

Effective Institutions Meeting (26 June 2012)

DRAFT SUMMARY

The main objectives of this meeting were to:

- 1) Review feedback from consultations in meeting the commitments agreed under the Busan Global Partnership Agreement and New Consensus on Effective Institutions;
- 2) Based on an initial mapping, discuss findings and emerging substantive priorities;
- 3) Discuss continuing challenges and potential future opportunities in reaching commitments relating to making reform and capacity development happen; partner-led assessments of country institutions; partner-led evidence gathering; and systematic regional and global knowledge sharing; and
- 4) Discuss its role in supporting the Global Partnership on Effective Development Cooperation and consider links with other fora working on this agenda, such as the OECD Development Assistance Committee Network on Governance (GOVNET).

The meeting was chaired by Ghana (Mary-Anne Addo) and the United States (Steven Pierce)

INTRODUCTION AND PRESENTING THE EVIDENCE SINCE BUSAN ON EFFECTIVE INSTITUTIONS

This introductory session outlined the rationale behind the Effective Institutions commitments at Busan, and the creation of a voluntary initiative to take these commitments forward.

In his opening remarks, the Chair of the OECD Development Assistance Committee (Brian Atwood) outlined that the commitments reached at Busan focused heavily on empowerment of partner countries—a principle that could not be achieved without effective institutions. His intervention also highlighted the following:

- Effective institutions play a catalytic role in sustaining and maintaining progress including through enlightened leadership.
- Institutions that are inclusive in nature and provide space for engagement from accountability bodies such as the legislature and supreme audit are those that are more likely to be effective
- Institutions that are seen to be accountable to citizens create the vehicle for more inclusive growth and help reduce inequalities.
- The Busan Partnership on Effective Development Cooperation is at the beginning of its journey and the building block on Effective Institutions will help shape it in the years to come.

Ghana (Mary-Anne Addo, Ministry of Finance and Economic Planning), provided a summary of the building block including where it came from and why it matters in the context of Ghana. The main points included:

- Highlighting the role of the former country systems partnership as a driver fostering political attention on the use of country systems and facilitator through its technical communities of practice on Public Financial Management (PFM) and Procurement
- Outlining the “unfinished business” from the Paris Declaration and the broad-based political engagement needed along with partner country leadership
- The realisation that a new approach was needed to tackle the issues that were typically handled in silos (clustered around country systems and capacity development). In particular, focusing on: factors that make reform happen; partner-led joint assessments and management of risks; country-based evidence on institutional performance and capacity development; and systematic regional and global knowledge sharing.

MAPPING WORK UNDERWAY UNDER THE BUILDING BLOCK

This session began with a presentation (OECD-DAC Secretariat) of a first draft mapping exercise undertaken on what organisations and countries are currently undertaking or proposing related to the Busan Agreement and the New Consensus. The presentation highlighted that, despite significant lessons learned on what was working and what was not in the strengthening of public sector institutions, evidence of change in practice was mixed. It also pointed to a number of challenges, namely:

- What actions can be taken at international/global level when the general consensus is that our work should be globally light and country focused?
- What cross-country policy recommendations, analysis or indicators can help given that ‘no one size fits all’?
- How can this agenda be better focused for practical and sustainable results rather than overarching, general objectives?

Recognising these issues, participants were asked to provide inputs to the mapping exercise and answer the following:

- ✓ What is your organisation/country undertaking that could be included in a global platform on Effective Institutions?
- ✓ What is the added-value of the building block in this particular area?
- ✓ Under which of these areas (or others) would your country/organisation wish to contribute (inputs, funding, etc.)?
- ✓ Is there a champion(s) to help deliver?

The discussion that followed allowed participants to provide inputs into each of the substantive priority areas. Participants noted in general that, whilst the substantive priorities reflected current inputs, these could be merged in the final mapping exercise (for instance ‘indicators of success’ and ‘capacity to assess and manage change’) to ensure a shorter set of priority and focus areas for the building block.



1. Indicators of Success: How to measure what works and why?

Ideas for this substantive input area to the building block included:

- 1) **Measuring the efficiency of public sector institutions through a set of indicators focusing on behaviour change** (World Bank). The building block would facilitate the building of consensus around the sets of indicators with countries and bringing political momentum behind change. These will draw on existing indicators such as Public Expenditure and Financial Accountability (PEFA) www.pefa.org (currently undergoing an 18-month review).
- 2) **Measuring capacity development** through African Capacity Indicators (African Capacity Building Foundation). The building block would act as a reference group going beyond Africa, to allow for knowledge sharing on methodology and to provide beneficiary countries with a self-assessment tool.
- 3) **Measuring mutual accountability** in the delivery of effective institutions (Nepal) and delivering standards on mutual accountability (UNDP, Switzerland). The building block could act as a knowledge sharing platform on how to best support the measurement of mutual accountability as well as the strength of national accountability institutions (such as INTOSAI's Performance Measurement Framework).
- 4) **Harmonising indicators to evaluate progress** through for instance the harmonisation charter of statistics (NEPAD); including indicators in the 2012 edition of the state of capacity development report on Effective Institutions highlighting levers of success; and better connecting Capacity Development Indicators (LenCD).
- 5) Providing **technical support to the implementation of Busan-related indicators** (such as on the Quality and Use of Country Systems), (Honduras, IDB).

2. Making Reform Happen

Ideas for this substantive input area to the building block included:

- 1) **Identifying evidence of the ways in which the political economy shapes efforts to reform** partner country public institutions and highlighting options to overcome related obstacles (OECD and Korea)
- 2) Forging links and space for connecting issues relating to 'soft elements' going beyond technical aspects of institutional reform in particular by **facilitating joint learning to help partner countries devise and implement politically feasible solutions**, flexible enough to reflect developmental stages and country context (Korea and LenCD)
- 3) Develop **guidance on the ways to support the sustainability of CSO participation and engagement** in reform efforts (Better Aid and Philippines) including CSO capacity to demand increased transparency (Israel and CABRI).



3. Modalities of Support: Use of Country Systems

Ideas for this substantive input area to the building block included:

- 1) Based on existing guidance, provide **further evidence on the political economy behind the decision to use country systems** and theories of change (USAID, ODI and CABRI); develop further recommendations on how to work within the existing political boundaries (Nepal); and identify champions (both donors and other stakeholders – CABRI)
- 2) **Support a platform at international level to share knowledge and co-ordinate responses** on country systems in a more comprehensive way (Germany, OECD, Vietnam) including partial use (IaDB) and review of current indicators (PEFA); and learn lessons from regional peer review efforts (New Zealand)
- 3) **Supporting country-level implementation** teams to draw up compacts guiding strategic choices on the use of country systems (ACBF, Ghana, Philippines) and including CSOs (IFRC)

4. Accountability

Ideas for this substantive input area to the building block included:

- 1) **Promoting the strengthening of accountability institutions such as Supreme Audit Institutions** through for instance sharing information on support to these institutions (INTOSAI) to improve co-ordination both between donors and with other on-going reform efforts.
- 2) **Build support for horizontal as well as vertical accountability systems** in the development of guidance and pilots for support to public sector institutions (Germany, OECD-DAC GOVNET), including at the sub-national levels.
- 3) Promoting **support to systems of accountability and greater use of political economy analysis** to design ‘best fit’ support programmes (OECD-DAC GOVNET)

5. Capacity to Assess and Manage Change

Ideas for this substantive input area to the building block included:

- 1) **promoting partner-led and joint assessments on the strength of public sector institutions** (SIDA, New Zealand, Zambia) as well as the strengthening of domestic statistical systems (though Paris21—Belgium) and tools for CSOs to assess systems (Better Aid)
- 2) **sharing knowledge on ways of assessing and managing change** (LenCD), including at high level (for example through the Conference of African Ministers of the Public Sector – NEPAD) and for specific areas (Good Financial Governance – CABRI)
- 3) **developing mechanisms for transformational political leadership** to foster effective public institutions (Korea, Zambia); drawing on assessments that help to prioritise reform efforts (PEFA); and to support the professionalization of public sector cadres (CIPFA)



In the summary of this session, it was agreed that:

- Whilst these areas provided useful input, further prioritisation was needed and following additional consultations, 2-3 priority areas that could be taken up at a political level should be agreed (for example: building a partnership to measure the effectiveness of institutions; platform to make the use of country systems deliver better public services; and working through politics (both partner and donor) to make reform happen).
- The draft mapping exercise will be revised to take into account inputs received during the meeting including the view that some of the areas can be merged.
- Further inputs to finalise the draft mapping of substantive areas (including how the building block can help support these areas) **should be sent to the OECD Secretariat by August 14th**
- Once priorities have been agreed, members of the building block will be asked whether they would like to champion specific priority areas.

THE BUILDING BLOCK GOING FORWARD

This session discussed potential working level arrangements of the Building Block, in particular linkages to the Global Partnership on Effective Development Cooperation (including monitoring of the related commitments) and to the Governance Network of the OECD-DAC which is currently reviewing its mandate, functions and title.

1. Working Modalities

The OECD-DAC Secretariat presented the different working modalities suggested by members of the building block in the first round of consultations (March-April). These included:

- Knowledge sharing modalities
- Peer reviews and joint assessments
- Support to partner country focused activities
- Advice Centre on specific technical issues

In the discussion that followed, there was consensus on the need for the building block to promote knowledge sharing, including at regional level (World Bank, CARICOM, USAID); as well as providing technical advice on issues that were politically sensitive (i.e. indicators on quality of PFM systems). A number of members expressed support for facilitation at country level work and peer reviews (SIDA, Ghana) whilst highlighting that these needed to be led and explicitly requested by partner countries. Others suggested that the building block should only focus on areas where there are bottlenecks that cannot be solved at country level or issues that require collective action (World Bank). Some members highlighted the value added of the building block as a vehicle for political dialogue (CARICOM, Malawi). In this regard, USAID informed participants that as committed to by Raj Shah in Busan, a high level event



will be organised in April (date, tbc) and held at a political level to explore the implementation gaps on strengthening public sector institutions as part of the building block effort.

Following this discussion, it was agreed that further reflections on potential working modalities should be **sent to the OECD-DAC Secretariat by the 14th of August**. Overall, it was agreed that the building block should be operating in a flexible manner in response to the needs of its members.

2. Linkages with relevant fora

The discussion began with a presentation from OECD-DAC Secretariat highlighting the **importance of the building block as a substantive contributor to the new Global Partnership on Effective Development Cooperation**. The presentation outlined the potential agreements from the last meeting of the Working Party on Aid Effectiveness (28-29) and in particular regarding indicators to measure the quality of public sector institutions. In the discussion that ensued, members felt that, whilst the general indicators had been agreed, further technical input could be provided by the Building Block, in particular on data sources and the quality of PFM systems. This technical work should include a broad variety of stakeholders (government and non-governmental) and be undertaken in a 5-6 month period. Members also highlighted the importance of linking efforts with other building blocks, in particular those relating to fragile states, transparency, results and climate finance.

A second presentation in this session by the OECD-DAC Secretariat outlined the **potential areas of overlap between the Effective Institutions building block and the OECD-DAC Governance Network (GOVNET)** which is currently developing more inclusive operations in consultations on updating its mandate.

In terms of **future areas of collaboration**, the development of indicators could closely link to the process in the OECD-DAC Governance Network to provide a knowledge sharing platform for exchange about ways to demonstrate results in this field. Another important item for collaboration in the area of making reform happen is the implementation of GOVNET's work on improving support to accountability and plans to work on local accountability and civil society support which may lead to the development of principles for support to civil society in 2013. In addition, in the area of accountability, the use of political economy analysis will be a major aspect of the implementation of the forthcoming *Orientations on Development Co-operation, Accountability and Democratic Governance* led by the OECD-DAC GOVNET in 2013-14, and could be a key area for collaboration and joint piloting.

Members of GOVNET recognised the significant partner country engagement in the building block on effective institutions and highlighted the importance of ensuring clear linkages once the substantive priorities have been better defined. It was noted that consultations will be continuing with both constituencies. The Global Forum on Better Governance for Inclusive Growth in November could provide an opportunity to bring the Effective Institutions and GOVNET members together for a more in-depth discussion on ways to maximise synergies and avoid duplication.

Similarly, in a presentation (USAID) on the **future of the communities of practice such as the Task Forces on PFM and Procurement**, it was agreed that initial consultations will be broadened on their role



and substantive work programme going forward. Consultations held with key members of these Task Forces suggest an appetite for these technical groups to continue. Decisions regarding membership and working arrangements of the Task Forces will be taken by the end of 2012 and discussed within the Building Block on Effective Institutions.

Summary of next steps

The following highlight the main agreements reached at this meeting:

1. Request Inputs to **finalise draft mapping by August 14th** (including both substantive priorities and working modalities)
2. Agreement to hold a **technical review process on indicators** to measure the quality of effective institutions to report to the Steering Committee of the new Global Partnership on Effective Development Cooperation
3. Agreement to hold **further consultations on linkages between the Building Block and the future GOVNET and on the role of the Task Forces on PFM (2nd consultation) and Procurement (1st consultation)**; and agree a process for decision making in this area.

Next Relevant meetings

1) Global Forum on Better Governance for Inclusive Growth (21 November 2012)

The aim of this meeting is to bring communities from the OECD and non-OECD together and in a session on effective institutions identify champions and strategic partners. A seminar on the 22nd of November will then explore how to develop an integrated perspective on governance challenges and lessons learned for both OECD and non-OECD countries.

2) High Level Meeting on Effective Institutions (April 2013, date tbc—likely on the margins of the WB/IMF Spring Meetings)

High Level Meeting championed by USAID on Effective Institutions and Country Systems (details tbc but likely on the margins of the World Bank/IMF Spring Meetings).

