

Public governance

STRENGTHENING INTEGRITY FOR SUSTAINABLE GROWTH

- ▶ Corruption is a recognised problem in Brazil, negatively impacting public and private sector.
- ▶ The regulatory framework on lobbying and whistleblower protection can be further improved to prevent policy capture and strengthen integrity mechanisms.
- ▶ Brazil could build on significant progress made in public sector control and oversight mechanisms and prosecution.

What's the issue?

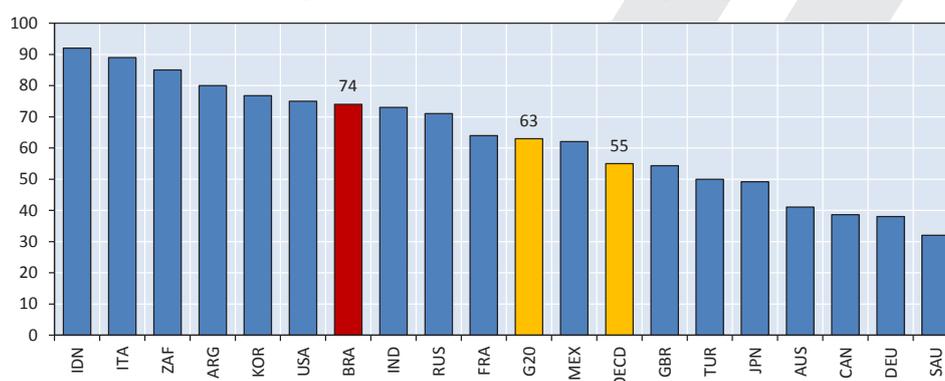
Corruption is a recognised problem in Brazil that weakens the economy's competitiveness and affects trust in markets and institutions. According to the World Bank Enterprise Survey, corruption is cited as the top concern for doing business by 69% of businesses operating in Brazil. According to the 2013 World Gallup Poll, 74% of citizens feel corruption is widespread in government (see Figure).

In terms of legislative frameworks in Brazil, there is currently no specifically dedicated legislation to regulate lobbying to protect the policy cycle from undue influence and capture. However, some aspects are governed by laws against corporate bribery, conflicts of interest and the like. Translating public sector whistleblower protection into law legitimises and structures the mechanisms under which public officials can disclose actual or perceived wrongdoings in the public sector,

protect public officials against reprisals, and, at the same time, encourage them to fulfil their duties in performing efficient, transparent and high quality public service. Legislation protecting whistleblowers can become one of the most effective tools to support anti-corruption initiatives, detecting and combating corrupt acts, fraud and mismanagement. A number of international instruments and recommendations highlight the ways in which these issues can be addressed, including: the 2012 G20 Guiding Principles for Legislation on the Protection of Whistleblowers; the 2009 OECD Recommendation for Further Combating Bribery of Foreign Public Officials; and the 1998 Recommendation on Improving Ethical Conduct in the Public Service Including Principles for Managing Ethics in the Public Service.

Corruption is a widely recognized problem in Brazil

Share of citizens reporting that corruption is widespread throughout government, 2014



Source: Government at a Glance 2015 with data from Gallup World Poll.

What should policy makers do?

- ▶ Protect the policy cycle from undue influence and capture, for example by implementing measures to increase transparency in lobbying such as a lobbying register, code of conduct and pre/post public employment regulation and by developing an effective and comprehensive whistleblower protection law.
- ▶ Strengthen the first line of defence against corruption, for example by mainstreaming a risk-based internal control into public management.
- ▶ Shape skills and values in governments as well as at societal and individual level, for example through civic education and targeted awareness raising actions to remind citizens of their own responsibilities.

Moreover, Brazil, like 45.5% of OECD countries, continues to provide ad hoc protection to whistleblowers, through fragmented legal provisions. Such provisions often provide less comprehensive protection than that provided by a dedicated whistleblower protection law. Increasing transparency in lobbying could protect policy cycle from undue influence. Emerging evidence on consensus on the need for transparency in lobbying across OECD countries and the Latin America is backed by the fact that 11 countries have introduced lobbying regulations in the last decade, including Mexico and Chile, whereas only 4 countries had introduced lobbying regulations in the previous 5 decades.

However, there are elements that point to an improving situation. While high visibility cases have raised concerns and tested the government's reaction to unprecedented citizens' demands, the domestic corruption cases are being investigated and prosecuted even when involving high level public officials. The Comptroller-General of the Union (CGU) in particular has raised transparency levels in many government areas and the Federal Court of Accounts (TCU) is a worldwide leader in advancing the role of audit institutions in curbing corruption.

Why is this important for Brazil?

Corruption can affect the effectiveness of policies, the implementation of norms and, in extreme cases, even lead to political and social instability.

The economic impact of corruption in Brazil, South America's largest economy, is significant not only nationally but also regionally. Through wrongdoings in public procurement or inappropriate subsidies in ineffective companies for example, corruption hampers trade and investment, weakens private sector competitiveness and results in loss of state revenue.



Further reading

OECD (2015), *Integrity Framework for Public Investment*, OECD Publishing, forthcoming.

OECD (2015), *Financing Democracy: Policy Capture, Funding of Political Parties and Election Campaigns -Building Trust in Public Institutions*, OECD Publishing, forthcoming.

OECD (2015), *Recommendation of the Council on Public Procurement*. <http://www.oecd.org/gov/ethics/Recommendation-on-Public-Procurement.pdf>

OECD (2012), *Integrity Review of Brazil: Managing Risks for a Cleaner Public Service*, OECD Publishing. <http://www.oecd.org/publications/brazil-oecd-integrity-review-9789264119321-en.htm>

OECD Public Procurement Toolbox. <http://www.oecd.org/governance/procurement/toolbox/>