Deforestation and the fight against corruption: Evidence from randomized public fiscal audits in the Brazilian Amazon

Elias Cisneros*, Jorge Hargrave† and Krisztina Kis-Katos‡

July 2012

Abstract

This paper highlights unintended consequences of the recent federal anti-corruption strategy in Brazil, which has lead to an increase in deforestation in Amazonas municipalities. We rely on the unique policy experiment of fully randomized public fiscal audits to identify the overall level of corruption at the municipality level, and to assess the effects of the audits on deforestation. We find that municipalities with more reported corruption issues did also deforest more between 2002 and 2009, even after controlling for basic determinants of deforestation. Surprisingly, deforestation increased by about 17% in the aftermath of public fiscal audits, with longer lasting effects in more corrupt municipalities. These effects can be mainly attributed to audits that took place in pre-election and election years. Moreover, we also find potential evidence for electoral accountability effects, with deforestation being higher under mayors who reached their term limits and could not stand for reelection.

JEL Classification: D73, O13, Q23

Keywords: Deforestation, corruption, fiscal audits, Brazil, Amazonas

*ZEF (Center for Development Research), Bonn
†IPEA (Institute for Applied Economic Research), Brazil
‡University of Freiburg and IZA, Bonn. Address: Institute for Economic Research, University of Freiburg, Platz der Alten Synagoge 1, 79085 Freiburg, Germany. Contact: krisztina.kis-katos@vwl.uni-freiburg.de.