

Increasing Accountability for Better Governance: Evidence from Brazil's Audit Lotteries

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Accountability and information

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- But in many developing countries, voters have **imperfect information** about politicians' actions
- Low levels of schooling and lack of government transparency

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Exposing corrupt practices

- Auditing local governments for the use of public resources and disseminate information about corruption
- How does the information about corrupt practices affect **voting patterns**?
- How does the effect of exposing corruption practices vary with the availability of **local media**?

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- How can we isolate the affects of information dissemination to voters? **Randomly select municipalities to be audited and have the summary of audit reports released before the election**

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- Brazil is one of the most decentralized countries in the world
- Municipal governments are responsible for education, health, sanitation, and urban infrastructure
- Corruption at the local level is an overreaching concern

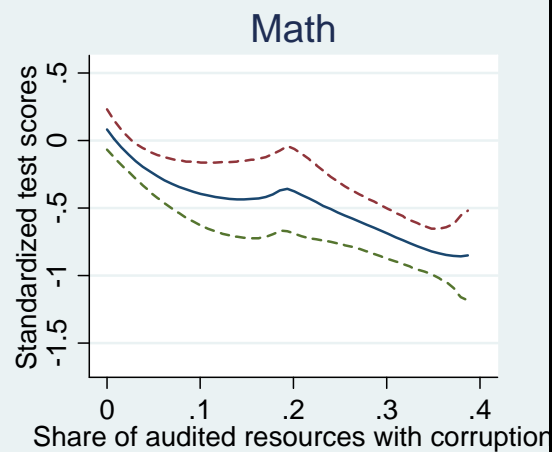
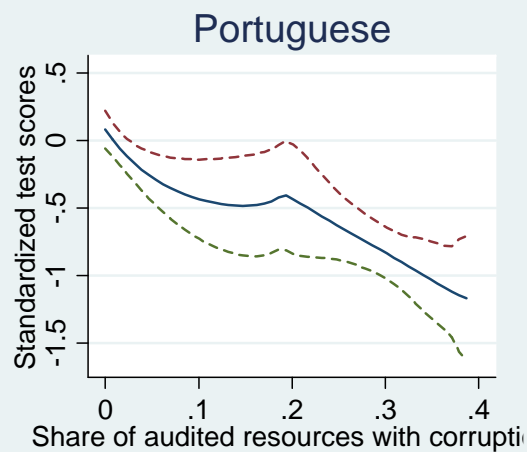
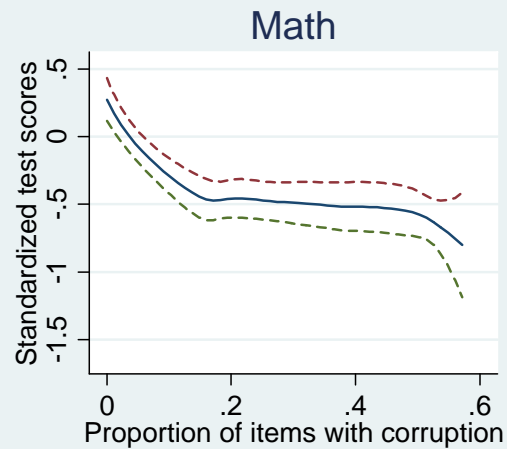
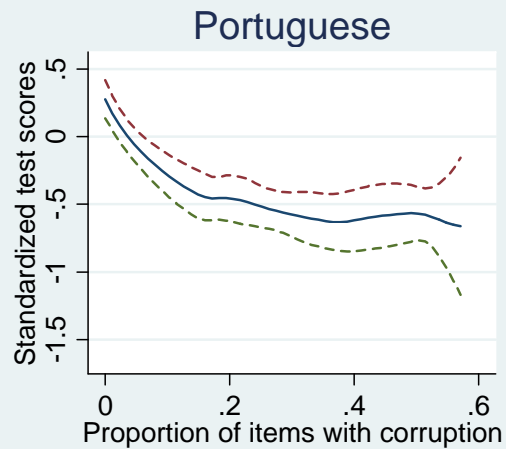
Institutional background: examples of corruption in education

- Municipality claims to have paid for books, but the books were never received by schools
- Payments for school reforms, but no reforms were made.
- School lunches not provided, but paid for.
- Diversion of resources that should have gone to pay teacher salaries.

Where does the money for school buses go?



Institutional background: pervasive consequences of corruption



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- Objectives
 - Discourage the mismanagement of public funds
 - Foster the participation of civil society in controlling the use of public resources

Brazil's anti-corruption program: execution

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- 10-20 auditors are sent to examine the use of federal funds. Pre-determined sample of public works and programs to audit. Look at paperwork (eg. procurement procedures) and implementation

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- A summary of the findings is posted on the internet and disclosed to the mass media.



Programa de Fiscalização a partir de Sorteios Públicos

Sem abrir mão de sua ação corretiva, que consiste na apuração de denúncias ou indícios de práticas lesivas ao interesse público, a Controladoria-Geral da União trabalha, agora, com um novo instrumento de fiscalização, nunca antes utilizado na República, visando à dissuasão da corrupção entre gestores de todas as esferas da administração pública. [Leia mais >>](#)

- [Municípios sorteados](#)

- [Sínteses dos relatórios de fiscalização](#)

- **Notícias relacionadas**

- 15/04/2005 - [Muitas irregularidades no 13º sorteio](#)

- 15/04/2005 - [Indícios de fraude persistem em São Francisco do Conde](#)

- 14/04/2005 - [15º Sorteio Público - Municípios sorteados](#)

- 22/02/2005 - [Ji-Paraná/RO: CGU constata irregularidades em obra de R\\$ 7,2 milhões](#)

- 22/02/2005 - [Operadoras não cumprem metas de telefonia](#)

- 12/01/2005 - [Irregularidades em licitações são os casos mais graves em municípios](#)

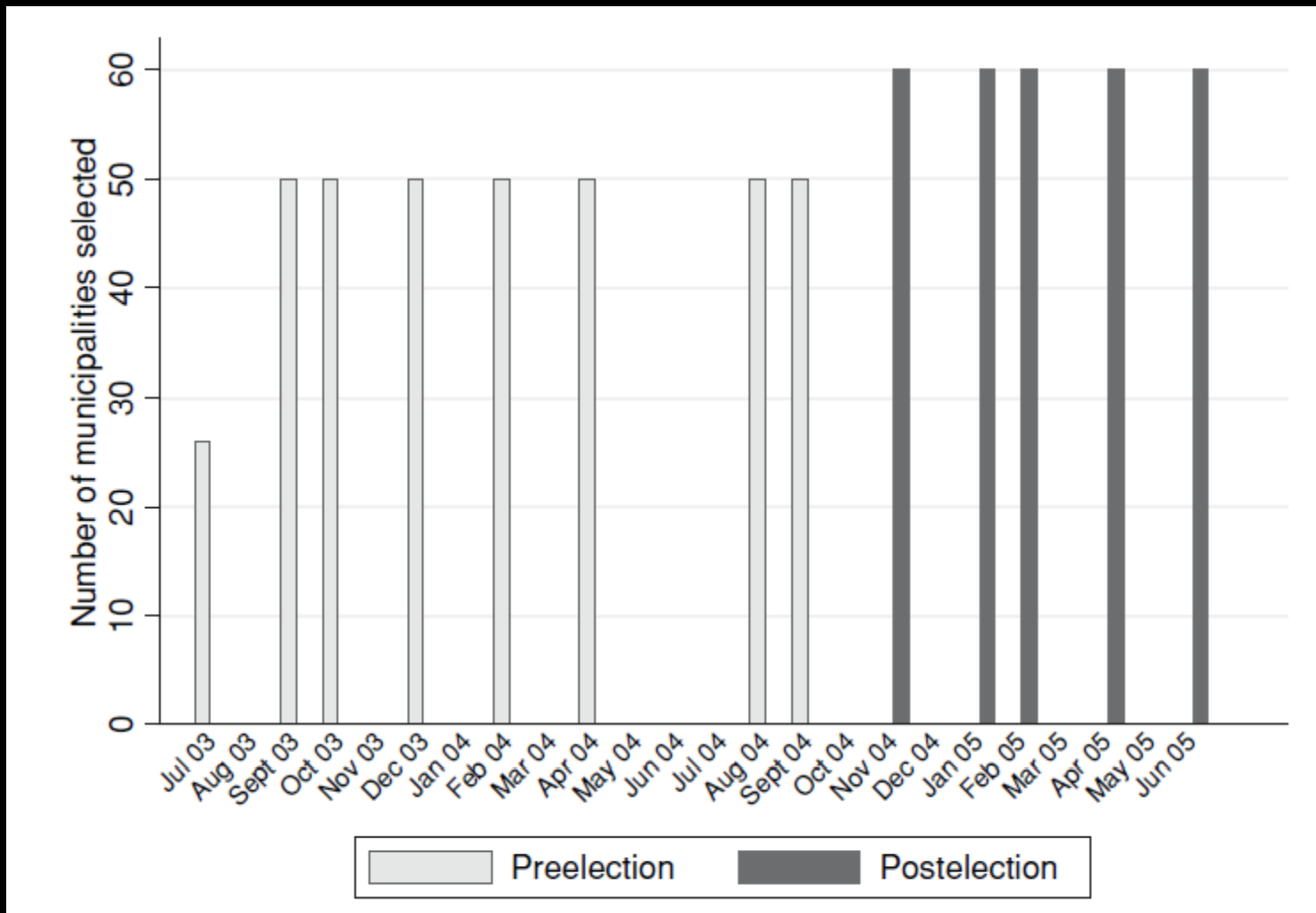
- **Notícias anteriores**

- [2004](#)

Lottery for auditing municipalities



Randomized information dissemination



Policy treatment

Treatment

*Dissemination of audit results **before** the election*

Control

*Dissemination of audit results **after** the election*

Measuring corruption

- Based on the audit reports, we define corruption as any irregularity associated with:
 - Fraud in procurement
 - Diversion of public resources
 - Over-invoicing
- Measure of corruption: number of irregularities associated with corruption in a municipality.

Main results

- The audit policy, and the release of information prior to the election, decreased the share of votes and the probability of reelection for corrupt incumbent mayors running for reelection.

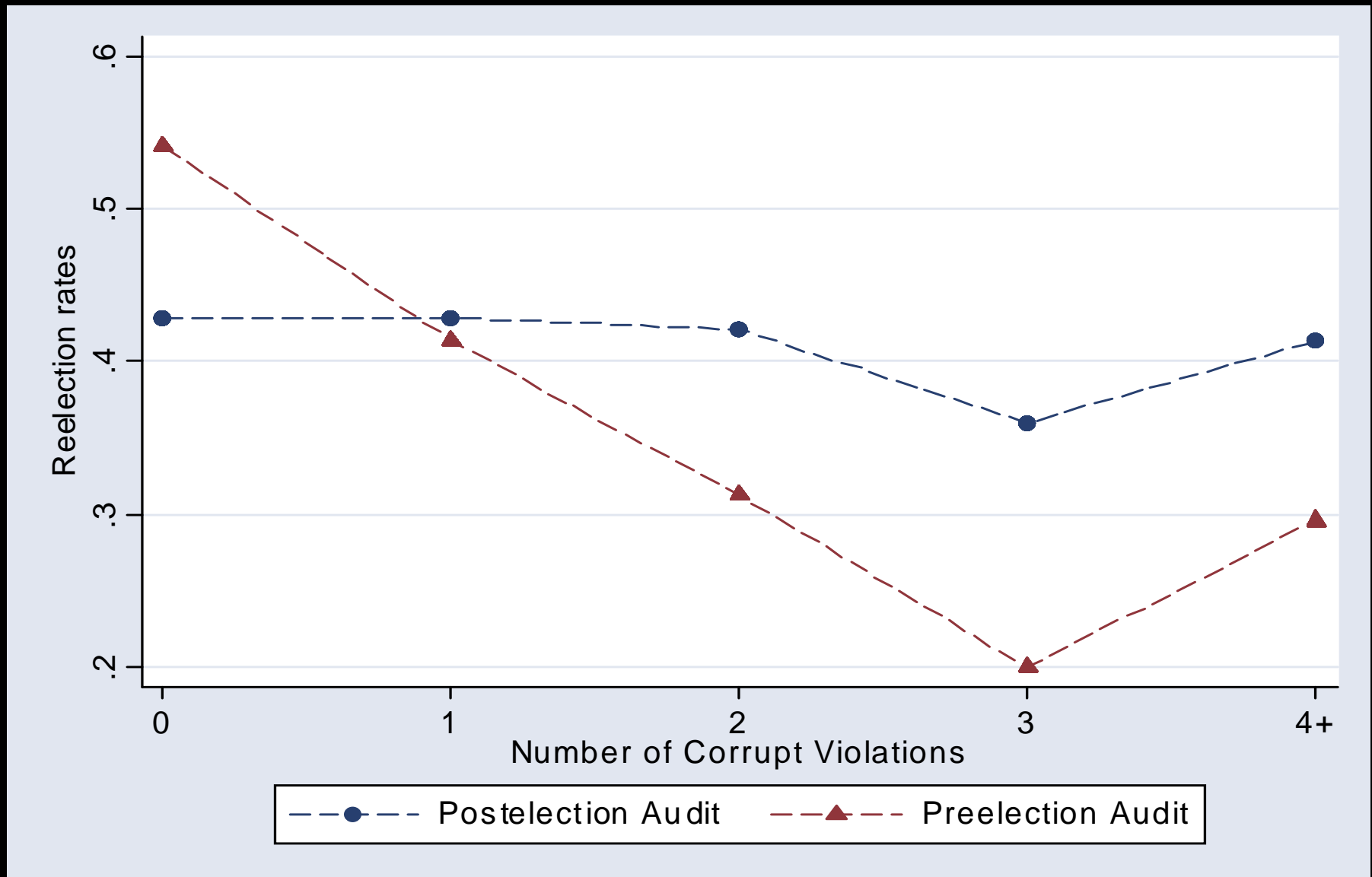
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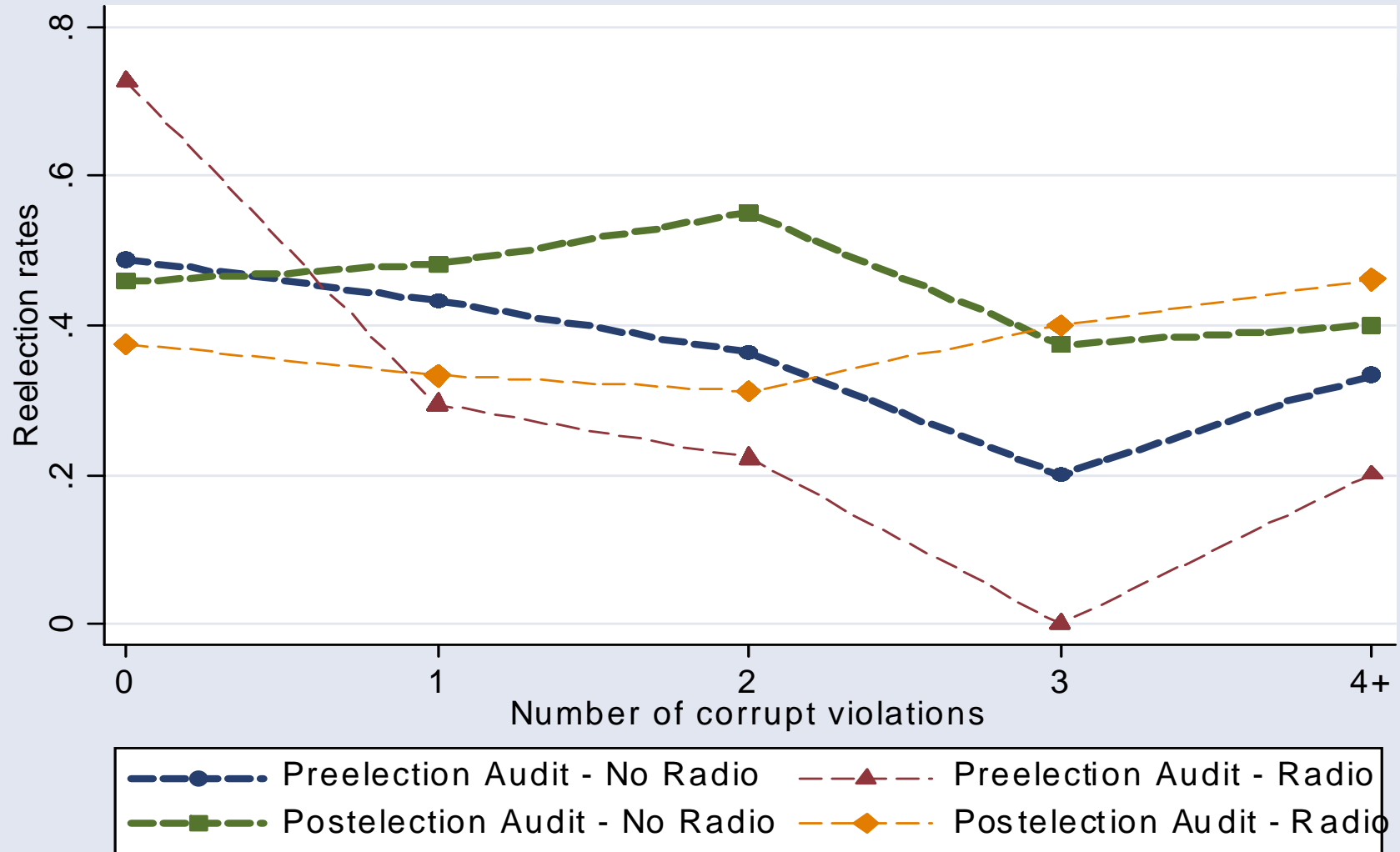
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- Non-corrupt mayors benefitted from having found to be clean

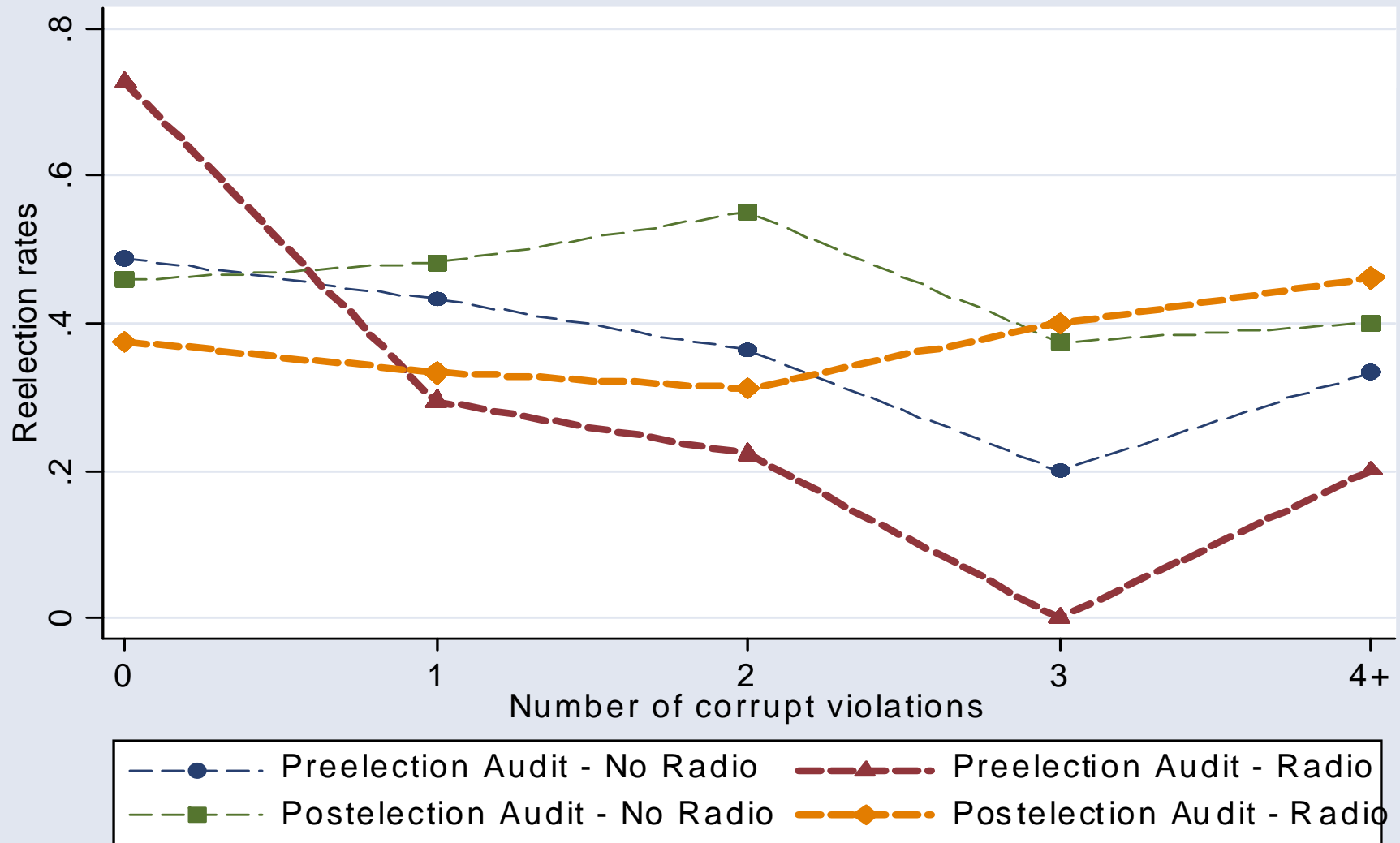
The effects of the audits by corruption



The effects by corruption and media



The effects by corruption and media



Policy lessons

- Voters care about corruption but may not have the information necessary to take action.
- In response to credible information, voters update their beliefs about politicians and change their voting behavior.
- Local media can enhance political accountability and candidate selection.

Policy lessons

- Random audits and dissemination serve two purposes:
 - Discourage corruption and
 - Enhance civil society participation
- For long-term effects on reducing corruption and improving policies, need to prevent corrupt politicians from returning to politics and punish corruption in the courts (role of judiciary)

Future work

- Are bad politicians substituted by good politicians in the long-run or corrupt politicians return to office?
- Do better politicians implement better policies?
- Does the probability of being audited change public sector management practices?
- What about local level bureaucrats, can we train and incentivize them to reduce mismanagement?