



# Corruption in the Trinidad and Tobago Construction Industry

## Survey 2009

***Trinidad and Tobago Transparency Institute***

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## **Abstract**

*This survey solicited and examined views on corruption within the Trinidad and Tobago construction industry. Respondents were industry practitioners (professionals and contractors). The survey looked at respondents' perceptions of corruption as well as their personal experiences of it.*

*It found that respondents generally perceived corruption to be widespread. But there seemed to be need for a greater understanding of what constituted corruption.*

*Many, but by no means all, respondents had had direct experience of corruption.*

*Almost all were of the view that not enough was being done to combat corruption by either public or private sector stakeholders.*

*The results suggest that private sector stakeholders would be open to the idea of concerted action to promote integrity in the industry.*

## 1. Introduction

In recent times the *Trinidad and Tobago Transparency Institute (TTTI)*<sup>1</sup>, the local chapter of *Transparency International (TI)*<sup>2</sup>, has been exploring with private sector stakeholders the possibility of their establishing an *anti-corruption alliance* that would take co-ordinated action to reduce corruption and promote greater integrity in the Trinidad and Tobago construction industry.

In September, 2008 there was established an official *Commission of Enquiry into the Construction Sector*<sup>3</sup> that is expected to conclude its work early in 2010. Among its terms of reference is the mandate to make recommendations to ensure transparency and integrity in the public procurement process.

To help gain a better understanding of how to interest stakeholders in the formation of an anti-corruption alliance and of what issues the alliance should address as well as to assist the Commission of Enquiry with background information, TTTI, assisted by the *Partnership for Transparency Fund (PTF)*<sup>4</sup>, undertook a survey of the perceptions and experience of corruption of industry professionals and contractors, the results of which are presented in this report.

## 2. Methodology

The survey was conducted using a web-based questionnaire partially modelled, with permission, on one used by the UK's *Chartered Institute of Building (CIOB)*<sup>5</sup> and administered by the Norwegian based service provider, Questback<sup>6</sup>.

During a three-week period in March and April, 2009, construction industry professionals and contractors were invited by e-mail to respond anonymously to the questionnaire. Except in the case of engineers, the e-mail addresses used were supplied by professional associations from their membership lists. For the engineers, addresses were gleaned from published lists.

Where it was considered necessary, definitions of certain practices were added to the questions. These definitions were based on those taken from TI by the CIOB and can be found in *Appendix 1*. The term 'corruption' itself was not defined as TTTI was interested in discovering respondent's personal perceptions of what constitutes corruption.

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<sup>1</sup> See Appendix 2

<sup>2</sup> <http://www.transparency.org/>

<sup>3</sup> <http://www.constructionenquiry.gov.tt/Home.aspx>

<sup>4</sup> <http://www.partnershipfortransparency.info/index.html>

<sup>5</sup> <http://www.ciob.org.uk/home>

<sup>6</sup> <http://www.questback.com/>

### 3. THE SAMPLE

We invited 359 persons to respond. The response rates were as follows.

	Invited	Responded	Rate (%)
Contractors	82	20	24
Engineers	32	5	16
Architects	79	19	24
Surveyors	133	8	6
Other	33	12	36
<b>Total:</b>	<b>359</b>	<b>64</b>	<b>18</b>

The 64 respondents were distributed by industry area as follows.

	Respondents	% of sample
Contractors	20	31
Engineers	5	8
Architects	19	30
Surveyors	8	13
Other	12	19
<b>Total:</b>	<b>64</b>	

It should be noted that, of the total number invited to respond, the number of surveyors was 37% while, of the total number responding, their number was only 13%. If the surveyors had been excluded, the overall response rate would have been 25% instead of 18%. The comparatively poor response of surveyors has to be seen in the context that most of them do not work directly in the construction industry.

It should also be noted that contractors, engineers and architects together made up 54% of those invited with a response rate of 23%.

Almost all respondents occupy top positions in their companies:

#### Which best describes your employment level?

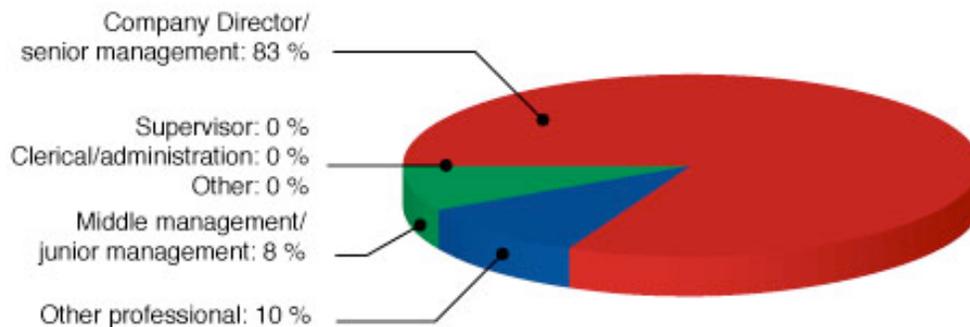


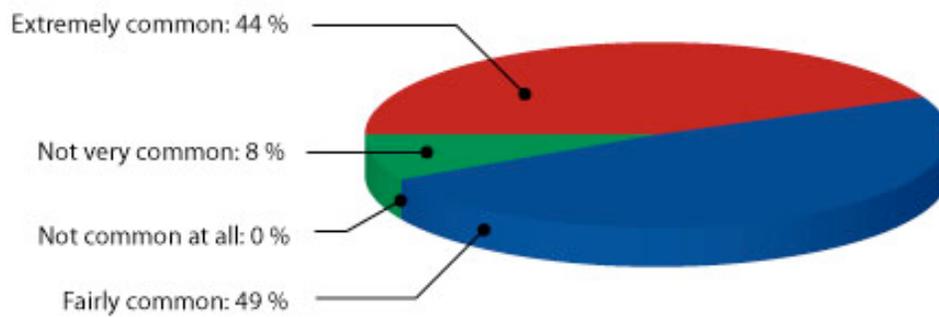
Chart 1

## 4. FINDINGS

### *How common?*

**How common do you think corruption is in the Trinidad and Tobago construction industry?**

Over 90% of the respondents were of the view that corruption was common in the Trinidad and Tobago construction industry with half of these considering it to be extremely common. None held that it was not common at all.



**Chart 2**

## How corrupt?

On a scale from 1 to 6 where 1 equals "Not at all corrupt" and 6 equals "Very corrupt", how corrupt do you consider the following to be?

### Bribery to obtain planning permission

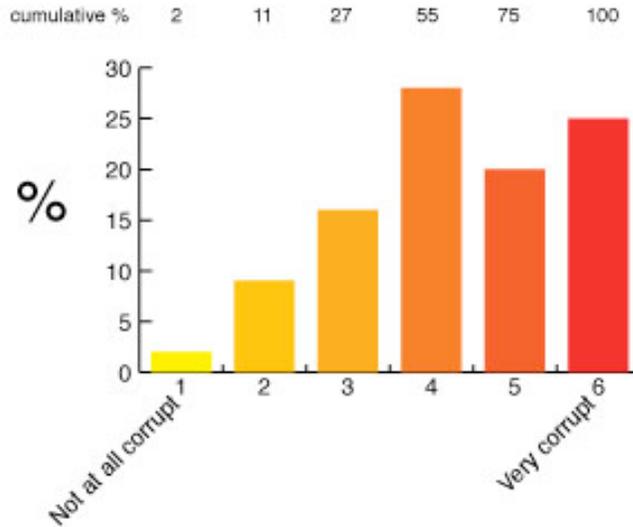


Chart 3

[Mean: 4.31      Standard deviation: 1.33      Median: 4.0]

### Leaking of information to a preferential bidder

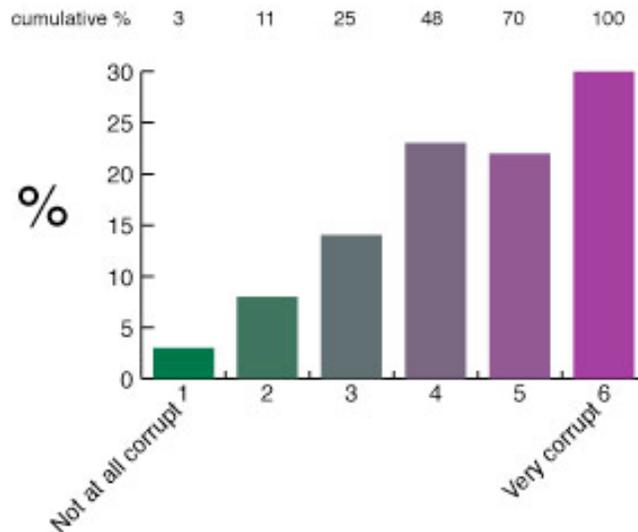
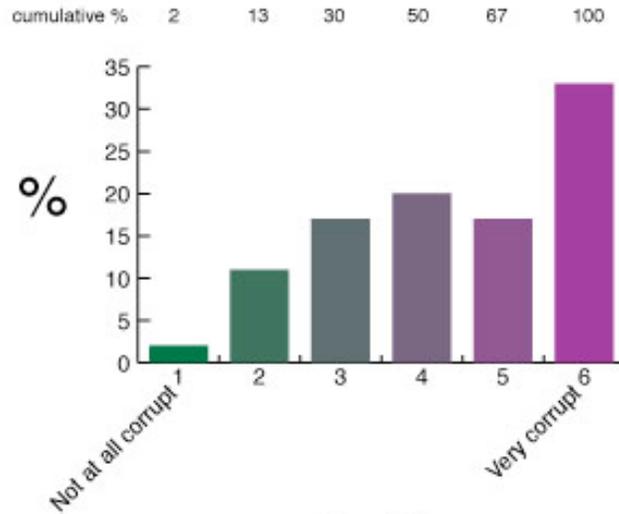


Chart 4

[Mean: 4.42      Standard deviation: 1.40      Median: 5.0]

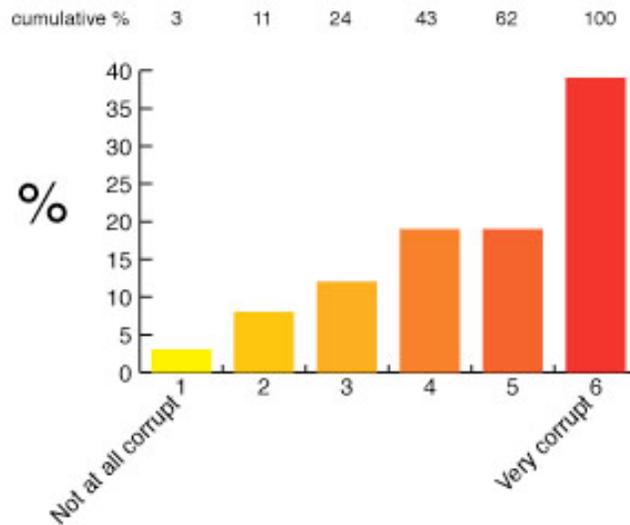
### Bribery to obtain a contract



**Chart 5**

[Mean: 4.39    Standard deviation: 1.44    Median: 4.5]

### Concealment of bribes



**Chart 6**

[Mean: 4.10    Standard deviation: 1.42    Median: 4.0]

### Production of fraudulent timesheets

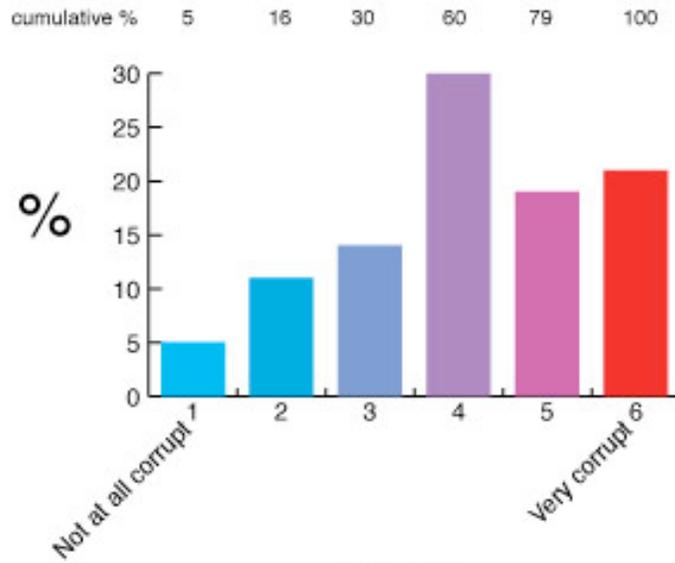


Chart 7

[Mean: 4.10    Standard deviation: 1.42    Median: 4.0]

### Production of fraudulent invoices

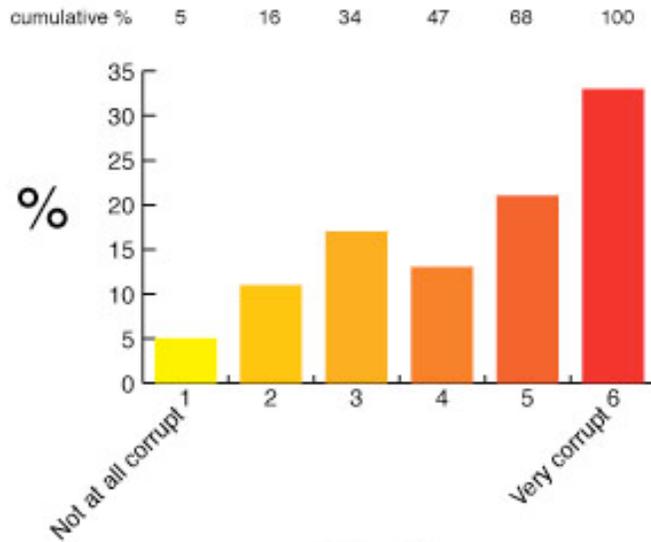
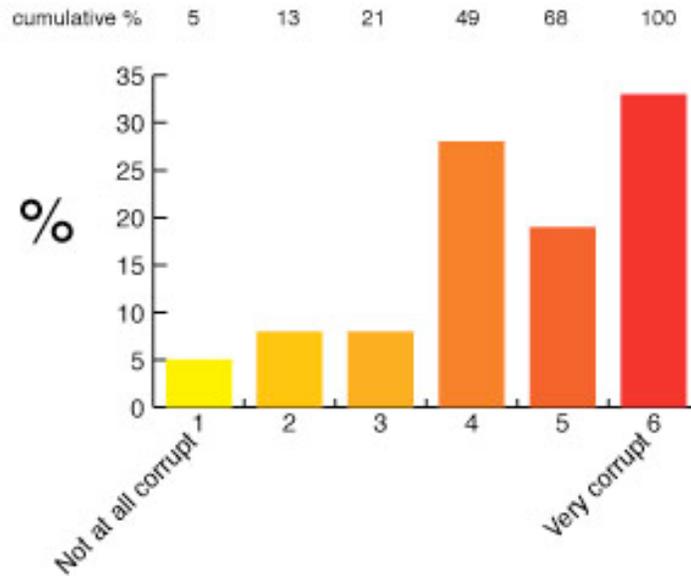


Chart 8

[Mean: 4.33    Standard deviation: 1.57    Median: 5.0]

## Inclusion of false extra costs to a contract claim



**Chart 9**

[Mean: 4.47    Standard deviation: 1.45    Median: 5.0]

The majority of respondents acknowledged that all of these practices were quite corrupt and did not differ much in how corrupt they considered each practice to be.

On average, 73 % of respondents assigned, on a scale of 1 ('not at all corrupt') to 6 ('very corrupt'), a rating of 4 or higher to the practices. The actual percentages ranged from 66 for the *production of fraudulent invoices* (Chart 8) to 79 for *inclusion of false extra costs to a contract claim* (Chart 9).

## How prevalent?

On a scale from 1 to 6, where 1 equals "Not found at all" and 6 equals "Very prevalent", how prevalent do you consider the following to be?

### Concealment of bribes

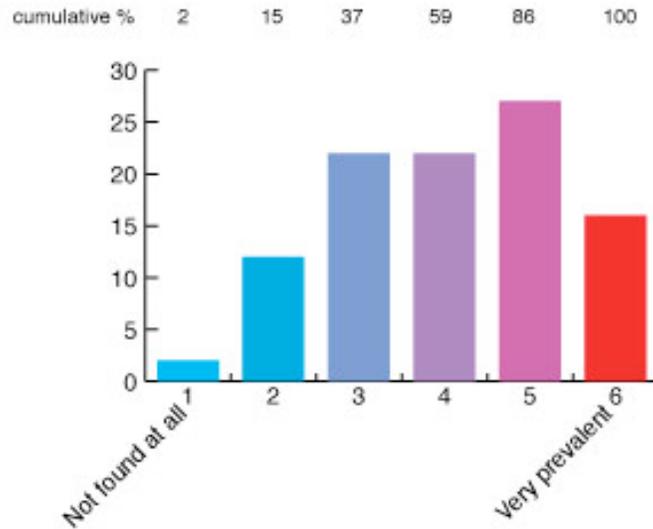


Chart 10

[Mean: 4.06    Standard deviation: 1.32    Median: 4.0]

### Corrupt practices during pre-qualification and tendering phase

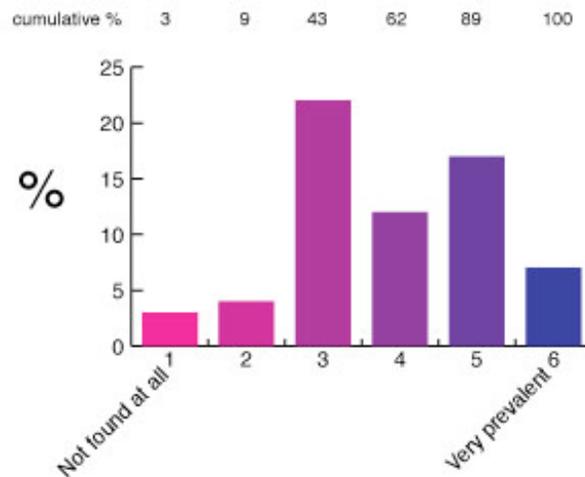


Chart 11

[Mean: 3.92    Standard deviation: 1.25    Median: 4.0]

## Corrupt practices during project execution phase

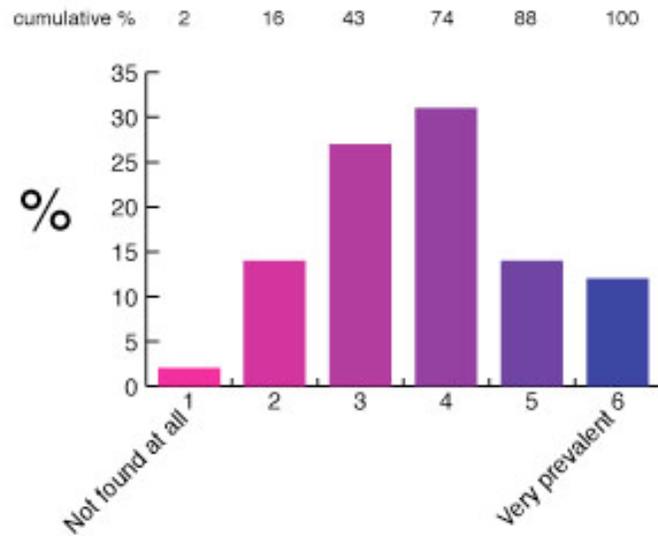


Chart 12

[Mean: 3.80    Standard deviation: 1.25    Median: 4.0]

Respondents definitely considered the practices about which they were questioned to be prevalent in the construction industry.

On average, 87 % assigned, on a scale of 1 ('not found at all') to 6 ('very prevalent'), a rating of 3 or higher while 59 % assigned a rating of 4 or higher.

Respondents tended to view corrupt practices during *pre-qualification and tendering* (Chart 11) as less prevalent than during *project execution* (Chart 12).

## How frequent?

On a scale from 1 to 6 where 1 equals "Never" and 6 equals "Very frequently", how frequently, in your opinion, does corruption occur in the following:

### The selection of local consultants

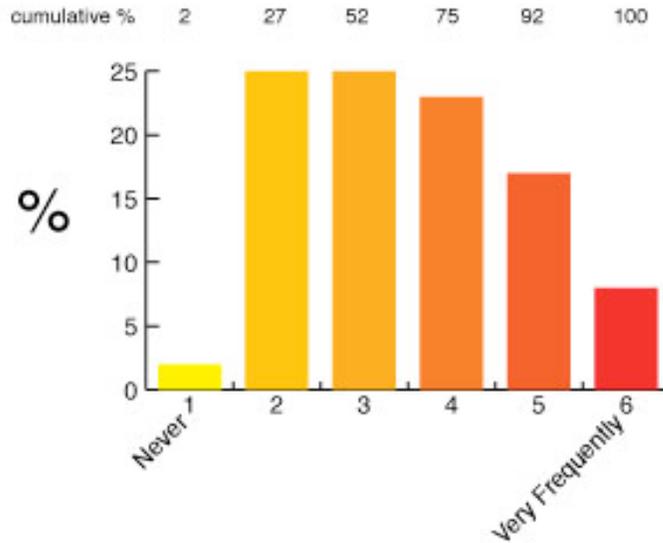


Chart 13

[Mean: 3.53    Standard deviation: 1.29    Median: 3.0]

### The selection of foreign consultants

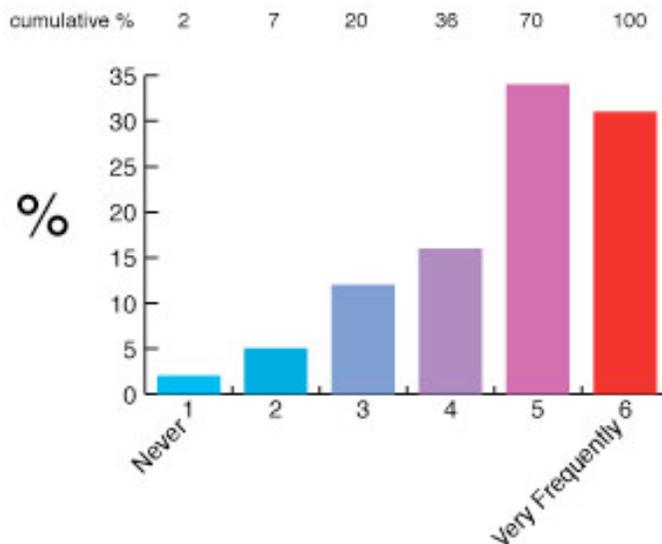
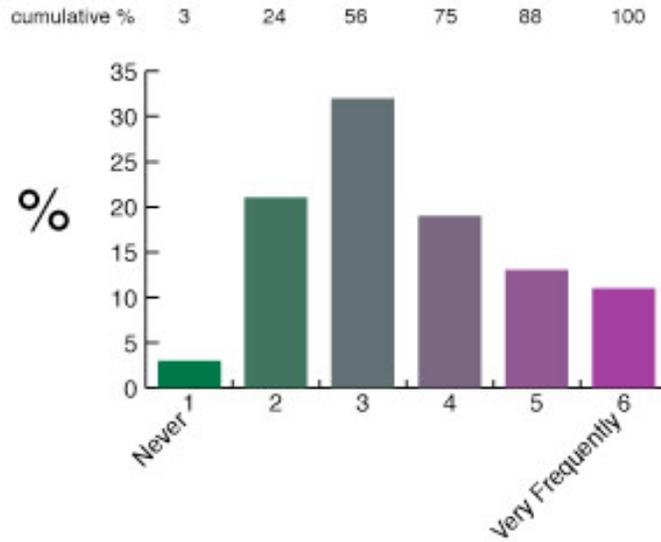


Chart 14

[Mean: 4.70    Standard deviation: 1.25    Median: 5.0]

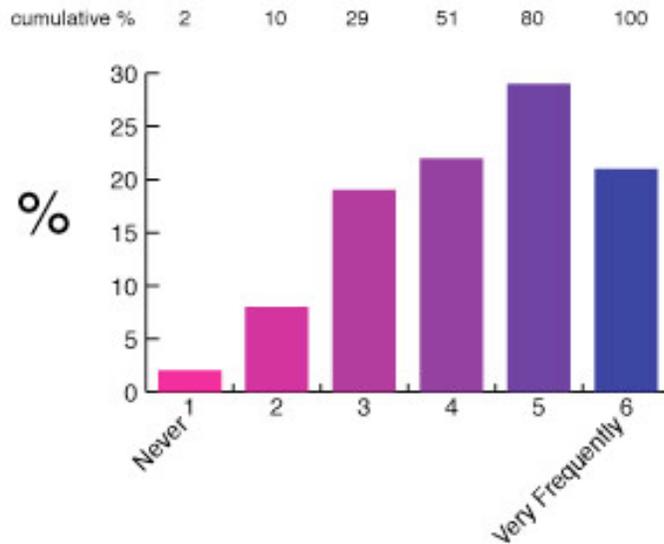
## The traditional design-bid-build process



**Chart 15**

[Mean: 3.52    Standard deviation: 1.34    Median: 3.0]

## The design-build selection process



**Chart 16**

[Mean: 4.30    Standard deviation: 1.29    Median: 4.0]

## Fast tracking processes

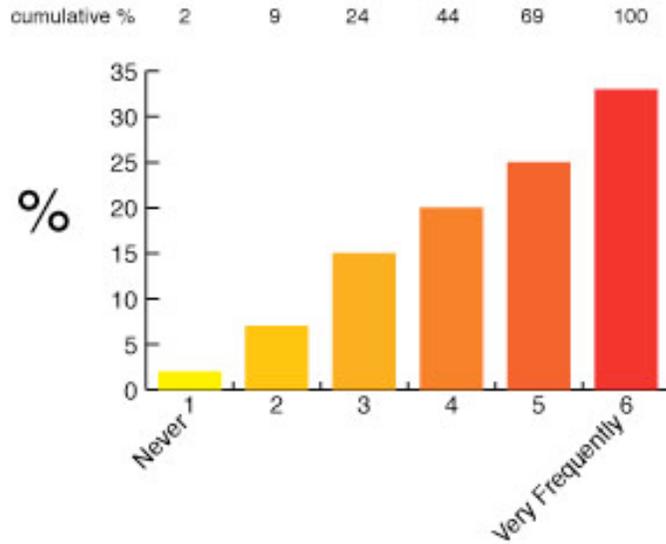


Chart 17

[Mean: 4.57    Standard deviation: 1.34    Median: 5.0]

### Selection of consultants

The respondents regarded corruption in the selection of consultants to be considerably more frequent when these were *foreign* (Chart 14) than when they were *local* (Chart 13).

On a scale of 1 ('never') to 6 ('very frequently'), a rating of 4 or higher was assigned, in the case of foreign consultants, by 80 % of the respondents and in the case of locals, by 48 %.

For a rating of 5 or higher the corresponding percentages were 64 and 25 respectively.

### Project delivery

Of the three project delivery methods on which they were questioned, *fast tracking* processes were those in which respondents considered that corruption most frequently occurred. The *design-build* process came next and the *design-bid-build* process was the one in which they were of the view that it was the least frequent and that by a considerable margin.

Fast-tracking was rated 5 or higher by 56 % of the respondents, design-build by 49 % and design-bid-build by 25 %.

## Experience of corruption

How much would you estimate that fraud and corruption cost your company each year?

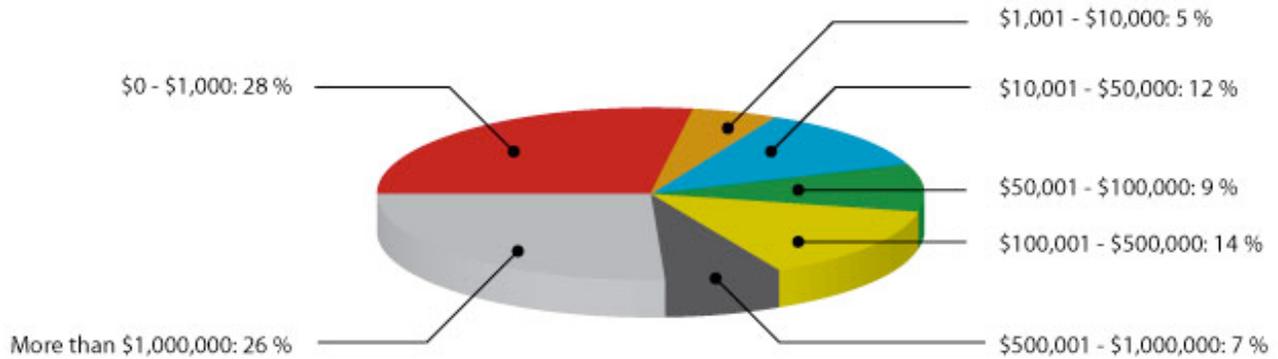


Chart 18

There was considerable variation in the estimates that respondents made of the perceived annual cost of corruption to their companies.

More than half estimated this cost to be greater than \$50,000 and just over a quarter estimated it to be greater than \$1,000,000.

Have you personally ever been offered a bribe or incentive to engage in corrupt practice?

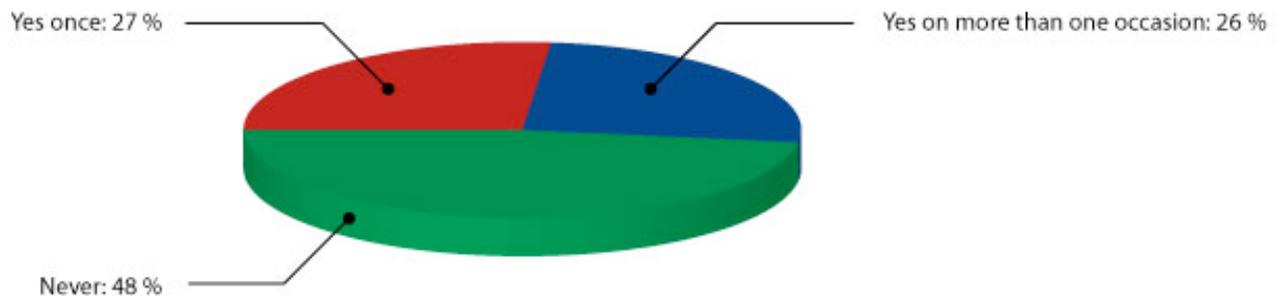


Chart 19

More than half (53%) of the respondents reported being offered a bribe on at least one occasion.

## Responsibility for change

At what level do you think corruption is most likely to occur?

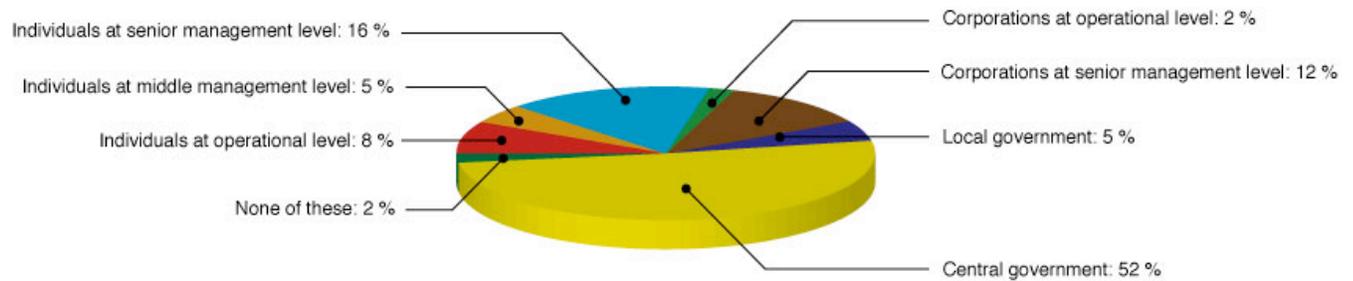


Chart 20

More than half of the respondents (52%) identified central government while 28% identified senior management as the level at which corruption was most likely to occur.

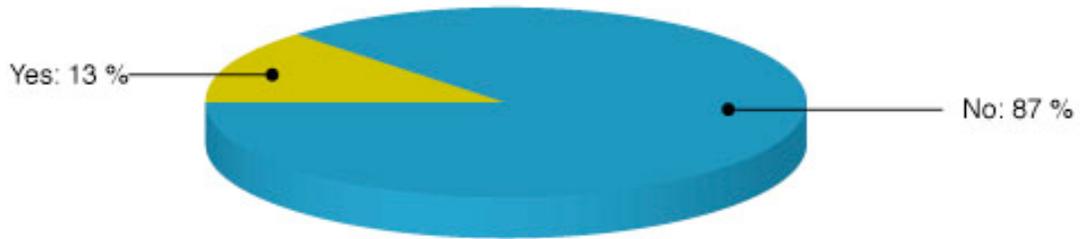
Do you think that the Government is doing enough to combat corruption in the Trinidad and Tobago construction industry?



Chart 21

Almost all the respondents felt that the Trinidad and Tobago Government was not doing enough to tackle corruption.

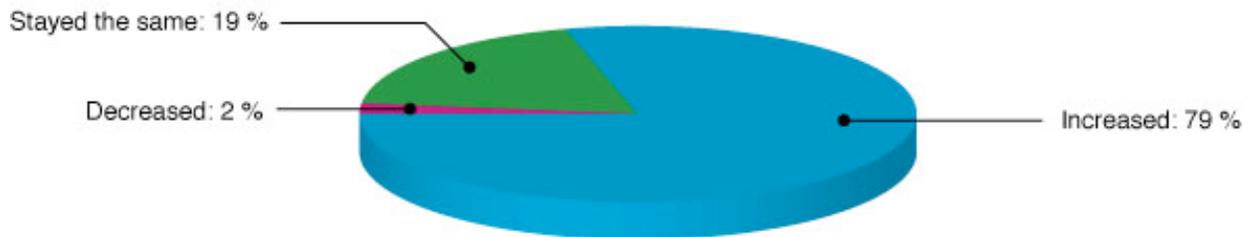
**Do you think that the Trinidad and Tobago construction industry is doing enough to combat corruption? (q.17)**



**Chart 22**

Almost nine-tenths of the sample felt that the construction industry was not doing enough to tackle corruption.

**Overall, have the levels of fraud and corruption in the construction industry changed over the last five years in your view?**



**Chart 23**

More than three-quarters of the respondents felt that corruption had increased over the last five years. Nine-tenths of the rest of the respondents were of the view that it had neither increased nor decreased.

## 5. DISCUSSION

### How Common (Chart 2)

The survey results suggest that construction industry stakeholders generally consider corruption to be widespread and pervasive in the Trinidad and Tobago construction industry (Chart 2).

This raises the question of whether stakeholders perceive the situation to be an immutable fact of life or whether they see the possibility of reducing corruption and are open to taking the necessary action.

### How Corrupt (Charts 3 to 9)

The fact that the majority of respondents acknowledge that all of the practices about which they were questioned are quite corrupt and do not differ much in how corrupt they consider each practice to be, suggests that there is some degree of agreement in the industry on what constitutes corruption. But the pattern of responses also suggests that there is a significant minority who do not share this understanding. 16% of the respondents, for example, assign a score of 1 or 2 (1 = 'not at all corrupt') to the production of fraudulent time sheets (Chart 7) and invoices (Chart 8).

This points to the need for an even better understanding of and greater consensus among all stakeholders on what constitutes corruption, particularly as it occurs in the construction industry.

### How Prevalent (Charts 10 to 12)

The view of respondents that corrupt practices tend to be more prevalent during the *project execution* phase (Chart 12) than during the *pre-qualification and tendering phase* (Chart 11) suggests that action to reduce corruption on construction projects should not fail to pay particular attention to the former phase.

### How frequent (Charts 13 to 17)

The view that corruption in the *selection of consultants* is considerably more frequent when these are *foreign* (Chart 14) than when they are *local* (Chart 13) should not discourage local stakeholders from making sure that their own houses are in order. It should also encourage advocacy of a public procurement regime that is comprehensive and even-handed in its regulation of all selection processes and creates a level playing field.

In view of respondents' view that there is greater risk of corruption occurring in the newer *project delivery* methods currently favoured by public procuring agencies (Charts 16 and 17), it should be of interest to stakeholders to advocate a reformed public sector procurement regime that provides adequate regulation of the use of these methods.

### Experience of Corruption (Charts 18 and 19)

The variation in the estimates of *the cost of corruption* (Chart 18) suggests that this is a matter that deserves closer study by qualified researchers. Reasonably accurate estimates of the costs of corruption both to stakeholder companies and the local economy as a whole should provide a powerful incentive to those who work for its reduction.

Slightly less than half (48%) of the respondents reported never having been *offered a bribe or incentive to engage in corrupt practice* (Chart 19) on at least one occasion. This lack of first-hand experience should warn us that many respondents' perceptions of corruption may be based to some extent on hearsay. Also, it may point to the need to educate the industry about the subtle forms that bribery can take,

However, there seems to be enough first-hand experience in the sample to suggest that a call to stakeholders to take joint action to reduce the incidence of such offers would not fall on deaf ears.

## Responsibility for change (Charts 20 to 23)

Respondents were not asked directly who they thought should be responsible for working to curb corruption in the local construction industry but the responses to the question on where they thought corruption was most likely to occur (Chart 20) suggest that many stakeholders would see the need for cross-sector collaboration with both the public and private sectors playing key roles.

Respondents clearly do not think that this collaboration is happening currently (Charts 21 and 22) and their responses to the question on change in levels of corruption and fraud (Chart 23) suggest that stakeholders generally would judge that efforts at corruption prevention in recent years have not been sufficient or effective.

## 6. CONCLUSION

The results of the survey would seem to indicate that *the time is ripe for the formation of an anti-corruption alliance of stakeholders in the Trinidad and Tobago construction industry* as a first step towards marshalling their resources to tackle corruption in the industry.

TTTTI will continue its exploration with private sector stakeholders of the possibility of their establishing an alliance that would take co-ordinated action to reduce corruption and promote greater integrity in the Trinidad and Tobago construction industry.

Precedents exist in several countries. One that could serve particularly well as a model is the *UK Anti-Corruption Forum*<sup>7</sup> which describes itself on its website as:

... an alliance of UK business associations, professional institutions, civil society organisations and companies with interests in the domestic and international infrastructure, construction and engineering sectors. The Forum's objective is to help create a business environment that is free from corruption.

The *issues addressed by the Forum* include:

- Raising with government the current anti-corruption *legal and regulatory environment*, the proposed changes to it, and its implications for the infrastructure, construction and engineering sectors.
- How to improve anti-corruption training, both at professional and corporate level.
- How to improve corporate and professional codes of conduct from an anti-corruption perspective.
- How to help companies and the professions adopt anti-corruption measures.
- What due diligence should be undertaken on countries, clients, business partners and the supply chain.
- What advice to give to companies and individuals when they are faced with corruption issues.
- How to deal with facilitation payments.
- How greater transparency in the industry can help reduce corruption.
- How the use of *independent monitoring* on construction projects can help reduce corruption.

*Actions to achieve its objectives* include:

- quarterly member meetings that discuss key anti-corruption concerns, share ideas on anti-corruption best practice, and take forward a rolling series of actions;
- meetings with government departments to discuss anti-corruption actions, legislation and policy;
- using working groups to develop and promote specific anti-corruption actions;
- producing and promoting publications on critical issues; and
- holding anti-corruption conferences.

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<sup>7</sup> <http://www.anticorruptionforum.org.uk/>

## 7. APPENDIX 1 – Definition of terms provided in the on-line questionnaire

**Bribery** – A representative of one party directly or indirectly pays a bribe to a representative of another party. This may be cash or a non-cash advantage. Bribes may be paid or received with or without the full approval of the organisations involved.

**Concealment of bribes** – Bribes are often paid through intermediaries in order to conceal their identity and purpose, often with the knowledge (including willful blindness) of the contractor. Examples include the use of agents or disguised sub-contract arrangements.

**Corrupt practices during planning and design** – Examples include: bribing an official in order to obtain approval or planning permission or the improper favouring of one bidder over another, possibly as the result of a bribe.

**Corrupt practices during project execution phase** – Examples include: bribes offered to the works inspector for approving defective work; the production of fraudulent timesheets or invoices; false or exaggerated claims against a contractor or the inclusion of false extra cost to a contract claim.

**Fraud** – A representative of one party tries to deceive a representative of another party, for example contractors may secretly collude during bidding to increase to contract price or a client may accuse the contractor of project defects in order to withhold payment.

## 8. APPENDIX 2 - About TTTI

TTTI is a National Chapter of *Transparency International (TI)*, the global coalition against corruption.

TI was founded in 1993 as an independent, non-political, non-profit, civil society organisation dedicated to increasing transparency and accountability and curbing both international and national corruption. It works in a non-confrontational way with governments, the private sector, development agencies, NGOs and international organisations to seek ways and means to combat corruption—defined as ‘the misuse of entrusted power for private gain’—mainly through the promotion of good governance in both the public and private sectors.

TTTI, formed in 1998, shares TI’s *vision* of a world in which government, politics, business, civil society and the daily lives of people are free of corruption,

Its *mission* is to work towards a country and region that are free of corruption.

TTTI is registered as a non-profit company under the Companies Act, 1995.

### The need

Left unchecked, corruption can undermine a country’s democracy, the rule of law, human rights, civil liberties, and sustainable development and perpetuate poverty. It can deprive the most needy citizens of a good education, healthcare, housing and basic infrastructure such as water and roads.

Corruption results in waste through the inappropriate allocation of limited State resources. It supports and encourages the culture of crime and theft. It undermines the institutions that are essential for citizens’ personal security and quality of life such as the public service, the police service and the judiciary.

Corruption leads to unfair award of contracts and is a hidden tax that has a significant impact on the cost of doing business.

In the *Global Competitiveness Report 2008 – 2009*, published by the *World Economic Forum*, corruption is seen as the 4th most problematic factor for doing business in Trinidad and Tobago.

On TI’s 2009 *Corruption Perception Index (CPI)*, Trinidad and Tobago is ranked 79th out of 180 countries, with a score of 3.6 out of 10, where 10 means ‘perceived to be free of corruption’ and 0 means ‘perceived as totally corrupt’.

There is clearly a need for concerted action to curb corruption and promote integrity.

### Doing something about it

TTTI’s more **recent activities** aimed at meeting this need include:

- *training* for construction industry stakeholders in preventing corruption in construction projects;
- assisting the *Commission of Enquiry into the Construction Sector* with analyses of and recommendations on the reform of the public sector procurement regime as well as with expert evidence on preventing corruption in construction projects;
- contributing a report on business integrity issues in Trinidad and Tobago to TI’s 2009 *Global Corruption Report*;
- production for the *Organisation of American States (OAS)* of an independent assessment of Trinidad and Tobago’s fulfilment of some of its obligations under the *Inter-American Convention Against Corruption*; and
- *public statements* via press, radio and television on integrity issues.

Among **actions planned** for 2010 and beyond are:

- promotion of Trinidad and Tobago's membership of the *Extractive Industries Transparency Initiative (EITI)*;
- research into and public debate on increasing the effectiveness of the *Integrity Commission* as an anti-corruption agency;
- advocating the introduction of *whistleblower protection* legislation;
- Introduction of *integrity education* in schools;
- development of a *Civil Society Accountability Toolkit*; and
- assessment of the degree to which laws/regulations currently in force in Trinidad and Tobago meet the requirements of the *United Nations Convention Against Corruption (UNCAC)*

### **Supporting the work**

Individuals and corporate bodies can support TTTI's work by *volunteering* their services, *donating* funds or becoming *members*.

### **For more information**

Visit [www.transparency.org.tt](http://www.transparency.org.tt), e-mail [admin@transparency.org.tt](mailto:admin@transparency.org.tt), call +1-868-663-6377 or visit the TTTI office at *Unit 1, Upper Level, Élan Place, 137 Eastern Main Road, St. Augustine, Trinidad and Tobago*.