Conference Background

Executive Summary

From 8-9 June in Tunis, the Partnership for Democratic Governance (PDG) and the African Development Bank (AfDB) co-hosted a conference on “Contracting Out Core Government Services and Functions in Fragile and Post-Conflict Situations”.

The conference gathered around 80 participants from a wide range of development aid stakeholders: OECD members (Canada, the European Commission, Japan, Poland, Turkey, the United Kingdom and the United States), non-DAC donors (Brazil and Chile), international organisations (ADB, UNDP, UNECA and UNICEF), NGOs and the private sector. Fifteen partner countries from Africa and Asia were represented at senior level.

The objective of the conference was to examine how the “contracting out” of government functions and services in fragile states can be compatible with the long-term goals of capacity development and state building.

Main themes

- The issue of conceptual clarity was addressed, as the term “contracting out” needs a precise and agreed definition in order to distinguish with other related concepts such as public-private partnership, outsourcing, output-based aid, and even technical assistance. For the purpose of the meeting, the organisers defined the term as the transfer of competences or authority for a given period of time based on a contractual arrangement between the delegating authority (the government) and a third party (a contractor).
- Likewise, the concept of “core government functions” was highlighted as problematic by evoking precisely the public sectors that should not be contracted out. Participants discussed how different government sectors and functions had specificities with regard to being contracted out, and how some of these functions could not be contracted out without threatening state sovereignty—in particular policy and decision making.
- Participants emphasised the possible risks of contracting out undermining the long-term objective of state building and capacity development. However, it was argued that contracting out government services is not necessarily the sign of a weak state, but can on the contrary be a legitimate public policy choice made by a resilient state. Similarly, the impact of contracting out on state building may not be negative and could actually help strengthen state legitimacy under a number of conditions, notably if the decision to contract be made by the government under the spirit of the Paris Declaration; the government has the capacity to negotiate, manage and monitor the contract; and if the contracted services are branded as government services.
A general agreement emerged on the key importance of the leadership and regulation roles of the government in any contracting-out process. In fragile situations, however, the state capacity to own, monitor and decide on the contracting process is usually very weak. This lack of capacity – combined with the urgent need for quick service delivery – was agreed to be the core dilemma of contracting out government services in fragile states.

Specifically, the dilemma between service delivery and capacity development raises a series of operational issues. First, in terms of timing and sequencing, participants discussed when a capacity development activity should start and how to plan an exit strategy for the contractors to ultimately hand over the service to national actors. Second, who should be in charge of capacity development, and whether it should be the same contractor who delivers the service or a separate contractor. Third, participants discussed what specific capacities need to be built, which range from contract preparation and management of the tendering process to monitoring and evaluation capacities and general oversight. While discussions did not lead to a consensus, it was agreed that policy guidance on such topics were lacking.

Key conclusions and recommendations

Beyond identifying gaps and dilemmas, the joint AfDB-PDG conference also allowed a consensus to emerge on a series of key conclusions and recommendations. The first agreed lesson is that there is no one-size-fits-all approach. No blueprints can be imposed from the outside, and any contracting-out process should be specifically tailored to the context.

Emphasis was rightly placed on the need for a preliminary national capacity assessment prior to the decision to contract out, and that preference should be given to local and national service providers over international contractors. The specific advantages of the regional and South-South dimensions of relations between government and contractors were also highlighted.

It was also agreed that any contracting-out mechanism should first and foremost draw on a clear contractual arrangement stipulating the duration, services to be delivered and including clear accountability mechanisms.

Participants noted that not all government functions can be contracted out. While intersectoral learning is useful, a sector-specific approach should be kept in mind, as the health, public sector governance and security and justice sectors all have specific features that need to be respected.

Strengthening state capacities and institutions should remain the end goal, with a strong commitment to national ownership and capacity development. Regarding contracting-out arrangements, it was agreed that the government should be able to hold contractors accountable for whatever service or function they perform. Therefore, regulatory capacities should be constantly supported by donors.

Next steps

Participants suggested that as the PDG brings these conclusions forward, it should use the full range of contracting literature and the lessons learned in OECD countries. Because the debate on contracting out of public services has a long history, such background can prove useful if accurately adapted to fragile contexts.

The PDG Advisory Unit informed participants of its plans to launch a policy dialogue that would ultimately lead to the production of a Handbook on contracting out government services and functions in fragile and post-conflict situations.