A Global Transparency Program for the Construction Sector

Christiaan Poortman
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
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
The CoST Routine

**Aim**

Procuring Entities disclose information on all projects in clear language

Disclosed information understood by public

Public ask questions and raise challenges

Increased transparency and better project outcomes

**Pilot**

Information collated by Assurance Team or disclosed by Procuring Entities on selected projects

Assurance Team verify & explain the information

Information & Assurance Team reports disclosed by Multi-Stakeholder Group who help raise challenges

Increased transparency and better project outcomes

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.
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
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
The Program Model

Preparatory Phase
‘Prospective Candidate’

Implementing Phase
‘CoST Candidate’

Performance Phase
‘CoST Certified’

- Legal framework implemented
- MSG observes commitment to legal framework and information disclosure
- Certification and periodic assessment
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)