

**PROCUREMENT METHODS IN REDUCING DISPUTES FOR
CONSTRUCTION PROJECTS**

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To my mother and beloved wife

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ABSTRACT

The success of any construction projects depends on the selection of the most appropriate procurement method. Proper evaluation of a procurement method towards dispute reduction in construction projects in Katsina State, is important. The selection of appropriate procurement method will ensure the smooth running of the construction projects with less complications and disputes among the various parties involved. The aim of this study is to determine the appropriate procurement methods being use for reducing construction disputes in Katsina State of Nigeria. The objectives of the study are to evaluate the procurement methods used, to determine the causes of disputes in the procurement methods, to determine the dispute resolution mechanisms used in the procurement methods and to determine the most appropriate procurement method towards reduction of disputes in construction project in Katsina State Nigeria. The scope of study covers procurement methods used in Katsina state, Nigeria. The study includes projects in Government organizations (Public organizations) and private developers (Private organizations). This study is conducted through questionnaires survey. A total of 80 questionnaires were distributed to respondents comprising of engineers, clients and contractors. Sixty eight (68) questionnaires were returned duly answered. The data is analysed using SPSS and Average Index. From the study, it is found that the two types of procurement methods, Traditional, Design and Build are practiced in the study area. The result shows that Design and Build is frequently used in handling construction projects than the traditional method which is 'Averagely' used. From the study, the traditional procurement method frequently experiences disputes. The causes of disputes are poor communication, design errors, delay in payments, error in construction, excessive contract variations, multiple meaning of specification, difference in site condition, construction claims, difference in evaluations and public interruptions. The Alternate dispute resolution (ADR) consists of conciliation and mediation, was usually used in setting disputes without going to court, followed by Arbitration and litigation and the Design and Build procurement method is found to be the most appropriate in reducing construction disputes.

ABSTRAK

Kejayaan sesuatu projek pembinaan bergantung kepada pemilihan kaedah perolehan yang sesuai. Penilaian kaedah perolehan terhadap pengurangan pertelingkahan dalam projek pembinaan di Negeri Katsina adalah penting. Pemilihan kaedah perolehan yang sesuai akan memastikan projek pembinaan berjalan dengan licin dengan komplikasi dan pertelingkahan di antara pelbagai pihak yang terlibat berkurangan. Matlamat kajian ini adalah bagi mengenalpasti kaedah perolehan yang sesuai bagi mengurangkan pertelingkahan pembinaan di Negeri Katsina, Nigeria. Objektif kajian adalah untuk menilai kaedah perolehan yang digunakan, bagi menentukan sebab berlaku pertelingkahan dalam kaedah perolehan, untuk menentukan mekanisma resolusi pertelingkahan yang digunakan dalam kaedah perolehan dan untuk mengenalpasti perolehan yang sesuai bagi mengurangkan pertelingkahan projek pembinaan di Negeri Katsina, Nigeria. Skop kajian meliputi kaedah perolehan yang digunapakai di Negeri Katsina, Nigeria. Kajian ini juga meliputi projek dalam organisasi Kerajaan (Organisasi Awam) dan pemaju persendirian (Organisasi Persendirian). Kajian ini dilakukan melalui soal selidik. Sejumlah 80 borang soal selidik telah diedarkan kepada responden yang terdiri daripada jurutera, klien dan kontraktor. Hanya 68 borang soal selidik yang dijawab telah dipulung oleh responden. Data dianalisis menggunakan SPSS dan Purata Indeks. Hasil daripada kajian, terdapat dua jenis perolehan yang biasa digunakan iaitu kaedah perolehan Tradisional dan Reka dan Bina. Keputusan menunjukkan kaedah perolehan Reka dan Bina sering digunakan bagi mengendalikan projek pembinaan berbanding dengan kaedah Tradisional yang 'Sederhana' digunakan. Sebab berlakunya pertelingkahan adalah komunikasi yang lemah, kesilapan rekabentuk, kelewatan pembayaran, kesilapan pembinaan, perubahan kontrak yang berlebihan, maksud berganda spesifikasi, keadaan tapak pembinaan yang berbeza, tuntutan pembinaan, penilaian perbezaan, kesilapan dalam dokumen projek dan gangguan awam. Resolusi Pertelingkahan Ganti (ADR) yang meliputi perdamaian dan pengantaraan digunakan dalam penyelesaian pertelingkahan tanpa ke mahkamah, diikuti dengan Timbang tara dan litigasi dan perolehan Reka dan Bina adalah perolehan yang sesuai bagi mengurangkan pertelingkahan.

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LIST OF ABBREVIATIONS

ADM	.	Alternate Disputes Mechanisms
ADR	.	Alternate Dispute Resolution
BS	.	British Standard
D&B	.	Design and Build
JCT	.	Joint Contract Tribunal
M.I	.	Mean Index
NPC	.	National Population Commission
PFI	.	Private Finance Initiative
RFQ	.	Request for Qualification
DBFT	-	Design, Build, Finance and Transfer
PPPP	-	Public Private Partnership
BOT	-	Build, Operate and Transfer
BOO	-	Build, Operate and Own
DBFO	-	Design, Build, Finance and Operate
BRT	-	Build, Rent, and Transfer
BOOST	-	Build, Own, Operate, Subsidize, and Transfer
BTO	-	Build, Transfer, Own
BOOT	-	Build, Own, Operate and Transfer
ROT	-	Renovate Operate and Transfer
BLT	-	Build, Lease and Transfer
IM/IS	-	Investment Management and Investment Services

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Construction projects offer a challenging combination of product development and value chain production management. This results in many players in the demand and supply sides of the construction business (Masterman 2002). On the demand side is the employer of investors who have equity stakes in the project, while on the supply side are companies of the owner's representatives, contractors, consultants, supplies among others and the interest of government over the procurement methods, the responsibilities in relation to project objectives of time, cost and quality. Masterman (2002) contended that there are different procurement systems through which client create the pre-condition for the successful achievement of project objectives - time, cost, and quality. The selected method under an appropriate contract type and control will help to avoid disputes and achieved these objectives.

Onwusonye (2005) in his opinion “urged that the crux of any type of procurement strategy/ method include how risks are distributed, responsibilities are allocated, works are divided, compensations and payment are prepared”. On the

other hand, Ojo and Awodele, (2010) States that, “procurement strategy/method define the management, functional and contractual arrangement and relationship among the project members”. The procurement method are intends to meet project objectives; resources in this case can mean time, money, equipment, technology, man power and materials. The fundamental to all procurement methods is the development of a framework that will clearly establishes the boundaries of roles, responsibilities and relationships between the parties in the construction projects. The operational role in the execution of project, on the side of contractors’ the operational process that includes the actual construction works, the tendering process, provision of site service, site management, and contract administration (Masterman 2002).

Procurement strategies in construction projects are undergoing a general move from traditional method towards single point project delivery systems (Masterman 2002), due to the increase in popularity of this alternative, procurement methods show clients are attempting to improve the time and cost of performance and reduce the number of disputes on their projects. Contributing to this trend are the factors such as; responses to change the national, state regulations and Government policies.

The chain of procurement management can be linked with procurement strategies as both deals with attributes of buyer and suppliers (Cox and Ireland 2002) argue that “the construction supply chain remain fragmented due to conflicting nature of demand and supply, the fragmentation of the supply chain is also due to the effect of technologically driven notion, which in turn has caused significant changes in the state of standardization, innovation, mechanization, and prefabrication of materials. The result changes in construction methods affecting the structure of the industry, the role of parties and the procurement methods to be employed”.

In view of the above, this project intends to look at procurement methods used in construction projects in Katsina State, Nigeria so as to find out what type of procurement method is being used frequently for both private and public sector, and

how best such type of procurements affect the disputes minimisation in the construction projects.

1.2 Problem Statement

The construction projects have been castigated by many clients (public and private Organizations) in the past most especially in last three decades for poor management. The clients themselves are likely to be responsible for ineffective management of their projects as those they employ to implement the work practically. One contributing factors is their selection of procurement strategy, which can be haphazard, ill time and lack in logic and discipline. These procurement strategies differ in imploring salient factors such as nature and complexity of the project, characteristic role of participation/contributors, intended financing and management structure and risk balancing (Masterman, 2002).

The problems encountered by Katsina State government, is the selection of appropriate procurement method to be adopted for ensuring smooth running of construction projects that will result in less conflict and disputes among the construction parties. Inappropriate selection of procurement method always led to severe criticisms and disputes among the said parties. The issue has to be addressed by choosing the suitable method of procurement that will help in addressing the current situation.

1.3 Aim and Objectives

Aim: The aim of this research is to determine the appropriate procurement methods being use for reducing construction disputes in Katsina State of Nigeria.

Objectives:

The objectives of the study are as follows:

1. To evaluate the procurement methods used in Katsina State Nigeria, construction projects (Traditional, Design and Build procurement method).
2. To determine the causes of disputes in the procurement methods.
3. To determine the dispute resolution mechanisms used in the procurement methods.
4. To determine the most appropriate procurement method towards reduction of disputes in construction project in Katsina State Nigeria.

1.4 Significance of the Study

This research will look at procurement methods use in Katsina State Nigeria, in reducing construction disputes. The findings of this research will be of great significance to all the parties involved in the construction project, the Clients, the

Contractor, professionals and the end users/ beneficiaries, towards the selection of proper procurement method.

The identification of the procurement method with fewer disputes will assist the clients by simplifying the procedure for the awards and execution of project which will bring about a competitive bidding, reduction in cost, improved quality and timely completion of the project.

It will also be of benefit to the contractor towards early completion and achievement of value for money in good time and, finally, the End users for example in government project i.e the general public will benefit significantly if projects are completed on time and in good quality.

1.5 Scope and Limitation of the Project

The project will focus on determining the procurement strategies/methods towards dispute reduction in construction projects. The project will be restricted to the procurement methods used in study area of Katsina state, Nigeria. It will also be restricted to clients, architects, Builders, Engineers, Quantity surveyors and general contractors from construction companies, consulting firms, private developers (private organizations), Government organizations (Public organizations) that are working or supervising construction projects in Katsina State, Nigeria.

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