelled “Lula Light” and “Lula Peace and Love”.

presidency, a first for his party. The administration faced multiple challenges to governing, including inexperience, a relatively small legislative presence and maintaining public support – all while pursuing an ambitious program of reforms. Lula was expected to remain true to his PT roots and please its old supporters while pursuing a program that would not alienate new supporters or potential allies. Combatting corruption was a ready-made issue that both groups could agree upon; it would help Lula hold together his electoral coalition of PT base and moderate voters.

It was clear that Lula had to at least appear to address corruption in order to fulfill campaign promises and respond to public pressure for change. His administration needed a fast strategy to address this necessity. Again, despite the lack of success in reducing corruption produced by the preceding organizations, these existing models again molded the choice of institutional design, which suggests a certain degree of path dependence. Following in the footsteps of the Franco and Cardoso governments, Lula’s government focused on the Corregedoria, an internal control body responsible to the executive. On the first day of his mandate, Lula issued the medida provisória n° 103, a presidential decree with the force of law, which established transformed the old Corregedoria into the Controladoria Geral da União (CGU).

The CGU would be a ministerial-level office headed by the State Minister for Control and Transparency, and reporting directly to the president. Its organization gained several attributions, and its stated goals were defending public assets and enhancing management transparency through internal control activities, public audits, corrective and disciplinary measures, corruption prevention and combat, and coordinating ombudsman’s activities (CGU 2003).

However, despite this rhetoric, the PT’s reputation as hard on corruption and Lula’s repeated promises to change the system, like the Corregedoria, the CGU had weak enforcement mechanisms. The CGU was only allowed administrative sanctions and remained beholden to other organizations for any other enforcement, unlike the Hong Kong model which has been successful through possessing independent
means of criminal sanction. CGU did not gain any independence or autonomy, either. Lula appointed Waldir Pires, a career politician and former governor, deputy and federal minister, as the agency’s first head. One of the first programs inaugurated by the reformed organization was the *Programa de Fiscalização a partir de Sorteios Públicos* (Random Audits Program), which chose states and municipalities by lottery for audits on their use of federal resources, as discussed earlier. This was to become one of their flagship programs in the area of detection.

Despite competition from other agenda items in the first days of Lula’s administration, there was ample publicity devoted to this “new” anti-corruption agency. Lula discussed it fairly extensively in his first address to the National Congress, as well as in other speeches. It is discussed in his first message to the Congress, which contained his legislative agenda. The public relations department of the CGU and the Presidency spent considerable resources to advertise the reformed agency, sponsoring interviews, ceremonies and press releases. Media coverage was extensive as well, with stories appearing in all the major outlets. These actions served as signals to the public about Lula’s commitment to combatting corruption and fidelity to his campaign promises, although no actual output had yet been produced.

The CGU from 2003 to 2006 acted generally as described in the beginning section of the article: it was generally good at detection, invested in some prevention measures, though not systemic reform, and showed little enforcement success. Despite the election of an executive seen as committed to eradicating corruption, this pattern continued undisturbed through 2006, which brought the next episode of institutional change under the shadow of the *mensalão* scandal and approaching presidential elections. The scandal began in 2005, when Federal Deputy Roberto Jefferson was under investigation for his role in a corruption scheme in the postal service (*escândalo dos correios*). In a June 6th interview with the *Folha de São Paulo*, Jefferson stated that the Lula administration had paid federal legislators for

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votes. Ultimately, it was revealed that the PT had mounted a grand scheme whereby members of the Câmara dos Deputados received monthly payments of about 30,000 reais (a big monthly allowance or “mensalão”) to vote in approval of presidential projects. The scheme was financed with public funds and functioned under the direction of the Minister of the Presidency and top Lula strategist, José Dirceu. This scandal was heavily reported in the media, with 21 magazine covers in Veja alone (Scandal Web).

Eventually accusations surfaced that implicated the national president of the PT, the previous PT national president, the PT treasurer, the president of the Câmara dos Deputados, the PT leader in the Câmara, the Finance Minister and many others close to the PT and the Lula administration.

Lula responded to the scandal with a message to the Brazilian people 91 days after the news broke:

I want to tell you, with all frankness, I feel betrayed. Betrayed by unacceptable practices about which I never had knowledge. I am indignant about the revelations appearing every day, shocking the country. The PT was created exactly to strengthen ethics in politics (Veja Scandal Web).95

Developments continued to surface, keeping the scandal in the public eye for a prolonged period through 2005 and 2006. Some of those accused of involvement in the mensalão, including the political strategist Duda Mendonça, attempted to lay the scheme at Lula’s feet. Under a barrage of evidence, public opinion turned against Lula and his government. In the edition of July 13th, Veja reported that the scandal was eroding the president’s image; an Ipsos opinion poll found that 55% of Brazilian believed that Lula knew about the corruption in his government. Lula’s approval ratings fell to their lowest point in late 2005,96 as a mensalão CPI established in Congress recommended the expulsion of 18 deputies for corruption. The negative effects of the scandal were compounded by revelations about PT use of “caixa dois” campaign financing, a common practice across political parties in Brazil of unreported campaign

95 Author’s translation. Original speech was made on August 12, 2005 and available through O Estado de São Paulo Online.

96 In addition, disapproval of Lula was nearly equal to approval, at around 30%, in this period. See polls from CNT/Sensus at www.sensus.com.br.
contributions and expenses. Lula famously stated in an interview on the TV show Fantástico that what the PT did (i.e. use of caixa dois) was from an electoral standpoint exactly the same as what is done systematically in Brazil and that the PT was no different from other parties.97

With Lula’s approval ratings slipping and various attacks from opposition legislators through the mensalão CPI, his chances for re-election were also declining. The Folha de São Paulo reported that Datafolha polls of vote intentions in late 2005 showed a slight drop in possible Lula votes, with the result that the president was now unlikely to win outright in the first round of the elections.98 In light of popular disapproval, legislative opposition investigation efforts and the pressures of election year politics, the administration decided again to address corruption by pursuing the same strategy as in the past. In January of 2006, the presidency announced the changes to the CGU contained in the decree n° 5.683, which restructured the agency again. The Secretary for the Prevention of Corruption and Strategic Information was created at this time. Instead of increasing the ability of the CGU to punish corruption, this reform merely reinforced the prevention duty of the CGU in combatting corruption, especially through research on how it may be prevented and what conditions give rise to it.

Similar to previous episodes under Franco and Cardoso, the motive for this institutional change was a political crisis and election pressures. Drawing attention to the CGU through administrative changes could diffuse the scandal around Lula, the PT and the mensalão investigations by showing that the government was acting on the problem. This goal became even more crucial as the 2006 elections loomed nearer, and the PT’s former promises of clean government began to sound hollow on the campaign trail. By strengthening the CGU, though only in the area of prevention, Lula could get the

97 This interview was aired on July 17, 2005 on the TV Globo network’s popular newsmagazine, Fantástico, during primetime.

98 In later research on the election of 2006, Lucio Rennó indeed finds that corruption was important to many voters. He argues that it was the decisive factor that led to Lula’s failure to dominate in the first round of elections. While Lula was eventually re-elected, Rennó describes how voters used their first round votes as “protest votes” or to punish Lula, before returning to the fold in round two (2011).
kudos for attacking corruption without letting the process get too out of hand and steal the thunder of anti-corruption efforts pursued by the legislative branch. In addition, expanding the CGU signaled Lula’s own aloofness and uninvolvement from the scandal, making it seem like the corrupt practices were confined among a small cadre of bad apples. This effort apparently saw some success; voters, at least among certain demographics, retained more support for Lula than for the PT and saw the president as above the corruption scandals (Hunter & Power 2007; Samuels 2008; Rennó 2011). Ultimately, Lula survived the scandals and was re-elected to a second term, although the election was close enough to necessitate a second round runoff.

Discussion

On balance, throughout this period, the CGU generally retained its essential design, as an internal control body with the stated goal of combatting corruption reporting to the office of the presidency. Even under different presidents with apparently different interests, the CGU continued to persist and produce the same outcomes. Despite the appearance of substantive reforms, promised in the stated goals of actors, what occurred were a series of actions that increased responsibility and/or resources available for detection without addressing the fundamental lack of enforcement and weak prevention function. These actions generated positive publicity and deflected demands for investigation, effectively diffusing both horizontal and vertical accountability mechanisms, without actually making the CGU any more successful in combatting corruption. At no time did any reform take place that increased enforcement powers, nor were any substantial systemic reforms pursued. Table 3.2 summarizes the major events discussed, the surrounding conditions and their immediate outcomes.
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Precipitating Conditions</th>
<th>Stated Goal</th>
<th>Short-term Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>President Franco creates the Federal Secretary of Internal Control within the Finance Ministry</td>
<td>corruption scandal resulting in impeachment and removal of President Collor; CPI on corruption under Collor; &quot;budget dwarves&quot; CPI</td>
<td>internal control; combat corruption</td>
<td>sets precedent for an anti-corruption agency within the executive</td>
</tr>
<tr>
<td>2001</td>
<td>President Cardoso creates the Corregedoria Geral da União</td>
<td>various corruption scandals; falling presidential approval rating; Congressional release of corruption information; attempts by Congress to investigate several corruption allegations, including a vote-buying scheme to guarantee Cardoso's re-election amendment</td>
<td>internal control; combat corruption</td>
<td>no Corruption CPI formed in Congress; signals commitment to combatting corruption to public</td>
</tr>
<tr>
<td>2002</td>
<td>President Cardoso folds the Federal Secretary of Internal Control and national ombudsman into the Corregedoria</td>
<td>close election campaign between Serra, from Cardoso's political party, and Lula of the PT; PT campaign promises oriented around combatting corruption</td>
<td>strengthen Corregedoria to better combat corruption</td>
<td>CGU gains attributions, likely to remain in place under successor governments</td>
</tr>
<tr>
<td>2003</td>
<td>President Lula transforms Corregedoria into the CGU, which now has departments for Transparency and Combatting Corruption, Internal Control Coordination, Auditing and a National Ombudsman</td>
<td>PT historically committed to clean governance and transparency; Lula signed anti-corruption pledge during campaign; PT party platform during campaign promised to fight corruption; Lula wins the PT's first ever presidency in a close race, though obliged to agree to follow Cardoso's economic strategy; relatively small PT congressional presence; challenge to maintain Lula's electoral coalition</td>
<td>combat and prevent corruption; internal control</td>
<td>campaign promise fulfilled; coalition remains together (though temporarily); signals commitment to combatting corruption</td>
</tr>
<tr>
<td>2006</td>
<td>President Lula re-organizes the CGU, adding a department for the Prevention of Corruption and Strategic Information</td>
<td>Mensalão scandal results in removal of many of Lula's top staff and the national leadership of the PT; Congressional CPI to investigate the mensalão; falling presidential approval ratings; accusations and increasing public belief that Lula knew about the scheme; Lula campaigning for re-election in October; PT presidential campaign accused of using caixa dois financing</td>
<td>strengthen corruption prevention function of the CGU</td>
<td>Lula re-elected, though only in second round; no direct consequences to Lula from mensalão scandal; Lula more popular than the PT</td>
</tr>
</tbody>
</table>
As the timeline above illustrates clearly, the CGU has existed for over a dozen years and retained most of the same goals, procedures and structure. Yet corruption has persisted and perhaps even worsened, so the continued reproduction of the same institutional model initially makes little sense. By Levitsky and Murillo’s criteria, the CGU is indeed a stable, but weak institution. One part of the explanation for this result is the reproduction of an institutional template provided by earlier institutions. As described in the event analysis, the CGU, even through periods of reforms, has remained an investigatory body with low powers of enforcement directly responsible to the presidency, just as the Corregedoria Geral da União was. Another part of the explanation is path dependence: once created, institutions can be sticky, preventing attempts at reform. Even when a new political actor, Lula, entered power, he did little to substantially strengthen the CGU, and it continued on much as before. While any president wishing to institute more serious judicial reforms or refinements to the CGU that would have enhanced its ability to sanction corrupt behavior could have pursued such measures with some hope of success, such reforms were never seriously considered.

However, the initial choice of the institutional form of the CGU and its maintenance cannot be explained solely by templates and path dependence. It is necessary to look further at the interests and goals of the actors involved in order to understand why a weak institution was created and reproduced. This is a delicate process since it would be inappropriate to just read actors’ intentions solely from the outcomes that the institutions that they create produce. Likewise, it is not always possible to trust actors’ stated intentions in the creation of institutions. Any analysis of this kind must walk a fine line between these two presumptions (Brinkerhoff 2000, 241). However, it is appropriate to address the question, as the role of the actors is clearly important to explaining the CGU’s existence.

Actors in government may really want to combat corruption, but they must balance this goal against their other priorities. These mixed intentions can result in an institution that has some strong features and has the appearance of a credible effort, but that is weak or ineffectual. The stated of
intention of the CGU creators and the organization itself, has always been to combat corruption, but the institution is unsuccessful in fact. The creation and maintenance of the CGU thus can be seen as an attempt by the presidency to combat corruption, but in a way that minimized the risks to the executive and maximized his benefits. The actors’ attempts to safeguard their interests resulted in an institution that did not accomplish the stated goal because it did not provide credible, disinterested enforcement mechanisms.

By its chosen institutional design, the CGU is a creature of the executive. In maintaining control over the institution through budgetary and appointment power, the presidency can influence its agenda and outlook, minimizing risk. As we saw in the description of CGU programs, most of their activities take place on the municipal and state levels, far from Brasília and avoiding more powerful, national political figures. In addition, the institutional design of the CGU further protects the presidency by weakening enforcement possibilities. Even if, against the interests of the presidency, the CGU were to investigate corruption within the executive, without investment from other branches of the state, the Public Ministry or judicial system, it could bring no credible punishment. Unlike in the more successful versions of the Hong Kong model which possess the ability to impose criminal sanctions and greater investigative powers, the CGU can only exercise administrative penalties; all civil and criminal penalties must be brought by other government bodies, assuming that the figures involved do not enjoy immunity from prosecution, as many office-holders do. Other agencies have their own agendas, scarce resources and reasons not to antagonize the executive. As we saw in the first section of the paper, the ultimate result is that serious enforcement rarely occurs, which insulates the executive but also weakens the CGU.

The CGU’s design also maximizes benefits to the executive. First, the creation and maintenance of the CGU provides a lasting institution that may be activated in the future in order to constrain the activities of opposition governments in power. Secondly, as seen by the discussion above, the CGU has been used to protect against actions by other branches, especially the legislature, to hold the executive
and its allies accountable. This occurred under both Lula and Cardoso. The creation and periodic reform of the institution also has deflected criticism of the executive for “doing nothing about corruption”.

Reisman describes this tactic for coping with anti-corruption demands as follows: “the legislative response of the elite will have engorged symbolic components but stunted limbs: inadequate enforcement machinery, no procedures for staffing, insufficient budget, the appointment of manifest incompetents (who also have a very special value in political systems), and so on” (1979, 105; emphasis added). He goes on to say that “enforcement techniques must be symbolic, highly public, and appear to have dramatic results” (ibid). Thus, reforming the CGU (even without actually making it more effective) provides the appearance of combatting corruption and generates public support for the executive, which is particularly useful under electoral pressures. The strategy was first utilized by President Franco when he created the Federal Secretary of Internal Control to deal with fallout from corruption investigations and later emulated by both Cardoso and Lula.

In sum, the outcome of calculations by the executive produces an institution which empowers investigation, but offers the possibility of administrative sanctions as the CGU’s only “stick”. The design leaves all significant enforcement functions (civil damages, criminal proceedings) delegated to the discretion of other institutions, which have their own incentives to ignore these demands. In addition, the CGU remains at least partially subject to executive control, making it less likely to pursue corruption prevention through systemic reforms or investigate the executive. For the actors in power, actually effectively combatting corruption is costly and dangerous. The appearance of doing so may be worth more than actually doing so. And given the fact that the CGU is inserted into the complex web of accountability institutions, one of several cogs in a larger machine, it is easy for presidents explain away the lack of performance of the agency and minimize any personal responsibility.
Conclusion

In this article, I examined the role of an anti-corruption agency, the CGU, in the case of Brazil. I first evaluated how well the institution performs the three major activities necessary to combat corruption. I concluded that the CGU performs detection well, but is less successful on punishment and prevention, leading to an overall failure in effectiveness. I then explored various explanations for the CGU’s failure to produce results. I argue that the most compelling explanation is that the CGU’s institutional design is most responsible, as it possesses only a weak ability to punish corruption. I then examined the history of the CGU and the conditions under which it was formed and reformed. I find that the creation and reforms to the CGU were used to deflect (or prevent in the case of the 2003 reform) popular criticism and Congressional attempts to hold the executive and its allies accountable. Despite reforms, I find that the CGU remained more or less effectively the same throughout this period, showing surprising stability despite its failure to achieve its stated goal and the changing constellations of interests and power. I then elaborated on some of the pressures that may cause politicians to prefer an institution that is dependent and toothless, especially with respect to enforcement. In this section, I expand on these themes and suggest further implications of these findings.

Throughout the world, any political actor who is out of power may be serious about combatting corruption in the administration, but once in power, he sees that this weapon can be easily turned against him. In the case of Brazil, this has resulted in the proliferation of anti-corruption bodies, as actors react to arm themselves against other anti-corruption campaigns. Thus, legislative branch is willing to investigate corruption in the executive, as seen from their use of CPIs, but hesitant to

99 As I explained previously, prevention has not been forwarded by the CGU in a systematic way, either through major legislation or bureaucratic re-organization. The results of its educational programs on future prevention are harder to judge and may not become evident for many years.

100 The TCU is older and has more resources than the CGU, but it is even more vulnerable to political influence. It is linked to the legislature and staffed by former politicians, considered a cushy early retirement given as a reward for party service. Even with its superior powers and resources, “fewer than 1% of the fines levied by the TCU are effectively paid” (Speck 2011, 145).
expose and sanction through the TCU. The presidency likewise will cover for or ignore tackling corruption in the executive, while going after corruption in other levels of government through its use of the CGU. In a climate of widespread corruption, neither branch can risk the potential costs of an uncontrolled, powerful systemic anti-corruption initiative, so they opt for ineffectual tactics.

Why does each branch continue to expend resources on such useless activity? In Brazil, political actors are under considerable pressure to do something about corruption or else risk electoral punishment. As the recent demonstrations on the streets of major Brazilian cities demonstrate, there are considerable popular demands that politicians address corruption (MDA Pesquisa 2013). The safest reaction is to pursue anti-corruption programs visibly but ineffectively. The appearance of combatting corruption is transmitted to the public mostly through media cues. The public has low information about what actions are actually occurring and the results produced. Thus symbolic commitment can be worth as more than actual commitment; pursuing necessary systemic reforms is more likely to produce both results and disturbances. As described by Reisman, reforms do serve a purpose, just not the purpose the public expects:

Operators, as a group are the targets of reforms. Their first defense is an attempt to quash the campaign. If the effort fails and popular dissatisfaction mounts, operators seek to transform it into a crusade by deflecting public dissatisfaction into symbolic activity; if legislation must issue, it is simulated or imperfect. Under cover of the noisome but essentially inconclusive activity, elite positions may be maintained and old practices continued (1979, 114).

This pattern may be repeated around the world, especially in countries with pervasive corruption and institutional weaknesses.

The restriction of anti-corruption efforts to the less-risky arena of detection may be particularly counter-productive in Brazil. By performing detection without concomitant enforcement, the perception of impunity spreads. The Brazilian public already believes that most politicians and political parties are corrupt; political parties, followed by Congress, are the most distrusted institutions according to opinion
Increased detection of corruption is merely conforming and reinforcing set beliefs. When the public believes corruption is more prevalent because it is more exposed and enforcement does not follow, trust and legitimacy decline. In Latin America, as corruption perceptions increase, citizens tend to withdraw from politics, which will make democracy less representative (Davis, Camp & Coleman 2004). If citizens are left with only the choices of voting for a corrupt politician or not voting at all, there will be even less vertical accountability and punishment of corruption.  

The lack of enforcement by the CGU is part of a larger dynamic of impunity in Brazil. None of the administrations discussed here have attempted serious reforms to the CGU or the legal system that would have resulted in increased power to punish corruption. According to Macaulay, the judicial branch shares many of the same systemic problems common in other Latin American countries (2011, 229). This means that in corruption cases, the legal system is slow to reach final verdicts, hesitant to impose financial and criminal sanctions and unable to recover stolen funds. Coupled with the inability of the CGU to act independently to apply such sanction, this feeds the perception of impunity, especially in the case of elite wrong-doing. There are still special protections for public officials that make prosecution more difficult. In addition, legislation is outdated. Laws seen to successfully support the fight against corruption in other countries do not exist, including whistle-blower protections, lobbying regulations and public campaign financing. Even when anti-corruption laws are passed, they may be overturned by conservative courts. Overall, Taylor states that it is not usually a case of judges and prosecutors willingly disobeying the law, but instead the strong adherence to law and procedure as written that actually serve to impede combatting corruption; legislation binds judges too stringently (2011).

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101 According to Almeida's work, 56% of Brazilians do not trust political parties; 40% do not trust Congress.

102 Pereira, Melo and Figuereido (2009) find that the possibility of being punished for dishonesty by voters (losing re-election campaigns) does not significantly deter Brazilian mayors from engaging in corruption.
It is doubtful that minor reforms to the CGU that do not remake its essential structure could even begin to overcome these structural obstacles. However, the CGU is also unlikely to be abolished because it is so linked to the presidency. Few presidents could afford being seen dismantling an ostensible anti-corruption body; this would be a negative cue to the public and media. In addition, the CGU now has a corps of career employees who are likely to protect their jobs and privileges by opposing any move to abolish or shrink the agency. And as explained above, the executive has several continuing interests in keeping the CGU around as a tame anti-corruption agency. If there were a game-changing political crisis, it is possible that the agency could be overhauled and made more productive. But if the institutional structure remains path dependent and the CGU does not gain independence and enforcement capabilities, the chances for meaningful results are very slim.

Anti-corruption agencies have become de rigueur internationally. However, there is little systematic cross-country research about what types of institutions function best in which situations. This case study of Brazil’s leading ACA is one attempt at probing the difficulties inherent in establishing institutions to combat corruption in hopes of generating lessons that may be applied in other corrupt countries. Through this analysis, it is clear that even willing states have at their disposal a limited arsenal of weapons with which to combat corruption in the short term, most of which are rule-based and institutional, like the CGU. External pressures and incentive structures in a “culture of corruption” may lead actors to choose institutions that are ineffectual. Political will alone may not be enough when actors are asked to balance combatting corruption with potential sacrifice of their own political goals. The creation of ACAs that do not possess the special powers granted in the Hong Kong model leads to a lower probability of success.

As seen from other worldwide examples, discussed here only briefly, a multi-pronged institution that ensures that all key functions of combatting corruption, including sanction, are credible and effective is the most likely way to achieve success. However, these are also some of the hardest
institutions to create and insulate from political pressures (Pope & Vogl 2000, 6). Even apparently well-designed political structures may be weak in practice due to a lack of resources or inhospitable institutional network. And flawed institutions can generate high costs. For example, perceptions of corruption may actually worsen as governments attempt to crack down on corruption through detection and education, providing media fodder and enhancing corruption visibility and salience in citizens’ minds. In spite of even sincere attempts, governments may end up looking worse on the corruption measures most scrutinized by international donors. If these detection efforts are not accompanied by enforcement, the domestic problem can be even more serious, as citizens give up on vertical accountability and meaningful participation in the political system. In the absence of large-scale systemic overhaul, incremental goals like small reforms and increasing citizen knowledge may be more realistic and less harmful in the long term than ambitious institutions that promise too much.
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