

**PARTNERSHIP FOR DEMOCRATIC GOVERNANCE -
ADVISORY UNIT HOSTED BY THE OECD**

Background

One of the key development challenges of the 21st century is how developing countries can improve governance and build sustainable capacity in their own institutions with effective support from outside. This is not a new problem, but the international community has had a mixed record in supporting capacity development in the poorest countries. What is new is the recognition that emerging democracies and post conflict or post crisis states often need interim help from the outside to exercise core policy functions or deliver key services. The challenge is how to meet this demand while helping to build sustainable capacities over the medium term.

Against this background, the OECD organised an Experts Meeting on new approaches to capacity building and service delivery in emerging democracies in April 2007.¹ The meeting examined recent experiences of using international personnel as providers of core government services and policy functions in support of state capacity building. The meeting concluded that the direct contracting of individuals or teams to fill executive positions for a limited time can deliver results in certain circumstances provided the host government directs the contracting process and there is local ownership.² It noted that although many examples have already been identified, the exact level of demand from co-operation countries³ for this kind of service is not fully known and that provision is currently organised on an *ad hoc* and unsystematic basis. The meeting also concluded that consultations about an OECD hosted Advisory Unit for the Partnership for Democratic Governance (hereinafter ‘the Partnership’) should proceed.

As a follow-up to the Experts Meeting, the UNDP carried out a field survey on “Comparative Experiences/State Capacity Building through Interim Provision of Services and Core Policy Functions”. The survey suggested that the direct provision of services and core policy functions by external service providers (both official and non-official) is a widespread phenomenon, used in response to demands from and in agreement with national governments, in a variety of sectors and country contexts and as an intermediary and complementary effort to long term capacity and state building (see Annex I). These findings are also supported by research⁴ which concludes that, owing to the pressure to demonstrate results, many of the foreign personnel engaged in advisory positions in key institutions in developing countries are directly delivering services or are directly undertaking core policy functions.

On 12 July 2007, OECD Council agreed to the hosting of the Advisory Unit of the Partnership for Democratic Governance within the OECD. The OECD Secretariat is now moving ahead to set up the Advisory Unit.

¹ SG(2007)1.

² SG/M(2007)1.

³ “Co-operation countries” in this document refers to potential users of the services described in this paper. The potential users are countries on the DAC list of ODA Recipients: www.oecd.org/dac/stats/daclist.

⁴ Derick W. Brinkerhoff in co-operation with European Centre for Development Policy Management, *Capacity Development in Fragile States*, May 2007, p 32.

The Partnership and its objectives

The Partnership is currently being established and will comprise a multilateral group of like-minded countries and international and regional institutions whose goal is to assist fragile states and emerging democracies to build their governance capacity and improve service delivery to their citizens. Its objective is to help governments in developing countries, where there is an absence of national capacity, to be more responsive to their citizens through contracting out the effective delivery of public services and core state functions to external actors for an interim period of time, integrating capacity objectives with clearly defined exit and capacity integration strategies aiming at ensuring maximum effectiveness and sustainability. In responding to country demands, the Partnership will facilitate the improvement of selected government services and core state functions, and develop countries' capacity to ensure delivery of effective, accountable services and functions. The Partnership will also develop knowledge of the opportunities and constraints to effective improvement of government services and core state functions through the interim provision of international personnel and test, record, evaluate and share innovations in this field. An Advisory Unit is being established to assist the Partnership with these functions.

The Partnership will initially be composed of countries funding the Advisory Unit, other OECD countries supporting the Partnership's objectives and, as appropriate, non-OECD countries and international/regional bodies that have expressed strong support for the Partnership. It is intended that these founding members, including the OECD and UNDP, convene in September to establish the Partnership.

Expected outcomes

The expected outcomes include improved government services in selected countries, improved capacity and accountability, a better understanding of what works and what does not work in the interim supply of international personnel as providers of core government services and core policy functions, a strengthened community of practice, and increased attention given to gender and environmental considerations in the provision of core government services and policy functions (see Terms of Reference in Annex II).

Value-added of the Partnership

Most multilateral development organisations and bilateral donors are active in the fields of governance and capacity building. However, there is no concerted or focused international effort underway to examine how the international community can directly and effectively support service delivery or provide personnel to deliver core policy functions. The Partnership will concentrate attention, expertise and resources on this important topic. The new initiative will:

- Place an international spotlight on urgent and acute service delivery needs and capacity gaps which could accelerate action from the international community. Evidence suggests that constraints to urgent action in fragile states are often at the international level not at the country level.⁵
- Bring to bear a range of international resources to find solutions to capacity gaps in developing countries, providing governments a better choice of potential service providers.
- Make it clear to governments that there are a variety of paths that they might choose to provide services and core state functions more effectively. Direct service provision by external actors could be the best choice in certain circumstances.
- Ensure that the priority of developing sustainable institutions and capacity is addressed in parallel with meeting urgent service delivery needs.

⁵ See *Fragile States: Policy Commitment and principles for Good International Engagement in Fragile States and Situations*, DCD/DAC(2007)29.

- Promote transparent and evidence-based debate on the most appropriate approaches to build sustainable capacity under different conditions.
- Legitimate contracting out of government services and core state functions where appropriate, while ensuring viable exit strategies in-line with sustainable capacity needs.
- Provide a direct route for support to countries which are marginalised from the international donor community or which have limited access to a range of donors and potential providers. Evidence shows that several countries are marginalised from international attention and they do not have access to a choice of donor services.⁶
- Empower host governments by helping them set the priorities and terms of contracts with external providers along with auditing and accountability measures to meet needs as identified by the host government itself.
- Share the risk among a range of international partners of medium term commitments to fund and provide intensive inputs of appropriate personnel to deliver core services.

Main characteristics and guiding principles

The Partnership will be demand-driven and responsive to country needs. It will be flexible and innovative and aimed at capacity development with clearly defined exit strategies. The activities will prioritise South-South co-operation and initially focus on a limited number of sectors (see Box 1 below and the Terms of Reference in Annex II). Evaluation criteria will be established at the inception of the Advisory Unit so that the functioning and performance of the Unit can be assessed during the three years.

The credibility of the Partnership will depend on its activities being locally owned by countries. The Partnership will not offer assistance without unequivocal requests for help from countries. The Advisory Unit will ensure that any contracts in which the Partnership is involved will include mechanisms that ensure accountability of the government to its own citizens for the results of the contracted activities. The principles of the *2005 Paris Declaration of Aid Effectiveness* will guide the Partnership in this regard. Supply-driven initiatives will be avoided and the Advisory Unit will take an objective view of possible responses to particular needs, advising on appropriate suppliers from OECD countries or non-OECD Members, encouraging South-South co-operation when appropriate. In some cases the services offered by the Partnership will not be relevant for particular needs and the Advisory Unit will play a role in referring countries to other institutions which may be best placed to help with service delivery capacity development issues in that particular context.

All activities will be time-limited and designed to guard against the risk of institutional capacity building being displaced by the imperative of service delivery or ‘getting the job done’. Capacity concerns will be integral to any external intervention and Partnership members must view their interventions as commitments to support locally owned institutional development, not as short-term sticking plasters. An explicit focus on women’s capacity development, and other activities that would generate domestic groups’ commitment to change, will be maintained. In all cases, partner governments must set the terms for how international personnel can best contribute to capacity development and to articulate appropriate exit scenarios and strategies. In keeping with the principles of the *Paris Declaration* and the *OECD Principles for Good International Engagement in Fragile States*, all Partnership-endorsed activities will be aligned with countries’ plans and priorities. The guidance and principles contained in the DAC publication, *The Challenge of Capacity Development: Working Towards Good Practice*, will also be important points of reference.

⁶ See *OECD DAC Ensuring Fragile States are not left behind*, Factsheet, December 2006.

Box 1. Possible Partnership contracts

The Partnership's members would support contracts for the interim provision of individual experts or teams of experts from the public, private or voluntary sector to deliver government services or functions which are usually provided directly by the state. Advisory Unit staff would facilitate these contracts but will not provide these services directly. In response to governments' requests, individuals or teams could be contracted into:

- in-line establishment civil service or public service positions (such as budget or tax officials); with or without executive delegated management authority over staff or finances;
- supernumerary in-line positions part of, but temporary in relation to, the in-line establishment;
- constitutional in-line positions (such as judges, prosecutors or electoral commissioners); with or without executive delegated management authority over staff or finances;
- other *ad hoc* roles requested by governments on a case by case basis (this could cover a diverse range of functions from signing-off on selected public expenditure decisions through to preparing an organisation for privatisation).

Such individuals or teams could be drawn from the public, private or voluntary sector of any other country or from the diaspora from the country concerned.

Initially, the Partnership's substantive agenda will focus on key governance services and functions: core legal services, revenue, tax, audit, customs, central procurement, central banking, budget execution and other core policy functions. Evidence gathered at the Experts Meeting suggested that it is in these highly specific sectors and functions where results may be most achievable. Some sector specific functions may be covered where there is considerable experience of contacting-out.

Over time, the Partnership may also focus on international support to mechanisms which serve to protect the fiscal environment, for example, the management of natural resource revenues, as and when such mechanisms are analysed and understood.

Role of the OECD

The focus on capacity development and delivering public services complements the OECD DAC's work on aid effectiveness, governance and fragile states, the MENA Initiative, the SIGMA Programme and the governance work of the Development Centre. Hosting the Advisory Unit is a unique opportunity to make practical progress on a high profile issue on the international development agenda (e.g. in relation to work on state building, governance assessment, capacity development, managing for development results, accountability, conflict prevention and security system reform).

The role of the Advisory Unit matches well the OECD's traditional areas of comparative advantage: as a powerful convenor for international debate, discussion and networking, impartial analysis, the development of best practice guidance and peer learning. As the host of the Advisory Unit, the OECD's reputation as an honest broker is important in two respects. Firstly, the OECD's neutrality in matching international suppliers to expressions of demand for service providers will protect the integrity and reputation of the OECD as the Unit does not stand to gain from the awarding of contracts. Secondly, the OECD is well placed to highlight the risks of supply-driven approaches to the provision of international experts involved in delivering services or core policy functions. The proposed collaboration with UNDP provides the Advisory Unit with a field-based perspective in developing countries to inform Partnership activity, whilst ensuring the OECD's role is consistent with its areas of comparative advantage.

Strategic partners

Collaboration with UNDP

The OECD and UNDP collaboration is based on a division of responsibilities to match each organisation's areas of expertise and comparative advantage. Through the work of the Advisory Unit, the OECD will contribute to analytical work, learning and the development of best practice. While the Advisory Unit of the Partnership will be responsible for much of the outreach of Partnership services at the country level,⁷ the UNDP, through its global presence, along with other bilateral and multilateral partners with field networks, will be drawn upon to provide information and recommendations to the Advisory Unit.

UNDP's experience in capacity development and its initiatives on South to South co-operation and peer learning among developing countries, as well as work with the diaspora and their professional networks will also add value to the Partnership.

Outreach to and partnership with non-OECD Members and South-South co-operation

Participation of non-OECD Members in the Partnership is an excellent opportunity to promote dialogue on international development issues and to support directly the OECD's priorities on enlargement, enhanced engagement and outreach. Many middle income countries that have not been generally associated with significant operations in the poorest countries are now becoming active donors and forming important South-South partnerships. The recent experience of institutional reforms in these countries adds a new dynamic to the provision of technical assistance and capacity development in emerging democracies. In many cases, the track record of key middle income countries may be more relevant and may be perceived to be more legitimate (and politically acceptable) than what the OECD countries offer. These countries will be important suppliers of appropriately qualified personnel and other services for Partnership activities and they will play a key role in Partnership activities and brokering South to South co-operation.

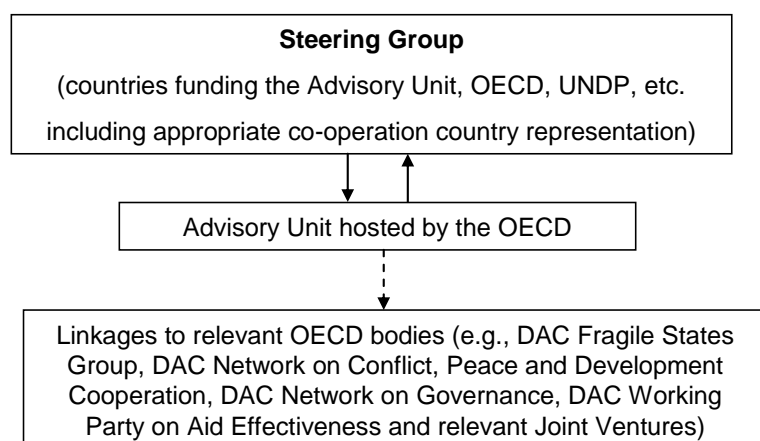
Governance arrangements

A Steering Group will be set up to guide the work of the Advisory Unit (see Figure 1 below and the Terms of Reference in Annex II). The Steering Group will initially consist of countries funding⁸ the Advisory Unit, and senior representatives of the OECD and UNDP. Representation from, or the voice of, co-operation countries in the Steering Group is an important consideration that could be initially achieved through representation by regional organisations, with other modalities to be considered. A reference group of experts drawn from co-operation countries would be formed to provide the Steering Group and the Advisory Unit with a user perspective on contracting out. The OECD Secretary-General will co-chair the Steering Group, which will decide on its other co-chair at its first meeting.

⁷ International programmes and initiatives are often unknown at the country level. For example, the 2007 Independent Global Task Team Assessment of Multilateral and Bilateral Coordination on AIDS shows a marked lack of knowledge at the country level of international technical capacity support mechanisms.

⁸ Countries wishing to join the Steering Group are expected to fund the Advisory Unit by at least 50 thousand euros per year.

Figure 1. Governance of the Advisory Unit



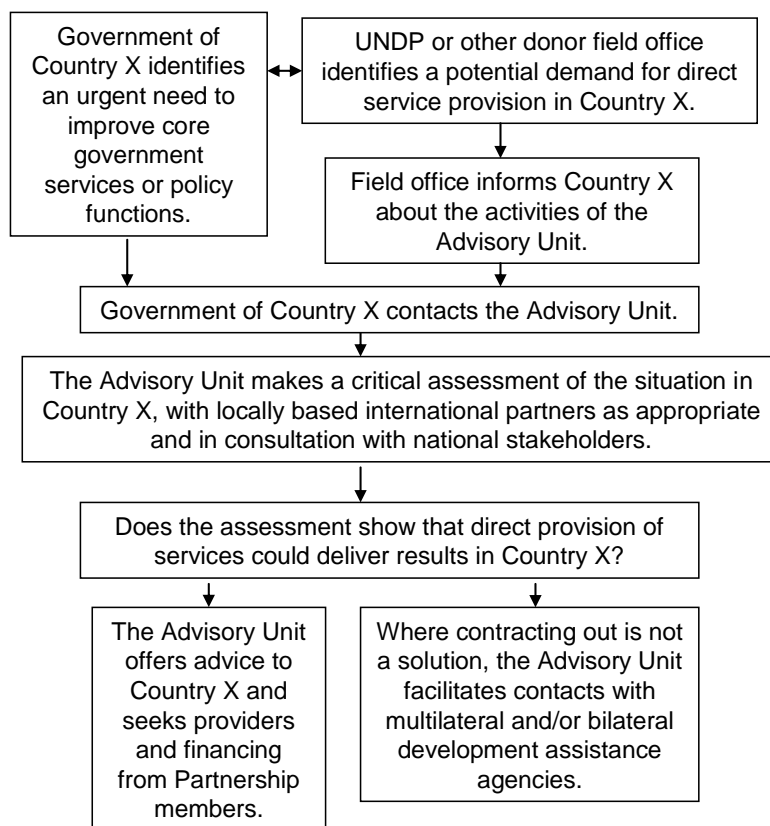
Activities of the Advisory Unit

The Advisory Unit will (see the Terms of Reference in Annex II):

- Serve as a repository for information and a platform for knowledge generation and sharing on what works and what does not work in contracting out in terms of service delivery and sustainable local capacity;
- Assess and identify needs and analyse country and institutional contexts;
- Function as a clearing house for matching identified needs with possible service providers and suppliers;
- Assist countries with the formulation of their requests and in the development and negotiation of contracts with service providers with a focus on capacity development results;
- Develop model contracts that would include provisions for mechanisms that would make governments accountable to their citizens for outcomes especially with regard to direct service provision, and that would also include capacity building;
- Monitor the performance of contracts and enhance accountability;
- Facilitate capacity development in countries in line with DAC guidance;
- Promote innovation and sharing of innovative practices, including through *ex post* evaluation;
- Facilitate contacts with other international partners.

The Advisory Unit will respond to countries' requests and assess whether, given the country specific circumstances, the direct provision of expertise and where necessary teams in executive positions could deliver results and help build capacity in the longer term. Depending on the outcome of this assessment, the Advisory Unit would either offer its advice to the country or facilitate contacts with other international partners, as stated above in the guiding principles (see Figure 2 for an illustration).

Figure 2. Identification of demand and response by the Advisory Unit



Structure of the Advisory Unit

Linkages

The Advisory Unit will have close links to different OECD bodies and operate under OECD rules and procedures. While the Advisory Unit will be accountable to the Steering Group on all matters that fall within its purview, for administrative purposes, the Head of the Advisory Unit will report to the OECD Secretary-General through the Deputy Secretary-General responsible for the Development Cluster to ensure that the activities of the Advisory Unit are complementary to work elsewhere in the Organisation.

The Deputy Secretary-General will ensure coherence with other ongoing work in the Development Cluster by having the Advisory Unit consult regularly with relevant OECD bodies, e.g. the DAC Fragile States Group, the DAC Network on Conflict, Peace and Development Co-operation, the DAC Network on Governance, the DAC Working Party on Aid Effectiveness and its relevant joint ventures, the Governing Board of the Development Centre and the Public Governance Committee.

An intra-Secretariat contact group with representatives from the Development Cluster and other relevant Directorates will be formed to ensure that the Advisory Unit has appropriate links with the rest of the Organisation.⁹

⁹ The Africa Partnership Forum Support Unit benefits from linkages with a similar intra-Secretariat contact group.

The Advisory Unit will be established for an initial three-year period and be subject to review in its third year of operation. The Advisory Unit will come under OECD staff rules and salary scales and be subject to OECD financial rules and audits. Documents prepared by the Advisory Unit will be issued and classified in line with OECD rules. The Advisory Unit will have access to OECD documents on the same basis.

Staff

The Advisory Unit will be small and flexible while maintaining the essential critical mass of expertise and capacity needed to accomplish its work and function effectively. It will be resourced sufficiently to carry out its tasks, without becoming a separate institution. It is proposed that the Unit have five staff to undertake substantive and policy work, assisted by three administrative staff. The Advisory Unit will be led by a Head of Unit at the A5 level, four Technical Advisors at the A4 level, one Communications Manager (A3), one Financial/Administrative Assistant (B5), and one Assistant (B4) (see Annexes II and III).

The Head of Unit will have the experience and authority needed to interact effectively with high-level policy makers. He/she will also be responsible for organising and overseeing work undertaken by the Technical Advisors. Administrative staff will backstop logistical needs; provide essential co-ordination, editing, communications and IT services; organise missions and meetings in compliance with OECD administrative and financial rules; and assist with secretarial work.

All positions will be advertised and staff recruited according to OECD recruitment procedures. Job descriptions for the positions have been developed following approval of the establishment of the Advisory Unit. All Advisory Unit staff will be appointed by the OECD Secretary-General.

Financing and budget of the Advisory Unit

The total cost of the Advisory Unit is estimated to be about 7.4 million euros over the three-year period. Provisional cost estimates are included in Annex III of this document.

In accordance with the statistical reporting directives, payments to the OECD in respect of special funds for technical co-operation activities may be reported as ODA.¹⁰ It is therefore anticipated that contributions towards the costs of the Advisory Unit would qualify as official development assistance.

The financial accounts and the functioning of the Advisory Unit will be subject to the normal audit procedures of the OECD.

¹⁰ See www.oecd.org/dataoecd/36/16/31724727.pdf, p. 4.

ANNEX I

EXAMPLES OF DIRECT PROVISION OF SERVICES IN EMERGING DEMOCRACIES

Initial research shows that the interim direct provision of services and core policy functions is widespread in most fragile states and in selected institutions in low and middle income countries. For illustrative purposes, some recent examples are highlighted below.

Mozambique: Support to customs services

The long civil war had left a Customs Department characterised by outdated systems and procedures, an insufficiently educated and experienced corps of civil servants and poor leadership and management of the organisation. Corruption and nepotism were widespread and a service delivery mentality within the department was largely absent. In 2007, the Government took the step of contracting out the complete management of its customs service to Crown Agents, a private company. Crown Agents provided up to 45 UK civil servants or recently retired civil servants to take on the management of customs and to build local capacity over time.

Guatemala: Support to Justice Sector Services

Following the signing of a peace agreement in 1996, the Guatemalan Government experienced serious public security problems. Organised crime had penetrated society and undermined parts of the state apparatus, resulting in a climate of impunity for drug traffickers and criminals. The Government, building on a civil-society initiative, approached the UN DPA in 2003 to request support with a new mechanism to fight criminality and impunity. Following a field mission by the UN, the Guatemalan State signed an agreement with the UN to set up a Commission for the Investigation of Illegal Groups and Clandestine Security Organisations (CICIACS) in January 2004. Cases would be investigated and prepared under Guatemalan criminal procedures but the Commission would be led by an international prosecutor, assisted by a team of international investigators, police, forensic experts and others. In 2004, the initiative was stalled in Congress but, since the arrival of a new Government, the project has been reactivated and its design modified. A revised agreement is now awaiting ratification by parliament.

Mongolia: Support to agrarian banking reform

The Khan Bank in Mongolia serves half of the country's population. The Government of Mongolia undertook many of the banking reforms but to meet a key capacity gap DAI were chosen to be the contract managers for the bank. DAI was tasked with running the bank, via its provision of a Chief Executive Officer, Chief Financial Officer and staff on the Board. The objectives were to create a financially sound institution, restore financial services to rural areas, and prepare a profitable bank for sell-off. Staff training has been a significant component. The management agreement governing the arrangement stipulated that the government would not interfere in the operations of the bank.

Solomon Islands: Support to the office of the Auditor General

Following an approach from the Government of the Solomon Islands, in July 2003 Australia, as part of a Pacific partnership of contributing countries, launched a UN Chapter 6 Regional Assistance Mission (RAMSI), to help establish key machinery of government, including the Auditor General's Office. The Solomon Islands had been without an effective audit function for over 20 years — there was poor fiscal

planning, abuse of power at both political and senior government levels, fraud and corruption. Australian and local experts supported a number of special audits and provided a combination of short term experts with a small number of permanent Australian advisers in line posts. The Auditor General's office now has 28 staff (of whom 24 are locals), undergoing comprehensive training.

Liberia: Support to economic policy reform

The Liberian Governance and Economic Management Assistance Programme (GEMAP) is an effort to formalise existing, scattered institutional support into a cohesive system. It was an approach of last resort — a 'crisis' solution — implemented after other initiatives had failed due to weak administration in a post-conflict era. Centralising revenue in the Treasury and controlling expenditure management to stop the misuse of funds within ministries were the top priorities. GEMAP comprised an economic governance steering committee, involving key international staff and chaired by the President, and a technical committee, which oversees all contract and commitment documentation. The support includes the placement of international experts with co-signing authority in key government institutions, as well as broad capacity building across a span of Liberian government entities.

Somalia: Support to core public institutions in service delivery

The absence of a functioning government is at the root of underdevelopment in Somalia. Various forms of governance have filled the vacuum left by the collapse of the state in 1991, including informal systems driven by the resurgence of the role of clans. The conflict has led to the depletion of the country's human resources base, with many well-educated Somalis that have left their country. The UNDP Qualified Expatriate Somali Technical Support (QUESTS) is facilitating the transfer of diaspora experts to core public institutions engaged in public service delivery. In its initial phase (2004-2006) QUESTS provided support to priority sectors (health, education and agriculture) identified by the Somali authorities and local and international organisations. During the first phase of the project 22 experts have been placed in key positions. A second phase which has been launched recently aims to significantly scale-up the number of professionals to be placed in the government.

Timor Leste: Support to the health system

In Timor Leste, international donors supported a sequenced transition strategy to rebuild service delivery capacity in the health sector. The strategy consisted of several phases, beginning with imported capacity in the first phase while technical assistance helped to establish new institutions capable of managing an integrated public health system. During the initial emergency phase, NGOs re-established essential services, alleviating the suffering of the population. An Interim Health Authority was established in February 2000 comprising Timorese health professionals along with a small number of international experts. The health authority started work on the establishment of a policy framework, medium term planning for the sector and on national preventive programs. With growing capacity, it formalised the delivery of health services, gradually moving from a system of non-state delivery to government regulated and financed and then government managed delivery.

Malawi: Support to public procurement

Together with other development partners, UNDP is supporting the Office of the Director of Public Procurement and government procurement entities to enhance their capacity to improve value and delivery of development projects and government services. The support aims to raise both awareness of, and compliance with, the 2003 Public Procurement Act and its principles of public transparency, accountability and value for money. In addition to the production of public procurement training materials, the provision of equipment and technical assistance, support has also included the provision of procurement oversight officers to the government.

Afghanistan: Support to public procurement

In order to cope with the urgent task of reconstruction and facilitate rapid and transparent utilisation of donor resources the Afghan Assistance Coordination Authority (later renamed in Afghanistan Reconstruction & Development Services - ARDS), engaged the services of a contractor as the country's central procurement agency. Aimed at putting in place emergency procurement capacity, the ARDS Procurement Unit comprises a team of foreign procurement specialists and Afghan Procurement Officers. The unit assists Afghan ministries in procuring services and products within international procurement regulations. This has included among other drafting and advertising procurement notices, preparing and issuing bidding documents, guiding the evaluation of bids and proposals, supporting negotiations and preparing contract documents for signature by the implementing ministry. The ARDS Procurement Unit also provides advice and guidance on procurement matters to the government of Afghanistan.

ANNEX II

TERMS OF REFERENCE FOR THE PARTNERSHIP AND THE ADVISORY UNIT

The Partnership

The Partnership comprises a multilateral group of like-minded countries and international and regional institutions whose goal is to assist fragile states and emerging democracies to build their governance capacity and improve service delivery to their citizens. Potential users are countries on the DAC list of ODA recipients.

The Objectives

The main **purpose** of the Partnership is to help governments in developing countries, where there is an absence of national capacity and as an interim measure, to be more responsive to their citizens through contracting out the effective delivery of public services and core state functions to external actors for a specific period of time, integrating capacity development objectives expressed in clearly defined exit and capacity integration strategies, aiming at ensuring maximum effectiveness and sustainability. In support of this purpose the **objectives** are to:

- Respond to demands from countries¹¹ to facilitate the improvement of selected government services and core state functions through the interim provision of international personnel via contract agreements.
- Develop countries' capacity to ensure delivery of effective, accountable services and functions which respond to the needs of citizens.
- Develop knowledge of the opportunities and constraints to effective improvement of selected government services and core state functions through the interim provision of international personnel and to test, record and evaluate innovations in this field.

These objectives will be achieved through establishing the international Partnership supported by an Advisory Unit hosted by the OECD.

Expected outcomes

Within the three years of the Partnership's and the Advisory Unit's operations, the anticipated **outcomes** will be:

- Improved government services in selected sectors and selected countries as measured by feedback from end users.
- Improved capacity and accountability in selected institutions for core government services and functions as measured by feedback from end users.

¹¹ Potential users are countries on the DAC list of ODA Recipients: www.oecd.org/dac/stats/daclist.

- A better international understanding on what works and what does not work through the interim supply of international personnel as providers of core government services and core policy functions.
- A strengthened community of practice based on an experienced network of technical service providers.
- Increased attention given to gender and environmental considerations in the provision of core government services and policy functions.

Main characteristics and guiding principles

The Partnership will operate according to the following guiding principles:

Demand-driven and responsive to country needs. The credibility of the Partnership will depend on its activities being locally owned by countries. The Partnership will not offer assistance without unequivocal requests for help from countries. The Advisory Unit will ensure that any contracts in which the Partnership is involved will include mechanisms that ensure accountability of the government to its own citizens for the results of the contracted activities. The principles of the *2005 Paris Declaration of Aid Effectiveness* will guide the Partnership in this regard. Supply-driven initiatives will be avoided and the Advisory Unit will take an objective view of possible responses to particular needs, advising on appropriate suppliers from OECD countries or non-OECD Members, encouraging South-South co-operation when appropriate. In some cases the services offered by the Partnership will not be relevant for particular needs and the Advisory Unit will play a role in referring countries to other institutions which may be best placed to help with service delivery capacity development issues in that particular context.

Flexible and Innovative. Evidence to date suggests that it is often crisis conditions in which governments make decisions to bring in foreign teams in an executive role. The crisis may be at the level of the state, or in more stable low income countries at the sector level or at the level of an institution. Fragile states are likely to be the core group of countries, but demands are likely to emerge in other countries. The Partnership will be predicated on a high degree of flexibility, capable of responding to a variety of contexts as needs and demands for Partnership services become better known.

Partnership activities will be aimed at capacity development with clearly defined exit strategies. All activities will be time-limited and designed to guard against the risk of institutional capacity building being displaced by the imperative of service delivery or ‘getting the job done’. Capacity concerns will be integral to any external intervention and Partnership members must view their interventions as commitments to support locally owned institutional development, not as short-term sticking plasters. An explicit focus on women’s capacity development, and other activities that would generate domestic groups’ commitment to change, will be maintained. In all cases, partner governments must set the terms for how international personnel can best contribute to capacity development and to articulate appropriate exit scenarios and strategies. In keeping with the principles of the *Paris Declaration* and the *OECD Principles for Good International Engagement in Fragile States*, all Partnership-endorsed activities will be aligned with countries’ plans and priorities. The guidance and principles contained in the DAC publication, *The Challenge of Capacity Development: Working Towards Good Practice*, will also be important points of reference.

Partnerships with non-OECD Members and South-South co-operation will be prioritised. The participation of a number of non-OECD Members in the Partnership presents a key opportunity to promote dialogue with OECD Members on international development issues which directly supports the OECD’s outreach priorities. Many middle income countries that have not been generally associated with significant operations in the poorest countries are now becoming active donors and forming important South-South partnerships. The recent experience of institutional reforms in these countries adds a new dynamic to the market for technical assistance and capacity development in emerging democracies. In many cases, the

track record of key middle income countries may be more relevant and may be perceived to be more legitimate (and politically acceptable) than what the OECD countries offer. These countries will be important suppliers of appropriately qualified personnel and other services for Partnership activities and they will play a key role in brokering South to South co-operation.

Initially focused on a limited number of sectors. Initially, the Partnership's substantive agenda will focus on key governance functions or on key service sectors identified by countries. Core government functions include legal services, revenue, tax, audit, customs, central procurement, central banking, budget execution and other core executive policy functions. Evidence gathered at the Experts Meeting suggested that it is in these highly specific sectors and functions where results may be most achievable. Potential users might also identify key service delivery projects on which the Partnership might also be engaged. The Partnership may evolve to also focus on international support to mechanisms which serve to protect the fiscal environment, for example the management of natural resource revenues.

Members of the Partnership

Composition

The Partnership will initially be composed of its founding members, including OECD countries funding¹² the Advisory Unit, other OECD countries supporting the Partnership's objectives and, as appropriate, accession and enhanced engagement partners¹³ that have expressed strong support for the Partnership.

The OECD and UNDP have been designated as founding members of the Partnership, which is also open to other interested international and regional organisations. Credibility of the Partnership will depend partly on representation from, or the voice of, developing countries. This could be achieved through representation by regional organisations, such as the Organisation of American States, African Union, and Association of Southeast Asian Nations.

Roles and responsibilities

All Members

The members will be expected to be 'champions' of the aims of the Partnership and advocate and publicise its activities within their constituencies. They should use their influence and networks wherever possible to facilitate contacts with the countries and respond to requests for support from the Advisory Unit on an on-going basis.

OECD

Through the work of the Advisory Unit, the OECD will contribute to analytical work, learning and the development of best practice.

UNDP

While the Advisory Unit of the Partnership will be responsible for much of the outreach of Partnership services at the country level, the UNDP, through its global presence, along with other bilateral and multilateral partners with field networks, will be drawn upon to provide information and recommendations to the Advisory Unit.

¹² All resource commitments should be at least 50 thousand euros per year.

¹³ Countries listed in C/MIN(2007)4/FINAL.

Structure of the Partnership

Steering Group

Members of Steering Group

The Steering Group will initially consist of countries funding¹⁴ the Advisory Unit, and representatives of the OECD and UNDP. The Steering Group will be open to other international and regional organisations. The Steering Group may also invite other countries in the Partnership to join it. Representation from, or the voice of, developing countries in the Steering Group is an important consideration that could be achieved through representation by regional organisations.

Role and responsibilities of the Steering Group

The Steering Group will not be a formal OECD body. The Steering Group will be responsible for overseeing the Advisory Unit's work programme and for ensuring that the aims and strategy of the wider partnership are effectively articulated and disseminated. The Steering Group will:

- Set the strategic direction for the Partnership and its activities, and provide overall guidance to the Advisory Unit.
- Respond to the Advisory Unit's requests regarding countries' needs related to direct provision of services and core policy functions.
- Seek financing for countries' contracts for the direct provision of services and core policy functions.
- Advise on the appropriate level of funding for and prioritisation of the Advisory Unit's activities, agree on its estimated budget and its work programme, and advise on overall staffing levels and recruitment for key positions within the Advisory Unit.
- Decide on the new members of the Partnership and the Steering Group.
- Review the Advisory Unit's progress reports and other documentation.

Meetings

Chairmanship

The Steering Group will be co-chaired by the OECD Secretary-General; the Steering Group will decide on the other co-chair at its first meeting.

Decision-making

The Steering Group will decide on its own governing structure and decision-making rules at its first meeting.

Frequency of meetings

The Steering Group will meet at least once a year and as determined by the Steering Group at its first meeting.

¹⁴ All resource commitments should be at least 50 thousand euros per year.

Cost of attending Steering Group meetings

The costs of participation (travel and per diems) of all Steering Group members will be borne by their respective governments and institutions.

Advisory Unit

Role and functions of the Advisory Unit

The Advisory Unit is responsible for the implementation of the work programme which will be set by the Steering Group. The Unit will have the following core roles and functions:

1. A repository for information and a platform for knowledge generation and sharing on what works and what does not work in contracting out

- Construct, develop and maintain a data base of service providers especially those that have undertaken work for the Partnership and maintain records of evaluation reports.
- Document and synthesise findings and communicate best practice including practical guidelines for harmonised approaches at country level.
- Over time, share experiences and best practice with relevant OECD policy communities and at regional and international fora.

2. Assessing and identifying needs and analysing country and institutional contexts

- Develop and test diagnostic tools for assessing country needs building on political economy, governance and capacity assessment tools already developed by the OECD, UNDP and other international organisations.
- Provide short term advisory services to a limited number of interested countries to assess and clarify their needs.
- On the basis of identified needs, refer expressions of demand for outside help to appropriate institutions.

3. A clearing house for matching identified needs with possible service providers and suppliers

- Identify networks of expertise, articulate clear needs from countries and seek appropriate international suppliers and providers. When seeking such resources, South-South co-operation and the use of the diasporas will be emphasised.
- Mobilise Partnership members to finance selected international providers to deliver contracts.
- Develop model contracts based on good practice, assuring the principles of country ownership, capacity development, accountability and exit considerations.

4. Contract performance monitoring and accountability

- Assist governments with the formulation of their requests and in negotiating and setting the terms of contracts with service providers.
- Monitor and report on the performance of contracts in selected countries and key institutions, focusing on results.

- Support accountability mechanisms including undertaking appropriate surveys to measure feedback from governments, end users of services and other stakeholders.
- Monitor trends across activities and contracts providing essential services and core state functions gap filling/capacity development services.
- Undertake, document and synthesise evaluation missions in selected countries.

5. *Capacity development in developing countries*

- Seek regional partners to support relevant training and peer learning for key personnel from countries involved in contracting services.
- Facilitate the integration of training, by third parties when possible, into all contracts for services and core state functions.

6. *Promoting innovation and sharing of innovative practices, including through ex post evaluation*

- Test and promote new ideas for supporting capacity development and service delivery in developing countries.
- Report regularly to the Steering Group on learning, progress, needs and policy issues.
- Liaise with OECD networks and communities of practice to exchange new ideas, and seek technical advice and support as appropriate.

7. *Regular consultations with relevant OECD bodies via the Secretary-General*

- To ensure coherence with other ongoing work in the Development Cluster, consult regularly with relevant OECD bodies, such as the DAC Fragile States Group, the DAC Network on Conflict, Peace and Development Co-operation, the DAC Network on Governance, the DAC Working Party on Aid Effectiveness and its relevant joint ventures, the Governing Board of the Development Centre and the Public Governance Committee.

Duration

The Advisory Unit will be created for an initial period of three years and be subject to review in its third year of operations.

Recruitment and staffing of the Advisory Unit

The Advisory Unit will have five staff to carry out substantive and policy work, assisted by three administrative staff. The Advisory Unit would be led by a Head of Unit at the A5 level, four technical advisors at the A4 level, one coordination/communication manager (A3), one financial/budgetary assistant (B5), and one assistant (B4).

The Head of Unit will be responsible for organising and overseeing work undertaken by the Technical Advisors. Administrative staff will backstop logistical needs, provide essential co-ordination, editing, communications and IT services; organise missions and meetings in compliance with OECD administrative and financial rules; and assist with secretarial work.

All positions will be advertised and staff recruited according to OECD recruitment procedures. The Advisory Unit will come under OECD staff rules and salary scales and be subject to OECD financial rules and audits. All Advisory Unit staff will be appointed by the OECD Secretary-General.

Financing and budget of the Advisory Unit

The total cost of the Advisory Unit is estimated to be about 7.4 million euros over the three-year period. Provisional cost estimates are included in Annex III of this document.

Voluntary contributions will finance all activities of the Advisory Unit, covering both operational costs and overheads to the OECD. Each country's financial commitment for the Advisory Unit should be at least 50 thousand euros per year and made in writing by September 2007.

All voluntary contributions will be subject to the standard OECD overhead charge of 4.5% to cover grant administration expenditures.¹⁵ Three administrative staff will enable the Advisory Unit to be self-sufficient on the administrative side. In the event that the Advisory Unit requests specific new work involving unbudgeted OECD resources or requires Part I management time, the related costs shall be covered by the Advisory Unit.

The financial accounts and the functioning of the Advisory Unit will be subject to the normal audit procedures of the OECD.

¹⁵ The overhead charge of 4.5% consists of two parts: 2.5% to cover centrally incurred grant administration expenses, and 2% to cover local grant administration in directorates. As the Advisory Unit will have its own staff to take care of grant administration, it will get back the 2% charge to cover local grant administration expenses.

ANNEX III

PROVISIONAL COST ESTIMATES FOR THE ADVISORY UNIT

I. ANNUAL EXPENDITURE	in thousand euros		
A. Project staff salary (1)	Year 1	Year 2 (2)	Year 3 (3)
Head of Advisory Unit (OECD A5)	182.7	191.8	201.4
Technical Advisor (OECD A4) - 4 posts	602.0	632.1	663.7
Coordination and Communications Manager (OECD A3)	115.7	121.5	127.6
Financial/Administrative Officer (OECD B5)	80.2	84.2	88.4
Assistant (OECD B4)	71.1	74.7	78.4
<i>Contingency costs (10%) (4)</i>	<i>105.2</i>	<i>110.4</i>	<i>115.9</i>
TOTAL SALARY EXPENSES	1 156.9	1 214.7	1 275.4
B. Project staff overheads per staff member (IT, rent, training)	66.3	69.6	73.1
C. Annual operating expenses			
Missions for project staff and consultants	400.0	420.0	441.0
Intellectual services (consultants)	500.0	525.0	551.3
Steering Group Meetings	20.0	21.0	22.1
Other IT services and communications costs	10.0	10.5	11.0
Entertainment	5.0	5.3	5.5
Translation services	25.0	26.3	27.6
TOTAL OPERATING EXPENSES	960.0	1 008.0	1 058.4
D. Cost recovery charge for voluntary contributions (5)	43.7	45.8	48.1
GRAND TOTAL (A + B + C + D)	2 226.8	2 338.1	2 455.0
II. START-UP EXPENDITURE			
Taking-up duty expenditure (6)	347.1		
Office furniture and computers (7)	10.0		
OECD costs for recruitment and establishing the Unit (8)	30.0		
TOTAL START-UP EXPENSES	387.1		

(1) Figures for Year 1 based on 2007 barème.

(2) 5% increase estimated (salary steps and annual adjustments, non-wage inflation, etc.) for 2008/2009.

(3) 5% increase estimated (salary steps and annual adjustments, non-wage inflation, etc.) for 2009/2010.

(4) Contingency of 10% allows for variance from median staff profile regarding benefits (e.g. home leave, education allowance, etc.).

(5) The 4.5 % standard OECD cost recovery charge for voluntary contributions consists of two parts: 2.5% to cover centrally incurred grant administration expenses, and 2% to cover local grant administration in directorates. As the Advisory Unit will have its own staff to take care of grant administration, it will get back the 2% charge to cover local grant administration expenses. This charge is further reduced by 1% point for grants above 500 KE or for grants (at least 90%) paid before spending commences. It is assumed here that the 2.5% charge would apply to 50% of the budget and 1.5% to the rest.

(6) To be expended in Year 1. Includes installation allowance, removal expenses, travel expenses, and untaken leave for staff upon departure.

(7) Equipping offices/computers for 8 staff members.

(8) Includes recruitment expenditure (travel and per diem for interviewed candidates).