

## ARTICLES

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# THE TRANSPARENCY OF DEVELOPMENT BANKS IN BRAZIL: BETWEEN THE SECRECY OF BUREAUCRACY AND THE DEMOCRATIZATION OF INFORMATION

*Transparência dos bancos de desenvolvimento subnacionais brasileiros: Entre o sigilo da burocracia e a democratização da informação*

*Transparencia de los bancos de desarrollo en Brasil: Entre el secretismo de la burocracia y la democratización de la información*

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### ABSTRACT

This research carried out a diagnosis of the active transparency of the development banks (DBs) in Brazil based on the Brazilian Development Bank (BNDES) Transparency Guide. The observation protocol consisted of 33 items distributed among 8 pillars, namely: Policies and guidelines; Institutional; Finance and jobs; Portfolio information; Customer data; Operations data; Impact; and Social Participation. The results show that the DBs present a process of transparency that is still insufficient and that the reality found in the institutional portals is marked by the absence of important information, which would clarify the criteria used to define the allocation of government funds. Many of the advances in the federal context were not incorporated into the subnational DBs, mainly due to complex legislation that favors secrecy in these institutions.

**Keywords:** public transparency, Development Bank, democracy, public bureaucracy, BNDES.

### RESUMO

O objetivo da pesquisa consiste na realização de um diagnóstico da transparência ativa dos Bancos de Desenvolvimento (BD) em atividade no Brasil, baseado no Guia de Transparência do Banco Nacional de Desenvolvimento Econômico e Social (BNDES). O protocolo de observação foi composto por 33 itens distribuídos entre oito pilares, sendo: Políticas e Diretrizes; Institucional; Finanças e Empregos; Informações do Portfólio; Dados dos Clientes; Dados das Operações; Impacto; e Participação Social. Os resultados evidenciam que os BD apresentam um processo de transparência ainda insuficiente e que a realidade encontrada nos portais institucionais é marcada pela ausência de informações importantes que tornariam claros os critérios utilizados para definir a alocação das verbas estatais. Muitos dos avanços ocorridos no contexto federal não foram incorporados nos BD subnacionais, sobretudo em função de uma complexa legislação que privilegia o sigilo nessas instituições.

**Palavras-chave:** transparência pública, Banco de Desenvolvimento, democracia, burocracia pública, BNDES.

### RESUMEN

El objetivo de la investigación consiste en realizar un diagnóstico de la transparencia activa de los bancos de desarrollo (BD) en actividad en Brasil, basado en la Guía de Transparencia del Banco Nacional de Desarrollo Económico y Social (BNDES). El protocolo de observación constó de 33 (treinta y tres) ítems distribuidos en 8 (ocho) pilares, a saber: Políticas y lineamientos; Institucional; Finanzas y empleos; Información de la cartera; Datos de los clientes; Datos de las operaciones; Impacto; y Participación social. Los resultados muestran que los BD presentan un proceso de transparencia aún insuficiente y que la realidad encontrada en los portales institucionales está marcada por la ausencia de información importante, que aclararía los criterios utilizados para definir la asignación de fondos estatales. Muchos de los avances que se dieron en el ámbito federal no fueron incorporados a los BD subnacionales, principalmente por una compleja legislación que favorece el secreto en estas instituciones.

**Palabras clave:** transparencia pública, banco de desarrollo, democracia, burocracia pública, BNDES.

## INTRODUCTION

Brazilian development banks (DBs) were established during the Military Regime and have significantly contributed to socioeconomic development. However, despite their historical association with developmentalism, [Minella \(2018\)](#) points out that due to their origins in authoritarian regimes, these banks not only imposed political criteria on credit allocation decisions but also functioned as isolated bureaucratic entities designed to uphold dictatorial control over the states and promote the interests of business groups aligned with the Brazilian civil-military dictatorship.

With the beginning of re-democratization in the mid-1980s, Brazil underwent normative transformations to consolidate democratic governance. These changes included the implementation of transparency and accountability measures in public agencies, as enshrined in Federal Law 12,527/2011 (the freedom of information law); the establishment of new regulations governing state-owned enterprises (SOEs), mixed-capital companies, and their subsidiaries under Federal Law 13,303/2016 (Law of the SOEs); the enactment of legislation regulating the processing of personal data, including in digital platforms, by individuals or legal entities subject to public or private law, as outlined in Federal Law 13,709/2018 (the General Data Protection Law – LGPD); and the issuance of regulations by the Central Bank of Brazil (BCB). Despite these advancements, [Bento and Bringel \(2014\)](#) emphasize that to this day, not all components of the country's institutional framework have fully embraced these normative standards with the anticipated level of commitment and expediency, persisting in practices characterized by opacity and secrecy while carrying out their responsibilities.

[Lazzarini et al. \(2015\)](#) state that this behavior is prevalent among state-owned enterprises (SOEs) and mixed-economy companies. The dual nature of these entities enables political figures to exploit arguments regarding their private aspects as a means to evade calls for transparency and disclosure of their operations. According to [Bento and Bringel \(2014\)](#), the bureaucracies of DBs justify their penchant for secrecy by citing the need to safeguard their clients' commercial and banking confidentiality or by claiming that revealing the company's strategies could jeopardize its competitive edge against rivals.

While these arguments may be legally valid, it is essential to emphasize that DBs operate within a democratic framework and are established using public funds. Hence, from a democratic standpoint, society is entitled to demand and access information concerning the operations of these institutions. As [Rocha et al. \(2020\)](#) point out, democratic principles and practical application endorse transparency as the standard practice, with secrecy reserved for exceptional circumstances.

In this context, the advocacy for secrecy is not solely a technical matter because, according to democratic theory, public bureaucracy represents more than just a group of government officials and administrative procedures. It stands as a cornerstone of state authority and democratic governance, and even though it possesses significant power, it consistently endeavors to expand its influence. In this sense, the preservation of secrecy regarding its knowledge and objectives serves as its primary means to achieve this end. Democratic empowerment emerges as the sole mechanism to challenge this dynamic ([Weber, 2012](#)).

Accountability has been extensively discussed by scholars such as O'Donnell (1998) and Przeworski et al. (1999). In essence, it refers to the responsibility of representatives to be answerable to the people. This concept involves a process comprising three key stages: a) information disclosure (transparency), b) justification, and c) sanction. Therefore, ensuring transparency in the information provided by DBs is crucial for enabling diverse forms of democratic accountability (Arantes et al., 2010; Przeworski et al., 1999). Moreover, a high degree of transparency not only influences economic development, the primary objective of DBs, but also enhances the credibility of public institutions (Zuccolotto & Teixeira, 2017). Conversely, the absence of transparency can harm the structure and reputation of DBs by fostering favoritism toward certain business entities and allowing political interference in decision-making processes. This lack of transparency can also impede the reporting and holding accountable of individuals involved in misconduct, corruption, and other irregularities (Kondo, 2002).

In Brazil, a significant portion of the funds lent by DBs originates from government budgets (Negri et al., 2018). Consequently, transparency becomes particularly relevant, considering that the bureaucratic framework primarily functions as a mechanism for allocating budgetary resources, many of which may not be subject to oversight by regulatory bodies. This generated, albeit incorrectly, several criticisms of the Brazilian Development Bank (BNDES). In response to accusations of operating opaquely like a “black box,” the bank implemented measures to enhance information transparency, ultimately becoming a global benchmark in this area and offering extensive avenues for social and institutional accountability (Rossi, 2018).

While BNDES achieved improved transparency at the national level, the same cannot be said for subnational DBs. According to Novaes (2007), these entities are viewed as mere political-strategic tools co-opted by authorities to dispense employment opportunities, subsidies, favors, and benefits to political allies. This perpetuates inadequate practices supported by the bureaucracy of these institutions (Lino & Aquino, 2020). Consequently, this study aims to assess the level of active transparency exhibited by subnational DBs, examining the issue through the lens of democratic theory, which perceives public bureaucracy as a cornerstone of state power and democratic governance that wields significant influence and seeks to expand it by maintaining secrecy regarding its knowledge and intentions. Without the proper democratization of information from these entities, oversight over individuals in power (elected officials, bureaucrats, and public administrators) is compromised, thus endangering democracy.

The research explores how DBs' bureaucracy rationalizes the lack of transparency within their organizations. A descriptive study was conducted to evaluate the extent of information dissemination about the allocation of public resources under these institutions' management. This assessment was carried out through ethnographic research using the BNDES transparency model as a benchmark (Rossi, 2018). Additionally, interviews were conducted with directors/managers of the assessed DBs to comprehend their approach to active transparency and uncover the reasons behind the non-disclosure of certain information. Finally, requests for information were submitted through official channels, in accordance with Federal Law 12,527/2011, to address gaps and obtain clarifications concerning available data.

## THE FALSE DILEMMA BETWEEN TRANSPARENCY AND SECRECY IN DEVELOPMENT BANKS

As public entities, development banks (DBs) are bound by the tenets of public administration, which include the requirement for transparency in their operations. Despite progress made, literature highlights a delicate balance between adhering to public law standards (transparency) and private law standards (secrecy). Mettenheim (2010) highlights that despite the establishment of external control, transparency measures, and banking supervision frameworks post-re-democratization, vestiges of mismanagement and authoritarian power abuse persist within these institutions, indicating a historical path dependency (Pierson, 2000) and the perpetuation of inappropriate practices (Lino & Aquino, 2020) that contradict democratic principles.

Despite the institutional progress made post-re-democratization, there is a certain resistance to adhering to the transparency guidelines outlined in the legislation governing the entities within Brazil's institutional framework. This resistance contributes to the perpetuation of policies rooted in the secrecy surrounding their operations (Rocha et al., 2020). Mohallem et al. (2017) note that this resistance is evident even in institutions primarily funded by public resources, which transfer funds from society to credit borrowers, such as DBs.

Due to their typical composition as state-owned and mixed-economy companies with a public-private nature, individuals within these entities often invoke their private nature to evade fulfilling obligations for disclosing specific information (Bento & Bringel, 2014). This reveals a tendency to uphold bureaucratic insulation, where entrenched elites within these institutions retain control over political appointments and decisions concerning the allocation of public funds (Mettenheim, 2010).

Furthermore, Kondo (2002) states that bureaucratic insulation and lack of transparency can harm the structure and reputation of these institutions, fostering favoritism toward certain business groups and enabling political influence over decision-making processes. This opacity also hampers the reporting of individuals or holding them accountable in cases of misconduct, corruption, and other irregularities, effectively transforming these institutions into, as described by Novaes (2007), mere political-strategic tools co-opted by those in authority to distribute employment opportunities, subsidies, favors, and benefits to their political allies.

While acknowledging the central role of governmental financial institutions, particularly DBs, in reducing capital restrictions and fostering productive investments, Lazzarini et al. (2015) contend that these institutions can inadvertently benefit politically connected individuals or prop up inefficient companies. The authors argue that funding is often allocated based more on political considerations than technical merit, resulting in the misuse of DBs to support activities and economic entities that may not directly contribute to productive economic growth, moving away from their core objective of stimulating regional socioeconomic development.

The lack of transparency within DBs prompted the former Brazilian public prosecutor at the Federal Court of Accounts (TCU) to express concern that, despite being responsible for overseeing public finances, the TCU could not assess the effectiveness of resource allocation by BNDES because the bank was “[...] a black box in public administration [...],” which resisted all attempts at deeper inspection by the TCU (Rossi, 2018). This resistance to thorough scrutiny

by this agency reveals the limitation not only of horizontal accountability but also of vertical accountability. In democratic societies, transparency is a fundamental mechanism for citizens to engage with their representatives, hold them accountable, and wield influence over decision-making processes (Arantes et al., 2010).

In response to widespread criticisms across various sectors of society, judicial institutions have also revisited their interpretations on the matter. For instance, Minister Gilmar Mendes of the Federal Supreme Court (STF) ruled in Writ of Mandamus 33340 that claims by DBs regarding non-disclosure of client information (maintenance of secrecy) do not constitute absolute or unlimited rights. Mendes (2017) argues that confidentiality should be breached when there is a conflict between individual and collective interests regarding pertinent information. According to Minister Mendes, “Secrecy as a facet of privacy should yield to the imperative of transparency, which should guide decisions concerning the allocation of public resources in a democratic republic” (Mendes, 2017, p. 623).

In response to pressure and evolving interpretations from oversight agencies, BNDES implemented measures to enhance its information disclosure practices, becoming a global benchmark in transparency and offering extensive avenues for social accountability (Rossi, 2018). While BNDES has made strides in this regard, the same progress may not be mirrored at subnational DBs. Despite being subject to similar constitutional regulations as BNDES, subnational DBs face legal specifics that constrain managers’ willingness to disclose information. These legal nuances can be exploited as a pretext to evade reporting details about resource allocation. Subnational DBs do not face as much external pressure for reform, whether from society or control agencies like Courts of Accounts, due to lower public visibility, political influence, inadequate capacity of control agencies, or prevailing political and administrative cultures. Consequently, these institutions persist in upholding inappropriate practices, particularly through their bureaucratic processes, prioritizing secrecy over transparency (Lino & Aquino, 2020).

While studies exist that analyze the efficiency and effectiveness of Brazilian subnational DBs, such as Moller (2017) and Tolla (2017), research specifically focusing on the transparency of these institutions predominantly concentrates on BNDES, as seen in works by Mencarini (2015) and Vita and Santana (2020). Some studies delve into the transparency of Brazilian state-owned enterprises, like those by Bianchi et al. (2020) and Mohallem et al. (2017), which highlight notable advancements in transparency and governance structures within these entities. However, these improvements are deemed insufficient for robust social accountability and, consequently, the consolidation of democracy. As of the latest available information, there is a notable absence of studies dedicated to understanding the active transparency practices of subnational DBs within the context of democratic societies.

## METHODOLOGY

This is a qualitative and descriptive study (Raupp & Beuren, 2006; Gil, 2008). It discusses the transparency of development banks (DBs) operating in Brazil to understand the aspects involved in transparency practices and the behavior of agents operating within these institutions.

The research focuses on active subnational DBs as the research population. As described by [Bechelaine \(2022\)](#), these institutions are government-controlled entities that provide medium and long-term credits to foster economic and social development within their respective regions. According to the author, these institutions are the ones that persisted following the Incentive Program for Reducing the Presence of the Public Sector in Banking Activity (Proes) and are still categorized by the Central Bank of Brazil (BCB) as DBs. It is essential to note that certain states have multiple state banks that, while engaged in development activities, do not possess the same characteristics as the DBs under analysis and thus fall outside the scope of this research. Funding agencies are also excluded from the research scope. Therefore, Table 1 outlines the specific DBs under investigation in this study.

Table 1 – Development Banks operating in Brazil

STATE	FINANCIAL INSTITUTION	ACRONYM	START OF ACTIVITIES	LEGAL NATURE
PR, SC, and RS	Banco Regional de Desenvolvimento do Extremo Sul	BRDE	1961	Autonomous public agency (known as “ <i>autarquia</i> ”)
MG	Banco de Desenvolvimento de Minas Gerais	BDMG	1962	Public company
ES	Banco de Desenvolvimento do Espírito Santo	BANDES	1969	Non-listed private-public ownership company

Source: BCB (2021a, 2021b).

According to [Zuccolotto and Teixeira \(2019\)](#), active transparency results from legal mandates or public officials’ proactive disclosure of information, irrespective of whether citizens have formally requested access. Data collection was conducted by directly accessing the websites of each of the three databases comprising the research universe, spanning from December 2021 to January 2022. Delimiting the collection period was essential to ensure data collection consistency, guaranteeing that identical information was sought across all institutions within the sample during subsequent searches. Given the absence of accessibility issues to the websites with published information, the initial access served as the reference point for conducting the research.

To identify and gauge active transparency, the BNDES Transparency Guide (2021, available on the institution’s website) was utilized as a benchmark and recognized as a model of transparency in Brazil ([Motta et al., 2006](#)). Eight pillars were deemed pertinent for assessing transparency regarding investment projects, clientele, and activities related to credit provision by the databases: Policies and Guidelines, Institutional Framework, Financial and Employment Information, Portfolio Information, Client Data, Operational Data, Impact Metrics, and Social Participation Data.



These pillars play a crucial role in transparency by fostering trust, accountability, corruption deterrence, and informed decision-making, particularly in financial institutions, which are organizations that contribute significantly to Brazil's regional development. Across all eight pillars, a total of 33 evaluation points were considered, as detailed in Table 3.

The data collected via the observation script were treated in a Microsoft Excel spreadsheet and classified according to Zuccolotto and Teixeira (2017). Each item's availability was denoted by the number 1, indicating "yes" or "present," while items not found on the websites were assigned the number 0, representing "no" or "absent." It is important to note that missing information does not necessarily indicate non-existence but rather unavailability at the evaluated location. Two different observers conducted data collection, and as no discrepancies were noted in their observations, the analyses proceeded.

Additionally, interviews were conducted with directors and managers of the investigated banks to comprehend the current status of active transparency in these institutions. The interviews aimed to understand why certain items were not published and the constraints and opportunities for enhancing transparency within each institution. Confidentiality of the interviewees was upheld upon request to ensure candid responses. The interviews took place in April 2023, with selection criteria based on convenience and the interviewees' positions, which were at a minimum managerial level. Table 2 presents a summary of the interviews.

Table 2 – Interviewees data

FINANCIAL INSTITUTION	ACRONYM	Nº OF INTERVIEWEES	AREA OF ACTIVITY	PROFESSIONAL BACKGROUND (YEARS IN THE CAREER)
Banco Regional de Desenvolvimento do Extremo Sul	BRDE	1	Risk management, internal control, and compliance	Economy (20 years)
Banco de Desenvolvimento de Minas Gerais	BDMG	1	Corporate Governance	Administration (5 years)w
Banco de Desenvolvimento do Espírito Santo	BANDES	1	Legal	Law (10 years)

Finally, requests were sent to DBs to inquire where information unavailable on their websites could be found. Additionally, supplementary data necessary for this research, including details concerning the denial of information access requests, were requested

## Presentation and discussion of results

The research results are presented in Table 3 and demonstrate that, in general, DBs need to advance in terms of transparency, especially concerning customer information, operations, and social participation. After the presentation of the results, an individual discussion of each

pillar is presented and complemented, when possible, with the information obtained during the interviews and through requests for information.

Table 3 – Result of evaluated items

PILLARS	EVALUATED ITEMS	BNDES	BANDES	BDMG	BRDE	% YES	% NO
Policies and Guidelines	Availability of the risk management policy	1	1	1	1	100%	0%
	Availability of the transparency or information disclosure policy	1	1	1	0	67%	33%
	Compliance actions: including procedures to prevent, detect, and remediate acts that may compromise the institution's integrity	1	0	1	0	33%	67%
Institutional Framework	Provision of information about key people and decision-making structures:						
	<i>Functions and competencies of the institution</i>	1	1	1	1	100%	0%
	<i>Organizational structure with the main positions and their occupants</i>	1	1	1	1	100%	0%
	<i>President's agenda</i>	1	1	0	0	33%	67%
	Information regarding the results of inspections and audits carried out	1	1	1	1	100%	0%
	Provision of the process for sending complaints and reports, office hours	1	1	1	1	100%	0%
	About the FOI: information such as the topics covered by the law, the procedures for requesting access through passive transparency and mechanisms to appeal from denial, and access statistics, among other data	1	1	0	0	33%	67%
	Classified information: list of BNDES information that has been classified with some degree of secrecy following applicable legislation	1	1	1	0	67%	33%

(continue)



Table 3 – Result of evaluated items

PILLARS	EVALUATED ITEMS	BNDES	BANDES	BDMG	BRDE	% YES	% NO
Financial and Employment Information	Detailed disclosure of the institution's sources of resources	1	0	0	0	0%	100%
	Information about salaries and benefits offered to employees and directors	1	0	0	0	0%	100%
	Disclosure of default rate percentage	1	1	0	1	67%	33%
	Agreements: information on transfers and transfers of financial resources carried out	1	1	1	1	100%	0%
	Expenses: information on detailed budgetary and financial execution	1	1	1	1	100%	0%
	Tenders and contracts: information on tenders and purchasing contracts carried out	1	1	1	1	100%	0%
Portfolio Information	Information on all companies and funds currently or previously invested in – including the total amount and nature of financial support	1	0	0	0	0%	100%
	Information necessary to contract financing: purpose of the credit lines and who they are aimed at, the applicable financial conditions, the required documentation and guidelines for obtaining financing	1	1	1	1	100%	0%
Client Data	Identification of who the benefiting clients/companies are	1	0	0	0	0%	100%
	Information about the sector and subsector of activity of clients/companies	1	0	0	0	0%	100%
	Information about the client's size (micro, small, medium, or large)	1	0	0	0	0%	100%

(continue)

(conclusion)

Table 3 – Result of evaluated items

PILLARS	EVALUATED ITEMS	BNDES	BANDES	BDMG	BRDE	% YES	% NO
Operational Data	Information about project objectives	1	0	0	0	0%	100%
	Disclosure of the value contracted in each operation	1	0	0	0	0%	100%
	Location of the project	1	0	0	0	0%	100%
	Disclosure of guarantees offered	1	0	0	0	0%	100%
	Payment term information	1	0	0	0	0%	100%
	Information about the progress and execution of the project	1	0	0	0	0%	100%
	Interest rate information	1	1	1	1	100%	0%
	Availability of measures adopted to mitigate the credit risk of operations carried out	1	1	1	1	100%	0%
Impact Metrics	Effectiveness report: summary description and data related to the impact achieved/the contribution of financing to development (on employment, income, and other social and economic indicators such as work and production productivity, level of investment, sustainability, and evolution of exports).	1	0	1	1	67%	33%
	Management reports: comprising goals established, actions implemented, and outcomes obtained throughout the year	1	1	1	1	100%	0%
Social Participation Data	Existence of institutionalized spaces for society to participate	1	0	0	0	0%	100%
	The representatives of society are present on the companies' boards	1	0	0	0	0%	100%

Note. The column with BNDES information was included as a reference and is not considered in the percentage calculations.

## TRANSPARENCY OF POLICIES AND GUIDELINES

All development banks (DBs) provide access to a document outlining their risk management policy on their website. However, concerning the transparency policy and compliance measures, one of the DBs does not disclose this information, despite the existence of laws such as Law 12,527/2011 (Freedom of Information Law – FOI) and Law 13,303/2016 (Law of State-Owned Enterprises) that establish regulations on governance, transparency, and compliance. These laws are specifically designed to enhance the effectiveness of public institutions in these areas.

DBs establish risk management policies to identify and address risks effectively, safeguarding the interests of clients, investors, and the institution’s financial stability. However, not all institutions disclose information regarding transparency and compliance due to the sensitive nature of the data, which could potentially benefit competitors or malicious entities. Additionally, concerns about market competition may lead to hesitation in revealing such details, fearing it could compromise their market position or image. These institutions are subject to stringent regulations and specific legal requirements.

Despite efforts by BRDE to prevent risks and disclose information, formal documentation outlining transparency and compliance measures was not available for analysis. It is important to note that the absence of this information on the institutions’ online portals does not necessarily imply its non-existence.

While DBs are mandated to adhere to legal provisions concerning Policies and Guidelines, not all institutions fully disclose this information in accordance with public legislation. Despite the passage of time since the laws were enacted, some institutions continue to encounter challenges and require adjustments to ensure compliance.

Compliance with access to information and governance laws varies across institutions and is influenced by various complex factors. Challenges in implementation include organizational resistance to change, limited financial and human resources, operational intricacies involving partnerships and high-risk activities, political and economic pressures leading to conflicts, and governance practices influenced by regulatory factors characterized by ambiguous or unclear legislation.

### Institutional transparency

Law 12,813/2013 mandates the daily publication of the agendas of authorities from the federal executive branch, autonomous public agencies (known as “*autarquias*”), public foundations, state-owned enterprises (SOEs), and mixed-capital companies on the Internet. However, BDMG and BRDE do not disclose their presidents’ agendas, posing challenges to social accountability. Non-disclosure of agendas can lead to perceptions of favoritism toward specific economic agents and the potential use of the bank as a political tool, as noted by an interviewee, even if their bank does not disclose the agenda.

In terms of data reports on passive transparency, BRDE and BDMG do not disclose reports on requests for access to information. Similarly, BANDES did not provide justifications for

rejecting information requests in its reports. Subsequent requests for this information under the FOI revealed that BANDES denied four requests (out of 46) between 2020 and 2022, citing reasons related to privacy violations and bank secrecy. BRDE received 20 information requests during the same period, with three rejections. While one request was partially granted, no explicit justifications were provided for the rejections. BRDE explained that since 2019, it has reported demands in a published format subject to internal approval due to sensitive data, using internal access control for analysis and processing.

The absence of reports on access to information requests can be attributed to technological limitations, a lack of management awareness regarding the importance of transparency processes, bureaucratic inefficiencies, and the absence of punishment for non-compliance with legal requirements.

The findings related to the institutional transparency pillar highlight the significance of enacting public legislation to enhance transparency, as most aspects analyzed were present in the studied population. However, certain DBs still have deficiencies in transparency regarding sensitive matters. While some interviewees may argue about the public and private nature of DBs as a rationale for non-disclosure of information, it is crucial to emphasize that they are subject to the FOI guidelines, as previously highlighted in the study by Bento and Bringel (2014), and must adhere to its provisions.

## Transparency of finances and jobs

Table 3 reveals that none of the development banks (DBs) provide information concerning the sources of institutional resources and details regarding salaries and benefits offered to employees. Given that these institutions operate with reduced equity capital and heavily rely on government measures aimed at mobilizing public resources to stimulate their productive activities (Souza et al., 2021), it is expected that DBs would have made strides in disclosing such information, especially considering there are no legal provisions preventing it, such as data protection or confidentiality. The absence of transparency regarding these two critical aspects creates a significant deficit within the DBs' transparency frameworks, hindering the activation of vertical and horizontal accountability mechanisms (Zuccolotto & Teixeira, 2019).

Despite being essential for assessing and monitoring the institution's financial health, BDMG has yet to disclose default rate percentages. Such disclosure is crucial because, as highlighted by Junior (2004), high default rates not only negatively impact the DB's performance and sustainability but also mean inadequate controls that may result in deficits requiring coverage from public resources. The lack of transparency undermines accountability mechanisms within these institutions and fosters environments conducive to irresponsible practices, inefficient resource allocations, and misalignment with sustainable development goals.

## Transparency of portfolio information

The analyzed development banks provide comprehensive information necessary for accessing financing. Their portals offer details regarding the objectives of credit lines, target beneficiaries,

applicable financial terms, required documentation, and other guidelines for securing credit. Transparency in these aspects is crucial, as it ensures that potential clients can access pertinent information whenever needed, considering that providing financing is the primary service offered by development banks.

However, there is a notable absence of disclosure regarding the companies and funds in which investments are made, including the contributed amounts. This lack of transparency hampers the monitoring of applications and impedes the analysis of resource allocation efficiency. The interviewees cited the LGPD (Brazil's General Data Protection Law) and legislation of the Central Bank of Brazil (BCB) as grounds for non-disclosure, thereby reinforcing the Weberian argument that bureaucratic power structures tend to favor secrecy. Nevertheless, the interviewees' arguments appear fragile. These investments predominantly originate from state resources, and the disclosure of investments in companies and funds is mandated by corporate accounting standards, particularly for banks operating as autonomous public agencies (*autarquias*) or mixed-economy companies. Therefore, the rationale for non-disclosure seems inconsistent with legal requirements and accountability standards.

## Customer data transparency

This stands as one of the pivotal transparency pillars within subnational development banks (DBs). As shown in Table 3, all assessed items yielded negative responses, signaling a perpetuation of practices rooted in opacity and secrecy. Despite the rationale underpinning DB creation, driven by the imperative to address market failures (Cunha et al., 2014), the observed results fail to assure that these institutions extend credit to sectors and modalities overlooked by private financial entities. Consequently, there exists no metric to gauge whether their operations effectively advance the primary objective of fostering regional socioeconomic development, thereby casting doubt upon their performance.

A predominant argument from interviewees is the adherence to the norms of the Central Bank of Brazil (BCB) regulations regarding banking secrecy as the rationale for the non-disclosure of data. When confronted with the disclosure practices of BNDES, interviewee B asserts that “this is attributed to BNDES employing a strategy of registering contracts in registry offices of deeds and documents, thus enabling public disclosure,” notwithstanding the absence of legal mandate for such registration.

However, the reasoning for not adopting similar practices varies among interviewees, primarily considering the legal nature of each institution. While interviewee A offers a defense without justification for non-disclosure, interviewees B and C advocate for secrecy on the grounds of operating with private resources, thereby subjecting themselves to BCB regulations and predominantly serving non-legal entities as their client base. When queried about financing sourced from state funds, interviewees B and C contend that, in such instances, the DB functions merely as a service provider, absolving them of responsibility for divulging transfers and invoking client banking secrecy to safeguard against disclosure. Additionally, interviewee B points out that as the loaned resource is not public and the credit risk rests with the DB, there exists no

rationale for publicizing such data, thus justifying adherence to BCB regulations.

As discussed by [Bento and Bringel \(2014\)](#), public or mixed-capital entities exploit their public-private status to circumvent demands for enhanced transparency and client information disclosure. Consequently, they retain enough insulation to apply ambiguous – and occasionally political – criteria in selecting loan beneficiaries ([Kondo, 2002](#); [Torres & Costa, 2012](#)). While bureaucratic theory might have addressed this, the regulatory function of the BCB appears to bolster and safeguard secrecy within DBs, underscoring the imperative to reconsider the roles and limitations of these institutions.

## Operations data transparency

The results presented in Table 3 highlight the lack of detailed information about the projects supported, making it difficult to control the development banks' (DBs) main activity: granting loans. The lack of transparency results in the loss of control over the destination and application of public resources allocated by these institutions.

As observed in the Client Data pillar, it is not possible to assess whether the objectives that guide DBs' actions based on market failures ([Cunha et al., 2014](#)) have been achieved. Despite what [Souza \(2018\)](#) argues, due to the lack of information on the objectives, progress and execution of projects and the location of projects carried out, it is impossible to measure whether financial institutions with regional headquarters are, in fact, more integrated with the local reality and committed to the progress of the regional economy. For example, the question remains whether inter-regional imbalances have been mitigated due to increased credit supply to already urbanized regions to the detriment of peripheral and rural areas.

Once again, the primary argument invoked by interviewees is secrecy, a stance that warrants scrutiny given that disclosing the whereabouts of financed companies, particularly with public resources, appears to align with the existing legislative framework. Interviewee B even contends that divulging information regarding the location of ventures, companies, or funded funds could be construed as a breach of banking secrecy, possibly resulting in “the arrest of the bank president.”

The absence of detailed information regarding supported projects undermines oversight of loan allocation, obscuring the transparency of DBs' operations. This scenario complicates the ability to effectively evaluate investment impacts, identify risks, ensure efficient resource allocation, and validate the legitimacy of financing or development initiatives. In essence, the non-disclosure of these records affords public bureaucracy a comfortable position with minimal political accountability, consolidating its influence as a powerful entity ([Weber, 2012](#)).

## Transparency of regional impacts of financing

In this pillar, only BANDES does not publish an Effectiveness Report briefly describing its impacts and contribution of the funds granted to regional development. Because projects supported by development banks (DBs) are expected to result in significant regional socioeconomic impacts,



making access to this information available for society and controllers is essential (Cunha et al., 2014).

It is possible to note again that the institutions do not intend to disclose information. Although such information could generate political gains for the head of the executive branch, the bureaucracy keeps it in the name of secrecy, reinforcing its power. The interviewees do not present relevant arguments for not disclosing data when considering this pillar.

## Social participation

Regarding the appointments of personnel to the composition of the development banks' (DBs) board of directors and fiscal committees, Romero (2017) highlights the importance of establishing transparent and equitable guidelines in the recruitment process. Although all DBs disclose their policies regarding board formation in their Bylaws, there are no designated spaces for independent members, particularly those from civil society, who are dedicated to representing the genuine interests of citizens.

According to one of the interviewees, "Boards are typically constituted based on nominations from governors, originating from secretariats and/or other state entities. Members of civil society organizations are not included on the Boards." In the case of mixed-capital companies, representation is afforded to minority shareholders, but civil society representation is absent. The lack of specific criteria regarding the profile of appointees creates leeway for the perpetuation of traditional practices, where bureaucratic positions are filled by representatives from the private sector, often aligned with the prevailing political faction, as noted by Schmitt (2017).

While it is true that, from a corporate standpoint, these institutions are not obligated to include civil society participation on their boards and committees, it is recommended that they at least consider inviting these actors. However, in all cases, interviewees do not view this inclusion as relevant, asserting that the legal mandate is already being fulfilled.

## FINAL CONSIDERATIONS

Building upon Weber's theoretical framework (2012), public bureaucracy is not merely a collection of public officials and administrative procedures but a fundamental pillar of state power and democratic governance. Endowed with considerable authority, bureaucracy consistently expands its influence, with secrecy being a primary tool in safeguarding its knowledge and intentions. This study explores how the bureaucracy within development banks (DBs) rationalizes the lack of transparency within their organizations by examining the transparency of public resource allocation in Brazilian subnational DBs.

The findings reveal that Brazilian DBs still have room for improvement in terms of transparency concerning the allocation of resources. While these institutions demonstrate efforts to comply with legislative requirements for information disclosure, crucial details such as client identification, project financing specifics, resource origins and destinations, and the involvement of society within the institutional framework remain undisclosed.

The absence of essential information on their online portals raises concerns about the operational efficacy of DBs. The lack of clarity regarding resource utilization hinders assessments of the societal impact of supported projects, understanding client selection criteria, and evaluating the institution's financial standing. Without transparency, oversight over these entities becomes compromised, leaving room for vulnerabilities in governance mechanisms.

While the requirement to disclose information is a step toward transparency, it alone is insufficient to achieve full transparency within DBs. The research findings reveal the necessity of implementing comprehensive laws and policies to address transparency issues effectively. The results also demonstrated that a significant amount of sought-after information on these institutions' portals was available following legal requirements. However, active transparency and the flow of information should not be limited to mere legal compliance. Managers have to cultivate a deeper democratic consciousness to enable accountability both horizontally and vertically within the organization. There must be a continuous stimulus to build a culture of information democratization in institutions. After all, as long as transparency is treated as mere compliance with the law, the access difficulties will remain the same.

As a power group, as highlighted in [Weber \(2012\)](#), the bureaucracy of these entities justifies maintaining secrecy about their knowledge with the argument of “[...] protecting the commercial and banking secrecy of their clients, or even under the basis of not exposing the company's strategy to its potential competitors” ([Bento & Bringel, 2014, p. 4](#)). Despite the flawed nature of these justifications, the legislation referenced by interviewees, particularly Law 105 of January 10, 2001 (Bank Secrecy Law), appears to act as a barrier to advancing transparency in resource allocation by these institutions. This limitation inhibits democratic progress and hampers society's right to monitor and understand the use of these resources. This stance contradicts contemporary democratic principles that prioritize transparency as the norm and secrecy as the exception. In addition, it hinders the effectiveness of the accountability process, given that the absence of adequate information can prevent the manager from being held responsible for poor performance.

The prevailing environment of low transparency and insular bureaucracy perpetuates inadequate management practices within these institutions, obstructing the exercise of social accountability, i.e., the proper attribution of responsibility to the manager. Even in dealings with external oversight agencies, there was a history of resistance to providing requested data under the guise of secrecy until the Judge of the Supreme Court Gilmar Mendes' rule in Writ of Mandamus 33340. Interviewee C noted a shift in this stance, albeit with the requirement for external control agencies to sign confidentiality agreements.

Because of the standards established by the Central Bank of Brazil (BCB), the DBs' legal nature and the nature of their clients (individual or legal entity) may seem to be obstacles to the disclosure of information. DBs have to advance in transparency policies, and the standards and criteria need to be reviewed, considering that they have used arguments from commercial banks to justify the non-disclosure of information. If DBs are funded with public resources, practice subsidized commercial rates, and operate where there are market failures, the dissemination

of information and the resulting social accountability are fundamental to unmasking and changing their image. Finally, it is essential to acknowledge the limitations of this research, which faced obstacles in accessing management-level individuals within these institutions, particularly concerning discussions on transparency. Also, the research could not delve into all legal intricacies surrounding the lack of transparency within these institutions, focusing instead on presenting the current state and key arguments put forth by the bureaucracy regarding the non-disclosure of vital information in the pursuit of democratizing DBs' information flow.

Future research could explore the transparency practices of Brazilian development agencies established post-re-democratization, examine the rationale of their bureaucracy, and assess any shifts resulting from their establishment within a democratic framework.

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## **CONFLICTS OF INTEREST**

The authors have no conflicts of interest to declare.

## **AUTHORS' CONTRIBUTION.**

Bárbara Garschagen Gonçalves: Conceptualization; Data curation; Formal analysis; Investigation; Methodology; Visualization; Writing – original draft.

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Frederico Pinto de Souza: Visualization; Writing – original draft; Writing – proofreading, and editing.

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