

# Appraisal Of The Impact Of Corruption On Sustainable Development In Nigerian Construction Industry

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**Abstract**—Majority of the failures recorded in the infrastructure projects in Nigeria were as a result of the corruption within the professionals and stakeholders of the construction industry. This led us to evaluate the effects of corruption on construction projects delivery in Nigeria. Although corruption has become pass and persuade of Nigerians daily activities especially public office holder and professionals both in the construction industry and other sectors of national development. This paper appraised the previous studies relating to construction industry and cases of corruption against the leaders and management of the organisations recorded in Nigeria were all evaluated to ascertain its impacts on construction industry. However, it was discovered that most of the Nigeria leaders that are supported to champion the national development are corrupts as shown in Table 1. In addition, the paper outlines the major areas where corruption are mostly take place in the construction industry. These are bribe by a bidder to obtain the planning permit or license, bribe to rig the outcome of a tender, bribe to acquire land, bribe to compromise the quality of the project, bribe to delay the project for personal gain etc. Therefore, the paper suggests that the professionals bodies like QSRBN, CORBON, COREN etc, should sanitized their members on the needs to avoid corruption during practices and also law should be enforced on the erring members.

**Keywords**—*Construction Industry, Corruption, National Development, Construction projects.*

## 1. INTRODUCTION

Construction projects cost is one of main key parameter that is used in assessing the performance and success of any construction projects. Nigeria construction industry are facing the challenges of high cost of construction projects as a result of persistence corruption within the professionals and stakeholders in the construction industry, which causes poor planning and management, dispute, claim, fluctuation, cash flow problems and variation etc. Although, corruption has been defined by previous researchers in various ways depending on the political, cultural and civilization of the societies (Olatunji & Muhammed, 2013). For instance in Nigeria, a person or the societies can give a gift to an officer in appreciation of good performance or service, this act in Nigeria is regarded as motivation not perceived as a corrupt act, but in the Western world, it is likely to be regarded as a corrupt act. In another case, to bend a rule or a procedure to favour somebody may be defended as a discretionary power of the officer which may be covered by the constitution, but in another legal procedure this act can be considered an act of corruption. However, it is of general opinion that corruption involves inducement intended to pressure an act to be carried out outside the set rules and procedures for example contract sum prepare by the Quantity Surveyors. In line with this, the World Bank also described corruption as the abuse of public office for private

advantage (Obayelu, 2007). The professionals in the construction industry can be abused through rent seeking activities for private gain when an official accepts, solicits or extorts a bribe. The professionals in the construction industry also abused when private agents actively offer bribes to circumvent professional ethics and processes for competitive advantages and profit. They can also be abused for personal benefits even if no bribery occurs, through patronage and nepotism, the theft of state or the diversion of state resources through collaboration with leaders or management. Corruption is a complex phenomenon therefore difficult to define in concise and concrete terms, there is always a consensus as to what exactly constitutes corruption. Due to this difficulty, the Oxford Advanced Learners Dictionary simple defines corruption as “dishonest or wicked behavior”. Alemika (2012) further expressed that corruption is a process of using one’s power in a dishonest, illegal or immoral way to get an advantage for oneself. Lash (2003) added that corruption is immoral and dishonest or exploitation of power in economic financial and political spheres for personal gains. Egbu (2012) argued that corruption is regarded as “any action taken in socio-economic, political and financial realms which is morally unacceptable, bad or illegal. Klitgaard (1996) developed a simple model that explained the dynamics of corruption such as  $C = M + D - A$ . Where  $C$ = corruption,  $M$ = monopoly of power,  $D$ =discretion and  $A$ = accountability. However, Obayelu (2007) further highlighted that corruption in the construction industry is a manifestation of one or a combination of the followings.

- ❖ **Fraud** – a reflection of any instance in which one party deceives or takes advantage of another commonly regarded nowadays as advanced fee fraud (419)
- ❖ **Bribery** – an illegal influence on any person in the exercise of professionalism.

- ❖ **Forgery** – a fraudulent alteration of a written document or seal with the intent of injuring the interests of another person.
- ❖ **Embezzlement** – a wrongful acquisition of property by a person who has been entrusted with such property.
- ❖ **Extortion** – a crime of obtaining something such as money from somebody using illegal methods or persuasion.

## 2. CONSTRUCTION INDUSTRY

Construction industry plays an important role in socio economic development of any nation. The activities of the construction industry have a lot of significance to the achievement of national socio-economic development goals of providing infrastructure, sanctuary and employment. This also includes hospitals, schools, townships, offices, houses and other buildings; urban infrastructure (including water supply, sewerage, drainage); highways, roads, ports, railways, airports; power systems; irrigation and agriculture systems; telecommunications etc (Kasimu, 2015; Uma & Eboh, 2013). The construction industry holds an immense potential for stimulating growth, boosting project exports and generating employment. The domestic construction segment happens to be one of the fastest growing segments, with an impressive average growth of 7-8 per cent per annum (Ofori, 2000). The foundation of a higher growth rate rests on a sound and efficient infrastructural development which makes the construction segment a key sector. The rapid expansion of infrastructure by both government and the private sector has triggered off construction activities and fuelled demand in many key sectors like cement, steel, paints and chemicals, glass, timber and earth moving equipment and machinery (Jacobsson & Wilson, 2012). The construction sector is a crucial industry having strong backward and forward growth linkages. It deals with all economic activities directed to the creation,

renovation, repair or extension of fixed assets in the form of buildings, land improvements of an engineering nature. Besides, the construction industry generates substantial employment and provides a growth impetus to other sectors through backward and forward linkages.

## 2.1 CHARACTERISTICS OF THE NIGERIAN CONSTRUCTION INDUSTRY

Construction industry in Nigeria comprises a group of heterogeneous and fragmented companies and, within companies, there is often a great diversity of activities. No other industry has similar characteristics. Typically, a large construction company may be engaged in activity ranging from building and civil engineering projects to material manufacturing, property development, and trade specialization. Peripheral services such as material supply, plant hiring, and the newly emerging project management companies contribute to a complex industrial structure. However, previous researchers have highlighted the characteristics of the construction industry that distinguish it from other industry (Fadhlin, 2004; Idoro, 2010; Jacobsson & Wilson, 2012). These are:

1. The industry is a project-based industry. Construction companies undertake a range of discrete projects characterized by relatively long duration and difficult ground conditions. Construction work are carried out in the open and subject to interference from the weather, the plan of work on each construction site varies and changes from day to day, and sites are often situated many miles from the head office or regional center of organization.

## 2.2 SUSTAINABLE DEVELOPMENT

an accomplishment of human desires by concurrent socioeconomic and technological improvement and preservation of the normal systems. Khalfan, et al. (2004) stated that a sustainable development is reliant on upon sustained economic, social, cultural

2. Labour force in the industry is considered as nomadic in nature. Operatives who are predominantly young male and employed on casual basis do not only move from site to site but from one employer to the other. Construction also involves high level of specialist work and several professionals could be involved in a single construction project.
3. The separation of design functions from production. Traditionally, design is carried out by the design team (architects, structural engineers, and services engineers) while the production is carried out by a separate team, the building team comprising the builders/construction manager and the quantity surveyors who carries out the cost management.
4. Ease of entry to the industry. While the professional's (design and production management professionals) have an effective form of registration and control over members, there are few constraints to setting up a building contracting business. The system of paying mobilization fee, interim certificate payments during the construction phase of the work, coupled with extensive credit concessions for material purchasing and plant hiring has encouraged an influx of entrepreneurs. Sadly, this has resulted in many unethical practices leading to shoddy jobs, structural failures, and project abandonment among others.

According to Sage (1998) and Magee et al. (2013) sustainable development is regarded as and technological improvement. Therefore, sustainable development is a word commonly linked with the accomplishment of increased techno-economic development coupled with conservation of the natural capital that is encompassed of

environmental and natural sciences. DETR (2000) expressed that the sustainable development is a method of safeguarding a better quality life for everybody, both now and in the forthcoming generations through the followings; social development which recognises the desires of everybody, active protection of environment,

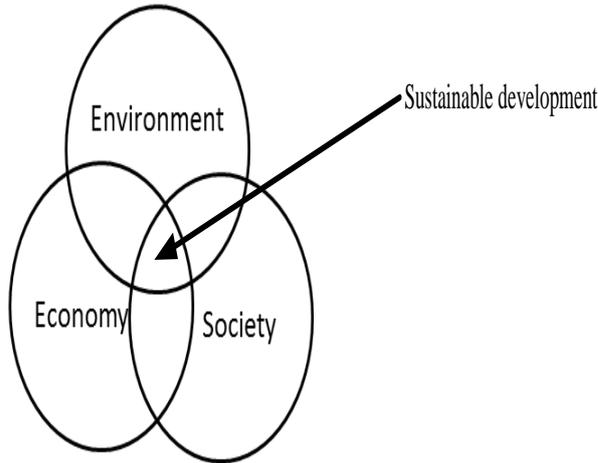


Figure 1: The concept of sustainable development adopted by (Khalfan *et al.*, 2002)

### 3.0 BRIEFLY HISTORY OF CORRUPTION CASES IN NIGERIA.

From the past and present history of Nigeria has documented many cases and exhibits of corruption. It is of no amazement that with the nature of the country's political economy, the weak institutions of government coupled with a dysfunctional legal system, industrialization is still a mirage for Nigeria even after over 50 years of political independence. Nigeria is one of the very few countries in the world where a man's source of wealth is of no concern to his neighbours, the public

judicious use of natural resources, and maintenance of high and stable levels of economies development and employment. However, Khalfan *et al.*, (2002) developed a framework of sustainability and outlined the three components of the sustainability for example the relationship between the society, economy and environment as shown in Figure 1. or the government. There is a strong standing culture of affluent and flamboyant living and to be a "big man" is a fore most importance in the mind of most Nigerians. Official misuse of resources for personal enrichment have been a trend since the creation of modern public administration and even more severe after the discovery of oil and natural gas.

Corruption, though prevalent was kept at manageable level during the first republic. Azikiwe was the first major figure that was investigated for questionable practices (Ribadu, 2003). In 1944, a firm belonging to Azikiwe and family bought a Bank in Lagos and it was reported that most of the paid-up capital of the Bank (African Continental Bank) was from the Eastern Regional Financial Corporation (Agbu, 2003). During the Gowon Administration in 1975 a corruption scandal surrounding the importation of cement engulfed his administration many officials of the ministry of defense and the central bank of Nigeria were involved in this scandal (Agbu, 2003; Egwemi, 2012; Ribadu, 2003). Similar cases were recorded in all the administration that follow the first republic. The current confirmed cases of the corruption in Nigeria leaders that were opportunist to stir the affairs of our nation development were shown in Table 1 below.

Table 1: Confirmed Corruption cases in recorded Nigeria from 2000-2011

	Name	Case Status	Amount Involved	Status Suspect(s)
1	Ayo Fayose (Governor of Ekiti State)	Arraigned on 51 counts	N1.2 billion	Case pending, granted bail
2	Adenike, Grange (former Minister of Health)	Arraigned on 56 counts	N300 million	Discharged and acquitted
3	Joshua Dariye (former Governor Plateau state)	Arraigned on 23 counts	N700 million	Case pending, Granted bail since 2007

4	Saminu Turaki (former Governor Jigawa state)	Arrested on 32 counts	N36 billion	Case pending, Granted bail since 2007
5	Oji Uzor Kalu (former Governor Abia state)	Arrested on 107 state counts	N5 billion	Case pending, Granted bail since 2008
6	James Ibori (former Governor Delta state)	Arrested on 170 counts	N9.2 billion	Case pending, Granted bail since 2008
7	Iyabo Obasanjo (former Senator)	Arrested on 56 state counts	N10 million	Case pending, Granted bail since 2008
8	LuckyIgbinedion (former Governor of Edo state)	Arrested on 191 state counts	N4.3 billion	Case determined, ordered to pay \$25 million as fine
9	Gabriel Aduku (former Minister of Health)	Arrested on 56 state counts	N300 million	Discharged and acquitted
10	Jolly Nyame (former Governor of Taraba State, 2008)	Arrested on 41 state counts	N1.3 billion	Case pending, Granted bail since
11	Chimaroke Nnamani (former Governor of Enugu state)	Arrested on 105 state counts	N5.3 billion	Case pending, Granted bail since 2007
12	Roland Iyayi (former MD of FAAN)	Arrested on 11 state counts	N5.6 billion	Case pending, Granted bail since 2008
13	Prof. Babalola Borishade (former Minister of Aviation)	Arrested on 11 state counts	N5.6 billion	Case pending, Granted bail since 2008
14	Boni Haruna (former Governor of Adamawa state)	Arrested on 28 state counts	N254 million	Case pending, Granted bail by court since 2008
15	Bode George (PDP Chieftain)	Arrested on 68 state counts	N100 billion	Jailed in October 2009
16	Rasheed Ladoja (former Governor of Oyo state)	Arrested on 33 state counts	N6 billion	Case pending, Granted bail since 2008
17	Senator Nichola Ugbane; Hon. Elumelu and others	Arrested on 158 state counts	N5.2 billion	Case pending, Granted bail since 2009
18	Hamman Bello Hammed (Ex CG Customs)	Arrested on 46 state counts	N2.5 billion	Case pending, Granted bail since 2009
19	Adamu Abdullahi (former Governor of Nasarawa state)	Arrested on 149 count charge	N15 billion	Case pending, Suspect on court bail
20	Attahiru Bafarawa (former Governor of Sokoto state)	Arrested on 47 count charge	N15 billion	Case pending, Granted bail by court
21	Hassan Lawal (former Minister of Works)	Arrested on 37 count charge	N75 billion	Case pending, Granted bail by court
22	Kenny Martins (Police Equipment Fund)	28 count charge	N7,740 billion	Case pending, Granted bail since 2008
23	Esai Dangabar, Atiku Abubakar Kigo, Ahmed Inuwa Wada, John Yakubu Yusufu, Mrs. Veronica Ulonma Onyegbula and Sani Habila Zira	16 count charge	N32.8 billion	Case pending, Granted bail by court

Sources: Adopted from Usman, 2013 (Economic and Financial Crimes Commission (EFCC) Profile Cases 2000 – 2010).

In spite of the different approaches and strategies adopted by Government of Nigeria to eradicate corruption in Nigeria, the corruption is continuous to exist in our day to day activities. However, the current administration of President Muhammad Buhari has challenge the professionals of the construction industry particular all Register Quantity Surveyors in Nigeria to join hand in fight against the corruption during the courtesy visit by Quantity Surveyors Registration Board of Nigeria

(QSRBN) to the president. The important of this challenges is that Quantity Surveyor (QS) are the cost managers of the infrastructural projects. Most of the Government official siphoned money through infrastructure projects in collaboration with the QS, Architects, Engineers and other stakeholders in the construction industry.

#### 4.0 THE IMPACT OF CORRUPTION ON SUSTAINABLE DEVELOPMENT IN NIGERIA CONSTRUCTION INDUSTRY

Construction industry is fundamental to transformation and modernisation of developmental projects. The construction industry provides the infrastructure for economic development and hence, it has been described as an important economic sector (Fadhlin, 2004; Ofori, 2000). The Nigerian construction industry market is the biggest construction markets in Africa with over 12 million employees as at 2010, which represents approximately 15% of Nigeria's work force and the largest employer of construction labour in Africa (Kasimu et al., 2014; Wahab & Lawal, 2011). The remarkable development recorded over the years is through government expenditure which was a main support to the industry, particularly the infrastructure projects, as well as other influences that supported the industry's development. In spite of the premeditated role of the industry in a developing economy, Nigeria construction industry face challenges of corruption within the professionals and other stakeholders of the industry. The negative impact of the corruption in the construction industry in Nigeria are as follow:

1. Abandonment of construction project due to lack proper planning and management
2. High cost of the construction projects as results of inflated price of Bill of Quantities and un-realistic claims during the course of execution of the project
3. Poor quality workmanship as a result of poor supervision thereby lead to collapses of projects.
4. Low labour productivity and output which thereby causes delay on the construction projects
5. Ineffective utilization of the resources such as materials and labour.

However, the areas where corruption usually take place in the construction industry that have significant impact on construction projects were highlighted below. Although corruption occur at the following points in the construction industry: during

planning, design, tendering, construction, operation and maintenance. The examples of constituents of corruption are:

- Obtaining planning permission or licenses to operate
- Bribe to delay the projects execution for personal gain
- Bribe to compromised the quality of projects
- Bribe to reduce the quality supervision and monitoring
- Bribes to acquire land at favourable prices
- Bribes to award maintenance contracts or property lets
- Bribes by a bidder to ensure the project design improperly favours that bidder
- Bribes to rig the outcome of a tender
- Bribes to supervising engineers or public officials to approve defective or non-existent work or to over certify value of work conducted
- Bribes by clients to project engineer to delay issuing payment certificate or granting of extensions of time or bribes by contractors to secure such certification or extensions of time.
- Bribes to officials to secure import licenses or customs clearance for machinery and materials or visa for key staff
- Bribes to influence expert determinations or arbitration
- Bribes may invalidate your contract.

## 5.0 CONCLUSION

The new administration of Muhammad Buhari is now strategizing to revamping the devastating, dilemma of problems in the Nigerian economy since independence. Several policies and programmes have been put in place in this regard but hydra-headed corruption and crises have been militating against positive and meaningful results. A developing country like Nigeria needs to judiciously manage her available resources,

avoid all forms of misappropriation of capital and ensure friendly environment for all forms of business operation especially construction industry. But over the years, greed, bribery, kick-backs, among others, have become the accepted way of life of many Nigerians, thereby denying millions of Nigerians their daily meal and deny the country the opportunity to emerge as a major player in the global economy. The results obtained the appraisal of the previous studies shows that corruption is anti-development at all stages of our nation's progress. This because the leaders of our Government (both Local, States, and Federal Governments) are corrupts and majority of the capital projects embark up by them were full of corruption cases which leads to high cost of construction projects which affected the quality and time of completion. Beside the paper highlighted the significant impacts of corruption on sustainable development in the construction industry. These are abandonment of construction projects, High cost of the projects, and poor quality workmanship as result of poor supervision and thereby leads to the collapses of the projects, low Labour productivity and ineffective utilization of resources such as material and Labour. Therefore, the paper suggests that the professionals bodies like QSRBN, CORBON, COREN etc, should sanitized their members on the needs to avoid corruption during practices and also law should be enforced on the erring members. However, since the current administration is committed to fight corruption, a special court should be set to face the corruption cases only. The other professional's bodies should emulate the QSRBN that de-registered four of his members last month due corruption cases

and shoddy deal. In addition, there is also need to respect the ideals of Kaufmann (1999) who suggested that  $AC = LE + CA$ , where AC = is anti corruption efforts, LE = leadership and CA = collective action. The Government should provide resources for QSRBN and other professionals to establish both a national construction cost database and a data centre for effective management and control of cost of construction projects in Nigeria.

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