Thailand-UK Seminar on the Construction Sector Transparency Initiative

Century Park Hotel, Bangkok
18th February 2016
Programme

1. CoST Principles and Overview
2. Role of Procuring Entities (PEs) in CoST
3. Experiences from CoST Honduras
4. Experiences from CoST Vietnam
CoST Principles and Overview

Petter Matthews, Executive Director, CoST International Secretariat
Timeline

- **March 2007:** DFID consults on the establishment of a CoST pilot project
- **May 2008:** Three year CoST pilot project launched involving seven countries
- **June 2011:** Pilot project concludes. Evaluation recommends establishing global programme
- **October 2012:** Global programme launched, World Bank grants $1.5m
- **July 2013:** CoST registered as a Charity and Non-Profit Company in UK
- **July 2014:** Dutch Government grants €1m
- **September 2014:** Thailand joins CoST
- **July 2015:** DFID signs MoU worth £2m over 2 years with an option to extend for a further 3 years & additional £5m
- **August 2015:** Botswana becomes 15th country to join CoST,
What does CoST do?

CoST drives better **value** from **public infrastructure** investment

- CoST increases transparency & accountability
- CoST is a global standard
- CoST changes lives
- CoST is an essential catalyst for change

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How does CoST do this?

**Start:** Corruption and mismanagement

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**Multi-stakeholder initiative, promoting disclosure**

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**Informed citizens and responsive public institutions work together**

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**Better value for money and better quality infrastructure**

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**End:** Increased quality of life for citizens

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Why is CoST needed?

“Corruption occurs in the shadows, the great thing about CoST is it shines a light on the dark areas and illuminates them”

Geoff French,
Past President of Institution of Civil Engineers (ICE) & International Federation of Consulting Engineers (FIDIC)

Global construction likely to be worth $15 trillion by 2025

Estimated that 10-30% lost through corruption

Potential savings of $5 trillion annually

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CoST core features: Multi-Stakeholder Working

Governments alone cannot address all challenges. CoST is based on multi-stakeholder working.

A CoST Multi-Stakeholder Group (MSG) devises the strategy for the country programme. The CoST MSG provides:

- Leadership
- Dialogue
- Trust

Civil society  Government  Industry

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CoST core features: Disclosure

CoST increases transparency by disclosing data on public infrastructure projects.

Disclosure is publication of key project and contract data into public domain. Data is disclosed proactively and reactively.

Procuring Entities are responsible for disclosure. Government establish a Formal Disclosure Requirement to mandate disclosure.

CoST IDS

CoST’s Infrastructure Data Standard (IDS) supports disclosure:
- 40 data points
- Covers entire project investment cycle

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CoST core features:

Assurance

Assurance is the independent review of the disclosed data

- Validate data
- Monitor compliance
- Interpret into plain language
- Highlight concerns
- Review further

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CoST benefits you

Government
Value for money in public infrastructure

Business
Level playing field for bidders

Citizens
Improved quality of life
The Role of Procuring Entities in CoST

Bill Paterson, Senior Technical Adviser, CoST International Secretariat
PE’s Role in Public Infrastructure:

1. Project selection & justification – “fit” projects, Value for Money
2. Preparation and design – projects are “Fit for purpose”
3. Procurement - Open, fair, competitive
4. Delivery of project – right quality, cost & time
5. Operation and maintenance (in some cases)

Accountable to:
• Government for delivery of right projects
• Ministry of Finance and the public for use of public funds
PE’s Role in Disclosure:

- Disclosure - the publication of key items of project and contract information into the public domain
- Government procuring entities (PEs) are responsible for disclosing information.
- Information is disclosed:
  - proactively (i.e. on a routine basis), and
  - reactively (i.e. on request).
PE Project cycle:

- Selection & Justification
- Approval & Design
- Procurement
- Contract Implementation
- Completion
### CoST Infrastructure Data Standard: PROJECT

**Proactive Disclosure at:**

**START OF PROJECT**

<table>
<thead>
<tr>
<th>1. Project phase</th>
<th>Project information</th>
</tr>
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<tbody>
<tr>
<td>Project Identification</td>
<td>Project owner&lt;br&gt;Sector, subsector&lt;br&gt;Project name&lt;br&gt;Project Location&lt;br&gt;Purpose&lt;br&gt;Project description</td>
</tr>
<tr>
<td>Project Preparation</td>
<td>Project Scope (main output)&lt;br&gt;Environmental impact&lt;br&gt;Land and settlement impact&lt;br&gt;Contact details&lt;br&gt;Funding sources&lt;br&gt;Project Budget&lt;br&gt;Project budget approval date</td>
</tr>
<tr>
<td>Project Completion</td>
<td>Project status (current)&lt;br&gt;Completion cost (projected)&lt;br&gt;Completion date (projected)&lt;br&gt;Scope at completion (projected)&lt;br&gt;Reasons for project changes&lt;br&gt;Reference to audit and evaluation reports</td>
</tr>
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**PROJECT APPROVAL**

**END OF PROJECT**
CoST Infrastructure Data Standard: Contracts

**Proactive disclosure at:**

**CONTRACT AWARD**

- every 3 or 6 months

<table>
<thead>
<tr>
<th>2. Contract phase</th>
<th>Contract information</th>
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<tr>
<td>Procurement</td>
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<tr>
<td></td>
<td>Procuring entity</td>
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<tr>
<td></td>
<td>Procuring entity contact details</td>
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<tr>
<td></td>
<td>Procurement process</td>
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<td></td>
<td>Contract type</td>
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<tr>
<td></td>
<td>Contract status (current)</td>
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<tr>
<td></td>
<td>Number of firms tendering</td>
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<td></td>
<td>Official cost estimate</td>
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<td></td>
<td>Contract administration entity</td>
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<td></td>
<td>Contract title</td>
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<tr>
<td></td>
<td>Contract firm(s)</td>
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<tr>
<td></td>
<td>Contract price</td>
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<tr>
<td></td>
<td>Contract scope of work</td>
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<td></td>
<td>Contract start date and duration</td>
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<tr>
<td>Implementation</td>
<td></td>
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<tr>
<td></td>
<td>Variation to contract price</td>
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<tr>
<td></td>
<td>Escalation of contract price</td>
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<td></td>
<td>Variation to contract duration</td>
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<td></td>
<td>Variation to contract scope</td>
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<td></td>
<td>Reasons for price changes</td>
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<tr>
<td></td>
<td>Reasons for scope and duration changes</td>
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</tbody>
</table>
## Reactive Disclosure

- detailed or bulky information to be released on request

<table>
<thead>
<tr>
<th>Project</th>
<th>Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Identification &amp; Preparation</strong></td>
<td><strong>Procurement</strong></td>
</tr>
<tr>
<td>Multi-year program &amp; budget</td>
<td>Contract officials &amp; roles</td>
</tr>
<tr>
<td>Project brief or Feasibility study</td>
<td>Procurement method</td>
</tr>
<tr>
<td>Environmental impact assessment</td>
<td>Tender document</td>
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<tr>
<td>Resettlement &amp; compensation plan</td>
<td>Tender evaluation results</td>
</tr>
<tr>
<td>Project officials &amp; roles</td>
<td>Project design report</td>
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<tr>
<td>Financing agreement</td>
<td></td>
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<td>Procurement plan</td>
<td></td>
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<td>Project approval decision</td>
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</table>

<table>
<thead>
<tr>
<th>Completion</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation progress reports</td>
<td>List of variations, changes, amendments</td>
</tr>
<tr>
<td>Budget amendment decision</td>
<td>List of escalation approvals</td>
</tr>
<tr>
<td>Project completion report</td>
<td>Quality assurance reports</td>
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<tr>
<td>Project evaluation report</td>
<td>Disbursement record</td>
</tr>
<tr>
<td>Technical audit reports</td>
<td>or Payment certificates</td>
</tr>
<tr>
<td>Financial audit reports</td>
<td>Contract amendments</td>
</tr>
</tbody>
</table>
Disclosure is Selective and Relevant

Scope of disclosure:

- **Proactive** disclosure – only key profile information
- **Reactive** disclosure - technical and non-sensitive documents
- **Excludes:** Commercially sensitive or technically complex information
PE’s Role in Disclosure:

PROACTIVE DISCLOSURE

REACTIVE DISCLOSURE
PE Actions in Disclosure:

1. Enter Project data in template & Upload to Portal
2. Update Project data after Design approval
3. Enter Procurement & Contract data after award & Upload
4. Update contract data – every 3-6 months during implementation
5. Update Project data after project completion
6. Answer queries / requests from stakeholders
7. Respond to Assurance Team’s requests
PE Capacity

- A Formal Disclosure Requirement helps to ensure sustainability of the processes.
- Electronic systems help to manage project data and manage disclosures.
- A capacity building program for PE’s shows how, who, why and when information must be disclosed.
- High-level officials have an important role ensuring quality of the disclosed information.
CoST Processes: Honduras Case Study

Evelyn Hernandez, Programme Coordinator, CoST Honduras
Content

1. Disclosure
2. Assurance
3. Social Accountability
Disclosure (1)

- A Formal Disclosure Requirement helps to ensure sustainability of the processes.

- A capacity building program for PE’s is a key point to understand how, who, why and when project and contract information must be disclosed.

- High-levels officials have an important role ensuring quality of the disclosed information.
Disclosure (2)

- **Electronic systems** can help to consolidate information in one Web site but it is important to ensure friendliness for internal and external users.

- **Commitments** to disclose information can be done progressively to ensure compliance.
Assurance (1)

• Need to establish a fluent communication process between the PE’s and the assurance team prior, during and after the assurance process.

• Establish an action plan to make improvements and changes according to the assurance report’s recommendations and report over those improvements.
### Assurance (2)

<table>
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<tr>
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<th>50.24%</th>
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<td>INVEST</td>
<td>Fondos BID</td>
<td>58.50%</td>
<td>38.75%</td>
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<td>UE BM</td>
<td>Fondos BM</td>
<td>49.20%</td>
<td>33.42%</td>
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<tr>
<td>UE BCIE</td>
<td>Fondos BCIE</td>
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<tr>
<th>Proactiva</th>
<th>Reactiva</th>
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<td>0.00%</td>
<td>20.00%</td>
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<tr>
<td>40.00%</td>
<td>60.00%</td>
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<tr>
<td>80.00%</td>
<td>100.00%</td>
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<tr>
<td>120.00%</td>
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Social Accountability

• PE’S must be prepared. Some projects and all assurance recommendations will have a follow up process by media, academia and/or civil society organisations at national and local level.
Experiences with PEs: Vietnam case Study

Quang Phung, Programme Coordinator,
CoST Vietnam
Content

1. Brief information
2. Difficulties
3. Benefits
4. Recommendations
Brief Information

Brief information:

• Pilot phase (2010) and bridging phase (2012)
• Pilot phase: PE (11) and project (11)
• Bridging phase: PE(5) and project (9)
• Sector: Transport; building, urban drainage and sanitation; Water supply.
• Project cycle stage: FS; Bidding; Construction, Completion
Difficulties

- For disclosure, there needs to be a set standard and initial technical assistance at the beginning.
- Need to assign focal staff(s) to manage CoST activities (from disclosure to public responses)
- Need to have strong commitment from the PEs top leader (this is very important!)
Benefits

• To improve PEs project management capacity

• To strengthen and improve PEs local public relations communication. Relevant disclosure provided in time may reduce design change or/and complaints from local people **(this is very important!)**.

• To build trust from the public and authorities
Recommendations

- Need to assign a good-stable local staff team as soon as possible
- Need to systemize the project information database
- The disclosure need to be done on time