

**CONSTRUCTION TRANSPARENCY INITIATIVE  
(CoST)**

**Rules of CoST**

**NOVEMBER 2008**

# **CONSTRUCTION TRANSPARENCY INITIATIVE (CoST)**

## **RULES OF CoST**

### **ARTICLE 1 – STATUS**

- (1) These Rules of CoST set out the rules that regulate the functions and Organization
- (2) CoST is an unincorporated association of Members and exercises its functions through its Multi Sectoral Group (MSG), Secretariat and Administrative Host in the fulfillment of the objectives set out in Article 2.

### **ARTICLE 2 – OBJECTIVES**

- (1) Construction Sector Transparency Initiative (CoST) aims to enhance the transparency and accountability of publicly financed construction projects. The expectation is that improved transparency will be supportive of better management of public finances and prevent corruption.

### **ARTICLE 3 – PRINCIPLES**

- (1) We share a belief that delivery of public sector infrastructure projects should support sustainable economic growth that contributes to sustainable development and poverty reduction, but mismanagement during construction can undermine their potential social and economic benefits and value for money
- (2) We believe in accountability by government to all citizens for public expenditure on construction projects, and are committed to encouraging high standards of transparency and accountability in all parts of the construction sector, both public and private.
- (3) We consider that disclosure of basic project information throughout the project cycle could be an effective and efficient way to improve value for money of construction projects over time, and that greater transparency during project implementation should be supported by open and transparent procurement processes
- (4) We recognise the enhanced environment for domestic and foreign direct investment that transparency may bring.
- (5) In seeking solutions, we believe that a collaborative multi-stakeholder group can play an important oversight and

interpretative role in ensuring greater transparency and public understanding of information disclosed on projects.

- (6) CoST will build on other country and international initiatives that exist to increase transparency and reduce corruption.

#### **ARTICLE 4 – MEMBERSHIP**

- (1) Any entity or person who shares the Objectives and Principles of CoST set out in Articles 2 and 3 may apply to become a Member of CoST.
- (2) Members may include national, regional, international organizations and entities, and local governments and/or their ministries, departments, agencies and institutions, non-governmental organizations, academic and research institutions, companies, service providers and practitioners in both the public and private sectors and individuals.
- (3) Members shall be grouped into four categories of Institutional members, Individual members, Affiliate members and Honourary members. Institutional members, Individual members, Affiliate members shall be entrance and annual subscriptions fees as shall be decided from time to time by the MSGI
- (4) Applications to become CoST Member must be submitted to the CoST Manager for consideration and approval by the CoST MSG.

#### **ARTICLE 5 – THE ORGANISATION OF CoST**

- (1) CoST carried out through the CoST Annual General Meeting, the Chairperson, the Multisectoral Group (MSG), and Secretariat, the Administrative Host and such other working groups as may be endorsed by the CoST General Meeting in accordance with these Rules of CoST.
- (2) CoST shall hold Technical Meetings to further its objectives and these shall be open to all its Members and invited supporters. At least one Technical Meeting will be held every year.

#### **ARTICLE 6 – THE CoST ANNUAL GENERAL MEETING**

- (1) The CoST Annual General Meeting is the policy making instrument and voting council of CoST. All Members shall have the right to attend any CoST Annual General Meeting. Other observers may be invited by the Chairperson to attend any CoST Annual General Meeting.
- (2) Notwithstanding Article 5 (1), in order to ensure equal weight is given to each stakeholder group, any member of the AGM can invoke a college

- voting system as described herein. This will mean a secret ballot with voting cards in three separate colours for each block. A percentage voting “yes” or “no” will be determined by counting for each set of coloured voting cards. The final percentage vote (yes) will be determined by adding each of the block percentages (yes) and dividing by three. If the final percentage “yes” exceeds the final percentage “no” the motion is carried. For selection of members and Chairman of Multi-Stakeholder Group a similar process of averaging the percentage of each college will be applied with the person with the highest marks appointed. The proportion of members of MSG in each group will be one third.
- (3) The three main stakeholder groups for CoST and for the purpose of representation to the MSG and voting are:
- i) Civil Society representing the beneficiaries of construction sector services,
  - ii) Public Sector where most of the clients procuring construction works and services lie, and
  - iii) Private Sector that provide most of the works and services.
- (4) The CoST Annual General Meeting shall be convened by the Chairperson with at least 30 days’ written notice to all Members. An Extraordinary CoST General Meeting may be convened upon 15 days’ written notice to all Members:-
- i) When the Chairperson finds it necessary.
  - ii) Upon the written request of two thirds of the Voting Members.
- (5) The quorum for any CoST Annual General Meeting shall be one third of all Voting Members and any Voting Member may be entitled to participate in the meeting by telephone conference if requested. Except as otherwise specified in these Rules decisions will be taken by majority vote. Distance voting should be confirmed in writing signed by the Voting Member.
- (6) The Chairperson, the MSG, the Manager and the Voting Members will have the right to attend any Annual General Meeting. Other persons invited by the Chairperson may also attend any CoST Annual General Meeting as observers.
- (7) CoST Annual General Meeting shall:-
- i) Appoint members of the MSG and the Chairperson of CoST
  - ii) Review and adopt the strategic directions and policies for CoST

- iii) Comment on, and approve the CoST reports and accounts for the current year and the plans (including sources of funding) prepared by Secretariat and Administrative Host and adopted by the MSG
  - iv) Approve or otherwise the recommendations of the Assurance Team
  - v) Ratify the Auditors of accounts for the following year.
- (8) Resolutions of the CoST Annual General Meeting may be made at any time in writing, provided such resolutions are signed by all Voting Members.

#### **ARTICLE 7 – THE CHAIRPERSON**

- (1) The Chairperson of CoST shall be elected by the CoST Annual General Meeting for a maximum period of two year, which shall be subject to renewal once.
- (2) The Chairperson of CoST shall convene and chair the CoST General Meetings.
- (3) The Chairperson of CoST shall chair the meetings of the MSG
- (4) The Chairperson shall recommend to the CoST Annual General Meeting the appointment or removal of the Manager based on recommendation MSG.
- (5) The Chairperson based on the assessment by the MSG shall inform the Annual General Meeting about the performance of the Administrative Host regarding CoST.

#### **ARTICLES 8 – THE MULTI-STAKEHOLDER GROUP (MSG)**

- (1) Membership of Multi-Stakeholder Group shall comprise of civil society, public sector and private sector as provided under Article 6(3)
- (2) The MSG shall:-
  - i) Provide oversight of the work of the Secretariat
  - ii) Recruit secretariat staffs
  - iii) Form an executive committee for the purpose of providing day to day superintendence and guidance on the Secretariat, Administrative Host and Assurance Team
  - iv) Ensure financial sustainability of CoST
  - v) Prepare terms of reference of the Assurance Team

- vi) Establish terms of reference, the qualification and mode of appointment of members of the Assurance Team
- vii) Provide an interface between the Host Ministry and the Champion for CoST
- viii) Prepare annual work plan and budget for approval by the Annual General Meeting.
- ix) Identify funding for CoST
- x) Provide feedback to the public both in English and Kiswahili
- xi) Organize the Annual Stakeholders Forum and other desired Technical Meetings
- xii) Provide an interface between those with specialty and detail knowledge of the structure and workings of the construction sector and a wider set of interested and affected stakeholders
- xiii) Identify and build upon existing structures, procedures and initiatives relating to the provision of transparency.
- xiv) Review the disclosure and thresholds in order to ensure that the process is manageable and practicable
- xv) Establish information templates that define the nature and extent of information to be disclosed by procuring entities
- xvi) Identify projects to be assessed.
- xvii) Identify similar initiative locally, regionally and internationally for  
Complementarity and synergy
- xviii) Publicly disclose the membership and TOR of the Assurance Team

## **ARTICLE 9 – THE MANAGER**

- (1) The Manager shall be appointed by the MSG for a period of two years, which may be subject to renewal.
- (2) The Manager shall be the head of the Secretariat. The Manager shall be responsible for the activities of the Secretariat and shall be answerable to CoST MSG.
- (3) The Manager, or his appointee from the Secretariat, shall serve as Secretary to all CoST MSG meetings, MSG Annual General Meetings and Technical Meetings and minutes shall be kept of all such meetings in books kept for the purpose.
- (4) The Manager shall:-
  - i) Promote the CoST and solicit funding for CoST programmes.
  - ii) Implement the decisions of the CoST General Meeting and MSG.
  - iii) Execute instructions from the Chairperson and the MSG.

- iv) Arrange with the Administrative Host for the recruitment and termination of appointment of those nominated to work in support of the Secretariat as may be required and endorsed by the MSG to carry out the objectives of CoST.
- v) Issue statements in the name of and on behalf of CoST within the scope of a mandate agreed by the MSG and CoST General Meetings.
- vi) Make an oral presentation at the CoST Annual General Meeting summarizing the annual report, annual accounts and the annual action plan of CoST.
- vii) Be responsible for organizing MSG Meetings, the CoST General Meetings and Technical Meetings, the work of the secretariat including communications, distribution of papers and other dissemination activities that are required in support of such meetings.
- viii) Be responsible for ensuring the effective implementation of CoST activities (where applicable through the Administrative Host) as required for the success and development of CoST as approved by the MSG committee and CoST General Meetings.
- ix) Facilitate committees and groups established by the MSG.
- x) Scrutinize applications for (and termination of) Membership of CoST assessment and decision by the MSG.

#### **ARTICLE 10 – THE SECRETARIAT**

- (1) Facilitate the works of the Assurance team and MSG
- (2) Organize meetings of the MSG and AGM
- (3) Liaise with the Administrative host in carrying out administrative works of CoST
- (4) To be responsible for day to day activities of CoST under the direction and guidance of Executive Committee
- (5) The day to day activities of CoST secretarial shall include:
  - i) Implementing decisions, instructions from the CoST Annual General Meeting, MSG, and Executive Committee
  - ii) Propose action plans of CoST taking into account the strategic directions and policies adopted by the MSG, Annual General Meeting and Executive Committee.

- iii) Prepare the periodic reports as may be directed by Executive Committee
- iv) Assess applications and recommend new members (and termination of membership) to the Executive Committee
- v) Provide administrative support to the assurance team in accordance with the operational guidelines and rules of CoST
- vi) Where necessary perform its duties through CoST Administrative Host.

#### **ARTICLE 11 – THE ADMINISTRATIVE HOST**

- (1) The Administrative Host will be National Construction Council.
- (2) The services to be provided to CoST by the administrative host may include the following:
  - i) Management of CoST funds and property as custodian and trustee for CoST
  - ii) Personnel and logistical services including contracting the services of the manager, members of assurance team and staff of the secretariat
  - iii) Secretarial support
  - iv) Provision of office accommodation and office equipment
  - v) Procurement and contracting
  - vi) Preparation of annual statements of accounts for all CoST income and expenditure (the annual accounts)
  - vii) Facilitate the preparation of audited accounts for CoST for submission to the Executive Committee, MSG and AGM.
  - viii) Assist the Assurance Team in obtaining information
- (3) Administrative host will enter in MOU with CoST during implementation of the above functions.

#### **ARTICLE 12 – THE ASSURANCE TEAM**

- (1) Members of the Assurance Team shall be appointed by the MSG on a case by case basis and shall be responsible to the MSG. Its function is technical, operating in accordance with its TOR and instructions from the MSG. Through its reporting, the Assurance Team plays an interpretative role in helping to make raw data disclosures more intelligible to the MSG and, through the MSG, to a wider range of affected stakeholders. It is vital that the Assurance Team is, and is perceived by stakeholders to be, independent, trustworthy, objective and technically competent. The

membership and TOR of the Assurance Team should be publicly disclosed.

- (2) Trade associations and professional bodies will propose names which will be considered by the MSG in appointing members of the Assurance Team
- (3) Terms of Reference of the Assurance Team will include the following:
  - i) Assess the adequacy and reliability of project information disclosures, identify causes for concern for such disclosures and reporting its findings to the MSG
  - ii) Act independently, objectively, honestly and competently in all dealings relating to CoST
  - iii) Play an interpretative role in helping to make raw data disclosures more intelligible to the MSG and; through the MSG to a wider range of stakeholders
  - iv) Formulate, for consideration by MSG, such other interventions which would further the intent and impact of CoST, and to generally provide and needed technical back up any professional guidance to MSG.
- (3) Qualification of the members of the Assurance Team shall be:
  - i) Registered under a respective regulatory body
  - ii) Relevant experience at least five years
  - iii) High professional integrity
  - iv) Minimum education qualification of bachelor degree or equivalent

## **ARTICLE 13 - FINANCE**

- (1) CoST shall solicit funds through voluntary support, contributions and grants from governments, development funding agencies/development partners and others. The MSG and Manager may seek other sources of financing such as from its Members, provided that they are compatible with CoST objectives.

- (2) The Manager shall ensure that the annual accounts are prepared by the Administrative Host for approval by the MSG and presentation to the CoST Annual General Meeting.
- (3) Entrance and annual subscription fee from members

**ARTICLE 14 – AMENDMENTS**

- (1) Any amendment to these Rules may be adopted by a one-third majority vote of all Voting Members or by unanimous written resolution in accordance with Article 5(7). A proposal for an amendment shall be endorsed by the MSG and circulated to all Voting Members 30 days in advance of the relevant resolution.
- (2) The record of any amendment adopted in accordance with the preceding paragraph shall be maintained by the Manager in accordance with Article 15.

**ARTICLE 15 – WITHDRAWAL AND DISSOLUTION**

- (1) Any Member may withdraw from CoST at any time giving a notice of 30 days to the Manager. Such withdrawal shall become effective on the date when the Manager shall issue a written notification accepting such withdrawal.
- (2) CoST may be dissolved by a four-fifths majority vote of all Voting Members or by unanimous written resolution in accordance with Article 5 (7). A decision to dissolve CoST may be taken through distant communication confirmed in writing.

**ARTICLE 16 – ENTRY INTO FORCE**

These Rules entered into full force and effect upon their adoption by the Resolution of the CoST General Meeting dated ..... 2008.

**ARTICLE 17 – DEPOSITORY**

The Manager shall be the depository of these Rules and any amendments thereto. The Depository shall maintain a List of Members and update the same following every CoST Annual General Meeting. Applications from new Members must be accompanied by a signed Annex of Adherence to these Rules of CoST.