# IMPACT OF CORRUPTION ON EFFECTIVE PROJECT DELIVERY OF BUILDING PROJECTS IN ABUJA

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#### Abstract:

Corruption is one of the major problems that plagues construction industry in developing countries like Nigeria. Although some previous researchers consider it to be an essential lubricant 'greasing' of the wheels but this go against the ethics of the industry. Corruption is evil and damaging because it erodes public morality and wastes scarce but limited national resources. This paper has therefore undertaken to assess the impact of corruption on effect project delivery with a view of enhancing efficient performance of the construction industry. The objectives of this paper is to identify the level of corruption in all the stages of building project and how corruption affect effective project delivery. Primary data was sourced using well structured questionnaire from professionals involved in the execution of building projects considered for this research work. Literature review revealed that corruption is evident in the construction industry which causes a lot of setback to project such as abandonment of such project and if complete may be completed below standard. Data were presented and analyzed using descriptive statistic; tools used were percentile method and relative importance index. It was observed that the building construction industry is perceived to be more susceptible to corruption because of several features and that corruption has effect on all stages of construction right from Pre Tender stage to Completion stage. It was recommended that all public client should make all information available to enable all contractors price efficiently in order to curb corruption due to upsurge of contract prices and public clients should engage consultants with good track record that will not compromise quality. Finally, procurement of contract should be done electronically, through e-tendering and video conferencing in order to curb corruption at early stage by reducing number of physical contacts.

Keywords: IMPACT; CORRUPTION; EFFECTIVE PROJECT DELIVERY; BUILDING PROJECTS; ABUJA

## INTRODUCTION

The construction industry is as old as history of mankind due to the fact that the need for constructing a cover is amongst man's basic necessities i.e. Food, Clothing and shelter. Indeed the construction industry is one of the movers and shakers of the economy due to its vast nature and government commitment toward structural development. The construction industry is a very large and wide industry that forms one nucleus of the economy. This industry is specialized in taking care of project right from its inception stage to its completion stage. Construction Industry contribute immensely to the

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development of nations economy with the industry as second largest employers of labour after Agriculture creating job opportunity for team youths.

The construction industry has a worldwide reputation for incidences of corruption, asset misappropriation and bribery. This was established by Transparency International (TI) {Corruption Perception Index (CPI, 2001} which argued that the construction industry is the industry most likely to include bribes in transactions. This assertion was corroborated by Transparency International's Bribe Payers Index (2005) which repeatedly reveals corruption to be greater in construction than in any other sector of the economy. The global construction market is worth around US\$3,200 billion per year. This market represents 5–7% of the gross domestic product (GDP) in developed countries and around 2–3% of the GDP in lower-income developing countries (Sohail & Cavil, 2009)

The building industry which forms an integral part of the construction industry is the aspect that deals with execution, monitoring of building project right from inception to completion stage. The industry has always been part of each successive government due to high demand for shelter. One of the deters of meaningful development in the Nigerian Construction Industry (which the building construction industry is part of) is the menace of corruption and corrupt practices. Ameh and Odusami (2010a) submitted that the international community viewed corruption and other unethical issues as common occurrences at all stages of the Nigerian workforce considering the recent incessant rankings by the TI. TI (CPI, 2007) ranked Nigeria as the 2<sup>nd</sup>, 3<sup>rd</sup>, 6<sup>th</sup>, 18<sup>th</sup>, and 37<sup>th</sup> most corrupt nation in the world in 2003, 2004, 2005, 2006, and 2007, respectively. The ranking by CPI was based on acceptance of bribes and misuse of post by elite politicians and government officials to achieve their selfish goal. On this premises, Obayelu (2007) viewed corruption "as efforts to secure wealth or power through illegal means for private gain at public expense; or a misuse of public power for private benefit." Corruption like cockroaches has coexisted with human society for a long time and remains as one of the problems in many of the world's developing economies with devastating consequences. Agbu (2001) asserted corruption is a phenomenon, is a global problem, and exists in varying degrees in different countries.

Dike (2002) supported the assertion that corruption is not only found in democratic and dictatorial politics, but also in feudal, capitalist and socialist economies. Christian, Muslim, Hindu, and Buddhist cultures are equally bedeviled by corruption.

Hence, in Nigeria over the years, it has been a known fact that corruption is a menace which successive government try to declare unending war against due to its hazardous effect to not only the economy of the country but to the general well being of the country amidst other countries.

It has been seen as one of the major hindrances to development by successive government since the 3<sup>rd</sup> republic. It is a canker worm that has eaten deep in the fabric of the Nation. It ranges from petty corruption to political / bureaucratic corruption or Systemic corruption (International Centre for Economic Growth, 1999). Nwabuzor (2005) reported that World Bank studies put corruption at over \$1 trillion per year accounting for up to 12% of the Gross Domestic Product of nations like Nigeria, Kenya and Venezuela. This corroborated the assertion made by Ribadu (2003) that "Corruption is one of the evidence that makes Nigeria as one of the top three (3) most corrupt countries of the world". The building construction industry in Nigeria is not an exception (in the share of corruption) due to the fact that there are some abnormalities that comes in before, during and after awarding of contract of many projects, these abnormalities bring a lot of set back to the proper execution of these project. Considering the great effects of

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this endemic "corruption" it becomes highly imperative to the examine its effect on project delivery.

## CORRUPTION IN THE NIGERIAN CONSTRUCTION INDUSTRY

The construction industry consisting of the procurement of new projects and the increasing commitment for the provision of services, equipment, components, materials, maintenance, finance, operations, and research and development is estimated globally at some US\$4 trillion {The Department for International Development (DFID), 2007) and Rodriguez et al. (2005) posited some US\$250 billion is spent annually on infrastructure in the developing world alone. Nigerian as a developing nation has experienced corruption and corrupt practices from the three arms of Government i.e legislative, Executive and Judiciary down to the organized private sector. This menace is not peculiar to Nigerian construction industry alone the ill wind of corruption has blown across the globe. However, (Zarkada- Fraser and Skitmore 2000; DFID 2002) submitted that worldwide, the construction sector is known for its association with corruption. Corruption in the construction industry covers new build contracts refurbishment contracts, as well as maintenance contracts (Sohail & Cavil, 2009). (Sohail & Cavil, 2009) argued further that corruption in the sector includes all forms of corrupt practices and it has permeated to all levels from high ranking officials diverting funds or using his office for personal benefit. Corruption is a wasteful unethical behavior that is capable of eroding billions of dollars, it was estimated in the UK that US\$400 billion is lost through corrupt practice in the worldwide construction industry (DFID, 2007)

The construction (i.e. building) industry in Nigeria is not an exception to this, due to a lot of abnormalities involve in the procurement of building contract. Olugbekan (2001) puts the eventual cost of project in Nigeria as: 2.7 x Real Cost

The breakdown as follows:-

EC = RC (1 + ei + 1 + eu + f)

ei = Initial "egunje" /package or pre-award gratification (50%)

I= Cost of fund including interest consequent upon delayed payments (60%)

Eu= final package or gratification to facilitate payment and completion of project(40%)

F= Contractor's overhead and profit (20%)

All these variables as he said combined will give

EC = RC (1+0.5+0.6+0.4+0.2)

Eventual Cost of project =2.7 RC

Stansbury (2006) observed that ten years ago bribery (corruption) in construction projects was considered a necessary part of doing business. While most players of bribes would have preferred not to, there seemed to be no alternative nor was there any real threat of persecution or penalty. Shakantu (2009) opined that corruption is perceived to be present to some degrees in some major industries and that however there is a higher level of suspicion than in other industries. Olugbekan (2001) reaffirmed that 'corruption manifests itself in all stages of construction projects from initiation to completion stage. He further said that corruption manifests in the following: Selection of project location; appointment of consultant; procurement procedures to be used; appointment of contractors; supervision of projects to ensure quality job and payment for works done and certified.

#### CAUSES OF CORRUPTION IN CONSTRUCTION INDUSTRY

Indeed every acts has its intension wrapped behind it except a fool will agree to the opposite. Corruption and corrupt practices have their causes. Robb (1996) said that 'the building construction industry is perceived to be more susceptible to corruption because

of several features. Firstly, the nature of construction projects where contracts tend to be huge and yet the companies with financial and technical capability to implement them are few. Secondly the process of building construction lends itself favorably to corruption. At each stages of the process the potential for corrupt practices is high. Ameh and Odusami (2010a) supported that many features of the construction industry provide enormous opportunities for corruption to flourish.

Albreacht (1995) opined that there are many reasons why individual engages in corruption which may be due to financial pressures. The financial pressures that motivate individuals to perpetrate corruption include: Very low wages i.e salaries; Vices such as construction of drugs and alcoholism; Family crises; Greed; Living beyond ones means; High personal debt; Poor credit rating; Personal financial loss and Unexpected financial needs. (Stansbury, 2005b; Rodriguez 2005; Pricewaterhouse- Coopers' 2003) in Sohail and Cavil (2009) suggested corruption in the construction industry often results from a combination of:

- Deregulating the infrastructure sector;
- Large flow of public money;
- Highly competitive nature of the tendering process;
- Lack of transparent selection criteria for projects;
- Political interference and discretion in investment decisions, the cost of sector assets;
- Monopolistic nature of service delivery;
- Tight margins;
- Close relationships between contractors;
- Subcontractors and project owners; and
- Complexity of institutional roles and functions the asymmetry of information between user and provider, or cronyism in the industry.

Many factors plus the aforementioned have been identified as instrumental to enthroning corrupt practices in Nigeria. These include, the nature is part of Nigeria's political economy, the weak institutions of government, and a dysfunctional legal system. Absence of clear rules and codes of ethics leads to abuse of discretionary power make most Nigerian vulnerable to corrupt practices. The country also has a culture of affluent and ostentatious living that expects much from "big men, extended family pressures, village/ethnic loyalties, and competitive ethnicity is part (Maduagwe, 1996).

Low civil service salaries and poor working conditions, with few incentives and rewards for

efficient and effective performance, are strong incentives for corruption in Nigeria. Other factors are: less effective government works with slow budget procedures, lack of transparency, inadequate strategic vision and weak monitoring mechanisms make Nigeria a fertile the environment for corrupt practice.

## EFFECT OF CORRUPTION ON PROJECT DELIVERY AND THE INDUSTRY

Corruption and corrupt practices have a lot of adverse effect on the industry, to the development of the economy and human resources. Bribery and corruption are taken by many Nigerians as norm even in the face of anti-corruption crusades intended to support clean governance. Goldstock (1990) pointed out that a consequences of corruption is that it dramatically increases the cost of construction by undermining corruption for instance, corruption on residential projects eliminates both middle- and —low- income housing. Delays and cost overruns are the consequences of corrupt practices when a contractors

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deliberately overstate the time and cost requirements and falsify time sheets in order to achieve a higher price from the client to cover for the kickbacks and also concealment of the quality of work whereby defective materials could be used or cheaper materials and of inferior specification or materials omitted out rightly (Sohail and Cavil, 2009). Rodriguez et al.(2005) highlights the devastating impact of corruption in construction such as wasted tender expenses, tendering uncertainty, increased project costs, economic damage, blackmail, criminal prosecutions, fines, blacklisting, brand damage, and reputational risk among others. Szeffel (1998) stated corruption alters the character of institutional performance in the context of administrative efficiency, it undermines managerial efficiency and redirects resources from regional, country and global policies to individual interest. Shakantu and Chiocha (2009) reported that Corruption impacts negatively on the economy of a country as well as the as the capacity of the construction industry to address imperatives. Most projects that are abandoned by successive government in Nigeria either at Federal, State or Local Government levels are due to high level of corruption that take place between the government officials and contractors. Rose-Ackerman (2008) argued that corrupt kickbacks changing hands amongst parties to the contract are easy to hide in construction contracts, and the competitive nature of many bidding processes encourages firms to try to outwit them through payoffs. In addition, it was further stressed that once the contract is written, officials tend to extract payoffs from the contractor and unscrupulous contractors have an incentive to pay bribes that permit them to cut corners to increase profits. While Aaronson (2011) posited corruption affects not only the cost or time of projects but both the environment for business and policymaking. It was stressed further that effect of corruption has increased the level of awareness of corporate executives that corruption not only affects profits, but also increases business risk. Frynas (2005) and Aaronson (2009) submitted that corruption also affects the general public by influencing investment and deter public access to services such as good education, efficient healthcare deliveries, and good roads among other services. Corruption can undermine governance, erode public trust and truncate democracy and consequently complicate social responsibility.

## STEPS TAKEN TO TACKLE CORRUPTION IN THE NIGERIAN WAY

Olugbekan (2001) said that "the introduction of Due process by the Nigerian Government is a major positive development. It is geared towards solving some of those problem associated with the award of contracts and ensuring that due process is followed in project execution in the country. He further said that "the gains that are derivable from the due process are as follows:

Good governance of public money and assets as a result of reduction in corrupt practices; Efficient and effective project management; Improvement in liquidity management of public funds; Enhancement of transparency, accountability and probity in government; Improvement in project cost management, expenditure and institutional control and Improvement in technical efficiency in management and utilization of resources. Transparency International (2006) suggests the following as a way of curbing corruption in the building construction industry: Contracting opportunities are widely publicized; awards are made to those who meet the contractual requirement and make best offers; the rule are clear and fair; the process is transparent with predictable results and public officials are accountable.

In order for the procurement process to achieve the above mentioned characteristics poised. Transparency international (2006), the competitive and bidding process should adhere to the following best practice principles: Give public notification of bidding opportunities; Document should be clear; set out the need; describe the bidding process

and contract terms and conditions; give criteria for choosing the winner; secretly sealed bids submitted should be opened in the presence of the bidders at a specified time and place; impartial evaluation and comparison of bids by competent evaluators without influence of or interference by bidders or other parties; award of contract to bidder complying with all requirements and offering the best bid defined by the published selection criteria; requirement for sound independent audits of procurement processes and; requirement for third party monitoring of large procurements

#### RESEARCH METHODS

The survey explores the opinions of a sample of Nigerian construction professionals with respect to corrupt practices such as collusion, fraud and bribery. Well structured questionnaire was used for the data collection. The survey involved a random selection of potential participants from the available listings of professional consultants and main contractors involved in the selected projects in the study area. The professions represented included architects, quantity surveyors, consulting engineers, resident engineers and contractors. One hundred questionnaire packages were sent out to the direct stakeholder on the identified projects. The direct stakeholders are the contractors, architects, quantity surveyors and engineers including the desk officer to the minister for works and housing. The projects were selected using a convenience random sampling. Eight five questionnaires were returned (85% response rate) this include contractors (27% of respondents), architects and (21% of respondents), quantity surveyors (30% of respondents) and engineers (22% of respondents). Virtually all the respondents (90%) belong to one or more professional bodies with professional and are duly registered with their respective professional bodies. This finding supported Bowen et al. (2008) research which reported 98% and Vee and Skitmore (2003) that was centered on the Australian construction industry participants in which 90% of the respondents belong to professional bodies. Locally it affirms the report of Ameh and Odusami (2010b) that posited 90% of their respondents are either graduate member, corporate or fellow of their respective professional bodies. Respondents with 6 years and above working experience was 93% which is in line with Ameh and Odusami (2010b). This suggests that respondents have adequate experience, hence information provided by the respondents pertaining to unethical issues in the industry could be relied on.

## ANALYSIS AND RESULTS

From the submission of Olugbekan (2001) that corruption manifests itself in all stages of construction projects from initiation to completion stage, the research therefore considered factors that enthrone corrupt practices at pre-tender stage, project execution stage and post construction stage. Relative importance index was used to analyze the responses of the respondents on the causes of corruption and effect of corrupt practices on efficient project delivery. The five point scale was converted to relative importance indices for each factor so identified. The factors are ranked as strongly disagree, disagree, somehow agree, agree and strongly agree.

The findings revealed that in relation to a project at pretender stage as shown in table 1, confidential details such as the project owner's minimum and maximum acceptable price was ranked most Relative Importance Index of 0.52, possibility of a bidder which is properly qualified finding himself being rejected at pre-qualification stage as a result of bribe was ranked second with (RII = 0.51), the tendency that the tender may be opened at a public opening exercise in return for a bribe has the RII of 0. 47 while the possibility of the entire tender process being corrupted by international pressure exhibit the lowest RII of 0.37.

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Table 1: Showing some identified factors contributing to corruption during pre-tender stage

NO	FACTORS	RII	RANKING
1	A bidder which is properly qualified may find himself being rejected at pre-qualification stage as a result of bribe	0.511	2
2	There may be, in relation to a project at pretender stage, confidential details such as the project owner's minimum and maximum acceptable price	0.523	1
3	The bidders may collude together to share the market	0.411	5
4	The tender may be opened at a public opening exercise in return for a bribe	0.457	3
5	The tender process may be corrupted by international pressure	0.369	6
6	A representative of the project owner or government may directly or indirectly own one of the bidders	0.434	4

Table 2 showed the factors responsible for corrupt practices at pre-contract stage, project owner may bribe a government official in order to obtain planning permission for a project showed the highest RII of 0.56, contractor bribing supplier of material to increases invoice prices was ranked second with RII of 0.54. Tendency of one party in dispute in relation to the construction of the project bribing an arbitrator to give a favorable opinion was ranked lowest with RII of 0.38

Table 2: Showing some identified factors contributing during project execution stage

NO	FACTORS	RII	RANKING
1	The project owner may bribe a government official in order to obtain planning permission for a project.	0.557	1
2	A contractor may pay a bribe to the project owner's representative for approver defective work	0.454	3
3	A contractor may pay a bribe to supplier of material to increases his prices or supply cheap materials	0.543	2
4	If parties are in dispute in relation to the construction of the project, one party may bribe an arbitrator to give a favourable opinion	0.380	4

From table 3 contractor may pay a bribe to the project owner's representative in return for approval of defective or non-existent work was ranked highest by the respondents. Fraudulent practice can lead to inflated maintenance costs was ranked third with RII value of 0.39 payment of bribe to win maintenance cost was the least (RII= 0.32) ranked factors in assessing corruption at post construction stage.

Table 3: Showing some identified factors relating to assessment of corruption at postconstruction (maintenance) stage

NO	FACTORS	RII	RANKING
1	Bribe can be paid to win maintenance contract	0.317	4
2	Fraudulent practice can lead to inflated maintenance costs	0.389	3
3	In high technology projects, the contractor that built the project may be the only company capable of maintain it	0.403	2
4	A contractor may pay a bribe to the project owner's representative in return for approval of defective or non-existent work.	0.497	1

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The study revealed that corruption have significant effects on project delivery. Project abandonment exhibited the highest relative importance index with RII value of 0.72, contractor becoming insolvent was ranked second (RII= 0.68), poor quality of work(RII= 0.67). while cost (RII = 0.60) and time overrun (RII = 0.49) was ranked fourth and fifth respectively.

Table 4. Showing some identified factors on effect of corrupt practices on efficient project delivery

NO	FACTORS	RII	RANKING
1	Time Overrun	0.597	4
2	Cost Overrun	0.491	5
3	Dispute	0.443	6
4	Project abandonment	0.717	1
5	Poor Quality	0.666	3
6	Contractor's insolvency	0.677	2
7	Litigation	0.434	7

## **DISCUSSION OF RESULT**

Corruption is a menace that causes a lot of setback to so many meaningful project embarked by many successive government. From the result of the analysis it was evident that there is a clear-cut correlation between corruption and the activities at the pre tender stage, and if stringent measure is not taken about it, the development of the affected contract would be impaired as posited by (Obayelu, 2007).

Confidential details such as the project owner's minimum and maximum acceptable price were some of the factor that contributed to corruption at pre-tender stage, also a qualified bidder may be rejected due to some foul play of corruption. Zou (2006) supported this research findings that the construction company offer bribes (cash or in-kind) to client or the tender evaluation committee members in order to win the project; purposely lower the tendering prices or collusion in the tendering prices among construction companies also contributed to corrupt practices. This was corroborated further by the argument of Rose-Ackerman (2008) that corrupt kickbacks changing hands amongst parties to the contract are easy to hide in construction contracts, and the competitive nature of many bidding processes encourages firms to try to outwit them through payoffs

At the project execution stage it was evident that corruption really exists as a result of the analysis carried out which was in line with the finding reported by TI (2005) in Krishnan (2009) which that a 2006 survey by the U.K. Chartered Institute of Building which represents 45,000 project managers in the United Kingdom and overseas showed that a majority of all respondents believed that bribery and fraud were significant problems in the U.K. construction industry at the project execution stage. During the construction phase, it was reported in a research carried out in Zambia that the most prevalent unethical practice in Zambian construction industry was the supply and use of inferior and cheap construction materials, with the contractor and consultant conniving to share the resulting financial benefits (Sichombo, Muya, Shakantu &Kaliba (2009). This was ranked second by this research, meaning that corrupt practices to cut corners at the expense of quality work is a global issue that requires attention..

Also Stansbury (2005a) asserted that Corruption, (the abuse of entrusted power for private gain), can occur during all phases of a construction project planning and design,

tender, execution, and operation and maintenance, as illustrated in the review of literature. Stansbury (2005a) further said that a representative of the project owner may bribe a government or local authority official in order to obtain planning permission for a project, or to obtain approval for a design that does not meet relevant building regulations. This result correlated with the research findings at the project execution stage, which was observed that government official were bribed in order to obtain planning permission, also a contractor can bribe a supplier of materials to increase his prices while bribing an Arbitrator to give a favorable opinion when disputes arises were amongst factors that contribute to corruption at this stage.

At the post construction stage it was evident that corruption was established as a result of the analysis carried out which coincides with the assertion of Stansbury (2005a) that said Bribes can be paid to win operation and maintenance contracts and fraudulent practices can lead to inflated operation and maintenance costs in just the same way as during the tender and project execution phases. This result agreed with the research finding at the maintenance stage, which revealed that a project owner representative can be bribed for approval of nonexistent work by the contractor, while in advanced projects the same contractor that built the project may be the only company to maintain it and bribe can be paid to maintain projects.

The effect of corruption and corrupt practices as revealed by the research ranged from project abandonment to litigation in case of unlawful determination by either party to the contract. The assertion of (Sohail & Cavil, 2009) supported this by positing that delays and cost overruns are the consequences of corrupt practices when a contractors deliberately overstate the time and cost requirements and falsify time sheets in order to achieve a higher price from the client to cover for the kickbacks given to the consultants and also concealment of the quality of work whereby defective materials could be used or cheaper materials and of inferior specification or materials omitted out rightly. Transparency International's 2008 Bribe Payers Index capped it all by revealing that public works and construction were perceived to be the most corrupt industry sectors in the world

#### **CONCLUSION**

The pervasiveness of corrupt practices in the Nigerian construction industry if unchecked, could retard the growth of the industry, and consequently reduce the contribution of the sector to the national economy. It was observed that corruption is evident in all the stages of building project rising from pre-tender stage to completion/maintenance. It was also observed that there forces leading to corruption and corrupt practices like very low wage, i.e. salaries, family crises, greed, personal financial loss, Ungodliness e.t.c as revealed by the literature. The study revealed that corruption and corrupt practices have adverse impact on project delivery ranging from total abandonment of projects, contractor's insolvency to time and cost overruns.

Corruption on construction projects could only be eliminated if all participants in projects cooperated in the development and implementation of effective anticorruption actions, which addressed both the supply bribe giver and demand bribe taker sides of corruption. These participants include governments, financiers, project owners, contractors, consultants, and suppliers as well as the business and professional associations which represent these parties

#### RECOMMENDATION

In view conclusion made the following recommendations were made to assess the effect of corruption on effective project delivery on building projects. They include:

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- ❖ Public clients should make all information available to enable all contractors to price efficiently in order to curb corruption. The government or project owner should disclose all project information to the public or contractors tendering for the project on a Web site on a regular basis and in an easily accessible and comprehensible form.
- Procurement of contract should be done electronically, video conferencing e.t.c in order to curb corruption at the early stage and to reduce too much contact between the clients and contractors.
- ❖ Government should extend the application of Geographical Information System (GIS) to obtaining planning permission for building owners.
- ❖ Public projects should engage the services of consultants with good track record that will not compromise quality at any cost.
- Sensitizing major project participants to create awareness among their staff of the effect and consequences of corruption and this can be achieved by posting anticorruption rules at all project and site offices, providing anticorruption training for relevant staff to serve as check and balances, implementing a gifts and hospitality policy to engineer compliances.

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