

Public governance

BUILDING PUBLIC TRUST THROUGH FURTHER REFORMS TO SAFEGUARD RESPONSIVENESS AND INTEGRITY

- ▶ Brazil is facing a crisis of trust in the wake of, among other factors, corruption scandals, institutional imbalances and problems in guaranteeing certain basic constitutional rights, which is undermining citizens' trust in government and the effectiveness of public services.
- ▶ The country has accomplished significant achievements such as the entry into force of its corporate liability regime in 2014, the conclusion of the country's first foreign bribery case in 2016 and the formulation of a specific governance policy for the public sector.
- ▶ The challenge now is to deliver on past reforms and promises, and address new corruption risks with systemic, forward-looking approaches that go beyond the "culture of cases".

What's the issue?

Given its hidden nature, measuring the extent of corruption poses challenges, but perception surveys signal a worsening environment for public corruption in the last few years. In 2015, over 45% of those surveyed did not perceive any progress in reducing corruption in state institutions in the previous 2 years (see Figure). This was a significant increase since 2013, when approximately 25% of survey respondents said they did not perceive any progress.

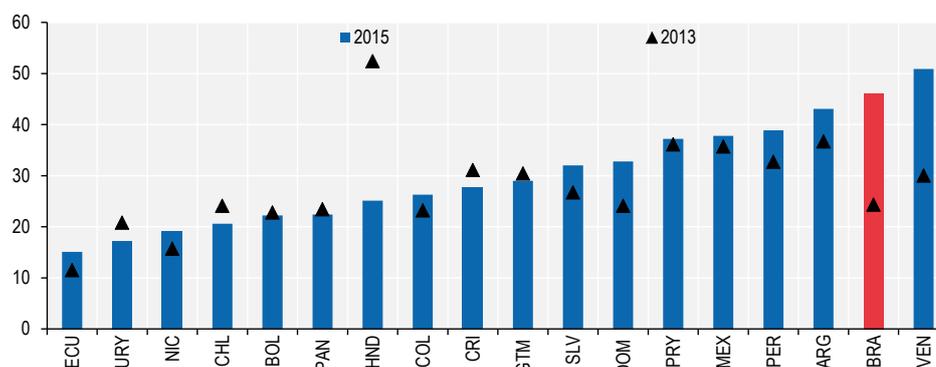
The Brazilian government has taken steps to safeguard public integrity and ensure an effective anti-bribery regime. In November 2017, the President of Brazil issued a decree aimed at putting in place a public governance policy aligned with the principles of trust, responsiveness, integrity, regulatory improvement, accountability and transparency. As part of the provisions of this decree, the Ministry of Transparency and the Comptroller General of

the Union -- CGU will develop a range of procedures to effectively design, implement, monitor and evaluate integrity programmes. Together with its agenda of open government and the digitalisation of public services, Brazil is seeking to bring citizens closer to government decisions – thereby strengthening the integrity of its actions and promoting trust in public institutions. Moreover, Brazil has made significant strides towards improving the coherence, quality and effectiveness of public policies and programmes through the work of the Committee on Monitoring and Evaluation of Federal Public Policies, which has shown real promise, through its monitoring and evaluation activities, in promoting greater accountability, integrity and transparency in public spending.

In addition, major guidelines for advancing the fight against corruption have been put forward in the Legislature, such as Draft Law No. 1.202/2007, governing lobbying activities

People feel that progress on fighting corruption is slowing down

Percentage of survey respondents saying they did not perceive any progress in reducing corruption in state institutions in the last 2 years



Source: Latinobarómetro, 2015.

and the actions of pressure or interest groups, and similar organisations, with regard to bodies and entities that are part of the Federal Public Administration. As a result of the operations carried out to combat corruption in recent years, the regulation of lobbying activities is a relevant step in advancing the country's fight against corruption.

Another measure that needs to be approved by the Congress is the law 9.163 of 2017, which extends the public governance policy instituted by the Federal government to subnational entities and other branches of the Union, both legislative and judicial, in addition to bring the minimum content for the elaboration of national, sectorial and regional plans and for the national strategy of economic and social development of 12 years, which will define the guidelines and the long-term orientations for the stable and coherent action of the bodies and entities.

Getting the policies and procedures right is important, but implementation challenges remain. Strong commitment at every level – from leadership to frontline staff – is crucial to proactively manage risks, improve control activities, report wrongdoing and strengthen coordination. In addition to CGU and line ministries, the supreme audit institution (Tribunal de Contas da União, TCU) can play a critical role in improving its guidance and capacity to assess integrity risks in a way that helps policy makers to make informed actions. Likewise, the Inter-ministerial Committee on Governance can help design a coherent and coordinated policy on integrity, to the extent that it can recommend to bodies and entities that they adopt certain measures and organisational practices aimed at promoting integrity. Brazil has encountered enforcement challenges due to a lack of proper coordination between CGU and other authorities, notably the Federal Prosecution Service responsible for the prosecution of foreign bribery offences. Moreover, with foreign bribery inherently crossing borders, cooperation and coordination with other countries is crucial. Brazil can build on its experience gained in recent prominent bribery cases and from measures such as the 2017 Brasilia Declaration on International Legal Cooperation against Corruption to enhance international cooperation.

Why is this important for Brazil?

OECD experience shows that restoring trust in government is critical to restore society's trust in public institutions, which leads to increased tax revenue, better adherence to regulations and greater public security. In the context of Brazil, safeguarding integrity and combating corruption go hand in hand. To go beyond a culture of cases towards a culture of integrity, it is critical for Brazil to address the systemic conditions that make corruption cases possible in the first place.

What should policy makers do?

- ▶ Fully implement Decree No. 9.203/2017 on Public Governance to advance a culture of prevention alongside a culture of fighting cases of corruption, including by tone-at-the-top, as well as internal control and risk management frameworks.
- ▶ Target effective integrity policies at all threats to taxpayer resources, including the risks of fraud, waste and abuse arising from the formulation of public policies or lack of criteria for granting tax benefits, as well as emerging risks.
- ▶ Further mainstream risk-based approaches, for instance, by ensuring that risk assessments are an integral part of management responsibilities and risks are aggregated to identify government-wide risks.
- ▶ Determine and invest resources in high-risk areas, including health, education and procurement.
- ▶ Monitor and evaluate policy changes to get a better understanding of what works and what doesn't.
- ▶ Make better use of inputs from audit institutions, including audits and evaluations that point to systemic weaknesses in internal control systems and help identify risks.
- ▶ Ensure that sanctions for foreign bribery imposed on companies are effective, proportionate and dissuasive.
- ▶ Foster inter-agency cooperation, in particular between FPS and CGU.
- ▶ Enhance international co-operation in bribery cases.
- ▶ Encourage companies in Brazil to adopt adequate internal controls, ethics and compliance systems to prevent and detect bribery both foreign and domestic.



Further reading

OECD (2017), *Brazil's Federal Court of Accounts: Insight and Foresight for Better Governance*, OECD Public Governance Reviews, OECD Publishing. <http://dx.doi.org/10.1787/9789264279247-en>

OECD (2017), *Follow-up to Phase 3 Report on Implementing the OECD Anti-Bribery Convention in Brazil*, OECD Publishing. <http://www.oecd.org/corruption/anti-bribery/Brazil-Phase-3-Written-Follow-Up-Report-ENG.pdf>

OECD (2012), *OECD Integrity Review of Brazil: Managing Risks for a Cleaner Public Service*, OECD Public Governance Reviews, OECD Publishing. <http://dx.doi.org/10.1787/9789264119321-en>