Transparency in Brazil: Why Has it Failed to Curb Corruption?

Research-in-Progress

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Abstract

Transparency has often been hailed as one of the main mechanisms through which corruption can be combated due to the fact that it supposedly increases levels of accountability. In this sense, e-Government would be the platform through which this can be achieved. However, as the author demonstrates, this is a failed assumption since it is not applicable to several national contexts, such as is the case of Brazil. This study therefore aims to reach beyond what has already been done, and demonstrate why investments in transparency have not achieved the desired results by conducting an interpretive piece of research and adopting a multi-case study approach.

Keywords: Transparency, accountability, corruption, e-government, Brazil.

Introduction

The themes of corruption and governance inefficiencies have received growing levels of attention in the past decade (Gaskins 2013; Avila et al. 2010), with the deployment of transparency often being hailed as a form of positively affecting levels of accountability and lowering levels of corruption. As Grimmelikhuijsen (2010: 7) contends, “there is a widely shared opinion that transparency will lead to an open culture in government that benefits us all”. To this extent, technology – more specifically information and communication technologies in the form of e-government tools – has frequently been appointed as the perfect way for supporting this transparent framework (Grimmelikhuijsen 2012; Hoque 2005; Pathak and Prasad 2005; Smulovitz and Peruzzotti 2003). Thus, the speed with which governments across the world have adopted ICTs has been impressive (Gallego-Alvarez et al 2010) and academics in the field have enthusiastically embraced its democratic features (Peisakhin and Pinto 2009).

However, though most studies in this area have attested to the positive correlation between transparency and accountability (Lindsted and Naurin 2010; Anderson 2009; Andersen and Heriksen 2006; Pina Torres and Acerete 2007; Meijer 2001b; Shim and Eom 2009; Carlitz 2013; Heald 2012), the extent of such benefits is still a notion that is open for debate (Hill 2003; Andrei et al. 2009). On the contrary, upon reviewing the literature, it is possible to observe that there is little evidence to corroborate the effectiveness of technology-mediated transparency, in addition to a lack of studies that can effectively demonstrate the causal mechanisms between transparency and accountability. Gaventa and McGee (2013) further add that most studies seem to rely on normative assumptions; in addition “the assumptions underlying the causal chain, from inputs to outcomes and impact, are absent, vague or only implicit. . . few initiatives provide concrete claims”.

As of more recently, some scholars have started to contest this idea whereby transparency and accountability are not bound together, and one does not necessarily result in the other (Fox, 2007; Fox
and Haight, 2011; Hood, 2010; Gaventa and McGee 2013; Frolich 2011). Bannister and Connolly (2011: 1) note however that these are still “minority voices”, with the majority of scholars still believing the opposite (Cook, Jacobson and Kim 2010; Grimmlikhuijsen 2010). Indeed, when analyzing cases of transparency investments in certain countries, it is possible to conclude that these have done little to increase levels of accountability and effectively address corruption. One such instance refers to transparency efforts made in the past decade by the country of Brazil.

Despite the fact that Brazil is considered one of the most transparent countries in the world (IBP 2010), Brazil ranks high on the Corruption Perception Index (Transparency International 2011), and little has been achieved in terms of holding those who engage in corruption accountable for their actions. Since 2001, the equivalent to US$ 355 billion is estimated to have been embezzled – the equivalent to 2.3% of Brazil’s GDP (Revista Veja 2011). The Brazilian Federal Police however was only able to recover approximately US$255 million, less than 1% of the total amount. Furthermore, according to data released by the Brazilian Audit Court, the chances that a public employee will face prosecution and jail time are less than 5%. Thus, as Alves and Heller (2013: 77) observe, “Brazil’s high ranking in budget transparency . . . is puzzling in that it defies conventional social science explanations. Most structural predictors of government accountability such as socio-economic indicators would yield contrary forecasts”.

This research therefore aims to go against this stream of normative work and produce a theoretical framework that demonstrates actual causal mechanisms between transparency, accountability, and corruption. As such, it seeks to address the research question of what are the factors that affect the effectiveness of transparency as a deterrent for corruption. The methodology used consists of an interpretive study that involves the analysis of instances of corruption within the Brazilian public sector. The first section of this paper consists of a discussion of the relevant literature, presenting the framework upon which this research is grounded. The second section of this paper will then present the methodology used and detail the cases this research uses. The final part of this paper consists of concluding remarks, presenting some preliminary findings and what the next stages of this research are.

Framing the Study

Studies in the area of transparency, accountability and corruption can be categorized into two streams of work: those that rely on the principal-agency model and game theory (the “Rational-Choice Theory” line of work), and those that analyze factors such as socio-cultural environment and history in order to formulate explanations (the Socio-Cultural Embedded Reasoning” stream).

When reviewing the literature, it is apparent that the majority of research completed thus far has been centered on the principal-agency theory and, as a result, this has been the model which has guided most transparency investments by public institutions. This prevailing model – that implementing transparency will increase accountability, which in turn will automatically translate into less corruption (see Figure 1) – revolves around the idea of information asymmetry (Przeworski 1999), and the existence of “principals” (public officials) and “agents” (civil society).
Information asymmetry occurs when principals have access to pieces of information that agents do not, and thus principals are free to act in ways that are unknown to agents, an environment that hence results to corruption. As Przeworski (1999: 20) explains, “agents have some information that principals do not directly observe: they know their own motivations, they have a privileged knowledge of their capacities, and they may have a chance to observe some things principals cannot”. The root of the problem is therefore the institutional design itself since the individual who engages in corrupt behavior is in fact being opportunistic and it is the institutional framework that allows for this type of behavior to occur (Arellano-Gault and Lepore 2011).

Agents, in their regular daily routines, can be either motivated by their own self-interest or, alternatively, by what is in the public interest (Mitnick 1975). Those who engage in corruption however put their private interests ahead of the common good and information asymmetry provides the appropriate scenario under which that will occur. The principal-agent model therefore assumes a very dyadic relation between principals and agents in that it fails to account for those public officers who do not pursue private interests even in the face of information asymmetries. Furthermore, it does not address why reducing the asymmetry is not necessarily accompanied by a reduction in corruption levels.

In spite of these two very apparent flaws to the model, these ideas have permeated much of what has been written about corruption, accountability, and transparency. Out of this, arose the rationale for investing in e-government as a form of curbing corruption. The proponents of principal-agency based studies relate to technology as being deterministic. In other words, investments in e-governance will automatically translate into a more transparent and accountable government.

Research carried out under the prism of the principal-agency model have demonstrated to be however too abstract (Arellano-Gault and Lepore 2011) since it tends to overlook organizational, behavioral, and socio-political factors when analyzing issues pertained to corruption, transparency and accountability. As a result, e-government literature touching upon the issue of transparency has failed to produce theoretical frameworks (Yildiz 2007; Heeks and Bailur 2007) and few studies have aimed to offer explanations as to why things happen the way they do. Taylor and Lips (2008: 142) further add that current studies on e-government, with its heavy positivist emphasis, prohibit “deeper and more qualitative evidence-gathering and judgement about what is happening to the polity – the myriad of relationships that make up a political system – whilst e-government projects are being devised and implemented”.

In recognition of these limitations, more studies which rely on what can be denominated as “socio-cultural embedded reasoning” have started to emerge, questioning the effectiveness of transparency systems as a form of tackling corruption issues (Fox 2007; Fox and Haight 2001; Hood 2010; Gaventa and McGee 2013; Frolich 2011). At the heart of these studies is not the information asymmetry paradigm, but rather how social, cultural, and historical factors have contributed to pervasiveness of corruption and the existing status quo. For these scholars, transparency is a necessary ingredient towards combatting corruption; however, it assumes a supporting role and the extent of its effectiveness is questioned. In addition, it is not automatically assumed that principals will engage in corrupt behavior if presented with the opportunity. Rather, a principal may or may not engage in such a behavior, subject to influences from his immediate socio-cultural context. However, this is a field of work that is only starting to emerge (Bannister and Connolly 2011), highlighting the need for more studies in this stream. This present piece of research aims therefore to aid in filling that gap, i.e. providing a solid theoretical framework for transparency investments, thus advancing the field of e-government. It is therefore rooted in the socio-cultural embedded stream of research, thereby paying attention in its analysis to variables such as the socio-historical context, whilst also rejecting technological determinism.

The Case of Brazil

The Brazilian case makes for an interesting paradox. It is currently considered the most transparent country in the world (Open Knowledge 2015), whilst also being one of the most corrupt, ranking high on the Corruption Perception Index (Transparency International 2014) and thus defying conventional social science. On the one hand, Brazil “has had great difficulty protecting civil rights and imposing the rule of
law, and that has grappled with corruption and transparency” (Hagopian 2005: 125). Since the onset of democracy, in 1985, every single administration has suffered accusations of corruption. In addition, until the early 2000s, Brazilians had no visibility into the inner workings of government – neither processes, decisions nor budget. This lack of transparency was partly a legacy of the military dictatorship which Brazil was under between 1964 and 1985, whereby secrecy had become the norm.

On the other, however, it has made great advancements in implementing forms of corruption control and its anti-corruption legislation is one of the most expansive ones in the world and has been used as a model for other developing countries (Carson and Prado 2014). In regards to its transparency efforts, Brazil has made great strides in implementing pieces of legislation that support these efforts (see Figure 2). Such vast and extensive anti-corruption framework has only served however to highlight the problems it has with enforcing these control mechanisms.

Two studies conducted in the past have also served as the basis for this present research. The first one was an empirical analysis of the Brazilian scenario to evaluate the impact of transparency on levels of corruption (Martinez 2012). Upon analyzing the Brazilian scenario, it was possible to conclude that that none of the reasons customarily used to explain why the implementation of a Transparency Portal would fail to yield the expected results – i.e. digital divide, age, education and income levels, lack of political interest (Rose 2005; Basu 2004) – were applicable here.

Moreover, a second study (Martinez, forthcoming) which aimed to analyze the quality of information there contained concluded that often it is not possible to verify whether the information contained on Transparency Portals is correct by any means, which ultimately renders the information there contained unreliable. Furthermore, both studies highlight that issues with transparency are not due to misinterpretation of the data transparency portals contain, but rather with how it is produced.

**Figure 2.** Evolution of the transparency framework in Brazil

**Transparency as a System**

Understanding transparency requires comprehending that it in fact refers to the “the creation, flow and holding of information” (Taylor and Lips 2008: 142). The deployment of a transparency portal extends beyond the mere implementation of the web portal itself, but is also the result of exchanging paper-based practices for technical ones, integrating data resources, and implementing systems that can correctly transfer data to portals on a real-time basis, among other steps. Thus, the portal itself is merely the
“public facet” of an entire system producing information. Transparency therefore refers in fact to a complex system, hence the introduction of the concept of “transparency systems”.

There are multiple stakeholders involved in the functioning of transparency systems, both internally (i.e. government employees, politicians, etc.), and externally (i.e. citizens, NGOs, media). In addition, it rests upon established institutions that have been constructed over time, and is typically the result of a legal framework that forces it into existence. In summary, transparency systems refer to information flows from a source (typically the internal stakeholders, i.e. public officers) to a recipient which can be either internal or external stakeholders, such as civil society or media), which are effected by processing rules (the legal framework, in addition to institutional variables) – this is illustrated in Figure 3. The next section will detail therefore the theoretical framework which serves as basis for this research.

![Figure 3 – High-Level View of a Transparency System](image)

**Refining the Concepts: Transparency, Accountability, and Corruption within a Socio-Cultural Embedded Reasoning Study**

Following a socio-cultural embedded reasoning, the links between transparency, accountability, and corruption cannot be automatically assumed. Instead, these concepts need to be analyzed individually. Transparency has often been treated as a dimension of accountability (Fox and Haight 2011; Boos et al. 2013).

For the purposes of this study, all of these concepts will be treated as being socially constructed, subject to the influence of history, culture, and power structures. They are therefore context dependent, the rules of which will have been either formally or morally agreed upon. Table 1 summarizes how each concept will be studied. As such, corruption is here defined as “behavior perpetrated by organizational officials . . . in the course of fulfilling their organizational roles that is judged by social control agents . . . to be illegal, unethical, or socially irresponsible” (Palmer 2008: 108). Social control agents can be defined as public prosecutors, congress, judges, media, or civil society. A few important things must be highlighted regarding this definition; firstly, what is considered corrupt, as a socially constructed concept, is relative not only to the society under study, but also to different social groups. As Granovetter (2007: 154) affirms, “many behaviorally identical actions may be interpreted differently depending on circumstances. To say that an exchange involves a “gift”, “favor”, or “loan” is morally neutral. But if we code the same exchanges as “bribery” or “extortion”, this is quite different and implies condemnation”.

Secondly, wrongdoing refers to processes that have deviated from the norm. In other words, formal procedures which should be adhered to have been violated thus giving rise to corruption. Transparency, on the other hand, is here understood as information flows, implemented within complex environments composed of formal and informal societal norms and values. These are historically and socially constructed (Kopits and Craig 1998; Gigler et al. 2014; Hood 2016; Bellever and Kaufman 2005). Finally,
the concept of accountability here defined necessarily involves sanctioning (or rewards in the case of best practices) (Lindstedt and Naurin 2010; Kenney 2003; Romzek 2000; Robert and Scapens 1985; Sinclair 1995). Drawing on O’Donnell’s (2003) definition for accountability, there are many directions which it can take, i.e. horizontal, vertical, and societal. Wampler (2004: 86) best summarizes all three forms by establishing that “the right to make decisions based on access to transparent information (vertical), public debate and mobilization (societal) and legal implementation (horizontal)”. In the case of transparency systems, these have been traditionally aimed at generating the vertical and societal type of accountability. As will uncovered by this research however, this has failed to occur.

**Establishing a Theoretical Framework within a Socio-Cultural Embedded Reasoning Study**

Under a principal-agency prism, corruption is treated as an anomaly, which must be stopped through organizational means (i.e. raising levels of transparency and monitoring). However, what if corruption is not an anomaly? What if corruption were an institution itself and hence not the deviant behavior, but in fact the norm?

Take for example the corruption scandal surrounding Petrobrás, Brazil’s largest state-owned company. Revealed in 2014, investigations into Petrobrás by the Brazilian Federal Police and public prosecutors (dubbed “Operation Carwash”) have so far seen more than 50 people arrested and several more questioned. It is considered the largest corruption scandal in Brazil’s history (Estadão 2014) with an estimated US$3.9 billion loss for Petrobrás. Upon analyzing the investigation documents and the transcripts of interrogations (open to public access on the Public Prosecutor’s website), three important facts stand out: (1) that this scheme predates the Worker’s Party government (in 2003); (2) that many of the fraudulent contracts were commonplace knowledge by those employed by Petrobrás (in other words, attempts to cover these illicit acts were minimal); and (3) that corruption occurred systematically. In fact, according to a study by Campos (2012), the influence by construction companies in Brazilian politics actually dates back to the Juscelino Kubitschek government (1955-1960) and was deepened during the Brazilian dictatorship era (1964 – 1985). This highly-publicized incidence of corruption in Brazil therefore suggests that we should regard corruption as an institution itself, whereby corrupt behavior is not an exception to the rule; on the contrary, it is the rule. Under this perspective, corruption “will persist as long as identities and schema that guide practice are not addressed” (Pillay and Kluvers 2014: 100), meaning that simply making pieces of information available would not be enough to deter wrongdoing. Furthermore, Jepperson (1991) affirms that institutions are durable social structures, resistant to change, and composed of symbolic elements, social activities, and material resources.

Institutions in societies can take the form of formal rules and procedures, or a more informal role, such as what is ethical or morally acceptable (Meyer, Boli and Thomas 1994; Scott 2014). The study of corruption under a socio-cultural embedded reasoning stance therefore requires analyzing not only the formal rules and procedures present at an organization, but also what the collective actors deem ethical or not. This will aid in identifying the schema that drives practices within public agencies and how they help shape information that is produced.

In summary, the study of transparency systems requires tracing the information all the way back to its source and the rules and procedures (i.e. institutions) that influence the way information is produced. Studying these processes requires going in-depth into organizational settings, which can only be achieved through an interpretive type of research.

**Methodology**

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1 In Portuguese: *Operação Lava-Jato.*

2 www.lavajato.mpf.br
In order to address the research question proposed, a multi-case study will be conducted whereby individual incidences of corruption within the federal sphere of government will serve as the units of analysis. All cases originate in Brazil. As the geographic location of choice, Brazil has a few advantages: firstly, it has already been identified as an outlier to the general proposition that investments in transparency should automatically translate into less corrupt systems. Secondly, due to its advanced investments in transparency and its reasonably stable democracy, it is a truly representative scenario which allows the research to reach definitive conclusions and allows for theory-building.

When establishing what is a relevant unit of analysis, Greve, Palmer and Pozner (2010: 94) allude to a “frequent dilemma in research on misconduct” in having to choose whether to analyze data that becomes available post-investigation of corruption acts uncovered, or researching acts of misconduct as they occur. Though the tendency has been to conduct research of incidences of corruption that have already occurred and have been investigated, Greve, Palmer and Pozner (2010) affirm that developing alternative forms of analyzing corruption incidences (as they occur, or instance) could lead to valuable insights. The main difficulty regarding research in this area is that corruption almost always occurs in a covert manner, meaning that finding relevant cases prove to be difficult. On the other hand, studying cases where corruption systematically occurs, as they are being carried out, is not only a novel way of carrying out research in this area, but also has the potential of resulting in powerful breakthroughs that could lead to the understanding of why acts of misconduct are being carried out regardless of the extensive anti-corruption to which all institutional actors are subjected to, and why transparency initiatives have failed thus far.

One of the difficulties in conducting research on corruption is that it is covert and therefore there is little documented evidence of the practices of it. Therefore, a few questions had to be asked when selecting cases, such as “What kind of data would we manage to gain access to?”, “Would we obtain enough data to draw meaningful conclusions from?”, and “Where are practices of misconduct occurring within public organizations?”. The reason for this last question was that if an organization where no acts of wrongdoing were taking place had been picked, then this would be a non-event and thus useless to address the research question proposed. Another consideration was how to determine causation. Therefore, if certain acts of corruption had taken place too long ago, transparency would have had no impact quite simply because it had not yet been implemented. As such, time-sensitivity was an issue. Finally, the question of whether to analyze an act of corruption that was still ongoing versus one that had already taken place and sanctions had already been applied also needed to be addressed. If an act that had already been uncovered and had ceased to exist had been picked, would the quality of information obtained in interviews, for example, suffer? Would interviewees recount these incidents differently than when they were effectively taking place?

In summary, the cases under study were selected due to fitting the required criteria: (1) the incidences of wrongdoing are ongoing; (2) access to the organizations was granted; (3) a sufficient amount of sources of data was made accessible for analysis. As such, two cases were thus selected. These refer to two agencies within the Brazilian Federal Government. However, due to the fact these agencies are not under investigation and have no wish to draw attention upon their illicit activities, officers at both these locations requested anonymity. They will therefore be treated as Agency A and Agency B.

**Overview of Cases**

The Brazilian Federal Government currently has 39 Ministries and employs just under 1,200,000 people. Situated within one of these 39 Ministries, Agency A was created in the 1950s and is responsible for administrative processes such as budgeting, payments, and procurement. All of the information it generates as a result of these processes are stored in a system called SIAFI (Sistema Integrado de Administração Financeira do Governo Federal, or Administrative and Financial Integrated System for the Federal Government), which then feeds into the Transparency Portal. This system was in fact developed by the Ministry of Finance and holds financial information for the entire Federal Government.
The second case, Agency B, is situated within a different federal unit, and is responsible for the management of all those employed within that specific organization, managing processes such as payment of salaries and leaves of absences. The information generated by these processes is stored in a system called SIAPE (Sistema Integrado de Recursos Humanos, or Human Resources Integrated System) which was created by the Ministry of Planning, Budget and Management and holds information for 36 Ministries; the Ministries of Defense, Foreign Relations and Central Bank make use of other systems. All of this information is then fed into the Transparency Portal.

Misconduct occurs in both these organizations. In the case of Agency A, these refer to procurement procedures that are not formally adhered to and which have resulted in excessive spending and overpayment of services, all of which cannot be legitimately justified. In addition, incidences of nepotism were also observed. Regarding Agency B, there have been incidences of overpayment of benefits to public officers. Though the agency is aware of these overpayments, it refuses to correct these errors which benefit all those involved. In both instances, the information contained on the Portal alone would not allow a regular citizen to identify these incidences of corruption.

**Data Collection**

Yin (1984) affirms that evidence for case studies should come from a range of different sources, such as documentation, archival records, interviews, direct observations, participant-observation, and physical artifacts. This research has heeded to that, and to date a number of sources have been analyzed, i.e. documents and archival records. In addition, semi-structured interviews have been conducted within the organizations under study. These have been carried out with people both directly involved in the incidences of corruption that serve as cases for this study, and others not directly involved. The aim is to establish a comprehensive understanding of why corruption has persisted in these settings in spite of the deployment of transparency and the greater risk of accountability and public scrutiny (see Table 1 for a comprehensive overview of stages of data collection and sources consulted).

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<tr>
<th>Research Stage</th>
<th>Sources of Data</th>
<th>Details</th>
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<tbody>
<tr>
<td>Investigative Stage: Identifying Cases.</td>
<td>Interviews and meetings. Document analysis.</td>
<td>Meetings conducted with high-level public officials to gather information and be granted access. Subsequent meetings with lower-level officials to gain a deeper understanding of processes. Analysis of documents to further understanding of procedures. Analysis of official government data in order to identify inconsistencies. Follow-up interviews in order to check understanding and confirm instances of wrongdoing.</td>
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<tr>
<td>Understanding the Organizational Subsystem.</td>
<td>Interviews, participant observation, document analysis.</td>
<td>Interviews conducted with various public employees involved in the incidences of wrongdoing. Interviews conducted with those responsible for information systems implementation. Interviews with those who oversee these processes. Participant observation, i.e. a day spent at the organization to observe the dynamics of institutions and how information is enacted. Analysis of internal documents, i.e. manuals.</td>
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Regarding the cases, interviews were conducted in the period of April 2015 through August 2015. A total of 35 interviews have been conducted so far, though more are scheduled to take place. Interviewees have ranged from lower level officials to top management, and have thus far provided valuable information in...
regards to power structures, how acts of misconduct were first introduced and how they have persisted through time in spite of several changes in management. As the analysis of the data progresses, several firm conclusions as to why transparency has been unable to address the issue of corruption will no doubt become clearer.

**Concluding Remarks**

The present research has introduced a novel way of researching corruption and analyzing the impact of transparency initiatives, i.e. utilizing an institutional lens. It has also introduced a novel way of collecting data, by using as units of analysis ongoing incidences of corruption. As such, this research in progress has the potential to provide powerful breakthroughs as to why corruption persists even the presence of transparency frameworks in place.

At this stage, there is still work to be done in regards to the analysis of the data collected thus far. In spite of that, it is already possible to determine a few important findings: firstly, no causal link between transparency and accountability was observed. In fact, those interviewed reported that they see no direct link between their actions and the information published on the Brazilian Federal Government’s Transparency Portal. Moreover, in regards to how they rationalize about their actions, they refuse to classify their acts of misconduct as corrupt, but rather as a necessary step to overcome bureaucracy. New hires however reported an unease at how procedures are consistently broken. Corrupt practices however are systemic and overall enjoy support from all levels of organization, whether they are directly benefitted from such practices or not. These initial results are promising and proves that this research has the potential for providing other researchers with a framework on how to conduct research in this topic.

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