

SEPTEMBER 2012

PUBLIC SECTOR PRACTICE

Innovation in government: Brazil

To use public money more efficiently and to help deter corruption, Brazil's government is disclosing detailed information about federal spending—and giving citizens a clear view of their tax dollars in action.

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About this series

McKinsey's public-sector practice presents a collection of articles that capture people, places, and strategies now bringing about bold, rapid, broadly applicable innovations in governments around the world. The series (based on field reporting and on interviews with officials, senior executives, academics, and nongovernmental organizations) does not endorse political choices, but rather examines sustained, significant initiatives to help governments become more effective and responsive.

Challenge:

Although Brazil is a solid democracy with strong economic growth, inefficiency and corruption still hinder the country from reaching its potential. Until recently, Brazilians had no visibility into the ways the government spent their money. This lack of transparency meant that they could not hold it accountable for corruption or for the poor use of public resources.

Emerging solution:

Brazil's government is opening its books to the public through the Transparency Portal of the Federal Government, which publishes a wide range of information, including the expenditures of federal agencies, the charges of elected officials on government-issued credit cards, and a list of companies banned from contracting with the government. Bolstered by a recent law on information access, the portal is helping to create a new culture of accountability.

Historically, Brazilians had no visibility into government spending—which areas got funding, how efficiently public money was being used, or whether fraudulent activity was occurring. Over the past few decades, many high-profile incidents of flagrant corruption have sorely tested the public's trust, hurt Brazil's image in the corporate sector, and hampered economic growth. In the World Bank and IFC¹ Enterprise Surveys 2009, 70 percent of global and domestic companies responding said they viewed corruption as a “major constraint to doing business” in Brazil. An investigation by the Federation of the Industries of the State of São Paulo found that, in 2008 alone, corruption cost the country some \$40 billion (2.3 percent of GDP)—equivalent to about half its education budget.

In 2004, believing that transparency would increase citizen engagement, encourage responsible public spending, and deter corruption, Brazil's Office of the Comptroller General (which goes by the Portuguese abbreviation CGU) created an open-access Web portal with data on federal expenditures. Initially, Brazil's Transparency Portal (www.transparencia.gov.br) documented only federal money transfers to states or municipalities, but CGU has continually added data. Today, under the leadership of CGU minister Jorge Hage, the portal includes information on elected officials' charges on government-issued credit cards; federal-agency expenditures on travel, staff salaries, office supplies, equipment, and contractor services; tax revenues; grants to nongovernmental organizations; and social-welfare payments. The portal also has a list of companies and individuals blacklisted for committing fraud through public contracts. Recent additions include information on how states are using federal money allocated to them for the 2014 World Cup and the 2016 Olympic Games. The amount of government money tracked on the portal is now almost \$4.8 trillion.

¹ International Finance Corporation.

Although CGU encountered resistance from government officials when it first launched the portal, it remained committed to full disclosure. “We received requests from a variety of ministries to exclude certain data from publication, but we decided that the only way to provide true transparency was without any exceptions,” says CGU vice minister Luiz Navarro.

The CGU’s regular budget covers the portal’s relatively low maintenance costs. The portal’s team now consists of approximately 20 public employees, some of them part-timers. About eight focus on technology issues, and the remainder address management and operational concerns.

Data on the portal are updated daily or monthly. Users can search the information in various ways—looking up expenses by category or by public official, for instance—and can download spreadsheets to conduct their own analyses. The government requires states and large municipalities to maintain their own transparency Web sites, and as of May 2013 the requirement will also apply to smaller municipalities, with fewer than 50,000 residents.

The national portal drew about 32,000 visitors a month in its first year—in line with the government’s expectations. Interest steadily grew as the government added more information and launched a publicity campaign called The Right to Know, which included television commercials. In 2012, the portal has been averaging 345,000 visits a month.

Given Brazil’s population of almost 200 million, the portal’s approximately 4 million visits a year may seem relatively insignificant. But the media and activist groups have been using data from the portal, greatly amplifying its impact. For instance, the São Paulo Perl Mongers, a group of computer programmers, created a Web site—Where did my money go?—that takes information from the portal and presents it in a visual, easy-to-understand format. Colored squares on the site’s home page show how much money the government spends on transportation, education, and other services. By clicking on a square, users can get more detailed information on spending for that category.

Another citizen-run group, called Open Accounts, provides the media with training on how to use the portal. Indeed, for journalists, it has become an indispensable resource. “Almost every week, there’s something in the news that comes from the Transparency Portal,” notes Navarro. Such stories often generate public outrage and a swift official response. In 2011, for instance, a magazine story on improper credit card use by government officials led to an internal investigation. The top spender, a government minister, was forced to repay \$30,000 for inappropriately charging personal expenses, including vacation travel, to the government.

But the government does not leave the task of uncovering inappropriate use of public funds solely to the media and citizens. The Public Spending Observatory (whose Portuguese abbreviation is ODP), a small team of analysts that the CGU created in 2008, sifts through data from the portal (and from several internal government databases) to look for suspicious patterns. For instance, the ODP used data on the portal to compare the list of beneficiaries of

Bolsa Familia, a large social-welfare program, with the list of automobile owners in the federal car registry. The ODP's findings initially suggested that many social-welfare recipients owned high-end vehicles, but further digging revealed a more unlikely scheme: to evade taxes, wealthy Brazilians were fraudulently registering their cars under the names of Bolsa Familia recipients. As of mid-June 2012, the investigation was ongoing. It may result in the prosecution of the real car owners.

Izabela Corrêa, the CGU's manager of promotion of ethics, transparency, and integrity, notes that the ODP is an important complement to the portal. "The data in the portal are useful for finding irregularities in spending—but the work of the ODP helps make sense of the data and determine whether the irregularities are corruption, misuse, or simply a misunderstanding," she says.

Brazil's Transparency Portal has captured international attention. Several countries (including Costa Rica, Kenya, Montenegro, and Paraguay) are exploring similar efforts and have sought Brazil's advice. And the portal is not the only measure of progress toward government transparency in Brazil. A freedom of information law—to ensure that transparency becomes the norm across local, state, and federal governments alike—was sent to Congress in 2009, passed in 2011, and went into effect in May 2012. It will give citizens the legal standing to enforce the right to information in court.

Other countries are also looking to increase their transparency: already, 55 have joined the Open Government Partnership, launched during the 2011 UN General Assembly and initially cochaired by Brazil and the United States. Each member country must publicly present a detailed action plan describing how it will increase government transparency.

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In Brazil itself, there are no fears that the portal will lose support even if a new party comes to power in the 2014 presidential election. "With the portal, we have created an atmosphere and culture of transparency," Corrêa notes. "There's no turning back. It would be very costly for a new government to abandon our policy." ○