Anti-Corruption Strategies for Private Sector Development: Case Study for the Brazilian Automotive Industry

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Abstract : Countries like Brazil that despite fighting hard against corruption are not improving their corruption perception, especially due to systemic political corruption, should review their corruption prevention strategies. This thesis brings a case study based on an alternative way of preventing corruption: addressing the corruption drivers in public policies that lead to poor economic performance. After discussing the Brazilian industrial policies adopted recently, especially the measures towards the automotive sector, two corruption issues in this sector are analyzed: facilitating payment for fiscal benefits and buying the extension of fiscal benefits. In-depth interviews conducted with a policymaker and an executive of the automobile sector provide insights for identifying three main corruption drivers: excessive and unnecessary bureaucracy, a complex tax system and the existence of a closed market without setting performance requirements to be achieved by the benefited firms. Both the identification of the drivers of successful industrial policies and the proposal of anti-corruption strategies to ensure developmental outcomes are based on the economic perspective of industrial policy advocated by developmental authors and on the successful South Korean economic development experience. Structural anti-corruption measures include tax reform, the regulation of lobbying and legislation to allow corporate political contribution. Besides improving policymakers' technical capabilities, measures at the ministry level include redesigning the automotive regimes as long-term policies focused on national investment with simple and clear rules and making fiscal benefits conditional upon performance targets focused on suppliers. This case study is of broader interest because it recommends the importance of adapting performance audits conducted by anti-corruption agencies, to focus not only on the delivery of public services, but also on the identification of potentially highly damaging corruption drivers in public policies that grant fiscal benefits to achieve developmental outcomes.
Keywords : Brazilian automotive sector, corruption, economic development, industrial policy, Inovar-Auto
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