

FACTSHEET

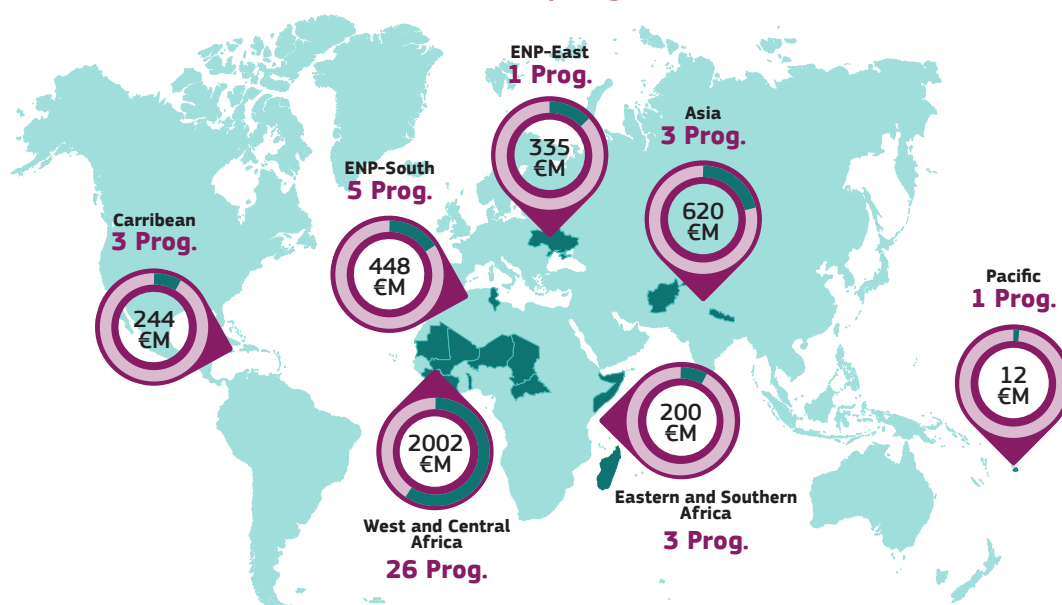
EVALUATION OF EU STATE BUILDING CONTRACTS (2012-2018)

The State Building Contract (SBC) is a type of budget support introduced by the European Commission in 2012 to strengthen the capacity of Governments to fulfil their core functions in situations of fragility and transition. The EC commissioned an external evaluation¹ of SBCs as an aid instrument to learn from experience and improve its future design and implementation.

1

AN INSTRUMENT MOBILISED IN 23 COUNTRIES TO RESPOND TO SYSTEMIC SHOCKS IN FRAGILE, VOLATILE AND HIGH-RISK CONTEXTS

SBCs: €3 882 million committed / 23 Countries (16 in Sub-Saharan Africa)
42 programmes



Each SBC beneficiary country presents a **specific context of intervention** but most countries are marked by strong structural fragility factors, compounded by health, economic, political, climatic and/or security crises, which make it very

difficult to pursue growth and poverty reduction policies. In some cases, SBCs have been allocated to countries that are not fragile but are subject to shocks (e.g. natural disasters, political transition) with potentially devastating effects.

In these contexts of intervention, SBCs offer the opportunity to respond to urgent needs, in particular:

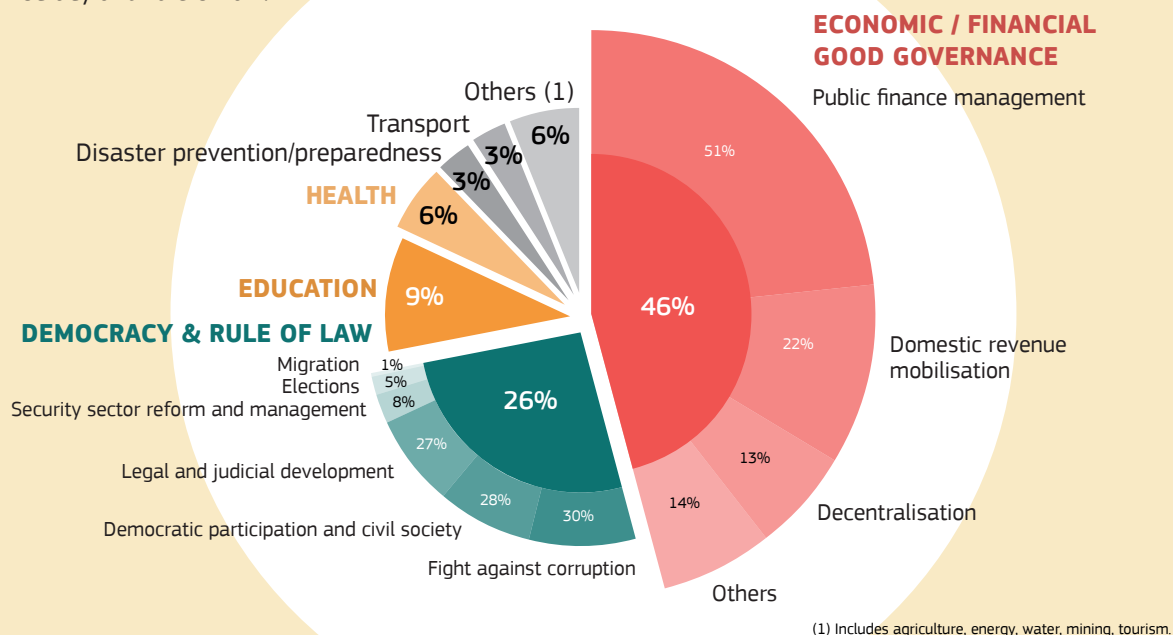
- Maintaining the capacity of the Government to fulfil its core functions;
- Minimizing the destabilising economic and social effects of crises/shocks;
- Consolidating national systems to facilitate the implementation of structural policies for poverty reduction and to foster democratic governance.

¹ Evaluation carried out by ADE s.a (Analysis for Economic Decisions).

On the ground

SBCs primarily targeted support to Government's capacities in three main areas:

- 🔴 Macroeconomic and fiscal stabilisation and public finance management (PFM) systems;
- 🟡 Provision of basic social services;
- 🟢 Democracy and rule of law.



2 A FLEXIBLE INSTRUMENT, TAILORED TO NEEDS BUT WITH AN UNCLEAR STRATEGIC VISION

The SBC has proved a unique and necessary instrument to address the specific urgent needs of situations of fragility/transition/reconstruction. It has allowed, within a short period of time, financing the current expenditures of the Government through a grant.

Overall, prior analyses of situations of fragility and risks were sufficient to identify the issues at stake, but not always deep enough to address more specific sectoral dimensions.

Substantial financial resources have been allocated through these programmes, under conditions that are generally justified in terms of balancing the need to provide financial support at a critical time and the need to embark on reforms.

The effectiveness of the programmes was, however, undermined by: intervention strategies that were insufficiently explicit and which were reflected in too general intervention logics; results that were not clearly specified; technical support that was often disconnected from the other components; and variable tranche indicators that were still too numerous and/or too ambitious and/or too scattered.

50% OF THE POPULATION BELOW THE POVERTY LINE WILL LIVE IN FRAGILE CONTEXTS

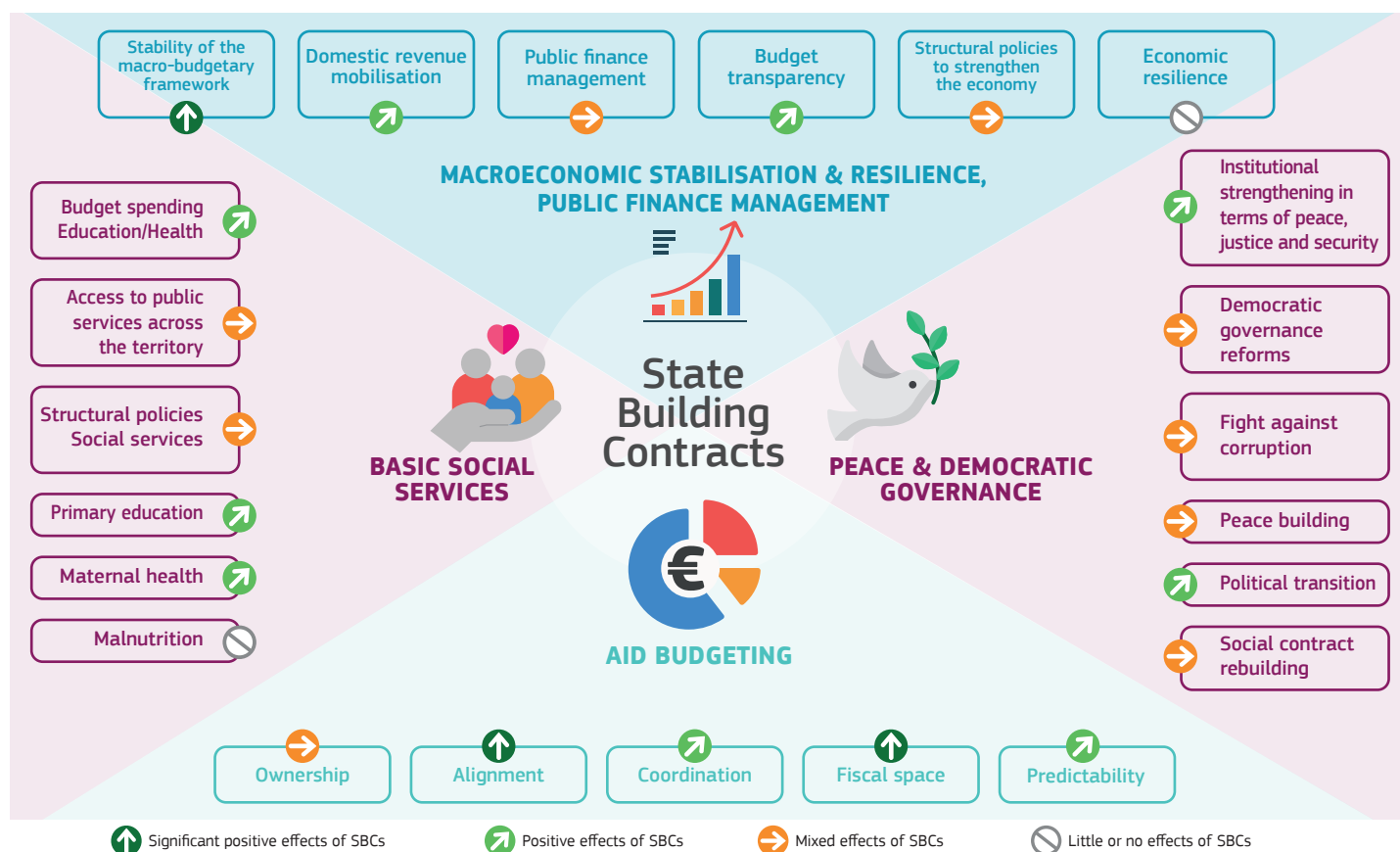
The World Bank estimates that by 2030 at least half of the people living below the poverty line will live in countries prone to fragility, conflict and/or violence. In these contexts, the capacity of the State to fulfil its core functions and to provide basic social services is a key factor in exiting from fragility.

3 OVERALL POSITIVE RESULTS THAT PLACE THE GOVERNMENT AT THE CENTRE OF CRISIS RESPONSE. BUT LIMITED IMPACT ON THE CONSOLIDATION OF DEVELOPMENT PROCESSES

The SBC has proved to be a powerful instrument for restoration of State functions and stabilisation in a variety of situations of fragility where State functions were weakened, including in extreme cases where the State ran the risk of collapsing with serious economic, social and political consequences.

SBCs placed the Government at the heart of the response to fragility/transition/reconstruction: by increasing fiscal space and supporting measures to strengthen domestic resource mobilisation, SBCs, in coordination with other donors, played an important role in the **macroeconomic stabilisation** of all recipient countries, without influencing the stabilisation policies pursued under IMF programmes. By focusing on **public financial management**, they have helped to strengthen core functions, including budget planning, budget transparency and, in some cases, treasury management. Yet PFM systems remained weak overall.

Contribution of State Building Contracts to State consolidation



The focus of SBCs on the **provision of basic social services** (education/health) produced positive effects on maintaining current public expenditure and service delivery and on addressing the situation of women, girls and children. On the other hand, SBCs have had little effect on the quality of services, the structuring of sectoral policies and the response to food insecurity.

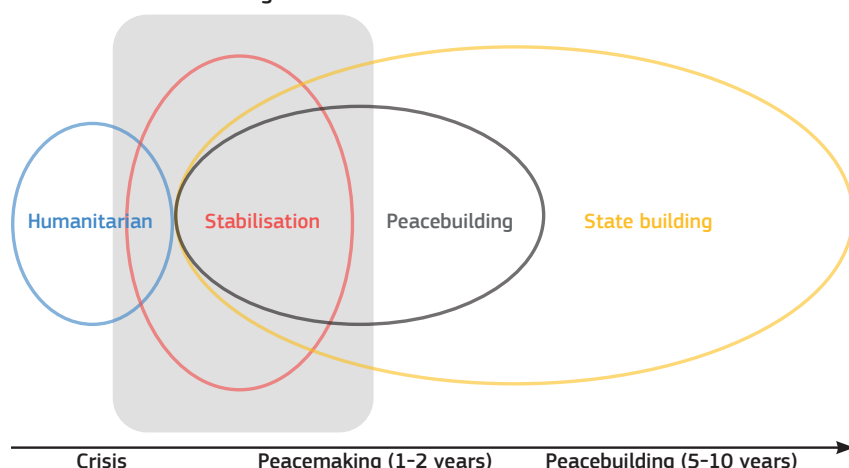
The focus on **democratic governance** is another specificity of the EU approach. The SBC has proved a relevant and effective instrument for accompanying phases of political transition towards a democratic governance system at a key moment, although less so for consolidating democratisation processes over time. It has been instrumental in triggering reforms in the fields of justice, security, deconcentration, fight against corruption, and citizen participation, but without leading to sustainable results in terms of improving public governance or rebuilding the social contract.

BETTER ACCESS TO EDUCATION, LOWER CHILD MORTALITY AND BETTER CARE FOR PREGNANCIES

A striking effect of SBCs in the social sectors lies in their contribution, in crisis contexts, to maintaining public spending on education, increasing budgets for health, and using them to support access to primary education (especially for girls) and the health of children and women. SBCs have contributed to increasing the rate of access to primary education, improving pregnancy care and the health of children under 5 years of age, and reducing child mortality.

With the exception of non-fragile States, little progress has been observed in **implementing structural reforms** and in reducing fragility factors and risks, macroeconomic risks still being present or even higher in the majority of beneficiary countries, and a still high economic vulnerability.

Better effectiveness of SBCs in democratic governance



The **limitations** observed in the action of SBCs are partly inherent to the context of persistent fragility and depend on the willingness or capacity of the beneficiary countries to carry out structural reforms. They also stem from weaknesses in the implementation of programmes, in particular from a lack of leverage in the general conditions and political dialogue, difficulties in ensuring continuity in the monitoring of reforms, lack of resources within the EU Delegations to carry out monitoring and dialogue, and insufficient involvement of local stakeholders.

4

AN INSTRUMENT WHICH PLACES THE EU IN A KEY ROLE BUT WHICH IS STILL UNRECOGNISED AND POORLY UNDERSTOOD

Through the SBC, the EU has taken on an increasing role in supporting State-building in risky contexts, alongside other recognised development partners, and has distinguished itself by its support to social cohesion and democratic governance in the stabilisation process. Thanks to a technical dialogue of proximity appreciated by all, the EU has imparted credibility to its action.

Nevertheless, this credibility must be further strengthened at the highest level of the Government: the lack of resources within the EU Delegations, the timid political steering - with limited involvement of the European External Action Service - and the difficulty of implementing an integrated approach to

maximise complementarities between the various European means of action, have so far not given the EU the political weight it could have in relation to the financial amounts committed.

The instrument is still poorly understood and poorly mastered by most stakeholders. Weak capacity of partners may partly explain this lack of command, but it does not justify the limited EU efforts made so far to ensure wider ownership.

Moreover, the results achieved are little valued or communicated to the public, both in Europe and in beneficiary countries, which can lead to mistrust towards an instrument that remains unknown by the citizen.

5

RECOMMENDATIONS



Position the SBC as a stabilisation instrument, responding to the needs of social cohesion (education/health) and democratic governance in fragile contexts and strengthening the core of the government system (in particular public financial management and mobilisation of domestic revenues) and enabling a gradual shift towards consolidation through more appropriate instruments.



Improve the design of SBCs:

- ◉ Further develop, at regular intervals, the intervention logics according to the evolution of the context to better take into account the urgency and complexity of the needs and to enhance the responsiveness of SBCs.
- ◉ Ensure that the programmes fully integrate the following objectives:
 - ◉ the geographic coverage of public services throughout the territory;
 - ◉ the management of public expenditure in priority sectors;
 - ◉ the most vulnerable populations;
 - ◉ the needs arising from environmental fragility.
- ◉ Ensure the sustainability of the effects (in terms of stabilisation and supported reforms);
- ◉ Jointly analyse needs for institutional strengthening.



Raise the EU profile in the political dialogue:

by fostering the leverage effect of the general conditions and its convening role with donors; and by strengthening human resources within the EU Delegations.



Integrate the SBC into a comprehensive EU response

to fragility and further seize opportunities for synergies within the EU portfolio, including with financial instruments.



Strengthen national ownership and accountability:

ensure ownership of the instrument by partners and systematically involve civil society.

◉ MORE WOMEN AND MEN

It is essential to have a sufficiently large and qualified team on site for both monitoring and risk management and for participation in technical dialogue, while taking into account the constraints imposed by a fragile environment.

◉ CIVIL SOCIETY

- In order for these various actions to have a lasting impact on society, it is essential to strengthen the role of civil society in the implementation of SBCs. In fragile environments, civil society has a key role to play in discussing and making more transparent the choices made by the legislative and executive powers.

COVID-19 Update

The systemic crisis triggered by the COVID-19 pandemic whilst the SBC evaluation was being finalised highlighted the importance for the EU to have an instrument such as the SBC to respond to crisis. In the short term, the SBC can notably allow for ◉ reducing the economic shock linked to the loss of revenue and increased expenditure in already fragile states, ◉ providing the health sector with the means to cope with the pandemic, and ◉ deploying resources to provide targeted support to the people most affected by the crisis. The evaluation also shows the importance of deploying the necessary resources for action that goes beyond stabilisation, in order to strengthen governance mechanisms and gradually initiate a consolidation phase through more appropriate instruments.