



The Construction Sector Transparency Initiative (CoST) is a multinational effort to explore how public construction projects could be made more transparent and accountable, reducing the mismanagement, waste, and corruption that are common in the sector (Box 1). Governments, affected stakeholders, and the wider public all stand to benefit.

Box 1

Publicly funded construction typically uses 10-30 percent of public expenditure, but mismanagement and corruption can seriously impair the quality, safety, and value of the resulting infrastructure. Corruption causes wastage of public funds, and allows unnecessary, unsuitable, defective, or dangerous construction projects. It also undermines the rule of law and hinders the development of strong and accountable institutions that are essential for economic growth and social justice.

Transparency not only carries benefits for governments, taxpayers, and consumers, it also promotes investor confidence. Reduced levels of corruption and greater accountability mechanisms improve fairness in competition for contracts, and can also significantly increase the flows of foreign direct investment and development financing into a country's construction.

To enhance the accountability of procuring bodies and construction companies for the cost and quality of public projects, stakeholders need information with which to judge these features. CoST provides for the disclosure of such information into the public domain for public projects during the preparation and construction phases. To ensure that the information disclosed is accurate, and comprehensible to all stakeholders, CoST uses an assurance mechanism to verify accuracy and identify any issues of concern in plain language.

CoST has been piloted over a two-year period in seven countries—Ethiopia, Malawi, the Philippines, Tanzania, United Kingdom, Vietnam, and Zambia—and Guatemala has joined as an associate country. The pilot has been led by an International Advisory Group representing the construction industry, civil society, the pilot countries, and the two sponsors—the UK Department for International Development (DFID) and the World Bank. Implementation has been managed by an International Secretariat led by PricewaterhouseCoopers in collaboration with British Expertise, Engineers Against Poverty, the Institution of Civil Engineers, and Tiri.

CoST in action: Bringing stakeholders to the table

An essential feature of CoST is its engagement of the wide range of stakeholders that are typically linked to publicly financed construction projects. In each country, a multi-stakeholder group (MSG) oversees the project to ensure that the CoST principles are upheld. The groups comprise representatives of the public sector, private sector, and civil society (see *Briefing Note 2*). The multi-stakeholder approach has proved effective in focusing joint attention on the benefits of transparency in the sector and in finding practical ways for improving disclosure. It has also provided incentives in the pilot countries to sustain the application of CoST beyond the pilot.

Gathering momentum

By December 2010, the end of the pilot period, the pilot had substantial achievements:

- National MSGs were working in all eight countries and had decided to continue to operate beyond the pilot stage. Their commitment and ability to raise funds locally was a testament to the demand for CoST.
- CoST has been endorsed at the highest level of government in all eight countries. Despite political changes due to elections taking place during the pilot phase in almost all countries, the support for CoST continued.
- Baseline studies had been done on 129 completed projects under 32 procuring entities, and
- Disclosure and assurance processes had been conducted on a further 81 projects under 29 procuring entities. These projects covered construction in eight different sectors with values ranging from less than \$1 million to about \$500 million.



The pilot phase has shown that:

- **The CoST approach is technically viable**, and has yielded useful lessons for sustaining the approach and broadening its application.
- **CoST can be sustainable, country- led and driven by the demands of stakeholders.**

CoST was not demand-driven when it started, partially due to a lack of knowledge and understanding of the potential benefits of improved transparency and accountability. The concept, principles, standards and approach of CoST were developed through the initial pilot stages based on lessons learned during the initial phases of implementation. The later joining pilots and associates were demand- led as the CoST brand and blueprint was established when they joined.

The demand for CoST increased as it proved its viability and ability to channel change. By end of the pilot project seven of the eight countries had mobilised resources to continue their national CoST programmes. In all countries, the MSGs have attracted highly skilled, experienced and motivated representatives of private sector, civil society, professional organisations and government agencies.



Alignment with national goals

For a country considering participation in the CoST program the possible incentives are likely to include:

- Enhancing the business environment
- Strengthening the national reputation and credit rating in the international construction and development finance sectors
- Reducing wastage and enhancing the performance of the construction sector; and
- Enhancing social accountability.
- At a practical level, participation offers opportunities for learning and international exchange of experience, and the availability of technical assistance and guidance on suitable practices and approaches.

CoST stands to benefit from the active participation of international and national associations of construction sector stakeholders to gain effective collaboration and technical support. At the country level, CoST should be harmonized or integrated as far as possible with

complementary initiatives especially on procurement reform, access to information, anti-corruption, and social accountability.

Box 2

CoST is a voluntary initiative applicable to any country and any government department or agency with responsibility for public sector construction projects. The principles that underpin CoST reflect a shared stakeholder commitment to transparency and accountability. They are:

- Projects should promote sustainability
- Governments should be accountable
- Transparency can improve efficiency
- Transparency promotes investor confidence
- Multi-stakeholder co-operation is important.

Global support

Globally, CoST is now supported by many prestigious private companies and by prominent civil society organisations including Transparency International, The Institution of Civil Engineers, Engineers Against Poverty, Tiri, the UK Anti- Corruption Forum—as well as by global initiatives including the grassroots advocacy organization ONE and the International Business Leaders' Forum.

Among the private sector supporters globally are strong international companies as Balfour Beatty, Halcrow, Ramboll and Strabag. This level of support is fundamental to ensuring sustainability and effectiveness.

CoST complements and collaborates with other global transparency initiatives as the Extractive Industries Transparency Initiative (EITI) and the Medicines Transparency Alliance (MeTA).

Other briefing notes in this series:

2. Working in multi-stakeholder groups
3. Transparency in construction
4. Disclosure
5. Baseline studies
6. Impact of procurement reform on transparency
7. Impact of disclosure

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