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CONSTRUCTION AND CORRUPTION IN LATIN AMERICA: THE ROLE OF  
MEGAPROJECTS ABATING GOVERNMENT LEGITIMACY

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## ABSTRACT OF THE DISSERTATION

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Corruption has always been present in construction on different levels and scales, no matter where building infrastructure occurs. In Latin America, the cultural context emanating from the consolidation of democracies appears to have avoided the provision of good governance and the stability of institutional Legitimacy. This research intends to show that when there are large-scale construction projects or megaprojects, there is an augmentation in the activities that conduce to government corruption. The question is, what are the conditions that contribute to increasing government corruption in Latin America? Furthermore, a purpose equally important is to demonstrate that politicians sometimes abuse institutional Legitimacy by hiding behind this imaginary shield to collude in corruption. They achieve this by controlling popular public opinion while simultaneously eroding the principles of separation of powers and checks and balances mechanisms to circumvent the law. This qualitative research is a multiple case study using secondary data from academic and specialized journalism articles published in the

United States, Argentina, Brazil, and other Latin American countries during the last fifteen years. The coding technique detected striking power features to compel theory: Government corruption goes hand in hand with grand construction, particularly when institutions' Legitimacy suffers manipulation.

Key Words: Corruption, corrupt context, megaprojects, Legitimacy, institutions.

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## **I. Introduction**

There is cumulative evidence that points to the increase of government corruption in Latin America where megaprojects are present. Construction, one of civilization's oldest industries, inspires unique attraction to governments looking to build spectacular infrastructure megaprojects. Beyond the visibility and fame that result from the execution of large projects, the seduction of funds circling all along the construction cycle is often conducive to corrupt and fraudulent practices between contractors and government officials.

Between \$340 and \$400 Billion annually have deviated from infrastructure megaprojects to corrupt government officials in countries worldwide. (Sohail and Cavill, 2008.) In Latin America, this is no exception. From the early 2000s, many Latin American countries began economic development plans that included significant infrastructure investments across the continent to grow regional economies. In this study on Latin America, our focus is on Argentina, Brazil, Colombia, Dominican Republic, Panama, and Perú between 2005 and 2015. These are examples of countries that have systematically planned infrastructure, allocated funds for long-term execution work, and developed megaprojects that resulted in massive corruption involving government officials. In the instances of Argentina and Brazil, these two countries are home to networks of multinational construction companies that have performed construction jobs beyond their boundaries and pervaded their neighbors with the same lawbreaking illnesses. Therefore, Brazil and Argentina receive special attention.

"Institutionalization is a process. It is something that happens to an organization over time, reflecting the organization's distinctive history, the people who have been in it,

the groups it embodies and the vested interests they have created, and the way it has adapted to its environment (Selznick, 1957, p 16-17)”. Historical institutionalists (Keohane, 1989; Krasner, 1983) remain focused on the historical perspectives of the attributes of institutions rather than implementing “rational choice economic models” like other theorists (Moe, 1990; Rittberger, 1993) to compare outcomes. Nevertheless, Moe (1990, p. 221) argued that political decisions are characterized as being “fundamentally about the exercise of public authority” which involves usage of “unique coercive powers.” (Scott, 2008)

Political institutions are the government's management structures that conceive, prosecute, and administer laws. They, at times, act as mediators of contention between parties, issue economic and social guidelines, and dispense delegation and embodiment to the people they represent (Scott, 2008).

The quality of a democracy manifests itself by the Legitimacy of a democratic system of government in its capacity to provide "participation, competition, equality, and the rule of law" to the population (Hogstrom, 2011). However, corruption disturbs and upsets young democracies' quality and "all non-consolidated political systems" (Andreev, 2008).

Corruption due to government agents' and construction managers' collusion is a crime inflicted on all taxpayers and suffered first-hand by destitute citizens. When there is a misallocation of resources toward megaprojects, the immediate consequence of corruption is a decline of two primary government responsibilities: education and public health. However, the main economic effect of corruption is poverty. When poverty

transcends generations, it becomes encrusted in culture, and reverting it becomes impracticable and unfeasible. In the absence of renewed human capital, society becomes trapped.

There are no free-market mechanisms when corruption is present. The quality and cost of products and services offered by stakeholders and suppliers of the international construction industry lose relevance to the ability or willingness to engage corrupt functionaries. How to be an ethical business in a corrupt environment? Regardless of how inconvenient corruption may be, most business leaders end up unsuccessfully resisting the pressure or directly falling into temptation, perceiving themselves as casualties rather than executioners. The choices are few. Resisting corruption in a corrupt environment is a complex business dilemma. The options are: to act with "indifference," as a stakeholder that goes along while fulfilling the expectations as a supplier and the organization achieves its goals; or to be a "pragmatic" and "ethical" stakeholder who finds value in the proper organizational behavior, even if it costs you to forego business. (Velamuri, Harvey, Venkataraman, 2017, p. 4).

What makes collusion and conspiracy gears engage in creating a corrupt context? How can institutions like governments and private construction corporations adapt what is neither licit nor admissible into legitimate courses of action? How does this happen? Is this process reversible? Interestingly, Latin American governments and multinational construction companies' quasi-collective behavior in their coexistence with corruption has no foreseeable consequence or concern for accountability. The immense power given by the combination of money and votes could combine in people's heads to make them feel invincible or unaccountable. The quality of democracy of some political regimes in

Latin America suffered significant setbacks during the decade studied in this research due to corruption scandals.

According to Andreev (2008), the specific mechanism which solidifies the quality of a new democracy is its acquired Legitimacy. Legitimization is a means of gathering support for the regime. Currently, there is a broad and unlimited acceptance that corruption in all its forms and expressions brings about severe trouble for all “non-consolidated political systems” (Andreev, 2008).

The questions to answer are many, but a priori, there are a few critical inquiries concerning the (expected) result of the research. If megaprojects augment government corruption, what is at work elicits such augmentation? Is this catalyst reversible, or can it work in the opposite direction, decreasing the proliferation of corruption?

Analyzing a megaproject process, which ultimately is a series of business transactions between a government and private institutions, we need to look for factors and conditions that cradle a corrupt context. Institutions draw acceptability and credibility from their Legitimacy. Legitimacy is a widespread recognition or premise that an institution's endeavors are convenient, legitimate, functional, and fitting within an ethical framework of rules and criteria, codes, and standards. Legitimacy is a viewpoint because it portrays an answer, a reply of the beholders to the institution as they perceive it. In this context, Legitimacy is owned "objectively" but generated "subjectively." (Suchman, 1995, p. 574).

From a resource-dependent perspective of organizations, Legitimacy's perception may be one of many resources that an organization withdraws from its surrounding domain. However, Legitimacy is not a product to be had or traded from the institutional

view. Instead, it is a state of being that shows presumed balance and harmony with applicable statutes and laws, regulatory bodies and in consonance with culture and tradition. Therefore, Legitimacy is not part of the production process but a value to be exhibited and made viewable to all parties.

Then, if a corrupt context emerges from the business association of construction companies' executives and government officials, there is an abuse of confidence in the Legitimacy of their institutions. They use their institutions' Legitimacy as a shield to engage in corrupt, fraudulent, and collusive practices.

The decade 2005-2015 focused on this research shows a dynamic nature of institutional Legitimacy. Rampant corruption spread out, covered by a screen of masked Legitimacy. The institutions, at face value, gave corrupt executives and officials the protection they felt sufficient to keep them safe from legal trouble. This decade was a period of economic expansion in Latin America, generated by high commodity prices and sustained demand from China, India, and Eastern European countries. The need for foreign financing was nonexistent. Commodities such as agricultural products (soybean, corn, and wheat); energy products including oil and gas; and mining products such as copper, iron ore and steel, lithium, and molybdenum were in sustained demand. These conditions did not last. The cycle ended with a former president in jail, other presidents and ministers prosecuted, and many construction company executives in similar situations. Many prosecutions in as many as ten Latin American countries promised to put more politicians and business managers in jail.

Legitimacy, then, is the beholders' perception or point of view that may change over time. This dynamic nature of Legitimacy is indeed emerging from its roots. Therefore, institutions must manage the evolution of public perception by maintaining the citizenry interested in their causes and endeavors, showing compliance with rules, regulations, and enforcement of the law, and keeping their constituent's and stakeholders' trust and confidence.

Project management authors have avoided confronting the reality of corruption in the international construction industry. There is abundant literature about corruption in big construction, authored mainly by economists and international legal and political science scholars. Most solutions and recommendations put forward in the extant literature have to do with limiting governmental institutions' decision-making power, monitoring the contractual and payment processes, and involving local communities from the planning stages to completing a megaproject. Truly little, if anything, has been suggested to fix corruption emanating from the construction sector. Project management authors should concern deeper in contributing to the cause of reducing corruption in construction for the preservation of their industry.

Nevertheless, the concern goes beyond the ethical aspects of conducting business in a corrupt environment. It concentrates on institutional weaknesses and failures, looking to explain the expansion of corruption crimes when there was a surge of megaprojects in the region.

Therefore, in the context of this research, for the countries now studied during the decade 2005-2015, the first research question is: What is the cause of depressed government legitimacy? Ultimately, we look to see the sources and the effects of the

dissemination of corruption on the Legitimacy of government institutions. The main research question focuses on the genesis of corruption from a weak institutional framework as a Legitimacy deterrent. Megaprojects appear to be a main driver of corruption. The second research question focuses on explaining the origin and nature of government corruption in megaprojects: What factors provide favorable conditions to develop government corruption in megaprojects?

Once we have answered these questions, we can then proceed to analyze the effect of government corruption in megaprojects over the Legitimacy of governmental institutions. Corruption erodes Legitimacy and depletes the quality of democratic regimes and their governmental institutions. (Seligson, 2002; Andreev, 2008). If megaprojects act as catalysts that increase government corruption activities, then does government corruption in megaprojects cause a decline in government legitimacy?

## **II. Literature Review**

### **Institutions, Legitimacy, and Corruption**

Government institutions directly affect the business climate and life of a country. Government institutions set the rules in which an orderly society obeys and ultimately decides and administers the laws for those that do not obey. Institutions that consistently focus on the rule of law, political participation, and their citizens' economic well-being develop strong Legitimacy, "providing stability and meaning" over time (Scott, 2008).

The need to delineate a "qualitatively different" political view during the consolidation process of democracies has given a baseline to the concept of Quality of

Democracy. Arend Lijphart has maintained that Quality of Democracy "refers to the degree to which a system meets such democratic norms as representativeness, accountability, equality, and participation (1993, p.149)". However, any definition of Quality of Democracy should not only be fixed to any group of characteristics of a political system of liberal democracy. It should also link to the notion of "quality," as Leonardo Morlino (2003b) states. He expresses that the term "quality" emphasizes "(a) the procedure as to how to organize political policy, (b) the content of the regime's structure and policies, and (c) the results of government activity."

Therefore, one can conclude that the concept of "quality" by itself provides a substantial contribution to the "multidimensionality and diverse understanding of the concept of Quality of Democracy" (Andreev, 2008).

In consonance, most political scientists believe the quality of democracy (QoD) and corruption are many-sided and burdensome to define or narrow down in few terms. Similarly, the notion of Legitimacy is a difficult one to define because it may mean different things in different places. Academics searching for legitimacy issues in different political contexts have greatly dissented concerning what Legitimacy is or how to define it in similar terms. However, they nevertheless have coincided with the notion that Legitimacy is dependent on support, prevalent support for policymaking, personalities, and institutions. It is also essential to notice that the most significant part of this equation is the rule of law, and particularly constitutional law, as a path to entrenching and validating various channels and acts of support. According to the political context, the support provided by citizens and organizations may fluctuate greatly. Acts of government are viewed as legitimate in terms of what they accomplish ("substantive legitimacy") as

well as in what way they execute them ("procedural legitimacy") (Weber, 1946).

Therefore, Legitimacy insinuates the presence of a compromise between efficacy and steadiness on one side and "normative justice and political style" on the other side (Lipset, 1983; Diamond and Lipset, 1994). (Andreev, 2008).

Seymour Martin Lipset states that "Legitimacy involves the system's capacity to engender and maintain the belief that the existing political institutions are the most appropriate for society (Lipset, 1983; Diamond and Lipset 1994.) Phillippe Schmitter defines Legitimacy as a "shared expectation among actors in an arrangement of asymmetric power, such as the actions of those who rule are accepted voluntarily by those who are ruled because the latter are convinced that the actions of the former conform to the pre-established norms. Put simply, Legitimacy converts power into authority, and thereby, simultaneously establishes an obligation to obey and a right to rule (Schmitter 2001, p. 2)" (Andreev, 2008).

Altman and Perez-Linan (2002) set out to conceptualize and measure the quality of democracy in Latin America. They place their time frame after "the third wave of democratization" that took place between 1978 and 1998. "By quality of democracy is meant the extent to which any given polyarchy actualizes its potential as a political regime" (Altman and Perez-Linan, 2002). Diamond and Coppedge, similarly worded their definitions of quality of democracy as "the relative degree of democratization among countries" already labeled as polyarchies. Polyarchy is a concept conceived by the American political scientist Robert Dahl to imply the attainment of democratic institutions within a political system that contributes to the concurrence of variety of

players. Polyarchy, which means "the rule of many," is applied to describing the process of democratization, not democracy itself (Altman and Perez-Linan, 2002).

Polyarchies and developed political regimes are tacitly acknowledged as arrangements of formal and informal institutions molding and denoting the admittance to and practice of political power. However, formal and informal institutions' power and effectiveness rely significantly on their steadiness and normative compliance. These abilities are clear manifestations of how politicians appreciate and respect institutions. In kleptocratic or predatory regimes, those where the state's wealth is plundered by governing corrupt politicians, substantial advantages are magnified from the utilization of casual "relational systems and practices" of informal institutions (Kollner, 2013).

Andreev (2008) poses a two-sided question involving Legitimacy and QoD, on the one hand, and Legitimacy and corruption on the other. There has been a greater number of publications in terms of the consequences of corruption on the Legitimacy of firmly established and less settled regimes than those concentrating on QoD and corruption. Nevertheless, Andreev states that corruption has a negative effect on both QoD and the state's Legitimacy, whereas the link between QoD and Legitimacy is "mostly positive." He concludes that Eastern European and Latin American countries' democratization process has been negatively affected by high degrees of corruption in the two regions. However, countries that fought harder against the vice of corruption have achieved higher degrees of QoD (Andreev, 2008).

Up to about 1968, corruption was considered by some political scientists (i.e., Samuel P. Huntington) as functional to the "maintenance" of a political system. The

functionalist school carried out this thought, which dominated political science's early tradition. In recent times, however, as new democracies struggle to consolidate in the Third World, this view has evolved in quite a different way. Now, corruption is widely seen as a menace to the consolidation of newly democratic regimes (Seligson, 2002).

"Legitimacy is an endorsement of the state by citizens at a moral or normative level." A citizen who supports the regime "because it is doing well in creating jobs" expresses Legitimacy views. However, a citizen who supports the regime "because I have a job" is not. (Gilley, 2006).

### **Megaprojects and Corruption**

The construction industry accounts for about one-third of the world's gross capital formation. In most countries, it represents between 5 and 7 % of GDP. The industry is one of the most corrupt, and the sector is closely intertwined with the government. (Kenny, 2007).

Corruption in large-scale public projects is an intimidating hurdle to viable development. "When the size of a bribe takes precedence over the value for money, the results are shoddy construction and poor infrastructure management." (Peter Eigen, Chairman of Transparency International, 2005). Corruption costs the construction sector millions of dollars every year; for example, the American Society of Civil Engineers claims that corruption accounts for an estimated \$340 billion worldwide construction cost each year. (Sohail and Cavill, 2008).

Transparency International estimates that at least \$400 billion is lost to public procurement corruption, adding 20% - 25% to costs. Estimates regarding the cost of

corruption in infrastructure suggest that five to twenty percent of construction costs are being lost to bribe payments (Sohail and Cavill, 2008).

Governments have major roles as clients, regulators, and construction project owners. Governments are and will remain significant regulators of infrastructure developments and construction services consumers. Reducing the government's unnecessary activities in the sector may play a role in controlling corruption but establishing policies to improve the quality of institutions and their capacity to monitor their activities is central to solve this problem. (Kenny, 2007).

Although it varies widely among countries in the region, corruption, the misuse of public office for private gain, is a cancerous phenomenon in Latin America. One purpose of research should be to explicate the uneven spatiality of corruption and understand how and why it varies so dramatically across the region. (Warf and Steward, 2016).

The roots of corruption are profound, as it occurs at a variety of institutional scales, ranging from individual police officers or customs officials to organized kleptocratic regimes engineered to enrich a well-connected elite at the public's expense. Corruption is deeply embedded in the local cultural context, including norms and value systems that may tolerate the practice to various degrees. What is regarded in one culture as corrupt may be considered a part of a routine transaction in another. Bribes are occasionally viewed simply as a necessary evil; a means to get the bureaucratic machine to move forward. (Warf and Steward, 2016).

Some maintain that the democratization process in Latin America brought new opportunities for corruption where the populist and personalist regimes flourished. In

some countries, the frequency of scandals may lead to what is termed "scandal fatigue," a condition that inspires little public moral outrage. (Warf and Steward, 2016).

States that lack legitimacy allocate more resources to maintaining their rule and less to effective governance, reducing support and making them vulnerable to overthrow or collapse. Within the governing class, doubts about Legitimacy undermine self-esteem, which creates splits that accelerate this process. In general terms, the notion of Legitimacy has become a central part of current knowledge, perhaps due to the unbinding impact of globalization. In our global era, states that rely on suppression or corruption are unstable. (Gilley, 2006).

In project management, corruption is "the elephant in the room" that needs to be recognized and investigated. The importance of this subject denotes the requirement of a research process. Megaprojects are projects characterized by large investment commitment, vast complexity, and a long-lasting impact on the economy, the environment, and society. The investigation of corruption in projects and megaprojects needs to consider the mutual interconnection with the project context, usually, and prevalently, dominated by public policy and by public procurement framework. (Locatelli, Mariani, Sainati, and Greco, 2016).

The interpretation of a corrupt project context is exceptionally arduous and, to a certain point, inconsistent because, in legal premises, the notion of corruption corresponds to individuals in terms of penal liability. Realistically, it is essential to attribute the understanding of corruption to sophisticated socio-economic arrangements like countries and their societies. (Locatelli et al, 2016).

Notwithstanding the importance of corruption in public projects and megaprojects, it appears that it is not convenient to research, talk, and write about it. Irrespective of the volume of papers published in comparatively related fields, corruption comes across as taboo, and project management scholars appear to be apprehensive about writing about it. (Locatelli et al, 2016).

The features of the construction industry make it particularly prone to corruption: projects with high-tech engineering requisites; critical competition for contracts; many subcontractors, suppliers of materials and labor; various layers of government bureaucracy; the exceptionality of most big projects; convoluted contracts and complicated fulfillment mechanisms; contingencies for setbacks and downtimes; and the reality that the true conditions of most production are rapidly "covered over by concrete, plaster, and cladding" (Sohail and Cavill, 2008).

Investigative work by the World Bank Institute demonstrates how countries that take up corruption and boost their laws can increase their output up to four times in the long term and decrease child mortality rates by up to 75%. "The IMF calculated that the investment rate in a country increased by 4% and GDP by 0.5% per annum for each 2 points improvement in the Transparency International Corruption Index." (Sohail and Cavill, 2008.)

There is proof indicating that corruption is present in most regions where the international construction industry operates. Corruption dictates the motivations for "what is built, where, and by whom." Fraud in the construction industry produces a series of grave consequences for infrastructure outcomes, like increasing the costs of

completing a particular project. On the other hand, it results in an inferior quality of construction built and then probably managed inadequately. (Sohail and Cavill, 2008.)

According to Manoel Galdino, executive director of Transparency Brazil, it is difficult to categorically state that corruption has increased in the country in recent years because there is no objective information from earlier periods to compare. Some legal analysts maintain that megaprojects have always had a greater potential for corruption. The fact that corruption is now more visible does not necessarily mean that corruption has increased when measured as a percentage of GDP. Because of the very nature of the crime, we only have subjective perceptions created by the visibility of the cases exposed by the media.

It is likely that due to the greater circulation of money in a growing economy with major investments, corruption may have increased in Brazil, “but it is not possible to confirm it” says Galdino from Transparency Brazil. However, some studies show an increase in corruption when public resources are abundant and greater tolerance for those engaging in corruption during times of prosperity.

"He steals, but he gets things done" was the informal slogan of a former Sao Paulo politician, Adhemar de Barros, who governed that state for several periods between 1938 and 1966. Building large works, such as highways, airports, and power plants, has always been a source of popularity and illicit wealth. (Osava, 2017).

In Argentina, as in other Latin American countries, corruption has a long history dating back to the colonial era. Therefore, it could be considered a long-standing, culturally acceptable practice. However, in present times and under current laws, it is a criminal and illegal activity, as it is in other Latin American countries. How does it

happen at the government level? The more the executive branch concentrates political power and becomes less accountable to institutional checks and balances, the greater the chances for corruption and misuse of scarce government funds. Some Latin American countries have stronger institutions than others. Even though the notion of separation of powers in Western civilization can be traced far back to ancient Greece, the United States Constitution was the first to enshrine in law the principles of checks and balances. (Manzetti, 2014).

Institutional checks and balances implement accountability at the horizontal level throughout the executive, the judiciary, the legislature, and other institutions like the central bank, anticorruption agencies, ombudspersons, and special prosecutors. O'Donnell (1994) states that horizontal accountability is transgressed through the "encroachment of one institution on another," typically the executive over the legislature or the judiciary, to commit corrupt acts. O'Donnell applies his definition of horizontal accountability only to accounts where individuals or institutions "act illegally" (Manzetti, 2014).

The primary source for measuring corruption worldwide can be derived from Transparency International, a worldwide NGO that monitors corruption and offers advice on combatting it. Transparency International (TI) is well known for its Corruption Perception Index (CPI) of public sector corruption, which it has produced annually since 1995. By far, the CPI is the most used measure of corruption in the world. It groups countries into five categories: Least Corrupt, Slightly Corrupt, Moderately Corrupt, Very Corrupt, and Extremely Corrupt. None of the countries in Latin America fall in the Least Corrupt class. A handful of countries qualify as Slightly Corrupt, including Chile, Uruguay, and Puerto Rico. About 36% of Latin Americans, or 218 million people, live

under governments labeled Moderately Corrupt, and Brazil dominates this group. More than one-half of the region's population, or about 324 million people, lives in countries ranked Very Corrupt. This group includes most of Central America and Mexico, Argentina, Peru, Bolivia, Paraguay, and Colombia. Two countries – Haiti and Venezuela, qualify as Extremely Corrupt. (Warf, and Steward, 2016).

### **III. Research Model and Hypotheses**

#### **Context**

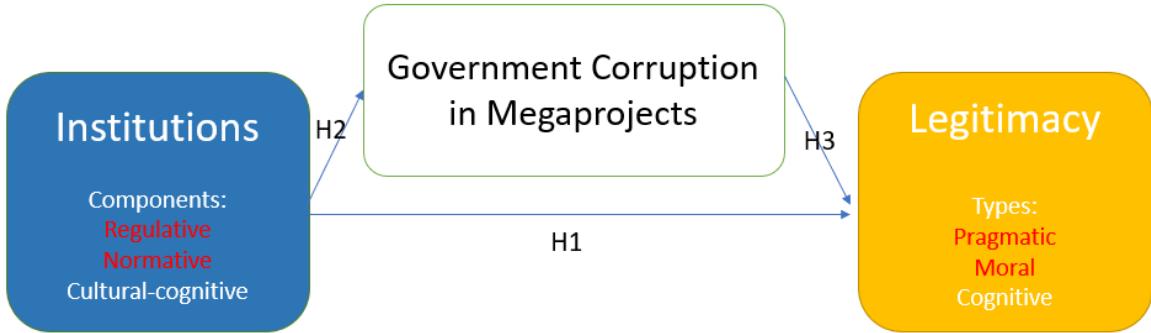
The research time frame is the decade between 2005 and 2015, a period of economic expansion in Latin America provoked by high commodity prices and sustained demand. Commodities included agricultural products such as soybean, corn, and wheat; energy products including oil and gas; and mining products such as copper, iron ore and steel, lithium, and molybdenum. Strong demand came mainly from China, growing at an average rate of 8% per annum, and from India and Eastern European countries.

Four of the countries examined in this case study are from South America: Argentina, Brazil, Colombia, and Perú; One country, Panamá, is from Central America; and the Dominican Republic, from the Caribbean. Brazil and Argentina are G20 member countries.

I. Table 1. Construct Definitions:

Institutions	<p>"Institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life." (Scott, 2008, p. 48). Scott states that institutions' components are regulative, normative, and cultural-cognitive systems in a continuous sequence going from the conscious to the unconscious, from the legally enforced to the taken for granted. He also states that "If rules and norms are to be effective, they must be backed with sanctioning power" (Scott, 2008, p. 49).</p>
Legitimacy	<p>"Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. Legitimacy is a perception or assumption in that it represents a reaction of observers to the organization as they see it." (Suchman, 1995, p. 571.) Suchman (1995) identifies three Legitimacy sources: Pragmatic, based on audience self-interest; moral, based on normative approval; and cognitive, based on comprehensibility and taken-for-grantedness.</p>
Corruption	<p>As outlined by Joseph S. Nye, corruption is "behavior which deviates from the formal duties of a public role because of private-regarding pecuniary or status gains;" (Nye, 1967, p. 419). In other words, "the improper use of a public office in exchange for private gain" (Sandholtz &amp; Koetzle, 2000, p. 35.) Some methods used in construction are:</p> <ul style="list-style-type: none"> <li>• Bribery: payments to gain an advantage or to avoid a disadvantage.</li> <li>• Fraud: theft through misrepresentation.</li> <li>• Embezzlement: misappropriation of corporate or public funds.</li> <li>• Kickbacks: sweeteners or rewards for a favorable decision. (Sohail and Cavill, 2008).</li> </ul>
Megaprojects	<p>Megaprojects are wide-range, extensive endeavors that usually cost several billion dollars. They last multiple years to construct and complete, and they implicate many governmental institutions and private construction companies, and suppliers. In addition, megaprojects are metamorphic and affect entire populations, at times more than a single country. Nevertheless, the range of billions is not a limitation to constitute what are categorized as megaprojects. Megaprojects are impermanent infrastructure developments that feature immense capital expenditures, technological complexity, and enduring effects on the countries' economies, environment, and societies that host them. (Flyvbjerg, 2014.)</p>

I. Figure 1. Research Model



This is a causal relation model where the independent variable is government Institutions (in a debilitated state caused by weak regulative and normative components); the dependent variable is their Legitimacy (with low pragmatic and moral perceptivity), and Government Corruption in Megaprojects is a partial mediator on the effect of Institutions over Legitimacy.

### Hypotheses

Institutions are long-standing social life performers, dependable and credible almost to infallibility, providing life and strength to social systems. Institutions display such characteristics due to the routines carried through by regulative, normative, and cultural-cognitive elements, the indispensable components of institutions. These essential foundational factors are the cornerstones of institutional structures, supplying the resilient strings that mentor expected behavior and repel deviation. Government institutions assume the state's roles as "rule maker, referee, and enforcer" (Scott, 2008), and therefore institutions have the competency to supervise and coerce behavior. Institutions promulgate regulations and constraints when delineating legal, moral, and cultural

boundaries, making clear the differences between legitimate from illegitimate activities (Scott, 2008).

Suppose we perform a detailed and penetrating analysis to this debate. In that case, we can aim to diagnose the elemental "theoretical fault lines" that divide this discipline because some actors' affirmation of Legitimacy may diverge by which "pillars" of institutions are given prerogative. Of the three sources of legitimacy, regulative and normative pillars produce more tangible, objective, and perhaps immediate Legitimacy manifestations because these stress conformity to rules and moral norms, providing legality and morality to the institution. Therefore, the regulative and normative pillars can be viewed as mutually reinforcing. On the other hand, cultural-cognitive sources of Legitimacy are based on deeper processes of culture and knowledge interacting to define and determine social interests and their acceptability. "Legitimacy is an endorsement of the state by citizens at a moral or normative level. It is normative by conceptual definition. It is analytically distinct from that form of political support derived from personal views of goodness" (Gilley, 2006). Nevertheless, "when the pillars are aligned, the strength of their combined forces can be formidable (Scott, 2008)". One could think of these pillars as independent variables, but within our theoretical background, institutions are considered single entities or systems that engender their own legitimacy.

Therefore, in the context of this research, for the countries at this moment studied during the decade 2005-2015, the following hypothesis is formulated:

H1: Government institutions with weak regulative and normative pillars deliver low Legitimacy.

Transparency International's Bribe Payer Index has regularly acknowledged that corruption is higher in construction than in other industries. Assessments of the cost of corruption in megaprojects convey that five to twenty percent of construction expenses are squandered to bribe payments (Sohail and Cavill, 2008). Corruption is exceptionally significant for massive and unique projects in places where government entities perform as consumers and proprietors, but "project management literature pays little attention to this crucial phenomenon" (Locatelli et al, 2016). State administrations are now and will continue to be prime controllers of infrastructure services and customer-end users of construction services. Decreasing unneeded actions and responsibilities of government in the development and execution of megaprojects may play a positive role in managing corruption but, creating better policies to improve the character of institutions and their ability to control their activities is the cornerstone to resolve this problem. (Warf and Steward, 2016).

Operation Carwash has been denominated as "one of the biggest cases of political corruption" in Brazil's history (Valarini and Pohlmann, 2018). It made public the criminal activities of large and reputable Brazilian multinational construction companies in collusion with Lula da Silva and Dilma Rousseff's governments. The association's modus operandi included cartels' formation to defraud government contracts to build large projects. Similarly, the case of the copybooks in Argentina (causa de los cuadernos de las coimas, also known as the notebooks of Kirchnerism) revealed in detail the bribe payments made by construction companies to government officials during the administrations of Nestor Kirchner and Cristina Fernandez de Kirchner. The operation

method reveals striking similarities with the Brazilian counterparts, colluding to secure contracts to build megaprojects in exchange for bribes and kickbacks (La Nacion, 2018).

The pandemic of government corruption in megaprojects spread rapidly during the decade to most other countries in the region. Perú is worth noting because four of its presidents (Alejandro Toledo, Ollanta Humala, Alan Garcia, and Pedro Pablo Kuczynski) were involved in bribery scandals with construction contracts in an enduring "history of unbound graft" according to Peruvian scholar Alfonso Quiroz. Dominican presidents Danilo Garcia and Leonel Alvarez are also accused of receiving bribes in exchange for megaproject contracts. Their country was home to Odebrecht's bribe-paying office, where bribes were paid to presidents in Latin American and African countries (Latam Investor, 2018).

With this research as background, and for the countries at this moment studied during the decade 2005-2015, the following hypothesis is formulated:

H2: Government institutions with weak regulative and normative pillars engage in corruption when building large infrastructure megaprojects.

In some Latin American countries, the origins of corruption are profoundly rooted in history and culture. It disseminates across most public institutions, from municipalities and provincial authorities, up to "kleptocratic" country governments rigged to enrich corrupt officials at the confiding majority's loss. Corruption is thoroughly ingrained in cultural traditions, including accepted criteria and principled assumptions that may grant certain practices to some degree. (Warf and Steward, 2016).

The rise and fall of this impressive corruption web in infrastructure construction that took shape in the early 2000s and crumbled after a decade has given a good indication of how to combat this illness. (Latam Investor, 2018). When government institutions concentrate political power and operate freely without the proper republican mechanisms of institutional checks and balances, they greatly increase the chances of corruption across the board (Manzetti, 2014). Nevertheless, the construction industry stands out as the most corrupt when colluding with governments and the one generating the most funds to divide among dignitaries (Sohail and Cavill, 2008).

Government corruption in megaprojects during the decade 2005-2015 has produced unequaled scandals as never seen before in Latin America, where presidents and ministers have gone to jail, along with CEOs and managers of multinational construction companies, in the six countries of this study and other countries in the region. Another president, who could not bear the shame of his actions, committed suicide while the police attempted to arrest him. This event was a sad note that finished the sinking of governments' Legitimacy across the region.

Accordingly, with the supportive evidence gathered, and for the countries at this moment studied during the decade 2005-2015, the following hypothesis is formulated:

H3: Government Corruption in megaprojects inhibits sustained Legitimacy.

## **IV. Methodology**

### **1. Philosophical Assumptions**

The research model is unraveled and evaluated, pursuing a positivist approach (cause and effect), measuring the degree of congruity between the proposed theoretical pattern and the events that took place in the six cases studied (Saldana, 2013). There is no intention or attempt to reconstruct or interpret what the data reveals. Realism guides the approach to new knowledge.

### **2. Case Context**

This is a multiple case study of qualitative research analyzing secondary data, considering that this research aims to expose how corrupt contexts develop in the presence of megaprojects (Sherif, Zmud, and Browne, 2006). The unit of analysis is the corrupt context that comes to being in the presence of megaprojects.

The countries studied are Argentina, Brazil, Colombia, Dominican Republic, Panama, and Perú. This was a decade-long economic expansion for Latin America that benefited from high commodity prices and constant demand from China, India, and Eastern European countries. Commodities such as agricultural products (mainly soybean and wheat); energy products including oil and gas; and mining products such as copper, iron ore, steel, lithium, and molybdenum were in sustained demand.

Economic conditions were favorable across the region, and the need for foreign financing for domestic projects was, in general nonexistent, as governments were generating bountiful amounts of hard currencies.

### **3. Data Collection**

Relevant articles for analysis were systematically reviewed from two database sources, (1) Google Scholar and (2) FIU Library, by searching topics represented in the model, such as (a) *megaprojects*, (b) *construction*, (c) *corruption*, (d) *government corruption*, and (e) *legitimacy*; and limiting the selection to papers and references of countries studied in this research during the period focused by it. The resulting qualified items are twenty-nine (29) entries from Google Scholar (Appendix A) and seventeen (17) from the FIU Library (Appendix B), a total of forty-six (46).

There are, however, two *megaprojects* and one *Legitimacy* peer-reviewed papers in Appendix A that are global in scope but generalize well to the countries studied here. On the other hand, also from Appendix A, there are three (3) articles rejected and not coded. One describes the corrupt events that occurred in the nineties before 2005; another one refers to water infrastructure and “hydrocracy” in Peru; and the third is about poverty and corruption, not referring to megaprojects.

In summary, twenty-two (22) peer-reviewed papers come from Google Scholar and four (4) from FIU Library databases. In addition, seven (7) news articles come from Google Scholar and thirteen (13) from the FIU Library databases.

### **4. Data Analysis**

There are three ingredients to connect when investigating causality. Munton et al. (1999) refer to them as "the cause, the outcome, and the link between the cause and the outcome" (p. 9). Miles and Huberman (1994) pose an equivalent framework that includes "antecedents or start variables, mediating variables, and outcomes" (p.167). Alternatively,

in the words of Franzosi (2010) “an action also has a reason and an outcome” (p. 26). Therefore, causation coding seeks to delineate a trichotomous “Code 1 > Code 2 > Code 3 sequence”. In other words, the researcher will have to cast around for actions and proceedings nested inside the text to thread a “three-part sequence” of events (Saldana, p.164, 2013).

Following the guidelines of the mentioned theorists and assisted by NVIVO, this author established four main codes:

- The cause, Institutions, standing on regulative, normative, and cultural-cognitive pillars.
- The links, Corruption and Corruption in Megaprojects.
- The outcome, Legitimacy, with pragmatic, moral, and cognitive factors.

There are 93 files collected from the articles and literature analyzed in the four codes described above, which produced 440 coded sections.

II. Table 2. Coded Sections

<b>Codes</b>	<b>Factors Considered</b>	
<b>Institutions</b>	<b>Factors showing levels of:</b>	
	Regulative Pillars	42
	Normative Pillars	35
	Cultural-cognitive	21
<b>Corruption</b>	<b>Factors facilitating or endorsing:</b>	
	Dysfunctional Division of Powers	36
	Selective law sanctioning and enforcement	29
	Government self-promotion efforts	11
	Social Subsidies	6
<b>Megaprojects</b>	<b>Factors of means, methods, and actors:</b>	
	Cartels-Business "clubs"- Family structures	54
	Bravery and kickbacks	58
	President-CEO level	57
<b>Legitimacy</b>	<b>Factors of manifested legitimacy</b>	
	Pragmatic Legitimacy	37
	Moral Legitimacy	35
	Cognitive Legitimacy	19
	<b>Total coded sections</b>	<b>440</b>

Causation coding, which allows to "locate, extract or infer causal beliefs from qualitative data" (Saldana, 2013), is applied to the text to locate the three aspects of an event: cause, outcome, and link. Causation coding is convenient to uncover the motivation, values, ideas, processes, and past actions of humans (Saldana, 2013).

Causation coding of data is performed with NVIVO software's assistance, which allows for a practical and consistent data organization method conducive to a further abstraction of concepts and theory generation. The approach is both deductive and inductive. It is deductive initially, with predefined constructs and hypotheses applied to

data, but then it becomes an inductive process when analyzing individual corrupt acts that spread to countries. There are multiple forms of evidence providing different perspectives that point to one reality: the corrupt context arising from government dignitaries and construction executives' collusion. Since a "theme is an outcome of coding," I expect to engage in "themetheing" to bring "meaning" and "identity" to a plethora of corruption manifestations when megaprojects ballooned in Latin America (Saldana, 2013).

## **5. Validation**

Data Triangulation in qualitative research is a procedure to test validity "through the convergence of information from different sources" (Dube & Pare, 2003). Marshall and Rossman (2011) proclaim that triangulation is the exercise of drawing from more than one fount of information to support an isolated issue. This research method of information analysis gives ample opportunities to review and compare data scrutinized from different perspectives all along the research period (2005-2015). There are different sources of documented data on megaprojects, corruption, cartels, bribes, prosecutions, fines, and convictions. There is an aggregation process, which is a summation of information as time progressed during (and after) the decade in question. Nevertheless, there is no data difference or dispute in any of the topics (megaprojects, corruption, cartels, bribes, prosecutions, fines, and convictions) mainly because, in the end, the corroborating sources of information for most writers and researchers were the Judiciaries of each country involved. Court records were used to substantiate news articles and support peer-reviewed research.

One strategy I apply to improve the rigor of this multiple case study is explanation-building, “a form of pattern-matching in which the analysis of the case study is carried out by building a textual explanation of the case” (Yin, 1994).

Another fundamental source of rigor is the finding of cross-case patterns. This method requires selecting categories or dimensions within each case and then looking for “within-group and intergroup similarities and differences” (Dube & Pare, 2003). An example of a similarity between cases is cartels' formation as modus operandi by construction companies to secure contracts.

There are striking similarities when comparing this research model and the theory with extant literature. Even though this theoretical model is not stated verbatim elsewhere, the sequence of events, the chain of evidence is revisited many times over in peer-reviewed research papers like Sohail and Cavill, 2006; Locatelli, Mariani, Sainati, and Greco, 2016; Morales Inga and Morales, 2019, to name a few. Other patterns related to this research's model emerge, for example, how corruption erodes Legitimacy or the inverse relationship between corruption and Legitimacy (Gilley, 2006; Kenny, 2007; Manzetti, 2014). In Andreev (2006), a triangular model depicting the quality of democracy, Legitimacy, and corruption, where the quality of democracy and Legitimacy is directly related, and corruption is inversely affecting them. Another interesting pattern is the inverse relationship between corruption and human rights, framed between the Legitimacy spectrum's two extremes. Authoritarian (populist) regimes control congress and the judiciary to engage in corruption. More corruption brings about a decrease in

human rights and a heavy increase in government advertising expenditures (Rajagopal, 1999; Di Tella and Franceschelli, 2011).

Even though it appears statistical methods could determine causality on the topic of corruption in construction, the availability of comparative data from countries in the region during the period in question is scarce at best. The author believes a qualitative multiple case study approach is appropriate for this subject "because quantitative measures and statistical analysis do not fit the problem that exists." Qualitative research will help provide "a complex, detailed understanding of the issue that is needed." Also, "a literary, flexible style of reporting is appropriate" for this subject. (Creswell & Poth, 2018, p. 46)

What motivates this research is to find the nature of the phenomena at the center of construction scandals that wrapped Latin America, particularly during the period 2005-2015. To achieve genuineness of knowledge, The author must have "first-hand contact, immediate familiarity" with the subject investigated, to the point of becoming an objective insider. (Creswell & Poth, 2018, p. 21)

## **V. Results**

### **Institutions**

The most striking discovery in the cases studied is the repeated and lasting participation of all twelve presidents (and several cabinet ministers) from the six

countries' governments between 2005 and 2015. It also included CEOs and top managers representing the private sector's encumbered multinational construction companies.

All presidents who were in power between 2005 and 2015 in the six countries here researched have either been indicted, impeached, successfully prosecuted, or jailed due to their actions and involvement in Megaprojects corruption crimes. They were: Brazil's Jose Inacio "Lula" da Silva and Dilma Rousseff; Argentina's Nestor Kirchner and Cristina Fernandez de Kirchner; Colombia's Alvaro Uribe and Juan Manuel Santos, a Peace Nobel Prize winner; Dominican Republic's Leonel Fernandez and Danilo Medina; Panama's Juan Carlos Varela and Ricardo Martinelli; and Peru's, Ollanta Humala and his wife Nadine, Pedro Pablo Kuczynski and Alan Garcia, who committed suicide. No one could have planned a more successful and coordinated attack on these countries' government institutions' Legitimacy.

## **Corruption**

In Brazil, the Carwash investigation of megaproject scandals that started in March 2014 yielded 159 convictions, including 30 senators, 34 federal deputies, and 23 governors, mayors, and politicians of all political parties. The rest of the convictions were distributed among owners and executives of nine companies (Odebrecht, Camargo Correa, Mendes Junior, Construtora OAS, Queiroz Galvao, IESA Oleo e Gas, Galvao Engenharia, Engevix, UTC Engenharia).

Argentina's Copybooks case was initiated in 2017 and in early 2018 accrued convictions of 17 government official (including a president and two ministers) and 32 convictions of construction company owners and executives from 13 companies

(Electroingenieria S.A., Techint, Chediak, Panedile, Iecsa, Enarsa, Emgasud, Impsa, Roggio S.A., Grupo Romero, MSU Energy, Industrias Juan F. Secco, Albanese S.A.) and the Argentine Construction Chamber president and former president. Justice, however, did not catch up with former president Nestor Kirchner because he died of a massive heart attack in October 2010.

Both Brazil and Argentina had significant similarities in all the factors contributing to corruption in megaprojects and corruption in general. Among those are the cartelization of construction companies, bribes and kickbacks as means of winning government contracts, corporate family structures, dysfunctional division of powers with faulty or nonexistent checks and balances of government institutions, selective law sanctioning, and law enforcement, massive government self-promotion, and social subsidies. However, there were differences in the methods used to deliver bribes and kickbacks. Brazilian companies employed a sophisticated network of offshore bank accounts while their Argentine counterparts used hard currency cash (Euros or U.S. Dollars) delivered in person to the beneficiary. There was another significant difference in style and method regarding the treatment of congress: Lula and Dilma used to share the bounty with legislators. Nestor and Cristina's encroachment on congress was politically coercive on opponents or the result of deep political loyalty.

Looking further at the results of coded factors in the texts analyzed, which measure the frequency of words and themes, it appears that Institutions have fragile regulative and normative pillars in the region, which translate into low levels of pragmatic and moral Legitimacy.

## Corruption in Megaprojects

Construction activity has traditionally been a gauge of economic headways. Latin American economies, in general, had slowed down to a minimum, particularly in the growth of infrastructure construction, as a result of lower GDP and net exports. This condition was, in part, due to the local and foreign crises of the early years of the 21 Century. To reignite economic growth, countries were in dire need of new energy sources and new supporting infrastructures such as highways, railways, and ports. The mushrooming of megaprojects could be seen throughout the region, including dams, waterways, mining projects, agribusiness, and steelwork.

The simultaneity of megaprojects in relatively close areas peaked in Brazil when it began the planning and construction of 42 dams, including 5 large ones, in Pará, Amazonas, and Mato Grosso. The construction of these dams was awarded to a group of about ten companies led by Odebrecht and Camargo Correa. Simultaneously, the discovery of the Pre-Salt reserves, the vast oil deposits in the Santos basin in 2006 catapulted another outbreak of megaprojects, including deep-sea oil fields, huge refineries, dozens of shipyards to produce drilling rigs, oil platforms and tankers, and two petrochemical complexes. About 30 of Petrobras' suppliers and contractors are involved in the embezzlement of funds from the state oil company Petroleo Brasileiro S.A. (Petrobras). These also include the usual large construction companies. This case of group embezzlement was the original focus of the "Lava Jato" (car wash) investigation initiated by a federal judge in Curitiba, Sergio Moro, who explained that Odebrecht formed a "cartel" with other construction companies to then methodically fit out bids on

works for the oil company since 2006. "The contractors, united in something they called a 'club,' previously agreed among themselves who would be the winners of the Petrobras contracts, manipulating the prices presented during the bidding," Moro wrote, "They were able to, with no real competition, be contracted at the highest possible price." (Fonseca, 2016.)

Brazil's expenditures in Megaprojects between 2007 and 2015 include Brazil's implementation of two Growth Acceleration Programs (PACs) during Lula da Silva and Dilma Rousseff's governments. The first one (PAC1) was implemented in January 2007 and covered expenditures planned until 2010. The second one (PAC2) was implemented in March 2010 to cover cost overruns from the previous batch of megaprojects and to cover additional expenditures in large infrastructure megaprojects until after 2014 (Folha de S.Paulo. 2012).

Brazil went from spending almost nothing in infrastructure megaprojects between 1995 and 2002 during the presidency (two terms) of Fernando Henrique Cardoso (due to local and international economic crises), to allocating and spending \$236 Billion during Lula's presidency, and to then allocating and spending \$872 Billion during the presidency of Dilma Rousseff. It is worth stressing that about a third of PAC2 from Dilma's presidency was utilized to cover cost overruns of Lula's megaprojects (Ministério do Planejamento, Desenvolvimento e Gestão, 2017).

Brazil also provided funds for megaprojects at home and abroad through the National Social and Economic Development Bank (BNDES) as part of a national development strategy. The objective amounted to "creating national champions" able to

compete globally. The idea was to compete in the international sphere. The country had to help its community of construction enterprises grow into powerful companies because, as stated by Luciano Coutinho, the bank's president, "if BNDES does not support national companies, who will?" (Fontes and Garcia, 2014).

In their paper "Brazil's New Imperial Capitalism" (2014), Fontes and Garcia state, putting BNDES in perspective, that resources available to the bank make it "bigger than the World Bank," having expanded its loan portfolio by 391 percent since 2005. By 2010, the bank loaned \$96.32 billion in credits, and it surpassed the World Bank 3.3 times in loan volume that year.

Fontes and Garcia also affirm that between early 2005 and July 2011, BNDES furnished \$12.7 billion in financing for "acquisitions, joint ventures, greenfield projects and expansions" to help 18 Brazilian companies involved in 23 projects outside Brazil. In doing so, the bank became a major player in its foreign policy and the primary source of "infrastructure integration" in the region. BNDES also financed more than \$10 billion for construction projects with local partners between 2003 and 2010 in Argentina, Bolivia, Venezuela, Cuba, Perú, Ecuador, Colombia, and the Dominican Republic.

Argentina's expenditures in Megaprojects between 2005 and 2015 include: Argentina spent only \$25 Billion in megaprojects in the twenty years (1984-2004) before the period I focus on this research. Then, Argentina spent \$107.8 Billion, 331.3% more, in the 15 years that followed. Its construction direct labor force (core construction industry labor) grew by 144% between 2003 and 2015. (Source: Observatorio de la Energía, Tecnología e Infraestructura para el Desarrollo.)

As antecedent, it is proper to acknowledge that when Nestor Kirchner became president of Argentina in 2003, he already had 12 years of experience as governor of his province, Santa Cruz, where he invested heavily and continuously in infrastructure and roads, contracting his front men (Manzetti, 2014). He also took advantage of legislation to acquire large land areas to develop real estate and hospitality businesses for himself and his family and appropriated a provincial oil fund of \$550 million that ended up in private accounts of banks overseas.

On August 4, 2018, Facundo Sonatti, an Argentine journalist writing for Sputnik News, wrote the article “Construction, mother of Latin American corruption,” and narrates the tale of how eight copybooks sent anonymously to the main newspaper (La Nación) reveal the most important corruption plot in Argentine history. These eight copybooks, written by the driver of a dignitary from the Ministry of Planning, describe in detail and first-person the transport of over \$160 million of bribe money collected from the most powerful Argentine construction companies and delivered to members of the administrations of Nestor Kirchner (2003 to 2007) and Cristina Fernandez de Kirchner (2007 to 2015.)

The affaire of the “notebooks of Kirchnerism” is undoubtedly the most transcendent corruption scandal ever divulged by the Argentine press to the present. According to the former president of the Argentine Construction Chamber, Carlos Wagner (now in jail under the “regretful” protection plan,) “it was, no more and no less, the illicit association between business owners and government dignitaries to rig or to tamper with public work in such way that its realization was cartelized between the

participants of the association" (Sonatti, 2018). Simultaneously, the scheme guaranteed the President, the Planning Minister, and other dignitaries, their "return" of no less than between 10 and 20% of the total budget to projects. Mr. Wagner is also suspected of having been the nexus between the Kirchner governments and the Odebrecht organization.

The "regretful" are not the only ones implicated, and more are showing up to negotiate their surrender in exchange for lesser convictions. One name that stands out and is Paolo Rocca, CEO of the Techint Group, the largest and most prestigious construction company in Argentina, equivalent to Odebrecht in Brazil. Techint was one of the most benefited construction companies during Kirchner's years. Mr. Rocca and his company are being thoroughly investigated.

It is the first time in Argentine judicial history that important construction businesspeople who are not necessarily related to politics and are not front men of politicians fall into the hands of justice. "With this scandal, it is demonstrated and settled; it was real that there were bribes" (Sonatti, 2018.)

On top of these dealings between the Kirchner governments and members of the Argentine Construction Chamber, there are the eight Odebrecht megaprojects that are being investigated by the Argentine judiciary and the United States Justice Department on money laundering cases. The majority of these eight projects, adjudicated between 2005 and 2013, were primarily developed in association with local companies. For that purpose, the government created a legal status called UTE or Temporary Union of Enterprises.

Odebrecht has admitted to having paid \$35 million in bribes in Argentina between 2007 and 2014, a small part in a much larger package that included Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Panamá, Perú and Venezuela in Latin America, and Angola and Mozambique in Africa.

According to Luke Taylor's article in World Politics Review, in August 2017, Colombian President Juan Manuel Santos and several former ministers had to testify in front of the Supreme Court about the, at least, \$27 million bribe package paid by Odebrecht. Santos, a Nobel Peace Prize winner, denied knowing that Odebrecht had contributed \$1 million to his presidential campaign. Also implicated are opposition leader Alvaro Uribe and his transportation vice minister, Gabriel Garcia Morales, who was sentenced to prison for taking \$6.5 million in bribes as a trade-off for awarding a road construction contract.

Colombia has suspended all Odebrecht unfinished projects in the country, including Ruta del Sol and Ocana-Gamarra Highway constructions, Magdalena River Navigability Dredging Project, Tanjuelo Tunnel, and Tanjuelo-Canoas Aqueduct.

The Dominican Republic, the Caribbean representative in this multiple case study, is a key player in the greatest corruption scandal in the modern day. Odebrecht installed in the capital, Santo Domingo, its Bureau of Structural Operations, also known as the "bribery bureau." From that office, it channeled around \$788 million in bribes to government officials in ten Latin American and two African countries through a complex web of bank accounts in tax haven countries of the Caribbean and Central Europe.

The Dominican Republic's 17 megaprojects produced \$5 Billion in revenues for the Brazilian multinational in exchange for \$92 Million in bribes during the two-term presidencies of Leonel Fernandez and Danilo Medina. Highways, dams, and a \$2 billion 720-megawatt coal-burning power generation plant are among them. Even though Dominican prosecutors have reached an agreement with Odebrecht to reduce fines in exchange for damning information, only 14 people have been indicted. However, prosecutions stalled, and nobody is serving time. (Associated Press, 2017).

In 2018 Zuleyka Moore, the head prosecutor in Panamá, Central America's emblematic country, started investigations of 76 individuals that so far produced five convictions, including those of former economy minister Frank de Lima, former public works minister Jaime Ford, and two of former President Ricardo Martinelli's sons. However, later that year, Attorney General Eduardo Ulloa moved Moore off the Odebrecht case to another post, delaying further investigations.

On July 1, 2020, prosecutors in Panamá announced the indictments of two former presidents who were accused of money laundering and charged with engaging in corruption related to road construction projects, improvement of the metro system, expansion of Tocumen International Airport, and expansion of the Panama Canal. All of the work was performed by Odebrecht and local partners. The two former presidents are Ricardo Martinelli (2009-2014) and Juan Carlos Varela (2014-2019). Varela was Martinelli's Vice-president, and he is accused of receiving "donations" during his time in that position as well. Both Martinelli and Varela deny the accusations (InSight Crime, July 3, 2020).

In an article in January 2017 published by *El País* (Spain,) Gil Alessi writes that Odebrecht has acknowledged having paid \$29 million in bribes in Perú to government dignitaries between 2005 and 2014. The confession includes the presidential periods of Alejandro Toledo (2001-2006,) Alan García (2006-2011), and Ollanta Humala (2011-2016.)

However, this situation did not stop there. President Pedro Pablo Kuczynski, Ollanta Humala's successor, was also implicated in the Odebrecht scandal. Currently, former presidents Ollanta Humala and Pedro Pablo Kuczynski serve jail time, while Alejandro Toledo loses his fight against extradition from the United States.

Odebrecht succeeded in applying the most influence in the countries neighboring Brazil, except Bolivia and Paraguay, the only bordering nations that were not trawled into the scandal. (LatAm Investor, 2018.) In most Latin American nations, it seems that the whole political spectrum colluded in corruption, with blameworthy parties on both sides of the ideological divide. Taking a decisive position against corruption, as Perú has done, can be very costly.

On April 17, 2019, Alan García, who had served as the president of Perú twice, died by suicide from shooting himself in the head when he was about to be arrested in his home on corruption charges emanating from the Odebrecht scandal. In 2016 and 2017, five of García's former ministers were accused of corruption by the Peruvian judicial system. In November 2018, Alan García was banned from leaving the country. He initially requested asylum in the Uruguayan embassy, but the request was denied in early December. Undoubtedly a tragic end to his life, and for politicians, an unforgettable

consequence induced by the inability to escape from the burden brought about by his corruption crimes, beyond dishonor and shame.

### **Managing Legitimacy**

In his book about communication and ideology, Oscar Rincon (2008) tells us about the era of "president/celebrities" in Latin American democracies. He describes communication strategies to stay close to the "feelings and expectations" of their constituency but away from democracy while bypassing traditional media. He coins the term "tele-president" and gives an interesting account of Latin American leaders' styles and messages.

The Brazilian president Luis Inácio "Lula" da Silva, with a style that resembles improvisation and popular poetry, created the mantra of "never in the history of this country..." as if there was nothing done in Brazil before he came to power. This theme was copied by the Kirchners, who behaved as if they were the first ones to do important work in the country, and there was no history worth telling before them. Lula developed his style (and fame) while he was still a union leader in the steel industry. His inflamed speeches full of metaphors and parables included stories and language appropriate for his workers' better delivery and comprehension. After his inauguration as president, his style did not change much. He continued to use metaphors and parables to speak to the nation. The mantra developed into something like "...the country did not exist before me." He transfigures himself when he delivers a speech, a capacity that produces excellent results in maintaining his popularity (Chico de Gois, 2008).

Staged communication with constituencies, feeding followers with the narratives that amuse and entertain, and many times distract from everyday realities, do not inform accurately but rather recount reality as an epic saga, a collection of accounts that elevate the image of the leader as if his or her “god-like” public image could be purposely carved and pieced together with the use of propaganda and media exposure (Wright and Tyler, 2013). Historian Jan Pamplar states that secularism is among contemporary personality cults' characteristics. They are "anchored in popular sovereignty" and utilize mass media that can be controlled (Pamplar, 2012). Alan Theodor Popan describes this phenomenon as “quantitatively exaggerated and qualitatively extravagant public demonstrations of praise of the leader.” (Popan, 2015).

In her 2013 paper, Adriana Amado states that the dramatic style applied to the Argentine government's communication is efficient because it rests on conceptual frameworks traced in culture and popular rites. Thus, "politics recreate martyrs, demons, saints, and rituals to which it appeals to promise that the maladies will be compensated with the wellbeing that is the utopia of the government" (Amado, 2013).

The communication of Cristina Fernandez de Kirchner's government of (2007-2011/2015) recreates the narrative of an epic conflict, and it is this style more so than the party ideology that puts her in line with the tradition of the movement founded by Juan Domingo Perón in the mid of the twentieth century. From then comes that communication model, centralized and personalist, organized in a transmedia narrative strategy that combines massive and virtual media outlets and live events in a highly expensive propaganda and public relations strategy. These channels convey powerful

slogans narrated from the storytelling or the parable at the service of propaganda based on faith. Its efficacy resides in that it rests on idealism with strong anchoring in the Argentine culture's conceptual frameworks.

This propaganda, built from the State's apparatus, resumes common sense in slogans that activate an installed belief or credence and ratify them to the point that they are repeated as true history. Perón (1946-1955) created the Ministry of Information (Subsecretaría de Información,) a government entity with more than one thousand employees and suppliers. In 2008, Fernandez re-launched the Ministry of Public Communication (Secretaría de Comunicación Pública) with more resources and personnel but still increased fund allocation by a thousand percent in the years she was in office. Perón and Cristina's similarities in their modus operandi included the diffusion of official activities in carefully made audiovisual productions; presidential speeches centralized through the radio-television national network; creation of State-owned TV channels; sponsorship with image promotion of State-produced movies; and politicized music festivals in sports venues. In conservative accounts, her promotion cost averaged one million dollars a day.

The “relato,” (the account, the narrative, the tale), the name the government gave its decade-long advertising campaign, can be seen today in contrast between the promises and the true results of one decade in power. It is a costly and high-profile communication model that reveals its vulnerability. The promoted statements and affirmations are soon refuted and disproved by critics' controversies that reinforce polarization.

In the end, the power of communication operates over the beholder's faith with the same promise that elicits the detractor's emotions. Thus, polarization feeds itself and revives the fracture between "pros and antis" that pierce Argentine culture and history. (Amado, 2013.)

BBC News Mundo published an article written by Veronica Smink on May 23, 2013, where she lists the ten things that changed in Argentina during Kirchnerism. The first one on the list is a polarized society, and the second is a media war. Traditionally, one of Argentinians' passions was to argue and debate politics. Any family reunion or gathering of friends featured at some point political debate. However, after ten years of Kirchnerism, now "it is impossible to talk about politics because it generates fights" (Smink, 2013). The exasperation atmosphere worsened when Mrs. Fernandez de Kirchner arrived at the presidency in 2007. Her detractors maintain that she has a "combative" and "arrogant" style, far from appealing, and includes dialog that feeds division.

On the other hand, her followers admire her combative personality and follow her speeches with "adoration." Kirchner and Cristina had a deep distrust of private media outlets. They fought extremely hard to break what they termed "multimedia monopolies" in a long battle that failed but reinforced their style and methodology. In his four years as president, Kirchner never had a press conference. Cristina had just a few. They preferred to deliver speeches on national T.V. networks, use Twitter, and gather large crowds (transportation and meals provided) in sports stadiums for musical events mixed with political speeches. There was no contact with journalism.

However, there is nothing intrinsically wrong with feeding crowds with idyllic epic tales and entertainment. Even the distribution of handouts, like the 18.2 million social plans assigned to unemployed people and families below the poverty line by the Kirchners in Argentina, deserves careful analysis and objective praise. It is the combination of these populist actions and behaviors with the continuous attempts to dominate and control the judicial system and congress that evidence the need to manage their Legitimacy artificially.

Cultural predispositions undoubtedly facilitate corruption contexts, but we need to keep in mind that countries in Latin America vary significantly from one to another, with diverse historical traditions that influence the domestic perception of Legitimacy. Also, this perception often evolves differently from country to country. Beyond language and religion, there is little in common among these countries, culturally speaking. Comparing popular reactions to bribery scandals, we can take the Dominican Republic's case, where Odebrecht's bribery office was located, and where almost \$100 million in bribes were paid to government officials during the presidencies of Leonel Fernandez and Danilo Medina. This bribery scandal was "met with near silence in the Dominican Republic," writes Ezequiel Abiu Lopez with Associated Press on May 17, 2017. The dissimilarity with the reaction to investigations in other countries is huge if we consider the hundreds of charges against politicians and constructors, and these keep growing in numbers. One could argue that the judicial system plays in favor of the political class, but what is relevant here is the inertia of public opinion in this case. By contrast, we see Paraguay's case nowadays, a country ruled for 35 years by a corrupt dictator (General Adolfo Stroessner). As hard as it may be to recuperate from this long history of imposed

corruption, we see a new, almost spontaneous phenomenon taking shape here. Perhaps we also see it in other countries at a slower pace, in the form of popular demonstrations (called “escraches” or “cacerolazos”) people gathering to protest with pot-banging noise, chants, and signs in front of homes and offices of corrupt dignitaries (The New York Times, 2019).

Beyond achieving the capacity to govern public opinion through the various tools at hand, as seen so far, corrupt leaders must control the possibility of being legally exposed, accused, and prosecuted. For that purpose, the mechanisms vary with the circumstances. However, they range from modifying the judicial body and replacing judges with friendly ones, as Kirchner used to do, or including judicial and congressional members in the division of spoils, as Lula and Dilma were accustomed to doing.

The conception of separation of powers in the Western world has its origins in Greece, even before the Roman Empire existed. In the Americas, the United States Constitution was the first to consecrate into law the axiom of checks and balances. The Kirchners either depleted or circumvented congressional and judicial checks and balances to permit corrupt business dealings inside their administrations to go un-penalized and un-castigated (Manzetti, 2014).

Legitimacy has to do with how power may be used in manners citizens knowingly accept. A democracy is legitimate when its nationals perceive it as deservedly controlling and applying political power. However, it means more than that. Its population can make independent discernments, the proper existence of a division of powers and the keeping of republican principles of government, and the validness of

idiosyncratic perspectives and opinions regarding the ground footing of Legitimacy. Legitimacy is a confirmation, the government's acceptance by its constituents at a moral or normative level (Gilley, 2006).

Gilley (2006) concludes that “we can reasonably hope that legitimacy may be recalled from the margins of political science to the central place it once held” (Gilley, 2006). It may be the case in (political science) academia, but Latin American leaders never put the concept aside. On the contrary, they learned how to manage it, modify it to use it to their favor, or abuse it to find a false shield, a “legitimate” cover for their corruption crimes.

Legitimacy is the primary antecedent of the configuration and performance of a state. The overall premise is that when Legitimacy decreases, there are acute consequences on the means and manners the State performs for constituents and others. When Legitimacy is depleted and inadequate, corrupt institutions allot additional means to perpetuate their rule and fewer to their administration's adequate performance. (Gilley, 2006).

Checks and balances increase political accountability, reduce power abuse and office holders' illicit behavior. (Rose-Ackerman, 1999; Morris and Blake, 2010.) When checks and balances work fruitfully, they produce constructive motivation that sets out a “cycle of virtue” because government officials struggle among themselves to bring about corruption-free agendas. (Rose-Ackerman, 2006.)

Present-day institutionalists do not spare efforts to stress the transcendence of regulatory structures and legal frameworks that work efficiently in swaying and

inhibiting deviations when performing political responsibility. They give utmost importance to the capacity of punishment as a deterrent for the transgression of law and regulations. Although institutions promote and give Legitimacy to their members' actions by providing power and resources, strong institutions must also generate robust restrictions and suppress illegal activities. (Scott, 2008).

Most authors believe that when Legitimacy weakens or wanes in Latin America, democracies' survival transits dangerous paths. Many believe that active opposition of disenchanted citizens may bring down a government. There are disagreements with this thought. (Booth and Seligson, 2009; Gibbs, 2007; Booth, 2009.) Although traditional thought considers a linear relationship of high and low Legitimacy and citizens' political participation, Booth correctly believes that this relationship is U-shaped, meaning that citizens with a high or low perception of Legitimacy will actively get involved in great numbers with support or protests.

According to Andrés Oppenheimer (La Nacion, April 24, 2019,) “populism facilitates corruption” (Oppenheimer, 2019). This fact may be true if we consider the region's scandals, where only Colombia had a conservative government during the presidency of Alvaro Uribe. On the other hand, Chile and Uruguay had repeated populist governments during the same time frame, and their levels of corruption remained constant and lowest in the region. This condition is true in part because most indexes that measure corruption focus primarily on governmental grafts and not so much on the private sector.

It appears that we are still far from understanding the dynamics of Legitimacy's components. In Latin America, it seems that two factors are key in sustaining Legitimacy. The first one is economic performance and the perception of just redistribution of wealth. If a government maintains the bulk of citizens employed and their ability to consume, it has greater popular support and fewer discontent demonstrations. This thought is pure pragmatism. This author has seen one of Argentina's legitimacy indexes produced by Nestor Kirchner's government that paralleled its high legitimacy scores with monthly trips to the mall and the ability to go on vacation. The second one is simply ideology, related to cognitive Legitimacy. Large portions of the Latin American population feel the need for vindication in their social and economic conflicts, present and past, real or idealized. The class struggle is still very much alive in the minds of many, and this phenomenon does not go away with changes in economic status or social mobility.

In the period focused on this research (2005-2015), there has been an evolution, a pendulum swing of institutional Legitimacy, at times almost parallel, in most countries in Latin America. In a relatively short period, countries went from discrete infrastructure investing to an all-out megaproject construction feast with generous money distribution schemes that lasted a decade to come back then to apply the law with prosecutions and convictions.

It appears that Legitimacy can mutate and be perverted if its components are manipulated. And then, it can revert its way to its true meaning. Nothing lasts forever. Argentina upgraded its corruption perception index (CPI) sprucely by 22 places, from 107<sup>th</sup> in 2015 to 85<sup>th</sup> by the end of 2017 after the independent judicial power under

President Mauricio Macri started to investigate, prosecute and convict dignitaries of the Kirchner and Fernandez de Kirchner governments. This upward motion is a significant improvement that rescues the country from the bottom half of ranked countries and brings it to the best-behaved top half. (See Table 1 CPI Index 2005-2015, page 69). However, there is a long way to go still, and there is still ample room for improvement. Nevertheless, Macri has harvested praise for his newly acquired, more purist form of Legitimacy. Proof of this fact is Argentina's opening for receiving new international credit, including that of the USA and the IMF, during his term in office.

## **VI. Discussion**

Hypothesis 1, "Government institutions with weak regulative and normative pillars deliver low Legitimacy," is supported during the period in question for all six countries researched. The transgressions of government officials against states' constitutional organization, particularly the separation of powers, did not take long to become revealed by the media and commented on by academic authors, as this paper has shown. Similarly, selective law enforcement delivering immunity to some, and selective law sanctioning, setting agendas for peculation and embezzlement from cash-rich government programs, was eventually put in evidence by the press and the functioning members of the judiciary body.

Even though some scholars equate the actions of informal institutions with "cultural tradition," many of the conditions in which institutions entertain illicit patterns "have little to do with culture." They differentiate informal from formal institutions in

that the "socially shared rules" of the former are enforced outside of "officially sanctioned channels." In contrast, formal institutions "are created, communicated, and enforced" through official channels, including state institutions such as courts, legislatures, and other enforcement bodies, namely the police. (Helmke and Levitsky, 2004).

When we consider the three dimensions of democracy (Lauth, 2016), the dimension of freedom (self-determination of members in a political community); the dimension of equality (political and legal egalitarianism); and the dimension of control (which entails the control of political power through political and judicial enforcement), it is only the sanctioning power of these institutions that provide the needed control to limit corruption initiatives. "Control is effective only if it can employ proportionate corrective measures and punish legal transgressions accordingly" (with the help of an independently functioning judiciary system), "thereby obliging officeholders to take responsibility for their actions" (Lauth, 2016). Robert Putnam (1993) corresponds the quality of democracy with institutional performance in general and government normative responsiveness. In his 2004 book "The Quality of Democracy: Theory and Applications, " Guillermo O'Donnell emphasizes the critical connection that unites democratization and the rule of law (Andreev, 2008).

The quality of a democracy is, in essence, deficient if it does not complement its evolutive socioeconomic and cultural-historic factors with the capacity to transform legal norms into enforcement. The relationship between institutional Legitimacy and corruption can be understood as an association of dynamic processes with a comparable frame of development in volatile and transitional environments such as Latin American

nations. "Constitutional" Legitimacy, understood as the rule of law, has been adequately related to reaching the desired level of the consolidation of democracy because it comes along with "various accountability mechanisms by which to combat corruption" (Andreev, 2008). Therefore, Legitimacy nurtures itself from political participation and popular approval but makes itself evident when it exercises law enforcement in an environment of constitutional democracy. Legitimacy makes power bound to authority to both, connectedly, institute the duty to comply and the authority to rule (Andreev, 2008).

It is necessary to uphold and enforce the law comprehensively and convincingly to achieve government institutions that render strong Legitimacy in a democratic setting, allowing regulative and normative standards to engender pragmatic and moral perceptions of Legitimacy so that constituents experience both protection from crime and coercion to avoid it simultaneously.

Hypothesis 2, "Government institutions with weak regulative and normative pillars engage in corruption when building large infrastructure megaprojects," is an affirmation that has been confirmed in the countries in focus during the decade researched.

When corruption cohabitates with governments and construction companies in Latin America, there is an erosion of institutional Legitimacy. Some argue that corruption wanes Legitimacy, as if in a vicious cycle or predicament with a causal nexus. Legitimacy is the victim in the losing end, affecting its dwindling, Quality of Democracy (Andreev, 2008). This author supports the idea that Legitimacy has a pendular behavior. It ranges between pure institutional Legitimacy and Legitimacy of the practice of

corruption. Institutional Legitimacy possesses regulative, normative, and cultural-cognitive components that interact vividly without interference. On the other hand, the Legitimacy of the practice of corruption futures all three components being tampered with by breaking the principle of checks and balances, controlling popular opinion through media and advertising while providing social plans and handouts for the unemployed (instead of jobs). All of these without enforcement of sanctioning powers.

Sohail and Cavill (2008) state that “infrastructure service provision is a sector known for its association with corruption” at a global level (Sohail and Cavill, 2008). However, in Latin America, government officials and infrastructure providers raised the corruption bar for the rest of the world during the decade between 2005 and 2015, demonstrating keen ability and objective immorality. Nevertheless, corruption is not a common denominator in the region. Warf and Steward (2016) explain that corruption is “a cancerous phenomenon in Latin America,” although it varies widely among countries in the region because of differing cultural and historical antecedents. They intend to explicate the “uneven spatiality of corruption” to understand, beyond its abundant presence, how and why it varies so dramatically across the region. Some arguments maintain that populist regimes from the left have taken advantage of the economic failures of neo-liberal regimes that ruled in Latin America during the nineties during the past decade. These populist regimes pursued corrupt practices, particularly in the execution of significant construction endeavors and in the expansion of foreign direct investment in infrastructure at a regional level. However, political ideology does not always align as an effective predictor of illegal behavior, as are Uruguay and Chile cases, both with long-standing populist regimes and with the lowest levels of corruption in the

region. What constitutes a predictor of corruption is the concentration of power by the executive branch of government and its capacity to encroach upon the judiciary and legislators' legal and normative responsibilities. Furthermore, if encroachment of powers goes accompanied by means to influence public opinion popularly, then the conditions are complete to produce corruption and impunity, at least temporarily.

The main hypothesis (H3), "Government Corruption in megaprojects inhibits sustained Legitimacy," is strongly supported, as we have seen, in the countries of this case study during the decade researched.

The main difference between general corruption in government areas such as procurement, distribution, or law enforcement (or even in the manifestations of clientelism and cronyism) and corruption in megaprojects is that the latter involves country presidents and CEOs of multinational corporations. In this case study, all presidents in power between 2005 and 2015 have been prosecuted or impeached, some have been convicted, and some are still fighting to stay out of jail. Legal problems at the executive level of all government studied have resulted from corruption in megaprojects.

Legal problems, prosecutions, and convictions of former and current presidents, vice presidents, and ministers continue to produce vivacious effervescence in the six countries concerning this paper. Prosecutors continue to seek the condemnation of their officials and those of neighboring countries with cross-border involvement, such as Odebrecht. Most of these legal proceedings have reached a new level of complexity and discomfort for the defendants after the involvement of the U.S. Justice Department and the U.S. Treasury Department. These institutions are pursuing the application of fines to

bribing multinationals and locating money suspected of being laundered by former government officials.

Helping to aggregate complexity and geographic diversity to this criminal phenomenon of wrongly obtained money, in 2019, the Swiss government successfully retrieved \$630 million of laundered funds from corruption in the Odebrecht scandal and has partially returned them to Brazil. More indictments are coming forward from the Swiss courts, concerned with the Legitimacy of their banking system and its abuse by Latin American criminals.

## **VII. Limitations**

This multiple case study has two possible limitations: (1) lastingness and (2) geographic generalizability. Both culture and politics are evolving in nature, and they are not fixed in time. Similarly, Legitimacy fluctuates in Latin America as democracies mature or regress. The example of Paraguay's citizenry rejecting and eloquently protesting corruption is a robust parameter for a country that, not long ago, was a smugglers' nest. Chile and Uruguay are exceptional countries when measured by the Corruption Perception Index because, traditionally, these nations do not involve their governments in corrupt acts. Nevertheless, neither of these countries can negate corruption in the private sector. Bolivia, on the other hand, with indexes of corruption ranging along with Argentina and Perú, did not get any stain from the decade-long megaproject corruption scandal.

### **VIII. Conclusion**

This study has shown, at least partially, the volume and gravity of corruption in Latin American infrastructure. Many other construction companies and government officials are involved in corruption in the region that might not have been exposed and probably never will. However, the business of supplying the government is alluring, and collusion to engage in corruption is addictive and contagious.

When government institutions in Latin America demonstrate weakness by stumbling on their regulative and normative limbs, corruption spreads to all state areas, and megaprojects construction becomes an important source of official graft. This situation is particularly true when economic conditions flourish, and countries manage to sustain expenditures with genuine funds from their resources rather than with borrowed capital from international financial institutions. Either way, if government institutions do not assert their powers and responsibilities in law regulation, compliance, and enforcement, Latin America's consequence is the multiplication of corruption in all areas of government, resulting in inadequate and ailing Legitimacy.

However, when corruption stains such actors as country presidents, vice presidents, and ministers of the executive branch of government and CEOs of large and famous multinational construction corporations, a significant blow is delivered to the Legitimacy of those institutions.

The international construction industry in Latin America reached a moral crisis of extensive criminal implications between 2005 and 2015. Project management scholars should concern themselves deeper about efforts to improve the clarity of construction

processes. Above all, they should immerse themselves in improving their managers' moral strength and leadership.

International banking institutions, spearheaded by the IMF, will not cease to engage with countries having corrupt governments, many times contributing to their demise. These institutions should concern deeper with such countries whose executive branches are accustomed to meddling with the legislative and judiciary, which decreases the quality of their democracies.

Most importantly, international law scholars and legislators should look for practical ways to curtail corruption crime by punishing international companies engaged in corruption and prosecuting individuals, both from government and construction, in the International Court of Justice of the United Nations in The Hague.

## **IX. Future Research Implications**

In the context studied, weak Legitimacy comes from Institution's unbalanced foundational factors. The performance of regulative and normative pillars influence the government's Legitimacy. The presence of governments with conditions of selective law sanctioning and enforcement, in combination with the encroachment of the executive power over the judiciary and the legislature, may be predictors of corruption and generators of long-lasting poverty in Latin America.

The Lastingness of corruption and its effect on poverty, education, and health on society across time are conditions difficult to revert. Is government corruption a violation of citizens' human rights?

## **X. Managerial Implications**

Corruption often thrives during times of crisis. Arguably, Latin American institutions' moral and political crisis (governmental and private alike) during the 2005-2015 decade reached alarming misconduct levels. Illegal business practices involving private citizens and public officials pervaded the political system. They flowed across national borders as if there were no consequences to all the wrongdoing.

There were established patterns of behavior in both the public and private sectors, from overpricing to cartelization, from bribes and kickbacks to the membership of a construction club of sorts. These conditions stopped when the law was applied and enforced.

On the professional level, project management must look for ways to prevent corrupt practices from gaining contracts. Disclosure and transparency should replace old habits and traditions both at the company and industry levels. Education and training should stress character and responsible citizenship both at schools and construction companies.

## **XI. Public Policy Implications**

Most developing countries get stuck with weak government institutions. Foreign institutions such as banks and international political organizations need to change their focus from institutional forms and governments' organization to institutional functionality, measuring instead the governments' efficiency in performing regulative and normative duties while levying taxes and delivering services.

Money laundering is a byproduct of corruption. International financial institutions are rightly concerned with their coexistence. Lending institutions need to scrutinize prospects when providing financing to suspect countries that are harboring corrupt practices. Plenty of times, they have provided a contradictory motivation awarding low-cost loans to perpetuate bad actors.

Proactive government institutions of leading countries are, at the same time, beacons of affliction and illustrations of proper enforcement. The U.S. Department of the Treasury, through the Financial Crimes Enforcement Network (FinCEN) is monitoring and combating money laundering in Latin America (Perfil, 2020). The U.S. Department of Justice is prosecuting and applying fines to corrupt companies such as Odebrecht for their illegal Latin American activities. The U.S. Department of State, in the context of human rights around the world, has been critical of the Judiciary in Argentina, calling it inefficient and politicized, lacking effective implementation (Clarín, 2021).

The U.S. Department of Justice and other countries' legal offices prosecuting corrupt officials, executives, and construction companies should coordinate with the

international construction industry and the public to educate and prevent future corruption in significant infrastructure developments.

## **XII. Societal Implications**

Why is government corruption a violation of citizens' human rights? It results in limiting access to better education and health, in applying selective law enforcement, and stealing taxpayers' money and the State's resources.

Are the acceptance and legitimization of government corruption a collective act of gratitude for handouts and social vindication? How do Latin American societies value government dependency and meritocracy as generators and sustainers of societal growth? States seldom prosper if they lack government institutions to implement the law, tax successfully, and administer services (Brookings, 2017).

Increasing poverty that lasts generations has a serious effect on values and culture, affecting many Latin American societies' human capital.

## **XIII. February 2021**

Looking back five years, we ponder at the different paths the countries of this research have taken, both in their CPI ranking directions and institutional evolution.

As we begin February 2021, after two years in power, Brazil's President Jair Bolsonaro keeps enjoying high popularity and approval ratings while the country's CPI ranking dropped from 76 in 2015 to 96 in 2020. Odebrecht filed for bankruptcy

protection on June 17, 2019. However, judicial proceedings continue to reveal details of this incredible web of corruption between Brazil's nine largest construction companies and the government's energy sector.

Argentina's CPI ranking is in free fall again after almost a year of a new Kirchner regime in power. The ranking had reached an all-time high with President Mauricio Macri, in 66 place in 2019, coming back from 106 in 2015, but is now at 78 and declining. Now Vice President Cristina Kirchner works arduously to reform the court system and dispose of opposing judges while seeking annulment of corruption cases against her before her immunity expires in three years.

Colombia was in 83rd position in 2015 and is in 92<sup>nd</sup> place at the end of 2020. In a new twist of the Odebrecht scandal in Colombia, former presidents Andres Pastrana and Alvaro Uribe, both implicated in corruption crimes with Odebrecht, have declared as witnesses in front of a legislative commission to accuse former president Juan Manuel Santos of receiving Odebrecht bribes to finance his political campaign in 2014.

The Dominican Republic was in 102<sup>nd</sup> place in 2015 but has descended to 137 in 2020. After years of delays, the prosecutors in the Odebrecht case are pressing forward with their witnesses. Former presidents Leonel Fernandez and Danilo Molina are fighting their cases. The new president, Luis Abinader from the opposing MRD party, was inaugurated in August 2020 and has promised to support investigations to the end.

Panama ranked 72 in 2015 but now in 111 position. Panama's investigation on the last three governments has produced the indictment of 101 persons, including former presidents Juan Carlos Varela and Ricardo Martinelli. Odebrecht, which had agreed to

pay a \$220 million fine over 12 years, paid its dues in 2017 and 2018 but has defaulted, and it owes payments corresponding to 2019 and 2020.

Perú was in 88th place in 2015, and now, at the end of 2020, it reached 94<sup>th</sup>. Finally, justice caught up with former president Alejandro Toledo, arrested in California and extradited to Peru in 2019 on charges originating from the Odebrecht scandal. Meanwhile, Perú continues to endure a multi-stage political crisis that forced former president Pedro Pablo Kuczynski to resign in March 2018. His vice president Martin Vizcarra took office then but now has called for general elections this year despite the severity of the Covid-19 pandemic.

In contrast, Uruguay, up at the top of America in 2020, ranks 21<sup>st</sup> globally, followed by the United States and Chile, both sharing 25th place. These countries have not suffered many variations before 2005. Please see the CPI ranking and CPI index (pages 77 and 78).

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#### Appendix B (Articles retrieved from FIU Library databases)

Brazil's ANP Authorizes Pre-Salt Oil Drilling by Petrobras.

Date: Dec. 2, 2009. Publisher: *States News Service*. Document Type: Brief article.

Length: 175 words. Retrieved from: <https://go-gale-com.ezproxy.fiu.edu/ps/i.do?p=EAIM&u=miam11506&id=GALE%7CA215941631&v=2.1&it=r&sid=ebsco>

Database: Gale Academic OneFile Select

Brazil's huge corruption scandal is spreading to the rest of Latin America.

Author: Simeon Tegel. Date: Feb. 12, 2017. From: The Washington Post.

Publisher: *The Washington Post*. Document Type: Article. Length: 685 words.

Retrieved from: <https://go-gale-com.ezproxy.fiu.edu/ps/i.do?p=AONE&u=miam11506&id=GALE|A480907688&v=2.1&it=r&sid=ebsco>

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Corruption and Government. George Leef, 2018. *Regulation*.

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Database: Business Source Complete

Corruption beyond Brazil: Where the Car Wash scandal has splashed across Latin America; The Lava Jato investigation has engulfed Brazil's political class, and it centres on contentious contracts by construction giant Odebrecht that span the continent.

Stephanie Nolen maps out how it has affected the firm's business, which national leaders have been implicated and what's at stake. Date: June 8, 2017. From: *Globe & Mail* (Toronto, Canada). Publisher: CNW Group Ltd. - *Globe & Mail*. Document Type: Article. Length: 1,320 words. Byline: Stephanie Nolen; Staff. Retrieved from: <http://eds.a.ebscohost.com.ezproxy.fiu.edu/eds/pdfviewer/pdfviewer?vid=1&sid=0e7bae75-5db7-4353-8e3c-70e4bc2d898c%40sessionmgr4006>  
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Database: Gale OneFile: LegalTrac

Ex-President of Argentina Indicted Again, Now With Her Children. Author: Daniel Politi. Date: Apr. 5, 2017. From: *The New York Times*. Publisher: *The New York Times Company*. Document Type: Article. Length: 487 words. Retrieved from: <http://eds.a.ebscohost.com.ezproxy.fiu.edu/eds/results?vid=5&sid=4ced4ca1-8389-4fa0-8721-690606d868f7%40sdc-v-sessmgr03&bquery=Corruption%2c+Legitimacy%2c+and+Human+Rights%3a+The+Dialectic+of+the+Relationship.&bdata=JmNsaTA9R1QxJmNs djA9WSZ0eXB1PTAmc2Vhc mNoTW9kZT1BbmQmc2l0ZT1lZH Mt bG12ZQ%3d%3d>  
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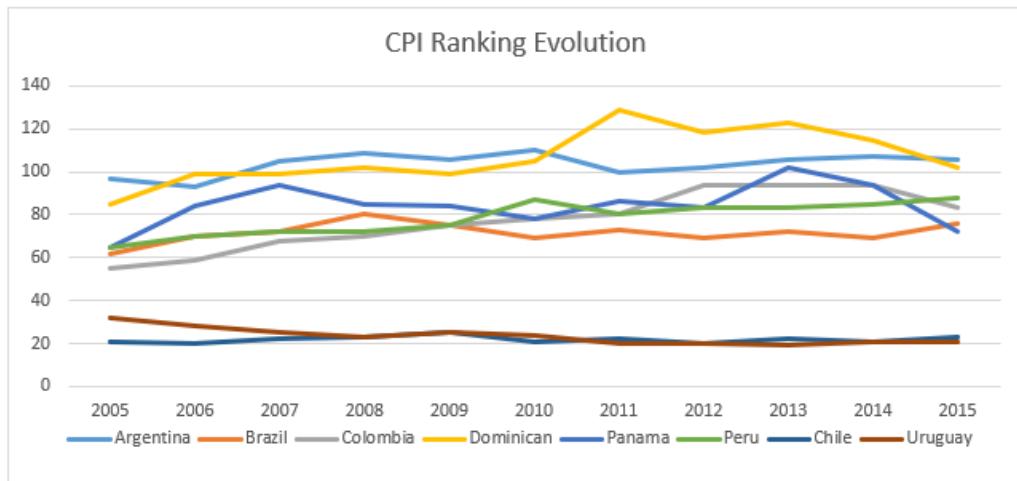
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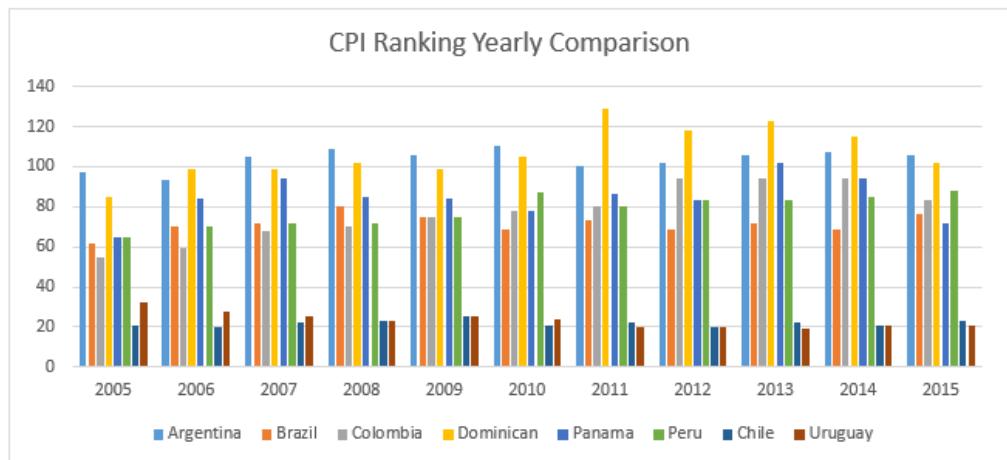
III. Table 3. CPI Ranking 2005-2015

Year	Argentina	Brazil	Colombia	Dominican	Panama	Peru	Chile	Uruguay
2005	97	62	55	85	65	65	21	32
2006	93	70	59	99	84	70	20	28
2007	105	72	68	99	94	72	22	25
2008	109	80	70	102	85	72	23	23
2009	106	75	75	99	84	75	25	25
2010	110	69	78	105	78	87	21	24
2011	100	73	80	129	86	80	22	20
2012	102	69	94	118	83	83	20	20
2013	106	72	94	123	102	83	22	19
2014	107	69	94	115	94	85	21	21
2015	106	76	83	102	72	88	23	21

II. Figure 2. CPI Ranking Evolution



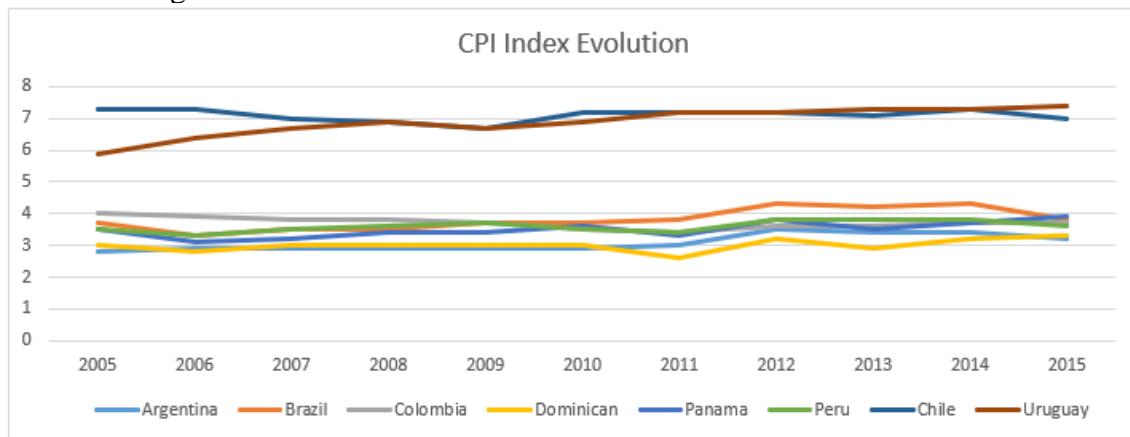
III. Figure 3. CPI Ranking Yearly Comparison



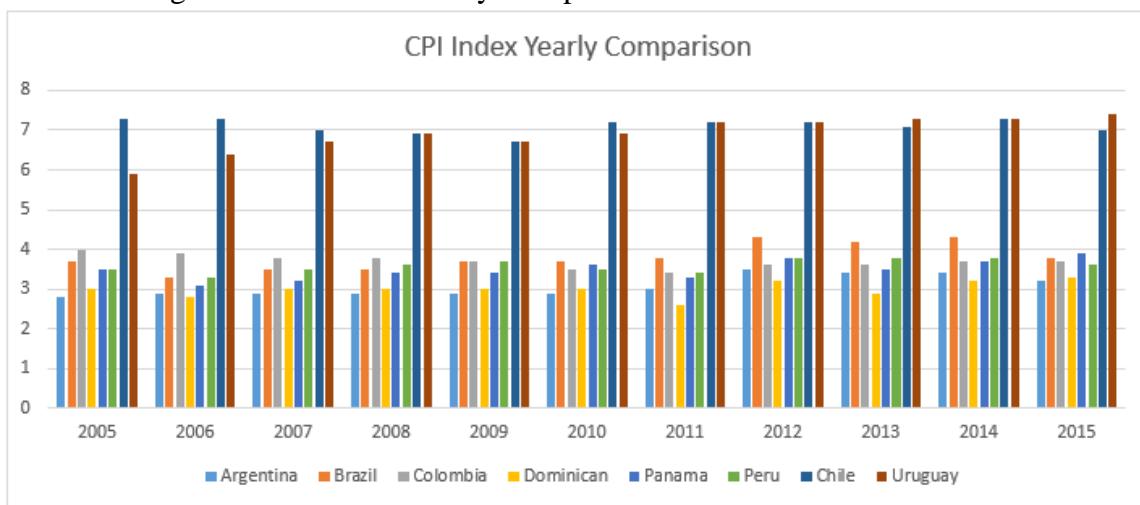
IV. Table 4. CPI Index 2005-2015

CPI Index 2005-2015	Year	Argentina	Brazil	Colombia	Dominican	Panama	Peru	Chile	Uruguay
	2005	2.8	3.7	4	3	3.5	3.5	7.3	5.9
	2006	2.9	3.3	3.9	2.8	3.1	3.3	7.3	6.4
	2007	2.9	3.5	3.8	3	3.2	3.5	7	6.7
	2008	2.9	3.5	3.8	3	3.4	3.6	6.9	6.9
	2009	2.9	3.7	3.7	3	3.4	3.7	6.7	6.7
	2010	2.9	3.7	3.5	3	3.6	3.5	7.2	6.9
	2011	3	3.8	3.4	2.6	3.3	3.4	7.2	7.2
	2012	3.5	4.3	3.6	3.2	3.8	3.8	7.2	7.2
	2013	3.4	4.2	3.6	2.9	3.5	3.8	7.1	7.3
	2014	3.4	4.3	3.7	3.2	3.7	3.8	7.3	7.3
	2015	3.2	3.8	3.7	3.3	3.9	3.6	7	7.4

IV. Figure 4. CPI Index Evaluation



V. Figure 5. CPI Index Yearly Comparison



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## PUBLICATIONS AND PRESENTATIONS

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