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Changing the Rules of the Game: A Diagnosis of Corruption in Brazil

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Abbreviations and Acronyms

AMB	Brazilian Magistrates Association
ANP	National Oil Agency
CC	Control of Corruption
CGU	Office of the Comptroller General
CNJ	National Council of Justice
CPI	Corruption Perception Index
DEM	Democrats
FHC	Fernando Henrique Cardoso
GDP	Gross Domestic Product
ICMS	State Value Added Tax
ICRG	International Country Risk Guide
MP	Public Prosecutors' Office
NIS	National Integrity System
OECD	Organisation for Economic Cooperation and Development
QoG	Quality of Governance
PF	Federal Police
PMDB	Brazilian Democratic Movement Party
PPS	Socialist People's Party
PSB	Brazilian Socialist Party
PSDB	Brazilian Social Democrats Party
PT	Workers' Party
R$	Brazilian Real (= US$ 1.60)
SIAFI	Integrated System of Financial Administration of the Federal Government
SOE	State Owned Enterprises
STF	Supreme Court
TCU	Audit Court
TCE	State Audit Court
WGI	World Governance Indicators

Executive Summary

Introduction

In recent years corruption and the search for strategies to combat its corrosive effects has grown in importance. Information about corruption is scarce and hard to measure which imposes a greater challenge to identify solutions and address them in a focus and relevant manner. Corruption is closely related to defined levels of development. In developed countries, it remains related to individual cases, whereas in developing countries, corruption is intrinsically political and usually involves the distribution of public goods in a particularistic basis.

In Brazil, corruption has always been part of political discussions, but changes in government hardly ever brought changes in the political and social structures. . The great economic development of recent years might end up covering some of the problems. Therefore, it is fundamental to investigate whether in Brazil corruption is the norm or the exception, as well as to understand the main corruption mechanisms in order to design proper policies to tackle its most harmful forms so that the country can finally evolve towards good governance and impartial government.

Control of Corruption in Brazil

Brazil was ranked 75th out of 180 countries in Transparency International's 2010 index of perceived corruption. Other perception indicators allowing comparison from one year to another, such as WGI-Control of Corruption, suggest some progress in the control of corruption - Brazil progressed from below 48% in 1996 to 56,4% in 2009 (orange to yellow), but the change fall within the 10% confidence interval, meaning that this is not significant progress and there is great disagreement among sources.

However, these indicators might not capture the systematic nature of corruption in Brazil. Indeed, particularism did not prevent the country from building a strong state. In this sense, the relationship between state and society developed in a contradictory manner, where clientelism, corporatism, bureaucratic insulation, and universalism of procedures live side by side.

The recent implementation by the Federal government of anti-corruption initiatives might not translate the situation in the country’s 27 states and 5,651 municipalities. The difficulties of combating corruption in Brazil are compounded by the country’s high degree of decentralization, which provides local authorities wide discretionary powers. Moreover, oversight mechanisms at these levels are characterized by questionable efficiency, which has paved the way for several cases of corruption.

Patrimonialism, Competitive Particularism, and Universalism

A proper diagnosis of corruption is necessary in order to define the correct approach to fight it. Previous experiences have proved that one size does not fit all, meaning that anti-corruption policies cannot be replicated from one country to another without taking into consideration the country developmental level. In this sense, it is of great relevance to understand with which kind of corruption one is dealing, and whether corruption is the exception or the norm in a given country.

Brazil: A competitive Particularistic State

Open access is formally guaranteed, but power remains concentrated in the hands of few. In fact, the same political groups remained in power for long periods. The pattern was broken by Lula in 2002 who was the first president who did not come from the traditional political elite. However, since 1994, there was a continuing dominance in the legislative arena of the same parties. After 2010 elections, the same four political parties (PMDB, PSDB, DEM, PT) account for half of the seats in the Chamber of Deputies, and for 63% of the seats in the Senate. Moreover, the public/private distinction in Brazil remains really poor, and the country has been marked by an oligarchic conception of politics where private interests have taken precedence over public interests throughout its history.

Rents and 'ownership' of the state are up for capture by various groups to great extent. Nonetheless, there are also 'islands of autonomy' within the government which function despite particularistic practices (e.g.: Central Bank, *Petrobrás*). Candidates' dependence on private donations might increase state capture possibilities as money plays such an important role in elections in Brazil. Thus, they frequently establish close contacts with private firms that stand to profit directly from obtaining public contracts or tax exemptions. Despite recent improvements, the country still faces challenges to provide an equal and fair distribution of public goods.

Has Brazil's Governance improved since 1996?

Corruption results from an equilibrium between resources and constraints. A balanced anti-corruption formula, therefore, needs to address both resources and costs of corruption [Corruption = Resource (Power Discretion + Material Resources) – Constraints (Legal + Normative)].

Power discretion presented some changes during the 1996 – 2010 period, especially regarding accountability mechanisms (enactment of the Fiscal Responsibility Law in 2000, the Transparency Portal in 2004, and the Transparency law in 2009). However, the Ministries, States and Municipalities still lack qualified personnel and infrastructure to comply with the regulations. The

Executive's strategy, so far, is to invest in technology to enhance transparency and allow social control.

Material resources, or rents for private individuals and companies, have increased during the 1996 - 2010 period. For instance, the voluntary transfers from the Federal Government to municipalities started increasing in 1996, reaching R$ 1 billion (until 1995 transfers were R$ 100 million a year). During Lula's government the value transferred through administrative agreements to municipalities was R$5 billion a year, reaching R$ 11,3 billion in 2007. In regards to oil royalties transferred to municipalities, it increased from R$ 167 million in 1997 to R$ 4,7 billion in 2008 (800 municipalities are eligible for receiving royalties).

Brazil does not have a specific institution with specific task of fighting corruption. At the Federal level the functions of anti-corruption agency have been partially covered by the CGU, which is responsible for internal control, and by institutions such as the Federal Police, which has conducted numerous operations against criminal organizations as well as politicians and public officials involved in corruption and fraud, the Public prosecutor's office, and the Court of Auditors. Nonetheless, legal constraint is still limited by an inefficient judiciary system, which reinforces the 'culture of impunity' that permeates the society.

Drivers of Change

Anti-corruption strategies should also take into consideration actors, their motivation, and the choices they make to promote and implement anti-corruption reforms in order to be successful. In the case of Brazil, institutions such as the CGU and the Federal Police have been playing an important role in the fight against corruption. Nonetheless, real changes depend on mobilizing the real 'losers'. The middle class, theoretically, stands at the front of the fight against corruption, since it is the one paying great part of the taxes and benefiting less from social policies. The greatest problem is: how to mobilize middle class to take part in social control? This is especially relevant because in Brazil, a culture of privilege reigns, individuals, thus, struggle to belong to the privileged group rather than to change the rules of the game

Lessons Learned

The aim of this case study was to research to what extent the Brazilian state operates on the basis of ethical universalism or on the basis of privileged allocation. Particular allocation seems to be the norm in Brazil, and this, supported by an inefficient judiciary system, is the main corruption mechanism of the country. Little has changed since 1996, however, during this time, thanks to investigations conducted by the Federal Police, CGU, TCU, and MP, those mechanisms started to

be uncovered. Until 2000, the country did not have any anti-corruption strategy in place, only isolated measures that ended up, directly or indirectly, having an impact on the control of corruption. The current anti-corruption approach focus on enhancing accountability and transparency as well as building strong institutions (mainly on investigation and prevention), but it is limited to the federal level, and does not involve any radical reform or the support of relevant political actors. Therefore, although important, it seems unable to fully solve the problem, which would require a political and a judicial reform.

Nevertheless, the cooperation between public prosecutors, Federal Police, and CGU has proved to be effective in the investigation and prosecution of corruption. In this sense, the best strategy for donors in countries like Brazil where anti-corruption agencies show political will and have autonomy to perform tasks, regardless of political interests, initially, would be to support these agencies, training officials and auditors, financing social control programs (e.g.: internet centers), supporting investments in technology (e.g.: integration of internal systems, e-government, modernization of public procurement system - especially in the state and municipal levels), supporting programs to enhance transparency and accountability, among others.

1. Introduction

In recent years corruption and the search for strategies to combat its corrosive effects has grown in importance. The fact that information about corruption is scarce and hard to measure imposes even a greater challenge to identify solutions and address them in a focus and relevant manner. Corruption perception indicators are limited tools since they may not translate the country's more pressing issues, which could, thus, impact significantly on the effectiveness of anti-corruption strategies.

Corruption is closely related to defined levels of development. In developed countries, where universalism and ethical behavior prevails, corruption remains related to individual cases, whereas in developing countries, where there is a wide gap in terms of social, economic and political rights, corruption is intrinsically political, and usually involves the distribution of public goods in a particularistic basis (Mungiu Pippidi, 2006).

In Brazil, corruption has always been part of political discussions. Since 1930 every single President elected had the fight against corruption and rent seeking as important part of their campaign platforms, but changes in government hardly ever brought changes in the system - power distribution remained entrenched, distribution of public goods uneven, and distinction between public and private extremely poor. Nowadays, Brazil is still perceived as a highly corrupt country. The great economic development of recent years might end up covering some of the problems, but, in fact, little has changed regarding social and political structures. Therefore, it is fundamental to understand corruption mechanisms in Brazil and design proper policies to tackle the most harmful forms of corruption so that the country can finally evolve towards good governance and impartial government.

According to Johnston (1982), corruption will vary in accordance with a number of factors affecting the relationship between governance and civil society. Drawing on previous literature, process tracking, as well as interviews with public officials, experts, and civil society members, we analyze these factors qualitatively in order to understand whether, in Brazil, corruption is really the norm. **The aim of this paper is, therefore, to explore to what extent is the Brazilian government guided by an universalist norm and to what extent is its main task to promote patronage and benefit specific interest groups.**

The first chapter looks at how Brazil has been performing in Corruption Perception Indicators (e.g. CPI, WGI-CC) in comparison to other Latin American countries, assessing as well some of the facts which could play a role in this performance based on a regression model developed on a research seminar at the Hertie School of Governance in 2010. The second chapter reviews Mungiu-Pippidi

(2006) theoretical typology for a diagnosis of regimes of governance (patrimonialism, competitive particularism, and universalism), analyzing developmental levels of the Brazilian state since colonization. Chapter three, drawing on the regime type table explained in the previous chapter, examines power distribution, rents, distribution of public goods, and distinction between public and private in the Brazilian society. Besides that, since perception indexes have been inconclusive regarding Brazil progress in the control of corruption, based on the concept that corruption is equal resources (power discretion and material resources) minus constraints (legal and normative) (Klitgaard 1991, Mungiu Pippidi 2010), chapter four brings indicators for each of the components of the formula in order to track changes during the 1996-2010 period. Chapter five briefly discusses the importance of actors (drivers of change) and their motivations to engage in the fight against corruption. The final chapter concludes with lessons learned, analyzing the main mechanisms of corruption in Brazil, the tools used to curb it so far, and bring ideas of what could be done in competitive particularistic countries in similar situation.

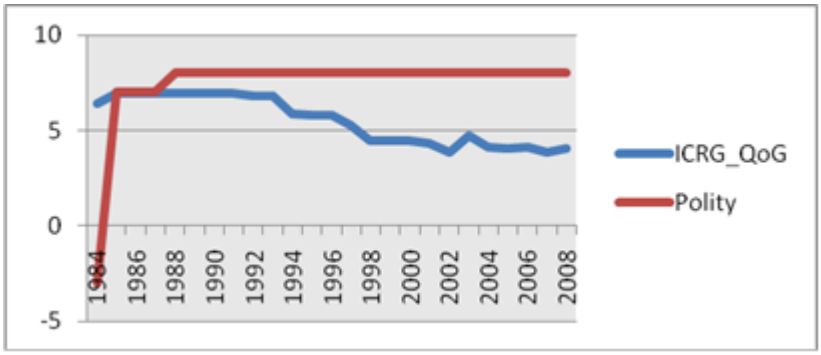
2. Control of Corruption in Brazil

Brazil was ranked 75th out of 180 countries in Transparency International's 2010 index of perceived corruption. Citizens and companies also consider corruption as one of the greatest problems of the country[1] (Annex 1). Other perception indicators allowing comparison from one year to another, such as The World Governance Indicators Control of Corruption (CC) and the ICRG (measuring the risk of corruption) suggest some progress in the control of corruption. According to CC, Brazil progressed from below 48% in 1996 to 56,4% in 2009 (orange to yellow), but the change fall within the 10% confidence interval, meaning that this is not a significant progress and there is great disagreement among sources (Annex 2).

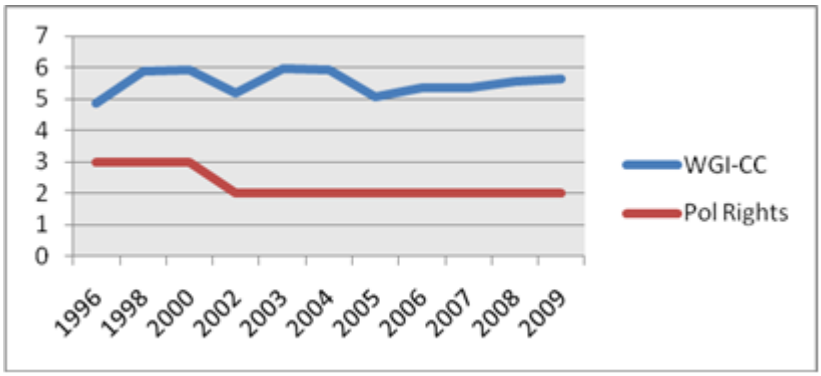
The graphs below assess corruption and development of pluralism in the country. Brazil returned to multi-party democracy in 1984, and held the first direct federal elections in 1989. During this period the country faced the sharpest increase in pluralism (POLITY IV), which remained constant after 1990. The International Country Risk Guide (ICRG) risk of corruption indicator, on the other hand, did not show any severe changes during the 1984 – 2008 period. There was a decrease in control of corruption from 1993 to 2002, with control of corruption remaining more or less stable since then (Graph 1). Graph 2 shows that control of corruption (CC – WGI) decreased with the increase in pluralism (2001/2002), but overall it shows a slight improvement from 1996 to 2009.

[1] According to the 2010 Enterprises' survey, 74,36% of foreign companies and 59,66% of domestic companies identify corruption as a major constraint.

Graph1: Risk of Corruption (ICRG-QoG) and Development of Pluralism (Polity IV)



Graph 2: Control of Corruption (WGI-CC) and Development of Pluralism (Freedom House-Political rights)



Nonetheless, **these surveys might not capture the systematic nature of corruption in Brazil. Indeed, particularism did not prevent the country from building a strong state. In this sense, the relationship between state and society developed in a contradictory manner, where clientelism, corporatism, bureaucratic insulation, and universalism of procedures live side by side.** Moreover, 'patronage continued to influence state's dynamic, whose expansion and modernization were not able to redefine the historical patterns of poor separation between public and private, and misuse of public assets and resources**.** The opportunity for corruption increases once politicians and bureaucrats control extensive resources, are responsible for their allocation, and a vast range of private economic agents are interested in capturing those rents' (Arantes 2010). Thus, particularistic practices remain a constant in the country. For instance, according to the analysis of the World Economic Forum (2010) governance survey regarding favoritism in decisions of government officials, Brazil ranked 74 out of 139 countries, behind other Latin America countries, such as Chile (21st), Uruguay (24th), and Costa Rica (39th), scoring 2,9, as opposed to the 3,6 scored in 2002 (1= always show favoritism; 7= never show favoritism).

A quantitative analysis of corruption control in seventeen Latin American countries[2] showed that Brazil lags behind Chile, Uruguay, and Costa Rica. Considering the dependent variable, WGI Control of Corruption, Brazil (55,55th percentile rank) performs above the regional average of 43,84th percentile rank. In regards to the independent variables tested in the model - GDP per capita, political rights, federalism, gini coefficient, ethno linguistic fractionalization, trade openness, size of government and legal structure and property rights- they were found to be significant and in the case of Brazil, with the exception of federalism, gini coefficient, trade openness and size of government, the hypotheses were confirmed (Annex 3 and 4).

Brazil has been considered "free" by the Freedom House organization with scores of 2 in political rights since 2003 and civil liberties since 2005, above the regional average (Annex 5). The country is South America's most influential economy and Latin America's biggest democracy. The Brazilian economy has a good record of high stock markets, decreasing unemployment along with low lending rates and a pro-active government. It also has strong GDP figures, which over the last five years, grew 4.7% on average. The export industry has also been growing; its exports represented 12.6% of GDP in 2008 whereas its imports represented 11% of GDP in the same year (OECD 2010). Nonetheless, the country still faces great challenges, especially regarding **infra-structure and income inequality**. Brazil is considered one of the most unequal countries in the world. Over the past seven years, the country has experienced considerable upward social mobility. Extreme poverty declined from 17.3 percent of the population in 2001 to 10.2 percent in 2007, and the Gini coefficient fell from 0.64 in 1995 to 0.54 in 2008. Although these improvements are significant, the country still did not manage to close the gap.

The regulatory environment of the country can be very burdensome, even in comparison to other Latin American countries. Moreover, due to the federal structure of the political system, companies have to deal with a wide range of regulatory agencies, and public officials often enjoy wide discretionary power. Thus, bureaucratic procedures at the local level might be used by officials to ask for bribes and kickbacks from companies and citizens.

'The Doing Business' Index prepared by the World Bank ranks the business environment by identifying regulations and policies that foster investment, productivity and growth, Brazil is ranked 127th among 180 countries in the world. According to the index, in Brazil 15 different procedures are required to start a business, taking on average 120 days to complete. The Latin American average is 9.3 procedures and 56.7 days are needed. In order to enforce a contract 45 procedures are needed, requiring an average time of 616 days, values that are lower than the Latin America

[2] The model was developed during the research seminar *Transitions to Good Governance* at the Hertie School of Governance by the students Angelica Pulido Solares, Bianca Vaz Mondo, Inti Montenegro, and Maíra Martini, and supervised by the Professor Alina Mungiu-Pippidi.

average, but still shows the inefficiency of the judiciary system (the OECD average time to enforce a contract is 517,5 days). In addition, the index also shows that tax regulations are also problematic in the country. During the course of a year, a medium-sized company can expect to pay an average of 10 different taxes and spend 2600 hours managing the administrative tasks related to these payments, time that by far exceeds the regional average (365 hours). The total tax rate is estimated to be 69% of profits, while the regional average is 43%. The tax burden encourages tax officials to solicit bribes as well as companies to offer bribes. According to the US Department State 2010 report, all administrative levels in Brazil suffer from malpractices, but companies report that the state-level value added tax (ICMS) is the most vulnerable to corruption, and although tax regulations are applied equally to foreign and national companies, foreign companies have complained that the value-added tax favors local companies. Moreover, business executives give the Tax Revenue Authorities a score of 3.4 on 5- point scale (1 being 'not at all corrupt' and 5 'extremely corrupt').

Additionally, the levels of tax evasion may also be a useful proxy for the capabilities of the state, providing insights into the efficiency of the tax-collecting agency. One may conclude that tax evasion in Brazil is widespread also given the large informal sector. For instance, considering the ethanol market, it is estimated that a volume equal to 50% of the market is sold without any official registration. In total, tax evasion in the sector can exceed $ 3.3 billion, an amount higher than the total royalties of oil in 2002 (McKinsey&Company 2004).

Brazil’s poor performance in those corruption perception indexes might be explained by the regulatory and tax burden combined with a decentralized political system where local state officials enjoy wide discretionary power.

Nonetheless, one cannot deny the existence of an anti-corruption activity in the country, especially at the federal level, in comparison to the country’s situation before 2001. According to a study carried out by Transparency International (NIS 2002), until 2000, the government showed no systematic concern with controlling corruption, and structured anti-corruption initiatives were not being forwarded. Yet, the recent implementation by the Federal government of anti-corruption initiatives might not translate the situation in the country’s 27 states and 5,651 municipalities. The difficulties of combating corruption in Brazil are compounded by the country’s high degree of decentralization, which provides local authorities wide discretionary powers. Moreover, oversight mechanisms at these levels are characterized by questionable efficiency, which has paved the way for several cases of corruption.

Brazil has a strong legal framework aimed at curbing corruption, and the country is occasionally used as a role model when establishing legal anti-corruption framework, especially in other Latin

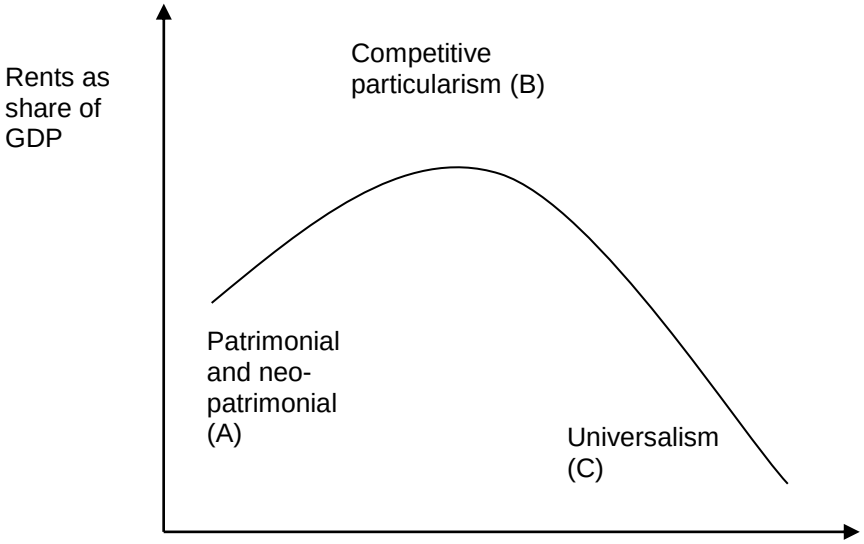
America countries[3]. However, the institutions responsible for fighting corruption face an almost impossible task due to the pervasiveness of corruption in the political system, intensified by a culture of impunity that undermines faith in politicians. Consequently, one may conclude that the public anti-corruption initiatives in Brazil are formally strong and well-developed, but that control of corruption faces serious obstacles in terms of implementation.

3. Patrimonialism, Competitive Particularism, and Universalism

According to Mungiu-Pippidi (2006, p. 87) the definition of corruption "rests on the presumption that the state operates under some norm of universalism and that public integrity is understood as an equal treatment of citizens, which may occasionally be infringed by favoritism". However, in the so-called particularistic societies, universalism of norms and equal treatment is not the rule, in fact, individuals' treatment and access to public goods depend on their status or position in the society. The majority of societies falls somewhere between particularism and universalism, whereas there are still some patrimonialist societies, which means that in these societies "rulers, families and their cliques are unaccountable, and can seize the property of any of their subjects", but corruption remains somewhat limited in comparison to particularistic societies (Mungiu-Pippidi 2006 p. 89). The figure below summarizes these three regime types. The left end of the horizontal axis represents a monopoly of power (patrimonialism) and the right end represents liberal democracy (universalism), as previous mentioned, most contemporary societies as well as the majority of Latin American countries fall somewhere between these two extremes. Within competitive particularism corruption tends to increase once different groups compete for privileged positions. However, when a balance of power is achieved among social groups, corruption tends to decrease and universal norms and rules prevail.

[3] The country anti-corruption legal framework scored 100 in the Global Integrity Report 2009. Available at: http://report.globalintegrity.org/Brazil/2009/scorecard

Figure 1: Rents and the development of pluralism (Mungiu-Pippidi 2006)



A proper diagnosis of corruption is necessary in order to define the correct approach to fight it. Previous experiences have proved that one size does not fit all, meaning that anti-corruption policies cannot be replicated from one country to another without taking into consideration the country developmental level. In this sense, it is of great relevance to understand with which kind of corruption one is dealing, and whether corruption is the exception or the norm in a given country. The table below assesses the three above mentioned regimes of governance and allows distinguishing between different developmental levels while analyzing the society's relations with the state (Mungiu-Pippidi 2006).

Figure 2: A Typology of governance. Adapted after Mungiu-Pippidi (2006)

Regime Type	Power distribution/access	Rents and state 'ownership'	Distribution of public goods	Distinction public/private
Patrimonialism (and neo-patrimonialism)	Power monopoly/ closed access	One or few 'owners' (or captors)	Unfair but predictable	No
Competitive particularism	Privileged access disputed among groups, which still remain unrepresentative for the society as a whole	Up for capture by various groups to great extent; islands of autonomy	Unfair and unpredictable	Poor
Universalism	Open access	State autonomous from private interest	Fair and predictable	Sharp

3.1. Developmental levels since colonization

Occupation of the Brazilian territory, up until the early 19th century, was driven by the extractive interests of Portugal and conducted by settlers who were entirely engaged in the rent-seeking activity itself. The corruption in the colonial administration may be considered one of the most perverse legacies of colonization. Institutions were really poor as well as the dichotomy between public and private. By that time, the economy was small, and establishment of legal and tax systems shaped almost exclusively around extractive goals (Naritomi 2010). Colonial bureaucrats had a significant degree of freedom to manipulate State resources for personal gain, and the Crown would turn a blind eye as long as it could share in its proceeds. Hence, the state presented the above mentioned characteristics of patrimonialism, which lasted until 1930 (small state, limited rents and the Emperor controlling the political elites). After 1930, development of pluralism included the masses in the political arena. Elite groups were competing for positions in the government and for state rents, especially after 1945, when the size of the state increased significantly. Since then corruption, in the form of clientelism, patronage, and nepotism has increased. By the 1950s, the Brazilian bicameral parliament was elected under comparatively democratic methods for the era, as

were the provincial and local legislatures, but electoral fraud and extensive use of state machinery during election campaigns were already problematic.

The bureaucracy was not initially recruited based on universalistic principles, nor was professionalized in terms of career. In fact, even in the best part of the bureaucratic elite, meritocracy and patronage coexisted in the selection and promotion of employees. Bureaucracy, therefore, also served in the distribution of government jobs to guarantee political and social support (Abrucio 2010). During the Republic, President Getúlio Vargas established a meritocratic federal bureaucracy, based on universalism and professionalism, to act as the engine of expansion of the developmental state. In practice, the President made a pact with former oligarchs to build his modernization project. While a part of the public administration was governed by the principles of meritocracy and professionalism, insulated from the influence of patronage and exchange of positions for political favors, another portion was kept under the guidance of patronage, being co-opted by different interest groups and actors that would sustain the President politically.

The military dictatorship lasted 21 years, from 1964 to 1985, and included six different presidential administrations. The dictatorship started making severe allegations of corruption under the previous democratic regime, “yet, some business observers commented in the late 1960s that the only real difference was that the pre-1964 Brazilian corruption had been chaotic and decentralized, whereas under the military control it was methodical and concentrated at the top” (Whitehead 2002, p. 805). The military government increased the size and power of state intervention as never before seen in the country’s history. There was an administrative decentralization, and more autonomy and discretion was given to indirect administration bodies, without, however, the establishment of control mechanisms. The direct administration remained somewhat inefficient, primarily because of patronage. The use of technocrats rather than politicians in the administration did not prevent it from being captured by private interests (Starling 2008). Hence, the expansion of State intervention undermined the state’s financial resource base and greatly enlarged the opportunities for rent-seeking.

The military regime started to lose power by mid 1970s. The economic shocks of the early 1980s, with their severe social consequences, led to increasingly bold political action. ‘The campaign for direct elections for the presidency in 1984, which mobilized millions, ultimately failed; direct elections were rejected by the Congress. But it succeeded in that the opposition united, won the support of a major dissident faction of the governing party, and structured a political campaign that convinced the regime that it would be very costly to thwart the popular will” (Roett 1986 p.381).

In the 1980s, the Brazilian bureaucracy consisted of a vast hybrid structure encompassing a number of pockets of excellence, coupled with large sectors of non-professionalized staff recruited through private contracts on a patronage basis or filled with civil servants who acquired tenure and

pension rights through political or administrative means (Gaetani; Heredia 2002). The key insulated bureaucracies were the state banks and state-owned enterprises in oil, mining, and energy sector (e.g. Central Bank, *Petrobras*, *Vale do Rio Doce, Itaipu*). In Brazil, as in the majority of other Latin American countries, public employment has been one of politicians' key political resources, and several attempts to remove or at least reduce politicians' discretion over hiring, promotion and remuneration have faced resistance, and even when implemented, "clientelism and patronage always found a way to recapture the new structures" (Gaetani; Heredia 2002, p.7).

Collor was democratically elected in 1989. The state was facing a pressing fiscal crisis, and therefore, privatization of state owned enterprises and fiscal discipline were part of the measures adopted aiming at controlling spiraling inflation. However, the proposed reforms undermined government effectiveness through the continuous reorganization of state functions. Bureaucratic competence was severely damaged due to successive changes, in particular, the fusion of ministries, agencies, SOEs, foundations, and departments. Collor's impeachment in September of 1992 was, among other things, a direct consequence of the alarming growth of corruption made possible by the weakening of the state bureaucracy that his policies had promoted (Gaetani; Heredia 2002).

Fernando Henrique Cardoso's biggest contribution to the control of corruption lies in the end of chronic inflation and the enactment of the Fiscal Responsibility Law[4] (before this law, a number of incentives such as federal bailouts encouraged states to behave fiscally irresponsibly and indulge in opportunistic behavior). From 1994 to 2001, the Government started a process of economic deregulation, eliminating state monopolies (Vale do Rio Doce, one of the largest mining firms in the world, the telecommunication system, and electricity sector were privatized in a highly contested process, often fraught with corruption and manipulation involving government agents).

During Lula's government, several reforms that directly or indirectly affected control of corruption were implemented, including the creation of the Office of the Comptroller General, the enactment of the transparency law, and the restructuring of the Federal Policy, which will be examined in chapters 3 and 4. Nevertheless, despite improvements, in general, particularistic allocation of resources and public jobs apparently resisted throughout Brazilian history. In this sense, and in accordance to the perceptions of corruption indexes previously analyzed (CPI, WGI- CC, ICQG), Brazil seems to fall into the category of competitive particularistic countries. However, in order to understand to what extent corruption is the norm in the Brazilian society, and whether or not Brazil

[4] The Law of Fiscal Responsibility (LC 101/2000) was enacted in May 2000 aiming at strengthen fiscal institutions and establish a broad framework of fiscal planning execution and transparency at the federal, state, and municipal level. Among other provisions the fiscal responsibility law requires fiscal administration reports every four months, with information on budget execution and compliance with the provisions. The law also set ceilings on personnel spending as well as penalties for non-compliance.

is developing towards universalism, we will qualitatively analyze the typology of corruption (Figure 2) proposed by Mungiu-Pippidi (2006). In addition, a comprehensive analysis of power distribution, rents, distribution of public goods, and distinction between public and private may also allow for a better understanding of corruption mechanisms in Brazil, and, therefore, for a better identification of solutions.

4. Brazil: A Competitive Particularistic State

Type of Regime	Power Distribution/access	Rents and state 'ownership'	Distribution of Public Goods	Social Acceptability of Corruption	Distinction Public/Private
Competitive Particularism	**Open access, but power remains concentrated in the hands of few groups.** ○ Free and fair elections since 2003; ○ In 1992, the first direct elected President was impeached by the Senate, losing his political rights for 8 years; ○ Party switching was a common practice until 2007, when the Supreme Court upheld the "party fidelity" law; ○ Since 1994 continuing dominance in the legislative arena of the same 4 political parties (PMDB, PT, PSDB and DEM), but 18 other parties also have representation; ○ After 2010 elections, these 4 parties account for more than half of the seats in Congress, 63% of seats in the Senate, and 63% of state governments; ○ Oligarchic families have been gradually losing their political power, but yet, in 2011, 80% of party leaders in the Parliament come from oligarchic families; ○ Lula was the first Brazilian President that did not come from the traditional political elite; ○ Access is also limited by the high costs of election campaigns.	**Up for capture by various groups to great extent; there are also 'islands of autonomy' which function despite particularistic practices (Petrobrás, Central Bank).** ○ There are 21 thousand positions of confidence and gratification which the President has the prerogative to appoint; ○ Candidates' dependence on private donations might increase state capture possibilities; ○ Budget Amendments: pork barrel projects help incumbents raise funds from private firms that stand to profit directly from obtaining government contracts	**Unfair and unpredictable** ○ Decentralization increased discretionary power on the distribution of public goods ○ States and especially municipalities depend on federal transfers (both mandatory and voluntary), which are then allocated by local politicians. (e.g , in the state of Mato Grosso do Sul, R$189,000 was paid to implement a rural electrification project. As it turns out, one of the farms benefitted by the project was owned by the mayor); ○ There are initiatives in place seeking to control distribution of public goods, such as the 'Participatory budgeting', Transparency Portal, and the random audit of States and Municipalities which receive discretionary transfers.	**Voters seem less tolerant regarding corruption scandals and administrative wrongdoings.** ○ 51% of Brazilians believe that voting can make a difference; ○ 60% of Brazilians would be prompt to denounce corrupt practices; ○ 41% believe that in general, politicians are not punished for illegal actions. ○ Recently, two important legislations regarding political corruption (Law 9840 and 'Clean Record Bill") were initiated by citizens (over one million signatures were collected).	**Poor distinction. Throughout its history Brazil has been marked by an oligarchic conception of politics where private interests have taken precedence over public interests.** ○ In 2008, the Supreme Court ruled a decision prohibiting nepotism in the executive, legislative, and judicial branches of government. However, cases of nepotism can still be found in the three branches. In the judiciary, 203 cases of nepotism were investigated by the National Council of Justice since 2008. ○ In 2008, the Governor of Maranhão state nominated 23 relatives, including his wife, for 'trust positions' in his government;

Table 2: A Typology of governance. Adapted after Mungiu-Pippidi (2006)

4.1. Power distribution

Brazil is an electoral democracy classified as free by Freedom House since 2003. Currently, there are 27 parties registered at the Superior Electoral Court (TSE). Open access is formally guaranteed, but power remains concentrated in the hands of few. In fact, the same political groups remained in power for long periods. During the 1891-1930 period (First Republic) the political elite of Minas Gerais and São Paulo dominated national politics for several decades ('política do café com leite'). In the Populist Period (1945-1964), Getúlio Vargas and his political inheritors were in power for a decade and a half. The period of 1964-1984 was dominated by the influence of the military elite in politics. Subsequently, all civilian presidents came from the political elites. The pattern was broken by Lula in 2002, who was the first President who did not come from the traditional political elite.

Although the principle of alternation of power was taken for granted in 2002 when Lula was elected President and the Workers' Party[5] (PT) gained a significant representation in Congress, since 1994, there was a continuing dominance in the legislative arena of the same three parties: PMDB, PSDB, PFL (now DEM) and more recently, PT. For instance, after 2010 elections, these four political parties (PMDB, PSDB, DEM, PT) account for half of the seats in the Chamber of Deputies, and for 63% of the seats in the Senate (18 other parties are also represented in Congress). In addition, 17 out of the 27 states are also governed by these four parties (Annex 6).

The electoral system encourages the proliferation of parties, and, until 2007, switching parties was a very common practice within Congress – about one third of deputies changed party during each four year term, and some changed as many as seven times (Desposato 2005) – but in October 2007, the Supreme Court upheld an electoral court decision from the same year, ruling that parliament electoral mandates belonged to parties rather than to individuals, and extended the 'party loyalty' requirement to senators, mayors, governors and to the President.

Power distribution during Brazil's Old Republic was concentrated in the hands of locally dominants oligarchs – known as 'coronels' – who had control of patronage, giving out favors in return for loyalty. Brazilian politics is still known as highly oligarchic and personalistic, especially in the north and northeast regions of the country. The oligarchies[6] are frequently associated with the control of

[5] The Workers' Party (PT) was formed from outside the official political system against the military dictatorship in 1979 by a grassroots coalition of labor activists, Christian base communities, and leftist intellectuals. It was of strong importance in mobilizing society in favor of direct presidential elections as well as during the impeachment of Collor in 1992. During the past years, the party has changed dramatically on some features, such as moderating its ideology and entering into electorally opportune alliances, namely the alliance with PMDB. There are also denounces of an illegal scheme previous to the 2002 elections whereby PT mayors extracted kickbacks from private and public firms seeking municipal contracts and then diverted these "donations" into a secret campaign slush fund (Hunter 2006).

[6] Traditional oligarchic families that nowadays still play an important role in politics are, in general, located in the North and Northeast regions and have already been involved in several corruption scandals, such as Sarney's family that has strong influence in two States (Maranhão and Amapá), Barbalho, strong influence in the state of Pará, Magalhães, although lost the political control of the State of Bahia, the family is still highly influential, owning one of the largest construction companies in the country, the Jereissati's family in Ceará, and the Calheiros and Mello in Alagoas.

the local governments, support for the military dictatorship in the past, as well as ownership of the local media. Those groups have been gradually losing their political power since the re-democratization, but they still play an important role in Brazilian politics and the decision-making process. For instance, out of 10 party leaders in the National Chamber belong to some kind of family dynasty, meaning that 80% of the leaders in the National Chamber[7] come from families that have a certain political tradition, and mainly from oligarchies.

Furthermore, in 1992, upon reports of a massive scheme of corruption the first directly elected President, Fernando Collor de Mello, whose family owns radios stations, TV channels and printed media in the state of Alagoas, and also has tradition in politics -Collor was himself appointed as mayor of the capital of Alagoas during the military regime. He was later impeached by the Senate, and lost his political rights for eight years. In 1993, criminal indictments were brought before the Supreme Court, but the former President was not declared guilty. In 2006, Collor returned to politics, being elected senator.

Access to power is also limited by the high costs of election campaigns, which may be decisive in the final result. Analyses of previous presidential elections show that the winners are usually those who officially have higher expenditures.

[7] The legislative agenda is defined by the President of the Chamber in consultation with the so-called College of Leaders, which is the most important decision-making body of the lower chamber. It is composed of the leaders of parties commanding at least 1% of seats and the government leader, who is appointed by the President.

Election Year	Candidate	Total expenditure (R$)	Votes (%)
1994	FHC (PSDB)	77.259.290	54,3
	Lula (PT)	3.125.494	27,0
	Quércia (PMDB)	23.052.571	4,4
	Amin (PPR)	470.937	2,7
1998	FHC	66.363.204	53,1
	Lula (PT)	3.572.438	31,7
	Ciro (PPS)	1.622.729	11,0
2002	Serra (PSDB)	18.177.234	23,2
	Lula (PT)	26.589.234	46,4
	Ciro (PPS)	13.028.981	12,0
	Garotinho (PSB)	14.112.265	17,9

Source: Adapted after Samuels, 2006; Salmito, 2010

4.2. Rents and 'Ownership' of the State

Rents and 'ownership' of the state are up for capture by various groups to great extent. Nonetheless, as previously mentioned, there are also 'islands of autonomy' within the government which function despite particularistic practices.

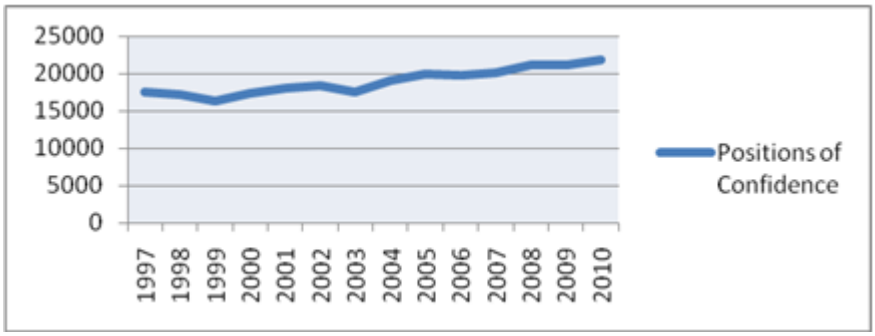
While the proportional system encourages competition among parties, it also increases the transactions costs required to govern and amplify the number of negotiating agents. In Brazil, the legislation sets the limit for donations from corporations and individuals in terms of a percentage of their gross income in the year preceding the election, 10% and 2% respectively. 'This rule, by linking the right to make political donations to the economic power of each citizen or business consolidates the socioeconomic inequality, incorporating it in the legal framework. The one who has less income or turnover can contribute less to the campaigns and, consequently, has less influence over the electoral process' (Ethos; Transparency International 2010, p. 10).

Candidates' dependence on private donations might increase state capture possibilities as money plays such an important role in elections in Brazil. Politicians have strong incentives to accumulate

money to help their political campaigns; thus, they frequently establish close contacts with private firms that stand to profit directly from obtaining public contracts or tax exemptions. For example, in 1988, former President Collor while governor of Alagoas returned to sugar interests with a concrete proposal to exempt sugar from the state-levied sales tax in return for a percentage kickback to the campaign war chest which reportedly amounted to some US$20 million (Fleischer 1997), funds that were used for Collor's presidential campaign in 1989. Moreover, pork barrel projects via individual amendments may directly and immediately benefit the owners of construction firms, local business, etc, once over 90% of all budget amendments are for building roads, bridges, dams, or for municipal or state development programs (Samuels 2002).

There are about 21,847 thousand persons listed under the heading categories and functions of confidence and gratifications (DAS 1 to 6- *Diretoria e Assessoramento Superior*) in the direct administration, autarchies, and foundations of the Federal Executive Government, with salaries ranging from R$ 10,000 (DAS 1) to R$21,000 (DAS 6). Those positions entail that the President/Minister has the prerogative to appoint and remove these officials at any time. This does not, however, automatically mean that they are filled with political individuals. Indeed, public officials are often appointed to such positions. On average, 65% of the individuals come from within the public service, meaning they were previously hired through public competition, and 27,67% come from outside the public administration (Annex 7). Yet, these positions are regularly used for political bargain and filled taking into consideration political or personal criteria. The evolution of 'confidence positions' at the Federal Level since 1997 can be seen in the graph below.

Evolution of 'Confidence' and Gratification Positions in the Executive Federal Government, December 2010



Source: Federal Ministry of Planning, Budget and Management

4.3. Distribution of Public Goods

Modernization and accountability, as important principles of the public administration, bring the assumption that as a norm the State must be autonomous from private interest, and that public goods must be distributed equally and fairly. Brazil, despite recent improvements, still faces challenges to provide an equal and fair distribution of public goods.

The political and fiscal decentralization in Brazil has been significant. Municipalities became legally independent political units under the 1988 Constitution, and due to facilitated procedures and financial advantages the number of municipalities has increased significantly since 1980, reaching 5565 municipalities in 2009 (there were 3.974 municipalities in 1980, 4.491 in 1990, and 5.507 in 1997) - many of which are highly dependent on intergovernmental transfers. Intra-governmental relations have always been conflictive and policies have been implemented as a result of political compromise and bargaining between the competing political forces and political projects (Samuels 2002). For instance, the possibility of budget amendments by parliamentarians could have a positive impact on the distribution of public goods, since they are the ones who could have a better understanding of their region's situation and urgent needs. However, the use of amendments as means to promote projects aimed at bringing money and jobs to their regions as a political favor to local politicians and companies definitely has had a negative impact not only on rents and 'state ownership', but also on the distribution of public goods, since it usually bypass the normal procedures for prioritizing government expenditures.

Therefore, where political institutions promote high political transaction costs, cooperation will be more difficult and policies will tend to have more detrimental qualities, being either too rigid or too volatile, as well as being more private regarding and incoherent (Inter-American Development Bank 2005). In Brazil, the distribution of social resources are often based on patronage or linked to corruption schemes. According to an OECD study (2010), one of the priorities of the new government should be to make governmental operations more cost-effective. The country spends a high share of GDP on selected government-financed programmes in relation to many OECD countries and its emerging-market peers, but outcome indicators are often comparatively poor.

In 1989, in an attempt to make distribution of public goods less unequal and unfair, the participatory budget was created by the PT government in the city of Porto Alegre, and later implemented in other 180 municipalities in the country. The participatory budget is primarily an instrument of empowerment and social inclusion, but it also has offered the lower classes the opportunity to participate in local governance, compensating, to a certain extent, for the fact that power distribution remains unrepresentative of the society as a whole. Moreover, it has proved to be an efficient tool, once the proportion of investments serving lower income communities has increased in these municipalities.

4.4. Social Acceptability of Corruption

Voters seem less tolerant regarding corruption scandals and administrative wrongdoings. According to the Global Corruption Barometer 2010, 64% of Brazilians perceived an increase in corruption in the last three years, and parliament and political parties are perceived as being the most affected by corruption. The Latinobarometer 2009 shows that 43% of Brazilians see progress in reducing corruption in state institutions, as opposed to 29% in 2005. According to a research conducted by the Brazilian Magistrates Association, the majority of Brazilians still believe that voting can make a difference (51%), and 60% would be prompt to denounce corrupt practices, despite the fact that 41% believe that, in general, politicians are not punished for illegal actions.

Likewise, analysis of the audit reports carried out by the CGU in random municipalities by Ferraz and Finan (2005)[8], and investigations into the role that the media (especially radio) plays in transmitting information of the reports to the voters, provided evidence that Brazilian voters care about corruption and that they are also punishing corrupt politicians at the polls. In municipalities with more radio stations and higher levels of corruption, the information reported by the audit program reduces reelection rates by 32 percent - a number that could be higher, but already shows a certain degree of intolerance, since voters' attitudes used to be extremely complacent (Annex 8).

4.5. Distinction public/private

The public/private distinction in Brazil remains really poor. 'Throughout its history Brazil has been marked by an oligarchic conception of politics where private interests have taken precedence over public interests' (Barth 2006). For many years the State mainly served to satisfy the interests of the powerful and dominant classes. Public officials and politicians would find it extremely difficult to treat their peers in a formal and impersonal manner.

In spite of laws and regulations to the contrary, most Brazilian politicians use public funds for their private benefit. The media often reports on the irregular use of 'government payment cards', airplane tickets, official cars, appointments, official passport, among others. One typical example of the poor distinction between private and public is the widespread practice of nepotism among politicians and officials who frequently employ their relatives in well-paid positions. In 2005, the National Council of Justice (CNJ), a judicial agency responsible for the administrative and financial control of the judiciary, prohibited nepotism in the judiciary (Resolution n. 7 of 18.10.2005). This

[8] Since 2003, the Office of the Comptroller General (CGU) has established a new anti-corruption program designed to audit municipality's expenditure of federally transferred funds. A random lottery determines which municipalities are audited and the reports of the irregularities found are, then, published and sent to the public prosecutor's office for legal procedures.

prohibition was considered constitutional by the Supreme Court that in 2008 extended the decision - *stare decisis* – prohibiting nepotism in the executive, legislative, and judicial branches of government (*Súmula Vinculante n*. 13). Nevertheless, cases of nepotism are still found in the three branches of government. In the judiciary, 203 cases of nepotism have been investigated by the National Council of Justice since 2008. In the executive level, the Governor of the State of Maranhão, for example, nominated 23 relatives for 'trust positions' in his government, including his wife, who was hired as a secretary.

In 2010, a Presidential decree was signed prohibiting nepotism at the federal level. The decree also aims at addressing the problem of "cross-nepotism" (agreements between different branches or government agencies to circumvent the restrictions on nepotism).

5. Has Brazil's Governance improved since 1996?

The basic theoretical model of corruption put forward by Klitgaard (1991) and elaborated further by Mungiu-Pippidi (2010), premises that corruption results from an equilibrium between resources and constraints. A balanced anti-corruption formula, therefore, needs to address both resources and costs of corruption.

Corruption = Resources *(Power discretion + Material Resources)* – Constraints *(Legal + Normative)*

In the formula above under resources is considered both power discretion (due not only to monopoly of power, but also privileged access to influence and decision under different power arrangements than monopoly, such as cartels of parties) and material resources (public budget, foreign aid, natural resources, state assets, public jobs). Under constraints should be considered the legal ones, namely an autonomous and effective judiciary able to enforce legislation as well as normative ones, such as the existence of societal norms that endorse ethical universalism and effectively sanction the deviance from this norm, through public opinion, media, civil society, or voters (Mungiu-Pippidi, 2010, p.4). This means that people will tend to engage in corruption when the risks are low, the penalties mild, and the rewards great (Klitgaard 2000).

As mentioned in the first chapter, corruption perception indicators show some progress in control of corruption from 1996 to 2010, but are inconclusive since the results are statistically insignificant. In

order to systematically discuss the difference between 1996 and 2010 we will, based on the formula above, select indicators that illustrate each category.

5.1. Resources for Corruption

Power Discretion

Power discretion presented some changes during the 1996 – 2010 period. In 1996, Brazil had recently impeached the first President democratically elected. It was governed by a central-right coalition (PSDB/DEM), with a strong opposition led by the Workers' party. In 2010, the Workers' Party came to power, forming a majority by negotiating political positions. Nonetheless, despite the rise of PT in this period, the same other three political parties dominate the political scene, followed by seven minor parties.

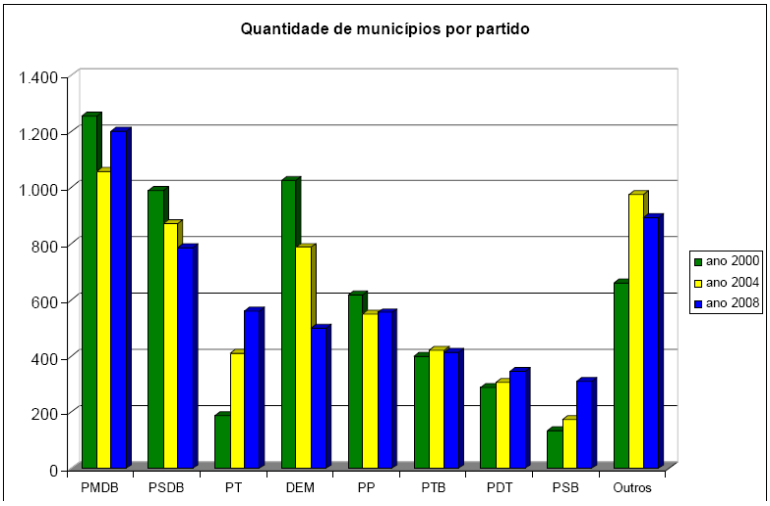
Since the law of Political Parties was enacted in 1995, popular participation within political parties has decreased as party leadership is becoming highly centralized. Party leaders often use state resources to maintain their positions within the political system, and inter-party collusion or cooperation rather than competition is gaining more room in Brazilian politics. For instance, PSB, Brazilian socialist party, in 2004 changed the party leadership in order to meet the interests of other political parties (cartels), In the state of Paraíba, for example, the PSB was 'delivered' to Senators João Ney Suassuna and Maranhão, both from PMDB. Because of this, some of the wealthiest candidates in the 2010 elections were members of PSB, a socialist party.

Since 1996, Brazil has two parties competing at the federal level, especially in the race for the Presidency (PT and PSDB). The other parties are strong at the state and municipal levels, and they rarely have a recognized national leader. In general, these parties are satisfied with this situation, since it guarantees a significant number of seats in Congress, making them fundamental in the coalition building and approval of reforms, which, therefore, increases their bargaining power. PMDB fulfills this role perfectly. It is one of the most opportunistic parties in Brazil, offering its support to whichever presidential candidate is willing to offer the party the most congressional and Cabinet positions[9].

[9] Since democratization PMDB has supported all federal governments. After the 1994 elections, the party joined the center-right coalition formed by PSDB and DEM during FHC's presidency. In 1998 it supported FHC reelection. After Lula was elected in 2002, PMDB, at least at the national level, switched sides, and joined the ruling center-left coalition. In the 2010 elections PMDB, from the beginning, supported the workers' party, and its national director is now the vice president of the country.

Considering the municipalities, one notices a growing trend of PT and fall of DEM in executive positions, the latter is probably related to either the decline of traditional oligarchies, that are usually linked to DEM and PMDB, or to the existence of 'cartel of parties'. Nonetheless, in the last municipal elections in 2008, PMDB stood out and now governs not only the largest number of municipalities, as in 2000 and 2004, but rules the largest population, the highest GDPs, and budget revenues of the country. For example, in 2000, PMDB governed 1255 municipalities, but it had allocated a budget of R$ 13 billion. Since 2008, the party is in front of 1202 municipalities, and has allocated a budget of R$ 32 billion (followed by PT with a budget of R$32 billion, PSDB, R$28 billion, and DEM R$22 million) (National Confederation of Municipalities 2009). As Brazil is highly decentralized, mayors enjoy great discretionary power in budget execution. It is also important to highlight that a significant part of the municipal budget is transferred by the Federal Government either through Municipal participatory fund (FPM) or through voluntary transfers (e.g. budget amendments, administrative agreements).

Number of Municipalities per political party:



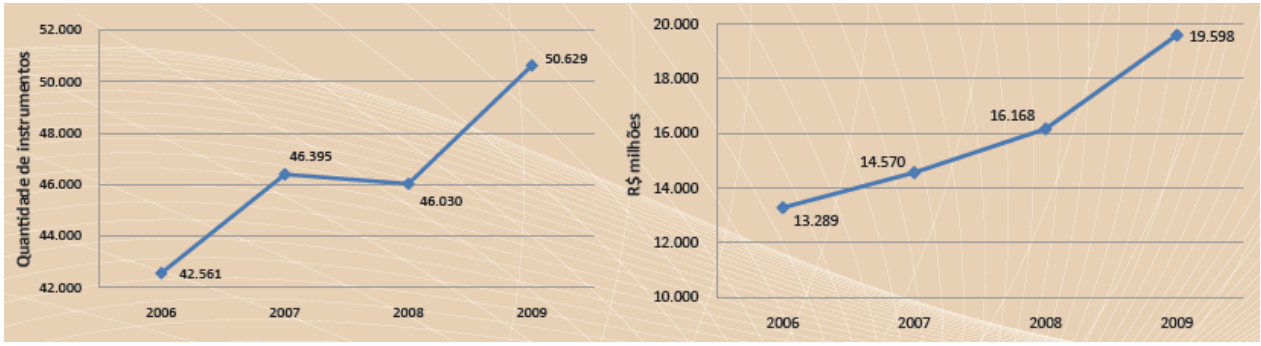
Source: CNM, 2009

In regards to the discretionary power related to voluntary transfers, especially those made via administrative agreements, two analyses are important. Firstly, the respective Ministry may discretionarily decide whether a project is suitable or not to receive financial support from the federal government. Secondly, the lack of transparency in the management of these projects may increase the discretion enjoyed by local governments, states, or other beneficiary entities.

During the period under study, there were improvements in regards to accountability mechanisms. As previously mentioned, the fiscal responsibility law enacted in 2000 established a broad framework of fiscal planning, execution, and transparency at the federal, state, and municipal levels,

requiring the presentation of administration reports at four months intervals. Nonetheless, in recent years, the Court of Auditors has held audits to evaluate the control of federal transfers. Several weaknesses were found, particularly concerning the lack of trained personnel and technology infrastructure. For instance, between 2006 and 2009 the amount of transfers made through administrative agreements (*convênios*) or other means increased 77% (R$ 16,85 billion in 2006 to R$ 29,75 billion in 2009). R$ 44,94 billion out of the R$ 99,58 billion transferred went to municipalities (Annex 9). The problem is that during this period the number of accountability reports not verified by the Ministries increased 19% while the total value involved in these reports increase 47%, as the graphs below demonstrate.

Number of non-analyzed reports per year and the total value of these transfers, in R$ million:



Source: TCU, 2009

The Transparency Law (Law 131/2009) added new rules to the fiscal responsibility law. It established the obligation of expanding budget execution transparency based on new technologies, in a phased manner, to all levels of government by 2013[10].The reports on both mandatory and discretionary transfers have to be disclosed on a daily basis, and the non-compliance imposes punishments that range from the suspension of administrative agreements to imprisonment of the public officials involved. In accordance to municipal public servants interviewed, currently, the reporting on discretionary transfers, especially the ones related to administrative agreements with Ministries, is taken more serious and it is much more detailed than before. Non- compliance with the requirements can in fact lead to the suspension of the agreement. However, in general the Ministries only check whether formal criteria are being fulfilled; efficiency on the expenditures or

[10] The NGO *Contas Abertas* created the Index of Transparency in order to assess the information that the Federal Government, States and Municipalities will make available in their "transparency websites". The implementation and release of the index is believed to stimulate public bodies to advance the deadlines as set forth in the Complementary Law 131 and to encourage public managers to provide their detailed budget information. See: http://www.indicedetransparencia.org.br/index-en.php/

manipulation in public procurement, for example, will only be analyzed (and not always) by the Court of Auditors or the Office of the Comptroller General.

The Executive's strategy, so far, is to invest in technology to enhance transparency and allow social control. Besides the transparency portal (created in 2004), in 2008, over concerns of excessive discretion over the signing of administrative contracts and lack of transparency in their management several reforms were implemented, including the establishment of the administrative agreement portal (*Portal dos Convênios*). The government is also working on the integration of the SIAFI system to expand its access to citizens (nowadays SIAFI is an internal tool). Nevertheless, as many states and municipalities are still adapting to the new requirements, it is inconclusive whether the new legislation will improve transparency and accountability, reducing the discretion enjoyed by politicians and public officials. At least, the media has made extensive use of the information published on the 'transparency portal', and it has been very active in denouncing irregularities.

Power discretion is also influenced by the fact that the president has line item veto power and Congress hardly ever overrides his vetoes. Furthermore, the President has strong agenda set power, since the Brazilian Constitution allows him to legislate through provisional decrees (*medidas provisórias*) in specific situations. This means that the President can enact new legislation promptly and without congressional approval, and if Congress fails to act on a provisional decree within 30 days, it automatically goes to the top of the legislative agenda.

The discretionary power enjoyed by the Executive and Legislature is also controlled by the Supreme Court (STF) through judicial review. The *acão direta de inconstitucionalidade* (*ADIN*, a petition for nullifying a decision or legal norm because it is assumed to be unconstitutional) and the *ação declaratória de constitucionalidade* (a petition for the confirmation of constitutionality of a decision or legal norm) are the common tools used by the President, congressional parties, the Attorney-General; the secretariats of the Senate, Chamber of Deputies and of the state Legislative Assemblies, governors, Bar Association, trade unions, and professional bodies seeking for judicial review.

Material Resources

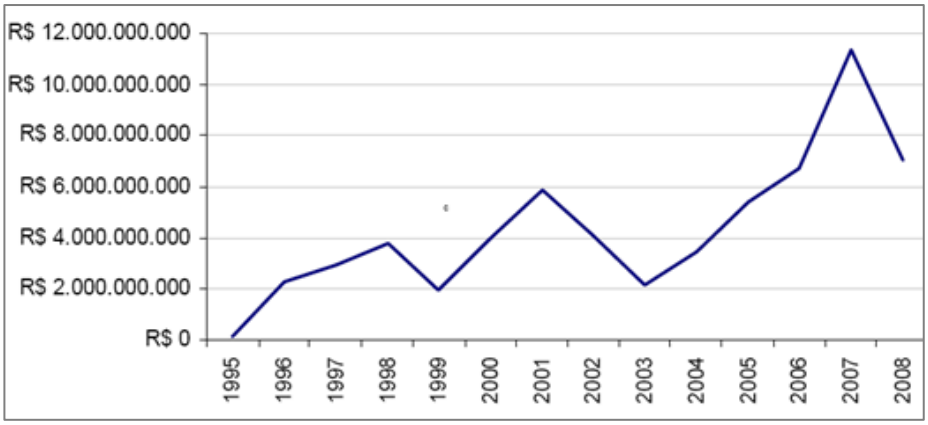
Material resources, or rents for private individuals and companies, have increased during the 1996 - 2010 period. In order to discern trends, three indicators will be analyzed: **(i) the potential rents generated by budget amendments (pork barrel policies); (ii) the potential rents generated by administrative agreements between federal government and municipalities, state, and other non for profit organizations, and (iii) oil royalties distributed to municipalities.**

First of all we will look into the potential total public resource which can be allocated discretionarily. Voluntary transfer, according to 1988 Constitution, is the delivery of current resources or capital to another member of the Federation, as cooperation, aid, or financial assistance, which is not due to legal requirement. Those transfers can be made through two different channels: administrative agreements or inclusion in the annual budget via Executive proposal or budget amendments by congressmen. Since voluntary transfer is the result of a spontaneous cooperation, there is no legal provision requiring proportionality in the amount of resources transferred to different municipalities. It is this discretion that paves the way for misuse of material resources.

The first indicator is the 'administrative agreements' between federal government, states, municipalities and nonprofit organizations, which have been increasing significantly since 1996. These transfers attract rent seekers since they involve great sums of money and wide discretion in the execution of programs, such as sanitation, housing, social assistance, or other regional development projects. During the period under study the total amount of administrative agreements accounted for R$ 294 billion, according to information published on the Transparency Portal.

Considering Brazil's 'presidential coalition' system, the ministries are often divided among political parties in exchange for political support. Thus, there are high risks that ministers may use these 'administrative agreements' to satisfy private or personal interests. Moreover, Brazilian municipalities are highly dependent on federal transfers; the 5,560 Brazilian municipalities receive on average $35 billion dollars per year from the federal government (considering both voluntary and compulsory transfers), which represents approximately 15 percent of federal government's revenue. For comparison, fiscal decentralization in the world is on average 6 percent, while in other developing countries such as Mexico, for example, it is only 3 percent (Allston et al 2006).

The voluntary transfers from the Federal Government to municipalities started increasing in 1996, reaching R$ 1 billion (until 1995 transfers were R$ 100 million a year). During Lula's government the value transferred through administrative agreements to municipalities was R$5 billion a year, reaching R$ 11,3 billion in 2007, which shows a pattern established by PT government of decentralizing the execution of many of its social projects. The graph below shows the evolution of the amount of transfers.



Source: TCU, 2009

The discretion involved in the allocation of these transfers may allow frauds when signing the agreements and manipulation in public contracting. Furthermore, the weaknesses of the Ministries in controlling these transfers allow for most of the irregularities, since agreements are signed without work plans or with poorly designed projects, technical analysis is shallow, reports are not analyzed timely, and monitoring of projects is inefficient. Moreover, the analysis and supervision of around 24000 agreements per year, virtually in all Brazilian municipalities, requires human resource structures, materials, and technology not yet available in the public administration as demonstrated in the previous section.

The second indicator looks at the use of individual amendments as pork, and the potential amount available through these amendments that could attract rent seekers. In Brazil the Executive branch has the exclusive power to initiate the annual budget, and it also has control on the distribution of political and financial resources. In this sense, it is the Executive who determines which amendments will be appropriated, with extreme discretion, leaving room for pork.

The rules regarding **budget amendments** have varied in the period under study. According to 1988 Constitution only individual amendments by congressmen were allowed, and there were no restrictions regarding the number or value of amendments in place. In 1993, after one of the biggest corruption scandals, the so-called 'budget midgets' (*anões do orçamento*), several reforms were introduced by the Resolution n. 1/93 –CN, and collective amendments (from standing committees, regional blocs, and state blocs) were also allowed. Later, Resolution 2/95-CN limited the number of individual amendments to twenty per congressmen. At this point, collective amendments started to substitute individual amendments; congressmen were, thus, using collective amendments privately, disfiguring a "tool that had been intended to prevent doubtful negotiations on federal budgetary

funds between themselves, local governments and private groups"[11] (Tollini 2009, p. 17). Thus, state politicians would agree amongst themselves to combine individual amendments camouflaged as collective, avoiding restrictions on its approved values, and the control of the executive that would face problems to reward or punish legislators. According to the data provided by the Budget Committee, from 1996 to 2002, the values allocated as collective amendments were on average about R$ 2.8 billion per year. In addition, during the same period, about 80% of state block collective amendments were concentrated in six governmental agencies: Departments of roads (20%), Secretary of Urban Development (20%), Ministry of National Integration (20%), National Fund of Health (15%), and Ministry of Transportation (5%) (Pereira; Salomon 2009).

The value of financial quota per congressman has also increased significantly. From 1995 to 2001 the quota was R$1,5 million, in 2003 the quota was increased to R$2.5 million, reaching R$3.5 in 2004, R$8 million in 2008, and R$ 10 million in 2009 (Tollini 2009). The table below shows the number of amendments and the approved values since 1995.

Number of amendments presented and approved values (BRL million)

Draft budgets (PLO: *Projeto de Lei Orçamentária*) from 1995 to 2009

Draft budget	Individual		State representation		Regional representation		Permanent committee		Total	
	Number of amendments	Value (BRL million)	Number of amendments	Value (BRL million)	Number of amendments	Value (BRL million)	Number of amendments	Value (BRL million)	Number of amendments	Value (BRL million)
PLO 1995	23 216	4 082	429	1 193	0	0	0	0	23 645	5 275
PLO 1996	10 403	862	279	1 608	28	252	110	169	10 820	2 891
PLO 1997	10 348	845	271	1 574	27	118	108	274	10 754	2 811
PLO 1998	8 533	866	245	2 048	26	154	121	464	8 925	3 532
PLO 1999	7 572	866	272	2 323	–	–	120	600	7 964	3 789
PLO 2000	8 334	880	275	3 256	24	224	112	1 334	8 745	5 694
PLO 2001	8 478	1 178	408	4 311	25	238	125	1 470	9 036	7 197
PLO 2002	7 642	1 178	426	5 444	10	75	123	1 733	8 201	8 430
PLO 2003	6 904	1 185	427	6 047	10	78	133	1 769	7 474	9 079
PLO 2004	7 278	1 483	508	3 756	10	75	144	839	7 940	6 153
PLO 2005	7 600	2 076	508	6 139	10	113	150	1 620	8 268	9 948
PLO 2006	7 943	2 964	508	5 767	10	123	160	2 003	8 621	10 857
PLO 2007	8 151	3 533	508	8 665	10	175	153	2 997	8 822	15 370
PLO 2008	8 998	4 743	482	8 755	0	0	139	2 688	9 619	16 186
PLO 2009	8 712	5 928	537	9 407	0	0	146	4 126	9 341	19 461

Source: Tollini, 2009

Budgetary rules in Brazil allow gain for several players. The President can use his discretion to allocate amendments to award or punish congressmen according to their vote behavior.

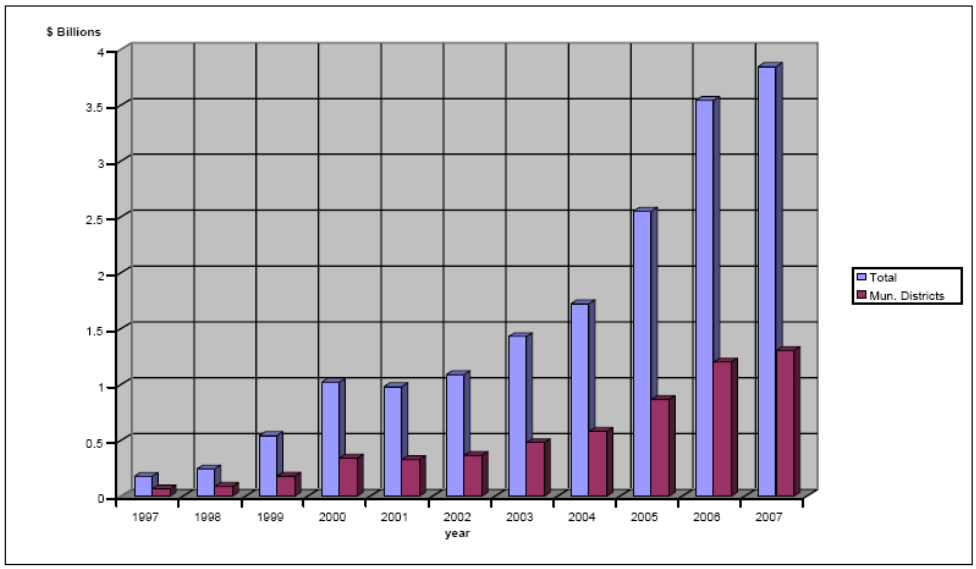
[11] In 2006, the government, in an attempt to control the use of collective amendments, increased the number of individual amendments from 20 to 25, and established that collective amendments should refer to large scale projects of collective interest. Moreover, Lula's government cut the appropriation of R$7,8 billion from collective amendments, but appropriated R$ 2 billion of individual amendments.

Congressmen can use amendments to gain vote in their constituencies, but especially, to propose projects not based on an existing need, but on the desire to channel benefits to individuals or organizations, profiting from bribes or funds for election campaigns. Business, in collusion with politicians, can directly benefit from the proposed projects. Moreover, through frauds in the procurement process, they may increase their rent possibilities, for example, by colluding with other contractors to influence the prices, sharing the market by artificially losing bids, or contract renegotiation, underperformance or over-billing. Mayors from beneficiary cities can also use their discretion to manipulate contracting and subcontracting, as well as the supervision of the projects.

The third indicator is the rent generated by oil royalties distributed to several Brazilian municipalities. The amount of royalties have increased significantly in the past years due to changes in legislation and, more recently, to the massive offshore oil discoveries (*Pré-Sal*). Oil output went from 307 million barrels in 1996 to 663 million barrels in 2008.

The Brazilian Constitution establishes that the nation's deposits of oil and gas belong to the Union, and until the enactment of the Oil Law in 1997, the Union also held a monopoly over exploration and production of these resources. The Oil Law established new rules, granting public and private companies the rights of production, through a concession provided by the National Oil Agency and payment of several Petroleum fees, including the royalties. The Oil Law increased the previous royalty rate from 5% to 10% of production value to federal, state, and municipalities, and it indexed the oil value to the international price. "Special quotas" to highly productive oil fields were also created. As an immediate consequence of the presented changes, royalties' payments doubled, as the graph below shows.

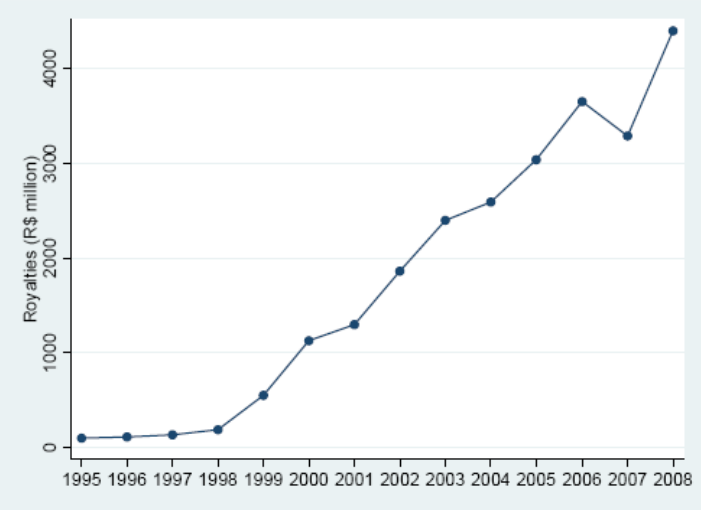
Graph 1: Royalty revenues, in billions of dollars[9].



Source: ANP

Municipalities are the main beneficiaries of the oil windfall. In 2008, for instance, municipalities received 34% of royalties directly, followed by States, 30%, the Ministry of Science and technology, which received 16%, The Navy (12%), and a special fund, 8%. In this sense, due to the oil law, royalties payments to municipalities increased from R$ 167 million in 1997 to R$ 4,7 billion in 2008. There are approximately 800 municipalities eligible for receiving royalties (among 5.556 municipalities), and the volume depends directly on geographical position, and on the impact of oil and gas production in that specific area. It is also important to highlight that municipalities do not face any constraint on the allocation of the royalties, except for paying fiscal debts and hiring public officials in a permanent basis.

Royalties distributed to Municipalities (constant million R$): 1995-2008



Source: Monteiro; Ferraz, 2009

Although the top beneficiary municipalities on average had their municipal budget increased by five–fold in real terms between 1997 and 2004, apparently, there were no significant development during the period. On the contrary, oil-rich municipalities are frequently involved in corruption scandals, with politicians and companies being accused of misuse of public funds. Findings by Ferraz and Monteiro (2009 and 2010) show that municipalities which received royalties experienced a significant increase in the number of non-tenured employees during the 1999-2005 period. They have a larger probability of having candidates facing charges of misconducts during ballots, who are, therefore, forbidden to run for elections. However, they did not find any municipality in which education, health, or living conditions have improved with the increase in oil royalties. Previous studies have already highlighted the possibility of natural resources revenues being spent in patronage in order to influence future elections (Robinson et al. 2006).

Recently, as a result of the discovery of new fields and discussions initiated by the federal government to reform royalty distribution legislation, public awareness about royalties, especially in the beneficiary cities, have increased considerably. Moreover, operations of the Federal Police which arrested politicians and businessmen involved in tax evasion, fraud in public procurement, and illegal use of the state machine linked to royalty revenues, as well as the increasing number of irregularities reported by the State Audit Courts (responsible for overseeing those transfers) in oil-rich municipalities, have brought the topic to the media. As concluded by Ferraz and Monteiro (2010), at least, currently, 'there is a system of checks and balances in place which is playing some role in limiting the political career of politicians with record of malfeasance'[12].

5.2. Constraints

Legal constraints

Brazil has several different institutions in different regions and states with mandates to tackle corruption; however, the country does not have a specific institution with this specific task. At the Federal level the country has been gradually building better ways of preventing and combating corruption. The functions of anti-corruption agency have been partially covered by the General Comptroller's Office (CGU), which is responsible for internal control, and by institutions such as the Federal Police, which has conducted numerous operations against criminal organizations as well as politicians and public officials involved in corruption and fraud, the Public prosecutor's office, and the Court of Auditors. As a matter of fact, according to the Global Integrity Report, in 2009, Brazil scored 82 (very strong) on anti-corruption and rule of law, and 73 in the sub-category anti-corruption agency, as opposed to the 72 scored in 2006 on anti-corruption and rule of law (moderate) and 41 on anti-corruption agencies. **Nonetheless, legal constraint is still limited by an inefficient judiciary system.**

[12] According to Ferraz e Monteiro (2009 p.7) the city of Carapebus, the third largest recipient in per capita terms in 2007, is among the oil rich municipalities accumulating political corruption scandals. In 2008, the candidate running for mayor did not have his votes computed because the "Electoral Court suspended his candidature due to improper use of public funds during his previous administration. A new ballot was set since the second place in the election couldn't be nominated mayor either due to problems with Justice. São Francisco do Conde, in Bahia, which is the Brazil's largest per capita GDP due to the location of an oil refinery and the 26th place in royalty per capita almost went to 2008 ballot without candidates: three out of four runners were facing accusations of malfeasance".

Federal Police

Recently, the Federal Police has assumed an important role in the fight against corruption in Brazil. Although the institution is directed by the Ministry of Justice, and there is no legal protection from political interference in place, the 1988 Constitution guaranteed two key elements to its institutionalization. Firstly, the Federal Policy is a permanent body, meaning that although subordinate to the executive, in any circumstance it can be dissolved by the government. Secondly, the organization is structured into a career, and rules to access and fill the positions are based on technical expertise (Arantes 2010). Furthermore, the political use of the institution may also be controlled by the judiciary and the public prosecutor's office. The Federal Police is empowered to investigate, but wiretapping, breaking of bank or telephone secrecy, as well as temporary detention or arrest can only be conducted upon authorization by a judge, and may be reviewed by prosecutors.

The recent prominence given by the Federal Police to fighting corruption and organized crime mark an institutional innovation as significant as that performed by public prosecutors in previous years, however, it seems that the drivers of change in both cases are different. In the case of the Federal Police, the change in performance is due to the new policy adopted by the Ministry of Justice at the end of the FHC government (1995 – 2002), and especially under Lula's Administration (2003 – 2010). Thus, the Executive branch, through its Ministry of Justice, started a process of renewing the organization, and the results of its greater activism could not have been better, at least in terms of public opinion: a national survey conducted by the Association of Brazilian Magistrates, held in June 2008, revealed that the Federal Police enjoyed the confidence of 70% of respondents, percentage above the prosecutors (60%) and the judiciary (56%) and quite close to those institutions most trusted by Brazilians, Catholic Church (72%) and Armed Forces (79%) (Arantes 2010).

In 2002, the budget of the Federal Police was R$ 1,848 billion (US$1,100 billion). Since then, it has increased, reaching the figure of R$ 3,980 billion (US$ 2,396 billion) in 2008. The organization experienced a deep process of renewal of its workforce, doubling in size since 2001 thanks to a series of public competitions conducted for various positions - delegates, experts, agents, and clerks. According to the 2008 activity report, the Federal Police has 11.107 active members (6.915 in 2001), despite the 3.080 administrative staff. Of this total, at least one third entered the institution between 2002 and 2008, and the average age of the officials can be considered quite low at 31.6 years old. The Federal Police receive the highest salaries among the civilian careers of the Federal Executive, for instance, experts and delegates earn R$ 13.368,68 (US$ 7,336.58) per month as initial salary, reaching R$ 19.699,47 (US$ 11,725.87) at the end of their career.

A study conducted by Arantes (2010) analyzing 600 operations of the PF concluded that 22.7% of the actions were aimed at combating political corruption as a major crime. Those operations were

against corrupt politicians at all levels of the Federation and in all branches of government, including the Judiciary, the Court of Auditors, and the federal policy itself (60 Federal Police officers were arrested for corruption and involvement with criminal organizations). This narrower definition of the operations did not include cases in which the corruption of public officials appears as a secondary dimension of a major crime, in this case 97 operations caught several public officials, bureaucrats, and politicians receiving bribes from private agents.

Public Prosecutor's Office (MP)

The very active role played by the Public Prosecutor's Office began with changes introduced in the 1988 Constitution. The Constitution guarantees autonomy, discretionary power, and a wide range of attributions to the institution, comparable to a typical ombudsman, once it can intervene proactively in court to protect individual and collective rights and interests. The office is protected from political interference in general, the only prerogative of the executive is to appoint the head of Federal Public Prosecutor's Office (attorney general) from among the career personnel of the MP with approval of the Senate, but the attorney general can only be removed upon authorization by an absolute majority in the Senate. Individual prosecutors enter the career through highly competitive public competitions, and salaries are amongst the highest in the country for public sector jobs (US$13,000 per month). In addition, they are really autonomous and immune from internal pressure, as in effect there is only administrative and not functional hierarchy (Arantes, 1999).

The recent experience of a major role of the prosecutors was driven by the development of an ideology of 'political voluntarism" (Arantes 2002). Prosecutors see a large part of their role as defending society from the government, which they consider to be responsible for many violations against diffuse and collective interests. A survey conducted by Arantes with members of the MP shows that they see the social and political performance of the Executive and Legislative, at all levels and among all political parties, as very poor (as corrupt or unable to fulfill their duties). In addition, they see themselves as the most important institution responsible for defending, broadening and consolidating social rights, once they believe civil society has low capacity to defend itself independently (Kerche 2008).

The fight against corruption in Brazil can take three different paths, a political one, and two judicial ones, as the table below demonstrates:

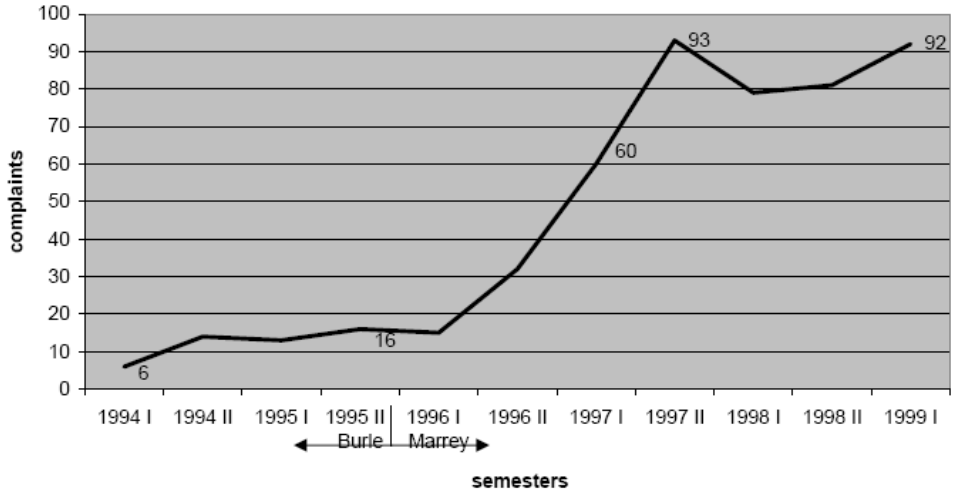
	Malversation Crime	Common Crime		Act of Administrative Improbity	
	Judgment Instance	**Judgment Instance**	**Prosecution Body**	**Judgment Instance**	**Prosecution Body**
President, Senators, federal deputies	National Congress	Federal Supreme Court	Attorney General of the Republic	Federal First Instance Courts	Federal Prosecutors
Governor, state deputies	State Parliament	Superior Court of Justice	Attorney General of the Republic	First Instance – State Courts	Attorney General in the State
Mayor	City Council	Court of Justice	Attorney General in the State	First Instance State Courts	State Prosecutors
Punishment	Impeachment and suspension of political rights	1 to 8 years imprisonment, fine and loss of mandate		Loss of stolen assets, loss of mandate, suspension of political rights (8-10 years), prohibition to enter public contracts for 10 years.	

Adapted after Arantes 2003.

The Crime of malversation (political treatment) results in the possibility of loss of mandate and suspension of political rights through *impeachment. The* proceedings against mayors, governors and the president are addressed within the respective legislative houses and, in this sense, are essentially dependent upon the correlation of the existing political forces. Corruption can also be dealt as a common crime (judicial treatment), as clearly defined in the Penal Code. If convicted, the accused may be imprisoned for 1 to 8 years, in addition to losing his/her mandate and incurring fines. However, in judging corruption as a common crime the defendant is entitled to special guaranties (*Prerrogativa de foro*). Thus, the defendant is judged at a "special" judicial instance, one level above the federative judicial structure, preventing the trial courts, which are monocratic, from being used as political instruments of different groups. Corruption can be also treated as an act of administrative improbity (judicial treatment), based on the Administrative Improbity law enacted in 1992. It seeks to have the same impact as ordinary political and judicial proceedings but neither being dependent on the contingencies of the former (correlation of forces within the legislative) nor being limited by legal prerogatives that come with the position as the latter. Since corruption is not defined as a crime, the cases are judged at a first-instance court, without the privilege of the special venue at higher courts (Arantes 2003).

The fact that the act of improbity is not limited by legal prerogatives can be considered a great advance in control of corruption. Arantes (2002) brings a good example of how the “special venue” privilege in criminal suits can interfere in the amount of indictments against mayors in the State of São Paulo. Figure 8 shows that there has been a significant increase in the number of suits of administrative improbity since Mr. Marrey took office as the Attorney-General in 1995/96. ‘The discrepancy from the former attorney-general makes it clear that solving crimes perpetrated by mayors depends upon the political willingness of the person who is in office’ (Arantes 2002).

Figure 8. Complaints by the Attorney-General in the state of São Paulo against Mayors (1994-1999)



Source: Arantes, *op.cit.* 2002 (p. 227)

In this sense, in 2002, in an attempt to curb the ability of the institution’s activities in combating political corruption, the former President FHC proposed a bill, which was approved by the Congress, extending the special jurisdiction of common crimes for administrative improbity acts committed by public officials. In 2005, after being challenged by the Public Prosecutor’s Office, the law was declared unconstitutional by the Supreme Court.

Office of the Comptroller General

The Office of the Comptroller General (CGU), created in 2003, is the agency of the Federal Government in charge of assisting the President of the Republic in matters which, within the Executive Branch, are 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. Therefore, the** Federal Internal Control Secretariat, the Corruption Prevention and Strategic

Information Secretariat, the Council for Transparency[13], and the Ombudsman's Office are part of the Office. The fact that the head of the CGU is appointed by the President of the Republic is one of the main criticisms, since there is always a risk of political use of the institution. Nevertheless, so far, the CGU has shown great autonomy in the investigations[14]. Furthermore, the CGU is a professional agency and its work is performed by a career staff that is hired through a competitive public examination. Between 2003 and 2009, the institution conducted three public competitions for hiring staff, the number of public officials rose from 1,430 in 2003 to 2,286 in 2009. Salaries were also increased, and the starting salary for an analyst went from R$ 3,659.54 in 2003 to R$12,960.77 in 2009 (Hage 2010).

One of its main responsibilities is to carry audits and inspections in order to verify how public money is being spent. Among other inspections the Office evaluates the execution of Government Programs, including the implementation of policies and achievement of the targets set in the Annual Budget Law and in the Multi-Year Plan. In addition, the Office also conducts random audits in municipalities receiving transfers from the federal government through the so called administrative agreements. According to the CGU, more than 90% of these are agreements presented some sort of irregularity, and 60% of them presented serious irregularities (Until 2009, audits were carried in 32,55% of Brazilian municipalities). The office also takes disciplinary actions, and according to the report on expulsion penalties enforced regarding federal public officials, in 2003, 264 federal officials suffered some kind of punishment (dismissal, cancelled pensions, or destitution). In 2009 this number increased to 429, and as of June of 2010, 201 cases of punishment were enforced.

The main impact the office is having in regards to its preventive measures in the fight against corruption. The measures focus on increasing transparency, giving incentives to social control, and creating citizen empowerment instruments. For instance, the CGU created the Transparency Portal which provides information on resources applied directly to the federal bodies, federal resources transferred directly to citizens, States, and municipalities, as well as transactions on the federal government Payment Card. The agency is also making use of new technologies in order to identify suspicious patterns of illegal behavior. These tools have been developed and used to reveal cases of corruption, fraud and collusion in public procurement. The major focus of this initiative is on the Public Spending Observatory, unit within the CGU which is aimed at monitoring and detecting

[13] The Council for Transparency and Combating Corruption is a forum that brings together representatives from both State bodies and civil society; it has an advisory role of suggesting and debating measures to improve methods and systems designed to control and enhance transparency in public management and strategies to fight corruption and impunity. For instance, new bills, such as the public information act and regulation of conflict of interest and post-employment, were drafted by the Council.

[14] Investigations conducted by the Federal Police in cooperation with the CGU, and the Public Prosecutor's Office reached high rank officials of the government, judges, as well as President Lula's brother, who was investigated in the operation "checkmate". Due to these investigations Ministers of state were removed or had to step down, senators and deputies found themselves entangled in various actions, governments, deputies, and senators were arrested, and even the Federal Police had one of the heads of the institution arrested.

potential frauds in relation to the use of federal public resources by devising solutions in order not only to expose current corruption cases, but also to prevent future events. OECD, in the report 'Managing Risks for a Cleaner Public Service' (2010), has highlighted the importance of the use of its analysis tools to fight cartels and collusion schemes in public procurements.

Regarding the Ombudsman's Office, Brazil does not have an independent ombudsman institution. Instead, there is one within the CGU which is responsible for receiving, examining, and forwarding complaints, praise and suggestions referring to procedures and actions of Federal Executive agents, units and entities, and all the Ministries and agencies also have an ombudsman office (in total there are more than 150 Ombudsman Offices at the Executive level). The head of these offices are appointed by the corresponding minister and are neither independent nor protected from political interference.

Court of Auditors (TCU)

In Brazil audit institutions play an important role in promoting good governance and fighting corruption. The Federal Constitution states that Congress holds the power to exert control over the government, and defines the Federal Court of Auditors (TCU) as the institution that supports Congress. Audit institutions in Brazil are empowered to directly punish misconduct through imposition of fines and bans on public contracting. For instance, in recent years, TCU has expanded this role of holding civil servants responsible for losses. In 2007, the institution held 1,500 civil servants responsible for irregularities and damages caused to public administration, fining them a total of R$500 million (Speck 2011). However, in many cases, the TCU reports misconduct to other institutions – Public Prosecutors' office or the Federal Attorney[15] for civil or criminal sanctions. In regards to public contracting, companies involved in severe misconduct can be banned from bidding on government contracts for a period of three to five years (in 1996 no companies were blacklisted, in 2009, 85 companies were barred from contracting with the federal administration). Both TCU and CGU publish the list of ineligible companies on their websites. The Constitution states that officeholders may also be barred from running for elected office or holding civil servants positions by TCU, however, such sanctions only began to be applied in recent years (Speck 2011). Nowadays, there are more than 400 officeholders sanctioned, and proceedings about any person can be found at the website.

The legislation establishes a limited number of functions to be filled by appointments within the institution, most of the positions are filled through highly competitive public competitions. Salaries

[15] In 2010, the Federal Attorney, based on audits carried by TCU, charged 2,449 politicians, civil servants, soldiers, and entrepreneurs, 49% of these charges were against mayors or former mayors. Available at: http://www.agu.gov.br/sistemas/site/templatesitehome.aspx

were recently increased, a Federal Auditor earned in 2009 approximately R$ 18.000,00 (US$ 10,715). However, the institution is directed by a board composed of nine Ministers at the federal level (TCU), and advisers at the state level (TCE), who are appointed, with salaries reaching R$ 26.000,00. The main problem is that the Federal Constitution is not clear regarding the pre-qualifications necessary for those positions, and only formal criteria are required. Besides that, only two of the members of the board shall be chosen from among technical officials of the institution, the National Congress or State Assembly chooses two-thirds of the Ministers/advisers, and the remaining one third is chosen by the President/Governor, subject to confirmation by the Senate. Those nominations are all life term, and they can only be removed by impeachment. In fact, the vast majority of the TCU Ministers are politicians, either parliamentarians or senators, who resigned from their position in Congress after being nominated to the board, and they have no expertise in the field of accounting.

There are several criticisms concerning the criteria for choosing Ministers and advisers. Firstly, it is feared the lack of independence and partiality of the decisions; secondly, the use of the institution for political patronage, due to its exorbitant salaries and other benefits. Recently, the media has denounced several misconducts and conflict of interest involving Ministers of the TCU[16].

Judiciary

Brazil has an independent and autonomous judicial system. According to the 1988 Constitution the Judiciary determines its own annual budget, and the judicial courts appoint lower court judges, thereby avoiding any potential instruments of control over the judiciary from other branches of government. The Supreme Court (STF), responsible for deciding matters related to the Constitution, is comprised of eleven judges, who are nominated by the President with Senate approval. The nominations are for life terms, with compulsory retirement at 70. However, the composition of the Court has not changed so fast over time, which makes it difficult for Presidents to appoint the median voter in most issues, reducing the possibility of influence of the executive.

The Supreme Court, in regard to the so called 'judicialization of politics' phenomena, has decided on issues stated in the Constitution but not yet regulated by Parliament which had a positive impact on control of corruption. Political parties in Brazil are known as fragmented and extremely volatile. Indeed, until 2007, switching parties was a very common practice within Congress, as previously

[16] The President of the TCU has been involved in three scandals recently. Investigations have shown that during 2008-2010 the President of TCU received more than R$ 200,000 for private workshops organized in companies and public institutions which are currently audited by the TCU, in a clear conflict of interest. Even more recently, the wife of the President of TCU was nominated assistant to a Senator in the state of Paraná (salary of R$ 8,168), even though the "stare decisis" 13 issued by the Supreme Court in 2008 forbids nepotism in the spheres – legislative, executive, and judiciary, after questioned by the media she decided to not take over the position.

mentioned, but on October 2007, the STF upheld an electoral court decision from the same year, ruling that parliament electoral mandates belonged to parties rather than to individuals, and extended the 'party loyalty' requirement to senators, mayors, governors and even to the President. In another decision, the Supreme Court also extended a previous resolution prohibiting nepotism in the judiciary to the executive and legislative branches of government (*Súmula Vinculante n. 13*).

The main problem of the Judiciary system in Brazil is connected to its legal system, which is one of the most crowded and contentious in the world, reinforcing the 'culture of impunity' that permeates Brazilian society. The Supreme Court as well as State and Federal courts are overloaded with cases and decisions can take many years, especially because procedural rules allow for innumerous appeals, leading to a backlog of about 20 million lawsuits (the table below shows the backlog rates in the different Justice branches).

Indicator	Justice Branch			Total
	State	Federal	Labor	
Expenditures				
Total Justice System Expenditures in relation to GDP	0,67%	0,20%	0,32%	1,19%
Total Justice System Expenditures per Inhabitant	R$ 110	R$ 32	R$ 53	R$ 195
Total Justice System Expenditures per New Lawsuit	R$ 1.124	R$ 1.817	R$ 2.971	R$ 1.463
Total Justice System Expenditures per Work Force	R$ 92.475	R$ 151.586	R$ 227.867	R$ 119.433
Total Justice System Expenditures per Magistrate	R$ 1.852.215	R$ 3.954.733	R$ 3.177.522	R$ 2.317.568
Total Human Resources Expenditures in Relation to Total Justice System Expenditures	89,3%	93,0%	95,1%	90,8%
Revenues				
Revenues in relation to Total Justice System Expenditures	31,6%	209,2%	34,3%	51,8%
Human Resources				
Index of Civil Servants of the Judiciary Area	78,4%	66,7%	76,3%	75,9%
Magistrates per 100,000 inhabitants	5,9	0,8	1,7	8,4
Work Force per 100,000 inhabitants	119	21	23	163
General Litigation Info				
New Lawsuits per 100,000 inhabitants	8.859	1.598	1.409	11.865
Litigation in 2nd Instance Courts				
New Lawsuits per Magistrate in 2nd Instance Courts	1,083	3,252	1,010	1,196
Civil Servants of the Judiciary Area per Magistrate in 2nd Instance Courts	11	25	14	13
Workload per Magistrates in 2nd Instance Courts	2,180	11,247	1,715	2,623
Backlog Rate in 2nd Instance Courts	50.5%	67.1%	28.2%	51.7%
Lawsuit-terminating Decisions per Magistrate in 2nd Instance Courts	1,025	3,240	1,116	1,180
Index of Referred Lawsuits per New Lawsuit in 2nd Instance Courts	85.8%	101.2%	102.4%	91.5%

Source: Justice in Numbers 2009 edition

In addition, high government officials and ruling party politicians accused of crimes are rarely prosecuted, and when prosecuted they are never convicted, which contributes to the general opinion that high level corruption cases benefit from special treatment from the Courts. According to the Magistrates Association (2007), an analysis of the law suits initiated at the Supreme Court due

to ‘special prerogatives’ shows that 33,85% of the indictments are related to crimes against the public administration and 16,92% to electoral crimes. The majority of the cases was not decided by STF but referred to lower courts (once the accused lost his ‘special prerogative’). But in considering all sentenced cases, the STF has never convicted anyone. However, after the *mensalão* case in 2005, the Chief Prosecutor accused forty people involved in the scandal, and the STF accepted all forty indictments, including those of members of the ruling party. The cases are still waiting to be sentenced, and only after that, one might conclude whether high government officials will finally be punished in Brazil.

On the other hand, data suggests that mayors and low rank officials are more often convicted of corruption. According to a study conducted by the National Confederation of Municipalities, more than 5% of the mayors elected in 2004 are no longer in government, meaning that out of 5.562 Brazilian municipalities, 285 have changed their mayors in the last three years. In 166 municipalities (58,25%) the mayors were removed from office due to administrative improbity (27%) or to infringements to the electoral law (73%).

Normative Constraints

Until the 1970s, due to its paternalistic and authoritarian social structure, Brazil had few organizations and NGOs. However, in the early 1980s, a wide variety of social movements and organizations appeared, in part because of the growth of the middle class. Increasingly, these social and political organizations reached the lower classes. During this period, the Roman Catholic Church played an important role in mobilizing the lower classes through its CEBs (Ecclesiastical Base Communities). Independent labor movements also grew during the 1980s (many of them grew from within the CEBs). People took to the streets in 1984 demanding direct elections for president (*Diretas*), and in 1992, demanding the impeachment of President Fernando Collor de Mello accused of corruption.

Recently, two important legislations regarding political corruption were initiated by citizens. The first one represented an important step in Brazilian political reform. The law 1940[17], approved in 1999, was carried out by the Commission on Justice and Peace of the Conference of Brazilian Bishops (CNBD) who under the slogan "A vote doesn’t have a price - it has consequences!" gathered one million signatures from all over the country, and upon presentation to Congress, was discussed and approved within 35 days. With the legislation in place, Committees were created in order to maintain

[17] Under the Law 19840, giving or simply offering voters, during the campaign period, any kind of material goods, advantage or money with a view to obtaining votes is a crime, and an electoral offence, meaning the accused candidate can be disqualified from standing in the election under way. The law also punishes the use of administrative machinery to obtain votes.

direct dialogue with the Regional Electoral Courts and other bodies and authorities of state activism, encouraging them to observe the standards of ensuring fairness in election. The second initiative, the 'Clean record'[18] (*Ficha Limpa*), signed by President Lula in 2010, is a project of popular initiative organized by the *Movimento de Combate á Corrupção* Eleitoral (Movement Combating Electoral Corruption), who gathered 1.6 million signatures from Brazilians. Many politicians expressed serious doubts about the content and effectiveness of this bill, and the proposal was initially rejected for voting by the Brazilian parliament. This resulted in a wave of indignation in the Brazilian press and among citizens. Once voted on Congress, the law was adopted unanimously.

Even though Brazil still does not have a freedom of information act in place, the transparency portal extracts data directly from core management systems on a daily basis to provide free real-time information to citizens. In comparison, only few OECD countries have launched permanent government expenditure reporting systems (e.g. U.S. between 2004 and 2010). The number of citizens accessing the Transparency Portal has grown from 10.000 to 230.000 per month, and the media has made extensive use of the website in order to investigate corruption schemes and frauds involving Federal resources.

The Brazilian media gives broad and accurate coverage of corruption at the federal level, but less for smaller states and municipalities. The media, especially in the southern and southeastern regions, covers sensitive issues as well as fulfills a watchdog role vis à vis the government and other political authorities. According to a study conducted by the NGO *Transparência Brasil* (Abramo, 2007), many of the owners of the Brazilian regional media (not only newspapers, but also radio and TV) are front-line players in the political arena, for example:

- Alagoas - The Collor family, headed by the former Governor, former President and now Senator Fernando Collor de Mello;
- Bahia – The Magalhães family;
- Maranhão – The Sarney family, headed by former President and Senator José Sarney.
- Pará – Former governor, former Senator and former Lower Federal House representative Jader Barbalho;
- Rio Grande do Norte – Divided between the competing Maia and Alves families, comprising several politicians acting both on the state and the Federal spheres;

[18] According to the 'Clean Record' bill politicians are considered ineligible to run if they have been convicted of racism, homicide, rape, drug trafficking, and misuse of public funds by more than one judge, and it also affects politicians who have engaged in vote-buying and have abused power or used influence for electoral manipulation. Candidates who violate the law will be excluded from public office for eight years, whereas before, they were excluded for three years.

- Tocantins – former Brasília Governor and Senator Joaquim Roriz.

In many poor states, 'the printed media is not an industry, but an ancillary part of oligarchic political economic complexes, and the objective of such newspapers is not providing information to the public, but perpetuating the hold their controllers' groups exercise over entire states' (Abramo 2007, p.2), thus, corruption denounces are rarely published.

In conclusion, Brazil is still struggling in the competitive particularism phase. The country presented changes that, although important, are not sufficient to alter the whole picture. To reach equilibrium and a universal distribution of public goods, the country still needs profound reforms. A strong anti-corruption legal framework, active public prosecutors/federal police, and anti-corruption agencies are very important steps, but constraints to balance the suggested corruption formula depend highly on the performance of the judiciary, otherwise, the 'culture of impunity' that permeates the Brazilian society will still work as stimulus to corruption.

6. Drivers of change

Anti-corruption strategies should also take into consideration actors, their motivation, and the choices they make to promote and implement anti-corruption reforms in order to be successful. In the case of Brazil, institutions such as the CGU and the Federal Police have been playing an important role in the fight against corruption. They have shown that independence and autonomy combined with political will, can have a positive impact even without full support from other actors.

But especially in a country with the dimensions of Brazil, it is also important to mobilize the real 'losers' to take part in this fight. The following quote from President Lula, taken from the Transparency Portal inaugural speech, emphasizes the importance of this component: "I think the Brazilian society needs to understand once and for all, that we are only going to be able to truly fight corruption when the civil society, with the instruments made available, can act as a watch dog".

The federal government, through the CGU, is establishing public confidence by publishing regular reports revealing the progress toward reducing wrongdoings and increasing accountability and transparency, which can later contribute to the citizens' willingness to cooperate. In this sense, according to the Director of the corruption prevention office of CGU, the institution's strategy to fight corruption is threefold: (i) institutional, developing the country's integrity system, with special attention to transparency and accountability; (ii) public ethics, changing 'corporate culture' (e.g. culture of secrecy among public officials); (iii) social control, offering training to municipal

leaderships, teachers, and students in order to involve society in a change through education, access to information, and social mobilization.

One may say that those who react to corruption are those who do not benefit from it and have means to identify it. The middle class, theoretically, stands at the front of the fight against corruption, since it is the one paying great part of the taxes and benefiting less from social policies. The greatest problem which needs further investigation is: How to mobilize middle class to take part in social control? – this is especially relevant because in societies based on particularism, such as with Brazil, a culture of privilege reigns, individuals, thus, struggle to belong to the privileged group rather than to change the rules of the game (Mungiu Pippidi 2006, Fraenkel 2010).

7. Lessons Learned

The aim of this case study was to research to what extent the Brazilian state operates on the basis of ethical universalism or on the basis of privileged allocation. **Particular allocation seems to be the norm in Brazil, and this, supported by an inefficient judiciary system, is the main corruption mechanism of the country**. Little has changed since 1996, however, during this time, thanks to investigations conducted by the Federal Police, CGU, TCU, and MP, those mechanisms started to be uncovered. Until 2000, the country did not have any anti-corruption strategy in place, only isolated measures that ended up, directly or indirectly, having an impact on the control of corruption. The current anti-corruption approach focus on enhancing accountability and transparency as well as building strong institutions (mainly on investigation and prevention), but it is limited to the federal level, and does not involve any radical reform or the support of relevant political actors. Therefore, although important, it seems unable to fully solve the problem.

The autonomy guaranteed by the 1988 Constitution to States and municipalities also imposes challenges in controlling corruption in Brazil, since local agents enjoy wide discretionary power and control mechanisms are not efficient (Ministries, for example, lack qualified personnel and infrastructure to check accountability reports). Despite changes and reforms, the distribution of resources as well as public positions remains particularistic. The act of the probity law facilitated the punishment of low ranking public officials, mayors, and governors by establishing punishments for mismanagement and misuse of public resources. Nonetheless, high ranking officials and important politicians, though being investigated and sometimes even arrested by the Federal Police, manage to remain unpunished due to immunities, especial prerogatives, and a highly permissive legal system.

According to the indicators previously discussed, politicians often get involved in wrongdoings to raise money for their election campaigns. It is clear that Brazil urgently needs a political reform (especially regarding campaign financing), as well as a judicial reform. The latter should address, mainly, the rules of penal and civil procedures, but small administrative reforms could already make a difference, such as reducing the room for maneuver in the distribution of cases within the court. Although these reforms were already proposed and are currently being discussed in the Congress, they are highly controversial and involve interests of many important stakeholders. Therefore, in the short term, the approval is unrealistic. Changes regarding the number of possible political appointments by the President, governors, mayors, and congressmen are also fundamental to guarantee an impartial government.

Nevertheless, the cooperation between public prosecutors, Federal Police, and CGU has proved to be effective in the investigation and prosecution of corruption. In this sense, the best strategy for donors in countries like Brazil where anti-corruption agencies show political will and have autonomy to perform tasks, regardless of political interests, initially, would be to support these agencies, training officials and auditors, financing social control programs (e.g.: internet centers), supporting investments in technology (e.g.: integration of internal systems, e-government, modernization of public procurement system - especially in the state and municipal levels), supporting programs to enhance transparency and accountability, among others.

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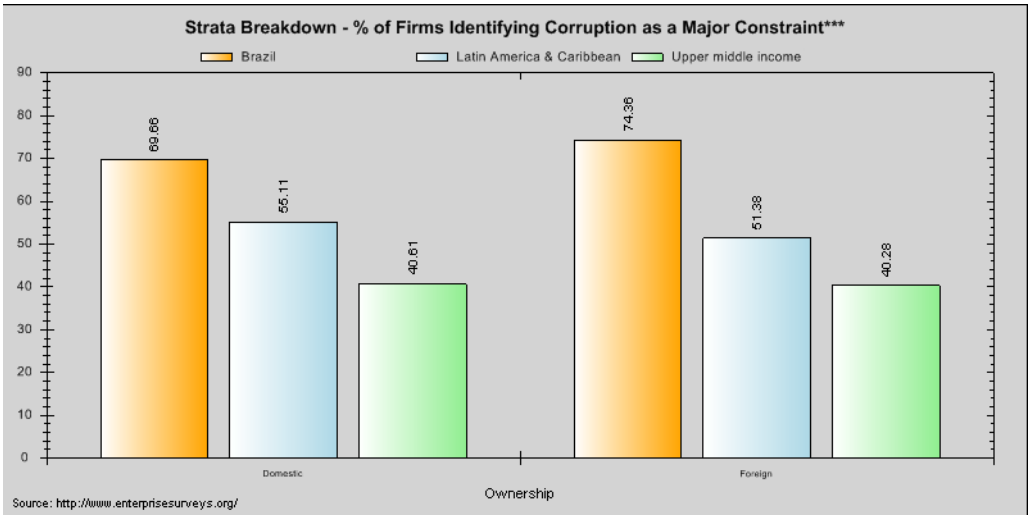
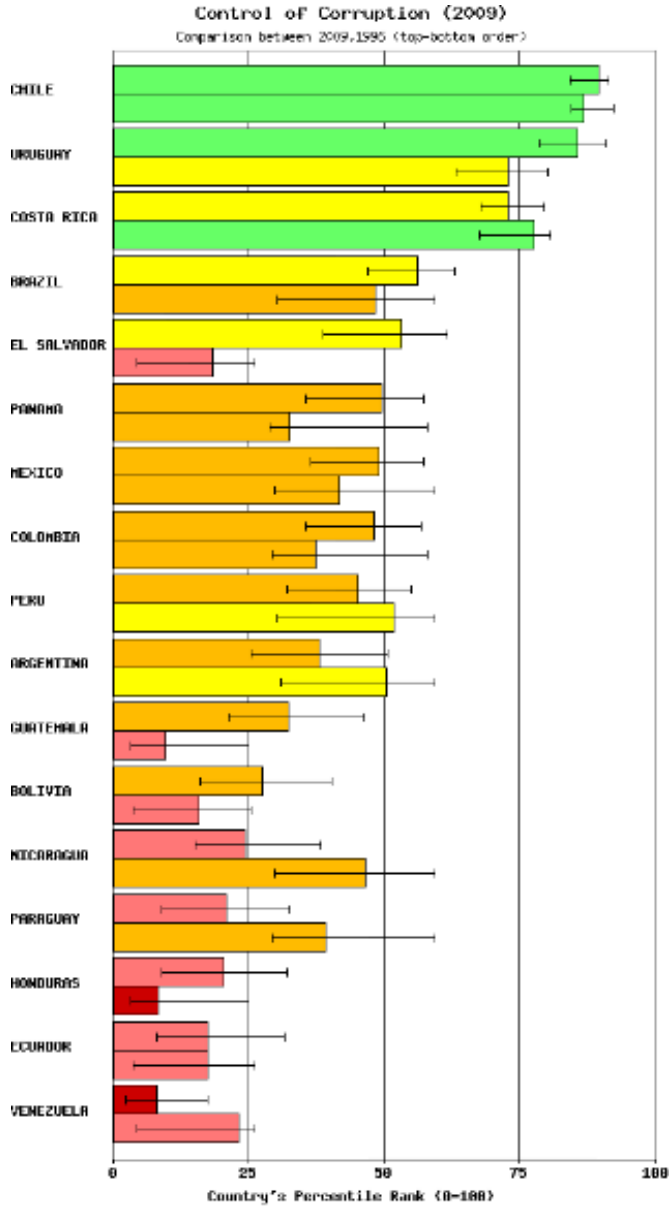
Annex 1: Percentage of Firms Identifying Corruption as a Major Constraint



Annex 2: WGI-Control of Corruption in Latin America



Annex 3: Qualitative Analysis

Hypotheses

H1: Corruption is lower in countries with higher GDP per capita.

H2: Corruption is lower in countries with stronger political rights.

H3: Corruption in higher in federal states.

H4: Corruption is higher in countries with higher income inequality.

H5: Corruption is higher in countries with higher ethno linguistic fractionalization.

H6: Corruption is lower in countries more open to foreign trade.

H7: Corruption is higher in countries with larger governments.

H8: Corruption is lower in countries with stronger legal guarantees.

Model and Variables

Table 1: Determinants of Control of Corruption

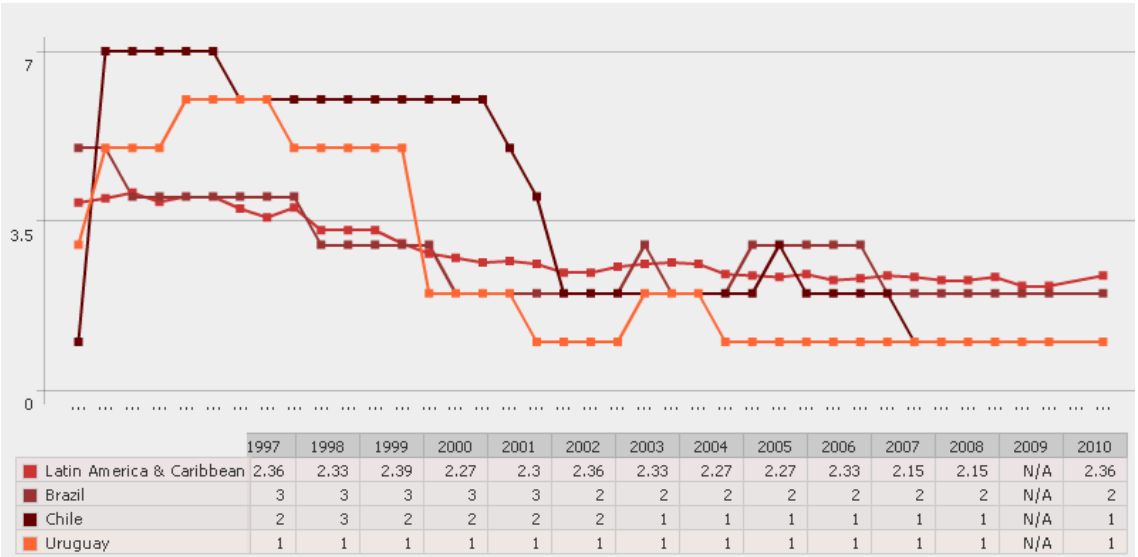
Independent variables	OLS (1)	OLS (2)	**OLS (3)**	IV 2SLS (4)	OLS (5)	OLS (6)	OLS (7)	OLS (8)	OLS (9)	OLS (10)
GDP per capita, PPP log	36.24*** (5.78)	37.06*** (5.27)	**26.76*** (4.98)**	42.40*** (12.76)						
Life expectancy					3.43** (1.35)	3.41** (1.41)	1.61 (1.10)			
HDI								2.10** (.85)	2.07** (.89)	1.23* (.57)
Political rights (Freedom House)	-10.97*** (2.65)	-11.30*** (2.41)	**-9.02*** (1.86)**	-8.85*** (1.91)	-15.93*** (4.24)	-16.22*** (4.45)	-9.88** (3.57)	-11.64** (4.92)	-11.94** (5.21)	-6.91* (3.37)
Federalism	-29.52*** (6.60)	-35.76*** (6.95)	**-26.49*** (5.76)**	-37.61*** (10.20)	-17.33 (10.54)	-20.58 (12.70)	-11.46 (9.08)	-24.14* (11.60)	-26.39* (13.60)	-15.51 (8.62)
Gini coefficient	2.23*** (.58)	2.10*** (.53)	**1.31** (.46)**	2.00*** (.67)	2.27* (1.03)	2.19* (1.08)	.72 (.86)	2.04* (1.02)	1.97* (1.08)	.66 (.72)
Ethnolinguistic fractionalization	-41.10** (15.18)	-41.58** (13.78)	**-27.26** (10.81)**	-32.86*** (11.85)	-35.39 (27.33)	-36.02 (28.43)	-14.37 (20.45)	-52.52* (26.21)	-52.94* (27.45)	-21.10 (18.29)
Trade openness	-.41*** (.12)	-.39*** (.11)	**-.32*** (.08)**	-.36*** (.09)	-.58** (.22)	-.57** (.23)	-.36* (.17)	-.43* (.21)	-.43* (.22)	-.29* (.14)
Size of government		-3.71 (2.09)	**-4.67** (1.52)**	-4.34*** (1.58)		-2.10 (4.14)	-4.59 (2.92)		-1.55 (4.22)	-4.27 (2.63)
Legal structure and property rights			**7.64** (2.44)**	2.59 (4.53)			13.45*** (4.00)			13.73*** (3.35)
Df	10	9	**8**		10	9	8	10	9	8
N	17	17	**17**	17	17	17	17	17	17	17
Adjusted-R^2	0.8770	0.8986	**0.9488**	0.9429 (R^2)	0.6302	0.6005	0.8139	0.6243	0.5887	0.8504

Variable	Scale	Source	Relationship
GDP per capita, PPP	(logged)	Interamerican Development Bank	Negative
Political Rights	1-7; 1=wide range of political rights, 7=few or no political rights	Freedom House, 2006	Negative
Federalism	1=federal state	Biddle, 2007	Positive
Gini coefficient	0-100	World Bank	Negative
Ethnolinguistic fractionalization	0-1	Easterly and Levine, 1997	Positive
Trade openness	Imports and exports as % of GDP	Interamerican Development Bank	Positive
Size of government	0-10; 0=large government, 10=small government	Interamerican Development Bank	Negative
Legal structure and property rights	0-10, 0=weak legal guarantees,10=strong legal guarantees	Economic Freedom of the World indicators, 2006	Negative

Annex 4: Comparison between selected Latin American countries

Variable	Brazil	Chile	Uruguay	Colombia	El Salvador	Regional Average
WGI – Control of Corruption	55,55	89.95	84.54	50.24	43.96	43.84
GDP per capita	7808.41 ✓	11301.26 ✓	9087.37 ✓	6949.02 ✓	4741.85 ✗	6465.14 (3059.02)
Political Rights	2 ✓	2 ✓	1 ✓	4 ✗	2 ✓	2.47 (1.01)
Federalism	Yes ✗	No ✓	No ✓	Yes ✗	No ✓	No
Gini Coefficient	55 ✗	52 ✗	47.1 ✓	58.5 ✗	46.9 ✓	51.98 (3.98)
Ethno linguistic fractionalization	.0549 ✓	.050625 ✓	.066667 ✓	.055796 ✓	.051429 ✓	.20 (.18)
Trade Openness	37,62 ✗	75.39 ✓	57.73 ✗	42.83 ✗	71.95 ✓	64.95 (23.68)
Size of Government	6,65 ✗	7.5 ✓	7.52 ✓	4.44 ✗	8.96 ✓	7.38 (1.23)
Legal structure and property rights	5,19 ✓	6.99 ✓	5.57 ✓	4.49 ✗	4.83 ✗	4.88 (1.02)

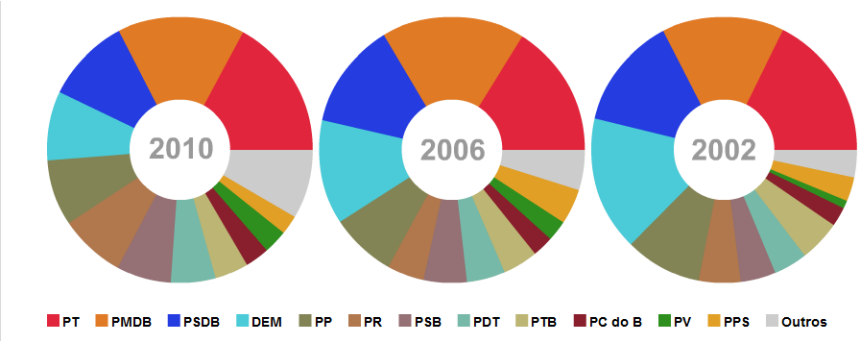
Annex 5: Freedom House Political Rights



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Latin America & Caribbean	2.36	2.33	2.39	2.27	2.3	2.36	2.33	2.27	2.27	2.33	2.15	2.15	N/A	2.36
Brazil	3	3	3	3	3	2	2	2	2	2	2	2	N/A	2
Chile	2	3	2	2	2	2	1	1	1	1	1	1	N/A	1
Uruguay	1	1	1	1	1	1	1	1	1	1	1	1	N/A	1

Annex 6: Political Parties' Representation - Congress and State Governments

Federal Chamber

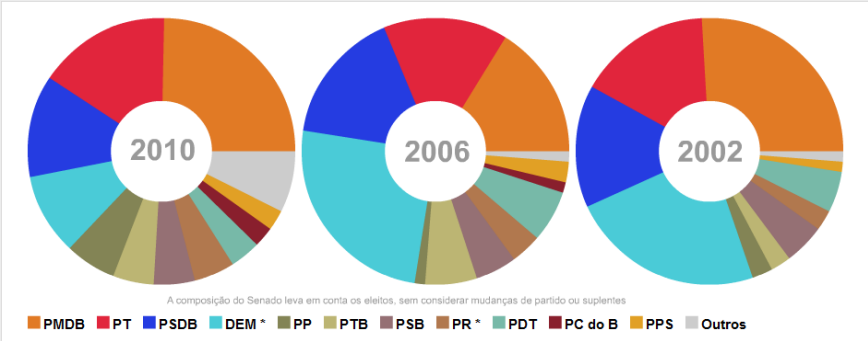


PARTIDO	ELEITOS EM 2010	VOTOS
PT	88	13813587
PMDB	79	11692384
PSDB	53	9421347
DEM	43	6932420
PR	41	7050274
PP	41	5987670
PSB	34	6553345
PDT	28	4478736
PTB	21	3808646
PSC	17	2981714
PV	15	2886633
PC do B	15	2545279
PPS	12	2376475
PRB	8	1659973
PMN	4	1026220
PT do B	3	605768
PSOL	3	968475
PHS	2	719611
PRTB	2	283047
PRP	2	232530
PSL	1	457490
PTC	1	563145

PARTIDO	ELEITOS EM 2006
PMDB	89
PT	83
PSDB	66
PFL	65
PP	41
PSB	27
PDT	24
PL	23
PPS	22
PTB	22
PV	13
PC do B	13
PSC	9
PTC	3
PSOL	3
PMN	3
PHS	2
PRONA	2
PAN	1
PT do B	1
PRB	1

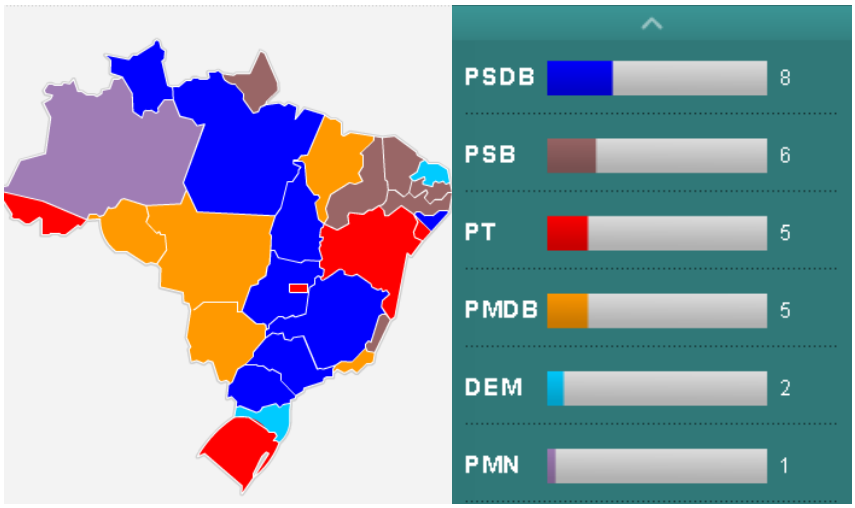
PARTIDO	ELEITOS EM 2002
PT	91
PFL	84
PMDB	76
PSDB	70
PPB	48
PL	26
PTB	26
PSB	22
PDT	21
PPS	15
PC do B	12
PRONA	6
PV	5
PSD	4
PST	3
PSL	1
PMN	1
PSC	1
PSDC	1

Senate



Source: UOL Eleições 2010

State Government



Source: UOL Eleições 2010

Annex 7: Confidence and Gratification Positions

Confidence Positions (DAS) Federal Executive Government

Institution	Public official in confidence positions
Central Bank	1432
Ministry of Agriculture, livestock, and supplies	2982
Ministry of development and trade	889
Ministry of Science and Technology	1223
Ministry of culture	1370
Ministry of Defence	4539
Ministry of Education	31488
Ministry of Finance	7709
Ministry of National Integration	1306
Ministry of Justice	3809
Ministry of Social Security	5322
Ministry of Health	4840
Ministry of Cities	877
Ministry of Communication	897
Ministry of Foreign Affairs	735
Ministry of Mines and Energy	1452
Ministry of Fisheries and Acquaculture	359
Ministry of Social Development and fight against hunger	604
Ministry of Agrarian Development	1067
Ministry of Sports	226
Ministry of Environment	1164
Ministry of Planning, Budget, and Management	4265
Ministry of Tourism	243
Ministry of Work and Employment	2267
Ministry of Transport	2020
Presidency of the Republic	6603

Source: Transparency Portal

Number of confidence and gratification position (DAS) by position level:

Position	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
DAS-1	6.820	6.554	5.681	6.503	6.665	6.733	6.551	6.761	7.054	6.821	6.836	6.929	7.003
DAS -2	5.943	5.678	5.313	5.442	5.615	4.656	5.213	5.480	5.366	5.550	5.673	5.8673	5.862
DAS-3	2.472	2.490	2.690	3.826	2.828	2.954	3.055	3.420	3.509	3.588	3.703	3.785	3.973
DAS-4	1.682	1.716	1.810	1.866	2.073	2.158	2.341	2.651	2.785	2.886	2.946	3.027	2.159
DAS-5	558	607	666	606	662	672	772	852	911	943	951	978	1.008
DAS-6	132	138	146	146	152	154	182	186	186	193	201	205	212

Source: Ministry of Planning, Budget and Management, 2010.

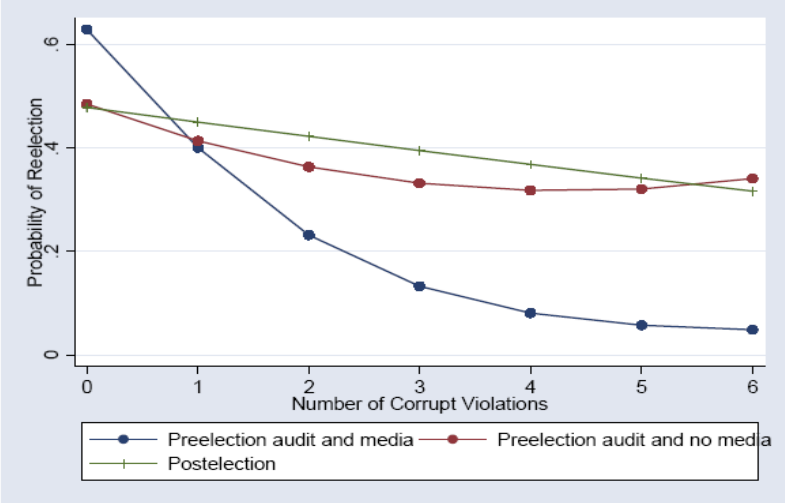
Percentage of public servants hired within and outside the public administration:

Position	Public Servants	Requested Public Servants [2]	Appointments [3]	Retired
DAS-1	69,8	1,5	26,3	2,4
DAS -2	70,2	2,1	24,9	2,8
DAS-3	64,0	4,0	28,2	3,8
DAS-4	53,6	11,1	31,5	3,8
DAS-5	47,6	13,6	34,0	4,8
DAS-6	37,8	17,7	39,2	5,3
TOTAL	65,0	4,4	27,6	3,1

Source: Ministry of Planning, Budget and Management, 2010.

1. Public servants chosen within the public federal administration;
2. Public servants requested from States, Municipalities, or other state institution/branches of government;
3. Outside the public administration

Annex 8: Probability of Reelection by Corruption Level



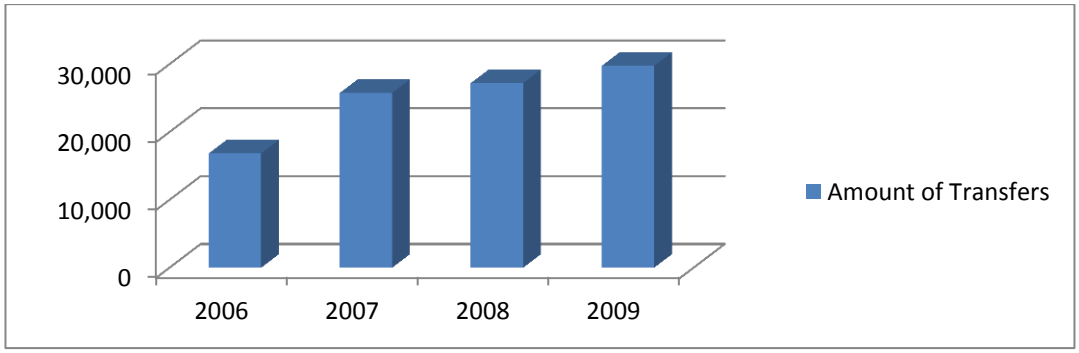
'anel B: Comparing media versus non-media in municipalities audited preelection

Figure 3: Predict Probability of Reelection by Corruption Level

Source: Ferraz; Finan, 2005

Annex 9: Transfers to States, Municipalities, and Nonprofit Institutions

Amount of transfers to States, Municipalities, and nonprofit institutions between 2006 and 2009, in R$ million.



	2006	2007	2008	2009
States	4.053	9.770	10.993	11.219
Municipalities	7.752	11.041	11.728	14.423
Nonprofit Institutions	3.096	3.499	3.301	3.056
Governmental Institutions	1.498	1.448	1.186	1.061
Total Amount	**16.850**	**25.759**	**27.209**	**29.759**

Source: TCU 2009