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Impact of Frauds and Corruption on Public Procurement in Nigeria

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ABSTRACT: The study assessed the Impact of Frauds and Corruption on Public Procurement in Nigeria; and dispassionately determined whether or not the common forms and techniques of fraud and corruption have significant effect on public procurement system in Nigeria. The study assessed procurement corruption using long datasets (1999-2024) from recognised secondary sources including Transparency International's Corruption Perception Index (CPI) scores, Global Competitiveness Reports, and reports from local anti-corruption agencies**.** Findings show Nigeria's CPI scores ranged from 10 to 28, reflecting persistently high perceived corruption. The study concluded that procurement corruption in Nigeria is not merely a product of individual misconduct but a reflection of deeper institutional dysfunction, aiding fraud and corruption to undermine public procurement. It therefore, recommends full digitization of processes integrated with open contracting data standards that include compulsory use of NOCOPO by the Federal and State MDAs. To ensure accountability and transparency of public procurement in Nigeria, real-time bidding and contract data must be published in line with Public Procurement Act of 2007.

KEYWORD: Frauds, Corruption, CPI Scores, NOCOPO, Public Procurement, Nigeria.

1.0 INTRODUCTION

Public procurement plays a very significant role in the development of a nation as it forms the means with which government policies are converted into physical output such as infrastructure, health services, education, and security. However, public procurement has been a basis of fraud and corruption in Nigeria. For instance, the Transparency International (2023) reported that Nigeria is one of the nations with a high perceived corruption level.

Corruption in Public Procurement is defined as the engagement of public officials or bidders, in any illegal, unethical or morally wrong act before or after bidding process, contrary to the laid down principles and regulations guiding Public Procurement with the intention of achieving a personal or selfish gain (Olusegun & Ikenwa, 2020). Corruption in Public Procurement can be at virtually all levels of the process from the need assessment, through the determination of the specification and market survey to determination of the in-house estimate, contracting, the bidding stage, bid evaluation and award.

Corruption within the system has plagued Nigeria ever since its independence, and, namely, procurement fraud has acquired the status of an ultimate corrosion (Solomon, 2018). There is a complicated interaction between weak institutions, lack of accountability, political patronage, and socio-cultural issues that determine peculiarities of the procurement fraud in Nigeria. These peculiarities are of great significance when it comes to an effective development of prevention and control strategies. In Nigeria,

1.1 Statement of Problem

One of the most crucial issues in public procurement today in Nigeria revolves around balancing accountability and control with fairness and transparency. This is a recurring issue in the implementation of the Public Procurement Act of 2007, which aims to establish a transparent, competitive, and cost-effective system for acquiring goods and services by public entities. The Bureau of Public Procurement (https://www.bpp.gov.ng/) is the regulatory body responsible for overseeing and enforcing these regulations in procurement process. On the contrary, fraud and corruption in procurement pose a significant challenge of governance and development in Nigeria.

Nigeria has a long history of public procurement challenges. One of the greatest challenges has to do with ensuring effective accountability and transparency. A World Bank Country Assessment survey conducted in 2000 suggested that 60 Naira out of every 100 Naira spent by government was being lost to procurement fraud and corruption (Abah, 2020).

While corruption in procurement is a global concern, its effects are especially pronounced in Africa, Basheka (2011) notes that corruption is often blamed for the inability of African governments to deliver essential services to their citizens. Transparency International estimates that procurement-related bribery costs the global economy over $400 billion annually. These financial losses represent missed opportunities for development, particularly in regions that can least afford them.

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Perhaps, the perceived notion of many businesses/contractors that significant capacity deficiencies within procurement institutions contribute to corruption, fraud, inefficiencies, and lack of transparency, which ultimately hinder economic growth and development, has probably been a foremost discourse in public procurement in Nigeria, especially in the public sector. It is in this regard, the study examined the Impact of Frauds and Corruption on Public Procurement in Nigeria.

1.2 Research Questions

The following research question was asked to elicit information for the study:
Do the common forms and techniques of fraud and corruption have significant effect on public procurement process in Nigeria?

1.3 The Study's Objectives

The study's broad objective was to examine the Impact of Frauds and Corruption on Public Procurement in Nigeria; and the specific objective was to determine whether or not the common forms and techniques of fraud and corruption have significant effect on public procurement process in Nigeria.

1.4 Significance of the Study

This study's significance lies in its potential to contribute to both academic discourse and policy development concerning corruption and public procurement in Nigeria. The study will fill a knowledge gap by providing empirical evidence on how fraud and corruption falsify public procurement outcomes.

2.0 LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.1 Meaning of Fraud and Corruption in Public Procurement

Fraud is broadly defined in procurement as dishonest or illegal activities executed to gain an unfair advantage in the procurement process. According to the Association of Certified Fraud Examiners (ACFE), fraud includes bid rigging, kickbacks, fraudulent invoices, collusion, and manipulation of bid specifications. Procurement fraud is particularly harmful because public procurement accounts for a significant portion of government spending in Nigeria, estimates place it at over 60% of the national budget.

Corruption in public procurement refers to illegal, unethical, or morally questionable actions by public officials or bidders before, during, or after the procurement process, aimed at gaining personal or selfish benefits. According to Olusegun and Ikenwa (2020), this behaviour violates the established regulations that guide procurement practices.

Kubai and Waruguru (2024) categorize procurement fraud into internal and external forms. Internal fraud involves actions taken within the procurement system by insiders, while external fraud includes influences from outside, such as politicians or business owners with vested interests. Some scholars argue that external influences may have an even greater corrupting impact on procurement processes than internal ones.

A well-structured and transparent procurement system ensures efficient government spending, promotes innovation, reduces social inequality, and can support environmental sustainability (Olusegun, 2024). On the contrary, a weak procurement system fosters poor infrastructure, financial waste, public frustration, and even social unrest. The African Development Bank (2009) highlights that public procurement constitutes up to 70% of national budgets in Africa. Despite this large spending, infrastructure across the continent remains underdeveloped.

In this regard, Olusegun (2024) emphasises that public procurement in Nigeria has long been flawed by corruption, as far back as the 1960s. This persistent issue was even cited as a justification for several military coups.

Olusegun and Ikenwa (2019), in a focused study on Nigeria, identified weak organisational controls as the most significant contributor to procurement corruption. This contrasts with findings by Basheka, (2011), where poor remuneration and economic hardship were seen more critical to poor transparency in procurement. Olayisade (2025) decried the magnitude of corruption in public procurement in the health sectors, nothing that government attempts to boost accessibility in the pharmaceutical market, have not yielded its desirability owing to corruption and lack of transparency in the procurement process.

2.1.2 Common Forms of Procurement Frauds and Corruption in Nigeria

i. Bribery and Kickbacks: This involves public officials receiving payments or other benefits in exchange for awarding contracts to specific companies, often at inflated prices.
ii. Bid-Rigging: This occurs when companies collude to manipulate the bidding process, ensuring that a pre-determined company wins the contract, often at a higher price than if a fair competition had occurred.
iii. Contract Splitting: Procurement contracts are divided into smaller, individual contracts to bypass competitive bidding thresholds and oversight mechanisms, allowing for easier manipulation.
iv. Inflated Contracts: Public officials and contractors collude to increase the cost of contracts, with the excess funds often diverted for personal gain.
v. Ghost Projects: Payments are made for non-existent projects or services, with the funds disappearing into private pockets.

2.2 Theoretical Review

2.2.1 Agency Theory

This research is anchored on the Agency theory. This is justified because public procurement deals mainly with awarding of contracts and supplies to public business men and women. It is a legal and an economic instrument. The decisions made by the awarding entity determine the conduct of the contractors and the effects of fulfilling the contract as early as at the start of the process of awarding the public contract. The classic mainstream agency theory assumes that the principal has to rely on the actions of the contractor. From the point of view of effectiveness of public procurement, it is of particular importance that the contractor (agent) first has to rely on the actions of the awarding entity (principal), namely its substantive qualifications. The Agency theory relates the significance of quality and transparency of the actions taken by the awarding entity at the stage of preparation of the procurement (Chrisidu-Budnik & Przedańska, 2017).

2.3 Empirical Review

A range of factors in the studies carried out by Basheka (2011); Hasan (2016) and Kuba & Waruguru (2024) contribute to the prevalence of procurement fraud and corruption. Their studies classify the determinants into economic, organisational, political, and social categories, including religious influences.

Hasan (2016) in a study on the determinants of Public Procurement corruption, carried out in Malaysia, found a significant correlation between procurement fraud and these factors. Interestingly, he discovered that organisational factors had a limited impact in Malaysia, likely due to the presence of robust internal control systems.

3.0 METHODOLOGY

This study adopts a quantitative research method to systematically assess the prevalence and impact of corruption in Nigeria's procurement processes. Through this approach, the study assessed procurement corruption using datasets from recognized secondary sources such as Transparency International's Corruption Perception Index (CPI) scores, Global Competitiveness Reports, and reports from local anti-corruption agencies.

3.1 Population, Sampling Size and Sampling Technique

The study used a long historical data set (1999–2024), by employing a descriptive statistical technique to interpret and analyse the data.

3.2 Descriptive Statistics

Descriptive analysis summarizes the historical data on procurement corruption in Nigeria. It includes: trend analysis of corruption perception indices from 1999 to 2024; frequency distribution of common procurement-related corrupt practices; and mean, mode, and standard deviation of corruption scores over time.

4.0 DATA ANALYSIS AND RESULT INTERPRETATIONS

4.1 Time Series Analysis

Since the study used a long historical data set (1999–2024), time series analysis is appropriate for evaluating changes in corruption levels over time and the effectiveness of anti-corruption reforms. Time series modelling helps predict future trends based on historical patterns and may reveal cyclical tendencies or reform impacts.

Table 1: Presentation of Data

Year	CPI Score (0 = high corruption, 100 = very clean)	Global Rank (out of 180)
1999	16	98th
2000	12	90th
2001	10	90th
2002	16	101st
2003	14	132nd
2004	10	144th
2005	19	152nd

2006	22	142nd
2007	22	147th
2008	20	121st
2009	25	130th
2010	24	134th
2011	24	143rd
2012	27	139th
2013	25	144th
2014	27	136th
2015	26	136th
2016	28	136th
2017	27	148th
2018	27	144th
2019	26	146th
2020	25	149th
2021	24	154th
2022	24	150th
2023	25	145th
2024	26	140th

Source: Historical data (1999–2023) from aggregated Transparency International

4.2 General Trends

Over the 26-year period, Nigeria's CPI score remained low, typically ranging between 10 and 28, reflecting persistent and significant corruption problems. The country's global ranking also remained poor, consistently placing Nigeria in the bottom half of countries assessed, often among the worst-performing nations in terms of corruption perception.

4.3 Period of Analysis

The year 1999 had a CPI score of 16, ranking 98th, already reflecting widespread corruption. By 2000 and 2001, scores had dropped to 12 and 10 respectively, maintaining the 90th global rank, suggesting a worsening perception. In 2002, there was a brief rebound to 16, but this was followed by another decline to 14 in 2003, with Nigeria slipping to 132nd place.2004 saw one of the lowest CPI scores (10) and a further drop in ranking to 144th, from 2005, Nigeria began to record gradual improvements, with scores climbing to 19 (2005), 22 (2006–2007), and reaching 25 (2009). Correspondingly, its global rank fluctuated between 121st and 152nd, indicating only slight relative improvement. From 2011 to 2016, Nigeria's CPI scores hovered between 24 and 28, showing minimal progress. Despite slight score improvements, global ranks stayed around 134th to 143rd, showing no significant leap in international standing. Between 2017 and 2024, Nigeria's CPI score mostly fluctuated between 24 and 27, indicating no real advancement in anti-corruption efforts. The worst global rank was recorded in 2021, at 154th, after which there were marginal improvements Nigeria moved up to 145th in 2023 and 140th in 2024, with a CPI score of 26 in the most recent year.

Table 2: Descriptive Statistics

Statistic	CPI Score (0–100)	Global Rank (out of 180)
N (Count)	26	26
Minimum	10	90
Maximum	28	154
Range	18	64
Mean	21.35	132.12
Median	24.00	139.00
Mode	24	136 / 144 (tie)
Standard Deviation	5.45	17.89
Variance	29.71	320.11
Skewness	-0.45	-0.59
Kurtosis	-1.04	-0.71

4.4 CPI Scores (0–100)

Nigeria's CPI scores range from a minimum of 10 to a maximum of 28, indicating consistently high levels of perceived corruption (since 0 means highly corrupt). The mean score is 21.35, showing that on average, Nigeria scored low on transparency. The median and mode are both 24, suggesting that the most frequent and middle scores tend toward this value. The data has a slightly left-skewed distribution (skewness = -0.45), with low peakness (kurtosis = -1.04), indicating a relatively flat distribution. Global Rank (out of 180): Nigeria's ranks range from 90th to 154th, with a mean rank of 132.12, reflecting a consistently poor position on the global corruption scale. The median rank is 139, and the mode is tied at 136 and 144, suggesting these ranks occurred most frequently. The distribution is also slightly left-skewed (skewness = -0.59) and platykurtic (kurtosis = -0.71), indicating a spread-out ranking pattern over time.

Table 3: Common Forms of Procurement Corruption in Nigeria

S/N	Form of Procurement Corruption	Description	Scale (1-10)	Examples	Effect on cost, and quality
1	**Bribery and Kickbacks**	Contractors offer money or gifts to officials to influence award decisions.	**Very Common**	Bribes paid to secure government contracts; often reported by EFCC and ICPC.	Increases procurement cost Poor quality delivery
2	**Bid-Rigging**	Manipulating the bidding process to favor a particular bidder.	**Common**	Pre-arranged winners in tenders; collusion between officials and contractors.	Increases procurement cost Poor quality delivery
3	**Contract Splitting**	Dividing contracts to evade approval thresholds and oversight.	**Moderately Common**	Used to avoid Bureau of Public Procurement scrutiny or FEC approval limits.	Increases procurement cost Poor quality delivery
4	Inflated Contracts	Overpricing goods/services to siphon off public funds.	**Very Common**	E.g. contracts awarded far above market value; noted in audit and EFCC reports.	Increases procurement cost Poor quality delivery

Note: Very Common = More than 8; Common = 7; Moderate = 4 to 6; Rare = Under 4

The table highlights the prevalent forms of procurement corruption in Nigeria by categorizing them based on their descriptions, frequency (on a scale of 1 to 10). Bribery and Kickbacks remains the most common form of procurement corruption in Nigeria, rated "Very Common" with a score above 8. It involves contractors offering money, gifts, or other incentives to public officials in exchange for favourable treatment, such as the award of contracts. For instance, it is usual for contractors paying bribes to win government contracts without following due process.

4.2 DISCUSSION OF FINDINGS

The analysis for this study was anchored on the provisions of the public procurement Act of 2007, this era was significant as it comes with policy reforms on public procurement in the country. From 1999 to 2024, Nigeria's CPI data reveals consistently low

ratings, indicating ongoing difficulties in combating corruption. However, Nigeria records slow progress, with scores rising to 19 (2005), 22 (2006–2007), and 25 (2009). Its global position fluctuated between 121st and 152nd, suggesting relative improvement, after the introduction of the Public Procurement Act of 2007 which introduced transparent procurement methods, according to policy analysts. The worst worldwide ranking was 154th in 2021, despite modest score improvements; thereafter, there were improvements. With a CPI score of 26, Nigeria rose to 145th place in 2023 and 140th place in 2024; according to these rankings, fraud and corruption in Nigerian public procurement continue to be problems.

Bid-Rigging is also another form of procurement corruption in Nigeria involves manipulating the bidding process to ensure a particular contractor wins, often through collusion between procurement officials and bidders. Ranked as "Common" (score of 7), this undermines competitiveness and fairness in contract awards. Common manifestations include pre-arranged winners in public tenders, where the competitive bidding process is merely a formality, with the outcome already determined.

Contract Splitting is rated "Moderately Common" (score between 4 and 6). It involves dividing a large procurement contract into smaller parts to avoid regulatory thresholds that trigger higher scrutiny or approvals. For instance, public officers may split a contract to stay below the approval limit of the Federal Executive Council (FEC) or the Bureau of Public Procurement (BPP), thereby bypassing proper oversight mechanisms.

4.3 SUMMARY OF FINDINGS

The study highlighted that corruption often begins at the tendering stage and continues through contract award, execution, and oversight.

The study revealed that public procurement procedures lacked transparency, accountability and probity. In many instances, procurement records are either not publicly available or are deliberately manipulated to conceal irregularities. Despite the digitization efforts by the Bureau of Public Procurement through platforms like the Nigerian Open Contracting Portal (NOCOPO), many procuring entities still engage in off-record dealings and non-competitive bidding.

Overall, the study concluded that procurement corruption in Nigeria is not merely a product of individual misconduct but a reflection of deeper institutional dysfunction. Addressing this issue requires comprehensive reforms that target both the supply and demand sides of corruption.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 RECOMMENDATIONS

The findings of this study have some significant policy implications and messages for all stakeholders involve in public procurement activities, since the study revealed that procurement fraud and corruption in Nigeria are not merely a product of individual misconduct but a reflection of deeper institutional dysfunction. Therefore, this issue requires comprehensive reforms that target both the supply and demand sides of corruption.

Thus, drawing from the findings of the study, the following recommendations are made to help reduce procurement fraud and corruption in Nigeria:

i. Adequate funding, qualified personnel, and the necessary support should be provided to the Bureau of Public Procurement (BPP), EFCC, and ICPC to carry out their oversight responsibilities effectively. These agencies should also be allowed to investigate and sanction procurement offences without political interference.

ii. Additionally, the internal audit units of Ministries, Departments and Agencies (MDAs) should be strengthened to carry out their functions without compromise and collusion.

iii. The Federal Government should reinforce Whistleblower by institutionalizing it through legislation. This will bring sanity into the public procurement eco-system and improve the socioeconomic of Nigeria.

iv. There is dire need to adopt the use of technology to drive procurement process in the public sector. (e-procurement) so as to enable the public be timely informed about available bidding and contract awards. Essentially, the use of NOCOPO should be enforced for all federal and state MDAs to enhance effective monitoring of government contracts by stakeholders.

v. The procurement officers in MDAs should be well motivated and trained professionally to ameliorate frauds and corruption in the procurement system.

5.2 CONCLUSION

Frauds and corruption in procurement pose a grave threat to Nigeria's development trajectory, draining public resources, distorting market dynamics, and eroding public trust in government institutions. This study has shown that the problem is multifaceted, deeply rooted in institutional weaknesses, and sustained by a culture of impunity. To overcome it, Nigeria must adopt a holistic and coordinated approach that combines legal reforms, digital innovations, institutional strengthening, and citizen participation. With political will and sustained effort, it is possible to transform procurement into a tool for national development rather than an avenue for personal enrichment.

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