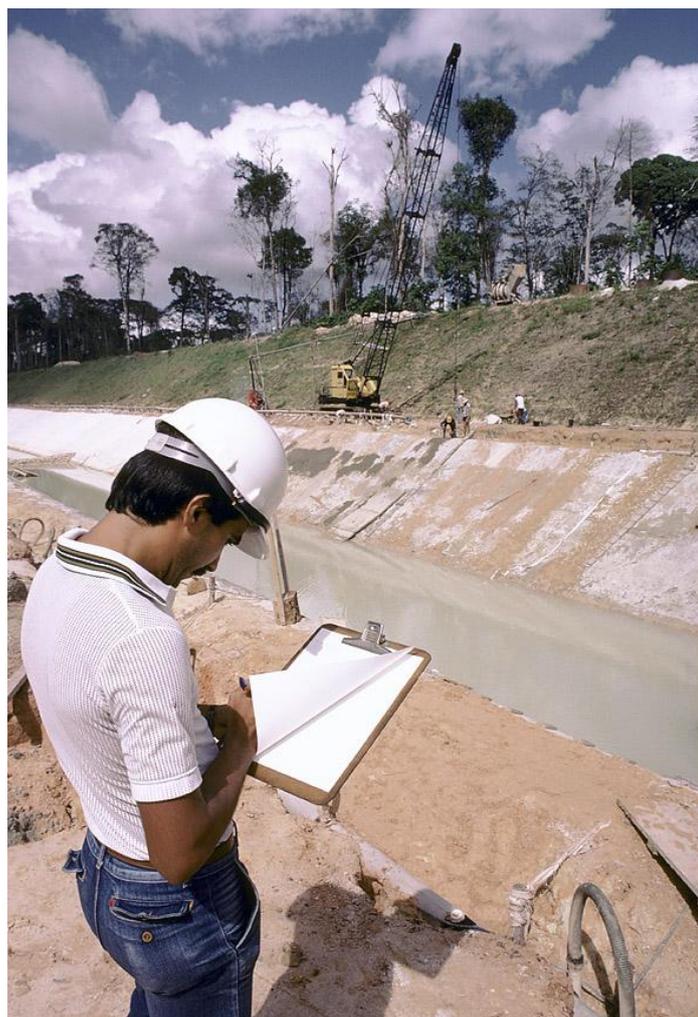


Success stories from the CoST pilot project

The CoST pilot project developed procedures to gather, verify, and disclose information on publicly funded construction projects (see Briefing note 1: *Overview of CoST*). The expectation was that disclosure would increase transparency and accountability and thus, in the long term, help improve value for money from investments in infrastructure. At the close of the 2 ½ year pilot there is evidence that this process has already had a positive impact. In some countries, for example, it has led to changes in government procedures, while others have integrated CoST procedures into their existing institutional frameworks. This briefing note provides examples of such ‘success stories’.



Malawi: Baseline study driving the reform agenda
Malawi’s baseline study, undertaken at the start of the pilot, revealed average time overruns on the sampled construction projects of 97 percent and average cost overruns of 6 percent. This information confirmed fears in the Government that it was not obtaining value for money from its investments in infrastructure. A review was undertaken by Salephera Consulting of the way in which public sector infrastructure was procured and delivered. The review concluded that the Ministry of Transport and Public Infrastructure had capacity gaps in managing its projects.

Malawi’s Parliament subsequently approved a reform package aimed at improving management capacity and ensuring more efficient delivery of public sector construction projects. The package includes measures to separate the Buildings Department from the Ministry of Transport and Public Infrastructure and give it statutory powers to outsource critical functions as a means to mobilise capacity.

In addition to this reform package, Malawi’s Office of the Director of Public Procurement has begun a review of the Public Procurement Act with the intention of incorporating CoST disclosure requirements. Rodgers Banda of the National Construction Industry Council said, ‘this demonstrates how CoST can help identify inefficiencies in the public sector and be the catalyst needed to drive reforms’.

Ethiopia: Getting transparency into the National Procurement Proclamation

The multi-stakeholder group (MSG) that directed CoST in Ethiopia persuaded the Ethiopian Government to include in a new Procurement Proclamation most of the information that CoST requires to be disclosed. The MSG gained direct access to the Public Procurement Agency by inviting a senior representative to join the group as a government representative. The Proclamation was published in 2010.

Tanzania: Prompting a technical audit

CoST Tanzania initially received written confirmation that the construction of the Public Services Pension Fund’s new Investment House office building in Dar es Salaam would be part of the pilot project. This agreement to participate was later withdrawn without explanation. The Public Procurement Regulatory Authority subsequently decided that the project should be subject to a full technical audit. Though the audit results are not yet available, this is

an example of how statutory authorities are monitoring and reacting to procuring entities' perceived reluctance to subject themselves to scrutiny.

Philippines: Integrating CoST into existing initiatives

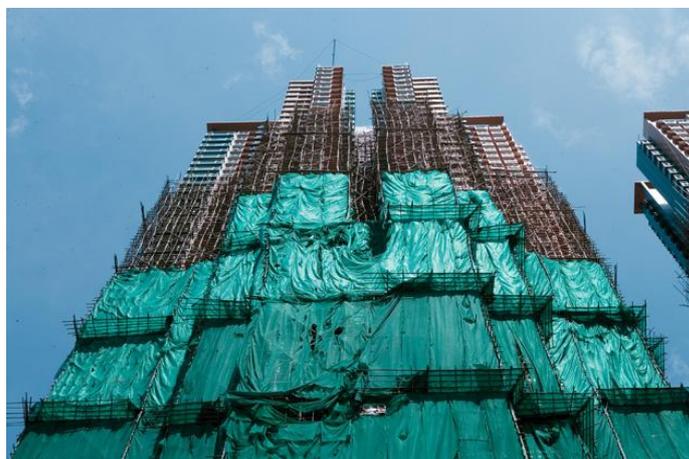
Unlike other CoST pilot countries, the Philippines already had transparency initiatives and active civil society participation in the construction sector. The MSG that directed CoST Philippines recognised from the outset that for CoST to be successful, it needed to be aligned with and complementary to existing initiatives and, as far as possible, integrated into existing systems and procedures.

The MSG brought together representatives of the public and private sectors and civil society who were committed to improving transparency and accountability. It established itself as an independent legal entity and eventually appointed a civil society representative as Chairperson. The MSG worked closely with the Commission on Audit (COA) which it persuaded to agree to obtain and verify project information as part of its routine functions. The MSG also worked closely with PhilGEPS—an electronic government procurement system—which agreed to use its system for the disclosure of project information. In this way CoST Philippines was able to reduce its reliance on external support and ensure that CoST processes were institutionalised.



MSG Chairman Vincent Lazatin explained:

'It took considerable effort to align CoST with existing initiatives. This included providing training to COA staff and developing a business plan for PhilGEPS aimed at ensuring it can eventually become self-funded. In this way we have demonstrated how CoST can add value to existing initiatives.'



United Kingdom: Enabling international price comparisons

The UK pilot project disclosed information on eight construction projects in roads, flood defence, housing, and schools. Soon after its completion, Infrastructure-UK (I-UK) announced that it planned to work with CoST as part of its programme for reducing the costs of infrastructure projects.

I-UK is the Government department responsible for the National Infrastructure Plan. Its interest in CoST was sparked by the opportunity provided to routinely capture data in a simple format and the potential this gives to benchmark UK infrastructure costs against international prices over time. An I-UK Data Group has been established to look at this issue; the group includes representatives from some of the biggest government agencies, including the Highways Agency, the Environment Agency, London Underground, and Network Rail. The I-UK Implementation Plan states:

'Through the joint infrastructure data group [we aim to] develop a means to capture post-project cost and performance information and improve access to international data, working with the Construction Sector Transparency (CoST) Initiative'.

The CoST MSG is also in discussion with Constructing Excellence and the British Standards Institute concerning a Code of Practice for Construction Procurement.

Ethiopia: Driving improvements in governance

Ethiopia disclosed information from 25 publicly funded construction projects from 4 sectors (roads, water, health, and education); more than did any other pilot country. Disclosure has led to improvements in governance in three of the participating procuring entities. The Ethiopian Roads Authority is reviewing its document management system, the Ministry of Education is reviewing its compliance with the national procurement regulations, and the Ministry of Health is to carry out a feasibility study on all projects. Public interest in these developments is very high. As of July 2011 the CoST Ethiopia website had received 620,000 visitors.



Tanzania: Identifying shortfalls in capacity

CoST's examination of a project to upgrade health facilities in Tabora Municipality revealed that an unusually large sum had been budgeted for contingencies. This prompted concerns about overpricing and possible malpractice. Further investigation showed that the quantity surveyor tasked with preparing the bill of quantities lacked the time and support needed to prepare a thorough and accurate bill. Hence the contingency had been inflated in an attempt to manage the risk of unforeseen costs arising. If this practice were to be used routinely, it would distort budget allocations and seriously undermine efforts to secure value for money.

The MSG and the assurance team were able to draw attention to the need for the procuring entity to invest in additional capacity to improve its performance and ensure better financial management in future.

Vietnam: Showing the benefits of high-level political support

Vietnam was the last country to join the pilot project. Though it began its baseline study and assurance team process later than other pilot countries, it made excellent progress. It secured an agreement with procuring entities and quickly selected projects. It was the only pilot country in which information was gathered and disclosed on a regular basis during project implementation.

Several factors help explain why CoST Vietnam made such good progress, but important among them is that the Prime Minister personally endorsed CoST in its early stages. This high-level political support was maintained by the Minister for Construction who was subsequently appointed CoST Champion.

Guatemala: Participating in a community of practice

Guatemala became a CoST associate country in November 2009. Starting much later than the initial CoST pilot countries made it doubtful that Guatemala could make enough progress during the time that remained of the pilot project. These fears were to prove unfounded, however, as Guatemala very rapidly completed its baseline study and was able to enlist the support of seven procuring entities. In July 2011 a series of six outreach events were initiated aimed at disseminating information on six projects. The first event was attended by the Minister of Finance, foreign diplomats and civil society organisations and it attracted coverage from national television.

Coordinator Ruy Llarena explained how CoST Guatemala had achieved rapid results:

'CoST Guatemala was launched by President Avaro Colom Caballeros, and this indicates the high degree of Government support that there was for CoST from the outset. But equally important was the support that we received from our international partners. The CoST pilot countries operate as a community of practice in which lessons are shared between them. Each country has unique characteristics, but the experiences of other countries can be adapted to our circumstances and this helped Guatemala to avoid potential pitfalls and build on what worked in other countries.



Other briefing notes in this series:

1. Overview of CoST
2. Working in multi-stakeholder groups
3. Transparency and accountability in the construction sector
4. Disclosure
5. Baseline studies
6. Private Sector
7. The assurance process
8. The cost of CoST
9. The CoST pilot experience in the Philippines
10. The CoST pilot experience in Ethiopia
11. Engaging civil society
12. CoST success stories

For more information and to contact us:

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What they say about CoST

EIC advocates fair and transparent competition for international construction projects followed by careful monitoring of the project implementation. We believe that CoST can make a critical contribution to advance reliable and efficient procurement practices and project delivery around the globe." *Michel Démarre, President, European International Contractors*

"CoST is a welcome addition to the array of tools developed to promote greater efficiencies and more accurate information related to publicly financed infrastructure, thereby enhancing transparency and reducing the potential for corrupt activities in the procurement, and execution of contracts. CoST is seen as complimentary to FIDIC's own initiatives such as GPIMS - a Government Procurement Integrity Management System, and FIMS - the FIDIC Integrity Management System for private sector consulting firms". *Gregs Thomopoulos, President, International Federation of Consulting Engineers*

"When business engages with sustainable development challenges, IBLF promotes collective action delivered through multi-stakeholder processes such as those included in CoST and fully supports the CoST principles. Although IBLF has no direct influence over the outcomes of the CoST initiative, we believe that is only through such action-orientated collective engagements that real progress can be achieved". *Graham Baxter, Programmes Director and Acting CEO, International Business Leaders Forum*

"And for contractors and consultants, the CoST initiative should bring a level playing field and potentially open up new markets around the world." *Kristina Smith, International Construction Review, Quarter 1, 2011*

