

# Brazil

## 2015 Country Summary

### Recommendations

Brazil's GI ranking in Band E places it in the very high-risk category for corruption in the defence and security sector, the lowest ranking in the G20. Brazil scored in Band D (high risk) for Political, Procurement, and Personnel Risks. The highest risk areas are Finance and Operations in Band E (very high risk).

In early 2015, 1.5 million Brazilians joined peaceful demonstrations across the country to protest against government corruption and the Petrobras corruption scandal. These were the largest public demonstrations seen in Brazil for 20 years. The accusations against the government have eroded public confidence in all state institutions. Anger over political corruption has emerged as the unifying issue for the demonstrators, who pledged to continue their protest until concrete steps are taken to reform the political system.

### Compliance with International Anti-Corruption Instruments

Brazil is the fourth largest global exporter of light arms in the world. The collective impact of G20 states on military spending has a disproportionate influence on the rest of the world. In comparison to nearly every other OECD and G20 member states, Brazil has yet to ratify the ATT, nor is there any evidence of compliance with the treaty and, in particular, its three anti-corruption articles. The OECD remarked in its most recent compliance report on the "still low level of enforcement of foreign bribery in Brazil". Brazil could make greater efforts to amend its legislation to effectively implement the OECD recommendations and increase the independence and activity of its enforcement agencies.

Recent cases in the media have highlighted the lack of regulation and oversight of Brazilian arms exports. We recommend that Brazil ratify the ATT and make increased efforts to comply with the Treaty, in particular its anti-corruption articles, and put in place mechanisms to avoid the risk of arms diversion. These controls will need to include thorough anti-corruption risk assessments before arms export licenses are granted. Brazil could also release greater information to the legislature and media at an earlier stage of arms procurement discussions, so as to ensure that upcoming arms exports are subject to robust parliamentary approval and debate.

### Oversight of Procurement and Military Expenditures

Evidence indicates that military personnel frequently bypass procurement laws and most purchases are single sourced in a non-competitive, opaque manner -- even for non-

confidential tenders such as stationary. Media reports in 2014 included allegations of questionable military expenses including home furnishings, travel to football events, parties, orders for caviar, significant hotel expenses being charged to MoD credit cards as well as the use of military assets, such as helicopters, for personal use. There is no evidence that these allegations have been thoroughly investigated or sanctioned by enforcement agencies, internal/external audit functions, or the legislature.

Our assessment finds that legislative oversight of defence spending and procurement could be much more active. We could not identify any evidence of independent, well resourced, and effective institutions within defence and security tasked with building integrity and countering corruption. External oversight of defence spending Brazil is formally provided by the Tribunal de Contas da União (Federal Accounts Court) and the Controladoria-Geral da União (Comptroller General), but their activities in this sector lack transparency; neither organisation publishes reports on their findings or recent audits of defence. It is unclear how active these agencies are.

We recommend the adoption of an openly stated anti-corruption policy explicitly tailored to the defence sector. It should provide for the publication of detailed implementation plans as well as systematic, published evidence of implementation. This should be designed alongside structural changes to internal and external oversight functions to investigate and prosecute corruption and misspending amongst defence forces to make these bodies more independent and active. There needs to be greater transparency and sharing of information publicly regarding evidence of effective enforcement for these crimes in order to maintain public trust in the defence sector.

#### **Absence of Whistle-Blower Protection.**

Enforcement would be further strengthened through strengthening whistle-blower protection, a weakness consistently noted in OECD Compliance Reports. Whistle-blowing is an effective mechanism to quickly raise incidences of corruption or bribery to the relevant authorities, and we recommend that whistle-blowing be actively encouraged. We recommend a review to ensure that effective legislation and mechanisms applicable to military and official personnel be enacted to report corruption. These laws and mechanisms should be vigorously implemented with appropriate legal measures in place to rigorously defend whistle-blowers in both the public and private sector.

## Scorecard

Political	Defence & Security Policy	Legislative Scrutiny	2
		Defence Committee	2
		Defence Policy Debated	2
		CSO Engagement	0
		International AC Instruments	3
		Public Debate	1
		AC Policy	0
		AC Institutions	1
		Public Trust	2
		Risk Assessments	0
	Defence budgets	Acquisition Planning	2
		Budget Transparency & Detail	2
		Budget Scrutiny	2
		Budget Publicly Available	2
		Defence Income	1
		Internal Audit	1
		External Audit	1
	Other Political Areas	Natural Resources	3
		Organised Crime Links	2
		Organised Crime Policing	0
		Intelligence Services Oversight	1
Intelligence Services Recruitment		1	
Export Controls		1	
Finance	Asset Disposals	Asset Disposal Controls	1
		Asset Disposal Scrutiny	0
	Secret Budgets	Percentage Secret Spending	0
		Legislative Access to Information	0
		Secret Program Auditing	0
		Off-budget Spending in Law	1
		Off-budget Spending in Practice	2
	Links to Business	Information Classification	2
		Mil. Owned Businesses Exist	1
		Mil. Owned Business Scrutiny	0
Personnel	Leadership	Unauthorised Private Enterprise	2
		Public Commitment	0
		Measures for Corrupt Personnel	2
		Whistleblowing	1
	Payroll and Recruitment	Special Attention to Sensitive Personnel	0
		Numbers of Personnel Known	4
		Pay Rates Openly Published	1
		Well-established Payment System	3
		Objective Appointments	1
		Objective Promotions	1
	Conscription	Bribery to Avoid Compulsory Conscription	2
		Bribery for Preferred Postings	2
	Salary Chain	Ghost Soldiers	3

		Chains of Command and Payment	3
	<b>Values, Standards, Other</b>	Code of Conduct Coverage	1
		Code of Conduct Breaches Addressed	0
		AC Training	0
		Prosecution Outcomes Transparent	1
		Facilitation Payments	1
<b>Operations</b>	<b>Controls in the Field</b>	Military Doctrine	1
		Operational Training	0
		AC Monitoring	1
		Controls on Contracting	0
		Private Military Contractors	2
<b>Procurement</b>	<b>Government Policy</b>	Legislation	1
		Transparent Procurement Cycle	1
		Oversight Mechanisms	1
		Purchases Disclosed	1
		Standards Expected of Companies	1
	<b>Capability Gap</b>	Strategy Drives Requirements	0
		Requirements Quantified	2
	<b>Tendering</b>	Open Competition v. Single-Sourcing	1
		Tender Board Controls	1
		Anti-Collusion Controls	1
	<b>Contract Delivery / Support</b>	Procurement Staff Training	2
		Complaint Mechanisms for Firms	3
		Sanctions for Corruption	2
	<b>Offsets</b>	Due Diligence	1
		Transparency	0
		Competition Regulation	2
	<b>Other</b>	Controls of Agents	2
		Transparency of Financing Packages	1
Subsidiaries / Sub-Contractors		1	
Political Influence		3	