



Knowledge tools for academics
and professionals

Module Series on Anti-Corruption

Module 4
Public Sector Corruption

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UNODC Module Series on Anti-Corruption

MODULE 4

PUBLIC SECTOR CORRUPTION

Background information

The UNODC Module Series on Anti-Corruption offers 14 Modules focusing on a range of core anti-corruption issues. This includes corruption's varied definitions and devastating effects, responses to corruption, and linkages between corruption and different topics such as good governance, comparative politics, whistle-blowing, justice systems, human rights, gender, education, citizen participation, peace and security.

The Modules are designed for use by both academic institutions and professional academies across the world. They are built to help lecturers and trainers deliver anti-corruption education, including those who are not dedicated anti-corruption lecturers and trainers but would like to incorporate these components into their courses. Lecturers are encouraged to customize the Modules before integrating them into their classes and courses. The Modules include discussions of relevant issues, suggestions for class activities and exercises, recommended class structures, student assessments, reading lists (with an emphasis on open access materials), PowerPoint slides, video materials and other teaching tools. Each Module provides an outline for a three-hour class, as well as includes guidelines on how to develop it into a full course.

The Modules focus on universal values and problems and can easily be adapted to different local and cultural contexts, including a variety of degree programmes as they are multi-disciplinary. The Modules seek to enhance trainees and students' ethical awareness and commitment to acting with integrity and equip them with the necessary skills to apply and spread these norms in life, work and society. To increase their effectiveness, the Modules cover both theoretical and practical perspectives, and use interactive teaching methods such as experiential learning and group-based work. These methods keep students and trainees engaged and help them develop critical thinking, problem solving, and communication skills, all of which are important for ethics education.

The topics of the Modules were chosen following consultations with academics who participated in a meeting of experts convened by UNODC, in Vienna in March 2017. The experts emphasized the need for increased anti-corruption education globally and advised on core areas to be addressed through the Modules. They considered it paramount that the Modules prepare university students and trainees for value driven effective action, keep students engaged, lend themselves to adaptation to different regional and disciplinary contexts, and allow lecturers to incorporate them as anti-corruption components within existing university courses and disciplines.

To achieve these objectives, the experts recommended that the Modules have a range of characteristics, ultimately being able to:

- » Connect theory to practice
- » Emphasize the importance of integrity and ethics to everyday life
- » Encourage critical thinking
- » Stress not only the importance of making ethical decisions but also demonstrate how to implement the decisions
- » Use innovative interactive teaching methods
- » Balance general ethics with applied ethics
- » Draw on good practices from practitioners
- » Link integrity and ethics to other global issues and the SDGs
- » Adopt a multi-disciplinary and multi-level approach
- » Focus on global ethics and universal values while leaving room for diverse regional and cultural perspectives
- » Employ non-technical and clear terminology
- » Be user-friendly

Drawing on these recommendations, UNODC worked for over a year with more than 70+ academic experts from over 30 countries to develop the 14 University Modules on Anti-Corruption. Each Module was drafted by a core team of academics and UNODC experts, and then peer-reviewed by a larger group of academics from different disciplines and regions to ensure a multi-disciplinary and universal coverage. The Modules passed through a meticulous clearance process at the UNODC headquarters before finally being edited and published on its website as open-source materials. In addition, it was agreed that the content of the Modules would be regularly updated to ensure that they are in line with contemporary studies and correspond to current needs of educators.

The present knowledge tool has been developed by the UNODC Corruption and Economic Crime Branch (CEB), as part of the Education for Justice initiative under the Global Programme for the Implementation of the Doha Declaration.

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These modules have not been formally edited.

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Introduction

This Module gives an overview of the most common acts and manifestations of corruption in the public sector. To better understand why public sector corruption occurs, the Module discusses theoretical frameworks such as the principal agent, collective action, institutional and game theories. As public sector corruption perverts powers and resources intended to directly benefit the public, it is crucial – for the purpose of guarding public welfare – that there are effective controls and accountability mechanisms to reduce corruption risks in the public sector. The Module discusses such measures, including how to design public institutions and processes in a manner that limits the incentives and opportunities for corruption. It includes specific discussions on public procurement and state-owned enterprises (SOEs), two areas of the public sector that are especially vulnerable to corruption. The Module distinguishes between public sector corruption, i.e. corruption that primarily abuses government resources, and private sector corruption, i.e. corruption that primarily abuses private or commercial resources. Private sector corruption is discussed in Module 5 of the UNODC Module Series on Anti-Corruption, and this Module draws to some extent on that discussion. The present Module also draws on the discussions on good governance, detection of corruption and national anti-corruption frameworks that appear, respectively, in Module 2, 6 and 13 of the UNODC Module Series on Anti-Corruption. It furthermore builds on the discussions regarding public integrity and ethics in Module 13 of the UNODC Module Series on Integrity and Ethics.

Learning outcomes

- Describe the acts and manifestations of public sector corruption
- Understand the causes and consequences of public sector corruption, and the role of a culture of corruption as a cause and consequence of corruption
- Critique different responses and measures to address and prevent public sector corruption
- Explain the difference between public and private sector corruption
- Apply theoretical frameworks such as the principal–agent, collective action, institutional and game theories to explain public sector corruption
- Discuss corruption risks in the area of public procurement and in state-owned enterprises

Key issues

Corruption is a complex phenomenon, without a uniform definition. An overview of the different forms and definitions of corruption, as well as its harmful effects across the globe, is available in Module 1 of the UNODC Module Series on Anti-Corruption. For present purposes, it should be noted that the United Nations Convention against Corruption (UNCAC)¹ refrains from providing one overarching definition of "corruption". Rather, it defines and classifies various acts of corruption as criminal offences, such as bribery and embezzlement (in both the public and private sectors); abuse of functions (i.e. when those performing public functions misuse their power to obtain a benefit); trading in influence; illicit enrichment; and money laundering. With 189 States parties (as of November 2021), UNCAC is approaching universal adherence, and the different acts of corruption as defined by the Convention can be considered internationally accepted.

This Module focuses on corruption in the public sector. In particular, it discusses the various acts and manifestations of corruption in the public sector, its causes and consequences, theoretical explanations, responses to corruption and prevention mechanisms. The areas of public procurement and state-owned enterprises are explored in detail given their particular vulnerability to corruption. Before delving into these issues, the Module clarifies the meaning of public sector and public officials, and distinguishes between public sector corruption and private sector corruption.

Basic terms: public sector and public officials

At the outset, it is important to define certain basic terms such as public sector and public officials. The phrase "public sector" refers to organizations and institutions that exist to serve a public purpose. The public sector consists of both the branches of government and the bureaucratic structures and processes that constitute the government. The public sector provides the administrative services for the branches of government (executive, legislature and judiciary) and public services such as health, education, policing, military, infrastructure, water and transportation. The public sector further includes the oversight and accountability organizations that monitor and audit the performance of these services. Besides the public sector, this Module addresses organizations that carry out commercial activities but are owned by the government and are referred to as state-owned enterprises (SOEs) or public enterprises. Examples of SOEs include mortgage companies, and oil and gas corporations.

The persons who work in the public sector may be elected or appointed, and are usually called public officials. Some jurisdictions refer to non-elected public officials as civil servants or public servants.

Article 2 of UNCAC defines a public official as:

- (i) any person holding a legislative, executive, administrative or judicial office of a State Party, whether appointed or elected, whether permanent or temporary, whether paid or unpaid, irrespective of that person's seniority;
- (ii) any other person who performs a public function, including for a public agency or public enterprise, or provides a public service, as defined in the domestic law of the State Party and as applied in the pertinent area of law of that State Party;
- (iii) any other person defined as a "public official" in the domestic law of a State Party.

¹ Available from the corruption section of the United Nations Office on Drugs and Crime website (www.unodc.org).

This definition of a public official is very broad and extends to those who work in SOEs for example. This broad definition is significant because many of the provisions of UNCAC impose obligations on public officials. Moreover, it sets the minimum standards of what the national legislations should cover when defining public officials. For a further discussion on the public sector and public officials, see Module 13 of the UNODC Module Series on Integrity and Ethics.

Public sector corruption versus private sector corruption

When learning about public sector corruption, it is helpful to keep in mind the differences between private sector corruption and public sector corruption. For present purposes, public sector corruption primarily abuses government resources whereas private sector corruption primarily abuses private or commercial resources. While UNCAC defines a number of different corruption offences, corruption is sometimes understood in general terms as "the abuse of entrusted power for private gain", in accordance with the definition proposed by the non-governmental organization Transparency International (TI)². It is clear from both the TI definition of corruption, as well as the corruption offences defined in UNCAC, that corruption occurs in both the public and private sectors. Public officials are entrusted with power to serve the public interest, whereas employees and directors in the private sector are entrusted with power to serve legitimate company interests. In both contexts, corruption occurs when individuals or organizations promote interests that differ from the interests they were entrusted to serve. Identifying what interest should be served, and who or what is being served instead, could help us distinguish between public sector corruption and private sector corruption. Private sector corruption is addressed in Module 5 of the UNODC Module Series on Anti-Corruption.

> Manifestations and consequences of public sector corruption

Forms and manifestations of public sector corruption

All before-mentioned forms of corruption occur in the public sector, including bribery, embezzlement, illicit enrichment, trading in influence, and abuse of functions (which can involve favouritism and nepotism). As noted in Module 1, the precise legal articulation of corruption offences is complex. For example, article 15 of UNCAC defines bribery in the public sector as "[t]he promise, offering or giving, to a public official, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties". While this definition can be difficult to digest, the essence of the crime – money or anything else of value exchanged for benefits from political or economic actors – is not difficult to grasp. Nor is it difficult to understand the effect of the crime – circumventing lawful procedures by auctioning off political or economic power to the highest bidder.

The same goes for embezzlement and misappropriation of property, defined in UNCAC Article 17. Beyond the complex legal formulation of the definition, the bottom line is that someone entrusted with something valuable (such as property, funds or investments) has taken it for him- or herself or routed it to some third party at the expense of others. It is, essentially, a combination of betrayal and theft. UNCAC article 19 defines the offence of abuse of functions.

² Available at www.transparency.org/what-is-corruption.

This offence could apply to situations such as patronage (the use of State resources to reward individuals for their electoral support); nepotism (preferential treatment of relatives); cronyism (awarding jobs and other advantages to friends or trusted colleagues); and sextortion (the demand for sexual favours as a form of payment) – all of which undermine independent or democratically representative decision-making, and fair and competitive processes in the formation or staffing of governments. Like the crimes of bribery and embezzlement, these forms of corruption are highly destructive of transparency, accountability and the rule of law. That is not only their effect; it is also their object and purpose. For a further discussion of the crimes defined by UNCAC and the corollary obligations of States that are party to the Convention, see Module 12 of the UNODC Module Series on Anti-Corruption.

Corruption manifests differently in different areas of the public sector. For example, corruption schemes in the areas of security and defence may include patronage and bribes to secure the purchase of military equipment from a particular company, while in the health sector it may refer to kickbacks that patients have to pay to their doctors or abuse of healthcare funds by public officials and doctors. In the area of education, corruption occurs when lecturers demand favours from their students to pass an exam or to receive a diploma (for more information about corruption in education see Module 9 of the UNODC Module Series on Anti-Corruption). Common corruption schemes in the police and the judiciary include the manipulation of cases and evidence by the police, court judgments given to satisfy a favoured party, and corruption in judicial procurement. All these schemes lead to people's frustration, disengagement, polarization and even conflict. When these corruption offences occur in the areas of the public sector that are responsible for providing justice and enforcing the law, such as the judiciary and the police, they are not only offences in their own right, they also obstruct the course of justice and undermine the rule of law and human rights in the most direct and fundamental way.

Consequences of public sector corruption

The detrimental impacts of corruption are discussed in depth in Module 1 of the UNODC Module Series on Anti-Corruption. For present purposes, we should recognize that public sector corruption adds substantially to the costs of public goods and services, leads to the misallocation of public resources, weakens policymaking and implementation, and destroys public confidence in the government (IMF, 2016; Graycar, 2015). Corruption in the police or judiciary can be especially detrimental to the rule of law and human rights in a country. Corruption in the defence sector and the health system can have equally devastating impacts. Corruption in the military, for example, can impede the government's ability to protect the population from security threats; whereas, corruption in hospitals can result in health crises and unnecessary deaths.

Corruption in public works and infrastructure has the obvious potential for harm to the public, and ranges from non-existent, inappropriately located and poorly functioning public services, to services that physically injure or kill members of the public. Corruption in infrastructure often determines what is built where, rather than the amount spent on building or connecting the infrastructure (Kenny, 2006, p. 18). Locatelli and others (2017) show how corruption in Italian high-speed railways worsens both cost and time performance. The authors also use this case study to examine the impact of corruption on megaprojects (high value complex projects with long-lasting impact on the economy, environment and society). Some procurement corruption cases lead to death and injury.

The cases of the Padma Bridge scandal in Bangladesh (World Bank, 2012), the 2018 earthquake in Mexico City (Linthicum, 2017) and the South Korean ferry disaster (BBC News, 2014) are all examples where, because of corruption, important infrastructure projects were awarded to companies. The companies used cheap and low-quality materials, neglected safety procedures and enjoyed impunity and lack of government control over their actions. Subsequently, this led to unsafe infrastructure which resulted in high death tolls and instances of injury. There have also been widely publicized incidents of public buildings collapsing in South Africa (Eyewitness news, 2017) and India (Kaveri, 2018). In addition to tragic consequences for individuals, private sector participation in procurement corruption has led in some cases to the demise of certain firms, or their exclusion from public contracts (known as debarment), and other criminal and civil penalties (Williams-Elegbe 2012).

The impact of corruption in the public sector is determined by its frequency and reach. That is, public sector corruption may be episodic (a single act of corruption) or systemic (a pervasive pattern of corrupt activities and practices over time), and its effects can range from isolated to far-ranging in nature. For example, a public servant stealing office stationery to sell outside of work may have limited adverse effects, particularly if it is an isolated incident. In contrast, a pervasive pattern of corruption such as that seen in cases of state capture (defined in Module 1 of the UNODC Module Series on Anti-Corruption) has far-reaching and potentially devastating political and economic effects. However, there are also serious moral implications to any act of corruption. Furthermore, even episodic corruption cases can eventually lead to an unethical organizational culture, which can escalate to systemic corruption.

Systemic corruption in the public sector erodes public trust in government institutions, damages policy integrity, and distorts public sector outcomes. It also has a deep-seated negative impact on the public sector in that it leads to a self-perpetuating organizational culture of corruption. The vested interests of the different actors in the system make systemic corruption very difficult to fight. It thus becomes necessary to base anti-corruption efforts, as much as possible, on both intrinsic elements in the public sector and on external controls (including laws and regulations), as well as on broad public participation.

› Causes of public sector corruption

There are a variety of factors at the country level that have an impact on the way in which governments and their services function, which in turn influences the existence and prevalence of public sector corruption. A non-exhaustive list of factors includes:

Country size: Research shows that countries that are geographically large and have a low population density can be more prone to corruption because of the increased difficulties in monitoring public officials in dispersed locations (Goel and Nelson, 2010).

Country age: Newly independent countries, or those that have recently transitioned from authoritarian regimes to democracies, may face more corruption owing to, for example, underdeveloped governance systems or rent-seeking opportunities created by the privatization of State assets (Goel and Nelson, 2010). In the context of corruption, rent-seeking means increasing one's share of existing wealth using public resources without creating new wealth for the State.

Resource curse: The public sector monopoly over the distribution and allocation of natural resources rights allows economic opportunities to be exploited for corrupt purposes. The website of the Natural Resource Governance Institute³, stresses that “[g]iven their highly concentrated and highly profitable nature, the oil, gas and mining industries can generate the kind of political and private incentives that favor rent-seeking and institutional (or state) capture”. Indeed, data show that many resource-rich countries suffer from poor governance and systemic corruption (Natural Resource Governance Institute, 2019).

Political instability: Political stability is associated with low corruption levels, whereas the probability of corruption is higher in politically unstable environments (Lederman, Loayza and Soares, 2005). Lack of stability in transitions to a newly elected government is particularly associated with public sector corruption. Notably, partisan administration can be the cause of corruption in certain countries. For a further discussion on corruption, peace and security, see Module 11 of the UNODC Module Series on Anti-Corruption.

Wages: Low wages and the resulting poverty in the public sector are also believed to contribute to corruption in some countries (Tanzi, 1998).

Lack of rule of law: Lawlessness or poor rule of law is an important government-level contributor to corruption. The probability of corruption occurring might increase where the legal system is unable to provide sanctions for officials that engage in corruption (La Porta and others, 1999; Treisman 2000). In addition, corruption risks are higher in countries with less secure property rights, as corrupt means are used to ensure the security of these rights, where the legal system is unable to do so (Dong and Tongler, 2011).

Failure of governance: Shah (2006) argues that public sector corruption results from a failure of governance. Poor governance can arise from low quality public sector management, a lack of accountability, poor relations between the government and citizens, a weak legal framework, a lack transparency regarding public sector processes, and poor dissemination of information. A lack of competence and capacity due to inadequate training also contributes to failure of governance. The link between good governance and corruption is further discussed in Module 2 of the UNODC Module Series on Anti-Corruption.

Size of government: Research presents mixed findings on the relationship between corruption and the size of government. According to Goel and Nelson (2010) and Rose-Ackerman and Palifka (2016), the larger the government the more numerous the opportunities for rent-seeking by officials. In contrast, Gerring and Thacker (2005) find that the size of government is not correlated to higher levels of corruption. One conclusion that can be drawn from the mixed research findings is that the relationship between corruption and the size of government depends on other factors such as regime type, political stability and government structure (e.g. federal versus centralized).

³ Available at <https://resourcegovernance.org/topics/corruption>.

Nature of bureaucracy: Tanzi (1998), Kaufman and Wei (1999), and Goel and Nelson (2010) all contend that government bureaucracy and government intervention in the economy promote corruption. Tanzi (1998) further asserts that "the existence of regulations and authorizations gives a kind of monopoly power to the officials who must authorize or inspect the activity". He also specifies the quality of the bureaucracy as an important causative factor for corruption.

Public spending at the local level: A study by Corrado and Rossetti (2018) addresses public corruption in various regions of Italy. Using a regional dataset on corruption crimes perpetrated by public officials, combined with demographic and socioeconomic variables, they found that the extent of public spending at the local level explains corruption, but that socioeconomic and cultural conditions also matter. Their findings suggest that "regions which have historically placed less importance on rooting out corruption may be stuck in a vicious circle of higher levels of corruption" and that "individuals who reside in regions where corruption is higher and persistent are less likely to be satisfied with public services".

Social capital: Social capital refers to the "links, shared values and understandings in society that enable individuals and groups to trust each other and so work together" (OECD, 2007c, p. 102). The study of Corrado and Rossetti (2018) found that regions with higher social capital are more likely to face lower levels of corruption. Their results confirm the studies of Paldam and Svendsen (2002) and Bjørnskov and Paldam (2004), who report that higher levels of social capital are associated with less corruption, although it is not clear whether social capital leads to less corruption or whether low corruption leads to greater social capital.

Large unique projects: Locatelli and others (2017) analyse different types of corruption and projects that are corruption prone. Their findings suggest that when public actors play a key role in "large unique projects" – i.e. publicly funded projects which occur once and have no predecessor to provide guidance – these projects are more likely to be affected by corruption compared to smaller and more routine projects.

Conflicts of interest: Conflict of interest has been defined by the Organisation for Economic Co-operation and Development (OECD, 2003) as "a conflict between the public duty and private interest of public officials, in which public officials have private-capacity interests which could improperly influence the performance of their official duties and responsibilities". An example of a conflict of interest includes the "revolving door" situation, in which public officials obtain lucrative posts in the private sector once they leave the public service, with the expectation that they will use their public sector contacts to benefit the private company (Ferguson, 2017). The types of "private interests" that could lead to a conflict of interest include objective things like a directorship in a company, but can also include subjective ideological, political and personal interests that may improperly influence public duties (Ferguson, 2017; Rose-Ackerman, 2014). The existence of a conflict of interest in and of itself is not necessarily unlawful. What is unlawful, however, is the failure to disclose a conflict of interest and/or the mishandling of it.

› Theories that explain corruption

As corruption is a complex phenomenon, no one theory explains it all. This part of the Module reviews the main theories used to explain why corruption occurs.

Principal–agent theory

The desire for personal gain is often understood as the primary cause of public sector corruption, but this is an over-simplification of the complex relationships between individuals and the State. There are several theories that help to deconstruct these relationships. Two of the most popular theories on corruption in the economic literature are the principal–agent model and the related agency problem (see, e.g., Klitgaard, 1988; Shleifer and Vishny, 1993). The principal–agent model assumes that agents (public officials) serve to protect the interests of the principal (whether the public, parliament, or supervisors). However, in reality, the interests of the agents often diverge from the interests of the principal, and while the former can prescribe the pay-off rules in the principal–agent relationship, there is informational asymmetry to the advantage of the agent, which could be used by him or her for personal benefit (Groenendijk, 1997). In this context, an agency problem occurs where the agents choose to engage in a corrupt transaction, in furtherance of their own interests and to the detriment of the interests of the principal. To limit the agency problem, the principal can design incentives and schemes (e.g. monitoring, bonding and oversight) to curb the agent's potential abuses (for a further discussion on how the principal–agent theory is applied in practice, see Module 13 of the UNODC Module Series on Anti-Corruption).

Collective action theory

For decades, the economic literature referred to the principal–agent model to explain corruption (Groenendijk, 1997). More recently, collective action theory emerged as an alternative explanation for why systemic corruption persists despite laws making it illegal, and why corruption resists various other anti-corruption efforts in some countries. The collective action theory goes beyond traditional principal–agent relationships and emphasizes the importance of factors such as trust and how individuals perceive the behaviour of others. Persson, Rothstein and Teorell (2013) regard systemic corruption as a collective problem, because people rationalize their own behaviour based on the perceptions of what others will do in the same situation. When corruption becomes a social norm, everyone starts seeing it simply as the way to get things done. People are aware of the negative consequences of widespread corruption, but they engage in corrupt actions as they believe that "it doesn't make sense to be the only honest person in a corrupt system" (Marquette and Peiffer, 2015). In such an environment, anti-corruption measures based on the principal–agent model will not be effective, as there are no "principled principals" who will enforce anti-corruption norms (Klitgaard, 2004; Persson, Rothstein and Teorell, 2013). An institutional or organizational culture of corruption leads to the normalization of corrupt practices at a societal as well as individual level, and to impunity for violating or ignoring formal anti-corruption rules (Appolloni and Nshombo, 2014). To combat corruption in these circumstances, there is a need for collective and coordinated approaches, such as reform coalitions or proactive alliances of like-minded organizations. These approaches are often called "collective action" initiatives, and are discussed in further detail in Module 5 of the UNODC Module Series on Anti-Corruption.

Institutional theory

Institutional theory – also known as institutionalism – uses country and government institutional characteristics, such as pre-existing rule of law, well-defined anti-corruption norms, and independent anti-corruption institutions with enforcement powers, to explain corruption in the public sector. Institutional theory “examines the processes and mechanisms by which structures, schemas, rules, and routines become established as authoritative guidelines for social behaviour” (Scott, 2004). In relation to understanding corruption, institutional theory brings in the social context and provides a taxonomy for understanding how corruption might become entrenched in organizations, in institutions and in society, despite the existence of an anti-corruption framework (Luo, 2005). Institutional theory considers that corruption is influenced the character, design and transparency of the political system and its institutions. At the same time, it acknowledges that the relationship between corruption, institutions, political systems, culture and gender is highly complex (Debski and others, 2018; Stensöta, Wängnerud and Svensson, 2015). A fair amount of research has focused on the relationship between political institutions on the one hand, and, on the other hand, the prevalence and levels of corruption. This research is discussed in detail in Groop (2013). A summary of this discussion is provided in Module 3 of the UNODC Module Series on Anti-Corruption.

Related to this is the “institutionalist” view of political corruption that was developed by Thompson (1995) and Lessig (2018). This view stresses that while corruption can occur on an individual level, it can also be institutional in nature in cases where institutions are structured in a way that makes them deviate from their original purpose. A paradigmatic example is private financing of political campaigns in the United States, as explained by Ceva and Ferretti (2017, p. 3):

In the USA, candidates that run for elections are allowed to receive financial support from such a diverse set of private sources as ordinary citizens, private corporations, and either cultural or religious groups. It may thus happen that, once elected, a politician who has received financial support from, say, a private company pushes forward some regulation that aims at reducing the fiscal pressure in the area where this company operates.

In this example, the combination of unlimited financial support and lack of transparency is an issue because even if candidates do not act illegally on the individual level, it is clear that the practice of private donation is susceptible to political corruption. It can thus be argued that the institution of democratic elections is corrupt since “[t]he institutionalised practice of receiving private funds for electoral campaigns makes the institution of democratic elections depend on ... the arbitrary influence of financial powers” (Ceva and Ferretti, 2017, p. 3). The institutionalist approach accordingly suggests that in the study of corruption we should focus on the “bad barrel” (distorting institutional practices and mechanisms) rather than concentrating on the “bad apples” (individual misbehaviour). This is also discussed in the context of Module 1 of the UNODC Module Series on Anti-Corruption.

Game theory

Another theory that explains the prevalence of public sector corruption is the game theory. This theory borrows from economic literature and seeks to provide rationales for corrupt decisions by public officials. In particular, Macrae (1982) suggests that corruption is part of a rational calculus and an integral and often deeply rooted method by which people take decisions. In this context, individuals face a "prisoner's dilemma"⁴, which "illustrates a conflict between individual and group rationality" (Kuhn, 2019). The individual fears a disadvantage if she refuses to engage in corrupt practices while other individuals do not refuse to do so in the same situation. As a result all individuals obtain some sort of benefit which, however, is always less than the benefit that each of them would have obtained if they refused to engage in corrupt practices. This is illustrated, for example, in the area of public procurement, where participants in corruption include private sector actors that are unsure of the actions of others. The fear of being outdone by competitors acting illegally or unethically thus motivates otherwise ethical companies to engage in procurement corruption. It should also be noted that various situational and psychological factors could play a role in fostering unethical behaviour, sometimes despite an individual's best intentions to act ethically. These factors are discussed in depth in Module 6 and Module 8 of the UNODC Module Series on Integrity and Ethics.

› Corruption in public procurement

One of the most corruption prone government activities is public procurement. The reasons for this include "the volume of transactions and the financial interests at stake" as well as "the complexity of the process, the close interaction between public officials and businesses, and the multitude of stakeholders" (OECD, 2016). In some countries, abuse of the government-spending process "has become the gateway to fortune" (Salisu, 2000). Corruption in public procurement can be a problem in both developed and developing countries, although some forms of corruption are more prevalent in certain countries, according to the United Nations Office on Drugs and Crime (UNODC, 2013a). OECD (2014) highlights that 57 per cent of all foreign bribery cases are due to procurement corruption.

Corruption in public procurement takes many of the forms mentioned above, such as bribery, embezzlement and abuse of functions. Discussing this area in depth therefore provides concrete examples of how corruption manifests in the public sector, in ways that are relevant to our everyday lives. In addition, corruption in public procurement warrants consideration as it has unique causes and impacts. Procurement corruption may occur as a result of a conflict of interest situation where a public official wants to secure for him- or herself and related parties, the benefits which rightly belong to the public, by bypassing the formal requirements for the awarding of these privileges. Public procurement is particularly susceptible to corruption such as collusion to fix prices, maintenance of cartels, and other practices that thwart competition and mean that government does not receive value for money in the procurement process (Williams-Elegbe, 2012). After defining public procurement and the related concept of financial management, examples of procurement corruption will be used to illustrate the causes, manifestations and consequences of public sector corruption as well as corruption more broadly in the society.

⁴For a detailed explanation of the 'prisoner's dilemma', see <https://policonomics.com/lp-game-theory2-prisoners-dilemma/>.

Public procurement and public financial management

Public procurement is the process by which the government buys the goods, services and works (construction) it needs to function and maximize public welfare. The public procurement system referred to in this Module is the entire system for government purchases, including budgeting, governance, auditing and accountability systems. Apart from grants and social programmes, it is one of the major avenues through which public finances are expended, and the large amounts of money involved can provide opportunities for unethical practices such as fraud and corruption.

The procurement process comprises five stages, and corruption risks occur at all steps of the procurement process:

1. pre-selection activities such as needs assessment, project design, and drafting the call for bids;
2. tendering process, including drafting the technical specifications and selection criteria, publication of the tender, and bid submission;
3. bid evaluation comprising the selection process for the best tender;
4. post-selection activities, which include contract management and execution, asset disposal, contract renegotiation, and variation orders; and
5. record keeping and auditing.

Public procurement accounts for a significant amount of government spending: the OECD estimates that countries spend an average of 13 to 20 per cent of their GDPs on procurement (Transparency International, 2014). Public procurement is often subject to extensive legal and administrative regulation, with the aim of safeguarding public funds and using tax payers' money judiciously. The goal of a procurement process is to obtain the necessary goods, services or works at the best value possible, often referred to as the "most economically advantageous tender (MEAT)⁵". This includes a consideration of several factors such as price, quality, functionality, life cycle and disposal costs, as well as after-sales service, where relevant.

The procurement system is used to achieve a range of public policy goals through government spending. Examples are: encouraging the production of environmentally sustainable goods; involving small companies, minorities or disadvantaged groups in economic activity by reserving a portion of government contracts for persons from the target groups (Arrowsmith and Kunzlik, 2009); and promoting compliance with human rights by ensuring that companies that access government contracts are compliant with specified human rights and their supply chains are free from modern slavery (Martin-Ortega and O'Brien, 2019). Procurement is also used for military and national security goals. For further discussion on this, see Module 11 of the UNODC Module Series on Anti-Corruption.

The public procurement system is an integral part of the larger system of public financial management (PFM) and fails or succeeds on the strength of that system. As explained on the website of the Norwegian Agency for Development Cooperation (NORAD)⁶:

⁵ For more information about the MEAT assessment method, see [www.designingbuildings.co.uk/wiki/Most_Economically_Advantageous_Tender_\(MEAT\)](http://www.designingbuildings.co.uk/wiki/Most_Economically_Advantageous_Tender_(MEAT)).

⁶ Available at www.norad.no/en/front/.

"PFM includes all components of a country's budget process - both upstream (including strategic planning, medium term expenditure framework, annual budgeting) and downstream (including revenue management, procurement, control, accounting, reporting, monitoring and evaluation, audits and oversight)". A good PFM system ensures that the public sector can fulfil its role; improve the quality of public services; build public trust in the public sector; and ensure the efficient and effective use of public funds. A good PFM also ensures fair and transparent competition and avoids collusion and the influence of cartels. Therefore, establishing an adequate PFM system is an important measure for mitigating the risks of corruption in government spending.

Impacts of corruption in public procurement

Corruption in public procurement carries all the negative impacts of corruption generally. Tanzi (1998) observes that the negative economic and social costs of corrupt actions, in terms of wasted resources, inefficiency and missed opportunities, are always higher than the benefits that could be obtained through such actions. This ultimately reduces public trust in government and erodes the public integrity necessary for advancing public good (see also Module 13 of the UNODC Module Series on Integrity and Ethics). For example, during the organization of the 2010 Commonwealth Games, India has experienced numerous procurement related problems, such as lack of competition and fixed tenders, which eventually led to significant delays and higher costs for products of lower than the expected quality (UNODC, 2013b). In the context of procurement, research commissioned by the European Anti-Fraud Office (OLAF) suggests that in the European Union direct losses from procurement corruption may be up to 18 per cent of project costs (PwC, 2013). Aside from direct financial losses and increases in the cost of government contracts (Rose-Ackerman and Palifka, 2016), procurement corruption can cause varying degrees of harm to citizens, the public sector and the private sector.

To minimize the negative impacts of procurement corruption, article 9 of the United Nations Convention against Corruption (UNCAC) requires States parties to "take the necessary steps to establish appropriate systems of procurement, based on transparency, competition and objective criteria in decision-making, that are effective, *inter alia*, in preventing corruption". Article 9 also requires transparency and accountability in the management of public finances, including budgeting, reporting on government revenue and expenditure, auditing and risk management.

Causes of corruption in public procurement

In general, all factors that cause corruption in the public sector apply to the area of procurement as well. However, public procurement is susceptible to corruption for some specific reasons.

The first one is the potentially large sums of money involved and the large volume of contracts. According to Ferguson (2018), public procurement projects account for up to 50 per cent of the annual government spending worldwide. Some of the largest documented schemes of corruption occur in this sector. Operation Car Wash (the Odebrecht case) was described by the United States Department of Justice as "the largest foreign bribery case in history" (Presley, 2018). This case implicated officials in more than twelve countries and led to prosecution and conviction of several company officials (Lessa, 2017). Another example is the Alstom case where the director of the French engineering firm Alstom was convicted of conspiracy to bribe Lithuanian public officials to secure a contract (Thompson, 2018).

Second, the government departments responsible for procurement, also called procuring entities, are non-commercial by nature. They tend to focus on non-commercial endeavours and may not have systems in place to respond to the risk of corruption inherent in the more commercial nature of procurement processes. Finally, owing to discretion allowed in the process of designing the evaluation criteria, a public official may improperly exercise his power to decide what firms to invite to tender by designing evaluation criteria that favour a particular company, or by manipulating the process to award a contract to a preferred firm (Soreide, 2002). A public official may also split a large contract into several small contracts to circumvent rules that require publication and transparency for larger contracts (Williams-Elegbe, 2012). Private firms may seek to avoid producing the documentation required to participate in a procurement process, or to commit fraud (such as raising improper invoices) when dealing with the public sector with the complicity of public officials (OECD, 2016), or to obtain confidential information on the tender or on competitors (Soreide 2002).

> **Corruption in state-owned enterprises**

State-owned enterprises (SOEs) play a significant role in the global economy and provide important goods and services in sectors such as electricity, transportation and telecommunications. SOEs account for approximately ten per cent of the world's GDP (Peng and others, 2016); more than 50 per cent of the gross national product of emerging economies (Armstrong, 2015); and for about one-fifth of world market capitalization (Milhaupt and Pargendler, 2017).

In 2014, the OECD reported that 81 per cent (by value) of the foreign bribery cases investigated between 1999 and 2013 were promised, offered or given to SOE officials (OECD, 2014). SOEs with high-ranking public officials are often at the receiving end of corruption schemes. Historically, SOEs have been very much intertwined in political processes, acting as black boxes for political financing of incumbent governments. SOEs face particular corruption risks owing to their proximity to the government, their prevalence in corruption-prone sectors, and weak corporate governance practices.

Given the relevance of SOEs, the international community has focused its attention on setting tailored corporate governance standards for SOEs, including in transparency and integrity. For example, the G20 adopted High-Level Principles for Preventing Corruption and Ensuring Integrity in State-Owned Enterprises⁷ in 2018. Such efforts aim to insulate SOEs from politics, requiring them to adopt corporate governance structures that guarantee transparent relationships with the shareholder (the State), professionalized boards and management structures, as well as financial equilibria, i.e. a level playing field with private competitors for financing, taxes and subsidies, and high standards of transparency and accountability. As cross-sector collaboration and partnerships are a core component of any successful business, more information related to SOEs is contained in Module 13 of the UNODC Module Series on Integrity and Ethics.

⁷ Available at www.g20.utoronto.ca/2018/final_hlps_on_soes.pdf.

› Responses to public sector corruption

The different ways in which States respond to corruption are addressed in detail in Module 6 and 13 of the UNODC Module Series on Anti-Corruption. For present purposes, it is emphasized that a major response in combating corruption is the adoption of criminal anti-corruption norms, together with the enforcement of these norms through effective sanctions and incentives. UNCAC and regional and national legal frameworks establish criminal anti-corruption norms that apply to both the public and private sectors. For example, UNCAC defines the crimes of bribery and embezzlement, as well as the related offences of concealing these crimes, laundering their proceeds, and obstructing justice for them. The enforcement of these norms and particularly their detection and investigation are discussed in Module 6 of the UNODC Module Series on Anti-Corruption.

In the area of public procurement, an additional way of addressing corruption is to exclude corrupt contractors from accessing government contracts, and is referred to as debarment or blacklisting. This method essentially bars contractors who have been convicted of certain breaches of law or ethics from bidding on government contracts for a specified period of time (Williams-Elegbe, 2012). This tool is widely used to address procurement corruption, and it is required in the multilateral development banks and jurisdictions such as the European Union, the United States, South Africa, Nigeria, Kenya and several other countries. Given its application to the private sector companies that supply goods and services to governments, this mechanism is addressed in further detail in Module 5 of the UNODC Module Series on Anti-Corruption.

The public sectors in many countries include an anti-corruption agency, mandated to address corruption in and beyond the public sector. Anti-corruption agencies address corruption through a range of functions from detection to investigation and prosecution. In some jurisdictions, they also perform regulatory, oversight and policy development functions. A more detailed discussion on anti-corruption agencies is available in Module 13 of the UNODC Module Series on Anti-Corruption⁸.

Finally, an important response to corruption, especially when committed on a large scale, is asset recovery. According to the Stolen Asset Recovery Initiative (StAR)⁹, a partnership between the World Bank and UNODC, (StAR, 2009), an estimated 20 to 40 billion dollars are stolen annually from developing countries through bribery, misappropriation of funds and other corrupt practices. Asset recovery is the process used by States to forfeit and return stolen public funds. There are several ways in which national authorities can pursue stolen assets. Some approaches are through criminal or non-conviction-based confiscation, through proceedings of foreign jurisdiction and through private civil action. A more detailed discussion on asset recovery is available in Module 12 of the UNODC Module Series on Anti-Corruption.

⁸ Information on the budget, functions and other aspects of anti-corruption bodies is also available at www.acauthorities.org/.

⁹ Available at <https://star.worldbank.org/resources/asset-recovery-handbook>.

› Preventing public sector corruption

As recognized by article 5 of UNCAC, core principles associated with the prevention of corruption in the public sector are the rule of law, proper management of public affairs and public property, integrity, transparency and accountability. In articles 7 and 8, UNCAC requires States to put in place specific measures that ensure adherence with these principles, including adopting merit-based systems for the recruitment and promotion of civil servants, prescribing criteria for election to public office, enhancing transparency in the funding of political parties, preventing conflicts of interest, promoting codes of conduct for the public sector, and establishing systems for the declaration of assets. Additional measures for preventing corruption, called for in articles 10 and 13 of UNCAC, include the promotion of stakeholder participation and open government. These and additional measures that can prevent corruption in the public sector are discussed below.

Other Modules of the UNODC Module Series on Anti-Corruption also address corruption prevention. In particular, Module 12 discusses UNCAC and other multilateral instruments that address public sector corruption, including by requiring States to adopt prevention measures, while Module 13 illustrates how corruption prevention measures form the basis of national anti-corruption policies and efforts. Further discussion of measures that enhance public integrity and ethics is available in Module 13 of the UNODC Module Series on Integrity and Ethics.

Codes of conduct: Corruption prevention mechanisms often start with rules that prohibit certain types of conduct. Rules include legal prohibitions against corruption, and criminal and civil penalties directed at both the public and private sectors (Williams-Elegbe, 2012), but also include codes of conduct and ethics for public officials. According to article 8 of UNCAC, such codes are to be used for promotion of personal standards (integrity, honesty and responsibility) and professional responsibilities for correct, impartial, honourable and proper performance of public functions. Codes provide guidance on how public officials should conduct themselves in relation to these standards and how they may be held accountable for their actions and decisions. In addition to UNCAC, other initiatives of regional and international organizations also recognize and promote the implementation of codes of conduct. An example of this is the International Code of Conduct for Public Officials¹⁰, adopted by the UN General Assembly in 1996.

Systems of rewards and incentives: At a basic level, all countries should establish a system that rewards appropriate behaviour and penalizes corrupt behaviour in the public sector. The system should include extrinsic motivations such as a decent wage and merit-based appointments and promotions. Research compiled by the United States Agency for International Development (USAID, 2017) suggests that an invariable link between lower wages for public officials and corruption does not exist in all countries, but that, in some cases, higher wages and merit-based promotions are associated with a lower probability of the acceptance of illegal payments. In terms of intrinsic motivations, a high staff morale is crucial for anti-corruption efforts to succeed, and there is a lower tolerance for corruption among persons who find their jobs satisfying (Kwon 2014). Penalties for corrupt behaviour are included in the anti-corruption laws of many countries, and research has shown that, in some cases, higher or harsher penalties for corrupt behaviours can lead to a decrease in public sector corruption (Fisman and Miguel, 2007; Hasty, 2005).

¹⁰ Available at www.unodc.org/documents/commissions/CCPCJ/Crime_Resolutions/1990-1999/1996/General_Assembly/A-RES-51-59.pdf.

Accessibility: This refers to the ability of all firms to access government contract opportunities (OECD, 2016). Full accessibility is required to increase competition in public procurement and foster the participation of small and medium-sized enterprises (SMEs) in public procurement. Access is fostered by reducing the bureaucracy inherent in the tender process, cutting the cost of participation in public procurement and streamlining the tender process. Limiting bureaucracy is particularly important in public procurement. Access to public contracts by SMEs and other target companies can be facilitated by rules requiring a portion of government contracts to be awarded to SMEs, women, minorities and other target groups.

Human resources management: The rules and procedures for hiring, rotation, promotion, professionalization, and training of civil servants also play a role in the combating of corruption in the public sector. For example, staff rotation in jobs that are vulnerable to corruption is expected to assist in preventing corrupt relationships from forming and in disrupting established corrupt relationships. Rotation may also lead to reduced incentives to engage in corruption for private sector actors, as there might not be the future guarantee of the corrupt partner's continuation in a particular position. Merit-based recruiting is another example of a human resources management system designed to disrupt corruption. Article 7 of UNCAC stipulates that the human resources management system of the civil service must be based on the underlying principles of transparency, integrity and efficiency. This includes ensuring the prevalence of objective criteria for the recruitment, retention, promotion and retirement of public officials, as well as continuous learning opportunities and adequate and equitable remuneration and conditions of employment for staff in the civil service. As with all anti-corruption measures, rotation must be balanced against other concerns, such as building competency and commitment to public service.

Citizen and stakeholder participation: Public sector accountability requires that a wide range of stakeholders – such as anti-corruption offices, private sector organizations, end-users, civil society, academia, the media and the general public – participates in public sector processes and in the procurement process in particular (OECD, 2016). Participation of citizens is especially important in this regard, including in the procurement context (Heroles, 2012; Landell-Mills, 2013). In some countries, recognition of the importance of citizen participation in public procurement processes is reflected in the law. For example, laws in Mongolia and Mexico call for citizen participation in public procurement processes (Parafina, 2015). This has shown to be effective in Mexico in terms of reducing the cost of public contracts (De Simone and Shah, 2012). Citizen participation in anti-corruption efforts is discussed in detail in Module 10 of the UNODC Module Series on Anti-Corruption.

Open government and e-government: Article 10 of UNCAC requires States to adopt procedures for public reporting and access to public sector information. In this regard, many countries have established e-government services that allow the use of information and communication technologies (ICT) in connection with government functions and procedures, with the purpose of increasing efficiency, transparency and citizen participation (United Nations, 2016). ICT can improve the delivery of public services, build trust between citizens and government, and contribute to public sector reform initiatives (OECD, 2005a). ICT is actively used to promote integrity particularly in public procurement and management of public finances as it can strengthen transparency, facilitate access to public tenders and simplify administrative procedures (United Nations, 2016).

Moreover, ICT could help to:

reduce direct interaction between procurement officials and companies ... and allow for easier detection of irregularities and corruption, such as bid rigging schemes. The digitalisation of procurement processes strengthens internal anti-corruption controls and detection of integrity breaches, and it provides audit services trails that may facilitate investigation activities (OECD, 2016).

A good example of promoting access to information is the Open Data Charter, which has been adopted by 85 national and local governments across the world (although there are disproportionately few signatories from non-Western countries) and endorsed by 73 organizations from civil society and private sectors¹¹. Government information shared as part of the Open Data Charter should comply with six principles: the data should be: 1) open by default; 2) timely; 3) comprehensible; 4) accessible and useable; 5) comparable; and 6) interoperable (following international data standards). The data should be designed to foster improved governance and citizen engagement, and it should promote inclusive development and innovation. Another example of a country that has adopted the Open Data Charter is Ukraine where an online and open data system called ProZorro¹² was launched in 2015 to ensure that documents and information related to public procurement would be easily accessible to civil society. ProZorro has had a measurable impact on saving the government millions of euros and increasing bidding on contracts by 50 per cent (Open Data Charter, 2018, p. 4). In terms of public procurement, the European Union has adopted Directive 2014/24/EU¹³, which requires publishing all public tenders above a certain contract value in the Supplement to the Official Journal of the European Union. Such legal requirements and efforts to provide open information platforms are critical to preventing opportunities for corruption.

To assist in providing governments with support and technical knowledge on how to implement open data initiatives, the Open Data for Development Programme (OD4D)¹⁴ offers numerous resources and training programmes. The OD4D Anti-Corruption Open Up Guide¹⁵, for example, showcases the use of open data to promote and enforce anti-corruption efforts.

Managing conflicts of interest: Conflicts of interest could lead to corruption, therefore such conflicts need to be disclosed and addressed in a manner that will prevent a descent into corruption. In general, conflicts of interest are addressed through financial and asset disclosure requirements, codes of conduct and other regulations, such as prohibiting public officials to work in the private sector for a certain period of time after they leave the public service. The purpose of these measures is to require public officials to recuse themselves from decisions where an actual or potential conflict may arise (Mattarella, 2014).

¹¹ A full list of the nations that have adopted the Open Data Charter is available at <https://opendatacharter.net/government-adopters/>.

¹² Available at <https://prozorro.gov.ua/en>.

¹³ Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0024>.

¹⁴ Available at www.od4d.net/about.html.

¹⁵ Available at <https://open-data-charter.gitbook.io/open-up-guide-using-open-data-to-combat-corruption/>.

Most of the modern asset and interest disclosure systems were developed following the adoption of UNCAC, in response to the requirements of article 8 of the Convention to avoid potential conflicts of interest in the future, facilitate the management of such conflicts and ensure that corrupt public officials will not be able to conceal the proceeds of any illegal activity (United Nations, 2018). The open data measures, which were discussed in the section above, can also be used to facilitate the proceeding of asset declarations for public officials. Additionally, making information easily available on topics such as asset declarations and the tender process in public procurement encourages journalists and researchers to scrutinize data and sectors of society that are often vulnerable to corruption. For more information on how asset declarations can be used as an anti-corruption tool see Kotlyar and Pop (2016).

Compliance-friendly environment: In relation to ensuring compliance with anti-corruption rules and norms in the public sector, nudges and training programmes are common ways of creating an environment for compliance. Nudge theory was popularized by Thaler and Sunstein (2008), who defined it as:

any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy to implement and cost effective. Nudges are not mandates. Putting fruit at eye level counts as a nudge. Banning junk food does not.

Nudge theory presumes that, when faced with a choice, people are more likely to go for a default option, and so presenting simple alternatives at the moment of decision-making can alter behaviour without heavy-handed enforcement.

In the corruption context, the concept of ambient accountability takes nudge theory a little further and uses "physical space and the built environment to empower people, help them understand/assert their rights and stop corruption right where it matters – ideas, inspiration, evidence from stickers, murals and billboards, to feedback interfaces, urban screens and architectural interventions" (Zinnbauer, 2012). Anti-corruption and ethics training are common in the public sector and in specialized areas like public procurement – the idea being to sensitize officials to the rules, to areas of risk and to measures to take when faced with ethical dilemmas (OECD, 2007a). Integrity and ethics management is further discussed in Module 11, 13 and 14 of the UNODC Module Series on Integrity and Ethics.

Monitoring and oversight: Monitoring can take the form of audits, transparency measures that provide information needed to hold the public sector to account and civil society monitoring. Research by Di Tella and Schargrodsy (2003) demonstrates that audits on public hospitals in Argentina reduced the cost of medical supplies by 15 per cent, and Bobonis, Fuentes and Schwabe (2016) show that audits reduced municipal corruption by 67 per cent in Puerto Rico. The kind and nature of oversight over, for instance, the procurement process depends on a risk assessment of the procurement environment. Control measures can thus serve as risk management tools as long as they are "coherent and include effective and clear procedures for responding to credible suspicions of violations of laws and regulations, and facilitate reporting to the competent authorities without fear of reprisals" (OECD, 2016).

Accountability and scrutiny (the four-eyes principle): The four-eyes principle refers to a requirement that some public sector activities or decisions must be approved by at least two people. The four-eyes principle is a tool for monitoring and increased accountability and operates on the basis that it is harder to corrupt two people than one person (Bodenschatz and Irlenbusch, 2019), although this might not be the case in systemically corrupt societies (Williams-Elegbe, 2018).

› Conclusion

The Module has sought to help students identify public sector corruption and understand its destructive impact. It explored the underlying causes of and relevant theories that explain public sector corruption, including principal–agent, collective action, institutional and game theories. The Module also discussed specific corruption risks in the area of public procurement and in state-owned enterprises, and different anti-corruption approaches. In doing all this, the Module aimed to motivate resistance to and action against corruption, but to also provide a solid basis for assessing and choosing adequate responses to public sector corruption and relevant preventive measures.

Admititely, there are many limitations to anti-corruption efforts. However, this does not mean that we should stop fighting corruption. Research on the limitations of anti-corruption efforts (Heywood and Rose, 2015; Kirby, 2018) suggests that a singular focus on fighting corruption can be counterproductive: too much accountability can stall productive behaviour, and lead to employee resentment. It also suggests that reliance on discretion is inevitable, unavoidable and desired in many situations. Therefore, simply aiming to limit or even eliminate corruption in some sense is an unambitious goal. Furthermore, people do not want public officers just to be "not corrupt" or to merely meet the bare minimum standards of public office. Instead, people want public officers to act in genuinely praiseworthy ways, exceeding the minimum standards of office. This requires defining higher ethical goals.

In this light, to achieve the important governance objective of fighting corruption we must situate it within a much broader, more ambitious, more flexible and more politically productive policy goal. This goal has been conceptualized as building "public integrity" (Kirby, 2018), in an attempt to define an ideal of good government that would make public agents genuinely worthy of public trust, confidence and respect. The shift from merely aiming at anti-corruption to achieving levels of integrity is further elaborated in Module 13 of the UNODC Module Series on Anti-Corruption. Public integrity is also discussed at length in Module 13 of the UNODC Module Series on Integrity and Ethics.

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Exercises

This section contains suggestions for in-class and pre-class educational exercises, while a post-class assignment for assessing student understanding of the Module is suggested in a separate section.

The exercises in this section are most appropriate for classes of up to 50 students, where students can be easily organized into small groups in which they discuss cases or conduct activities, after which group representatives provide feedback to the entire class. Although it is possible to create the same small group structure in large classes comprising a few hundred students, it will be more challenging and the lecturer may need to adapt facilitation techniques to ensure sufficient time for group discussions and for providing feedback to the entire class. The easiest way to deal with the requirement for small group discussions in a large class is to ask students to discuss the issues with the four or five students sitting closest to them. Given the time limitations, not all groups will be able to provide feedback during each exercise. It is recommended that the lecturer makes random selections and tries to ensure that all groups have the opportunity to provide feedback at least once during the session. If time permits, the lecturer can facilitate a discussion in plenary after each group has provided feedback.

All exercises in this section are appropriate for both graduate and undergraduate students. However, as students' prior knowledge and exposure to these issues may vary widely, decisions about appropriateness of exercises should be based on their educational and social context. The lecturer is encouraged to relate and connect each exercise to the Key issues section of the Module.

It is recommended that lecturers begin building a conducive and friendly environment at the start of class and before conducting the very first exercise. This can be done by breaking the ice in a supportive way, by respectfully examining students' starting orientations to corruption, and by demonstrating genuine interest in their perspectives. Once students come to see the lecturer as respectful, genuinely interested in their orientation to the material, and consistent in policing any snide or unsupportive comments by class members, that safe space will enable effective learning and development.

> Exercise 1: Ice breaker

Side note: By breaking the ice in a supportive way in the very first exercise, the lecturer can begin building a conducive, sympathetic environment at the start of class. This includes respectfully examining students' existing orientations to corruption, and by demonstrating a genuine interest in their views. Once students come to see that the lecturer is respectful, genuinely interested in their viewpoints, and consistent in policing any snide or unsupportive comments by class members, the establishment of a safe environment will be well on its way.

Exercise 1 could include working in small groups, and having the students define the term "public sector corruption" and provide stories of public sector corruption that they have heard or experienced. Ask students to express their views about which spheres of the public sector they feel are corrupt in their country and why. Ask representatives from each group to present the group's views to the larger class, and facilitate a discussion around their feedback. In case the topic is too sensitive in the particular circumstances and students may not feel comfortable to talk openly about it, the lecturer may consider using online tools such as pollev.com¹⁶ to get the students' responses anonymously and discuss them with the class.

> Exercise 2: Case studies

Divide the students into groups of five or six and ask each group to discuss one or more of the following case studies. To guide their discussion, ask the students to identify what appears to be a legal or ethical violation and to suggest its role in the kind of corruption reflected in the case study. Each group should nominate a spokesperson to report on the observations of the group to the larger class. The lecturer can then facilitate further discussion by comparing group observations on the same case study, or ask groups to compare different case studies.

Case study 1: Hiring friends and family

The Chief Executive Officer (CEO) of the National Health Service in country A appointed a former colleague as Chief Finance Officer (CFO). The CEO made the appointment with no references, no statement aligning the candidate with the selection criteria, no interview notes and no comparative report. The CEO and CFO went on to cross-hire their relatives (including spouses and children), former business associates and friends to fill a variety of positions in the National Health Service, often to the exclusion of better qualified candidates. Given the small size of country A, these appointments were highly visible. The pair also manipulated procurement processes to benefit their families and associates.

¹⁶ Available at <https://pollev.com/>

Case study 2: Buying office chairs

A procurement division in a government department put out the supply of office chairs to tender. The award criteria were the price and the delivery time. The price was weighted as 80 per cent (i.e. 80 points for the lowest price). With respect to the non-price-related criteria, a bidder offering a delivery time between six and five months would get five points; between five and four months, ten points; between four and three months; 15 points; and less than three months, 20 points. For a delivery time of more than six months, no points would be awarded. Two companies submitted bids and their prices were almost the same. One company offered a delivery time of 4.5 months (by checking the appropriate box in the tender documents), while the second bidder deliberately did not offer any delivery time. A corrupt government official, in return for receiving a bribe, checked the box "less than three months" in the second bid after the bid had been submitted. This was the decisive factor in winning the tender and for the contract award. The office chairs were, in fact, delivered eight months after contract conclusion.

Case study 3: Electricity connection

The officials in a State-run electricity company in a developing country were supposed to approve and install new electricity connections. It was discovered that in several towns, when members of the public requested a connection, particular officials informed them that for a large unofficial payment, the officials could connect them to another person's meter so that they would never receive an electricity bill. Members of the public who refused this offer would have to wait several months for the legal connection. Those who accepted the offer and could make the payment would be connected immediately and enjoy "free" electricity.

› Exercise 3: Understanding procurement corruption

Show the seven-minute video *Corruption risks in public procurement*, included in the Additional teaching tools section, and facilitate a discussion around the importance of corruption-free public procurement. Ask students to consider the public procurement system in their own country and what changes are required to improve it.

› Exercise 4: Cultural issues in public sector corruption – gifts and conflicts of interest

The aim of this exercise is to encourage students to think about the difficult issues raised by practices that may be culturally acceptable in one context but not in another. The examples below focus on the cultural practice of gift-giving, which in some societies could be at odds with the legal anti-corruption framework. Ask students to consider whether these scenarios should be regarded as cases of corruption (some societies would stress that such practices have nothing to do with corruption) and how to tackle the challenge of cultures approaching gift-giving differently:

1. A company in the United States maintains a resort and invites high-ranking judges, politicians and business people to spend time and mingle together, free of charge.
2. A city official in New Zealand who is responsible for approving construction permits is taken to a lavish lunch by a property developer, and then to a football match where he sits in a corporate box.
3. In rural Mexico, corrupt government officials share some of their illegally accumulated wealth with the local community by financing events with free food and alcohol.
4. A government minister for public works in Queensland, Australia, accepts heavily discounted shares in a mining company, which is planning investments in a new mine and accompanying infrastructure.

These scenarios were taken from a Washington Post article by Mark Berman and Jerry Markon, titled "Why Justice Scalia was staying for free at a Texas resort" (2016), and from an academic article by Adam Graycar and David Jancsics, titled "Gift Giving and Corruption" and published in the International Journal of Public Administration, vol. 40, issue 12, pp. 1013-1023.

Possible class structure

This section contains recommendations for a teaching sequence and timing intended to achieve learning outcomes through a three-hour class. The lecturer may wish to disregard or shorten some of the segments below in order to give more time to other elements, including introduction, icebreakers, conclusion or short breaks. The structure could also be adapted for shorter or longer classes, given that the class durations vary across countries.

Introduction – 15 minutes

- Conduct Exercise 1, which will allow the students to discuss their understanding of and experiences with public sector corruption (10 mins).
- Introduce the Module and provide an overview of its Key issues (5 mins).

Overview of public sector corruption – 45 minutes

- Introduce and discuss different approaches to combating public sector corruption. Draw on the Key issues section of the Module and the pre-reading, especially USAID (2017) (15 mins).
- Conduct Exercise 2 (30 mins).

Causes of public sector corruption – 45 minutes

- Introduce and discuss the causes of public sector corruption. Draw on the Key issues section of the Module and the pre-reading, especially Vito Tanzi (1998) (20 mins).
- Ask students to propose ways to reduce opportunities for corruption in specific public sector spheres (e.g. public health delivery, public education, judiciary, police) and facilitate a class discussion around their proposals (25 mins).

Understanding procurement corruption – 40 minutes

- Conduct Exercise 3 (20 mins).
- After the discussion, shed further light on procurement corruption by drawing on the Key issues section of the Module and the pre-reading, especially Tina Soreide (2002) (20 mins).
Cultural issues in public sector corruption: gifts and conflicts of interest – 30 minutes
- Conduct Exercise 4.

Conclusion – 5 minutes



Core reading

This section provides a list of (mostly) open access materials that the lecturer could ask the students to read before taking a class based on this Module.

Basu, Kaushik (2011). Why, for a Class of Bribes, the Act of Giving a Bribe should be Treated as Legal.

» Available from https://dea.gov.in/sites/default/files/Act_Giving_Bribe_Legal.pdf.

Ferguson, Gerry (2017). Global Corruption: Law, Theory and Practice.

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Graycar, Adam (2015). Corruption: Classification and analysis. *Policy and Society*, vol. 34, pp. 87-96.

Huberts, Leo, and Alain Hoekstra (2016). Integrity management in the public sector: The Dutch approach. The Hague: Bureau Integriteitsbevordering Openbare Sector.

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Organisation for Economic Co-operation and Development (2005b). Managing Conflict of Interest in the Public Sector: A Toolkit. Paris.

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Soreide, Tina (2002). Corruption in Public Procurement: Causes, consequences, cures. CMI Reports. Bergen, Norway: Chr. Michelsen Institute.

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Tanzi, Vito (1998). Corruption around the world: causes, consequences, scope and cures. IMF Working Paper. International Monetary Fund.

» Available from www.imf.org/external/pubs/ft/wp/wp9863.pdf.

Transparency International (2016). What is Grand Corruption and How Can We Stop It? 21 September.

- » Available from www.transparency.org/news/feature/what_is_grand_corruption_and_how_can_we_stop_it.

United Nations Development Programme (UNDP) (2018). Good Practices in Public Sector Excellence to Prevent Corruption.

- » Available from www.mn.undp.org/content/mongolia/en/home/library/democratic_governance/good-practices-in-public-sector-excellence-to-prevent-corruption.html.

United States Agency for International Development (USAID) (2017). Combatting Corruption Among Civil Servants: Interdisciplinary Perspectives on What Works.

- » Available from www.usaid.gov/sites/default/files/documents/2496/Combatting_Corruption_Among_Civil_Servants_-_Interdisciplinary_Perspectives_on_What_Works.pdf.

Williams-Elegbe, Sope (2018). Systemic Corruption and Public Procurement in Developing Countries: Are there any solutions? Journal of Public Procurement, vol. 18, issue 2, pp. 131-147.

Zinnbauer, Dieter (2012). Ambient Accountability: Fighting Corruption when and where it happens.

- » Available from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2168063.

Advanced reading

The following readings are recommended for students interested in exploring the topics of this Module in more detail, and for lecturers teaching the Module:

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» Available from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.587.6075&rep=rep1&type=pdf>.

Ambe, Intaher, and Johanna Badenhorst-Weiss (2012). Procurement challenges in the South African public sector. *Journal of Transport and Supply Chain Management*, vol. 46, no. 1 (November), pp. 242–261.

» Available from <https://jtscm.co.za/index.php/jtscm/article/view/63>.

Anechiarico, Frank, and James Jacobs (1996). *The pursuit of absolute integrity: how corruption control makes government ineffective*. Chicago: University of Chicago Press.

Arrowsmith, Sue, John Linarelli and Don Wallace Jr. (2000). *Regulating Public Procurement: National and International Perspectives*. The Hague: Kluwer Law.

Asian Development Bank and Organisation for Economic Co-operation and Development (2008). Fighting Bribery in Public Procurement in Asia and the Pacific.

» Available from www.oecd.org/site/adboecdanti-corruptioninitiative/40838411.pdf.

Bussell, Jennifer (2015). Typologies of Corruption: A pragmatic approach. In: Susan Rose-Ackerman and Paul Lagunes, eds. *Greed, Corruption and the Modern State: Essays in Political Economy*, London: Edward Elgar Publishing.

Campos, Jose Edgardo, and Sanjay Kumar Pradhan, eds. (2007). *The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level*. Washington: The World Bank.

» Available from <http://documents.worldbank.org/curated/en/571831468315566390/The-many-faces-of-corruption-tracking-vulnerabilities-at-the-sector-level>.

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Fazekas, Mihály, István János Tóth, and Lawrence Peter King (2013). *Corruption manual for beginners – "Corruption techniques" in public procurement with examples from Hungary*. IEHAS Discussion Papers. Budapest: Hungarian Academy of Science.

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Huberts, Leo (2014). *The Integrity of Governance: What it is, What we Know, What is Done and Where to go*. Basingstoke: Palgrave Macmillan.

International Monetary Fund (2019). *Fiscal Monitor: Curbing Corruption*. Washington, DC.

» Available from www.imf.org/en/Publications/ FM/Issues/2019/03/18/fiscal-monitor-april-2019.

Leftwich, Adrian (2010). Beyond institutions: Rethinking the role of leaders, elites and coalitions in the institutional formation of developmental states and strategies. *Forum for Development Studies*, vol. 37, issue 1 (March), pp. 93-111.

Leite, Carlos, and Jens Weidmann (1999). Does mother nature corrupt? Natural resources, corruption, and economic growth. *Natural Resources, Corruption, and Economic Growth*. IMF Working Papers Series. Washington DC: International Monetary Fund.

» Available from www.imf.org/external/pubs/ft/wp/1999/wp9985.pdf.

Miller, Seamus (2018). Corruption. In: Edward N. Zalta, ed. *The Stanford Encyclopedia of Philosophy*, Center for the Study of Language and Information, Stanford University.

» Available from <https://plato.stanford.edu/archives/win2018/entries/corruption/>.

Organisation for Economic Co-operation and Development (2008). *Towards a Sound Integrity Framework: Instruments, Processes, Structures and Conditions for Implementation*. Paris.

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Philp, Mark (2017). Conceptualizing political corruption. In: Michael Johnston, ed. *Political Corruption*, Routledge.

Power, Michael (2003). Evaluating the Audit Explosion. *Law & Policy*, vol. 25, issue 3 (July).

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Student assessment

This section provides a suggestion for a post-class assignment for the purpose of assessing student understanding of the Module. Suggestions for pre-class or in-class assignments are provided in the Exercises section.

The aim of this assignment is to encourage students to interrogate the causes of corruption and propose solutions that correspond with these causes in particular spheres of public sector activity.

1. Ask students to write a 2,500-word essay on the following topic:

Focus on one sphere of the public sector (e.g. public health delivery, public education, judiciary, police) and discuss the changes that can be made to reduce the opportunities for corruption in that sector.

2. Give students the option to interview someone who is employed as a civil servant, preferably one with some discretion over government resources. Students should ask the interviewee about the corruption risks in their office or job, as well as what measures would or would not work to reduce corruption, and why. Students should take notes during the interview, and submit the notes together with their own analysis of the interview. To achieve optimal effect, this assignment should be done in steps, with feedback from the lecturer on, for example, choice of interviewee, to ensure that the students' focus remains relevant to the Module. (If this exercise is used, it is important to prepare students on the issue of privacy and confidentiality, and students should establish whether interviewees wish to remain anonymous or not).

3. Students may be given the option of making a video that reflects the results of corruption, together with their analysis of this example of corruption. The subject of public procurement of goods or services can work in this exercise, but students must be able to find some proof, such as newspaper articles or committee reports, that corruption as opposed to, for example, merely sloppy work was the cause.

4. Ask students to identify a state-owned enterprise (SOE) in their country or region, and then to try to find the rules that set out how the SOE is governed and run. If time allows and if it exists, students may be able to use relevant legislation on freedom of information to access this information. For the assessment, students should submit the name, line of business and size (e.g. budget, number of employees) of the SOE; the efforts they made to source the relevant rules; the results of their search; and what the results reflect about the SOE's level of transparency. As an additional challenge, students can be asked to find the rules that govern private companies of similar size to the SOEs chosen, which should be reflected in legislation on companies and corporations. Students can then compare the level of transparency between rules governing private companies and SOEs, and how that is relevant to combating corruption.

5. For a more challenging task that requires pre-class preparation, ask students to participate in an in-class debate on SOEs as part of their assessment. Students should do preparatory reading, such as the 2015 Organisation for Economic Co-operation and Development (OECD) Guidelines on Corporate Governance of State-Owned Enterprises (www.oecd.org/corporate/guidelines-corporate-governance-soes.htm<https://www.oecd.org/corporate/guidelines-corporate-governance-soes.htm>), and should be assigned to argue for or against one or both of the following propositions:

- (1) States should not engage in ownership of enterprises (SOEs) because the risk of corruption is too great and commercial activity should be left to private parties; and
- (2) States should be able to run SOEs in a relatively non-transparent manner because they should be able to keep sensitive information confidential.

After the debate, the lecturer should conduct a debriefing, eliciting what students really think about the issue and why.

Additional teaching tools

This section includes links to relevant teaching aides such as video material and case studies, that could help the lecturer teach the issues covered by the Module. Lecturers can adapt the slides and other resources to their needs.

› Video material:

This series of videos on collective action initiatives, developed by the Center of Collective Action at the Basel Institute of Governance, offers interviews with some of the leading anti-corruption and collective action experts who explain what is collective action, what benefits they bring to markets and society, who is involved in them and success strategies for Collective Action Initiatives.

- » Available from www.collective-action.com/conference2018/videos.

What is corruption? (2018). Phil Nichols, University of Pennsylvania (15 minutes). This video is part of an online course on corruption by the University of Pennsylvania, available at Coursera.

- » Video available from www.coursera.org/lecture/wharton-corruption/1-2-what-is-corruption-KghqQ.
- » Course available from: www.coursera.org/learn/wharton-corruption.

Corruption risks in public procurement (2018). African Maths Initiative (7 minutes).

- » Available from www.youtube.com/watch?v=27lr2DygNIY.

› Websites:

The Safra Centre at Harvard University Working Paper Series – This database consists of more than 500 papers on corruption, published by former and current members of the Edmond J. Safra Research Lab at Harvard University.

- » Available from https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalbrowse&journal_id=2228977.

ANTICORRP – The Anticorruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption (ANTICORRP) is a research project funded by the European Commission. The project consists of 20 research groups in 15 European Union countries and offers various publications on corruption-related issues.

- » Available from <http://anticorrp.eu/>.

› Case studies, news reports and blogs:

CoST International (2019). Transparent procurement systems: good for the public, the private sector and the SDGs, 27 September.

- » Available from <http://infrastructuretransparency.org/news/transparent-procurement-systems-better-for-business-and-communities-alike/>.

Iheukwumere, Marvellous (2019). Leavering Blockchain to Combat Procurement Corruption. Global Anti-Corruption Blog, 19 August.

» Available from <https://globalanticorruptionblog.com/2019/08/19/leveraging-blockchain-to-combat-procurement-corruption/>.

Moschini, Silvina (2019). Transparency and tech together can safeguard taxpayers' money. World Economic Forum, 26 August.

» Available from www.weforum.org/agenda/2019/08/transparency-and-tech-together-can-safeguard-taxpayers-money/.

Politzer, Malia (2019). Corruption: A neglected obstacle to achieving UHC. Devex, 30 September.

» Available from www.devex.com/news/corruption-a-neglected-obstacle-to-achieving-uhc-95603.

The Guardian (2018). Three Alstom executives guilty of conspiracy to corrupt, 19 December.

» Available from www.theguardian.com/law/2018/dec/19/alstom-executives-found-guilty-of-conspiracy-to-corrupt.

Transparency International (2019). 25 Corruption Scandals that Shook the World, 5 July.

» Available from www.transparency.org/en/news/25-corruption-scandals.

Wright, Tom, and Josselin Canevet (2019). Why would a doctor take a bribe? Transparency International, 7 August.

» Available from [https://voices.transparency.org/why-would-a-doctor-take-a-bribe-5c140a540e0e](http://voices.transparency.org/why-would-a-doctor-take-a-bribe-5c140a540e0e).

➤ Other material:

KickBack: The Global Anti-Corruption Podcast. This podcast features regular interviews with leading experts in the anti-corruption field, from academia, politics, activism, journalism, etc. The podcast aims to enhance serious debate and discussion about important issues in the field from a variety of different perspectives. Given the length of each episode (average: 45 min), the lecturer may use it as a pre-class assignment.

» Available from www.icrnetwork.org/what-we-do/kickback-global-anticorruption-podcast/.

Guidelines to develop a stand-alone course

This Module provides an outline for a three-hour class, but there is potential to develop its topics further into a stand-alone course. The scope and structure of such a course will be determined by the specific needs of each context, but a possible structure is presented here as a suggestion.

Session Topic

1. Introduction to public sector corruption
2. Understanding the causes of public sector corruption
3. Infiltration of public sector agencies by organized crime to further corrupt objectives
4. Corruption in public procurement
5. Corruption in health care
6. Corruption in environmental protection
7. Corruption in transport administration
8. Corruption in the legal system
9. Corruption in natural resource management
10. Corruption in education
11. Corruption in defence planning and acquisition
12. Corruption in border administration
13. Whistle-blowing – challenges of implementation and organizational morale
14. Legal and legislative responses to public sector corruption
15. Leadership responses to public sector corruption
16. Blockchain: its potential in improving public administration and reducing corruption in the public sector
17. The role of e-government in reducing public sector corruption



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