Chapter 6
Remembering Rio 2016:
the Anti-Corruption Governance Legacy

Executive Summary

This book has shown that Rio 2016’s enduring significance is not to be found by medals and records, or even in transportation lines and tourist revenue. Rather, it lies in Brazil’s historic effort to improve governance generally and address corruption specifically, motivated in part by hosting the Games. The television ratings may not have achieved all-time highs, but Brazil’s measures to prevent and prosecute public corruption on the eve of these Games may well be unprecedented. These laws will remain in effect, and the enforcement actions and impeachment proceedings will continue to unfold, setting powerful examples within Brazil and throughout the world.

But Brazil’s Olympic governance legacy is not without blemish. The still unfolding saga of Brazil’s anti-corruption reforms, while generally encouraging, has certainly raised questions for Brazil, for the global anti-corruption movement generally, and for Olympic governance. We conclude this report with closing thoughts on the deep differences between Rio 2016 and Sochi 2014, on the Olympics as a “state of exception,” the challenges we now see Brazilian federalism posing for effective anti-corruption enforcement, on democratic and authoritarian strains in host-nation politics, and ultimately, on what the IOC can and should do to promote a more meaningful Olympic governance legacy.
Rio was not Sochi, and Brazil is not Russia

A striking comparison to Brazil’s Olympic governance legacy is its fellow BRIC nation and Olympic host predecessor: Russia. The host-city corruption narrative reached an historic zenith with the Sochi 2012 Winter Olympics, with suspicions and accusations of widespread embezzlement and self-serving decision-making running rampant. A more fevered pitch may have seemed impossible at the time. But the global focus on Brazil’s domestic corruption problems on the eve of the Olympics has likely exceeded Russia’s high bar.

Given their successive Olympics hosting, and the superficially comparable corruption narratives, Brazil may suffer the same reputational hit as a result of hosting the Olympics that Russia felt. That would be a shame, and one of grave consequence. Among the stakes is Brazil’s perceived attractiveness as an investment destination for foreign businesses. And given Brazil’s well-documented economic problems, it may now need foreign investment more than at any time in recent history.

But the difference between Russia and Brazil is the difference between allegations and convictions. And that is a world of difference. In Russia, with perceptions of endemic corruption extraordinarily high among both the domestic population and outside observers, it responded with obfuscation and legal inertia. We saw little in the way of new laws enacted or enforced. Brazil’s reaction could not have been more different. As this book has labored to explain, Brazil responded to domestic discontent with a series of new laws and enforcement initiatives. Brazil deserves to emerge from the Olympic spotlight looking better, not worse, for its commitment to addressing corruption and implementing the rule of law.

The world’s failure to recognize this contrast between Russia and Brazil is in large part a failure of the media. The chronic refrain of crisis and collapse has simply not painted an accurate picture, doing a disservice to Brazilians and to all those who take an interest in the country’s development. We all know
that bad news sells, and the media have made millions off of this moment in Brazil’s history. But the cost to Brazil is likely much greater.

Is it too late to get this story right?

*The State of Exception and Olympic Law*

Giorgio Agamben, a contemporary Italian political philosopher, wrote of the state of exception as the suspension of an original body of law, followed by the introduction of new laws to fill the vacuum. Laws created in the state of exception “should be issued to cope with exceptional circumstances of necessity or emergency.” Examples of this state of exception include the American Civil War, where President Abraham Lincoln suspended rights to writ of habeas corpus and other laws. The twin justifications of necessity and temporariness (or emergency) were likewise used during the Great Depression to build the modern administrative state. A more controversial example may be the USA Patriot Act, which allowed the American Attorney General to take into custody any aliens that threaten national security. Agamben observes that many such instruments of government created during crises continue after those crises are resolved.

While a state of exception may first seem to have a negative connotation, eliciting images of military dictatorships, the Third Reich, and martial law, the twin prongs of necessity and temporariness have more benevolent application. The suspension of law creates within itself a state of malleability wherein a government may, to quote Justice Brandeis of the U.S. Supreme Court, “choose [to] serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.” To take a sports-related example, the UCI Road World Championships in September 2015 created a need and a period of urgency for its host city – Richmond, Virginia – to create new bike lanes. While previous efforts to create legislation

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2 Id, pg. 9.
allowing for full funding of converted bike lanes had failed, this state of exception allowed for one year of full funding leading up to the race. This year of full funding was to “serve as a trial while lawmakers wait for a report on the subject from the state secretary of transportation.” This state of exception was a positive way of experimenting with a law and testing the results before implementing it long-term.

Mega-events such as the Olympics are larger opportunities to suspend long-standing laws and replace them with temporary and exceptional laws. Like in Richmond, there arises an urgent need to create—to create complicated infrastructure, create a system of procurement, create a city-wide event that lasts seventeen days. However, mega-events have more of a sense of urgency, an atmosphere “derived from the condensed, fixed timeline of the mega-event, the requirements of international sports federations, and the needing to impart a precise urban image.” The urgency of the requirements to build the massive infrastructure creates an atmosphere where lawmakers have more power to “bypass political procedures, legal requirements, public participation and civic dialogue.” Because hosting the Olympics benefits the host country in so many ways (though not necessarily monetarily), those same lawmakers have more impetus to get things done with as little wasted time as possible.

Brazil’s consecutive hosting of the World Cup and Olympics may have illustrated both the uses and abuses of the state of exception. Prior to the World Cup, where Dilma Rousseff signed into law the controversial “Budweiser Bill,” allowing the temporary sale of beer during World Cup matches. This overrode previous Brazilian legislation that made beer sales illegal at football matches, legislation aimed at lowering violence among fans.

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6 Id at 20.
7 Oleaga, Michael. “FIFA World Cup Sponsors: Budweiser Partnership Changing Alcohol Bans in Brazil, Russia 2018, Qatar 2022.” Latin Post. 23 June
Similarly, the extraordinary slum-clearing efforts, with the resulting forced 
displacements and police brutality, show how the Olympics can induce a 
government to bypass fundamental legal protections. A similar dynamic 
emerged in Athens, which passed a set of initiatives prior to the 2004 Games in 
law N2947/2001 to “upgrade the esthetics of Athens,” but which forced “serious 
bypassing of established laws... concerning land use and working rights.”
Likewise, in Russia, Putin created Olympstroy, the organization overseeing the 
Olympics, to have a special state corporation status, which made it “possible to 
control money with minimal oversight or interference.”

On the other hand, Brazil’s procurement reform – one of our “four 
pillars” of Brazil’s governance legacy – is perhaps a textbook example of a 
beneficial exception. Brought on by the need to greatly accelerate large-scale 
public procurement for the World Cup and Olympics, Brazil carved out an 
exception to its traditional procurement procedures. Treating this exceptional 
interim period as a kind of a laboratory, Brazil has been experimenting with an 
alternative procurement regime. The country is now beginning to examine this 
experiment’s results, considering whether the procurement reforms were 
ultimately effective and whether further reforms may be warranted. Can the 
state of exception become a state of corruption? Certainly so, but the answer 
hinges on whether the exception constitutes an abuse of public office, and then, 
whether the abuse is for private gain.

The Case of Athens." Regional Architecture and Identity in the Age of 
9 Orttung, Robert W. Olympstroy: Building the Sochi Olympics from Scratch. 
We spoke in Chapter 2 of the paradox of Brazilian federalism. Brazil’s 1988 Constitution, to its great credit, aims to minimize corruption by dispersing authority within the federal government and between the federal, state, and municipal levels. It is an ex ante anti-corruption measure. But when corruption acts do occur – and they invariably will – can such a radically decentralized system effectively enforce corruption prohibitions, meet out consistent and appropriate punishments, and deter further misconduct?

The Anti-Corruption Law, or Clean Companies Act (see Chapter 4) is perhaps the best example of this paradox. It is a national law rather than a federal law, meaning that it applies to, and can be interpreted and enforced by, not just the federal government but to the state and municipal governments as well. This would seem to be a good thing, and likely is – enforcement against companies for their role in official corruption at all levels of government, not just the federal government, is likely to increase dramatically. So too does the Clean Companies Act vest enforcement authority in a wide range of agencies across the federal government. Again, this could be of benefit, bringing more resources and perspectives to bear on enforcement, and creating wider and more uniform application of the law.

But Brazil’s federalist system runs two risks: of over-enforcement, and of under-enforcement. The over-enforcement problem is already widely recognized; the Petrobras investigation may just now be illustrating the under-enforcement risk. The number of government bodies authorized to enforce the CCA is mind-boggling: adding up the federal, state, and municipal offices, the number exceeds 5,000. A single set of allegations can thus give rise to a dizzying array of uncoordinated enforcement actions, which would be both a hugely inefficient use of public resources and completely crippling for the defendant having to defend against, or cooperate with, each of these actions. So too can diverse enforcement actions give rise to inconsistent interpretations of the statute. But the Brazilian corporate community has been talking about this problem for some time.
The Petrobras investigation, and the ousting of Dilma Rousseff, has illustrated the under-enforcement risks in a system of dispersed power. President Dilma had granted the CGU the authority to unilaterally negotiate plea agreements with corporate defendants under the Clean Companies Act. This regulation met great controversy within anti-corruption circles, where many thought that the CGU should be required to coordinate its plea agreements with other enforcement bodies, particularly the TCU (the federal audit court) and the federal prosecutors. Upon Dilma’s ousting, acting President Temer immediately suspended Dilma’s regulation, having the effect of suspending the CGU’s plea agreement negotiations in a number of high-profile corporate enforcement actions. Ostensibly, Temer’s intention is to enable the coordination of negotiations with the TCU and prosecutors. But that coordination has not yet been authorized, and the plea agreement negotiations remain suspended indefinitely. Local experts are not predicting when those negotiations will resume.

The upshot is that an attempt to coordinate enforcement among diverse agencies is now having a crippling effect. Brazil’s system of dispersed power is, at present, preventing the federal government from enforcing this new statute against corporate wrongdoers. Whether Temer’s suspension of the CGU’s unilateral negotiation authority is a sincere attempt to strengthen enforcement, or a guise for obstructing enforcement, is unknown. Regardless, the outcome is the same: CCA enforcement remains in something of an abeyance. And the philosophical commitment to allowing diverse agencies to share enforcement authority would seem to be a substantial part of the problem.

Democracy, Authoritarianism, and Olympic Legacies

The bidding for the 2022 Winter Olympics highlighted just how problematic the concept of an Olympic legacy has become, and how badly we now need to redefine that term. Near the end of the bidding process, two cities withdrew and two remained, creating an unmistakable pattern. The withdrawing cities were Oslo, Norway, and Stockholm, Sweden, two cities that
are not only associated closely with winter sports, but also with good governance. They have among the lowest perceived levels of corruption in the world; in the most recent rankings, they placed fifth and third, respectively. The two countries that remained were regrettably of a different stripe: Almaty, Kazakhstan, and Beijing, China, two authoritarian regimes historically known for low levels of political representation and high levels of corruption. The bid was ultimately awarded to Beijing, a city with no snow and scant winter sports traditions; the announcement led the world to scratch its head. Why would only non-representative, corruption-prone regimes be competitive for the Olympic Games?

Norway and Sweden withdrew on largely economic grounds, in response to low levels of public support for shouldering the Olympics’ infamous costs. The authoritarian regimes seemed not to mind. Does those regimes’ willingness to absorb such costs a raise a corruption red flag? If corruption is the abuse of public office for private gain, might the mere willingness to host the Games constitute a kind of corruption? Are leaders seeking Olympic prestige, motivated by private vanity, at undue public expense?

The substantial worldwide doubt concerning the long-term value of hosting the Olympics presents a two-fold opportunity. For the host countries, they must recognize that the long-term economic benefits may not, in the end, exceed the costs. From a purely economic standpoint, the Olympics may well be a losing proposition. Plainly, we are wise to take measures to control the costs, and the IOC’s focus on improving the Games’ long-term economic impact is an unmitigated good. But prospective host countries may have to confront the fact that if the benefits of hosting the Games are to outweigh the costs, we may need to measure those benefits in non-economic terms. That is, we need to recognize the non-economic elements of the Olympic legacy.

Host countries may follow Brazil’s lead and create for themselves a governance legacy. In anticipation of hosting the Games, countries can adopt governance reforms that will endure after the Games are over. The reforms may concern Olympic preparation specifically, such as Brazil’s procurement
reforms. So too may the reforms be prompted by public concerns that hosting these mega events may not otherwise inure to the public’s benefit, as was the case with Brazil’s Clean Companies Act and organized crime law. Either way, if countries are to bid in good faith to host the Games, and if the people are to truly benefit, we may have to consciously acknowledge and magnify the Games’ prospective governance legacy. The Games can stimulate anti-corruption reforms specifically, and improved governance generally, thus making good on the IOC’s promise that the Games be a catalyst to positive host-country change.

But despite Brazil’s robust implementation of governance reforms on the eve of the Olympics, the IOC unfortunately deserves little of the credit. Our interviews with persons working on the ground in Brazil suggested that the IOC did very little to encourage anti-corruption reforms. As much as the IOC cared about intellectual property, and effective execution of the Games, it seemed to care little for the integrity, transparency, and accountability of the government processes that produced the Games. That is, Brazil created its enormous Olympic governance legacy despite the IOC, not because of it.

Future countries may not be quite so well positioned to implement similar reforms absent outside support encouragement. The IOC should explicitly adopt a commitment to expecting host countries to reduce corruption and improve governance in preparation for the Games. It can do so in various ways, as the next section shows.

Ensuring a Governance Legacy: Anti-Corruption as Criterion for Awarding Bids

Very much to its credit, the IOC has made a series of gestures in the last decade or two toward requiring all parties to the Games to adopt principles of ethics and good governance. The IOC has embraced the idea that the Games should be awarded and managed with an eye toward their legacy. The focus of our Olympic Anti-Corruption Report is that the IOC should adopt a newer, and broader, understanding of legacy to include the governance legacy. In particular, the attention paid to host city/country management of the Games
should prioritize the laws and governance procedures that the city/country adopted in anticipation of the Games and that will remain in place after the Games are gone. In particular, the IOC should encourage, and expect, a host city/country to adopt meaningful anti-corruption reforms and to use those reforms to leave a lasting legacy of improved governance. This section will briefly describe those various gestures, and concludes that the time is now right to make the next major step forward in Olympic host-city/nation governance reforms: namely, making proposed anti-corruption reforms a criterion for awarding the Games.

In response to the emerging governance challenges of a growing Olympic movement, the IOC established in 2002 an Olympic Games Study Commission. The Commission issued a report that makes a number of recommendations to make the Games more manageable and efficient. While governance of the host cities/countries is a focus of the report, the emphasis is primarily on managing costs. The Commission recommends that the theme of “sustainability,” which had previously been added to the Olympic Charter, should be read to include not just environmental sustainability but also the more general legacy of the Games for the host city. The report may take for granted a traditional definition of “legacy,” to include infrastructure and economic impact.\(^\text{10}\) Still, the report invites a focus on how the Games should be administered to the long-term benefit of the host-city/nation.

A stronger basis for focusing on host-city/nation corruption reforms may exist in the IOC Code of Ethics.\(^\text{11}\) The Code’s Preamble makes explicit that these ethical principles should apply to all Olympic parties, including the host


\(^{11}\) IOC, Code of Ethics and Other Texts (2013), available at http://www.olympic.org/Documents/Commissions_PDFfiles/Ethics/code-ethique-interactif_en_2013.pdf. The Code of Ethics is incorporated into the Host City Contract by Part S of the Preamble of the Contract; this is how corruption could constitute a breach, rather than simply being a potential “ethics violation” as a normal act contrary to the Code might be. See Code of Ethics, Section G.
city and nation government entities. Two sections of the Code, “Integrity of Conduct,” and “Good Governance and Resources,” touch on corruption-related practices. The relevant sections prohibit the acceptance of concealed benefits or services in connection with the organization of the Games, mandate transparent accounting, assert that Olympic resources may only be used for Olympic purposes, and require adherence to the “Basic Universal Principles of Good Governance of the Olympic and Sports Movement,” which again focus on transparency and accountability. The Code of Ethics is presently integrated into the contractual obligations of the host city. Part S of the Preamble states that “the City and the NOC acknowledge and agree to carry out their activities pursuant to this Contract in full compliance with universal fundamental ethical principles, including those contained in the IOC Code of Ethics.” But the extent of the Code’s impact on actual governance practices has historically been an open question.

The IOC sought to make the Code more meaningful, and impactful, through its Agenda 2020 initiative. In 2014, the IOC created 14 working groups to consult with all stakeholders of the Olympic Movement, and to focus on crucial areas of improvement. The final result was 40 recommendations spanning all aspects of the Games and the IOC itself, and dubbed the Olympic Agenda 2020 (“Agenda 2020”). The recommendations touch on various dimensions of the Games, from costs and efficiency concerns, to stakeholder relations, to doping prevention, and gender equality. Certain of the recommendations are now being implemented, especially with respect to the bidding process. In revamping the bidding process, the IOC will emphasize to host cities “a holistic concept of respect for the environment, feasibility, and of development, to leave a lasting legacy.”

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12 Id. at 11.
13 Id. at 13-14; 67.
14 IOC, OLYMPIC AGENDA 2020: CONTEXT AND BACKGROUND 3 (Dec. 9, 2014) [hereinafter AGENDA 2020].
15 Id.
16 Id.
17 Speech by IOC President Thomas Bach, Opening Ceremony, 127th IOC Session (Monaco, Dec. 7, 2014).
stakeholders, from host cities and national committees, to sponsors, to the
athletes and coaches, the IOC aims to “embed[] sustainability in all aspects of
organizing the Olympic Games.” Agenda 2020 thus lays a kind of groundwork
for future efforts to address host city/nation corruption specifically.

In preparation for Agenda 2020, two working groups were tasked with
examining governance and ethics. The first group made recommendations for
compliance with basic principles of good governance, supporting autonomy,
and increasing transparency. The second made recommendations on how to
increase the IOC Ethics Commission’s independence; ensure compliance, and
strengthen ethics overall. As President Bach stated in a speech to the IOC
Session that ratified Agenda 2020, people want to know about the IOC’s
“governance and finances . . . how [the IOC is] living up to [its] values . . . . This
modern world demands more transparency, more participation, higher
standards of integrity.” Indeed, the IOC has realized the need for establishing
more credibility for itself, as it attempts to strengthen its own transparency and
ethics through an Ethics Commission. This commission, elected by the IOC
Session instead of the Executive Board, will draft new ethical rules in line with
Agenda 2020 and establish a compliance officer position. The Ethics
Commission will not be a disciplinary body, but rather a recommendation-
making body that will define the Olympic Movement’s ethical principles and
that will “investigat[e] complaints related to the non-respect of these
principles.” The commission could then propose sanctions to the IOC
Executive Board. The Agenda 2020 recommendations outline clear goals and

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18 Id. Interestingly enough, some of the sustainability reforms of the Olympic
Charter include allowing some events to occur outside of the host city, or even
host country, in exceptional circumstances. Recommendation 1, AGENDA 2020,
at 15–17. The IOC will also ask host cities to focus on reusing and/or updating
current structures and constructing temporary venues. Id.
21 Speech by IOC President Thomas Bach, Opening Ceremony, 127th IOC
Session (Monaco, Dec. 7, 2014).
22 Recommendations 29–32, AGENDA 2020, at 86–90. Agenda 2020 also aims to
tackle doping, match-fixing, manipulation, and corruption in the Games
23 AGENDA 2020, at 87.
explain the impact of the suggested changes, but leave establishing a detailed plan for putting them into practice for another day.

As for specific adjustments made to transparency involving the host city, Agenda 2020 recommendations include making every future host city contract public and including in that document an obligation for the organizer to inform the IOC of the entities that will be entrusted with the post-Games monitoring of the Games legacy. Otherwise, it is unclear whether and how the proposed reforms of Agenda 2020 will extend to host cities. The compliance officer will be tasked with advising “the IOC members, IOC staff, NOCs, IFs and all other stakeholders of the Olympic Movement with regard to compliance,” but it is yet unknown what the primary focus of that compliance will be, and how far that oversight will extend to host city preparations. It also remains unclear how much investigation power the IOC’s Ethics Commission would really have into the operations of a host city in the midst of planning the Games if an alleged violation of the Code of Ethics arose.

These various representations concerning host-city/nation integrity in governance in Agenda 2020, the Code of Ethics and by extension, the Host-City Contract, are ultimately vague and difficult to enforce. Though representing incremental steps in the right direction, the still-fresh contrast between Sochi 2014 and Rio 2016 creates the right moment to make the next step.

We believe the IOC’s proper next step concerns the role of anti-corruption guarantees in the candidature file, bidding process, and eventual host-city contract. Though the IOC presently has limited authority to enforce contractual provisions against the host city, it has nearly unlimited authority to award bids. The bid-granting process is thus where the IOC’s greatest influence lies.

The IOC should make the commitment to addressing domestic corruption a criterion for awarding the Games. It should expect candidature files to include a proposed plan for enacting and enforcing anti-corruption laws

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24 Recommendation 1, 4, AGENDA 2020, at 15, 23.
25 Recommendation 31, AGENDA 2020, at 89.
26 Notably, none of the recommendations in Agenda 2020 directly address new types of sanctions for non-compliant entities, including host cities.
in the lead up to the Games. Anti-corruption provisions could be among the “Olympic Laws” that the host-nation legislature adopts. The candidate city could identify, in consultation with anti-corruption experts, its own corruption prevention weak spots, and specify the reforms it will adopt to improve those areas. First-rate, top-tier laws, institutions, and processes would not be the standard; if it were, the Games would routinely go to the most developed countries, reversing the current trend of awarding mega-events to developing countries (like Russia, China, Brazil, and South Korea). The aim would not be to isolate and exclude countries with weak anti-corruption processes, but to incentivize improvement. Put another way, the IOC could more pro-actively stimulate the kinds of reforms that Brazil adopted on its own initiative. Such provisions would ensure that the Games serve as a catalyst to governance reforms, even in countries that were not exhibiting Brazil’s degree of readiness to adopt reforms. The representations in the candidature file would then, upon awarding the Games, be incorporated into the host city contract, and become enforceable. Just what a contractual provision concerning anti-corruption reforms would look like, and who might enforce it, are legal questions we reserve for another day.

Conclusion: Towards a New Olympic Narrative

The emergent narrative of Brazilian corruption is but the latest installment in a decades-old story. Since the Salt Lake City blow-up in the mid-1990s, chronicling Olympic abuses has become something of a cottage industry. Books with titles such as “The New Lords of the Rings” and “Five-Ring Circus” are published in paperback and gain wide recognition; newspapers host discussion forums on just how bad the Olympics really are; and academics compose jargon-laden tomes of the same tone.

The once iconoclastic perspective on the Olympics has become the norm; the radical has become mainstream. It has become all-too difficult to view the Olympics through any other lens.
Rio 2016 is simultaneously among the easiest Games to see through this lens, and among the worst examples of that lens’ distorting prism. Brazil has provided ample fuel for the anti-Olympic wildfire. But so too has it provided a compelling and – dare one say – inspiring story of a host nation making great strides to address its governance gaps. It is a tragic testament to our too-jaded mindset that these strides garner so little attention.

Ultimately this book is a plea for a new Olympic narrative: one that stakes out a middle position between crushing pessimism and Pollyannaish hoopla. We think Brazil’s factual record fully supports this narrative. We hope and trust that future Olympic Games will provide similar support; South Korea is now following Brazil’s example and adopting important anti-corruption reforms on the eve of its 2018 Winter Games. So too do we hope that the world will notice.