

# A Global Transparency Program for the Construction Sector

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Chairman, CoST International Advisory Group  
7 October, 2010

# The Problem

- Mismanagement, inefficiency and corruption accounts for **10 to 30%** of a construction project's value (OECD, TI and ASCE)
  
  - Contributing factors;
    - **Poor** management practices
    - **Opaque** and **unaccountable** institutions
    - **Complexity** of the construction project cycle
    - **Diversity** of actors involved
  
  - This can result in
    - **Wastage** of public funds
    - **Unsuitable, defective, or dangerous** construction projects
    - **Undermines** the rule of law
    - **Unfair** competition
    - **Poor** development outcomes
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# The CoST Principles

- A **multi-stakeholder** initiative designed to promote transparency and accountability in publicly financed construction projects
  - Creating **routines** to improve project information disclosure by procuring entities
  - **Disseminate** findings through public forums/channels
  - CoST **does not** engage in speculative claims, make corruption accusations and is not a law-enforcing agency
  - The **pilot phase**;
    - 7 countries - Ethiopia, Malawi, Philippines, Tanzania, UK, Vietnam and Zambia.  
Associate Country: Guatemala
    - Funded by DFID, with technical assistance from the World Bank
    - The pilot phase closed on 1 October 2010
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# The CoST Institutions



Key:

National

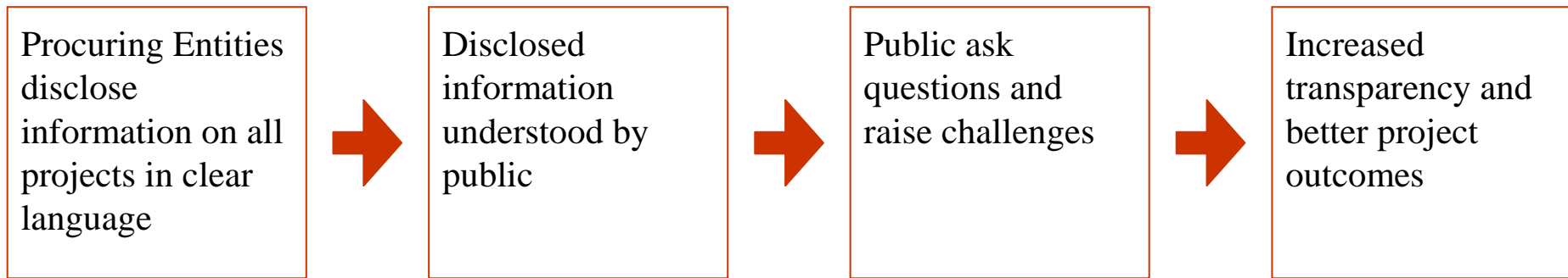
International

Donor

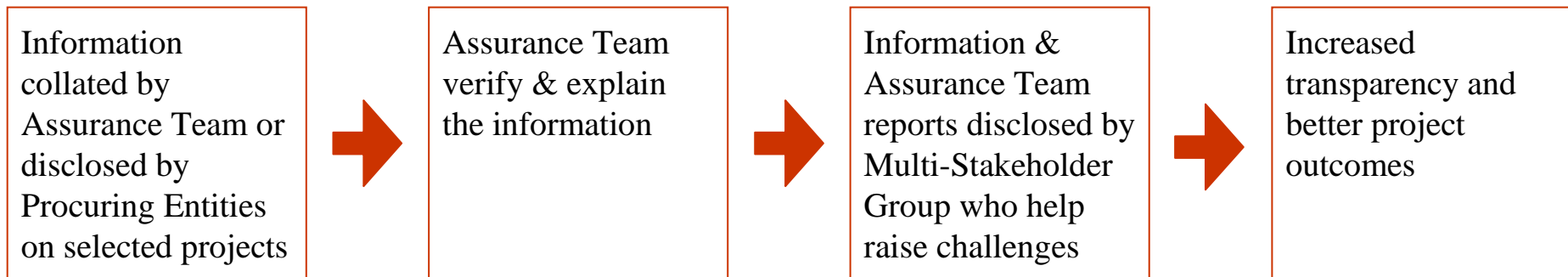


# The CoST Routine

## Aim



## Pilot



**Multi-stakeholder Group**



## Pilot Achievements

- **Pro-active** information disclosure is **feasible** in different political, social and regulatory environments
  - CoST is **building and complementing** governance reforms and institutions
  - The multi-stakeholder approach is **effective** for leading the initiative
  - **Significant buy-in** into the CoST principles because of shared benefits
  - **Growing number** of private sector and civil society CoST supporters in pilot countries
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## Lessons to take Forward

- A **legal mandate** that promotes access to information and the expansion of public information disclosure is necessary
  - Leave the **‘How’** question open - contextualising implementation
  - **MSGs** require legal status, balanced representation and management support
  - Securing **procuring entity** engagement is crucial
  - High level **political support** can improve implementation
  - **Strengthening** the demand for transparency is essential
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# Experiences of CoST in Tanzania

Arch. Jehad Abdallah,  
CoST Manager - Tanzania  
7 October, 2010

# Why did Tanzania join CoST

- Problems of corruption and mismanagement were widespread in the Construction Industry
- There was a political will to improve transparency from key agencies
- There wasn't any specific initiative tailored for the industry
- Tanzania was a case study country (along Ghana, UK and Vietnam) to provide practical guidance to the conceptual design of CoST

# Implementation

- Champion is Hon Sophia Simba, Minister for Good Governance
- CoST Tanzania is an Association from which an MSG is formed
  - 3 permanent members (NCC, PCCB, PPRA) to ensure flow of information
  - Rotational membership for renewed energy with a third maintained for institutional memory
- Host organisation – National Construction Council
- Customization of CoST concept to Tanzanian context
- Developed Rules of CoST, work plan & budget

# Achievements

- Functioning and active MSG and national Secretariat
- Completed Baseline Study
  - highest level of transparency amongst pilot countries
  - opportunity for CoST to build on procurement reforms
- Collected information and completed Assurance from 6 projects in the Roads, Buildings, Water and Health Sectors - about to disclose
  - Projects exhibited time and cost overruns
  - Problems of management and inadequate/fault design
  - Variance of Engineers estimate to the actual contract sum
  - Lack of competition

# Challenges

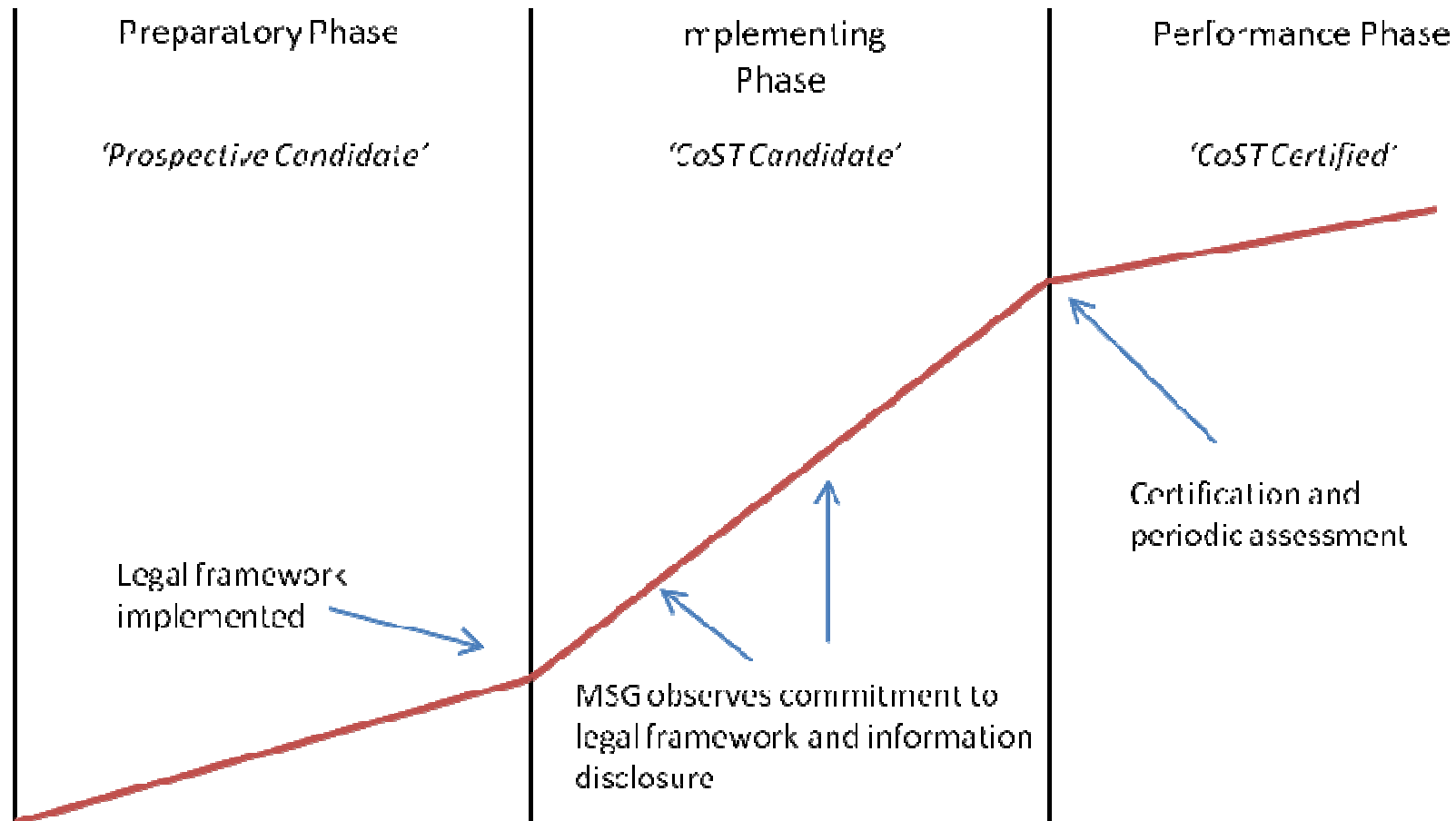
- Learning by doing
- Lack of awareness of CoST amongst some Stakeholders
- Challenge of getting credible AT members
- Difficulties in getting project information from the procuring entities
- Uniqueness of CoST (not an Audit)
- Sustainability
- THANK YOU FOR LISTENING

# A Global Transparency Program for the Construction Sector

# The Global Program

- **Significant** interest from non-pilot countries
  - **Enabling** better domestic disclosure routines through international support
  - **Voluntarily** implementing universal principles
  - Allowing **flexibility** in implementation
  - A **legal mandate** is required for CoST engagement
  - Achieving **benchmarks** towards certification
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# The Program Model



# The Program Offering

- A **comprehensive** ‘menu’ of services will be offered;
  - Technical guidance and support
  - Funding
  - Certification
  - Exchange of international best practice
  - Website
- **Eligibility** depends on the CoST Phase
- **Financial support** available during the Implementing Phase



# Organization

- Multi-stakeholder Group remains the **focal point** at country level
  - CoST Board provides greater stakeholder **coordination** and **information-sharing**
  - The International Secretariat remains for **technical** and **management support**
  - **Funding:** open a new MDTF or use an existing MDTF e.g. the Governance Partnership Facility (GPF)
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