

BEYOND THE SCANDALS

The Changing Context of
Corruption in Latin America

Kevin Casas-Zamora and Miguel Carter

RULE OF LAW REPORT
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Prologue

The recent wave of scandals has put corruption at the top of the list of concerns facing Latin America and the Caribbean in the context of a regional economic downturn and global uncertainty. This study by Kevin Casas-Zamora and Miguel Carter for the Inter-American Dialogue contributes to the debate on the causes of corruption and the underlying trends beyond the current anti-corruption drive.

Over the past several years, a number of corruption scandals have rocked countries throughout Latin America and the Caribbean, revealing sophisticated and complex schemes that involved both private sector and political stakeholders, harmed the most vulnerable, and resulted in mass protests and high-profile arrests. Scandals have pitted sitting leaders against more independent and vigorous prosecutorial agencies, as well as broad-based social movements. A variety of drivers, including social trends, economic challenges, and institutional transformations, have drastically changed the societal responses to corruption in the region.

In this context, the study addresses two central questions. First, is corruption in the region getting better or worse? The study finds little evidence of a radical change in the level of corruption. Most indicators of corruption perception or victimization have remained relatively stable over the past decade and, in some cases, have improved. Admittedly, the prevalence of corruption in the region remains at unacceptably high levels, undermining the capacity of the state and the rule of law in a region with persistent inequality. Corruption creates a sense of unfairness and injustice that is particularly corrosive in unequal societies. While grand scale corruption scandals are particularly visible, petty bureaucratic corruption affects the daily lives of ordinary people and reduces opportunities for the poorest citizens.

Second, what explains the surge of anti-corruption prosecution? The authors aptly highlight four features that distinguish the recent corruption cases: exposure, publicity, shame, and criminalization. What seems to be novel is precisely the robust shaming and prosecution of corruption cases, even leading to the impeachment of a sitting president. The authors persuasively uncover some of the underlying structural forces at play behind the scandals. Indeed, over the past three decades a great number and variety of normative

and legal measures have been introduced to prevent and punish corruption, granting more powers to prosecutorial and oversight institutions on one hand, and to increase transparency through greater access to information and open government reforms, on the other. In addition, there are longstanding inequalities and accumulated perceptions of unfairness by the majority of the population and less tolerance of the privileges of a few, especially in a context of an economic downturn, which puts a large part of the new middle class at risk. At the same time, the rise of the digital age, the increased connectivity of societies—among the young, in particular—are changing the patterns of information sharing and social mobilization, reducing information asymmetries and the costs of contestation.

The authors are right to be optimistic. The remarkable explosion of corruption scandals might not be an indication of increased corruption, but rather the exact opposite: the beginning of its end. As *The Economist* (June 4, 2016) noted, “It is a common paradox: the world often becomes aware of corruption when someone is doing something about it. That leads people to conclude that things are getting worse when they are, in fact, getting better.” This may indeed be the case in a number of Latin American countries: legal and institutional reforms have paved the way for more effective prosecutorial agencies, while increased transparency and connectivity have facilitated citizen oversight and protest.

We are grateful to Kevin Casas-Zamora and Miguel Carter for their significant contribution to such a critical issue. They have illuminated the complex dynamics at play, deciphered the most relevant structural trends, and brought us a measure of much-needed optimism.

Michael Shifter
President
Inter-American Dialogue

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List of Acronyms

AB	AmericasBarometer, produced by LAPOP
ABRACCI	Brazilian Network Against Corruption and Impunity
CEPAL	UN Economic Commission for Latin America
CICIG	UN International Commission Against Impunity in Guatemala
CPI	Transparency International's Corruption Perceptions Index
EITI	Extractive Industry Transparency Initiative
FATF	Financial Action Task Force
FUNDE	National Development Foundation of El Salvador
GAFILAT	Latin American Financial Action Group
IACC	Inter-American Convention Against Corruption
IADB	Inter-American Development Bank
IHSS	The Honduran Social Security Institute
LAPOP	Latin American Public Opinion Project
LB	Latinobarómetro public opinion survey
MACCIH	The OAS-backed Support Mission Against Corruption and Impunity in Honduras
MESICIC	Mechanism for Follow-Up on the Implementation of the Inter-American Convention against Corruption
NGO	Non-Governmental Organization
OAS	Organization of American States
OECD	Organization for Economic Co-operation and Development
OGP	Open Government Partnership
PAN	Panama's National Assistance Program
PROÉTICA	The Peruvian Chapter of Transparency International
TI	Transparency International
UN	United Nations
UNCAC	UN Convention Against Corruption
UNCTOC	UN Convention Against Transnational Organized Crime
UNDP	UN Development Program
WEF	World Economic Forum
WGI	Worldwide Governance Indicators

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Introduction: Is it getting better or worse?

Over the past three years, Latin America has seen a dramatic surge in corruption scandals. These episodes have led to large popular demonstrations, prosecutions of government officials and business executives at the highest level, and acute political crises. The resignation of Guatemala's President Otto Pérez-Molina in September 2015, which followed the Guatemalan Congress' decision to impeach him on corruption charges as well as months of street demonstrations, was a break with the past in a country long defined by impunity. Just as remarkable was the Brazilian judicial authorities' decision to prosecute the heads of both legislative chambers and the top officials of some of the country's largest business conglomerates, among many high profile defendants, on account of the massive fraud uncovered in the State-owned oil company, Petrobras. These are but two examples from a litany of graft cases that have made headlines in the region since 2014.

Not all that has transpired over the past three years is unprecedented, not even the resignation of a sitting president. One only has to recall the fate of former presidents Fernando Collor de Mello in Brazil (1992), Carlos Andrés Pérez in Venezuela (1993), and Alberto Fujimori in Peru (2000), all forced to resign in years past as a result of serious corruption accusations. Of course, evidence of graft and the widespread perception of it have long been part of the landscape of the majority of political systems in Latin America, a reality that many have argued digs its roots in the region's distant colonial past and extractive mode of development. Yet, the recent wave of corruption scandals is arguably unprecedented in its scale, in the swiftness and the severity of the institutional response in at least some countries, and above all in the emergence of large popular movements to demand accountability. While corruption levels in the region may or may not have changed much in the recent past, tolerance and fatalism in the face of it appears to be dramatically diminished.

What has changed in Latin America for this to happen and to happen now, in a way not really seen before? This is the question that this report will primarily address: What plausible explanations are there for the current, unprecedented, anti-corruption reactions—both social and institutional—seen in Latin America over the past two years? In the process of answering that question, the following

pages will examine some of the anti-corruption measures adopted by countries in the region over the past few years and their effectiveness, to the extent that the latter can be ascertained. All this will be done with an eye towards generating recommendations for national authorities and international organizations about promising areas of intervention if corruption levels are to be reduced in Latin America.

The basic contention of this report is that the available evidence, imperfect as it is, provides little support for the notion that the zeal against corruption in the region is due to a dramatic increase in the corruption levels experienced or perceived in the recent past. Rather, it seems related to important changes in the social, political and economic context in which corruption takes place. In particular, this report purports to show that the strong social and institutional reactions against corruption recently seen in Latin America are empirically connected to the convergence of five phenomena:

- The widespread perception that political and economic institutions in the region are rigged in favor of small elites to the detriment of the majority of the population;
- The increase in the transparency levels of public institutions, a trend largely due, in turn, to the adoption of a wide range of transparency and accountability-enhancing reforms throughout the region in the recent past;
- The explosive growth of social media, allowing for faster dissemination of information and lower costs for collective action;
- The rapid expansion of middle income groups, increasingly politically active; and
- The region-wide economic downturn of the past few years.

The following pages will examine the plausibility of these explanations only in Latin America, leaving the Caribbean for a future effort.¹ Moreover, most of the evidence used will be limited to the past decade, with a special focus on the past five years. The nature of the analysis that

¹ It should be noted that Cuba is not part of the analysis, mostly on account of problems in the availability of key information.

follows is that of a preliminary approach to an exceedingly complex phenomenon, from which, hopefully, worthy policy questions will emerge that may be, in turn, explored with greater detail. Mostly due to reasons of space, neither the role of the private sector in corrupt schemes nor the international dimension of corruption—as seen, for instance in the enabling role of tax havens or the corrosive influence of transnational organized crime—will receive here the attention they undoubtedly deserve in this research agenda. This report contains no econometric analyses about the causes and effects of corruption, of the kind that abound in the political economy literature. While reasonably useful to identify what factors drive corruption in general, such an exercise would be of limited use to answer the question of why the issue is exploding precisely now, eliciting largely unprecedented social and political reactions. That requires us to tap into more interpretivist, context-aware approaches to the social sciences.

Six sections follow this introduction. Section 1 is a short examination of the definition of corruption and a very stylized summary of the vast literature on its causes and its effects. Section 2 reviews the available quantitative evidence on the actual occurrence and the perceptions of corruption in Latin America, and how they have evolved over the past decade. Section 3 focuses on some of the ways in which grand corruption is experienced in Latin America, trying to identify, by examining evidence from recent scandals, some problematic patterns and clusters that deserve particular attention. Section 4 surveys some of the recent anti-corruption measures adopted by governments in the region, including the adoption of international conventions. Section 5 examines the hypotheses outlined above about the recent anti-corruption activism in Latin America. Lastly, the final section outlines a few lessons derived from the evidence under study as well as policy recommendations for national authorities and international organizations.

1 Defining corruption: Causes and effects

For the sake of simplicity, this report will adopt a largely law-based, public sector-gear definition of corruption as the *abuse of public power for private gain*, or, in the more complete formulation of Nye, “behaviour that deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status gains.”² This kind of definition has the benefit of encompassing the vast majority of conducts conventionally understood as corrupt across cultures. This includes conducts such as bribery, embezzlement, influence peddling, money laundering, misuse of privileged information, nepotism, extortion, fraud, obstruction of justice, and violations of political finance regulations.³

The shortcomings of this approach are, nonetheless, well known. For one, it obscures the crucial role of non-public

actors in corrupt acts, which oftentimes are not merely tolerated but indeed instigated by the private sector. Also, it leaves out cases where the distortion of the public interest is the result of legal acts that may be ethically questionable in a broader, more culturally bound sense. Elite capture or undue influence of the legislative process and state policy regulation and enforcement are often perceived as instances of political corruption, even though the acts involved may be technically legal. Such forms of “legal corruption” can take place through lobbying and election campaign contributions, and the use of “revolving doors” between public office and corporate jobs, among other arrangements by which public officials and private sector interests exchange favours over time. This collusion between economic elites, politicians, and state managers may or not be related to cases of high-level corruption. But they are likely to be as corrosive in their

² Nye (1967), p. 416. Similar definitions are used by World Bank (WB), Inter-American Development Bank (IADB), and the United Nations Development Program (UNDP), among many others. See WB (2000), IADB (2001), UNDP (2003).

³ Andvig et al. (2000), pp. 14-18; Nieto (2004), pp. 64-66.

impact, and in doing so fuel perceptions of corruption and mistrust towards political leaders and regime institutions. Kaufmann has thus defended a broader, legally neutral definition of corruption as the “privatization of public policy,” which places the emphasis on the protection of the public interest, also a highly contested notion.⁴

Even within a reasonably simple definition of corruption, it is possible to find many types of corruption, whose differences are laden with practical consequences. Hence, Transparency International (TI) distinguishes between *petty* scale and *grand* scale corruption,⁵ a cleavage that largely overlaps with the distinction between “bureaucratic” and “political” corruption.⁶ The former occurs at the lower levels of public administration, typically during the implementation of policies, and is the type of graft that affects citizens on a daily basis. The latter takes place at the highest levels of political authority, where legal instruments and public policies are defined. Nonetheless it is often the case that specific implementation decisions (e.g. decisions regarding large public procurement contracts or large public works) involve actors at such a high political level, as well as the accruing of private benefits of such a scale, that it would be impossible to regard them as examples of petty corruption.

Even within a reasonably simple definition of corruption, it is possible to find many types of corruption, whose differences are laden with practical consequences.

Also worth mentioning is the distinction between “transactive” and “extortive” corruption, which points to a crucial difference—that between cases where individuals or firms willingly engage in corruption when opportunities

to expedite transactions arise, and those where they are forced to deal with it.⁷ In some cases, transactive corruption may become so extended as to be regarded as a socially accepted practice, often perceived as un-corrupt. Last but not least, the notion of “systematic corruption” ought to be borne in mind. By that it is understood the pervasive use of the state apparatus for private gain, to the point where political power becomes a form of organized crime.⁸

Regardless of its shapes and nuances, there seems to be widespread recognition of the deleterious effects of corruption for political and economic development, as well as about the enormous complexity of its causes.⁹ Since the 1990s the academic literature on corruption, its causes and effects, has grown immensely. The field has benefitted from the development of a wide array of empirical instruments to measure and monitor the incidence of corruption and the extent of its perception in a majority of countries in the world.¹⁰ While limited in many ways,¹¹ these instruments—from corruption victimization surveys to the widely disseminated TI’s Corruption Perception Index (CPI)—have allowed for an enormous body of literature to emerge. Doing justice to the latter is impossible here. Instead, the following paragraphs will just summarize in broad strokes some of the main findings of this academic corpus.

Singling out the causes of corruption’s prevalence is a most difficult enterprise, complicated by the dearth of reliable data and by the sheer number of competing explanatory factors. While, for a long time, culturally-based explanations of corruption were touted in the literature, the increased availability of data has allowed sociological approaches to be powerfully complemented by the economic analysis of corruption.¹² The latter puts the spotlight on the structures of incentives that enable or disable corrupt exchanges. In the words of Rose-Ackerman, one of the pioneers of the economic approach, “(t)he basic lesson of the economic analysis is that corruption can best be fought by limiting the opportunities and rewards for paying and receiving payoffs...”¹³ These opportunities and rewards are defined by formal incentives (e.g. salaries in the public sector),

4 Kaufmann (2005), p. 82. Also Kaufman & Vicente (2011), Hellman, Jones & Kaufmann (2003).

5 Transparency International (2000)

6 Andvig et al. (2000), pp. 18-19.

7 Bohn (2012), p. 71.

8 See Speck (2013), pp. 65-70.

9 It was not always thus. Functional arguments on the presumed positive effects of corruption on economic performance and political development (corruption as “oil” rather than “sand” in the system) were common for a long time. Key (1949), Nye (1967) and Huntington (1968), were some of the authors that stated that, in many contexts, corruption was a necessary evil.

10 Ades & Di Tella (2000), pp. 15-19.

11 See Seligson (2006), pp. 383-390.

12 See the short literary reviews in Treisman (2000), pp. 402-407, Montinola & Jackman (2002), pp. 148-153.

13 Rose-Ackerman (2000), p. 102. See also Rose-Ackerman (1999).

informal incentives (e.g. the possibility of advancing a political career), monitoring inputs (e.g. the rules that allow for corrupt behavior to be detected and prosecuted), and market structures (e.g. whether there are competitive pressures on a bureaucracy and the private sector).¹⁴

Deploying all these different strands of analysis, the empirical research of the past generation has yielded a few important findings. Protestant traditions, national wealth levels, unitary state structures, trade openness, and democracy are among the factors that have been shown to inhibit corruption.¹⁵ The impact of democracy is complex. Some find the longevity of democracy—rather than its mere presence—to be the key factor.¹⁶ Meanwhile, others have found a non-linear relation whereby only fully consolidated and competitive democracies—rather than fledgling, semi-consolidated ones—have an edge over authoritarian regimes in terms of preventing corruption.¹⁷ Still within the notion of democracy, the salutary impact of the freedom of the press and of efficient legal systems have been well documented.¹⁸ The finding about efficient legal systems—and common law systems in particular—helps explain why histories of British rule are generally associated with lower levels of corruption.¹⁹ The impact of the role and relevance of the state—often accused of being among the key explaining factors of corruption—is interesting: while the size of the state (as measured by its government expenditure in GDP) is negatively related to corruption levels, the intensity of its economic intervention appears positively correlated with them.²⁰

As for the effects of corruption, the literature is equally abundant. On the economic front, high levels of corruption have been shown to negatively impact investment and growth levels, business development, income inequality, and foreign aid effectiveness.²¹ The profoundly distorting effects of bribery on decisions to allocate public spending have also been established.²² At the aggregate level,

corruption levels appear to alter negatively the composition of government expenditure, for instance by lowering public spending on education.²³ On the political front, the destructive effects of corruption (and, especially, of the perception of corruption) on the legitimacy of government institutions, support for incumbents, and levels of interpersonal trust have been repeatedly found, noticeably in Latin America.²⁴ The evidence is less clear, however, on the impact of corruption (and its perception) on abstract support for democracy as a government system.²⁵ These damaging effects, however, are mediated by economic conditions and the perception of economic performance—when economic times are good and perceived to be good, even a very high perception of corruption may have limited political effects. Conversely, in bad economic times, the political fallout from corruption can be considerable.²⁶ The latter finding is one to which this report will return below, as it appears crucial in the current Latin American context.

This cursory review of an extraordinarily rich corpus of empirical work leaves no room for doubt about the relevance of this discussion for Latin America, a region where both economic and democratic development is very much a work in progress, subject to reversals. It should also offer a warning about the long odds facing any attempt to provide air-tight explanations not simply about why corruption and perceptions of it are so prevalent in Latin America, but also about its potent political emergence in a given context. The empirical links of corruption with other social, political, and economic phenomena are, as seen above, very complicated and uncertain.

Let us now ground the analysis on the current Latin American context by exploring first the most simple of potential links: is the current political fervor against corruption in the region a function of a dramatic worsening of its actual prevalence or of the popular perceptions about it?

14 Ades & Di Tella (2000), pp. 22-35.

15 See Treisman (2000), Montinola & Jackman (2002), Shen & Williamson (2005), Ades & Di Tella (2000).

16 Treisman (2000).

17 Montinola & Jackman (2002), Saha, Gounder & Campbell (2014).

18 On freedom of the press, Brunetti & Weder (2003). On legal systems, Theobald (1990). Also Colizingari & Rose-Ackerman (1998).

19 Treisman (2000).

20 See Shen & Williamson (2005), Rose-Ackerman (2000), Ades & Di Tella (2000). See also Manzetti (2000) for an account of how reforms aimed at reducing the size and role of the state can have and have had a deleterious effect on corruption levels in Latin America.

21 Ades & Di Tella (2000), Kaufmann (2005), Seligson (2002).

22 Rose-Ackerman (1999), pp. 27-38.

23 Mauro (1998).

24 Seligson (2002) and (2006), Canache & Allison (2008). Morris & Klesner (2010) find a complex mutual causality between levels of institutional trust, on the one hand, and corruption and its perception, on the other.

25 Canache & Allison (2008).

26 Zechmeister & Zizumbo-Colunga (2013).



2 Measuring corruption: What do the figures show?

The measurement of corruption—an inherently hidden phenomenon—is fraught with uncertainty. While the field has been flooded with empirical information, to this day there is no single indicator that approaches the occurrence of corruption in a comprehensive and precise way. There are only proxies. Indeed, most of the indicators routinely employed to discuss the prevalence of corruption are in fact composites of perceptions of corruption, derived from multiple surveys and expert evaluations. Such is the case of Transparency International's Corruption Perception Index (CPI) and the World Bank's indicator of control of corruption (part of the Worldwide Governance Indicators [WGI]), to name but two of the most prominent and respected.²⁷ While their methodological sophistication and use of multiple sources provide some safeguards against measurement error, the divergence between the perception and reality of corruption can often be jarring. More recently, victimization surveys—which inquire about the actual occurrence of corruption—have come to be routinely used to measure real, as opposed to perceived, levels of graft. Even they, however, yield a very imperfect image of the problem, given their bias towards petty acts of corruption and their inability to capture the prevalence of graft at the highest levels of the

state, often the most damaging type of corruption for the legitimacy of democratic institutions. Victimization surveys at most offer a loose approximation to grand corruption, based on the plausible assumption, forcefully defended by Seligson, that it is highly improbable that institutions riddled with petty corruption can coexist with, and indeed be overseen by, a graft-proof political leadership. Conversely, low levels of bureaucratic corruption are not to be expected if the highest echelons of the state are infested with malfeasance.²⁸

The corruption victimization figures available for Latin American countries tell a complicated story, with widely different levels of prevalence of graft and divergent trajectories in the course of the past decade. Moreover, the results from the best sources are far from congruent, partly as the consequence of the very different questions used. Table 1 summarizes the results of one decade of region-wide corruption victimization surveys by Latinobarómetro (yearly) and the Latin American Public Opinion Project's AmericasBarometer (bi-annual), with tens of thousands of interviews in each case.²⁹

27 See http://www.transparency.org/cpi2013/in_detail#myAnchor4; <http://info.worldbank.org/governance/wgi/pdf/cc.pdf>

28 Seligson (2006), p. 389.

29 Latinobarómetro 2015 and AmericasBarometer 2014 include, respectively, 22,250 and 28,975 interviews in 18 Latin American countries. This excludes the surveys done for AmericasBarometer in the United States, Canada, and 8 other countries in the Caribbean, which are not part of this analysis.

TABLE 1. CORRUPTION VICTIMIZATION FIGURES AND TRENDS IN LATIN AMERICA, PER COUNTRY, 2005-2015

Sources: Latinobarómetro, AmericasBarometer.

Country	Latinobarómetro –LB– (% of population that have heard of a corruption act) ¹				AmericasBarometer –AB– (% of population that have heard of a corruption act)				Trends ²		
	2005- 2007	2008- 2010	2011- 2015	Variation '05-'15	2006	2010	2014	Variation '06-'14	LB '05-'15	AB '06-'14	Overall
Argentina	17.0	12.9	16.2	-0.8	n.d.	23.5	16.8	-10.6 ³	+	+++	
Bolivia	15.6	8.2	17.2	1.6	34.6	32.3	30.2	-4.4	-	+	?
Brazil	69.4	37.7	39.3	-30.1	15.6	23.6	13.9	-1.7	+++	+	
Chile	8.6	8.6	21.6	13.0	9.4	5.2	5.3	-4.1	--	+	?
Colombia	13.1	8.8	17.7	4.6	9.7	10.4	13.6	3.9	-	-	
Costa Rica	19.8	22.5	22.2	2.4	19.3	10.1	15.5	-3.8	-	+	?
Dom. Rep.	15.7	15.1	25.3	9.6	17.7	17.5	23.3	5.6	--	--	
Ecuador	11.9	8.2	14.4	2.5	31.9	21.1	26.0	-5.9	-	++	?
El Salvador	11.0	3.8	8.3	-2.7	13.4	11.4	9.8	-3.6	+	+	
Guatemala	14.1	8.0	10.6	-3.5	18.0	21.2	20.7	2.7	+	-	?
Honduras	9.3	8.5	9.5	0.2	16.1	16.2	23.0	6.9	-	--	
Mexico	35.9	22.0	29.1	-6.8	37.1	35.0	27.2	-9.9	++	++	
Nicaragua	13.0	7.6	10.2	-2.8	18.0	12.1	14.7	-3.3	+	+	
Panama	6.7	7.9	16.2	9.5	11.3	9.4	18.8	7.5	--	--	
Paraguay	18.1	11.7	29.2	11.1	21.7	27.1	28.1	6.4	--	--	
Peru	16.3	12.7	18.2	1.9	30.3	32.0	26.4	-3.9	-	+	?
Uruguay	12.9	10.0	14.8	1.9	7.0	7.3	6.7	-0.3	-	+	?
Venezuela	17.1	13.3	22.3	5.1	19.4	18.5	26.6	7.2	--	--	
Latin America (weighted average)	37.8	22.4	27.4	-10.4	20.1	23.8	19.1	-1.0	+++	+	

Notes: ¹ Due to significant fluctuations in year-to-year figures from LB, the table includes simple averages for indicated years. ² - negative trend <5%; -- negative trend <10%; --- negative trend >10%; + positive trend <5%; ++ positive trend <10%; +++ positive trend >10%. A green cell denotes a consistent positive trend; a red cell denotes a consistent negative trend; (?) denotes an uncertain trend. ³ 2008-2014. There is no data for 2006 in Argentina.

Both surveys diverge significantly in the levels of corruption detected in the same countries (as well as for the region as a whole), in the way countries are ranked, and, in many cases, in the trends detected. Thus, while Latinobarómetro (LB) suggests that during 2011-2015 over 27% of the Latin American population had direct knowledge of a corruption act over the previous year, down from nearly 38% during 2005-2007, AmericasBarometer (AB) estimated at 19.1%

the proportion of the Latin American population that paid a bribe in 2015, a very slight reduction from the 20.1% found in 2006. It should be noted that in both cases, the region-wide victimization trend detected (as measured by the average victimization weighted by population) is positive, albeit in different degrees. The trends observed by both regional surveys are consistent for the majority of countries. In both cases they find a reduction in victimization levels in

Argentina, Brazil, El Salvador, Nicaragua, and, particularly, Mexico. Meanwhile, the results are consistent in showing deteriorating victimization levels in Colombia, Honduras, and, in a significant way, the Dominican Republic, Panama, Paraguay, and Venezuela. In all other cases (Bolivia, Chile, Costa Rica, Ecuador, Guatemala, Peru, and Uruguay) the survey results from LB and AB move in opposite

directions, making it impossible to identify a trend. The prevailing victimization levels are neither homogeneously distributed among the population, nor across different public institutions, services, or agencies. Surveys conducted over the last decade indicate that bribery victimization tends to be more prevalent among males, and more likely among wealthier people and large city

TABLE 2. PERCENTAGE OF LATIN AMERICAN POPULATION THAT WERE ASKED TO PAY A BRIBE IN DIFFERENT INSTITUTIONS AND SERVICES, PER COUNTRY, 2006-2014¹

Sources: Latinobarómetro, AmericasBarometer

Country	Working place		Schools		Health system		Government officials		Police		Courts		Municipal government	
	2006	2014	2006	2014	2006	2014	2006	2014	2006	2014	2006	2014	2006	2014
Bolivia	13.0	--	10.2	--	10.6	--	12.1	--	17.7	--	18.0	--	21.0	--
Brazil	--	7.0	0.0	7.8	--	5.4	--	1.9	--	4.3	--	4.4	--	7.0
Chile	6.4	--	3.4	--	2.9	--	1.6	--	2.3	--	5.2	--	5.5	--
Colombia	3.6	4.6	1.8	2.8	3.8	3.5	2.6	4.3	4.5	7.4	3.3	6.9	4.4	9.4
Costa Rica	4.9	6.6	4.4	7.0	4.5	5.9	6.1	3.5	8.8	5.3	3.0	7.3	6.0	16.3
Dom. Rep.	3.1	5.3	3.6	3.0	5.0	5.1	6.3	7.5	10.7	16.2	12.4	22.3	19.3	21.1
Ecuador	6.3	--	12.2	--	7.0	--	14.1	--	10.5	--	20.3	--	12.6	--
El Salvador	3.3	1.9	3.4	2.8	6.7	1.9	2.5	2.8	6.6	5.4	2.4	2.6	5.9	3.6
Guatemala	8.9	2.7	7.3	6.5	7.5	5.0	4.6	4.3	10.9	13.8	5.9	12.3	6.3	13.1
Honduras	2.7	2.6	3.9	9.2	3.7	6.5	3.9	5.8	11.0	15.4	7.3	16.7	10.6	14.8
Mexico	13.4	5.8	12.7	6.8	13.7	4.1	13.7	8.5	22.9	18.6	25.0	9.0	24.1	14.8
Nicaragua	9.9	3.7	9.2	3.4	10.3	2.5	4.1	4.8	7.3	8.6	22.9	10.7	12.6	9.0
Panama	2.7	7.3	4.2	7.4	4.0	5.7	3.7	6.6	6.5	11.1	14.1	33.3	15.9	31.5
Paraguay	--	4.5	3.1	8.3	3.9	6.0	13.1	9.2	11.6	18.3	16.9	10.7	12.9	10.6
Peru	9.2	8.8	8.2	9.3	3.9	8.1	10.7	8.2	18.8	16.4	11.6	10.9	14.9	16.5
Uruguay	--	1.4	--	1.1	--	1.3	--	2.3	--	3.1	--	0.9	--	1.9
Latin America (simple average) ²	5.6	4.4	5.6	5.9	6.1	4.8	6.5	5.7	10.9	12.1	11.3	12.9	12.1	14.4

Notes: ¹ Percentage calculated over the population that effectively had contact with the service/agency during a given year. A red cell marks the highest percentage among all the services/agencies for a given country in 2014. Only countries for which there is information for 2006 and 2014 are included. ² Average of 11 countries for which there is information for 2006 and 2014. The regional average for working place includes only 10 countries for which there is information for both years.

TABLE 3. PERCEPTION OF CORRUPTION FIGURES AND TRENDS IN LATIN AMERICA, PER COUNTRY, 2005-2014

Sources: CPI: Transparency International. WGI Control of Corruption: World Bank.

Country	Corruption Perception Index ¹				WGI - Control of corruption ²				Trends ³		
	2005	2010	2014	Variation 2005-2014	2005	2010	2014	Variation 2005-2014	CPI '05-'14	WGI '05-'14	Overall
Argentina	2.8	2.9	3.4	0.6	-0.431	-0.414	-0.580	-0.149	+	-	?
Bolivia	2.5	2.8	3.5	1.0	-0.762	-0.442	-0.640	0.122	+	+	
Brazil	3.7	3.7	4.3	0.6	-0.170	-0.001	-0.378	-0.208	+	-	?
Chile	7.3	7.2	7.3	0.0	1.453	1.486	1.477	0.024	=	+	?
Colombia	4.0	3.5	3.7	-0.3	-0.117	-0.409	-0.394	-0.277	-	-	
Costa Rica	4.2	5.3	5.4	1.2	0.386	0.648	0.729	0.343	+	+	
Dom. Rep.	3.0	3.0	3.2	0.2	-0.590	-0.808	-0.790	-0.200	+	-	?
Ecuador	2.4	2.5	3.3	0.9	-0.750	-0.861	-0.817	-0.067	+	-	?
El Salvador	4.2	3.6	3.9	-0.3	-0.416	-0.234	-0.390	0.026	-	+	?
Guatemala	2.5	3.2	3.2	0.7	-0.632	-0.481	-0.699	-0.067	+	-	?
Honduras	2.3	2.4	2.9	0.6	-0.742	-0.866	-0.786	-0.044	+	-	?
Mexico	3.5	3.1	3.5	0.0	-0.280	-0.370	-0.733	-0.453	=	-	?
Nicaragua	2.7	2.5	2.8	0.1	-0.606	-0.773	-0.885	-0.278	+	-	?
Panama	3.5	3.6	3.7	0.2	-0.377	-0.352	-0.355	0.022	+	+	
Paraguay	1.9	2.2	2.4	0.5	-1.406	-0.742	-1.000	0.406	+	+	
Peru	3.5	3.5	3.8	0.3	-0.360	-0.250	-0.592	-0.232	+	-	?
Uruguay	5.9	6.9	7.3	1.4	1.040	1.245	1.352	0.312	+	+	
Venezuela	2.3	2.0	1.9	-0.4	-0.957	-1.207	-1.382	-0.426	-	-	
Latin America (simple average)	3.5	3.6	3.9	0.4	-0.318	-0.268	-0.381	-0.064	+	-	?

Notes: ¹ On a scale 0 (most corrupt) – 10 (least corrupt). ² On a scale from -2.5 (lowest scored) to 2.5 (highest score). ³ + positive trend; - negative trend. A green cell denotes a consistent positive trend; a red cell denotes a consistent negative trend; (?) denotes an uncertain trend.

dwellers.³⁰ Moreover, as shown in Table 2, among those targeted by bribes, in virtually every Latin American country –as well as region-wide–the highest levels of victimization have been reported in interactions with the police, the courts, and local governments, a pattern that has remained constant over the past decade.³¹

In assessing national figures for corruption victimization, one should be mindful of the important levels of sub-national variation are likely to exist, particularly in larger countries governed by federal systems, namely, Brazil, Argentina, and Mexico. In 2010, a study of Brazil found that the corruption victimization rate in the Amazonian region was 30%, almost as high as the proportion found in

³⁰ Zechmeister (2014), pp. 143, 155-156.

³¹ While the information is sketchy and not fully comparable, this pattern holds reasonably well at the level of perception. Data from TI's Global Corruption Barometer in 2005 and 2013 shows that perceptions of corruption in Latin America are highest with respect to political parties, followed by legislatures, the police and the judiciary. The private sector and the education system come last among those loci of corruption considered in the surveys. See Transparency International – Global Corruption Barometer.

Bolivia and Peru, while in the southern states the frequency was 16%, below the Latin American average. Comparable disparities were also found in Argentina.³² Even in smaller countries like Nicaragua and Bolivia, surveys have detected substantial regional variation on this score.³³

For the purposes of this study, it is important to notice the lack of systematic evidence pointing towards a substantial region-wide deterioration in corruption victimization levels over the past decade. The available figures are largely inconclusive, but to the extent that a regional trend can be gleaned from the data it appears to be positive—the proportion of Latin Americans with direct experience with corruption in any given year has gone down over the past decade.

What about the perception of corruption? Since perceptions of corruption—as well as those of crime—can generate real effects, perhaps the current anti-corruption activism in Latin America is connected to more acute perceptions of corruption. To an even greater extent than with corruption victimization, the trends of corruption perceptions in Latin America are hard to discern. Yet, one thing is clear: there is scant evidence of a momentous, widespread transformation in the severity of corruption perceptions over the past decade.

As per Table 3, the evolution of TI’s CPI shows positive trends in 13 out of 18 Latin American countries between 2005 and 2014. According to this widely used indicator, during the past decade particularly good progress was detected in Bolivia, Costa Rica, and Uruguay, while Venezuela’s already acute perception of corruption appeared to have visibly worsened. The average for the region as a whole increased (i.e. showing less corruption) from

3.5 to 3.9. These figures stand in contrast with the less positive results detected by the WGI. For the latter, control of corruption has declined in 11 out of 18 countries, with particularly negative trends in Venezuela and Mexico, where the indicator fell by 8.5% and 9.1%, respectively. Conversely, only Costa Rica (+6.9%) and Paraguay (+8.1%) show improvements greater than 5%. For most countries the changes recorded by the WGI are very small. The average result for the region barely budged during the decade—it declined by 1.3%.

TABLE 4. PERCENTAGE OF LATIN AMERICAN POPULATION THAT THINKS CORRUPTION IS THEIR COUNTRY’S MOST IMPORTANT PROBLEM, PER COUNTRY, 2004-2015

Source: Latinobarómetro.

Country	2004-2006	2007-2010	2011-2015	Variation '04-'06/'11-'15
Argentina	8.8	5.5	5.5	-3.3
Bolivia	7.4	5.6	7.2	-0.2
Brazil	10.5	8.0	13.0	2.5
Chile	1.4	1.5	1.4	0
Colombia	2.9	6.9	9.5	6.6
Costa Rica	9.3	7.2	9.9	0.6
Dom. Rep.	2.7	4.8	7.3	4.6
Ecuador	16.9	8.1	4.1	-12.8
El Salvador	2.1	1.5	1.0	-1.1
Guatemala	5.1	2.3	2.6	-2.5
Honduras	6.6	7.3	7.1	0.5
Mexico	9.2	8.0	6.3	-2.9
Nicaragua	8.2	2.1	1.5	-6.7
Panama	6.8	3.0	5.5	-1.3
Paraguay	8.4	9.0	8.1	-0.3
Peru	4.2	7.6	8.9	4.7
Uruguay	1.1	0.7	0.4	-0.7
Venezuela	1.6	3.5	1.9	0.3
Latin America (weighted average)	8.0	6.8	8.4	0.4

32 See Rennó et al. (2010), pp. 85-88, and Lodola & Selligson (2010), pp. 88-90. For a useful examination of how federalist regimes can affect the mechanisms used to fuel or deter corruption, see Macaulay (2011).

33 Seligson (2006), pp. 398-399.

The perception trends appear to be consistently positive across different information sources in five countries (Bolivia, Costa Rica, Panama, Paraguay, and Uruguay), consistently negative in two countries (Colombia and Venezuela), and uncertain in all the others, as well as for the region as a whole. In the vast majority of cases, the changes detected by both sources are modest.

These findings are congruent with other strands of evidence. As seen in Table 4, the proportion of the Latin American population that regards corruption as their country's most pressing concern has been rather low in the recent past, in virtually all cases trailing other concerns, such as crime and unemployment, by large margins.³⁴ More importantly, the figures do not suggest an increased concern in most countries. In fact, in 10 of 18 countries the level of concern detected in 2011-15 was lower than in 2004-06. Very few countries experienced visible changes, in some cases towards a heightened concern with corruption (Colombia), in some other cases towards lower anxiety with it (Ecuador and Nicaragua). The weighted average for Latin America barely changed: 8.0% of the region's population put corruption atop their concerns in 2004-06, while 8.4% did so a decade later.

Finally, opinions about the success of policies geared towards the reduction of corruption show no discernable trend (see Table 5). While some countries have grown significantly more optimistic about the fight against corruption (El Salvador, Nicaragua, Panama, Uruguay, and above all Ecuador), others have a much more gloomy perception of it (Colombia, Honduras, and Venezuela). A majority of countries, as well as the region as a whole, experienced only marginal changes.

It should be noted that many of the perception figures

TABLE 5. PERCENTAGE OF THE LATIN AMERICAN POPULATION THAT THINKS THAT PROGRESS HAS BEEN MADE IN REDUCING CORRUPTION IN PUBLIC INSTITUTIONS IN PAST 2 YEARS, PER COUNTRY, 2004-2011¹

Source: Latinobarómetro.

Country	2004-2006	2007-2010	2011-2015	Variation '04-'06/'11-'15
Argentina	29.1	17.9	25.9	-3.3
Bolivia	30.8	45.5	34.9	4.1
Brazil	29.8	39.3	27.9	-2.0
Chile	36.7	42.3	33.3	-3.4
Colombia	49.5	50.9	39.9	-9.6
Costa Rica	35.2	42.6	32.9	-2.4
Dom. Rep.	34.2	36.4	37.6	3.4
Ecuador	20.9	45.3	54.2	33.3
El Salvador	21.4	40.5	29.7	8.3
Guatemala	22.7	25.9	24.2	1.5
Honduras	34.9	32.4	26.5	-8.4
Mexico	30.3	32.5	27.4	-2.9
Nicaragua	29.1	17.9	25.9	-3.3
Panama	30.8	45.5	34.9	4.1
Paraguay	29.8	39.3	27.9	-2.0
Peru	36.7	42.3	33.3	-3.4
Uruguay	49.5	50.9	39.9	-9.6
Venezuela	35.2	42.6	32.9	-2.4
Latin America (weighted average)	34.2	36.4	37.6	3.4

Notes: ¹ Includes only those who answered that "a lot of progress has been made" and "some progress has been made."

shown in tables 3-5 are, at most, loosely connected to the evolution of victimization levels. For instance, it is clear that recent trends on both victimization and perception have been, for the most part, consistently negative in Colombia and Venezuela. Conversely, with some qualifications, Uruguay and Ecuador display a markedly positive evolution. Beyond that, consistency between both dimensions of the corruption phenomenon is weak in most countries. The looseness of the links between victimization and perception can be better understood with Graph 1, which depicts the

³⁴ According to Latinobarómetro, since 2004, there have been only 4 cases in the region in which corruption topped the list of national concerns: Brazil in 2007 and 2015, Mexico in 2007, and Costa Rica in 2013.

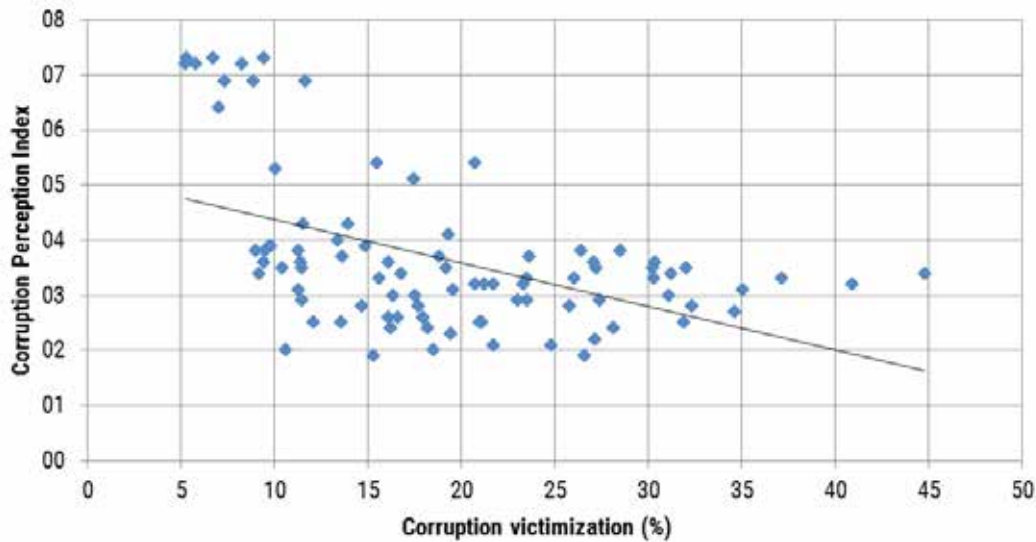
association between AB victimization results and TI's CPI for all Latin American countries in the period 2006-2014. It shows that while there is an empirical connection between corruption victimization and perception in Latin America, it is tenuous and mostly holds at the low corruption end of the scale.³⁵

The dearth of the findings of this section should give us pause in at least three ways. First, these findings render inevitable the question about the suitability of Latin America as a unit of analysis in this field. The figures seen above speak of widely divergent trajectories between countries and, in each country, between the real and the perceived dimensions of corruption. This is crucial for many reasons, not least that in the face of this evidence, multilateral agencies would be ill advised to devise region-wide prescriptions against corruption, except at the most abstract of levels. This is a point to which we will return. Second, if there is a newly found intensity in the reactions against corruption in the region, it appears that

its roots are not to be found in a sudden deterioration of either victimization or perception levels. If so, it may well be that the changes undergone by the *context* in which corruption is experienced and perceived in Latin America hold the key to this story. Third, the figures reviewed above—particularly those of victimization—hardly convey the devastation that *grand* corruption scandals can wreak on the political system and the popular opinions about it. These scandals do not alter victimization levels and often fail to even affect the prevailing perceptions of corruption—they merely confirm those perceptions beyond doubt. In doing so, they may spark very intense indignation and, eventually, tip citizens towards action. It is here that an interesting piece of evidence becomes relevant. A vast majority of Latin Americans have long believed that paying bribes is unacceptable. Yet, while in 2006 only 1 in 4 (23.6%) citizens of the Americas³⁶ claimed that paying a bribe could be justified in some circumstances, in 2014 the figure had decreased to 1 in 6 (16.4%). Even among those who paid a bribe in 2014, 2 out of 3 believed such

GRAPH 1. CORRUPTION VICTIMIZATION VS PERCEPTION IN LATIN AMERICA, 2006-2014

Sources: Corruption Victimization (percentage of population that has paid a bribe in past 12 months): AmericasBarometer. Corruption Perception Index: Transparency International.



35 On the gap between both dimensions see Bohn (2012).

36 The figures in this paragraph include not just Latin American countries but the 28 countries in the Western Hemisphere covered by AmericasBarometer.

acts were never justifiable.³⁷ Hence, while victimization and perception levels do not seem to have changed dramatically or uniformly, *opinions* about corruption appear to have hardened noticeably in the region.

In the following section, the report will take the analysis of the empirical evidence one step further. By examining some of the most conspicuous recent cases of corruption at the highest levels of the state and teasing out their main patterns of behavior, it will give texture to the experience of grand corruption in Latin America and draw some useful policy lessons.

While victimization and perception levels do not seem to have changed dramatically or uniformly, *opinions* about corruption appear to have hardened noticeably in the region.

3 Patterns and lessons from recent grand corruption scandals in the region

In order to identify some patterns and lessons from recent corruption scandals in Latin America we examined six countries in the region that experienced significant societal uproar over—actual or purported—large-scale acts of public malfeasance in 2014-2015. Our case studies are based largely on journalistic evidence, updated to mid-2016, and subject mostly to ongoing legal investigations. As such, they should thus be viewed as a provisional assessment, rather than a definitive account. In selecting this sample of cases, by no means an exhaustive one, we strived to balance the region’s most populous countries—Brazil and Mexico—with smaller nations of varying levels of economic development: wealthier Chile in the Southern Cone, and three republics in the Central American isthmus, Guatemala, Honduras, and Panama. Here are the stylized facts of the main corruption scandals in each of these countries.³⁸

Brazil

The country’s largest political corruption scandal ever surfaced in March 2014, when a federal police investigation into money laundering led to the arrest of a former director of the Brazil’s giant petroleum conglomerate, Petrobras.

Revelations attained through a plea bargain instigated a series of police operations, 28 by April 2016, which gave rise to what became known as the *Petrolão* (Big Oily) or *Lava Jato* (Car Wash) affair. The case involves Latin America’s largest corporate firm, which accounts for 10% of Brazil’s GDP, and was ranked in 2010 as the world’s fourth biggest corporation. Authorities estimate that the Petrobras heist may have reached \$5.4bn, of which \$2.7bn was spent on bribes. The inquiry has led to scores of arrests and indictments, and many new plea bargains that have catapulted the probe further. All this has exposed, in the words of Brazil’s chief prosecutor, a “complex criminal organization” that involved top Petrobras administrators, political leaders from 6 different parties, and corporate executives from the country’s 9 largest construction firms. The CEOs and managers have been charged with setting up a cartel to secure Petrobras contracts and divert 3% of their value to slush funds for political parties. Over 500 people and firms have been placed under police inquiry. Among those detained are the CEOs of Brazil’s two largest construction companies (Odebrecht and Andrade Gutierrez), a prominent banker, a senator for the ruling Worker’s Party (PT) and other influential leaders, such as the PT’s former treasurer and President Lula’s former chief of staff.³⁹

³⁷ Zechmeister (2014), pp. 155-156.

³⁸ For the sources of the case summaries see the respective section in the list of references at the end of this publication.

³⁹ The *Petrolão/Lava Jato* investigations and its political implications are covered briefly here up to mid-2016. This affair and its multiple ramifications are part of an ongoing inquiry that is likely to endure beyond 2016.

The *Petrolão* scandal has rattled the nation's political elite. By early 2016, 49 politicians were under investigation, among them, 13 senators, 22 federal deputies, 2 governors, 13 former federal deputies and 1 former governor; including the leaders of both the Senate and the Chamber of Deputies. The former speaker of the lower house, Eduardo Cunha, generated ample controversy, and was accused of taking as much as \$40m from the Petrobras scheme and laundering the money through an evangelical megachurch and Swiss bank accounts. Cunha was suspended by the Supreme Court as president of the lower chamber in May 2016, and resigned from his post two months later, as a consequence of the corruption scandal. In March 2016, prosecutors also indicted former President Lula da Silva for links to the construction companies involved in the *Petrolão* scandal, as result of remodeling work done on two properties purportedly tied to Lula's family. A court mandate ordering the federal police to detain and compel the former president to give a deposition on these dealings and the subsequent (failed) attempt to elevate Lula as President Dilma Rousseff's Chief of Staff stirred major political controversies.

All these developments have fueled an unprecedented political crisis in Brazil. Massive street protests took place in 2015, as the *Petrolão* scandal deepened, triggering calls for President Rousseff's resignation and impeachment. In March 2015, as many as 2.4m people marched in various cities across the country, followed by smaller mobilizations in April and August. Dilma Rousseff's approval ratings dropped precipitously during this time, from 41% in February 2014 to 7% in September 2015, at which point her rejection rates reached 71%. The deep malaise and political uncertainty driven by the *Petrolão* affair fed an economic recession in 2014-15. The scandal has also tarnished Petrobras' reputation and prompted minority shareholders to sue the company in US courts and call on the US government agencies to investigate its dealings. In April 2016, the Chamber of Deputies, led by Eduardo Cunha, voted to impeach President Rousseff on technical charges of fiscal mismanagement, unrelated to the *Lava Jato* scandal. In a sign that underscores the depth of Brazil's political crisis, Rousseff and other opponents have depicted this decision as a "parliamentary coup."

Mexico

In November 2014 a Mexican news outlet revealed that President Enrique Peña Nieto and his family were living in a luxurious \$7m home built by a subsidiary of Grupo Higa, a construction conglomerate linked to a \$3.75bn high-speed railway project cancelled by the government three days before the news report was published. The white color of the house gave the scandal its name, *La Casa Blanca*. Grupo Higa purchased the property and built the house to the specifications of Peña Nieto's wife, while he was governor of the State of Mexico and had ongoing contracts with the firm. The president denied any wrongdoing. The First Lady, it was claimed, was paying for the house with proceeds from her career as a TV actress, yet eventually announced she would be selling the mansion. Concurrently, a top Mexican radio station fired the journalist responsible for the press exposé. This incident fueled protests and charges that the media outlet had caved to improper government pressure.

Grupo Higa was part of a China-led consortium that had secured the non-competitive railway contract. Shortly after *La Casa Blanca* scandal erupted, it was revealed that the finance minister had bought a \$500,000 house at a fashionable golf club with a mortgage paid by Grupo Higa. To allay brewing suspicions, in February 2015, the president appointed his minister of public administration to head an inquiry into the alleged conflicts of interest. Critics, though, voiced concern over the probe's lack of independence and impartiality, given Peña Nieto's direct authority over the official in charge. The inquirer's decision not to investigate or reveal the mortgage contracts or any deals made prior to Peña Nieto's presidential inauguration, led many observers to disparage the probe. The final report, issued in August 2015, exonerated Peña Nieto, his wife, and the finance minister, and declared the case "legally closed," after which the president issued a public apology for the misperception, while denying any illicit deeds.

The *Casa Blanca* episode, together with the unresolved disappearance of 43 students in September 2014, and the prison escape of Mexico's notorious drug kingpin, "El Chapo" Guzmán, undercut Peña Nieto's public image.⁴⁰ Between April 2013 and July 2015, the president's disapproval ratings more than doubled, from 30% to 64%.

⁴⁰ Guzmán has since been re-apprehended by the Mexican authorities and is awaiting extradition to the United States.

Amid all these developments, the Congress began to debate various anti-corruption measures—including the creation of specialized prosecutors and courts, the obligation of public servants to declare their assets and conflicts of interest, and the strengthening of auditing institutions—that were eventually signed into law by Peña Nieto after intense debates in parliament. The result was a comprehensive National Anti-Corruption System (NAS) instituted in 2015 and reinforced in 2016 through various legal reforms. The efforts have strengthened the state’s ability to investigate and prosecute acts of corruption, by creating a centralized system designed to facilitate coordination between federal, state, and municipal authorities. In addition, the new legislation includes asset and tax disclosure requirements for all civil servants, albeit without ensuring public access to this information as demanded by various advocacy groups. Several civil society organizations played a key role in supporting these reforms, amid considerable resistance, and even helped draft its new legal provisions.

Chile

A series of recent corruption scandals have marred Chile’s image as Latin America’s showcase for transparency. Three cases in particular—the Penta, Soquimich and Caval affairs, all of which surfaced in 2014-15—have stirred public debate over the country’s problems with tax evasion, illicit campaign finance, and the misuse of political privilege. The Penta Group is one of Chile’s largest financial conglomerates, with close to \$30bn in assets. In August 2014, its owners and top managers were charged with tax fraud, bribery, and money laundering, and eventually convicted in March 2015. Chile’s National Prosecutor accused the Penta Group of espousing a “culture of tax evasion” and generating a “machine to defraud the state” through fake invoices and false statements, and providing illicit funds to the Independent Democratic Union (UDI) party. By October 2015, 21 people had been indicted, some convicted, for taking part in a \$2.8 million tax evasion scheme in 2009-10. These funds were diverted mostly to 10 election campaigns, 8 of which were run by conservative UDI party leaders and legislators.

Soon after, public prosecutors discovered a similar ruse organized by Sociedad Química y Minera de Chile, S.A. (Soquimich), a firm worth \$9.2bn in assets and one of

the world’s biggest producers of fertilizers and lithium. Between 2009 and 2014, Soquimich had channeled close to \$5 million in illicit campaign funds to 8 political parties, covering the breadth of Chile’s political spectrum. These funds were alleged to have boosted the campaigns of President Michelle Bachelet and former President Sebastián Piñera. The inquiry led to 15 felony charges against prominent leaders of Chile’s two main conservative parties and high-level Soquimich managers. A cabinet member and ambassador linked to the Bachelet government resigned amid the uproar. In a parallel investigation carried out by Chile’s stock exchange regulator, Soquimich’s top brass was found guilty of fixing stock market prices in collusion with the country’s largest brokerage firm. The scam, known as “The Cascade,” was said to have generated a \$300m dividend, between 2009 and 2011, as Chile’s private pension funds (Soquimich’s minority shareholders) suffered \$800m losses. In September 2015, stock exchange authorities levied Soquimich’s chairman and his associates a record-setting \$164m fine.

Public discontent over these scandals rose sharply in February 2015 following news publications of a controversial real estate transaction carried out by Bachelet’s close relatives. Their firm, Caval, was accused of securing a \$9.2m bank loan as a favor to Bachelet’s son, bestowed on the day after her election. Caval then made a quick \$3.5m profit by flipping over a rural property in an area scheduled for urban rezoning, an issue that prompted charges of access to inside information. Bachelet’s son resigned shortly after from his high position in the presidential office, amid a legal investigation of his dealings and a 9-point drop in the president’s approval rate. Shortly thereafter, Bachelet established an independent high-level Anti-Corruption Commission, in March 2015, which presented 305 policy recommendations.⁴¹

The Chilean government’s strong institutional response was fueled by the broad public outcry and important political consensus on the severity of the problem. The adoption of far reaching changes to political finance and party regulations, in early 2016, including a ban on corporate contributions and tough sanctions for the violation of electoral finance laws, were the beginning of a comprehensive anti-corruption agenda, comprised by 21 laws and 14 administrative measures, ranging from asset declaration norms for public officials to new corporate governance rules.⁴²

41 See Consejo Asesor Presidencial contra los conflictos de interés, el tráfico de influencias y la corrupción (2015).

42 For a detailed account of the political finance reforms adopted see Casas-Zamora (2016), p. 8.

Guatemala

Revelations of a kickback scheme at the customs agency ushered-in a series of exposés and a wave of civic protests that led to the resignation and arrest of President Otto Pérez Molina, in early September 2015. Initial disclosures of “*La Línea*” (The Line), the name given to the scam after the hotline used by its participants, were made in April 2015, by the prosecutors’ office and the Commission Against Impunity in Guatemala (CICIG), a UN-backed agency established in 2006 to support public investigations of criminal groups set up under the previous military regime. *La Línea* offered importers reduced import duties in exchange for kickbacks. Estimates based on CICIG figures suggest that \$35m were diverted from state coffers each year, with the racketeers profiting close to \$14.4m. Analysts claim this scheme had its origins in a criminal and military network formed in the 1970s.

The initial findings implicated the private secretary of Vice President Roxana Baldetti as the ringleader of a criminal association comprised of 64 people, among them, a news media executive, 28 customs officials, including its bureau chief and the trade union leader of these public sector workers. Close to 1,000 business importers were involved in this ruse. Eventually, the inquiry discovered evidence that incriminated both Baldetti and Pérez Molina. Another scandal unveiled at the Guatemalan Social Security Institute, in May 2015, found that its leadership had taken a \$1m bribe to purchase faulty medical supplies that produced various deaths. This prompted the arrest of high officials known for their proximity with President Pérez Molina. This was followed by a CICIG report published in July that revealed that the country’s primary sources of election campaign finance came from the drug trade and corruption.

The CICIG and Guatemala’s attorney general’s office played a crucial role in exposing malfeasance and pressing legal charges. Their independence and professional competency were essential to this. It was the press and civil society mobilizations, however, which made corruption, long thought to be inevitable, suddenly seem intolerable. The anger stirred by these forces fueled a climate of opinion that led to the gradual dismantlement of the Otto Pérez government, with the resignation followed by the arrest of Baldetti, the departure of most of the cabinet, and the demise of the president himself. Undergirding these developments was the persistent mobilization of civil society, on the streets and via social media. The first public gatherings in Guatemala City began in April, with about

23,000 mostly urban, middle class protesters. By May, the crowds had swelled to 50,000 protesters. At the end of August, with the disclosure of Otto Pérez’s personal involvement in *La Línea*, close to 120,000 people converged to demand his ouster, in an event described as the largest protest in Guatemalan history. This gathering took place amid widespread mobilization, with road blockades set up across the country’s main highways, and a national strike endorsed by the business community, labor and peasant unions, indigenous groups, students, and churches.

Following his election in late October 2015, President Jimmy Morales oversaw a series of reforms designed to increase transparency in election finance and public contracting, and modernize the civil service and judiciary. Progress on these measures has been slow and inconsistent, yet positive in its trajectory. An indicative gesture of this could be discerned in the appointment of credible former prosecutors to head the tax agency and customs bureau, the loci of the *La Línea* scandal.

Honduras

A financial crisis at the Honduran Social Security Institute (IHSS) prompted various investigations in 2014 that unveiled misuse of funds at this government-run national insurance system. An Interpol arrest warrant was issued for its former director in February 2014. It was not until September, though, that investigators revealed the magnitude of the heist and its modus operandi through various sham companies. Prosecutors later estimated that a crime syndicate that may have involved as many as 400 people swindled as much as \$350m between 2010 and 2014. Press reports revealed how IHSS officials enjoyed an extravagant lifestyle while bankrupting the institution, and as a result causing the premature death of scores of patients for lack of adequate medical staff and supplies.

The scandal gathered added impetus in May 2015, when a prominent television journalist disclosed documents showing that the ruling National Party had received campaign contributions from the firms implicated in the IHSS scam. These sums were estimated to have reached \$94m and used to bolster the electoral campaign of Honduras’ president, Juan Orlando Hernández. The president eventually recognized he had received donations from these companies, but denied knowing about their illicit origin. News of the president’s connection to the affair prompted a series of street demonstrations in

Tegucigalpa and other cities across Honduras, which mobilized as many as 60,000 people in the capital city in July. The protesters made repeated calls for the president's resignation, insisted on the installation of a UN-sponsored agency akin to Guatemala's Commission Against Impunity (CICIG) to strengthen legal accountability, and demanded greater transparency in the country's election finance. Amid these developments, the journalist who exposed the illicit campaign contributions was charged and convicted with defamation in an unrelated case, by the spouse of a National Party leader implicated in the scandal, in a court ruling that was widely perceived as an act of reprisal. No one was detained for taking illicit campaign funds. The former IHSS director, its board members, and two former vice ministers, however, were placed under arrest.

In September 2015, the Organization of American States (OAS) agreed with the Honduran government to establish a Support Mission Against Corruption and Impunity in Honduras (MACCIH), based on the CICIG model. This agency will provide international lawyers and prosecutors to oversee investigations conducted by Honduras' Attorney General's Office. In addition, Honduras adopted reforms that opened up public contracting and established a special police commission to help purge and reorganize the country's main law enforcement agency. A new, comprehensive bill to regulate political finance activities is currently under discussion in Congress.

Panama

The result of the 2014 presidential vote diminished the power of the outgoing president, Ricardo Martinelli, and his party, and ushered into office one of his main political rivals, Juan Carlos Varela. This shift in the balance of power paved the way for a series of inquiries that exposed numerous cases of corruption under Martinelli's administration. Several of these were related to overpriced procurement contracts made by the National Assistance Program (PAN), a welfare agency run by a Martinelli appointee that paid grossly inflated prices for food and school supply purchases. Panamanian officials estimate that Martinelli, his family and associates may have embezzled close to \$100m through such deals. Martinelli and sons were also accused of taking a \$20m bribe from Italian contractors to build a prison in Panama, along with other controversial transactions under investigation by Italian prosecutors.

Martinelli fled Panama in January 2015, after the Supreme

Court authorized an inquiry into his links to a PAN scandal that involved a \$45m contract for dehydrated food. In the ensuing months, the Supreme Court authorized three additional criminal cases brought against Martinelli: a second inflated PAN contract; setting up illegal wiretaps to spy on 150 Panamanian politicians, journalists, and business and civic leaders; and issuing a controversial pardon signed prior to his departure that freed 353 convicted criminals. Several members and close allies of the Martinelli administration have been arrested, including PAN's previous director, the former ministers of social development and finance, and the former head of the Supreme Court, who was found guilty of amassing a small fortune by selling his court decisions. The construction of various mega-projects during Martinelli's government—a new metro system, major highways, a large hospital complex and the expansion of the Panama Canal—have allegedly created many new opportunities for graft.

The scandals attributed to Martinelli's government were vigorously pursued by several news outlets and elicited street protests and other manifestations of civic outrage. New appointments in the Attorney General's office, in turn, rendered various legal proceedings more effective. Martinelli and his supporters have likened these charges to a "political vendetta." Analysts, though, have attributed this growing public sentiment against corruption to the country's broader process of civil society development and the new demands, expectations, and possibilities it has aroused.

Patterns and lessons: Some comparative insights

The cases above suggest a few reflections on common causes and patterns of corruption:

1. *Key corruption problem points.* Public procurements contracts were clearly at the heart of the corruption scandals in Brazil, Mexico, Honduras, and Panama. By contrast, in Chile and Guatemala the main acts of fraud involved tax evasion. Illicit campaign finance schemes were discernable in the cases of Brazil, Chile and Honduras, but appear to have had an impact in other cases as well.
2. *Corruption scandals are not a one-shot affair.* These are usually embedded in a broader pattern of illicit behavior, as observed in the cases of Panama,

Guatemala, and Chile. In larger instances of corruption, such as Brazil's *Petrolão*, one can observe various subplots and spin-offs, as in the controversy over the illegal payments made to the head of the Chamber of Deputies or the arrest of a senator and banker for attempting to thwart police investigations. Major corruption scandals are like 'high peaks' on a mountain range. A proper analysis must set these 'peaks' in their actual context.

Four inter-related mechanisms are at stake: acts of public malfeasance are exposed, these are then publicized in ways that fuel general awareness and condemnation, political actors linked to the scandal are singled-out and shamed, and law enforcement officials take steps to criminalize these misdeeds.

3. *Scandals over acts of corruption are political constructions.* They reveal problems of public malfeasance and the environment that enables this. Quite importantly, though, they also shed light on the means by which such acts are exposed and rendered into a scandal. Episodes like these, after all, are not spontaneous occurrences, but rather the upshot of a political process, one that involves numerous actors, influenced by different dispositions and capacities, and shaped by the institutional and political context in which they operate. This political construction explains why some acts of corruption can become a major scandal, while other instances—comparable in size and scope—do not. Brazil offers a telling illustration of this. In March 2015, authorities discovered a massive tax evasion scheme that benefited the country's biggest firms and several multinationals. Working in collusion with collection agents at the Finance Ministry, these firms dodged as much as \$4.9bn in taxes over the previous decade.⁴³ This affair, nonetheless, was

largely overshadowed by the *Petrolão* scandal, and underplayed in the news media.

4. Four inter-related mechanisms are at stake here: (1) acts of public malfeasance are *exposed*, (2) these are then *publicized* in ways that fuel general awareness and condemnation, (3) political actors linked to the scandal are singled-out and *shamed*, and (4) law enforcement officials take steps to *criminalize* these misdeeds. In a nutshell, corruption scandals are constructed through the exposure, publicity, political shaming, and criminalization of officials accused of misusing public resources. Variations in the intensity in any of these mechanisms will affect the outcome of a given scandal. Let us elaborate on each of them:
 - A. Corruption can be *exposed* in four basic ways, through: (a) whistle blowing, (b) plea bargains, (c) investigative reporting, and (d) inquiries led by law enforcement officials. On his deathbed, a Chilean whistleblower provided information that led to the Penta scandal. Plea bargains and an effective inquiry led by the federal police and a team of prosecutors were crucial to unearthing Brazil's *Petrolão* ruse. A Mexican team of hard fact-finding journalists disclosed the details that triggered the *Casa Blanca* affair. In Guatemala, *La Línea* was uncovered through the efforts of a professional research team led by CICIG. Official criminal inquiries were central to the revelations that set off the corruption scandals that took place in Brazil, Chile, Guatemala, and Panama. By contrast, independent journalists played a pivotal role in uncovering the episodes of corruption in Mexico and Honduras. The results that followed from each trajectory suggest that exposés made by public authorities are likely to carry greater weight and culminate in a criminal investigation. A press disclosure, on the other hand, requires an added layer of validation, originating from the state, to generate a legal inquiry.
 - B. *Publicity* around corruption cases were fueled mostly by the press and ensconced prominently on the public agenda through mass protest. Independent news outlets played a crucial role in all episodes, most dramatically in Honduras and Mexico. Mass mobilizations were particularly expressive in Guatemala, Brazil, and Honduras.

43 "Taxmen on the take: A scandal at a tax agency may dwarf the one surrounding Petrobras," *The Economist*, (April 4, 2015).

Guatemala's national strike in August 2015 was the most inclusive and broad-based of these protests. In Brazil and Honduras, street demonstrations were largely associated with the political opposition. Moreover, in Brazil these activities exhibited a larger presence of the wealthier strata of the population. Despite a general context of political freedoms in all case studies, protections for independent journalism appeared to be more tenuous in some countries than others. The top reporters who exposed dubious practices in Mexico and Honduras suffered what many perceived were acts of reprisal. One was fired from her job, and the other was convicted on un-related charges leveled after his exposé. No comparable obstacles were observed in Brazil and Chile. In Guatemala the press played a more ambiguous role, given the involvement of the head of a local news corporation in *La Línea*.

- C. *Political shaming* should be recognized as a fairly common tactic and motive for publicizing a corruption scandal. In Guatemala and Brazil publicity around the main cases of public malfeasance was fueled strongly by political shaming and the quest to remove the president from office. A similar dynamic took place in Panama, where the attention drawn to corruption charges against the former president and his close allies served to discredit their political party. By comparison, the fact that all the Chilean parties had benefited from the illicit campaign finance scheme diminished the rationale and prospect for political shaming in this country.
- D. The institutional capacity and autonomy of law enforcement bureaus—the police, prosecution, audit agencies, and courts—were central to the possibilities of *criminalizing* these prominent acts of corruption. Brazil, Chile, and Guatemala appeared to offer stronger institutional resources for this. In all three countries the investigators were able to probe political leaders and parties linked to the national government. Guatemala, however, required substantial international assistance for this, made available through a UN-sponsored agency, CICIG. In Panama, the fact that the anti-corruption measures were taken after an election turnover and buoyed by a context of political shaming suggest that its law

enforcement agencies were less self-directed than those noted above. In Mexico, no independent body investigated the *Casa Blanca* affair, which concluded after an in-house inquiry. In Honduras, the institutional fragility was such that a core demand made by protesters was to establish an international agency akin to CICIG, a point recognized by the government in its agreement to set up an OAS-supported mission against corruption and impunity, MACCIH.

- 5. *The nature of the charges that set-off each corruption scandal affected the likelihood, momentum and outcome of each criminal investigation.* Episodes of corruption linked to personal enrichment seem to generate an added level of public anger, especially if the stolen funds were meant to feed the poor or care for the sick, as observed in the Central American cases. Accusations brought against national leaders heightened the political stakes of any investigation. In Guatemala, the ouster of President Pérez Molina took place shortly after prosecutors showed he was directly implicated in *La Línea*. The absence of comparable linkages in the Brazilian case weakened the opposition's arguments in the attempt to impeach President Rousseff.
- 6. *Finally, these corruption scandals have created opportunities for reform.* In varying degrees, practically all countries have adopted new anticorruption measures in the wake of these episodes, most visibly so in Chile. While all countries are vulnerable to corruption, an important test of institutional strength lies in the boldness and depth of the anticorruption reforms adopted by political leaders to close longstanding loopholes and reverse deep-seated practices. Many factors may explain such differences, including the weight of certain international actors such as the CICIG in Guatemala or the sense of genuine shock—rather than deep-rooted cynicism—that meets graft revelations in societies less tolerant to such practices, as in Chile.

The recurrence of these scandals in Latin America—the overview of this section is merely the tip of the iceberg—has happened despite the fact that countries in the region have made a remarkable effort to adjust their normative frameworks to the fight against corruption. In fact, as we will see below, these scandals may have emerged because these normative changes were made.

4 Anti-corruption measures in Latin America, 1990-2015: The rise of a new normative edifice

The recent wave of corruption scandals in Latin America was preceded by two decades of policy diffusion, institutional development, and strengthening of social accountability mechanisms designed to forestall corruption. These changes have taken place in a context of newfound political freedoms, which has enabled growing public awareness, discussion, and rejection of dishonest practices carried out by state officials.

A great variety of measures have been introduced to prevent corruption in Latin America. These include international agreements, national laws and policies, a host of strategies devised at the sub-national and local government level, and a wide array of civil society-based initiatives. The surging civic antipathy and protest against corruption has been shaped in many ways by these innovative developments. Though tenuous and insufficient in many regards, the novel legal instruments, enhanced state capacity and multiple social accountability efforts have helped foster a new normative edifice. This has elevated the standards of expectation regarding basic matters of public integrity and accountability. An invigorated public conversation has risen amid this process and nurtured an undercurrent of opinion more susceptible to acts of public malfeasance and willing to rebuke their occurrence.

Table 6 below provides a synopsis of some of the main anti-corruption measures adopted in Latin America between 1990 and 2015. An overview and brief assessment of these and other complementary actions is offered in the ensuing paragraphs.

International agreements and standards

The OAS *Inter-American Convention Against Corruption* (IACC), established in 1997, paved the way for the adoption

of a number of international covenants designed to promote transparency and combat bribery and organized crime. The OAS charter was ratified by all countries in the region between 1997 and 2002. The IACC incorporated a peer review system to evaluate progress, exchange information, and support actions to fulfill these legal reforms. This inter-governmental body, known as the Mechanism for Follow-Up on the Implementation of the Inter-American Convention against Corruption (MESICIC), was set up within the framework of the OAS, and is led by a committee of experts. Civil society organizations can participate in this process by submitting information along with that of their respective states. Between 2002 and 2014, the MESICIC' Technical Secretariat carried out four rounds of evaluation among all treaty members. These proceedings have led to a robust exchange on various instruments to prevent corruption, as can be ascertained by the substantial quality of all the country reports prepared for each round.⁴⁴

In addition, the United Nations has sponsored two conventions designed to counter criminal syndicates and foster anti-corruption measures. The *UN Convention Against Transnational Organized Crime* (UNTOC) was adopted in 2000 and ratified across Latin America by 2007. The *UN Convention Against Corruption* (UNCAC) was approved in 2003 and sanctioned by all Latin American states in 2004-2009. Adding to this, five Latin American countries—Argentina, Brazil, Chile, Colombia, and Mexico, representing three fourths of the region's population—are signatories to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which was entered into force in 1999, though only Chile and Mexico are actual members of the OECD.

The *Open Government Partnership* (OGP), launched in 2011, advances yet another global venue by which to foster public transparency and accountability. This international organization was established by eight governments—Brazil, Indonesia, Mexico, Norway, the Philippines, South Africa, the United Kingdom, and the United States—in collaboration with various national and global civil society organizations.

⁴⁴ See OAS (2016c). Only Honduras was unable to take part in the third round of evaluations due to its political crisis in 2009.

TABLE 6. KEY ANTI-CORRUPTION MEASURES ADOPTED IN LATIN AMERICA, PER COUNTRY, 1990-2015

Sources: International Agreements: OAS (2016a), UN (2016), Open Government Partnership (2016). National Laws & Policies: Santiso (2009), World Bank (2006), OAS (2016b), SELA (2015), REDGEALC (2016), GAFILAT (2016), International IDEA (2016) & web-based research. Social Accountability: Transparency International (2016) & web-based research.

Country	International standards			National laws and policies		
	OAS IIAC ratified	UNCAC ratified	Open Government Partnership	Auditing agency		Asset disclosure requirement
				Most recent constitutional norm	Organic law	
Argentina	1997	2006	2012	1994	-	1999/2013
Bolivia	1997	2005	-	2009	-	1999/2012
Brazil	2002	2005	2011	1988	1992	1992/2005
Chile	1998	2006	2011	1980	1964	2006
Colombia	1998	2006	2011	1991	1993	1995/2004
Costa Rica	1997	2007	2012	1949	1994	2004
Dom. Rep.	1999	2006	2011	1966	2004	2014
Ecuador	1997	2005	-	2008	2002	2003/2008
El Salvador	1998	2004	2011	1983	1995	1959 ²
Guatemala	2001	2006	2011	1985	2002	2002/2005
Honduras	1998	2005	2011	1964	2002	1999/2004
Mexico	1997	2004	2011	1999 ¹	2000	2002
Nicaragua	1999	2006	-	1987	2009	2002
Panama	1998	2005	2012	1983 ¹	1984	1999
Paraguay	1996	2005	2011	1992	1994	2013
Peru	1997	2004	2011	1993	2002	2001/2014
Uruguay	1998	2007	2011	1996	1997	1998/2008
Venezuela	1997	2009	-	2000	2001	2003/2014

Notes: ¹ Amendment to the Constitution of Mexico (1917) and Panama (1972); ² El Salvador's asset disclosure legislation was established in 1959 and reaffirmed in the 1983 Constitution.

TABLE 6. KEY ANTI-CORRUPTION MEASURES ADOPTED IN LATIN AMERICA, PER COUNTRY, 1990-2015 (CONTINUED)

Sources: International Agreements: OAS (2016a), UN (2016), Open Government Partnership (2016). National Laws & Policies: Santiso (2009), World Bank (2006), OAS (2016b), SELA (2015), REDGEALC (2016), GAFILAT (2016), International IDEA (2016) & web-based research. Social Accountability: Transparency International (2016) & web-based research.

Country	National laws and policies					Social accountability measures	
	Access to public information	Public procurement systems	E-Government policy	Money laundering legislation	Political finance regulation	Transparency International	
						Organization started	TI chapter established
Argentina	2003	2001	2005	2000	2009	1989	1993
Bolivia	2005	2009	2011/2014	1997	2010	2001	2001 ¹
Brazil	2011	1993	2011	1998	1997	2000	2000 ¹
Chile	2008	2003	2007/2010	2003	2005	1998	2000
Colombia	2014	2012	2008	2000	2011	1998	1998
Costa Rica	2012	1995	2006	2002	2009	1996	2011 ²
Dom. Rep.	2004	2012	2004	2002	1997	1993	2005
Ecuador	2004	2008	2003	2005	2009	1989	n/a ¹
El Salvador	2012	2014	2004	2000	2009/2013	1992	2007
Guatemala	2008	1992	2004	2001	2007	1996	2006
Honduras	2008	2001	2014	2002	2004	1998	2012
Mexico	2006	2009	2013	1996	2008/2014	1999	1999
Nicaragua	2007	2010	2010	2008	2000	1996	n/a
Panama	2002	2006	2010	2015	2006	1995	1996
Paraguay	2014	2007	2013	1997	1996	1998	2009 ¹
Peru	2002	2014	2005	2002	2005	2001	2003
Uruguay	2008	2012	2006	2004	2009	1995	n/a ³
Venezuela	-	2008	2001/2013	2005	2010	2004	2004

Notes: ¹ Transparency International chapters were dissolved in Bolivia (2005), Brazil (2007), Ecuador (2009) and Paraguay (2009); ² Costa Rica's TI Chapter was dissolved in 2006, and later re-founded under the name *Costa Rica Integra* in 2011. It remains active and ascribed to TI; ³ *Uruguay Transparente* is not a formal TI Chapter, but a TI contact and participant of its Latin American network.

By 2015, 65 countries had agreed to join this compact and, consequently, deliver a country action plan, engage in a self-assessment process and involve civil society groups in these activities. 14 out of 18 Latin American countries have joined the OGP compact, and nearly all of them had completed their second action plan cycle by 2015. Most multilateral organizations have supported open government efforts in their member states, including the World Bank, the IADB, the OAS, the UNDP, and the UN Economic Commission for Latin America and the Caribbean.⁴⁵

Finally, four Latin American countries—Peru, Guatemala, Colombia, Honduras, and the Dominican Republic—have adhered to the *Extractive Industry Transparency Initiative* (EITI), founded in 2003 to promote open and accountable management of oil, gas, and mineral resources. EITI offers a standard by which to assess the levels of transparency in tax payments, contracts, licenses, and production dealing with natural resource extraction. Its governing board and validation process involve governments, companies, and civil society organizations. Peru and Guatemala have been accepted as compliant members, while Colombia, Honduras, and the Dominican Republic are still candidates, and in the process of implementing EITI norms.⁴⁶

Together, these global endeavors and an array of international networks involved in various transparency issues have created an auspicious momentum for policy diffusion and anti-corruption reforms. All this has strengthened the normative edifice for public accountability and integrity across the region. It has also bolstered different forms of public dialogue on these issues. This setting has legitimized efforts to introduce and implement legislative reforms, and support citizen engagement in diverse venues for social accountability.

National laws, policies, and institutions

Over the last quarter of a century all Latin American countries enacted a variety of legal measures designed to curb corruption and enhance public transparency. A sample

of these norms is presented in Table 6. This includes information on the year in which each country adopted its most recent legislation (through 2015) regarding auditing institutions, asset disclosure requirements, access to public information, public procurement, electronic government, money laundering, and election campaign finance. The following paragraphs offer a brief overview of each of these measures, while noting other developments that have enhanced state capacity to reduce corruption, namely fiscal transparency laws, plea bargain arrangements, strengthening the investigative capacity of police and prosecutors, judicial reform, and the professionalization of the civil service.

Auditing institutions in Latin America have gained greater autonomy in the constitutions enacted after the 1980s. From 1992 to 2009 a flurry of legislation across the region upgraded many of the functions carried out by these agencies. Only Chile and Panama retained the laws instituted earlier. There has been considerable variation in the institutional effectiveness of these bodies. Auditing institutions in Brazil, Colombia, and Chile have been found to perform in a substantially more effective manner than those in Ecuador, Argentina, Peru, and Mexico, although in the latter case the reforms introduced in 2016 may well have a significant and positive impact. These differences are related to matters of institutional design, yet are shaped fundamentally by the broader political economy and patterns of governance.⁴⁷ Still, even high performing bodies like Brazil's *Tribunal de Contas da União*, have had recurring problems of coordination with state bureaus that comprise the country's wider web of accountability.⁴⁸

Asset disclosure requirements compel public officials to reveal the value of their assets, liabilities and sources of income. It presumes that this transparency will deter acts of graft and collusion. All countries in the region but El Salvador have adopted new laws on these matters since the 1990s.⁴⁹ Several countries—among them, Argentina, Bolivia, Colombia, Peru, and Uruguay—revised these statutes between 2004 and 2014 to add new provisions and expand the scope of previous legislation. Existing asset declaration laws vary in quality and breadth. Some restrict public access to this information, as stipulated in the legislation enacted in Colombia, Guatemala, Mexico, Panama, and

45 See OGP (2016).

46 See EITI (2016).

47 Santiso (2009). Also see Insausti and Velásquez Leal (2014).

48 Speck (2011).

49 El Salvador's asset declaration law is from 1959, and was reinforced in the 1983 constitution. In recent years various efforts have been made to institute a new law that would broaden and strengthen asset disclosure provisions. Six local NGOs set up a coalition in 2013 to spearhead this campaign, see Equipo Gestor de la Ley de Probidad Pública (2016).

Uruguay.⁵⁰ Other countries do not, notably Argentina, Brazil, Chile, and Venezuela. Debates over the scope of these laws continue in many parts of the region, as do questions over the actual enforcement of these norms.

Access to public information rules were enacted across Latin America since 2002, except in Venezuela. In most countries these were established as laws. In others, such as Argentina and Bolivia, they were advanced as an administrative regulation, and thus of inferior legal rank. Argentina upgraded these legal norms in September 2016 and broadened their scope to encompass the legislative and judicial branches of government. The actual effects of these laws appear to be quite disparate across the region. Many of these difficulties relate to a lingering culture of secrecy within state bureaucracies. Yet can also be affected by budgetary and operational issues. Chile seems to have established a successful model for this legislation and its enforcement. It created an effective agency to implement the 2008 transparency law, the *Consejo para la Transparencia*, and invested substantial resources in training its civil servants on how to apply these new rules.⁵¹ Also worth mentioning is the case of Mexico's Federal Access to Information Institute (IFAI), an independent and well-respected agency in the implementation of transparency norms.⁵²

Public procurement systems have modernized significantly across the region since the early 1990s, following the enactment of legislation designed to streamline and innovate procedures for this. All countries apart from Chile, El Salvador, and Uruguay established provisions aimed at facilitating civil society oversight in public procurement processes. Moreover, all countries except Bolivia, Guatemala, and Paraguay have set up agencies to promote a competitive bidding process. By 2014, all governments in the region had introduced an electronic platform for public procurement. Some countries, though, like Argentina, Brazil, Chile, Costa Rica, Mexico, and Peru, offered more advanced portals for this.⁵³ International standards furthered by the UNCAC and the OECD Convention have played an influential role in shaping recent legislation in this area.

E-Government and the effort to digitalize bureaucratic procedures and access to public information have expanded considerably throughout Latin America by way of a steady yet piecemeal process. The widespread adoption of personal computers after the mid-1980s, the rise of the internet in the 1990s, and its increased usage within the public sector fueled the adoption of a regulatory framework for this.⁵⁴ Between 2001 and 2014, all national governments in the region established a plan, created a state agency, or issued a directive that instituted an E-Government system. In seeking to make the public sector more efficient and effective, E-Government reforms have helped reduce discretion and increase transparency, notably through open contracting and making public information widely available. Progress towards the general adoption of E-Government policies has been consistent yet unevenly spread across the region. According to the United Nation's 2016 E-Government survey, Uruguay, Argentina, and Chile, followed by Brazil, Costa Rica, and Colombia have developed a fairly advanced online service component, while countries such as El Salvador, Nicaragua, and Honduras have remained quite far behind.⁵⁵

Anti-money laundering legislation was introduced and updated across the region during the last two decades. The bulk of these new laws was adopted between 1997 and 2004, while Panama did so only in 2015. Efforts to advance best practices on this subject have been supported since 2000 by the *Grupo de Acción Financiera de América Latina* (GAFILAT), an intergovernmental body that is linked to the global Financial Action Task Force (FATF), founded during the 1989 G7 Summit. Most countries in the region, including Cuba, have joined GAFILAT, with the exception of El Salvador, the Dominican Republic, and Venezuela.⁵⁶

Political finance regulations have undergone significant revisions across Latin America over the last two decades. The great assortment of political finance rules and varying conditions for electoral competition can complicate the assessment of the value and impact of these regulations. But as recent scandals show, political finance appears to be a key corruption driver across the region. Different forms of campaign funding restrictions exist in all Latin American countries with the partial exception of El Salvador. Typically, these prohibit the use of government resources and

50 World Bank (2006). This appraisal includes a review of legal revisions made after 2006.

51 CAInfo (2011). For detailed annual country reports on these issues, see Alianza Regional por la Libre Expresión e Información (2016).

52 See UCL-The Constitution Unit.

53 SELA (2015).

54 CEPAL (2013a, 2013b).

55 United Nations Department of Economic and Social Affairs (2016). Also see CEPAL (2013c).

56 GAFILAT (2016).

donations from foreign sources. 11 countries representing more than 85% of Latin America's population have also set limits on the amount of money individuals can contribute to a campaign. Most countries, except Bolivia and Venezuela, have established provisions for some kind of direct public finance and also offer different forms of indirect subsidy. The complexity of this regulatory framework is compounded by the assorted procedures for regulating campaign expenditures, ensuring financial transparency and applying sanctions in case of non-compliance. In all this, the main challenge has been the actual enforcement of these electoral norms, particularly as they relate to illicit, opaque, or dubious sources of funding.⁵⁷ Altogether though, these political finance reforms are indicative of the growing salience that this issue is likely to have in Latin America's anti-corruption agenda.

Various other measures beyond those underscored in Table 6 have been taken to curb corruption in the region and enhance state capacity. The following synopsis, if anything, confirms the breadth of changes—often painstaking and discrete—that have been taking place in the region's institutional landscape. Several countries, for example, have introduced fiscal transparency laws, including Argentina, Bolivia, Brazil, Panama, and Peru. The fact that finance ministries, usually among the most powerful in government, have now joined and defend the consensus that fiscal transparency matters is an important change that occurred since the mid-1990s. As a result, transparency norms have become, in principle, part of the region's fiscal orthodoxy.

Adding to this, countries like Brazil and Chile have adopted plea bargain laws to strengthen the ability of prosecutors to gather evidence amid a corruption investigation. In particular, Brazil's law of *delação premiada*—established in the 1990 Criminal Code and strengthened through subsequent legislation, including the 2013 Anti-Corruption Law—allowed the country's federal prosecutors to set-off a chain reaction that led to the *Petrolão* scandal, the largest corruption investigation in the nation's history.⁵⁸

In Brazil these investigations were buttressed by the substantial improvement in the capacity of the federal police. After the early 2000s this national agency saw its budget nearly double, its equipment vastly upgraded, its staff increased by 54%, and its autonomy enhanced. This enabled the federal police to boost its activities in a striking manner. For one, the number of police operations increased exponentially from an average of 6 per year in 1995-2002 to 242 operations per year in 2008-2015.⁵⁹ The unprecedented depth of the *Petrolão* investigations, no doubt, is a consequence of this major investment in modernizing Brazil's federal police and the quest to sustain this agency's independence. These efforts have led to the creation of Latin America's most effective police force in spearheading corruption investigations.

Many developments have also taken place in the realm of judicial reform. Since the early 1990s the absolute number of judges and other legal staff has expanded significantly in most Latin American countries. New legal codes have been introduced, along with various procedural changes. Though the demand for court services has risen, these institutions are far better equipped to handle disputes than they were three decades ago. Furthermore, public prosecutors have gained considerable clout in several countries, especially in Brazil and Chile and more recently in some of the underachieving countries like Guatemala, thanks to support of the UN's CICIG.⁶⁰

Finally, considerable progress has also been made to *professionalize the civil service* in Latin America. An IDB study of 16 countries in the region found that all except Bolivia had experienced varying levels of improvement in the meritocratic quality and effectiveness of their civil service. The greatest advancements, recorded between 2004 and 2013, were found among the region's lower performers, notably El Salvador, Panama, Peru, Paraguay, and Nicaragua. Latin America's top-end performers, Chile and Brazil, and the runner-up countries, led by Costa Rica, Uruguay, and Colombia, also continued to make strides.⁶¹

57 See Casas and Zovatto (2015), especially pp. 14-37; Briscoe, Perdomo and Uribe Burcher (2014); Griner and Zovatto (2004). As these studies show, the enforcement of campaign finance rules is quite lax in much of the region. In Brazil, for example, there has been widespread use of "caixa dois," or off-the-book funds, which, according to scholarly estimates, represent at least half of the total sum spent on campaign expenditures, see Taylor (2011, p. 167).

58 Given the impact that plea bargain provisions have had in some recent major corruption scandals in Latin America, the systematic study of its implications in corruption-related cases deserves particular attention. The institution of plea bargain, very common in the US legal system, is controversial and its use has been banned in many countries. See: LaSusa (2016), Feeley (1979), Nasheri (1998).

59 See Arantes (2011), SINPECPF (2016), Departamento da Polícia Federal (2016), and Agência PT de Notícias (2014).

60 Hammergreen (2007, 2008). On Brazil's innovative Ministério Público, see Arantes (2011), and Sadek & Cavalcanti (2003).

61 Cortázar Velarde, Lafuente & Sanginés (2014), pp. 20-58. This study covers all Latin American countries except for Argentina and Ecuador.

Social accountability

The important strides in civil society development and social accountability across Latin America must be set in context. The last quarter of a century offered an era of unprecedented political freedoms and gains in human development across Latin America. Notable deficiencies, nonetheless, have continued to mar the quality of citizenship rights and the effectiveness of various mechanisms for accountability. This owes much to the historic weakness of the state in many areas of the continent, longstanding social inequities, and the uneven, often deficient practice of a democratic rule of law. Amid these transformations and shortcomings, Latin American civil society has expanded and diversified considerably and led to the inclusion of new voices and issues on the public agenda. This has strengthened the region's ability to engage in new forms of social accountability.⁶²

A myriad of civic initiatives have taken place in demand for greater public transparency and integrity, mainly since the 1990s. As mentioned above, some have involved dramatic mobilizations that led to the removal of presidents in Brazil (1992), Venezuela (1993), Peru (2000), and, of late, Guatemala (2015).⁶³ Other engagements have been more discreet and dispersed. Scores of NGOs and research centers have been created to address corruption issues. Many of these operate at the local level. Some are also connected to national and even global networks. For instance, Brazilian NGOs gathered at a meeting of the World Social Forum, in 2009, agreed to establish a national anti-corruption network, *Articulação Brasileira Contra a Corrupção e a Impunidade* (ABRACCI). In the ensuing years it was able to link-up 58 local NGOs from 16 federal states and is currently a candidate to serve as the Brazilian chapter of Transparency International.⁶⁴

Adding to this, Latin America has experienced a major upswing in the availability of news and social media outlets, a point to which we will return below. Political democratization, a stronger media market, the professionalization of journalists, and the close relation between journalists and government officials have facilitated the rise of investigative journalism. The news media have played a key role in reporting, shaping, and

amplifying corruption scandals across the region. Often, though, the tendency of this watchdog journalism has been to focus on sensationalist details and personal news stories. This has led to a frequent depiction of corruption as stemming from personal failings rather than institutional or structural problems.⁶⁵

An emblematic sign of the quest to establish new instruments for social accountability took root in 1993 with the formation of Transparency International (TI), a global, Berlin-based anti-corruption NGO that went on to establish chapters all over Latin America. Table 6 notes the year the local TI host was started, and the year it became an official TI chapter.⁶⁶ In six countries—Bolivia, Brazil, Colombia, Mexico, Paraguay, and Venezuela—the local associations were created as TI affiliates from the start. In other countries, the TI chapters emerged first as independent local organizations and joined the TI global network later. These NGOs include *Poder Ciudadano* in Argentina, FUNDE in El Salvador, *Acción Ciudadana* in Guatemala, PROÉTICA in Peru, and *Participación Ciudadana* in the Dominican Republic.

The nature of civil society in Latin America is very much entwined with that of its state. States that operate in a more *ad hoc* and discretionary manner—at the national, subnational or local levels—undercut predictable rules, invite impromptu arrangements, and stir a sense of recurrent flux and confusion. Societal organizing efforts become more complicated and less resilient in such settings. States in which corruption is more prevalent nurture an opportunistic ethos that undermines social norms of trust and cooperation. In these situations, civil society tends to mirror forms of conduct found in the state—particularly in its manifestations of organizational informality and improvisation, personalist leadership, internal factionalism, nepotism (based on family, friendship, and party ties), corruption, and disposition towards reactive engagements rather than sustained and proactive ones.⁶⁷

The flux and inconsistencies found within Latin American civil society have hindered efforts to affirm the role of watchdog groups and other venues for social accountability. These difficulties have been discernable in the attempt to create a Latin American network of TI chapters. Some of

62 Carter (2010), Perruzzotti & Smulovitz (2006).

63 Pérez-Liñán (2009).

64 ABRACCI (2016).

65 Porto (2011), Perruzzotti (2006), and Waisbord (2000 and 2006).

66 Uruguay is the only country that did not establish a formal TI chapter. Yet a local organization, Uruguay Transparente, has served as a TI contact in this country.

67 Carter (2010 and forthcoming).

these NGOs, in fact, proved to rather short-lived. In Bolivia, the local TI affiliate, *Ética y Democracia*, was disbanded four years into its existence.⁶⁸ Official ties with Brazil’s TI chapter were rescinded in 2007, following a dispute with the Berlin office. Chapters in Costa Rica (2006), Ecuador (2009), and Paraguay (2009) were also dissolved a few years after their creation. In Paraguay, this took place amid a public scandal over alleged improprieties made by the local TI office. These limitations, if anything, underscore the importance of fostering greater anti-corruption monitoring and advocacy capabilities within civil society while ensuring adequate oversight of their activities.

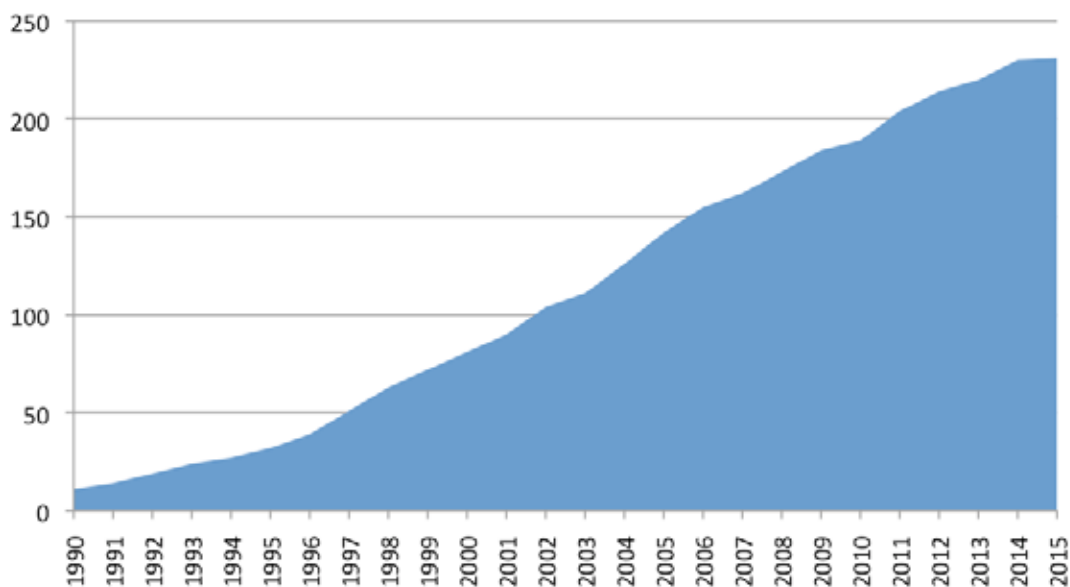
Building a new normative edifice

Substantial progress has been made throughout Latin America in developing a new legal framework to prevent and prosecute corruption. Fueled by growing global attention to this problem and rising domestic demand for public integrity a wave of reforms has taken place since the early 1990s. International agreements and novel legislation

and policies have been adopted to enhance government transparency. What is more, a favorable institutional milieu has enabled the expansion of multiple forms of social accountability. Though thin-layered in many regards and spotted with shortcomings, these developments have steadily enhanced capabilities within the region to deter, detect, and even prosecute those engaged in acts of corruption. A visual illustration of these improvements can be found in Graph 2 below, which synthesizes all the data offered in Table 6. This graph presents a composite, year-by-year addition of some of the most important anti-corruption measures taken in Latin America between 1990 and 2015. The striking image of progress that can be observed here suggests that the long run effort to raise corruption on the public agenda and promote transparency initiatives has generated an unprecedented development in Latin America. In effect, it has set in place the basic elements of a new normative edifice. This novel setting has helped raise standards of expectation on matters of public integrity and stimulate societal demand for accountability. Moreover, it has provided legal resources that can be used by citizens, journalists, prosecutors, and judges to unveil information about the workings of the public sector and demand accountability. Finally, in those cases where this process has involved the strengthening of capacities to

GRAPH 1. NUMBER OF ANTI-CORRUPTION MEASURES ADOPTED BY LATIN AMERICAN COUNTRIES, 1990-2015

Source: Based on year-by-year addition of data presented in Table 6.



68 Attempts to establish a new chapter in Bolivia after 2008 proved to be unsuccessful.

investigate, prosecute, and punish corruption, the new framework has also provided institutional means to channel social discontent when acts of malfeasance are unveiled.

The signs of persistent corruption in the region, amid the considerable progress shown in Graph 2, raise crucial questions about the effectiveness of the legal changes adopted. As we will examine below, there is evidence that public sectors in Latin America *are* becoming more transparent as a result of these changes. Yet, while many reforms appear more formalistic than substantial, the real challenge lies in the effective implementation and enforcement of the laws adopted and entails confronting deep-seated vested interest and ingrained habits of opacity, discretion, and corruption. In the Latin American context these efforts, however piecemeal, can be viewed as a positive development.

At this point in the report we know that, in general, corruption levels are affected by democracy's robustness, national wealth, and economic openness, among myriad other factors; that corruption victimization and perceptions of graft have not, for the most part, undergone a seismic change in Latin America in the recent past; that grand corruption scandals continue to emerge in the region, revealing in the process the workings of political, social, and institutional transformations that mediate their impact; and that in the past two decades Latin American countries have made considerable strides towards introducing legal frameworks to fight graft. None of this is enough to explain why corruption has become a potent political issue precisely now in Latin America. It is thus time to take a glance at some hypotheses about the precipitating conditions of the region's recent political events.

5 Some hypotheses on the recent anti-corruption reactions in Latin America

In the following pages we will examine five informed conjectures that may explain the current wave of anti-corruption activism in Latin America. As will soon become evident, the five hypotheses under study, and the phenomena they embody, operate in a different time frame. The deeply ingrained and widespread perception of economic and political unfairness is a long-term factor that frames in a powerful way corrupt practices and scandals, feeding social indignation about it. In turn, a set of mid-term factors that seem to have reached a tipping point (the increase of transparency in the public sector, the change in the patterns of access to information, and, less clearly, the expansion of the middle classes) facilitate the emergence of corruption as a highly potent political issue and the corresponding activation of social and institutional reactions. Last but not least, the fifth factor (the economic contraction) conceivably provides a strong short term impetus to anti-incumbent anger and exacerbates the potential political fallout from corruption. Let us briefly examine, in this order, each of the factors featured in this story.

The perception of unfairness

The first element of our explanation is related to the region's "original sin"—inequality—and its grievous political consequences. Long standing inequalities and accumulated perceptions about the essential unfairness of political systems in Latin America provide the context in which corruption—particularly large scale graft at the top—occurs and is perceived by the population. The irregularities that make it to the public domain help to confirm the widely held opinion that institutions work for the few and not for society as a whole. When combined with other factors (an economic slowdown, growing economic expectations, a citizenry increasingly empowered with information and legal resources, among others), this long-held perception can fuel a very powerful social reaction against corruption.

It is not simply that inequalities and unfairness provide a context for corruption, however. The imbrication of inequality and corruption is more profound, as attested by Latin America's political history. As we know, Latin America has long been regarded as one of the most unequal regions

in the world. Its great asymmetries in the distribution of wealth are deeply rooted in the continent's history and have shaped its societies in numerous ways. A growing body of literature has reinforced our understanding of the harmful effects that such stark and durable inequities can have on the prospects for economic, social, and political development. Extreme inequities generate structural conditions that undermine productive growth and diminish the overall quality of life, fueling societal tensions, crime, mistrust, and a sense of personal insecurity. Such settings will hamper the development of basic civil rights and weaken social capital, and in doing so hinder market and civil society-based activities and stifle the workings of political democracy.⁶⁹

Societies with severe wealth disparities distort power relations and skew access to information and cultural assets. As such, they bias the rules of the game and produce lopsided distributions of political strength and representation. Politics and public policies are thus shaped to favor the interests of the privileged few; a view shared consistently by close to two thirds of Latin America's population over the last decade, as seen Table 7.

Economic inequality breeds clientelism and patronage politics, and fosters elite capture of the state bureaucracy. Rent-seeking behavior tends to flourish under these conditions in ways that restrict market competition and efficiency. This environment also undercuts state revenue collection by fostering regressive tax policies and significant levels of tax evasion. All this fuels poor service delivery and curtails public investments in health care and education, thereby weakening the development of human capital.⁷⁰

Adding to this, countries that offer stark social and power imbalances are inhospitable to the development of a juridical system based on the fair, impartial, and independent application of legal norms. Acute disparities

of wealth, according to Vieira, "obliterate legal impartiality, causing the invisibility of the extremely poor, the demonization of those who challenge the system, and the immunity of the privileged." In such societies, compliance towards legal institutions is undermined by a lack of mutual responsibility among its members. The underprivileged see no reasons to "behave according to the rules of the game that systematically harms their interests," while the privileged feel "no social constraints on the maximization of their interests."⁷¹

High social disparities of wealth engender distributional conflicts that can foster instability, corrode effective governance, and hamper the security of property rights. In offering their people a lower quality of life, starkly unequal nations can enkindle legitimacy problems. These polities, in fact, are often viewed as corrupt, disliked by many of their citizens, and potentially volatile.⁷²

Hence, inequality produces a vicious cycle that breeds corruption and exclusion. It enables the affluent to subvert the political, administrative, and legal institutions of society, and reduces the means by which the poor can hold the powerful accountable. This propagates a culture of mistrust that molds societal perceptions about the rules and legitimacy of institutions and can habituate norms of corruption. In sharply divided societies people feel they have few interests in common and are consequently disinclined to embrace a generalized sense of trust.⁷³

The evidence from Latin America supports the main arguments advanced in the new literature on inequality and corruption. It also accounts for many of the misgivings and tensions that have surfaced across the region regarding practices seen as corrupt. By global standards, the majority of Latin American countries exhibit very high levels of income disparity. Most remarkably, though, they also show soaring measures of frustration with the way their societies and polities allocate resources and power preferences.

69 On the adverse effects of acute inequities on the overall quality of life, see Wilkinson & Pickett (2010). On the disregard for human rights in societies with extreme disparities of wealth, see O'Donnell (1999), and on the negative impact for social capital, see Putman (1993); and Edwards, Foley & Diani (2001).

70 These general points are well articulated in Adrian (2014), Birdsall & Sabot (1994), Carter (2015), Ferranti, Perry, Ferreira & Walton (2004), Karl (2003), Reich (2012), Rothstein (2011), Rueschemeyer (2005), Stiglitz (2013), Snyder & Samuels (2004), Weyland (1996), UNDP (2010), World Bank (2005), You (2015), You & Khlagram (2005). More broadly, on the politics of inequality see, Chalmers, Vilas, Hite, Martin, Piester & Segarra (1997), Friedman (2002), Tilly (1998); Tokman & O'Donnell (1998); Tulchin (2002), and Whitehead (2006). On more recent trends in inequality in Latin America, see López-Calva & Lustig (2010).

71 Vieira (2011, pp. 36, 41). Also see, Glaeser, Scheinkman & Shleifer (2003).

72 On the impact of inequality and corruption on regime stability and legitimacy, see Boix (2003), Galbraith (2012), Muller & Seligson (1987), Przeworski, Alvarez, Cheibub & Limongi (2000), and Seligson (2002).

73 Rothstein (2011), Rothstein & Ulsaner (2005), Ulsaner (2008), You (2015), You & Khlagram (2005).

Table 7 indicates a consistent and widespread perception of unfairness throughout the region.

Nearly three quarters of the population in Latin America views their society as unjust and more than two thirds

believe their governments are inclined to protect the interests of the privileged few over those of the population at large. This sense of injustice exacerbates perceptions of corruption, which are pervasive across the region (72.3 on a 0-100 scale, on average). The impact of all this on the

TABLE 7. INEQUALITY, PERCEPTIONS OF UNFAIRNESS, CORRUPTION, AND REGIME LEGITIMACY IN LATIN AMERICA, PER COUNTRY, 2010 - 2015

Sources: Income inequality: UNDP (2013, 2015). Perception of unfairness & satisfaction with democracy: Latinobarómetro. Perception of corruption: AmericasBarometer.

Country	Income Inequality '10-'13 (Gini Index)	Perception of unfairness					Perception of corruption ¹		% of population satisfied with democracy	
		% of population that considers income distribution unjust in their countries			% population that believes the government rules in favor of powerful interests		Average '10-'14	Variation '10-'14	Average '11-'15	Variation '11-'15
		Average '10-'15	Country Range	Variation '10-'15	Average '10-'15	Variation '10-'15				
Argentina	44.1	77.5	Mid	-9.7	73.2	-4.5	79.0	0.4	54.3	-4
Bolivia	51.5	60.9	Lower	-18.9	54.1	-15.1	70.1	-6.2	38.0	20
Brazil	53.7	81.6	Higher	16.1	69.5	40.3	65.3	0.4	28.0	-16
Chile	51.5	89.4	Higher	5.3	71.9	19.8	66.0	-3.2	37.7	11
Colombia	54.7	84.1	Higher	1.8	72.9	14.1	79.8	1.6	27.0	1
Costa Rica	49.7	75.4	Mid	8.5	74.3	17.6	75.3	-4.0	41.7	2
Dom. Rep.	46.5	79.8	Higher	-14.4	80.9	-4.6	77.3	-1.3	44.0	21
Ecuador	48.0	48.7	Lower	-20.4	47.0	-5.9	68.7	-9.8	56.0	11
El Salvador	45.1	72.3	Mid	-2.9	70.4	3.1	66.0	3.1	33.3	-6
Guatemala	54.2	74.7	Mid	-7.2	71.7	9.4	71.6	-5.3	26.3	4
Honduras	57.2	77.9	Mid	-1.3	80.4	2.2	71.5	-3.1	27.0	5
Mexico	48.2	80.4	Higher	-2.6	78.4	3.2	76.0	-1.2	21.0	-4
Nicaragua	43.1	55.8	Lower	-9.4	51.1	-11.2	65.2	-1.6	46.0	10
Panama	51.9	61.7	Lower	-4.6	67.9	11.1	74.7	-6.8	45.3	-16
Paraguay	50.2	79.2	Higher	4.0	80.8	14.1	76.4	-0.6	29.3	-15
Peru	46.7	78.8	Higher	-3.3	79.1	0.8	78.2	-1.2	26.7	-7
Uruguay	43.3	64.5	Lower	-5.7	36.5	17.0	62.1	0.3	74.7	-2
Venezuela	44.8	61.6	Lower	14.7	59.2	16.3	77.1	3.9	39.0	-15
Latin America	--	72.5	--	-2.8	67.7	7.0	72.3	-2.2	38.3	-2

Note: ¹ Index 0-100 (max) elaborated by AmericasBarometer. Data does not include information for Brazil, Chile and Costa Rica in 2014. Averages for these countries are based solely on 2010-12.

TABLE 8. INEQUALITY, PERCEPTIONS OF UNFAIRNESS, CORRUPTION, AND REGIME LEGITIMACY IN LATIN AMERICA, PER GROUPS OF COUNTRIES, 2010-2015

Sources: Authors' own elaboration based on Table 7.

Country range ¹	Income inequality 2010-2013 (Gini Index)	Perception of unfairness				Perception of corruption		% of population satisfied with democracy	
		% of population that considers income distribution unjust in their countries		% population that believes the government rules in favor of powerful interests					
		Average '10-'15	Variation '10-'15	Average '10-'15	Variation '10-'15	Average '10-'14	Variation '10-'14	Average '11-'15	Variation '11-'15
Lower	47.1	58.9	-7.4	52.6	2.0	69.7	-3.4	49.8	1.3
Mid	50.0	75.6	-2.5	74.0	5.6	72.7	-1.8	36.5	0.2
Higher	50.2	81.9	1.0	76.2	12.5	74.1	-0.8	30.5	-1.3

Note: ¹ Country range grouped on the basis of the percentage of population that perceives income distribution as unjust, using the 2010-15 average. Lower: Ecuador, Nicaragua, Bolivia, Venezuela, Panama, Uruguay; Middle: El Salvador, Guatemala, Costa Rica, Argentina, Honduras; Higher: Peru, Paraguay, Dominican Republic, Mexico, Brazil, Colombia, Chile.

legitimacy of Latin America’s political institutions can hardly be underestimated. According to the Latinobarómetro, between 2010 and 2015, on average, only 38% of the people in Latin America were satisfied with their democracies. All of this is compounded by the low levels of interpersonal trust found across the continent, where, on average, only one in five respondents feels they can trust most people.⁷⁴

Table 8 reveals a general correlation between perceptions of unfairness, corruption, and dissatisfaction with the prevailing political regime.

This exercise groups Latin American countries based on how their population views their society. Among the six nations with a lower perception of injustice, five are linked to countries that have experienced a political “turn to the left”—namely, Ecuador, Nicaragua, Bolivia, Venezuela, and Uruguay, where assessments of inequity have fallen considerably, with the exception of Venezuela, which experienced a sharp spike in 2015. Among countries with higher levels of perceived injustice, Brazil, Chile, and Colombia stand out. In 2015, over 90% of those surveyed in Brazil and Chile felt that wealth distribution was unfair in their countries.

In recent years, only two Latin American countries—Uruguay and Ecuador—had more than half of their population assert that their governments ruled on behalf of the mass populace, rather than a powerful minority. In 2015, four out of five citizens in half of the countries in the region, representing nearly 80% of its inhabitants, felt their governments were oriented mostly towards upholding the interests of the privileged few. In Brazil and Paraguay, these figures climbed up to 88% and 86% of their respective population. High perceptions of corruption in Latin America are no doubt related to these sentiments of unfairness. These, in turn, help account for the low levels of satisfaction with democracy throughout much of the region, particularly in Mexico, Guatemala, Peru, Colombia, Honduras, Brazil, and Paraguay, and are involved in the regime crisis afflicting Venezuela.

The accumulated resentment and frustration derived from Latin America’s historic inequities and the growing societal awareness of this reality have magnified the impact of recent corruption scandals. They have stoked demands for greater public integrity and accountability, couched often in the expectation for more inclusive and responsive governance.

⁷⁴ As gauged by the Latinobarómetro surveys. Brazil and Mexico present the lowest levels of social trust in the region, with an average of 7% and 13%, respectively, between 2003 and 2015. The highest measures of interpersonal trust in the region are found in Uruguay, at 27%, which is less than half of that found in Scandinavian countries.

The increase in public sector transparency

Even a widely accepted narrative of unfairness is not enough, however, to turn corruption into a potent political

issue, able to mobilize society and activate institutional resources. For that to happen, other precipitating conditions must be present. In the case of Latin America, the increase in public sector transparency is one such condition, indeed a particularly crucial one. This is our second explanatory factor: in the vast majority of countries in

TABLE 9. MEASURES OF TRANSPARENCY IN PUBLIC SECTOR IN LATIN AMERICA, PER COUNTRY, 2006-2016

Sources: Transparency of Government Policymaking: Global Competitiveness Report, World Economic Forum. Open Budget Index: International Budget Partnership.

Country	Transparency of Government Policymaking ¹			Open Budget Index ²			Trends		
	2006-2009	2013-2016	Variation '06-'09 / '13-'16	2006-2008	2012-2015	Variation '06-'08 / '12-'15	Transparency in Government Policymaking	Open Budget Index	Overall ³
Argentina	2.73	2.99	0.26	47.9	54.6	6.7	+	+	
Bolivia	2.73	3.59	0.86	13.6	14.4	0.8	+	+	
Brazil	3.42	3.35	-0.07	74.1	75.0	1.0	-	+	?
Chile	5.03	5.00	-0.03	72.1	62.2	-9.9	-	-	
Colombia	4.34	3.93	-0.41	58.7	57.6	-1.2	-	-	
Costa Rica	3.92	4.35	0.43	45.0	52.0	6.9	+	+	
Dom. Rep.	3.72	4.18	0.46	11.7	39.9	28.2	+	+	
Ecuador	2.77	2.50	-0.27	35.3	40.4	5.1	-	+	?
El Salvador	4.25	3.53	-0.72	32.6	48.2	15.6	-	+	?
Guatemala	3.92	4.38	0.46	46.2	48.3	2.2	+	+	
Honduras	3.83	3.99	0.16	24.8	48.1	23.2	+	+	
Mexico	3.93	4.05	0.12	52.3	63.6	11.2	+	+	
Nicaragua	3.31	3.63	0.32	19.7	44.1	24.4	+	+	
Panama	4.11	4.43	0.32	n.a.	n.a.	n.a.	+	n.a.	?
Paraguay	2.89	3.95	1.06	n.a.	n.a.	n.a.	+	n.a.	?
Peru	3.80	3.85	0.05	71.7	65.9	-5.8	+	-	?
Uruguay	4.00	4.74	0.74	n.a.	n.a.	n.a.	+	n.a.	?
Venezuela	2.48	2.25	-0.23	35.5	22.4	-13.1	-	-	
Latin America	3.62	3.82	0.20	42.1	49.1	7.0	+	+	

Notes: ¹This index measures on a scale of 1-7 (best) the results to the survey question: In your country, how easy is it for businesses to obtain information about changes in government policies and regulations affecting their activities? ²This index measures on a scale of 0-100 (best) 3 aspects of how governments are managing public finances: budget transparency (the amount, level of detail, and timeliness of budget information governments are making publicly available), budget participation (the opportunities governments are providing to civil society and the general public to engage in decisions about how public resources are raised and spent), and budget oversight (the capacity and authority of formal institutions—such as legislatures and supreme audit institutions—to understand and influence how public resources are being raised and spent). ³A green cell denotes a consistent positive trend; a red cell denotes a consistent negative trend; (?) denotes an uncertain trend.

the region governments have become more transparent. This is, almost certainly, the result of the widespread legal transformation detected in the previous section of this report. Table 9 summarizes the trajectory of two indicators of transparency in the public sector: the World Economic Forum's index of Transparency of Government Policymaking (one of the 118 items that go into the WEF's Global Competitiveness Index) and the International Budget Partnership's Open Budget Index. These indicators do provide relevant information about specific aspects of government openness. More importantly, they may be taken as useful proxies of transparency levels in the public sector writ large.

Over the past decade, according to the WEF's figures, the ability of businesses to obtain information about changes in government policies and regulations affecting their activities went up in 12 out of 18 Latin American countries, as well as in the region as a whole. Particularly significant increases were detected in Paraguay, Uruguay, and Bolivia, while El Salvador experienced a marked decline. The region remains, however, below the global average (4.12 for 2013-16). Budget openness, in turn, went up in 11 out of 15 Latin American countries for which there is information throughout the 2006-15 decade. Big improvements are shown by the Dominican Republic, Nicaragua, and Honduras, while Venezuela experienced a precipitous decline. The average for Latin America, which also went up in the period under study, would place the region today in 44th place among the 102 countries covered by the index's latest iteration, still within the category of "limited budget openness." For 8 countries both transparency indicators improved, while only 3 countries (Chile, Colombia, and Venezuela) display deterioration in both categories, a finding which in the case of Colombia and Venezuela resonates with their consistent deterioration in corruption victimization levels and the perception of corruption, seen above.

These figures are indicative of a two-fold change. First, they suggest that, generally speaking, available information about what transpires in the region's public sectors has significantly increased over the past decade. This gives citizens, journalists, prosecutors, and judges more primary material, so to speak, to ask questions, probe, and exert control over public officials and demand accountability from them. This fact, combined with new channels to rapidly disseminate information (a point to which we will return), can have a very powerful effect in bringing to the public domain aspects of the workings of public institutions which

were long hidden from the citizens' view.

Yet, it is the second change that these transparency figures reveal that matters the most. The fact that this information is available is a symptom that all these agents of accountability—from citizens to magistrates—are endowed with more legal resources than ever before, and are effectively using them. After all, most of the additional information in the public domain on the workings of institutions is probably of the routine type, and thus irrelevant from the standpoint of the integrity of public officials. Yet, the increased legal resources—such as access to information laws, plea bargain faculties, or the lifting of bank secrecy rules when it comes to campaign finance—that are ostensibly being deployed by citizens, journalists, and law enforcement agents in Latin America may well lead them, and have led them, to uncover hidden information about corrupt deeds. In other words, important though it is, it is not the additional information *per se* that normally leads to the unveiling of corrupt deeds, but the legal prerogatives and faculties that the very availability of that information reveals.

At this point, it is useful to go back to one of the general arguments that run through this report: the deployment of new legal faculties and the added information they yield can trigger large political changes even if actual levels of corruption have not changed at all with respect to the past. More than ever, the typical citizen in Latin America is now in a position to know much more about the inner life of institutions, and in all likelihood knows much more about it. And what the public now learns often makes for a less-than-pretty sight. A crucial political implication follows from this: inherently desirable though they may be, reforms that increase the levels of transparency in the functioning of institutions can have an ambiguous effect on the legitimacy of the political system. The more transparent public institutions become and the more information about them makes it to the public domain, the higher the likelihood that citizens will get to know the least elegant aspects of the workings of the state and of politics. In the long run, increased transparency can deter malfeasance and have a salutary effect on public life. In the short run, however, there is a significant likelihood that pro-transparency reforms will yield a harvest of corruption scandals, often with devastating consequences for the legitimacy of institutions, which is exactly what we are seeing in much of Latin America at the moment. This is a point that has long been acknowledged in the literature on campaign finance reforms.⁷⁵

75 Casas-Zamora (2005), p. 229; Fisher & Eisenstadt (2004), p. 621; Von Biezen (2010), p.77; Scarrow (2007), p. 201.

Changes in patterns of access to information

The next precipitating condition of the wave of anti-corruption indignation and of the social mobilization that has accompanied it concerns the visible transformation of

the ways in which Latin American citizens, notably those in middle and upper income strata, acquire information. If it is true that internet access continues to be strongly correlated with income levels and urban residence in Latin America, at this point both its adoption and the speed of its expansion are more than enough to impact social and political dynamics in decisive ways. In 2014, just over

TABLE 10. NEWS SOURCES FOR LATIN AMERICAN POPULATION, PER COUNTRY, 2005-2011

Source: Latinobarómetro.

Country	% of population that watches news on TV at least once a week			% of population that listens to news on radio at least once a week			% of population that read newspapers at least once a week			% of population that get their news from the Internet		
	2005	2011	Variation '05-11 ¹	2005	2011	Variation '05-11 ¹	2005	2011	Variation '05-11 ¹	2008	2015	Variation '08-15 ¹
Argentina	89.4	74.3	-15.1	69.2	49.9	-19.3	56.7	44.5	-12.2	36	48	12
Bolivia	71.3	80.4	9.1	70.0	64.0	-6.0	34.5	44.2	9.7	25	26	1
Brazil	81.1	70.2	-10.9	56.9	37.8	-19.1	34.8	38.7	3.9	28	28 ²	0
Chile	91.4	75.5	-15.9	54.3	42.3	-12.1	55.8	38.3	-17.5	35	57	22
Colombia	84.8	69.0	-15.8	45.9	41.2	-4.7	27.9	31.2	3.3	27	37	10
Costa Rica	81.7	57.5	-24.2	22.9	19.9	-3.0	37.7	37.5	-0.2	19	40	21
Dom Rep.	65.2	76.9	11.7	46.3	50.1	3.8	38.8	52.4	13.6	20	25	5
Ecuador	83.4	82.8	-0.7	45.8	39.3	-6.5	45.8	59.7	13.9	16	42	26
El Salvador	67.1	76.0	8.9	29.2	45.3	16.1	32.5	48.1	15.6	12	15	3
Guatemala	79.9	59.5	-20.4	49.1	41.2	-7.9	69.9	43.2	-26.7	10	18	8
Honduras	55.6	52.1	-3.5	57.6	38.4	-19.2	36.7	22.3	-14.4	9	10	1
Mexico	89.3	59.9	-29.4	48.7	29.7	-19.0	56.3	28.3	-28.0	26	22 (2)	-4
Nicaragua	73.6	58.2	-15.4	42.4	41.5	-0.9	25.9	18.8	-7.1	11	15	4
Panama	78.0	83.6	5.6	49.6	43.6	-6.0	52.9	52.8	-0.1	19	25	6
Paraguay	73.3	78.3	5.1	64.0	51.8	-12.3	30.8	43.3	12.5	14	25	11
Peru	78.1	82.7	4.6	66.3	69.3	3.1	47.7	64.8	17.1	32	34	2
Uruguay	87.3	69.8	-17.5	74.8	50.7	-24.1	31.3	28.6	-2.7	25	52	27
Venezuela	76.7	79.7	3.0	59.7	46.1	-13.6	63.9	73.6	9.7	38	45	7
Latin America	78.6	71.8	-6.8	53.6	44.9	-8.8	43.4	43.0	-0.4	23	29	6

Notes: ¹ A green cell denotes a positive trend; a red cell denotes a negative trend. ² 2011.

TABLE 11. PERCENTAGE OF POPULATION USING SOCIAL MEDIA IN LATIN AMERICA, PER COUNTRY AND NETWORK, 2013-2015

Source: Latinobarómetro.

Country	Facebook			Youtube			Twitter			Google+			Instagram		
	2013	2015	Variation '13-'15'	2013	2015	Variation '13-'15'	2013	2015	Variation '13-'15'	2013	2015	Variation '13-'15'	2013	2015	Variation '13-'15'
Argentina	49.8	54.0	4.3	33.3	34.7	1.3	10.1	10.8	0.7	2.3	39.1	36.8	3.8	5.2	1.4
Bolivia	28.7	33.2	4.6	14.5	17.6	3.1	5.6	6.4	0.8	0.8	30.7	29.9	2.2	2.2	0.0
Brazil	42.8	52.4	9.7	22.6	40.5	17.9	9.9	13.3	3.4	3.6	46.9	43.3	3.3	16.8	13.5
Chile	51.3	58.5	7.3	32.2	39.1	7.0	16.3	12.0	-4.3	0.8	34.0	33.2	2.3	10.5	8.2
Colombia	41.0	45.3	4.3	30.8	36.8	6.0	15.2	15.1	-0.1	0.3	41.9	41.6	2.8	14.4	11.6
Costa Rica	47.9	54.4	6.5	29.2	37.9	8.7	9.4	10.4	1.0	0.0	41.4	41.4	4.3	9.3	5.0
Dom. Rep.	40.7	38.7	-2.0	19.3	20.4	1.1	15.4	16.1	0.7	0.0	23.4	23.4	2.5	10.9	8.4
Ecuador	47.5	59.2	11.7	23.3	30.5	7.2	13.8	13.2	-0.6	0.5	33.6	33.1	2.2	9.7	7.5
El Salvador	25.0	30.6	5.6	11.6	17.1	5.5	8.5	8.9	0.4	0.8	19.9	19.1	2.5	5.1	2.6
Guatemala	29.0	29.4	0.4	14.0	14.7	0.7	9.2	6.8	-2.4	0.0	19.7	19.7	2.8	3.9	1.1
Honduras	19.9	21.2	1.3	8.5	10.2	1.7	4.3	6.5	2.2	0.2	8.5	8.3	1.8	3.0	1.2
Mexico	33.8	n.a.	n.a.	24.5	n.a.	n.a.	9.8	n.a.	n.a.	0.1	n.a.	n.a.	1.9	n.a.	n.a.
Nicaragua	16.7	24.6	7.9	5.7	9.4	3.7	3.3	4.5	1.2	0.1	14.3	14.2	2.3	2.5	0.2
Panama	44.6	46.2	1.6	25.5	30.4	4.9	17.0	16.9	-0.1	0.0	30.0	30.0	3.5	13.9	10.4
Paraguay	25.7	37.8	12.2	8.7	10.9	2.2	7.5	9.6	2.1	0.0	19.5	19.5	1.6	8.2	6.6
Peru	38.6	46.2	7.6	20.4	26.9	6.5	7.9	10.3	2.4	0.5	31.6	31.1	5.8	3.7	-2.1
Uruguay	42.5	51.4	8.9	27.2	40.2	13.0	6.2	9.8	3.6	1.9	43.2	41.3	3.8	6.9	3.1
Venezuela	45.6	50.2	4.6	25.4	29.8	4.3	22.4	22.3	-0.1	0.3	43.8	43.5	0.9	6.8	5.9
Latin America	37.6	41.1	3.5	21.2	25.2	3.9	10.7	10.8	0.1	0.7	29.8	29.1	2.8	7.4	4.6

Note: ¹A green cell denotes a positive trend; a red cell denotes a negative trend.

50% of the Latin American population were internet users, a 142% increase since 2006.⁷⁶ It is thus hardly surprising that, as shown in Table 10, the past decade has seen a decline in the relevance of traditional media (TV, radio, and newspapers) and the flourishing of the web as a source of information. In this Latin America is no different from the rest of the world.

While television remains, by a large margin, the most important source of news for the Latin American population, in a mere six year span (2005-11) it was replaced as a source of information by large numbers of citizens in the majority of countries in the region. In some cases its decline, as that of the radio and (to a lesser extent) newspapers, has been precipitous. This contrasts with the rapid expansion of the web virtually everywhere.

⁷⁶ CEPAL (2015), p. 41.

In countries such as Chile, Costa Rica, and Uruguay, the connection between both trends is impossible to miss.

The growth of the web as an information source is concomitant to, and in many ways driven by, the rapid dissemination of social media in Latin America. In 2013 over 78% of internet users in Latin America were active in social media, a much higher proportion than in North America or Western Europe.⁷⁷ Table 11 gives a sense of how widespread the use of social media is in the region and, more importantly, how fast it can grow even in a very short time.

By 2015, on average, 41% of the population of Latin American countries had a Facebook account, a figure that was already above 50% in seven countries of the region. Youtube and Google+ were already accessed regularly by over one fourth of the Latin American population. With the exception of Twitter, whose regional growth is slow at best, all the other networks included in the table expanded healthily in the years since 2013, with Google+ exhibiting a particularly explosive increase.

For the purposes of this study, the recent expansion of the internet and, particularly, social media in Latin America is crucial for many reasons. To begin with, almost certainly these new channels have enabled the circulation—and a much faster circulation, at that—of information that would have not made it to the public domain otherwise. In section 3 above, we alluded to the fact that the role of the press in the recent corruption scandals in Latin America was uneven—positive in some cases, ambiguous or even absent in others. Indeed, it is hard to argue that citizens in Latin America are increasingly aware of corruption because the region's press is freer than ever. That is not what the evidence suggests. Table 12 shows that over the past decade press freedom has receded in the vast majority of Latin American countries, and in some cases, such as Ecuador, Honduras, Mexico, and Bolivia, dramatically so.

Hence, it is highly likely that if Latin American citizens have awakened to the reality and the implications of corruption

they owe it in no small degree to the rapid growth of alternative, web-based channels of information. This is true of citizens in many part of the world, from central Africa to Russia and India.⁷⁸ Using data from 150 countries, Jha & Sarangi (2014) found that both internet penetration

TABLE 12. PRESS FREEDOM INDEX IN LATIN AMERICA, PER COUNTRY, 2005-2014¹

Source: Freedom House.

Country	2005	2010	2014	Variation '05-'14 ²
Argentina	45	51	51	6
Bolivia	33	46	47	14
Brazil	39	44	45	6
Chile	26	29	31	5
Colombia	61	56	55	-6
Costa Rica	18	18	17	-1
Dom. Rep.	37	40	42	5
Ecuador	41	52	64	23
El Salvador	43	42	39	-4
Guatemala	58	59	60	2
Honduras	52	61	68	16
Mexico	48	62	63	15
Nicaragua	44	47	52	8
Panama	43	44	49	6
Paraguay	57	60	59	2
Peru	39	43	47	8
Uruguay	28	25	24	-4
Venezuela	72	76	81	9
Latin America	43.6	47.5	49.7	6

Notes: ¹ Index ranges from 0 (complete press freedom) to 100 (no press freedom). ² A green cell denotes a positive trend (less points, more press freedom); a red cell denotes a negative trend (more points, less press freedom).

and Facebook usage have a causal and negative impact on corruption. Whatever the flaws of the web and social media as sources of information—and there are many—it is undeniable that they multiply the volume of information available to citizens and the speed of its circulation. In Latin

77 CEPAL (2015), p. 63.

78 Smith (2016); Enikolopov, Petrova & Sonin (2016); Jha (2014).

America, at least, they have helped to counter the significant constraints that still mar the workings of the traditional press, ranging from restrictive laws to concentrated media ownership to the looming presence of organized crime.

Equally relevant is the effect of the internet on the mobilization of public opinion in Latin America, in some cases its physical mobilization onto the streets. Events like the Arab Spring and the color revolutions in the former Soviet Union have generated a cottage industry of literature examining the impact of social media in large-scale protests.⁷⁹ While it is erroneous to think of social media as a factor that can trigger protests, it is hard to deny that digital communication channels facilitate the eruption of discontent. For protests to break out, pent up social demands must be in place. If deeply felt and widespread enough, they can generate large social explosions, with or without the internet.

However, the web and social media are tools that enable several things that have been relevant in the recent Latin American context. First, they allow for the rapid socialization of a narrative of discontent, often constructed around corruption and unfairness, which may mobilize large numbers of people. Second, they lower the transaction costs to organize demonstrations. Third, they allow for the articulation of social movements even in the absence of visible leaders, a crucial change from eruptions of discontent in the past. Over 90% of participants of the large anti-government demonstrations in Rio de Janeiro in June 2013 received their information from social media, particularly Facebook, a finding that fits with evidence from the 2010 student protests in Chile.⁸⁰ Commenting on the role of Twitter in convening all the demonstrations that led to the resignation of President Pérez Molina in Guatemala, sociologist Carlos Guzmán noted: “It would be impossible to summon these demonstrations only through the traditional press, managed as it is by groups with very clear business interests. It is social media that has awakened our conscience.”⁸¹

Internet-enabled protests do not replace the traditional vehicles of politics—such as parties and legislatures—but can modify the parameters of their decisions. These protests tend to be spasms of rebelliousness, able to give expression to opposition to something or someone, but rarely capable of articulating a clear or homogeneous

agenda that can upend the political system. Though the movements may lack a clear long-term agenda, they may well change the parameters of public discussion and place issues, such as education or corruption, at the heart of the political agenda.⁸² Latin America’s recent experience shows this. It is difficult to imagine the current debates on education reform in Chile without the recurring student protests since 2010; or the national discussion about corruption in Brazil without the large protests of 2013; or the decision of the Honduran government to sign up for an OAS-sponsored mission against corruption without the popular demonstrations of the past two years; or the recent election of anti-corruption candidate Jimmy Morales as President of Guatemala without the explosion of anger that engulfed the streets of his country in 2015.

The expansion of the middle class

Our fourth explanatory factor has become a staple of discussions of anti-corruption discontent in Latin America and elsewhere. In a recent article about the proliferation of trials, investigations, demonstrations, convictions, and resignations relating to corruption in Latin America, Jorge Castañeda noted that “Latin America’s immense strides in consolidating democracy over the last 30 years have done little to eradicate one of its longest-standing scourges. But it now has a renewed source of hope: its burgeoning middle classes, the product of 15 years of impressive economic and social progress. These new middle classes are demanding better governance, and they will not rest until they get it.”⁸³ There is nothing new about this. Dating back to Aristotle, middle-income groups have been credited as the pillar of good governance and their expansion as a worthy goal. In a typical statement, Nancy Birdsall has posed that “members of the middle class are more likely to play the positive political role in the provision of accountable government, e.g. in supporting the rule of law, property rights, and taxes to finance public goods such as education...”⁸⁴ This is a position that we share, albeit not without reservations.

Our hesitation has little to do with the facts of the recent expansion of the middle classes in Latin America, which

79 On internet and the Arab Spring: Howard et al. (2011), Doran (2011), Morozov (2011).

80 Magrani & Valente (2013). On Chile: Valenzuela, Arriagada & Sherman (2012).

81 Quoted by Elías (2015).

82 Arditi (2012).

83 Castañeda (2015).

84 Birdsall (2010), p. 8. Also Birdsall (2015).

is a well-documented fact. A recent report from the World Bank has shown that between 2003 and 2009 alone, the proportion of the Latin American population living in households with daily per capita income in the \$10-50 range⁸⁵ grew from slightly above 100 million people to over 150 million, a dramatic change that was not reversed by the 2009 financial crisis.⁸⁶ Using data from the IADB, Table 13 shows that the middle class so defined increased from

24% of the region’s population in 2005 to over 38% in 2013. This trend holds for almost every Latin American country. By 2013, the middle class had indeed become the largest group of the population in Latin America, above poor (<\$4 of income per day) and vulnerable (\$4-10 per day) segments.⁸⁷

Welcome though these changes are, their connection to good governance and, in particular, clean government has been more stated than demonstrated. The issue has received scant attention from empirically minded researchers. Using a data set spanning 128 countries and 672 yearly observations (38% of which are from Latin America), Loaiza, Rigolini & Llorente (2012) found that an expansion of the middle class indeed has a significant impact on the increase of public health and education outlays as a share of GDP, on the quality of democracy, and on the reduction of corruption levels, as measured by the International Country Risk Guide. These results control for increases in GDP per capita.

The problem is that the causal mechanism remains unclear. As Ferreira et al. (2013) point out it is hard to discern distinctive normative features of middle-income groups in Latin America that may make them particularly prone to demand clean government. Their analysis shows that higher income is correlated with, among others, higher levels of trust in institutions, lower political alienation (the perceived extent to which people in power care about people similar to the respondents), less willingness to legitimize political violence, stronger perception of opportunities, and, crucially, higher likelihood of voting. Yet, nearly all these values and beliefs change monotonically with income, with findings for the middle class roughly between those for the poor and the rich. In their analysis, country-specific effects appear much more significant than class-based ones.⁸⁸

A second potential causal mechanism is self-interest, i.e. that Latin American middle income groups pay proportionally more taxes and rely much more on public services, thus creating a vested interest in improving integrity and quality

TABLE 13. PROPORTION OF LATIN AMERICAN POPULATION IN THE MIDDLE CLASS, PER COUNTRY, 2005-2013¹

Source: Inter-American Development Bank (2016). Weighted average calculated by authors.

Country	2005	2009	2013	Variation 2005-2013 ⁵
Argentina	27.1	51.3	69.7	42.3
Bolivia	22.6	32.0	42.4	19.8
Brazil	29.1	39.2	47.0	17.9
Chile	45.5 ²	49.6	57.5	12.0
Colombia	21.4	27.6	35.1	13.7
Costa Rica	40.8	46.2	48.3	7.5
Dominican	26.3	28.6	28.4	2.1
Ecuador	22.9	25.5	34.3	11.4
El Salvador	19.4	19.8	24.3	4.9
Guatemala	22.7 ²	12.9 ³	18.2	-4.5
Honduras	17.1	20.7	15.7	-1.4
Mexico	26.7	26.2 ³	27.6 ⁴	0.9
Nicaragua	11.9	11.8	16.6 ⁴	4.7
Panama	35.7	41.2	48.0	12.3
Paraguay	23.7	26.1	35.1	11.4
Peru	19.5	41.8	41.9	22.4
Uruguay	46.7	56.9	66.2	19.5
Venezuela	25.5	45.4	45.6	20.1
Latin America	24.1	31.8	38.3	14.2

Notes: ¹ Percentage of population that lives in households with per capita income between \$10 and \$50 per capita a day. ² 2006. ³ 2010. ⁴ 2012. ⁵ A green cell denotes a positive trend; a red cell denotes a negative trend.

85 The definition of the middle class is a contentious issue. See the discussion in Ferreira et al. (2013), pp. 29-37; OECD (2010), pp. 58-60; Birdsall (2010), pp. 4-9.

86 Ferreira et al. (2013), p. 137.

87 Using data from national household surveys, Stampini et al. (2015) reach different numbers for 2013: 30% for the middle class and poor each, and 38% for vulnerable groups.

88 Ferreira et al. (2013), pp. 166-171.

levels in the public sector. The evidence on both accounts is equivocal, however.

Middle class growth has turned a lot of people in the region into taxpayers. Since 2003, the number of Brazilians paying income taxes rose by almost nine million.⁸⁹ Yet, the contribution of middle-income groups to tax revenues in Latin America is underwhelming at best. The oft-repeated notion that the middle class bears the brunt of taxation in the region is a myth. Breccera, Rigolini & Saavedra (2008) put the proportion of taxation paid by the richest income quintile in Latin America at 61% on average, with the poorest quintile contributing less than 3% and the middle three quintiles the rest. The ratio between the amount of taxes paid by the highest and the lowest quintile is, indeed, far greater in Latin America (22 to 1) than in the United Kingdom (6 to 1). It is true that indirect taxes are far more relevant in Latin America than in developed countries and that these taxes can have a significant impact on middle-income households, to the tune of nearly 14% and 10% of average per capita income in Chile and Mexico, respectively.⁹⁰ Yet, even indirect taxes are largely collected among the wealthiest strata—the richest quintile contributes 53% of value added taxes in Latin America, a much higher proportion than in the United States or the United Kingdom.⁹¹ To a large extent these figures are simply the result of the enormous income concentration at the top of Latin American societies. They do not mean, certainly, that tax systems in the region are robust or progressive—in most countries the tacit socio-political arrangement is all groups pay little in taxes, but that whatever is collected largely comes from the pockets of higher income groups.

As for the intensity of the use of public services, the evidence points towards the pervasive defection of the middle class from the state. As Ferreira et al. (2013) note, “many middle class Latin Americans do not rely on the state for basic services such as education and health, and, in some cases, even for core public services such as the provision of electricity and security.”⁹² Just by way of example, over 40% of children aged 6-12 from middle class families are enrolled in private schools in Brazil, Chile, Peru, and the Dominican Republic, mostly due to the

widespread perception of the low quality of public primary and secondary education in the region.⁹³ The reliance of the middle class on private services bears, however, some important exceptions. Public tertiary education and subsidized social security schemes disproportionately benefit middle-income groups.⁹⁴ Moreover, there is evidence that the middle classes would prefer *not* to opt for private options, which would explain their concern, indeed anger, with the low quality of public services. Using data from AmericasBarometer 2012, Moseley & Layton (2013) found that dissatisfaction with public health and with the state of roads were significantly correlated with participation in demonstrations in the Americas. So was belonging to the middle class. Their analysis concludes: “Clearly protestors across the region are more educated and politically motivated citizens, who probably have access to the organizational tools necessary for movement mobilization. Protestors also appear to be young, males, and emerge from the middle class.”⁹⁵

The latter quote points towards the factor that may lie at the heart of this story. Yes, the normative outlook of the middle classes is not exceptionally supportive of democracy. Neither is it their vested interest in cleaner government as clear as expected. Yet, we *do* know that middle groups are more politically active—more likely to vote, in particular—than vulnerable and low-income groups.⁹⁶ They vote more and are less prone to engage in clientelistic practices than the poor. As suggested by global evidence from the Pew Global Attitudes Project, middle classes are more concerned than low-income groups with issues like clean elections and free speech.⁹⁷ Their political awakening happens as their freedom from need expands, as their expectations grow, and, despite their desertion from public services, as they become taxpayers.

Hence, middle class expansion may well impact anti-corruption activism, in Latin America and elsewhere, through a rather simple mechanism—arithmetic. It does not matter if political values change monotonically with income levels. What matters is that as the middle class grows, in time there will be more politically active citizens than there were before, when many of them were besieged by poverty

89 Surowiecki (2013).

90 OECD (2010), p. 163. Note, however, that the OECD’s definition of middle class is different from the World Bank’s and the IADB’s: households with income per head between 50% and 150% of the median income.

91 Breccera, Rigolini & Saavedra (2008), p. 15.

92 Ferreira et al. (2013), p. 171.

93 Ferreira et al. (2013), p. 175.

94 Ferreira et al. (2013), pp. 171-175.

95 Moseley & Layton (2013), p. 5. See also Biekart (2015).

96 Ferreira et al. (2013), pp. 169-170; Zechmeister, Sellers & Seligson (2012), p. 76; Weeks (2014).

97 “The new middle classes rise up,” *The Economist*, (September 3, 2011).

TABLE 14. AVERAGE GDP GROWTH IN LATIN AMERICA, PER COUNTRY, 2005-2015

Source: CEPAL.

Country	2005-'09	2010-'12	2013-'15	Variation '05-'09 / '13-'15'
Argentina	5.7	6.2	1.8	-4.0
Bolivia	4.7	5.2	5.6	0.9
Brazil	3.6	2.1	-0.2	-3.8
Chile	3.5	4.2	2.7	-0.8
Colombia	4.7	4.5	4.2	-0.5
Costa Rica	4.9	4.0	3.2	-1.7
Dominican	6.5	5.4	6.2	-0.3
Ecuador	3.8	4.2	2.9	-0.8
El Salvador	1.9	1.9	2.1	0.2
Guatemala	3.8	3.6	3.9	0.2
Honduras	4.1	3.5	3.1	-1.0
Mexico	1.6	3.2	2.0	0.4
Nicaragua	2.8	4.6	4.4	1.6
Panama	8.2	7.9	6.8	-1.4
Paraguay	3.0	6.3	7.2	4.2
Peru	6.5	5.3	3.7	-2.9
Uruguay	5.7	4.4	3.4	-2.4
Venezuela	6.2	-0.2	-3.3	-9.5
Latin America	3.7	2.9	1.2	-2.5

Note: ¹ A green cell denotes a positive trend; a red cell denotes a negative trend.

and more immediate concerns. In other words, with the expansion of the middle class there will be more citizens attuned with politics *in general*. Corruption scandals, particularly in the context of an economic downturn, simply provide a trigger for that expanded capacity for demand articulation and social mobilization to manifest itself.

All the same, this interpretation must be taken with caution, for its fit with the available evidence is far from perfect. It is true that countries like Brazil, Chile, and Panama, where corruption has been at the center of political debates over the past two years, have seen significant middle class

growth over the past decade and that, as mentioned in Section 2, the tolerance of public opinion with graft has declined across Latin America. Yet, one only has to remember that Guatemala, Honduras, and Mexico –three of the countries where recent discontent with the issue has been most visible—are at the bottom of the region in terms of the recent expansion of the middle class.

The economic downturn

The fifth trigger is the most immediate and, arguably, the most obvious one. The strong social and political reactions against corruption that we are witnessing in Latin America are taking place in the context of a very serious and widespread economic downturn. As Table 14 shows, rates of GDP growth have decreased significantly in the vast majority of Latin American countries since 2010 and, particularly, since 2013. Only a handful of countries, mostly in Central America, have beaten the regional trend. The average rate of GDP growth for the region as a whole has fallen from 3.7% in 2005-09 (which includes the recession year of 2009), to 2.9% in 2010-12, and a paltry 1.2% in 2013-15. In 2015, the region-wide growth rate was indeed much worse than that: -0.4%. Unemployment rates have also grown, from a regional average of 6.3% in 2012 to 7.2% in 2015.⁹⁸

This slowdown comes in the wake of remarkably successful years for Latin America, which brought not only a bout of sustained economic growth not seen in nearly half a century, but also macro-economic stability and rapid reductions in poverty and even income inequality. The social and political

effects of this very successful run were multi-fold, encompassing the rapid expansion of the middle classes mentioned above and the emergence of widespread expectations of rapid economic betterment. These expectations have proven remarkably inelastic in the face of deteriorated rates of economic dynamism. As shown in Table 15, more Latin Americans were convinced in 2015 that their economic situation would improve in the course of the following year than was the case in 2010. Even in crisis-ravaged Brazil, in 2015 55% of the population believed that their economic situation would be better the following year.

98 Unemployment figures from World Bank and ECLAC.

TABLE 15. ECONOMIC EXPECTATIONS IN LATIN AMERICA, 2010-2015 (%)

Source: Latinobarómetro.

In the next 12 months do you think your economic situation and that of your family will be much better, a little better, the same, a little worse, or much worse than it is today?				
	2010	2011	2013	2015
Much better	9.1	8.9	11.2	12.4
A little better	35.0	33.1	33.9	37.3
The same	36.0	37.4	29.0	31.2
A little worse	9.0	9.6	6.7	8.5
Much worse	3.1	3.6	2.2	3.3
Balance ([much better + a little better] – [a little worse + much worse])	32.0	28.8	36.2	37.9

All this is suggestive of a glaring and growing gap between collective expectations and actual economic performance throughout the region, a gap that enables combustible social reactions against incumbents. Indeed, as Table 16 shows, disapproval of incumbents in Latin America has grown consistently since 2010, very likely due to the economic downturn.

The political effects of the slowdown go, however, well beyond growing disappointment with incumbent presidents. In fact, the combination of growing expectations and limited economic prospects seems to negatively affect government institutions more broadly. Since 2010, levels of trust in institutions have systematically declined in Latin America, particularly in the case of those institutions embodied by incumbent politicians—governments and legislatures, as seen in Table 17.

The recent social and political reactions against corruption are thus taking place in a climate of growing mistrust of institutions and anger against incumbents due to deteriorating economic conditions. It is here that we must recall the valuable insight put forward by Zechmeister & Zizumbo-Colunga: “there is a strong reason to believe that individuals are more punitive of perceived corruption under bad economic times... (W)e find robust evidence that the economy conditions the degree to which citizens withdraw support from the incumbent executive when they perceive high levels of corruption.”⁹⁹ It is not that the state of the economy alters citizens’ perceptions of corruption. We have

99 Zechmeister & Zizumbo-Colunga (2013), p. 1208.

seen in Section 2 how these perceptions have not changed significantly in Latin America over the past decade, despite the recent economic slowdown in much of the region. The key is that, even if corruption perceptions remain unaltered, the political toll exacted on incumbents for perceived corruption tends to be much heavier when the economy takes a turn for the worse, which is what has happened in Latin America since 2010. Latin Americans are *generally* angry with incumbents and the corruption scandals uncovered are providing a very powerful narrative to channel and mobilize that anger.

At this point, when we have cursorily examined our five hypotheses, a final reflection is in order. The story we have told in this section is a complicated one, which combines distal and proximal causes of anti-corruption reactions

in ways that we are yet to disentangle. Trying to isolate the single factor that explains the recent eruption of corruption as a potent political issue in Latin America is, in all likelihood, a fool’s errand. Almost certainly, none of the factors analyzed in this report would be able to trigger on its own the remarkable events that we have witnessed in the past two years. Rather, it is the *convergence* of these elements that has unleashed a forceful social and political reaction against corruption in Latin America.

Attributing the recent events to the presence of unprecedented levels of corruption in the region is possible but, in the light of the available evidence, almost certainly wrong. Doing so may offer a comforting intellectual shortcut rather than a plausible explanation. Our attempted explanation is less simple and elegant, but accounts for some very profound changes experienced by Latin American societies over the past generation and their interaction with

TABLE 16. AVERAGE PRESIDENTIAL APPROVAL RATES IN LATIN AMERICA, 2010-2015 (%)

Source: Latinobarómetro.

Do you approve or disapprove of the administration led by President (name)?				
	2010	2011	2013	2015
Approve	56.2	53.6	43.4	47.1
Disapprove	36.9	37.2	39.6	45.7
Balance (approve-disapprove)	19.3	16.4	3.8	1.4

TABLE 17. TRUST IN PUBLIC INSTITUTIONS IN LATIN AMERICA, 2010-2015 (%)

Source: Latinobarómetro.

	How much trust do you have in this institution?											
	Government				Congress				The state			
	2010	2011	2013	2015	2010	2011	2013	2015	2010	2011	2013	2015
A lot	11.7	10.6	11.1	9.5	6.3	5.4	6.1	6.1	8.4	7.1	9.3	7.8
Some	31.3	29.8	23.9	23.5	27.0	26.3	19.6	20.6	32.4	30.7	28.5	26.6
A little	32.2	35.0	28.0	33.3	35.9	38.2	28.9	35.8	34.7	37.9	30.5	37.1
None	23.4	23.6	24.7	31.7	26.5	26.5	31.8	34.0	20.6	21.3	19.1	25.8
Balance (a lot – none)	-11.7	-13.0	-13.6	-22.2	-20.2	-21.1	-25.7	-27.9	-12.2	-14.2	-9.8	-18.0

long standing structural factors, notably the region’s endemic inequality. We submit that it is possible, indeed probable, that behind the recent explosion of anti-corruption activism in Latin America lies the combination of the widespread perception of political and economic unfairness; the patient accumulation of pro-transparency legal reforms; the emergence of social media as an alternative source of information and an efficient tool for social mobilization; and, possibly, albeit less clearly, the rapid expansion of politically active middle income groups. Some of these factors are only now coming of age. In the context of growing anger towards incumbents, all these factors have

combined to expose gross acts of malfeasance and unleash a strong social reaction against them. Hence, two things have happened that explain the recent turn of events: on the one hand, dishonest acts have become easier to uncover and disseminate; on the other hand, social attitudes in the face of them are more unforgiving than ever before.

We now move to the last section, where we will try to distill a few policy lessons from the complex story that emerges from the preceding pages.



POLICY LESSONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

Latin America's daunting corruption problems are not amenable to easy or short-term solutions. Yet, the previous pages should offer reasons for hope. Very important things are happening in the continent that makes it less hospitable to those that abuse public trust for private gain. Corruption is becoming easier to expose, publicize and shame, as well as more likely to be punished. Latin American societies are pushing back against corruption in stronger and more organized ways than ever before.

While ultimate success against corruption largely rides on long-term cultural changes, it is undeniable that public policies—at both the national and international levels—can have a positive impact even before the long-term arrives. Latin America's recent experience attests to this. Much more can and should be done to better understand, prevent, and punish corruption in the region. Here are a few lessons and policy recommendations that stem from the previous sections. These are followed by another set of suggestions that will help strengthen the knowledge base on which to pursue these policies.

1

FOCUS ON NORMATIVE AND INSTITUTIONAL TRANSFORMATIONS

There is great value in persisting with national and international efforts to promote legal and institutional reforms in favor of transparency and accountability in the public sector. True, success against corruption demands the protection of the free press, the empowerment of civil society, the promotion of ethical norms through formal education, among many other transformations. Yet, the story told in Sections 3, 4, and 5 strongly suggests that the single most important factor in the unprecedented demand for transparency and accountability that we are seeing in Latin America is the very significant normative changes that virtually all countries have adopted, to different degrees and with diverse levels of commitment. Often

introduced under external influence, those changes include the ratification of international conventions against corruption, access to information laws, campaign finance regulations, anti-money laundering norms, conflict of interest provisions, judicial reforms of different kinds, and a long list of institutional innovations in favor of transparency and integrity in the public sector. The persistence of high levels of graft throughout the region naturally breeds skepticism with regards to the impact of those reforms. There is reason, nonetheless, to believe that these legal and institutional changes are slowly making progress against entrenched habits of opacity, patrimonialism and malfeasance. These reforms have given new powers to citizens, journalists, prosecutors and judges, and have forced public officials and business actors, at the very least, to pay lip service to higher standards of conduct. As mentioned above, the short-term effect of many of these normative changes on democratic legitimacy can be problematic. In some ways, Latin America is reaping today the harvest of scandal that the accumulation of pro-transparency reforms was bound to yield. These norms, if anything, have helped reveal the infection of corruption, and enabled the sunlight to start exerting its purifying and healing power.

2 PICK VULNERABLE AREAS BUT PAY ATTENTION TO THE WHOLE

The evidence examined in Section 2, as well as the very limited sample of cases reviewed in Section 3, provide some clues about areas that appear particularly vulnerable to corrupt practices, both of the bureaucratic and political kind. The citizens' interaction with the police, the courts, and local governments are fraught with the possibility of corruption in much of the region. Likewise, public procurement, tax collection and evasion, and the funding of election campaigns are regular features of grand corruption cases. Not all these foci of corruption are relevant everywhere, of course, but in all likelihood they are in many countries. Their relevance and local nuances need to be carefully fleshed out for policy strategies to be successful. Still, there is a case to be made that these areas deserve priority attention from anti-corruption reformers region-wide. The adoption of digital solutions offers real promise to bring much needed transparency and efficiency to some of these clusters of corruption. This is particularly true about local governments, public procurement, and tax collection. The valuable efforts that national authorities and international organizations have done in the area of E-Government should be expanded considerably, in the full knowledge that these programs are complex endeavors that involve far more than the introduction of new technologies. Indeed, they

also involve a process of recasting bureaucratic structures and behaviors. As such, national authorities and international organizations would do well to recognize the delicate balance that they must strike between targeting corruption-vulnerable areas and encouraging a holistic view of the protection of integrity in the public sector. Indeed, the effective regulation of public procurement or campaign finance is but a part of an “eco-system” of integrity-enhancing rules, which includes norms against conflict of interest, rules with regards to lobbying activities, asset declaration provisions, reforms to bank and tax secrecy rules, changes to rationalize parliamentary immunity norms, protections for whistle blowing and the freedom of the press, among others. If fighting impunity and preserving the integrity of public institutions are the ultimate goals, these variegated rules must be designed and enforced in a concerted way.

3 INVEST IN DEMOCRATIZING ACCESS TO NEW INFORMATION TECHNOLOGIES

Latin America’s recent experience attests to the considerable potential of the internet and of social media in bringing transparency and accountability to the public sector. They do that in many different ways. First, by allowing alternative digital sources of information to break the stranglehold of traditional media over public opinion; second, by enabling a much faster circulation of the information that makes it to the public domain; third, by drastically reducing the costs of collective action for citizens. All this has proven critical in the current Latin American context. Investing heavily in democratizing access to information and communication technologies—notably smart phones and broadband—is of the essence for many reasons, including that it helps to keep governments honest. Of course, this is not an inevitable consequence of the expansion of the internet and social media. Many examples in the world can be summoned as evidence against this connection. The key is whether such an expansion takes place in a truly open and democratic environment. Fortunately, this is the case in Latin America, where no government (with the exception of Cuba) has, so far, taken ostensible measures to restrict the circulation of information on the web. Access to new information and communication technologies is only one part of the challenge, however—content also matters. Enhancing the capacity of digital media to generate and disseminate high quality information about the policies and decisions of governments would be a valuable investment in the fight against corruption in Latin America.

4 PROMOTE PRO-EQUITY POLICIES

Acute socio-economic inequality has had, and continues to have, multiple corrosive effects on Latin American societies. As seen in Section 5, widespread corruption is both a cause and a symptom of high inequality. Pervasive patronage, rent-seeking and impunity all bear its mark. Moreover, inequality breeds a set of perceptions of political unfairness that erode democratic legitimacy. Corruption scandals offer the ostensible confirmation of the notion that political institutions exist to favor the interest of the wealthy, politically-connected few. Promoting pro-equity policies is one of the keys to Latin America's democratic consolidation and development, and is one of the keys to cleaner government. A society that takes seriously the egalitarian ethos that underpins democracy offers one of the most powerful obstacles against corruption, arguably more powerful than any normative framework. There must be many reasons that explain why Nordic societies are atop nearly every indicator of public integrity known to us. Almost surely, one of them is that their citizens see corruption not just as a legal fault or a patrimonial assault, but as the transgression of a social contract that treats all citizens as equals in rights and obligations. Hence, striving to create more equitable, better integrated societies where each person is ever more aware of her fundamental rights is also a way to fight corruption.

5 RECOMMENDATIONS FOR FUTURE RESEARCH

These are but general suggestions that require much more research and discussion if they are to be translated into concrete policies. Generally speaking, this report strongly points towards the need for a large-scale empirical effort aimed at filling the considerable gaps that remain in our knowledge of the phenomenon of corruption in Latin America. Given the obvious relevance of the issue and the positive messages that are emerging from the region in favor of integrity, transparency and accountability, undertaking a rigorous, policy-oriented research program on corruption appears as a most timely endeavor. This research agenda should include an effort to:

1. Gather better information on corruption. The fight against corruption needs far better information on the actual prevalence of corruption, rather than its perceived prevalence. We state this in full knowledge of the inherent difficulties of this endeavor, and fully

cognizant of the enormous strides that have been made in the recent past to measure corruption levels, even approximately. Yet, a cursory revision of the available evidence for Latin America shows that for all the sophistication of the many available perception-based measures of corruption, the gap between the perception and the reality of graft is occasionally vast, with the former often reflecting scandal-driven short term spikes or long-held prejudices. Basing anti-corruption strategies on those indicators may be the best option available, but it is insufficient. Victimization surveys are a welcome addition to our knowledge on actual corruption levels, but offer only the most remote of proxies to the occurrence of grand corruption, the most destructive kind of all for democracy. The available information on large-scale graft in Latin America, on the other hand, is sketchy at best and stems, almost entirely, from journalistic sources. Hence, four important venues of inquiry would involve:

- A systematic research program aimed at documenting and understanding the modus operandi of high-level corruption in different environments and the social, political, and legal factors that help uncover and punish these cases, delving into the precise role of the press, social media, watchdog organizations, law enforcement institutions, and political control mechanisms. Section 4 of this report is but a limited example of the empirical work that needs to be done on a much larger scale.¹⁰⁰
- An effort to tease out the impact of the many pro-transparency, pro-accountability, pro-integrity institutional changes introduced in Latin America over the past generation. We are convinced that the aggregate impact of those reforms has been largely positive and indeed essential for the anti-corruption reaction that we are witnessing in the region. But we would be hard pressed to explain in detail what the actual impact of each of the legal changes has been. A comparative perspective would be particularly advantageous here, in order to study the differences and find common patterns of success and failure. These assessments should include a fine-grade comparison of the quality of the legal norms themselves, based on clear and consistent standards of evaluation.
- A substantial and comparative effort to appraise the impact of various social accountability venues, including the news media and social media. This should take into account some of the worrisome trends in the region, including

100 OECD (2014) offers a good example of the product that this kind of research can yield.

limitations on press freedoms and threats to the full exercise of civil and political rights.

- Explore the empirical links between corruption and structural features and trends of Latin American societies, such as pervasive inequality or the current expansion of the middle classes or the region's insertion into the global economy, which so far have received scant attention from researchers.
2. Unpack Latin America. Throughout this report we have strived to provide a region-wide view of corruption and of the factors that are likely generating visible anger about it in Latin America. Yet, it has become evident that relying on Latin America as a unit of observation is highly inadequate. While we have been able to glean a few trends that apply on average to most countries in the region, it is clear that the trends on corruption and its perception, the vulnerabilities, the legal progress made, and the social context that surrounds graft are enormously diverse among Latin American countries. The integrity challenges that matter and drive people to the keyboard or onto the street in Chile or Uruguay are hardly comparable to those in Venezuela or Honduras. We thus go back, through a different route, to the same point raised above: we need a far more granular knowledge of corruption that unpacks not just the region but also the countries themselves, notably the largest among them. After all, it is to be expected that the features of corruption in the poor, lesser developed Brazilian state of Alagoas will differ considerably from those in rich, industrial São Paulo. What is needed is not simply to disaggregate the unit of analysis in order to better generate quantitative information about corruption at the national and sub-national level; we are also in need of detailed qualitative studies about the social mores that surround corrupt practices, conditioning the vulnerability of a given community to corruption, and its reaction to it. Suggesting policy remedies in the absence of this context-bound knowledge is a risky endeavor. The point is a simple one: in order to craft an effective anti-corruption strategy for Latin America, wielding a broad brush will not do.

This much we know: urgent as they may appear, effective strategies against corruption do not emerge easily or inevitably. That they do in Latin America will depend on our ability to marry sustained social pressure and political will with the production of sophisticated knowledge of the kind outlined above.

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