

# An Analysis of the Effectiveness of Public Procurement Policies in Curbing Corruption in Public Sector Organisations in South Africa

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**Abstract:** Public procurement plays a pivotal role in driving economic activities. However, corruption also negatively impacts the procurement of public goods and services. The aim of this study is to determine the causes of corruption in public procurement in selected South African (SA) public sector organisations and suggest solutions. A case study and a mixed-methods research approach entailing both qualitative and quantitative research methodologies was adopted. An exploratory and descriptive research design was also deemed necessary for the purpose of the study. A purposive sample of 25 public sector organisations in the Western Cape was identified. Data was collected via questionnaires, interviews and documents. The findings of the study revealed that public sector organisations in SA encounter various challenges that impact the implementation of public procurement policies, such as the lack of internal control measures, non-adherence to procurement policies, poor procurement implementation processes, ethical lapses, political interference and governance failures. Based on the findings, recommendations include increasing levels of deterrents to corruption and adoption of strategies such as strengthening internal control measures, simplifying anti-corruption policies and legislation and protections for 'whistleblowing'. These recommendations can apply to other public sector organisations, both in SA, and abroad.

**Keywords:** Public Procurement, Corruption, Governance, Ethics, Whistleblowing

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## 1. Introduction

In South Africa (SA), public procurement spending formed 15% of GDP in the Financial Year 2021/2022. Although national government is the largest purchaser of good and services, (24%) local and provincial governments and State Owned Enterprises (e.g. Eskom and Transnet), each form about 25% respectively of public procurement expenditure. A succinct definition of procurement is given by Grandia *et al.* (2023), who define public procurement as the acquisition of works, supplies, or services by government or public organizations from the market or another outside body, while simultaneously creating and safeguarding public value from the perspective of their own organisations. Public procurement is a complex function and can be described as the supply chain system for the acquisition of all necessary goods and services by the state acting in pursuit of the public interest. However, in SA public procurement is highly decentralized at the institutional level. Each government entity has significant latitude to decide how it procures the goods, services it needs to carry out its functions, while legislation is highly fragmented with

over 80 different legal instruments governing public sector procurement along with accompanying regulations making compliance with procurement requirements burdensome for suppliers (especially for smaller entities). The vulnerability of governments to corruption while engaging in the process of public procurement was identified as far back as the 1860s in America, when significant "waste and squandering", of public funds was first identified, and that "*Overcharging was common, with war contracts awarded without any advertising at exorbitant rates above market value*" (Kohn, 2023).

## 2. Literature Review

Ethical procurement relies on an adherence to principles to proactively apply principles of loyalty and respect for rules and regulations, integrity, impartiality and fairness, transparency, confidentiality, avoidance of the appearance of impropriety and due diligence in the supply chain processes. However, according to Pillay *et al.* (2023), corruption in the African public sector can occur through "*bribery, embezzlement, nepotism, favouritism and procurement fraud*" (Pillay, 2023:4). Corruption

can arise because of poorly formulated policies or inefficient measures intended to limit the possibility of bribes or collusion from individuals to commit wrongdoing in public procurement. Khan, *et al.* (2019) contended that corruption is intimately linked to a lack of enforcement of the rule of law.

The manifestations of unethical procurement are described by Mazibuko and Fourie (2017), including "*uncompetitive bidding, and inadequate contract management... non-disclosure [of interests] by suppliers... or using incorrect preferential point systems and thresholds to which can be added falsification of supporting documents stipulated during the tender compliance process for award of procurement contracts and acceptance of cheaper, but sub-standard goods or services or even when outside suppliers that are formally or informally involved in drawing up specifications,*" (see further Mazibuko & Fourie, 2017). Corruption in public procurement is a complicated phenomenon that can occur at any stage of the procurement process. Risk assessments conducted by internationally recognized consultancies indicate that corruption during the procurement process is the second most reported global economic crime. One of alleged causes of corruption in the public sector environment is political interference (Aleyomi, 2020). In particular, while administrative processes have the potential to curb corruption, they are not always effective to implement control measures.

According to Williams-Elegbe (2018), in developing countries, (such as SA) "*procurement corruption is rife due also to institutional weaknesses, the lack of enforced accountability mechanisms, and a culture of silence in relation to public sector malfeasance.*" Sayeed (2023) analyses corruption in South Africa's public sector and concludes that not only is there an inextricable link between poverty and corruption, but that governance failures also encourage corruption and weaken institutions, a finding confirmed by commentators on the Zondo Commission of Inquiry, (see further two recent synopses of the Commission's deliberations by commentators such as Holden (2023) and Haffajee (2023). The challenge for SA is to ensure accountability, transparency and application of the rule of law. The Zondo Commission's recommendations include professionalizing board appointments to state-owned enterprises, preventing cabinet ministers from appointing political unqualified or compromised persons and critically, and upskilling civil service and local government procurement officials (Gottschalk, 2023).

### 3. Research Methodology

The study was conducted at 25 Western Cape public sector organizations. The research aimed to assess the effectiveness of the public procurement policy in curbing corruption. A mixed-method approach was employed, using interviews and survey questionnaires to achieve this aim. The study aimed to better understand the procurement practitioners' perspectives and experiences with public procurement policies and processes to combat corruption in 25 public sector departments. A purposive sampling method included all procurement practitioners in the selected departments. The full study involved a literature review, documentary analysis, and interviews with the chosen participants.

The data for this study was collected by conducting interviews and distributing questionnaires to procurement managers and practitioners in selected public sector organizations in the Western Cape. The collected data was then analyzed using Atlas.ti for qualitative data and Statistical Package for Social Sciences (SPSS) for quantitative data. The qualitative and quantitative data sets were extracted, explored and aggregated to identify relationships among emerging themes.

#### 3.1 Research Approach

##### 3.1.1 Quantitative Methods

Research was conducted via an empirical study using interviews and a survey questionnaire. A quantitative approach was used to determine the relationship between the public procurement policy and corruption in SA.

##### 3.1.2 Qualitative Method

During the quantitative phase a survey questionnaire, generated written data on the 'respondents' evaluation via closed-ended questions were directed. Interviews were also conducted with the identified individuals employed in the departments. The responses were received in written form and qualitatively analysed. Besides the semi-structured questions, open-ended questions were included to ascertain the participants' opinions. All interviews were digitally recorded and transcribed verbatim.

##### 3.1.3 Mixed Method Research

The research employed both quantitative and qualitative methods and analyzed them separately to establish if the results were confirmed or otherwise.

Both the collected qualitative and quantitative data were triangulated. Triangulation utilises multiple sources in collecting data for a study, and if an investigation is well triangulated, the study will "contain richness, depth, breadth, complexity and rigour" (Liamputtong, 2016).

### 3.2 Sample

The purpose of sampling is to select a representative set of individuals from a target population in the Research. A sampling population comprises those final sampling units in the target population with a positive, non-zero probability of being selected as a sample. In this study, the research domain was the public procurement policy in the SA public sector. The sample is drawn from a list of public sector departments and municipalities in the Western Cape. The policy is formulated on the management level. The researcher contends that public procurement managers are therefore the most suitable population from which to gain an understanding of how policies are developed and implemented. The sample strategy of the study was operationalized from a sample drawn from a list of national departments with a regional office, as well as provincial departments and municipalities located in the Western Cape. Considering a specific plan and a defined required data set, the researcher approached the sampling problem with a non-probability sampling method.

#### 3.2.1 Population and Sampling Methods/Design

The population data of one province, the Western Cape, regarding corruption reporting, was used in the study. The target population of this study comprised 25 public sector supply chain practitioners and managers in 10 Western Cape Municipal Departments (Agriculture, Social Development, Environmental Affairs Development Planning, Human Settlements, Community Safety, Transport and Public Works, Education). Other anti-corruption role players in SA were also included (Offices of the Public Protector, Auditor General, Public Service Commissioner, the National Prosecuting Authority (NPA), the Asset Forfeiture Unit, and the Special Investigation Unit of the NPA), as well as Senior Procurement Managers in the Forensic Investigation Unit (to whom all corruption cases in public procurement are reported) of the Western Cape Parliament.

#### 3.2.2 Interviews

Following a pilot study to refine the questions and eliminate any ambiguities, face-to-face

semi-structured interviews (comprising questions that emerged from the literature review, the conceptual framework and case study analysis) were conducted to explore the understanding of public procurement and corruption concepts from the interviewees' perspectives. All interviewees held senior or management positions and were responsible for policy development and implementation. The interview guide covered the study objectives, indicating to critically assess whether the public procurement policies of departments include elements aimed at preventing corruption in public procurement, to measure the relationship between corruption and public procurement policy by applying statistical analysis techniques on collected data, and to recommend a public procurement framework for the SA public sector to improve procurement practices and address corruption. The interview questions were constructed around five themes and respondents asked to answer the questions using a five-point Likert scale.

### 3.3 Data Analysis

The purpose of conducting interviews with the procurement managers was to answer Research Question 1, as shown in Table 1 on the next page. The SPSS Version 26 was used to analyse data and examine the descriptive and disciplinary analysis. For open-ended questions, informal content analysis was used by categorizing similar keywords/themes. The questionnaire survey was also used to collect data. The questionnaires were distributed among all officials working in public procurement domains at the state organs.

The collected data were analyzed using statistical techniques, coding, and theme analysis. During quantitative analysis, the researcher analysed the data based on the questions or hypotheses and used the appropriate statistical test to address the research question. Qualitative data analysis involves coding the data, dividing the text into small units, assigning a label to each unit, and grouping them into codes.

## 4. Ethical Considerations

Ethics is a crucial concern because this study focused on public sector agencies. Permission was obtained from department heads of all the organizations in the Western Cape, and permission obtained from the respondents before the interviewing process

**Table 1: Research Questions**

Research Question	Research Questions	Responses	Methods
RQ 1 (a)	To what extent have public procurement policies been successful in preventing or curbing corruption?	Opinions of implementation, knowledge, rules and regulations, compliance, accountability, training sanctions and outcomes through open-ended questions.	By conducting the Descriptive Analysis-mode, median and standard deviation.
RQ 2 (a)	What are the reasons that public procurement policies are not able to prevent or curb corruption?	Measure the public procurement policies and to what extent they aim to curb corruption.	Using an informal content analysis technique to look for similar keywords/themes and observations.
RQ 3 (a)	What factors influence the development and implementation of public procurement in a public organization?	Opinions of accountability and transparency through open-ended questions.	Using an informal content analysis technique to look for similar keywords/themes.
RQ 3 (b)	What are the reasons for the significant increase or decrease in corruption in public procurement?	Measure the extent of corruption in the organisation. Respondents were asked about the number and type of corrupt practices in their organisation.	Using an informal content analysis technique to look for similar keywords/themes.
RQ 3 (c)	What systems are used to identify and detect elements of non-compliance in public procurement processes in the SA Government?	Measure of systems and non-compliance to public procurement processes.	By conducting the Descriptive Analysis-mode, median and standard deviation.
RQ 3 (d)	What is the relationship between public procurement policies and corruption?	Measure the strength of the relationship between public procurement policies and corruption.	The bivariate Correlation coefficient, regression, and Multivariate Analysis (SPSS) were used to determine the degree of relationship between public procurement policies and Corruption.

Source: Researchers

in compliance to Unisa's then applicable policy on research ethics rules and moral code of conduct.

## 5. Results

The literature review and data collected highlight how training deficiencies and failure to build capacity have exacerbated non-compliance to, misinterpretation of, and maladministration in public procurement policies. The empirical findings from the study confirmed that the public procurement framework and legislation including policies are fragmented, outdated and vulnerable to different

interpretations which contribute to maladministration and corrupt practices in public sector organisations. Non-adherence to anti-corruption guidelines, lack of risk mitigation strategies and weak enforcement mechanisms prevail in public sector organisations.

The Survey findings in Table 2 on the next page rank the Top 10 factors that the 53 respondents considered most relevant to influencing corruption in public procurement. Experience, transparency, adherence to policies and regulations, knowledge and training are all highly ranked.

**Table 2: Interpretation of Data in Ranked Order Top 10**

Rank	Variable Description	Mean
1	Position in your Organisation	3.62
2	Adherence to stage of procurement as stated in Department's procurement policy	4.55
3	Public Procurement Policy is approved by the Executive	4.36
4	Content knowledge of Preferential Procurement Policy Act	4.57
5	Adherence to regulations, rules, and procedures	4.55
6	Declaration of Interest and Secrecy is a deterrent to combat corruption	4.28
7	Declaration of Interest by Specification, Evaluation, and Adjudication Committees	4.72
8	Commercially sensitive information content bid should not be made public	4.15
9	Mandatory induction training on procurement for all public officials	4.55
10	Number of years' experience in public procurement	3.49

Source: Authors

1. **Position in your Organization.** Respondents consider that those in higher positions have more influence in procurement processes. providing mandatory training on procurement to all public officials
2. **Adherence to stage of procurement as stated in the Department's procurement policy.** Strong adherence to these procedures is seen as crucial in preventing corruption. 10. **Number of years' experience in public procurement.** Years of experience in public procurement relevant.
3. **Public Procurement Policy is approved.** Executive approval is considered essential for effective procurement. Subsequently, Variance was analysed. Variance is the average of the squared distances from each point to the mean. Variance is a statistical measurement of the spread between numbers in a data set. More specifically, variance measures how far each number in the set is from the mean (average), and thus from every other number in the dataset. In the context of this study, it measures the distance between the means. Therefore, the descriptive statistic table is a guide to determining the distances between each mean. All the components or factors influence each variable and how much of the variance in each variable is explained by these factors. Commonalities of the variable describe how much of the variance in each variable is accounted for. Initially, all variables have an equal chance (1.000) to be part of the extraction process. For illustrative purposes, only the highest ranking 4 variables are included in the Factor Analysis Test.
4. **Content knowledge of Preferential Procurement Policy Act.** Knowledge of PPA crucial in public procurement.
5. **Adherence to regulations, rules, and procedures.** Compliance is considered vital in maintaining transparency and integrity.
6. **Declaration of Interest and Secrecy is a deterrent to combat corruption** in procurement.
7. **Declaration of Interest by Specification, Evaluation, and Adjudication Committees.**
8. **Commercially sensitive information content bid should not be made public.** Safeguarding commercially sensitive information from public disclosure. The relatively high ranking of 'Ethics' highlights the importance of devoting more time and resources to training in ethics as one part of addressing the problem of corrupt practices.
9. **Mandatory induction training on procurement for all public officials** highlights significance of Respondents also highlighted the significance of detecting conflicts of interest, instituting internal



**Table 3: Total Variances**

Total Variance Explained										
Component	Variable	Initial Eigenvalues			Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings			
		Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	Competent and accountable handling of corruption cases	3.547	29.559	29.559	3.547	29.559	29.559	3.346	27.883	27.883
2	Strengthening internal control measures	2.191	18.255	47.814	2.191	18.255	47.814	1.837	15.31	43.193
3	International community involvement	1.28	10.669	58.484	1.28	10.669	58.484	1.633	13.608	56.8
4	Training on ethics	1.145	9.539	68.022	1.145		68.022	1.347	11.222	68.022

Source: Authors

control measures, practicing ethical behaviour, media and social pressures and debarment of suppliers as deterrents to reduce non-compliance in public procurement, supporting the argument of Luo *et al.* (2022), that debarring or disqualifying corrupt suppliers from bidding for, or otherwise obtaining, government contracts significantly inhibits curb public procurement corruption. However, the findings noted that many public sector organisations simply do not adhere to strictures regarding debarment of suppliers. It can be argued that public procurement policy cannot prevent corruption, and other factors should therefore be explored.

It is evident from the data collected that a lack of training and capacity building in the procurement environment is one of the factors contributing to maladministration. The vulnerability contributes not only to the increase of non-compliance to the public procurement policy provisions but also creates a misunderstanding or misinterpretation of the policy procurement policy (PPP) outcomes. As a procurement skill, interpretation of the policy outcomes can be enhanced by training and capability building. Training is also vital in procurement processes because it creates awareness of the reputational implications of corruption.

## 6. Conclusion and Recommendations

The research reveals that corruption in public procurement is complex and cannot be easily eradicated without the clear awareness of anti-corruption policies and the risks – both personally and to corporate reputations – of ignoring them. The research concludes that urgent interventions are required if corruption in public sector procurement is to be curbed in SA. The present research suggests that the addition of international best-practice, the institutionalisation of whistleblowing protections, and incorporation of ethical practices at all stages in the procurement process can all serve to improve the integrity of public procurement in South Africa.

The literature review and empirical evidence demonstrated a need to standardise fragmented public procurement policies and future legislation should consolidate procurement policies for each level of government. Following suggestions of the South African Auditor General, consequence management (punitive actions or fines) by Accounting Officers or Municipal Managers should also be implemented to ensure compliance. According to Odeku (2019), Sihanya and Ngumbi (2020) and Ochieng and Kamau (2021), anti-corruption tools such as the application

of lifestyle audits on all procurement officials (including officers sitting on Bid Specification, Evaluation and Adjudication Committees), are powerful tools to detect illicitly obtained wealth. In an environment susceptible to temptations, enhancing opportunities for government officials to act ethically in the execution of their duties can mitigate risks (Sibanda & Maramura, 2020). Strengthening Whistleblowing protections emerged as promising area. Although specific corporate whistleblower protections exist, the courageous testimonies revealed by individual South African whistleblowers such as De Ruyter (2023), Mothepu (2021), Stimpel (2021), Williams (2021) and narrated by Wiener (2020) are very revealing, if not frightening. Effective whistleblowing mechanisms require 24 hour 'hotlines,' supported by awareness programmes, anonymity, follow-up actions and anti-retaliation protections (ACFE, 2023).

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