

CORRUPTION CONSOLIDATION IN LOCAL GOVERNMENTS: NETWORKS, OPACITY, AND GOVERNANCE FAILURES

CONSOLIDACIÓN DE LA CORRUPCIÓN EN LOS GOBIERNOS LOCALES: REDES, OPACIDAD Y FALLAS DE GOBERNANZA

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ABSTRACT: This article examines the consolidation of corruption in local governments through a case study of Operation “Bad Paths” in Manaus, Brazil. Using a theoretical framework that integrates networks, organizational mechanisms, opacity, and checks and balances, the study explains how systemic vulnerabilities enable corruption to become embedded and self-sustaining within governance systems. The analysis, grounded in legal and prosecutorial findings, highlights how public-private networks exploited weak oversight and simulated transparency to divert over 100 million Reais in health funds, exacerbating governance failures. Departing from traditional top-down anti-corruption strategies, this study introduces an innovative framework to understand local corruption through its unique socio-political and institutional contexts.

Keywords: *Local Corruption Consolidation, Health Sector Corruption, Operation “Bad Paths,” Systemic Corruption Dynamics; Institutional Cooptation.*

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INTRODUCTION

On September 20, 2016, the Federal Police launched the second phase of Operation Maus Caminhos (Bad Paths), targeting the Instituto Novos Caminhos (New Paths), a private organization responsible for managing public health funds in Manaus, Amazonas. Investigators exposed an extensive corruption network led by Dr. Mouhamad Moustafa, who orchestrated inflated contracts, fictitious services, money laundering schemes, and a violent criminal organization. The network diverted over R\$ 100 million intended for healthcare services, debilitating the region's public health system and exacerbating a humanitarian crisis. The investigation revealed how New Paths exploited opaque procurement processes and leveraged privileged relationships with political elites to embed corruption into governance structures. High-ranking officials, including former governor Omar Aziz, actively participated in the scheme, while an armed group composed of civilian and military police officers protected the operation. The Brazilian judiciary issued 58 arrest warrants and initiated legal actions against 80 individuals and seven companies, highlighting how systemic corruption flourishes through patronage networks and weak oversight mechanisms.

This article situates Operation Maus Caminhos within a broader framework of systemic corruption, conceptualizing corruption consolidation as a durable transformation of governance in which illicit practices evolve into entrenched vulnerabilities. In local governance, corruption consolidates through informal networks, organizational mechanisms, and weakened checks and balances, creating self-reinforcing systems that resist accountability. In this sense, we argue that networks of public and private actors sustain illicit activities through mutual dependence, while mechanisms like patronage and coercion secure loyalty and suppress dissent. On the other hand, weak oversight –internal, such as audits, and external, such as civil society engagement– fails to interrupt these cycles, allowing corruption to persist and deepen its institutional foothold.

Operation Maus Caminhos exemplifies these dynamics in practice. The investigation revealed how simulated transparency, legal ambiguities, and patronage entrenched corruption within everyday governance. By leveraging ties to political elites and exploiting gaps in procurement processes, New Paths diverted substantial public funds with impunity. These systemic dynamics were exacerbated in Amazonas by the interdependence of political elites and private contractors, normalized through organizational cultures that fostered corruption and weak accountability mechanisms.

This study builds on these insights by using Operation Maus Caminhos to illustrate how local corruption operates differently from large-scale or petty corruption. The analysis highlights the importance of localized perspectives

in anti-corruption strategies by uncovering systemic vulnerabilities such as weak oversight, patronage, and simulated transparency. Grounded in the health sector, the theoretical framework introduced here –focused on networks, organizational mechanisms, opacity, and checks and balances– offers broader applicability, paving the way for comparative studies across sectors and regions. These findings contribute to broader governance discourses by revealing lessons applicable to other contexts, particularly in regions where decentralization has created opportunities for elite capture. The study underscores the global importance of aligning institutional reforms with accountability frameworks to ensure that decentralization fosters equity rather than enabling exploitation, providing actionable insights to address entrenched corruption and build more resilient governance systems.

METHODOLOGY

We use a case study approach to investigate how corruption consolidates in local governments, focusing on Operation “Bad Paths” in Manaus, Brazil. This method examines the specific context, dynamics, and complexities of corruption within local governance systems. We chose Manaus for its significant socio-political and economic context, the scale of uncovered corruption, and the involvement of high-ranking public officials in the Amazonas healthcare sector. This operation offers a compelling lens to explore the systemic vulnerabilities perpetuating corruption and hindering accountability over time.

We adopted a qualitative approach to analyze the data comprehensively. The analysis drew from various sources, including legal documents, leaked communications, prosecutorial findings, investigative reports, and court proceedings from the Federal Public Ministry (MPF) and other oversight entities. This approach enabled the identification of narratives, patterns, and systemic behaviors underpinning corruption. We focused on the roles of key actors, institutional vulnerabilities, and the mechanisms that allowed corruption to persist over time. Data from this study, including legal documents, prosecutorial findings, and court proceedings, are publicly available through the Federal Public Ministry’s online repository and other official platforms.

The data provided insights into the interactions between public officials and private contractors, illustrating how organizational cultures and informal networks sustained corrupt practices. By focusing on qualitative evidence, this study reveals the structural and systemic dimensions of corruption consolidation, offering a deeper understanding of the Operation “Bad Paths” case. This methodological approach emphasizes the value of narrative and contextual analysis in developing targeted and actionable anti-corruption strategies.

THEORETICAL FRAMEWORK

Since the 1990s, anti-corruption strategies have often drawn on frameworks emphasizing economic incentives and institutional design, as articulated by Susan Rose-Ackerman (1999). These approaches conceptualize corruption as a product of misaligned incentives and inadequate accountability mechanisms, framing it as a barrier to economic efficiency and development. While influential in shaping global anti-corruption efforts, this perspective often prioritizes individual self-interest and market-based reforms, overlooking corruption's broader political and structural dimensions (Bratsis, 2003).

By focusing narrowly on individual incentives and market-driven reforms, traditional anti-corruption strategies have promoted transparency, decentralization, deregulation, and institutional redesign as universal solutions. While these measures aim to enhance efficiency and accountability, they often reduce corruption to a technical mismanagement problem, disregarding governance's broader political, cultural, and structural dimensions. This reductionist approach, described by Heeks and Mathisen (2012) as the “design-reality gap”, assumes that standardized measures will yield uniform results across diverse socio-political settings. However, critics argue that such strategies oversimplify corruption's roots in power asymmetries, institutional legacies, and cultural factors, often exacerbating systemic issues instead of resolving them (Haller & Shore, 2005). For example, decentralization, deregulation, and privatization policies have frequently created conditions for “grand corruption,” enabling elites to exploit governance gaps and institutional weaknesses for personal gain (Ribeiro Jr., 2011).

In response to these shortcomings, recent anti-corruption strategies have shifted toward more context-specific solutions, recognizing corruption as a deeply embedded and context-dependent phenomenon. This shift emphasizes bridging theoretical frameworks with practical strategies to address design gaps in anti-corruption efforts (Sotola & Pillay, 2022). Rather than focusing solely on dismantling corrupt networks, these approaches aim to understand their connections to broader systemic factors, reform organizational cultures, and strengthen localized accountability mechanisms. By moving beyond punitive, one-size-fits-all measures, these strategies advance preventive and adaptive solutions tailored to local governance realities.

Building on the work of Meza and Pérez-Chiqués (2021) on understanding and analyzing local corruption, this article contributes to the growing effort to bridge the gap between theoretical frameworks and practical anti-corruption strategies. It introduces a structured approach to analyzing local corruption, grounded in four interconnected and contextually-based dimensions: networks, organizational mechanisms, opacity, and checks and balances. When examined

holistically, these elements –drawing on governance, institutional, and often overlooked historical and sociological perspectives– form a multidimensional framework for understanding how systemic vulnerabilities enable corruption to embed itself within governance systems and resist accountability. By emphasizing the relationship among these dimensions, the proposed framework provides a robust conceptual lens for academic inquiry and actionable insights for practitioners aiming to design targeted context-sensitive anti-corruption interventions.

Corruption consolidation in local governments captures the process by which corruption becomes institutionalized and resilient, evolving from isolated acts into systemic governance features (Aluko, 2002). Informal governance structures co-opt or replace formal institutions, undermining traditional anti-corruption strategies and rendering them ineffective. Cultural, structural, historical, and perception-based dynamics play a crucial role in sustaining these practices over time (Forattini, 2021), embedding corruption within governance systems, shaping organizational cultures, and reinforcing structural weaknesses. Over time, corruption transitions from being perceived as an anomaly to becoming an expected norm, perpetuating a self-reinforcing cycle of illicit practices (Anand et al., 2004).

Although often associated with petty corruption, localized large-scale corruption frequently infiltrates governments, generating significant economic impacts and involving extensive networks of actors in broad geographical areas, sometimes seemingly unrelated to the focus of corruption actions. Such networks accumulate substantial resources, enabling corrupt individuals and groups to consolidate power and evade accountability. By exploiting public programs, laws, and institutional frameworks, these interconnected networks entrench themselves within governance systems, creating systemic challenges that erode governance, disrupt public service delivery, and diminish public trust in democratic institutions.

Thus, networks can sustain corruption by fostering collaborative relationships among public officials, private actors, and other participants (Quiroz, 2006). These networks adapt to political and economic changes, shielding participants from accountability and ensuring the resilience of corrupt practices. Mutual dependency and shared benefits normalize corruption, embedding it within informal governance systems. Their hierarchical and cross-institutional nature makes them resistant to disruption (Baez-Camargo et al., 2023). Without dismantling these entrenched relationships, anti-corruption strategies struggle to address systemic corruption effectively.

Organizational mechanisms build on these networks by shaping institutional cultures. In corrupt systems, loyalty and personal gain take precedence

over transparency and accountability. Practices such as patronage, clientelism, and coercion bind individuals to corrupt schemes, suppress dissent, and discourage whistleblowing (Flynn, 1974; Brinkerhoff & Goldsmith, 2004; Gallego & Wantchekon, 2019). Weak whistleblower protections and structural incentives worsen this dynamic, allowing corruption to become a normalized institutional behavior. Villena and Villena (2010) emphasize that ineffective whistleblowing mechanisms deter reporting and stabilize corrupt practices. These entrenched behaviors weaken institutional integrity, making corruption increasingly challenging to uproot.

While networks and organizational mechanisms establish corruption as a functional reality, opacity ensures it remains hidden. Legal ambiguities, bureaucratic discretion, and simulated transparency—the superficial adherence to transparency laws without substantive openness—undermine accountability (Johnston, 2000; Sandoval-Ballesteros, 2013). These practices are particularly pervasive in public-private partnerships, where private entities often bypass transparency norms while performing public responsibilities (Sandoval-Ballesteros, 2013). Weak administrative capacity and convoluted regulatory frameworks exacerbate these challenges. Corrupt actors exploit these gaps to obscure their activities and erode public trust. As Johnston (2000) highlights, addressing opacity requires strengthening oversight mechanisms and fostering civic participation and economic democracy to challenge systemic impunity.

Finally, the erosion or co-option of checks and balances further exacerbates corruption consolidation by weakening accountability mechanisms. Oversight measures, such as internal audits and external civil society engagement, are essential for combating corruption (Lino et al., 2022). However, these mechanisms often lack independence or sufficient resources in systems where corruption has consolidated. As a result, corrupt networks operate with impunity. Oversight institutions, frequently staffed by individuals loyal to corrupt networks, may even become enablers of corruption (Meza & Pérez-Chiqués, 2021). This dynamic creates a self-perpetuating cycle in which corruption resists meaningful intervention, further eroding accountability mechanisms.

The Operation “Bad Paths” case in Manaus, Brazil, exemplifies how the four dimensions—networks, organizational mechanisms, opacity, and checks and balances—proposed by this paper interact to sustain corruption consolidation when approached through a contextually and multidisciplinary lens. In this case, public officials collaborated with private contractors to embezzle public funds, leveraging patronage and coercion to secure loyalty while exploiting opacity in procurement processes to conceal illicit activities. The breakdown of internal and external oversight mechanisms further enabled these practices to persist unchecked, ultimately devastating the Amazonas healthcare system and

exacerbating a regional humanitarian crisis. By applying the proposed theoretical framework, this analysis deepens the understanding of local corruption dynamics and provides actionable insights for practitioners seeking to design more effective, context-sensitive anti-corruption interventions.

DISCUSSION: CASE ANALYSIS AND KEY FINDINGS

Systemic vulnerabilities enabling corruption in Manaus, Rio Preto da Eva and Tabatinga

The State of Amazonas represents one of Brazil's most economically disadvantaged and geographically isolated regions. Persistent poverty, stark income inequality, and underdeveloped infrastructure have historically hindered effective governance and service delivery. Reliant on federal health funding and constrained by limited local fiscal capacity, the region developed systemic vulnerabilities that opportunistic actors readily exploited. These weaknesses were compounded by underfunded audit bodies, weak judicial enforcement, and minimal civic engagement, creating an institutional environment ripe for exploitation. Within this framework, political dynamics –characterized by patronage networks, nepotism, and “pork-barrel” practices– normalized a ‘culture of impunity,’ facilitating the diversion of public funds and eroding accountability mechanisms.

To improve efficiency and responsiveness in public service delivery, Brazil implemented major decentralization reforms in the 1990s, most notably through Law N. 9,637/1998, which delegated significant responsibilities to private Social Organizations (OS)¹. These reforms, rooted in the Washington Consensus ethos of minimizing the State's direct role, were also framed as a strategy to curb corruption by reducing bureaucratic inefficiencies and increasing accountability through private sector involvement. However, decentralization introduced significant governance risks in a country emerging from decades of military dictatorship (1964-1985) and burdened by fragile institutions (Maggio et al., 2021). The lack of strong oversight mechanisms and the limited capacity of local governments to manage complex public service contracts undermined these reforms, creating fertile ground for corruption. These governance gaps were particularly evident in the health sector, where poorly defined operational frameworks and weak regulatory structures allowed inefficiencies and malfeasance to persist. Rather than achieving their intended

¹ Social Entity (“Organização Social” in Portuguese) is a legal qualification given by the State to a non-profit private legal entity established by individuals, which receives delegation from the Public Administration through a management contract to perform social public services.

outcomes, the reforms underscored the critical need for institutional strengthening and oversight to ensure transparency and resilience in decentralized public service delivery (*ibid.*)

In Amazonas, decentralization handed local governments significant control over health budgets but lacked the necessary safeguards to prevent misuse, particularly in a context defined by entrenched clientelism, fragmented regulatory frameworks, and the routine diversion of public funds. Instead of empowering local governance, decentralization became a vehicle for systemic corruption. The Instituto Novos Caminhos (INC) capitalized on these vulnerabilities, extending its operations across Manaus –the state capital and hub of its activities– Rio Preto da Eva and Tabatinga. These three cities highlight the region’s logistical and institutional challenges: Tabatinga, situated 1,582 kilometers from Manaus and accessible primarily by river or air, embodies the tri-border region’s extreme isolation and fragile state presence. In contrast, Rio Preto da Eva, just 81 kilometers from Manaus, reflects a different type of vulnerability –economic stagnation and administrative dependence on the capital. Despite their geographic and administrative differences, these cities exemplify the adaptability of corruption networks like INC, which exploited localized weaknesses to embed themselves within a broader, politically entrenched system.

Tabatinga, with a population of approximately 68,000 and a low Human Development Index (HDI) of 0.616, sits in the tri-border area between Brazil, Colombia, and Peru. Tabatinga’s porous borders, rife with smuggling and illicit trade, not only strained local governance but also provided INC with opportunities to divert healthcare funds in a region where organized crime flourished unchecked. The city’s strategic position facilitates cross-border flows of goods, people, and illegal activities, including drug trafficking, which thrive in the absence of effective state oversight. Public health services in Tabatinga are severely constrained, with its main hospital administered by the Brazilian Army and additional facilities provided through a state-managed complex. Tabatinga’s high rates of violence –more than double that of Manaus– highlight its broader governance challenges, where limited state presence and criminal activity create an environment ripe for exploitation. INC capitalized on these conditions, channeling funds away from an already fragile healthcare system while embedding itself in a region marked by institutional neglect and borderland vulnerabilities.

In contrast, Rio Preto da Eva, with a population of 35,000 and an HDI of 0.611, lies much closer to Manaus and has historically been economically and politically tied to the state capital. Founded only in 1981, near the end of Brazil’s military dictatorship, Rio Preto da Eva’s economic stagnation and

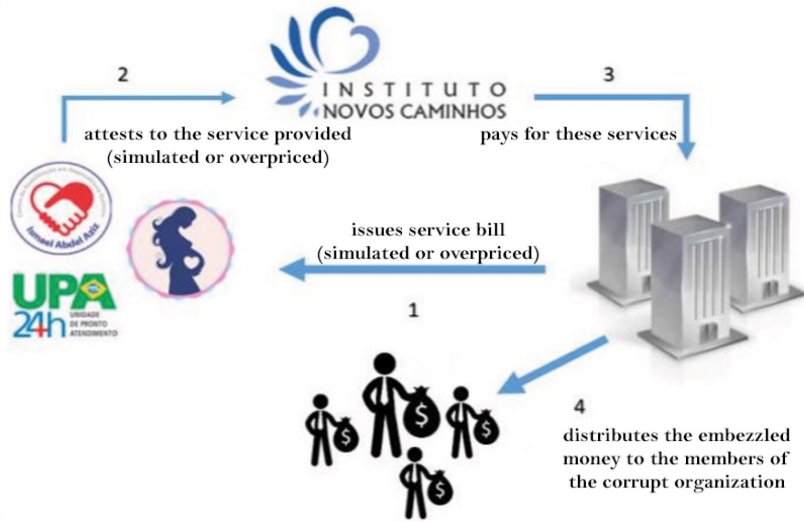
political dependence on Manaus made it particularly vulnerable to corruption. With limited administrative capacity and underdeveloped civic oversight, the city became an easy target for INC's network, which exploited its proximity to Manaus to secure unchecked contracts. Despite its geographical closeness to the capital, Rio Preto da Eva shares many of the same challenges as more remote cities, including economic underdevelopment and political dependence, making it an equally lucrative site for corruption schemes.

The INC's ability to orchestrate corruption across geographically and administratively disparate cities demonstrates that the scheme was far more than a logistical operation—it was a politically embedded network rooted in historic, socioeconomic, political, and institutional failures. Established in 2014 as a nonprofit entity, the INC received over 250 million Brazilian Reais under the guise of supporting health management activities, as outlined in its founding documents and contracts with the government of Amazonas (MPC-CASA, 2016). At the operational level, the scheme relied on four companies collaborating with the INC to issue invoices for legitimate and fraudulent services, including grossly inflated charges. These invoices were submitted to government agencies for approval, often bypassing standard procurement processes through direct hiring. Under the leadership of Dr. Mouhamad Moustafa, the INC acted as the central hub, coordinating with criminal organization members posing as suppliers to launder public funds. A portion of the embezzled money was funneled back to the INC and distributed among network participants, including politicians responsible for securing contracts, public officials overseeing approvals, and judiciary members complicit in shielding the scheme from scrutiny.

A critical component of this network was its armed division, comprising civilian and military police officers who operated under the direct command of the organization. These officers received monthly illicit payments in exchange for providing security, conducting surveillance, and engaging in coercive tactics such as debt collection and, in extreme cases, torture. This use of force further entrenched the network's control and discouraged dissent, allowing the operation to function with impunity for years.

The impact on the public health system and local communities was devastating. Hospitals and clinics across these cities faced severe resource shortages, including a lack of medical supplies, underpaid staff, and deteriorating infrastructure. These deficiencies led to increased wait times, canceled surgeries, and reduced access to critical care, disproportionately affecting the most vulnerable populations. Patients in Tabatinga, for example, were often forced to seek care in neighboring Colombia due to the lack of adequate local facilities.

FIGURE 1. EXEMPLARY FRAMEWORK OF THE STAGES OF A CRIMINAL ORGANIZATION



Source: Adapted from Federal Public Ministry (MPF) case files.

Figure 1 illustrates the cyclical process of the corruption scheme. Participants falsely attested to services, issued and paid service bills, and redistributed the funds among network members. From the 900 million Brazilian Reais in public funds, the INC received over 250 million, unlawfully diverting nearly half of this amount. In one egregious fraud case, the INC paid over 1 million Brazilian Reais for a hospital management system to a company linked to the criminal group, ignoring a legitimate developer's quote of just 318,000 Brazilian Reais –a markup of almost 400%. This systematic embezzlement severely disrupted the delivery of essential services in Manaus, Rio Preto da Eva, and Tabatinga, amplifying vulnerabilities in a fragile region.

Actors and networks: the interdependent cores of corruption in operation 'bad paths'

For this cyclical process of corruption to function, a deeply embedded network was required to sustain and amplify its operations through collaboration across political, business, and judicial domains. The effectiveness of this scheme hinged on a coordinated system of actors who leveraged their positions to normalize corruption and suppress accountability. As discussed earlier, networks of this kind thrive on mutual dependency, shared benefits, and the ability to adapt to systemic vulnerabilities, making them remarkably resistant to disruption (Quiroz, 2006; Baez-Camargo et al., 2023). INC relied upon four

mutually dependent cores for its network to thrive: a political core, a business core, a judicial core, and an enforcement core.

At the political core of this network, Dr. Mouhamad Moustafa orchestrated a sophisticated bribery scheme to secure the allegiance of both low –and high– ranking officials, including state secretaries and the governor of Amazonas, José Melo de Oliveira. Over an extended period, these officials received monthly bribes of R\$133,000, along with additional perks such as luxury travel, vehicles, and upscale accommodations (MPF, 2018, p. 42). In exchange, they ensured the Instituto Novos Caminhos (INC) received preferential treatment in procurement processes, bypassing competitive bidding and prioritizing inflated payments. This political core shows how mutual dependency was central to the network’s resilience –officials relied on illicit payments to maintain their positions, while Moustafa depended on their influence to legitimize fraudulent contracts. Moreover, the political core’s actions enabled other cores of this operation, such as the judicial core, by ensuring that co-opted legal actors would protect and legitimize these fraudulent schemes and would not jeopardize the actions of other cores, highlighting their mutual dependency.

While the political core ensured high-level coordination, the network’s success also depended on the participation of lower-ranking officials who facilitated daily operations. Nurses and clerks, for example, were involved in falsifying attendance records, fabricating services, or processing inflated invoices under orders from their superiors, embedding corruption into the very fabric of service delivery. One notable example is Marinete Mendes da Silva, secretary to Antônio Evandro Melo, who received R\$ 105,000 in bribes between January 2015 and September 2016. These payments secured her cooperation in administrative tasks that supported the broader scheme, such as processing transactions that facilitated financial diversions (MPF, 2018, p. 27). Intercepted communications reveal that many lower-level participants often viewed their involvement as routine, fulfilling obligations in exchange for modest bribes or promises of job security (MPF, 2018, p. 50). By embedding corruption across the administrative hierarchy, the network not only facilitated its operations but created additional layers of insulation for higher-ranking officials, ensuring operational continuity for schemes devised at the top.

The investigation also revealed a significant business core within the corruption scheme. While contracting private companies for services and materials is legally permissible, the INC exploited this process by relying on companies closely tied to Mouhamad Moustafa to manage healthcare units. These arrangements bypassed competitive bidding requirements and allowed for inflated contracts, fabricating a deliberate blending of legal and illicit practices, showing the network’s reliance on shared benefits and blurred

boundaries to obscure accountability. Control mechanisms conducted by the Office of the Comptroller General of Brazil (CGU) and the Federal Revenue of Brazil uncovered a “*confusão patrimonial e operacional*” (intermingling of assets and operations) among these entities, where legal distinctions were deliberately blurred. For instance, Moustafa’s companies issued invoices directly to the State of Amazonas through the INC, enabling him to funnel public funds to entities under his control while presenting the transactions as nonprofit services. These practices positioned the INC as both a recipient of public funds and a conduit for private financial gain through inflated contracts (MPF, 2018, p. 64). The business core relied heavily on a judicial core to suppress scrutiny and legal challenges, ensuring that fraudulent contracts remained intact.

Thus, the judicial core was instrumental in shielding the corruption network from accountability, systematically neutralizing challenges to the operation. Lawyers Josenir Teixeira and Lino Chíxaro engaged in illicit lobbying and obstructing justice by influencing judicial decisions, delaying investigations, and securing favorable rulings for network participants (MPF, 2018, p. 72). One notable example is how Teixeira and Chíxaro failed to activate the audit commission tasked with reviewing INC accounts and did not convene mandatory meetings to address financial irregularities. This deliberate inaction allowed the INC to bypass scrutiny and maintain fraudulent operations (MPF, 2018, pp. 36-37). Murad Aziz, the brother of former Governor Omar Aziz, played a complementary role by leveraging his political connections to expedite contract approvals and prioritize payments for INC-linked companies. Aziz received monthly payments from Mouhamad Moustafa, ensuring the network’s financial continuity while obstructing legal and administrative actions that could disrupt its operations (MPF, 2018, p. 75).

The enforcement core played a critical role in this operation by securing the network, using intimidation and violence to maintain control, and silencing dissent and whistleblowers. Mouhamad Moustafa, with support from a personal security team of army and police officers, orchestrated the torture of Gilmar Fernandes Correa and André Paz Dantas, employees of *Salvare*—a company tied to the corruption scheme. Moustafa accused them of misappropriating funds and subjected them to severe physical and psychological abuse to force confessions. His team handcuffed the victims, threatened them with firearms, and coerced them into signing extrajudicial agreements under duress. They also compelled the victims to record videos denying mistreatment, showcasing the calculated use of violence—or its threat—to enforce compliance and silence opposition (Procuradoria da República no Amazonas, 2018). By using violence

and intimidation, the enforcement core upheld the decisions of the political and judicial cores, ensuring the network's operations continued without disruption.

In sum, the corruption network uncovered in Operation "Bad Paths" functioned as an interconnected system where each core –political, business, judicial, and enforcement– played a vital role in sustaining and amplifying illicit activities. Mutual dependency and shared benefits ensured the network's resilience. The political core provided strategic coordination, the business core managed financial flows, the judicial core suppressed accountability, and the enforcement core maintained compliance through coercion. These cores operated as a cohesive unit, with their interdependence creating a feedback loop that strengthened the network's ability to exploit systemic vulnerabilities and resist external scrutiny. This interconnected structure demonstrates how corruption can evolve into a self-sustaining system when deeply embedded in governance.

Routine corruption, accountability gaps, and the weaponization of transparency in Amazonas

The corruption network's success was rooted in accountability gaps and the strategic use of opacity to conceal illicit activities. Of the 40 proceedings related to administrative misconduct targeting public officials, 13 cases focused on bribery payments, one on torture, eight on contract overbilling, and the remainder involved illicit contracts with implicated companies. These findings reveal a systematic pattern of exploitation, highlighting how the network leveraged institutional weaknesses to perpetuate corruption.

TABLE 1. PROCEEDINGS ON ADMINISTRATIVE MISCONDUCT (MPF, 2018)

Administrative Action	Typification	Damage to Treasury
Bribe Payments	Illicit enrichment - Law n. 8429/92 Article 9	R\$ 19,846,826
Contract overbilling	Injury to the Treasury - Law n. 8429/92 Article 10	R\$ 21,297,056
Torture	Law 8.429/92 Article 11	R\$ 500,000
Illicit payment to the companies	Injury to the Treasury - Law n. 8429/92 Article 10	R\$ 30,527,679
Total		R\$ 72,171,561

Source: The Author.

These proceedings provided insights into the investigations conducted by the Public Ministry (MPF) and the Office of the Comptroller General (CGU), revealing the corruption network's systematic operations. At the heart of these operations was a carefully maintained façade of legitimacy, allowing the

network to secure contracts and avoid scrutiny. Through joint investigations, the MPF and CGU identified how Mouhamad Moustafa and INC employees wielded significant influence within the state public administration to obtain management contracts and control healthcare units, aligning with Johnston's (2000) concept of simulated transparency, where the appearance of accountability masks more profound systemic corruption, effectively shielding networks from scrutiny. Furthermore, this routinization of corruption exemplifies how mutual dependency between actors normalizes illicit practices, as Quiroz (2006) described, embedding them into daily operations.

For instance, case No. 1000399-20.2018.4.01.3200 (MPF, 2018) revealed recurring conversations about bribe payments. On July 10, 2015, the brother of the former state governor asked his assistant, "Did you already deliver Marinete's [bribe]? –Yes, boss; –Thanks" (p. 30). Maintaining such a system, however, required careful coordination and consistency. Failures to meet obligations –such as delayed bribe payments– threatened to destabilize the network. In one communication, a subordinate urgently reported: "Sorry to bother you, did you manage to help your friend here? Bradesco [Brazilian bank] has not done anything so far, and next week, the employees 'will complicate our situation'". Such disruptions highlight the risks of operational vulnerabilities, like payment delays, and how they could ripple across corrupt activities and legitimate healthcare services, demonstrating the system's fragility by raising questions regarding the contracted service.

Moustafa's leadership reveals how corruption was justified and perpetuated within the network. In one intercepted conversation, he remarked, "The money belongs to them [lower-ranking officials], not us," reflecting his prioritization of keeping the corruption network flowing without disruption, showing how normalized corruption became a systemic necessity for sustaining its operations. As Moustafa explained, this rationale for corruption became a core principle of INC: "I only grew because of this, and now I am failing... These failures will eventually ruin everything." Interestingly, this conversation exemplifies the self-reinforcing mechanisms of corruption consolidation, where loyalty and systemic norms suppress dissent, as highlighted by Flynn (1974) and Brinkerhoff and Goldsmith (2004).

–This is not easy; regardless of what happens to us, we cannot do it anymore. Once we receive it, we have to pass it on, period. I only grew because of this, and now I am failing... These failures will eventually ruin everything. I am already too delayed with them.

–Then, we must prioritize them and stop paying for other things.

–It is not about prioritizing. The money belongs to them, not us. I will eventually get screwed because of this”. (ibid.)

The delays also disrupted the normal functioning of healthcare units, possibly raising questions regarding INC and its services. In this regard, the payment of corrupt acts and regular healthcare management became intertwined, causing problems for the latter. In this case, a notable moment occurred when Banco Bradesco definitively denied the transfer. “... I need your help again; the payments are very delayed...; employees are already going on strike”. This request was responded to with the assurance that payments would be made by the end of the week.

The power dynamics within the corruption scheme reveal differences between the lower and higher echelons. Lower-ranking participants received modest monthly bribes, while higher-ranking members prioritized maximizing their profits from the embezzled funds, even if their actions risked exposing and jeopardizing the entire operation. Conversations among higher-ranking individuals highlight their focus on accounting for all “costs”, particularly the “political cost”, when setting inflated service prices. They also discussed the importance of creating the appearance of legitimate services, contrasting this with blatant fraud, such as billing for non-existent sterilization services in the cities. These discussions underline how the network balanced profitability with maintaining a superficial veneer of credibility to avoid detection.

MOUHAMAD: Regarding overpricing, on top of the provider raising the POLITICAL COST and passing it on, I think our business is much more natural than telling me...

JOSENIR: The wrong things have to be done correctly; we have things where the money goes out without any corresponding service. For example, in sterilization, I do not even do a little bit to say that little bit is overpriced... I do nothing... [especially] for 167 thousand per month?

MOUHAMAD: ... I need to have a clear conversation with everyone; as I said, is it possible to work 100% correctly? Yes! But when we work 100% correctly, the same notice that I am sending today for sterilization they will send to me saying that they are terminating a contract, that if I work 100% correctly, sir, I won't be able to give POLITICAL COST to anyone. And for this to continue, we depend on POLITICAL COST. It's obvious, it's absurd, so, damn, is this the way of the country? Yes. Abreu e Lima [construction site] received 80% of the work and didn't execute 30%. (MPF 2018, p. 15)

Here, we can also observe Mouhamad seeking to justify his acts of corruption by claiming that it is “impossible to be honest in [Brazil]” and citing the example of the construction of the Abreu e Lima refinery.

The “Political Cost” represents a quantifiable aspect of corruption, comprising funds that the network allocated to local and State governments to ensure the continuation of operations. According to the group’s lead attorney, Josenir, the criminal organization depended on overbilling or non-provision of services by the INC’s suppliers. These fraudulent practices generated enough profit to fund personal enrichment and the bribes required to maintain political support and operational continuity.

MOUHAMAD: We spend an “X” cost, from which I have to deduct “Y” that I have to pass on to them. So, if I were to pass it all to the side of being 100% honest, you know? Let us quote it against... And quote it at the lowest price; the surplus comes in millions; what will happen? They’ll remove us, you know... I’m not obliged to be in this... I am here by choice, but not solely by choice; I’m here because I live off of it. It is a matter of survival; remove all our public contacts, where we have political quotas involved and such, the company won’t survive... So, anyway, we live in a country where illegality is the foundation of everything we do. (MPF, 2018, p. 38)

This narrative demonstrates how systemic corruption operates through intertwined power dynamics and obligations. Network members prioritized “political costs” over all other responsibilities to ensure survival. Conversations among the actors reveal their acute awareness of their corrupt activities and a paradoxical sense of moral guilt. They often rationalized this conflict by perceiving corruption as an unavoidable societal reality. Many justified their participation by believing that abstaining would allow others to take their place: “So in the end, we live in a country whose foundation is illegality in everything we do”.

As the network grew, its manipulation of transparency became its most effective shield. Network leaders weaponized bureaucratic opacity to conceal corruption and erode public trust in governance, echoing Johnston’s (2000) argument. Although the Transparency Law of 2009 required real-time disclosure of financial information, the State of Amazonas failed to adequately supervise services or audit submitted accounts. The MPF attributed this failure to the “ineffectiveness of local executive control agencies” (MPF, 2018, p. 36). This lack of enforcement allowed the network to manipulate public perceptions of compliance and transparency while diverting funds.

Conversations between Moustafa and his associates highlight how the network weaponized transparency metrics to mask corruption. Superficial adherence to transparency norms created an illusion of accountability while shielding more profound failures in oversight, reflecting Baez-Camargo et al. (2023) observation that co-opted networks are remarkably adaptive, using formal governance tools to bolster informal corruption. As Moustafa noted: “The State of Amazonas has achieved 70% transparency on the Transparency Portal, but 60% of that is related to payroll, meaning they have only declared 10% of what is in the contracts, the rest is ‘off the books’” (ibid., pp. 36-37).

As Moustafa noted: “The State of Amazonas has achieved 70% transparency on the Transparency Portal, but 60% of that is related to payroll, meaning they have only declared 10% of what is in the contracts, the rest is ‘off the books’” (ibid., pp. 36-37). This superficial compliance with transparency norms shielded the network from scrutiny while more resounding failures in oversight remained unaddressed.

MOUHAMAD: Well... Perhaps we are currently the largest healthcare contract in the State, solely speaking of one thing. ... From SALVARE, so the State, the State provides almost seven (million) in counterpart, so it does not appear that it actually costs seven, you understand?! This is an administrative deficiency of the government, so, personally, those who should be much more concerned with the criminal aspect are the government, which is the executor and overseer, and they didn't... Criminally...

JOSENIR: It will affect them; they didn't activate the commission, haven't had a meeting, and haven't approved or disapproved our accounts until today.

JOSENIR: It's a shared responsibility. It's not like they will be punished, and we won't be in some way.

MOUHAMAD: Doctor, just so you have an idea, the State of Amazonas has achieved 70% transparency on the Transparency Portal, but 60% of that is related to payroll, meaning they have only declared 10% of what is in the contracts, the rest is “off the books”. Plainly speaking, you understand? (ibid., pp. 36-37)

The network also exploited public-private partnerships (PPPs) to circumvent accountability. Moustafa openly admitted to identifying flaws within the PPP frameworks and immediately recognizing opportunities for exploitation. Reflecting on this, he stated: “I said, ‘Doctor, let me ask you, I’m getting into an OS business, how do you guys take money from yourselves [public entities]?’”. (ibid., p. 37).

Several critical points emerge from this analysis. The absence of robust oversight and efforts to comply superficially with the Transparency Law create a glaring gap between administrative practices and reported data. Historically unaccustomed to rigorous transparency procedures, state and municipal governments often present figures they cannot substantiate. This disconnect stems primarily from their failure to monitor contracts and enforce accountability.

From the perspective of corrupt actors, these systemic flaws make the State an unwitting accomplice in corruption. Governments circumvent legal requirements and obstruct potential investigations by publishing unverified figures and neglecting to monitor obligations. Any uncovered deviations or irregularities would directly contradict the State's declared data, undermining its credibility. Moustafa acknowledged this dynamic by labeling the government "co-responsible". His lawyer expressed it more bluntly, warning that the government should worry "from a criminal standpoint" because, as he explained, "It will come back to haunt them. They didn't activate the committee, hold the meeting, and haven't approved or disapproved our accounts to this day".

By embedding opacity into institutional practices and normalizing bribery, the network entrenched itself within public administration. The combination of weak oversight, manipulated transparency, and routine corruption illustrates how accountability gaps foster systemic impunity. These findings emphasize the importance of harmonizing institutional reforms with theoretical insights into corruption's adaptability, highlighting the need for multidimensional approaches to dismantle entrenched networks.

CONCLUSION

This article aimed to demonstrate how corruption consolidates within local governments through an in-depth case study of Manaus, Rio Preto da Eva, and Tabatinga in the State of Amazonas. By applying a theoretical framework focused on networks, organizational mechanisms, opacity, and checks and balances, the analysis reveals how systemic vulnerabilities, entrenched power dynamics, and weak oversight embed corruption into governance structures.

The dynamics observed in Operation 'Bad Paths' reflect broader governance challenges that are prevalent across various local contexts. In Southeast Asia, for instance, elite capture and the co-optation of governance structures have been linked to fragmented oversight and the exploitation of opaque procurement processes especially since decentralization efforts (Phang & Phang, 2013; Mattingly, 2016). Similarly, in Sub-Saharan Africa, systemic opacity and the manipulation of institutional frameworks have enabled entrenched networks to

thrive, often with devastating impacts on public trust and service delivery (von Holdt, 2022). Post-Soviet countries provide further examples, where patronage systems and elite influence over formal institutions have created environments conducive to local but large-scale corruption (Holmes, 2006; Grzymala-Busse, 2008). Effectively addressing these interconnected elements requires anti-corruption strategies that are carefully tailored to the specific vulnerabilities of each context, informed by a thorough analysis of embedded dynamics. In this sense, the case of Manaus offers a valuable lens for understanding how localized corruption dynamics reflect and inform global governance challenges.

Several top-down approaches undertaken in the 1990s, particularly the emphasis on decentralization coupled with a narrow sense of transparency as a governance strategy to enhance efficiency and local responsiveness, often created significant vulnerabilities in weak institutional contexts, such as post-dictatorship Brazil and, specifically, Amazonas. Delegating service management to entities like the Instituto Novos Caminhos (INC) exposed accountability gaps and inadequate oversight, which corruption networks exploited to thrive. This study demonstrates that when coupled with fragmented oversight and political interference, decentralized systems can become tools for elite capture. However, decentralization, when paired with robust institutional reforms and essential social policies, holds the potential to strengthen governance by fostering accountability, transparency, and equity. These findings highlight the critical need to align decentralization efforts with systemic safeguards, including addressing systemic inequalities, implementing participatory governance models, establishing collaborative oversight mechanisms, and ensuring strong intergovernmental coordination.

This article showed how corruption networks in Manaus exploited these governance vulnerabilities. By controlling resources, bypassing procurement regulations, and normalizing bribes as “political costs,” elite actors created entrenched hierarchies insulated from accountability. These dynamics are not unique to Manaus; they resonate with corruption trends observed in other decentralized systems worldwide. The resilience of these networks –adapting to external pressures, co-opting oversight institutions, and exploiting regulatory gaps– offers a critical lesson: anti-corruption strategies must prioritize the disruption of entrenched power asymmetries. Tools such as participatory audits, citizen oversight committees, and whistleblower protections are essential to expose corrupt practices, curtail elite influence, and restore trust in governance.

In this sense, the health sector enhances the challenges of corruption due to its significant public expenditure, multi-stakeholder involvement, popular pressure, and high vulnerability to fraudulent schemes. The organizational mechanisms dimension of this framework –facilitated through patronage,

coercion, and clientelism—reinforces institutional loyalty to corrupt actors. These norms are not limited to health, despite usually becoming more evident in them (Glynn, 2022), but reflect broader governance challenges in sectors with high financial stakes.

As shown in the case of Manaus, opacity in procurement processes allowed public officials and private contractors to divert funds with impunity, by shielding corrupt practices through bureaucratic discretion and fragmented legal frameworks. This lack of transparency is not limited to local governance but is a hallmark of global corruption networks that thrive on simulated transparency. To counter these dynamics, scalable solutions such as digital procurement systems, automated checks, and open-data platforms are critical. These tools, aligned with international governance standards, can enhance fiscal transparency, deter manipulation, and empower communities to monitor governance in real time, offering a path toward stronger accountability mechanisms globally.

The failure of checks and balances in Manaus is exemplified by the compromised operations of oversight institutions, such as the state auditing agencies, which lacked the resources and independence to investigate irregularities tied to the Instituto Novos Caminhos (INC). Political interference in key appointments and insufficient funding further hindered these bodies, allowing corruption networks to operate with impunity. Strengthening such institutions requires transparent, merit-based appointments, adequate funding, and harmonized regulatory frameworks. These reforms are essential not only for addressing corruption in Manaus but also for enhancing governance resilience in similar contexts globally.

Thus, this study contributes to both the theoretical and practical understanding of governance and anti-corruption by presenting a framework that integrates systemic, organizational, and institutional dimensions into the analysis of corruption. By highlighting structural and systemic factors—such as decentralized governance facilitating elite capture, the normalization of patronage and coercion, and the shielding effects of opacity—this framework offers a versatile lens applicable across diverse governance contexts. These insights not only deepen theoretical understanding but also provide actionable strategies for policymakers and practitioners, bridging the gap between academic research and practical anti-corruption interventions.

Finally, the case of Manaus illustrates the transformative potential of integrated governance reforms grounded in a nuanced understanding of corruption's systemic and localized dynamics. The proposed framework—focusing on networks, organizational mechanisms, opacity, and checks and balances—offers a structured and context-sensitive approach to analyzing and

addressing corruption consolidation. By harmonizing localized anti-corruption measures with regional and national strategies, such reforms can disrupt entrenched networks, rebuild institutional integrity, and foster collaboration across governance levels. These insights underscore the importance of aligning anti-corruption efforts with broader governance priorities, emphasizing participatory audits, digital oversight tools, and citizen-led accountability mechanisms. Beyond addressing corruption in isolated cases, these integrated strategies provide a scalable roadmap for enhancing transparency, restoring public trust, and fostering equitable governance systems globally.

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