DETERMINING THE CAUSES OF CORRUPTION IN PUBLIC PROCUREMENT IN GHANA

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ABSTRACT
Corruption in public procurement has become endemic and not until the causes and types of this pandemic are identified, it would be very difficult to fight it. The rate of corruption in public procurement for the past five years has been on the increase and little action has been taken by government to restrain it. The paper discusses the types and causes of corruption in public procurement. The paper aims at identifying the major causes of corruption and the most prevalent types of corruption in public procurement. A questionnaire survey was conducted to solicit the causes and types of corruption from professionals and contractors. The field survey included 112 respondents made up of 52 professionals, 30 building contractors and 30 road contractors from the Central and Greater Accra Regions. The relative importance of the causes and their ranks revealed that greed and weaknesses in institutional structures, and failure to implement and enforce policies and laws are the most important causes of corruption in public procurement. The rankings of the types of corruption also revealed systematic corruption as the most widespread type of corruption.

Keywords: Public Procurement, Corruption, Types, Causes, Ghana

1.0 INTRODUCTION

1.1 Background of Public Procurement and Overview of Corruption
The objective of public procurement is to satisfy public needs and reduce waste during the procurement process. Procurement engrosses the acquisition of recognised goods, services and works from an outside source by public institutions (Froystad et al., 2010). This activity is, however, stifled by corruption. Corruption is a serious problem in public procurement (Auriol, 2006). It has become common in public procurement and no public establishment in Ghana is impervious (Seldadyo and Haan, 2006). Corruption has been defined as the “misuse or abuse of public office for private gain” (World Bank, 1997) or the “abuse of public contract awarding power for private benefit” (Pashev, 2009). This pandemic started the day public institutions came into existence and would continue to stay with us unless government and public institutions can find out efficient ways to fight it (Rehman and Naveed, 2007).

1.2 Problem Statement
Public sector procurement is becoming a complicated societal phenomenon which can destroy trust and public confidence (Ata and Arvas, 2011). It is seen by many who are involved as a means of achieving economic, social and other objectives (Thai, 2009). This menace eats into social, cultural and economic structures of society and destroys the performance of critical
procurement organs (Amundsen, 1999). Public procurement corruption is a barrier to business growth, the state and public organisations (Froystad, et al., 2010). This plaque takes place because firms and public officials who are involved in procurement believe they can better their lives by going round procurement regulations (Harstad and Svensson, 2011). It is apparent that the major causes of corruption, the prevalent types and measures to curb them will be of interest in a research. This is what was pursued and reported in this paper.

1.3 Aim and Objectives
The aim of this paper is to identify the causes and types of corruption in public procurement in Ghana. The objectives are to:

i. identify the causes of corruption in public procurement

ii. identify the prevalent types of corruption in public procurement.

1.4 The Types of Corruption
Corruption has been defined as the “misuse or the abuse of public office for private gain” (World Bank, 1997). Pashev (2009), on the other hand, defined it as the misuse of public contract awarding power for private gain or benefit. Aidt (2003) stated that corruption is a widespread, complex and a versatile concept. Corruption in procurement is an indispensable impediment to the development of any country (Froystad et al. 2010), organisation or business. Corruption occurs because both firms and bureaucrats think they can be better off by finding a way around the regulations (Harstad and Svensson, 2011).

According to Williams (2012), corruption can be public or private. It is public when it involves public officials and private where private individuals are involved and usually starts from private individuals to public officials. In the context of procurement, the public official may exercise his discretion as to which suppliers, contractors or service providers to invite for tender. He does so by designing evaluation criteria which may favour a particular company or simply awarding the contract to a favourite firm in breach of the procedures which govern competitive procurement. Officials do so by wrongly securing privileges which rightly belong to the public. The submission by Wallis (2012) said corruption manifests itself as fraudulent practices or other uncompetitive practices, which ultimately affect government revenue and the public.

Lawal (2007) said corruption is an enemy to economic growth and something which pervers a state’s integrity or affairs. Jain (2001) said corruption affects resource allocation and income distribution within society and violates the rule of law and increases basic business uncertainties and is destructive and unproductive (Begovic, 2005). Corruption has a harmful long-term economic effect which increases transaction costs and leads to ineffective economic results. Corruption undercuts good governance and the rule of law; it negatively impacts service quality and efficiency. Corruption destabilizes the principles of democracy and justice (Graycar and Sidebottom, 2012).

Balboa and Medalla (2006) were of the view that, comparatively, an uncorrupt country is likely to achieve cumulative investment of almost five (5) percent than a corrupt country and that the corrupt country may lose about half a percentage point of gross domestic product per year. Corruption affects economic growth and also intensifies poverty. Corruption in procurement is harmful to service quality and efficiency, weakens good governance, reduces States’ capacity to create revenue, and diverts capital for personal gains (Ocheje, 2001). A procurement system can be manipulated by procurement actors to create wealth for them. When procurement actors
succeed in manipulating the procurement process, they limit entry into economic activities. Corruption in procurement seeks to reduce the overall wealth of a country and discourages genuine businesses from operating. It reduces the amount of money a government pays to workers and purchase supplies; bends laws and creates mistrust in state institutions and procurement processes (Amundsen, 1999).

According to Byrne (2007), one such type of corruption is incidental corruption. It is asymmetrical and does not suppress the mechanisms of control. Rose-Ackerman (1978) and Bryan (2012) stated that this corruption is of a limited size and normally involves low-ranking officers. It comes as a form of persuasion. A firm could be persuaded by a procurement official to take an action which is in the interest of the official.

Systemic corruption is similar to organised crime because it is not incidental but rooted. Some institutions and departments create systems which make it easy to extort firms. This act engrosses major institutions, processes and participants who act in agreement to extract and share (Azfar, 2007 and Johnston, 1998). According to Myint (2000) “the worst scenario of corruption is when it becomes systemic”. When systemic corruption grips an institution or a group of people, it becomes a way of life and it becomes difficult to conquer. In an institution where systemic corruption is well-established, honesty becomes unreasonable.

Systematic, on the other hand, is calculated, and a means through which procurement officials siphon state resources for their personal benefit in the procurement process. It takes place when weaknesses in laws or regulations governing the procurement regime are being exploited by corrupt and self seeking officials. Systematic corruption can affect a whole government department, institution or corporation. This type of corruption has significant effect on state revenue and may deflect development and affect resource allocation (Ocheje, 2001).

Public procurement corruption emerges because laws, rules, regulations and administrative orders seek to limit firms. Lack of consistency in procurement regulations and the absence of transparency serve as a vehicle for corruption and its related activities. In a procurement environment, where there are no efficient mechanisms and institutional arrangements to hold people accountable for their actions or inactions, behaving well only becomes a choice for officials (Myint, 2000).

2.0 RESEARCH METHODOLOGY

2.1 Research Methodology
The research methodology for the study was in two phases. The first phase was a literature search for the causes and types of corruption in Ghana and other countries. The purpose for doing this was to identify the causes and types of corruption in public procurement. This exercise resulted in the identification of twenty-six (26) causes of corruption and four (4) different types of corruption. The two lists for the causes and types were prepared and given to three procurement experts to validate the relevance of the various items making the list. The corrections and suggestions of these experts were taken into consideration and led to the second phase which was the development of the questionnaire. The causes and types of corruption were organised on a five point Likert Scale, where (1= “strongly disagree”, 2= “disagree”, 3= “neutral”, 4= “agree” and 5= “strongly disagree”). A questionnaire survey was conducted to solicit the causes and types of corruption from professionals and contractors. The field survey
included 112 respondents made up of 52 professionals, 30 building contractors and 30 road contractors with D1K1, D2K2, A1 and A2 classifications spread over the Central and Greater Accra Regions. The convenience sampling approach was employed in the selection of respondents. Bailey (1994) describes this type of sampling as one where the researcher uses the most convenient cases or available subjects who are willing to participate. Respondents were given the opportunity to tick only one column from the five scales for each of the causes and types. The questionnaires were all administered and collected by the researcher himself. The researcher collected 100 questionnaires over the period for analysis. The contribution of each of the causes was examined and the ranking of the attributes was done using Relative Importance Index (RII) while the calculations of central tendencies of the types of corruption were done using weighted mean (WM).

2.2 Data Analysis
The contribution of each of the causes was examined and the ranking of the attributes was done by using the Relative Importance Index (RII). Relative importance index was used to determine the proportionate contribution of each predictor and its incremental contribution when combined with the other predictors (Johnson and Lebreton, 2004). The Relative Important Index for the causes was calculated using the following formula also used by (Tawil et al., 2013).

\[ \text{Relative Important Index (RII)} = \frac{1n_1 + 2n_2 + 3n_3 + 4n_4 + 5n_5}{5(n_1 + n_2 + n_3 + n_4 + n_5)} \] ............................. (1)

Where:
- \( n_1 \) = number of respondents who answered “strongly disagree”
- \( n_2 \) = number of respondents who answered “disagree”
- \( n_3 \) = number of respondents who answered “neutral”
- \( n_4 \) = number of respondents who answered “agree”
- \( n_5 \) = number of respondents who answered “strongly agree”

Weighted Mean (WM) was used in calculating the central tendencies of the types of corruption. According to (Hanke and Reitsch, 1991) weighted mean as a measure of central tendency assigns more weight to some data values than others. Weighted Mean for the types of corruption was calculated using the formula below (Hanke and Reitsch, 1991).

\[ X_{w} = \frac{\sum w_i X_i}{\sum w_i} \] ......................................................... (2)

Where:
- \( X_{w} \) = weighted mean
- \( X_i \) = data value to be averaged
- \( w_i \) = weights applied to the X value
3.0 RESULTS AND DISCUSSION ON THE CAUSES AND TYPES OF CORRUPTION

The responses of respondents on the 26 causes of corruption in public procurement were analysed using the relative importance index. The relative importance index and ranks of the various causes of corruption in public procurement are shown in Table 1 below.

3.1 Significant causes of corruption

Greed was ranked highest by all the respondents as the major cause of corruption in public procurement with a RII of (0.944). This is not surprising because man is never content. The response confirms the study of Khan (1997) which identified greed as a factor that can cause corruption. The next was weaknesses in institutional structures: failure to implement and enforce policies and laws with a RII of (0.922). According to the (Commission on Human Rights and Administrative Justice (CHRAJ), 2011), weaknesses in institutional structures may result in the failure to implement and enforce policies and laws that could otherwise ensure accountability and transparency. Corruption is mostly a symptom of weaknesses in economic structures and institutions (Kahvedzic and Losic, 2010). Limited accountability in procurement was ranked the third cause of corruption with a RII of (0.884). Accountability is a core pillar in every public procurement system and without it public officers may become irresponsible and channel state resources for their private gains. It cannot be taken out of public life, and officers placed in public office must be held accountable for the decisions they make and their actions and must be willing at all times to submit themselves to whatever scrutiny is appropriate to their office (Armstrong, 2005).

Respondents’ ranked lack of effective incentive mechanism: lack of effective incentive mechanisms put in place to acknowledge the efforts of low ranked officers as the fourth most crucial cause of corruption with a RII of (0.868). It has been identified that, lack of effective incentive schemes for junior officers in institutions can be a cause of corruption (Commission on Human Rights and Administrative Justice (CHRAJ), 2011). The fifth cause was insufficient enforcement of laws governing the procurement cycle: superior officers’ lack of boldness to enforce procurement laws had a RII of (0.866). The inability to effectively enforce procurement laws was identified to be one of the causes of corruption in procurement in Ghana. The unwillingness of political leaders to put measures in place to curb corrupt practices in procurement was ranked sixth with a RII of (0.860). Procurement corruption is on the rise because of the lack of political will by both past and current political leadership to fight it to the core.

The seventh cause was political influence in contract award with a RII of (0.856). Companies whose owners have political affiliations are likely to secure jobs than those that are not aligned to any political party and this may lead to reduce service quality (Ocheje, 2001). Low salaries given to certain class of officers within procurement setups was ranked the eighth cause of corruption in public sector procurement with a RII of (0.854). Becker and Stigler (1974) said a public officer would behave honestly when he is paid a little above his normal wage. Lower ranked officers feel they are cheated when they look at how much they take in terms of wage and would sometimes want to make some little money through some dubious means. Respondents ranked failure to sentence perpetrators after they have been proven guilty as the ninth cause with a RII of (0.844). The lack of confidence by legal regimes to sentence perpetrators of corruption in procurement has made corruption more lucrative.
The culture of firms’ giving gifts to procurement officials for work they have been employed to do was the tenth ranked cause of corruption in procurement with a relative importance index of (0.836). According to the Commission on Human Rights and Administrative Justice (CHRAJ) (2011) firms normally give gifts to procurement officials for works they have been officially employed to execute. This practice results in discrimination and increases favouritism. Lack of relevant training for procurement practitioners was ranked eleventh with a RII of (0.834). For officers and practitioners to discharge their responsibilities very well, they would need some training and education. Training is imperative to firms and gives competitive edge. It boosts turnover and serves as a tool that aids employee retention (Colarelli and Monte, 1996; Becker, 1993). Offering training to employees greatly increases the success of organisations and firms.

The current day business environment is becoming more risky and complex by day. Training of employees is of great concern because of change in technology and information. Acquired knowledge can become outdated, hence the need for employees to double their knowledge in procurement and related issues (Vemić, 2007). Respondents were of the view that corruption thrives because officers involved in procurement corruption and are found guilty do not lose their jobs but are only transferred from where they are to head another department or institution. This was ranked twelfth cause of corruption in procurement with a RII of (0.822). According to Khan (1997) there is sufficient motivation for a public servant to behave in a corrupt manner because those who are normally found guilty of acting corruptly do not lose their jobs.

The lack of structures to efficiently monitor the procurement process was ranked thirteenth by respondents with a RII of (0.820). Buchanan and Huczynski (2004) said a structure “is a formal system of task and reporting relationships that controls, co-ordinates and motivates employees so that they can work together to achieve organisational goals”. Bloisi (2007) emphasised that the aim of a structure is to get people to work to attain a firm’s objectives. Skewed incentives structure: incentives at the work place given to certain categories of personnel living the vast majority and delay in judicial verdict were ranked fourteenth with a RII of (0.818). When management gives certain groups of people within an organisation certain incentives and neglects others, it usually breeds corruption. The marginalised group may feel cheated and less valued and will want to find a way of making up for the incentives they are not enjoying. There is usually long delay of verdict of persons involved in procurement corruption and therefore serves as a motivation for others. Respondents ranked failure by the court to compel officials to return their ill-gotten wealth the sixteenth cause of corruption with a RII of (0.816). According to Khan (1997) “said officials who are engaged in procurement corruption are rarely sent to prison. Such officials have never been compelled to return to the state their ill-gotten wealth”. Some perpetrators can choose to serve jail terms knowing that their stolen wealth will not be confiscated.

Delay in judicial inquiry into procurement corruption was ranked seventeenth by respondents with a RII of (0.812). Usually, judicial inquiries into procurement corruption in Ghana take a long time and yet produce no better results. Such investigations are not heard of after sometime and where it resurfaces, it is often thrown out of court because of lack of evidence. Lack of transparency within the procurement process was the eighteenth ranked cause of corruption with a RII of (0.762). The Public Procurement Act of 2003 (2003) states that, the purpose of the Act is to “harmonise the processes of public procurement to secure a judicious, economic and efficient use of state resources in all procurement processes. This is to ensure that all procurement
processes are carried out in a fair, transparent and in a non-discriminatory manner”. A procurement process without transparency cannot be said to be perfect. Without transparency, “open competition cannot prevail, corrupt dealings can proliferate, and other failings in the procurement process may be covered up, so weakening accountability” (Kaspar and Puddephatt, 2012). Respondents ranked poor ethical standards including limited commitment to the values of integrity and self-discipline as the nineteenth cause of corruption with a RII of (0.758). There is no standardised code of ethics for procurement practitioners’ and therefore makes it difficult for practitioners to know what is acceptable. Most practitioners have weak moral principles and find it difficult to control their emotions, desires and behaviour in the face of strong external manipulations.

Social acceptance of corruption was ranked the twentieth cause of procurement corruption with a RII of (0.752). According to Khan (1997) “people have the tendency not only to tolerate corruption but to show admiration for civil servants who make a fortune through dubious means”. Corruption in public procurement in Ghana is now widely accepted as a norm and is gradually weakening the principles of the process. To the contractor, it is just normal to give something to get what you want but the practitioner thinks it is a must take action. Respondents ranked lack of proper disciplinary measures the twenty-first with a RII of (0.748). According to (Knight and Ukpere, 2014) an organisation is made up of groups of people and individuals who are mutually dependent, and work collectively to achieve organisational goals and objectives. Every organisation has rules and regulations within its setup and they are principally designed to maintain certain acceptable standards. According to (Grogan, 2009) disciplinary measures are principally designed to correct behaviour and sustain balance in the employment relationship. According to (Bendix, 2010) disciplinary actions and procedures as corrective measures in institutions, seek not to penalize the employee, but rather to correct and mold behaviour or a current work standard to more appropriate levels. There is always the need for some form of correction after an unwanted behaviour is exhibited by an employee to help eliminate that action. Disciplinary actions or measures therefore must not be used as an act of punishment because it may not yield the right result but rather create more problems in dealing with the employee in question in the future (Knight and Ukpere, 2014). Managers and leaders have the right to correct unwanted behaviour within the confines of a work environment to establish more tolerable standards than the ones being corrected (Rao, 2009).

Table 1 Relative Importance Index and Rank of Causes of Corruption

<table>
<thead>
<tr>
<th>Causes of Corruption</th>
<th>RII</th>
<th>Ranking</th>
</tr>
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<tbody>
<tr>
<td>Greed</td>
<td>0.944</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
<tr>
<td>Weaknesses in institutional structures: failure to implement and enforce policies and laws</td>
<td>0.922</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Limited accountability in procurement</td>
<td>0.884</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Lack of effective incentive mechanism: lack of effective incentive mechanisms put in place to acknowledge the efforts of low ranked officers</td>
<td>0.868</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Insufficient enforcement of laws governing the procurement cycle. Superior officers lack the boldness to enforce the laws governing</td>
<td>0.866</td>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
</tbody>
</table>
The unwillingness of political leaders to put measures in place to curb corrupt practices in procurement
Political influence in contract award
Low salaries: the low levels of salaries given to certain class of officers within procurement setups
Failure to sentence perpetrators after they have been proven guilty
The culture of gift-giving: firms normally give gifts to officials for the work they have been employed to do
Lack of relevant training for procurement practitioners
Officers involved who are found guilty do not lose their jobs
Lack of structures to efficiently monitor the procurement process
Skewed incentives structure: incentives at the work place are given to certain categories of personnel living the vast majority
Delay in judicial verdict
Failure by the court to compel officials to return their ill-gotten wealth
Delay in judicial inquiry into procurement corruption
Lack of transparency within the procurement process
Poor ethical standards including limited commitment to the values of integrity and self-discipline
Social acceptance of corruption
Lack of proper disciplinary measures
Inefficient internal audit structure in procurement setups
Inefficient external audit structure in procurement setups
Lack of moral discipline
Awarding contracts to unqualified contractors
Poor management practices in organisations

3.2 Prevalent types of corruption in procurement
According to respondents, the most prevalent type of corruption in procurement in Ghana is systematic corruption with a weighted average of (4.43). It takes place when there are weaknesses in laws or regulations governing procurement. Systematic corruption can affect a whole government department, institution or corporation (Ocheje, 2001). Rose-Ackerman and Soreide (2011) stated that systematic corruption can only be controlled by continuous reforms, to do away with the lapses in the law and also by ensuring that such reforms are strictly enforced. The solution is not only the removal of the lapses but the stringent implementation of what the reforms say.
Incidental corruption was ranked second with a weighted average of (4.29). According to Byrne (2007) incidental corruption is irregular and does not stifle the mechanisms of control. Rose-Ackerman (1978) and Bryan (2012) stated that this corruption is of a limited size and normally involves low-ranking officers. It has little macro-economic cost and is very hard to control. Byrne (2007) said incidental corruption weakens the confidence people have in certain procurement institutions.
Respondents identified administrative corruption as the third widespread corruption in Ghana with a weighted average of (4.21). This type of corruption is intended to vary implementation policies. Where administrative corruption is present, firms get what they want even if they do not qualify (Shell International Limited, 1999). This menace is gradually becoming an integral part of our culture. Firms have concluded that nothing moves until one has adequately satisfied the concerned procurement official (Khan, 1997).

Systemic corruption was identified as the least ranked type of corruption in procurement in Ghana with a weighted average of (3.94). This type of corruption is comparable to organised crime because it is rooted. Most officials with the mandate to serve their countries use their positions to create wealth for themselves (Campos and Pradhan, 2007). This act engrosses major institutions and participants who act in harmony to extort and share (Azfar, 2007 and Johnston, 1998). According to Myint (2000) “the worst scenario of corruption is when it becomes systemic”. When systemic corruption grips an institution or a group of people, corruption becomes a way of life and it becomes difficult to overcome.

### Table 2 Types of Corruption

<table>
<thead>
<tr>
<th>Types of Corruption in Procurement</th>
<th>Weighted Average (WA)</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemic Corruption</td>
<td>4.43</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
<tr>
<td>Incidental Corruption</td>
<td>4.29</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Administrative Corruption</td>
<td>4.21</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Systematic Corruption</td>
<td>3.94</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
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### 4.0 CONCLUSION AND RECOMMENDATIONS

The study identified the major causes and types of corruption in public procurement. Information for the study was solicited using questionnaire survey. The study identified (1) greed, (2) weaknesses in institutional structures: failure to implement and enforce policies and laws, (3) limited accountability in procurement, (4) lack of effective incentive mechanism: lack of effective incentive mechanisms put in place to acknowledge the efforts of low ranked officers, (5) insufficient enforcement of laws governing the procurement cycle, (6) the unwillingness of political leaders to put measures in place to curb corrupt practices in procurement, (7) political influence in contract award, and (8) low salaries given to lower ranked officers within procurement setups, as the eight (8) major causes of corruption. The study identified systemic corruption as the most widespread type of corruption in public procurement. Corruption in public procurement affects everybody and therefore, there will be the need as a matter of urgency to speed up reforms to reduce the weaknesses in the Public Procurement Act. Heads of procurement entities must ensure the strict adherence of the rules, principles and regulations in the Public Procurement Act of 2003 (Act 663).

Procurement professionals must be held accountable for the decisions they make in order to make them responsible. This calls for strong political will by political leaders to deal with procurement officials who may misconduct themselves. Offenders who are proven guilty by law should be sentenced just as any other Ghanaian proven guilty is given a jail sentence and their properties confiscated for the state to deter others.
Political influence in contract award must cease to increase competition among firms so that local companies will have equal opportunities to grow. This does not only affect the quality of work produced by the contractor but put genuine firms out of business. There is the need to draft and implement a harmonized code of conduct for all procurement practitioners to regulate their activities. The moral standards expected of officials must be clearly spelt out. Firms who give out gifts to officials and those officials who receive them must all be sanctioned heavily to serve as a restraint to others.

5.0 REFERENCES


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