

Determinants of Public Procurement Corruption in Gedeo Zone

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Abstract

Corruption is an unethical conduct either in public or private which basically constitutes an abuse of public office for private gain. It is a malaise that has contempt for due process and the rule of law, distorts the allocation of resources, undermines competition in the market place and has a devastating effect on investment, growth and development. In the light of the above, the purpose of this research is to assess the determinants of corruption in public procurement in Gedeo Zone SNNPRS. To this end, the study adopts a mixed methods research approach by combining documentary analysis and in-depth interviews. The findings of the study revealed that economic, political, social and organizational factors are the determinants of public procurement corruption in Gedeo Zone. The study has confirmed that all the four major variables don't account for all of the variations in procurement corruption which either suggests the existence of other determinants of the phenomenon or the challenges emanating from the measurement challenge. It is recommended that future studies should be conducted to explore some of these other determinants of procurement corruption.

Keywords: Corruption, Public Procurement, Ethiopia

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1. Introduction

Public procurement affects all aspects of people's lives and assumes a large share of government budgets. A broad definition of public sector corruption is the abuse of authority by bureaucratic officials who exploit their powers of discretion, delegated to them by the government, to further their own interests by engaging in illegal, or unauthorized, rent-seeking activities (Blackburn, Bose, and Haque, (2005, cited in Basheka and Tumutegyereize , 2012). The acquisition of buildings and land by municipal and national governments, the construction of roads, the provision of health and education services, and the construction and operation of drinking water and sanitation systems are just a few examples of public investments that involve procurement.

In most countries procurement of goods, services and works required by government departments consumes a considerable part of government resources. Corruption involves the behavior of officials in the public and private sectors to improperly and unlawfully enrich themselves and /or those close to them, or induce others to do so, by misusing the position for which they are placed (ADB, 2003). When this unlawful and improper behavior is applied to the public acquisition process, it becomes public procurement corruption. It essentially entails deliberate failure to follow the expected minimum standard behavior in managing the acquisition process by government agencies and departments. Corruption takes place once the procurement laws and regulations are broken for the benefit of an individual or group of individuals against the public interest and need of internal customers. The World Bank (2004) extends the definition of procurement corruption to include the offering, giving, receiving or soliciting; directly or indirectly, of anything of value to influence the action of a public official in the procurement process or in contract execution.

Similarly, in one form or another, corruption exists in all societies, at all stages of development and under all types of politico-economic regimes. Corruption is equated to cancer which strikes almost all parts of the society; as it endangers the cultural, political and economic fabric of society, and destroys the functioning of vital body. As an act where public office is used in a manner that contravenes the rules of the game; corruption in Africa has been blamed for the development challenges facing the continent (Basheka, 2009, Thai, 2008 cited in Basheka, 2012).

On the other hand, public procurement corruption studies are more difficult to investigate and address than other crimes not physically but intellectually because of the variety of competing determinants, procurement corruption is one of the most common and lucrative white-collar 'crimes' in government machinery in developing country. Corruption is high in the public procurement domain because of the great 'opportunities' in the acquisition of government goods, services and works. Corruption takes place at any stage of the procurement process and may involve both internal and external stakeholders. To gather information about the extent of corruption is crucial for effective and efficient decision making although corruption lends itself to problems of measurement (Dreher & Schneider, 2006). The remaining parts of the chapter are organized as follows. The second section discusses the statement of the problem. The third section highlighted with the broad objective, research question and hypotheses.

2. Statement of the Problem

The effect of corruption has many dimensions related to political, economic, social and environmental effects. In political sphere, corruption impedes democracy and the rule of law. In a democratic system, public institutions and offices may lose their legitimacy when they misuse their power for private interest. The economic effects of corruption can be categorized as minor and major. However, both in one way or the other have serious impact on the individual community and country. First and foremost, corruption leads to the depletion of national wealth. It is often responsible for increased costs of goods and services, the funneling of scarce public resources to uneconomic high profile projects at the expense of the much needed projects such as schools, hospitals and roads, or the supply of potable water, diversion and misallocation of resources, conversion of public wealth to private and personal property, inflation, imbalanced economic development, weakling work ethics and professionalism, hindrance of the development of fair in market structures and unhealthy competition there by deterring competition. Large scale corruption hurts the economy and impoverishes entire population. In Social sphere, corruption discourages people to work together for the common good. Frustration and general apathy among the public result in a weak civil society. Demanding and paying bribes becomes the tradition. It also results in social inequality and widened gap between the rich and poor, civil strife, increased poverty and lack of basic needs like food, water and drugs, jealousy and hatred and insecurity (Zuzana, 2012).

According to the renowned International anti-corruption watchdog Transparency International in its yearly corruptions index for 2012 placed Ethiopia 113th out of 176 countries (Gebreselassie, 2012). This indicates the importance of this issue for Ethiopia and corruption prevalence in public and private sectors of economics. Considering the unusually high share of government spending in Ethiopian GDP, it can be expected that the largest flows of bribe payments are related to public procurement. Corruption can cover various types of practice. Many such practices involve various forms of collusion between government and bidders, notably: awarding contracts on the basis of bribes; awarding contracts to firms in which one has a personal interest; awarding contracts to firms in which one's friends, family or business acquaintances have an interest; and awarding contracts to political supporters (for instance to firms who have provided financial support; or to regions which have voted for a particular political party).

Moreover, as noted by Basheka and Tumutegereize (2012) public procurement corruption can be classified to include (1) supplier induced corruption as a result of stringent competition for government contracts (source); (2) public official induced corruption through creating bureaucratic hurdles that would necessitate seeking faster services (source). It may also be (3) politically induced corruption where contractors with political connections receive favors for the fear of political persecution (source). In many less-developed countries, one of the prevalent forms of corruption is called 'speed corruption.' This involves the capacity to harass, delay or withhold decisions handed down by procurement officials unless a bribe is given. In Ethiopia's case, officials in the finance and accounts departments may delay or fail to process the payments for providers until a bribe is paid or promised. It may also involve the engineers, in case of construction projects failing to issue a certificate of completion or issuing them when the works have not been completed, problems with the quality of construction, inflated costs, and delayed implementation (Plummer, 2012). The most common forms of procurement corruption in the country include violations of procurement procedures, the use of high ranking officials to influence procurement decision making and bribery-induced violations of procurement procedures by government officials in collaboration with providers.

Public procurement plays a central role in governance and anti-corruption efforts because of its impact on society. Existing literature identified various determinants of corruption in public sector. Nonetheless, to the extent of the researchers' knowledge there has been no study which has systematically identified determinants of corruption in public procurement in Ethiopia, SNNPR particularly in Gedeo Zone. Consequently, this study seeks to fill the gap by providing full information in the case of Gedeo Zone.

3. Broad Objective, Research Question and Hypotheses

In the context of the problems highlighted above, the general objective of this study is to assess the determinants of corruption in public procurement in *Gedeo Zone* of SNNPRS.

i. Research question (RQ)

In line with the broad purpose statement highlighted above, the following specific research question was formulated:

RQ1) What are the determinants of public procurement corruption in Gedeo Zone?

ii. Hypotheses (HP)

In line with the broad purpose statement the following hypotheses is formulated for investigation. Hypotheses of the study stands on the issues related to a corruption in public procurement. The results from the literature review (to be established in the next chapter) are used to establish expectations for the different determinants. Hence, based on the objective, the present study seeks to test the following 4 hypotheses:

HP1: Economic factors are significant determinants of public procurement corruption in Gedeo zone

HP2: Organizational factors significantly determine public procurement corruption in Gedeo zone

HP3: Political commitment is a significant factor in the fight against public procurement corruption in Gedeo zone

HP4: Social factors significantly account for public procurement corruption in Gedeo zone

2. Literature Review

The purpose of this chapter is to review the literature in the area of corruption in public procurement. This review of literature establishes a framework, which can guide the study and it is presented based on flow of ideas. The review has five sections. Section 2.1 presents the introduction of the chapter. Definition of public procurement corruption is discussed in section 2.2 while theoretical framework of public procurement is highlighted in section 2.3. An empirical determinant of corruption is discussed in section 2.4 and a determinant of public procurement corruption is presented in section 2.5. Public procurement corruption in Ethiopia is discussed in section 2.6. Finally, conclusions on the literature review and knowledge gaps are presented in section 2.7.

2.1. Introduction

Public organizations serve the public interests through delivering desired services. This certainly makes it imperative to study problems associated with the public sector (Schiele, 2007) to find possible challenges of critical success factors in the delivery of efficient and effective services. According to the renowned International anti-corruption watchdog Transparency International in its yearly corruptions index for 2012 placed Ethiopia 113th out of 176 countries (Gebreselassie, 2012). This indicates the importance of this issue for Ethiopia and corruption prevalence in public and private sectors of economics. Public procurement is a function of government, which is the most prone to corruption, especially in developing countries, where there is insufficient transparency and competition. In the research of Basheka (2011) it is mentioned that due to negative consequences of corruption, its determinants are explored by political scientists, sociologists, economists, psychologists and others. In our research, we are going to investigate mainly the economic, political, social and organizational determinants of corruption in public procurement.

2.2 . Definition of Public Procurement Corruption

According to the Ethiopian Public Procurement Proclamation (No 649/2009), procurement means “obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means.” From the above definitions, the overall tasks of procurement is to obtain goods, works, consultancy services and other services at the right quality, in the right quantity, from the right sources, at the right time, place and price to achieve an organizational objectives. In addition, the Organization for Economic Cooperation and Development (OECD), “procurement is the process of: identifying what is needed; determining who is the best person or organization to supply this need; and ensuring what is needed is delivered to the right place, at the right time, for the best price and that all this is done in a fair and open manner” (OECD, 2010).

2.3. Theoretical Framework of Public Procurement

Until recently, the theoretical literature analyzed the determinants of corruption only from the winners' point of view. Alam (1995) develops a theoretical model that incorporates the losers' perspective in the analysis of causes of corruption. The theoretical work on the causes of corruption from the winner's perspective has identified several factors. These factors encompass measures of government interventions, or government regulations, public sector wages, system of recruitment and promotion, and size of the bureaucracy. Most of the government interventions are related to regulations involving licenses and permits, control over procurement contracts, control over public investment contracts such as roads and airports, programs related to the provision of tax incentive, subsidized credit and overvalued foreign exchange, control over hiring and promotions, and control over access to underpriced public services, e.g., electricity, telephone and water. Public sector wages, a system of recruitment and promotion and size of the bureaucracy determine the willingness of public officials to artificially create regulations that cause corruption.

2.4. Empirical Determinants of Corruption

Many existing literatures have searched for empirical relationship between corruption and a variety of economic and non-economic determinants. Unfortunately, there is no commonly agreed-upon theory on which to base an empirical model of the causes of corruption (Alt and Lassen, 2003). At the same time, numerous regression models incorporating a wide variety of explanatory variables have been specified to explain corruption and to find the 'true' determinants. It is often found that, however, a variable is significant in a particular specification of the model, but loses its significance when some other variables are incorporated. In other words, claims concerning the determinants of corruption are conditional, and the robustness of the findings is open to question. While other categorizations are possible, we identify four broad classes of underlying causes of corruption, namely (1) economic and economic institutions, (2) political, (3) judicial and bureaucratic, and (4) religious and geo-cultural

factors.

Seldadyo and Haaan (2006) noted that the judicial system and the quality of bureaucracy are crucial factors influencing corruption. In this context, the wage level of civil servants may be important, since as argued by (Rijckeghem and Weder, 1997 cited in Seldadyo and Haan, 2006) public sector wages are highly correlated with the measures of the rule of law and the quality of the bureaucracy, and therefore may have an effect on corruption. In developing economies bureaucrats receive wages that are so low to entice corrupt behavior. At the same time, low income economies suffer from the lack of institutions for detecting corruption. The authors also claim that government wages as the ratio to manufacturing wages significantly reduces corruption.

2.5. Determinants of Public Procurement Corruption

According to Heidenheimer (1989, cited in Basheka and Tumutegereize, 2012) corruption is categorized into three forms. Firstly, public-office centered corruption is behavior that deviates from the formal duties of a public role due to private- regarding pecuniary or status gains. The second form is market-centered corruption where a corrupt civil servant regards his/her public office as a separate business and seeks to maximize his/her income. Thirdly, is the public-centered corruption where its patterns can be said to exist whenever a power holder who is charged with doing certain things is by monetary or other rewards not legally provided for, induced to take actions, which favor whoever provides the rewards and thereby does damage to the public interests. The literature suggests many variables combining to explain the phenomenon of corruption in general and public procurement in particular (Morris, 2012, Basheka and Tumutegereize, 2012).

On the basis of the existing literature, the following hypotheses are advanced:

HPI: Economic factors are significant determinants of public procurement corruption in Gedeo Zone

According to Morris, (2012) corruption may even be more serious when the state plays a greater role in the economy and when there is less economic freedom and openness. Two of the most useful variables for explaining the causes and consequences of corruption are the levels of inequality and economic openness or freedom. They are considered to be both causes and consequences of corruption. Inequality in the distribution of wealth is one factor which tends to encourage more corrupt societies. According to the author, corruption is usually more prevalent in countries where the most powerful groups also control the largest proportion of income. In addition, the author argued that a loss of judicial independence and freedom of the press, combined with civil servants' low salaries, can create the perfect environment for bribery and patronage to flourish, and even more dangerously, for them to become a way of life. In societies where this does occur, corruption becomes an easy tool to use when a state does not have an efficient democratic regime in place.

In line with the above, literature identified three interdependent factors as important causes of corruption namely opportunities (which depended on the extent of involvement of civil servants in the administration or control of lucrative activities), salaries and policing (the probability of detection and punishment (Palmier, 1985, cited in Basheka and Tumutegereize, 2012). In this logic, it was argued that at one extreme, with few opportunities, good salaries and effective policing, corruption will be minimal but on the other extreme, with many opportunities, poor salaries, and weak policing, corruption will be considerable. Corrupt practices are also associated with a set of structural and cultural factors but structural factors have received the bulk of the attention in empirical work.

The environment in which public servants and private actors operate is another cause of corruption particularly the bureaucratic and inefficient public administration systems in developing countries. Developing countries are characterized by a number of complex, restrictive regulations coupled with inadequate controls; circumstances that offer a fertile ground for corruption. Basheka and Tumutegereize, (2012) concluded that the higher the quality of bureaucracy, the lower the probability for corruption to occur. Along with this finding, it is also interesting to see that the lack of meritocratic recruitment and promotion and the absence of professional training in the bureaucracy are also found to be associated with high corruption. Based on the above discussion the following hypothesis is developed:

HP 2: Organizational factors significantly determine public procurement corruption in Gedeo Zone

The causes of corruption are rooted in the particular political and economic conditions of each country and the complexity of which makes remedial efforts difficult. The literature on corruption features a range of political factors that tend to influence the level of corruption cross nationally. Johnston (1999 cited in Morris), for instance, finds that countries with greater levels of democratic competitiveness tend to have lower levels of corruption. The mechanisms of the relationship are relatively straightforward. Citizens in countries with strong democratic institutions are more likely to have the information and tools to hold government accountable and even "throw out" corrupt politicians through elections. However, according to Morris, (2012) while strengthening democracy implies a reduction in corruption and greater rule of law, in Latin America the number of years a country has enjoyed democratic elections seems unrelated to both factors.

Moreover, Basheka, Nagitta & Namara (2012) argued that the politicians (elected) play a representative advocacy role, and also take on the responsibility of being democratically accountable to the electorate for the

decisions made “under their watch” while the civil servants technically manage the procurement process. With an increase in the levels of public procurement corruption, a strategy to minimize the trend requires a collaborative approach between these two key stakeholders. When there is a tendency to replace public welfare by public institutions, with the personal interest in the procurement function by employees, civil servants and politicians, it constitutes procurement corruption. The tendency to replace public welfare by public institutions, with the personal interest in the procurement function by employees, civil servants and politicians, it constitutes procurement corruption.

Several sources suggest that political corruption is common in Ethiopian public procurement. A February 2012 article by *Addis Fortune* reports that the government procurement procedures and the requirement to pay gratification to public officials were among the major obstacles that the business community faces in doing business with the government. This is further supported by a World Bank 2012 report, which notes that public procurement processes lack transparency; for instance, several cases revealed that public contracts were awarded to nonperforming suppliers and that procedures were being manipulated, bypassed or even ignored (Melkeam, 2013).

Shleifer, (1998, cited in Basheka and Tumutegereize , 2012) has argued that the biggest cause of corruption is undoubtedly the political leadership at the helm of affairs in a country. This observation suggests that political factors play a critical role in increasing corruption as the political leaders preside over a complex set of political structures. In a world in which governments do not always act in their citizens’ best interest, corrupt politicians may be expected to spend more public resources on those items on which it is easier to levy large bribes and maintain them secret. Sometimes, corruption has increased because the politicians who have the mandate to fight it have handled corruption cases in a casual and clumsy manner. Therefore, based on the above discussion the following hypothesis is examined:

HP3. Political commitment is a significant factor in the fight against public procurement corruption in Gedeo Zone

Morris (2012) stated that moving beyond political variables, many works, particularly from the pre-empirical period, attributed corruption to cultural attributes of society. Though causal direction is often difficult to disentangle when dealing with culture, more recent empirical studies have uncovered significant links between corruption and such cultural factors as religion, power distance, and interpersonal trust. Rooted in the theory of social capital (Fukuyama 1995; Putnam 2000 cited in Morris, 2012), corruption has been found in some works to be more pronounced in countries where citizens have low levels of trust in their fellow citizens. Similarly, Basheka and Tumutegereize (2012) revealed that public officials giving into traditional values are one of the major causes of procurement corruption. The culture of gift giving for example is likely to increase the likelihood of public officials to engage in procurement corruption. Their study found that there are a number of traditional values in the societies which are ingredients for the culture of corruption in public procurement. These include the level of education by officials, and lack of a vibrant and an educated society on the fundamental rights is a cause of procurement corruption. Besides, societal tolerance for corruption officials was also increasing the trends of corruption in public procurement.

Literature identified that in underdeveloped countries "a bribe to a person holding a public position is not clearly differentiated from the 'gifts,' tributes, and other burdens sanctioned in traditional, pre-capitalist society or the special obligations attached to a favor given at any social level." This implies that in some societies, what may be regarded as corruption may actually be gift giving in other societies and heavily acceptable to society (Myrdal, 1970). However, this may be contrary to the moral expectations of other societies. Individual motivation to engage in corrupt behavior could be explained by the social learning theory (Akers, 1988) developed within sociology to explain deviant behavior. The theory is based on four interrelated concepts that operate to promote or undermine conformity: differential association, definitions, differential reinforcement and imitation. These concepts are overlapping and also mutually reinforcing. For example the basic mechanism of the social learning theory works as follows: behavior is acquired and sustained (1) through adopting definitions favorable to illegal behavior via differential association with one’s peers, (2) through imitating such behavior by peers, and (3) through the positive reinforcement provided by rewards for such a behavior (Akers, 1998). In line with the above discussion, the following hypothesis is examined:

HP4. Social factors significantly account for public procurement corruption in Gedeo Zone

2.6. Public Procurement Corruption in Ethiopia

Public procurement procedures often are complex. Transparency of the processes is limited, and manipulation is hard to detect. Few people becoming aware of corruption complain publicly, since it is not their own, but government money, which is being wasted. Procurement of goods, works and other services by public bodies alone amounts on average to between 15% and 30% of Gross Domestic Product (GDP), in some countries even more. Transparency International in its yearly corruptions index for 2012 placed Ethiopia 113th out of 176 countries (Gebreselassie, 2012). This indicates the importance of this issue for Ethiopia and corruption prevalence in public

and private sectors of economics. Considering the unusually high share of government spending in Ethiopian GDP, it can be expected that the largest flows of bribe payments are related to public procurement. So is there a need for the civil society to focus on monitoring procurement. Each year, developing countries spend an astounding US \$820 billion on procurement-related transactions. These expenditures are critical to enabling governments to deliver goods and services to citizens, but they are also extremely vulnerable to corruption. Yet civil society organizations have rarely addressed the issue (Transparency International 2006).

The Investment Climate Statement 2013 reports that companies have complained of unlawful contract termination and non-transparent tender award processes, and companies have perceived favouritism towards Chinese vendors. This is supported by a World Bank 2012 report which notes that some of the surveyed entrepreneurs have ceased doing business in Ethiopia's construction sector as they found that access to the market is plagued by corrupt practices. According to the same report, some firms report that payments were withheld in the expectation of facilitation payments. Additionally, facilitation payments with regard to the payment and settlement of certificates in the construction sector are said to be common but not necessary; they are generally small when they do occur. The report notes that starting business in Ethiopia's land and construction sector may prove difficult as competition is hampered by favouritism towards politically affiliated companies and by the difficulty of obtaining construction contracts without resorting to bribery. Nevertheless, the report also notes that well-established companies may not reflect the same opinions and perceptions (Melkeam, 2013).

2.6.1 Legal Framework of public procurement reforms in Ethiopia (proclamation No 649/2009)

Under civil Service Reform Program, the Expenditure Control and Management was launched in 1996 by the Government of Ethiopia with the aim of improving the overall public financial management in Ethiopia. Public procurement was one component of the expenditure control and management. In 2009, the Government of Ethiopia enacted procurement and property administration proclamation No 649/2009 and it has established the Public Procurement and Property Administration Agency (PPA) accountable to the Ministry of Finance and Economic Development to manage the public procurement activities (Getnet and Tilahun, 2014).

Table 2:1. Legal Framework of public procurement in Ethiopia Proclamation No. 649/2009

LEGAL FRAMEWORK	DETAILS
Public Procurement proclamation No 649/2009	Provide a comprehensive legal regime to harmonize and safeguard public procurement
Public Procurement Manual	Provides practical guidance and step-by-step procedures for undertaking procurement in accordance with the proclamation.
Standard Tender Documents (STD)	They comprise standard invitation and contract documents for procurement of all values. There are separate standard tender documents for goods, works and services.
Public Procurement Regulations	They contain detailed rules and procedures for all aspects of the procurement system, the operations of Public Procurement Authority (PPA) and procurement entities and the conduct of procurement activities.
Guidelines	issued by the Public Procurement Authority (PPA) which provides supplementary guidance on disposal, single source procurement, margins of preference, framework contract agreements, sustainable public procurement etc.

Source: PPA Regulations (2010 cited in Getnet and Tilahun, 2014).

2.7. Summary and Knowledge Gap

This chapter has discussed the review of related literature on corruption in public procurement. Corruption in public procurement can happen in many different ways. These range from the most common form of upfront bribery and facilitation payments to more subtle forms of political corruption. In countries where corruption is a common problem it tends to disturb the market mechanisms and impede economic development. Corruption in public procurement makes the officials or the politicians in charge purchase goods or services from the best briber, instead of choosing the best price-quality combination (Transparency International, 2006).

In most countries including Ethiopia procurement of goods, services and works required by government departments consumes a considerable part of government resources. Literatures identified various determinants of corruption in public sector. Nonetheless, to the extent of the researchers' knowledge there has been no study which has systematically identified determinants of corruption in public procurement in Ethiopia, SNNPR particularly in Gedeo Zone. Consequently, this study seeks to fill the gap by providing full information in the case of Gedeo Zone.

3. Research Methodology

The preceding chapter presented the literature review on public procurement corruption and identified the

knowledge gap. This chapter presents the detail methodology, showing the logical frame work that discusses research approaches and research method adopted in the study.

3.1. Methods Adopted and Source of Data

The purpose of this study is to assess the determinants of corruption in public procurement in Gideo Zone¹. The source of population for this study is more of government sector offices and suppliers who were licensed to participate in public procurement. Based on the features, strengths and weaknesses of different research approaches, the researchers found the mixed methods approach to be suitable for this study. The use of mixed methods approach for this research was intended to drive the benefits of both quantitative and qualitative approaches. Mixed method research involves both collecting and analyzing quantitative and qualitative data either sequentially or concurrently.

3.1.1. Research Method: Quantitative Aspect

The use of survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population in order to generalize from the sample to the population (Creswell, 2009). The survey questionnaires were constructed on Likert type 5-point scale. The scale consists of five answers that range from 1= Strongly Agree, to 5 = Strongly Disagree and 3 considered as Neutral.

3.1.2. Research Method: Qualitative Aspect

In the current study qualitative data was gathered as a supplementary of the quantitative one. An in-depth interview was the primary data collection technique for gathering data in qualitative methodologies. The interviews were conducted with the concerned persons.

3.1.3. Data Collection Instruments

The three different types of data collection instruments were utilized. They are survey questionnaires, interviews, and document analysis. First questionnaires were developed by English and interpreted to Amharic for data collection purpose (Appendix II).

3.1.4. Data Analysis Method

This study employed the model developed by Basheka and Tumutegereize (2012) to test the hypothesis developed.

The Model Specification

Let public procurement corruption (PC) as the dependent variable is explained by four independent variables namely (1) Economic Determinants (ED), (2) Political Determinates (PD), (3) Social Determinants (SD) and (4) Organizational Determinants (OD). The economic determinants include four variables namely E1, E2, E3 and E4. The political determinants include two variables named as P1, and P2. Organizational Determinants include four variables represented as O1, O2, O3, and O4, while the Social Determinants include four variables namely S1, S2, S3 and S4.

Let the above explanation be mathematically illustrated,

$$PC=f(EC\{E1,E2,E3,E4\}+PD\{P1,P2\}+OD\{O1,O2,O3,O4\}+SD\{S1,S2,S3,S4\} \dots(1)$$

Where, PC= Procurement Corruption, EC=Economic Determinants, PL=Political Determinants SD=Social Determinants and OD=Organizational Determinants

All these variables are inversely related to levels of procurement corruption in Gedeo Zone. For estimation, we use the following model

$$PC= \alpha+\beta_1ED+\beta_2PD+\beta_3SD+\beta_4OD + \varepsilon \dots\dots (2)$$

- α is the intercept of the models;
- β represents coefficient of public procurement corruption; and
- ε is the error term

In the economic determinants, we include a set of variables as $\sum\{E1, E2, E3, E4\}$ while in the political determinants we include $\sum\{P1, P2\}$. On organizational determinants, we include $\sum\{O1, O2, O3, O4\}$ while in Social determinants we include $\sum\{S1, S2, S3, S4\}$,(3)

Procurement corruption in its various forms (grand or petty) is inversely related to economic, political, organizational and social variables increase. This study uses exploratory factor analysis to test the strength of the model. Emerging results were subjected to correlation and regression analysis to assess the strength of the determinants of public procurement corruption in Gedeo Zone. The emerging variables from factor analysis are first subjected to reliability analysis before correlation and regression analyses were examined.

4. Results And Discussions

The main objective of this study is to investigate the determinants of corruption in public procurement in Gedeo Zone of SNNPRS. Accordingly, in the preceding chapter, the research approaches and methods adopted to achieve

¹ In Gideo zone there are five woredas, namely: Cichu Woreda, Wonago Woreda, Kochere Woreda, Bule Woreda, Gedeb Woreda and two town administration, namely: Dilla town and Yirgachefe town.

the objective were discussed. In this chapter, the results obtained using the adopted research methods are discussed and analyzed.

4.1. Results and Discussion of Determinants of Public Procurement Corruption

The study investigated the four major determinants of public procurement corruption in Gedeo Zone. These were the economic, political, social and organizational determinants. Each of these determinants were assessed using a set of variables and through factor analysis, the most critical measures of various determinants were identified. In this section, the extracted items for each of the determinants and the respective factor loadings are presented and discussed. The strength of each variable is assessed through factor loadings with low factor loadings representing a weak strength and those with high factor loadings as strong is assessed through these factors is identified based on the factor loadings.

Table: 4:2. Economic Determinants of Procurement Corruption

Variables	SA	A	N	D	SD	Mean	Standard Deviation
Size of an organization in terms of number of employees increases corruption	20%	55%	10%	10%	5%	4	4.062
Economic liberalization of the economy has impact on corruption	12%	18%	12%	53%	6%	3.4	3.209
Size of an organization in terms of the budget affects corruption	24%	29%	12%	24%	12%	3.4	1.342
Foreign donations to public entities has impact on corruption	16%	42%	16%	16%	11%	3.8	2.387
The presence of many taxes has impact on corruption	25%	10%	5%	50%	10%	4	3.674
Low salaries of public servants increases corruption	53%	26%	11%	11%	0%	3.8	3.899
Levels of income of an individual has impact on corruption	50%	15%	20%	5%	10%	4	3.536
Supplier induced bribes to public officers increases corruption	15%	45%	25%	5%	5%	4	3.742
Self-interest by public officers increases corruption	35%	50%	0%	10%	10%	4	3.808

The above table reveals that majority of respondents 11 (55%) said that size of an organization in terms of number of employees increases corruption. It has a mean of 4 and standard deviation of 4.062. Foreign donations to public entities and low salaries of public servants also increase corruption. In addition, levels of income of an individual 10 (50%), supplier induced bribes to public officers 9 (45%) and self-interest by public officers 10 (50%) increases corruption.

Table 4:3. Political Determinants of Procurement Corruption

Variables	SA	A	N	D	SD	Mean	Standard Deviation
Politicians getting to elective positions through bribes	30%	50%	20%	0%	0%	4	4.243
Elective officers recouping investments in politics	11%	22%	44%	11%	11%	3.6	2.608
Absence of political commitment to fight corruption	28%	11%	33%	22%	6%	3.6	2.074
Lack of freedom of the press	20%	55%	15%	5%	5%	4	4.123
A weak judiciary system	32%	26%	11%	21%	11%	3.8	1.789
Lack of participation in decision making	30%	30%	15%	25%	0%	4	2.550
Lack of political freedom due to party restrictions	12%	18%	24%	47%	0%	3.4	2.966
Selection of politicians through party ideologies	10%	25%	35%	15%	15%	4	2.000

The above table indicates that politicians getting to elective positions through bribes increases corruption in public procurement. It has mean of 4 and standard deviation of 4.243. Also, lack of freedom of the press 11(55%) and a weak judiciary system 6 (32%) increases corruption. Similarly, lack of participation in decision making has positive impact on corruption in public procurement.

Table 4:4. Social Determinants of Public Procurement Corruption

Variable	SA	A	N	D	SD	Mean	Standard Deviation
Being far from major facilities increases corruption	40%	40%	10%	5%	5%	4	3.674
Distance of an organization from a major city increases corruption	0%	20%	25%	50%	5%	4	3.937
The number of relatives to take care of by working official increases corruption	15%	30%	35%	15%	5%	4	2.449
Levels of education by officials increases corruption	55%	30%	10%	5%	0%	4	4.528
Lack of an educated society increases corruption	20%	50%	15%	5%	10%	4	3.536
Societal toleration of corrupt officials have impact on corruption	55%	30%	10%	0%	5%	4	4.528
Lack of women involvement in key organizational activities have impact on corruption	50%	25%	20%	0%	5%	4	3.937
Traditional values in societies increases corruption	5%	10%	25%	40%	20%	4	2.739

The above table indicates that majority of respondents 8 (40%) said that being far from major facilities increases corruption. Levels of education by officials with standard deviation of 4.528 and societal toleration of corrupt officials with standard deviation of 4.528 also have impact on corruption. In addition, majority respondent's said that lack of an educated society increases corruption 10 (52%); and lacks of women involvement 10 (50%) in key organizational activities have impact on corruption.

Table 4:5. Organizational Determinants of Public Procurement Corruption

Variable	SA	A	N	D	SD	Mean	Standard Deviation
Lack of transparency and accountability systems	50%	40%	0%	10%	0%	4	4.69
Lack of effective systems of punishment	30%	40%	5%	25%	0%	4	3.39
Lack of clear systems of promotion of staff	20%	40%	10%	25%	5%	4	2.74
Lack of capacity among technical staff	25%	25%	20%	25%	5%	4	1.73
Lack of capacity among contracts committee	10%	20%	30%	35%	5%	4	2.55
Decentralized systems of management	5%	30%	40%	15%	10%	4	2.92
Long term employment of technical staff	30%	30%	30%	5%	5%	4	2.74
Weaknesses in procurement procedures	30%	35%	10%	15%	10%	4	2.35
Lack of effective supervision	35%	55%	0%	5%	5%	4	4.80
Poor reporting systems in organizations	30%	45%	5%	10%	10%	4	3.39
Lack of independent procurement departments	20%	30%	15%	20%	15%	4	1.22
Absence of rotation for procurement staff	40%	30%	20%	10%	0%	4	3.16
Lack of adequate facilities for staff	50%	25%	5%	10%	10%	4	3.67
Lack of rotation among organizational staff	10%	30%	25%	20%	15%	4	1.58
Poor linkage/ communication among the staff	10%	55%	20%	5%	10%	4	4.06
Poor organizational structure	20%	40%	0%	35%	5%	4	3.54
Lack of internal control in the organization	20%	45%	20%	15%	0%	4	3.24

The above table reveals that lack of transparency and accountability systems 10 (50%); lack of clear systems of promotion of staff 8 (40%) and lack of effective systems of punishment 8 (40%) increases corruption in public procurement. In addition, lack of capacity among technical staff 5 (25%); weaknesses in procurement procedures 7 (35%) and lack of effective supervision 11 (55%) have impact on corruption. Similarly, variables like poor reporting systems in organizations 9 (45%); absence of rotation for procurement staff 8 (40%); and lack of adequate facilities for staff 10 (50%) increases corruption. Eventually, poor organizational structure 8 (40%) and lack of effective internal control in the organization 9 (45%) increases corruption in public procurement.

4.2. Result of Factor Analysis

The following table presents critical economic determinants of public procurement corruption.

Table 4:6. Critical Economic Determinants of Procurement corruption

Variables	SA	A	N
Size of an organization in terms of number of employees increases corruption		55%	
Low salaries of public servants increases corruption	53%		
Levels of income of an individual has impact on corruption	50%		
Self-interest by public officers	56%		
% age of Variance	38.2%	14.6%	

Kaiser-Meyer-Olkin (KMO) 0.60 (sig.000)

The questionnaire items that measured economic determinants were 10. Results from exploratory factor analysis on the 10 variables of economic determinants confirmed retention of only 4 variables which loaded on three principle components with a total variance of 52.8% (KMO=0.60, Sig.0.000). This implies the sampling adequacy for use of factor analysis was confirmed at a high degree of statistical confidence of 95%. All the retained components were then subjected to reliability analysis using cronbach alpha methodology recommended for multi-point scaled items (Basheka and Tumutegereize, 2012). The economic measures were all found to be above at 0.50. The highest factor loading on this component was 0.56 and lowest was 0.50.

From the analysis, it was confirmed that the major economic determinants of public procurement corruption in Gedeo Zone related to:-

- i. Size of an organization in terms of number of employees' increases corruption was found to be a major determinant of public procurement corruption in Gedeo Zone;
- ii. Low salaries of public servants were found to be among the major variables explaining increasing trends in procurement corruption. With hardships generated by the global economic crisis, public officials were likely to engage in corrupt tendencies to catch up with 'inflationary' tendencies;
- iii. Levels of income by public officials were found to be another economic variable that was confirmed as a major economic determinant of public procurement corruption in Gedeo Zone; and
- iv. Self-interest by public officers was also confirmed to be a significant economic variable that accounted most for public procurement corruption in Gedeo Zone.

The interpretation of the results should consider the diversity of respondents and their opinions on a subject like public procurement corruption. This study included 20 respondents. For example, when asked to comment whether the size of an organization in terms number of employees was likely to be a determinant of procurement corruption in Gedeo Zone, 9 (43%) said that size of an organization in terms of number of employees increases corruption. On whether low salaries were determinants of procurement corruption, majority of respondents agreed that it increases corruption. Of the 20 respondents who indicated that they were employed in the government, 10 (53%) strongly agreed that low salaries was a major determinant of procurement corruption in Gedeo Zone.

Self-interest as a determinant of procurement corruption was cross-tabulated with gender and employment category of respondents where it was found that of 10 (50%) strongly agreed that self-interest was a key determinant of procurement corruption in Gedeo Zone. This implies that respondents believed that a number of cases of procurement corruption were explained by the self interest among public officers. Respondents in the various age categories as well as different religious affiliations further shared this same opinion. Furthermore, foreign donations to public entities and supplier induced bribes to public officers also increase corruption. In addition, levels of income of an individual 10 (50%), and self-interest by public officers increase corruption.

Table 4:7. Political Determinants of Procurement Corruption

Variables	SA	A	N
Politicians getting to elective positions through bribes		50%	
Lack of freedom of press		52%	
% age of Variance		51.1%	

Kaiser-Meyer-Olkin (KMO) 74 (sig.000)

Determinants of procurement corruption in developing countries are complex. One single factor cannot therefore fully explain the phenomenon using one set of factors like the economic variables. In this study, we

examined the contribution of political determinants of procurement corruption. It emerged from factor analysis that there were a total of eight key political variables as illustrated in table 4:3 that explained trends of procurement corruption.

In table 4:6, the factor analysis results for a total of eight political determinants of procurement corruption in Uganda is presented. In this study, eight variables had been used to measure the political determinants of procurement corruption, and through factor analysis two variables of them with a total variance of 51.1% (KMO=74, Sig.0.000) were extracted under three main principle comments. An examination of the factor loadings for the components provides information on the most important political determinants of procurement corruption in Uganda. Based on the factor loadings, the most important political determinants of public procurement corruption in Gedeo Zone include:

- a. Politicians who get to elective positions through offering bribes to voters have increased the occurrence of procurement corruption. In an attempt to recover the money spend on the now commercialized politics in the country, the elected leaders at both central and local government level influence the award of government contracts where they will get direct economic benefits; and
- b. Lack of the freedom of the press in reporting procurement corruption for sensitive procurements involving 'classified' expenditures have increased corruption.

The above findings are supportive of what other researchers on general issues of corruption have found. For example, Basheka and Tumutegereize (2012) found that in a world in which governments do not always act in their citizens' best interest, corrupt politicians may be expected to spend more public resources on those items on which it is easier to levy large bribes and maintain them secret. Sometimes, corruption has increased because the politicians who have the mandate to fight it have handled corruption cases in a casual and clumsy manner (Stapenhurt, 1998, cited in Basheka and Tumutegereize, 2012) and this always encourages other to engage in similar acts.

On the other hand, public organizations are designed to serve the public along with the imperative for public accountability; two expectations that make it imperative to study problems associated with the public sector (but in a number of cases, organizational systems and procedures have not lived to this public expectation.

Table 4:8. Social Determinants of Public Procurement Corruption

Variable	SA	A	N
Levels of education by officials increases corruption	55%		
Lack of an educated society increases corruption		50%	
Societal toleration of corrupt officials have impact on corruption	55%		
Lack of women involvement in key organizational activities have impact on corruption	50%		
% age of Variance	48.8%	16.25%	

Kaiser-Meyer-Olkin (KMO) 0.828 (sig.000)

The results in table 4:8 are factor analysis results on the social determinants of procurement corruption in Gedeo Zone. The results loaded had total items of 8 variables with a total variance of 65% (KMO=0.828, Sig.0.000). The highest factor loading was 0.52 and the lowest was 0.52. A deeper analysis of the factor loadings reveals that the most critical social determinants of procurement corruption include:

- 1) The Levels of education by officials is a cause of procurement corruption. This can be explained from two angles. Those with low qualifications may engage in mild corruption;
- 2) Lack of a vibrant and an educated society on the fundamental rights is a major determinant of procurement corruption in Gedeo Zone;
- 3) Societal tolerance for corruption officials was also increasing the trends of corruption in public procurement in Gedeo Zone; and
- 4) Lack of women involvement in key organizational activities have impact on corruption is one of the major causes of procurement corruption.

Knowledge is a key ingredient of a well -functioning, modern legal and institutional public procurement framework and that the lack of it brings about capacity problems. It is possible to therefore argue that the human resource base of a reform program in public procurement is indispensable for a successful reform and for achieving a high degree of compliance since the lack of knowledge or familiarity with the procurement rules can lead to non-compliance.

Table: 4.9. Organizational Determinants of Public Procurement Corruption

Variable	SA	A	N
Lack of transparency and accountability systems	50%		
Lack of effective supervision		55%	
Lack of adequate facilities for staff	50%		
Poor linkage/ communication among the staff		55%	
% age of Variance	23.35%	26.85%	

Kaiser-Meyer-Olkin (KMO) 0.536 (sig.000)

Table 4:9 indicates results on the 17 organizational variables, which were considered as key determinants of public procurement corruption in Gedeo Zone. Out of these, 19 variables with a total variance of 47.2% were retained (KMO=0.536, Sig. 0.000) were identified with factor analysis. The retained items with their factor loadings offer useful insights into the organizational determinants of procurement corruption in Gedeo Zone. The results provide a sound basis upon which managerial and policy decisions on addressing procurement corruption can be based. It has emerged that the most important organizational determinants of procurement corruption in Gedeo Zone are:

- (1) Lack of transparency and accountability systems in the conduct of organizational functions which was a breeding ground for procurement corruption;
- (2) Lack of effective supervision within the organizations was found to be a major organizational determinant of procurement corruption in Gedeo Zone;
- (3) Lack of adequate facilities for the procurement staff in organizations had created a conducive environment for procurement corruption; and
- (4) Poor linkage/ communication among the staff were also another major organizational determinant of procurement corruption.

The above key findings compare well with existing local and international literature on general determinants of corruption. For instance, it has long been held in the literature (Basheka and Tumutegyeize, 2012) that corruption can arise because bad policies or inefficient institutions are put in place to collect bribes from individuals seeking to get around them. In the context of public procurement, bad procurement policies or inefficient systems within an organization are created to ensure that those bidders of government contracts have no choice but to give bribes in order to get over procurement administrative hurdles.

Similarly, lack of transparency in public procurement is a major obstacle to sustained economic growth and procurement activities can be the source of unhealthy activities such as corruption, scandal and abuse of public resources. Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimizing the risk of fraud, corruption and mismanagement of public funds. The accessibility of information, stakeholder participation in key stages of the procurement cycle, and the possibility of review and remedy in case of dispute are essential to transparency and accountability in public procurement

Table 4:10. Correlation Analysis and Reliability Analysis

Variables measure	R	Sig	Alpha
Economic Determinants	0.312**	0.000	
Ec1	0.045**	0.000	0.42
Ec2	0.017*	0.010	0.62
Ec3	0.210**	0.000	0.45
Ec4	0.031**	0.000	0.72
Political Determinants	0.207**	0.000	
Po1	0.234*	0.012	0.56
Po2	0.107**	0.001	0.52
Social Determinants	0.405**	0.000	
So1	0.523**	0.000	0.59
So2	0.130*	0.015	0.67
So3	0.214**	0.003	0.61
So4	0.368**	0.000	0.50
Organizational Determinants	0.452**	0.000	
Og1	0.1258*	0.018	0.73
Og2	0.081**	0.004	0.43
Og3	0.327**	0.000	0.36
Og4	0.165	0.023	0.65

** and * denote significance at 1%, and 5% levels respectively.

The above table indicates that all the conceptualized determinants of procurement corruption in Gedeo Zone are statistically significant except Og4. All the variables have a positive sign of the correlation coefficient indicating that increases in opportunities created by the various economic, political, organizational and social determinants will lead to increases in procurement corruption. Particularly, economic determinants have

statistically significant relationship with public procurement ($r=0.312^{**}$, sig.0.000). By examining the co-efficient of determination (r^2) the results indicate that economic determinants account for only 9.73% in the variations of procurement corruption. Political determinants were also found to be positively related to procurement corruption at a confidence level of 99% since its $r=0.207^{**}$, sig.0.000); and this variable accounts for 4.3% of the variations in procurement corruption.

In addition, the above table reveals that, the social determinants were positively related to procurement corruption in Gedeo Zone ($r=0.405^{**}$, sig.0.000) and this translated to a coefficient of determination of 16.4%. Eventually, organizational determinants were positively related to procurement corruption ($r=0.452^{**}$, sig.0.000). Its coefficient of determination would be 20.4% implying that it accounts for this percentage in the variations on procurement corruption. Overall, the study identified that all the four major variables account for only 50.83% of the variations in procurement corruption implying the existence of other determinants for the procurement corruption.

5.1. Conclusion

In this study, we tried to investigate the various determinants/reason public procurement corruptions in Gedeo Zone. We considered the economic, political, social and organizational determinants of public procurement corruption. The list of economic determinants consists of size of an organization in terms of number of employees; low salaries of public servants; levels of income of an individual; and self-interest by public officers whereas the political determinants includes, politicians getting to elective positions through bribes, and lack of freedom of press. Social and organizational factors also follow in the same order of strength.

Existing literature (Basheka and Tumutegereize, 2012) stated that doing research on public procurement corruption is in itself a difficult task. Public procurement corruption studies are more difficult to investigate and address than other crimes because of the various determinants which account for its occurrence. It is increasingly becoming one of the most common and lucrative white-collar 'crimes' in government machinery. It usually takes place at any of the stages of the procurement process and may involve both internal and external stakeholders.

5.2. Recommendation

On the basis of this study's findings, we suggest that: the government should focus the economic determinants of corruption; especially low salaries of public servants; levels of income of an individual. Besides, a strong political will is needed by the leaders to remain neutral in the fight against unethical behaviors and corruption. This will help in strengthening the institutions in the discharge of their functions. Public procurement process and institution reforms; strengthening the anti-corruption agencies, processes and the strengthening the transparent management of public resources and institutions are required to minimize the public procurement corruption. In line with this, due process should be more widely empowered through the legislative process. Finally, further improvement is required on social determinants to reduce the perceived level of corruption in the Zone.

5.3. Suggestion for Further Study

The scope of the study is delimited to Gedeo Zone, SNNPRS. Therefore, further study is required to identify other determinants of public procurement corruption by considering several areas and determinants. Moreover, the study has confirmed that all the four major variables account for 50.83% of the variations in procurement corruption which either suggests the existence of other determinants of the phenomenon or the challenges emanating from the measurement challenges. So, it is recommended that future studies should be conducted to explore some of these other determinants of procurement corruption.

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