# PARTNERSHIP CONTRACT

**BETWEEN**

The Organisation for Economic Co-operation and Development, whose headquarters are situated at 2 rue André Pascal, 75775 Paris Cedex 16, France, represented by Mr. Anthony Rottier hereinafter referred to as “the OECD”

on the one hand,

**AND**

**The United Nations Development Programme through the United Nations Development Programme’s International Policy Centre for Inclusive Growth**, whose headquarters are situated at Setor Bancário Sul Quadra 1, Bloco J, Ed. BNDES, 13º andar UNDP/IPC-IG Brasilia-DF, Brazil, 70076-900, represented by Mr. Niky Fabiancic, hereinafter referred to as the “IPC-IG”

on the other hand

IT HAS BEEN AGREED AS FOLLOWS:

WHEREAS, the OECD, through its Development Centre, and the Ministry of Foreign Affairs of Finland (MFAF) have agreed to jointly implement the Programme “Supporting the establishment of sustainable and inclusive social protection systems” (hereinafter “the Programme”). The principal objective of the Programme is to support partner countries in the development of nationally-owned sustainable and inclusive social protection systems, to reduce vulnerability and inequality through universal access to a nationally defined social protection floor throughout people’s lifecycles, and higher levels of protection, with particular attention to the most vulnerable and disadvantaged people such as children, women, minorities, persons with disabilities and older persons,

WHEREAS, a portion of funding for the Programme is obtained through a contribution from the European Union under an agreement executed between the OECD, in its role as lead Programme partner, and the European Commission (hereinafter “the Contribution Agreement”),

WHEREAS, the Programme requires *inter alia* studying the effect of social protection benefits on growth and equality;

WHEREAS IPC-IG has accepted to carry out this study in partnership with the OECD.

To that end, the Parties have agreed on the present partnership contract (the “Partnership Contract”) as follows.

NOW THEREFORE IT HAS BEEN AGREED AS FOLLOWS:

## Purpose of the Partnership Contract

This Partnership Contract between the IPC-IG and the OECD (“the Parties”) sets out the conditions under which IPC-IG will carry out, in co‑operation with the OECD, the work on ‘The Effect of Social Protection Benefits on Growth and Equality’, as described in Annex 2 (hereinafter “the Work”).

## The Work

The overall objective of the Work is to identify and quantify the role played by social protection benefits (such as pensions, employment and social assistance benefits) on inclusive growth (defined by distributing the dividends of increased prosperity fairly across society). The Work will be based on identifying inclusive growth-conducive individual behaviours affected by social protection and thereafter testing those empirically. The Work, which is divided into four phases, is described fully in Annex 2.

All four phases of the Work will be conducted in close collaboration between the Parties. In particular, the Work will be based on regular bi‑weekly technical and strategic discussions, with analytical tasks to be performed by both Parties, and a drafting process involving both Parties. The Parties will jointly develop and co‑author the reports and deliverables of this Work.

## Duration of the Partnership Contract

The Work shall be carried out from 15 June 2016 to 14 June 2017.

Upon fully satisfactory performance of the Work, the Partnership Contract will automatically end.

## Funding

In consideration of the performance by IPC-IG of the Work tasks in accordance with this Partnership Contract, the OECD shall provide the IPC-IG the firm and final sum of EUR 200 000. The OECD shall pay the IPC-IG this amount in three instalments, according to the following schedule:

* EUR 70 000 (seventy thousand euros) within 30 days of receipt by the OECD of:
* a duly signed and dated copy of this Partnership Contract;
* presentation of the corresponding invoice.

For the production of the following outputs:

* the report on the findings of Phase 1 of the Work;
* the report on the findings of Phase 2 of the Work;
* the econometric models developed in Phase 3 of the Work;
* EUR 70 000 (seventy thousand euros) within 30 days of receipt by the OECD of:
* the outputs related to the first payment;
* the corresponding invoice.

For the production of the following output:

* the final report covering all four phases of the Work;
* EUR 60 000 (sixty thousand euros) within 30 days of receipt by the OECD of:
* the output related to the second payment;
* the corresponding invoice.

For the production of the following output:

* Seminar to launch the final report, according to the terms of Annex 3 attached herein

The OECD shall pay said payments to the following account:

UNDP Contributions (EURO) Account

Account Number 6008 6272 2022

IBAN GB59 BOFA 1650 5062 7220 22

SWIFT BOFAGB22

Bank of America – London

Mail Code: 473-672-09-01

5, Canada Square, E14 5AQ London, United Kingdom

Payments will be made by bank transfer, in euro. The OECD will only pay the bank transfer fees charged by the originating bank. The OECD will not reimburse any fees levied by any intermediary bank or the receiving bank or any other cost associated with such transfer or with currency exchange. The IPC‑IG will carry out the Work in accordance with IPC-IG regulations, rules and procedures provided that these regulations, rules and procedures comply with the provisions of this Partnership Contract.

After each instalment, OECD will notify the following e-mail addresses: [contributions@undp.org](mailto:contributions@undp.org), [jorge.oliveira@ipc-undp.org](mailto:jorge.oliveira@undp.org), [luis.paiva@ipc-undp.org](mailto:luis.paiva@ipc-undp.org), [diana.sawyer@ipc-undp.org](mailto:diana.sawyer@ipc-undp.org).

## Intellectual Property

All intellectual property and other proprietary rights including, but not limited to, patents, copyrights, and trademarks, with regard to products, processes, inventions, ideas, know-how, or documents and other materials resulting from the Work (“IP Rights”) shall jointly vest in OECD and IPC-IG.  The Parties acknowledge and agree that OECD shall share its ownership of the IP Rights with the Ministry for Foreign Affairs of Finland (“MFAF”) and the National Institute for Health and Welfare of Finland (“THL”).  None of the entities (MFAF, THL, OECD and IPC-IG, hereinafter the “Entities”) shall have the authority to commit any of the other Entities in relation to the IP Rights, and each Entity shall be solely responsible for any claims, actions, losses, or damages which may arise out of its own use of the IP Rights, or that of any third party to which it has licensed such IP Rights.  Licenses shall be limited to non-commercial use.

The OECD and IPC-IG shall be given proper acknowledgement in any publications resulting from the Work. The European Commission shall be entitled to use free of charge and as it sees fit all documents deriving from the Work, whatever their form, provided it does not thereby breach existing intellectual property rights.

As per the EU General Conditions (Article 6), all reports and publications shall acknowledge that they were carried out “with funding by the European Union” and shall display in an appropriate way the European logo (twelve yellow stars on a blue background).

## Obligations relating to EU funding

The Work is an integral part of the Programme which is partially funded by the Contribution Agreement.

ICP-IG recognises that the quality and timeliness of the tasks it will carry out are essential to ensure that the OECD complies with the requirements of the Contribution Agreement.

The Contribution Agreement requires the OECD to ensure that the conditions imposed on it under Articles 1, 3, 4, 5, 6, 10 and 16 of the “General Conditions applicable to EC contribution agreements with international organisations” which are attached as Annex 1 to this Partnership Contract (the “EU General Conditions”) be passed on to partners and contractors.

As a consequence, in addition to the terms and conditions of this Partnership Contract, IPC-IG agrees to be bound and fully respect articles 1, 3, 4, 5, 6 and 10 of Annex 1. Article 16 of Annex 1 shall be applied in accordance with the Financial Administrative and Framework Agreement between the European Community and the United Nations.

For the purposes of this Partnership Contract, and unless the context requires otherwise, the references made in those above‑mentioned articles to the “Organisation” and the “Contracting Authority” will be read as references to IPC-IG and the OECD, respectively, as appropriate.

In particular, ICP-IG will keep accurate books, financial accounts and records relating to the Work, in accordance with internationally accepted accounting principles, including original invoices and proof of payments, from the commencement of the Work and for at least seven years following any activities under the present Partnership Contract.

## Transfer of rights and obligations

IPC-IG shall not transfer or subcontract to any third party all or part of its rights or obligations under this Partnership Contract, except with the prior written consent of the OECD.

## Annexes

Articles 1, 3, 4, 5, 6, 10 and 16 of the EU General Conditions (Annex 1) and Annex 2 (Description of the Work) shall form an integral part of this Partnership Contract. The Parties acknowledge and agree that the rest of the Articles of the EU General Conditions shall not be applicable to IPC-IG.

## Responsibility

Each Party will be responsible for its activities and for its staff members, including for their acts and omissions. In particular, a Party will not be liable for any damage or injury to any of the other Party’s staff.

Each Party (“the First Party”) will hold the other Party and its staff harmless from any claim or damages, however caused, arising in connection with the activities carried out by the First Party or its staff.

## Amendment, Modification and Termination

Any amendment or modification to this Partnership Contract shall be agreed between the OECD and IPC-IG in writing.

This Agreement may be terminated through written notice:

1. by the OECD if the Contribution Agreement ends for any reason (including in the case of force majeure);
2. by IPC-IG in the event of a material breach by the OECD in connection with this Partnership Contract.
3. by the OECD in the event of a material breach, fraudulent behaviour or corrupt practices by IPC‑IG in connection with this Partnership Contract.

The Party willing to terminate the Partnership Contract will initiate such a termination only after consultation with the other Party.

Additionally, if the present Partnership Contract is terminated for fraudulent behaviour or corrupt practices by the IPC-IG related to this Partnership Contract, the OECD may also demand full repayment of any amounts already paid.

This repayment shall be made to the OECD within 30 days as from the request in writing by the OECD.

## Settlement of Dispute

IPC-IG and the OECD shall first seek to settle amicably any differences and disputes arising from or relating to the implementation of this Partnership Contract.

Any dispute, controversy or claim arising out of or relating to the interpretation, application or performance of this Partnership Contract, including its existence, validity or termination, shall be settled by final and binding arbitration in accordance with the UNCITRAL Arbitration, as in effect on the date of this Partnership Contract. The number of arbitrators shall be three. The language to be used in the arbitral proceedings shall be English. The place of arbitration shall be Paris (France). The Parties expressly renounce their right to seek the annulment or setting-aside of any award rendered by the arbitral tribunal.

## Privileges and immunities

Nothing in this Partnership Contract shall be construed as a waiver, express or implied, of the either Party’s immunities and privileges as international organisations, including the immunity from any legal process or judicial proceedings.

## Key Points of Contact

Each Party designates below its representative with overall responsibility for implementing this Partnership Contract, including responsibility for formulating work plans for activities to be undertaken pursuant to it:

**For IPC-IG:**

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Drawn up in Paris, in two original copies.

|  |  |
| --- | --- |
| OECD | IPC-IG |
| Mr. Anthony Rottier  Executive Director | Mr. Niky Fabiancic  UNDP Brazil Resident Representative |
| Date | Date |
| Signature | Signature |

Annex 1 EU General Conditions

Annex 2 Description of the Work

Annex 3 Draft Agenda of seminar to launch the final report

Annex 2: Description of the Work  
The Effect of Social Protection Benefits on Growth and Equality

## Background

Why some countries grow and others stay poor has been the obsession of economists at least since Adam Smith’s *The Wealth of Nations*. In the last two centuries much has been learned from theory but we are not even remotely close to intellectual convergence on what makes for fast growing and equitable economies and what condemns others to inequality and stagnation. The data is difficult because, as opposed to microeconomic data in which exogeneity is a theoretically possible goal, macro-economic data is by definition endogenous. This means that many of the usual regression analysis tools are flawed by principle when dealing with macro data (although this does not mean that these exercises are useless). In any case, it is not the people involved in this project that will succeed where generations of economists have failed – to produce a theory of growth and distribution that puts the economic debate to rest and tells policy makers everywhere how to build prosperous and equitable societies.

## Scope

The overall objective of this Work is to identify and quantify the role played by social protection benefits (such as pensions, employment and social assistance benefits) on inclusive growth (defined by distributing the dividends of increased prosperity fairly across society). The Work will be based on identifying inclusive growth-conducive individual behaviours affected by social protection and thereafter testing those empirically. The Work will be based on four major phases as outlined in the following section.

## Phases of the Work

### Phase 1 - Identify growth- and equity-conducive individual behaviours within various growth theories

Understanding the micro-macro linkages of inclusive growth – growth that comes with equity – is a central aspect of this Work. What we do have is a rich set of theories which cover more or less the contributions given over two centuries by the brightest economists that ever lived. These contributions can be grouped together into not too many categories of approaches to growth and distribution. While the debates between economists on minor and fine points of each growth and distribution theory are endless, if we concentrate on each theory’s major hypotheses, we can group them into maybe four or five brackets. A post-Keynesian economist believes that sustained aggregate demand is the key to long term economic growth, regardless of what he or she believes about the exact nature and functioning of financial markets under capitalism. Likewise, a neo-Schumpeterian economist believes that growth comes from innovation, regardless of what he or she may believe about the role played by government support for innovation.

A very rough categorisation (probably the final categorisation will be finer) of theories might look like the table below.

|  |  |
| --- | --- |
| **Category** | **Examples of Key Microeconomic Inclusive Growth channels** |
| Keynesians of all stripes (neo‑Keynesians, post‑Keynesians, Cepalistas) | Demand, investment. |
| Neo‑classical model (including new classicals) | Savings, education, exogenous productivity, markets working. |
| Endogenous growth models (including neo‑ Schumpeterians) | Savings, education, risk-taking. |
| New institutionalists | Property rights, risk-taking, markets working. |

The final categorisation will be refined and the key micro growth channels will be better formed in terms of questions that can be answered by household surveys with regarding social protection. Once we have aggregated growth and distribution theories into boxes that enfold each tradition, we can identify what are the individual level behaviours that lead to more growth and/or better distribution and what are the individual behaviours that do not.

It is important to note that growth and distribution theories are not comprised entirely of individual level behaviours that can be estimated from household surveys. Much rides on how financial markets work, how governments react to changes in the economic environment, and so on. But this Work is not about distribution and development *per se*, but distribution and development as they relate to social protection and here the changes in individual behaviours induced by differing social protection regimes are paramount. The importance of non-individual behaviours, however, means that all our answers will be ultimately context-dependent. The contexts under which social protection is pro‑ and anti‑growth or pro‑ and anti‑equality may be clearly spelled out in each theoretical approach, but since they are context‑dependent we must investigate a variety of contexts, particularly in relation to level of development.

#### Phase 1 activity

1.1 Identify Microeconomic Inclusive Growth Channels to Macroeconomic Models

1.1.1 Keynesians

1.1.2 Neoclassical Models

1.1.3 Endogenous Growth Models

1.1.4 New Institutionalist

1.2 Report preparation and delivery

The review of the growth literature and in particular the identification of growth‑ and equity‑conducive individual behaviours will be conducted by IPC-IG. IPC-IG will draft a report on Phase 1, that will form the basis for technical discussions with the OECD. Both parties will discuss revisions and modifications which IPC-IG will reflect in the final report.

### Phase 2 - Review the existing literature on the effects of social protection policies on individual behaviours that are likely linked to inclusive growth

Here we will look at what has already been learned from existing studies on social protection – and there are many such studies – and their impacts upon individual decisions. This is basically a very thorough literature review. This would be done in parallel and in co‑ordination with Phase 1.

#### Phase 2 activity

2.1 Identify behaviours affected by social protection

2.1.1 Labour supply

2.1.2 Consumption

2.1.3 Savings

2.1.4 Education

2.1.5 Innovation and risk taking

2.1.6 Fertility

2.1.7 Migration

2.2 Report preparation and delivery

The review of the literature on the effects of social protection policies on individual behaviors that are likely linked to inclusive growth will be completed by IPC-IG. IPC-IG will draft a report on Phase 2 and submit it to the OECD for technical review and feedback. Both parties will discuss revisions and modifications which IPC-IG will reflect in the final report.

### Phase 3 - Develop an analytical framework (including data, identification strategy, model)

Given a list of theoretical approaches and their desired individual behaviours identified in the previous phases, we can turn to the micro data and see what types of social protection set‑ups appear more or less conducive to growth and equity and in which context. One would suppose, for example, that in a post‑Keynesian approach a social protection environment that leads families to smooth their consumption is conducive to inclusive growth. So we are looking for social protection schemes that keep families hit by unemployment consuming. A neo-Schumpeterian is all about taking risks. Perhaps a standard pay‑as‑you‑go social security system will reduce appetite for risk or perhaps increase it. We will not know until we look. IPC-IG will propose econometric models to be estimated, as far as is possible, in the same way in each country.

The identification strategy will need to address the measurement of the micro inclusive growth channels affected by social protection and specify if these are correlates or impacts.

The preferred option is to estimate ‑ when data allow ‑ the impact of social protection on the micro inclusive growth channels using multivariate analysis to identify the correlation between social protection and the micro inclusive growth channels and quasi- experimental settings.

The development of the analytical framework will be conducted by IPC-IG, with regular technical discussions with the OECD regarding the three data criteria (identification of variables, databases and countries). The choice of countries will be discussed between the Parties, with approval from the OECD on the final choice of countries. The analytical model will be drafted by IPC-IG and thereafter discussed with the OECD and revised if required.

#### Phase 3 activity

3.1 Define variables, datasets and countries

3.1.1 Identification of a minimum set of variables

3.1.2 Identification of data bases and reliability tests

3.1.3 Definition of 3 or 4 countries

3.2 Develop econometric models

### Phase 4 – Test empirical evidence on a sample of countries

In this phase, the analytical framework developed in Phase 3 will be applied to the set of countries chosen by the OECD based on data availability and representativeness.

#### Phase 4 activity

4.1 Harmonisation of the data among countries

4.2 Running and analysis of the empirical statistical model

4.3 Report preparation and delivery

IPC-IG will be leading the analysis, but technical issues will be discussed with the OECD at regular intervals. All data and data analysis files will be shared with the OECD. The final report will be drafted by IPC-IG. Revisions, findings and conclusions will be discussed by both Parties and incorporated into the final report by IPC-IG. The OECD will prepare the final report for publishing.

## Launch of Final Report

IPC-IG will organise a seminar to launch the final report and present the main findings. The seminar will be held in Brazil in the final month of the Partnership Contract (see draft agenda Annex 3).

## Countries

The previous section suggests that crucial individual level behaviours which determine economic growth and distribution are dimensions such as willingness to take risks and innovate, labour supply, consumption, savings, propensity to educate oneself and one’s children, fertility and domestic migration. Although the final list will be available only after the macro work is fully done, most of individual level behaviours in these dimensions may be estimated, however imperfectly, from micro-level data. Usual labour force surveys such as those most readily available for most middle-income countries may allow the estimation of labour supply and education. However, other variables not contemplated by labour force surveys, such as savings and consumption behaviours, are also necessary. This means that a Living Standards Measurement Survey (LSMS) is more or less the minimum prerequisite for the analysis. Ideally, a full-fledged consumption survey would be even better, but LSMS would allow at least consumption and savings estimates, which are crucial to most of growth theory.

Since the issue at hand is the impact of social protection benefits upon behaviours potentially associated to growth and distribution, this research will benefit from analysing relevant surveys that contain the necessary information.

The basic criterion for selecting countries shall be the possibility to capture the effects of social protection benefits on behaviour at the micro level (through multivariate analysis and quasi-experimental methods).

A second criterion is to select countries from different world regions. The usual division of countries into high income countries (mostly covered by the OECD), middle and low income countries may be useful here. An additional criterion is that the selected countries coincide if possible, with the list of countries already in the project (Cambodia, Ethiopia, Indonesia, Kyrgyzstan, Mozambique, Namibia, Tanzania, Togo, Viet Nam and Zambia).

The ideal scenario is to analyse micro data from no more than three or four countries, which could be done (along with other phases of this Work) within one year. Brazil is a strong candidate to be included, given the experience of IPC-IG researchers with Brazilian datasets and the availability of data. The National Household Sample Survey and the Household Budget Survey are potential sources of data to be analysed during the Work.

During the first phases of the Work, careful examination of data availability and of the social protection structures at the country level will give us the possibility to make a fully informed decision about the three or four countries that will have their data analysed.

A list of potential candidates of high, middle and low income countries may be found in the table below.

|  |  |  |
| --- | --- | --- |
| **High income** | **Middle income** | **Low income** |
| Denmark, Sweden, Norway, Netherlands, or other exemplary SP country.  United States, Canada, or Australia.  Portugal, Italy, Ireland, Greece or Spain.  Former Socialist economy such as Bulgaria. | Brazil, Mexico, or other Latin American country caught in middle income trap.  South Africa.  Malaysia, Indonesia, or other fast growing East Asian middle income country.  Chile, Uruguay, Turkey, or other non-East Asian fast growing middle income country. | India.  Ghana, Tanzania, or other African country with good LSMS coverage.  Vietnam, Mongolia or other poor East Asian country with good survey coverage. |

## Deliverables

* Report on Phase 1 (approximately 20 pages).
* Report on Phase 2 (approximately 30 pages).
* Econometric models for three or four countries (as decided between the Parties).
* Report on the analysis of the empirical statistical model.
* Final Report summarising the findings of the Work (approximately 60 to 80 pages)
* Launch event for the Final Report

## Timeline



Annex 3 - Draft Agenda of seminar to launch the final report

**Seminar – How Do Social Protection Benefits Influence Growth and Equality?**

Date: In the final month of the Partnership Contract.

Venue: Brasilia, DF

Participants: IPC staff; representatives of the OECD; international consultants who worked on phases 1-4; Government officials and decision makers. Total of around 30 people.

**Sessions:**

***Morning***

1. Welcoming by PNUD and IPEA representatives (20 minutes)
2. The scope of the Project and future prospect (30 minutes)

Speakers: representatives of OECD and IPC

1. Economic theories: individual behaviours that lead to development (1hr 30 minutes, including debate)

Speakers: consultants of phase 1 and IPC representative

***Afternoon***

1. Effects of social protection on individual behaviours (1:30 hours, including debate)

Speakers: consultants of phase 2 and IPC representative

1. Empirical findings of the project (1:30 hours, including debate)

Speakers: consultants of phase 4 and IPC representatives