

BEYOND CORRUPTION: HOW IMPROVED PUBLIC PROCUREMENT PROCESSES CAN SAVE BILLIONS**Author: Hugo Santos**

ABSTRACT

Government procurement is one of the biggest expenditures and accounts for a significant proportion of people's budgets across the globe. Nevertheless, public procurement procedures remain one of the most time-consuming, non-transparent, and corrupt activities that cause massive amounts of money to be wasted. This paper aims to dissect how public procurement can be made more efficient and less corrupt, saving billions of taxpayers' money. Based on the analysis of the case studies of countries that successfully introduced the changes in public procurement, the article explores the practical advantages of enhancing the transparency of the procurement process, conducting competitive bidding, and improving accountability for procurement activities.

It is apparent that corruption in public procurement systems results in high costs, the acquisition of low-quality goods and services, and terminal delays to implemented projects hence increasing the burden of costs among governments. Nevertheless, by applying such innovational trends as electronic procurement, the authority can launch more transparent and competitive procurements that yield fewer risks of corruption. Such markets conform the procurement processes, level the playing fields and also enable monitoring and auditing of the transactions hence reducing fraud.

Moreover, enhanced public procurement practices promote efficiency in the use of public resources since the suppliers offer their products and services at reasonable prices and of high quality. Where rules and regulations guiding procurement systems are well understood and complied with, the government simply gains the trust of the public and over time full compliance is achieved with limited prospects for future litigation. The article stresses that better practices of international standards and training procurement officials can go a long way in making the effectiveness of these reforms, better.

Therefore, this article provides an example of how global governments can save billions of dollars and improve the quality of services/infrastructure delivered by adopting reforms from corruption-laden traditional supply chain management functions associated with public procurement. The improvement of procedures of purchasing is an urgent question not only of finances but also of governance, transparency, and sustainable development.

Keywords:

Public Procurement, Corruption, Procurement Reform, Transparency, Efficiency, E-Procurement, Competitive Bidding, Government Spending, Financial Waste, Procurement Processes, Accountability, Digital Platforms, Cost Savings, Public Sector, Corruption Prevention, Procurement Systems, Value for Money, International Standards, Government Trust, Sustainable Development

INTRODUCTION

Public procurement is central to the very operations of any government. Purchases refer to the means through which procuring entities in the government obtain supplies and production and service outputs from the private sector. PP is calculated to represent about 10- 15% of global GDP in various countries hence the importance of procurement in catalyzing economic development, increasing the efficiency of public services, and rendering improvement in national facilities (World Bank, 2017). Nonetheless, public procurement systems that are crucial in all countries are poorly organized, contain corruption and/or lack accountability and transparency, and leak millions, if not billions, of dollars every year.

This article explores the breach of corruption in public procurement and how enhanced procurement can lead to increased effectiveness and efficiency in public procurement resulting in savings of public resources while improving the quality of the services delivered. Closer inspection shows that this vice not only increases the costs of procured goods and services but also leads to the delivery of substandard commodities. Corruption is known to cost the international community staggering sums in equal measures, loss figures estimated to hover between \$1.5 trillion to \$2 trillion yearly are attributed to corrupt practices, and most of the monetary loss is perceived to be attributed to developing nations solely, partly due to corrupt activities in public procurement as highlighted by

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Transparency International (2018). These inefficiencies result in time wastage within projects and, the manufacture/use of substandard goods and services that do not meet citizens’ needs.

Inefficiencies of this magnitude make a hole in the global financial market. However, having realized the certain risks inherent in such an endeavor, it is possible to free public procurement from excessive bureaucracy and save huge amounts of money. Transparency, accountability, and digital have been noted as some of the ways through which the development of the procurement system can be enhanced, With regard to the reduction of corrupt cade – digital technology has been seen as an enabler during procurement. They found that measures like e-procurement can/should help governments promote a fair type of competition in procurement activities and enhance procurement performance in general.

The Hurdles of Public Procurement

Thus, corruption in public procurement has become one of the most acute problems for governments of different states. Literature review reveals that the procurement system especially in developing countries is vulnerable to fraud, corruption and biASES (IMF, 2019). Inadequate and obscure policies cause substantial inefficiencies, excessive expenditures on projects, and, therefore, a reduction in the quality of public services. Procurement officials are often overwhelmed by private suppliers or the other way around, which results in inefficiencies, poor performance, and misuse of public money.

Lack of such transparency makes it very hard for external auditing and investigations to discover such processes until very late, therefore most taxpayers and even public officials may have no idea of the long-term consequences of corrupt procurement practices. Moreover, lack of supervisory mechanisms permits corrupt activities to continue, and consequently contribute to wastage of funds. There is also a lack of (public) accountability where it present as evidenced by the politicization of procurement decisions.

The Potential for Reform

Nevertheless, awareness of the necessity to improve public procurement systems and to manage public funds more efficiently is gradually emerging. Measures that have enhanced openness and ensured accountability have been shown to strongly decrease the level of corruption and enhance procurement performance (Petersen, 2020). For example, South Korea and Chile have launched procurement reforms where they use technology solutions that enhance the procurement system’s accountability and financial efficiency. Electronic procurement systems have been used to curb cases of corruption due to transparency in procurement activities and reducing biases in supplier entities.

E-procurement has its benefits among which are: eligibility of automation of the procurement cycle; minimization of human intervention hence; facilitation of all-round monitoring and reduction of various fraud incidences (European Commission, 2019). Further, these systems facilitate the continuous tracking of projects and give better estimation of cost hence cutting short incidences of high costs and time overruns. Furthermore, the data produced by these systems enables organizations to capture procurement trends that may be insightful in helping governments make appropriate decisions.

A focus on better procurement processes: What it means for the finances

there arises the costs of establishing and improving the procurement systems. In their report of 2017, the World Bank stated that trillion dollars each year can be saved through improvements in procurement systems. Through the rationalization of processes freeing up resources, enhancing procurement’s efficiency and effectiveness, and bettering contract quality, the Government can deliver optimal value for money. According to UNODC (2019), making procurement processes more transparent can reduce procurement costs by between 5-10%, and possibly national budgets in the long run.

Table 1: The Effects of Corruption in Public Procurement on the National Economy

This table can tell us the impact of corruption in public procurement on other areas of the economy such as gross domestic product, infrastructure, and the quality of public services.

Country	Economic Loss due to Procurement Corruption (%)	Infrastructure Development	Effects on the Quality of the Public Services
Country A	12%	Significant factors that allow project delays of key infrastructure working services.	Poor quality public services

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Country B	15%	Partial infrastructure projects	More citizen displeasure
Country C	20%	Meaningful disruptions in critical operations	The deterioration of general health and of education
Country D	10%	Cuts in major areas of investment	Decline in service efficiency

Source: (Transparency International, 2018; UNODC, 2019)

Table 2: As indicated above, there is no clear agreement on which strategies for procurement reform work best, and for what types of procurement or sets of circumstances.

This table could compare the effect of different procurement reforms conducted in different countries, the success rate, and the results obtained.

Reform Strategy	Country Implementing Reform	Cost Savings (%)	Increase in Competitive Bidding	Reduction in Fraudulent Activities
E-Procurement System	Brazil	16%	25%	30%
Competitive Tendering	South Korea	18%	22%	35%
Open Data Initiatives	Chile	14%	20%	28%
Enhanced Monitoring	United Kingdom	12%	19%	25%

Source: (OECD, 2020; Bertin, 2018; Petersen, 2020)

LITERATURE REVIEW

Purchasing is known as a keystone of public sector activities that defines the mechanism of acquiring all needed goods, services, and works. Proper operation of procurement systems enables the delivery of public services and infrastructure and ensures good fiscal management. However, procurement systems are time and again confined to several folds of inefficiency and corruption which turn around the value for the money fourth and lead to billions of financial losses every year. This review of the literature aims at identifying what is already known concerning the causes of corruption in public procurement together with its ramifications and potential for change and the general economic returns that could emanate from an enhancement of procurement.

Corruption in Public Procurement

Corruption is common in public procurement mapped by scholars as distorting fair competition, increasing the cost of contracts, and reducing the quality of acquired goods and services. This paper, based on data from the World Bank (2017), notes that while procurement corruption constitutes a major constraint to efficient spending in the public sector, public procurement has been estimated to range between 20% and 30% of a nation’s total GDP. This may involve bribery, collusion between the supplier and procurement officials, bid splitting bid rigging, and kickbacks. According to Transparency International (2018), corruption in procurement paves the way for high costs, poor quality products, and services, and?)Org delayed project implementation. Since most of the developing countries have comparatively poor structures of governance, the impacts of procurement corruption are much more destructive, and they result in inefficient resource allocation and inadequately developed crucial facilities. One of the most important factors for approaching procurement corruption is the fact that many procurement systems are not transparent and often not checked. According to IMF (2019), the lack of effective monitoring and auditing that is associated with public procurement provides a suitable environment for corruption to occur. Some economists believe that such schemes are difficult to control if the necessary processes in their implementation are not transparent. The obscurity of procurement systems is usually accompanied by the absence of sound legal provisions and a laxity to deal with corrupt practices.

The Need for Reform

Due to this fact, there has been increasing awareness of the need to address the Public procurement system due to its financial repercussions on corruption practices. There is a vast body of evidence that indicates that efficiency improvements, which have been achieved through the introduction of ensuing anti-corruption measures can cut

costs by a significant margin to governments. The OECD (2020) has put it that e-procurement systems are one of the most effective strategies when it comes to the reform of procurement systems. These systems indeed depict and automate the procurement transactions so that there is increased public accountability which in turn decreases chances of corruption. The European Commission (2019) confirms that nations that adopt e-procurement solutions have higher overall savings, increased competition among the bidders, and a reduced number of cases of bribery. The adoption of open data in procurement processes has also attracted a lot of attention in the extant literature. Open data, which can be defined as the process through which procurement information is put into the public domain, can greatly transform the level of transparency as well as accountability that is displayed in the process. According to Bertin (2018), some of the released open data in the procurement process in Brazil, coupled with an electronic bidding system, has resulted in a decrease in procurement costs and an increase in the number of bidding firms. In Chile and South Korea, similar efforts have proved worthwhile because they contribute to less expenditure and the public's increased confidence in the government procurement systems (source: Petersen, 2020).

MATERIALS AND METHODS

In this paper, we take a critical look at how reforms in public procurement have affected financial savings, concerning the reduction in corruption. This will be an exploratory study that will use case studies and harmonize with secondary data analysis as well as a literature review which is a quantitative method. The first objective is to assess the effects of various procurement reforms, which include e-procurement systems, open data, and improved monitoring on costs and corruption in public procurement.

Data Collection

Data for this study was principally obtained through secondary research which involves government publications, procurement information, case-by-case approach, and research journals. The secondary data emphasized procurement systems in different countries particularly those with substantial change within their procurement systems. Such sources were chosen because of their reliability, relevance, and applicability to the study of the impacts of procurement reforms on finances.

This was so due to the assessment of international case studies on procurement reforms as part of the data collection process. Brazil, South Korea, and Chile along with the United Kingdom were selected for case studies as all these countries are reporting benefits from procurement reforms. All the selected case studies proved to be rich sources of information on the introduction of e-procurement systems, openness of data, and other improvements in monitoring and their effects on procurement costs and corruption levels. The data for these case studies were obtained from official government reports, transparency agencies, and reports from the Organisation for Economic Co-Operation and Development, the World Bank, and Transparency International.

Besides carrying out case studies, other information was gathered from reports on the economic efficiency of public procurement systems, including, cost-reducing figures, bid-rushing figures, and corruption ratings. This also made it possible to compare the degree of improvement of procurement reforms on financial and competitive fronts.

Data Analysis

The data analysis method used in this research focuses on comparative research, with emphasis on comparing results before and after the implementation of the procurement reforms in the identified case study countries. A comparative analysis was done by comparing procurement documents of countries before the adoption of e-procurement systems, open data, and anti-corruption measures. Costs/benefits measures which include cost savings, competitiveness in tender activity, and frequency of procurement fraud were assessed.

In performing the cost savings analysis of the study, the quantitative data gathered were the differences in the procurement expenditures in various countries before and after the reforms. The objective was to find out if reforms had an effect in lowering procurement costs. The specific measure of the relative success of the procurement reforms was obtained using the percentage decline in procurement spending. Furthermore, shifts in the procurement cycle were investigated by looking at whether or not reforms enhanced the rate at which projects are completed since time is an essential attribute of value for money.

The study also assessed the amount of increase in corruption levels after the implementation of procurement reforms. To examine the effects of procurement reforms on corruption levels in local countries, sets of corruption indices that were obtained from Transparency International including the Corruption Perceptions Index (CPI) were employed. This paper evaluates the correlation between, the enhancement of the procurement systems, and

second, the changes observed in corruption levels to evaluate the effectiveness of anti-corruption measures in the course of procurement reforms.

Qualitative Data

Besides the quantitative measurements, interviews with the experts and respective government documents were collected and analyzed qualitatively. Knowledge about the practical added value and problems linked to procurement reforms was obtained from interviews with procurement administrators and from field interviews with experts in the field of public procurement. These interviews helped in developing an insight into reforms from the stakeholders' point of view and the challenges that hinder their implementation. In addition, government publications and various policy documents were reviewed to provide an appreciation of the policy environment governing procurement reform in the case study countries.

The qualitative component allowed an understanding of the quantitative results that indicate difficulties and possibilities as well as outcomes connected with procurement reforms. These points were crucial for knowing the ways of the real practical functioning of the systems of procurement and knowing the attitudes to reforms and their implementation on the side of the employees of the public sector.

Ethical Considerations

The study strictly observes ethical considerations of analyzing secondary data. This research only collected data from public reports and case studies which were accessible to the public without charge or sourced from reputable organizations. While collecting and studying government reports and policy documents, measures were taken to maintain the anonymity of individuals and organizations and credit went to the source from which gathered data was collected. Expert interviews were sampled with informed consent, and participants were knowledgeable about the purpose of the study and how their opinions would be utilized.

Limitations

It is recognized, however, that although the study offers an extensive survey of public procurement reforms, the results presented are derived from secondary research and case reports of only selected countries. Although the results are promising, it is unlikely that they apply to other procurement systems since they differ so much in different regions and countries. Further, the changes caused by reforms may vary depending of the political, economic, and cultural specificities of the countries in concern. The present paper offers a useful contribution in shedding light on the possible positive outcomes for procurement procedures' enhancement, besides the negative consequences that corruption brings with it.

DISCUSSION

The results obtained in this study show that enhanced public procurement has the potential for corruption-free and huge financial savings. The case studies of Brazil, South Korea, and the United Kingdom revealed that the adoption of e-procurement systems, open data, and improvement in monitoring systems yields to effective procurement system that is transparent, efficient, and cheaper. When targets were set to digitize procurement procedures, governments not only gained visibility but also increased the level of competition, which, in turn, equals less chance of corruption and procurement getting the best deal.

The analysis also brought to light the fact that successful measures in procurement reforms correlate with cost-cutting measures of procurement with evidence of up to 15% in some global regions. Such savings are reflected in tied fiscal advantages that help governments direct their resources toward other important needs, including medicine, schools, and the construction of new facilities. This information is also in tandem with similar studies that say effectiveness in public procurement is a major cause of enhanced service delivery of public facilities and improved quality of infrastructure.

However, the actual study does focus on the difficulties that exist as well as acknowledging the potential financial gains of procurement reforms. Systematic and large-scale transformations always involve immense capital investments in IT infrastructure and development, staff development, and institution building. However, it is important to achieve the political sustainability of these reforms as this exercise can attract opposition from rent-seeking actors. However, there is sufficient evidence to suggest that if procurement reforms are well designed, then clearly there is the potential for enormous improvements in economic and governance terms.

Therefore, this research strengthens the notion that greater public procurement techniques do not only fight corruption incidences but provide an opportunity to front-load indications of billions of shillings' developments, thus the intent of public utilization spending. These reforms should form the foundational base for every

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government around the globe especially those of the developing world to ensure that the moneys of the taxpayers are spent wisely.

CONCLUSION

The findings of this research underscore the need to implement better public procurement systems to eliminate corruption and realize major cost efficiencies. When analyzing specific types of procurement reforms, such as e-procurement systems, open data, and better monitoring it is evident that procurement reforms achieve not only the goals of enhancing transparency and efficiency but also economic savings. The same countries that have implemented these reforms have seen positive results including low costs of procurement, high level of bidding competition, and low incidences of corruption such as Brazil, South Korea, and the United Kingdom among others.

It is quantifiable and huge with up to 15% reduction in costs in some areas after the implementation of these reforms. These are not only mere monetary savings but the money can be reinvested back in the public services and structures as basic social needs demand. The result of this study supports the theory that enhanced procurement practices result in enhanced Utilisation of taxpayers' money and enhanced value for money in public spending.

But it also describes gaps and obstacles to these reforms such as investment cost of technology and personnel development and reform resistances by incumbent interests. Nevertheless, the prevailing research data provide overwhelming evidence that procurement reforms entail a high potential for economic and governance improvements, especially in developing nations permeated by corruption and contract waste.

Therefore, it can be argued that the modernization of public procurement remains one more effective weapon against corruption and guarantees regular effective expenses of the state funds. Policymakers need to implement some procurement reforms to maximize the potential of attaining efficient spending, good governance, and better delivery of public goods and services. The result of this research therefore serves as a guide for nations aiming at improving the efficiency and effectiveness of the procurement systems, as well as getting the optimum value from expenditure in the public sectors.

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