



Media Statement

23 May 2011

Establishment of a Working Committee to design a CoST Programme for the South African Construction Industry

CoST: The South African Summit was convened on the 19th May 2011 by the Construction Industry Development Board (**cidb**) to introduce the Construction Sector Transparency Initiative (CoST) to industry stakeholders. CoST is an international multi-stakeholder initiative designed to increase transparency and accountability in the construction sector.

It is well recognised that the construction sector is one of the most corrupt industries throughout the developed and developing world. To illustrate this point, public works contracts and construction was ranked worldwide in the 2008 Bribe Payers Index (BPI) by Transparency International as the sector in which bribery of public officials was the most common, followed by real estate and property development. Of specific concern is that there are very strong indications that corruption is increasing rapidly in South Africa – and one such view is that South Africa is reaching a tipping point beyond which it may be very difficult to reverse corruption in the public sector.

The cidb has taken a firm position on corruption in the construction industry, and its CEO, Mr Ronnie Khoza, announced in a press release in March this year that “The cidb is committed to rooting out all forms of fraud and corruption, including anticompetitive behaviour in the construction industry.” Building on international experience as well as on the cidb’s mandatory Register of Projects, the Standard for Uniformity in Construction Procurement and the cidb’s Code of Conduct for all Parties Engaged in Construction Procurement, it is the cidb’s intention to introduce requirements for transparency and integrity management in construction procurement – in partnership with other public and private sector

stakeholders. In doing so, the cidb also aims to enhance the accountability of procuring bodies for the cost and quality of public-sector construction projects.

The relevance of CoST to South Africa, and other developing countries, was highlighted by Mr. Ronnie Khoza of the **cidb**, in his opening address at the Summit. He highlighted the need to embrace measures that can mitigate wrong behavior prevalent on construction projects. Mismanagement of construction contracts, collusive tendering, solicitation of bribes or facilitation fees to recommend an award to specific contractors or suppliers have become common practices on public sector contracts. Accountability and responsibility to deliver must be brought to the fore to stamp out corruption. The emphasis will be on government to take the lead in the role as client body to ensure that fraud and corruption is to be dealt with. He further emphasised the immense power that Clients have in rooting out corruption, which must be capitalised on.

The CoST model focuses on transparency of information on public sector construction projects in an effort to reduce mismanagement, waste, and corruption that are common in the sector. To enhance the accountability of procuring bodies and construction companies for the cost and quality of public projects, stakeholders need information with which to judge these features. CoST provides for the disclosure of such information into the public domain.

Speakers from the CoST Delegation provided great insight to participants of the Summit on the merits of the CoST Programme, and the lessons learned from the pilot phase. Mr Mahesh Fakir, a representative from the Presidency, viewed the CoST initiative as “...another tool in our arsenal to mitigate corrupt activities in construction projects..”. Mr. Christiaan Poortman –the Chair of International Advisory Group (IAG) of CoST stated ‘...it is important to be clean, it is equally important to be seen as clean; and CoST can assist procuring bodies and their countries to achieve this pivotal credibility”.

The Summit granted approval to the **cidb** and CoST Secretariat to establish a Working Committee to focus on a CoST Programme for South Africa. Details and an action plan to effect this will be communicated in the near future.

THE END.

Please contact Kea Modise – Moloto

cidb Communications Project Manager

078 459 7840, 012 482 7244