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Introduction

The Construction Sector Transparency Initiative (CoST) is a country-centred initiative to improve the value for money spent on public infrastructure by increasing transparency in the delivery of construction projects. Participation in the CoST programme is open to any country and any government department or agency with responsibility for public sector construction projects.

Strengthening transparency and accountability in public construction yields benefits both domestic and international. It curbs mismanagement, waste, and corruption and reduces risks to public safety from poor building practices. It improves fairness in competition for contracts and can also increase the flow of foreign direct investment and development finance into a country’s construction sector.

The CoST programme is a partnership between participating countries and international stakeholders. Its primary purpose is to help raise the standards of transparency and accountability in the public construction sector internationally. Because the public construction sector is exclusively domestic in its output, the main benefits will accrue to local stakeholders. But it also holds potential benefits for international stakeholders, many of whom have significant interests in the inputs.

The programme builds on experience from a successful three-year pilot program in eight countries. It will provide technical and in some cases financial support to countries’ own CoST programmes and will facilitate international exchange of experience and knowledge to improve transparency in public construction around the world. It is likely to be launched in 2012—when international funding is expected to be established and available—and to run for 15 to 20 years, subject to periodic review.
**Disclosure** CoST promotes transparency in public construction by ensuring that basic information on projects is disclosed to the public at key points throughout the project cycle. Within participating countries, the goal is to establish a public disclosure process for the construction sector that is viable and appropriate to country conditions, that is sustainable in the medium and long term as a government system, and that achieves a credible and substantial level of compliance in the relevant sector entities.

**Assurance** Because many different public entities are involved in construction and information on construction projects is substantial and technical, CoST adds an assurance process to validate the disclosed information and interpret it in plain language that helps stakeholders understand the main issues.

**Demand for accountability** Stakeholders can then use this knowledge as a basis for holding the responsible parties accountable. CoST can benefit citizens and users of infrastructure services by providing information on project purpose, scope, and location; feasibility and alternatives considered; project quality and safety; impact on land and settlements; delays and overspending; achieving value for money; and misuse of funds. CoST aims to ensure that disclosure stimulates active demand for accountability and that this results in improved performance in the procuring entities and in public construction projects. To catalyse this process, it relies on the demand for transparency from multiple stakeholder groups. It complements and does not replace a country’s supervision, audit, regulatory, investigative, or judicial functions, and it relies on existing oversight bodies to use the information generated.

**Achieving results** The expectation is that disclosure will increase transparency and accountability and thus, in the long term, help to improve value for money from investments in infrastructure (Figure 1).

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**Figure 1. Results chain for CoST programme**

<table>
<thead>
<tr>
<th>Activities</th>
<th>Outputs</th>
<th>Intermediate outcomes</th>
<th>Outcomes</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for governments to put systems in place to disclose reliable project information.</td>
<td>Systems in place giving public access to reliable and detailed project information.</td>
<td>Stakeholders raise challenges and demand better project outcomes.</td>
<td>Public procuring entities more accountable.</td>
<td>Good quality infrastructure at lower cost.</td>
</tr>
<tr>
<td>Support to multi-stakeholder groups to oversee validation and interpretation of the information, and build capacity to understand accountability.</td>
<td>Stakeholders better informed about construction projects.</td>
<td>Government responds with information and investigations of mismanagement and corruption.</td>
<td>Corrupt behaviour is inhibited by accountability.</td>
<td>Savings on infrastructure available for other priorities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Government acts with sanctions; Government and PEs build capacity, introduce improved procedures and new regulations.</td>
<td>Public spending on construction is more efficient.</td>
<td>Greater investor and user confidence in infrastructure and spending.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>More competitive tender markets.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>More efficient delivery systems with improved management and supervision.</td>
<td></td>
</tr>
</tbody>
</table>
Structure of the CoST programme

At the international level the programme provides a set of principles, a framework, and guidelines for enhancing transparency and accountability in public construction. A country’s performance in implementing the transparency and accountability processes will be monitored against a set of universal measures that will allow its progress and achievements to be recognised internationally.

At the country level, CoST activities are led and managed by the country, adapting and applying the international principles and framework in the way that best suits the country’s legal, institutional, and sectoral environment.

Technical and financial support from the international community is provided through an International Secretariat appointed by the CoST Board, and through a Forum for exchanging and developing information and experience. Eligible countries may apply for financial support from a pool of international funding for CoST to supplement the countries’ own funding.
Country participation in the programme

For countries, participation in CoST promises multiple benefits: improving the use of funds in public construction—resulting in better and more reliable infrastructure; freeing savings to extend social and economic services; and raising investor confidence. Because it focuses on a large sector that accounts for the bulk of a country’s capital spending, CoST is a natural complement to initiatives such as reform of public financial management and procurement.

Shared interests: use of the multi-stakeholder approach. In each country CoST is directed by a multi-stakeholder group (MSG) that represents the interests of government, the private sector, and civil society. This approach is intrinsic to CoST, which at its heart is a public interest objective that will ultimately benefit each of these three stakeholder groups (Table 1). By bringing the groups together on neutral ground, CoST helps them to jointly form and pursue efforts to improve value for money, efficiency, and effectiveness in public construction.

Procedures successfully piloted. As well as a standard approach to program direction, the CoST pilot also developed standard but flexible procedures for gathering, verifying, and disclosing key project information. These procedures were successfully applied in different political, social, and regulatory environments (Box 1), suggesting that the CoST approach can be used in any country that wishes to adopt it.

**Table 1.** Interests of various stakeholder groups in the disclosure of infrastructure project information
In every country, the pilot achieved the disclosure of previously unavailable information. It has shown that with commitment from key players, the disclosure and verification of key data can be achieved with a very small investment of funds. The multi-stakeholder process, the public disclosure of understandable information on projects, and the demand for this information, constitute a new governance and accountability mechanism in all the pilot countries.

In each pilot country, CoST has been endorsed by government and the national multi-stakeholder group continues to operate beyond the pilot stage.

Support for CoST has survived the political changes associated with elections. In some countries the pilot has led to changes in government procedures, while others are in the process of integrating CoST procedures into their existing institutional frameworks.

The pilot identified widespread inefficiency and mismanagement throughout the project cycle, notably including weak initial preparation (Figure a).

The pilot also generated data helpful for conducting international analysis and benchmarking, for example on average time and cost overruns on sample projects (Figure b) and on the level of competition for procurement.

**Box 1. Achievements of the CoST pilot**

The pilot took place over three years in eight diverse countries at an average investment of GBP 210,000 per country.

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Country participation in the programme

Joining CoST

CoST is adaptable for countries with small or large economies or special circumstances. The pace for implementation is flexible to accommodate different country circumstances, so it is chosen by the country and reflected in an implementation plan that is agreed with the International Secretariat and Board.

Engagement. Through interaction with the CoST International Secretariat, interested groups in a country can learn about CoST and what is involved in CoST implementation and participation, gauge the level of interest in CoST, and develop support for proceeding to participation.

Participation. A country can apply to participate in the CoST programme by making a formal submission to the CoST Board. Admission will be based on a country’s formal commitment to test CoST, backed by the government and the submission of an initial implementation plan (Box 2).

Typically, early activities seek to: develop consensus among stakeholder groups on implementing CoST; design and adapt CoST processes to operate in the country; and establish CoST governance arrangements such as a multi-stakeholder group and a supporting management and coordination unit.

During implementation of a country’s CoST programme:

- The multi-stakeholder group, supported by its management and coordination unit, coordinates implementation of the programme in conjunction with the relevant sector ministries, decentralised authorities, procuring entities, and stakeholder groups.
- Participating procuring entities establish and operate disclosure for relevant projects and respond to any reactions or requests for information. In this they are guided by a formal disclosure requirement that is issued by the government (see below).
- An independent assurance team regularly evaluates and reports on the disclosures. Its findings are discussed with the relevant procuring entity and sector ministry or decentralised authorities, and publicly disclosed.

Box 2. Criteria for admission to the CoST programme as a participating country

A letter to the CoST Board from a government office, or major infrastructure entity with government endorsement, indicating:

- A desire to enhance transparency and accountability in the construction sector and to adopt CoST principles;
- Public announcement of intent to implement a programme for increasing transparency in the provision of public infrastructure in accordance with international good practice;
- An intent to engage with the private sector and civil society in oversight of the infrastructure transparency programme;
- Commitment of at least one infrastructure procuring entity to participate initially in implementing the programme; and
- Commitment to liaise and share information with the international CoST Board and Secretariat during implementation of the programme.

An outline implementation plan, indicating:

- Administrative arrangements, including official contact for coordination with the international programme;
- Schedule for key activities including: multi-stakeholder engagement and oversight, design and authorisation of disclosure requirements, management and coordination arrangements, engagement and training of procuring entities, and rollout of disclosure; and
- Budget and financing plan.
Country participation in the programme

- Where provided, funding from the International Secretariat is administered by the management and coordination unit under the oversight of the MSG.

- Periodic monitoring and reporting track the progress in the country programme and evaluate the achievement of results, which are reported to the MSG, government, and the CoST Secretariat.

Achieving sustainable operations. Ultimately, a country programme seeks to have the CoST disclosure requirements and related provisions authorised in national/state regulations or legislation and mainstreamed in government systems, with a high degree of compliance and effectiveness. At that stage, the disclosure processes will become sustainable and the results from improved transparency will start to become more evident. The country management structure specific to CoST will then be dismantled and its roles taken over by government and non-government institutions.

Governance arrangements

**CoST is authorized to work in parallel with government oversight agencies.** Typically a national government has a formal institutional framework for ensuring the efficiency, effectiveness, and probity of public spending, including the construction of public infrastructure. The country CoST organisation is a specific-purpose organisation that operates in parallel to the existing formal structure, for a finite period, and that the government has formally authorised to prepare and coordinate the implementation of CoST processes.

**The national multi-stakeholder group** is responsible for coordinating programme preparation and implementation. It is supported by a management and coordination unit and employs teams to conduct independent assurance and monitoring and evaluation.

**Basis for enforcing disclosure.** To support disclosure as envisaged under CoST, a government may need to introduce new or strengthened formal disclosure requirements (FDR). These provide the administrative or legal basis for requiring procuring entities to disclose information on a construction project into the public domain. Any new formal requirements need to align with and complement the country’s existing institutional functions, policies, and laws relating to public financial management and transparency. Their introduction may be staged: an interim requirement (e.g. in the form of a ministerial directive or regulation) may be used for implementing CoST and be followed by full policy, legal, and regulatory requirements (which will continue in force after the end of the country CoST programme) once the government has an adequate basis to introduce them.
Country participation in the programme

Core CoST processes

The core processes implemented in a country CoST programme are:

- **Disclosure.** The disclosure process requires procuring entities to publish a limited amount of key project information at selected stages of the project cycle (proactive disclosure of about six items per stage – see Figure 2 and Figure 3) and to give access to other relevant information on projects on request (reactive disclosure).

- **Assurance.** The assurance process adds value to the disclosures by assessing the credibility of the results and helping to interpret salient messages of interest to the main stakeholders (Figure 3). Carried out by an independent team or entity, it comprises two levels of review: (i) at the sector level and procuring entity level on the completeness and accuracy of the information disclosed and on the general features of performance; and (ii) at the project level, on a small random sample of projects, for which issues of potential concern to stakeholders are highlighted.

Information from the assurance process provides useful indications of performance and can signal sectoral issues that need attention (Figure 4 and Figure 5); it is disclosed to the public.

- **Monitoring and evaluation.** Independent monitoring and evaluation of the country CoST programme is managed by the MSG to obtain feedback on programme performance and achievements. The results are reported to the International Secretariat and CoST Board, as well as the government.

**Figure 2.**
Construction project cycle and proactive disclosure of information under CoST

<table>
<thead>
<tr>
<th>Stage</th>
<th>Information Disclosed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification</td>
<td>6 items disclosed</td>
</tr>
<tr>
<td>Preparation</td>
<td>7 items disclosed</td>
</tr>
<tr>
<td>Implementation</td>
<td>6 items disclosed</td>
</tr>
<tr>
<td>Completion</td>
<td>6 items disclosed</td>
</tr>
<tr>
<td>Procurement</td>
<td>13 items disclosed</td>
</tr>
</tbody>
</table>

Project stage and the number of items of information disclosed proactively

**Figure 3.** Schematic of Disclosure and Assurance Processes
## Country participation in the programme

### List of CoST project information

#### Project information for proactive disclosure

<table>
<thead>
<tr>
<th>Project Phase</th>
<th>Project Information</th>
<th>Contract Phase</th>
<th>Contract or package information</th>
</tr>
</thead>
</table>
| Project Identification (6 items) | Project owner  
Sector, subsector  
Project name  
Project Location  
Purpose  
Project description | Procurement (13 items) | Procuring entity  
Procuring entity contact details  
Procurement process  
Contract type  
Contract status (current)  
Number of firms tendering  
Cost estimate  
Contract administration entity  
Contract title  
Contract firm(s)  
Contract price  
Contract scope of work  
Contract start date and duration |
| Project Preparation (7 items) | Project Scope (main output)  
Environmental impact  
Land and settlement impact  
Contact details  
Funding sources  
Project Budget  
Project budget approval date | Procurement (13 items) | Procuring entity  
Procuring entity contact details  
Procurement process  
Contract type  
Contract status (current)  
Number of firms tendering  
Cost estimate  
Contract administration entity  
Contract title  
Contract firm(s)  
Contract price  
Contract scope of work  
Contract start date and duration |
| Project Completion (6 items) | Project status (current)  
Completion cost (projected)  
Completion date (projected)  
Scope at completion (projected)  
Reasons for project changes  
Reference to audit & evaluation reports | Procurement (13 items) | Procuring entity  
Procuring entity contact details  
Procurement process  
Contract type  
Contract status (current)  
Number of firms tendering  
Cost estimate  
Contract administration entity  
Contract title  
Contract firm(s)  
Contract price  
Contract scope of work  
Contract start date and duration |

#### Project Information for reactive disclosure on request

<table>
<thead>
<tr>
<th>Project</th>
<th>Contract</th>
</tr>
</thead>
</table>
| **Identification and Preparation**  
Multi-year program and budget  
Project brief or Feasibility study  
Environmental impact assessment  
Resettlement and compensation plan  
Project officials and roles  
Financing agreement  
Procurement plan  
Project approval decision | **Procurement**  
Contact officials and roles  
Procurement method  
Tender document  
Tender evaluation results  
Project design report |
| **Completion**  
Implementation progress reports  
Budget amendment decision  
Project completion report  
Project evaluation report  
Technical audit reports  
Financial audit reports | **Contract**  
Contract agreement, conditions  
Registration and ownership of firms  
Specifications and drawings |
| **Implementation**  
List of variations, changes, amendments  
List of escalation approvals  
Quality assurance reports  
Disbursement record or Payment certificates  
Contract amendments |
Country participation in the programme

Figure 4. (Left)
Example of coverage statistics from Assurance Level 1

Figure 5. (four tables below)
Examples of sector analysis and performance statistics from Assurance Level 1

Project Disclosure Coverage by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>% Projects Disclosed</th>
<th>% Value Disclosed</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROAD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOCAL GOVT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IRR-FLOOD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E POWER</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOCIAL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Project Disclosure (% value or % projects)

Commitment Value by Procurement Process %

<table>
<thead>
<tr>
<th>Sector (Commitment Value)</th>
<th>Procurement Process %</th>
</tr>
</thead>
<tbody>
<tr>
<td>WS</td>
<td></td>
</tr>
<tr>
<td>RD</td>
<td></td>
</tr>
<tr>
<td>LG</td>
<td></td>
</tr>
<tr>
<td>IF</td>
<td></td>
</tr>
<tr>
<td>EP</td>
<td></td>
</tr>
<tr>
<td>EHH</td>
<td></td>
</tr>
</tbody>
</table>

Competition in Procurement by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Competition</th>
<th>Direct</th>
<th>In-house</th>
</tr>
</thead>
<tbody>
<tr>
<td>WS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LG</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>IF</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>EP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EHH</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Competition in Tendered Contracts

<table>
<thead>
<tr>
<th>Contracting Authority</th>
<th>Average bids per contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Water Board</td>
<td></td>
</tr>
<tr>
<td>South Water Board</td>
<td></td>
</tr>
<tr>
<td>National Road Authority</td>
<td></td>
</tr>
<tr>
<td>North County Council</td>
<td></td>
</tr>
<tr>
<td>South County Council</td>
<td></td>
</tr>
<tr>
<td>Capital City Authority</td>
<td></td>
</tr>
<tr>
<td>M Ag - Irrigation Dept</td>
<td></td>
</tr>
<tr>
<td>Northern Electric</td>
<td></td>
</tr>
<tr>
<td>Southern Electric</td>
<td></td>
</tr>
<tr>
<td>Min Health</td>
<td></td>
</tr>
<tr>
<td>Min Education</td>
<td></td>
</tr>
<tr>
<td>Housing Authority</td>
<td></td>
</tr>
</tbody>
</table>

Project Cost and Time Over-runs by PE

<table>
<thead>
<tr>
<th>Contracting Authority</th>
<th>Average Time or Cost Over-run %</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Water Board</td>
<td></td>
</tr>
<tr>
<td>North County Council</td>
<td></td>
</tr>
<tr>
<td>Capital City Authority</td>
<td></td>
</tr>
<tr>
<td>Northern Electric</td>
<td></td>
</tr>
<tr>
<td>Min Health</td>
<td></td>
</tr>
<tr>
<td>Housing Authority</td>
<td></td>
</tr>
</tbody>
</table>

Contracts with Over-run Problems

<table>
<thead>
<tr>
<th>Contracting Authority</th>
<th>Number Contracts Over-run &gt; 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Water Board</td>
<td></td>
</tr>
<tr>
<td>North County Council</td>
<td></td>
</tr>
<tr>
<td>Capital City Authority</td>
<td></td>
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<tr>
<td>Northern Electric</td>
<td></td>
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<tr>
<td>Min Health</td>
<td></td>
</tr>
<tr>
<td>Housing Authority</td>
<td></td>
</tr>
</tbody>
</table>
Country participation in the programme

Capacity building

**Improving the climate for transparency.** Countries implementing CoST will typically need to improve their general climate for transparency and also to build capacity within the government and in public bodies. CoST needs to nurture expectations and appreciation of transparency not just within government (which is to disclose information) but in the media, academia, civil society organisations (CSOs), and the public at large (who are to use it). Experience shows the tone and messages of the leadership in government, industry, and the public are crucial in conveying the importance of transparency.

**Building capacity.** CoST preparation and implementation plans will need to provide for suitable support for capacity building in government agencies, to help them achieve the changes in their systems that CoST entails and to meet the targets set for CoST implementation. In procuring entities, the capacity for managing information records, the disclosure and dissemination process, and interactions with stakeholders are crucial to sustaining the CoST disclosure processes.

In some cases, building demand for transparency will require substantial capacity building in civil society, and will be critical to progress on CoST. This calls for an approach with three broad thrusts:

- highlighting key issues in disclosed information and other CoST-related material;
- consultations to engage with stakeholders and build constituencies;
- facilitating use of the reactive query and disclosure mechanism by CSOs, professional associations, and the public for gaining access to additional information and holding sector entities accountable.
The international dimension of the CoST programme is designed to provide the national MSGs with the support and services that they need to achieve a demonstrable impact in national projects and procuring entities. For this purpose it will administer international funds to provide technical guidance and technical support to participating countries; provide a global forum for exchange of knowledge and experience; and administer a framework for evaluating and recognising the performance of participating countries.

 Governance arrangements

The formal governance structure of the programme (Figure 6) is:

- **An International CoST Board** directs the programme and is ultimately responsible for its outcomes. The Board will have a balanced representation of country and international stakeholder groups. It will be elected through

- **A Delegate Assembly**, which will have a similar composition that is balanced among stakeholder groups but with a majority representation of participating countries.

- **An International CoST Secretariat** supports the Board, manages the programme, and administers international funds in the programme.

In addition, **an informal Global Forum** provides an opportunity for exchange of information and broad interaction among all stakeholders.

The **International CoST Board** will have twelve members plus a Chairperson:

- eight members from participating countries and four international members;
- three members from civil society (two country and one international), three from the private sector (two country and one international), four from participating-country governments and two from international funders; and
- the Chairperson, selected and appointed by the Board.

Board members for each constituency will be elected by that constituency in the Delegate Assembly. The member will represent the views and interests of the constituency at the Board, but will serve in an individual capacity and not as a delegate accountable to the constituency. Board members will be elected for a four-year term with a maximum of two consecutive terms. One half of the Board positions will be open to election every two years on a rotational basis.

The **Delegate Assembly will be formally constituted from eligible CoST participating countries and eligible inter-national entities.** Each eligible country will be entitled to three delegates with voting rights at the Assembly: one from each stakeholder constituency (government, private sector, and civil society). Each eligible international organisation – including those in the private sector, civil society, and funders – will be entitled to one delegate with voting rights at the Assembly. Criteria will be developed by the Board to define the size and type of organisation eligible for a voting right. The size of the Delegate Assembly will grow with the numbers of participating countries and eligible international organisations. Voting for election of the Board, or for any procedural matters that may arise, would be done only by delegates with formal voting rights.

Once the international programme is formally in place, the **International CoST Board** will have the initial functions of:

- achieving the goals of the CoST programme and sustaining the CoST principles and brand;

Figure 6. Governance structure of CoST programme
International support for CoST participating countries

- facilitating implementation of the CoST programme through the establishment of appropriate guidelines, technical support, and financial resources;
- establishing a framework for country participation in the CoST programme, and for the assessment of performance in terms of an internationally credible measure;
- overseeing and directing the work of the International Secretariat;
- mobilising international funds and providing fiduciary management of the funds for the CoST programme.

The Delegate Assembly will convene periodically – initially once every two years – to provide input and direction to the Board on the programme and to elect the members of the Board. Its functions will include providing input to the Board on the policy and conduct of the CoST programme, including matters concerning principles, membership criteria, funding criteria, monitoring and evaluation, and programme effectiveness.

The International Secretariat will:
- coordinate the CoST programme and provide technical guidance;
- manage and disburse international donor funds under the Board’s control;
- promote and sustain the CoST brand and programme; and
- support the Board, Delegates’ Assembly and Global Forum.

The informal Global Forum will serve as the international community of all stakeholders involved in CoST. The Forum will operate continuously online as a means for exchanging knowledge and technical results and developing examples of good practice. Periodically, probably two-yearly in conjunction with the Delegate Assembly meeting, the Forum may convene a face-to-face international conference to share knowledge and results and publicise the CoST programme.
International support for CoST participating countries

International monitoring and evaluation

This will be conducted in two parts:

- **Regular monitoring of country programme performance**, including compilation and evaluation of performance reports supplied by the MSGs for all participating countries; and

- **External independent evaluation** of the achievement of the goals, objectives, and outcomes of the CoST programme.

**Transparency indices for public infrastructure.** To be able to monitor the impact of CoST on transparency and accountability in public construction, a standardised measure is needed of the key elements of transparency and accountability that can be monitored over time and used as a universal benchmark for comparison purposes. The programme will develop a set of transparency indices for public infrastructure that can be applied by an independent survey (Figure 7). The indices will show the progress being made in improving transparency in public infrastructure, initially in CoST countries and ultimately across a broad range of countries. Once tested and finalised by CoST, they could be made widely available, and could ultimately be applied to a broad range of countries and published in the same way as indicators in ‘Doing Business’ and ‘Global Competitiveness’.

**Figure 7. Illustration of transparency indices for the construction sector of a country**

![Image of transparency indices](image-url)
Funding of CoST

The programme will have three general sources of funding:

- **Country resources**: In the long run, country CoST programmes must be sustainable without international funding. Thus the implementation of CoST in a country must rely first and foremost on government resources. These funds will typically cover all CoST-related government operations and operating expenses, including those arising from the enhanced regulations and disclosure processes that will eventually become part of enhanced government systems.

- **International funds** managed by the CoST Board and International Secretariat and sourced from multilateral, bilateral, and other international funders. These funds will be directed to helping get the programme established, building support, and building capacity until ultimately the CoST processes become sustainable. They will be allocated based on countries’ submitted implementation plans and agreed allocation criteria.

- **Country-specific international financing**: These funds will typically be used to fill financing gaps for capacity-building activities in government agencies, such as technical assistance and systems development for procuring entities.

Country programme expenses eligible for international funding

**Engagement period.** For a country considering participation in CoST, all local costs during this period generally need to be covered by the government or other local entity. The International Secretariat will have a budget allocation to cover the costs of providing background material, CoST advisors visiting and meeting with stakeholders in the country, and staff time used in the country dialogue. Depending on circumstances, international funding may be made available to support attendance by a country representative at a regional CoST event if appropriate.

**Inception.** The budget prepared as part of the country’s inception plan should include resources from government funding to meet most general costs. The limited amount of international funding available will be allocated to specific CoST activities (such as major meeting expenses, preparatory studies, establishment of a website, and engagement with private sector and civil society stakeholders). CoST expenses should be separately demarcated from those of the administrative host. Capacity building, systems development, and training are important activities to commence during the initial period and should be allocated their own funding, whether from external sources (bilateral or multilateral), government programmes, or a combination of these.

**Implementation.** Priority for allocation of international CoST funds to country programmes will be given to activities in the implementation phase, where countries have already shown their commitment by providing local funding, institutional support, and staff resources. International funds will cover part of the operating expenses of the country programme and will also support technical assistance for the various specialist services (assurance, monitoring and evaluation, etc.) in the form specified in the agreed implementation plan. The procuring entities’ operating costs for managing and conducting disclosure should normally be covered from their own (government) budgets.

Because implementation is open-ended, the availability of international funding is likely to be scaled down after the initial active development stage. The timing and rate of funding reduction will be determined in consultation with the Board when it first approves a country’s implementation plan and will be reviewed during successive updates to the plan.

**Financial audit**

Financial controls and internal audit procedures will be specified in a detailed operations manual to be prepared for the International Secretariat, and in the participating country implementation plans. International accounting standards and suitable auditing requirements will also be specified. Financial statements will be furnished to the Board quarterly, reviewed semi-annually by the Board meeting, and disclosed to the public.