

# CoST core principles

The principles underpinning CoST reflect a shared stakeholder commitment to transparency and accountability. They are:

- **Projects should promote sustainability.** Public sector infrastructure projects should support sustainable economic growth that contributes to sustainable development and poverty reduction. Mismanagement during construction can undermine potential social and economic benefits and value for money.
- **Governments should be accountable.** Citizens have a right to know that their money is being used wisely. The procurement and management of public sector construction projects should be sufficiently transparent for government to be held accountable.
- **Transparency can improve efficiency.** Basic project information, disclosed throughout the entire project cycle, can provide an effective way to improve value for money in construction by reducing opportunities for corruption and increasing scrutiny.
- **Transparency promotes investor confidence.** Domestic and foreign direct investment is likely to be increased by transparency in the management of construction projects.
- **Multi-stakeholder co-operation is important.** Experience shows that multi-stakeholder working between the public and private and sectors and civil society improves transparency and gives greater confidence to citizens that all points of view are being taken into account. A multi-stakeholder group (MSG) oversees the implementation of CoST in each country. It is formed from representatives of government and procuring agencies, the construction industry, professional associations, financial organisations, investors and civil society organisations.



# How to contact us

For more information on the initiative, including how to join or implement CoST in your country, please contact the secretariat:

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# The Construction Sector Transparency Initiative (CoST)

## Factsheet



# Welcome to CoST

CoST is an international multi-stakeholder initiative designed to increase transparency and accountability in the construction sector supported by the Department for International Development (DFID) and the World Bank. It is being piloted over a two year period. The pilot countries are Ethiopia, Malawi, Philippines, Tanzania, United Kingdom, Vietnam and Zambia.

## Why is CoST necessary?

Public sector infrastructure projects make a major contribution to economic growth and poverty reduction but mismanagement and corruption during the planning, implementation and monitoring of construction projects can undermine the expected social and economic benefits.

Recent studies show that corruption in public construction contracts is widespread, with bribes often accounting for ten percent or more of the contract price. Corruption allows unnecessary, unsuitable, defective and dangerous construction projects – buildings that collapse and roads that break up. Corruption also undermines the rule of law and hinders the development of strong and accountable institutions that are essential for economic growth and social justice.

The effects of mismanagement and corruption are especially hard on the poor, who are most reliant on the provision of public services.

## What is CoST's objective?

CoST's aim is to enhance the accountability of procuring bodies and construction companies for the cost and quality of public-sector construction projects. The core concept is to 'get what you pay for'. The 'you' in this context applies equally to national governments, affected stakeholders and to the wider public. The main emphasis of CoST is on the period between contract award and the final build.

## How does CoST work?

CoST provides for the disclosure of material project information on a selection of construction projects. 'Material' in this context is intended to indicate that sufficient information be provided to enable stakeholders to make informed judgements about the cost and quality of the infrastructure concerned. The disclosures include, for example, a description of the project; its purpose and location and, at the implementation stage, summary details of the original and final: project specification, project cost, contractor and completion dates.

The disclosures also include justification for any significant differences between the original and final information, as well as project evaluation and completion reports. Disclosure of raw information on its own is unlikely to be sufficient to achieve greater accountability due to its complexity. The disclosures need to be reviewed and analysed to ensure that they are comprehensible to all stakeholders. CoST introduces a structure to meet this need.

## Stakeholders in CoST

An essential feature of CoST is the engagement of the wide range of stakeholders that are typically linked to publicly financed construction projects:

- Procuring bodies
- Public financial management bodies
- Construction companies and associations
- Civil society
- External (i.e. non-governmental) providers of finance or loan guarantees.

The multistakeholder group (MSG) that forms an important steering mechanism of CoST in each pilot country usually includes representatives from each of these groups.



# What are the benefits of CoST?

## Overall

- Enhanced accountability of procuring entities and contractors for the cost and quality of public sector construction projects through strengthened accountability mechanisms
- Improved management of public finance and strengthened governance of public construction projects
- Greater efficiency of public procurement of infrastructure projects, leading to higher quality infrastructure at lower cost.

## Benefits to government

- Greater public confidence in government and the procurement process
- Governments learn what they should get using public funds and can compare this with what they are getting. Empowered with this information they can reform procedures and improve delivery
- Tackling corruption will encourage more contractors to bid and lead to fairer prices and higher quality projects with higher economic and social returns
- Financial transparency will develop improved business confidence and trust, and increased prospects for investment, both domestic and foreign
- As CoST gains international recognition it is expected to provide a seal of approval that will open the door to increased flows of funding for construction projects.

## Benefits to industry

- Increased transparency and fewer opportunities for corruption will engender confidence in the industry that a 'level playing field' exists and contract award and administration will be fair
- Reduced levels of corruption and greater accountability mechanisms will improve the chances of local companies winning contracts

- Companies involved in the sector will benefit from increased understanding of the social and economic development contribution made by the construction industry
- Companies will enjoy reduced risk to their reputation from association with projects or enterprises where corrupt practices are suspected
- Improved financial risk management will lead to better access to credit and loans on more favourable terms
- CoST should lead to improved professional standards.

## Benefits to civil society

- Civil society groups will enjoy increased access to information and the opportunity to participate in the governance of the construction sector
- Increasing access to information and actively involving stakeholders in the gathering, dissemination and analysis of the disclosed data will enable civil society (including parliamentarians, the media) to hold procuring entities and construction companies accountable for the cost and quality of public construction projects. Stakeholders will also be able to demand better project selection and oversight in the future.

## Benefits to ordinary citizens

- Members of the public will be able to compare what they are getting with what they should be getting, leading to better value construction, and construction that meets their real needs
- Greater transparency in the sector should also contribute to the implementation of environmental and social safeguards, ensuring that hazardous materials are not used and health and safety laws are observed.

# What should my country do to join CoST?

No new pilot countries will be accepted during this phase of CoST. However, any other country that wishes to apply the principles and methods of CoST may apply to be a CoST associate country. The requirements and application process for this is described below. To date, Uganda and Guatemala have both signed up as associate countries.

## Key requirements for Associate Country status

To be considered as a CoST associate country, the following are required:

- High-level political commitment to implementing the CoST core principles
- The appointment of a CoST Champion, preferably at ministerial level to facilitate support to CoST
- The formation of a multi-stakeholder group (MSG) to drive the process and balanced effective representation from the public and private sectors and civil society
- A commitment to selecting appropriate public sector construction projects for public disclosure.

## Benefits of being associated with CoST

The benefits of increased transparency and accountability are clear. The benefits of associate membership are:

- Access to CoST technical and policy guidance, lessons learned and research
- Peer support from other CoST associates and pilot countries
- Access to the CoST network of experts, practitioners and decision-makers
- Observer status at the IAG meetings
- Recognition in CoST materials, events, presentations and on the web-site
- Participation in the consultation process for a next stage of CoST.

## How to apply for CoST Associate Country status

The CoST champion or a senior Government official should contact the International Secretariat, expressing commitment to the CoST core principles and progress in meeting the requirements for associate country status.

If your country should meet the criteria earlier than three months after the initial declaration, the national Champion should inform the IAG Chairman.

