

A Global Transparency Program for the Construction Sector

Christiaan Poortman
Chairman, CoST International Advisory Group
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The Problem

- Mismanagement, inefficiency and corruption accounts for **10 to 30%** of a construction project's value (OECD, TI and ASCE)

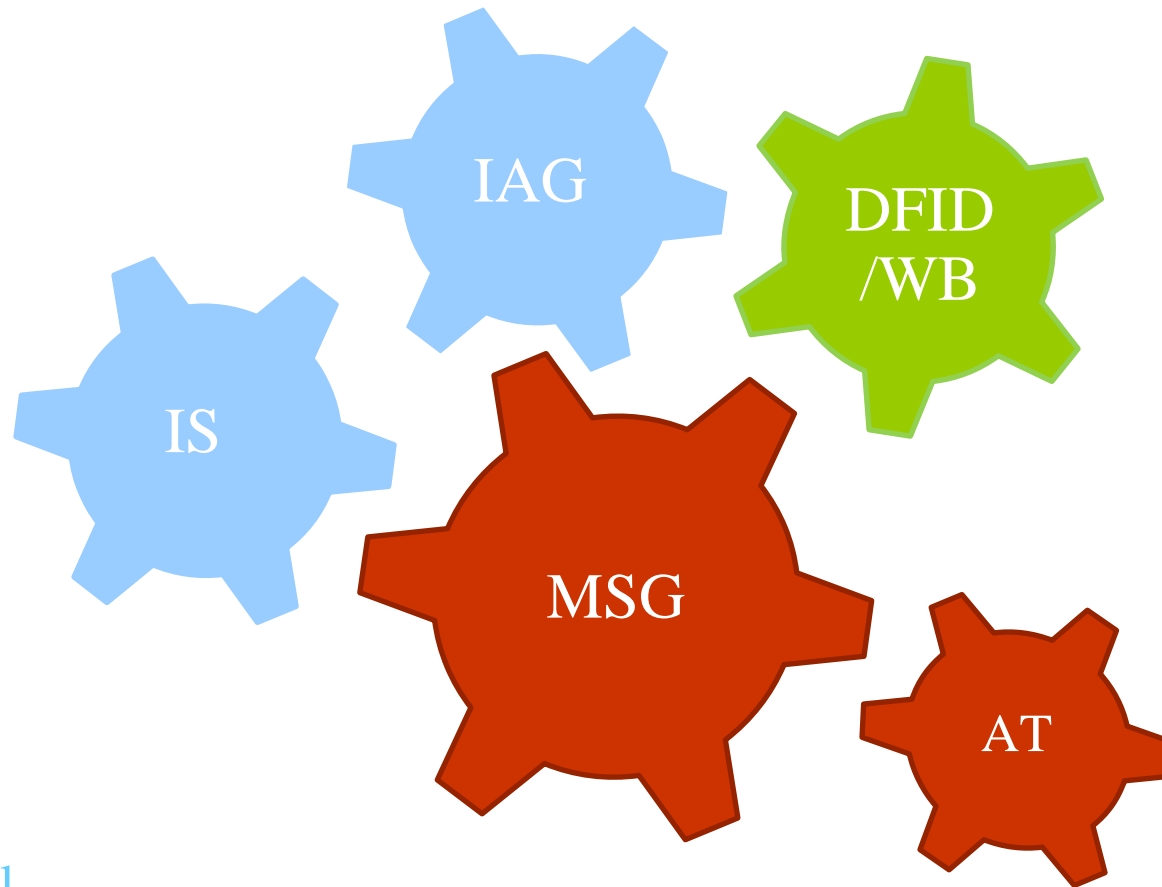
 - Contributing factors;
 - **Poor** management practices
 - **Opaque** and **unaccountable** institutions
 - **Complexity** of the construction project cycle
 - **Diversity** of actors involved

 - 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

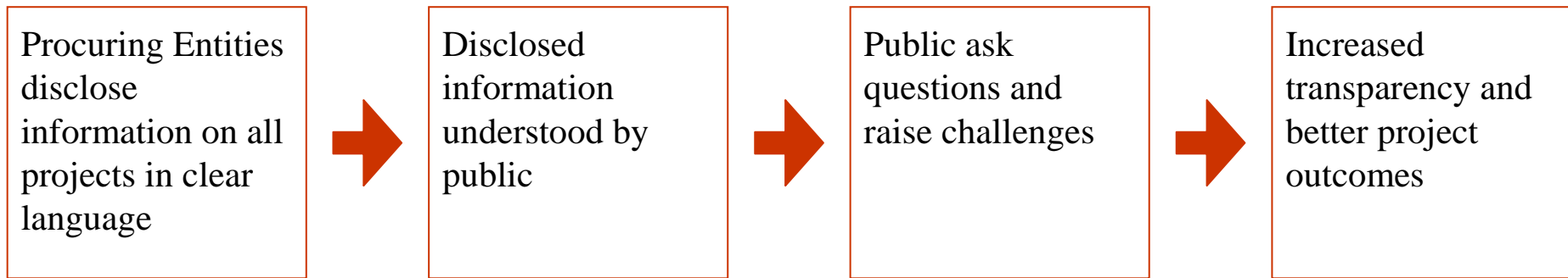
International

Donor

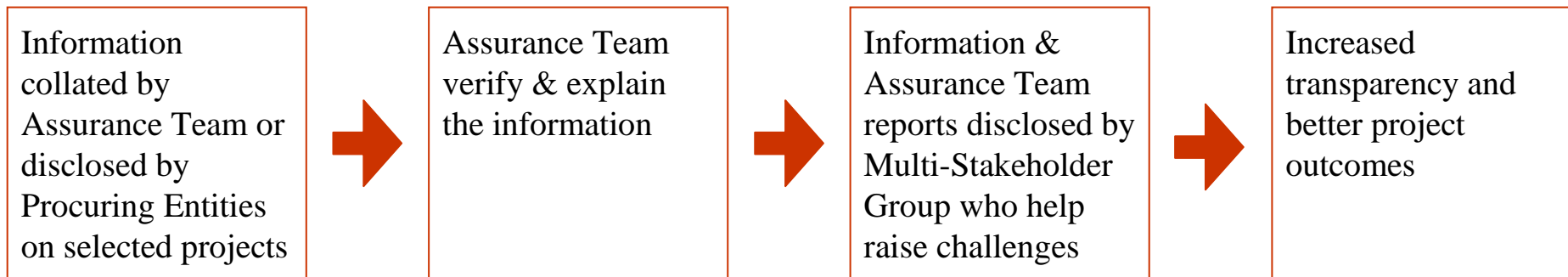


The CoST Routine

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

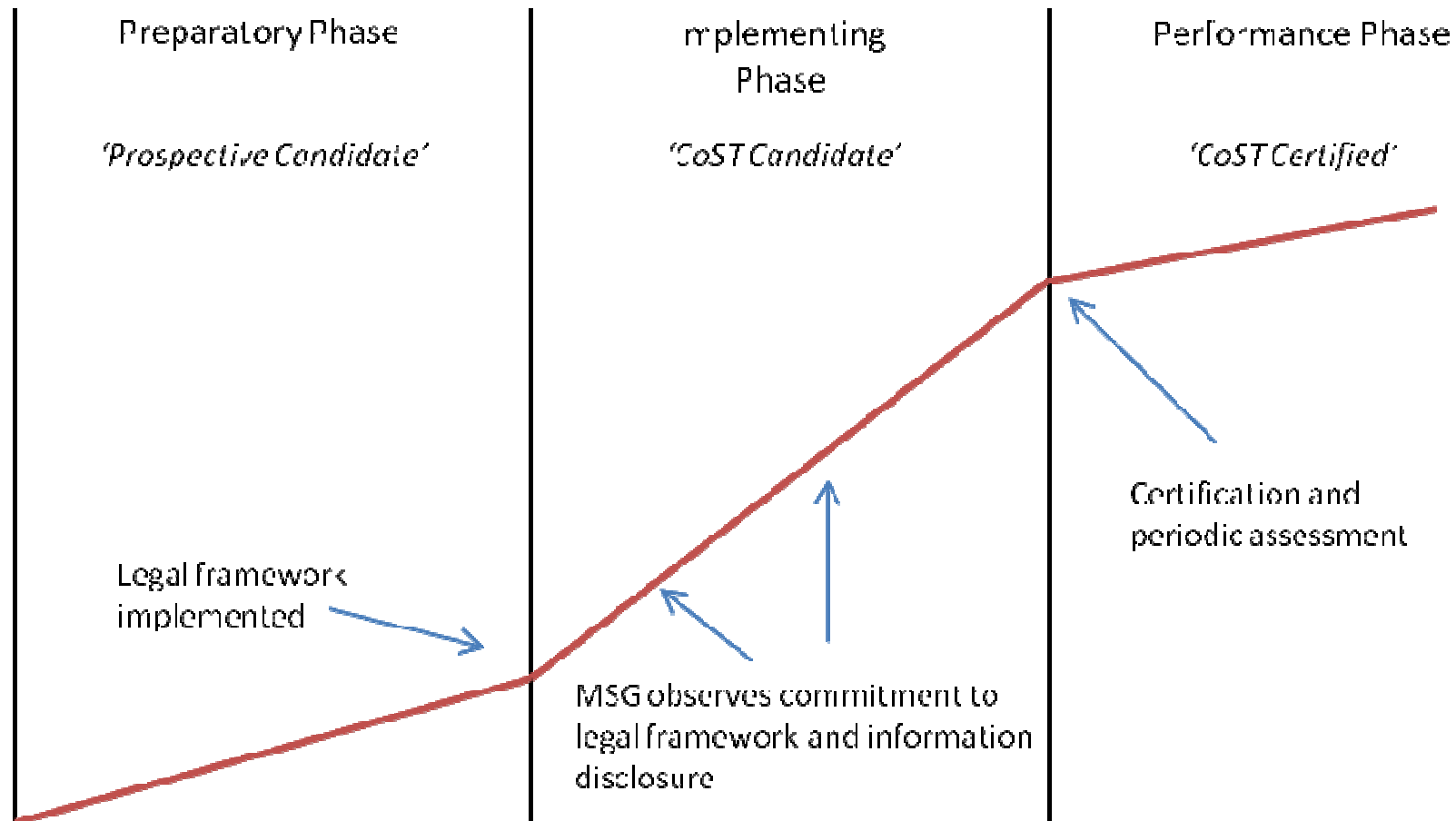
- Learning by doing
- Lack of awareness of CoST amongst some Stakeholders
- Challenge of getting credible AT members
- Difficulties in getting project information from the procuring entities
- Uniqueness of CoST (not an Audit)
- Sustainability
- THANK YOU FOR LISTENING

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
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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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