1. Bringing Stakeholders Together: The Construction Sector Transparency (CoST) Initiative

Publicly financed construction is a key driver for economic growth and poverty reduction worldwide. At the same time, it is a sector unusually prone to corruption, not least due to large opportunities for rent extraction and the technical complexity of infrastructure investments. Transparency International’s Bribe Payer’s Index ranks construction as the sector most likely to bribe public officials and seek state capture, and an estimated 10-30 percent of the US$5 trillion spent annually on construction worldwide is lost to corruption.

To address these downside risks, the Construction Sector Transparency Initiative (CoST) was launched in 2008 with a view towards fostering transparency and accountability in public construction projects. CoST seeks to achieve transparency via the public disclosure of key information throughout the construction project cycle. An assurance process complements the disclosure by verifying information and highlighting issues in language that allows citizens and oversight agencies to hold government entities accountable.

2. CoST in Guatemala

Guatemala joined CoST as an associate country with support from the World Bank in November 2009. As such, it differed from pilot countries in two respects. First, Guatemala was in the fortunate position to draw on lessons from the pilot phase to inform its own efforts. And, second, its implementation model differed in that the World Bank, with financing from the Spanish Fund for Latin America and the Caribbean (SFLAC), provided technical assistance, acted as an observer in the MSG and executed the funds. As such,
the Guatemalan experience provides a useful comparative case to the pilot implementation model and this note a complement to the CoST Briefing Notes centered on the pilot countries’ experience.3

Since the launch of the initiative by President Colom, Guatemala has seen an extraordinarily rapid progression of implementation steps. The MSG met for the first time in December 2009. In February 2010, a work plan was approved—also based on South-South learning events with pilot countries. In July 2010, pilot procurement entities had been selected and the Secretariat began its work. In October 2010, a baseline study was completed and work on the assurance process of ongoing projects began. During the CoST annual meeting in December 2010, the MSG delivered the baseline study to President Colom and signed a formal, multi-sectoral convention for the further implementation of the initiative. As illustrated in Figure 1, this implementation pace exceeded, on average, that of the pilot countries by more than a factor of two. Guatemala, for instance, completed its baseline study—as well as all required prior steps—within a year; pilots took on average 26 months. Guatemala thereby counted on the smallest budget worldwide.4

**Fundamentals in place.** CoST Guatemala built on a number of recent advances in the legal and information systems bases for disclosure. In particular, the country has developed, with World Bank support, an e-procurement system, Guatecompras, through which all of the information to be disclosed under CoST may be published. Moreover, as the Guatemalan baseline study found, the country has a strong legal framework for information disclosure, which requires the publication of 87 percent of the information demanded by CoST. This compares favorably to pilot countries, where domestic regulations require, on average, less than half of the information disclosure demanded by Guatemalan law (Figure 2). Despite this strong legal backing, actual disclosure practices lag behind the average pilot country (Figure 3). Compared to its domestic legal requirements, Guatemala exhibits the second lowest percentage of information disclosed of all CoST countries (Figure 4); information disclosure is particularly lacking in the design, execution, and supervision stages.5 As such, CoST Guatemala complements well previous advances in access to information systems and laws by focusing on disclosure practice. CoST Guatemala’s potential added value includes, therefore, closing the gap between legal requirements and practice through the use of existing information systems.

**High-level political support.** As administrative and legal constraints are less binding than in pilot countries, CoST Guatemala revolves primarily around addressing political impediments to disclosure. The initial impetus of the initiative, in particular, benefited strongly from high-level...
political ownership. The Minister of Finance specifically requested Bank support to implement CoST Guatemala, convened the MSG, and participated in initial meetings. The president launched the initiative and presided over its annual meeting in the Presidential Palace. For initiatives such as CoST, these signs of high-level political commitment serve an important dual purpose. They signal to non-governmental members of the MSG that the initiative is a government priority. This, in turn, feeds back into their performance as MSG members, as they attach more value to an initiative to which they contribute *ad honorem*. Moreover, signs of high-level commitment signal the political importance attached to compliance with CoST requests to procurement entities, which, ultimately, need to disclose the information demanded by CoST. The necessity of high-level political backing and *ad honorem* participation of non-governmental members, in turn, underscores the importance of seeking out opportunities to reward engagement with the initiative. In Guatemala, this took the form of (1) staging events with significant media coverage of the initiative’s launch and its annual meeting, (2) MSG member participation in TV talk shows and press interviews, and (3) presentations of the initiative at, for instance, annual meetings of MSG members’ associations.

**Technical and financial assistance arrangement aligned with local needs.** Three features of the support arrangement for CoST Guatemala proved particularly helpful in accelerating implementation. First, as in the pilot countries, the initiative could count on a credible international methodology. This methodology provided orientation to the MSG as to the objectives and course for collaboration. As evidenced by the fate of less successful multi-stakeholder initiatives in the country, collaboration is often complicated by disputes over how to address challenges in a sector without such a clear methodological template. Second, and complementing CoST International’s technical assistance in this methodology, support from the World Bank facilitated the adaptation of the methodology to the country context and local needs. In addition, the local World Bank presence allowed for participation as a neutral observer in MSG meetings; this was key to, for instance, understand MSG dynamics, encourage participation and facilitate trust among members. Finally, implementation could be accelerated as a local third-party entity, in this case the World Bank Country Office, managed the CoST Guatemala finances and took over the functions of the local secretariat until recruitment was completed. The institutionalization of CoST requires the creation of a legally incorporated administrative host, such as a foundation. This process is currently being finalized in Guatemala. As the legal incorporation of such entities tends to be time-consuming, however, interim fund management by a trusted local third party may speed up implementation, for instance, by facilitating the timely recruitment of local secretariat staff with strong expertise in the vulnerable public construction sector and suitability for a transparency initiative.
4. Conclusion: Lessons for Engagement with Multi-Stakeholder Transparency Initiatives

With information disclosure on pilot projects underway after fourteen months, CoST Guatemala has witnessed the fastest implementation pace to-date among all CoST countries. Three lessons for multi-stakeholder transparency initiatives may be tentatively drawn from the aforementioned success factors:

1. Information disclosure initiatives may add more value when addressing binding constraints to the accountability-through-transparency mechanism in a sequence that focuses initial efforts on fundamentals—a legal basis and information systems capacity. Subsequent efforts may then focus on information disclosure practices and enhanced accountability through civil society involvement. Paying attention to the sequence implies that the country’s adaptation of templates put forward by international initiatives should usefully start, after the analysis of the local political economy, with an examination of the legal and information systems basis for disclosure. A concomitant benefit of this approach is the ability to draw on electronic platforms and a legal mandate, once in place, to ensure information disclosure practice. To illustrate, the Ministry of Finance has agreed to proceed with a modification of its e-procurement system, Guatecompras, to introduce filters which require the disclosure of CoST information for procurement transactions of public construction projects to go forward.

2. Implementation of multi-stakeholder initiatives may be accelerated if an ad honorem MSG can count on a local, trusted, and independent interim third-party administrative host, such as a development partner. Substantial assistance by an administrative host allows the MSG to focus on policymaking rather than administrative tasks and may thus enhance the pace of implementation. For instance, the recruitment of capable staff for the secretariat is time-consuming, and places a premium on a neutral and trusted local third-party entity both to facilitate the recruitment process and take on the role of interim secretariat until the process is completed. In addition, once the secretariat is in place, an often lengthy process of legal incorporation of the initiative follows, which underscores the importance of an interim third-party entity to manage the initiative’s funds.

3. MSGs offer particular advantages as a governance arrangement in environments marked by high levels of public official turnover. The permanence of non-governmental MSG members in times of turnover facilitates both continued demand for reform implementation and preservation of institutional memory. While MSGs carry important downside risks, such as lengthy consensus-building processes, these risks may in part be mitigated by limiting the size of the MSG and including a neutral observer fomenting trust among stakeholders.

The MSG approach has been effective despite the “least likely case” Guatemala presents, with its history of conflict and distrust among the public, private, and civil society sectors. Against this backdrop, CoST Guatemala’s most significant contribution may well have been its demonstration effect regarding the feasibility and importance of multi-stakeholder cooperation to advance sectoral reforms. As CoST Guatemala moves from pilot to expansion in July 2011, it is hoped that the aforementioned success factors will allow the initiative to amplify this effect—and further enhance transparency in a sector so crucial to the country’s development.

About the Authors

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