U4 Helpdesk Answer

U4 Helpdesk Answer 2024: 4

Characteristics of effective reward and sanction schemes in the customs sector

Reward and sanction schemes intended to encourage integrity and discourage corruption among public officials are largely based on rational actor models of decision-making. According to these models, the tangible incentives for ethical behaviour and the credible risk of penalties for misbehaviour need to outweigh the material benefits stemming from corruption.

However, individual behaviour is also typically affected by moral, psychological and social considerations that can complicate the assumptions of rational decision-making. Therefore, reward and sanction schemes should also address non-material factors.

Organisational factors such as ethical leadership and the existence of robust human resource practices also influence the effectiveness of reward and sanction schemes. The literature indicates that such schemes work better when designed with the participation of those expected to comply with them.

07 February 2024

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Query

Please assess the effectiveness of reward and sanction schemes in the public sector, with a focus on customs agencies.

Contents

Caveat

There is increasing attention being paid to the application of rewards and sanctions schemes – as well as behavioural "nudges" – to improve the legal and regulatory compliance of customs clients on the supply side (Yong 2023). However, this Helpdesk Answer considers only rewards and sanctions schemes designed to improve the integrity of customs officials; in other words, demand-side interventions that customs institutions can undertake.

Moreover, although the final part of this Helpdesk Answer considers specific rewards and sanctions in isolation, in practice, reward and sanction schemes are typically combined into a broader organisational integrity management system, ideally overseen by internal affairs units and human resource management (Ferreira et al. 2007).

MAIN POINTS

- When used proportionally and in a consistent and complementary manner, reward and sanction schemes can effectively deter corruption in public administration.
- In some corruption prone sectors, such as customs, financial incentives can act as a key determinant of the behaviour of customs officers and their clients alike. Therefore, financial rewards for ethical behaviour as well as administrative penalties, such as fines for misbehaviour, can act as a counterweight to the potential illicit gains stemming from corrupt deals.
- Yet financial rewards and penalties alone are often insufficient to outweigh the lure of dirty money. Fortunately, moral, psychological and social factors are also important drivers of behaviour.
- As such, the effectiveness of reward and sanction schemes may be heightened where they are aligned with individuals' non-financial motives, such as professional pride and recognition through integrity awards, or 'deterrence nudges', such as warnings about the probability of detection and sanction.
- For reward and sanction schemes to ensure convergence between employees' personal integrity standards and expectations, and those of the organisation, they should thus be integrated into a broader internal affairs and human resources management system, characterised by high degrees of transparency, accountability and impartiality.
- Moreover, robust procedures should be established to apply rewards and sanctions in an impartial manner, with care taken to avoid the perception of unfairness and the emergence of perverse incentives.

This complicates efforts to determine the effectiveness of individual schemes, which typically exist as part of a broader, complex web of incentives provided by a range of reward, sanctions, organisational characteristics and individual factors.

Introduction

Customs agencies play an important role in revenue collection as well as in facilitating cross-border trade, preventing international trafficking in illicit goods and promoting economic development (Fjeldstad and Raballand 2020). Yet due to the high-value and high-volume nature of international trade, the presence of transnational organised crime, the large number of customs officials and the difficulty of monitoring all transactions, customs agencies can be highly vulnerable to corruption (Chêne 2018). Chalendard (2016, 2017) estimates that approximately 30% of customs revenues are lost to corruption in some countries in the Global South. Corruption at the border can undermine the collection of revenue, raise the cost of cross-border trade, curtail foreign investment and ultimately reduce a country's international competitiveness (Ferreira et al. 2007; Fjeldstad and Raballand 2020).

It has long been recognised that legal/technical reforms to reduce vulnerabilities to corruption in customs processes – such as simplifying rate structures or digitalisation initiatives – also need to be accompanied by measures to appropriately incentivise the customs officials who operate those processes (Das-Gupta et al. 1999 ; Ferreira et al. 2007). In the words of Fjeldstad and Raballand (2020: 126), "policy instruments may be divided into those which influence the number of corrupt opportunities, and those influencing the incentives", as depicted below in Table 1.

Table 1: Measures addressing motive and opportunities for corruption in customs agencies (adapted from Das-Gupta et al. 1999)

Measures addressing motives for corruption	Measures addressing vulnerabilities to corruption
• elite ethos and esprit de corps • positive career development • competitive base pay • incentives for high performance • sanctions for corruption behaviour • stakeholder surveys	• clear legal framework reducing discretion • clarified valuation procedures • digitalisation • inspections based on risk analysis • stronger supervision and controls • arm's length transactions • transparent clearance requirements • rotation of officers • functional organisation • internal audit unit

The Arusha Declaration, first published in 1993 and revised in 2003, pointed to the importance of technical measures such as regulatory reform, automation and increased transparency (WCO 2003). Yet it also emphasised the need for customs organisation to shape incentive structures[1] for personnel, including through codes of conduct, human resource management policies and measures to improve staff morale and organisational culture (WCO 2003). In this way, in the words of Ferreira et al. (2007: 375), the World Customs Organisation (WCO) sought to "mesh elements addressing the opportunities for corruption with those intended to reduce the motive for corrupt practices".

Since then, the WCO has also established a model code of conduct (2011) and an integrity development guide (2021), which set out how to establish an organisational integrity strategy and lay out minimum standards for the behaviour of customs employees.

In practice, this focus on individual motivation in parallel to technical reforms has typically involved the application of a two-pronged strategy. First, an incentive-based approach to reward individuals for high performance. Second, a compliance-based approach that imposes sanctions for corrupt behaviour (WCO 2003). An illustrative list of rewards and sanctions typically deployed within the customs sector includes the following:

Rewards

- adequate remuneration
- training and promotion
- bonuses and fringe benefits (e.g., health insurance, housing and transportation allowance)
- integrity awards
- job security
- merit-based appraisal systems and performance management
- pay for performance schemes
- praise and recognition
- self-reporting incentives (Deres 2018)
- staff rotation (to a better duty station or position)
- whistleblower rewards (either internal or external to the organisation)

Sanctions

- demotion or delay of promotion
- disciplinary measures for code of conduct breaches (e.g., administrative penalties and docked pay)
- dismissal/suspension
- reduction in discretionary and monopoly powers
- referring employee to criminal justice agencies (Meyer-Sahling et al. 2022)
- staff rotation (to a less desirable duty station or position)
- warning/reprimand

This paper considers three such schemes in greater detail. On the reward side of the equation, it explores the incentive structures associated with integrity awards and self-reporting. On the sanctions side, it considers disciplinary measures, particularly administrative penalties, as part of the compliance-based approach.

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[1] An incentive structure is understood as the total set of promised rewards and expected punishments intended to motivate individuals to behave in a certain way (IGI Global 2014). As such, this Helpdesk Answer refers to incentive structures as the totality of incentives that the complete array of organisational policies – including rewards and sanctions – create for their employees. It is important to ensure coherence between the incentives set by organisational policies, so that incentives established by an organisation's promotion policy do not work in opposition to those set by its salary system, for example.

Characteristics of effective reward and sanctions schemes

Organisational approaches designed to ensure integrity among staff by motivating them to comply with expected standards of behaviour can be broadly categorised along two axes, reward vs sanctions and material vs non-material, as depicted in Table 2.

Table 2: Simplified typology of organisational approaches to increase integrity among staff

	Reward (incentive-based, ex-ante)	Sanction (compliance-based, ex-post)
Material	e.g., financial rewards for customs officials who detect and report wrongdoing	e.g., administrative fines or criminal penalties for customs officials caught engaging in wrongdoing
Non-material (values-based)	e.g., official recognition and praise for customs officials that display good performance	e.g., naming and shaming of customs officials found culpable of integrity breaches

Rewards, sanctions or both?

Within the wider field of anti-corruption, there is an ongoing academic discussion about the relative importance of compliance-based policies that foreground criminalisation and sanctions on one hand and, on the other hand, values-based approaches that seek to prevent corruption through the promotion of integrity frameworks and ethical standards (Jenkins 2022). While the former seeks to deter corruption through exemplary punitive measures, the latter is focused on establishing positive examples and encouraging desirable behaviour.

The theory of engagement developed by Kiesler (1971) proposes that where individuals can freely make decisions in line with their intrinsic motivation and self-image, they are more likely to feel responsible for their behaviour than when they are compelled to behave in a certain way due to the threat of external sanctions being imposed. In this view, rewards that align with and reinforce an individual's intrinsic motivation may be better at activating positive engagement, for example with integrity standards, than the imposition of sanctions.

Indeed, several scholars have argued that reward-based systems are more effective than punitive measures, with Verdier and Woo (2011) going as far as to state that "under no circumstances should a sanctioner prefer sanction threats to reward promises". Similarly, a study conducted in Thailand found that combining high rewards with limited punishment was more effective in reducing administrative corruption than a system characterised by severe punishment but low rewards (Songchoo and Suriya 2012).

Wegner et al. (2013) argue that approaches based solely on penalising undesirable behaviour provide little inherent motivation for people to display ethical behaviour above the minimum prescribed obligations. Likewise, citing literature from behavioural economics, Lambsdorff (2015) suggests that an excessive focus on oversight and penalties can "crowd out" individuals' intrinsic motivation to behave ethically. Drawing chiefly on empirical and experimental studies on private sector anti-corruption compliance in the United States, he argues that coercive measures that deny people "the self-esteem of doing the right thing" can ultimately lead to diminished moral aspirations and less ethical behaviour (Lambsdorff 2015: 4). Moreover, the efficacy of disciplinary measures and penalties depends on how potential wrongdoers perceive the risk of being caught, which might be low in countries characterised by weak rule of law and high rates of impunity for corruption (Kukutschka 2019).

Nonetheless, a recent review of the literature on integrity-oriented approaches found little evidence for the claim that punitive measures "crowd out" values-based approaches (Jenkins 2022). Rather, as put forward by Meyer-Sahling and Mikkelsen (2020: 21), "corruption needs to be attacked from multiple sides using multiple tools at once", a view further corroborated by a recent meta-analysis of interventions intended to curb administrative corruption (Mugellini et al. 2021: 3).

There are good reasons to apply rewards and sanctions in conjunction, not least as both of them can play complementary and mutually reinforcing roles in shaping incentive structures that individuals encounter when deciding whether to engage in corruption or not. Camargo et al. (2020: 13) contend that interventions focused on behavioural rewards are most effective when deployed in conjunction with "strong enforcement of sanctions".

Indeed, rewards and sanctions play somewhat different roles as part of the wider integrity management system. Incentive and values-based measures are primarily preventive in nature (ex-ante) and can potentially deter corruption by reducing its material benefits as well as individuals' capacity to rationalise and justify integrity breaches (Camargo et al. 2020; Weißmüller and Zuber 2022). Once an integrity breach has occurred (ex-post), an effective response is likely to involve the application of punitive measures, partly to demonstrate the material and social costs of corrupt behaviour to other potential perpetrators.

Balancing material and non-material drivers of behaviour

Reward and sanction schemes intended to deter corruption are largely based on the rational actor model. As such, they seek to tilt individuals' risk-reward calculus in favour of desirable behaviour. Under this model, someone's cost-benefit assessment of a particular course of action is affected by the prospect of receiving material rewards, such as payment, as well as the risk of being detected and the severity of potential sanctions, such as receiving a criminal sentence or administrative fines (Jenkins, 2022). According to the theory, if the expected gains of corrupt behaviour outweigh the perceived costs, an individual will engage in corruption. This cost-benefit model continues to carry explanatory weight; a recent meta-analysis of randomised control trials found that "increasing the expected monetary costs (e.g. sanctions) of corruption or the probability of detection (e.g. audit risk) is more effective than organisational, cultural and educational interventions in curbing administrative corruption" (Mugellini et al. 2021: 3).

However, social psychology studies demonstrate that an individual's behaviour does not always conform to expected rational actor decision-making. Apart from the cold calculation of potential costs and benefits, the behaviour of individuals is also affected by social interactions, peer group role models, organisational culture and ethical considerations that may sometimes outweigh reward incentives or the risk of punishment (Tyler 2005). In this view, integrity frameworks should thus factor in individual values, organisational norms and social group dynamics as important determinants of behaviour (Ellemers et al. 2019). This school of thought is beginning to establish itself among customs practitioners (Kumanayake 2019; Yong 2023). A recent article by El Hail and Zhalitov (2021), for instance, argues that anti-corruption efforts in the sector need to pay greater attention to the processes of behavioural change.

As such, given the complex interplay between material and non-material aspects of an individual's decision-making process, reward and sanctions schemes based solely on tangible costs and benefits may not be well aligned with actual employee motivations, thus reducing the effectiveness of said schemes and, in extreme cases, even result in them backfiring.

For example, Dhillon et al. (2017) argue that "policies to fight corruption should focus more on increasing the collective reputation of the public sector rather than using monetary incentives, which have perverse effects on some agents". According to Verdier and Woo (2011), this is because schemes offering material incentives can be "vulnerable to extortion – doing wrong in the hope of obtaining larger rewards".

As an illustration, a widespread corruption scheme among customs officials in Thailand reportedly involved them taking bribes in return for accepting fake invoices from supposed importers, who used these invoices to funnel illicit funds out of the country (Albrecht 2011). To counter this, the Thai customs department introduced a reward scheme under which customs officials would receive up to 25% of the value of confiscated import shipments. While this scheme was meant to outweigh the incentive to take bribes, it created perverse incentives that led to unintended consequences. With the increased incentive to find violations in import shipments, Thai customs officials spent much longer on shipment clearance, looking for any irregularities they could report under the reward scheme. This slowed down customs procedures to the extent that it prompted importers to bribe those officials to expedite the clearance process (Albrecht 2011). This reward scheme then failed to address the core corruption risk of bribe paying and rather simply displaced corrupt behaviour from one process to another.

Studies in Cameroon and Madagascar have pointed to the positive effects of individual performance contracts for customs officials that stipulate a series of non-financial incentives and sanctions (Raballand and Rajaram 2013; Raballand et al. 2017). Customs officers who meet their performance indicators are rewarded with non-material benefits, such as the opportunity to participate in training courses, letters of congratulation from senior leaders and public praise. Unsatisfactory performance is met by written warnings of possible disciplinary measures. The introduction of these performance contracts was causally linked with an increase in the amount of revenue collected and a reduction in clearance time (Raballand and Rajaram 2013; Raballand et al. 2017).

Such findings have led some scholars to argue that reward and sanction schemes are likely to be most effective in generating desirable behaviour among staff where they incorporate both material and non-material elements. A recent study on corruption in customs by Fjeldstad and Raballand (2020), for example, argues that reward and sanctions systems based on rational actor models, such as performance-based pay programmes, can establish appropriate incentives for customs officials and thereby help reduce malfeasance.[2] However, Fjeldstad and Raballand (2020: 126) also point out that anti-corruption efforts in the customs sector need to consider deeply embedded social-normative

[2] In Madagascar, the introduction of a performance-based pay programme was found to "incentivise customs inspectors to curb tax evasion and expedite customs clearance", which according to Fjeldstad and Raballand (2020), contributed to reduction in corrupt practices. This incentive-based reward system was also accompanied by technical reforms to capitalise on available data to monitor and sanction corrupt individuals (Fjeldstad and Raballand 2020).

pressures and non-material motivations, such as professional pride.

There is some empirical evidence that supports this idea. In Cameroon, an initiative to reward customs inspectors with 10% of the value of import fines yielded no tangible results (Cantens et al. 2010). This appears to be because corruption prone inspectors were not adequately incentivised by this additional financial reward since it failed to outweigh profits stemming from their corrupt deals. As Fjeldstad and Raballand (2020: 127) observe, "to eliminate corruption, very large increases in salaries are needed and this is not socially acceptable because customs officers are already the best paid of public service employees in most low-income countries".

To address this problem, the financial reward scheme in Cameroon was augmented with non-financial rewards and sanctions. The former included congratulatory letters, personal recognition, easier access to the director general and better professional prospects for competent inspectors. The latter included staff rotation to a position with lower income, which proved to be particularly effective in deterring the corrupt behaviour within the Cameroonian customs administration (Cantens et al. 2010).

Given that customs agencies experience budgetary constraints that likely render them unable to offer financial rewards to their staff that compete with the illicit inducements provided by bribe-payers, the use of non-material rewards such as official recognition also offers pragmatic advantages.

Nonetheless, due consideration of non-material factors, such as social norms and peer recognition, should not lead to the neglect of core material drivers of corrupt behaviour. Otherwise, despite the best efforts of behavioural interventions or integrity promotion initiatives, people will continue to rely on corruption as a functional means of solving problems (Marquette and Peiffer 2019). Weißmüller and Zuber (2022) find, for instance, that "salary dissatisfaction can overwrite the preventive effect of high moral standards and public service motivation".

Moreover, financial resources are also necessary to establish a decent work environment and pay for items that can themselves convey non-material benefits, such as the pride staff may stake in having a quality uniform (Ferreira et al. 2007: 376).

Considering people's intrinsic desire for tangible rewards, the incentive-based approaches could combine non-financial symbolic incentives, such as praise and recognition for integrity, with financial and structural incentives, such as salary increases and promotions. A doctoral dissertation studying the Ghana revenue authority found that staff motivation was driven through a combination of material factors (promotions, job security and bonuses) and non-material factors (recognition). While financial remuneration was the most significant variable in explaining staff motivation, employee recognition also had a statistically significant effect on employee performance (Parker-Allotey 2020).

In a similar vein, compliance-based approaches could combine material penalties, such as demotion or salary deductions, with non-material sanctions like naming and shaming.

While material rewards would seek to reduce the financial pay-offs associated with corruption, non-material sanctions could heighten the normative costs of misbehaviour by appealing to individual's self-esteem, professional identity and reputation among peers.

Aligning organisational reward and sanctions schemes with employee motivations

The behaviour of an individual is heavily influenced by the organisational culture in which they are embedded. Systemic pressures in highly corrupt settings can lead employees, even if they disapprove of corruption, to commit corrupt acts (Ashforth and Anand 2003).

Berry (2004) observes that where staff have a higher degree of personal integrity than the organisation, they are likely to become disillusioned and reluctant to report wrongdoing due to fear of retaliation by corrupt peers or managers.

Conversely, where employees' personal integrity does not match the high standards set by the organisation, integrity failings may come to be viewed by staff as an inevitable response to "unrealistic" expectations.

It is therefore important to ensure that members of an organisation "identify with the purpose of the organisation, know the rules and procedures, and understand how they are implemented in practice" (OECD 2020: 136-7).

By the same token, it is important for organisations to display respect for personal integrity. This can involve the application of values-based integrity interventions focused on reinforcing virtuous behaviour, ethical thinking and professional pride among staff (Nicaise 2020). In practice, this could include building trust through open dialogue between managers and staff, encouraging the participation of employees in the design and operation of integrity management systems, and the prioritisation of employee well-being.

According to Nicaise (2020), the "psychological contract" is an important concept in relation to the alignment between the organisational incentive structures and employees' motivations. It refers to an employee's attitudes towards working conditions, including expectations of a reciprocal exchange with the employer. In addition to material aspects such as sufficient remuneration and job security, employees tend to place considerable value on mutual trust and respect, open communication, fair treatment, safe work environment and other non-material factors.

Where these non-material aspirations are fulfilled, employees are generally more willing to follow the organisation's ethical rules. Where these expectations are not met, this could prompt employees to violate codes of conduct and required standards of behaviour. Similarly, such non-material motives as interpersonal relations could lead to an employee committing corruption or not reporting wrongdoing by others that damages the organisation (Nicaise 2020: 16). To prevent this from happening, "psychological contracts" should consider both the material and non-material drivers of employees' behaviour.

The link between the psychological contracts and corrupt behaviour in customs is receiving growing attention (see El Hail and Zhalitov 2021). In an interview with Nicaise (2020), a representative of the New Zealand Customs Service explicitly endorsed this approach, stating that

> "[the] psychological contract is our underlying principle. We offer flexible working arrangements, a genuine commitment to diversity and inclusion, a solid pay and recognition for work, and a high trust environment for all our employees. In return, we expect employees to come and do a good job, operate with integrity and maintain the reputation of customs."

The representative emphasised her belief that establishing a strong connection between organisational principles and personal values has helped create an environment in which the expectation of integrity becomes self-reinforcing: "as we have such a strong reputational and integrity base, the peer pressure [to comply with professional standards] is innate". The implication is that value-based approaches can contribute to the development of a working atmosphere in which corruption becomes the exception rather than the norm.

Importance of ethical leadership and organisational culture

People take their social cues from authority figures, and the OECD (2020: 73) argues that the ethical behaviour of managers is one of the main channels to promote integrity among staff. As such, leadership needs to be seen by staff to walk the talk by acting as ethical role models, encouraging staff to serve with integrity and recognising good performance. In the customs sector, Fjeldstad and Raballand (2020: 129) note that "pro-integrity leaders and managers in customs can demonstrate exemplary behaviour, build up organisational values, and create an environment where it is safe to challenge [corrupt] norms". The visible commitment of leaders to high ethical standards is particularly important to the development of an organisational culture in which employees feel comfortable speaking up and reporting wrongdoing (Avey et al. 2012; Walumbwa and Schaubroeck 2009).

But beyond displaying ethical leadership, those in charge of establishing and adjudicating reward and sanctions systems need to be seen to apply these consistently and impartially. Weißmüller and Zuber (2022) argue that when it comes to personnel practices and remuneration, procedural transparency and fairness are essential strategies to prevent the type of staff dissatisfaction that can trigger corrupt behaviour. Where staff are subjected to rewards and sanctions schemes that they do not perceive to be applied fairly, this can quickly erode both support for and effectiveness of these measures, potentially leading to an increase in corruption and other unethical behaviour.

A study of Nigeria public sector organisations, for instance, concluded that perceived unfairness in the allocation of rewards and performance appraisals undermined the intended outcome of these schemes (Akintunde and Anifowose 2019).

Another study of 19 Flemish governmental organisations found that the higher employees' trust in the justice and fairness of their organisation, the lower their engagement in corruption and the less they reported observing behaviour by colleagues that was harmful to the organisation. Conversely, those employees who perceived their organisation to be run in an unjust and unfair manner were reportedly more likely to engage in corruption (De Schrijver et al. 2010).

Crozier and Friedberg (1980) have demonstrated how the participation of groups of staff in the definition of organisational rules is critical because, in practice, not only leaders but also staff will have bargaining power in the application of these rules. In this spirit, Fjeldstad and Raballand (2020: 129) contend that involving staff in the reform process enhances the sense of ownership among employees and increases the chance of compliance by semi-autonomous customs officers who cannot be subjected to round-the-clock supervision. Moreover, reward and sanctions schemes are less likely to generate unintended consequences when designed with the participation of those expected to comply with them.

Finally, where customs agencies struggle with low staff morale and trust in leadership, structural interventions focusing on technical and legal reforms may be helpful to disrupt existing norms and reset expected forms of behaviour (Yong 2023).

Reward and sanction schemes in practice

This paper now turns to explore three examples of reward and sanction schemes that encompass three of the four categories presented in Table 2.

i. incentive-based
   a. material (financial rewards for reporting corruption)
   b. non-material (integrity awards designed to encourage peer recognition of desirable behaviour)
ii. compliance-based
   a. material (administrative penalties)

Box 1: Non-material sanctions schemes

This Helpdesk Answer does not consider non-material compliance-based measures, such as naming and shaming officials found culpable of corruption. A recent case in Mumbai illustrates the latter approach, as well as some of the risks associated with it. Senior customs officials publicly displayed videos of junior staff who repeatedly came late to the office and garlanded them with flowers in an apparent effort to improve their punctuality through embarrassing them (Free Press Journal 2023). However, the campaign provoked an angry backlash from junior staff, some of whom pointed to hypocrisy given the alleged misuse of organisational resources and vehicles by senior officials (Free Press Journal 2023). The episode perhaps underscores the importance of securing staff buy-in and endorsement of reward and sanctions schemes before they are rolled out.

It is also worth noting that Mugellini et al. (2021: 6) argue that non-material sanctions schemes that assign social blame for those engaged in corruption are likely to work better in settings in which corruption is the exception rather than the rule.

Integrity awards

Integrity awards are a non-monetary prize where employees who have demonstrated integrity are publicly lauded. Such initiatives build on the insight that group dynamics and expectations regarding peer reactions are powerful determinants of individual behaviour. As such, growing attention is being paid to interventions intended to shift underlying social norms about the acceptability of unethical behaviour (Nicaise 2021; Jackson and Köbis 2018; Kassa and Camargo 2017). One approach is for organisational leadership to reward courageous individuals – so-called integrity champions – who break with the expected norm of corruption. Integrity awards provide an emotional and social reward, such as prestige pride, and recognition among peers, to specific individuals (Kukutschka 2019).

Not only might these non-material rewards be desirable for other employees and thus encourage them to act with integrity in the hope of attaining similar recognition, but integrity awards can also draw staff attention to the gap between behaviour that was previously tolerated and that which is now acceptable (Collier 2016).

Examples of such awards in public service include the Public Service Excellence Award in Kenya, Integrity Idol – an international campaign launched by Accountability Lab, and the Public Integrity Award promoted by the American Society for Public Administration. These awards recognise public servants for exemplary conduct in terms of good governance, integrity and public service delivery. The winners are expected to serve as champions to strengthen the culture of integrity within public institutions by establishing networks of like-minded reformers within organisations and encouraging their peers to emulate them (Kukutschka 2019).

However, if poorly conceived or unsuited to organisational culture, integrity awards risk being ineffective or even counterproductive.

First, if deployed in isolation, the symbolic recognition of integrity awards may prove insufficient to reset norms, expectations or behaviours. This is more likely to be the case when unaccompanied by measures to challenge the structural drivers of corrupt behaviour or negate the material benefits that corruption can bring. A randomised field experiment and accompanying ethnographic study in Uganda found that recognition alone was not able to motivate people or change their attitudes about corruption. Multiple subjects in the study expressed a strong preference for tangible rewards in exchange for acting with integrity (Buntaine et al. 2022). While focused on community leaders rather than officials working in public administration, the findings suggest that positive recognition campaigns are best viewed as an adjunct to more system-oriented approaches that foreground material concerns, including salaries, promotions and postings.

Second, norm-building strategies are not a short-term project. To the extent that positive recognition can augment reforms that target structural drivers of corruption, it seems likely that these interventions need to be consistently applied over long periods of time. In the case of short-lived integrity awards, the effect is likely to fizzle out quickly once the campaign ends. For instance, Kukutschka (2019) points to the Doing-in-the-Dark campaign, where students at Princeton university competed over the course of a month to reduce their energy consumption. After the competition ended, energy consumption swiftly returned to pre-intervention levels. The limited longevity of behavioural interventions on target populations has also been noted elsewhere, with social norms and attitudes generally reverting to pre-treatment levels (Hallsworth et al. 2017; Meyer-Sahling et al. 2019; Köbis et al. 2019: 19).

Third, integrity awards may entail a risk of blowback in highly corrupt, hierarchical institutional settings characterised with low employee trust. One illustrative example is the Accountability Lab's Integrity Idol programme, which gives global recognition to public servants of high integrity. The programme winners, who are selected by citizens, are supposed to diffuse norms of integrity across public sector institutions. In Mali, however, the "faming" approach backfired as it generated resentment among senior army officers towards the publicity received by the idols. In one case, officers even transferred a solider nominated as an integrity idol to an undesirable posting (Accountability Lab 2018). Given the martial nature of some border agencies, similar dynamics could be encountered in the customs sector. Furthermore, integrity competitions could lead to further backfiring where these rewards are conveyed by senior officials to their supporters as part of a wider patronage or clientelism system within the organisation.[3] This indicates that integrity awards may not be effective and can even generate negative personal outcomes where there is insufficient buy-in at the senior level (Jenkins 2022).

Given these considerations, staff participation in the design and operation of integrity award schemes is important for two reasons. During the design phase, input from employees can ensure that the scheme fits with the organisational culture, provide an opportunity to communicate organisational and personal values, raise awareness among staff of the award and heighten a sense of ownership among them (Fjeldstad and Raballand 2020: 130). Involving staff in the selection of integrity champions, such as through anonymous balloting, can help strengthen the credibility and perception of impartiality in the award process.

[3] On a similar note, based on a study in Cameroon, Cantens (2012) has suggested that measurable and public performance management frameworks for customs officials can reduce the risk of people being appointed or promoted based on their connections rather than their aptitude.

At the same time, Deres (2018) argues that integrity awards may produce more impressive results in terms of strengthening a culture of institutional integrity where they incorporate tangible rewards such as salary increases and promotion. Buntaine et al. (2022) also argue that recognition schemes should combine symbolic and material elements and that, given their low cost, they can be added an "additional component" of broader organisational reforms to target the vulnerabilities to and structural drivers of corrupt behaviour.

Reporting incentives

Some countries, including India, China and Romania have introduced the idea of asymmetric punishment to incentivise whistleblowing against bribery. Basu et al. (2016) explain that under this approach, victims of coercive corruption, as well as repentant parties to collusive corruption schemes, are subject to less severe penalties in exchange for reporting wrongdoing. They argue that asymmetric punishment schemes can be further strengthened by not only suspending punishment of the party that reports wrongdoing (i.e. granting amnesty for the offence), but also by establishing financial and social incentives for whistleblowers to report the crime, and thus increase the crime detection rate.

As such, reporting incentives could potentially function as a constraint on corrupt behaviour by increasing the perception among potential perpetrators of the risks involved in wrongdoing, as parties and witnesses to the corrupt interaction stand to gain from disclosing this to appropriate authorities (Nyreröd and Spagnolo 2021a).

Whistleblower reward mechanisms have been implemented in countries like the US, Canada and South Korea (Maslen 2018). Under these systems, whistleblowers are financially remunerated for information that contributes to the investigation of corrupt acts. There are two main schemes of payment for whistleblowers, bounty schemes and *qui tam* laws. The former involves a fixed financial reward in exchange for information, while the latter grants the whistleblower the right to file a lawsuit on behalf of the government against the perpetrator and receive a portion of the recovered funds. Depending on the severity of the crime disclosed, the quality of evidence provided by the whistleblowers and the level of their involvement in court hearings on the case, the whistleblowers are typically eligible for between 10% and 30% of the recovered funds.

As evidenced in the US and South Korea, for this financial incentive to effectively unearth corruption, whistleblowers need to be given sufficiently high payments to compensate for the anticipated costs of retaliation (Maslen 2018).[4] This also underscores the fact that reward schemes for reporting wrongdoing need to be integrated into a wider whistleblowing framework that includes robust whistleblower protection mechanisms to prevent employers or colleagues from retaliating against those that blow the whistle.

There has been concern in some quarters that financial incentives could lead to an increase in false reports based on rumours or fabrications, or that unscrupulous individuals could induce their colleagues to commit fraud and then cash

[4] Retaliation against whistleblowers can impose not only psychological costs on them but also financial ones such as legal expenses related to court cases in which they might be implicated.

in on the reward[5] (Franke et al. 2016; Givati 2016).

Nonetheless, on balance, the evidence suggests that such concerns about reward schemes have not materialised (Stephan 2014; Howse and Daniels 1995). At the same time, there is strong evidence for their effectiveness in detecting wrongdoing (Nyreröd and Spagnolo 2021b; Butler et al. 2018: 22). Analysis of all US *qui tam* cases between 1996 and 2004, for instance, concluded that monetary incentives did indeed motivate people to blow the whistle and were associated with an increase the number of disclosures but not a rise in the number of false reports (Kohn 2014).

Notwithstanding that financial rewards for whistleblowing can be an effective mechanism for deterring corruption, their effect varies according to setting and form of corruption. For instance, Wu and Abbink (2017) conducted an experiment in China, in which the scenario involved an importer bribing a customs officer to avoid paying import duty. They tested whether the introduction of a mechanism to self-report corruption in exchange for financial rewards would have an effect on collusive corruption in customs, by sowing distrust between potential parties to a corrupt transaction. They found financial rewards for reporting wrongdoing to be highly effective in reducing collusive bribery in a setting in which parties do not expect to encounter one another again, such as one-off bribes paid to a traffic policewoman or a customs official. In settings in which parties expect repeated interactions with each other – which may be the case for representatives of major import and export firms and specific border agents – the introduction of financial rewards for self-reporting had only a weakly positive effect (Wu and Abbink 2017). In fact, the experiment also showed that the customs officers would likely continue engaging in collusive bribery with importers if they expected to interact with the latter indefinitely and could therefore overcome the mistrust introduced by the self-reporting mechanism (Wu and Abbink 2017). Mugellini et al. (2021: 4) therefore recommend combining reporting mechanisms with interventions like staff rotation that limit interactions between parties to a potentially corrupt transaction.

Besides financial rewards, non-financial incentives could also feature as part of reporting schemes. This is because the decision to blow the whistle is thought to be highly influenced by potential whistleblowers' expectations in terms of whether their peers will approve or disapprove of their choice to report wrongdoing. As a review by Maslen (2023) identified, "speak-up awards" could help overcome the stigma of whistleblowing in some settings as well as mitigation the fear of retaliation.

According to a laboratory study conducted by Butler et al. (2018), whistleblowers display greater willingness to blow the whistle on corrupt superiors when they expect a financial reward but also when they know that the public will be informed about the negative effects generated by the managers' malfeasance.[6] Where the information contained in a whistleblower's disclosure is made public, whistleblowers are likely to have higher expectations of peer approval of their decision and less anxiety about retaliation.

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[5] As an example of measures to mitigate this risk, the False Claims Act (FCA) of the US, imposes jail sentences for up to five years for perjury as well as financial penalties for "obviously frivolous claims" on the part of whistleblowers. At the same time, the relevant US agencies, such as the US Securities and Exchange Commission (SEC) do not grant rewards to whistleblowers who "planned and initiated" the wrongdoing reported or who are convicted of a crime related to the wrongdoing (Nyreröd and Spagnolo 2021b).

[6] In the laboratory experiment by Butler et al. (2018), the potential whistleblowers were informed that wrongdoing by their manager caused financial losses to third parties, and that they themselves were not implicated in the illicit behaviour of their manager.

Indeed, Butler (et al. 2018) found that where financial reward schemes were combined with non-material incentives, such as social recognition of whistleblowers, the probability that test subjects would blow the whistle increased by 40% compared to cases where they received neither rewards nor social recognition.

Conversely, the whistleblowers' expectations of retaliation are shown to be higher and hence their willingness to blow the whistle is lower where they do not expect the public to become aware of the direct harm generated by the wrongdoing they report. In such a case, financial rewards might become the decisive factor in their decision whether to blow the whistle. Butler et al. (2018: 18) found that in the absence of financial reward, the effect of non-material pay-offs, such as social recognition and peer approval, was "essentially zero".

Finally, there is some suggestion that normative pressure from peers and social groups to adhere to high standards of integrity could generate perverse incentives when it comes to reporting wrongdoing. For instance, in the case of the New Zealand Customs Service, Nicaise (2020) postulates that officers might be reluctant to report wrongdoing by their colleagues if they think this might damage the good reputation and public trust in their agency.

Disciplinary regimes

Disciplinary measures can complement and augment incentive-based approaches. The revised Arusha Declaration stipulates that administrative penalties for staff culpable of integrity breaches should be specified in an organisational code of conduct, proportionate to the severity of the violation and aligned with administrative and legal provisions (WCO 2003).

The most common penalties issued by human resource management and internal affairs units against customs officers in response to unethical behaviour range from oral warnings, written public reprimands, fines and docked pay, demotion, suspension and dismissal (WCO 2019: 29). France, for instance, has established a tiered system of disciplinary measures (WCO 2019: 32):

- first-tier sanctions (no referral to disciplinary board): warning and reprimand
- second-tier sanctions (mandatory referral to disciplinary board for second-tier sanctions and above): disbarment from promotion, temporary exclusion from duty for a maximum period of 15 days, reassignment
- third-tier sanctions: downgrading, temporary exclusion from duty for between three months and two years
- fourth-tier sanctions (resulting in termination of employment): compulsory retirement, dismissal

Many countries have established progressive escalation for repeat offenders. In Lithuania, for instance, a customs official who has already been penalised once in the previous 12 months can be dismissed for a second offence (WCO 2007: 52).

Customs organisations are typically restricted to imposing administrative penalties on their staff as they do not have the mandate to pursue criminal sanctions, but many have procedures in place to refer lawbreakers to prosecutorial bodies (WCO 2019: 38).

The OECD (2016: 66) argues that, for sanctions schemes to have the desired effect, they have to be applied uniformly across an organisational hierarchy. This is borne out by the findings from a study to assess the impact of disciplinary measures on the organisational effectiveness of the Nigerian Customs Service. The authors argued that more transparent disciplinary procedures were associated with staff perception of greater impartiality in the handling of disciplinary cases, and a reduction in the incidence of indiscipline (Sule-Dan and Ilesanmi

2015). This indicates that, for penalties to work effectively, it is paramount to ensure transparency and impartiality during their application so that employees have trust and confidence in the system.

In the United States, the Customs and Border Protection agency has developed a table of offences with corresponding penalties, which is intended to ensure fair and consistent discipline administration across the institution (WCO 2007: 55). Despite this, the organisation reportedly has a "stunning degree of misconduct" compared to other US law enforcement agencies (Nowraseth 2021). To reduce integrity violations in the organisation, Nowraseth (2021) calls for more internal affairs officers to be recruited to supervise customs officials. According to the OECD (2016: 57), the existence of a well-resourced, dedicated internal affairs team in the UK Revenue and Customs agency has helped clamp down on internal fraud and develop risk profiles to identify irregular or suspicious behaviour by employees.

There is also scope for directly aligning sanction schemes with reward schemes. For example, in Azerbaijan, administrative fines levied against customs staff are reportedly paid into a fund that is then used to pay out rewards to high performing employees (WCO 2007: 62).

Another recommendation emanating from the literature is for customs agencies to maintain records of disciplinary cases and make the outcome of each proceeding available to all staff or even citizens, complete with a summary of the integrity violation and a list of sanctions imposed (Sule-Dan and Ilesanmi 2015: 88). This is reportedly the case in both France (WCO 2019: 32) and Brazil (OECD 2016: 42). In Italy, disciplinary sanctions are included in customs officers' employment contracts and displayed in all workplaces (WCO 2007: 55).

Conclusion

Reward and sanctions schemes that aim to encourage desirable behaviour on the part of staff are an important complement to legal/technical measures to curb corruption in customs. However, their effectiveness depends on striking an appropriate balance between rewards and sanctions, as well as between material and non-material incentives.

The validity of the rational actor model that underpins most reward and sanctions schemes has been criticised in recent years (Persson et al. 2013), including by practitioners from the customs sector (Kumanayake 2019). Yet empirical evidence suggests that the theory of individuals' cost-benefit calculus continues to be relevant to the design of measures to curb administrative corruption (Mugellini et al. 2021: 3).

Nonetheless, while material factors and monetary incentives matter greatly, incorporating non-material rewards and sanctions based on normative and psychological insights into human behaviour can be helpful to tailor these schemes to specific settings (Yong 2023).

Ultimately, the most promising results appear to be generated by "interventions that raise the (material) costs of corruption while simultaneously increasing the (social-normative) benefits of behaving ethically" (Jenkins 2022: 39).

In addition, this review of the literature has pointed to other important variables of the impact of reward and sanctions schemes, including:

- the transparency of the institutional environment
- the existence of ethical leaders
- organisational culture
- the strength of internal affairs and human resource units

- staff morale and trust in leadership
- recognition by employees of the legitimacy and appropriateness of incentives and penalties to which they are subject
- consistency, coherence and impartiality in the application of rewards and sanctions

Box 2: A word on demand-side reward and sanctions schemes

This Helpdesk Answer has focused on supply-side interventions: reward and sanctions schemes intended to enhance the integrity of customs officials. Nonetheless, carrot and stick approaches can also be applied to demand-side actors in the customs sector, especially private companies trading across international borders.

Rewards could be offered to compliant private sector companies with a reputation for integrity in the form of preferential treatment, such as authorised economic operator programmes (Fjeldstad and Raballand 2020: 126).

By the same token, compliance-based, non-material integrity measures in the customs sector can also focus on clients, such as publishing lists of firms that have been blacklisted for corruption offences.

Yong (2023: 130) proposes that incorporating social and psychological elements, such as nudges, could be "used as a supplementary tool to the contemporary conventional reward and punishment approach" not only on the supply-side but also to increase the compliance of demand-side actors such as customs clients. In addition to addressing the economic incentives driving clients' behaviour, such as customs duties and the cost-benefit calculus of voluntarily submitting a customs declaration at the border crossing, Yong (2023) therefore calls for supply-side reforms to consider non-economic incentives, such as cognitive biases, social norms and tax morality.

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KEYWORDS

Corruption – Customs – Reward – Sanction

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