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 only have imperfect information about politicians’ actions.
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• Low levels of schooling and lack of government transparency
Can improved information affect governance?
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  – Short-term => elections
  – Long-term => judicial system, entry into politics
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• Do better leaders select better policies?
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- Does auditing and providing information about government’s performance help citizens in sanctioning bad politicians and selecting better leaders?
  - **Short-term** => elections
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- Do better leaders select better policies?
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**?
Difficulties in evaluating the effects of information

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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.**
Institutional background: corruption at the local level in Brazil

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Institutional background: corruption at the local level in Brazil

- 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
Brazil’s anti-corruption program

- Monitoring through public lotteries started in 2003. Program randomly selects municipalities to be audited for the use of public resources
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- Objectives
  - Disencourage the mismanagement of public funds
  - Foster the participation of civil society in controlling the use of public resources
Brazil’s anti-corruption program: execution

• Lottery selects 50 to 60 municipalities every 2 meses to be audited (among all municipalities with less than 450,000 people, approximately 5000 localities)
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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
Brazil’s anti-corruption program: execution

• After a week of inspections, a detailed report describing all irregularities found is submitted to central government
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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 correcional, 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

![Graph showing number of municipalities selected over time, with two categories: Preelection and Postelection. The graph displays data from July 2003 to June 2005.](image)
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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• The reduction in reelection rates for corrupt mayors was larger in municipalities with the existence of local radio to disseminate the results of the audits.
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.

• The reduction in reelection rates for corrupt mayors was larger in municipalities with the existence of local radio to disseminate the results of the audits.

• Non-corrupt mayors benefitted from having found to be clean
The effects of the audits by corruption

The number of corrupt violations:

- Postelection Audit
- Preelection Audit

Reelection rates vs. Number of Corrupt Violations:
The effects by corruption and media
The effects by corruption and media

The figure shows the re-election rates for different numbers of corrupt violations. The lines represent different audits and media presence conditions:

- **Preelection Audit - No Radio** (dashed blue line)
- **Preelection Audit - Radio** (solid red line)
- **Postelection Audit - No Radio** (dashed green line)
- **Postelection Audit - Radio** (solid orange line)

The x-axis represents the number of corrupt violations, while the y-axis shows the re-election rates. The graph illustrates how the presence of corruption and media affect re-election rates.
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?