

Odebrecht Bribery: The Worst FCPA Violation

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I. Introduction

An anti-bribery study that involves a foreign multinational corporation is especially important to prepare managers for overseas positions and students for entering a global economy in which many countries have corrupt government officials that demand bribery from citizens and corporations. This point is supported by the report of Transparency International (2019a) that corruption has remained a blight around the world especially in 121 developing countries with Corruption Perception Index below 50. The report further emphasizes two crucial facts. First, corruption is definitely a serious problem because it keeps wealth in the hands of an elite few who enjoy a lavish life while trapping millions of ordinary citizens in poverty, depriving them of basic needs like food, health, education, and housing (Transparency International, 2013). Second, no country is free of corruption and no entity is immune to bribery (Transparency International, 2019b). The World Economic Forum estimates that the global cost of corruption is at least \$2.6 trillion, or 5% of the global gross domestic product, and according to the World Bank, businesses and individuals pay more than \$1 trillion in bribes every year (United Nations Security Council, 2018). Despite the seriousness of these issues in the global economy, there are hardly any studies about anti-bribery enforcement of Foreign Corrupt Practices Act (FCPA) on a multinational corporation (MNC) from a developing country where bribery is rampant.

This article has three objectives. First, it aims to affect a long-lasting impression on managers and students regarding the negative consequences of bribery and the importance of anti-bribery measures given that Odebrecht bribery had significant adverse effects on a number of Latin American countries, and involved the shockingly largest penalty of \$3.5 billion, which is so much higher than the median penalty of \$4 million reported in Persons (2019). Second, it aims to introduce managers and students to different institutional factors and cultural values in a developing country. Odebrecht is a well-known construction conglomerate in Brazil, a bribery-infested country with Corruption Perceptions Index score of only 38 from 100 where a lower score means worse bribery (Transparency International, 2021). Like many other developing countries, Brazil differs significantly from the U.S. in terms of cultural values which, in turn, influence work-related behaviors and organizational/institutional structure (Hofstede, 2001). Exposing managers and students to these cultural and institutional differences would broaden their global perspectives, and better prepare them to function effectively in the global economy. Third, the use of a foreign company will also awake managers and students to the fact that the FCPA, which is the U.S. weapon for fighting bribery worldwide, does not only govern U.S. companies, citizens, and residents, but also has a far-reaching authority over certain foreign companies and individuals.

The study used a qualitative research method by utilizing FCPA enforcement documents that are publicly available on the Department of Justice website as well as extensive research of relevant academic and practitioner business articles. The second section of this study discusses background information about Odebrecht. The third section describes massive bribery undertaken by Odebrecht. The next seven sections (IV through X) present the seven questions along with their discussions that are suitable for training managers, and for class discussion or student assignments in auditing, business ethics, business forensic and any international business courses at both undergraduate and graduate levels. The final section provides conclusions.

II. Odebrecht's Background Information

Odebrecht S.A. is a private Brazilian holding conglomerate that conducts business via various operating entities in the fields of engineering, construction, chemicals, energy, utilities, real estate, and petrochemicals. The company was founded in 1944 by Norberto Odebrecht, and is headquartered in Salvador da Bahia and Sao Paulo, Brazil. It has businesses in 28 countries in the regions of the Americas, the Caribbean, Africa, Europe, and the Middle East. Odebrecht S.A. owns and controls two leading companies: Construtora Norberto Odebrecht S.A., the biggest engineering and construction company in Latin America, and Braskem, the largest petrochemicals producer in Latin America and one of Brazil's five

largest private-sector manufacturing companies. Odebrecht specializes in large-scale public-works projects, and has built mass transit systems in Rio de Janeiro, Quito, Panama City and Caracas. It has constructed highways, ports, dams, and airports including Miami International Airport. It built facilities for the 2014 World Cup and 2016 Olympic Games in Brazil and infrastructure projects for Brazil's state-owned oil company, Petróleo Brasileiro S.A. or Petrobras (Mayka and Lovón, 2019).

III. Odebrecht's Massive Bribery Scandal

The Odebrecht scandal is "the largest foreign bribery case in history" (Department of Justice, 2016c), which surpasses major foreign bribery cases at Siemens AG (\$1.6 billion penalty in 2008), BAE Systems (\$400 million penalty in 2010), and Alcatel-Lucent SA (\$137 million in 2010). Odebrecht's standard procedure was to secure lucrative contracts by offering kickbacks to influential politicians. Odebrecht employees made connections with those in power and those who looked like they would be getting into power soon (BBC News, 2019). Between 2001–2016, Odebrecht paid almost a billion dollars in bribes to officials at all levels of government in ten Latin American countries (Argentina, Brazil, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Peru, and Venezuela) and two African countries (Angola and Mozambique). The Odebrecht bribery scheme was so massive that in Brazil alone, bribes were paid to 415 politicians and 26 political parties implicating almost one-third of Brazil's senators and almost half of all Brazil's governors (Pressly, 2018). This unparalleled illicit conduct helped the company win contracts and other benefits (profits) totaling \$3.336 billion (Department of Justice, 2016c). The following information about Odebrecht bribery by country came from the Department of Justice (2016a).

Bribery in Brazil

Beginning as early as 2003 and continuing through 2016, Odebrecht disbursed approximately \$349 million in corrupt bribe payments to political parties, individual candidates, and government officials at the local, regional, and national level in Brazil, to secure an improper advantage to obtain or retain business. Odebrecht benefited more than \$1.9 billion because of these corrupt payments. Significant bribes from 2004 through 2012 involved Petrobras, Brazil's national oil company that owned 36.1% of the shares of Braskem, the petrochemical subsidiary of Odebrecht. Before submitting a bid, which was supposed to be competitive, Odebrecht and other construction companies met to evaluate and divide up future contracts for Petrobras projects among the companies. After it was determined which company or companies should get contract(s) for a certain project, only the predetermined company would present a qualifying bid with an acceptable price to Petrobras, and other companies would present unacceptable bids. To ensure the continued success of this bid-rigging scheme and to secure the contracts with Petrobras, Odebrecht and the other companies agreed to make corrupt payments (1%–3% of contract price) to Brazilian politicians and political parties and Petrobras executives who involved in awarding the projects and were aware of the companies' bid rigging.

According to Campos et al. (2021), Odebrecht also bribed to manipulate subjective bid criteria, to obtain better terms in contract renegotiations after the projects were awarded, and to achieve multiple *quid pro quos*. For example, whenever the evaluation of bidders' technical expertise involves subjective as well as objective criteria, more weight will be given to the subjective criteria so that Odebrecht will receive a higher technical score than its rivals. Data that Campos et al. (2021) obtained from the Odebrecht projects in Brazil show that project-cost increases after contract renegotiations were larger when bribes were paid. Renegotiations in projects with bribes resulted in an 18.9% cost increase compared with 4.1% cost increase for projects without bribes. Campos et al. (2021) also found that Odebrecht bribed officials and politicians at various stages of a project, involving different *quid pro quos*. In addition to manipulating subjective bid criteria and achieving better renegotiation terms, Odebrecht engaged in extortion (i.e., paying a bribe when a public official threatened to block the project).

Bribery in Other Countries

Between 2001 and 2016, Odebrecht made at least \$437 million in corrupt payments to foreign political parties, foreign officials, and their representatives in countries outside of Brazil including Angola, Argentina, Colombia, the Dominican Republic, Ecuador, Guatemala, Mexico, Mozambique, Panama, Peru, and Venezuela. Odebrecht benefited more than \$1.26 billion because of these corrupt payments. Table 1 presents the extent of bribery by country per the Department of Justice (2016a).

Table 1: Odebrecht's Bribery by Country

Country	Time Period of Bribery	Total Corrupt Payments (Bribes)	Benefits (Profits) from Bribes
Angola	2006–2013	> \$50 million	\$261.7 million
Argentina	2007–2014	> \$35 million	\$278 million
Colombia	2009–2014	> \$11 million	> \$50 million
The Dominican Republic	2001–2014	> \$92 million	> \$163 million
Ecuador	2007–2016	> \$33.5 million	> \$116 million
Guatemala	2013–2015	\$18 million	> \$34 million
Mexico	2010–2014	\$10.5 million	> \$39 million
Mozambique	2011–2014	\$900,000	Unknown
Panama	2010–2014	> \$59 million	> \$175 million
Peru	2005–2014	\$29 million	> \$143 million
Venezuela	2006–2015	\$98 million	Unknown

In sum, from 2001 to 2016 across all 12 countries including Brazil, Odebrecht made a total of at least \$786 million in bribes, and profited in the amount of at least \$3,160 million. The amount of gross profits from bribes was about four times as much as the bribe amount, and the amount of net profit (gross profit less bribe) from bribing was about \$2.4 billion. Given that the net profits from all operations of Odebrecht from 2004 to 2014 was about \$2.4 billion, most profits Odebrecht made during the period were due to bribery (Campos et al., 2021).

IV. What Are Brazilian Institutional Environment and Cultural Values Conducive to Bribery?

Answer to this question provides the foundation for understanding the root causes of bribery, not just in Brazil but also in other developing economies that share similar institutional, cultural, and political environment with Brazil's. To fix the bribery/corruption problem, we need to know the root causes of it. Yeganeh (2014) found that countries with culture of high power-distance, high uncertainty avoidance, masculinity, collectivism, and conservatism tend to have higher levels of corruption than countries with culture of low power-distance, low uncertainty avoidance, femininity, individualism, and autonomy. High power distance involves dependence of subordinates on their superiors, obedience to authority, status consciousness, and hierarchical decision making (Hofstede, 1980). In high-power-distance societies, subordinates obediently follow the superior's instructions, and the elites tend to enjoy more powers and are less likely to be challenged or persecuted (Sanyal, 2005; Seleim and Bontis, 2009). Davis and Ruhe (2003) indicate that high-power-distance societies are likely to be more corrupt than low-power-distance cultures. In high-uncertainty-avoidance societies, bribery may be used to avoid uncertainty and to assure desirable outcomes. Employees may not want to challenge or whistle-blow unethical business practices to avoid uncertainty and risk that come with it. Masculinity that focuses on the pursuit of materialistic success such as a high-paying job with a fast-growing company may be associated with unethical or corrupt business behavior (Sanyal, 2005). In collectivistic cultures, ethical compliance is sought through interpersonal relations rather than formal structures (Weaver, 2001). The emphasis on interpersonal relations can lead to favoritism, nepotism, and ultimately bribery/corruption. Like collectivism, conservatism culture is associated with strong interpersonal and family ties which can create opportunities for nepotism, favoritism, bribery, and deviation from rules and regulations (Husted, 1999, 2000). Hofstede (2001) and Schwartz (1992) identified Latin American cultural values as high power-distance, high uncertainty avoidance, masculinity, collectivism, and conservatism. Sanchez et al. (2008) further assert that Latin American collectivistic society with large family-dominated business groups creates close support networks and business culture predicated on personal relationships that are conducive to corruption and bribery.

These cultural values influence the nature and role of political campaign finance in Brazil's electoral process with a strong emphasis on interpersonal ties that create seductive and recurring incentives for bribery and political corruption. Tobolowsky (2016) argues that Brazil's poorly regulated and opaque political campaign finance is the root cause of bribery and political corruption. First, a company donates to a political party or candidate in return for special privileges or future advantages in the public bidding process for government contracts. Brazil's five leading construction firms including Odebrecht were among the top 10 largest campaign contributors in the 2014 elections, retaining the oversized influence they have wielded since the 1950s (Taylor, 2016). Sometimes, an incumbent politician would approach a company with a request for campaign donations in exchange for future public works contracts. If elected, the politician will then receive

"kickbacks" or overpriced contracts for their personal enrichment or to create a slush fund for the next election campaign. Norlin (2003) documents that Brazilian corporation usually contributed more than 90% of all contributions to the presidential election, and more than 80% for gubernatorial and senatorial elections. Marcelo Odebrecht, the former CEO of Odebrecht admitted that part of the \$48 million he donated to Dilma Rousseff and Michel Temer's campaign in the 2014 Brazilian presidential election was illegal (Gallas, 2019).

Another driving force behind bribery and corruption in Brazil is the excessive regulatory and administrative requirements imposed upon businesses (Tobolowsky, 2016). Tanzi (1998) asserts that rigidities and complex regulations may be intentionally created by public officials, to extract bribes. Furthermore, these rules are often kept intentionally opaque so that more power will remain on the side of those who enforce them. International Trade Administration (ITA, 2022) cautions about Brazil's complex legal and regulatory system as well as high taxes, high import tariffs, complicated tax system, inefficient customs processes, and non-transparent public procurement. ITA (2022) states that Brazil currently ranks last (141/141) in the World Economic Forum's 2019 Global Competitiveness Report for "Burden of Government Regulation". Byproducts of this excessive bureaucracy are the propensity of public officials to solicit illegal payments and the incentives for businesses to offer bribes to alleviate or avoid red tape.

ITA (2022) further states that the Government of Brazil (GoB) is the nation's largest buyer of goods and services because the GoB has controlling ownership interests in a variety of enterprises at both the federal and state levels. Wu et al. (2019) find that state-owned enterprises are not only more likely to receive bribe requests from government officials but are also more likely to pay bribes than private and foreign firms. This empirical finding supports Tanzi (1998) assertion that state-owned enterprises have been a major source of political corruption because they have occasionally been used to finance the activities of political parties and to provide jobs to the clienteles of particular political groups. This result was clearly the case in many Latin American countries, especially Brazil. The biggest state-owned enterprise in Brazil and South America is Petrobras, Brazil's national oil and gas giant that owned 36.1% of the shares of Braskem, the petrochemical subsidiary of Odebrecht. Such ownership provides fertile ground for bribe payments to Petrobras from Odebrecht via Braskem.

Regulations and strong enforcement are also crucial for combating bribery and corruption. Although Brazil has regulations, and penalties to combat corruption, their effectiveness and level of enforcement are inconsistent as the elite are less likely to face penalties. Several bills to revise the country's regulation of the lobbying/government-relations industry have been pending before Congress for years (Department of State, 2020). In 2014, the Brazilian federal government started a criminal investigation known as Operação Lava Jato (Operation Car Wash) that unearthed Odebrecht's bribery and a complex and massive web of public sector corruption, contract fraud, money laundering, and tax evasion resulting from systematic overcharging for government contracts, particularly at Petrobras. Although this investigation led to arrests of many parties including Petrobras executives, former politicians, and oil industry suppliers such as Odebrecht executives, wealthy and high-profile politicians and businessmen who previously faced imprisonment sentences may now remain free as long as they have the resources to continuously appeal their case to the Brazilian Supreme Court which freed two former Brazilian presidents from jail sentences: Michel Temer and Luiz Inacio Lula da Silva (Department of State, 2020).

These cultural values and institutional environment together with an authoritative government that demands bribes proliferate the supply side of bribery, resulting in more massive bribery at Odebrecht than at any other multinational companies from countries that do not tolerate bribery, e.g., Siemens AG from Germany, BAE System from U.K., and Alcatel-Lucent SA from France. Baughn et al. (2010) find that the propensity to provide bribes was higher when corruption was tolerated in multinational firms' home countries.

V. What Did Odebrecht Do to Deserve Such an Exceptionally Large Penalty of \$3.5 Billion?

In addition to its massive size of the bribery that occurred in multiple countries and span many years, the bribery was orchestrated by the highest levels of top management and involved highly organized and sophisticated schemes to bribe highest-level government officials. By 2006, Odebrecht blatantly set up a special "Division of Structured Operations" dedicated to bribery and illicit activities (Valarini and Pohlmann, 2019). The department has its own resources and was responsible for paying bribes to politicians and public officers (BBC News, 2018b). To conceal its criminal activities and avoid detection, the bribe payments not only had their own financial accounts and entirely separate and off-book communications, but also involved the global financial system—including the banking system in the United States—to disguise the source and disbursement of the bribe payments by passing funds through a series of shell companies (Leahy, 2016). Per the Department of Justice (2016a), the Division of Structured Operations managed the "shadow" budget for the

Odebrecht bribery operation via two computer systems unconnected to the main computer system of the company: (1) the “MyWebDay” system, which was used for making payment requests, processing payments, and generating and populating spreadsheets that tracked and internally accounted for the shadow budget; and (2) the “Drousys” system, which allowed members of the Division of Structured Operations to communicate with one another and with outside financial operators and other co-conspirators using secure emails and instant messages. To conceal their corrupt activities, users of the Drousys system utilized a series of codenames to mask their identities and referred to bribe intermediaries and recipients using additional passwords and flippant codenames such as Dracula, Sauerkraut, Decrepit, Totally Ugly and Viagra (BBC News, 2019). The Division of Structured Operations reported directly to Odebrecht’s chief executive officer who often made the final decision, indicating that Odebrecht’s top management condoned bribery as an acceptable way of doing business.

To further conceal its criminal conduct, the Division of Structured Operations managed and distributed funds that Odebrecht never recorded on its balance sheet. Per the Department of Justice (2016a), the unrecorded funds were generated by Odebrecht through a variety of methods including: (1) overhead charges collected from subsidiaries; (2) overcharges and fees that were attributed as legitimate to service providers and subcontractors but not included in project budgets; (3) undeclared retainers and success fees for the purchase of company assets; and (4) self-insurance and self-guarantee transactions by certain Odebrecht subsidiaries including Braskem.

The funds were then funneled by the Division of Structured Operations to a series of offshore entities that were not included on Odebrecht’s balance sheet as related entities. The Division of Structured Operations then directed the disbursement of the funds from one or more of the off-shore entities in countries with banking secrecy laws to the bribe recipient, through the use of wire transfers as well as through cash payments, which were sometimes delivered using packages or suitcases left at predetermined locations (Department of Justice, 2016c). Odebrecht also purchased the Antiguan branch of an Austrian bank in 2010 or 2011 so that senior politicians from multiple countries receiving bribe payments could open bank accounts and received transfers without the risk of raising attention. Other offshore entities/banks were also in countries with banking secrecy laws including Belize, Panama, and Switzerland.

Odebrecht’s revenues increased drastically after the creation of the Division of Structured Operations in 2006. According to Campos, et al. (2021), Odebrecht’s construction sales increased from about \$2 billion (the 31st-largest construction company in the world) in 2003 to around \$17 billion (the sixth-largest construction company in the world) in 2016.

Instead of cooperation with the authorities and voluntary disclosure of the criminal conduct, Odebrecht engaged in obstruction of justice to derail the investigation by concealing and destroying evidence of bribery. This obstruction of justice happened after the company became aware of Brazilian authorities’ covert investigation (Lava Jato or Operation Car Wash) into corruption related to Petrobras, which started in 2014, and related investigations launched in the United States and Switzerland (Department of Justice, 2016a). To hinder these various investigations, its executives and employees in the Division of Structured Operations concealed or destroyed evidence of criminal activities. In addition, around January 2016, employees and/or agents of Odebrecht intentionally caused the destruction of physical encryption keys needed to access the MyWebDay system, which contained evidence relating to the bribery scheme. As a result of these actions, significant evidence from the MyWebDay system was rendered inaccessible.

Such shameless actions of top management and the highly widespread bribery that were integral part of Odebrecht’s operations resulted in astronomically high penalty and fines imposed by authorities from the U.S., Brazil, and Switzerland.

VI. What Were Consequences to Odebrecht and Its Executives Who Orchestrated the Bribery, and Petrobra and Corrupt Officials/Politicians Who Received Bribes from Odebrecht?

In December 2016, Odebrecht and its petrochemical subsidiary, Braskem, pleaded guilty to charges with authorities in the United States, Brazil, and Switzerland, and agreed to pay the largest-ever global foreign bribery penalty of at least \$3.5 billion (Department of Justice, 2016c). The combined total amount of United States, Brazilian and Swiss criminal and regulatory penalties paid by Braskem will be approximately \$957 million. The combined total amount of penalties imposed against Odebrecht will be at least \$2.6 billion and up to \$4.5 billion. Odebrecht has represented its ability to pay a maximum of \$2.6 billion of the total fine amount, and the Department of Justice and Brazilian authorities subsequently reduced the penalty to \$2.6 billion which was commensurate with the \$2.4 billion net profit from bribery. Odebrecht also settled cases with other governments so that it would be allowed to tender for future major infrastructure projects in the countries. These resolutions are the result of an extraordinary multinational effort that stemmed directly from the Lava Jato investigation of

Brazil that was launched in March 2014 into allegations that Brazil's biggest construction firms overcharged state-oil company Petrobras for building contracts (Department of State, 2020).

In June 2015, the group's chief executive, Marcelo Odebrecht, the grandson of its founder, was arrested and sentenced to 19 years in jail for money laundering and bribery, and for his part in the corruption scandal (Gallas, 2019). He admitted that he paid more than \$30 million in bribes to Petrobras officials in exchange for contracts and influence (BBC, 2016). Seventy-seven Odebrecht executives also received jail sentences. In 2016, all of them signed plea bargains with the Department of Justice and with Swiss and Brazilian authorities, agreeing to confess to crimes and to identify corrupt officials in exchange for shorter prison sentences. As a result, Odebrecht's former CEO, Marcelo Odebrecht, served just 2½ years of house arrest instead of 19-year jail sentence (Hoke, 2018). This exceptionally shorter and more lenient penalty than the original 19-year jail sentence, is not an effective bribery deterrence to others.

The company's website did not mention anything about the scandal but noted that "sweeping and profound changes in its transformation process" were undertaken in 2018, including the replacement of practically the entire board of directors to bring "greater diversity." In addition, there have been two CEOs since Marcelo Odebrecht was arrested, neither has the last name Odebrecht (BBC News, 2019). These changes to Odebrecht's corporate governance and top management seem to discourage the company from further bribery because there has been no news about Odebrecht's illegal conduct since then.

The value of Odebrecht bonds drastically dropped as Standard and Poor cut the company's credit ratings to the lowest grading. On June 17, 2019, Odebrecht S.A. which had changed its name to Novonor filed for bankruptcy protection, seeking to restructure \$13 billion of debt in one of Latin America's largest-ever in-court debt restructurings (Reuters, 2019). Persons (1995) finds that high financial leverage increases fraud likelihood which is clearly evidenced in the case of Odebrecht.

Petrobras reported its biggest-ever loss for the year 2014 as the result of a 50.8-billion-real (\$16.8 billion) write-down in the wake of a massive corruption scandal. 6.19 billion real or \$2 billion of these write-downs were directly related to the corruption probe (Reuters Staff, 2015). The company remains the world's most-indebted and least-profitable major oil company. The Department of State (2020) states that "In January 2018, Petrobras which are listed on both the Brazilian and New York Stock Exchanges settled a class-action lawsuit with investors for \$3 billion, one of the biggest securities class-action settlements in U.S. history. The investors alleged that Petrobras officials accepted bribes and made decisions that had a negative impact on Petrobras' share value." Petrobras also paid total penalties of \$853.2 million to U.S. and Brazilian authorities to settle charges that former executives and directors violated the FCPA through fraudulent accounting used to conceal bribe payments from investors and regulators (Department of Justice, 2018).

Did corrupt government officials who had received bribes from Odebrecht also face negative consequences in their home countries? Yes, many of them did except two former Brazilian presidents that should have served a longer jail sentence.

Brazil: Former president Luiz Inacio Lula da Silva was initially sentenced to 12 years in prison in April 2018 on corruption charges relating to Odebrecht (BBC News, 2018a). Almost a third of Brazil's government ministers who served under former president, Michel Temer, including his foreign minister and chief of staff are serving jail sentences (BBC News, 2019). Temer himself was arrested in March 2019, to be released five days later. He was arrested again in May 2019, and released less than a week later by the Superior Court of Justice (France24, 2019). Former president Luiz Inacio Lula da Silva was also later freed from the prison sentence by the Superior Court (Department of State, 2020).

Chile started an investigation and seized documents from the Odebrecht offices (BBC News, 2019).

Columbia charged a former vice-minister and a former senator for corruption.

Dominican Republic asked Odebrecht for \$184 million compensation over the next eight years.

Ecuador: The former vice-president, Jorge Glas, became the highest-ranking government official who was convicted of corruption and sentenced in December 2017 to six years in jail because of \$13.5 million bribes received from Odebrecht (BBC News, 2017b).

Guatemala: Odebrecht agreed to pay Guatemala \$17.9 million in compensation for bribes paid to an official for public work (BBC News, 2019).

Mexico summoned a former director of state oil company Pemex and other employees to give evidence over alleged Odebrecht bribes (BBC News, 2019).

Panama charged 17 people including government officials, and charged Odebrecht \$59 million in compensation (BBC News, 2019).

Peru: In April 2019, Peru's two-time president Alan García killed himself as police arrived at his home to arrest him for alleged corruption. During his second term as president (2006–2011), García reportedly accepted bribes from Odebrecht, in exchange for awarding the company a contract to build a new subway system in Lima. Two of Peru's ex-presidents, Ollanta Humala and Pedro Pablo Kuczynski, are currently in prison following accusations of corruption related to Odebrecht (AP News, 2019). Another former president, Alejandro Toledo, arrested in the U.S. two years ago on corruption charges, has been cleared for extradition back to Peru (BBC News, 2021). He is accused of taking \$20 million in bribes from Odebrecht in return for a contract to build stretches of a highway linking the country with Brazil (BBC News, 2017a). The runner-up in the 2016 presidential election, Keiko Fujimori, is also in prison pending a trial for money laundering to cover up Odebrecht bribes (BBC News, 2019).

Venezuela has taken unfinished projects away from Odebrecht and blocked the company's bank accounts (BBC News, 2019).

VII. Why Was Odebrecht Subject to the U.S. Foreign Corrupt Practices Act?

The Foreign Corrupt Practices Act (FCPA) was enacted in 1977 by Congress for the purpose of making it unlawful to act corruptly in furtherance of an offer, promise, authorization, or payment of money or anything of value, directly or indirectly, to a foreign official for the purpose of assisting in obtaining or retaining business for, or directing business to, any person (Department of Justice and Securities and Exchange Commission, 2020). The FCPA is applicable to prohibited conduct anywhere in the world and extends beyond U.S. entities and certain foreign entities to their officers, directors, employees, stockholders, and agents. Agents can include third-party agents, consultants, distributors, joint-venture partners, and others. The FCPA also covers persons or entities that engage in any bribery-related actions while in the U.S. territory.

The FCPA relies on two major provisions to address international bribery and corruption: the accounting provisions and the anti-bribery provisions. The accounting provisions, which consist of "books and records" provision and "internal controls" provision, apply to U.S. and foreign public companies ("issuers") whose securities trade on either a national securities exchange or over-the-counter market in the U.S. The accounting provisions prohibit falsifying an issuer's books and records or circumventing or failing to implement an issuer's system of internal controls. Because a public company's books and records include those of its consolidated subsidiaries and affiliates, its responsibility extends to ensuring that subsidiaries or affiliates under its control, including foreign subsidiaries and joint ventures, comply with the accounting provisions of the FCPA. The Securities and Exchange Commission (SEC) is responsible for all civil-action enforcement of the accounting provisions. The accounting provisions do not apply to Odebrecht because the company does not register with the SEC, and does not list any securities on a national securities exchange or over-the-counter market in the U.S.

The anti-bribery provisions prohibit offering to pay, paying, promising to pay, or authorizing the payment of money or anything of value to a foreign official in order to influence any act or decision of the foreign official in his or her official capacity or to secure any other improper advantage in order to obtain or retain business. The anti-bribery provisions apply broadly to three categories of persons and entities: (1) "issuers" and their officers, directors, employees, agents, and stockholders acting on behalf of an issuer; (2) "domestic concerns" (private U.S. entities) and their officers, directors, employees, agents, and stockholders acting on behalf of a domestic concern; and (3) certain persons and entities, other than issuers and domestic concerns, acting while in the territory of the U.S. The Department of Justice is responsible for all criminal enforcement of the anti-bribery provisions. Odebrecht violated the FCPA's anti-bribery provisions which prohibit foreign persons and businesses from committing bribery while in the U.S. territory. Per the Department of Justice (2016c), Odebrecht, its employees and agents took a number of steps while in the U.S. to further the bribery scheme. For example, in 2014 and 2015, while located in Miami, two Odebrecht employees had meetings with other co-conspirators to plan the movement of criminal proceeds and other criminal conduct in connection with the Division of Structured Operations. In addition, some of the off-shore entities used by the Division of Structured Operations to hold and disburse unrecorded funds were established, owned and/or operated by individuals located in the U.S. Odebrecht also utilized the U.S. banking system by making some payments from bank accounts in New York (Shiel and Chavkin, 2019).

However, Braskem, which is Odebrecht's petrochemical subsidiary that admitted to engaging in a pervasive bribery scheme between 2006 and 2014, violated the FCPA's accounting provisions, in addition to the anti-bribery provisions, because Braskem's American Depositary Receipts (ADRs) are publicly traded on the New York Stock Exchange. Per the Department of Justice (2016c), Braskem paid approximately \$250 million into Odebrecht's secret, off-book bribe payment system, and authorized bribe payments to politicians and political parties in Brazil, as well as to an official at Petrobras, the state-controlled oil company of Brazil. In exchange, Braskem received numerous benefits including preferential rates from Petrobras for purchases of raw materials, contracts with Petrobras, and favorable legislation and government programs that reduced the company's tax liabilities in Brazil. This conduct resulted in corrupt payments and/or profits totaling approximately \$465 million. As a result, Braskem faced not only a criminal action from the Department of Justice but also a civil action from and a separate settlement with the Securities and Exchange Commission.

VIII. What Were Corrective Actions That Odebrecht Agreed to Take to Prevent Any Future Bribery?

According to Odebrecht's Plea Agreement with the Department of Justice (2016b), the company agrees to adopt a new compliance program, or to modify its existing one, including internal controls, compliance policies, and procedures in order to ensure that it maintains: (a) an effective system of internal accounting controls designed to ensure fair and accurate books, records, and accounts; and (b) a rigorous anti-corruption compliance program that incorporates relevant internal accounting controls, as well as policies and procedures designed to effectively detect and deter violations of FCPA and other applicable anti-corruption laws. At a minimum, the compliance program must include the following elements which are best practices for bribery prevention that any corporations may want to adopt.

High-Level Commitment

Odebrecht's directors and senior management must provide strong, explicit, and visible support and commitment to its corporate policy against violations of the anti-corruption laws and its compliance code.

Policies and Procedures

Odebrecht shall develop and promulgate a clearly articulated corporate compliance policies and procedures against violations of the FCPA and other applicable foreign law counterparts, and the company will take appropriate measures to encourage and support the observance of ethics and compliance policies and procedures against violation of the anti-corruption laws by personnel at all levels including all directors, officers, and employees and, where necessary and appropriate, outside parties acting on behalf of the company in a foreign jurisdiction. Such policies and procedures shall address gifts; hospitality, entertainment, and expenses; customer travel; political contributions; charitable donations and sponsorships; facilitation payments; and solicitation and extortion. Odebrecht will ensure that it has a system of financial and accounting procedures, including a system of internal controls, reasonably designed to ensure the maintenance of fair and accurate books, records, and accounts.

Periodic Risk-Based Review

Odebrecht must develop these compliance policies and procedures on the basis of a periodic foreign-bribery risk assessment including its geographical organization, interactions with various types and levels of government officials, industrial sectors of operation, involvement in joint venture arrangements, importance of licenses and permits in the company's operations, degree of governmental oversight and inspection, and volume and importance of goods and personnel clearing through customs and immigration. The company shall review its anti-corruption compliance policies and procedures no less than annually and update them as appropriate to ensure their continued effectiveness, considering relevant developments in the field and evolving international and industry standards.

Proper Oversight and Independence

Odebrecht must assign responsibility to one or more senior corporate executives for the implementation and oversight of the company's anti-corruption compliance code, policies, and procedures. Such corporate official(s) shall have the authority to report directly to independent monitoring bodies, including internal audit, the company's board of directors, or any appropriate committee of the board of directors, and shall have an adequate level of autonomy from management as well as sufficient resources and authority to maintain such autonomy.

Training and Guidance

Odebrecht shall provide periodic training about its anti-corruption compliance code, policies, and procedures for all directors, officers, all employees in positions of leadership or trust, or positions that otherwise pose a corruption risk to the company (e.g., internal audit, sales, legal, compliance, finance), as well as agents and business partners. Odebrecht will also establish, an effective system for providing guidance and advice to directors, officers, employees, agents, and business partners, on complying with the company's anti-corruption compliance code, policies, and procedures, including when they need advice on an urgent basis in any foreign jurisdictions in which the company operates.

Internal Reporting and Investigation

Odebrecht must establish: (1) an effective system for internal and confidential reporting by, and protection of, directors, officers, employees, agents and business partners concerning violations of the anti-corruption laws or the company's anti-corruption compliance code, policies, and procedures; and (2) an effective and reliable process with sufficient resources for responding to, investigating, and documenting allegations of violations of the anti-corruption laws or the company's anti-corruption compliance code, policies, and procedures.

Enforcement and Discipline

Odebrecht will implement mechanisms designed to effectively enforce its compliance code, policies, and procedures, including appropriately incentivizing compliance and disciplining violations. The company must also institute appropriate disciplinary procedures that are applied consistently and fairly to address violations of the anti-corruption laws and the company's anti-corruption compliance code, policies, and procedures by the company's directors, officers, and employees, regardless of the position held by, or perceived importance of, the director, officer, or employee. The company shall implement procedures to ensure that where misconduct is discovered, reasonable steps are taken to remedy the harm resulting from such misconduct, and to ensure that appropriate steps are taken to prevent further similar misconduct, including assessing the internal controls, compliance code, policies, and procedures and making modifications necessary to ensure the overall anti-corruption compliance program is effective.

Third-Party Relationships

Odebrecht must institute appropriate risk-based due diligence and compliance requirements pertaining to the retention and oversight of all agents and business partners, including properly documented due diligence pertaining to the hiring and appropriate and regular oversight of agents and business partners; informing agents and business partners of the company's commitment to abiding by anti-corruption laws, and of the company's anti-corruption compliance code, policies, and procedures; and seeking a reciprocal commitment from agents and business partners. Odebrecht will also include standard provisions in agreements, contracts, and renewals with all agents and business partners to prevent violations of the anti-corruption laws such as rights to conduct audits of the books and records of the agent or business partner to ensure compliance and rights to terminate an agent or business partner as a result of any breach of the anti-corruption laws, the company's compliance code, policies, or procedures.

Mergers and Acquisitions

Odebrecht has agreed to develop and implement policies and procedures for mergers and acquisitions requiring that the company conduct appropriate risk-based due diligence on potential new business entities, including appropriate FCPA and anti-corruption due diligence by legal, accounting, and compliance personnel. The company will also ensure that its compliance code, policies, and procedures regarding the anti-corruption laws apply as quickly as is practicable to newly acquired businesses or entities merged with the company, i.e., it will promptly train the directors, officers, employees, agents, and business partners on the anti-corruption laws and the company's compliance code, policies, and procedures regarding anti-corruption laws. Where warranted, Odebrecht will conduct an FCPA-specific audit of all newly acquired or merged businesses as quickly as practicable.

Monitoring and Testing

Odebrecht will conduct periodic reviews and testing of its anti-corruption compliance code, policies, and procedures designed to evaluate and improve their effectiveness in preventing and detecting violations of anti-corruption laws and the company's anti-corruption code, policies, and procedures, considering relevant developments in the field, and evolving international and industry standards. In addition, Odebrecht will retain the Independent Compliance Monitor for a period of three years. The Monitor's primary responsibility is to assess and monitor the company's compliance with the terms of the Plea Agreement, including the Corporate Compliance Program to specifically address and reduce the risk of any recurrence

of the company's misconduct. The Monitor will: (1) assess the board of directors' and senior management's commitment to, and effective implementation of, the corporate compliance program, and (2) evaluate the effectiveness of the internal accounting controls, record-keeping, and financial reporting policies and procedures of Odebrecht as they relate to the company's current and ongoing compliance with the FCPA and other applicable anti-corruption laws. The Monitor should immediately report to the Department of Justice potential misconduct that: (1) poses a risk to public health or safety or the environment; (2) involves senior management of the company; (3) involves obstruction of justice; or (4) otherwise poses a substantial risk of harm. If the Monitor believes that any potential misconduct actually occurred or may constitute a criminal or regulatory violation ("actual misconduct"), the Monitor shall immediately report the actual misconduct to the Department of Justice.

IX. What Were Anti-Bribery Responses to Odebrecht Scandal in Brazil and Latin America?

Although corruption at the highest levels of government is not new in Latin America, what is new regarding the Odebrecht scandal is that corruption no longer occurs with impunity. Reducing the chances that perpetrators go unpunished is crucial for anti-corruption efforts to have a fighting chance. Below are positive developments in the fight against corruption in the region.

Brazil's 2015 Campaign Finance Reform

In 2015, in response to the Lava Jato corruption investigations, Brazil's Supreme Court declared corporate contributions unconstitutional, effectively banning corporations from making political contributions. This reform resulted in a significant decrease in overall political contributions (Aparicio and Avenancio-León, 2021). However, Brazilian law continues to allow individuals to donate a limit of 10% of their income, and corporations with high pre-reform political contributions responded by increasing contributions from individuals affiliated with the companies (Benjamin and Caruso, 2016). These individuals include owners, board members, and top management of the companies. These post-ban individual contributions to winning candidates increased corporate valuation substantially, replicating what corporate contributions did pre-ban, and therefore, partially offset the reform's intent (Aparicio and Avenancio-León, 2021). To address this issue, a nominal ceiling for political contribution per an individual or per an entity like the one in the U.S. should be used. Additionally, the contribution must be made online so that a computer can immediately check whether the individual or the entity has reached the nominal ceiling. Online contributions can also make it easier for any candidate to raise money from their supporters. The candidate should also disclose on the website how much contributions are used for what specific purposes so as to increase participation, transparency, and trust.

Public Finance for Election Campaign in Brazil

In response to the decline in political contributions because of 2015 Campaign Finance Reform and unwillingness of corporation to engage in illegal campaign contributions, Brazil's congress voted in 2017 to set up a 1.7 billion reais (\$542 million) fund with taxpayer money to finance election campaigns (Boadle, 2017). Critics, however, argued that this campaign fund provides funding for unethical lawmakers who seek re-election to shield themselves from prosecution for corruption. The point that the fund came from taxpayer money is also controversial.

Enactment of Anti-Crime Legislation in Brazil

On December 25, 2019, Brazilian President Jair Bolsonaro signed a packet of anti-crime legislation into law, which included several anti-corruption measures. The legislation strengthens Brazil's whistle blower mechanisms and encourages anonymous information about crimes and offenses against the public administration. The new anti-corruption measures include regulation of immunity agreements—information provided by a subject in exchange for reduced sentence—which were widely used during the Lava Jato corruption investigations and Odebrecht bribery investigation (Department of State, 2020). This explains why Odebrecht's former CEO, Marcelo Odebrecht, served a much shorter sentence of only 2½ years of house arrest instead of the initial sentence of 19 years in prison. However, such a dramatic reduction in jail sentence of the executive who oversaw the largest web of bribery in the world seems outrageous and is questionable whether such a short and lenient penalty will serve as an effective deterrence for any future corporate bribery in Brazil and Latin America. A less drastic reduction in the jail sentence of a white-collar criminal should be implemented.

Newly Emerged Powerful Anti-Corruption Agencies

Government anti-corruption agencies across Latin America have gained added resources, autonomy, and capacity in recent years. These agencies have stepped up corruption-related investigations and have pursued legal charges that were

unimaginable in the past. For example, Brazil has expanded a “web of accountability” among key institutions with new auditing systems and expanded autonomy, capacity, funding, and high-level political support for pro-accountability agencies such as the attorney general’s office and anti-corruption units within the Federal Police (Praca and Taylor, 2014). Brazil accomplished this via gradual changes to the rules and roles under which the institutions operate, and resources allocated to these institutions, as opposed to more veto-prone whole-sale reforms. The transparency of public accounts and the availability of government data have also increased significantly, permitting not only public oversight but also data sharing between agencies. This results in better enforcement including the massive Lava Jato investigation that led to the Odebrecht scandal. In Mexico, prosecutors have increased judicial investigations into corruption over the past three decades (Ang Collan Granillo, 2017). Peru’s attorney general’s office designated an elite team to investigate Odebrecht case, uncovering malfeasance by former president Alan García and other top politicians (RPP, 2018).

Mobilization of Citizens Against Corruption

Citizens and nongovernment organizations (NGOs) have mobilized against corruption more than ever before. Compared to 30 years ago, NGOs and community groups have greater autonomy and thus can hold public officials responsible for their actions (Collier and Handlin, 2009). In addition, Mayka (2019) and McNulty (2019) assert that nearly every country in Latin America now has institutional arenas for citizen oversight of public policies. These NGOs involve citizens in overseeing public-policy implementation, monitoring public spending and detecting abuses. In addition, citizen activist groups and pro-accountability officials work together to push for greater responsiveness and transparency (Fox, 2015). Massive protests over the Odebrecht scandal across Latin American countries demanded that corrupt officials be held responsible for the negligence and corruption which is the root of the historic inequalities in these countries. This chain of events brought corruption to the top of prosecutors’ agendas and provided public backing for the investigations. “Overall, people hope that the Odebrecht case will set a precedent so that these situations can be avoided in the future.” BBC News (2019).

In addition to the above developments, the following two suggestions could further reduce bribery. First, transparency at both the bidding stage and the post-tender stage that involve project-cost renegotiation must be improved. Such transparency means making the information, particularly renegotiation to increase project costs, publicly available. Using a sample of 88 countries, Knack et al. (2017) finds that more transparency in the procurement process results in less frequent bribery with a smaller bribe amount. Additionally, competitive bidding must be based on: (1) a complete (not preliminary) design of a project, and (2) objective criteria such as lowest price instead of subjective ones such as scoring the improvements proposed by bidders. Second, state-owned enterprises (SOE) should be prohibited from owning shares of companies, especially those that are SOE’s customers or suppliers. As evidenced in Odebrecht case, a significant amount of Odebrecht’s bribes to officials of Petrobra, Brazil’s largest SOE, was channeled through Odebrecht’s major subsidiary, Braskem that was 36.1% owned by Petrobras.

X. What Are Harms to Society as a Result of Bribery? What Would You Do If You Discover Bribery in Your Organization?

Bribery and corruption result in many harms to society as discussed below. Therefore, if you discover bribery in your organization, you should report it to the office of General Counsel or Chief Compliance Officer. Most organizations have an anonymous helpline for an employee to report any unethical or questionable conduct to avoid a possible retaliation especially if such a conduct involves a direct supervisor of the employee.

First, there is little accountability among corrupt officials and companies engaging in bribery. With corrupt officials/politicians on their side, Odebrecht and any corrupt companies do not need to worry about losing out on future business opportunities because of poor performance. The companies usually overcharge the government for expensive public-works projects to cover the bribery costs, and sometimes do not complete the projects. Some projects need repairs almost immediately after completion because shoddy materials and workmanship are used. For example, 10 of 12 stadiums, constructed by major Brazilian companies including Odebrecht for the 2014 World Cup involved significant bribery/corruption resulting in at least \$210 million in inflated construction costs, demolition and rebuilt of one stadium, unfinished or deficient work at four stadiums, and poor location that adversely affect two stadiums’ attendance and worth (Savarese, 2018). Another example is the collapse into the sea of a newly built elevated bike path in Rio de Janeiro, killing at least two people after it opened for only four months at a cost of \$12.6 million (Watts, 2016). This defective bike path was heralded as a major legacy project for the Brazil 2016 Olympic Game.

Second, corruption reduces tax revenue and increases public spending as governments are overcharged by companies that provide bribes to government officials. Odebrecht may have overcharged governments for 62 projects that involved bribes by as much as 70.8% based on the increase of costs after contract renegotiations over the initial costs of these projects (Campos et al., 2021). Such gross overcharge contributes to larger fiscal deficits, making it more difficult for the government to run a sound fiscal policy (Tanzi, 1998). Corruption can harm the ability of governments to collect taxes in a fair and efficient way because corrupt legislators may introduce tax exemptions or other loopholes in exchange for bribes. The more complex and opaquer the tax system is, the easier it is for officials to exercise discretion in their administration, and demand bribes or kickbacks in return for a favorable outcome (Mauro et al., 2019). This is exactly applicable to Brazil that has high taxes, high import tariffs, and complex tax system. The distortion of tax laws and corruption of tax officials can also weaken public trust in the state and reduce the willingness of citizens to pay taxes. Per Mauro et al. (2019), the most corrupt governments collect 4% of GDP less in taxes than the least corrupt governments at the same level of economic development.

Third, corruption is likely to increase income inequality because it allows well-positioned individuals to take advantage of government activities by overcharging the government at the cost of the rest of the population. In addition, distortions in spending priorities undermine the ability of the state to promote sustainable and inclusive growth. They drain public resources away from education, health care, and effective infrastructure; the kinds of investments that can improve economic performance and raise living standards for all (Mauro et al., 2019). There is also a strong connection between corruption, slavery, and human rights abuses (Malek, 2017).

Fourth, countries that tolerate bribery can experience a decline in foreign direct investment because foreign investors likely prefer markets that are less corrupt given that bribes increase operating costs and can result in long-term adverse impact on foreign investors' reputation. Cuervo-Cazurra (2006) and Wilhem (2002) document a negative relationship between perceived corruption and foreign direct investment. Sampath and Rahman (2019) find that multinational enterprises can seriously risk their legitimacies from conducting business in corruption-prone countries. MacLean-Abaroa (2003) cautions that corruption is one of the most serious obstacles to foreign direct investment in regions that are deemed to tolerate it such as Latin America.

Fifth, higher levels of corruption are associated with lower rates of growth and lower per capita incomes (United Nations, 2001). The Odebrecht scandal had major economic and political consequences throughout Latin America. Large projects were suspended or abandoned due to anti-corruption clauses in the contracts (de Michele et al., 2018). In particular, the Lava Jato corruption and the associated Odebrecht scandal had a significant macroeconomic impact on Brazil as they resulted in a suspension of projects worth approximately \$27 billion (Campos et al., 2021). The IMF (2018) estimates that the macroeconomic cost of the Odebrecht scandal to Peru was about 0.80% of Peru's GDP in 2017 partly due to the suspension of the construction of a large pipeline duct that would transport natural gas from the Camisea fields to southern Peru even though the generating plants that would use the gas had already been built.

Sixth, bribery and corruption threaten democracy. In several developing economies, being known as "corrupt" may signal to voters that the politician will give them goods or money during the campaign. Norlin (2003) finds that corrupt politicians in Brazil received more votes in electoral zones characterized by illiterate lower-class voters, whereas the non-corrupt or relatively less corrupt candidate receive more votes in zones dominated by middle-class voters with relatively higher levels of education. Norlin (2003) concludes that while transparency is an appropriate solution for bureaucratic corruption, it is not a sufficient remedy for political corruption when most voters are illiterate, and welcome "perks" from allegedly corrupt politicians. A long-term solution to reduce both bureaucratic and political corruption is to improve income and education of lower-class voters.

Seventh, bribery and corruption threaten national security and the international free market system (Department of Justice, 2016c). Free market system is jeopardized when contracts are awarded to a company that pays bribes and will overcharge the government as opposed to a company that can perform the best work at reasonable costs. In the long-run, honest companies may be driven out of the market infested with bribery and corruption. The lower per capita incomes and increasing income inequality because of bribery/corruption can create frustration and hopelessness of having no voice and no future among low-income citizens. This can lead to an unrest and heightening terrorist recruitment of these desperate citizens, creating highly unstable political systems and threatening national security. Therefore, it is urgent to build better tools for citizen collaboration and oversight in government.

XI. Conclusion

This case study aims to educate managers, regulators, academia, and students who are future business leaders about bribery and corruption by examining Odebrecht's scandal which is the largest FCPA violation with \$3.5 billion of penalty. The examination utilizes a qualitative research method that involves the use of FCPA enforcement documents and extensive literature review to address the following seven questions.

First, what are Brazilian institutional environment and cultural values conducive to bribery? Bribery and political corruption in Brazil are mainly caused by poorly regulated and opaque political campaign finance exacerbated by the culture of high power-distance, high uncertainty avoidance, masculinity, collectivism, and conservatism that emphasize interpersonal ties among politicians and corporate supporters.

Second, what did Odebrecht do to deserve such an exceptionally large penalty? Odebrecht was subject to the exceptionally large penalty not only because of the massive size of its bribery that occurred in multiple countries and span many years, but also the extensive involvement of its CEO and other executives who orchestrated sophisticated schemes to bribe highest-level government officials by unashamedly creating a special division dedicated to bribery and illicit activities. Its obstruction of justice by concealing and destroying evidence of bribery further added to the penalty.

Third, what were consequences to Odebrecht and its executives who orchestrated the bribery, and corrupt officials/politicians who received bribes from Odebrecht? Odebrecht executives, a former president and a third of Brazilian ministers received jail sentences, although the penalty for Odebrecht's CEO was reduced to just 2½ years of house arrest due to his cooperation with the authority, and the former president was later freed from the jail sentence by the Brazilian Supreme Court. Odebrecht which has changed its name to Novonor subsequently filed for bankruptcy protection that is one of Latin America's largest-ever in-court debt restructurings.

Fourth, why was Odebrecht subject to the U.S. Foreign Corrupt Practices Act? Odebrecht violated the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act because the company, its employees and agents engaged in bribery-related actions while in the U.S. territory, e.g., meetings with co-conspirators in Miami and using the U.S. banking system to further the bribery scheme.

Fifth, what were corrective actions that Odebrecht has agreed to take to prevent any future bribery? Odebrecht has agreed with the Department of Justice to take many corrective actions to prevent any future bribery including an adoption of a new compliance program to ensure that it maintains: (a) an effective system of internal accounting controls designed to ensure fair and accurate books and records, and (b) a rigorous anti-corruption compliance program to effectively detect and deter violations of FCPA and other applicable anti-corruption laws.

Sixth, what are anti-bribery responses to Odebrecht scandal in Brazil and Latin America? The responses to Odebrecht scandal in Brazil and Latin America include Brazil's 2015 Campaign Finance Reform, Brazil's legislation to provide public finance for election campaign, enactment of anti-crime legislation in Brazil, emergence of powerful anti-corruption agencies such as anti-corruption units within the Brazilian Federal Police, and an increasing engagement in monitoring public-policy implementation by citizens and NGOs as nearly every country in Latin America now has institutional arenas for citizen oversight of public policy.

Seventh, what are harms to society because of bribery? What would you do if you discover bribery in your organization? Bribery and corruption harm society in a variety of ways including reduced tax revenue, an increase in public spending as governments are overcharged by companies that provide bribes to government officials, an increase in income inequality, a decline in foreign direct investment, economic growth and per capita incomes, and a threat to democracy, national security and the international free market system. Therefore, if you come across bribery in your organization, you should promptly report it to the office of General Counsel or Chief Compliance Officer who should investigate the matter, take corrective actions, and report it to the Department of Justice and/or the Securities and Exchange Commission.

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