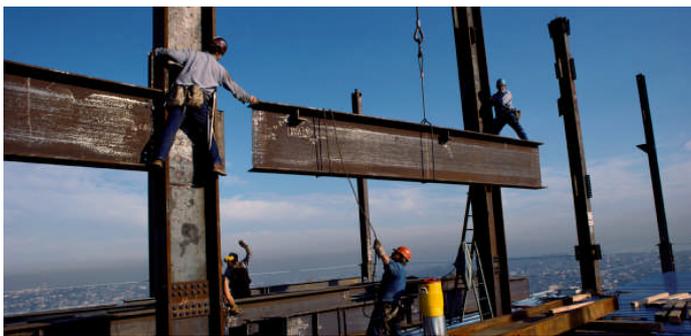


The Construction Sector Transparency Initiative (CoST) seeks to raise the level of transparency in public sector construction and has been piloted in seven countries with funding by the UK Department for International Development (see Briefing Note 1, *Overview of CoST*).

The CoST pilot phase cost about £3.4 million to implement.¹ This budget funded all the CoST activities in the seven pilot countries, as well as the policy direction by the CoST International Advisory Group (IAG) and the assistance and coordination provided by the International Secretariat (IS). This briefing note provides information on the breakdown of this spending, with a view to informing future CoST budgets.



Overall budget for the CoST pilot phase

Of the total spending on the CoST pilot phase, the largest share (line 1 - 44 percent) was undertaken in the pilot countries themselves, using funds that were transferred by the IS in accordance with pre-approved work plans and budgets (Table 1).

The next biggest category (line 4 - 37 percent) was for the work of the IS in management, coordination, and guidance. The fees and expenses of the IAG, as well as expenses relating to other events that benefited more than one pilot country, accounted for 14 percent, and the project evaluation undertaken by independent consultants cost 5 percent.

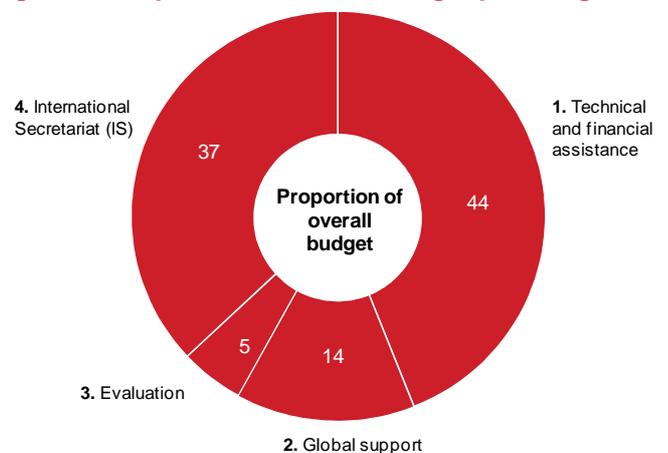
¹ This is less than the original budget allocated to the programme (£4.3 million) and refers to the actual expenditure as of December 31, 2010.

Figures used in this briefing note may differ from those given in the independent evaluation report on CoST, which were themselves correct at time of writing in autumn 2010.

Table 1: Budget lines in the CoST expenditure

Budget line	Spending	Amount (£)
1. Technical and financial assistance	Fees and expenses incurred by the seven pilot countries relating to essential technical expertise for CoST (e.g. the work of the assurance teams and baseline studies) as well as in the day to day operation of CoST (e.g. running costs, managerial and administrative support)	1,472,176
2. Global support	Expenses associated with the International Advisory Group and knowledge sharing or capacity-building activities that benefit more than one country	480,386
3. Evaluation	Fees and expenses associated with the independent contract to review the pilot project	184,664
4. International Secretariat (IS)	Fees and expenses associated with the provision of developing the CoST approach, technical, managerial and governance assistance by the CoST International Secretariat	1,261,787
Total		3,339,013

Figure 1: Proportion of overall budget per budget line



Country-level spending

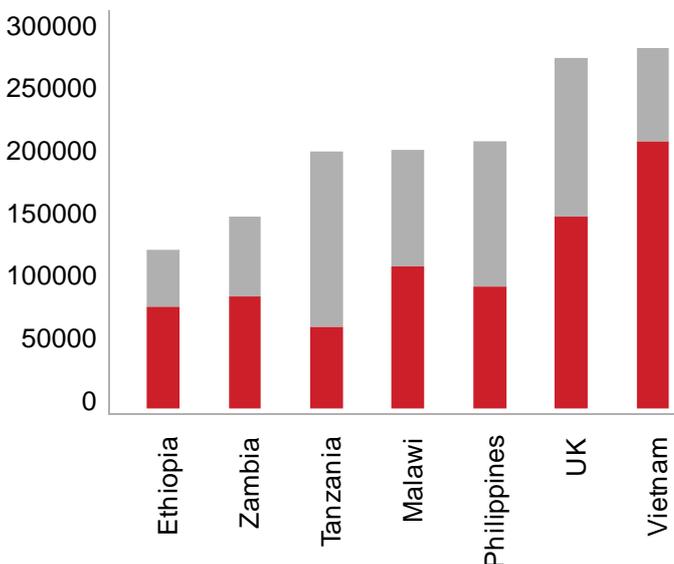
In each country, the multi-stakeholder group (MSG) that governed the pilot project was invited to submit a budget to the IS outlining the grants needed to establish and run CoST over the pilot phase. The budgets reflected the expenses associated with the particular model and application of CoST in the specific country as well as the prevailing market prices. Changes in the budgets were allowed, with IS approval, as the pilot progressed and the design of CoST was finalised.

Advances were made to each MSG which then reported its actual spending before receiving further money. All the MSGs chose their own suppliers but were required to obtain three comparative quotes before committing to any purchase of equipment or technical services that cost more than £100 per unit. The IS reviewed and advised on the largest procurements.

On average, £210,311 was spent in each pilot country. Some 55 percent of a country's CoST budget bought professional services for technical assistance and capacity building (TA), to either implement or build knowledge and understanding of CoST, while 45 percent was financial assistance (FA) to cover day-to-day running costs.

Spending varied considerably across the countries (Figure 1). TA spending is shown in grey and FA spending is shown in red. Countries did have different implementation periods but Vietnam, for example, started activities relatively late, as did Ethiopia; and Zambia and the UK were both active from around the same time. Thus the variation is not necessarily a function of time.

Figure 2: Spending per pilot country



Technical assistance spending

TA spending is shown in Figure 2 as the grey part of the bar. In each country the TA budget was dominated by the spending on the baseline study (see Briefing Note 5) and the work of the assurance team. Both were essential components of CoST that could not be delivered by the MSG or by the MSG coordinator who managed the group's day-to-day activities, and were instead competitively tendered. Spending on these two components varied (Table 2), reflecting differences in the scope of work and the local market conditions. Excluding the cheapest and most expensive values in each case, the average cost of producing the baseline study was £18,919 and that of the assurance contract (team fees plus expenses) was £48,958.

Table 2: The large country-level TA budget items

	Assurance Team	Baseline Study	Proportion of country's CoST TA budget spent on these two items
Ethiopia	£ 35,551	£ 9,647	55%
Zambia	£ 58,832	£ 10,667	78%
Tanzania	£ 30,834	£ 16,520	72%
Malawi	£ 32,247	£ 57,990	79%
Philippines	£ 21,725	£ 16,388	39%
UK	£ 87,329	£ 24,878	73%
Vietnam	£ 109,800	£ 26,145	64%

Financial assistance spending

FA spending is shown in Figure 2 as the red part of the bar. All countries except the UK benefitted from the FA budget line to establish a CoST facility within the host organisation. The set-up budgets ranged from £2,600 to £14,000; while some MSGs needed funds to furnish an office completely, others needed only some extra IT and communications equipment. Operating costs (e.g. for rent, utilities, stationery and supplies, communications) ranged from £11,700 to £36,900, depending on the contribution provided by the host agency. The FA grant to each country also covered the salary of the full-time MSG coordinator and part-time accounting and/or administrative support.

A significant recurring cost in the FA category related to the regular MSG meetings that were essential for the direction and governance of CoST (Table 3).

Table 3: Cost of MSG meetings

Country	Average cost per MSG meeting	Proportion of average meeting cost spent on room hire + refreshments	Proportion of average meeting cost spent on travel allowances for meeting participants
Ethiopia	£99	54%	46%
Zambia	£442	33%	77%
Tanzania	£225	30%	70%
Malawi	£453	6%	94%
Philippines	£21	100%	0 %
UK	£698	72%	28%
Vietnam	£726	0%	100%

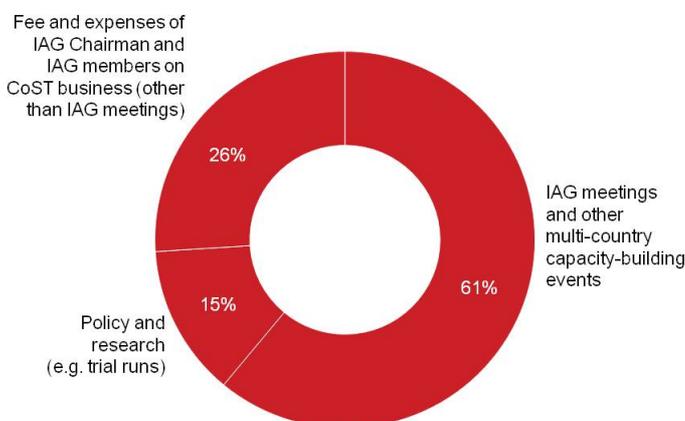
International-level spending

CoST budget lines (2), (3) and (4) were spent directly by the IS on behalf of the project and were not country-specific. Of these, the most relevant to a future CoST programme is that for global support (line 2).

Global support

This spending covered fees and expenses relating to activities that benefit more than one CoST country and encourage knowledge exchange (Figure 3).

Figure 3: Global support spending



The largest component of global support spending was IAG meetings and multi-country capacity building events

(such as the MSG coordinator training event; or the meeting of the Africa Champions). The average cost of an IAG meeting, bringing at least 18 people² from ten countries together for around three days, was nearly £32,000. Six such meetings were convened during the pilot phase up to 31 December 2010. The other capacity building events in this category were smaller and less costly; examples are the study tour of the Vietnamese MSG to the Philippines (£10,400) or the MSG capacity building workshop in Tanzania (£6,000).

The Chairman was the only IAG member to regularly receive a stipend for his work on behalf of the IAG. Such honoraria were extended to other members of the IAG when, on occasion, they supported or took on the Chair's duties, especially regarding outreach. The Chair's inputs averaged 4.4 days per month.

Some £62,000 of the global support budget was used to commission policy guidance and research. This paid for specialist consultants to undertake the two trial runs needed to test the CoST design in the UK and Tanzania; the preparation of a case study in the Philippines that traced the development of the strong civil society there with lessons for other countries; and editorial support for the production of the IAG's own report on CoST. This work was in addition to the policy guidance work undertaken by the IS itself (see below).



International Secretariat

The contract for running the IS was competitively tendered by DFID and started in April 2008. The amount claimed by the IS in fees and expenses until 31 December 2010 was £1,261,786, representing a monthly average of just over £38,000. Of this, 87% was spent on IS staff time and 22% on operational expenses.

The Secretariat team comprises managerial and technical staff who all contribute on a part-time but regular basis. Managerial duties—including IS team coordination,

² Two or three people from each pilot country and the four expert appointments to the IAG have their expenses to attend the IAG covered. Around five members of the IS and the donors also attend but cover own flight and accommodation costs.

responding to queries from pilot countries and other stakeholders, administering CoST funds, and liaising with donors and supporters—accounted for 54 percent of all the days invoiced to DFID. The remainder of the IS’s time was spent providing technical assistance directly to countries, developing policy and technical guidance, or reviewing the CoST technical outputs from each country.

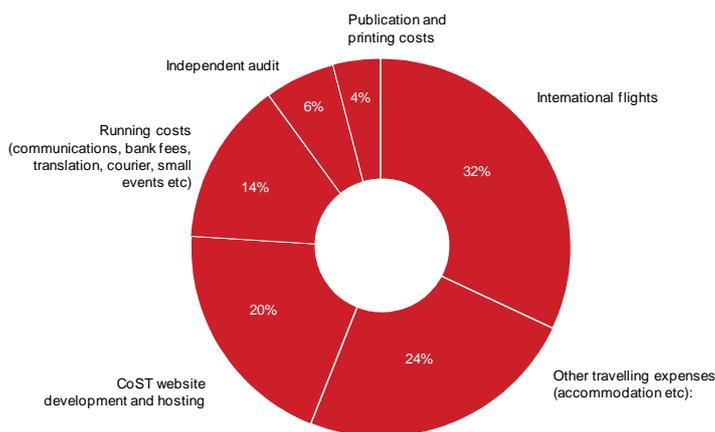


The operational expenses of the IS amounted to £162,684 over the 33-month period. Travel to the pilot countries or, less often, to meetings or events elsewhere, represented 56 percent of the IS’s overall expenses budget. Given the global span of the programme and the need for close

support, this is perhaps not surprising.

The other notable expenditure in the IS category is the CoST website. Most of this £22,080 cost was for development; the ongoing costs of hosting the site are £50 per month.

Figure 4: Expenses of the International Secretariat



Looking ahead

The data above suggest what it might cost to maintain CoST at the global and at the country level. For example, a country wishing to implement CoST would likely require around £48,000 for the assurance function (over a period of around a year, though variable depending on number of projects to be examined), while to keep the IAG

operational at a level similar to that for the pilot project would require an annual budget of about £127,000.

However, care should be taken when estimating future expenses because:

1. The design of CoST was not tested before the project started. Significant investments of time by the IS and by independent consultants were needed to turn the design concept into an implementable model and to trial it. Related to this, the IS produced many briefing notes and policy guidance documents that would not need producing again.
2. The concept of CoST had to be established as an attractive proposition at both the international and the national level. Doing so was challenging without having results to demonstrate its benefit, and required the IS and the IAG to spend significant time in approaching decision makers and stakeholders. Once the initiative gains a certain momentum, however—and given the results emerging from the pilot phase—less work is likely to be needed to popularise the concept and its benefits.
3. Over time, the growth in opportunities for regional support and peer learning meant that savings could be made in the budgets for country-level TA and global support. The regional study tour from Vietnam to the Philippines, for example, cost only one third of an IAG meeting and allowed for learning across a wide range of CoST implementation.
4. The countries that joined the pilot relatively late could progress more rapidly than those that joined at the outset, by taking advantage of the lessons learned as well as the improving support infrastructure. In future, countries joining CoST would benefit from the outputs of the pilot phase and should progress relatively quickly. However, they should not necessarily be expected to spend less money: experience shows that countries such as Vietnam that joined CoST later were able to utilise more of their budgets and spent more than some, such as Zambia, that joined earlier.

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