

# Construction Sector Transparency Initiative (CoST)

## Test run of the assurance process on a single completed project

### Terms of Reference

#### 1. Background:

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

CoST is a multi-stakeholder initiative designed to increase transparency and accountability in the construction sector. It is being piloted in seven countries. The aim is to enhance the accountability of procuring bodies and construction companies for the cost and quality of public sector construction projects. It will do this by disclosing to the public key project information at all stages of the construction project cycle.

Although it is important that information is disclosed at all stages of the project cycle, from the initial identification of the project to the final completion, it is intended that the initial focus of CoST should be the period from the award of the main contract for construction until final build. Sources of corruption during this phase are found in the main contract terms, in the variations to the original specification that occur during implementation, in contractor's claims and in the quality of the final construction. The CoST design document proposes to capture these elements by disclosing:

- summary details of the original and final project specification, project cost and completion date
- justification for significant differences between the original and final information
- project evaluation and completion reports.

The full list of information that is required to be disclosed regarding the main contract for works, as well as information at earlier stages of the project cycle, is outlined in Annex A.

However, it is recognised that the disclosure of this information will not be sufficient on its own to achieve greater accountability. This is because the information is likely to be complex and not easily intelligible to the general public. There are also many reasons for cost and time overruns that may be quite legitimate and not necessarily an indication of corrupt actions. The

disclosed information therefore needs to be verified and analysed by experts appointed for this purpose.

The CoST design proposes that an assurance team will be appointed by the Multi-Stakeholder Group (MSG) in each pilot country. It will be responsible for assessing the adequacy and reliability of material project information disclosures. It will also highlight any cause for concern that this information reveals. Through its reporting, the assurance team will play an interpretative role in helping to make raw data disclosures more intelligible to a wider range of affected stakeholders.

## 2. Objectives

The purpose of the test run is to assess the feasibility, cost and benefit of the assurance process as outlined above on a single completed project. As each pilot country will be carrying out a baseline study on the availability of the project information, this test is based on the assumption that all the stipulated information is, in principle, available for the project.

The specific objectives of the test run are the following:

1. To identify the resources (time, money etc) required to:
  - Obtain the information
  - Verify whether the information is correct
  - Assess the implications of the information.
2. Assess whether the disclosed and verified project information is sufficient to make informed judgments about the cost and quality of the built infrastructure and to detect possible instances of corruption?
3. Identify any modifications to the assurance process that might be necessary to achieve the aims of CoST.
4. Test ways to report on information in a clear and informative way, suitable to CoST's multi-stakeholder audience.

## 3. Scope of work

- With the help of the Multi Stakeholder Group (MSG) identify an appropriate project to use for the exercise. (It is suggested that the project should have been completed in the past 12 months, and have been subject to at least some variations and increased costs).
- With the help of the MSG, liaise with the client/procuring entity to obtain all the relevant project information, as outlined in Annex A
- Verify the project information from main contract award to final completion by referring to other sources (e.g. the records of the consultant, contractor, and other members of the project team)
- Note any significant challenges (administrative or legal) in obtaining the information and the resources required (time, cost)

- Compare the initial contract price, time and specification with the final project price, time and specification and with the official explanation for the differences, noting the resources required for the task
- Undertake a more detailed study of the contract documentation (variation orders, claims, application of price fluctuation clauses etc.) in order to assess whether the extensions of time and increases in cost were justified, noting the resources required for the task
- Advise on appropriate thresholds above which detailed investigation of increases in cost/time (as carried out in point 6 above) should be undertaken
- Consider whether the information disclosed is adequate to assess whether the specified quality standards were achieved on the project, and if not what further information might be required to assess whether the client has actually 'got what s/he has paid for'
- Test ways to present the information to a multi-stakeholder audience by making a presentation (written and oral) to the MSG
- Prepare a report for the national MSG and the International Secretariat, containing a detailed account of the work undertaken, conclusions and recommendations

#### **4. Skills/experience required**

A construction professional (engineer, architect, quantity surveyor) with at least 10 years of project management experience: experience in undertaking contract reviews, project evaluation reports, financial and technical audits would also be desirable.

#### **5. Resources required**

Between 10 and 15 days depending on the size and complexity of the project under investigation. The draft report must be presented to the MSG and international secretariat within 3 weeks from the issue of the contract

#### **6. Contact details**

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## Annex A - Project information to be disclosed

### Initial planning stage

- Project purpose
- Specification
- Location
- Intended beneficiaries
- Feasibility study

### Project funding

- Financing agreement

### Tender process (for services and works contracts)

- Tender evaluation report

### At contract award (main contract for works)

- Contractors name
- Contract price
- Contract scope of work
- Contract programme

### During contract implementation

- Individual significant changes to the contract which affect the price (threshold to be determined) and reasons for those changes.
- Individual changes to the contract which effect the programme and duration (threshold to be determined) and reasons for those changes
- Details of any re-award of the main contract

### At contract completion

- Contractors names
- Total contract cost
- Final contract payment
- Actual contract scope of work
- Actual contract programme
- Project evaluation report (upon completion and on-going)