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## **An Assessment of the Level of Impacts of Corruption as Risk on Public Procurement Performance: A Case Study of Selected Record Systems in Nigeria**

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## **Abstract**

Many researchers have revealed that corruption is associated with adverse effects on the sustainable development of the country. However, the rapid increase in measures to combat corruption globally portrays a picture of the losses due to corruption. Corruption, especially in developing countries, mainly manifests in the public procurement sectors due to the large amount of money involved. The emergence of covid-19 has also amplified corruption cases in the procurement of medical supplies in West Africa and the world. This conference paper examined the extent of corruption in public procurement in Nigeria, particularly the record systems. The paper was guided by various research questions, including; To what extent does corruption affect the performance of public procurement in Nigeria?, What are the various ways in which corruption affect the public procurement record systems in Nigeria?, What are the most effective methods of combating corruption in the public procurement systems in Nigeria?. The study employed a qualitative research method using a systematic review of the literature to answer these research questions. The study revealed that the systemic corruption in Nigeria could be combated using non-state approaches as compliments to the state-based plans. It also provides the reasons why corruption has persisted in Nigeria.

**Keywords:** *Corruption, Public Procurement, Performance*

## 1.0 Background of Study

Before understanding the impacts of corruption as a risk on public procurement performance, it is important to gain insights into the meaning of the term corruption. In the context of public procurement, corruption refers to the misappropriation of power by those entrusted for one's personal gain (Morris, 2011). According to Ijewereme (2015), corruption is a major risk that has been identified to cripple the development plans in Nigeria. According to Egwemi (2012), the manifestation of corruption in the public procurement sectors, such as records systems, manifests in various forms, including tribalism, misappropriation, bribery, looting of the treasuring, money laundering, embezzlement, and nepotism, among others. Moreover, corruption is associated with some risks, such as discouraging potential foreign investors, high costs of production, holding resources from the poor for the rich, and distorting public expenditure. Therefore, understanding the extent to which corruption affects the performance of public procurement like record systems will significantly reduce such risks.

### 1.1 Problem Statement

According to Nwankwo (2014), Nigeria is among the most populous country in Africa. The growth and development of its economy are dependent on oil and oil products, which significantly help in sustaining its economy. Nwankwo (2014) also outlines that the extent of corruption in Nigeria is so prevalent to the extent of turning the public service sector into a kind of criminal enterprise. As such, it has been reported that corruption has led to about 20% loss of its Gross Domestic Product (GDP). Additionally, it is shown that corruption affects the functioning of the various critical components of a state, such as economic, political, and social structures (Agbiboa, 2012). With the increasing spread of COVID-19, corruption in the health sector has also contributed to a weak healthcare system and large-scale immune compromised population, which has contributed to the spread of the virus in Nigeria (Ezeibe et al., 2020). As a result, the norms and the values of the people living in society deteriorate, and this significantly weakens the heart of good governance. Therefore, the country becomes more susceptible to various risk factors. This makes corruption spread to the extent of the country being caught up by the vicious circle of corruption (Agbiboa et al., 2012). This explains why most African countries are not immune to corruption risks, particularly in public procurement.

The public procurement system in Nigeria is among the group of government activities that are adversely affected by corruption (Piga, 2011). This occurs in some selected record systems where the recorded budget of a project fails to align with the budgeted amount. Thus, corruption in Nigeria is considered a risk because it imposes various challenges and puts a detrimental strain on the public procurement system operations. According to Achua (2011), corruption in the public procurement system entails the reduced quality of public projects and the diversion of public fund from essential projects that aims at meeting economic and social goals. Consequently, this leads to increased poverty and inequality in the country. Moreover, corruption in public procurement worsens the rule of law and erodes public trust, hence reducing confidentiality in the public bodies and thus inhibits the economic growth and development of a state (Khan & Krishnan, 2019). Therefore, based on the outlined effects of corruption on public procurement performance and the extent of corruption in Nigeria, the current study aimed to assess the level of impact of corruption as a risk on public performance.

## **1.2. Research Objective**

The prime objective of the paper was to assess the extent to which the effects of corruption as a risk affect public procurement performance.

## **1.3. Research Questions**

- i. To what extent does corruption affect the performance of public procurement in Nigeria?
- ii. What are the various ways in which corruption affects the public procurement record systems in Nigeria?
- iii. What are the most effective methods of combating corruption in public procurement systems in Nigeria?

## **1.4 Significance of the Study**

The current study is important for it provides insights into the extent of corruption in the public procurement system in Nigeria. Additionally, the study will significantly contribute to the development of literature on how corruption affects the performance of public procurement systems. Moreover, the research findings will be a substantial reference to policymakers in Nigeria when addressing the adverse effects of corruption. The study will also provide effective procurement strategies that enhance good corporate governance through accountability and transparency.

## **2.1 Overview of Corruption in Public Procurement in Nigeria**

Although almost all the sectors in Nigeria face corruption as a risk, it has been found that the public procurement sector is the most affected (Anigbogu & Shwarka, 2011). Anigbogu et al. (2011) further pointed out that poor transparency image of public procurement performance has been ascribed. According to Mohammed (2013), public procurement accounts for over 70% of the Nigerian budget. According to the Country Procurement Assessment Report (CPAR), corruption significantly affects public projects to the extent that about 50% of them are dead even before they begin (World Bank, 2000). This is because some of these projects are not to be implemented but to be used as looting vehicles of the public treasury.

## **2.2 Forms and Extent of Corruption in the Nigerian Public Procurement Sector**

According to Williams-Elegbe (2018), corruption in Nigeria has become an epidemic proportion. Williams-Elegbe et al. pointed out that corruption in Nigeria is systemic, with bribery being a daily routine across small- and large-scale firms and public sectors. According to the World Bank (2000), formal and informal rules are at odds with one another in Nigeria due to the existence of systemic corruption. Although bribery is illegal, to some extent, it is being understood by almost all citizens as a routine in governmental transactions. Klitgaard (2012) added that one of the major distinguishing characteristics of a country caught up by systemic corruption is that even the government authority responsible for combating corruption is corrupted. Klitgaard et al. (2012) further pointed out that the most affected public procurement sectors include auditing, budgeting, monitoring, evaluation, as well as the enforcement sector. Williams-Elegbe (2018) also established that systemic corruption in these sectors generally affects the efficiency and effectiveness of the fight against corruption.

The systemic corruption trap in Nigeria is evidenced by the consistently low scores measured in terms of the perception Index. This was also evidenced by the deteriorating results of the 2013 Global corruption barometer (Williams-Elegbe et al., 2018). These results were based on public

views on corruption and the sheer number of corruption allegations and scandals during the last decade (Mohammed et al., 2013). Although these may not be the complete picture of the extent of corruption in Nigeria, it provides a good overview of corruption.

*Table 1*

*Nigeria Corruption Perception's Index (2005-2015) Source: Transparency International*

Year	Rank	Score
2005	152/158	1.9/10
2006	142/163	2.2/10
2007	147/179	2.2/10
2008	121/180	2.7/10
2009	130/180	2.5/10
2010	134/178	2.4/10
2011	143/182	2.4/10
2012	139/174	27/100
2013	144/175	25/100
2014	136/174	27/100
2015	136/168	26/100

The results show that there is no evident improvement in the citizens' perceptions of corruption in Nigeria between 2005 and 2015. These results were also in line with a study conducted by the Global Corruption Barometer (2013), which reported that 72% of Nigerians agreed that corruption was increasing, especially in the political, police, legislature, and civil service sector (Transparency International, 2013). The results indicate a high level of disillusionment with the public procurement sector and a hint on how the Citizens have no power to fight the corruption (Williams-Elegbe, 2018). These findings are also consistent with information shared by Persson, Rothstein, and Teorell (2013), who argued that systematic corruption behaves like a vicious circle in the sense that it continuously becomes worse and worse, especially in developing countries, regardless of the efforts to curb it.

## 2.3 The Conceptual Framework

The current study adopted the impartiality principle to describe corruption. The approach was the most suitable for the study as it helps in highlighting the deficiencies in the previous related literature and clearly outlining the gap in understanding the level of corruption (Linde & Erlingsson, 2013). Linde et al. further argued that the impartiality principle has been found to provide an explanation of corruption in academic dimensions and to point out the risk factors associated with corruption. Generally, the impartiality principle helps in establishing the risk factors affecting the performance of public procurement.

## 3.1 Research Method and Design

The current study utilized qualitative research methods. Qualitative research method was the most appropriate for the study because it focused on describing how corruptions affect public procurement performance which is derived from respondents' perception and experience other than numeric data. A qualitative method with a systematic review of the literature was suitable for the study as it helped in combining relevant information from various published and unpublished papers and then making conclusions based on their findings (Smith, Devane, Begley, & Clarke,



2011). Furthermore, Smith et al. (2011) pointed out that a systematic review of the literature approach also helps in examining the influencing factors conceived from an interpretivist perspective. Thus, it involves a systematic gathering of qualitative data suitable for answering the proposed research questions.

### **Data Collection and Tools**

The current study utilized secondary sources of data collected from various studies that addressed the concept of public procurement performance in Nigeria. The secondary data was obtained from sources such as published reports, documentations of public procurement performance in relation to corruption in Nigeria, and court documents. Secondary sources were preferred because they provided essential direct insights into the aspects of corruption in the public procurement process as well as collaborating with the indirect ideas from the interviews.

## **4.0 Findings and Discussions**

### **Corruption Schemes and their Impacts on the Public Procurement Performance in Nigeria**

According to Larsson (2019), the form and nature of corruption schemes, particularly in public procurement, are often similar in their anatomical structure and shape worldwide. Larsson et al. (2019) further outlined that the private and the public sector manipulate public procurement in various forms for illicit purposes. Thus, it is essential to examine the various schemes used in Nigerian procurement and their effects on public procurement performance. However, this discussion involves programs propagated by different firms or sectors collaborating in corrupt schemes.

### **Misrepresenting Urgency, Inflating Prices, and Poor Planning**

According to Adewole (2014), government agencies in Nigeria are required to submit annual procurement plans to the Bureau of Public procurement. Additionally, they are required to ensure that the plans are consistent with the needs and the planned budget. However, most government agencies in Nigeria do not submit these plans. Rather, they falsify the necessity for specific procures to employ emergency procurement provisions to prevent the need for a competitive manner of selection (Williams-Elegbe et al., 2018). Moreover, the procurement system in Nigeria fails to develop and implement strong plans, and instead, most of the procurement plans are mere approximations based on previous years' plans. Furthermore, corruption is manifested by inflating the prices of procurement items (Adeyemo & Amade, 2016). Adeyemo et al. (2016) further outlined that even after the conclusion of the CPAR, the prices of procurement items in Nigeria were four times higher than those of their neighboring country Ghana.

### **Deliberate Poor Management of Projects**

Management of projects is an essential part of the public procurement process (Saussier & Tirole, 2015). However, in developing countries' legislative framework, it has been found to receive the least attention. According to De Marco (2014), the statutory framework for public procurement tends to expire at the moment of awarding the projects. This consequently leads to the omission of prescripts on administration and project management. De Marco et al. (2014) described this scheme as purely historical. Moreover, De Marco et al. argued that systemic corruption has been so prevalent in commonwealth countries and described that this could be due to the past colonization by Great Britain. Thus, these countries tend to apply post-colonial legal systems in the administration and management of contracts for the specific terms of the contract and the

private law of the contract between the private suppliers and the government agency services to ensure the proper management of the contract. Unfortunately, Nigeria, being one of the countries affected by systemic corruption, tends not to exercise the contract management phase. In fact, the contracts are usually deliberately neglected in favor of the contractor. This consequently allows the contractor to compromise the quality of materials and breach the procurement contract without consequence (Bello, Otohinoyi & Akume, 2011).

Bello et al. (2011) further postulate that poor project management allows contractors to submit fraudulent certificates of completion and invoices, which is obvious that they should not be submitted. This usually occurs in situations where the contractor is forced to bribe the politician and government officials upfront and later desires to recover this cost.

### **Bribery and Kickbacks**

Bribery is a major scheme that corrupts the public procurement sector of any country (Rose-Ackerman & Palifka, 2016). Generally, bribery is often requested and paid while attaining the government contracts and sometimes to allow one to participate in the bidding process. Larsson et al. (2019) also argued that bribery schemes are usually hard to trace and comprehend due to the presence of agents and brokers between the public sector and the bidding company. According to Friedman (2010), there are some effective control measures that are capable of criminalizing agents and representative activities, such as the UK Bribery Act 2010. This helps block the loophole of foreign bribery. Unfortunately, the secretive nature of the public procurement schemes and the inadequate publication of governmental information hinders the uncovering of the bribery schemes in Nigeria.

### **Political Pressure and Conflicts of Interests**

According to the Country Procurement Assessment reports, the main risk of corruption is political influence and the operational participation of politicians in the public procurement process (Williams-Elegbe et al., 2018). Despite the significance of politics in enhancing the public procurement sector, politicians' intervention in the decision-making process is associated with falsifications and the creation of loopholes for political corruption (Williams-Elegbe et al., 2018). Thus, the country procurement assessment report recommends the continued approval of the appropriate politicians for contracts over a certain threshold. However, this contract is yet to be approved in Nigeria, and this explains the prevalence of systemic corruption in Nigeria.

### **Nigeria's Negligence to Curb Corruption**

Based on the discussion of the corruption schemes in Nigeria, there are several ways by which the public procurement sector can manipulate the procurement process. Also, the review identified the ethical principle as one of the most effective ways of combating systemic corruption in developing countries (Williams-Elegbe et al., 2018). According to Piga et al. (2011), anti-corruption organizations, in particular in public procurement sectors, have not made meaningful adjustments that can combat corruption. Instead, the state is still tied to the traditional methods of combating corruption, which have been proven to be ineffective. This consequently implies that, without effective legislative changes, particularly the procurement systems, the country will tend to remain in systemic corruption.

Enweremadu (2012) has also disclosed that the Nigerian anti-corruption institutions, such as the Economic, Financial, and Independent Corrupt Practices and other crimes commissions, are not efficient in controlling corruption. Enweremadu (2012) also points out that the shortages in funds

in these institutions hinder their effectiveness. This implies that the Nigerian government should financially support these commissions so that effective performance free of corruption can be achieved in the public procurement sector. Additionally, one of the former officials in these commissions disclosed that the anti-corruption agencies experience difficulties, especially when investigating high-ranking politicians (Williams-Elegbe et al., 2018). Enweremadu et al. (2012) further outlined that some other politicians usually have corruption allegations prior to their election in the assembly. This continues to adversely affect the performance of public procurement in Nigeria. Therefore, to effectively address corruption as a risk in the public procurement sector in Nigeria, the government should consider the adoption of methods that depend more on the anti-corruption framework rather than those that rely on the formal and statist anti-corruption institutions (Mungiu-Pippidi & Dadašov, 2016).

## 5.0 Conclusion

This paper has identified that systemic corruption, especially in developing countries, is complex and thus requires multi-level approaches. These methods, however, should take into account the political, social, cultural, and economic aspects of corruption in public procurement. The study has described the extent of corruption in the public procurement sector in Nigeria. It has also outlined various schemes in which corruption is manifested in the public procurement record systems in Nigeria. The findings in this study also reveal the citizen-based approaches as the most effective methods to combat corruption in the public procurement sector in Nigeria. Moreover, although the current study identified citizen-based (non-state) measures to be effective in combating corruption in the public procurement sector, they are not designed to liberate state-based approaches to combating corruption. Instead, they are effective ways of providing pressure required for the country to keenly consider the demand for accountability in the public procurement sector.

## 6.0 Recommendations

Some of the citizen-led measures that can help in combating corruption in the public procurement context are as discussed below;

### **Citizen monitoring, surveillance, and participation**

In relation to monitoring, the citizens should be allowed to participate in the monitoring and evaluation processes of the completed contracts (Carr & Outhwaite, 2011). This is a very recommendable approach, especially in Nigeria, where the civil society is ready to take part in the monitoring and evaluation processes for high-quality projects. Also, this is possible since the Nigerian Public Procurement Act (Section 19) allows the involvement of two credible in the public procurement process selected by the government agencies.

### **Data-based actions**

Timely and relevant disclosure of the procurement information should be maintained to increase transparency in the procurement process.

### **Media involvement and support**

In many nations where issues relating to corruption are limited, the media have close relations with the citizens (Landell-Mills, 2013). Thus, the Nigerian government should support the media to maintain long-term sustained reporting.



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