

# ENHANCING BUSINESS OPPORTUNITIES IN THE CONSTRUCTION SECTOR THROUGH EDUCATION AND TRAINING IN ANTI-CORRUPTION INITIATIVES

By: Gary Taylor – IT Transport Limited and Awadh S. Mawenya – Design Partnership Limited

## *Abstract*

*The construction sector is perceived as one of the most corrupt sectors of the economy of any country and particularly in developing countries. Reasons for corruption are many and well documented. They include bureaucracy, greed, lack of transparency and accountability, and lack of enforcement of the relevant laws. However, this phenomenon is greatly fuelled by huge sums that are involved in executing construction projects coupled with a lack of transparency in the entire procurement process which involves the selection of consultants and contractors. Corruption practices have devastating consequences on the quality of the built environment, project delivery period and competitive performance of construction industry enterprises. It is estimated that in Tanzania, a total of 10% of the monetary value of construction projects is siphoned out through corrupt practices and lands into the custody of unethical parties to the contracts. This paper focuses on the effects of corruption in the construction industry, highlights the mitigation modes, provides the way forward, and eventually emphasizes on the role of education and training of construction industry personnel as a major tool for fighting corruption. The paper further discusses why corruption is bad for business and how things might move forward in the context of Tanzania. It will highlight how the actions required are inextricably linked to education and training.*

## **1.0 INTRODUCTION**

An issue that has gained prominence in the New Millennium is that of corruption. The construction sector is perceived as having particular problems and considerable opportunities for corrupt practices. Some surveys have found that the scale of corruption in the construction sector worldwide exceeds that of all other sectors including arms and petrochemicals.

However, it would be wrong to think that corruption arrived with the New Millennium - far from it. But what has changed recently is the attitude towards corruption. It is no longer considered acceptable to ignore this issue. Along with moves towards addressing good governance, most governments and development partners have a firm desire to take measures to reduce corruption.

A particular feature of these new initiatives is the building of partnerships. Governments have come to realise that tightening legislation and enforcement is simply not enough. The participation of the private sector is vital if corrupt practices are to be identified and addressed. Likewise the private sector is gradually getting the message across to clients that corruption is “bad for business” and the majority of contractors, consultants and others working in the construction sector would welcome an industry free from corruption.

## **2.0 THE CONSTRUCTION INDUSTRY AND CORRUPTION**

### **2.1 Importance of the Industry**

The construction sector is one of the significant sectors of the economy in Tanzania. Its contribution to the Gross Domestic Product (GDP) has increased from 5.2% in 1998 to 6.5% in 2007 or TSh 1.36 trillion (US\$ 1.2 billion) per year. Up to 60% of the government development expenditure budget or TSh. 740 billion (US\$ 600 million) per year is spent on construction projects. Of this amount, up to 80% is funded through grants and soft loans provided by the donor community. Over the past 15 years, Tanzania has ranked as the Sub-Saharan region's single largest aid recipient, having received more than £0.5 billion in official assistance in each year since 1990.

### **2.2 Corruption in the Industry**

In 2000, the then President of the United Republic of Tanzania, described the construction industry "as one of the most corrupt..."; later that year when addressing the Institution of Engineers Tanzania (IET)'s Annual Conference in Arusha he touched on professional ethics and exhorted IET with the following words: "One of the areas in which I should like the Institution of Engineers Tanzania to be my partner is in fighting corruption in the engineering profession." Owing to the fact that large sums of money are involved, it is not surprising that the incidence of corruption in the construction sector is high. Nor that this is an issue of such concern to the Government, development partners and the wider public.

The immediate reaction of the general public to the problem of corruption is to campaign for tighter legislation and stronger enforcement of the regulations. In fact, Tanzania has reformed its procurement procedures. The procurement of goods and services is guided by the Public Procurement Act (PPA) No. 21 of 2004 and other regulations over the past few years. These are now considered by its development partners as being as good as any by international standards. But the experience from here and elsewhere is that, although legislation is necessary, it is not sufficient for reducing corruption.

By international standards, Tanzania compares reasonably well with its neighbours. In terms of Transparency International's corruption perception index (CPI), Tanzania has steadily improved each year since records began, suggesting that levels of corruption are getting better. It is one of the few Sub-Saharan countries today to have reached a historically high CPI score of 3.2.

However, there is no room for complacency. CPI scores of less than 3 generally indicate that corruption is rampant. Tanzania is only just above this level. The key stakeholders in the Tanzanian construction sector including consulting engineers and contractors confirm this by assessing the current incidence of corruption as high. The Front Against Corrupt Elements in Tanzania (FACEIT) believes that national losses due to corruption exceed the Government's total revenue, which is about £900m. During a joint consultative meeting of the Engineers Registration Board (ERB) and the Association of Consulting Engineers Tanzania (ACET), it emerged that over 90% of construction contract awards and some 70% of consultancy assignments are believed to be routinely secured through corrupt practices.

### **2.3 Effects of Corruption**

The Tanzania Civil Engineering Contractors Association (TACECA) reports that 90% of contractors pay 10-15% of a contract's value in bribes. Based on a public construction output of TSh 740 billion, this implies that direct losses due to corruption in construction could be over TSh 75 billion (\$60 million) per year. This loss is magnified when poor quality work and inappropriate design arising from compromised contracts and project selections are included. Leakage of this scale and suspicions of poor quality and poor value for money damage not only the reputation of the construction industry but also Tanzania's overall efforts to develop and grow the economy.

## **3.0 THE CONSEQUENCES OF CORRUPTION**

### **3.1 Ethics and Professionalism**

One of the biggest misconceptions that can be made by outsiders to the construction industry is that the private sector and government officials want to work in an environment where corruption is endemic. The private sector is often cast as the villain in the piece – a willing perpetrator with a complicit client's staff. Reality is far from this. Business is, and always has been, based on an element of trust. This is undermined when there are misgivings about honesty. The same applies to professionalism. Most engineers, technicians and construction workers take pride in their work. When projects are awarded and implementation carried out in an environment where actions and decisions are not based on best practice or engineering judgement, professional ethics are compromised and individuals demoralised.

### **3.2 Performance and Competitiveness**

The immediate consequences of corruption are well known. Bids are won by the most corrupt and not the most able. During implementation of projects, corners are cut and a blind eye turned to sub-standard work. The unfortunate end result is poor quality infrastructure that is not adequate for its purpose, not durable and, usually, overpriced.

The longer term consequences are often not considered. In client, contractor and consultant organisations, once a perception becomes entrenched that everything principally depends on corrupt payments – professionalism suffers, morale amongst engineers and technicians drops and the industry becomes run on an agenda of personal enrichment and not national interest. In such an atmosphere, the training of young engineers and technicians is seriously harmed and engineering practice will attract fewer able people and less imaginative schemes.

It only takes a moment's thought to realise that no rational consultant is going to spend time and effort preparing a high-quality proposal when the evaluation will be decided by who offers the biggest kick-back. Neither is the rational contractor going to spend time carefully preparing a well thought out and competitively priced tender when the contractor knows that the bid award will depend on "insider dealing" involving illegal practices.

These issues are particularly serious for new and emerging construction industry enterprises and businesses. There is little chance that such enterprises can succeed and flourish in an environment of non-transparent and illegal practices. In an economy such as Tanzania's, growth depends on developing and maintaining good infrastructure. This in turn requires a strong and healthy local construction industry that delivers high quality work and offers good value for money. The expansion of existing local businesses and the establishment of new businesses are necessary to support the infrastructure development process.

### **3.3 Role of International Construction Firms**

The involvement of international construction firms (contractors, consultants) in the Tanzania construction industry cannot be over-emphasized. One of the arguments for the involvement of international companies in the development of Tanzania's infrastructure is that such companies can bring skills and knowledge that can assist in the development of the country. Unfortunately, the reality is often different. A number of international companies have scaled back or withdrawn from involvement in sub-Saharan Africa because of corruption. Frequently, the suspicion is that some international companies are more than ready to exploit the opportunities offered by weak structures and low levels of enforcement of regulations in sub-Saharan Africa to bribe officials to win work or circumnavigate procedures. The sad conclusion is that international companies can be part of the problem rather than being part of the solution.

## **4.0 THE WAY FORWARD**

The way forward for fighting against corruption comprises a number of initiatives that are discussed below. They include; general approach, anti-corruption forum, road map against corruption, and construction sector transparency initiative.

### **4.1 General Approach**

It is fair to ask the question, if it is in the best interests of clients, consultants and contractors to have a corruption-free construction industry, why is everyone not moving towards this? The answer usually given by private sector companies is that no one feels able to move on their own. The perception is that any private sector individual taking a firm stand against corruption would be committing commercial suicide. Similarly, individuals within client's organisations may be unwilling to come forward as whistleblowers if this risks compromising their job and career.

The obvious solution for the private sector is collective action. In this regard, industry bodies such as NCC, IET, and TACECA have an important role to play. Through these bodies, individual members can express their views and participate in the debate on corruption in a way that does not have to identify individuals by name. Moreover, views expressed by a body representing a large number of members can carry far more weight than an individual voice.

This is the theory behind the UK's Ant-Corruption Forum. A number of like-minded individual companies and industry bodies have come together to form an alliance and been effective in:

- Establishing a forum for debate about corruption in infrastructure.
- Developing common views, strategies and action plans.
- Engaging with Government bodies and other authorities on ways in which legislation and practices in the infrastructure sector could be improved to reduce corruption.

## **4.2 Anti-Corruption Forum**

The UK Anti-Corruption Forum has been running since 2004 and is considered a success by both its members and other sector stakeholders. Further information can be found on their website. Since 1994, FACEIT has played a similar role in Tanzania where it has been at the forefront in bringing out, holistically, the economic harm inflicted by corruption.

## **4.3 Corruption Strategy**

### **4.3.1 Road Map on Corruption**

Another facet of the solution is that of starting from where we are and moving forward. Experience shows that the fastest way forward for the construction industry is to be clear where the industry wants to be in the future, learn from the mistakes of the past and develop a strategy or road map to reach the intended goal. This is not to say that in certain circumstances detailed investigations of past events leading to possible legal action is not justified. But this is best left to the relevant authorities and the legal system. For the industry, looking forward and presenting all stakeholders with practical means to move towards a more corruption free environment is the most effective use of the available efforts.

### **4.3.2 Construction Sector Transparency Initiative**

Finding such strategies may require innovation. One such example is the Construction Sector Transparency Initiative (CoST) that has recently been adopted on a pilot basis by Tanzania and was launched internationally in Dar es Salaam in May 2008. This has the relatively modest aim of making the construction industry more transparent. Actions include making the disclosure of certain basic information about construction contracts publicly available. The actions also include setting up a multi-stakeholder group to examine the disclosed information and act as an industry watchdog. The expectation is that more transparency will discourage corruption and build the confidence of the wider public in the integrity of the construction sector.

## 5.0 ROLE OF EDUCATION AND TRAINING

The role of education and training for the purpose of equipping the stakeholders of the industry with the relevant knowledge and tools to fight against corruption in the sector could have profound effects in curbing corruption.

### 5.1 Seminars and Workshops

For too long corruption in the construction sector has been a taboo subject. However, in the 21<sup>st</sup> Century, it is unreasonable to launch new engineers and technicians into the real world of construction without giving them an awareness of corruption – its complexities and its consequences. Bearing this in mind, corruption and business ethics should be included in the **formal education** of all technical staff and potential managers in the construction sector. They should be able to understand the difference between bribery, fraud, extortion, and collusion. This does not need to be presented as a theoretical subject. It could be discussed in a seminar on the topic of business and professional ethics. It could draw on active or retired construction industry specialists who could share their thoughts and experiences with students. In this way, new engineers and technicians would be better prepared if and when they find themselves confronted by corruption in practice.

### 5.2 Short-Term Training Courses

For practising engineers, technicians and other construction industry stakeholders, **short-term training courses** are common and widespread. These offer the possibility to introduce the subject of corruption. For example, this could be in relation to courses on contract administration or site supervision. The training should focus on the reasons, how and when corruption might occur, and possible mitigation measures that need to be taken.

### 5.3 Training Manuals

Fortunately, there is a significant and growing body of available documentation that provides a suitable source of **training materials**. This includes FIDIC's "Business Integrity Management System Training Manual", Transparency International's "Preventing Corruption on Construction Projects", the United Nations Global Compact's "Business Against Corruption – Case Stories and Examples", and many more, including several papers prepared by FACEIT on anti-corruption measures in construction projects.

### 5.4 Awareness Raising

Finally, in addition to formal education and training, there is considerable scope for more **awareness raising** amongst all construction industry stakeholders on the issue of corruption – its scale; how it occurs; the potential consequences; and possible mitigation measures. Only through bringing the issue out into the open, will it be possible for the industry to tackle this issue in a measured and effective way.

## 6.0 CONCLUSIONS AND RECOMMENDATIONS

Corruption, financial mismanagement and non-transparent systems are listed in the Construction Industry Policy as some of the constraints on good performance. The industry needs to be proactive in addressing these issues. A strategic approach is required that combines transparency initiatives such as CoST with greater awareness and less tolerance of corrupt practices. The education and training of new and existing industry professionals has an important role to play in this. Corruption issues need to be discussed and mitigation measures explicitly addressed in both formal education and short-term training courses.

Corruption is bad for business and bad for professional morale. The main message of this paper is that the prospects for a healthy, vibrant and successful construction industry in the 21<sup>st</sup> Century depend on effectively dealing with corruption. In turn, this depends on practitioners who, through education and training, understand the issue and have knowledge of the measures to take to mitigate it.

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