Stage 3 – LEADERSHIP FOR CAPACITY BUILDING

Module 19 – ETHICS MANAGEMENT (Advanced)

The Leadership Academy is a learning and action programme for mayors, senior officials and elected representatives of local government.

January 2017

Centre of Expertise
for Local Government Reform

COUNCIL OF EUROPE

CONSEIL DE L'EUROPE

1 MODULE OVERVIEW

1.1 BACKGROUND

- Good local governance is both the cause and consequence of public trust. A key purpose of the Leadership Academy Program is to share a leadership approach that support leaders to build trustworthy government and trustful local community. Good intention, good moral character and individual integrity are indispensable for local leaders but are not sufficient in the complex and pressured environment of public service. Leaders need to address ethical issues with high level of professionalism, they also need to be able to clearly communicate their decisions to their constituency. They need to have a language that convey their considerations. They need to also build a community and organizational culture and processes that can adequately deal with complex challenges and ubiquitous ethical dilemma situations and prevent corruption or any other type of practice that breaches the integrity of local governance.

- This module discusses how ethics and integrity of local leaders and local governments impact their legitimacy, power and effectiveness. It also presents models for reflecting on ethical dilemma situations and methods for ethical management. During the sessions leaders gain practice in ethical reflection and reasoning and develop instruments for ethical and integrity management.

- Honesty and integrity of the leader and communication of values were part of all leadership concepts discussed in the modules on leadership principles and in many other modules, like the one on emotional intelligence, organizational culture and communication and in many of the reference material of different components of the material[1]. In this module we operationalize the knowledge already gained from other modules and add some new concepts and tools that can be used in the daily practice of leadership.

1.2 LEARNING OBJECTIVES

- To strengthen participants capacity to ethical reflection and reasoning and offer methods to develop ethics and integrity of their organization.

1.3 LEARNING OUTCOMES

Participants:

- experience the complexity of ethical reflection and decision.
- improve their ethical literacy: extending their concepts and vocabulary for ethical reasoning and their competence in addressing ethical issues with professionalism, i.e. their capacity to make reasoned judgement about right and wrong
- gain practice with structured methods to confront dilemma situations.
- gain structured knowledge of the method and instruments of ethics management.
- understand the concept of public integrity and its role in building public trust and preventing corruption. This means a deeper understanding about the role and interplay of rules and values in organizations and the role of leadership in creating concordance between rules and values.

As a result participants will be better prepared to build their personal and organizational integrity and enhance public trust and effectiveness of local governance

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[1] Kouzes & Posner, Senge, Goleman

1.4   DURATION

- 1 full day (360 minutes)

2   MODULE STRUCTURE

2.1   INTERACTIVE INTRODUCTION

- Participants share expectations and the trainer summarizes the schedule of the day and writes it up on a flipchart.

2.2   GROUP EXERCISE 1 - ETHICAL DILEMMA EXERCISE

- The group discusses an ethical dilemma in plenary collecting arguments for different decision alternatives. This exercise offers an experience on dilemma situation: the wide diversity of possible arguments, the relevance of multiple, often contradicting arguments in dilemma situations. And the importance of open communication, that is, the discussion and understanding all the different considerations before making a decision. The role of the trainer at this points is also to make participants aware that three types of reasoning are applied: Value-based   arguments; duty/rule-based arguments; consequence based arguments.

2.3   PLENARY DISCUSSION 1 – THE CONDITIONS FOR LEGITIMATE DECISION MAKING IN PUBLIC SERVICE

- Plenary discussion on how the three types of reasoning is represented in legitimate public decision making. The group learns the three key conditions for legitimate public decisions.

2.4   DISCUSSION AND PRESENTATION 1 – ETHICAL DILEMMAS IN LOCAL GOVERNANCE

- Participants' share what are the dilemma situations they experiences in their work. The dilemmas of the participants are compared with research results on dilemma situations experienced by Dutch local governments. The discussion of

examples is followed by a structured discussion of typical dilemmas in local government that applies the knowledge gained in the previous sessions. After the systematic analysis of local government dilemmas the group discusses how organizational structures and decision processes can accommodate ethical decision making, and what kind of ethical management processes and instruments are essential.

2.5   GROUP EXERCISE 2 – APPLYING A TOOL FOR ETHICAL DECISION MAKING

- We present a tool that is applicable for both individual use and group reflection on ethical dilemmas. It offers a guidance on how to do systematic reflection on difficult, complex problems. Participants learn to apply the tool for a difficult dilemma situation, then, they receive a handout that summarizes steps of the suggested process of ethical reflection.

2.6   PLENARY DISCUSSION 2 – ANALYSIS OF LOCAL CORRUPTION

- Participants discuss a typical local government corruption case and are asked to identify the causes. They receive a conceptual framework – Donald Cressey's fraud triangle - to analyse and understand the complex drivers of ethical and unethical behaviour (corruption). In a second round of groups of participants discuss possible strategies and instruments for preventing similar corruption practices in local governments. After sharing the results of the reflection on the concrete case, the trainer facilitates a discussion on corruption prevention and ethical management in general. The conclusions are added to the flipchart activity 3 that listed the already

discussed ethical management instruments.

2.7 GROUP EXERCISE 3 – CORRUPTION PREVENTION AND ETHICAL MANAGEMENT

- This activity encourages participants to develop strategies for curbing corruption using the instruments of ethical management they have identified during the previous activities of the module. The trainer recalls the starting situation in the famous case of La Paz. Groups of participants should develop strategies to curb corruption. Groups can design new strategies or, if they know the case, they can use any element they can recall from the strategy of Ronald MacLean-Abaroa. Groups discuss their proposals during a plenary session and create an aggregate strategy that the trainer compares to the successful strategy implemented in La Paz highlighting the importance of the value and community building component and the systematic and processual approach to change management. After the planning exercise the trainer presents the Craiova strategy that won the UN Public Service Award in 2011, as an applicable model for local governments in the LAP target region. Participants can down load from the internet the full documentation of the Craiova case to study the details.

2.8 DISCUSSION AND PRESENTATION 2 – ETHICAL AND INTEGRITY MANAGEMENT IN LOCAL GOVERNMENT

- At the end of the module the trainer facilitates a discussion that summarizes what participants discussed and learned of ethical management. After the discussion the trainer presents the Integrity framework developed by the OECD and connects the day's discussions to leadership practice: the role of ethical leadership and leadership strategies that can be applied to build shared values and integrity of governance.

2.9 PRESENTATION OF THE PUBLIC ETHICS BENCHMARKING TOOL OF THE COUNCIL OF EUROPE

- Trainers presents the Public Ethics Benchmarking Tool of the Council of Europe and explains its adaptation and application process. The participants discuss whether the implementation of the tool could be a next step in the application of the knowledge gained during this module.

2.10 SUMMARY AND RECOLLECTION

- Participants take 5 minutes to recall the most important learning points of the day and take some notes for themselves. After the individual reflection and recollection participants are invited to share one idea they choose and give feedback to group and trainer.

3 WORKING DEFINITIONS

3.1 VALUES

Important and lasting belief shared by members of a culture/community about what conduct or end-state is desirable. (examples of public sector values are: justice, equity, fairness, integrity, honesty, respect, reliability, transparency, openness, efficiency, effectiveness, rightfulness, law fullness etc.)

3.2 ETHICS

Generally accepted values and norms that guide behaviour.

3.3 ETHICAL DILEMMA

A situation where values are at stake but the application of different values lead to different conclusions. This means that good reasons support different alternative choices and legitimate arguments may be raised against alternatives that renders decision making difficult.

3.4 ETHICS MANAGEMENT

Strategy and instruments intended to ensure ethical behaviour among organizational members.

3.5 INTEGRITY

Acting in accordance with accepted values and norms.

3.6 INTEGRITY EXPECTATION TOWARDS LEADERS

Taking sincere and a principled ethical stand, show model and create context (operating system and culture) that supports organizational integrity and staff to act with integrity.

3.7 PUBLIC INTEGRITY

The local government operates according to democratic principles and effectively uses the powers and resources entrusted to it for the implementation of the officially accepted purposes and justified public interest. These are characteristics that together improve trustworthiness to internal and external stakeholders.

3.8 INTEGRITY MANAGEMENT

Integrity management refers to all the activities undertaken to stimulate and enforce integrity and prevent corruption and other integrity violations within a particular organization. It is a systemic approach that consists of rule-based and value-based components. „Integrity management can be seen as a complex and never-ending balancing exercise between the rules-based and the values-based approaches"[2].

3.9 CORRUPTION

Behaviour that deviates from the principles and rules associated with public office (political or executive) in order to gain private benefits in terms of wealth, power or status to serve personal (personal, family, friends) or group interests (economic, ideological, ethnic, party, professional, etc.).

CoE Convention on Corruption (1999) Article 2: "Corruption means requesting, offering, giving or accepting, directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or the prospect thereof."

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[2] OECD 2009

4 KEY CONCEPTS

4.1 PUBLIC ETHICS

Ethics is a set of generally accepted values and norms that guide behaviour. During this module we discussed ethics management as strategy and instruments intended to ensure ethical behaviour among organizational members.

We started this day with ethical dilemma situations. An ethical dilemma is a situation where values are at stake but the application of different values lead to different conclusions. This means that good reasons support different alternative choices and legitimate arguments may be raised against alternatives that renders decision making difficult.

We distinguished three dominant perspectives to reflect on ethical questions:

1. Ethical reflection grounded in values, virtue and moral character
2. Ethical considerations grounded on reflection on duty, standards and compliance to rules
3. Ethical considerations reflecting of consequences of actions

For the analysis of ethical dilemmas in the public sector we applied the Go / No-go Model of Lewis & Gliman (2012). According to Lewis &Gilman for legitimate decisions public leaders need to reflect on whether:

1. Is the decision legal?
2. Is the decision ethical?
3. Is the decision effective?

Action is legitimate only when it is legal, ethical and effective. That is, when the decision is in the intersection of the three circles on the figure.

4.2 ETHICAL DECISION MAKING TOOL

As a tool for ethical decision making we applied the model of Terry Cooper (2012). Cooper suggest the following steps:

1. Describe the situation
   The first step is to reflect on the situation. Look with openness and from multiple perspectives, collect information and make a detailed analysis that is as objective as possible. In this phase you need to be open in your inquiry and need to suspend judgement.
2. Define the problem in ethical terms
   Identify and understand the underlying values and analyse the situation through the lens of the different values. Identify what you understand from the perspective of different values. Attempt to define the situation as a tension among values.
3. Identify alternatives for possible actions
   Identify as many possible action as you can. Take those possibilities as well that seem awkward, or unrealistic at the first sight. It is important to be free and creative at this point and move beyond the obvious alternatives (the obvious good and bad response), as solutions may be engendered from different insights.

You may not pursue later on all, but allow time to collect all alternatives.

4. Reflect on possible scenarios projecting the possible consequences of each alternative

Use your imagination to reflect on possible scenarios for the selected alternatives. You need to see the scenario rich in details, as a story that evolves. This should be a free and creative process of storytelling that is followed by moral reflection on each story that has been created.

5. Choose from the alternatives

For choosing the best alternative you need to make the underlying values explicit and weight the alternatives according to these values. Before making the final choice attempt to defend it against opponents, and imagining how you would feel as a consequence.

We used this model for small group discussion as a first step to learn to apply the model. In leadership practice this model can be applied for individual reflection before a difficult ethical decision or dilemma situation, it can be used with a small circle of advisors, or it can also guide the common reflection of larger groups with the application of adequate large-group facilitation techniques. The advantage in involving stakeholders in the reflection is that the result will be shared by them and it will enhance their commitment for implementation and their willingness for taking the consequences.

4.3 TEST FOR AUDITING DECISIONS

In this short handout we collected a few quick and simple tests to auditing decisions. This can be used by leaders or leaders can use them o remind staff to reflect on decisions from multiple perspectives.

- Mirror test for integrity: Is it good to look at my own eyes? What kind of person do I admire?
- Window test: I look out of my window. What do I see? Does this fit?
- Corridor test: if others find out, how would I pass colleagues at the corridor?
- Publicity test for accountability: Would I like to see this on the front page of the local newspaper?
- Diner test: Is this a story I would proudly tell as a story at a dinner table? In front of my children?
- Gut-feel test for the implementation: Am I willing and likely to follow through? Can I live with it?
- Signature test for personal responsibility: Would I take personal responsibility for this recommendation, analysis or decision?

5 EXERCISES

5.1 PUBLIC ETHICS – GO-NO-GO MODEL OF ETHICAL DECISION

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	ETHICAL	UNETHICAL
ILLEGAL	NO ACTION → pursue change in law if possible	NO ACTION
LEGAL AND INEFFECTIVE	NO ACTION → seek innovative redesign	NO ACTION
LEGAL AN EFFECTIVE	ACTION	NO ACTION

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5.3   THE STARTING SITUATION IN LA PAZ[3]

Few municipal officials will face situations as extreme as the one encountered by Ronald MacLean-Abaroa when he took over as mayor of La Paz, Bolivia. This is his account from the book:

"On September 13, 1985, I was sworn in as the first elected mayor of La Paz since 1948. I knew I would be facing a difficult task, but I never imagined how grave the situation was. I quickly discovered that I had better find someone to loan me money to survive into the next month, because my new salary was the equivalent of only US$45 per month. Not only that, I would find it almost impossible to form my immediate staff since they would be paid even less. At the end of that day, I boarded the mayor's vehicle, a decrepit 1978 four-wheel drive, to return home, wondering if I had not fallen into a trap from which it was impossible to escape, short of resigning from my first elected office.

The idea that radical change was essential turned out to be my savior. I was facing a limiting case. Bolivia was still in the midst of its worst economic crisis ever. The former President had had to cut his term short and leave office before being driven from it by the army, the people, or most likely a combination of both. Though an honest President, he was unable nonetheless to reverse the economic collapse. Inflation in August had reached an estimated annual rate of 40,000 percent.

The next day I returned to my office, wondering where to start my reforms. The four-wheel drive had broken down and I had to drive to work in my own car. While parking in front of city hall, I noticed that there among the crippled vehicles were two conspicuously fancy cars. One belonged, I later learned, to a foreign expert working with the municipality. The other, an elegant sedan, belonged to the cashier of city hall. I had my first hints of where the resources were.

The cashier was a fifth-class bureaucrat with a minimal salary who, I came to know, had the habit of changing several times a week which car he drove to work. He made no secret of his obvious prosperity. In fact he had taken the habit of offering loans to the impoverished municipal employees, including some of his superiors, charging a "competitive" weekly interest rate.

Later, up in my office, I developed a deep sense of solitude. Accustomed to working in the private sector, where I managed fair-sized mining companies, I was used to working with a team. In my newly elected post, there was nothing that resembled a team. All the people I found looked and acted more like survivors of a wreck than anything else. The professional staff was earning an average of about US$30 per month. Many employees were anxiously seeking alternative sources of income to bring home. Corruption, if not always at the scale of the cashier, was everywhere.

Bolivia had just had a change of government at the national level, and the new administration was from a different party than my own. I would not be able to count on support from the national government, as had been customary in the recent past when mayors were appointed by the President and subsidized by the national treasury. New laws meant that cities were on their own financially, and I learned that in two weeks I would have to meet a payroll that was worth roughly 160% of the total monthly revenues of La Paz! Part of this was due to the hyperinflation and the changes in federal support. But part of it, maybe a lot of it, was due to corruption.

I found many signs of malignancy in the municipality. The degree of institutional decay was such that authority had virtually collapsed in the municipality. Everyone was looking for his or her own survival in terms of income generation, and therefore corruption was widespread. Tax collectors used techniques ranging from extortion to speed money to arrangements for lower taxes in exchange for a bribe. Property taxes were particularly vulnerable to collusion between taxpayers and corrupt officials. A new assessment was needed as the result of the hyperinflation and a legion of municipal functionaries was ready to hit the streets, meet

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[3] Klitgaard et al, 1999

property owners, and "negotiate" a property value that would suit both owners and functionaries well, but one far below the true value. The result would be a tax saving for the property owners, particularly the rich; a bribe for the colluding functionary; and a city unable to provide services because it lacked even minimal resources.

The city government was in effect a huge "construction company" that wasn't constructing much. The city owned tractors, trucks, and all kinds of construction machinery. There were two thousand city laborers, who were paid meager, fixed salaries and were only coming to work an average of five hours a day. Machinery was also used for a similar amount of time, rendering it extremely inefficient given its high capital cost. But I found that the use of gasoline, oil, and spare parts was abnormally high. Surely they were being sold in the black market, I thought, and soon this suspicion was sadly verified. New tires and expensive machinery parts such as fuel injectors, pumps, and Caterpillar parts were available for sale and in exchange broken and used parts were "replaced" on the city's machinery...."

5.4 ETHICS AND INTEGRITY MANAGEMENT INSTRUMENTS[4]

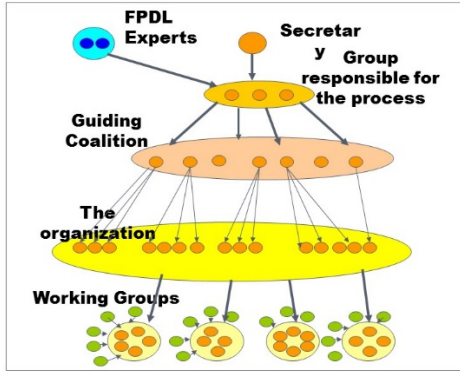|		Determining & defining integrity	Guiding towards integrity	Monitoring integrity	Enforcing integrity
Core	Rules-based	• Risk analysis • Code of conduct • Conflict of interest policy • Gifts and gratuities policy • Post • employment • arrangements • Structural measures *(e.g.* function rotation)	• Rules-based integrity training • Oath, signing an "integrity declaration" • Advice, counselling	• Whistle-blowing policies complaints policies • Inspections • Integrity testing • Early warning systems • Systematic registration of complaints, investigations, etc. • Survey- measurement of integrity violations and organisational climate	• Formal sanctions • Procedure for handling integrity violations
	Values-based	• Analysis of ethical dilemmas • Consultation of staff and stakeholders • Code of ethics • Non-written standard setting	• Values-based integrity training • Integrating integrity in the regular discourse *(e.g.* announcing the integrity policy through channels of internal and external communication) • Exemplary behaviour by management • Coaching and counselling for integrity	• Survey measures of integrity dilemmas • Informal probing for ethical dilemmas and issues among staff	• Informal sanctions
Complementary		• Assessing the fairness of reward and promotion systems • Appropriate procedures for procurement, contract management and payment • Measures in personnel management *(e.g.* integrity as criterion for selection, evaluation and career promotion) • Measures in financial management *(e.g.* 'double key', financial control,) • Measures in information management (e.g. protecting automated databases) • Measures in quality management (e.g. reviewing the quality assessment tool)		• Internal control and audit, • External control and audit	

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[4] Source: Towards a Sound Integrity Framework: Instruments, Processes, Structures and Conditions for Implementation, GOV/PGC/GF(2009)1. OECD, 2009 (Table 3. on page 28: Classification of integrity instruments)

5.5 SELECTION OF THE FIGURES PRESENTED DURING THE DAY

Handout to share the most important figures produced together with the group and used during the presentations. We hope these recall the discussions and may also help to reflect on events and problems during work and to analyse difficult situations.
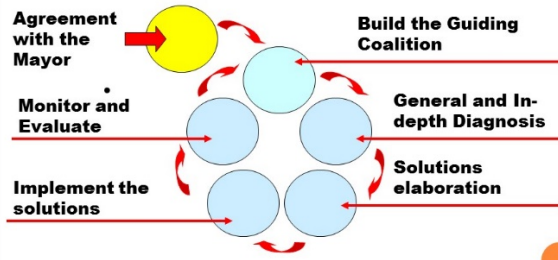
WORK PROCESS IN CRAIOVA

© Ana Vasilache and Nicole Rata

STRATEGIC PROCESS IN CRAIOVA

Planed Change/Problem-Solving/Planning Process

© Ana Vasilache and Nicole Rata

INTEGRITY MANAGEMENT FRAMEWORK
© OECD, 2009

	Instruments	Processes	Structures
Core measures	Codes, rules, guidance, ethics and integrity training and advice, disclosure of conflict of interest, etc.	Overall continuous integrity development process, continuous development processes for individual instruments, one-off projects to introduce or change instruments, etc.	Integrity actor, management
Complementary measures	Integrity as criterion in personnel selection and promotion, integrity aspects of procurement procedures and contract management, including integrity in the quality assessment tool, etc	Processes in personnel management, procurement and contract management, financial management, etc.	Personnel management, contract management, financial management, etc.

Dutch Integrity infrastructure

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