

CONCEPTUAL FRAMEWORK OF TRANSPARENCY INITIATIVES (TI) FOR CONSTRUCTION INDUSTRY OF MALAYSIA

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Abstract

Transparency is one of the practical measures taken to curtail corruption. It is about the sharing of information of government decisions and activities, good record management and access to information. Whereas, integrity provides the basis for transparency and accountability since integrity is referred to as honesty and trustworthiness in the discharge of official duties, serving as antithesis to corruption. Corruption is a fiduciary crime that is believed to slowly penetrate the construction sectors in countries across the globe. Hence, the aim of this paper is to investigate transparency initiatives of construction industry by identifying various strategies to eradicate corruption in the Malaysian construction industry. The methodology used for this research is based on qualitative research technique and the methods are two-folds: (1) preliminary interview, and (2) a well-planned brainstorming workshop. The findings revealed that nine (9) initiatives were taken based on the notion of integrity that can be divided into behavioural and technical issues. These are: Code of Ethics (CoE) for contractors, Integrity program, Bina Integriti journal, Code of Business Ethics for Construction Industry (for SMEs), CIDB reporting and sanctioning structure, Core Values, Legal and Enforcement, Integrity Pacts (IP), and Integrity Role Model. These initiatives are regarded as fundamental efforts in educating and creating awareness to the industry players despite a more drastic strategy could be considered by the construction industry for a more significant results.

Keywords: Transparency, integrity, construction, corruption.

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INTRODUCTION

Transparency is the release of information about institutions which is relevant for evaluating those institutions with the potential to contribute to regime effectiveness (Lindstedt & Naurin, 2006). Armstrong (2005) refers transparency as unfettered access by the public to timely and reliable information on decision and performance in the public sector. For most Government bodies, transparency initiatives are essential elements to promote openness and reduce corruption and corrupt behaviour (Bertot, Jaeger, & Grimes, 2010). Cited in Park and Blenkinsopp (2011), Klitgaard (1988), states that corruption occurs as a form of behaviour violating the official ethics of public services. It can occur in the private or in the public sectors and often occurs simultaneously in both.

According to Kolstad and Wiig (2009) there is a correlation between a lack of transparency and high levels of corruption. A higher level of transparency in decision making increases the probability that corruption or wrongdoing is detected and this is in line with the opinion of Bac (2001). Armstrong (2005) also emphasised that integrity provides the basis for transparency. Therefore, it is important to understand that integrity is the integral element contributing to transparency initiatives in order to reduce the opportunities of corruption in construction industry.

On the other hand, Construction projects have an important role in developing any country's economic and generating of employment in the economy (Khan et al., 2014). As for Malaysia, 120 and more industries rely on construction industry (CIDB, 2016) indicates how this industry is an important element to drive economic growth and development of Malaysia (Shehu, Endut, Akintoye, & Holt, 2014). Besides, it establishes the infrastructure required for socioeconomic development, while being a major contributor to the overall economic growth. This is due to the economic growth of any nation can be measured by the development of physical infrastructures (Takim & Akintoye, 2002; Abdullah, Chiet, Anuar, & Shen, 2004). Construction sector is one of the most lucrative sectors amounting to a \$1.7 trillion industry worldwide and contributing to between 5 and 7 per cent of Gross Domestic Product (GDP) in most countries (Kenny, 2007; Kenny, 2009; Murray & Meghji, 2009). As for Malaysia, for the years between 2005 and 2010, construction sector has contributed at an average of 3.18 per cent of the National GDP (MOF, 2011). Corruption is a fiduciary crime that is believed to slowly penetrate the construction sectors in countries around the world (Rahim, 2010). Corrupt practices occurs in forms such as bribery acts, extortionary acts, discriminatory acts, fraudulent acts,

collusive acts and also some unclassified acts (Chan & Owusu, 2017) which can be found at every phase of construction projects i.e., in the planning stage, the awarding of construction contracts as well as the operation and maintenance of projects (Sohail & Cavill, 2006; Zou, 2006; Krishnan, 2009; Murray & Meghji, 2009).

The construction industry has a worldwide position for opportunities for incidences of corruption, asset misappropriation, and bribery (Taylor & Mawanya, n.d). Transparency International's Bribe Payers Index (TI's BPI) in 2011 revealed that corruption is perceived to occur in all business sectors and is seen as most common in the Public Works, Contracts and Construction Sector (Official Web site of Transparency International). Other than that, TI's BPI 2005 also revealed corruption to be greater in construction than any other sector of the economy whilst TI's BPI 2008 revealed that public works and construction were perceived to be the most corrupted industry in the world (Sohail & Cavil, 2008; Krishnan, 2009). Corruption in construction can lead to poor quality of the finish product, and insufficient maintenance can significantly reduce the economic return to investments, and carry high human costs in terms of injury and death (Kenny, 2007). The probable reasons could be because of construction project developments involve numerous parties, various processes, different phases of work, and a great deal of inputs from both the public and private sectors (Takim & Akintoye, 2002).

Hence, the aim of this paper is to investigate transparency initiatives of construction industry by identifying various strategies to eradicate corruption in the Malaysian construction industry. This is in line with the Malaysia National Key Result Area (NKRAs) agenda under the Government Transformation Programme (GTP) which highlighted fighting corruption as one of the important agenda (PEMANDU, 2011).

METHODOLOGY OF RESEARCH

The methodology used for this research is based on qualitative research technique. The data collection methods are two-folds: (1) Preliminary interview, and (2) A well-planned brainstorming workshop.

The initial method of data collection is by means of semi-structured interview with three respondents, namely: (1) the Chief Coordinator of Construction Industry Master Plan (CIMP) of CIDB, (2) the Manager of Contractors Development Department (CDD) (Integrity Program) of CIDB Malaysia, and (3) the Director of Private Sector, Malaysian Institute of Integrity (IIM). The face-to-face interviews were designed to gather preliminary data on initiatives to combat corruption in the construction industry. The interviews were recorded and transcribed verbatim for content analysis. Another approach for the data collection is through conducting a brainstorming workshop in order to extract views and ideas from the experts and experienced practitioners in the Malaysian construction industry. The objectives of the workshop are to gather information regarding integrity issues and initiatives to fight corruption from experts in the construction organisations.

The discussion of the workshop was divided into two groups with different categories, namely: Group 1 deals with human behaviours and Group 2 deals with technical elements. Prior to discussion on TI issues in Malaysia, two keynotes speech were engaged to provide an overview of the issues of integrity and corruption prevention, namely; (1) 'Corruption Prevention in Construction Sector' by Deputy Chief Commissioner (Prevention), Malaysian Anti-Corruption Commission (MACC) Malaysia, and (2) 'Integrity in Construction' by Senior Assistant Director, Inspectorate and Integrity Division, Public Work Department (JKR) Malaysia.

A total of 48% response rate were obtained from various government agencies (i.e Malaysian Anti-Corruption Commission (MACC), Public Work Department (JKR), Construction Industry Development Board (CIDB), Construction Research Institute of Malaysia (CREAM), The Performance Management & Delivery Unit (PEMANDU), Integrity Institute of Malaysia (IIM), contractors, academia and post-graduate students for the workshop. The profile of the respondents is illustrated in Table 1. Based on the designation and professional background of the participants, it is reasonable to infer that the majority of the participants have sound knowledge on the issues of integrity and corruption in construction.

Table 1: Profile of respondents

<i>Sample</i>	<i>Expected participants</i>	<i>Participants attended</i>
<i>Type of Organisation</i>		
MACC, Malaysia	2	2
JKR, Malaysia	2	2
CIDB, Malaysia	2	1
CREAM	2	2
PEMANDU	1	1
Integrity Institute of Malaysia	2	2
Contractors	42	6
<i>Universiti Teknologi MARA (UiTM):</i>		
Academia	40	19
Students	57	37
Total	150	72

FINDINGS

A combination of literature review and analysis of the results from interviews and workshop were used to derive at the findings. Based on the interview, seven (7) initiatives were found to be significant to combat corruption in the Malaysian construction industry. Table 2 shows the initiatives taken to fight corruption which includes the Codes of Ethics (CoE) for contractors, Integrity Program, quarterly journal of *'Bina Integriti'*; the publication of CIDB on issues of integrity, Code of Business Ethics for Construction Industry, CIDB reporting and sanctioning structure, Integrity Pacts (IP), and Integrity Role Model. From the interviews, all respondents agreed that Codes of Ethics (CoE) for contractors, Integrity Program, and quarterly journal of *'Bina Integriti'* are meant for education and creating awareness.

As stated by the Chief Coordinator of CIMP *"The main purpose of CIDB, Malaysia is to develop the construction industry which includes eliminating bad practices by having CoE for contractors and Integrity Programs."* The Manager of CDD added that *"Basically, CoE and Integrity Programs are based on awareness to prepare them (the contractors) for self-regulating."* The Director of Private Sector from IIM also recapped that the initial notion to start the Integrity Course in 2006 was actually to educate the SMEs (small-medium contractors).

Table 2: Initiatives to fight corruption by construction industry

INTERVIEW 1	<ul style="list-style-type: none"> • Code of Ethics (CoE) for contractors • Integrity Program
INTERVIEW 2	<ul style="list-style-type: none"> • Code of Ethics (CoE) for contractors • Integrity Program • <i>Quarterly Journal of Binaintegriti</i>
INTERVIEW 3	<ul style="list-style-type: none"> • Code of Ethics (CoE) for contractors • Integrity Program • <i>Quarterly Journal of Bina integrity</i> • Code of Business Ethics for Construction Industry (for SMEs) • CIDB reporting and sanctioning structure • Integrity Pact (IP) • Integrity Role Model

The CoE for contractors is formulated, created and implemented with three objectives: the first is to outline best practices as well as noble conduct which are accepted as standard practices among contractors that are capable of motivating and enhancing the level of professionalism, integrity and accountability; second, is to inculcate the self-regulatory approach among contractors in order to boost the level of public confidence in the services provided, and finally, to assist in the realisation of the government's agenda and aspiration to enhance integrity among all stakeholder based on the National Integrity Plan (NIP) (CIDB, 2011).

The Manager of CDD emphasised that *“All contractors are obligated to abide to this CoE despite it is voluntary in order to uphold their personal (as well as their company’s) honour, integrity and good name.”* The CoE outlines the ethics or noble practices based on the six key principles which include: honesty in carrying out the work; compliance with the laws and regulations; respect for the individual and community; importance of quality, skills and standards; importance of safety and health; and finally the importance of environmental preservation (CIDB, 2011).

On the other hand, Integrity Program is mandatory for all contractors applying or renewing their licenses. As emphasised by the Manager of CDD *“Integrity Program is a one-day course to be attended by contractors for registration and renewal of licences. The modules of the program include elements of integrity and corruption as well as the Codes of Ethics for contractors.”* Sources for the program are from Malaysian Anti-Corruption Commission (MACC), Integrity Institute of Malaysia (IIM) and CIDB. The Manager of CDD further emphasised that *“The program consists of elements of education and training which are important elements whenever we enforce something new. The elements of CoE in the integrity program have been attended by 26,000 contractors for a period of 4 years since 2008, and therefore, they have no reasons for not knowing it totally.”*

Another initiative for fighting corruption in construction industry is the publication on integrity issues called the *‘Bina Integriti journal’*. *Bina* (construct) reflects the construction industry in Malaysia, while *Integriti* (integrity) reflects the objective of the publication that emphasises a knowledge sharing platform for the integrity program, that is geared towards nurturing a new work culture that’s centered on ‘integrity’ amongst the construction community. It also reflects CIDB’s contribution towards reinforcing the value of integrity in the construction industry (Karim, 2011). The objectives of the publication are four-folds; firstly, to create awareness to the country’s construction industry players on the importance of enhancing integrity and application of noble values in the construction sector. Secondly, to promote prudent and ethical work culture among players in the construction industry. Thirdly, to strengthen the public trust and confidence level towards the nation’s building sector. Finally, to promote and disseminate programs and activities organized by the CIDB, in particular the integrity development program and other relevant programs (Karim, 2011).

The Manager of CDD stated that *“CIDB is the integrity partner of the Integrity Institute of Malaysia (IIM). Therefore, the CoE, Integrity program and BinaIntegriti (the publication) are based on the IIM model. These initiatives are for all contractors in all grades (Class A to F).”* Code of Business Ethics for Construction Industry for APEC countries focusing on Small-Medium Enterprises (SMEs) is the latest initiative to combat corruption for construction industry. The codes will prepare the industry for liberalisation of the sector and would help to eliminate corruption by providing companies with clear parameters to guide their conduct (MITI, 2012). Other than that, CIDB Governance Structure has been introduced by forming reporting and sanctioning structure. The Director of Private Sector from IIM informed that, *“As for reporting means all the initiatives on integrity and anti-corruption will be reported and consolidated annually. Whereas, sanctioning would be in the sense that anybody with any problems will be given a fair hearing by the Oversight Committee on integrity within CIDB. The committee will be chaired by independent professionals and the member will be professional bodies, IIM and MACC.”*

Besides that, Integrity Pact (IP) is a mutual commitment or pledge by principal and all bidders in a public contracting process to refrain from all acts of bribery (Wiehen, 2010). As mentioned by The Director of Private Sector from IIM, *“IP have been deliberated by CIDB in 2005 but they don’t want to use it because to them it was too simplistic solution with many questions remains regarding the arbitrary party, reporting mechanism, repercussion and sanctioning mechanism”*. Finally, the Integrity Role Model (IRM) is another initiatives tried by CIDB in order to fight corruption. The IRM recognises integrity champions from the participating companies. Unfortunately, this initiative is not successful since companies are not interested in cooperating and sharing their best practices.

However, based on the workshop, elements of integrity, transparency and corruption are being seen as behavioural issues and technical issues as shown in table 3. In the human behavioural group (Group 1), the respondents defined integrity as inner self elements of an individual which cannot be seen through naked eye but can only be observed from one’s deeds or responds to certain things. Other than that, integrity also perceived as behaviour based on *good values* (i.e., Ethics, honest, truth, fair, transparent, wise and responsible). Cited in Toor and Ofori (2009), ethical individuals engage in acts and behaviours that benefit others and at the same time, they refrain from behaviours that can cause any harm to others. Likewise, transparency was viewed as problem of humanities when individuals need to be honest in order to be transparent. Since behaviours form part of social psychology that affected by culture, Toor and Ofori (2008) emphasised that there is a need

to promote a positive culture in the construction industry and to develop individuals who possess positive values and practice high level of moral and ethical standards.

As for technical group (Group 2), integrity was seen as the ability to carry out work efficiently and perfectly through discipline and high responsibility, while transparency were viewed as the ability to gather various information which is relevant to execute the project. In order to be transparent, check and balance in the implementation process and procedure ought to be incorporated across project phases from strategy formulation phase to completion phase. As shown in Table 3, both of the groups indicated that higher transparency can reduce the opportunities of corrupt acts. In order to be transparent, individual need to instil themselves with ethics and good values such as honesty. Those good values are the elements of integrity that comprises from social psychological behaviour of an individual. Hence, in order to eliminate corruption in construction, stakeholders need to possess high integrity that can ensure higher transparency within the construction sector and in line with the idea of Taylor and Mawenya (Taylor & Mawenya).

Table 3: Integrity, transparency and corruption in Malaysia

	Group 1 (Behavioural)	Group 2 (Technical)
Integrity	<ul style="list-style-type: none"> • <i>Inner self elements</i> of an individual - cannot be seen but can only be observed from one's deeds or responds to certain things. • Behaviour based on <i>good values</i> (i.e., Ethics, honest, truth, fair, transparent, wise and responsible) 	<ul style="list-style-type: none"> • <i>Ability to carry out work</i> perfectly, responsibly and with disciplines. • <i>Ethics</i> • <i>Efficient</i>
Transparency	<ul style="list-style-type: none"> • <i>Problem of humanities</i> – individual need to be honest in order to be transparent. 	<ul style="list-style-type: none"> • <i>Ability to oversee</i> various information (i.e., cost, materials, technology) in construction industry • <i>Check and balance</i> of the projects from early stage to completion.
Transparency and corruption	Higher transparency can reduce opportunities for corrupt acts.	

Furthermore, from the workshop, strategies to eradicate corruption in construction industry were discussed based on behavioral and technical issues. Some insights on current strategies have been expounded by the participants. The strategies are tabulated in Table 4. Based on the discussion, Group 1 has revealed two strategies to combat corruption which include upholding core values of company and self-regulatory. The group defined core values of an organisation are those values that form the foundation on which we perform work and conduct ourselves includes the vision and mission of the company. There is an important relationship between the company's core values, ethical climate and culture that will support the emergence of the informal and formal measures of business ethics implementation. This will result in consistency among mission, vision, values and culture of the company which is essential for the company's long-term success (Duh, Belak, & Milfelner, 2010). The finding indicated that, in order to successfully uphold the core values, the company must possess a good monitoring system and build integrity within the workers. This can be done through ensuring every employee understands their core values that consist of loyalty, cohesiveness, professionalism and integrity. Other than that, the top management (leaders) must possess good leadership and be able to monitor the workers. Employees should be educated with information of values and integrity through seminars and courses. The group also emphasised on self-regulatory that will facilitate good governance. As for the construction industry, Code of Ethics for Contractors was formulated, created and implemented by Construction Industry Development Board (CIDB).

Table 4: Strategies to eradicate corruption in Malaysia

	Group 1 (Behavioural)	Group 2 (Technical)
Strategies to eradicate corruption	<ul style="list-style-type: none"> • <i>Upholding core values of company</i> <ul style="list-style-type: none"> - Good monitoring system - Integrity of workers • <i>Self-regulatory</i> 	<ul style="list-style-type: none"> • <i>Legal aspect</i> • <i>Enforcement</i> • <i>Selection of competent contractors</i> • <i>Knowledgeable person to award projects</i> • <i>Promote E-bidding</i> • <i>Integrity Pact</i>

Group 2 has listed out six strategies to eliminate corruption, namely: legal aspect, enforcement, selection of competent contractors, knowledgeable person to award projects, promote E-bidding, and Integrity Pact. The participants agreed that under the provision of legal aspect, creation and maintenance of law and regulation that are clear and understandable is vital. This is due to rules are often confusing, the documents specifying them are not publicly available, and sometimes, the rules are changed without properly publicized announcements that create opportunities for corruption (Nordin, Takim, & Nawawi, 2011). The group was also in the opinion that there are adequate laws and regulation regarding corruption such as MACC Act 2009 and Whistle-blower Protection Act but issues of enforcement of such acts is questionable. Implementation and enforcement of the law strictly regardless of the status or position of the offender in the society are as the same important (Zou, 2006; Quah, 2004). The success of the strategies is not dependent solely on the number of anti-corruption measures but most importantly is the full support from government to implement the measures effectively (Abdullah, 2008).

The Group also proposed one of strategies to fight corruption is to award a project based on a competent contractor and knowledgeable person. This strategy can be related to adequacy of available standards of procedures, laws and regulation, and code of conducts that may assist in good decision making. In addition, individual integrity is very important for the benefit of the public instead of gaining personal benefits. The Group also agreed that promoting E-bidding will enhance transparency that may reduce opportunities for corruption. Another strategy highlighted by the discussion is the implementation of Integrity Pacts by most of the Government agencies. Integrity Pact is an agreement between the government with all bidders for public sector contract in order to ensure clean bidding and a level playing field. However, some participants tend to query on the effectiveness of this strategy since Integrity Pact is only implemented during the execution of the projects (i.e., after awarding the project) and not during the strategic formulation of the project. They argued that there may be chances of corruption during the strategic formulation phase (i.e., in the proposal stage) and procurement phase. Therefore, they suggested that Integrity Pact may need to be considered to be implemented as early as the proposal of a project.

DISCUSSION

Based on the literature and findings from the interviews and workshop session, a conceptual framework of TI in construction is developed as shown in Figure 1. The framework consists of five important elements namely, integrity, strategies to eliminate corruption, transparency initiatives, construction sector and the outcomes.

The framework starts with *integrity* as the basis of transparency as according to Armstrong (2005), integrity provides the basis for transparency and accountability. He defines integrity as "honesty and trustworthiness". Both honesty and trustworthiness are essential in the discharge of official duties, serving as antithesis to corruption which is forms of behaviour based on good values. Integrity is also defined as a quality of excellence that manifested in a holistic and integral manner in individual and organisations. It is based on ethics and noble values and their concrete manifestation in daily lives (CIDB, 2011) through their ability in carrying out duties perfectly, responsibly and with discipline. It is also being highlighted in the Forum on Integrity in Construction 2003 that the enhancement of the integrity of contractors will contribute to the better image and performance of the construction sectors through commitment from contractors in timely completion, quality and cost-effectiveness of projects (CIDB, 2011). Therefore, it is inevitable to understand the initiatives with the ultimate aim to fight corruption in construction in order to enhance integrity.

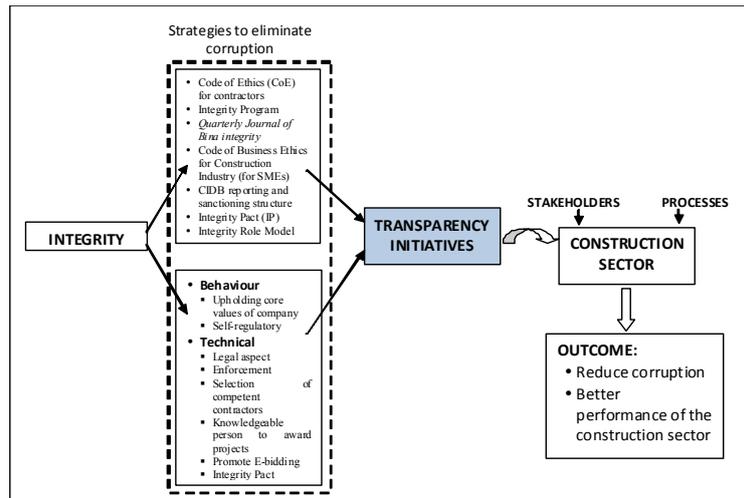


Figure 1: Conceptual framework of TI in construction.

The *second* element is the strategies to eliminate corruption based on the interviews (represents the organisations) and workshop (represents the professional from construction industry) with the basis of integrity. These strategies are later translated into the *third* element; the transparency initiatives which are the fundamentals to promote openness and reduce corruption. Transparency is one of the practical measures taken to curtail corruption (Park & Blenkinsopp, 2011). As stated by The Director of Private Sector from IIM, "*Corruption in construction should be more manageable if there are transparency initiatives in any process of its own procedures*". Transparency is about the sharing of information about government decisions and activities, good record management and access to information are of interest to all segments of society (Taylor & Mawenya). There are two types of transparency namely: *agent-controlled* and *non-agent controlled transparencies*. In the *agent-controlled*, the information is released by agent in response to freedom of information laws and other requirements, while for the *non-agent controlled*, the information about agency behaviour is released by a third party.

The link between transparency and corruption is associated to publicity and accountability conditions (Lindstedt & Naurin, 2010). This means that, in order for transparency to combat corruption, the receivable of the information conveyed to the public must be ensured and the public must be able to take action. According to Taylor and Mawenya (n.d), more transparency will discourage corruption and build the confidence of the wider public in the integrity of the construction sector.

The *fourth* element is the construction sector itself that includes of the stakeholders and the projects phases. Cited in Abdul-Rahman et al (2010), construction industry plays a substantial role in a country's economy, irrespective of the country's levels of economic development (Zantanidis and Tsiotras, 1998). Owing to the fact that large sum of money are involved, it is not surprising that the incidence of corruption in the construction is high (TI, 2011). The main issue of corruption is now widely recognized as a considerable obstacle to the efficiency of development aid (Soreide, 2005). Corruption in construction projects can reduce the efficiency, effectiveness and equity of infrastructure services (Sohail & Cavill, 2006). Corruption in construction could result in wasted tender expenses, tendering uncertainty, increased project costs, economic damage, blackmail, criminal prosecutions, fines, blacklisting, and reputational risk (Stansbury, 2005). The immediate reaction of the general public to the problem of corruption is to campaign for tighter legislation and stronger enforcement of the regulations but although legislation is necessary, it is not sufficient for reducing corruption (Taylor & Mawenya).

The *fifth* element is the outcome of the transparency initiatives that are: (1) to reduce corruption and (2) to improve performance of construction sector. Construction Industry Development Board (CIDB) Malaysia with one of the function is to promote and stimulate the development, improvement and expansion of the construction industry plays an important role to instil transparent work culture within the industry. This is strongly supported by CIDB's mission statement that is to enhance the competitiveness of the Malaysian construction industry. However, a more extensive and empirical research works on identifying the relationship between a lack of transparency and high levels of corruption; formulating a good strategies in the form of monitoring system to uphold the core

values among workers to reduce corruption in construction; and the successfulness of transparency initiatives are needed for the future findings.

CONCLUSIONS

This paper has presented the findings on the importance of transparency initiatives (TI) to fight corruption in construction industry. The nine (9) initiatives are: the Code of Ethics (CoE) for contractors, Integrity program, BinaIntegriti journal, Code of Business Ethics for Construction Industry (for SMEs), CIDB reporting and sanctioning structure, Core Values, Legal and Enforcement, Integrity Pacts (IP), and Integrity Role Model that are based from the notion of integrity. Integrity is an integral element in transparency initiatives since transparency is disclosure; the ability to oversee available and reliable information due to behaviours of good values and actions can be taken based on the information.

Despite various initiatives have been taken to fight corruption through enhancing integrity and increasing transparency, these initiatives are still towards educating and creating awareness to the industry players. It was agreed by the respondents that a more drastic strategy need to be taken into consideration in order to see significant results. CIDB should utilise the integrity partnership with IIM to implement some of their initiatives such as Integrity Pledge, Integrity Assessments, and Integrity Agreement that have been implemented by other industries such as telecommunication and manufacturing.

The result of the study could provide an insight into Malaysian construction project development and will hopefully offer valuable guideline, especially to construction industry stakeholders in Malaysia that are looking forward for a more transparent construction market.

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