

Session 9

State Building Contracts

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EU External Action: fragility, security and development in a changing world

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State Building Contracts - Rationale

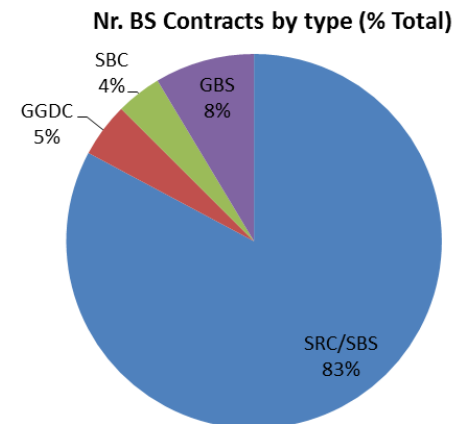
- ✓ **Providing only in fragile and democratic transition situations**
- ✓ Supporting transition process towards development and democratic governance
- ✓ Ensuring vital state functions, including service delivery
- ✓ Improving the financial capacity of the partner government to undertake measures aiming at restoring peace, ensuring macroeconomic stability and fulfilling other short-term objectives
- ✓ **Budget support as a complementary instrument to other means of intervention (humanitarian aid, projects, capacity development, etc.)**

The current SBCs

- **Signed:** Burundi, Ivory Coast, Mali, Mauritania, Sierra Leone, Togo, Tunisia, South Sudan;
- **In preparation:** Haiti, Liberia, Central African Republic.

4% of the number of BS operations, but 7.5% of the BS financial commitments.

The speed of payment is higher than for other BS operations (17% of payments in 2013).

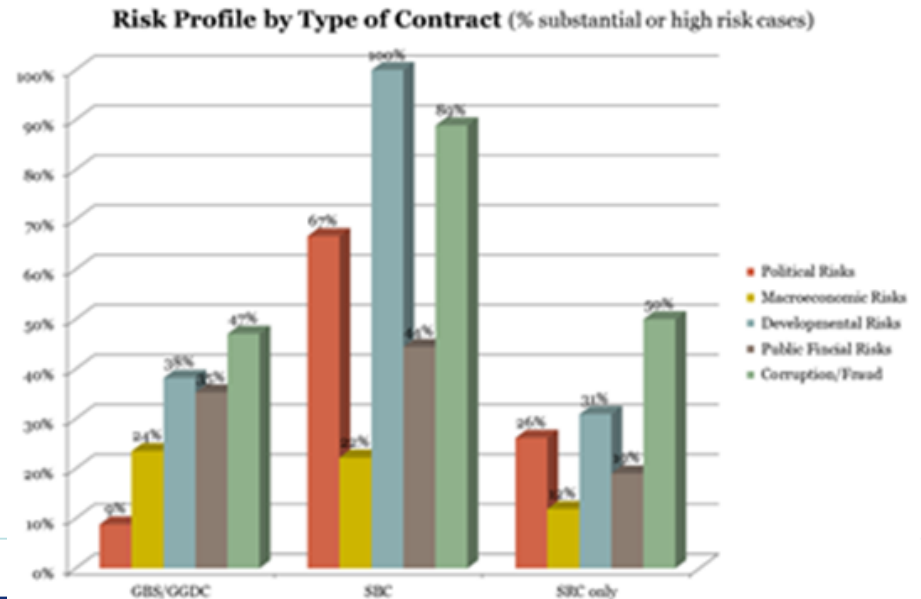


Eligibility Criteria

1. **Public Policy**: coherent framework to address the situation of fragility, relevant and credible, not overambitious.
2. **Stability-oriented macroeconomic framework**: crucial importance of economic development to step out of fragility situation => stable macroeconomic framework, Focus on the country relations with the IMF.
3. **Public financial management**: Credible and relevant PFM Action Plan/reform program. Core functions essential (budget availability, treasury system, mechanisms to report on budget execution).
4. **Transparency and oversight of budget**: Commitment to publish the budget before the first disbursement (if not met for the programme approval)

Risks' Assessment

- Key element
 - The analysis should be forward-looking
 - The risks of non-intervention has to be highlighted
 - The risks response strategies and mitigating measures
 - SBC => case by case analysis
- => possibility to accept higher risks.



International coordination

- Strengthened coordination is crucial
- Both at HQ and local level
- Shared diagnostic, assessments and joint Road Maps
=> separate specific conditions for an SBC
- Institutions Dialogue on Fragility (EU, IMF, WB, ADB...UN...)

Design and implementation features

- 1-2 years programme, renewable only once
- Larger fixed tranches
- A limited number of indicators for variable tranches => simple, realistic, focus on reforms and output (as opposed to outcomes)
- Components, elements for the dialogue and Indicators related to vital state functions and democratic processes if relevant
- Mitigating measures: capacity development, specific conditions related to PFM, targeted aid

Thank you for your attention!