



Development Institute

LESSON PLAN

The Sources of Corruption

Prerequisite: CIPE Development Institute video presentation by Dr. Hisham Awartani

I. Message

Understanding what corruption actually means is a prerequisite to recognizing cases of it when they occur. According to Transparency International, corruption is defined as any act involving an abuse of a public post for personal gain. There are many forms of corruption, with bribery being among those most common. Corruption is a big problem in many different countries around the world, developing and developed alike. The MENA region is no exception. Yet regardless of where it occurs, corrupt behavior always has two sides to it: supply and demand. Traditionally, governments have been tasked with fighting corruption on the demand side. But a more comprehensive effort should include the private sector as well and focus on issues such as better corporate governance, accounting standards, and business ethics.

II. Objectives

1. Define corruption and discuss its different forms.
2. Discuss examples of corruption and its sources in the MENA region or your own region.
3. Investigate the demand and supply sides of corruption.
4. Analyze the cost and impact of corruption.
5. Examine methods of fighting corruption and the role both governments and the private sector can play in anti-corruption efforts.

III. Discussion questions

1. What are the main sources and causes of corruption?
2. What forms can corruption take?
3. What is the impact of corruption (political, economic, social, etc.)?
4. How do we begin fighting corruption?
5. What role can the private sector play in anti-corruption?

IV. Reading list

Required readings:

- “Combating Corruption: A Private Sector Approach,” Center for International Private Enterprise Reform Toolkit, March 2008, <http://www.cipe.org/publications/papers/pdf/Anti-CorruptionToolkit0308.pdf>.
- Sullivan, John D., “Combating Corruption: A Policy Tool Kit,” Center for International Private Enterprise, <http://www.cipe.org/programs/corruption/corruptiontoolkit.php>.
- Wollack, Kenneth, “Political Competition as an Anti-Corruption Tool,” Center for International Private Enterprise Feature Service Article, 21 June 2005, <http://www.cipe.org/pdf/publications/fs/062105.pdf>.
- World Bank, “The Costs of Corruption,” 8 April 2004, <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20190187~menuPK:34457~pagePK:34370~piPK:34424~theSitePK:4607,00.html>.

Optional readings:

- Awartani, Hisham, “Economic Policies and Institutions in Palestine: A View by the Business Community,” *Palestine-Israel Journal of Politics, Economics and Culture*, 2005, <http://www.pij.org/details.php?id=362>.
- Global Corporate Governance Forum, “Ethics and Corporate Governance in the Fight against Corruption,” CIPE Feature Service Article, 15 Oct 2008, <http://www.cipe.org/publications/fs/pdf/101508.pdf>.
- Johnston, Michael, “Building a Clean Machine: Anti-Corruption Coalitions and Sustainable Reform,” Policy Research Working Paper 3466, World Bank (2004). http://papers.ssrn.com/sol3/papers.cfm?abstract_id=647610#PaperDownload.
- Stapenhurst, Rick, “The Media’s Role in Curbing Corruption,” International Bank for Reconstruction and Development, 2000, <http://www.worldbank.org/wbi/governance/pdf/media.pdf>.

V. Lesson plan

Defining corruption

- Transparency International definition
- Broader definition

Causes of corruption

- Demand side
 - Socio-economic factors
 - Limited public services, inefficient public sector
- Supply side
 - Ineffective oversight and legal institutions
 - Weak corporate governance and business ethics
- Cultural and other factors

Cost of corruption

- Public sector – wasted resources
- Private sector – loss of revenue and productivity
- Political – lack of transparency, potential instability
- Economic – unfavorable business climate, low growth
- Social – frustration and hopelessness

Fighting corruption

- Public sector
 - Better transparency and accountability
 - Modernizing institutions
 - Strengthening legal frameworks and the judiciary
 - Reducing incentives for corruption
- Private sector
 - Business ethics
 - Corporate governance
 - Effective internal and external auditing
- The society
 - The need to develop reform ethics
 - Increasing economic opportunities
 - Improving freedom of the media

VI. Sample test questions

- 1. Which of the following is *NOT* a form of corruption?**
 - a. Blackmail
 - b. Bribery
 - c. Libel
 - d. Nepotism

- 2. Which of the following is an effective tool in fighting corruption in the private sector?**
 - a. Providing employees with a legal codes of conduct
 - b. Improving corporate governance
 - c. Committing to financial and administrative transparency
 - d. All of the above

- 3. Some countries are more vulnerable to corruption then others because of**
 - a. Geographic location
 - b. High share of agriculture in the economy
 - c. Local cultures and traditions
 - d. All of the above

- 4. According to Transparency International, corruption is defined as:**
 - a. Lack of transparency in the public and private sector
 - b. Any act which involves abuses of a political post in order to serve personal interests or those of others
 - c. Extortion by organized crime groups

- 5. Estimated annual worldwide bribery accounts for**
 - a. US \$1 billion
 - b. US \$10 billion
 - c. US \$100 billion
 - d. US \$1 trillion

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