

# The Sustainable Development Goals & Corruption Dilemmas



# Introduction

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The ambitious UN Sustainable Development Goals (SDGs) set out to be achieved by 2030 are not wholly achievable unless corruption is better understood and dealt with. Corruption has an impact on goal achievement, and though many businesses have publicly committed to combatting corruption and to the SDGs, there is scant understanding on the link between the two. Corruption leads to market failure and market failure leads to corruption, a “hen and egg” conundrum where businesses have a major role to play. If we are to have any hope of achieving economic, social and environmental sustainability as set out by the UN Sustainable Development Goals, we need a better understanding of how corruption impacts each of the goals and their tradeoffs hampering economic growth, increasing inequality and slowing improvements in prosperity and welfare.

In this booklet, we explore each of the SDGs and connect to challenges where the situation or action may not be immediately understood as having corrupt intentions or consequences. We focus especially on the ethical dilemmas employees are faced with and illustrate the consequences of different actions. The booklet is targeted towards international business leaders, sustainability managers and multinational company employees around the world. Its purpose is to widen the recognition of interconnected steps in complicated large-scale

corruption to seemingly innocent petty bribery incidents, oftentimes rationalized and socialized in business practice. The goal is to better understand corruption’s corrosive impact on sustainable development. It is also meant as a practical tool to stimulate discussion on how to recognize, lead and manage when the inevitable in the international business context arises.

Our point of departure is in the 17 UN Sustainable Development Goals 2030 and in the broad, universally accepted definition of corruption, “The abuse of entrusted power for private gains” and thus includes both laws and social norms. Either “abuse” is embedded in jurisdictional terms as something illegal and able to be prosecuted, or as breaches of societal and corporate expectations of morality in corporate social responsibility and sustainability management. Note that corruption in this sense is a broad concept that reaches far beyond cases of bribery.

In this booklet we firstly point out how corruption negatively impacts sustainable development. We subsequently go through each of the Sustainable Development Goals with actual and relevant case dilemmas, along with a bigger picture of consequences and suggestions for discussion questions. Finally, we present two models for understanding some of the dynamics behind corruption and corrupt behavior.

# Why is corruption bad?

## When in Rome, do as the Romans?

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Corruption thrives in conditions where accountability and institutions are weak, and where there is oftentimes a shared expectation of corrupt behavior. The collective and systemic character of corruption also makes it difficult to address. Corruption deeply undermines legitimacy and trust in public institutions and shapes people's perceptions of government performance and state effectiveness. It skews the distribution of public services and has a disproportionate negative impact on marginalized and vulnerable groups, leading to increased inequality. While many forms of corruption affect both men and women, it disproportionately affects women and children, who also represent a higher share of the world's poor.

At the **societal level**, corruption leads to:

- Less efficient resource utilization along with increased transaction costs
- Lower stimulus to technological development
- Lower commitment and investments in environmental protection and restoration
- Lower tax base leading to lower public spending (especially smaller companies avoid the formal economy)
- Lower trust in people and institutions
- Lower international investment and trade (both private, public and civil society)
- Lower economic growth, increased poverty and inequality

At the **company level**, corruption leads to:

- Lower profitability through lower productivity and revenues and inefficient resource utilization
- Lower positive results from investments in R&D
- Worse financial conditions due to higher investment costs connected to risk assessment
- Lower trust in entrepreneurship and innovation
- Higher uncertainty leading to short-term profit maximization
- Increased risk of legal or other forms of retaliation when discovered

At the **individual level**, corruption leads to:

- Worsening conditions for the most vulnerable; women, children, indigenous people and the disabled, as they are more dependent on publicly funded infrastructure
- Growing informal sector; increasing the number of people without access to publicly funded safety nets, worsening work conditions, and decreased access to collective bargaining
- Lower international development aid, foreign direct investments, and increased inefficiencies along as well as increased crime

# Teaching Note

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The intention of this booklet is to help participants understand the wider scope of corruption and its link to undermining the Sustainable Development Goals. Corruption and unethical business practices are not always criminalized by law or regulations, nor are the acts always intentional or explicit. Instead, corruption must be understood beyond legal and compliance offices, in light of prevailing ethical and societal moral norms expected of companies and its employees. Processes of rationalization and socialization may insulate companies and industries from changing norms and expectations of company ethical behavior. The same processes can also be harnessed to build an ethical organizational culture where companies and employees are able to recognize and build systems and processes against corruption, but also give employees the tools to handle inevitable international business incidents they will most certainly experience. Not least of all the intention of this booklet is to help readers understand the oftentimes bigger picture of the potentially larger consequences of seemingly isolated petty instances of corruption.

Learning about, sharing and discussing experiences of corruption and unethical business-, and employee-behavior can be stressful, emotional and value laden. Not least of all in multicultural groups where cultural values may be diverse. It is important that the Chatham House Rules' atmosphere is built where participants feel safe to share their experiences and views without judgement or risk of public exposure or

reprisal. They should be encouraged to formulate opinions and arguments in a cooperative spirit, helping each other to find, articulate and then discriminate between strong and weak arguments.

Depending on the preknowledge of participants, and the seminar leader's experience and preferences, this booklet can be used as a tool in a number of ways. Corresponding with a problem-based learning approach the instructor may ask the participants to read an initial dilemma and then use the questions to start discussions. Depending on the participants pre-knowledge and experiences, discussions will likely highlight much of what has been mentioned in the bigger picture and the seminar leader can ensure that all bigger picture issues are brought out in the discussion. There are likely many more issues than are covered in this booklet and this process will allow a deeper understanding building on participants knowledge. It also assumes a seminar leader who is comfortable and experienced in facilitating this form of learning process.

Alternatively, with less experienced participants and seminar leaders, each dilemma with accompanying big picture and discussion questions can be presented to the participants in one go. The instructor simply moderates a discussion of the questions. In either process, smaller break-out group discussions of the posed questions are useful for a deeper discussion and learning potential.

# 17 GLOBAL GOALS



1 NO POVERTY

End poverty in all its forms everywhere.



2 ZERO HUNGER

End hunger, achieve food security and improved nutrition and promote sustainable agriculture.



3 GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages.



4 QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.



5 GENDER EQUALITY

Achieve gender equality and empower all women and girls.



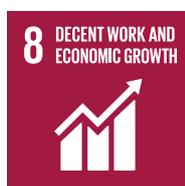
6 CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all.



7 AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all.



8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



10 REDUCED INEQUALITIES

Reduce inequality within and among countries.



11 SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns.



13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts.



14 LIFE BELOW WATER

Conserve and sustainably use the oceans, seas and marine resources for sustainable development.



15 LIFE ON LAND

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.



17 PARTNERSHIPS FOR THE GOALS

Strengthen the means of implementation and revitalize the global partnership for sustainable development.



The Dilemma:

## The taxi “police”, to pay or not?

On your way from the airport to a business meeting in a low-income country your taxi is stopped by a uniformed police officer. There seems to be a problem with the taxi driver’s license. The driver asks if you are willing to pay the officer five dollars in order to “clear out a misunderstanding”. You are in a hurry, and you really don’t want to deal with the hassle, so you pay the five dollars and are quickly on your way again.

Later, when you tell your host about the incident, he explains how the local clan-system works. The “policeman” probably belongs to the same clan as your driver and the scene in which you played your expected part is well rehearsed. Most certainly it was not even a policeman you met, but the driver’s first, second or third cousin dressed up in a uniform of his own design. Your host tells you that your five dollars will now be distributed through the clan’s own “social service system”, hopefully supporting clan-members with no social security whatsoever.

The authorities are well aware of the scheme. They see it as a way in which civil society is unloading some of the rising pressure to reform the badly functioning, discriminating and corrupt official welfare system. Your host adds: “Rest assured, it will benefit the poor”.

This is a typical situation, clearly an act of petty bribery, often met by businesspeople working and travelling in developing nations. Most of the time you recognize the situation as a form of corruption, but you may accept it as the way things are and impossible to change. Besides, it’s only 5 dollars you may think “when in Rome, do as the Romans” without considering the larger consequences of this practice. If you instead had chosen to say no to the “policeman” you would likely have been in for an argument as well as been late to your important meeting. At the time it felt like you had no other choice but to pay the five dollars knowing full well that you were likely being scammed.

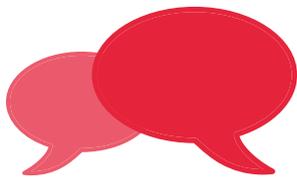
The Bigger Picture:

## The Poverty Penalty

The impact of corruption on public service delivery performance and poverty alleviation is widely recognized. Corruption causes poverty and poverty causes corruption. The poverty penalty refers to the relatively higher cost to the poor, when compared to the non-poor, in the market economy, and takes on a number of forms for the poorest; poorer quality of products and services, higher prices, lack of access or non-usage and often a catastrophic spending burden.<sup>1</sup> In some countries, so called “facilitation fees” or “hurry money” is an accepted way of life to overcome the poverty penalty when income in the formal economy is insufficient to live on. For many, it is an expected and almost formalized part of an individual’s income and this form of petty bribery is

both accepted and normalized for many people in order to get what most people consider normal service. A “facilitation fee” is oftentimes indistinguishable from a regular legitimate fee and not uncommon in either low-, or high-income countries.

Though a small 5 dollar “facilitation fee” as described above may seem trivial and harmless, it is defined as an act of bribery under the UK Bribery Act 2010, and involves the giving or receiving of a financial, or other advantage, in connection with “improper performance” of a person in a position of trust, or in a function that is expected to be performed impartially or in good faith.



### Discussion questions:

- What might you have done instead of paying the “fee”? What would be the consequences if you, for instance, calmly ask for a receipt in exchange for the five dollars and declared that you would follow up with the relevant authorities as you felt it was strange?
- How would your company react? Can you claim the “fee” as an expense in your company?
- The 5 dollars you payed, will it help reproduce an unsustainable “welfare system”?

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<sup>1</sup> Mendoza, R.U. (2011), Why do the poor pay more? Exploring the poverty penalty concept. *Journal of International Development*, 23: 1-28.



The Dilemma:

## Third party consultants and sustainable palm oil

You work for a global Fast Moving Consumer Goods (FMCG) company who has taken the momentous decision to source only sustainable palm oil as ingredients for the many products you sell, for instance; cosmetics, toothpaste, shampoo, detergents and soaps, ice cream, margarine, cookies and chocolate. You are so proud to be working for a company who has joined the Roundtable on Sustainable Palm Oil and the Rainforest Alliance and you are very happy that you were influential in the decision. As consumers have become more concerned about deforestation and climate change issues of palm oil production, your company has created an organizational sense of urgency to fulfill their promise quickly and you have the responsibility in making it happen.

Your reputation, and career, is riding on how quickly you can make the transformation happen and you look forward to working with your Indonesian counterparts, Indonesia being the world's largest producer of palm oil in the world. Indonesia is a democracy and the Indonesian government

has publicly been supportive of the transformation to sustainable palm oil production. Since you have little "on the ground" experience or knowledge of Indonesian farming, or even gaining the licenses and permits needed, it seems reasonable and especially timely for you to quickly hire a local consulting company with the local knowledge and contacts needed. The agreement you negotiate is that the consulting company will be paid an agreed lump sum for gaining access to the necessary permits, building the supply chain including small holder farmers, palm oil mills and logistics.

You are aware that Indonesia scores high on Transparency International's corruption index and thus you ensure that your company's code of conduct and the rules for sustainable palm oil are signed by the consultant company and that there is an arms' length contract between the parties. The consultant company is successful in getting the job done and you reap many accolades for transforming the FMCG's company sourcing to sustainable palm oil quickly.

The Bigger Picture:

## Good intentions, Food Security and Sustainable Sourcing

The use of arms' length third party agents in developing nations is common practice and at first glance it may seem like an efficient and effective way to achieve rapid results in challenging markets where you and your company might not have much local knowledge. Yet multinationals have come under increasing scrutiny for these third-party agent agreements where little control or transparency in how the work is conducted is available. Occurrences of corrupt practices in various forms by the agent on behalf of the multinational is well documented and has led to litigation in for instance the Foreign Corrupt Practices Act in the USA. Though the use of third-party agents with local knowledge may be a timely, effective and efficient choice for companies entering new and unfamiliar markets, it requires significantly increased monitoring and transparency. It is not enough that the agent signs a code of conduct. A third-party agent contract does not take away the responsibility for corrupt acts performed on behalf of the multinational. Extensive due diligence of the agent is required as well as ensuring that the agent may in no circumstance perform any corrupt act on behalf of the multinational.

According to the World Health Organization, 820 million people, or 1 in 9 people, were hungry by the end of 2018.<sup>1</sup> Two billion people around the world are estimated to be moderately or severely food insecure. 2018 was the

third year in a row of hunger increases and the number is expected to grow exponentially in the aftermath of the Covid-19 pandemic. The UN World Food Program has warned that an additional 130 million people could face acute food insecurity by the end of 2020 because of the pandemic.<sup>2</sup> Several studies show a correlation between the prevalence of food insecurity and perceived levels of corruption in a country. Illegal "land grabbing" has a negative impact on the livelihood of local farmers and the communities living on and around the land in question, significantly impacting the possibility of small-scale producers to improve their food security through productivity enhancements. Scandals involving intergovernmental and national development aid funds for nonexistent projects, inferior quality developments in agriculture, or even schemes to in the short term increase a certain type of agricultural product at the cost of future fertility are abundant.

Corruption in global supply chain food systems is also well documented. This includes, for instance, passing off one product as another such as in the 2013 horse meat scandal or passing off inferior products as standard such as in the ever-ongoing virgin olive oil disputes. But also issues in the sustainable production of palm oil in Indonesia continue to be well documented despite global fast-moving consumer goods brands such as Unilever, Nestlé and Procter & Gamble supporting sustainable

palmoil initiatives.<sup>3</sup> Efforts to prevent deforestation and help smallholders has led to allegations of increased land grabbing, forced displacement of indigenous people, poor working conditions, and environmental disaster

as plantations for palm oil crops have overtaken forests and carbon-rich peatlands. Allegations of a widespread culture of corruption and poor law enforcement lay at the heart of these issues.



## Discussion questions:

- Instead of hiring a local consultant company as a third party, what could you instead do?
- If you believe hiring a local third party consultant company is the best option, how would you ensure that the consultant avoids conducting corrupt business practices on your behalf?
- What can be expected that you know about the issues of “sustainable palm oil” and its impacts?

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<sup>1</sup> World Health Organization (2019) <https://www.who.int/news-room/detail/15-07-2019-world-hunger-is-still-not-going-down-after-three-years-and-obesity-is-still-growing-un-report>. Extracted online September 28, 2020.

<sup>2</sup> World Food Programme Insight (2020): <https://insight.wfp.org/covid-19-will-almost-double-people-in-acute-hunger-by-end-of-2020-59df0c4a8072> Extracted online September 28, 2020.

<sup>3</sup> Dauvergne, P. (2018): The global politics of the business of “Sustainable Palm Oil”, *Global Environmental Politics*, 18(2): 34-52.



## The Dilemma: Doing Good by Doing Bad?

You work for a well-known NGO focused on poverty alleviation in a rural part of Rajasthan, north of Delhi in India. You are very pleased because you've negotiated an agreement with the local Panchayat (village council) and a wealthy land owner to cultivate a large piece of agricultural land.

As child labor, though illegal, is still common in this part of India, you ensure that no underaged child could be employed in the project. It all sounds wonderful. Especially for the women left behind in the village while their husbands spend many months working in Delhi. The women would gain an employment opportunity through piecemeal work contracts and higher income generation to supplement an otherwise meager existence, children could be bought out of bonded labor contracts and perhaps even sent to school. The Panchayat gains from reducing the number of people they must give welfare checks to, the families gain from a bigger income and the landowner gains from the profits of a developed and worked agricultural land. Also the NGO you work for gains from having successfully delivered on negotiating a poverty alleviation program which legitimizes the organization and supports further fundraising. A four times "win" proposition.

When the project starts you are pleased to see that many women have signed

up to work the land and after a time it seems as if the families are doing better economically.

After some time you start hearing of a rapid increase in health problems in the village, especially diarrheal diseases and you wonder what the reason could be. On occasion you visit the land being developed and you come to observe that many of the women leave the fields for shorter or longer times, some even gone for hours at a time. Furthermore you see their young children actually working in the fields, though you are sure they are neither formally employed nor paid for their work. You eventually find out that the land being worked neighbors another piece of land that was forbidden to walk through and that the women had to walk many miles around the borders, along a water stream to get to the nearest latrine allowing privacy. As their piecework wages would suffer from them being away for several hours, some women either relieved themselves along the close by water stream, while others put their young children to work when they were away to pick up the slack and ensure that the work continued in the mother's name. You are now wondering whether your role in the project may have resulted in very negative consequences for the women and children and what you should now do. You are also wondering how you bringing this up will impact your NGO and its funding.

The Bigger Picture:

## Sanitation and the "Wicked Problem" of Child Labor

According to the World Health Organization (WHO), about 2 billion people in the world lack basic sanitation facilities or latrines. Of these, an estimated 670 million defecate in the open, for instance behind bushes or into open bodies of water and some 432 000 diarrheal deaths are annually attributed to inadequate sanitation. Lack of adequate sanitation facilities is also connected to especially women's and girls' dignity, safety and school attendance. Sanitation, together with hygiene and safe water, are fundamental to good health and to social and economic development. Furthermore, child labor is considered a "wicked problem" meaning that there are significant interdependencies in the complexity and that there is no single solution to the problem. Though child labor is illegal in most countries, many families in low-income countries are reliant on their children for survival. And though it is illegal, there are nations who are either unwilling or unable to ensure that child labor is eradicated. The International Labor Organization (ILO) estimates that 152 million children between 5-17 years were in child labor in 2016, and 73 millions of those were in so called hazardous work. 48% of those in child labor were aged between 5-11 years, 58% were boys and 71% were in the agricultural sector. The prevalence of child labor was largest on the African

continent and in the Asian and the Pacific regions. Hazardous child labor is defined as "work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children". of trust, or in a function that is expected to be performed impartially or in good faith.



### Discussion questions:

- What could have been done to have a better understanding of the local conditions when negotiating the project?
- Now that you know of the consequences, what should you do?





## The Dilemma: Frictions at the Border

You are the administrative manager of a new business school that was established in a former Soviet republic as part of an international development program. A few weeks before the start of the first semester it becomes apparent that the course literature is stuck in customs. Despite assurances that necessary formalities will be solved shortly, nothing happens. One solution is to copy the most urgently needed material and distribute it as pdf-files. That would take a long time and might also violate copyright laws, unless first negotiated with the involved publishing houses. Moreover, the costs have already been accrued; the books, costing a considerable sum, have already been paid.

In a last-minute call, you are passed on to a friend of the manager of the customs department, Mr Smart. He says he is willing, for a small commission, to act as a “broker”, i.e. to facilitate contacts between the publishing houses involved and the business school. And if you run into problems connected to the Ministry of Education, he might be able to help out there as well. He is a well-connected man.

You realize that this would speed things up. It could also be argued that hiring a “book-broker” is not in violation of any laws – at least not any you are aware of.

And building a local network in which the Ministry of Education might be included would surely be beneficial for the school in the future. Giving it some thought, something in this situation doesn’t feel right. It seems odd that this “Mr Smart” is willing to be involved in this rather small matter.

One alternative option would be to raise the basic issue, i.e. custom clearance, at a much higher level. The President of the school has regular contacts with representatives from the Ministry of Education but her experience is that some of the people there cannot be trusted. On the other hand, not being able to start the school’s very first semester on time, would be very bad publicity. It’s a delicate situation and the stakes are high.

The management of the school sees no alternative other than, reluctantly, make use of Mr Smart’s network and hire him as an “intelligence broker” and the books arrive at the school for classes to start on time. However, after the first semester an unidentified person contacts one of the teachers. Unless he receives USD 50,000 he will tell the press of how the school started off in his country by paying bribes. He might also pay students to post negative comments about the school in social media.

The Bigger Picture:

## Being and acting as a role-model in business

The case illustrates a kind of “slippery slope”. Once engaged in corruption it is difficult to withdraw or stop it from deepening. The bribe in itself might even invite extortion and even more corruptive behavior. In this case, corruption at the management level had implications for the individual teacher and for the students, emphasizing the fact that “the tone at the top” might have practical implications for the whole organization.

But there are also pedagogical and societal aspects of this case. The reason for setting up this school in the first place, was to prepare young talented students for an international business career. This was considered as a crucial step in the opening up of the country after being a closed economy for decades. In order to achieve this, an important part of the school’s curricula was to send a clear message about the importance of the value system that the international business community should be based on. That value system has been formulated in a number of international policies as well as ethical codes like: Agenda 2030, PRI, Global Compact, ICC’s policy on corruption, the US Foreign Corrupt Practice Act, etc.

Starting off by paying bribes undermines the moral authority of any future teaching on the importance of sound ethical business standards. Moreover, a business school sets the ethical standard for both students and outside observers. The school will be looked upon as an ethical role-model and therefore should also act as one. In fact, by paying bribes – acting as a

negative role-model, the management of the school might risk embedding corruption on the entire business culture in the country.

Other cases illustrating business schools as tainted ethical role-models has recently evolved in the US. The possibility for parents to buy or manipulate college acceptance to Ivy League schools in the USA – e.g., Yale, Princeton, Harvard and Cornell – has started a heated debate. Isn’t meritocracy the priority? Isn’t one of the cornerstones of classic market theory the possibility of making a career based on one’s merit, creativity and effort, not on the fortune of one’s parents? And if “money talks” also in this sphere of society, will not traditional structures of power continue to reproduce themselves, maintaining discriminatory structures based on gender, race, socio-economic background?

As it turns out, compromising the ethical reputation of business schools, or that of any higher education for that matter – especially if it means maintaining unfair relations of power – will also obstruct reaching SDG 5 – Achieve gender equality and empower all women and girls. In fact, every large corporation which operates in countries that is opening up towards international cooperation should be thinking of itself as a role-model, showing how business ought to be conducted in order to uphold fair, efficient and sustainable markets.



## Discussion questions:

- Why do you think you didn't follow your gut feeling, that something was suspicious with Mr Smart?
- How could you have found out more about him?
- How do you restore damaged trustworthiness in a community?





## The Dilemma: Affirmative Action

A state authority has for several years been struggling with the implementation of its anti-discrimination policy. The percentage of women in managerial position has grown from 15 to 25 %. It's an improvement but it's not good enough. No matter what strategy you as HR-manager has tried, there seems to be hidden processes that stop women in their careers. Nevertheless, you are put under heavy internal, as well as external, pressure to change the present situation. In fact, you know that next year's salary review will be focusing on whether you succeed.

You have been looking at some alternative actions, one being the

offering of generous payments to male managers who are willing to leave, thus opening up their positions to female applicants. You know you have strong candidates waiting. When you raise the issue in the male-dominated management team, you realize that you have entered a contentious area. The group becomes silent, until someone says:

*- I thought our policy was based on equal opportunities for everyone, to reward competence and performance - only.*

Followed by another, angry, voice:  
*- This would only benefit yourself! I call it bribery.*

## The Bigger Picture: The Un-Equal Opportunity Norm

The correlation between gender equality and low levels of corruption, in parliament, government bureaucracy and in business, is a well-researched fact. Even though the mechanisms behind are explained from a number of sociological perspectives, especially theories on "homophily", social networks and systemic or structural

discrimination, gender biases against women continues to prevail. Those in power, normally men, hire those most like themselves. Women, traditionally outside informal (male-dominated) power-structures or networks, have been more or less forced to stay and work - and yet succeed! - within these systems and structures along with

the formal rules and regulations set in place to prevent corruption. Working against discrimination of women should therefore be part of any anti-corruption agenda.

Nevertheless, managers, often unconsciously, have a tendency to recruit new managers more similar to themselves. In business as well as in the public sector, management teams end up being highly homogenous groups sometimes mirroring some discriminatory factors. It doesn't always have to do with gender. Homophobia, racism and the practices of nepotism are other points in question. To be offered a managerial position is certainly not a "human right". But to be given equal opportunities is. Fair recruiting processes are also necessary in order to make use of the best available competence.

In this case, the "equal opportunity norm" referred to by one in the management team, seems to have been corrupted by prejudice against women. (At least as long as no information is presented that would rationally explain the tilted gender distribution in the team). Therefore, the option you are considering can be described as something that would publicly violate an informal (albeit discriminatory) norm, in combination with financial compensation to those (men) who will be negatively affected. You may want to argue that your only concern is to maintain the equal opportunity norm. One way of doing that is to make the available career paths as transparent as possible, hoping that the efficiency and meritocracy argument, if not the moral, may suffice.

One argument against affirmative action is that it might compromise the authority of female managers. No matter how competent your candidates may be, if they are selected based on a policy favoring female applicants, there might be a lingering doubt concerning their competence.

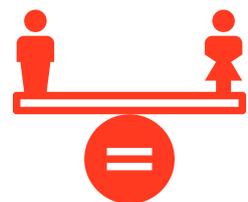
Another, perhaps even a parallel route of action is also possible, based on trust in the good will of your fellow managers. Maybe they are not even aware of the present situation? Can you help them see the discriminatory structures they themselves are part of? Maybe it's possible for you to shed some light on the dynamics behind the present gender-structure in your organization? Talk with female employees about their career-plans. Identify the obstacles as well as the possibilities they face. Talk with male managers in order to find out through which processes the present situation is maintained. You may even manage to raise their support for some kind of affirmative action plan.

in 2016, and 73 millions of those were in so called hazardous work. 48% of those in child labor were aged between 5-11 years, 58% were boys and 71% were in the agricultural sector. The prevalence of child labor was largest on the African continent and in the Asian and the Pacific regions. Hazardous child labor is defined as "work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children". of trust, or in a function that is expected to be performed impartially or in good faith.



## Discussion questions:

- Is it fair to put staff in a position where their competence may be questioned? If so, for what reason?
- Why do you think gender equality is related to low levels of corruption?
- Is it unfair to say that every patriarchal system is an example of men traditionally abusing entrusted power for private gains?
- What do you think about the idea to make career paths transparent and managers aware of injustices? Can it increase equality on the managerial level?
- Is it all together unfair to describe your suggestion as an example of “abuse of entrusted resources for private gains?.” After all, on the individual level, you stand to gain from it.





## The Dilemma: Getting Clearance

Your company designs and manufactures garments in Vietnam and sells them in Western Europe. You are responsible for assessing the present supply system and also for finding new suppliers in the region. Your customers are environmentally concerned so issues connected to waste and pollution have been highlighted by the marketing department. During an industry fair you are contacted by a woman representing a garment factory in Indonesia. Both quality and prices are competitive and based on what you hear, you decide to visit the factory.

The factory meets your expectations but your questions regarding issues further down the supply chain are swept aside, especially those that concern the supply of cotton: *Pesticides? Water recycling?* The atmosphere in the room quickly deteriorates. What are you insinuating? You are being assured that everything is in good order: *“I know these people. They are reliable.”* When you insist and suggest inspections on site and the addition of an environmental protection clause to the draft contract, the manager of the factory protests. He argues that the costs would be too high, especially those related to sewage treatment. But if you absolutely need “a written clearance” to show your bosses at home, he can arrange that too... “for a small fee”. It’s the local

union representatives who issue these inspection protocols and they expect a “gift” of USD 10,000.

The meeting has made you somewhat irritated, but the products are both inexpensive and of a very high quality. Surely your Compliance Officer can accept the kind of Inspection report they showed you? And USD 10,000 is not much considering the volumes you have been discussing. Moreover, didn’t Indonesia sign the Paris Agreement...or? And they took part in the World Water Forum, didn’t they?

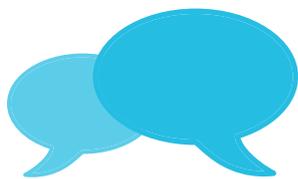
In Jakarta, on your way back, you pass a violent demonstration in front of the Parliament. Tires are burning and the police are using water-cannons and teargas. When you ask the taxi-driver he explains that the demonstration is a student reaction to a new law that reduces the authority of the Anti-corruption Commission:  
*–Big wigs are crooks all over!*

Your host paints another picture:  
*– Gifts are not the same as corruption. They are part of the Indonesian hospitality-culture. Young people want to change everything at once and they don’t respect law and order. Of course, we don’t want corruption in our country, but Rome wasn’t built in one day.*

The Bigger Picture:

## Working Together for Clean Water

Everyone needs access to water in order to survive and in many countries, water is supplied through a state run public monopoly. This combination of absolutely pressing demand and monopolized supply makes the market for water vulnerable to corruption at all levels, especially where government is weak. Individuals may have to bribe officials to evade water fee payments or allow illegal (or sometimes even legal) connections. Bribery and nepotism also appear in the assigning of water rights and irrigation turns, wastewater discharges and the building of water infrastructure. It's estimated that globally, between 20% to 40% of public investments for the water sector is lost to corruption. Especially the poor are forced to pay a lot to get fresh water. According to Jenkins<sup>1</sup>, getting the recommended 50 liters a day can cost 54% of the daily income of people in Papua New Guinea, compared to 0.1 % of a minimum wage in the UK. In the worst of cases, bribe-giving may be a household's only option to access clean water.



### Discussion questions:

- If signing international agreements and charters is no guarantee of proper conduct, by what means may an individual company make their suppliers comply?
- In some countries NGOs are considered subversive. How can you design a constructive dialogue with them?

Relevant in the first case, environmentally engaged NGO's, like The Swedish Society for Nature Conservation, might tell you that 40-50% of all textile fiber is cotton. It takes 10,000-30,000 liters of fresh water and 1 kilogram of chemicals to produce 1 kilogram of cotton. The combined effect is a widespread shortage of water combined with pollution of lakes, rivers and groundwater. In the textile-region of Tiripur in India, for instance, groundwater as deep as 100 meters is already polluted.

Take a closer look at SDG #17 Partnerships for the goals, especially the suggestion to engage in multi-stakeholder partnerships to achieve the other SDG's. In many cases, entering into partnerships with local and international NGO's engaged in water issues can help you appreciate just how much water means, as well as the level of political tensions your actions might raise in the area.

<sup>1</sup> Jenkins M (2017), The impact of corruption on access to safe water and sanitation for people living in poverty. u4 Anti-Corruption Resource Centre.



## The Dilemma: Win, Win?

You are seconded from an influential, high-income government Development Aid Agency to work for the government of Tanzania facing an energy crisis. On behalf of the Tanzanian government, you are in negotiations with a Canadian company who is supported by the World Bank to develop Tanzania's natural gas fields. You suddenly get an unsolicited proposal from a Malaysian company who offers to partner with local companies at a significantly lower price and with less bureaucracy than is required by the World Bank and Canadian company. They have also sweetened the deal by promising to build and run a day care center at the project site. Their bid has less details as it came at a late stage but the details are promised to be worked out as soon as the bid is accepted.

After many very pleasant dinners and social events getting to know the Malaysian company managers you feel you can trust them as well as feel a real affinity to them. One of them even went to the same university as you. They are

serious and you know they will deliver; you simply trust them. It all sounds great; lower price for the deal so that Tanzania will have more funds for other worthwhile infrastructure developments, local companies stimulating the economy, less of a bureaucratic hassle and a day care to boot. In addition, they have promised that should the new deal go through they would consider you a prime recruit to a C-level position in the project with a significantly higher salary and status than you have today. As you are an expert which is why you were sent from from the high-income country's development agency to help the Tanzanian government, and most knowledgeable about the project, you feel this is reasonable and that Tanzania would benefit if you were part of the potential management team for the project. You also know that the day care would be great for the project's employees and that your husband, now at home but wanting to move to Tanzania to be closer to you, would be perfect as the day care's manager.

The Bigger Picture:

## Good for All Around?

There are at least two challenging issues here. Firstly, that the specifics of the new contract are not yet worked out and secondly, that you may be more positive to the deal because of the future possibility of a C-level managerial role in the project. The deal could become a disaster, one that can have a substantially negative impact on Tanzania for decades to come.<sup>1</sup> A corrupt deal, in this case potentially corrupt as the contract details are not articulated, together with multiple other improprieties such as being swayed through pleasant social encounters and feelings of affinity, the thought of a better paid managerial role in the project and bring your spouse closer, could significantly undermine the financial stability of the Tanzanian energy sector, resulting in lower foreign direct investment, substantial delays in the construction of more efficient power plants, higher energy costs for consumers, and inadequate expansion of electrification into rural communities. What seems like a good proposition that might in good faith benefit Tanzania but also yourself personally could have consequences far beyond first thought. Indeed, your lack of due diligence in the last minute bid details could (and did) have negative consequences for decades to come.

The negative impacts of corruption in public procurement such as increased costs and reduced quality is well documented. Public procurement in developing nations according to some estimates are in the size of 30% of

GDP, thus quite sizable and a fertile ground for corruption. Contracts to suppliers that are awarded in secrecy, without oversight or in transparent competition, rigged bids, money or favors for facilitating processes are all corrupt practices that significantly scare off the foreign direct investment or development aid needed, but also erodes trust in institutions, increases economic inequalities and fuel conflicts. Moreover, it is the most vulnerable groups in society who are disproportionately hurt.



### Discussion questions:

- A certain amount of trust goes into all business transactions. Not all details can be articulated in contracts and different cultures have different levels of implicit trust. How would you balance the level of trust and articulated contract details in a similar bidding process?
- Should you take the C-level job in the project?
- Should you hire your husband as the day care manager?

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<sup>1</sup> Grey, H.S. (2015): The political economy of grand corruption in Tanzania. *African Affairs*, 114 (456): 382-403.



## The Dilemma: Employment for Sale?

You are a local politician in Virginia and when Amazon investigated the possibilities of setting up one of its head offices – HQ2 – in Arlington, Virginia, the county-government presented several favorable offers to the company, one being USD 23 million in subsidies.<sup>1</sup> One argument was that Amazon would create thousands of jobs in Crystal City and generate hundreds of millions in tax revenues. In the public debate that followed, the question was raised whether Amazon was the kind of company that needed or should qualify for subsidies. Concerns were also raised about the long-term effect on rents in the area. An increase would mean major problems for low-income citizens and small firms. Even so, the county council voted unanimously in favor of granting these subsidies. Amazon, on their part, claimed they would create 25,000 jobs in Virginia in the next 12 years and the

county-government promised subsidies of USD 750 million.

A problematic aspect in this case is that the Amazon success story comes with persistent accusations of controversial and unethical behavior. For instance, The Ethical Consumer – a British NGO – has highlighted several issues connected with the operations of Amazon<sup>2</sup>, including climate change, environmental reporting, habitats & resources, pollutions and toxics, arms & military supply, human rights, animal rights, animal testing, factory farming, use of controversial technologies, political activities and anti-social finance. Accusations of tax-evasion, bad working conditions, anti-union attitudes, meticulous surveillance of workers' movements with advanced technology and insensitivity towards local and small business, can be added to this list.

The Bigger Picture:

## Tradeoffs Between Economic, Social and Environmental Sustainability

Companies who create employment, especially those that not requiring skilled labor, are much sought-after by politicians in any country or city. Of course, they have a positive impact on **SDG #8**. Since employment is an issue which is important for most people, also for local politicians in times of public elections. The question is whether there is a dilemma between newly created jobs that may be “un-decent” and potential negative effects on social and environmental sustainability.

The Amazon/Crystal City case mirrors what many other large companies experience when searching for investments to minimize costs; including taxes, land rent, logistics, labor costs, supply of natural resources, etc. In this perspective, the promise of new jobs – e.g., the location HQ2 in Arlington, USA, or a logistic hub in Eskilstuna, Sweden – is a legitimate offer based on a strong power position in a negotiating process. Different locations are invited to “compete” with subsidies and favorable taxes. From a more critical perspective, these processes are sometimes referred to as “the race to the bottom”. It illustrates the problems

that may arise when power relations are unbalanced. Local politicians are willing to pay a lot for the jobs they may help to create, but as part of the deal, other **SDGs** like health, decent working conditions, equality and responsible environmentally friendly consumption may be sacrificed.

Even if decision-makers want to take a broader view, lack of transparency can make it difficult. According to a report by tax transparency campaign group Fair Tax Mark, Amazon, Facebook, Google, Netflix, Apple and Microsoft have all been avoiding taxes by shifting revenue and profits through tax havens or low-tax jurisdictions, transferring royalty payments to subsidiary companies and delaying the payment of taxes. The report singles out Amazon as the worst offender. During the last decade Amazon’s effective tax rate was calculated to be 17.7% but the Fair Tax Mark adds that Amazon’s accounting was so complicated that there were “no way to discern” the correct figures.<sup>3</sup> The complexity is in itself both part of the problem and an excuse for not looking closely enough for possible solutions.



## Discussion questions:

- If you were a member of the Arlington county-government and voted in favor of granting Amazon, e.g. major tax-reductions and subsidized electricity and land rent, are you in effect “misusing entrusted resources for private gains”? In fact, you want to be re-elected, don't you?
- How would you describe the line between business negotiation and corruption in this case?
- Would it be possible to also consider other SDGs in the decision-making process, instead of turning a blind eye to these issues? After all, taxes payed by companies are needed for progress in several of the other SDG's.
- From the other perspective, if you were a member of the management team of Amazon, how would you clarify, for yourself if not for others, the border-line between acceptable tax planning and unethical tax evasion?
- With power comes responsibilities. What does that mean in terms of self-restraint in negotiations with public officials?

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<sup>1</sup> Börsvärlden (2019), Amazon får subventioner för nytt huvudkontor i Virginia, [www.borsvarlden.com](http://www.borsvarlden.com). Extracted online December 7, 2020.

<sup>2</sup> The Ethical Consumer (2020), Amazon.com Inc, [www.ethicalconsumer.org/company-profile/amazoncom-inc](http://www.ethicalconsumer.org/company-profile/amazoncom-inc). Extracted online November 27, 2020.

<sup>3</sup> The Guardian (2019), New study deems Amazon worst for 'aggressive' tax avoidance, [theguardian.com](http://theguardian.com). Extracted online December 7, 2020.



## The Dilemma: Re-Zoning of Land

This case is about the re-zoning of land from industrial purposes to residential land, a decision that would increase the value of the land in question by well over USD 100 million. You are the representative of one of the biggest landowners, the Smith family. Your first application was turned down, but a review of the present development plan has been decided. One possibility to be investigated in the review is the opportunity to combine industry with residential development. The community council has referred the matter to the State Government. At about the same time a local action group – Save Our Parks (SOP) – was established who lobbied heavily against what they saw as industry taking over untouched land with significant environmental and recreational value.

At this point you learn about Mr. Jones, an influential member of the City Council. He says he can make a political deal with some other councilors and raise support for a proposal to re-zone 75% of the land to residential land, i.e. the part that belongs to the Smith family. As compensation for this, he suggests a consultancy fee of USD 30,000. This is a legal grey-zone but seems to be in line with local norms, so you hire him.

The political deal was made but the decision was later found to be incompatible with local laws and therefore referred to the Minister

of Planning who deferred making a decision, pending on an ongoing land supply study. Councilor Jones now refrained from accepting the money you own him, arguing that he hadn't "finished the job", but he is happy to offer his services again. For a commission of 0,5 % of the expected increase in value of the land, he promises to help you get the decision you want. 10 % – roughly USD 50,000 – in advance. No questions asked. You accept his offer.

Now, follows a number of consultations with interested parties and technical consultants. Several of the councilors receive donations, gifts and benefits. SOP, sponsored heavily by the Smith family and other land developing companies, increase their anti-industry campaigns, hiring both environmental and (expensive!) legal consultants. At the final council meeting, Councilor Jones, together with three other councilors who had earlier been advocating against the re-zoning plan, declare conflicts of interest and instead advocates and votes in favor of a colleague as temporary chairman. In practice this means that the chairman gets an additional casting vote, potentially having two votes. His two votes, and the absent votes from the "challengeable" councilors, led to the council deciding the matter in favor of the Smith's interests.

It was later discovered that the Smith's

land-developing company paid USD 550,000 directly to Councilor Jones through an offshore consultancy firm that turned out to be owned by him. They also donated to election campaigns of political candidates

close to him, donations that were not disclosed as required. Jones became the focus of several criminal investigations but before the case could be opened, he sold his estate and moved to another country.

The Bigger Picture:

## The Complexity of Land Administration

Land issues concerns everyone. Farmers cultivate it. Nature stores its water in it. The industry build factories on it and extracts natural resources from it. It's a prerequisite for animal- and plantlife. The State taxes it. Most of us want it for recreation and indigenous people have their entire culture embedded in it. No wonder it gets complicated when different interests collide and corruption flourishes when land is sold or re-zoned. According to Oxfam, over three-quarters of the 56 countries where land deals were agreed between 2000 and 2011 scored below average on four key governance indicators (voice and accountability, regulatory quality, rule of law, control of corruption).<sup>1</sup> The case illustrates a violation of most of the rules regarding land administration recommended by, for instance, the EU.<sup>2</sup>

In this case environmental concerns may join forces with highly corrupt private stakeholders in a battle against industrial development. We can be convinced that the Smiths and Councilor Jones acted purely from a private financial perspective using the environment as an excuse. They did not have public recreation or animal preservation in mind. Nevertheless, a question that might be raised is whether

corruption is less reprehensible if at least one of its consequences could be the promotion of environmental goals.

If the original development plan in this case was based on sound economic and environmental considerations, aiming at offering much needed space and infrastructure to growing and innovative firms, it would be easy to condemn the corruption that took place. In other words, if we take SDG #9 to be the yardstick for judging this case, the verdict is easy to reach. But even if that was not the case – e.g., if the original development plan would cause irreparable damage to the environment – would that justify corruption? In public affairs corruption is always disrespectful of democratic procedures, for “the building of effective, accountable and inclusive institutions at all levels” as mentioned in SDG #16.

The case also illustrates the complexity with which corruption evolves, especially in “difficult markets”. It spreads in different directions, involves both insiders and outsiders, some without their knowledge. It lowers the general level of trust, both in people and in institutions and, in the end, it compromises on the rule of law.



## Discussion questions:

- If you were one of the activists from SOP, how would you react when you find out that the group suddenly had considerable financial resources at its disposal? What would you do?
- If you were a technical consultant and the Smith family approached you with an offer of USD 50,000 for presenting a (false) report in which you, based on alleged professional expertise, judge the land in question to be “unsuitable for industrial development”. The heavy traffic would then, in your opinion, cause “irreparable damage” to both flora and fauna? What would you do?
- If you were a member of the City Council, would you accept an offer of USD 50,000 to declare a conflict of interest and stay out of the problem?
- Bribing for a good cause compromises on the rule of law. Is it ever commendable to help interfere in legitimate political and legal processes?

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<sup>1</sup> Oxfam (2013), Poor governance, good business. How land investors target countries with weak governance, Oxfam Media Briefing, Oxfam.

<sup>2</sup> EU (2004), Communication from the Commission to the Council and the European Parliament: EU guidelines to support land policy design and reform processes in developing countries, COM (2004): 686 final, Brussels.

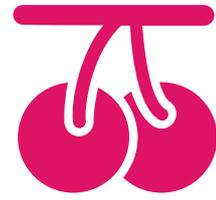


## The Dilemma: Better Than Nothing?

You are a Swedish berry distributor and dependent on migrant seasonal labor each year. Normally you hire migrant berry pickers from Thailand for a relatively short time who have the potential to earn significantly more than they can earn in Thailand. Many of the berry pickers return year after year and you know that with the potential extra income remittances they may be able to fund things like their children's education at home. As established practice, you recruit through Thai agencies where the berry pickers are formally employed, thus avoiding Swedish employment taxes. Since the Swedish Migration Agency requires employers to guarantee a minimum of SEK 13,000 per month for persons granted labor market entrance as well as following minimum collectively bargained conditions, you happily certify the minimum amount and conditions. The season is usually between July to September each year, first cloudberries, then blueberries and finally lingonberries. Some years are very good and you know that berry pickers who work on piecework rates can earn significantly more than the required amount.

After you've guaranteed the requirements to the Swedish Migration Agency and the workers are planning to come, you understand that this year will be a very poor berry year. It will be very hard to actually pay a minimum

of SEK 13,000 each month to the berry pickers. Given the forecasted amount of berries for the year, should you have to pay the minimum amount to all the contracted berry pickers, your company will likely operate at a loss this year. At the same time you feel that even paying them less than you've guaranteed the berry pickers or the Swedish Migration Agency, it would still be better than what they could earn in Thailand over the same time. Moreover, you have already agreed the number of migrant workers to come with the Thai agency and there will be a penalty cost for reducing on the number of workers agreed. You are faced with some difficult choices. You could lived up to your contractual agreements with the number of contracted workers and the conditions promised to the Migration Agency which will certainly lead to a significant loss for your company, or you can either break your contract with the Thai agency and bring fewer berry-pickers over, alternatively you can hope that the Migration Agency does not check if you actually pay them the minimum agreed amount. Beyond some activist campaigns in earlier years, very little monitoring of working conditions or pay is actually conducted by lawmakers or regulators and there is a big chance that you paying less or refusing to take in as many workers as promised will be discovered. Indeed, this is quite commonplace in bad berry seasons within the industry.



The Bigger Picture:

## Labor Category Migration

The work is hard, both physically and mentally. Berry pickers often work 12-19 hours per day, 7 days a week under close supervision and though the working conditions have been documented to be far worse than any collective bargaining agreement would allow, the workers seldom complain because of the piece rate system and that want to earn as much as possible in the short time they are in Sweden. Moreover, as their migration status is so called “employer driven” they could lose their work residency permit if they complain and be deported from the country. Reported figures on salaries differ significantly between Swedish berry company reports who claim around SEK 60,000 after travel, accommodations and food expenses while the Thai Migrant Workers Union claim that 80% of the migrant workers actually lose money on the endeavor. Every summer, media accounts of poor working conditions, strikes among the berry pickers and outrage over littering or exploitation of the Swedish “Allemansrätten” or Right of Public Access are reported by mass media. Each nation has different regulations for admitting international migrants to their labor market and national along

with regional regulations that are often politically debated. Labor migration around the world has some significant challenges for especially seasonal and short-term workers in the agricultural sector.

According to the ILO, even though migrants provide skills and labor to agriculture in many high-income countries and the share of international migrants in the farm workforce is rising in most industrialized countries, the seasonal migrant worker often lacks basic protections and working conditions under collectively bargained agreements and few workers have the opportunity of upward career mobility. Moreover, government policies vary widely around the world and though some nations may have enacted labor laws after farm worker injuries and protest, few governments monitor or encourage agricultural companies to abide by the laws or improve working conditions or the rights of migrant agriculture workers. A concern that often arises is the precarious situation workers face when their work and residence permits are connected to employers.



## Discussion questions:

- In light of the bad berry season forecasted, should you notify the Migration Agency that you will not be able to pay SEK 13,000 per migrant?
- Should you try negotiating the agreement on the number of workers contracted with the Thai employment agent, thus incurring a penalty cost and also the wrath of those berry pickers already signed on to come?
- Should you take the loss predicted from living up to your commitments or try to ignore the potential issues that will likely be similar for all your competitors anyhow?





## The Dilemma: **Hidden Corners**

You are an architect, involved in a city-planning project in China. A representative from your client, the local government planning agency, raises concern over a specific part of the street-plan you have presented. He wants you to change the design of some of the streets in order to improve the functioning of surveillance cameras (CCTV) and to avoid "hidden corners". You are familiar with the Chinese "social-credit system", something the representative defends with enthusiasm. He is reluctant to reveal any details about the system and how it will be used but makes it very clear that the changes he proposes are needed in order for your company to be involved in the project. On the other hand, if you cooperate and help the local

government to "reduce crime and increase safety", he will recommend you and your company for even larger assignments in the future.

Finalizing this project is paramount for your career – but at what cost? The pros and cons of CCTV-cameras have been debated over the years and even though their potential for solving crimes is undisputed, it is still a controversial technique especially in the kind of liberal democratic societies you come from. It is evident that you are faced with a customer demand that will make you and your company involved in intrusion of privacy, a practice that runs into conflict with the core values of your company.

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## The Bigger Picture: **Turning the Blind Eye**

Some markets are more difficult than others. That's true also when it comes to corruption. The challenge of being in these difficult markets is not only to overcome the lack of transparency and limitations of law enforcement. The challenge is also to resist the temptation of turning a blind eye, of not asking questions, not criticizing clients, public officials or even your own superior.

In these markets many expect shady business to occur. Why then should you risk your career by being different? Who wants to be a troublemaker?

As mandated by the Chinese Communist Party, citizens are tracked through facial recognition systems and by logging their use of internet ("big data" analysis). Concerns of individual

citizens behavior can be reported, and reports remunerated, to the authorities by their neighbors and colleagues. All this data is evaluated for individual “trustworthiness”. Violating traffic rules, not sorting waste or playing loud music may result in lower rating and the identity of the less “trustworthy” together with personal information which may be exposed in public. If citizens are considered untrustworthy they may be black-listed, which in turn may make it difficult to enter higher education, getting a job, receiving bank loans or getting airline tickets.

This system is powerful and in an attempt to show just how powerful, Chinese officials working in co-operation with BBC News once tracked down one of their reporters in seven minutes, using facial recognition and 170 million CCTV cameras set to follow him.<sup>1</sup> Unintentionally, your compliance to the demands of your customer may in fact lead to the breach of several articles in the UN Declaration of human rights

and jeopardize SDG #16, especially the part that includes the “protection of fundamental freedoms”.

Accountability means an obligation to be well informed also in difficult markets. Look actively for aspects that are in breach of company policies. Follow your instincts and remember, if you encounter doubts and suspicions in these markets you are probably not the first to do so. Ask your head-office to issue guiding rules if relevant rules are missing. Such a request might in itself also help to raise their awareness of a problem that may cause severe damage to the company if not addressed properly.

Look also for countermeasures taken by other actors with a local history. If you can form an alliance with them, based on internationally agreed principles, such an alliance may contribute to a positive development way beyond your immediate situation.



## Discussion questions:

- What can be done to avoid employees ignoring disturbing, though indirect, consequences of customer demands?
- The Chinese government is the customer in this case, but in what sense can undemocratic regimes represent the “demand side” of the market?
- What can one single company do when facing pressure from a foreign government?

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<sup>1</sup> Wired (2019), The complicated truth about China’s social credit system, wired.co.uk. Extracted online December 7, 2020



## The Dilemma: Is it Really Your Problem?

You work for a well-known electronics company in Northern Europe whose main business is the sales of new mobile phones. You are in charge of a very popular recycling program as an important part of your company's sustainability efforts. The recycling program offers customers a 20% rebate on a new phone if the customer turns in their old one at the same time. The rebate has decreased the margins to your company but the increase in units sold has still been profitable. This scheme has been a significant marketing sales driver for your company and it feels wonderful to you that instead of old phones collecting dust in drawers at home or too often thrown in unsorted household garbage, customers have an incentive to return their old devices while being incentivized to buy a new one.

You know that the program has, despite lower per product margin, been profitable for your company since on average it seems customers are upgrading to newer mobiles more quickly than before. As part of your work you are in charge of the used mobiles being recycled and as you contemplate the different offers you've

received for the used phones, electronic waste, you are aware that your performance will be partly evaluated on how cost efficient you are. You've received three types of bids from different e-waste recycling companies;

- (a) your own company pays the recycling company for each mobile,
- (b) the recycling company takes all the units with no charge to your company, and finally,
- (c) the recycling company actually pays your company for each unit they promise to recycle.

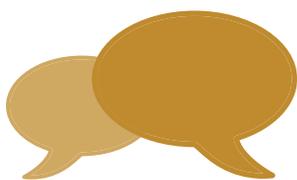
At first glance, given that you are partially evaluated on how well you contribute to company profitability, option (c) would clearly be the most profitable for your company while option (a) is least profitable and you know that your CFO will not be happy. At the same time you know that option (a) is with the most reputable e-waste recycler with a supply chain that will guarantee that the waste will be handled in the very best way without any further sustainability risks. The most profitable option for your company is with a new actor who you have recently heard some concerning gossip about.

The Bigger Picture:

## Sustainable Along the Whole Chain?

Electronic waste grew by 38% between 2010-2019, but less than 20% is recycled according to the United Nations. Just the last 5 years, e-waste has increased with 21% according to the UN Global E-waste Monitor 2020 and is rising three times faster than the world's population. Only 17% was properly recycled in 2019 and at least USD 10 billion worth of gold, platinum and other precious metals are being dumped in e-waste landfills mostly in Asia and Africa each year. People in Northern Europe produced the overwhelming largest amount of e-waste per capita in the world, 22,4 kg per person, compared to half the amount in eastern Europe and only 2,5 kg per average African person. At the same time, though Europe has the highest formal recycling rate, improper recycling in low- and middle income countries has been documented by unsafe practices such as burning circuit boards to recover copper releasing highly toxic metals causing severe effects to workers as well as to

children who often live and play nearby. The toxic chemicals from e-waste is also having environmental impacts as they are leaking into our soil and water. The Interpol Pollution Crime Working Group in a cooperation between police forces and regulators from Belgium, the Netherlands, France, the USA, Canada, Sweden, Australia, Benin, the UK and representatives from UNEP, reports that recycling e-waste has become a multi-million global industry in itself, where recyclers offering free disposal or even paying for e-waste cannot do so profitable without disposing of hazardous materials inappropriately and irresponsibly. UNEP reports that up to 90% of the world's electronic waste is illegally traded or dumped each year, major recipients of the e-waste is Ghana and Nigeria. The imported waste has a wide set of economic opportunities for the those involved, such as scavengers on landfills and for recyclers, despite the risks posed to both to human health and environmental sustainability.



### Discussion questions:

- How much should you know about the recycling challenges along the value chain when being responsible for the program? How due diligent should you be?
- Should you care how the old devices are being recycled after they've legally left your company's jurisdictional responsibility?
- How could you ensure that the mobiles are being properly recycled and not harming human or planetary health?



## The Dilemma: Lobbying for Clean Car Fuel

GAZ Inc., a local oil company in which you as marketing manager are part of the management team who has developed a product that might reduce CO2 emissions up to 25 % when used in regular combustion engines. However, this will raise the price of car fuel by approximately 5 % and therefore your company has decided to postpone launching the new product. Meanwhile, you carefully protect this technological break-through from becoming publicly known.

At an internal meeting, the idea develops that the government may be persuaded to implement stricter rules for the public sector, regarding CO2 emissions from fossil fuels. If the public sector – constituting a considerable part of the domestic market for car fuel – is forced to improve its environmental performance, GAZ will have at least a 2-3 year's comparative and competitive advantage. This might even propel GAZ into an international expansion.

You are contacted by the Chairman of ClimateWashingNow (CWN), who is also an important person in a public investigation preparing new environmental legislation. CWN is a strong environmental lobby group and he suggests the following: If GAZ is willing to make a major contribution to CWN, he can ensure new regulations,

favorable to GAZ will be passed. He happens to know that some influential persons given the right financial incentives may be convinced to join forces with your company. You accept his offer.

During the following months, media learns about your new product and of your cooperation with CWN. As a countermove, one of your competitors, Clean Fuel Ltd. decides to offer substantial funding to the International Petroleum Institute (IPI) to do whatever it takes to block new stricter legislation generally, and in your country especially. An “information-war” starts with both sides producing scientific reports of dubious origin, accusing each other of weak scientific support, fake news, conflicts of interest, etc. The government decides to postpone any decision in lieu of “more research”. Furthermore, a planned public procurement process involving fuel is put on hold.

The latter is a major setback for a third company, Veggyzine, who probably would have won any transparent and environmentally based competition, with its cheap fuel based solely on biofuels. It is now questionable if the company has enough financial resources to survive during the prolonged political process.

The Bigger Picture:

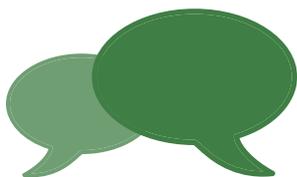
## Disturbing the Market for Cleaner Fuels

This case poses the question whether it is permissible to bribe for a good cause. It seems obvious that when comparing the two lobby groups, CWN and IPI, CWN seems to be “the good guy”. But how do you know that? Have you looked for trustworthy background information? Should CWN not be supporting you even without “a major contribution”? In the end, who received the money? And even if CWN is “the good guy”, does that justify the bribe? Is it a bribe?

A problem with bribing for what you think is a good cause, is that what you consider being a good cause may not hold from a broader perspective. In this case, a third company, Veggyzine, may be forced out of business even though

they have the most environmentally friendly fuel. You may succeed in making oil-based fuel cleaner, while at the same time, unintentionally, delay the development of a market for even more environmentally friendly fuel.

The case also describes a situation in which a corruptive process escalates as two (or more) companies compete with each other by bribing, faking scientific reports and by lobbying for/against favorable legislation. This may have serious consequences for the public trust in both politics, science and the media. By interfering in the democratic legislative process both GAZ/CWN and Clean Fuel/IPI is also jeopardizing *SDG #16 Peace, justice and strong institutions*.



### Discussion questions:

- What do you think of the idea offered by CWN? Is it worth considering?
- What would you have done? Would you bring this suggestion to the management team?
- Is GAZ involved in corruption?
- Are companies responsible for the well-functioning of the market or is it the responsibility of governments to have appropriate surveillance systems in place?



## The Dilemma: Clean, Cheap – and Criminal

After attending a high-level seminar about plastic waste organized by the World Economic Forum (WEF), the CEO of ABC Ltd. launched his plan for a sweeping clean-up of ABC's operations and he puts you in charge of the project. ABC manufactures spare parts used in advanced medical equipment, something that generates large quantities of plastic waste. The CEO's plan includes not only the reduction of waste but also a re-assessment of ABC's present waste-disposal process.

You open a bid for this service, one of the requirements being that all waste be recycled and covered by Plastic Export Recovery Notes (PERN), as stipulated by the government. Two competing bids are selected in the final round. During these talks you raise your concern over how the waste-recycling process will be monitored.

The operations of Wasteline AB are monitored by an international NGO specialized in monitoring environmental and human rights performance in business. The cooperation has so far been positive but sometimes relations with the NGO have been strained. You remember hearing from one of Wasteline's representatives: *"We come from different backgrounds and, to be frank, they (the NGO) must turn*

*down their idealism. After all we are in a competitive market"*. You also know that one of your suppliers of packaging material once sued this NGO for exaggerating the toxicity of the plastics they were using.

Ardor Ltd. has set up their own surveillance system and you are invited to visit their recycling facilities in Poland for a demonstration. Even though you have some concerns regarding the capacity of the plant – *"We have exceeded our growth target but the plant is now being expanded accordingly"* – as far as you can see, the quality of the process is excellent and so is the way you are being treated. Wining and dining and a luxury hotel, everything paid by your hosts. Moreover, their offer is 20% lower than Wasteline's. On your way back to the airport you notice a fire at a neighboring industrial site. When you ask about this your host refers to "junkie pranks".

After six months, you receive a phone-call telling you to send 10 Bitcoin (≈ 1.5 million USD) to a specified email address. If you don't, the media will be informed about how you deal with false PERNs, how you dump your plastic waste in the oceans and how you promote "systematic waste-burning" in Poland.

## The Bigger Picture: **Criminal Waste-Markets**

Global marine resources are regulated through a number of national and international environmental laws and conventions aiming at a responsible and sustainable exploitation. Despite this, during recent years the problem with widespread plastic waste in the oceans – today estimated to be 150 million tons – has caught public attention. It has been estimated that in 2050, unless powerful countermeasures are taken, the amount of plastic in the oceans will be larger than the amount of fish, in weight<sup>1</sup>:

*A staggering 32% of plastic packaging escapes collection systems, generating significant economic costs by reducing the productivity of vital natural systems such as the ocean and clogging urban infrastructure. The cost of such after-use externalities for plastic packaging, plus the cost associated with greenhouse gas emissions from its production, is conservatively estimated at USD 40 billion annually – exceeding the plastic packaging industry's profit pool.*

One way of controlling, or at least getting some understanding of the problem, is the Plastic Export Recovery Notes (PERN) system. PERNs are tradeable certificates used to record and identify packaging waste materials received for recovery or recycling. PERNs are bought from waste exporting companies that are supposed to report, through self-declarations, how much waste they export. Data analysed by

The Guardian<sup>2</sup> reveals that British export firms claim to have shipped abroad 35,135 tonnes more plastic than HM Customs has recorded leaving the country.

Plastic waste causes problems not only when it ends up in the oceans. Some examples:

In Malaysia, the Kim Kim River in the region of Johor, received 2.4 tons of chemical waste in March 2019. The related toxic fumes affected the health of 2,775 individuals and provoked the closure of 111 schools in the area as a preventative safety measure. Clean-up operations costs amounted to USD 1.5 million and involved 650 tons of contaminated soil and 830 tons of polluted water.

INTERPOL reported that approximately 2,600 tons of waste were illegally sent from the UK to an illegal dump in Poland.<sup>3</sup> The site was set on fire – one of some 80 waste fires in Poland in 2018 – suspected of being an effort to destroy evidence. The owners of a landfill in Zgierz, central Poland, was allegedly paid EUR 1.4 to EUR 2.8 million (USD 1.55 million to USD 3.1 million) by organised criminal groups to put fire to the illegally disposed waste:

*Export countries have experienced both a significant increase in waste disposal in illegal landfills as well as irregular waste fire in order to cheaply deal with the large volumes*

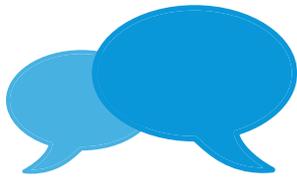
<sup>1</sup> FEICA & Ellen MacArthur Foundation (2016): The New Plastics Economy – Rethinking the future of plastics. <http://www.ellenmacarthurfoundation.org/publications>. Extracted online December 7, 2020.

<sup>2</sup> The Guardian (2018), UK plastics recycling industry under investigation for fraud and corruption, [theguardian.com](http://theguardian.com), Extracted online October 19, 2020.

<sup>3</sup> INTERPOL (2018), Emerging criminal trends in the global plastic waste market since January 2018, Interpol Strategic Analysis Report, INTERPOL.

*of untreated domestic waste... Plastic waste shipments are falsely declared as non-hazardous, while it is contaminated or mixed with other waste streams... INTERPOL has identified that the infiltration of organized criminal groups into the waste sector usually happens through legitimate businesses as a cover for illegal operations, with regular involvement of financial crimes and various frauds, especially documents forgery.*

It's not difficult to find information about the global waste-problem. There are also plenty of projects going on to fight the criminal "waste-market". Learning more about the problem and sharing information and strategies with other companies and international reliable NGOs can help you from falling into dangerous traps with severe consequences for the planet - and for yourself.



## Discussion questions:

- What would it take to get the information you need?
- How can you trust the information you get?
- Does your employer have procedures for contacting the police in matters like this?
- Would you have chosen the cheaper bid from Ardor?





## The Dilemma: Balancing Tradeoffs and Due Diligence

You are the joint communications and sustainability manager for a renowned company and are considering which carbon offsetting scheme your company will continue with. Your company has a relatively high ecological footprint, at the same time a fairly positive public image on sustainability efforts. One tool in your sustainability tool box is in carbon offsetting programs. Carbon offsetting allows you to offset your own company's emissions with carbon repair somewhere else. In this way, though you may have a high single company carbon emission, by contributing to programs that reduce emissions elsewhere, your company's emissions are compensated and thus in a macro societal calculation "neutralized".

The most common such initiatives involve planting trees in developing nations or investing in wind-power projects. You are proud that you can advertise your products as climate neutral, even though you are aware that critics have raised the notion that a product can never be truly climate neutral in itself, that the rich companies are buying a conscience rather than reducing their own emissions, and that the schemes in themselves are poorly monitored and may be causing other

negative sustainability externalities. It's really about how you draw the boundaries of your emissions around the products and how it's measured and reported and though your company works hard to reduce their own emissions, it feels great to at least compensate somewhat in this manner.

A further economic incentive, beyond the positive PR and sustainability image built for your company, is that carbon offsetting can improve your company's profitability as you are allowed to expense the cost as advertising, thus reducing your tax burden in a way not possible for other sustainability costs. As you contemplate which carbon offsetting program will bring your company the most benefits, both in terms of positive branding and tax benefits, you are aware of the debates waged by activists as to whether these carbon offset schemes are supporting or hindering climate change and sustainable development. You are personally a bit dubious to whether you or your company are actually contributing positively to climate change through climate compensation schemes but you figure it's good for the company brand anyhow.

## The Bigger Picture: **Greenwashing**

Carbon offsetting schemes have come under increased debate for a number of reasons<sup>1</sup>, not least as a way of maintaining unsustainable production and consumption and avoiding the larger issues of systemic and behavioral change arguably needed for sustainable development. Some allege that companies advertising their climate neutral products and services are greenwashing. The commoditization of carbon has led to a huge industry in itself where financial market actors have set up unique trading desks to allow some of the world's largest polluters the opportunity to be "carbon neutral". Few legally binding international rules in regulating carbon trade has spurred a flurry of new opportunities also for criminal entrepreneurship. These criticisms were put forth early by activists but have also been gaining traction among leading academics in both the natural and social sciences. Further scrutiny of carbon offsetting schemes have also brought allegations of land grabbing, biodiversity loss and other more patent forms of outright corruption and unsustainable practices to light. Allegations of "climate fraud" and "carbon colonialism" have been much publicized whereby, for instance, high-income country consumers, companies and even the Vatican has been presented with carbon offsetting certificates for trees never planted.

As carbon offsetting is voluntary and unregulated, and as companies in general use consultants, platforms and brokers who have links with the local organizations and NGOs operationalizing the carbon offsetting programs, coupled with a lack of transparency and monitoring has led to serious allegations of fraud, biodiversity loss as the wrong trees were planted or indigenous people forced from their land. Compounding the issue is that as carbon offsetting through tree planting has become so popular that the projects are growing exponentially across the globe and the demand is exceeding supply and prices along with costs for monitoring are increasing. The issues related to people being forced from their land, or tenure security, is considered central to the sustainable management of land and other natural resources. It's argued that tenure security should be mainstreamed into climate change mitigation and adaptation schemes. The fundamental importance of tenure security, recognition of rights and strong governance structures for climate change mitigation and adaptation schemes to be effective is considered important. Without these prerequisites, schemes may threaten the livelihoods of many and especially those of the vulnerable and voiceless.

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<sup>1</sup> Bachram, H. (2004): Climate fraud and carbon colonialism: The new trade in greenhouse gases. *Capitalism Natur Socialism*, 15 (4): 5-20.



## Discussion questions:

- Can a product or service be “net zero” in carbon emissions?
- How do you balance the tradeoff between your company’s need to be profitable and have a positive sustainability brand image with a genuine concern for sustainable development?
- How far should your due diligence go in choosing a partner or supplier, or in this case a carbon offsetting scheme?





## The Dilemma: **But I Already Pay Such High Taxes!**

You are a very successful entrepreneur within the fishing industry in Sweden, running fishing fleets and fish sales from Gothenburg, and over a lifetime you've built a very profitable company. As the largest shareholder you have contributed enormously to the Swedish society and public welfare through both your own personal income taxes, your company's corporate taxes, and the other shareholders both income and corporate taxes. Indeed, income taxes in Sweden are among the highest in the world. You know that you have contributed far more than most of your peers in the industry and it doesn't really seem fair to you, especially since you have never needed help from the welfare system.

You've just changed your company's financial advisor and you suddenly learn that you could start a subsidiary in the Virgin Islands and legally sell your fish

catches to the subsidiary at a highly discounted price, and then re-export the fish from the tax haven to customers at the full value. The fish would not even have to be physically exported and it all seems like a simple paper transaction that your financial advisor could organize. The highly discounted price booked for selling to the subsidiary could even leave you with a loss in Sweden, thus lowering your taxes to nil and the profits and subsequent tax burden in the Virgin Islands would leave you and your company considerably better off. Though you know some people may consider it a bit in the grey zone, it is formally not illegal and the longer you think about it you start to wonder if it might be in your own personal best interest but also your company's. And if you and your company do well, it must also be good for Sweden.

The Bigger Picture:

## Tax Havens and Environmental Degradation

Illicit financial flows can contribute to undermining all of the Sustainable Development Goals. The release of classified documents such as the so-called “Panama Papers” and “Paradise Papers” have uncovered the extensive use of Tax Havens for tax planning to reduce or eliminate taxes in higher tax countries where they would normally be due. A large body of literature highlights the negative effects of tax havens and aggressive tax planning on political, social and environmental degradation, such as in the destructive impacts on human development, especially in developing nations, tax havens’ role in money-laundering and funding of trafficking of drugs, humans, terrorism along with war crimes. Both wealthy individuals, companies and financial institutions are normally involved and though contested and technically ambiguous, aggressive tax planning strategies are usually legal.

Some estimates posit that 10-30% of foreign direct investments are channeled through tax havens, thus leading to substantial losses in potential tax revenues for public funding of welfare and lack of transparency in the financial flows allowing for corruption. Tax havens have been linked to unsustainable fishing and illegal deforestation in the Amazon. Estimates say that 11-26 million tonnes of illegal and unreported catches are unreported globally and the UN considers this the greatest threat to fish stocks and marine ecosystems which again threaten food security and livelihoods in many countries. The use of tax havens have proven to support aggressive tax planning and tax evasion but also regulations designed to address overfishing. The tax havens have also been used to facilitate secrecy and potential sanction for violation of international laws.



### Discussion questions:

- What should you do? Should you follow the advice of your new financial advisor?
- Is tax planning, though not illegal, immoral?
- Don't you have a fiduciary responsibility to your shareholders to maximize profits?





## The Dilemma: For the Greater Good?

You are a program manager in one of the world's largest governmental development aid organizations in a high-income country. In collaboration with the International Labour Organisation (ILO) and the Indonesian government your development agency has funded two respected researchers from a leading business school to evaluate an ILO project devised to support "pro-poor employment growth" in the rural areas of the Indonesian main islands, Sulawesi and Java. The researchers main focus is to evaluate the impact of the ILO program as input to whether your development aid organization should continue supporting the program, even scaling up and rolling out to many more areas of rural Indonesia, or even to other developing nations. The researchers collaborate with a team from the leading engineering school in Surabaya for local support on the research, administration and logistics and themselves travel to Indonesia and around the islands meeting with local officials and business leaders on three separate trips lasting for two weeks at a time.

After the last research trip in November, the researchers submitted their project report as stipulated in the research grant your organization funded. The

extensive report submitted made clear that though many people were indeed employed through the program, such as the local researchers, the rural villages program staff, local policymakers and businesses, as well as the Indonesian Bappenas (Ministry of National Development Planning of Indonesia) and as such indeed employed a number of people, there was little evidence that the ILO program in itself would have any sustainable impact on large scale pro-poor employment. In lieu of the report, you must consider the context in which you might give a go-ahead for further funding and supporting the ILO program. Your partnership with the ILO and the Indonesian government, but also the "disbursement" goals of your agency are of concern. You know there will be great dismay if you criticize the ILO program and by association the workings of the ILO who is an important partner in poverty alleviation, and the Indonesian government will be very disappointed if the expected funding for scaling up the program doesn't materialize. Moreover, it's December and your agency is behind on meeting the annual aid disbursement goals which might result in a lower budget fund the following year. Even less money to aid global poverty alleviation to your aid organization but also your own department's budget.

The Bigger Picture:

## Disbursement Goals and Impact

Partnerships are important for realizing an organization's goals and development aid to developing nations is a crucial source of funding for poverty alleviation. According to the OECD (2019), official development assistance or ODA by member countries totaled USD 153 billion, or 0,3% of Gross National Income (GNI). Development aid is often provided by national governments or from multilateral organizations to locally administered and operationalized organizations reflecting a change in strategy over time from development agencies sending their own people to do the work to local people in the recipient country. This has had both positive and negative challenges regarding the tradeoffs identified in the risk of development aid funding being misappropriated when there is a high correlation between corruption and low-income countries and the potential for more effective programs when being administered by people with local knowledge.

Goals for unilateral and multilateral development aid are often measured in pledges and commitments from high-income to low-income countries in terms of percentage of GNI or GDP. For instance, though the largest ODA in absolute terms in 2015 came from the USA (USD 31 billion), Sweden gave 1,4% of GNI (USD 7 billion). A disbursement is the release of funds to a recipient and records the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such

as training, administration or public awareness programs, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. In addition to growing criticisms of the efficacy of development aid and the risk of making developing nations perpetually dependent on ODA, nations' disbursement goals have also come under debate. There are increasingly important debates among economists and development aid professionals on whether disbursement goals focus more on the quantity of aid disbursed than the quality and efficacy of the funds disbursed for development. Not least in how development aid organizations around the world measure their success in terms of disbursement rather than actual impact on development which is their mission.



### Discussion questions:

- Should you recommend continued funding for the program?
- Should your relationship with the ILO and the Indonesian government, or your agency's disbursement goals factor into your decision?



## ANNEX 1

# The Anatomy of Corruption<sup>1</sup>

Many of the dilemmas we have presented may not have been experienced as dilemmas by the actors themselves. Strong social norms or the possibility of gaining from dubious actions obscures their minds. Even if they realize the problems involved, figuring out and actually doing what is right remains difficult.

To create a common understanding of corruption in an organization, and to reach consensus around the importance of detection and prevention, several things must happen. Someone must perceive the corruptive act, situation or event as a departure from social norms. They must categorize it as “corruption”, report that perception to others, must get them to accept this definition of the situation, and must obtain a response that conforms to their definition. Unless all these requirements are met, corruption as a social fact does not come into being, i.e., corruption will not be adequately detected and dealt with, and counter-measures will not be installed.<sup>2</sup>

In slightly more practical words, this model can be translated into an action-plan for fighting corruption. It also clarifies the obstacles that anti-corruptive programs have to face:

1. *Knowing norms*; formulate relevant policies and rules and make sure they are known and understood by all concerned.

2. *Knowing the facts*; design and implement efficient surveillance and detection systems. Investigate and document corruptive situations and events.
3. *Exercising judgemental ability*; categorize these acts, situations or events not only as departures from relevant policies and rules but also as morally reprehensible.
4. *Communication*; formulate and report that judgement to others and get the others to accept the definition of the act, situation or event as reprehensible.
5. *Mobilisation*; obtain adequate action from, or together with, others.

## Rationalizing Corruption

The actors in all our cases find themselves in situations where it would be financially or career-wise beneficial for them as individuals not to follow current policies, rules, applicable laws and regulations. The problem is that what may seem rational on the individual level is destructive on a societal level. For instance, it may undermine the realization of the SDG's. However, the perpetrator fails to take a societal level perspective, most probably because of strong rationalizations that de-construct

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<sup>1</sup> This section is an adapted version of a chapter in Arvidsson (ed) (2019).

<sup>2</sup> Rubington E. & Weinberg, M. (eds.) (1968), *Deviance – The Interactionist Perspective*. New York: Appleton-Century-Crofts.

corruption into something permitted, a nuisance or even as commendable, complicating step #3, “Exercising judgmental ability”.

- I will never get caught (probably)
- No one is hurt (probably), but on the other hand -
- It’s (probably) only fair

There are an infinite number of rationalizations and, interestingly, they often reflect and cancel each other out. Appropriate, rationalized, excuses are available for every conceivable occasion:

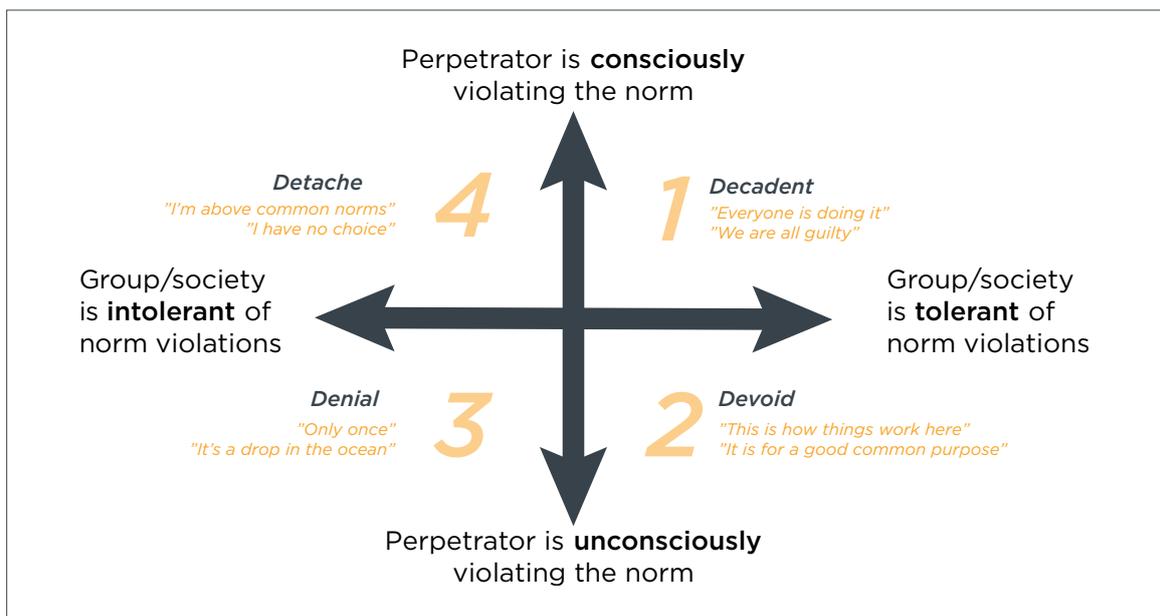
Moreover, the power of rationalizations increases if the bystanders are drawn into this deceptive process. They also often engage themselves in such unreasonable, individual delusions in order to avoid having anything to do with an ongoing chain of events that might have detrimental societal effects; they remain passive or, even worse, they start imitating the perpetrator.

- Everyone is (probably) doing it, but on the other hand...
- Others are (probably) much worse
- This is (probably) how things work here, but on the other hand...
- This is (probably) an exception
- I (probably) have no choice, but on the other hand...
- It (probably) is for a good cause.
- It is (probably) OK, but on the other hand...

We added “probably” in the items above to underline the fact that these rationalizations are seldom put to a test. They remain assumptions hidden from open confrontation with facts or with the views of others.

# 4 Ways of Rationalizing Deviances

One can organize the rationalization of deviances into four basic forms depending on whether the perpetrator deceives with, or without intent, and how tolerant outsiders are:



Being in the first category - *Group pressure / Decadence* - does not mean that the perpetrator thinks that violating the norm is totally acceptable. It may, in fact, only be done after a painful emotional struggle and under great mental strain. The psychological mechanism is partly a strong impulse to adapt oneself to the behavior of one's own flock, partially diluting one's own sense of responsibility for the act by spreading responsibility to the whole group. This impulse is not as irrational as it might at first seem. Suppose the alternative choices of action in a situation are unclear: What's right and what's wrong? Looking to see how others seem to evaluate the situation can provide reasonable information. Several individuals together probably have more experience than a single one and together they may therefore make a more accurate evaluation. A moral issue only occurs when the group's influence is so strong that it prevents the individual from taking a position that is the most reasonable from her own convictions but divergent from the group's.

The group's tendency to share and thereby dilute one's own sense of responsibility seems to be based on a subconscious mind-set where responsibility is treated as a zero-sum game.<sup>3</sup> The situation is perceived as sharing 100 percent responsibility between those involved. If, e.g., 100 individuals are involved, psychologically speaking just 1% responsibility falls on each one of them. That fraction is often not enough to trigger a sense of personal responsibility and responsible action. This idea gains an even greater apologetic power if it is combined

with the feeling of being in a decadent environment where others commit offenses worse than what the individual is conceiving.

In the second category - *Deprivation/ Devoid* - the perpetrator does not fully realize that her own and the bystanders' violations of norms are in fact morally reprehensible. Here, the individual finds the environment's apparent tolerance supportive. The perpetrator does not experience any wrongdoing because "what's normal can't be wrong". In this way, the difference between "norm" and "normality" is being confused.

Another variation of deprivation is when the perpetrator lets the ends justify the means. If this also seems to be the view taken by the surrounding group, the perpetrator experiences social support or at least social acceptance for her behaviour. If nothing but the purpose or consequences of the action is being evaluated the act itself will of course not be subject to any moral reflection at all. The actor and other involved individuals can be said to be devoid or deprived of moral denouncement.

In the third rationalization category - *Denial* - the perpetrator does not regard the denunciatory attitude taken by the environment as relevant and sees the violation of norms as a kind of exception. The perpetrator can accept the norm as a relevant principle but at the same time fail to recognize it as applicable or relevant in the specific situation. An action that others would call a theft, the fraudster can perceive, e.g., as a loan or as a fair compensation for an extraordinary effort. The deceiver will not then perceive the act as a

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<sup>3</sup> Latané, B., Darley, J. M. (1970). *The unresponsive bystander: Why doesn't he help?* New York, NY: Appleton Century Crofts.

violation of norms, norms which she under other circumstances might endorse: "It may seem like theft, but I do not see it that way – neither would you, if you knew what I know."

The fourth category – *Detachment* – is probably the one that demands the most of the perpetrator in terms of self-delusion. Detachment implies both finding an apology in one's own eyes and an explanation of why the group's or society's condemnations

should not be decisive. A sense of being forced, of having no other choice, can fill both needs. Being entirely without choices, the individual has no moral responsibility for her actions. "I had no choice" or "I only followed orders" serve as a kind of whitewash in order for the perpetrator to perceive himself both as just, and at the same time knowingly violating the norm. In both cases, the moral responsibility for the act is being placed elsewhere or with someone else

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## The Acceptance and Perpetuation of Corruption along with some Tips for Managers<sup>4</sup>

In addition to rationalizing corruption in organizations, individuals are often socialized into corrupt practices through being a newcomer or junior employee in a sector or company. For instance, as a newly graduated student starting off in a first job, it may be difficult to protest over what seems to be normal accepted practice in the new company. And though the newcomer may feel some unease, or the young graduate may remember being taught how to recognize corrupt practices, speaking up may prove very difficult. Indeed, the dissonance and apprehension experienced may instead lead to the newcomer leaving the organization rather than speaking up. Those who do stay on in spite of feeling uncomfortable might instead be **co-opted** into changing their attitudes by being induced with rewards to overlook unethical behaviors or practices. Examples of this are found

for instance, when financial brokers push portfolios with high commissions, researchers putting a more positive spin on findings sponsored by their funders, or public officials in regulatory agencies taking pro-industry stances in the hope of themselves being hired in the industry. Employees can also be subject to a step-by-step or **incremental** introduction to corrupt acts. In this way, the first step is only slightly deviant and normalized when the next step is undertaken, gradually climbing the ladder of corruption and engaging at the top in acts that (s)he would at the first step easily rejected. Finally, a third avenue to corruption lies in individuals almost backing into to corruption through **compromise**. Often in good faith, resolving tradeoffs and dilemmas through deeming certain acts as less corrupt because they lead to a final better result.

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<sup>4</sup> Anand, V., Ashforth, B.E, Joshi, M. & Perry, J. (2004), Business as Usual: The Acceptance and Perpetuation of Corruption in Organizations, *The Academy of Management Executive*,18(2): 39- 55.

Rationalization and socialization of corruption in an organization is further enhanced through how attractive the group or company is deemed, as well as how the group identity is facilitated and maintained. In a high status employer, a newcomer may join a social cocoon where the norms may be very different from those valued by society. When becoming an employee in that group is highly prized, newcomers or existing employees are more likely to accept and adopt the norms while seeking to compartmentalize themselves from external influences. Here rationalization and socialization are mutually reinforcing. Euphemistic language is especially important in enabling individuals engaging in corruption to describe their acts in a way that make them seem less offensive, thus making the corrupt act more benign and acceptable. For instance, kickbacks have been called “auditioning fees” or “travel expenses” and most horribly, even the killing of Jews at Auschwitz was referred to as euthanasia or a preventative medicine to allow doctors a rationalization of the Hippocratic oath to be able to live with themselves.

Finally, some advice to managers on combatting corruption in their companies. Since rationalization and socialization can become routine and normal business practices there must be a focus on prevention through

**fostering awareness among employees.**

This can be done through education but also through training employees to see practices through external eyes, or outsiders such as various external stakeholders or the media. Secondly, **performance evaluations must go beyond the numbers** to evaluate and merit behaviors and processes behind the numbers. Though a first step for an ethical company is to have a code of conduct, this may not be sufficient. These days, most companies have anti-corruption policies, yet the same companies are more often than not embroiled in smaller or larger corruption scandals. There is a further need to **nurture an ethical environment in the organization** through for instance, an ombudsman or ethics officer whom employees can confidentially turn to when they have misgivings or concerns. Also, as normally included in corporate legal departments and organizational compliance routines, strong verification procedures in place for code compliance during key activities is important. Finally, the “tone at the top” is important. Top managers serve as **ethical role models**, both in what they say and do, but most importantly in how they are seen internally and externally. This requires communication both by the managers themselves but also by communication efforts in and out of the company.

# Authors

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