

CORRUPTION, ETHICAL DILEMMAS, AND ACCOUNTABILITY IN PUBLIC SECTOR PROJECT MANAGEMENT

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Abstract

It is highly vulnerable to systemic corruption and ethical compromises with the public sector project management set in a background of the high degree of politicism, lack of resources and multiple stakeholders. This paper deals with a structural conception of corruption, and addresses moral and accountability issues of public works, health and civil projects. It is grounded in the Principal-Agent Theory and Public Choice Theory that focuses on the dynamics between information asymmetry, misaligned incentives, political pressure, and project governance and public trust. It uncovers and examines the pathologies in the public procurement system – rent seeking, collusive bidding, and strategic misrepresentation. Moreover, we explore how state-of-the-art integrity practices, such as Open Contracting Data Standards (OCDS), independent oversight bodies and efficient and effective whistleblower protection provisions apply. We feel a change should be made from the compliance-based metrics to a digital, transparent, objective and institutionalised system of accountability to address ethical challenges. Finally, the paper presents a framework of public integrity of public sector projects and suggests that the success of an institutional project cannot be solely measured by the financial or physical outcome, but also by the preservation of institutional legitimacy and public trust.

Keywords: Public Sector Project Management, Governance, Principal-Agent Theory, Integrity Frameworks, Procurement Pathologies, Public Accountability.

1. Introduction and Problem Statement

For public sector projects, in the case of large-scale civil infrastructure projects, national healthcare projects, digital governance projects and social welfare projects, the public sector projects are a means to realize the policy and to generate public value (Müller et al., 2022). These include the investment of billions of dollars of taxpayer dollars and a clear call to action to enhance societal benefit, socioeconomic equity and national resilience.

But across the world, public sector projects continue to be routinely undermined by systemic governance failures. A more diffuse public goals, a multi-actor ownership and a network of regulations that influence control are characteristics of projects in the public sector.

In the public sector, public goals are still more vague, and a multitude of actors have ownership of things, with a variety of regulations shaping the management of project. This kind of structural complexity can be a tempting spot for institutional corruption, financial misappropriation and serious ethical violations to occur in public projects.

These unethical decisions have a devastating impact. The consequences of corruption in

a public sector project don't necessarily stop at the monetary loss or at delays, it can also include structurally weak civil infrastructure, poor medical facilities and reduced public health as well as eroded institutional legitimacy and public trust (Flyvbjerg, 2021; Rose-Ackerman & Palifka, 2016). While there are ethical codes, procurement legislation and standards for auditing practices, delivery of public projects is still rife with strategic misrepresentation, collusive bidding and political interference.

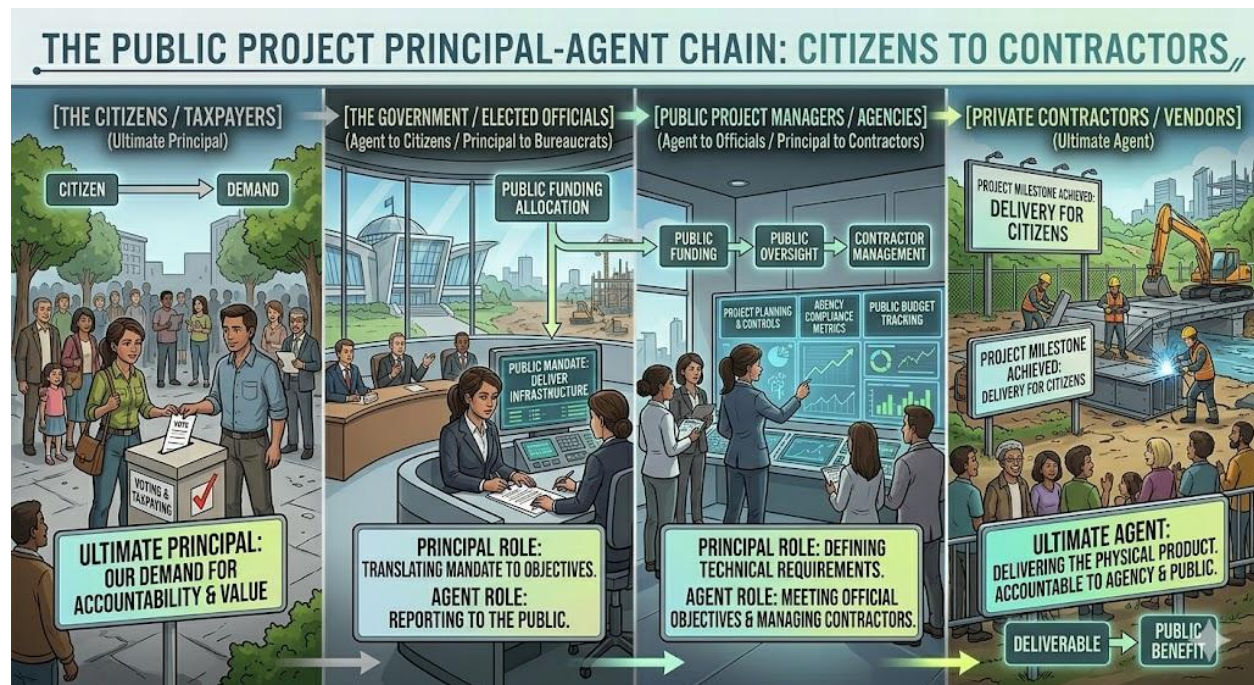
In this paper, I want to think about this governance problem, dealing head on with the issues of corruption and accountability in the public project system, in a more rigorous sociotechnical manner. After all, it raises the big question: how does institutional architecture in the public sector contribute to corruption and what kind of governance is required for an undistorted accountability architecture?

2. Theoretical Framework

In order to pinpoint the endemic flaws in public sector projects, one must start with two basic political and organizational economic theories: Principal-Agent Theory and Public Choice Theory.

2.1 Principal-Agent Theory and Information Asymmetry

Principal-Agent Theory was created to explain the structural relationship between two parties, one of whom (the principal) gives authority and decision-making to another party (the agent) to carry out a service (Jensen & Meckling, 1976). This is a relationship that exists in Public Sector project management within a multi-tiered hierarchy:



The multi-layered delegation produces significant information asymmetry. The elected official or the public taxpayer cannot, naturally, be as well-informed about the actual costs, technical challenges and risks of the project as the private contractor or the project bureaucrat within the government. Carried together with misaligned incentives, in which the agents are more concerned about their private gain, their political survival or their maximisation of

corporate profits, information asymmetry can provide an ideal setting for information opportunism, which means that during procurement, they are able to provide false information to the government, thereby inducing adverse selection, and during the execution phase, they can provide withheld or misleading information to the government, so that they benefit at the government's expense through moral hazards (Klitgaard, 2021).

2.2 Public Choice Theory and Bureaucratic Rent-Seeking

Public Choice Theory introduces modern economic theory into the study of collective decision making, and it contradicts the romantic notion that public officials act solely for the good of the people (Buchanan & Tullock, 1962). It assumes that politicians, bureaucrats, and public project managers are rational utility maximizers, who are directly affected by their own incentives to maximize their budget allocations, institutional authority, career longevity and social prestige (Niskanen, 1971).

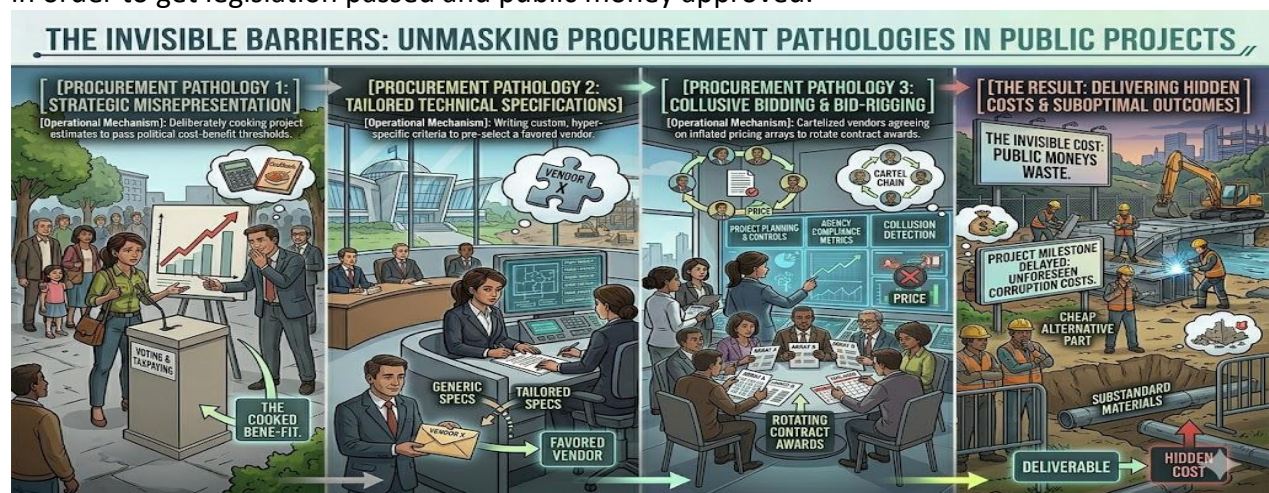
In public project ecosystems, it's seen as rent-seeking behavior, which occurs when people or companies invest huge amounts of resources in getting the government to give them economic "rents" that are not generated by producing goods or services. Private corporations lobby public officials to approve an unnecessarily involved mega-project with customised, non-competitive requirements to ensure that that it will not be bid on by anybody else. Bureaucrats are more than willing to accept these inflated parameters, as they directly relate to increased institutional power, more staff and the more opportunities for rent-seeking illicit practices (Locatelli et al., 2021).

Deconstructing Public Procurement Pathologies

The main focus of public sector projects relating to corruption is during procurement and contract award. These pathologies are extremely complicated, structurally entrenched and intentionally obscure.

3.1 Strategic Misrepresentation and Deliberate Underestimation

A generic ethical issue with public mega-projects is what Flyvbjerg (2021) calls strategic misrepresentation. Project promoters, politicians and consulting engineers systematically and deliberately underestimate project costs and grossly overestimate benefits and public use rates in order to get legislation passed and public money approved.



This is not a result of technical mistake or inadequate mathematical modelling – it is a deliberate political deception. It's a project that would never be politically authorised if the actual costs and environmental impacts of its operation were made transparent from the start, as promoters know. After the project is approved and construction starts, it is in a state of lock-in and taxpayers will have to bear huge budget increases since it would be politically difficult to abandon a half-built highway or hospital.

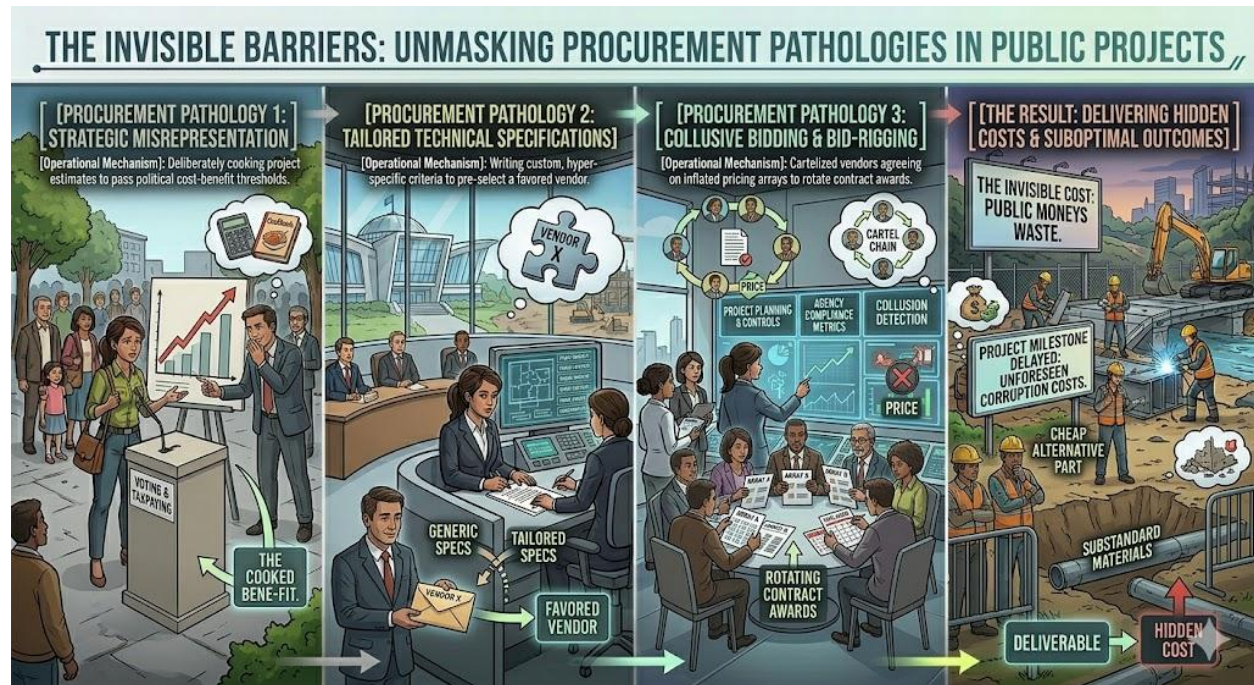
3.2 Bid-Rigging and Tailored Technical Specifications

Often, corruption takes the form of systematic collusion between corrupt public procurement officers and private vendor cartels. This can be planned by means of:

- Specifications: Public procurement officials intentionally specify technical requirements that are very idiosyncratic and only the favorite (and politically connected) vendor can provide. This effectively excludes high-quality, lower cost competitors, pretending to be based on very strict technical criteria.
- Bid-Rigging Cartels: Private contractors secretly collude to bid on a project. In advance, they agree who will win a particular public contract, but they use uncompetitive, artificially high bids, so that the winning company or agency can rotate the public contract to various regions, thus keeping the profit margins elevated at the public cost (Rose-Ackerman & Palifka, 2016).

4. Building an Architecture of Uncompromised Accountability

But these structural pathologies can only be confronted by transcending passive codes of conduct, and by creating a layered, technologic and institutional system of accountability.



4.1 Radical Digital Transparency via Open Contracting Data Standards

Bureaucratic information asymmetry can best be counteracted by making information absolutely transparent in the project life cycle. Public sector frameworks should require Open

Contracting Data Standards (OCDS) (Open Contracting Partnership, 2023).

OCDS mandates that all stages of a public project process from initial planning through budget documents and the tender process, to contract award and tracking of changes through the duration of the contract and the project stage, to deliverables, be made available on machine-readable, publicly accessible open-data platforms. Governments' release of this information gives investigative journalists, civic tech groups, and other vendors the ability to use automated anomalies-detection algorithms that can highlight bidding patterns, price increases without explanation, or repetitive sole-source bids in real time.

Independent Oversight and Forensic Auditing with Judicial Teeth

Many traditional public sector internal audit functions are undermined by political interference, when the body that is auditing is linked to the ministry where the projects are being executed. Independent constitutional oversight institutions (such as Supreme Audit Institutions, independent anti-corruption ombudsmen), that are constitutionally endowed with absolute operational and financial independence from the executive branch, are required for true accountability (Klitgaard, 2021).

It is important that such oversight bodies can be made up of project management forensic auditors who know that a routine technical finding can be a cover for corruption. Most importantly, these institutions should have autonomous powers to issue subpoenas and judicial powers to halt suspicious fund transfers, cancel corrupt public procurement schemes mid stream and directly refer corrupt public officials to criminal prosecution.

Fortifying Whistleblower Protection Regimes

Internal engineers, estimators and project team members are the first to spot any kind of safety cutting, financial fraud or corruption within public projects, which are technically and managerially complicated. These people, however, do not report on violations because they have a realistic sense of the consequences of their career being destroyed, blacklisted, or physically harmed by the violation.

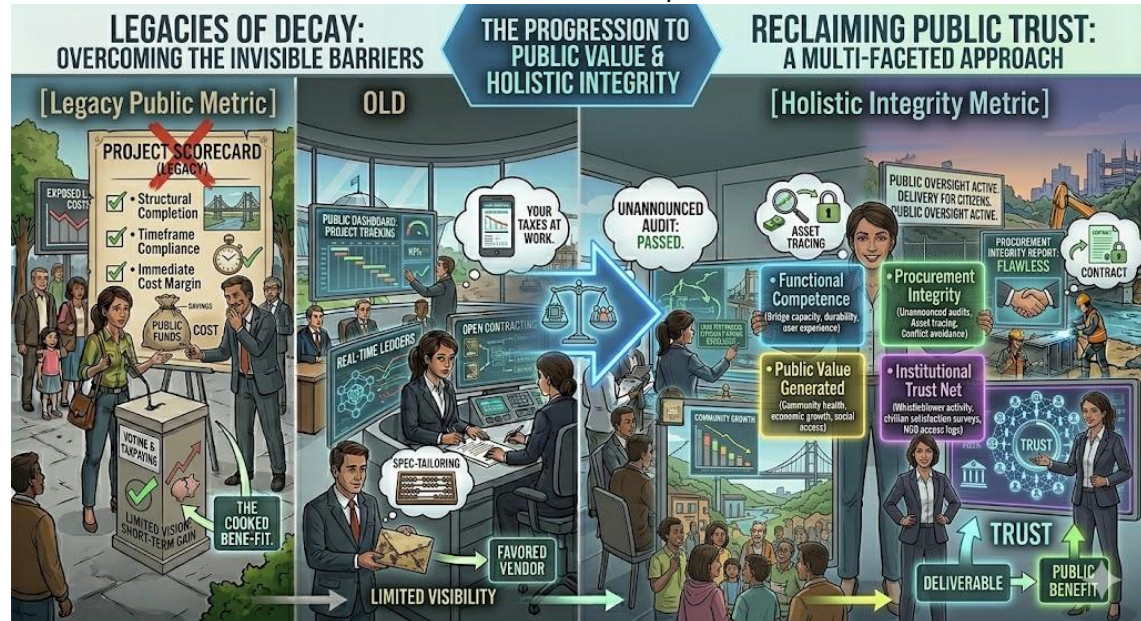
Public Governance needs to put in place effective and legally secure whistleblowers protection systems. This requires:

1. Absolute Anonymity Channels: The use of encrypted, distributed dropboxes to drop internal documents, modified change orders or evidence of kickbacks without leaving behind digital trails by project insiders.
2. Legal Immunity and Reward Systems: Extending broad and complete statutory immunity to whistleblowers from professional nondisclosures, and implementing systems of financial rewards that allow a portion of state capital recovered via whistleblower disclosure to be legally available to the whistleblower for their own financial benefit and ongoing economic independence.

Discussion: Redefining Public Project Success

The reviewed literature shows that the academic and professional community's view of what makes public sector projects successful calls for a paradigm shift in the structure of projects. Generally, the delivery of public infrastructure has been measured from a technocratic or economic perspective: Was the bridge built or not? Did the stadium get finished for the tournament?

Such a "minimalist" assessment system is very perilous. It allows a project to be declared a "landmark success" despite a corrupt procurement process, funding diverted from the essentials of education or health service, and contract distribution expanding socio-economic inequalities. It enables a project to be defined as a "landmark success" even if corruption in the procurement process, funds diverted from the necessities of education or health care, and contract distribution widened socio-economic inequalities.



To have a Public Value Governance Framework (PVGF) (Bryson et al. 2021) it must be successful in the public sector project management world. In this scheme physical delivery is a minimum requirement. If a project is a success in the case of a public effort it can measure the capacity to create a social contract that is equitable between citizens and the State, strong institutions, transparency and democracy.

Conclusion

Project management is the primary way that public dollars can turn into social products, and that's through the public sector. But against the universal disease, corruption, strategy and rent-seeking – this type of engine is really fragile. The heavy information asymmetry, complicated administrative networks and mismatched human incentives inevitably give rise to ethical pathologies when managed by the mere compliance with a checklist mechanism, as shown by both Principal-Agent Theory and Public Choice Theory.

This weakness should be addressed in a more structural approach by a radical re-engineering of the public project governance set-up. With Open Contracting Data Standards, governments can systematically take out opportunity for rents to be collected illegally, create independent bodies to investigate contracts and with legitimate judicial powers, and implement strong protection mechanisms for whistleblowers. Lastly, the project management identification of the needs of the public sector needs to be freed from the technocratic image. Project leaders, all public administrators and oversight bodies have to understand that all public projects are serious and profound ethical endeavors. While the physical infrastructure may be important, the other key asset of any project in the public sector becomes the most important,

invisible and intangible one – the strength of delivery process, and consequently, the public's trust.

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