

Baseline studies March 2011

The Construction Sector Transparency Initiative (CoST) seeks to raise the level of transparency in the delivery of public sector construction projects through the disclosure of project information to the public. Disclosing details of projects in the preparation, tendering, and construction phases is expected to enhance accountability and eventually lead to increased competition in tendering and to improvements in the cost and quality of publicly funded construction.

CoST has been piloted over a three year period in seven countries— Ethiopia, Malawi, the Philippines, Tanzania, United Kingdom, Vietnam, and Zambia — and, later, in Guatemala as an associate country. In each country, a baseline study was undertaken to provide points of reference against which to measure the impact of CoST during the pilot phase and over the longer term. The studies also sought to document the country context in which the pilot was conducted, in particular the number and type of procuring entities in each country and details of any similar or complementary initiatives. This note explains how the baseline studies were undertaken and summarises their main findings.



**Objectives and methodology**

To be able to compare findings across the pilot countries, a common approach and methodology for the studies was prepared by CoST’s International Secretariat (IS).

The studies were designed to:

- Investigate which items of material project information (MPI) are currently required by law/regulations to be released into the public domain by the Procuring Entities (PEs) – those agencies responsible for procuring construction projects. MPI is defined as the information that is required for understanding a construction project and is sufficient to enable stakeholders to make

informed judgements about the cost, time, and quality of the infrastructure concerned.

- Assess, for a sample set of procuring entities, which items of MPI are currently being released into the public domain, and by what method of disclosure.
- Assess (for the same sample set of PEs) the barriers (legal, administrative, other) to the release of this information.
- For a sample set of completed projects from the sampled PEs, collect data on core indicators of competition in tender markets and of project performance.
- Provide information on other ongoing initiatives affecting the procurement and management of construction contracts and how these might complement, support, or otherwise affect activities under CoST.

The multi-stakeholder groups (MSGs) that managed CoST in the participating countries were encouraged to adopt additional objectives in the study relevant to their own national context, but in practice few did so.

A set of core indicators was identified to measure current levels of (1) disclosure of material project information (MPI) by procuring entities; (2) competition in tender markets; and (3) project performance (Table 1).

**Table 1. Key indicators for the baseline studies**

Indicator	Means of assessment
Disclosure of MPI by procuring entities	Number of items of MPI that the law/regulations require PEs to disclose to the public <ul style="list-style-type: none"> <li>• % of these items that a sample of PEs claim to disclose</li> <li>• % that the sampled PEs claim to disclose on a website or in the press (proactive disclosure)</li> </ul>
Competition in tender markets	For each of the contracts for project design, project supervision, and the main contract for works: <ul style="list-style-type: none"> <li>• Number of firms expressing interest</li> <li>• Proportion of shortlisted firms going on to bid</li> <li>• Number of firms submitting a bid</li> </ul>
Project performance	<ul style="list-style-type: none"> <li>• Time overruns on a sample of projects</li> <li>• Cost overruns on the sampled projects</li> <li>• Number of orders to remedy defective work</li> </ul>

In all pilot countries the MSG appointed a team of consultants to conduct the baseline study. Most of these teams came from private firms, but in the UK and Zambia they came from university departments.

## Selecting samples

### Sampling PEs.

In each country the baseline study team worked closely with the MSG to identify an appropriate sample of procuring entities from which to collect data on disclosure. The IS suggested that having a sample of five PEs would be appropriate and that these might include a cross-section of entities both large and small and at both national and local levels.



It proved quite difficult in many countries to persuade PEs to participate in the studies. In Tanzania, ten PEs were originally selected but only five of them were responsive. In both Zambia and Vietnam, one of the PEs originally included dropped out of the study. In Vietnam, the sample was dominated by project management units within the Ministry of Transport. In Ethiopia, only central government ministries and agencies were included. Nonetheless, the teams in most countries managed to cover a representative cross-section of agencies involved in both engineering and building work, at both national and local levels.

### Sampling projects.

Once the PEs were selected, a sample set of projects from which to collect data had to be identified, to be representative across sub-sectors, types of construction, project sizes, and sources of funding (donor/ national). The IS recommended that the PEs be asked to draw up a list of projects meeting these criteria and that the MSG select randomly from the list. In practice this did not happen. In some cases the consultant selected the projects from among those offered by the PE—with obvious implications for potential bias.



## Capturing and checking data

### Data on disclosure

PEs were asked about what information they disclosed, where they disclosed it, and what they understood the law to require them to disclose (Table 1 above).

To facilitate international comparison, the IS provided a series of linked spreadsheets on which to capture the PEs' responses. A limited number of standard responses were suggested in the questionnaire. While these enabled comparison across countries, they did not provide for all eventualities and some baseline teams objected to their use.

The terminology used in the questionnaire was not always understood in the pilot countries. This problem could have been alleviated had the baseline teams followed IS advice to meet the PEs in person and help them answer the questions. In retrospect, it would have been useful to pilot-test the questions in a few PEs before undertaking the studies more widely.

A further challenge was caused by the failure of baseline study teams to check that the information the PEs provided was correct. Although scrutiny of every answer was clearly impossible, it should have been possible for the teams to do random checks to see if the information that the PEs claimed to be disclosing was actually in the public domain. With hindsight, a requirement to this effect should have been included in the studies' terms of reference and scope of work.

### Project-level data

The data collected on the sample projects related to competition in tender markets and to project performance measured in terms of time and cost (Table 1). To measure competition, data were sought on the number of firms expressing interest in tendering, the number shortlisted, and the number bidding for each of the contracts for project design, supervision, and works. To measure project performance, data were sought on both the original and final project cost and time. Originally, it was proposed to measure project quality in terms of the number of orders issued to remedy defective work, but this indicator could not be successfully used because such orders are generally given verbally in most of the pilot countries. A simple and reliable indicator of project quality has not yet been identified.

The information recorded on the spreadsheets in each of the pilot countries was used by the International Secretariat to compile an international comparison of baseline findings.

## Results

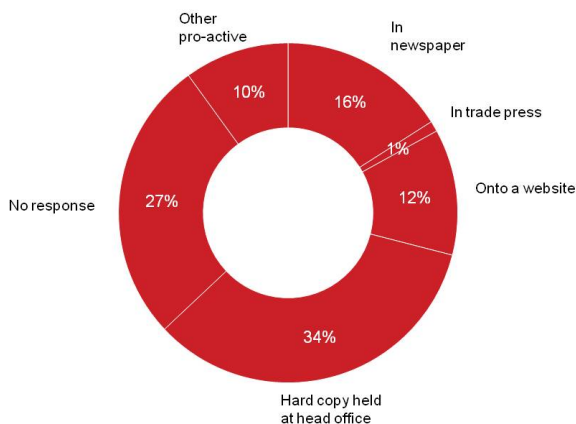
### Levels and methods of disclosure

The baseline studies showed that the number of items of MPI that the law required to be disclosed varied across countries, from 10 in Vietnam to 19 in Tanzania and 27 in Guatemala. Adherence to the law also varied. On average across the eight countries, PEs claimed to *always* disclose 51 percent of the items that the law required them to disclose and to *usually* disclose a further 9 percent.

Not all of the items that the PEs claimed to disclose were necessarily accessible to the public. Only items disclosed through a website, newspaper, trade publication or exhibited on site sign boards can truly be considered to be in the public domain, or proactively disclosed. Thus PEs were asked how they disclosed the various items of information, so as to allow items that were proactively disclosed to be distinguished from those that were reactively disclosed—being simply held in the office of the PE ready for the public to consult on request.

On average across seven of the eight countries (no data were available for Ethiopia), 39 percent of the items that PEs claimed to be disclosing were being proactively disclosed according to the above definition (Figure 1). The 34 percent of items that were only available in hard copy held at head office were reactively disclosed.

**Figure 1: Methods of disclosure of items legally required to be disclosed in 7 countries**

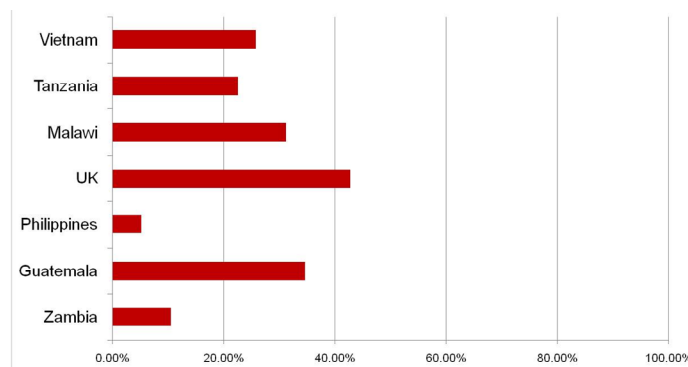


Not surprisingly, practices varied across countries. But in most cases, fewer than 40 percent, and in some cases fewer than 20 percent, of the 31 items of MPI— that is, the information that CoST considers essential for understanding a construction project— were being proactively disclosed (Figure 2).

International comparisons of levels and methods of disclosure reveal some important facts about transparency. But how, when, and where information is disclosed is as important as whether or not it is disclosed. Current transparency requirements in the pilot countries stem mostly from public procurement reforms, and the information required to be disclosed is intended to reach potential and actual bidders in the market place, rather than to inform the population as a whole about the progress of a particular project. Thus the fact that

information is in the public domain does not mean that it is available to the public in a format that meets the criteria of CoST.

**Figure 2: Average number of items pro-actively disclosed as % of the total number of items of MPI**



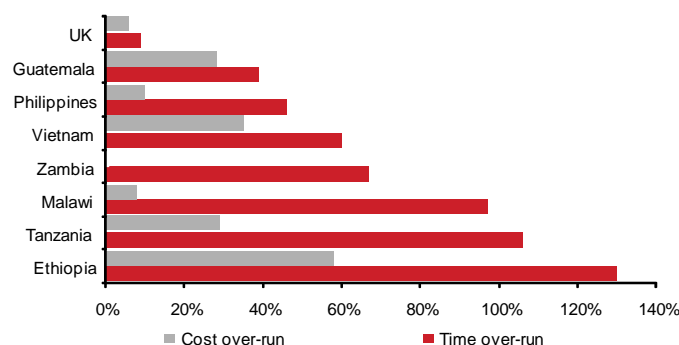
### Competition in tender markets

Analysis of the bidding statistics across the eight countries shows a fair level of competition for works contracts, but less competition for contracts for project supervision or project design, which were often undertaken in-house. The number of bids received varied widely across individual PEs. In Ethiopia, Tanzania, and the UK at least one project for works and one project for supervision had received only one bid, although in the case of the UK this was because the supplier was called off a framework or an approved list of suppliers.

### Project performance.

Across the eight countries, 145 projects were included in the sample. The baseline studies showed that in all eight countries time and cost overruns were significant, but the average cost overrun was everywhere less than the average time overrun, often by a substantial amount (Figure 3)

**Figure 3: Average time and cost overrun on 145 sampled construction projects, by country**



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