

# Procurement mismanagement and the politicisation of bureaucratic transfers in Ghana



## In brief

- Governments in developing countries typically spend over half of their budgets purchasing goods and services from private companies. The mismanagement of this procurement is common in many countries, including Ghana, and can severely undermine development.
- Common modes of malfeasance include public officials selecting contractors on the basis of personal or partisan connection or receiving kickbacks from firms in return for contracts. This gives elites little incentive to monitor contractors which can potentially lead to contractors producing poorly built infrastructure or not building it at all.
- This paper analyses public procurement practices within local governments in Ghana by looking at how common uncompetitive procurement practices are and the incentives bureaucrats have to facilitate them.
- The researchers surveyed 900 civil servants across 80 local governments and found abuse in nearly half of the surveyed bureaucrats. This often derived from the threat of being transferred to less desirable local governments from senior officials.
- The researchers make 6 policy recommendations for reforming the procurement process and depoliticising the transfer process of bureaucrats.

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## Overview of the research

Mismanagement in procurement is common in many countries, including Ghana, and can severely undermine development. This study analyses public procurement practices within local governments in Ghana. Governments in developing countries typically spend over half of their budgets purchasing goods and services from private companies (World Bank, 2016). Such high levels of spending ensure that measuring the extent of financial misconduct and analysing the motivation politicians and bureaucrats have to distort procurement processes is essential to the promotion of economic development. Common modes of malfeasance include public officials selecting contractors on the basis of personal or partisan connection or receiving kickbacks from firms in return for contracts. In each case, elites have little incentive to monitor contractors. Without monitoring, companies may be in-clined to construct public infrastructure using poor quality materials or not begin building at all.

The Government of Ghana, with support from donors, spend millions of dollars per year funding new local infrastructure projects through programmes like the District Assembly Common Fund (DACF), District Development Facility (DDF), and Urban Development Grants (UDG).<sup>1</sup> It is the job of public officials working in Metropolitan, Municipal, and District Assemblies (MMDAs) to award contracts to firms to construct this infrastructure. District Tender Boards, chaired by presidentially-appointed District (or Municipal) Chief Executives (DCE/MCEs), manage these processes.<sup>2</sup> The Public Procurement Act 663, 2003 guides the steps that public officials must follow to ensure competition and transparency in the contracting processes. Prior to this study, anecdotal evidence suggested abuse in the awarding of local contracts, with corruption allegations leading to the dismissal of some DCEs and MCEs.<sup>3</sup>

This project sought to investigate:

- How common it is for local governments to award contracts to contractors on the basis of partisan connections in exchange for campaign finance; and
- The incentives that local bureaucrats have to facilitate uncompetitive procurement practice

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1. Approximately 10 percent of Ghana's national revenue is dedicated to the District Assembly Common Fund. In addition, over \$211 million dollars was disbursed to MMDAs through the DDF program over the period of four years (2009-2012) (Janus, 2014). Finally, the total budget for the World Bank-funded UDG is \$156 million dollars.

2. Each district in Ghana is overseen by one District or Municipal Chief Executive.

3. See, for example, "Corrupt' DCE sacked after Audit Service exposé," Ghana Web, 27 August 2014, <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/Corrupt-DCE-sacked-after-Audit-Service-expos-323012>.

To address these issues, we conducted surveys and interviews with nearly 900 civil servants across 80 local governments.

The results from the project demonstrate:

- Widespread abuse in procurement with nearly half of the surveyed bureaucrats admitting that public contracts in their assembly are awarded to contractors in exchange for campaign finance.
- Evidence that bureaucrats facilitate procurement mismanagement in response to threats from DCE/MCEs and top local bureaucrats of being transferred to less desirable MMDAs.
- The need to depoliticise the bureaucratic transfer process and protect bureaucrats from the discretionary oversight of local politicians.

## Policy motivation for the research

A deeper understanding of the incentives of local politicians and civil servants to engage in corruption will better enable governments and funders to design policies to counteract graft and improve the delivery of local public services. Corruption in public procurement is rampant in many countries, including many in West Africa (Transparency International, 2014). In Ghana, one-third of local infrastructure projects stand unfinished, which suggests potential abuses in the contracting process (Williams, 2015). Similarly, 38 percent of publicly-funded projects in Nigeria never reach the construction phase (Rasul and Rogger, 2016).

## Research design

To investigate procurement norms, we conducted surveys with 864 local bureaucrats in five regions of Ghana- Central, Eastern, Brong Ahafo, Ashanti, and Volta. A total of 128 MMDAs lie within these regions. We randomly selected 80 of these local governments.<sup>4</sup> In each MMDA, we interviewed between ten and twelve bureaucrats who are involved in the awarding of public contracts (contacting the same positions across all districts).

## Measuring corruption in procurement

To assess the extent of mismanagement in public procurement we asked bureaucrats the following question: In this district, are contracts granted to contractors who are likely to give part of the money to the election campaign

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4. We sampled only District and Municipal Assemblies, leaving out the two Metropolitan assemblies (Cape Coast and Kumasi).

of the incumbent party? Responses were confined to either “Yes” or “No.”<sup>5</sup>

To try and solicit honest answers about such a sensitive behavior (i.e., corruption), we used a randomised-response survey technique. This method introduces random noise into the responses of individuals and provides cover to individual respondents. Also, all survey responses were anonymous; in no case did we take the names of the people we were surveying.

### **What incentives do bureaucrats have to facilitate uncompetitive procurement?**

To better understand why administrators promote corruption in procurement we used a mixture of survey questions and interviews. While bureaucrats can engage in corruption for themselves, this can be difficult for bureaucrats working in local government institutions for two reasons. First, unlike bureaucrats who provide direct services to citizens, civil servants in local governments usually do not sell outputs or products, such as licenses or medicines, directly to citizens. This limits their opportunities to take bribes. In addition, bureaucrats in local institutions are often closely supervised by political higher-ups, which can circumvent bureaucrats’ ability to be corrupt. In such environments, bureaucrats may still participate in mismanagement, but usually at the orders, and to the benefit, of their political superiors.

In India, scholars argue that bureaucrats facilitate corruption that benefits their political superiors because they fear that if they refuse to co-operate, politicians will transfer them to work in less desirable locations (Wade, 1982). To assess whether there is a positive correlation between corruption and politicians’ ability to transfer bureaucrats, we asked each respondent how much influence they thought their MCE/DCE had on transfers in their district. To better understand how transfers work in practice, we also asked bureaucrats about whether they think transfers follow a regular schedule, and whether they are more likely in years that follow an election.

## **Results**

- Slightly less than half of bureaucrats admit that contracts in their district are granted to contractors who are likely to give part of the money to the election campaign of the incumbent party. This figure suggests that political parties fund their local campaign activities using funds set aside for developmental purposes.
- Table 1 shows that bureaucrats’ propensity to grant contracts to contractors in exchange for campaign finance varies according to the extent to which politicians can control bureaucrats’ careers through transfers; respondents are more likely to report abuse in public procurement when they perceive their MCE/DCE is easily able to transfer them.

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5. To employ this method, we gave each bureaucrat a die. Respondents then used the die to determine whether they should give an honest or predetermined (“forced”) response.

- Specifically, when bureaucrats perceive their MCE/DCE has no influence on transfers only 34.3% report corruption in procurement. This figure increases to 49.8% when bureaucrats say the DCE/MCE has a lot of control over transfers.

**Table 1: Opinions of abuse in procurement, by MCE/DCE level of influence (cross-tabulation)**

Procurement abuse	DCE/MCE level of influence on bureaucratic transfers			
	None	Not a lot	Some	A lot
Yes	34.3% (24)	36.8% (14)	48.4% (105)	49.8% (235)
No	65.7% (46)	63.2% (24)	51.6% (112)	50.2% (237)
Total	100% (70)	100% (38)	100% (217)	100% (472)

Source: Brierley/IGC survey of local bureaucrats (2015-2016). Note: Question: “In this district, are contracts granted to contractors who are likely to give part of the money to the election campaign of the incumbent party?”

- In general, bureaucrats felt that transfers were unpredictable and did not follow a regular schedule. Just less than eight in ten respondents agreed that transfers could come at any time. Similarly, six in ten bureaucrats report that transfers are more likely to come after elections. These results suggest that the transfer process gets politicised with DCE/MCEs using transfers to control bureaucrats as well as select who they want to work with.
- Qualitative data from interviews with local bureaucrats reveal a widespread fear of being transferred should they stand up to DCE/MCEs and demand competitive and transparent procurement processes. In the words of one civil servant:
  - “They [the DCE] will go to the regional minister and transfer you. Next district they say you aren’t a team player. It’s very difficult to apply the rules. This is how they put fear in you. You crawl back into your shell. If they see you as someone who moves around a lot, you are tagged as a bad officer. Meanwhile, you are trying to inject some sanity into the whole system. You are branded.”

## Policy recommendations

- To minimise political interference in the selection of contractors, District Chief Executives should not chair District Tender Boards. DCE/MCEs should be removed as the chairs of district tender committees to ensure they do not have undue influence on the selection of contractors. As DCE/MCEs are presidential appointees, they are under pressure to secure

votes for the governing party. The appointment process puts pressure on DCE/MCEs to award contracts to contractors who will donate part of the contracted sum to the local party organisation or to award contracts to party executives to pay for their prior contributions to the party.

2. **Members of the District Tender Committee should declare their assets to the Auditor General upon taking their position.** Ghana's Local Government Act 462, 1999 demands that members of the District Tender Board declare their assets to the Auditor General within three months of taking office. This practice is rarely followed. Such practices should be institutionalised to guard against politicians and local bureaucrats making private gains from the distribution of public contracts.
3. **To depoliticise the transfer process, bureaucrats should be posted to work in districts for a fixed number of years, with the transfer process centralised in the hands of the Local Government Service Secretariat (LGSS).** A more structured transfer process would allow bureaucrats to resist pressures from DCE/MCEs to undermine competitiveness procurement processes. Only rarely should bureaucrats be transferred before their fixed number of years has lapsed and for a reason that is authorised by the LGS. Similarly, the role of the Regional Co-ordinating Councils in transferring bureaucrats should be minimised.
4. **To ensure that MMDAs award contracts to experienced contractors, the Ministry of Local Government and Rural Development (MoLGRD) should monitor contracts awarded by local governments.** As part of this monitoring, the MoLGRD should obtain evidence that the selected contractors have the personnel and equipment that they claim to have in their tender application documents. Officials should also verify the validity of the documents with physical inspections of contractors' offices and equipment. The Ministry should also monitor value for money and the physical quality of projects.
5. **The MoLGRD or the LGSS should operate an anonymous corruption hotline that bureaucrats can call to file their complaints and concerns.** The number for this hotline should be displayed in offices at each MMDA.
6. **MMDAs should advertise (on a public board outside the assembly) details of each infrastructure project under contract with the local government. This notice should include details about the chosen contractor, location of the project and contracted amount.** These public notices should also include a detailed project specification, the timeline for finishing, and details of the relevant experience of the chosen contractor.

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