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Accountability from the Top Down? Brazil's Advances in Budget Transparency despite a Lack of Popular Mobilization

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The Brazilian public sector is large by international standards. According to the Organization for Economic Cooperation and Development (OECD), it is the fourteenth largest in the world, bigger than developed democracies such as the United Kingdom or Spain. Tax revenues have continued to rise since financial stabilization in the mid-1990s, reaching a high point of 34.8 percent of gross domestic product (GDP).[1] The importance of public sector spending has only increased since democratization, first through the expansion of social programs such as health care and education and later through the extension of the government's social assistance conditional cash program, Bolsa Família. These circumstances magnify the importance of budget transparency, both for public oversight and for the management of public finances.

As illustrated by the relatively high scores in the Open Budget Index (OBI) of the International Budget Partnership (IBP)—74 percent in 2006 and 2008 and 71 percent in 2010—the Brazilian public sector provides a considerable amount of information regarding budget development and execution.[2] Contrary to the minor decline in the latest IBP score, Brazil's transparency efforts have increased substantially in recent years. Of note, the public sector now releases a vast array of disaggregated expenditure information shortly upon disbursement. On the federal government's transparency portal, one can access—albeit with different

This chapter is the product of research and writing conducted primarily by Jorge A. Alves, with support and advice from Patrick Heller.

1. OECD (2010).

2. Available at www.internationalbudget.org/what-we-do/open-budget-survey. The decline in the score was credited to less-detailed year-end and audit reports.

degrees of difficulty—information ranging from federal transfers to states and municipalities, expenditures tabulated by government ministries or by program, and even wages for public employees.[3] Clicking through the hierarchy of expenditures, one can reach information on the payee and date of payment and even report errors or malfeasance. Legislative branches report expenditures and reimbursements by individual members of Congress, down to proof of payment. In recent years, state and municipal governments have also launched transparency portals with similar fine-grain information.[4]

Brazil's high ranking in budget transparency (eighth overall in 2009 and ninth in 2010 in the OBI) is puzzling in that it defies conventional social science explanations. Most structural predictors of government accountability such as socioeconomic indicators would yield contrary forecasts. Brazil ranks relatively low on income measures such as GDP per capita (fifty-five in the International Monetary Fund's *World Economic Outlook*) and fares particularly poorly with regard to income inequality (seventy-five in the United Nations Development Programme's *Human Development Report*).[5] Cultural and historical predictors—a Portuguese patrimonial bureaucratic heritage and modern history of state corruption—do not favor transparency. Transparency International's Corruption Perception Index ranks Brazil sixty-nine in the world (up from seventy-five in 2009) in perceived corruption.[6] And though not unique to Brazil, the domestic narrative through the media is far from positive, as a constant bombardment of corruption scandals (both large and petty), misuse of funds, and ineffective spending has created popular animosity for both the political class and state employees.[7]

And yet, since redemocratization in the 1980s and macroeconomic stabilization in the 1990s, Brazilian governments have enacted legislation that has increased accountability, expanded participation, and introduced stringent transparency standards for the public sector. Despite political resistance from elected officials and the need to generate new administrative capacities for compliance, the public sector has largely met these new requirements. But as with most things in Brazil, the national-level narrative clouds a great heterogeneity in local experiences. In this chapter, we provide an overview of the current state of budget transparency in

3. www.tranparencia.gov.br. Although the disclosure of individual wages is common practice in a wide range of countries, it is highly contested in Brazil. Public sector unions are particularly combative on the issue and have used the judicial system to prevent governments from disclosing such information. See, for example, "Prefeitura de SP volta a publicar salários de funcionários na web," *Folha de São Paulo*, January 19, 2011.

4. Brazil is a three-tier federal system consisting of a federal government, twenty-six states, one federal district, and 5,564 municipalities.

5. IMF (2010) and UNDP (2009).

6. www.transparency.org/policy_research/surveys_indices/cpi/2010/results.

7. See, for example, the congressional scandal monitor by the *Folha de São Paulo*'s Fernando Rodrigues, available at http://noticias.uol.com.br/escandalos-congresso/.

Brazil, which we argue is significantly advanced and yet troublingly uneven. Although extensive information is now made publicly available, its dissemination is shaped by the interests and demands of the actors involved—the federal executive, political opposition, a limited number of high-capacity civil society organizations (CSOs), and the media. Concurrent processes of decentralization and participatory governance have done a great deal to disseminate transparency subnationally. However, the use of public information by civil society and the population at-large is still underdeveloped. We describe the current level of transparency, the budgetary process, and the major changes in the last twenty years, highlighting the major actors (reformist presidents, finance bureaucrats, legislators, CSOs, and the media), the importance of the development of democratic practices, and the role of systemic crises—both financial and of public opinion—in galvanizing domestic actors and speeding the process along.

The Open but Distorted Budget Process in Brazil

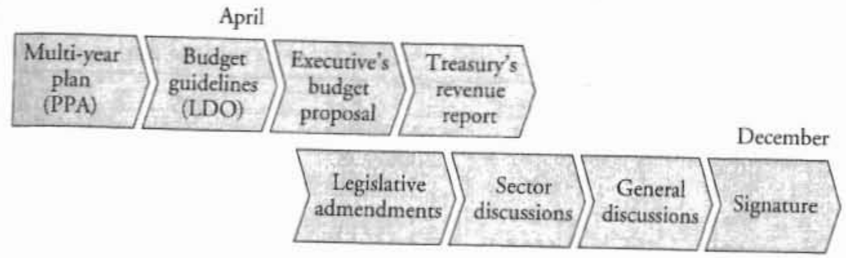
Brazil is a three-tier federal system, with an analogous and well-established budgetary process for national, state, and municipal governments (figure 3-1). The annual budget (Lei Orçamentária Anual, LOA) is subsidized by two guiding documents: a four-year budgetary plan (Plano Plurianual, PPA) and a yearly Budgetary Guidelines Law (Lei de Diretrizes Orçamentárias, LDO). Upon taking office, a new administration develops a PPA that will apply for the subsequent four years.[8] Within the guidelines of the multiyear plan, the planning and finance ministries develop an LDO for the upcoming year, specifying financial assumptions, policy goals, as well as fiscal targets—of particular note for Brazil's federal government are projecting the national minimum wage and setting goals for the primary surplus.[9] Following approval of the LDO, the executive presents a budget proposal (PLOA) to a joint commission of the Chamber of Deputies and the Senate (Comissão Mista de Orçamento),[10] initiating a series of discussion cycles that include a study of revenues by the Treasury Department and an extensive number of legislative amendments (*emendas parlamentares*). Legislators have the opportunity to attach amendments to the budget—up to twenty-five amend-

8. Brazilian executives are elected for four-year terms. Overlapping the multiyear plan with the first year of the subsequent administration emphasizes continuity and allows the incoming executive to develop the next PPA.

9. For the federal government, the LDO must be submitted to Congress by April 15 and must be approved by July 17. Formal rules state that Congress is forbidden from taking the midyear recess before approving the LDO.

10. The lower house (Chamber of Deputies) provides population-based representation, while the upper house (Senate) provides territorial-based representation. Subnational governments have a single legislative assembly.

Figure 3-1. *The Budget Process in Brazil*



Source: Comissão Mista do Orçamento.

ments each—submitted through cross-party state delegations.[11] Amendments and sector-specific portions of the budget are discussed with ministries and (indirectly) with civil society in a sectoral cycle and then in a general cycle, when the joint commission finalizes the budget proposal. The budget is signed into law close to the end of the year (the official deadline for approval is December 22).

While the stages of budgetary development include the legislature and are open to popular access (if not participation), two characteristics of the budget process make participation and oversight difficult. First, Brazil's 1988 constitution specifies a large portion of the state's operational responsibilities, including transfers to subnational governments, pensions, and earmarks for specific sectors. Almost 75 percent of each of the previous four budgets was composed of obligatory expenditures, leaving most of the budgetary cycle to debate the much smaller public investment budget.[12] Therefore, though extensive and inclusive, the budgetary process makes only marginal changes to the overall amounts of the initial proposal (table 3-1). Legislative amendments, on average, amount to a very small portion of the budget proposal: 1.9 percent of the PLOA and 3.3 percent of the "effective budget" (net financial expenses) for the period 2005–11.[13] Legislators are allowed to pursue individual amendments, funded out of an equal predetermined quota per member of Congress.[14] While this strategy ensures every representative equal opportunity and thus

11. Delegations have additional collective amendments, as do specific commissions of both houses. This adds up to more than 9,000 amendments per budget.

12. Although high, this is a *decrease* from the early years of the new democracy. From 1988 to 1993, more than 90 percent of the federal budget consisted of obligatory spending. Since then, the government has reissued legislation (the Fund for Fiscal Stabilization or Fundo de Estabilização Fiscal and later the Detachment of Union Resources or Desvinculação de Recursos da União, DRU) to guarantee control over at least 20 percent of the yearly budget (Alston and others 2008).

13. Cambraia (2011). At the same time, Cambraia argues that they are a significantly higher proportion of the *discretionary* portion of the budget proposal (34.5 percent, on average, for the period 2005–11).

14. The equalization of amendment funds per legislator followed in the aftermath of a political scandal exposing a scheme in which legislators diverted public funds to fake nonprofits. Media scrutiny during

Table 3-1. *Total Changes during the Budget Cycle in Brazil, 2002–11*
R$ million unless otherwise noted

Year	*PLOA*	*LOA*	*Change (percent)*
2002	629,705	642,041	2.0
2003	1,009,532	1,036,056	2.6
2004	1,457,687	1,469,087	0.8
2005	1,574,500	1,606,403	2.0
2006	1,627,909	1,660,772	2.0
2007	1,504,499	1,526,143	1.4
2008	1,344,646	1,362,268	1.3
2009	1,575,879	1,581,448	0.4
2010	1,729,634	1,766,022	2.1
2011	1,930,628	1,966,016	1.8
Average			1.6

Source: PLOAs and LOAs from Orçamento Brasil (www.camara.gov.br/orcamento).

minimizes conflict within the joint commission, it also has negative effects, as most amendments tend to fund pork-barrel projects that yield political dividends for local constituencies but pulverize public spending and fund low-quality projects.[15] These amendments are generally approved (particularly those with individual-legislator sponsorship), allowing legislators to claim immediate political credit with the target constituencies (table 3-2). Collective amendments (presented jointly by cross-party state delegations and legislative commissions) tend to contemplate higher-quality, larger-scale public projects but, due to their diffuse heritage, suffer more harshly from cuts during the budget process.

In part, legislators are granted such freedom in determining individual amendments because the executive has practically unfettered control over implementation of the budget.[16] This latitude over the authorization but also the timing of dis-

this time revealed that politicians who controlled different budget commissions (referred to as the *anões do orçamento*) used the great latitude in allocating budgetary amendments to provide preferential treatment to their political allies and extract kickbacks from large contractors (Limongi and Figueiredo 2005).

15. These amendments are derided as yielding low-quality public spending (Alston and others 2008) and have repeatedly been exposed as sources of corruption among legislators, nonexistent nonprofits, and overpricing contractors. Sodré and Alves (2010) argue that municipalities that receive funds through legislative amendment are 25 percent more likely to experience corruption. Furthermore, once "pacified" by a set amount of amendment funding, legislators spend most of the time allocating their individual quotas rather than debating the priorities of the budget proposal itself (Cambraia 2011), a discussion kept for the select few committee rapporteurs (Figueiredo and Limongi 2002).

16. Limongi and Figueiredo (2005) argue that this transfers the conflicts between the executive and the legislature and the competition between legislators themselves from the allocation to the implementation phase. A similar level of executive discretion is identified in Mexico, the subject of chapter 5 in this volume.

Table 3-2. *Legislative Amendments in the 2011 Budget in Brazil*
Amounts in R$ million

Type of amendment	*Number of authors*	*Proposed*		*Approved*		*Approved after vetoes*	
		Number	*Amount*	*Amount*	*Percent*	*Amount*	*Percent*
Collective	58	610	64,409	13,406	21	12,126	19
Individual	593	9,193	7,707	7,707	100	7,119	92
Total	651	9,803	72,116	21,112	29	19,245	27

Source: Siga Brasil (www9.senado.gov.br/portal/page/portal/orcamento_senado/SigaBrasil).

bursements yields a series of economic and political distortions, including magnifying the effect of short-term economic fluctuations and the use of disbursement authorization as a political bargaining chip.[17] But the executive's discretion over disbursements generates more distortions to accountability than just "hollowing out" amendments. When fiscal discipline was necessary (as was the case through most of the two decades since democratization), the executive made widespread use of budgetary curtailment (*contingenciamento*) in order to rein in public sector spending. This solution became prevalent when Brazil pursued structural adjustment programs with support from international financial institutions, which attached sizable primary surpluses as conditionality. As marginal and lesser-quality expenditures, legislative amendments were especially vulnerable to the ax, with execution falling as low as 40 percent in the hardest-hit years.[18] The extent of executive latitude is also evident in the low overall rates of budgetary execution—on average less than 75 percent for the previous decade (table 3-3).

Executive control over the budget is also achieved through a series of accounting maneuvers undertaken by the planning and finance ministries. One such strategy is the purposeful understatement of future revenues in order to cap budgetary growth, even when the budget fails to cover all existing expenditures. This shortfall is then addressed during execution by the inclusion of additional budgetary credits throughout the fiscal year.[19] Fiscal year manipulation is also customary: capital and social sector expenditures are withheld until financial benchmarks have been achieved and then are cleared toward the end of year, spiking every December in what is commonly referred to as "Christmas packages."[20] This creates serious implementation problems for subnational governments and agencies, which must then

17. Pereira and Mueller (2002) and Alston and others (2008).

18. CONOF (2011) and Limongi and Figueiredo (2005).

19. Purposeful underbudgeting in constitutionally mandated social sectors such as health and education is common practice, to the extent that actors know to expect additional credits multiple times during the year.

20. Protásio, Bugarin, and Bugarin (2004).

Table 3-3. *Budget Execution in Brazil, 2001–10*

Year	*Approved budget (R$ million)*	*Additional credits (percent)*	*Executed (percent)*
2001	950,202	2.9	59
2002	650,410	9.0	93
2003	1,036,056	6.2	77
2004	1,469,087	2.6	59
2005	1,606,403	1.7	66
2006	1,660,772	4.2	66
2007	1,526,143	2.5	75
2008	1,362,268	13.9	76
2009	1,581,448	7.8	78
2010	1,766,022	4.7	77
Average		5.5	72.5

Source: Siga Brasil.

rush to spend allocations in a short period of time, at the risk of having to return monies to the federal government and failing to fulfill their constitutional requirements. Needless to say, this overtaxes even the best-intentioned government agents and provides ample opportunity for corruption for those less well intentioned.[21]

The (Otherwise) Extensive Transparency Tools

Despite the obfuscating effects of budgetary maneuvering by both the executive and legislative branches, the state of transparency in Brazil is nonetheless quite advanced. Budget documents (pre-budget statement, budget summary, budget proposal, and enacted budget) are published in the official press (*Diário Oficial da União*) and disseminated electronically throughout the budget process. Both the Senate and the Chamber of Deputies publish updated versions of the budget on the Internet at each stage of the process and host an extensive list of historical documents online. The Senate hosts a web platform (Siga Brasil) where users can generate electronic reports down to specific amendments or line items. Brazil also produces and discloses reports on execution, including in-year reports, year-end

21. Curtailment is also made necessary because congressional rapporteurs respond to the Treasury's understatement by overstating public revenues, in order to expand the pool of resources available for amendments. This yields incongruous situations, the latest of which occurred in late 2010, when president-elect Dilma Rousseff announced plans to curtail up to R$50 billion ($31.2 billion) from the 2011 budget almost concurrently with its publication. See "Ministérios com maior número de emendas serão mais afetados pelo corte," *O Globo*, February 10, 2011.

reports, and independent audit reports. The government does not produce a mid-year review or a citizen's budget, although the Chamber's website has recently added a simplifying explanation of the budget process.[22]

Public disclosure was made much simpler by the fact that the quality and availability of budgetary information historically have been high for Brazil's federal government. Due to their perceived importance, finance-related bureaucracies generally have been shielded from patronage appointments and generally have outperformed other sectors of the state.[23] Highly developed budgetary documents were available as early as the *Estado Novo* regime in the 1930s, when President Vargas created the Administrative Department of the Public Service (DASP).[24] As economists and planners rose to prominence during Brazil's bureaucratic-authoritarian regime (1964–84), the DASP offices grew in power and resources and so did the quality of budgetary data.[25] However, by the end of the military government, the lack of downward accountability and the politicization of the bureaucracy had led to fiscal profligacy and lack of financial controls throughout the three levels of government.[26] Hyperinflation, which plagued the Brazilian economy through most of the 1980s and the early 1990s, significantly lowered the quality and comparability of budgetary information.

The state has three embedded oversight bodies: the Comptroller General (Controladoria Geral da União), the accounts tribunals (*tribunais de contas*), and the Public Prosecutor (Ministério Público).[27] These institutions have the mandate of overseeing expenditures and budgetary processes, as well as investigating the misuse of government funds. The effectiveness of these bodies has varied across both time and place. Due to their overlapping mandates, they have been hindered by a certain amount of bureaucratic infighting. There are also significant problems with political interference. Since the executive at different levels of government appoints the heads of the tribunals, their independence is compromised—particularly at the local level, where the personal selection of tribunal heads tends to lower the likelihood of negative reports. But executive interference occurs even at the top. With the implementation of infrastructure programs lagging prior to an election year, President Luis Inácio "Lula" da Silva publicly criticized the state's

22. "Entenda o Orçamento" (www2.camara.gov.br/atividade-legislativa/orcamentobrasil/cidadao/entenda).

23. Evans (1995) refers to these parts of the bureaucracy as "pockets of efficiency" among patronage-infested line ministries.

24. Viana (1947).

25. On bureaucratic authoritarianism, see O'Donnell (1973).

26. Abrúcio (2007).

27. The Public Prosecutor is an institution of independent public prosecutors with freedom to enforce laws and prosecute in defense of the state and the people.

oversight bodies for nitpicking and obstructing progress.[28] Recently, criticism through the media has resurfaced in the wake of the delay surrounding infrastructural projects for the upcoming World Cup and Olympics events.

Most important, domestic legislation now expands the dissemination of public budget information far beyond the budget development process, requiring federal, state, and larger municipal governments to disclose electronically disaggregated information on public revenues and expenditures shortly after their execution. In these "transparency portals," executives must disclose daily revenues, budget execution by category and by line item, and documentation for each individual expenditure, including information on payee and services rendered. While the federal government already provided some of this information over its multiple platforms, state and municipal governments have had to adapt in order to fulfill these requirements, with varying results.

A domestic nongovernmental organization (NGO) named Contas Abertas recently surveyed federal and state transparency portals and generated a ranking of the electronic tools.[29] The Contas Abertas survey provided an extensive test of information disclosure, evaluating ease of access and clarity, periodicity of updating, and comprehensiveness of information disclosed by federal and state governments. In the initial rankings, the federal government scored the highest mark, 7.56 out of ten possible points.[30] In addition to the scores, Contas Abertas provided analytical reports, in which it classified the federal government's offerings as fairly comprehensive, including daily updates for some information and monthly updates for the remainder. The report flagged accessibility as an area in need of significant improvement, since disparate websites and software platforms provide uneven levels of precision, making the manipulation and cross-tabulation of data cumbersome.[31]

As can be expected in a country as diverse as Brazil, the level of transparency in subnational governments varies significantly. The Contas Abertas Index places state governments in a broad range from a high of 6.96 (São Paulo) to a low of 3.04 (Piauí), with a national average ranking of 4.88. Not surprising, states in the more developed South and Southeast regions tend to rank relatively higher than states in the rest of the country (figures 3-2 and 3-3). However, individual cases show the importance of intrastate political environments, with the relatively poor

28. "Lula critica burocracia," *O Globo*, April 30, 2009, and "Lula critica TCU por paralisação de obras e defende mudanças em órgãos de fiscalização," *Folha de São Paulo*, October 23, 2009.

29. Índice de Transparência (www.indicedetransparencia.org.br).

30. The index has not been updated since its original publication, making it impossible to assess transparency improvements systematically.

31. Among other strong points, the Contas Abertas report praised the existence of an up-to-date database of ineligible companies linked to corruption investigations.

northeastern state of Pernambuco ranking second among states (third overall) and the northern state of Rondônia ranking seventh (eighth overall). State governments have continued to improve their transparency portals as they develop the technology and managerial practices, perhaps to a further extent than expressed in the rigorous standards of the Contas Abertas Index.

Within-country heterogeneity in levels of development and managerial capacities is augmented when municipal governments are considered. The National Confederation of Municipalities (Confederação Nacional de Municípios) decried the introduction of transparency requirements based on feasibility as well as affordability concerns. Current legislation phased in the requirement of "real-time"[32] electronic disclosure by municipal governments based on population categories, currently encompassing municipalities with more than 50,000 inhabitants (representing 11 percent of municipalities, but 65 percent of national population). In the first year under the law, the number of municipalities with populations larger than 100,000 failing to disclose information fell by almost half (from 14 to 7.5 percent).[33] For the smaller of the two categories of municipalities (representing 6 percent of the total), transparency rules have been effective since May 2011, with 70 percent of them meeting legal requirements at the time of writing. Due to relatively recent applicability of the law at the municipal level, the quality of local portals has not yet been systematically assessed.

Major Advances in Transparency

Budget transparency in Brazil was made possible by two broader societal transformations that created conditions conducive to its development: *democratization* (including the process of democratic consolidation) and *macroeconomic stabilization*.[34] Against this backdrop, three major legal benchmarks determined transparency advances: the citizen constitution (1988), the Fiscal Responsibility Law (2000), and the Transparency Law (2009).

Although not directly determining transparency, the regime transition in the 1980s, culminating with the 1988 constitution and the direct presidential elections in 1989, positioned the state for increased public sector accountability and

32. Although the current Transparency Law (Complementary Law 131 of May 27, 2009) mandates "real-time" disclosure of public expenditures, it does not specify the operational meaning of real time. After a year of delay, the executive issued a decree (Decree 7,185 of May 27, 2010) specifying it as forty-eight hours from disbursement.

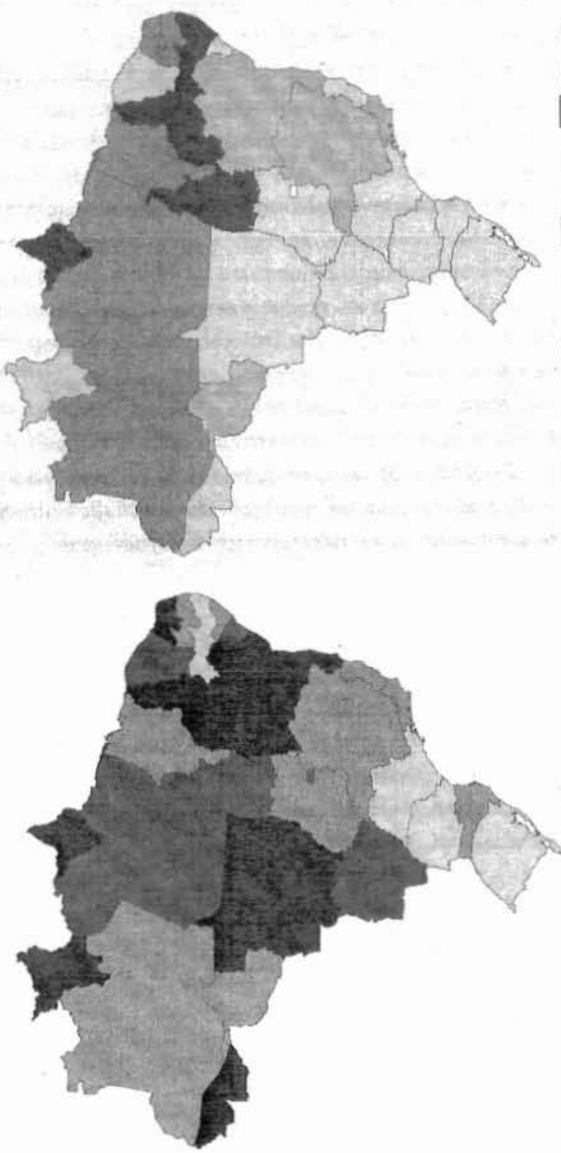
33. Authors' update of National Confederation of Municipalities surveys. Original survey results available at http://portal.cnm.org.br/sites/5700/5770/27052010_tabelas_municipios.pdf and http://portal.cnm.org.br/sites/5700/5770/26052011_lista_transparencia.pdf.

34. There are also advances in information technology, such as the dissemination of personal computers and Internet access, since they provide the medium through which budgetary information is disseminated.

Figure 3-2. *Transparency in Subnational Governments in Brazil*

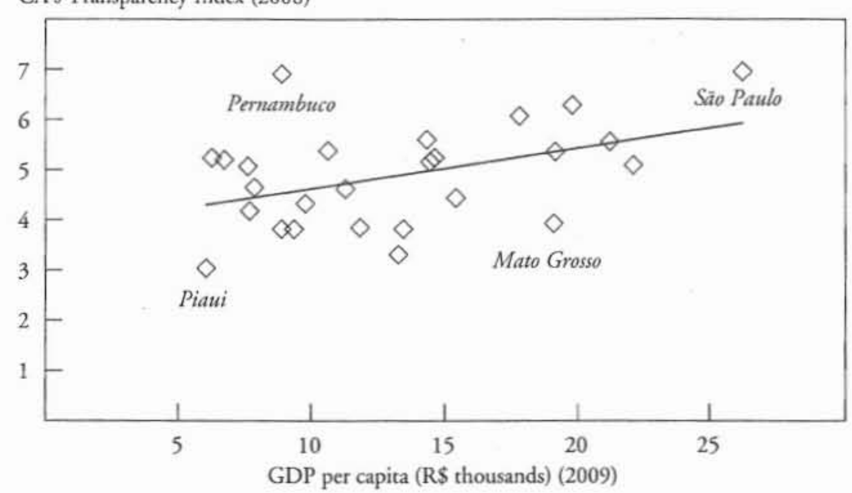
a. Contas Abertas Transparency Index (state governments)

b. Municipalities with populations greater than 50,000 with transparency portals (percent by state)



Source: Contas Abertas, Confederação Nacional de Municípios, and authors. For panel b, authors' update of National Confederation of Municipalities surveys.

Figure 3-3. *State-Level Transparency Scores versus Income in Brazil*



Source: Contas Abertas and IBGE (2011).

transparency. The direct elections of public representatives served to reestablish the norm that the state served and should be accountable to the population. Likewise, the constitution's overt commitment to redress social inequalities through the provision of basic social services such as health, education, and social security reinforced this notion. By the same token, the process of democratization also relegitimized the participation of civil society in government without fear of persecution. A highly mobilized civil society played a critical role in directly shaping the new constitution, in particular by provisions guaranteeing civil society participation in sectoral policy formulation (for example, health) and budgeting (setting the stage for participatory budgeting in Brazilian municipalities).

Macroeconomic stability is also a prerequisite for transparency and something Brazil did not achieve until the *Real* Plan in 1994. Brazil experienced high rates of inflation through most of the 1980s and early 1990s—the average annual inflation rate between 1985 and 1994 was 1,024 percent, peaking at almost 2,500 percent in 1993.[35] Inflation of this magnitude has distortionary effects throughout the economy; since numbers quickly lose their meaning, overseeing accounts becomes practically impossible.[36] Officials in the three levels of government and parastatal

35. Figures for 2011 are available at Instituto Brasileiro de Geografia e Estadística (www.ibge.gov.br/home/estatistica/indicadores/precos/inpc_ipca/ipca-inpc_201105_1.shtm).

36. See, for example, "A inflação é de 5.500% por ano," *Veja*, January 24, 1994.

companies took advantage of the inflationary distortions in order to increase spending, continuing to feed the price spiral. After multiple failed stabilization attempts under the preceding governments, the *Real* Plan succeeded in curtailing inflation, curbing it to an annual rate of 10 percent by 1996 and reaching double digits again only once in the years since. Macroeconomic stability transformed the fabric of the Brazilian economy and society, aiding transparency in two major ways. First, stability made numbers significant once again, allowing publicly elected executives and legislators to oversee the functioning of the state. Second, halting inertial inflation exposed budgetary holes, which the executive then sought to eliminate in order to balance the federal and subnational budgets.

Legal Benchmarks

The 1988 constitution initiated a series of reforms that would set in motion the process of increasing public accountability. First, the emphasis on decentralization aimed to break the central government's hold on policy formation and history of curtailing civil society involvement. Embraced by social movements across sectors of the economy, decentralization opened new venues for policy experimentation and popular participation. Based on the principles of legality and oversight, the constitution also reempowered the accounts tribunals and public prosecutors. However, due to the multiplication of municipalities and political control of state and municipal accounts tribunals, the effects of these policy reforms were initially dampened.

The Fiscal Responsibility Law (Lei de Responsabilidade Fiscal, LRF) was the first legal benchmark that overtly forced national, state, and local governments to reveal and control their finances.[37] Created against a backdrop of ballooning state debts and the concentrated costs of financial stabilization, the law curtailed public spending by setting limits on expenditures for personnel (50 percent of revenues for the federal government and 60 percent for states and municipalities),[38] capping debt levels, and prohibiting further federal assumption of subnational debt. The LRF also prohibited the creation of new long-term financial commitments (maturities greater than two years) without a matching source of revenue. It also addressed predatory practices resulting from the electoral cycle, prohibiting the hiring of personnel and short-term debt financing in election years. This prevented the previously common practice in which outgoing executives ratcheted up spending, leaving insolvent cities and states for subsequent governments.[39] Finally, for the first time in Brazilian history, the LRF made executives (mayors and governors) personally liable for noncompliance.

37. Complementary Law no. 101, May 4, 2000.

38. In reality, the LRF did not create the limits on personnel expenditures, but it did reaffirm the ones stated in a previous law (Complementary Laws 82/1995 and 96/1999, known as the Camata Law) before it came to term.

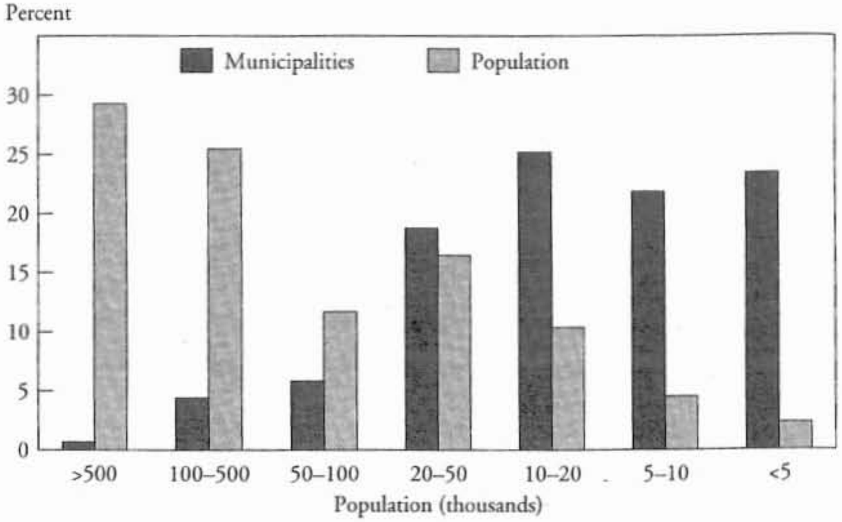
Furthermore, the LRF mandated the public disclosure of budgetary documents—as "instruments of transparency in fiscal management"—as well as the dissemination of audit reports and simplified versions of budgets for public access (Article 48). This initiated the reporting of budget execution, since executives were mandated to publish and submit their yearly budget to the accounts tribunals at their level of government. The media was quick to expand its coverage of the process, especially reporting on cases where accounts were rejected, and opposition parties used these results to chastise the malfeasant incumbents. The LRF, however, did not specify how different branches of the government should disclose information publicly, which led to experimentation and the proliferation of independent platforms and standards of information across levels and branches of government.

The LRF remained virtually untouched as the legal base for budgetary transparency in Brazil until 2009, when Congress passed another complementary law (the Transparency Law) expanding the LRF's Article 48. The most visible change in the complementary law was the determination that the public sector must electronically disclose budgetary execution in "real time." The law was based on a 2003 proposal introduced by Senator João Capiberibe from the left-of-center Socialist Party of Brazil (Partido Socialista Brasileiro, PSB), which determined that all levels of government should actively and openly disclose (without requiring a password) information on revenues and particularly expenditures, including payee information and funding source. In response to subnational resistance, the law's final text allowed for a one-year grace period for federal, state, and 272 large municipal (populations greater than 100,000) governments to comply. Medium-size municipalities (populations between 50,000 and 100,000) were granted a two-year grace period and those fewer than 50,000, a four-year grace period. Under its framework, noncompliance is punishable by the freezing of federal voluntary transfers, which constitute a significant portion of the total revenue for poorer and smaller states and municipalities.

While the grace period for smaller municipalities is understandable from the point of view of fostering subnational compliance, an analysis of the stock of Brazilian municipalities nevertheless reveals the size of such a concession (figure 3-4). The lion's share of Brazilian municipalities (89 percent) have populations smaller than 50,000 and hence fit into the most lenient timetable for disclosure. And while the

39. The LRF also created budgetary curtailment as it exists today by determining that, if revenues fall short of budgetary predictions, expenditures should be trimmed to match the shortfall (CONOF 2011).

Figure 3-4. *Municipalities in Brazil, by Size and Population, 2010*



Source: IBGE (2010).

municipal proportion of public revenues is relatively small (about 1.5 percent of GDP) and concentrated in larger cities, municipal governments nonetheless provide a major portion of public services (22 percent of total government expenditures).[40] Every municipality is guaranteed a basic political and administrative staff and receives sizable federal transfers. The Office of the Attorney General recently observed in an audit report that most instances of corruption occur at the local level, through partnerships (*convênios*) made between the federal government, municipalities, and municipal providers in sectors such as health and education.[41] These partnerships are legal, but they are not properly developed tools for making federal transfers to municipalities. Since they are mostly small and disaggregated (even within municipalities), they are incredibly laborious to oversee. According to the federal government's transparency website, there are currently more than 38,000 municipal partnerships across the country (an average of seven per municipality). While individually small, their large numbers add up to significant diversion of public funding.

40. STN (2011).

41. See "Governo perde R$ 2,1 bilhões para a corrupção" (www.indicedetransparencia.org.br/?p=1490).

The Process behind Transparency Advances

Despite the presence of a vibrant civil society sector and a few high-capacity CSOs specializing in budgetary issues, most transparency advances in Brazil have been driven by actors within the federal government. Major advances in transparency legislation have occurred when the longer processes of debate within the bureaucracy and Congress have been augmented by elected officials taking advantage of catalytic opportunities and behaving strategically in the direct aftermath of economic crises or public scandals. As CSOs and the independent media build up their reaction to the crises, progressive members of the public sector succeed in overcoming the resistance of conservative and opposition forces and pushing through reforms.

Transparency as a Tool for Fiscal Responsibility

The Fiscal Responsibility Law was voted against a backdrop of domestic financial instability and international financial institution rescue programs. Following the democratic transition, politicians took advantage of weak oversight institutions to engage in a period of electoral largesse, catering to constituencies by inflating the minimum wage and expanding patronage appointments within the public sector; this deficit spending greatly increased the stock of subnational debt.[42] The orthodox economic policies anchoring monetary stabilization (including high real interest rates) exposed and worsened subnational positions, with more than 55 percent of municipalities running deficits by 1998,[43] state governments borrowing heavily to cover operational expenses, and both paying hefty interest charges on their debt. Accosted by an attack on the *real* in international markets and having to run to the international financial institutions for help, President Fernando Henrique Cardoso's economic team saw that bringing public sector expenditures under control would not be possible without curtailing the excesses of subnational governments. State governments in particular were in a precarious financial position, as stabilization exposed a series of financial tricks used to cover up excessive spending, including taking out large loans from state-owned banks and failing to repay them.[44]

42. The chaotic state of subnational finances was an effect of a political backlash to national-level centralization during the military regime. Since elections for state governors preceded all others during redemocratization, state governors became extremely powerful during the constituent assembly (Samuels and Abrúcio 2000). They used this legitimacy to strengthen their hold over local electoral arenas, aggressively expanding public sector hiring and statewide construction projects.

43. "Déficit atinge 55,53% das prefeituras," *Folha de São Paulo*, January 31, 2000.

44. The bailout of state banks cost the federal government more than R$90 billion. "Socorro custou R$110 bi," *Folha de São Paulo* (http://www1.folha.uol.com.br/folha/dinheiro/banespa_ajuda.shtml).

As state governments ran out of credit and in some cases fell into arrears with suppliers and employees, President Cardoso used this leverage to impose fiscal responsibility on subnational governments. In exchange for the federal government assuming state debts and reopening lines of credit, states had to accept budgetary prudential limits for overall and personnel expenditures, deficit spending, and levels of indebtedness. As a result of this policy, the federal government was able to rein in the sources of the most egregious subnational financial profligacy, including states' ownership of banks and the ability to borrow in the open market. At the same time, the LRF curtailed a major source of patronage by limiting the portion of subnational revenues that could be spent on personnel.[45] To ensure compliance, the federal government included Article 48 in the LRF, which dealt directly with the dissemination of budget data and reempowered the accounts tribunals to oversee compliance. With insolvency on the horizon and taking a beating from public sector unions and the press, subnational governments agreed to greater accountability and transparency in exchange for one last bailout.

The negotiations leading to the LRF occurred mostly within the public sector, between the federal and subnational executives and between the top finance bureaucrats and national legislators. Bureaucrats from the ministries of planning and finance introduced the bill in April 1999 to a Special Committee on Fiscal Adjustment, and after spending most of the year within the committee, the bill was introduced to the floor in December. President Cardoso called a special session of Congress for January and February 2000, with the main goals of voting two fiscal reforms: making obligatory spending more flexible (the DRU, which freed 20 percent of the federal budget) and passage of the LRF. The executive faced a complicated negotiation in Congress, since resistance came not only from opposition parties in the left but also from legislators in the second largest partner in the coalition, the rightist Party of the Liberal Front (Partido da Frente Liberal, PFL). With ties to subnational executives in the less-developed Northeast region, the PFL leadership in Congress sided with governors and mayors in arguing for relaxing its most stringent points (such as the cap on personnel spending) and imposing a slower timetable for implementation. Cardoso's economic team took advantage of the unstable macroeconomic conditions in order to convince political actors of the operational inevitability as well as the moral imperative of the reforms.[46] Likewise, the media, covering the public sector's dire straits and reporting on the very human costs of fiscal profligacy, reinforced the executive's narrative.

45. "A pedra na engrenagem," *Veja*, February 2, 2000.

46. Loureiro and Abrúcio (2004).

This approach shifted the alternatives for viable resistance, and subnational actors moved from outright rejection to delaying tactics. The timing of implementation was such a prominent issue of contention because mayors were facing an electoral year. Hence, they were particularly vocal against the immediate implementation of the LRF, lobbying legislators and the federal government through their constituencies and through encompassing associations. After failing to attract support from the opposition parties, the federal government nonetheless pushed for the vote in the Chamber of Deputies and, after getting the PFL delegation on board—and the second largest opposition party, the Democratic Labor Party (Partido Democrático Trabalhista, PDT)—passed the bill with a 75 percent approval rate.[47] Still eyeing the electoral calendar, the executive pushed for quick approval of the LRF in the Senate, while state and municipal governments continued to decry the law as unconstitutional (since it imposed on federal sovereignties) and attempted to delay its implementation. Despite municipal efforts, the Senate approved the bill in April 2000, once again by a large majority. And though the implementation of the fiscal targets would not be applicable until the following year, the measures curtailing electoral spending were made effective immediately. In return, a tacit agreement had Cardoso delay signing the bill into law until the end of the regulatory two-week period, allowing some highly indebted states and municipalities to roll over their existing debt prior to the LRF's enactment. A few states and municipalities managed to roll over R$14.5 billion in short-term maturities—$10 billion for the city of São Paulo alone—a move criticized by the opposition and the press.

Civil Society Inclusion but Limited Advances in the Early Lula Administration

Years later, when Lula, the perennial leader of the Workers' Party (Partido dos Trabalhadores, PT), won the presidential election, many civil society organizations were hopeful about the prospect of greater accountability and outright inclusion in development of the federal budget. Lula's government made the first attempt at this type of civil society participation in the development of its first multiyear budgetary plan in 2003. In this process, the Brazilian Association of Nongovernmental Organizations mediated the participation of more than 2,200 CSOs, which made suggestions throughout development of the PPA. The process included a wide sample of groups, ranging from high-capacity organizations with budgetary expertise to

47. www.camara.gov.br/internet/votacao/default.asp?datDia=25/1/2000&numSessao=16. The Workers' Party (PT), the Communist Party of Brazil (PCdoB), and the socialist PSB closed ranks and voted against the bill, based on the fact that it provided caps for all types of expenditures except interest payments. The opposition introduced a series of amendments and proposed voting the law in parts rather than as a whole, but the executive's majority held through all the votes.

broader representation of social movements.[48] After jumping at the opportunity to participate, CSOs were disappointed with the PPA's final results, which they argued had ignored their input and maintained the usual preferences of federal planning and finance bureaucrats. The relationship between civil society organizations and the administration was further strained when the government reneged on a promise to grant CSOs access to its financial management system, the *sistema integrado de administração financeira* (SIAFI).[49] When the Lula administration suffered a negative media blitz due to a scandal related to bribing congressmen in exchange for favorable votes,[50] many CSOs abandoned the budget process in protest. At this time, however, Contas Abertas managed to obtain permission (and the passwords) of legislators who were sympathetic to the cause of transparency and proceeded to access SIAFI information and disseminate it on its website.

The initial fallout between CSOs and the Lula administration highlights the overall trends we identify. First, finance bureaucrats from within the executive continued to have a prominent position in the budget process. Faced with a choice between greater inclusion (with potentially significant changes to the budget process and allocations) and continuity (with access to financial markets and economic windfalls), President Lula's political core chose the latter. Two factors facilitated this choice: Lula's inner circle clearly understood the popular consensus around responsible and transparent economic management, closing the door in Brazil to the Chavez-type leftist style of populism. Second, as Avritzer (2009) identifies, Lula's wing of the PT was not directly connected to subnational

48. Brazil has a vibrant civil society sector, including a few highly capable CSOs in the public finance sector, aiming to disseminate good budgeting practices, educate the public about budget issues, and advocate for greater government transparency. Two of these institutions, the Instituto de Estudos Socioeconômicos and the Instituto Brasileiro de Análises Sociais e Econômicas, have partnered with international NGOs such as IBP in the past, helping to develop the country's budget transparency report. These institutions have also served jointly as part of the Brazil Budget Forum (Fórum Brasil Orçamento)—a structure though which the federal government has attempted to bring a variety of civil society representatives into the budgetary process. Two other CSOs work directly with the disclosure or misuse of public funds and encourage discussions about public transparency: Transparência Brasil and Contas Abertas. The latter develops and publishes the transparency rankings for national and subnational executives. As part of the strategy to disseminate budgetary and expenditure information and increase popular oversight, these institutions hold training sessions for budgetary literacy with the Brazilian Association of Investigative Journalism in order to improve the press's ability to digest and report on the multitude of data currently available. The Forum for the Right to Access Public Information has advocated for an access to public information act, recently signed into law by President Dilma Rousseff.

49. The SIAFI is the main tool governing the state's public expenditures and serves as the baseline and main information feed for the federal transparency portals. Highly specialized SIAFI technicians (known as *os ratos do SIAFI*, the SIAFI rats) navigate the system's complex interface and feed information on public expenditures to the media and political parties.

50. For an overview, see "Entenda o 'mensalão,'" *Folha de São Paulo* (www1.folha.uol.com.br/folha/brasil/ult96u70256.shtml).

participatory experiences, which explains in part why the national-level PT was not as proactive in introducing the participatory budget practices that the party had developed in its local experiences in government. Therefore, while civil society actors were activated, the lack of a catalyzing moment meant that the early Lula administration failed to pursue more active transparency practices. Operational-type transparency practices continued to improve, however, as demanded by financial and managerial controls.

Conditions in Alignment Once Again

Further transparency-enhancing legislation did not come to the fore again until early 2009, when a series of political scandals aligned the slow-burning process of reform with short-term political necessity. The first sparks were set off after the two main parties in President Lula's cabinet could not compromise over who would take over as president of the Senate.[51] The competition between former president José Sarney, from the catchall Partido do Movimento Democrático Brasileiro (PMDB, the Brazilian Democratic Movement Party), and Tião Viana (PT) quickly soured, with both sides leaking accusations of corruption and misuse of public funds to the national press. While the first accusations were relatively mild (pertaining to minor misuses such as lending official mobile phones to family members), public embarrassment quickly escalated the dispute. In retaliation for the first set of leaks, PT aides exposed Sarney's strongman within the Senate bureaucracy as living in an undeclared R$5 million ($3 million) mansion. Once the media pursued the story, reporters began unearthing a series of opaque practices by the Senate's staff, known as the "secret acts."[52] New discoveries dominated the national media for most of the first semester of 2009, paralyzing legislative activity in the Senate.

At the same time, corruption scandals derailed the Chamber of Deputies. The troubles started when the head of the Internal Affairs Commission was found to have sold a medieval-style castle in his home state worth R$25 million ($15 million), while failing to report the transaction to tax authorities.[53] As images of the castle proliferated across the national media, the same deputy was found to be directing his reimbursement allowance to pay for services from companies of his

51. Informal norms determine that the largest party nominates the president and the second largest nominates the first vice president in each legislative house. As the largest party in both houses, the PMDB fielded concurrent candidates for both contests. In doing so, it broke a standing power-sharing agreement with the PT in which the parties agreed to support each other in alternating candidacies for each house.

52. Among the more than 600 secret acts were appointing cronies and family members and raising salaries above constitutional limits. See "Entenda o escândalo dos cargos e benesses do Senado," *Estado de São Paulo*, June 9, 2009.

53. "Líderes de sistem de aprovar proposta para divulgar notas fiscais com gastos de deputados," *Folha de São Paulo*, February 10, 2009.

ownership.[54] Once the media's attention had been called to legislators' reimbursements, new stories surfaced almost daily, ranging from questionable to outright illegal use of the public coffers. Shortly thereafter two unrelated stories broke regarding misuse of the legislators' airfare allowances: in one, a large number of deputies used their quotas on family and friends (including international vacations), while in another, deputies sold their unused tickets to travel agencies, who in turn dealt them to unknowing travelers.[55]

In the immediate wake of these scandals, progressive legislators proposed statutory changes to ameliorate Congress's public standing and increase public transparency. A conservative strategy was to impose stricter rules on the benefits available to members of Congress, which attacked the visible symptoms, while fending off calls from the media and civil society for deeper reform. But others took advantage of the situation to push forth deeper changes. Deputy José Aníbal, from the opposition Party of Brazilian Social Democracy (Partido da Social Democracia Brasileira, PSDB), called for urgent voting on a bill (PLP 217/2004) that had been in "congressional limbo" for five years. The bill, originally proposed by Senator João Capiberibe and Deputy Janete Capiberibe, sought to expand the transparency requirements of the LRF to real-time disclosure over the Internet of budgetary execution across the branches and levels of government. The selection of this particular bill illustrates the complicated confluence of events that lead to improved transparency.[56] The Capiberibes had introduced twin bills in the Senate and Chamber back in 2003, based on the senator's previous experiences while governor of the northern state of Amapá. The bill was unanimously approved in multiple committees in the Senate and Chamber by the end of 2005, but no further action was taken until 2007. With João Capiberibe no longer in the Senate, Deputy Janete Capiberibe pursued multiple attempts to bring the bill to the floor, with little success. Once on the floor, the bill remained without a vote for two years, being tabled for items of immediate interest to the executive. In the meantime, the Capiberibes rallied support for the bill by chairing discussions with academic, professional, and civil society organizations, as well as the federal comptroller general (Jorge Hage) in the hopes of gathering political momentum and bringing the amendment to a vote. When the sustained

54. "Câmara vai proibir uso de verba indenizatória em empresa pertencente a deputados," *Folha de São Paulo*, March 31, 2009.

55. "Após 'farra das passagens,' Câmara anuncia medidas moralizadoras para a casa," *Folha de São Paulo*, April 22, 2009; "Gabinetes negociam bilhetes de deputados com agências," *Folha de São Paulo*, April 24, 2009; and "Sinais de vida," *Veja*, May 6, 2009.

56. According to Contas Abertas, many other proposals were in Congress at the time. Committee reports specifically attached six similar proposals that were canceled with passage of the Capiberibe-sponsored bill.

scandals brought public scrutiny to the issue, the bill jumped from the back burner to immediate approval, passing unanimously on the same day the vote was requested in the Chamber (May 5, 2009). The Senate approved the law by month's end, and President Lula sanctioned the law in early June.[57]

Riding the credibility crisis of the legislature and the political class, strategic reformist politicians like the Capiberibes and sectors of the state like the Comptroller General's office under Hage were able to defeat strong opposition to the measure's implementation. Once again, mayors were vocal in criticizing the law. Organized through two national associations, they marched on Brasília arguing that they lacked the technical capacities and the resources to upgrade their financial and management systems for real-time disclosure. In response, the final text of the law granted grace periods for governments to arrange their accounts and acquire the necessary technologies to make detailed expenditure information available in real time. Public sector unions also openly opposed the disclosure of salary information. Arguing that publicizing their wages violated their right to financial privacy and would make them susceptible to violence, public employees fought the disclosure in the courts, eventually shutting down websites that provided individual information.[58]

The Opportunities and Challenges of Decentralization

In addition to the processes occurring in the federal arena, fiscal and administrative decentralization generated opportunities for experimentation with different models of transparency in a localized fashion. Decentralization became a popular strategy in Brazil's democratic transition as an alternative to the centralized policy process during the country's authoritarian regime (1964–84). Proponents of decentralization praised these reforms for increasing democratic accountability—bringing government closer to the citizenship would allow for greater oversight by local constituencies, the development of civic and democratic capacities, and subnational innovation—while also increasing efficiency in the management of the public sector.[59] The opportunities presented by decentralization resulted in a variety of experiments with institutional forms and yielded two types of institutions for participatory governance that were particularly successful: participatory budgeting (*orçamento participativo*) and community health councils (*conselhos de saúde*).[60]

57. Law no. 131, May 27, 2009.

58. "Prefeitura de São Paulo tira salários de funcionários da internet por decisão da Justiça," *Folha de São Paulo*, January 6, 2011.

59. Fung and Wright (2003) and Heller (2001).

60. At the same time that it unshackled subnational actors to experiment with delivery, decentralization also reinforced existing differences in local capacity and allowed local political bosses to exploit power differentials, forming subnational authoritarian enclaves (Gervasoni 2006 and Gibson 2005).

Brazil's most publicized contribution to governance—the development of participatory budgeting in the southern city of Porto Alegre, later expanded to other municipalities with mayors linked to the PT—highlights the extent to which local government can make a difference with regard to citizen inclusion and public transparency. The PT administrations in Porto Alegre created a process in which community representatives could participate directly in budget development, indicating priorities for public investments in their communities. Participatory budgeting brought positive results for Porto Alegre, including higher levels of citizen participation and the redistribution of public investments to less-developed neighborhoods.[61] Participatory budgeting models allowed for a completely different process of transparency development than the bureaucratically driven process at the federal level, which perhaps accounts for its greater dissemination to civil society actors.[62]

Other participatory governance models also had positive effects on public sector transparency and accountability, such as the health councils across levels of government. Health councils are legally mandated institutions that support the public Unified Health System (Sistema Único de Saúde), responsible for setting health care priorities and overseeing their implementation. Their institutional design represents the historical forces and participatory nature of Brazil's public health care movement, grounding high-level state policymaking in the health care community and combining representative and participatory forms of governance.[63] Although their mission exceeds the budgetary arena, approving the health sector's portion of subnational budgets is one of their main responsibilities. As a result, the relationship between health councils and their executives is largely conflictual, and their level of institutionalization varies greatly. Even if their track record with regard to policy deliberation is mixed, their power to deny local executives access to federal health resources has nonetheless led to the dissemination of budgetary information and, as a result, made governments more accountable to local constituencies. As a concrete example, municipal governments must present multiyear health plans (stating policy goals and the resources available for their operationalization) to their health councils in order to be eligible to receive federal transfers. In addition, they must present year-end reports (*relatórios anuais de gestão*) in which they analyze policy actions and execution of the health budget. As a result, budget transparency is more extensive and more developed in health than in other sectors. While only 11 percent of municipalities have to provide transparency portals under the current legislation, 78 percent had year-end reports approved by health councils for the 2009 exercise.[64] Therefore, while the broader process of public sector transparency and accountability might be relatively lagging at the local level, local experiences in health care can be expanded to other sectors.

61. Avritzer (2009) and Baiocchi (2005).

62. Avritzer (2009) highlights, however, that there are limits to participatory budgeting even where it is fully backed by municipal governments. In particular, while it has changed the *distribution* of public investments, it has not affected the *amount* of resources available, which is determined by the finance departments.

63. Half of the voting seats are assigned to civil society representatives, one-quarter to management (including private contractor representation), and one-quarter to health sector workers (including the public health scientific community). For a more detailed account of the public health care system's institutional structure, see Alves (2012)).

Clearly, the institutional engineering of participatory institutions cannot single-handedly transform subnational realities. Since their initial rise to prominence, a second generation of studies has problematized the exportability of participatory models to different social and political environments. Comparing four Brazilian capitals, Avritzer (2009) highlights the importance of the interaction of dense civil society with reformist political actors for participatory models to flourish. Likewise, Wampler (2008) argues that participatory models are more likely to succeed in municipalities where mayoral support coincides with a history of noncontentious strategies by civil society. Alves (2012) argues that the proliferation of participatory councils is deflated by the removal of policy discussions (and therefore financial allocations) to technical forums. Finally, Baiocchi, Heller, and Silva (2011) examine four matched pairs of municipalities with and without participatory budgeting and find that the adoption of participatory budgeting did, in fact, increase the activity and effectiveness of civil society in shaping municipal budgets. While recognizing the importance of local contexts, these institutional experiences nonetheless illustrate the importance of subnational levels of government as multiplying spaces for contact between the state and civil society, increasing participation, accountability, and transparency, while also mobilizing a different set of users of information in ways that are not as feasible at higher levels of aggregation.

The Initial Outcomes of Transparency in Brazil

Although the implementation of transparency-enhancing reforms is relatively recent—and in the case of the 2009 Transparency Law, still incomplete—some early outcomes are potentially related to increased transparency. Of first importance, the parallel development of transparency practices and democratic consolidation has no doubt generated a positive reinforcement mechanism in which the population begins to associate the two processes. The "active" transparency practices, relating to the automatic disclosure of public budgetary information, are

64. See http://portal.saude.gov.br/portal/arquivos/pdf/dados_2009_210611.pdf.

clearly established at the national level and are slowly, if unevenly, trickling down to local governments. LRF requirements for the annual presentation of executive accounts have empowered oversight bodies within the state such as the accounts tribunals, and the increased oversight has curbed fiscal profligacy in state and municipal governments, while greatly diminishing the worst effects of the electoral cycle on public finances. Likewise, the creation of sectoral and local participatory institutions such as neighborhood participatory budgeting committees and municipal health councils has galvanized civil society groups and generated increasing capacities to understand and challenge public expenditures. In health care in particular, mobilization across levels of government has allowed state and municipal associations to use the access to publicly disclosed budget planning documents to perform their own studies pointing out budgetary shortcomings or misallocations and to lobby the legislature for more funding for the Ministry of Health.

In addition, the availability of public data has created an ample source of information to reinforce the national media's "watchdog" role within society. "Exposé-ism" (*denuncismo*) drove the national narrative incessantly in the months preceding passage of the Transparency Law. Investigative reporters and their media channels, both locally and nationally, have the time, the resources, and the incentives required not only to navigate the extensive and complex data provided on public transparency websites, but also to follow through and look for discrepancies (for example, calling up or searching for addresses for payees). Major media outlets have used these resources to tighten their supervision of public sector programs and to expose the lavish entitlements of the Brazilian political class. CSOs and the media have partnered in this process, sharing their capacities and resources and aiding in the dissemination of studies and specific discoveries.[65] In a recent interview, the head of Transparência Brasil highlights the relative importance of such actors, especially considering the low demand for information from civil society: "The demand [for these numbers] is poor; [transparency is] not just a question of publishing [data]. The only actors who seek these data are the private sector, which needs to know about the state to develop its strategies, the press, and the NGOs, who have even greater difficulty."[66]

65. Although the top-down, bureaucratically driven nature of the national transparency process is very similar to the South African experience, examined in chapter 2 of this volume, the presence of an active (though not immune from connections to those in power) media sector that processes public information and disseminates it has undoubtedly contributed to a changing consensus on what are acceptable practices by elected representatives and public sector employees.

66. "Governos dão acesso precário a dados públicos, dizem especialistas" (http://noticias.uol.com.br/politica/2010/07/15/governos-dao-acesso-precario-a-dados-publicos-dizem-especialistas.jhtm). The translation is ours.

In this environment of relatively low civil society engagement, transparency advances continue to reflect the demands of the actors prominently involved in reforms, namely, bureaucratic actors within the federal government. As their main goals have been to have access to information in order to ensure fiscal discipline from different sectors of the state as well as subnational governments, the face of public transparency illustrates these highly technical demands, with a proliferation of platforms and fine-grain information that is nonetheless quite complex to the casual user. In the meantime, political parties use transparency platforms to dig up and expose their opponents to the media and society. The increasingly stringent requirements for the disclosure of public accounts are also forcing a positive externality in the form of stronger managerial and technological capacities in state and local governments as they seek to fulfill legal requirements, as attested by the increasing numbers of municipalities that have developed the capacity to provide fine-grain expenditure information in a relatively short period of time.

While celebrating these first-generation reforms, it is important to raise the difficult issues regarding public sector transparency that remain unresolved. For one, the budget process itself continues to allow for budgetary distortions in allocation, atomization of investment spending into low-quality pork-barrel amendments, and manipulation of the fiscal calendar, with detrimental results for transparency and for public programs. There are still a series of "black boxes" in the public budget, including the use of corporate credit cards by the presidential office and closed budgets in the Foreign Service Ministry and, especially, parastatal companies. Furthermore, the voluntary provision of information ("active" transparency) has been disassociated from other forms of public transparency that increase the responsiveness of the state to society. Much like in South Africa, "passive" transparency, or the response to requests for not readily available information, is quite underdeveloped in Brazil. Citizens, researchers, and civil society organizations have great difficulty in getting responses or information from different state offices, even when they know how to navigate the dense bureaucratic channels involved. Up until recently, Brazil had the unlikely confluence of providing highly detailed budgetary information, while not having legislation that ensures access to public information. Despite pressure from CSOs like the Forum for the Right to Access Public Information (Fórum de Direito de Acesso a Informações Públicas),[67] debate over the legislation was delayed under the Lula administration, as conservative politicians such as former presidents José Sarney and Fernando Collor de Mello publicly defended indefinite confidentiality of some public documents, and the national executive sought a special regime to expedite and maintain secret any information regarding the infrastructure projects related to the upcoming World

67. See www.informacaopublica.org.br.

Cup and Olympics to be held in Brazil.[68] While President Rousseff has since signed the bill into law, it is too early to tell whether the state will respond in a timely and substantive manner to requests for information.

Conclusions

Budgetary transparency in Brazil has continued to improve—though at uneven pace and reach—since the 1980s. Although democratic consolidation does not necessarily yield increases in transparency and accountability, for Brazil at least, it appears to have done so. Redemocratization and macroeconomic stabilization were two major changes in the fabric of Brazilian society that paved the way for transparency reforms during the 2000s. A capable public bureaucracy, empowered by President Cardoso's reformist state-building agenda and later by President Lula's understanding of the popular consensus surrounding the issues of macroeconomic stability and good governance, was able to take advantage of catalytic opportunities—fiscal crises and corruption scandals—to force greater transparency standards on other levels of government and on the political class in general. The federal government, determined to rein in fiscal profligacy, has been proactive in imposing discipline and greater transparency on subnational units.

While the amount of information at the public's disposal is extensive and updated regularly, the current demand by civil society is frustratingly low. Given the costs in time and expertise required to navigate the complexities of budgeting, accessing and digesting this information have been limited to high-capacity CSOs, academics, the business class, and the media. Yet the mere public disclosure of budgetary information is nonetheless an important and necessary first step toward developing the capacities of civil society and the general public—the clients of this information—and enabling the state to become accountable.

Transparency has not lowered the perceptions of corruption in Brazil. If anything, media access to information and the constant exposés run in newspapers and on television have made the presence of corruption and misuse of public funds more obvious in daily life. Perhaps because of this, the repercussions, especially for politicians, have been relatively small, as the population seems unable or unwilling to maintain interest once the media has moved on to the next scandal.[69]

68. For the debate over freedom of information, see "Senado deve votar 'sigilo eterno' até dia 15 de julho," *Estado de São Paulo*, June 25, 2011; for the World Cup projects, see "Governo quer manter em sigilo orçamentos da Copa de 2014," *Folha de São Paulo*, June 16, 2011.

69. Power and Taylor (2011). Although this too might be changing, as the Supreme Court recently convicted top political insiders (including President Lula's former chief of staff) in the widely publicized "*mensalão*" trial. Domestic and international media have defined this as a potential turning point for Brazil's judicial and political systems. See, for example, "A Blow against Impunity," *The Economist*, November 15, 2011.

At the same time, the public sector has continued to develop its disclosure capacities, albeit unevenly and in some cases half-heartedly. But this has allowed for major reforms in the social sector, including expansion of health care services (through family health teams) and a massive cash transfer program (Bolsa Família), to be rolled out with relative effectiveness. Although it is difficult to show a direct correlation, there is little doubt that greater transparency in budgeting has limited leakage and rent seeking in these sectors. The tougher standards of the 2009 Transparency Law have yet to take effect in some states and in the vast majority of local governments, but they will undoubtedly help to shed light on budgetary and expenditure processes. In that sense, the initial resistance of subnational governments to transparency reforms only underscores their potential for uprooting opaque public management practices.

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4

A Mutually Reinforcing Loop: Budget Transparency and Participation in South Korea

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South Korea (hereafter simply Korea) is hailed as a rare case of achievement in both economic development and democratic transition among developing countries in the second half of the twentieth century. Korea is considered a success in terms of budget transparency as well. According to the Open Budget Index (OBI), published by the International Budget Partnership (IBP), Korea is one of the top performers in budget transparency in the Asia-Pacific region.[1]

During the authoritarian era in Korea, budget information, as well as overall government information, was not widely shared. Secrecy, rather than transparency, was often deemed necessary for efficiency. Citizen participation in the budgetary process and in policymaking more generally was forbidden. Even members of the National Assembly had only limited access to budget information. Hence, political democracy permitted the development of fiscal democracy in Korea.

However, not all inchoate democracies have successfully implemented budget transparency and participation. This fact suggests that political democratization does not automatically lead to fiscal democracy and that other conditions may be required for fiscal transparency. We examine the Korean example to explore this issue in depth.

Our findings suggest that the democratic transition of 1987 led to some fiscal transparency, but progress was limited. Important improvements were made as civil society exerted increasing pressure, in particular after the change of government in the midst of the financial crisis of 1997. Although the crisis made

1. IBP (2010).