



By 2020, it has been estimated that global construction output will have grown by 70% to \$12.7 trillion and will account for 14.6% of world output, and that construction in emerging markets will grow by 110% to become a \$7 trillion market¹. The CoST pilot has demonstrated that the efficiency of this market can be improved, to the benefit of developing countries. In doing so, CoST focuses on the role of public procuring entities and ensures that they are accountable for public expenditure on construction. It does not impose additional burdens on business, but rather offers potential benefits (see box 1).

Box 1: Benefits of CoST for the private sector

CoST offers private operators in the construction sector potential benefits:

- Better procurement will improve confidence in the industry that a 'level playing field' exists and that contract award will be fair
- Better project management by the procuring entities offers improved prospects that implementation and payment schedules will be fair and open
- Reputational risk from association with projects or enterprises where corrupt practices were likely will be reduced
- Reduced levels of corruption and greater accountability will make it possible to re-enter markets that had previously been considered off-limits by responsible companies
- Better financial management can lead to better access to private capital and more favourable lending terms



The pilot demonstrated that the involvement of the private sector in the multi-stakeholder groups in participating countries² is vital to the success of the initiative. It is clear that the support and involvement of the private sector at the international level is equally important. This note examines both aspects.

Private sector participation in CoST at the national level

Within a national economy, construction companies bid for and deliver publicly-funded infrastructure projects. They have a strong interest in a sound procurement and project management capacity within the public procurement agencies, to ensure fair competition for contracts as well as a competent counterpart during the construction process. Responsible companies take pride in delivering to a specification appropriate to the need and making cost-effective use of public funds. Where companies do not behave responsibly, there is a need for improved capacity to detect and deter this, to maintain fair competition for all.

Responsible companies have shown their support for CoST through active involvement on the multi-stakeholder groups (MSGs)³ that supervise the initiative in each pilot country. Every MSG has as part of its core membership representatives from private companies and / or trade and professional associations representing specific aspects of the construction sector. These people and their organisations volunteer significant time to CoST and the result is a more effective and credible MSG.

The industry members bring in particular a technical and managerial knowledge of the sector that empowers the MSGs to understand the complexities of infrastructure projects. Such knowledge is crucial in strengthening the contribution of the civil society representatives on the MSG: these often represent communities or advocacy groups and do not necessarily have the sectoral knowledge required to best apply CoST to the construction cycle, or to interpret the data produced.

¹ RICS Global Construction Forecast 2020

² The CoST pilot countries are Ethiopia, Malawi, Philippines, Tanzania, United Kingdom, Vietnam and Zambia. Guatemala is a CoST associate country.

³ For more information on the multi-stakeholder groups (MSGs) that implement CoST, see Briefing Note 2.

Having private sector involvement also makes the MSG more credible in its continued engagement across the industry and with government. It protects the construction sector against any false accusations of wrongdoing; and it demonstrates a united approach to the call for greater transparency. This balanced approach to effecting change has been one of the successes of CoST.

Box 2: Private sector commitment to the UK MSG

The UK CoST multi-stakeholder group includes representatives from individual construction companies as well as professional and industry associations:

- Happold Consulting built environment consultancy
- Costain engineering and construction consultants
- The Association for Consultancy and Engineering
- The Civil Engineering Contractors Association
- The Royal Institution of Chartered Surveyors

The secretariat to the MSG was provided by the Institution of Civil Engineers.

Strong private sector involvement helped CoST UK gain credibility in showing that it can help meet client procurement objectives while delivering visible and measurable cost efficiencies.

Private sector participation in CoST at the international level

The benefits accruing at the national level to the private sector are magnified at the international level. Responsible international construction companies seek fair and transparent access to contracts and good management in other territories, just as responsible local companies do, and will seek work where these conditions are most closely met. There is clear value to governments in ensuring that they are able to do so (see box 3). CoST will help to create these conditions.

Box 3: The Government perspective

Greater accountability and reduced corruption will encourage international and local construction companies to compete for work. This has advantages for the national economy since it:

- Increases value for money in infrastructure development
- Enhances the country's market credibility
- Is a positive factor for inward investment
- Encourages access to credit and loans on more favourable terms

In recognition of its significance for the construction sector, CoST is supported by a number of prestigious multinational construction companies and by the European International Contractors organisation (see box 4). These organisations will influence the future direction taken by CoST. In addition, CoST has an ongoing dialogue with the global consultants' body FIDIC, the

global contractors' organisation CICA, the World Federation of Engineering Organisations and others. All have shown considerable interest in the CoST concept and discussions continue towards their formal endorsement.

In addition to these sector organisations and companies, CoST is also supported by the International Business Leaders' Forum (IBLF, UK), an independent, not-for-profit global organisation working with companies on the sustainability and responsible business agenda.

The tripartite character of the multi-stakeholder groups at the country level is maintained within the CoST International Advisory Group, the high level steering body for the programme. In addition to representatives from donors, government and civil society across the pilot countries, the IAG includes representatives of the construction sector.



Box 4: Private sector supporters of CoST

CoST offers the prospect of more and better business for international companies in the sector as well as local ones. At the international level, the following have endorsed CoST and agreed to be available to offer advice on future developments as necessary. Others are considering taking this step:

- EIC – the European International Contractors organisation
- Balfour Beatty (UK)
- Halcrow (UK)
- NCC (Sweden)
- Ramboll (Denmark)
- Skanska (Sweden)
- STRABAG (Austria)

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