

Evaluation of EU State Building Contracts (2012-2018)

Final Report Volume 1: Main Report

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This report was drafted by



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Abbreviations

BS	Budget Support
ACP	Africa, Caribbean and Pacific
AD	Action Document
AfDB	African Development Bank
BSSC	Budget Support Steering Committee
CAR	Central African Republic
CSDP	Common Security and Defence Policy
DAC	Development Assistance Committee
DDR	Disarmament, Demobilisation and Reintegration
EUD	European Union Delegation
DRM	Domestic Revenue Mobilisation
EC	European Commission
ECF	Extended Credit Facility
ECHO	European Commission's Directorate General for Humanitarian Aid and Civil Protection
EDF	European Development Fund
EEAS	European External Action Service
ENP	European Neighbourhood Policy
ENP-E	European Neighbourhood Policy East
ENP-S	European Neighbourhood Policy South
EQ	Evaluation Questions
EU	European Union
FA	Financing Agreement
FDI	Foreign Direct Investment
FSI	Fragile States Index
FT	Fixed Tranche
GAVI	Global Alliance Vaccine Initiative
GDP	Gross Domestic Product
PFM	Public finance management
GGDC	Good Governance and Development Contract
HIPC	Heavily Indebted Poor Countries
IcSP	Instrument contributing to Stability and Peace
IMF	International Monetary Fund
JC	Judgement Criteria
LA	Latin America
MEDA	Euro-Mediterranean Partnership
NIP	National Indicative Programme
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
RCF	Rapid Credit Facility of the IMF
RFI	Rapid Financing Instrument of the IMF

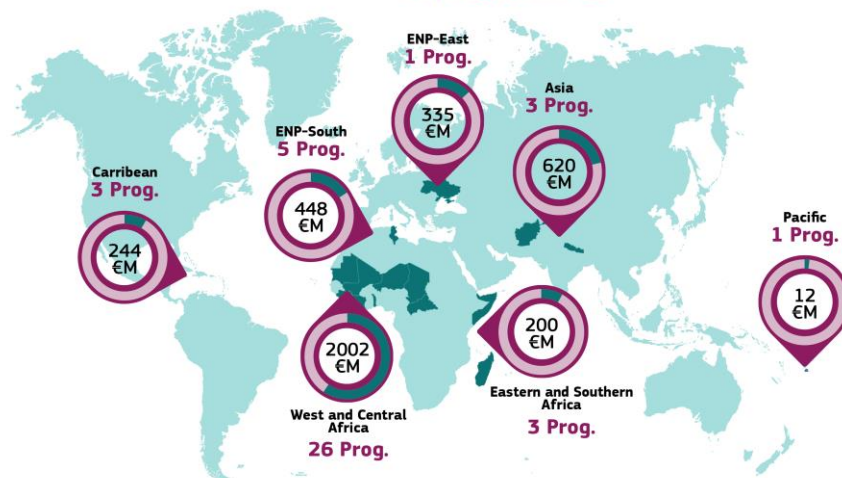
RIC	Republic of Ivory Coast
RMF	Risk Management Framework
SBC	State Building Contract
SBRC	State Building and Resilience Contract
SRC	Sector Reform Contract
SSR	Security Sector Reform
TA	Technical Assistance
TAP	Technical and Administrative Provisions
TFP	Technical and Financial Partners
ToR	Terms of Reference
UN	United Nations
VAT	Value Added Tax
VT	Variable Tranche
VTI	Variable Tranche Indicators
WB	World Bank
WCA	West and Central Africa

Executive Summary

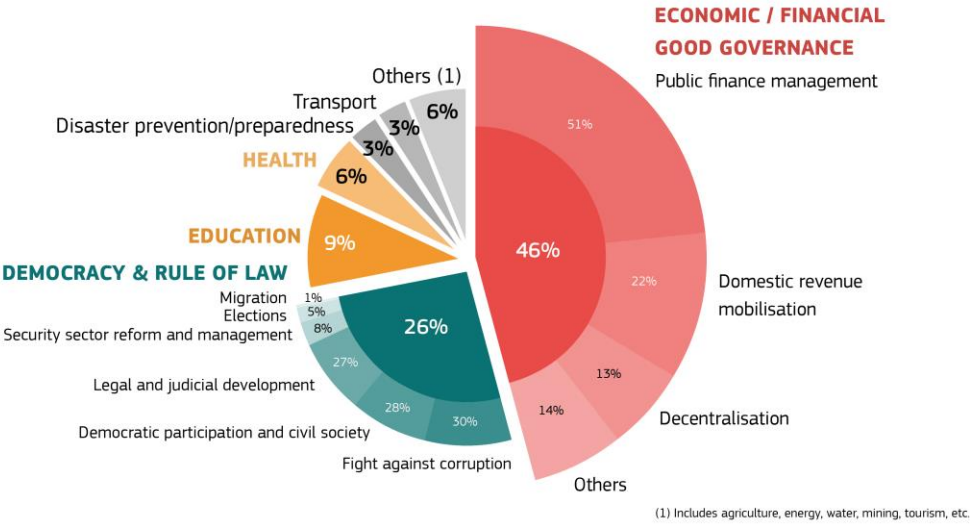
The State Building Contract (SBC), a budget support mobilised in 23 countries to address systemic shocks in contexts of fragility and risk

In order to reinforce the effectiveness of its budget support and make it better adapted to the different contexts of intervention, the European Commission created in 2012 a general budget support specifically dedicated to fragile and transitional situations: the State Building Contract (SBC). This instrument was very rapidly mobilised on a large scale: twenty-three countries on four continents benefited from it between 2012 and 2018, most often in situations marked by major structural weaknesses, exacerbated by health, climate and/or security crises (e.g. Burundi, Haiti, Mali, Sierra Leone, Somalia and Chad). SBCs have also been allocated to countries that are not fragile but suffering from unexpected shocks with potentially devastating effects (e.g. natural disasters (e.g. Dominica, Nepal and Fiji), political transition (e.g. Tunisia)). In total, about €3.9 billion have been committed through 42 SBC programmes, the majority of which in West and Central Africa.

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



Designed to support States made vulnerable by uncertain environments and a limited capacity to respond to shocks, SBCs have primarily supported the recovery or maintenance of Governments' capacities in three major areas: i) macroeconomic and budgetary stabilisation and public finance management (PFM); ii) the provision of basic social services and iii) democratic governance and the rule of law. The EU SBC is differentiated from budget support provided by other donors through its emphasis on 1) maintaining/restoring basic social services (such as education and health); 2) strengthening state institutions in the area of peacebuilding, security and justice (including the fight against corruption) and democratic governance reforms; and 3) budgetary transparency.



A flexible instrument, tailored to needs but with an unclear strategic vision

The SBC has been a unique and necessary instrument to address the specific urgent needs of situations of fragility, transition, and reconstruction. It has allowed, within a short period of time, financing the current expenditures of the Government through a grant. Based on a good understanding of the challenges and risks, the programmes prioritised the objectives of stabilisation and rapid recovery, and generally provided an appropriate response to the identified fragility factors.

The modalities were adapted to the context and its evolution. The specific characteristics of beneficiary countries were taken into account to analyse the eligibility criteria and choose variable tranche indicators. The balance between fixed and variable tranches was generally appropriate and made it possible to strike a balance between the immediate needs for stabilisation and the willingness to initiate longer term reforms. The variable tranche indicators, although too numerous and/or ambitious and/or disparate, were in fact the main levers incentivising these reforms: with nearly 30% of the amounts not disbursed, the sanction/bonus mechanism worked well although it did have disruptive effects on the predictability of funds. While over half of the disbursements were made within the timeframes agreed, they were most often made at the end of the fiscal year, whereas EU Budget Support Guidelines recommend disbursements at the start of the budgetary year wherever possible.

The medium-term strategic approach underpinning the programmes was not made sufficiently explicit. This implied difficulties for the SBCs to lead ultimately to structural reforms benefiting people. Indeed, intervention logics reflected only partially the intervention strategies, tended to be too general and took little account of the volatility of the contexts. The preliminary assessments were not always sufficiently thorough to deal with sharper sectoral dimensions. Institutional or sub-state level fragilities, as well as the fragility factors most directly affecting people’s lives, were only partly taken into account. Synergies were limited because technical support was often disconnected from the other components of the support.

Valuable close technical dialogue but timid political steering

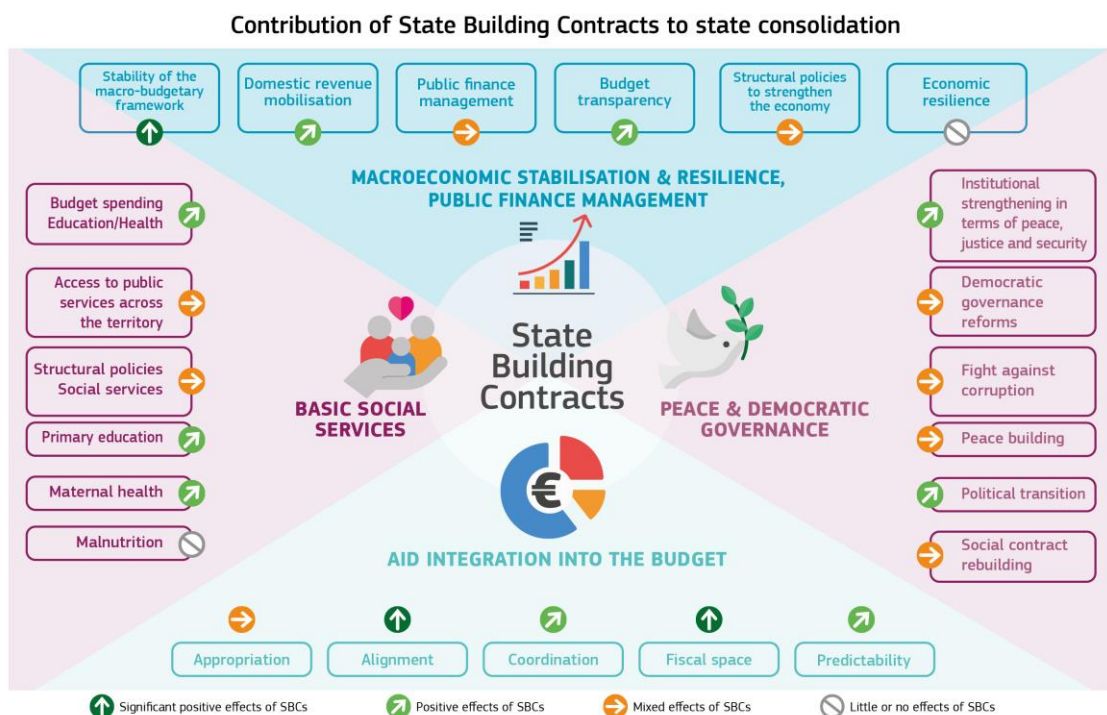
SBCs have been a unique forum for dialogue on budgetary, fiscal and operational issues related to the functioning of the public financial management system, as well as on respect for fundamental values. The rapid mobilisation of funding has also enabled the EU to play a leading role in dialogue in emergency situations and to seize a window of opportunity to support political transition at a key moment (Ivory Coast, Gambia) or in response to a natural disaster (Nepal).

The political steering, which guarantees a commitment from the State at the highest level on the reforms that the SBC intends to support, was more timid. It was often undermined by the urgent need for macro-economic stabilisation and the insufficient commitment by national authorities to substantive reforms. The general conditions did not allow a real leverage effect to be exerted; it was more through the non-disbursement of amounts linked to unmet variable tranche indicators that the EU was able to exert some "pressure", but without any real effect on high-level policy dialogue.

Above all a stabilising instrument, placing the Government at the centre of the crisis response, but less effective to foster structural reforms for economic resilience

A good stabilising instrument

It is above all in stabilisation that SBCs proved to be most effective; their contribution to state-building and societal resilience having been more mixed. SBCs have essentially contributed to stabilising or even restoring vital state functions after the shocks/crises encountered, thus avoiding a process of State de-structuring and the deterioration of people's living conditions.



Contributed to restore the macro-fiscal framework

SBCs placed the Government at the heart of the response to fragility/transition/reconstruction. They first and foremost contributed to restoring the **stability of the macro-fiscal framework** (e.g. Central African Republic, The Gambia and Chad) by mobilising significant financial resources in agreement with other technical and financial partners (primarily multilateral). It is essentially by contributing to the increase of fiscal space that they were able to cushion the shocks on government current expenditure, but without avoiding adjustments on capital expenditure and without having an impact on stabilisation policies carried out under IMF programmes.

SBCs have helped to somewhat consolidate the fiscal bases for government action: through their emphasis on reforms to increase **domestic resources mobilisation** (especially by improving the collection of what is owed (e.g. Mali and Niger), SBCs helped to sustain the stabilising effects and strengthen the capacity of these countries to respond to shocks. On the other hand, the strengthening of **Public Financial Management** systems fell short of expectations, despite progress in budget programming, cash-flow management and public procurement management, against a backdrop of increased budget transparency (e.g. Central African Republic, Haiti, Nepal and Niger), albeit still weak. The Public Finance Management Systems remained weak overall.

Contributed to maintain the provision of basic services

The increase of fiscal space, partly achieved through the SBCs and the dialogue conducted in the framework of the variable tranche indicators, contributed to maintaining current public expenditure in the social sectors, in particular to **maintaining the provision of basic services** in education (e.g. Mali and Niger) and health (e.g. Burundi and Ivory Coast), especially for women and girls. On the other hand, they were not able to contribute to strengthening the quality of social services in the longer term, or to structuring sectoral policies or improving the steering of these sectors.

Mixed effects on peacebuilding and democratic governance processes

In the field of **democratic governance**, SBCs succeeded in effectively supporting - through support for institutional development and the initiation of reform processes - the establishment of conditions to support transition towards democratic governance. In contexts where there is a stated determination for democratisation and openness (e.g. Ivory Coast, The Gambia and Tunisia), SBCs have been able to contribute to improving public governance. By contrast, they had limited effects on peacebuilding processes (e.g. Afghanistan and Mali) and on rebuilding the social contract (e.g. Mali and Madagascar).

Little progress on economic resilience in fragile states

Little progress is generally observed in terms of the implementation of structural reforms that would strengthen **economic resilience**, except in non-fragile states where SBCs have contributed to a reduction in certain factors of economic fragility. The macroeconomic risks are still present, even higher in a significant number of countries, and the economic vulnerability of beneficiary states has not been reduced. Overall, the situation of fragility in beneficiary countries has changed little: the resilience capacities of these countries have not been strengthened; economic structures remain uncompetitive and undiversified; governance capacities and the functioning of institutions have not made any major progress; and the situation of vulnerable populations has not improved.

Key explanatory factors

The limits observed in the effects of SBCs are partly inherent to the context of persistent fragility in some of the beneficiary countries and depend on the willingness/capacity of these countries to carry out structural reforms. They also stem from weaknesses encountered at the level of programme implementation, in particular the lack of leverage effect of the general conditions and of the political dialogue, the difficulty of ensuring continuity in the monitoring of reforms, the lack of resources within the EU Delegations to carry out monitoring and conduct dialogue, and the generally insufficient involvement of local actors (e.g. civil society).

An instrument which places the EU in a crucial role, but which is still unrecognised and poorly understood

Through SBCs, the EU has played an increasingly crucial role in supporting state-building in high-risk contexts, alongside other recognised donors. Thanks to a much-appreciated technical dialogue of proximity, the EU has imparted credibility to its action. Its political weight, however, has not been proportionate to the financial amounts involved. This is partly due to the limitations observed in implementation, but also to the challenge in following and putting into operation an integrated approach that maximises complementarities with all the EU means of action.

The instrument is not yet sufficiently well understood or known by most of the stakeholders involved. The weakness of the beneficiaries' capacities partly explains this lack of knowledge. The efforts made so far to allow for wider ownership have been insufficient. Furthermore, the outcomes achieved have been undervalued and under-communicated to the final beneficiaries and the wider audience. This may lead to mistrust of an instrument which is still unknown by the citizen.

Main recommendations

1. Position SBCs as a stabilising instrument, making sure they also tackle the needs for social cohesion and democratic governance in fragile contexts and strengthen the core of the government system

Related recommendations:

- Increase the visibility of EU support for social cohesion and democratic governance policies in stabilisation (R1).
- In structurally fragile countries, emphasise the role of the SBC as a means of strengthening the government's capacity to manage its public finances and the steering of its public policies, which are necessary conditions for supporting consolidation policies (R2).
- In countries affected by natural disasters, use SBCs to strengthen crisis management systems and to address relevant context-related vulnerability factors (including environmental e.g. climate change) and social factors (R3).

2. Improve SBCs design

Related recommendations:

- Further develop the intervention logics at regular intervals in accordance with the changes in context in order to better take into account the urgency and complexity of needs and ensure the adaptability of the response provided (R4).
- Ensure that the programmes take territorial and environmental questions better into account, as well as the plight of the more vulnerable populations (R5).
- Ensure continuity in the support for reforms initiated by SBCs to ensure the sustainability of the achievements over time (R6).
- Carry out joint analysis of the institutional strengthening needs (R7).

3. Raise the EU profile in the political dialogue: foster the leverage effect of the general conditions and its convening role with donors

Related recommendations:

- Continue structuring the close technical dialogue and strengthen the political dialogue (R8).
- Strengthen the leverage effect of the general and specific conditions by better framing the general conditions and improving the choice of variable tranche indicators (R9).
- Strengthen human resources and their qualifications within EU Delegations for the formulation, monitoring and implementation of SBCs (R10).

4. Integrate SBCs into a comprehensive EU response to fragility

Related recommendations:

- Integrate the SBC into a comprehensive EU response to fragility/consolidation and further seize opportunities for mobilisation and synergies within the EU portfolio and with other Technical and Financial Partners (R11).

5. Strengthen national ownership and accountability: ensure ownership of the instrument by partners and systematically involve civil society

Related recommendations:

- Ensure greater ownership of the instrument by partners (including civil society) and further alignment of specific conditions and disbursement periods with their capacities/needs (R12).
- Strengthen the role of civil society in the implementation of SBCs (R13).
- Increase the visibility of SBCs and accountability among different publics (R14).

1. Introduction

The European Commission's Directorate-General for International Cooperation and Development (DG DEVCO) commissioned ADE to carry out the **Evaluation of the European Union 'State Building Contracts' (SBC)**¹ deployed during the period 2012-2018. A State Building Contract is a type of **Budget Support (BS)** introduced in 2012, to provide budget support in situations of fragility and transition.

This evaluation seeks (1) **to provide an independent review of all SBCs as an aid instrument**, and in particular to assess the extent to which SBCs have contributed in a sustainable way to consolidating the core government functions after shocks and/or in situations of fragility or extreme fragility; and (2) **to learn from experience and propose recommendations** in order to improve the design and implementation of future SBC programmes and optimise their expected effects.¹

1.1 General approach, evaluation framework and evaluation questions

The methodological approach adopted for this evaluation is based on the methodological approach for evaluating budget support (OECD/DAC)² which provides for a three-step process based on the five levels of analysis of the intervention logic of BS (see Annex 2). Figure 1 below details these five levels for SBCs, from inputs to direct and induced outputs, then to outcomes and overall objectives. This intervention logic does not differ fundamentally from one context of fragility to another. The objectives sought in terms of stabilising and consolidating government functions revolve around the following three main axes, which aim to address the main fragility factors encountered:

- Macroeconomic stabilisation and public finance management;
- Access to basic social services, in particular, education and health;
- The establishment of a rule of law based on democratic principles and capable of putting public policies into effect in the priority sectors.

The intervention logic also distinguishes between the themes and specific objectives sought by SBCs associated with democratic transition and/or characterised by a context of conflict and/or violence (in blue), and those sought by SBCs deployed in a context of vulnerability to external shocks (in green).

¹ The acronym SBC (State Building Contract) will be used throughout the report to refer to the instrument. In 2017, the acronym changed ('State and Resilience Building Contract' (SBRC)). As most of the operations covered in the context of this evaluation are SBC, the term SBC has been used (see Terms of Reference).

² OECD/DAC, Methodological approach for evaluating budget support, 2012.

Figure 1: Comprehensive evaluation framework of the SBC

	Inputs	Direct outputs	Induced outputs	Outcomes	Impacts				
External factors, context features and feed back processes	<p>Expected SBC inputs (2012-2018):</p> <ul style="list-style-type: none"> ❖ Preliminary diagnosis of the situation of fragility and risk analysis ❖ Transfer of funds: €3.882 M ❖ Performance framework and different levels of dialogue (political, of policies and on follow-up of the performance) covering: <ul style="list-style-type: none"> • Government commitment vis-à-vis consolidation of the State and fight against poverty • PFM (i.e. DRM, external control, transparency, fight against corruption) • Statistics • Sectoral policies (education/health, food security, migration, etc.) • Good conduct of the electoral process • Independence of the judiciary • Security sector reform • Economic governance (natural resources, public sector) • Diversification of the economy, youth employment, business environment • Gender ❖ Monitoring of fundamental values ❖ Technical assistance and other technical support (PFM, statistics, reconstruction, key sectors) ❖ Willingness to coordinate and harmonise 	<p>Improvement of relations between foreign aid and budgetary processes and national policies:</p> <ul style="list-style-type: none"> • Increased volume and share of foreign aid in the national budget • Expanded fiscal space: Reduction of the budget deficit / Volume and share of the budget assignable to discretionary expenses necessary for stabilisation / reconstruction increased • Coordination strengthened between donors and between different aid modalities • Better predictability of disbursements of external aid and resources allocated to the budget • External aid harmonised and aligned on government policies and systems • External aid transaction costs reduced 	<p>Macroeconomic and budgetary stabilisation through:</p> <ul style="list-style-type: none"> • In the short term: stabilisation of the exchange rate, foreign reserves, limitation of the current account deficit, reduction of arrears, financing of basic state functions and stabilisation / reconstruction expenditure • In the medium term: domestic resources mobilisation, budget reflecting national strategy, efficient public expenditure <p>PFM: essential functions ensured and strengthened in the medium term (credibility of the budget, cash management, public procurement, budget execution in key sectors / Investments, internal and external control, transparency and fight against corruption)</p> <p>Maintenance/strengthening of the supply of basic public services to the population (education, health, food security, security)</p> <p>Good governance: civil rehabilitation, economic and social programmes and reforms of the institutional framework and policies, in particular in the following areas:</p> <ul style="list-style-type: none"> • Rule of law and security • Democracy and human rights • Reconciliation • Regulatory framework of the private sector and diversification policies and systems to reduce economic vulnerability • Education and health (including gender) 	<ul style="list-style-type: none"> • Restoration then consolidation of safety, justice and peace • Reform of the social contract / mutual trust maintained and/or increased between the state and citizens (including gender equality) • Maintenance and reinforcement of resilience for the most vulnerable populations (including gender equality) • Maintenance of access to / increased use of basic public services (including gender equality) • Strengthening of economic activity and diversification of the economy 	<ul style="list-style-type: none"> • Long-term economic growth • Reduction of monetary and non-monetary poverty • Autonomy and social inclusion of vulnerable groups (including gender equality) • Safeguarding state apparatus then consolidation of the rule of law and good democratic governance 				
	<p>Governmental resources & activities (2012-2018)</p> <ul style="list-style-type: none"> • Combined state budgets for 2012-2018 • Strategic vision, policies, strategies and plans of action • Functioning of the state apparatus: legal, regulatory, institutional framework, etc. • Political and administrative organisation 	<p>Effects produced by government activities:</p> <ul style="list-style-type: none"> • National budget financed from domestic tax revenues • National policy inputs 	<p>Similar and/or complementary or even conflicting effects produced by other external aid activities</p>						
	<p>Other resources and activities financed by</p> <ul style="list-style-type: none"> ❖ EU: Other programmes, SRC, ECHO, other support for peace and security (IcSP, CSDP missions) ❖ External assistance, including IMF, WB, AfDB, funds released by HIPC (incl. MDRI), etc. 								
<p>CONTEXT OF INTERVENTION AND EXTERNAL FACTORS</p> <table border="1"> <tr> <td> <ul style="list-style-type: none"> • 'Entry conditions' analysed with a dynamic approach • Comprehensive aid framework • Existing learning tools and processes </td> <td> <ul style="list-style-type: none"> • Low capacity and level of institutional development • Extent of political commitment to reform processes • Commitment of other donors </td> <td> <ul style="list-style-type: none"> • Weak public sector capacity • Nature of demand for public services • Extent of national accountability </td> <td> <ul style="list-style-type: none"> • Regional instability • Global economic development • Responses to changes in incentives </td> </tr> </table>						<ul style="list-style-type: none"> • 'Entry conditions' analysed with a dynamic approach • Comprehensive aid framework • Existing learning tools and processes 	<ul style="list-style-type: none"> • Low capacity and level of institutional development • Extent of political commitment to reform processes • Commitment of other donors 	<ul style="list-style-type: none"> • Weak public sector capacity • Nature of demand for public services • Extent of national accountability 	<ul style="list-style-type: none"> • Regional instability • Global economic development • Responses to changes in incentives
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Key: Specific characteristics of SBCs related to vulnerability to external shocks for countries in situations of structural fragility; Specific characteristics of SBCs related to democratic transition for countries in situations of structural fragility, conflict, and/or violence



The **comprehensive evaluation framework** built on the three-step approach has been broken down into a set of eleven evaluation questions set out in Table 1.

Table 1: Themes addressed by the set of evaluation questions

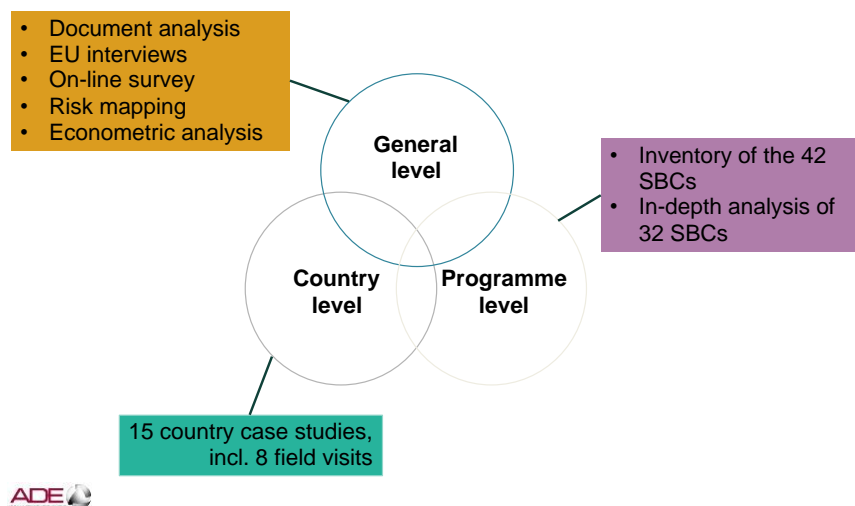
Criteria	#Q	Theme
Relevance	Q1	<ul style="list-style-type: none"> • Taking into account the situation of fragility in the beneficiary countries • Response appropriate and consistent with international principles of intervention in these contexts
Effectiveness (direct outputs)	Q2	<ul style="list-style-type: none"> • Fiscal space generated by SBCs and discretionary budgetary resources to strengthen measures designed to stabilise and foster core government functions • Predictability of funds
Effectiveness and Sustainability	Q3	<ul style="list-style-type: none"> • Short term restoration of macroeconomic stability • Adoption of medium term stabilisation policies
	Q4	<ul style="list-style-type: none"> • Improvements in the transparency, management and control of beneficiary countries' public finances
	Q5	<ul style="list-style-type: none"> • Development of the capacity of the institutions in charge of maintaining justice, security and peace
	Q6	<ul style="list-style-type: none"> • Maintenance/strengthening of health and food security, education and health services, and access by the most vulnerable groups.
Effectiveness/Impact & Sustainability	Q7	<ul style="list-style-type: none"> • Stabilisation of the economy and long-term recovery of economic growth • Strengthening of long-term resilience to economic shocks • Main determining factors of these changes
	Q8	<ul style="list-style-type: none"> • Return and consolidation of peace and transition towards democratic governance • Main determining factors of these changes
	Q9	<ul style="list-style-type: none"> • Preservation and strengthening of access to health and education services, water and food security • Main determining factors of these changes
Efficiency	Q10	<ul style="list-style-type: none"> • Institutional framework, human resources and technical means deployed by the EU to support SBCs
Coordination, complementarity	Q11	<ul style="list-style-type: none"> • Interaction with the other technical and financial partners, and with other EU instruments • Added value of SBCs

1.2 Evaluation tools

The evaluation is based on a three-level analysis:

- The general level: bringing together overarching themes related to the deployment of the instrument, such as the strategic guidance of the international community to engage in fragile countries, the evolution of the level of risk in the 23 SBC beneficiary countries, the evolution of variables of interest (e.g. GDP growth rates) in SBC beneficiary countries and in other fragile and non-fragile countries, and EU staff perceptions of the instrument;
- The country level: thorough analysis of 15 country case studies where SBCs have been deployed:
 - Eight countries (Burundi, Ivory Coast, Haiti, Madagascar, Mali, Nepal, Central African Republic (CAR), and Sierra Leone) were the subject of documentary analysis, statistical analysis (budget and fiscal data; outcome indicators) and field missions to meet the main stakeholders (EU staff involved in the design and follow-up of SBCs, national authorities, other Technical and Financial Partners (TFP), civil society, etc.);
 - Seven other countries (Afghanistan, The Gambia, Guinea, Niger, Somalia, Chad and Tunisia) were the subject of documentary and statistical analysis;
- The programme level: with both an inventory of all 42 programmes deployed and an in-depth study of 32 SBCs in the context of country case studies.

Figure 2: Combination of tools for data collection and analysis



Data was collected and analysed using a mixed-methods approach based on qualitative and quantitative data (see Table 2). The combination of these approaches enabled the team to gather the necessary information at the level of indicators and to triangulate information from a number of sources in order to validate (or invalidate) the judgement criteria, while ensuring the solidity of the findings.

Table 2: Tools for data collection and analysis

Tools
General/strategic level literature review of the guidelines behind the instrument and, more generally, guidance by donors for intervention in fragile countries, etc. (see Annex 7).
Interviews with EU staff at headquarters to collate their views on the instrument, the means made available and the decision-making process, etc. (see Annex 7).
Online survey to systematically gather the views of EU staff at headquarters and in European Union Delegations (EUD) (see Annex 4).
Inventory & typology of SBCs to obtain a mapping of the 42 SBCs deployed (amounts involved, modalities used, areas covered by variable tranche indicators, etc.) (see Annex 3).
Mapping of the evolution of risks perceived by the EU on the basis of the Risk Management Framework for the 23 beneficiary countries (see Annex 6).
Country case studies: in-depth analysis of 32 SBCs in 15 countries (eight countries visited and seven analysed on the basis of documentation - list of countries included above).
Variance analysis (ANOVA) (see Annex 5) to study the behaviour of variables of interest (indicators of outputs/outcomes covering the three fields of analysis - macroeconomics, social and governance/rule of law -) in the 23 SBC beneficiary countries and in 29 other SBC non-beneficiary (fragile and non-fragile) countries during the 2003-2018 period.
Econometric regression of a standard model for estimating growth which supplemented the ANOVA in providing quantitative elements on the nature of the effects of the SBC on public expenditure and its main components, and on economic growth (see Annex 5).

1.3 Challenges and responses

This evaluation presented several challenges for which methodological responses were brought. Firstly, the OECD DAC's methodological approach, designed to evaluate joint budget support operations deployed in the same country, was applied in identifying as closely as possible the contribution of budget support to induced outputs in the countries where a thorough analysis was undertaken, whilst undertaking simultaneously quantitative analyses exploring the relations between the implementation of SBCs and the outcomes observed in the 23 beneficiary countries.

The wide scope of the evaluation (42 programmes implemented in 23 countries on five continents, on very varied areas) justified the decision to carry out an in-depth analysis of a high number of countries (15 out of 23 countries) as well as the use of a combination of data collection tools and, in particular, of a survey covering all beneficiary countries.

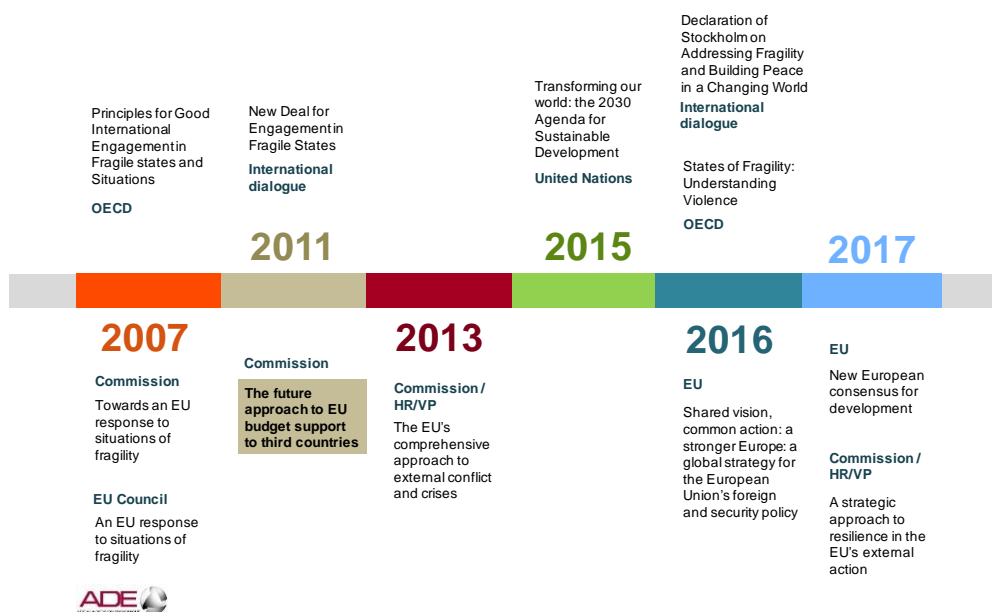
Finally, the limitations imposed by the fragile situation of most of the beneficiary countries, whether in terms of access to data or field trips, did not constitute a major constraint during the evaluation. Field missions were conducted in at-risk countries (such as the Central African Republic or Mali) and access to data produced by international institutions and cross-referenced with national sources provided a sufficiently wide-ranging database of information and indicators.

2. The SBC, an instrument to engage in situations of fragility

2.1. The SBC within the EU strategic framework for intervention in situations of fragility

As part of an overhaul of its approach to budget support, the Communication from the Commission entitled “*The Future Approach to EU Budget Support to Third Countries*” (2011) and corresponding Council conclusions (2012) propose greater differentiation of budget support operations to enable the EU to better adapt to the context of the partner country. SBCs were introduced for intervention in countries in situations of fragility (see Section 2.3). Their mobilisation is part of the strategic framework established by the international community for intervening in fragile situations, which has been progressively clarified in the documents shown in Figure 3.

Figure 3: Main strategic orientation documents for intervening in situations of fragility³



³ Only the main documents used in the Commission Budget Support Guidelines are included here.

The Commission Budget Support Guidelines (2012 and 2017) form part of the continuity of commitments made by the EU for its interventions in situations of fragility, established, in particular, in the Communication of the Commission “Towards an EU response to situations of fragility” (2007) and the corresponding Council Conclusions. The concept of fragility on which the budget support guidelines are based on is the one given in the 2007 Communication.

“Fragility refers to weak or failing structures and to situations where the social contract is broken due to the state's incapacity or unwillingness to deal with its basic functions, meet its obligations and responsibilities regarding service delivery, management of resources, rule of law, equal access to power, security and safety of the population and the protection and promotion of citizens' rights and freedoms.”

Source: EC, *Towards an EU response to situations of fragility*, COM(2007) 643 final.

The principles of engagement defined in this framework are also important principles in the definition of EU's actions in the form of budget support in situations of fragility⁴.

Principles for EU engagement in situations of fragility:

- Taking deliberately calculated risks that must be weighed against the risks inherent to non-action;
- More systematically addressing the root causes of conflict, manifestations of violence, insecurity and risk of vulnerability;
- Proposing a differentiated, coordinated and comprehensive response, combining diplomatic action, humanitarian aid, development cooperation and security, and adopting 'whole-of-government' approaches.
- Supporting democratic governance, state building and reconciliation processes and human rights protection; and
- Promoting political will for reform through dialogue and incentives, rather than through conditionality and sanctions.

Source: EC, *Towards an EU response to situations of fragility*, COM(2007) 643 final.

The guidelines are also in line with the **EU strategic framework for external assistance** "*The EU's Comprehensive Approach to External Conflict and Crises*" (2013) and the "*Shared Vision, Common Action: A Stronger Europe*" (2016) which place the implementation of a comprehensive approach at the heart of their principles as well as the "*New European Consensus for Development*" (2017).

In 2017, following the joint Communication "*A Strategic Approach to Resilience in the EU's external action*" (2017) examining different aspects of state and societal resilience, the objective of resilience was explicitly added to the objectives pursued by budget support. The "State Building Contract" has become the "State and Resilience Building Contract".

⁴ Also supplemented by those approved in the context of the OECD ("Principles for international engagement in fragile states and situations").

2.2 SBC Specificities

2.2.1 SBC Specific Objectives

The guidelines (2012) indicate that the SBC should be mobilised in a situation of fragility or when a country is going through a period of political transition towards democracy and the establishment of the rule of law. It seeks to “*help partner countries to ensure vital state functions and to deliver basic services to the populations*”. During this post-crisis period, it seeks to “*getting the state functioning again, (...) consolidating a weak state apparatus, (...) and building trust (...) to prevent a country from slipping back into crisis*”. During the transition period, it seeks to “*contribute directly to macroeconomic stabilisation (...) in order to meet, in particular, social needs (wages, health, education) or other peace and state building goals*”. With the revision of the guidelines, the approach was refined and the potential scope of intervention of SBCs broadened to include resilience. The guidelines (2017) note that the SBC seeks to strengthen the capacity of a state “*to build, maintain or restore its core functions, and basic social and political cohesion, in a manner that ensures respect for democracy, the rule of law, human and fundamental rights and fosters inclusive long-term security and progress*”.

Figure 4: Specific objectives targeted by SBCs

Specific objectives of the SBC

1. To improve the financial capability of the government to re-establish peace and macroeconomic stability and to reach short-term policy objectives

2. To support the efforts of the government to guarantee vital state functions (provision of peace and security, payment of civil service salaries, provision of core administrative functions and minimum basic services to the population, etc.).

3. Foster a process of transition towards development and democratic governance

2017 update

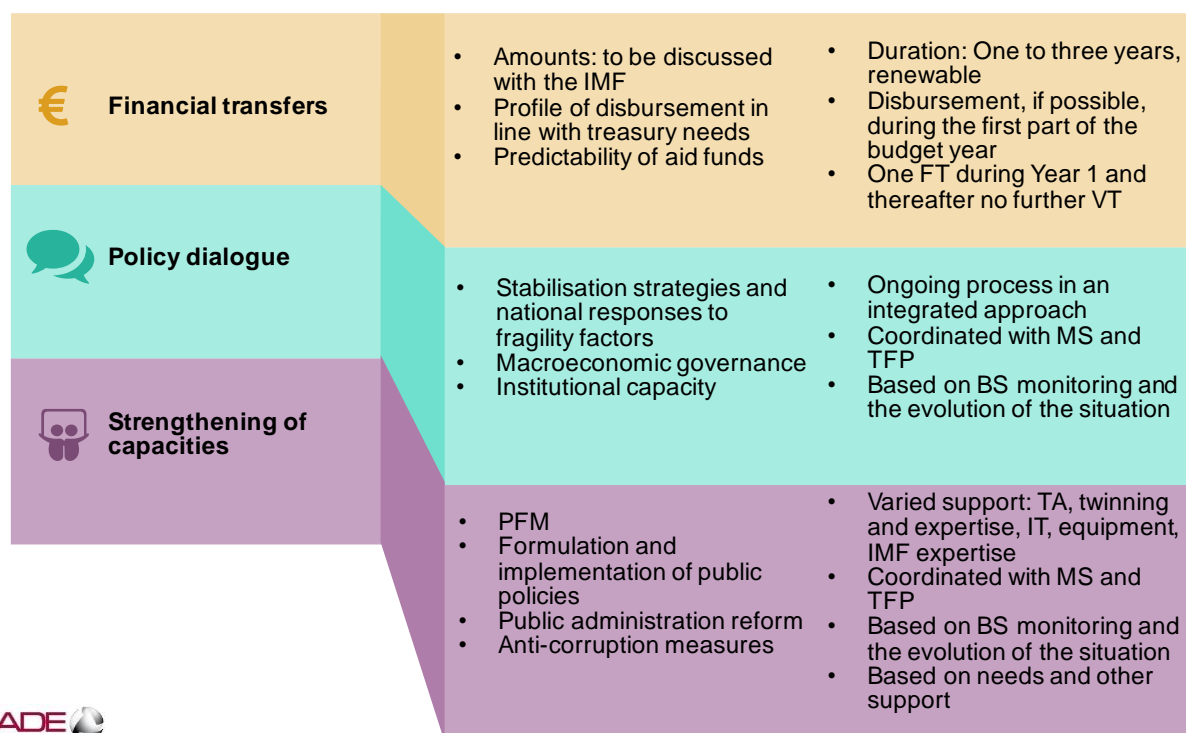
4. Consolidate the resilience of the state and society



2.2.2 SBC Design and Implementation Modalities

The SBC adopts the same **modus operandi** as all other EU budget support: full fungibility of funds to the treasury; use of national public finance systems; fulfilment of the four eligibility criteria at the time of decision and for each disbursement; a "package" combining financial transfers, policy dialogue and capacity building. Its design and implementation modalities described in Figure 5 are, however, **specific** in order to be tailored to the situations of fragility in the beneficiary countries.

Figure 5: Design and implementation modalities of SBCs



Source: Based on the EU guidelines on budget support

The guidelines highlight several key elements that must be ensured for the design and implementation of an SBC in view of the specific nature of the context (see Table 3).

Table 3: Key factors guiding the design and implementation of SBCs

Favour a rapid and adaptable response and maintaining a long-term commitment
<p>The guidelines recognise that “<i>support for countries in fragile situations means engaging at an early stage and being prepared to stay engaged over the long haul</i>”, especially as post-crisis recovery is a process that can be “<i>long and non-linear</i>”. The approach initially chosen, based on a short programme (1 to 2 years) renewable once, was revised in 2017, to extend the duration of SBCs to three years, particularly for situations of structural fragility, and to allow for their renewal “<i>as long as the fragility persists</i>”.”⁵</p>

⁵ European Commission, ‘Budget Support Guidelines’, 2017.

Pay special attention to the coordination and predictability of funds

The guidelines (2012 and 2017) insist on the importance of coordination between international partners at headquarters and at country level, particularly to ensure a response that best reflects the government's cash-flow needs.

Ensure strengthened political and policy dialogue

Political and policy dialogue associated with budget support form an integral part of BS programmes. For SBCs, this means “paying special attention to its capacity and declared commitment to state building objectives/goals (...) and good governance principles” (guidelines 2017).

At the same time, address systemic institutional weaknesses in countries in situations of fragility

Additional technical support should accompany SBCs for key policy functions, including Public Finance Management (PFM), policy design and implementation, public administration reform, and anti-corruption measures.

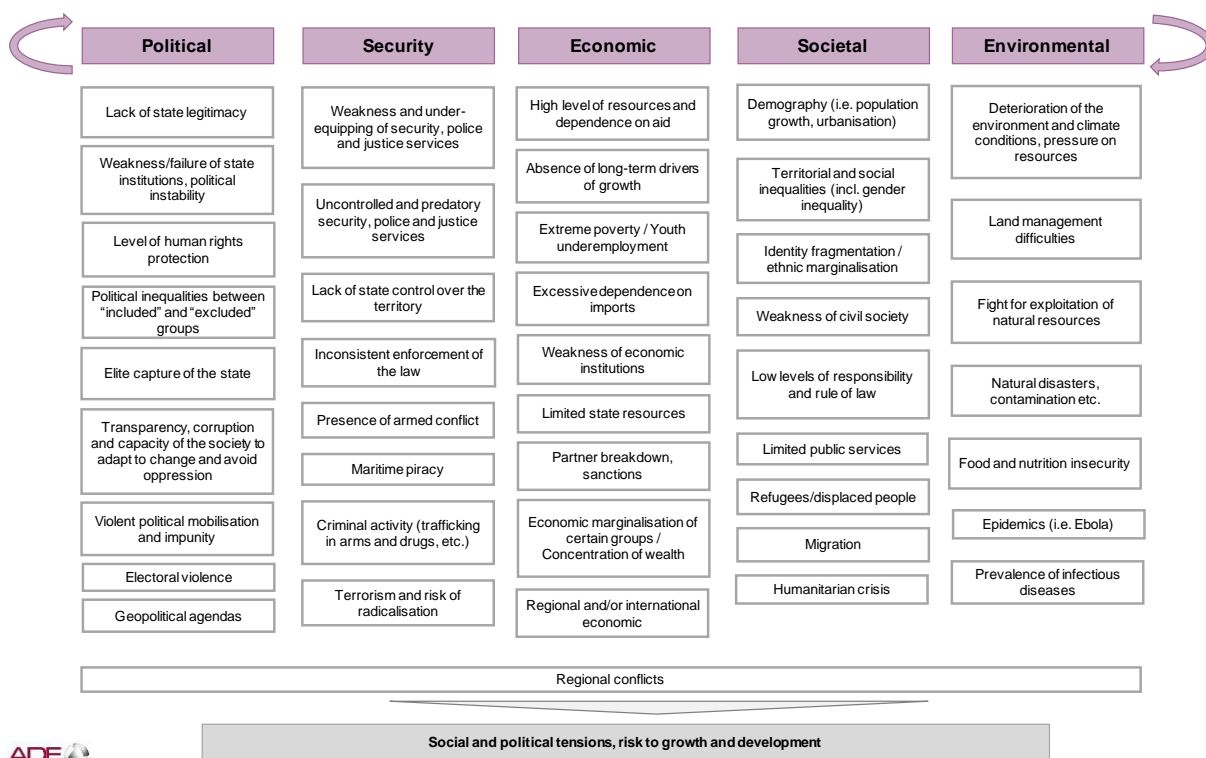
2.3 Varied intervention contexts characterised by multiple fragility and vulnerability factors

SBC beneficiary countries in situations of fragility cover a **wide range of situations and contexts of vulnerability**: emergence from crisis or armed conflict, rebuilding phase, humanitarian crises or natural disasters, situations of extreme poverty. Most of them have experienced cycles of instability and conflict, including violence. **The fragility and vulnerability factors** affecting low- or middle-income countries are **generally similar from one country to another**. It is the way in which they manifest and are embedded in a particular context that varies from country to country. These factors can, depending on the context, cause or sustain periods of conflict and/or low levels of public governance.

The figure below presents the factors of fragility most often cited in recent literature⁶ through the prism of the OECD's multi-dimensional fragility framework, which identifies five dimensions of fragility: political, security, economic, societal, and environmental.

⁶ This includes: OECD, *States of Fragility*, 2018; ECORYS for DANIDA, *Evaluation of the Africa Programme for Peace*, 2018; OECD, *States of Fragility Report, Understanding Violence*, 2016; AFD-BM, *Relever les défis de la stabilité et de la sécurité en Afrique de l'Ouest*, 2015; McLoughlin, C (2012) *Topic Guide on Fragile States*. Governance and Social Development Resource Centre, University of Birmingham.

Figure 6: Main fragility and vulnerability factors



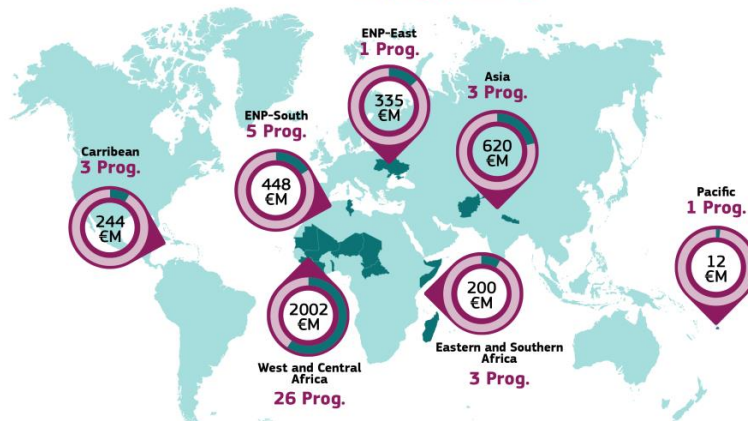
2.4 SBCs Mapping

SBCs mobilised in 23 countries on five continents but above all in West and Central Africa

The EU deployed **42 SBC programmes** in **23 countries** with total commitments of €3.882bn over the period 2012-2018 (see Annex 6). Most of the beneficiary countries are sub-Saharan African countries (16 countries notably in Western and Central Africa), as well as Afghanistan, Dominica, Fiji, Haiti, Nepal, Tunisia and Ukraine.

Figure 7: Mapping of all SBCs (2012-2018)

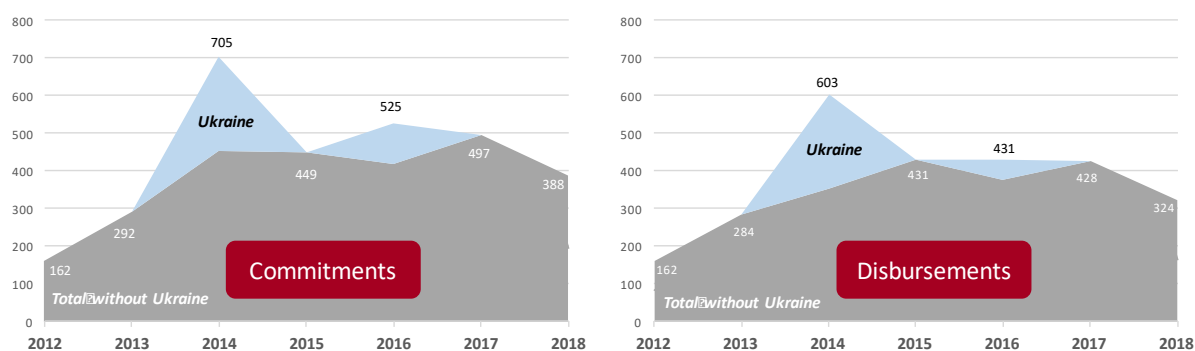
SBCs: €3 882 million committed / 23 Countries (including 16 in Sub-Saharan Africa)
42 programmes



West and Central Africa is the main region of intervention, comprising 14 intervention countries and 26 SBC programmes (Burkina Faso, Burundi, Ivory Coast, The Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Central African Republic, Sierra Leone, Chad and Togo). The **top five beneficiary countries** for SBC commitments over this period are Mali (€615m; 3 SBCs), Afghanistan (€515m; 2 SBCs), Tunisia (€448m; 5 SBCs), Ukraine (€355m; 1 SBC) and Haiti (€236m; 2 SBCs).

The **amounts committed** increased significantly between 2012 and 2014, from €162m to €705m, particularly due to an increase of commitments in the Western and Central African region, and the commitment of the first tranche of the SBC in Ukraine (see figure below). The annual amounts committed then stabilised around €500m for the period 2015-2017. In 2018 there was a slight drop, with commitments lower than €400 million, mainly due to the reduction in commitments in West and Central Africa and Asia.

Figure 8: Evolution of SBC amounts committed and disbursed, 2012-2018 (millions of euros)



Source: ADE, based on data from the SBC database; The amounts of the SBC Somalia and SBC II Afghanistan will effectively be committed as of 2019, and are therefore not shown in these graphs.

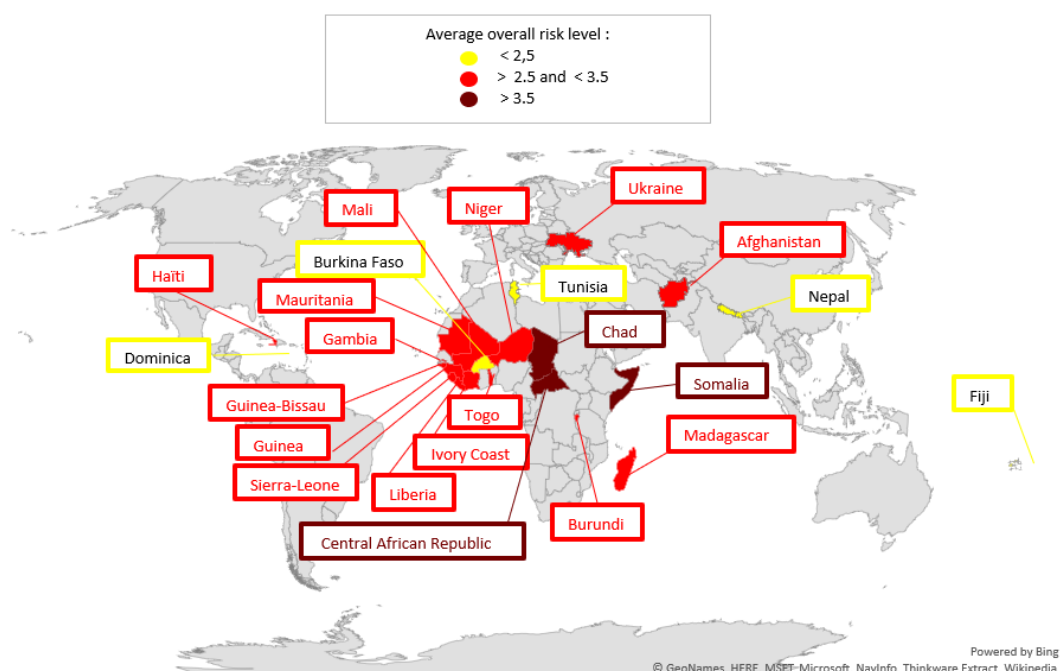
Beneficiary countries with higher vulnerability

The countries in which the EU intervened through SBCs exhibited social and macro-economic fragilities. The variance analysis (ANOVA) (Annex 5) shows that the EU deployed SBCs in countries with higher social vulnerability⁷ and macroeconomic fragilities, particularly in terms of growth rates, current account, debt and poverty levels.

The countries in which the EU intervened through SBCs had a substantial level of risk. The risk mapping, reconstituted on the basis of the EU Risk Management Framework (Annex 6), shows that the majority of the SBC beneficiary countries (65% or 15 countries out of 23) had a 'substantial' average overall level of risk with a score of between 2.5 and 3.5 (out of the maximum five) and that no SBC beneficiary country had a low overall average score for this period (i.e. a score below 1.5) (see figure below). It also shows that the level of risk increased after 2013, for each of the five risk dimensions.

⁷ Numerous social indicators are significantly different between SBC beneficiary and non-beneficiary countries, and SBC beneficiary countries show higher indices of the Fragile States Index (FSI) "Policy - Public Services" indicator and the FSI "Social" indicator covering demographic pressure, the presence of refugees and external intervention.

Figure 9: Average overall risk of SBC beneficiary countries (2013-2018)



Source: ADE, Risk mapping based on EU data (Annex 6)

Broad thematic coverage, partly through increasing variable tranches

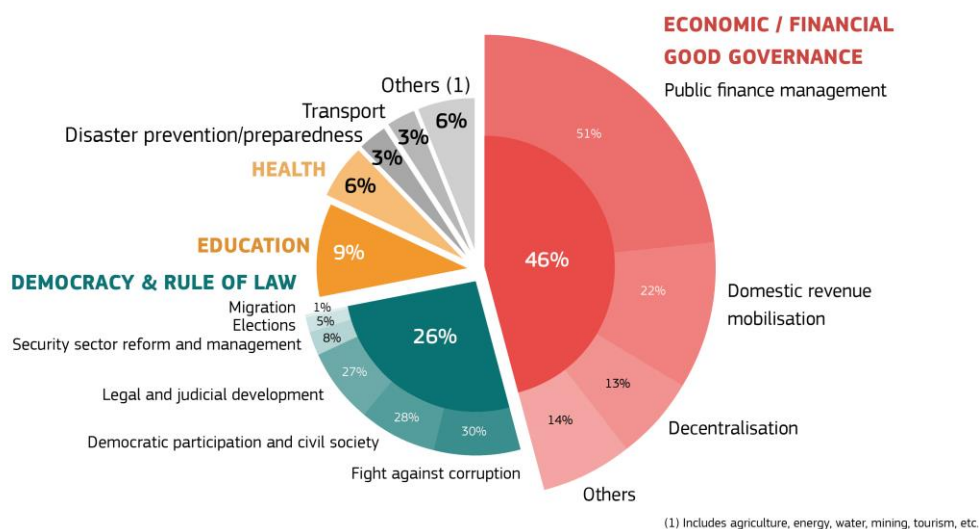
In accordance with the objectives set, SBCs covered four areas,⁸ namely:

- Macroeconomic and fiscal stabilisation;
- Public finance management;
- Maintenance/strengthening of basic public services, including education, health and food security;
- Good governance, including support for:
 - The rule of law and security;
 - Democracy and human rights;
 - Economic governance, the business environment and economic diversification.

The indicators used in the variable tranches of the SBC mainly focused on good economic and financial governance, with 54% of the financial weight of the indicators covering this domain (see figure below). SBCs also primarily targeted good governance and the rule of law, as well as social sectors (education and health).

⁸ The sectors/areas targeted by SBCs are stated in the general and/or specific objectives of SBCs, and also in the indicators included in the performance framework.

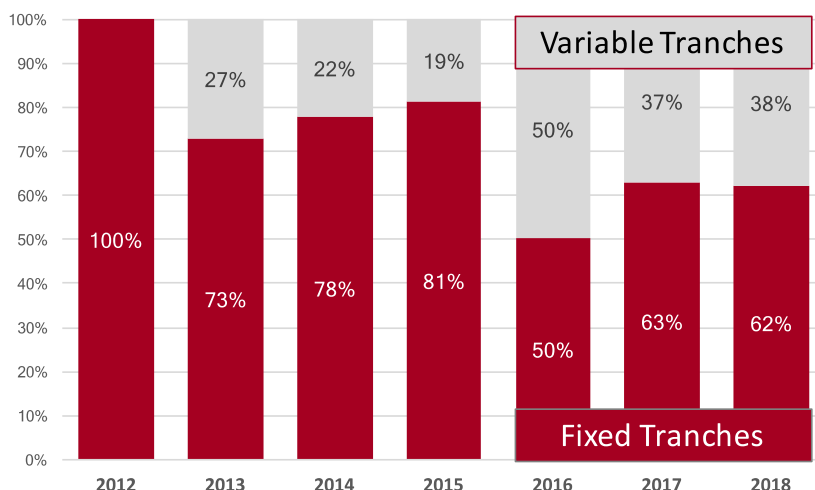
Figure 10: Sectors covered by variable tranche indicators (by financial weight of the indicators)



Source: ADE, based on data from the SBC database

The proportion of fixed tranches foreseen in the total of programmes gradually decreased over the evaluation period, from 100% of the amounts committed in 2012 to 62% in 2018.

Figure 11: Evolution of the composition of SBC commitments, 2012-2018

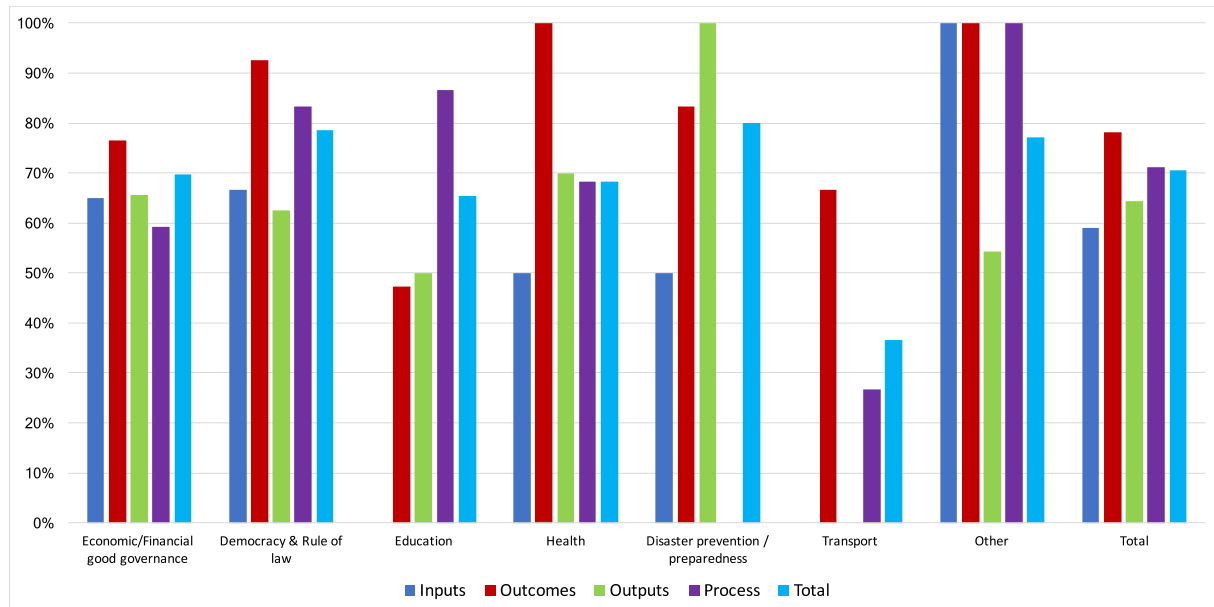


Source: ADE, based on data from the SBC database

The variable tranches show an overall disbursement rate of 71%. More detailed analysis of the type of indicators used in these variable tranches showed that process indicators show the highest overall disbursement rate (78%), followed by outcome (71%), output (64%) and input (59%) indicators. Disparities are also visible by area: the indicators for the sectors of disaster prevention/preparedness and good governance/rule of law show the best performance (overall disbursement rates of 80% and 79%); those relating to economic and

financial governance, which account for more than half of the amounts committed in the variable tranches, show an execution rate of 70%, those relating to health a rate of 68% and those relating to education a rate of 65%.

Figure 12: Variable tranche and disbursement rates by sector and by type of indicators⁹



Source: ADE, based on data from the SBC database

3. Little change in the fragility situation of recipient countries

The contexts in which SBCs have been implemented are complex and marked by weak capacities to respond to shocks, weak institutional environments and significant risks of destructuring. The greater the degree of fragility, the more the context appears volatile and uncertain, being greatly exposed to internal and external shocks with potentially devastating effects on economic structures, social cohesion and, ultimately, on populations. The SBC beneficiary countries share common characteristics that are salient to a greater or lesser extent: economic structures with little diversification, an unstable political environment, weaker institutions and capacities for governance, a lack of state legitimacy and more volatile aid flows. In addition to this, there is also more corruption, as indicated by the IMF in the evaluation of its interventions in fragile states.¹⁰ The dynamics of fragility are, however, specific to each country

⁹ Others: agriculture, energy, water, mining sector and tourism.

¹⁰ Independent Evaluation Office of the IMF, The IMF and Fragile States, Evaluation Report, 2018.

depending on its economic, social and institutional structures, as well as its geographic and environmental characteristics.

3.1. Precarious growth dynamics in a stabilised but vulnerable macroeconomic framework

Table 4: Economic performance

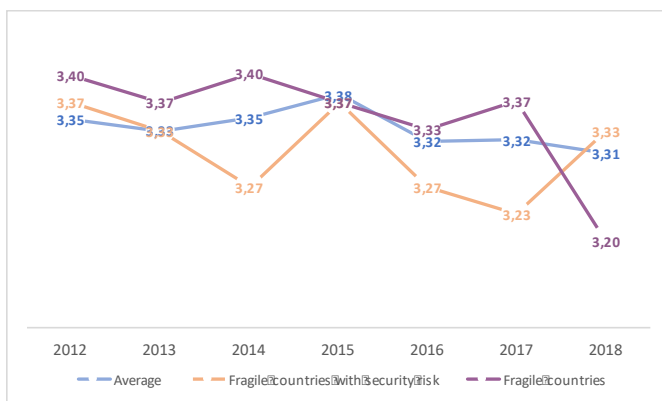
	Growth rate GDP/head		Inflation rate (GDP deflator)		Current account balance (as a percentage of GDP)		Public debt (Percentage of GDP)	
	2008- 11	2012-18	2008-11	2012-18	2008-11	2012-18	2008-11	2012-18
SBC countries	1.3	1.9	7.3	5.1	-9.7	-9.0	40.0	53.8
<i>Of which fragile countries</i>	1.5	2.0	7.7	4.3	-10.9	-10.3	33.3	21.0
Non SBC countries¹¹	2.8	2.1	10.7	5.2	-1.0	-3.5	31.4	27.3

Source: World Bank, World Development Indicators database (WDI)

Macroeconomic stability has been achieved, but vulnerability remains high. Overall, the beneficiary countries have maintained the stabilisation of the macroeconomic framework, in terms of inflation and public debt indicators. On average, inflation was lower in all countries during the period 2012-18 and particularly in fragile SBC beneficiary countries. The level of public debt increased on average for SBC beneficiary countries but not in the fragile states. However, these positive indicators hide the persistence of significant vulnerabilities: external deficits remain considerable and the amount of public debt after debt cancellation for the Heavily Indebted Poor Countries Initiative (HIPC) is again increasing significantly in various countries.

¹¹ The sample of non-SBC countries was designed to be counterfactual for the quantitative analysis (see the detailed list in Annex 5).

Figure 13: CPIA Economic Management Rating for 12/15 countries analysed¹² (Max: 6)



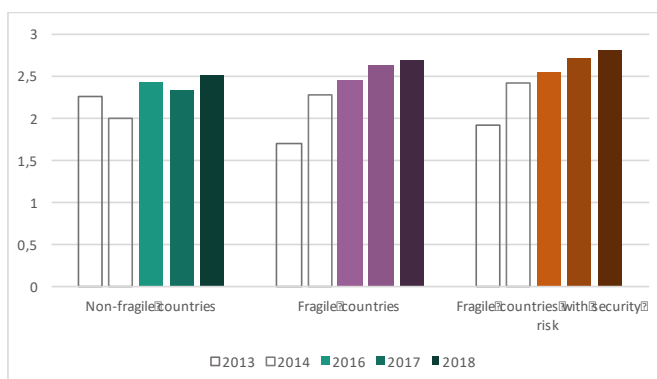
The sustainability of the macroeconomic framework as measured through the Country Policy and Institutional Assessment (CPIA) index, “economic management” cluster¹³ for the 15 SBC beneficiary countries analysed in greater depth, shows, at best, a status quo and a reduction in structurally fragile countries. The only exception is Tunisia, which improved.

Source: World Bank

This persistent fragility of the macroeconomic framework is directly reflected in the perception of risks as measured by the Risk Management Framework (RMF).

Figure 14: Evolution of the level of macroeconomic risk (macroeconomic policies)

In fragile SBC beneficiary countries, the risk of macroeconomic policies leading to instability in the macroeconomic framework has increased steadily since 2013, reaching a level considered substantial (>2.5) in 2018. In fragile countries facing security threats, the significant increase in debt and the accompanying risk of unsustainability is an aggravating factor (the level of risk of this dimension has increased each year since 2013, from 2 to 3.3 in 2018).



Source: ADE, based on the EU Risk Management Framework database.

¹² SBC beneficiary countries have been grouped into three categories in order to better capture the differences in context: 1) CAT 1: non-fragile countries (Dominica, Fiji, Tunisia, Ukraine); 2) CAT 2: countries in a context of deep structural fragilities that have been subjected to political / economic shocks (Burundi, Burkina Faso, The Gambia, Guinea, Guinea Bissau, Haiti, Liberia, Madagascar, Mauritania, Nepal, Sierra Leone, Togo, a group to which we associate the Ivory Coast, a case of complex interpretation); 3) CAT 3: countries in fragile situations having faced a high security risk between 2012 and 2018 (Afghanistan, Somalia, Mali, Niger, CAR, Chad).

¹³ This cluster includes “debt policy”, “budget policy” defined as the short and medium term sustainability of budget policy with regard to monetary policy and the exchange rate, the sustainability of the debt and its impact on growth, and “macroeconomic management” defined as the framework of monetary policies, the exchange rate and the overall demand.

No return to a sustainable growth path despite the convergence in GDP per capita growth rates

SBC countries continued to systematically perform less well than the others in terms of GDP per capita growth, but the difference with the non-beneficiary countries narrowed during the 2012-2018 period, showing a catch-up in the performance of the fragile beneficiary countries towards a growth of 2% per year, which is almost identical to that of fragile non-beneficiary countries.

With the exception of Ivory Coast, Guinea and to a lesser extent Mali, the countries analysed did not experience a structural transformation that would lead to sustainable growth. In Chad and Burundi, growth has become negative. In Sierra Leone it is very volatile. The other countries are barely keeping afloat around stagnation level. A small number of countries saw a short-term spike after a shock, notably the Central African Republic, Haiti and Sierra Leone, but with no real structural recovery.

Insufficient improvement in the economic environment and in the confidence of economic agents

Between 2012 and 2018, the ranking of SBC beneficiary countries in Doing Business saw little change: with the exception of Nepal, whose position was significantly better in 2012 and has remained so, the other beneficiary countries are lagging behind between the 150th and bottom position (188th), competing with each other to improve their position a few places. In this regard, Ivory Coast did best, moving up 22 places over the last three years, followed to a lesser extent by Guinea and Niger.

The share of Foreign Direct Investment (FDI) in the GDP fluctuates considerably from one year to another, which adds a further element of volatility to the macroeconomic framework.

A still high economic vulnerability in the absence of diversification and mechanisms to respond to shocks

Most of the beneficiary countries are highly exposed to economic shocks, and in particular to fluctuations in the terms of trade, which are mostly linked to changes in the prices of main export products and rice and petrol import prices, as well as to the dependence of public investment on external aid. They are also dependent on Foreign Direct Investment (FDI), on concessional external financing, on the potential loss of trade preferences and on possible exchange rate shocks.

Few countries succeeded in putting in place truly effective specific national mechanisms to respond to crises and shocks, as the budgetary leeways of SBC beneficiary governments to respond to economic shocks have been reduced.

Climate fragility factors and youth unemployment still equally important

A large part of SBC beneficiary countries is among the poorest and least habitable countries on the planet, and climate change exposes them to increased risks that threaten key economic sectors, while exacerbating the possibility of greater environmental deterioration.

The dependence of some of these countries on agriculture and exploitation of forest or mining resources, coupled with high levels of poverty and unemployment, leaves them vulnerable to increased extreme events.

3.2. Little improvement in political and social cohesion and in state legitimacy

Overall, the indices of political fragility and measuring social cohesion changed little on average between 2008-2011 and 2012-2018. They remained particularly high (above 8) in fragile countries regardless of whether countries were SBC beneficiaries or not. Overall, state legitimacy was not strengthened in SBC countries and remains significantly weakened in fragile countries. Between these two periods, the situation, in fact, deteriorated in fragile countries in terms of social fragility (determined on the basis of three indicators for “democratic pressure”, “refugees and displaced people”, and “external intervention”).

Table 5: Governance, cohesion and social stability

	FSI - Political		FSI- Political State legitimacy		FSI - Cohesion		FSI - Social	
	2008-11	2012-18	2008-11	2012-18	2008-11	2012-18	2008-11	2012-18
SBC countries	8.0	8.1	8.1	8.1	7.7	7.7	7.5	7.8
Of which fragile countries	8.3	8.3	8.3	8.3	8.0	8.0	8.1	8.5
Non SBC countries¹⁴	7.5	7.2	7.7	7.6	7.1	7.1	7.5	7.3

Sources: *Fragile State Index (FSI)*, *Transparency International*

Reading: the SFI indices are measured on a scale from 0 to 10, with 10 being the maximum level of fragility.

The analysis of changes between 2012 and 2018 in SBC beneficiary countries confirms the persistence of a precarious situation, even if within the 15 countries analysed in depth, some saw their situation improve and others deteriorate. Only a minority of countries have reduced their overall level of fragility under the Fragile States Index (FSI) score¹⁵ (10 out of 23 countries), while a majority of countries appeared more fragile at the end of the period. Fragility primarily affects the African continent, marked by heterogeneous trajectories (Ivory Coast progressed 10 points, whereas Mali fell 18 points). Nevertheless, there are positive changes in some countries (Ivory Coast, Haiti, Sierra Leone and Chad) or in some areas (reduction in collective grievances, respect for human rights).

Most of the SBC beneficiary countries did not experience a reduction in violent political conflicts over the 2012-2018 period. This conflict dynamic has undermined national peacebuilding processes towards socio-political stability.

According to the FSI, a small majority of countries saw deterioration in their security context (8/15 countries). Civil war has persisted (Afghanistan), while the Sahel States have faced activism by armed rebel and/or terrorist groups on their territory (Mali, Niger and Chad). Political alternation (The Gambia, Madagascar, Tunisia) has led to clashes, excessive use of

¹⁴ The sample of non-SBC countries was designed to be counterfactual for the quantitative analysis (see the detailed list in Annex 5).

¹⁵ The Fund for Peace, Fragile State Index, 2019 annual report

force and a crisis in the state security apparatus. A democratisation process followed by an electoral crisis led to a hardening of the state apparatus and repression (Burundi). The SSR processes undertaken in most of the countries did not benefit from strong political commitment backed up by significant resources. In addition, DDR processes have struggled to produce the peace-making effects expected and provided for under peace agreements, whose expected dividends have failed to ensure socio-political stabilisation (Afghanistan, Mali, CAR).

The EU risk management framework also revealed deterioration in the average score for “Insecurity and conflicts” for all 15 countries under review for the period under review (2.69 to 2.89). The countries with the largest deterioration in their score were: Central Africa, Haiti, Madagascar, Mali and Niger, and those with an improvement in their score were: Sierra Leone and Tunisia.

The sub-group of the 15 countries studied made little progress during the 2012-2018 period in terms of governance to ensure the conditions for a political transition to a system of democratic governance.

A strengthening of elite fragmentation is observed in a slim majority of countries (8 out of 15), while three countries have seen no progress (Burundi, Madagascar, Tunisia). Political leadership crises (Burundi, The Gambia, Haiti, Madagascar, Mali, CAR, Somalia and Tunisia), whether or not coupled with polarisation fuelled by identity-related tensions on the political scene (Guinea, Mali, Nepal, Central African Republic, Somalia), contributed to significantly weaken the legitimacy of public institutions. In all countries, the distribution of resources and wealth associated with unfair institutional treatment, by judicial institutions in particular, contributed to increasing social and political inequalities, and a marginalisation of already vulnerable social groups.

A majority of countries (9 out of 15) have nevertheless recorded a reduction in collective grievances of an intra-community and political nature according to the FSI. The post-conflict response to a crisis phase brought about a reduction in the level of tensions between social groups (Burundi, Ivory Coast, The Gambia, Niger), accompanied by a fairer redistribution of resources on the territorial front (Burundi, Ivory Coast, Niger, Chad) and socio-economic (Tunisia, Madagascar) front.

In addition, the FSI “Public Services” sub-indicator of the “Policy” indicator shows that the quality and/or access to public services did not deteriorate in a large majority of countries (11 out of 15), with progress recorded in Nepal, Somalia, Tunisia and Burundi.

The EU risk management framework reveals deterioration in the average score in “Democracy” for all 15 countries reviewed for the period (2.33 to 2.84), with two major exceptions: The Gambia and Tunisia.

The entire sub-group of the 15 countries studied introduced reforms that produced institutional guarantees for citizens over the 2012-2018 period.

A strengthening of state legitimacy was observed in nine of the 15 countries, despite having gone through post-conflict or political transition situations in a fragile context (Ivory Coast, Niger, Sierra Leone, Somalia, Chad and Tunisia) and/or external shocks (Haiti, Madagascar, Nepal, Sierra Leone and Chad). For three countries having made the most progress (Ivory Coast, Sierra Leone and Tunisia), successful handovers of power resulted in renewed confidence in public institutions. Reforms designed to strengthen representation, transparency and public accountability, even if partial, brought renewed confidence among citizens in the state and its institutions.

Guarantees relating to respect for human rights and the rule of law were strengthened in a large majority of countries (11 countries out of 15). The most significant progress during this

period was made in Guinea, Niger, Tunisia and Sierra Leone. In these four countries, changeovers in political power brought in governments that strengthened the legal mechanisms protecting civil and political rights ended massive human rights violations and strengthened legal and judicial guarantees. This positive change was not, however, corroborated by the EU Risk Management Framework scores, all of which were down, particularly those relating to “human rights”. Some African countries, characterised by political regimes with authoritarian tendencies (Burundi) or the persistence of armed conflict (Mali, CAR, Somalia), did not experience this positive trajectory.

Finally, a majority of countries (9 out of the 15 studied and 12 out of the 23 SBC beneficiaries) saw an improvement in the perception of corruption index¹⁶. The reduction in the perception of this phenomenon is particularly visible in Afghanistan, Ivory Coast and Gambia. Burundi, Madagascar and Sierra Leone, on the other hand, saw this index fall, while high levels persisted in CAR, Chad and Tunisia.

3.3. Insufficient social progress to initiate a real reduction in poverty

Table 6: Evolution of social indicators

	Net primary school enrolment rate		Net secondary school enrolment rate		Rate of severe malnutrition		Percentage of assisted childbirths	
	2008-11	2012-18	2008-11	2012-18	2008-11	2012-18	2008-11	2012-18
SBC countries	74.2	78.6	39.5	36.8	19.6	20.5	65.0	67.4
Of which fragile countries	67.8	76.3	24.8	32.1	24.3	25.6	41.6	51.9
Non SBC countries¹⁷	81.4	82	51.9	52.8	19.0	18.2	70.1	76.4

Source: World Bank, World Development Indicators database (WDI)

Improvement in primary and, to a lesser extent, secondary school enrolment

During the course of the 2012–2018 period, the rate of access to primary education in fragile SBC beneficiary countries improved, rising above levels in fragile non-SBC beneficiary countries (by 70% on average). Within the 15 SBC beneficiary countries analysed in greater depth, it is in Ivory Coast, The Gambia and Niger that primary school enrolment increased the most. However, in Mali (no change) and Chad (drop), there was no growth. The improvement in the enrolment in school of girls must also be highlighted and was observed, in particular, in countries where they had been the first to be removed from school (Mali, Niger and Sierra Leone).

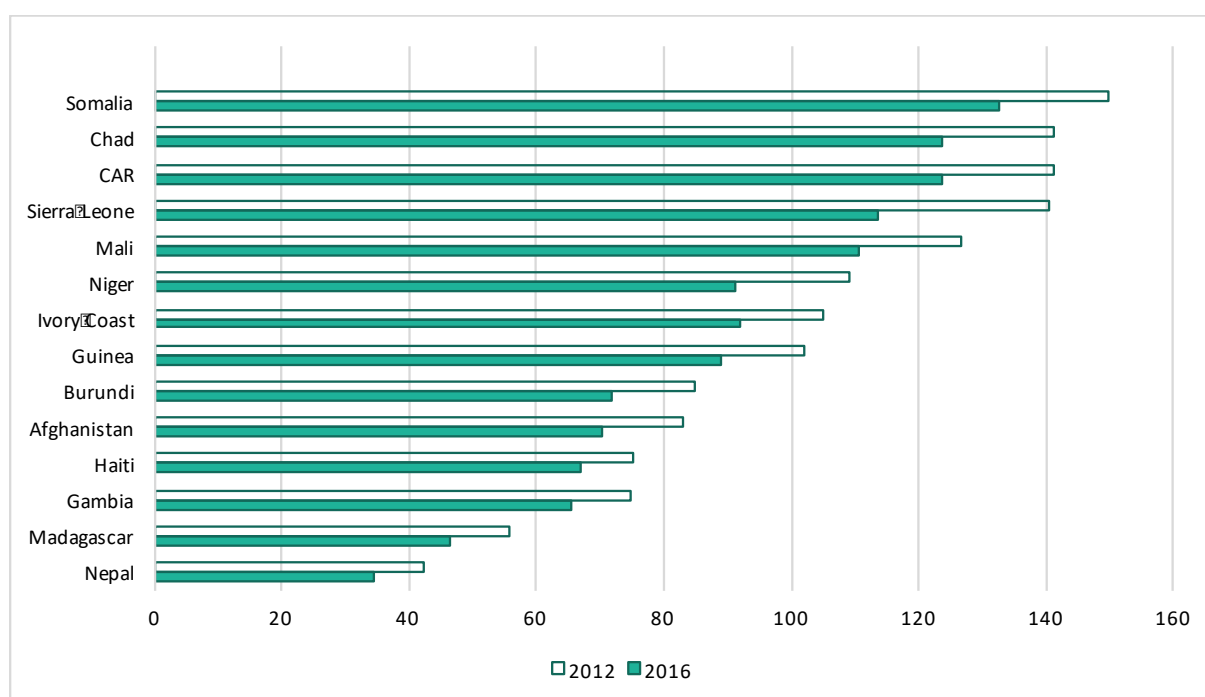
¹⁶ Transparency International, Corruption Perception Index, 2019 Annual Report.

¹⁷ The sample of non-SBC countries was designed to be counterfactual for the quantitative analysis (see the detailed list in Annex 5).

Overall improvement in the health of children under five years of age and in the management of pregnancies

In the health sector, the most notable result is the reduction in the infant mortality rate, which is marked in all SBC beneficiary countries, except for Dominica where the rate was already low. There has been significant progress in maternal health: the percentage of births attended by qualified staff has exceeded the 50% mark in fragile SBC beneficiary countries. The indicators for monitored pregnancies and contraceptive prevalence for non-fragile countries also improved in SBC beneficiary countries between 2008–11 and 2012–18, whereas there was no significant change in vaccination rates between the two periods.

Figure 15: Infant mortality in children under five years of age (/1,000 live births)



Source: UNDP database

Deterioration in the undernourishment prevalence rates

Besides Tunisia, where the prevalence of undernourishment remained stable overall for the period 2012–2016 (below the 5% threshold), most of the available information compiled on the subject shows, in the best of cases, a precarious stabilisation (as in Guinea, thanks to an improvement in its harvests over recent years that is more circumstantial than structural, or in Mali, which reported a slight decline in the prevalence of undernourishment from 6.4% to 6% in 2013 and 2017), but most often a worsening of the situation. Severe malnutrition still affects one person in four on average in fragile SBC beneficiary countries.

4. SBCs Design

This chapter presents the findings of the evaluation relating to the key elements of programme design: understanding of the challenges, relevance of the objectives, consistency of the intervention logics and modalities chosen. These findings are based on the analysis of EQ 1 (see Annex 7).

4.1. Preliminary analysis of the situation of fragility

SBCs have generally been subject of relatively succinct fragility and/or context preliminary analyses that have adequately informed programme design, despite several limitations in these analyses.

The identification of each SBC reviewed was based on a BS roadmap with relatively succinct analyses (1 to 3 pages) of fragility. The analyses proposed within this roadmap offered an overview of the various aspects of fragility (i.e., political, security/human rights, macroeconomic, social and environmental). The level of detail of the analyses undertaken varied according to the countries and/or programmes: the SBCs designed in emergency situations were subject to more succinct analyses and the SBCs identified at the end of the period under review were subject to more detailed analyses than those identified at the start of the period. Overall, these analyses presented certain limitations: they did not provide an in-depth analysis of the various fragility factors, or an exhaustive analysis of the institutional weaknesses that SBCs seek to address; they did not generally identify the sources of resilience, as the objective of resilience came into being in the 2017 guidelines; and they emphasised the factors contributing to institutional weakness, without adequately covering infra-state fragility factors. The fragility factors identified by the EU generally correspond to those identified by other donors in the framework of their analyses, without the documented analyses carried out by the different partners being shared between them.

The analyses of the situation of fragility conducted have generally enabled SBCs to respond adequately to the challenges presented by the situations of fragility. The respondents to the online survey (Annex 4) indicate that the initial context analyses were sufficiently well substantiated to enable SBCs to respond to the challenges presented by the fragility of the countries (average score 3.95/5). However, in more than a third of the programmes analysed (12/32), the depth and frequency of analysis of the situation of fragility and the context (including at sector level) were not always sufficient to best identify the issues in order to inform the design of SBCs (Burundi, Guinea, Haiti (education), SBC 2 Madagascar (electricity), Mali and Sierra Leone).

4.2. Risk analysis guiding the design

Extensive risk assessment systematically underpinned programme identification/formulation but has been little used in monitoring programme implementation.

Risks have been systematically analysed through the risk management framework, an internal EU tool providing an annually updated assessment of the risks by type (political, macroeconomic, development, PFM, corruption/fraud). The analyses carried out for the programmes studied in detail covered all these risks through a set of questions but went into greater depth for macroeconomic, public finance management and corruption risks than for risks associated with political and developmental issues. It is noteworthy that the assessment of developmental risks was enhanced during the review of the risk management framework in 2019.

Risk mitigation measures most often formulated in a general way were also identified for the 15 case study countries¹⁸ as part of the identification/formulation of SBCs. Dialogue on policies is often presented as the main vector of risk mitigation, followed by support in the form of technical assistance and coordination between donors. Analyses of the risk management framework did not generally foster the monitoring of risks during implementation of SBCs (9/15 countries - Burundi, Ivory Coast, Guinea, Mali, Madagascar, Nepal, Niger, Sierra Leone and The Gambia). The country case studies show that the EU was generally positioned behind the IMF as regards the monitoring of macroeconomic risk, as the IMF steers the monitoring of the macroeconomic framework of the countries as part of its missions. Similarly, the country case studies indicate that the monitoring of PFM/corruption risks has tended to be done on the basis of the implementation reports of the annual work plans of public finance reform programmes, most often with substantial support from the World Bank.

Finally, the analysis of the potential cost of non-intervention was the subject of undocumented qualitative discussions. The potential cost of non-intervention was taken into account qualitatively during discussions within the BS Steering Committee (BSSC)¹⁹ on the roadmaps during the identification/formulation/disbursement of SBCs. It is also supposed to be clarified in the risk management framework, but the information provided remain poorly developed. There is no analysis systematically guided by a clearly established methodology. Furthermore, the qualitative information was not taken into account in the documents used to inform the design of the programmes. In addition, these documents contained no reflections on possible alternative scenarios, including an analysis of the institutional, developmental and political effects that could lead to the decision not to allocate budget support and/or to mobilise other types of aid.

¹⁸ An exception to this are the first SBCs deployed in Mali and Sierra Leone, where mitigation measures were never identified in funding agreements.

¹⁹ This committee was established pursuant to the 2012 guidelines.

4.3 Objectives targeted and broadening the response to the situation of fragility

4.3.1 Objectives focused on immediate macroeconomic stabilisation needs

SBCs have sought to respond to the identified fragility factors by emphasizing above all the stabilisation of the macroeconomic framework and the strengthening of public finance management, in alignment with the IMF. In support of macroeconomic stabilisation, the SBC also sought to restore/improve basic social services and support the transition to democratic governance.

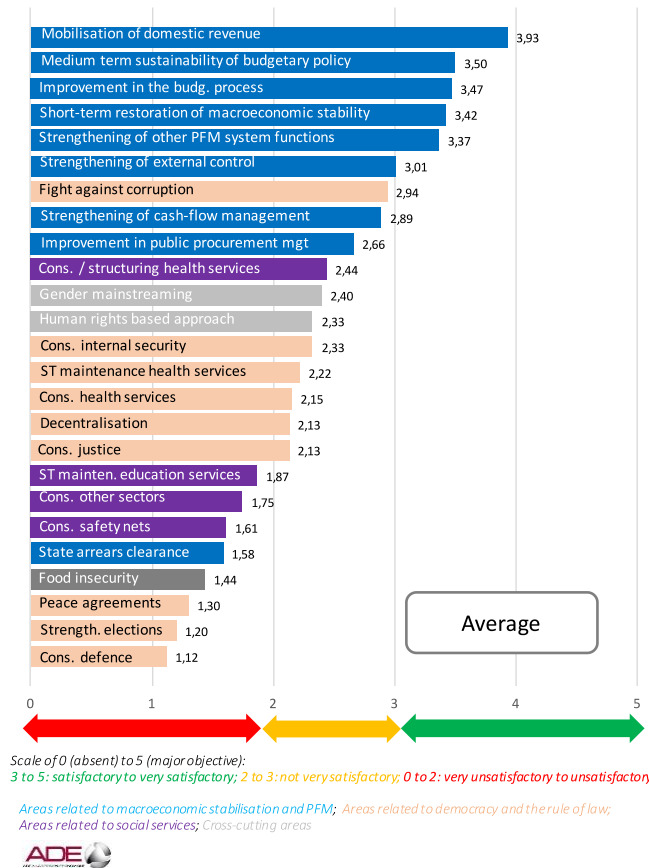
The 15 country case studies indicate that SBCs aimed at i) restoring macroeconomic stability - placing major emphasis on the mobilisation of domestic revenue – by creating a fiscal space capable of coping with a political and/or security crisis (Afghanistan, Ivory Coast, Guinea, Mali, Madagascar and CRA), a natural disaster (earthquake in Nepal in 2015), a health crisis (e.g. Ebola) or an oil crisis (Chad); and ii) restoring and/or consolidating core government functions, by supporting the strengthening of public finance management and basic social services delivery (education, health, water/sanitation, justice, etc.). The online survey respondents confirm these priorities (see figure below): domestic revenue mobilisation appears as the main objective targeted by SBCs (with a score of 3.93/5), followed by the following four objectives: medium term sustainability of the fiscal policy, improvement of the budgetary process, short-term restoration of macroeconomic stability and strengthening of other functions of the public finance management system (with a score of between 3.3 and 3.5/5). The short-term maintenance or consolidation of basic social services in the social sectors of education and health (with a score of between 1.87 and 2.4 4/5²⁰), and the maintenance of peace, security and the rule of law (with a score of between 1.12 and 2.33/5²¹) are considered secondary objectives of SBCs by the respondents.

All programmes analysed in detail within the framework of the eight field missions show that health, and/or education and/or, more generally, the supply of basic social services were covered either by specific target objectives and/or political dialogue and/or technical assistance envisaged to support SBCs.

²⁰ The SBC objectives related to consolidation are ahead of those related to the short-term maintenance of social services according to survey respondents.

²¹ The objectives related to support for the implementation of peace agreements, the strengthening of systems for the organisation of elections and the consolidation of defence have a score of <1.3.

Figure 16: Objectives pursued by SBCs, per order of importance, according to survey respondents



Source: Survey conducted by ADE of EU staff involved in SBCs

4.3.2 An instrument supporting the Government

Above all, the instrument was aimed at strengthening the Government and, in fact, little oriented towards social vulnerability and civil participation. SBCs have aimed to reduce poverty by supporting the government capacity to deliver minimum basic services to the population, including vulnerable groups, during times of acute crisis. Their intervention logic was little oriented towards tackling the multidimensional elements underlying people's vulnerability. It is indeed difficult to address this multidimensional theme with an instrument that primarily intervenes on the operating budget. One important aspect for addressing the vulnerability of the populations is food security. Problems relating to food insecurity and the consolidation and structuring of safety nets have only been a focus of SBCs to a very small extent. When this has been the case, it has tended to be more through Sector Reform Contracts (SRC) (Mali and Niger). Regarding civil participation, SBCs sought to primarily support formal national channels and did little to stimulate the engagement of civil society or the private sector. SBCs have not placed much emphasis on accompanying instruments promoting local democracy or civil participation, except for some cases (Afghanistan, Haiti and Tunisia). They have also made little attempt to support territorial policies of deconcentration and decentralisation.

4.3.3 Broadening of the response to the situation of fragility

For successive SBCs over time, the objectives they pursued were often gradually broadened to include several sectors and structural reforms, particularly on the economic front. The capacity of the SBC to bring in a broad package of reforms, as well as long-term reforms in an uncertain environment, was overestimated. In over half of the beneficiary countries, successive SBCs deployed (see also Section 5.1). The thematic coverage of these programmes has gradually increased over time (e.g. Niger, Mali, Madagascar). Furthermore, in various cases (e.g. Niger and Sierra Leone), support for structural economic reforms, concerning productive sectors, regulation and the business climate, was gradually introduced after the first SBC. This development reflects the emphasis placed on resilience by the 2017 guidelines. These types of reforms were, furthermore, often supported by other TFPs and/or other EU programmes, including sectoral reform contracts. Support for structural policies requires a framework that allows for the adoption of a long-term vision. This is complicated in a fragile environment that is uncertain due to the high degree of inherent risks and its changing nature. As a result, the capacity of the SBC to introduce structural reforms in this type of environment was limited.

4.4 Programmes design and degree of consistency with the guidelines

4.4.1 Dynamic assessment of eligibility

The evaluation of the eligibility criteria took into account the weak institutional capacity, as well as the slow and differentiated progress over time in implementing reforms in different countries. The analysis of the four eligibility criteria (public policies, stable macro-economic framework, public finance management, transparency and oversight of the budget), which are the same for the different BS contracts, was carried out within the framework of the roadmap. A dynamic analysis of eligibility was undertaken, with emphasis placed on progress made in the implementation of reforms, while acknowledging that the initial point of departure differs from one country to another (see box below). Accordingly, it took into account weaknesses inherent in situations of fragility, as recommended by the guidelines. The downside of this approach is that the eligibility criteria were insufficiently restrictive to have a real incentive effect.

In the SBC1 in **Mali**, eligibility was assessed in light of the progress made in the implementation of the roadmap for transition (2013) which served as a reference framework for government action during the political transition period, in the public finance reform programme and in the government compliance with criteria relating to the programme supported IMF Rapid Credit Facility (RCF).

4.4.2 Financial amounts

The adequacy of the amounts involved to the needs is difficult to assess. The determination of the financial amounts took into account several factors, such as the available envelope in the National Indicative Programme (NIP), the allocation of the amounts available between BS and other instruments, the progress made by the countries, etc. It was generally not aligned with

the quantification of the support needed to prepare and implement reforms. It did, however, reflect in a third of the country case studies the willingness to take into account the financing needs of the countries, as calculated by the IMF, for countries that had negotiated a programme with the Fund. In three of the eight country case studies, the determination of the funds allocated, however, raises questions (e.g. the amounts were not justified in Haiti or in Guinea; in Burundi, the financial contribution initially foreseen was in line with the amounts projected in the preceding programme but was disconnected from the amounts actually disbursed, leading to significant variability from one year to another).

The distribution between fixed tranches and variable tranches was generally appropriate, with fixed tranches amounting to 69% of the amounts committed since 2012, and an increase in the proportion of variable tranches over time from 0% of the sums committed in 2012 to 38% in 2018, remaining below the 40% threshold. In several of case studies, however, the interlocutors raised the issue of the risk of variable tranches becoming too large in relation to budgetary needs and predictability.

4.4.3 Variable tranche indicators, dialogue and complementary technical assistance

The selected variable tranche indicators and the dialogue envisaged in relation to them were generally relevant to the context and objectives of SBCs, despite a number of weaknesses. They were intended to relieve the constraints identified for the restoration of government functions, focusing mainly on economic and financial governance (53% of the financial weight of VT indicators) and to a lesser extent on social sectors and democratic governance.

Overall, process (39%) and output (37%) indicators made up the vast majority of the indicators, with an emphasis on the implementation of measures/reforms rather than the monitoring of outcomes. In cases where several SBCs were implemented successively, some performance indicators were often gradually introduced, in quite a suitable manner in the macro-financial field, as well as in the social sectors.

Weaknesses in the choice of indicators were observed in a third of the country case studies: a) certain indicators and/or targets i) were too ambitious as regards the capacities of the authorities or ii) were not correctly incorporated into the SBC intervention logic or iii) were not correctly reflected in the analyses of context/fragility; b) the size of the number of sectors covered by the indicators, particularly in Mali, Niger and in Guinea (up to seven sectors); c) the high number of indicators (more than eight) and the inclusion of sub-indicators in over a third of country case studies (Afghanistan, Haiti, Mali, Niger, Sierra Leone and Chad); and d) poor use of the matrix in Madagascar, where SBCs were accompanied by a matrix of priority actions relating to public finance and the fight against corruption. These actions were interpreted and used in the dialogue by certain national partner interlocutors as conditions, and were perceived as disproportionate in relation to the expected funding.

The procedures related to the dialogue envisaged were generally not well documented, although there was greater detail in the SBCs formulated at the end of the evaluation period.

Finally, regarding complementary technical assistance, 74% of the SBCs earmarked specific funds for this purpose, but without precisely defining the modalities related to this support.

4.4.4 Exit strategy/sustainability of achievements

SBCs have generally not explicitly planned for an “exit strategy/ strategy to sustain the gains made” based on the context at the time of designing or implementing the programmes. The survey respondents gave a score of 2.7/5 to the planned strategy to sustain the gains

made. All 15 country case studies show that exit strategies were not planned at the time of programme design.

For structurally fragile countries, the “exit strategy/strategy to sustain the gains made” materialised by the renewal of an SBC or the introduction of another type of BS. The EU made a continuous commitment over a number of years in over half of the beneficiary countries (13/23) (generally two SBCs, sometimes three, and up to five in Tunisia). SBC renewal was decided at the end of the implementation of a programme in order to continue with initial efforts to allow for increased mobilisation of domestic revenue, and to strengthen public finance management, as well as to deepen dialogue on certain sectoral reforms and/or enter into sectoral dialogue. In a third of the country case studies (5/15 countries), the efforts initially made in the framework of SBCs were pursued through the evolution of the SBC towards a good governance and development contract and/or a sector reform contract (Ivory Coast, Haiti, Niger and CAR).

Some cases (Burundi and Mali) show that the EU has not made sufficient plans for alternative scenarios to address a marked deterioration in the country’s situation. In Burundi, no exit plan or plan to sustain the gains made was discussed to deal with the sharp deterioration in the country's political conditions in May-June 2015. However, the risk management framework showed a worsening of the average level of risk since 2012, political risks were considered 'high' and the macroeconomic framework had been deteriorating since 2013. Mali has been in a permanent situation of exiting from crisis since 2012. However, the financing agreements of the successive SBCs do not explicitly provide for an exit strategy and/or a strategy to sustain the gains if the crisis becomes acute.

4.5 Strengths and weaknesses in SBC design

Table 7: Success and limiting factors in programme design

Success factors
<ul style="list-style-type: none"> • Overall, a good assessment of the situation of fragility and of risks has fed into the identification/design of programmes. • The SBC objectives sought to address the identified factors of fragility. • The SBCs were firmly rooted in sectoral and/or national strategies, and formulated jointly with the governments of the beneficiary countries, as well as in discussion with the main Technical and Financial Partners involved. • The intervention logic followed in the context of successive SBCs was generally consistent and made it possible to provide an appropriate response to the evolution of the situation in order to consolidate the core functions of the government. • The modalities of intervention implemented were generally appropriate for the fragile situation the countries were in.
Limiting factors
<ul style="list-style-type: none"> • No exhaustive documented analysis of the potential cost of non-intervention. • SBC design weaknesses: very general objectives; confusion between the different levels of the intervention logic; phasing of induced outputs sought not clearly explained; some programmes too ambitious in view of the context; analyses of the context not far-reaching or frequent enough in some cases; insufficient analysis of institutional weaknesses. • Weaknesses in the internal consistency of successive SBCs in some cases: tendency to expand the number of sectors covered over time; or major change in the sectors targeted by the variable tranche indicators over the course of time not guaranteeing continuity; or change of approach between SBCs without furtherance of the outcomes achieved under SBC1. • Weaknesses of variable tranche indicators: over-ambitious indicators and/or targets; high number of indicators and sectors covered by the indicators. • Lack of detail in the dialogue and complementary Technical Assistance envisaged at the time of identification/design of the programmes. • Insufficient reflection on the “exit strategy/strategy to sustain the gains made” according to the context, including an insufficient consideration of alternative scenarios to deal with a marked deterioration in the country situation.

5. SBCs Implementation

This chapter presents the findings from the evaluation of the SBC implementation process: flexibility, dialogue, decision-making process, human resources deployed, complementarity with other EU interventions and coordination between technical and financial partners (see analysis of EQ10 and EQ11 in Annex 7).

5.1 Speed of intervention and adaptability

The SBC instrument has enabled the EU to provide a rapid response accompanied by often substantial financial resources to deal with a situation considered urgent in over half of the country case studies (8/15 countries (Ivory Coast, The Gambia, Mali, Niger, CAR, Somalia, Chad and Tunisia) – see box). This response was characterised by programmes prepared in short periods of time, often comprising a significant first fixed tranche with no variable tranche, and including variable tranche indicators focusing on inputs and/or direct outputs for the following tranches. These rapid response cases often coincided with a window of opportunity during which the deployment of the (first) SBCs was intended to provide support for a process to strengthen state legitimacy (Afghanistan), or a political transition at a key time (Ivory Coast, Gambia, Guinea, Madagascar, Mali, CAR, Sierra Leone), or a process leading to the clearance of arrears (Somalia), or a response following a natural disaster (Nepal), or a health crisis (Guinea) or an oil crisis (Chad).

In **Mali**, SBC1, formulated rapidly in response to the emergency situation caused by the crisis of 2012, enabled a significant contribution to government revenue (€120M) in 2013 and a rapid disbursement, during the same quarter in which the funding agreement was signed.

In **CAR**, the establishment of SBC1 in 2014 coincided with an opportunity created by the emergence of a political transition. The intervention was rapid and necessary to support the country emerging from the situation of financial collapse in which it found itself.

In **Tunisia**, the SBC was put rapidly in place to support the authorities in defining the agenda for reforms (Special Report on EU Assistance to Tunisia, 2017).

The programmes were generally capable of adapting to the context at the time of their design. This includes the interpretation of the eligibility conditions concerning the situation of fragility (see Section 4.4.1); the choice of indicators, mainly covering inputs/outputs (see Section 4.4.3); the introduction of specific elements at the time of programme design (indicators not specified in the funding agreement, multi-year disbursements, precautionary measures, etc.)

In **Afghanistan**, since the political framework was not completely finalised before the funding agreement was signed, the variable tranche indicators were not specified in the agreement. The latter was amended 10 months after signature to include the indicators.

In **Somalia**, the SBC took the changing situation in the country into account via: i) two disbursements planned each year (instead of one) to enable regular analysis of the eligibility criteria and variable tranche indicators; ii) the indicators were only defined for 2019 in the agreement; the indicators for the following years are to be finalised during the third quarter of

the preceding year. In addition, specific precautionary measures were put in place before the disbursements could be made to monitor and supervise the use of the funds at municipal and central level (reporting by the treasury management committee; approval of a PFM plan by the Ministry of Finance; reporting by a financial governance committee and by the federal member states).

The SBC generally demonstrated flexibility in its implementation to respond to changing circumstances. Most of the programmes were thus adapted during their implementation to changes in their context through amendments: increase in the amounts committed on successive SBCs, extended duration, modification of variable tranche indicators, budget reallocation of variable tranches not fully disbursed, addition of special tranches to respond to specific external shocks (e.g. Ebola tranche), etc.

5.2 A key platform for technical dialogue

In all countries studied, dialogue has been a central element of the SBC programmes; SBCs have provided a unique forum for dialogue on fiscal and tax issues, and on the functioning of the public financial management system, as well as on respect for fundamental values. At the forefront, technical dialogue has been intensified and gradually developed by becoming increasingly structured (through monitoring platforms or the setting up of steering committees), with an emphasis on proximity that was welcomed by numerous interlocutors and considered a specific feature of the EU approach. The variable tranche indicators were one of the main vectors of this dialogue.

In **Mali**, the implementation of the SBCs since the first one in 2013, has made it possible to open both a technical and strategic dialogue. Technical dialogue is conducted in a structured framework on a regular basis (monthly meetings since SBC2 on general conditions and VT indicators with a monitoring table shared by the technical services and the EUD, steered by the National Authorising Officer (NAO) (CONFED). This monthly follow-up is extended by bilateral meetings with the departments responsible for the measures covered by the indicators. This so-called proximity dialogue is very much appreciated by the Malian side.

In **Afghanistan**, the SBC, being one of the Afghan government's first experiences with the budget support instrument, introduced a process of close cooperation between the EUD and the government to put the dialogue into practice. An SBC Steering Group (SG) was created and entrusted with the supervision of the implementation of the action twice a year and with establishing a monthly technical political dialogue. In practice, the steering group was established in November 2016, and met at high level twice a year. The technical meetings took place monthly.

In **Haiti**, the possibility of holding both political (Head of Delegation) and policy dialogue brought great credibility to the dialogue with the government. However, it did not lead to a resolution of the political obstacles that constituted a major impediment to the implementation of the reforms supported by the SBC.

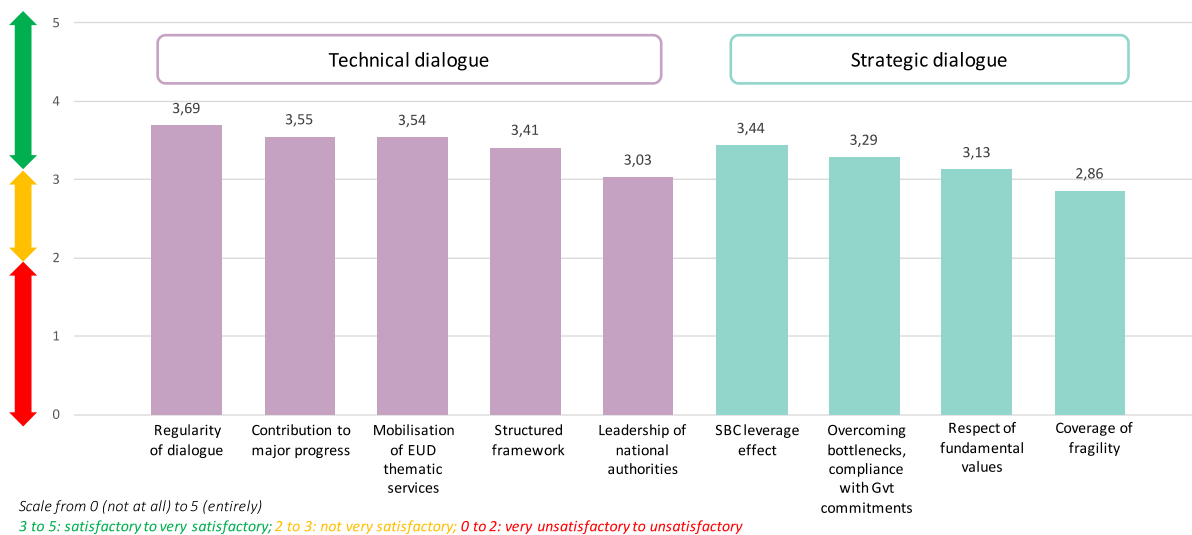
On the contrary, the suspension of programmes, as in Burundi, had a high cost and an impact on macroeconomic policies and financial governance.

In **Burundi**, the suspension of the SBC, followed by the application of Article 96, led to a complete cessation of dialogue. Since June 2015, there has been no further dialogue with the government on questions relating to governance/budget/macro/public finances and although dialogue was renewed in basic sectors (education and health in particular), the EUD is finding it difficult today to restart a dialogue on these questions, without having SBC-type instruments.

In general, the EU departments consider that the elements for conducting quality technical dialogue are in place (regularity, existence of a structured framework, mobilisation of the various thematic sections within the EUDs) and that it has contributed to major advances. The opinion of the EUDs on this dialogue process is somewhat less positive than the departments at the headquarters (see survey results), particularly as regards the implementation of a structured framework and the leadership role of the national authorities, which is considered unsatisfactory.

The implementation of the strategic dialogue seems more difficult and less easy to manage by the European stakeholders. In many countries, it has had its ups and downs depending on the government's willingness to engage, the political sensitivity of the issues deemed to be priorities, and the capacity of national actors to carry out reforms and master SBC programmes. Nevertheless, it has played a generally satisfactory role as a leverage in the political dialogue conducted by the ambassador and in removing blockages and ensuring compliance with the commitments made in the implementation of the reforms (see graph below). In countries facing long-term structural fragility, strategic dialogue was considered less satisfactory, particularly regarding its capacity for leverage and removing obstacles.

Figure 17: Contribution and conditions for implementing the dialogue



Source: Survey conducted by ADE of EU staff involved in SBCs

The effectiveness of the forums for dialogue and for monitoring the implementation of budget support programmes established in the majority of the countries studied (11 countries out of 15: Afghanistan, Burundi, Central Africa, Guinea, Haiti, Madagascar, Mali, Nepal, Niger, Somalia and Chad) was limited by a number of factors:

- Poor institutional capacity of the administrations of most of the SBC beneficiary countries;
- The absence of political support that could annihilate the willingness of technical administrations (sometimes very competent despite the institutional weakness referred to above) and their genuine efforts to promote reforms;
- The holding of a bilateral dialogue, favoured by a number of donors and partner countries, that takes precedence over multilateral dialogue;
- A source of ambiguity and lack of ownership of the reforms that these coordination mechanisms can create when the partner government sees them as a way of imposing conditions rather than a forum for working as equals;
- The relative weight of the countries' Ministries of Finance, which is frequently a cause of the disinterest by sectoral ministries in consultation mechanisms.

5.3 Sound and necessary decision-making process

The institutional framework, and in particular the decision-making process involving the EUDs and various departments of the headquarters is considered sound and necessary to enable appropriate and justified decisions to be made. The programming and monitoring documents (Roadmap prior to formulation, Risk Management Framework, Action Document, letter authorising disbursement), in fact, provide all the elements necessary for justifying the approach adopted.

The SBC design, approval and implementation process is similar to that of other budget support contracts but, given the context of fragility in which SBCs are implemented, it includes an examination at each stage by the BS steering committee (BSSC/FAST)²². The BSSC is involved from the outset in the identification of planned operations: it discusses roadmaps, approves the awarding of new contracts, advises on disbursements and oversees risk assessment through the RMF. The recommendations supplied by the BSSC are systematically incorporated into the meeting notes and are generally formally forwarded to the EUD with a letter from the geographic directorate informing the EUD of the amounts approved for the disbursement of the tranches.

The decision-making process at the disbursement stage involves different steps that take time, with processing times for disbursement files that may seem too long in some cases. While the circuit itself is not called into question, in particular because the decisions require an in-depth analysis of the conditions and exchanges between headquarters and the field, a lack of planning of the work required to compile the files in the country and of the examination phase by headquarters has been identified. The Financing Agreements rarely contain realistic scheduling of the different stages necessary for disbursement.

The Budget Support Steering Committee is an important body that ensures the changing context and specific situations relating to the implementation of the programmes are taken into

²² The BSSC brings together the management, the DEVCO and NEAR units in charge of budget support, the geographic directorates, the thematic units concerned and the EEAS, which gives a political point of view.

account. It contributes to developing a common vision at the headquarters between the various departments involved, particularly with the EEAS. The development of a common vision between the EUDs and headquarters on the strategy to be adopted in each country, including the selection of variable tranche indicators, is less evident in certain cases and of major concern, as shown by the field missions. It is important that decisions are not perceived as being "Brussels-driven", undermining the ownership of the programme by the national partner. It is also not clear either if the guidance and recommendations transmitted by the headquarters to the EU Delegations are systematically appropriate and integrated into the dialogue with the government.

5.4 Insufficient human resources in EUDs

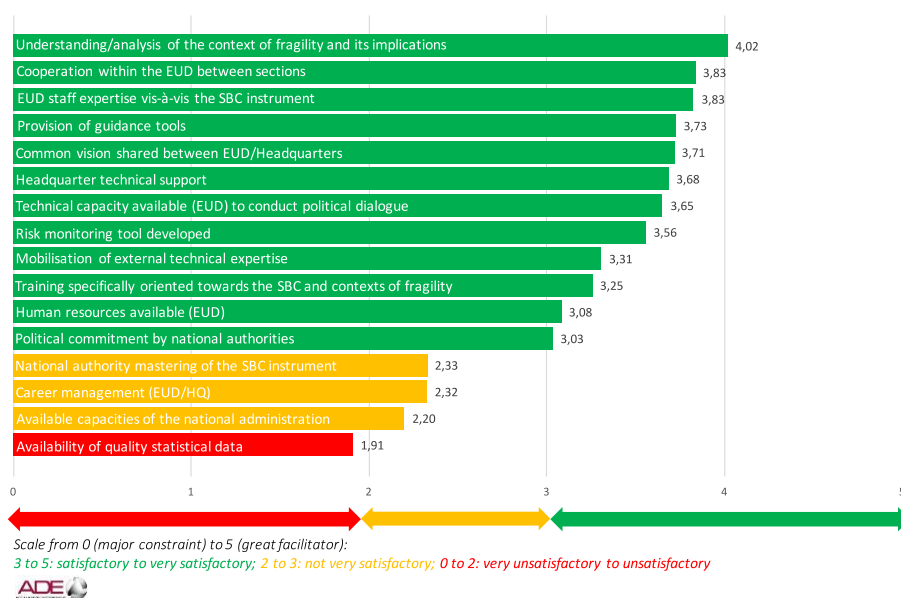
EUDs have suffered from a lack of means to effectively implement all SBC components, covering programme design; technical and strategic monitoring; the conduct of an ongoing, in-depth dialogue in a number of areas; programming and monitoring of TA; analysis of general and specific conditions; and preparation of disbursement files. These human resource constraints within the EUDs have explicitly been noted in six of the 15 countries (Burundi, Madagascar, Nepal, Somalia, Guinea and Afghanistan). This concerns both a lack of human resources to cover all the tasks an SBC requires and the fact that neither expertise in macroeconomic policy and public finance management nor knowledge of the specific characteristics of the contexts of fragility are systematically present. This observation is particularly marked in fragile countries dealing with security threats. The exception of Mali, where two people plus a head of section have been involved on a daily basis in monitoring the SBC, shows the importance of having a large enough team. In all cases, it is very difficult, if not impossible, for a single person to manage all the components of an SBC programme alone.

In **Afghanistan**, it is estimated that the limited allocation of human resources to the SBC, in addition to security measures, diminished the optimum use of the instrument in terms of in-depth dialogue. Due to the lack of internal resources, the EUD relied heavily on the contributions of the World Bank for policy dialogue.

This problem with resources is attributed to the absence of a human resources management policy capable of specifically taking into account the skill requirements in fragile countries in accordance with the portfolio implemented and the more difficult working conditions that are encountered in these countries.

Overall, the survey (see Figure 18) shows that the EUD staff possesses good basic technical expertise for understanding the context and its implications, and for engaging in policy dialogue, and also that it is increasingly relying on technical competencies held within sectoral sections. In fact, they have much-appreciated guidance tools (the BS guidelines in particular), as well as technical support from the headquarters, which is also highly appreciated. However, some consider that these tools (particularly the BS guidelines and training) are not sufficiently focused on the specific features of SBCs and the difficulties inherent in fragile and sometimes unstable settings. The need for training specifically focused on SBCs and on contexts of fragility are not sufficiently well covered.

Figure 18: Factors facilitating/constraining the implementation of SBCs



Source: Survey conducted by ADE of EU staff involved in SBCs

Given the lack of internal resources or resources necessary for detailed analysis, the EUDs turn to external expertise to take care of all or part of the context analysis, as well as some parts of programme monitoring, in particular, the preparation of disbursement files and, in some cases, of dialogue. The employment of this external expertise (including TA) is considered sufficiently satisfactory. Entrusting certain tasks, in particular those involving a positioning of the EU in relation to the partner country (roadmap, action document, disbursement files, positioning within the technical and strategic dialogue) to external consultants may, however, limit the capitalisation process and undermine the EU in its dialogue with the partner.

Finally, the evaluation identifies two major weaknesses with medium-term implications:

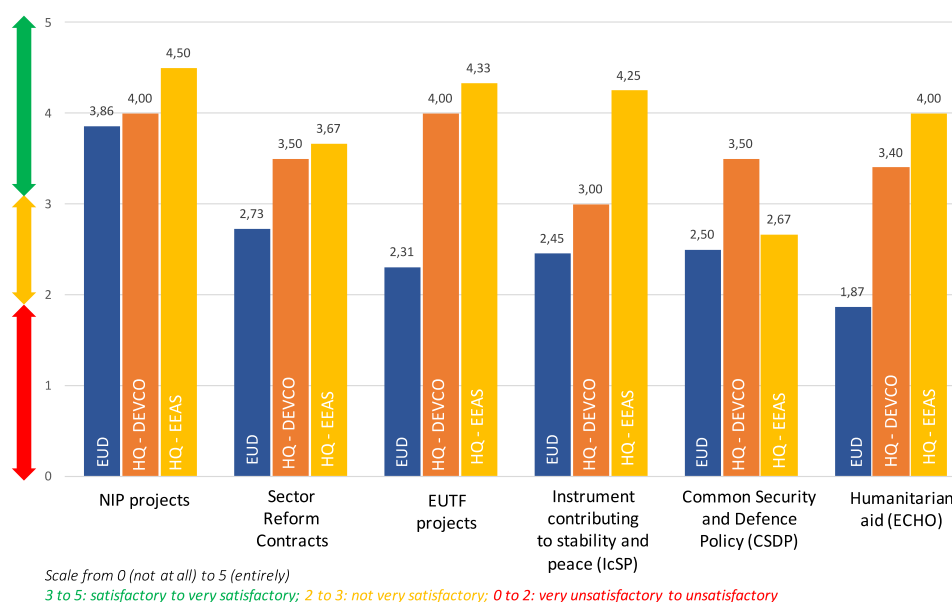
- The absence of a capitalisation process within the same country and the risk of losing all the gains made by the SBCs following a suspension or change of staff;
- The lack of a communication strategy towards both the government and the general public, which accentuates the lack of ownership and prevents the benefits of the instrument from being highlighted in fragile situations where public opinion is unstable.

5.5 Too little complementarity between SBCs and other EU interventions

The complementarity between SBCs and other EU interventions was very variable and significantly influenced by local situations. All SBC programming documents mention the links and potential complementary between the various EU interventions within the same country. In practice, the situations were very varied, but little coordination is generally observed between BS and the other instruments.

The most favourable cases involved an integration of SBCs in the context of other EU interventions under the Annual Action Programme (The Gambia) or the National Indicative Programme (Tunisia, CAR and Somalia). In Niger, a high degree of complementarity between EU interventions in the form of BS was favoured by the formulation of a single disbursement file for all programmes, which strengthened joint analyses. SBCs were a factor in integrating various actions when other ongoing projects were used to facilitate the achievement of their variable tranche indicators (RIC and Sierra Leone). This complementarity, although identified, was not always exploited (Burundi, where the sectoral VT indicators were defined without links with ongoing EU projects). The timing differences between BS programming and that of other interventions may have been an obstacle, as in Guinea, where frozen aid resumed at the same time as BS, leading to the concomitant implementation of interventions programmed in different contexts.

Figure 19: Complementarity with other EU interventions: actual degree of synergy between SBCs and other EU interventions in the country (by type of respondents)



Source: Survey conducted by ADE of EU staff involved in SBCs

Coordination with humanitarian interventions or through specific budget lines requires a transversal approach which was achieved in the Republic of Ivory Coast between sectoral programmes and the Instrument contributing to stability and peace (IcSP), or in CAR where a good link was established between TA programmes and the multi-donor BEKOU fund. In

Nepal, in the context of reconstruction following a natural disaster, complementarities were very clearly indicated at the formulation stage but were difficult to materialise during implementation. For example, the field experience of the European Commission's Directorate General for Humanitarian Aid and Civil Protection (ECHO) was given little value in the implementation of the SBC or dialogue.

The delegations, which are probably closer to the field reality, hold a far less favourable view (see Figure 19) of the synergies between EU interventions and SBCs (particularly as regards humanitarian aid (ECHO)) compared to DEVCO and above all the European External Action Service (EEAS), which is systematically more optimistic, except for defence and security interventions. More surprisingly, the EUDs' fairly poor assessment of the level of complementarity/synergy between SBCs and SRCs raises question (2.7 out of 5).

5.6 Limitations to the implementation of joint responses between technical and financial partners

SBCs were generally designed in close collaboration with the Technical and Financial Partners delivering budget support and/or supporting reforms upheld by EU SBCs. The implementation of budget supports from different TFPs was generally done bilaterally with the partner countries. The approach often converged but was rarely joint. There have been few common actions, with the exception of those undertaken in emergencies (see the case of Ivory Coast, Chad and Somalia).

Concerning the identification and formulation of the programmes, coordination with other TFPs consisted of an exchange of analyses on the extent and nature of fragility factors, but these analyses were generally not conducted jointly. However, they were based on evaluations undertaken jointly on specific themes (Public Expenditure and Financial Accountability (PEFA), Post Disaster Needs Assessment). These exchanges of information contributed to the decision to intervene by favouring the SBC modality, as well as to efforts to avoid duplication and to ensure better complementarity in the formulation of the programmes of the different TFPs.

Both during design and implementation, the field of macro-financial stabilisation is where coordination i) between the TFPs supplying BS and ii) between these TFPs and the government was the most comprehensive, with major influence from the IMF. SBCs naturally gave higher priority to the reform of public finance and set out to ensure that their financial contributions and specific objectives enabled partner countries to bring about the conditions required to benefit from IMF facilities or the Heavily Indebted Poor Countries Initiative (HIPC) initiative.

As regards implementation, this emphasis on stabilisation and macro-financial consolidation materialised through the set-up of reform monitoring committees, bringing together the government and the TFPs. The EUDs played a proactive role in these groups, which favoured a coherent view of the reforms and made a reduction possible in beneficiary transaction costs, particularly in countries where a common matrix of reforms was adopted. However, a harmonised approach characterised by a common matrix of reforms only rarely materialised. Real efforts to strengthen the institutional weaknesses of the beneficiary governments were made by TAs deployed by the various TFPs, but coordination of these technical supports between donors remained limited.

By way of example, technical support for the reform of public finances is frequently handled by regional centres such as Afritac and Caritac. These structures, developed by the IMF, provide technical assistance, the usefulness and quality of which are acknowledged and welcomed by the beneficiaries. However, although they are broadly funded by the EU, until recently, the EU only had access to very limited or no information and had little impact on the work carried out, even though it is of major importance for facilitating the reforms promoted by SBCs. In the West African region, the exchange of information with the EU has, nevertheless, intensified, as has the EU's involvement in the monitoring of the annual work plans.

In general, the majority of the TFPs continued to give priority to bilateral dialogue, in part for administrative and procedural reasons.

Ensuring effective coordination in other areas that are essential for state rebuilding seems to be a far greater challenge: identification of the causes of fragility is less coordinated and the elaboration of a common vision of the type of joint response to be made seems more difficult.

Table 8: Factors facilitating and limiting coordination

	Factors facilitating coordination	Factors limiting coordination
Identification / Formulation	<ul style="list-style-type: none"> ▪ Determining role of the IMF in identifying the sources of macro-financial instability and the provision of a framework of reforms. ▪ Exchange of information between TFPs on analyses of fragility. ▪ Existence of joint specific analyses: Public Expenditure and Financial Accountability (PEFA), TADAT, PDNA can provide a basis for common diagnosis in order to identify fragility factors. 	<ul style="list-style-type: none"> ▪ Differences between the administrative roles of each donor concerning the disbursement schedule and formulation of interventions. ▪ Insufficient coordination between the various departments of the Commission concerning diagnosis and the coordination of responses and instruments to be implemented.
Implementation and monitoring	<ul style="list-style-type: none"> ▪ Ownership of the reform monitoring framework by the authorities of the partner countries. ▪ Involvement and motivation of EU staff entrusted with the implementation of SBCs. ▪ Reinforcement of the institutional capacity of national institutions responsible for the process of reform and dialogue. ▪ Capacity to support policy dialogue through political dialogue. 	<ul style="list-style-type: none"> ▪ Persistence of the pre-eminence of bilateral dialogue between each TFP and the partner government. ▪ Institutional weakness of partner administrations. ▪ Insufficient information sharing and coordination between TA programmes from TFPs and SBCs implementation.

5.7 Constraints related to the context of fragility

Constraints inherent to the context of fragility in which SBCs are allocated hindered good programme implementation. These constraints, which were also identified by the respondents to the survey (see Figure 18), are mainly characterised by a lack of appropriation of the programmes and the instrument by all the stakeholders involved, a lack of management and monitoring capacity within the partner administration and the difficulty of having reliable statistics and a monitoring/evaluation system for sectoral policies, and even difficulties in travelling and visiting.

In a number of beneficiary countries, the lack of appropriation by stakeholders was noted, particularly within sectoral ministries. This is partly due to a limited understanding of the instrument, its objectives and modus operandi (the sectoral ministries in particular have difficulty understanding the fund allocation circuit, which is nevertheless that of the budget) and to the fact that staff are not always aware of the indicators for which they are responsible and the reasons for choosing them. Experience shows that a misunderstood indicator cannot provide an incentive for pushing ahead a reform.

The national partner's capacity for programme management is undermined by this lack of understanding and by the regular rotation in administrations, by the lack of capitalisation and, in some cases, by the insufficiency of resources within the technical services to provide the monitoring and technical dialogue relating to the variable tranche indicators.

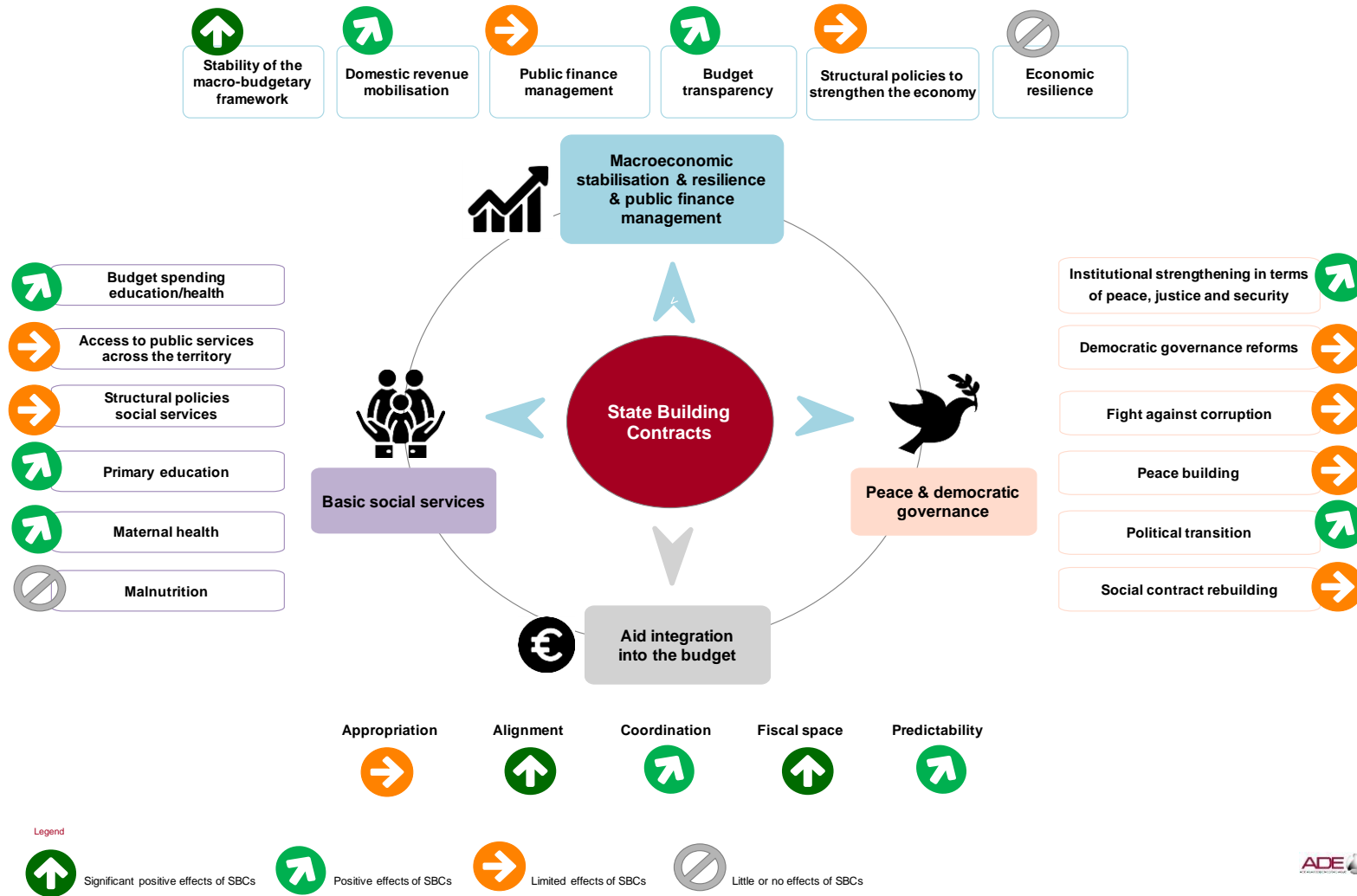
The weakness of the institutional capacities of the services concerned with the implementation of reforms is also a limiting factor, but one that is generally taken into account in the programme design and addressed through additional measures and, in particular, technical support. The range of these supports in relation to the SBC objectives was, however, regularly limited 1) by the late start of the Technical Assistance in relation to the rest of the programme, which reduced the overall coordination (Nepal) or led to the separate implementation of the two programmes, limiting the synergies and the materialisation of the reforms intended by the SBC (Madagascar); 2) by a lack of coordination with the support of other donors (IMF, WB); 3) by a prior and sometimes exclusive use of this support to ensure a VT indicator is met without real transfer of knowledge (Haiti), therefore entailing the risk of more limited appropriation by the national partner (Sierra Leone); 4) by a lack of monitoring of funded activities, whose accomplishments have not been fully recognised (Burundi).

Finally, the weakness of the statistical apparatus but also of the monitoring/evaluation systems within the ministries, long recognised as a major constraint to the implementation of public policies, also affected the implementation of SBCs and their capacity to use the monitoring of the outcomes of these policies as an incentive for reform.

6 SBCs Effectiveness

The mobilisation of SBCs contributed to the achievement of a number, but not all, of the objectives sought, as shown in Figure 20 below. This chapter discusses the direct and induced outputs of SBCs, as well as their contribution to development outcomes observed in the three main areas of intervention of the programmes, namely: i) macro-economic stabilisation, public finance management and economic resilience; ii) basic social services; and iii) the consolidation of peace and democratic governance. These findings are based on the analysis of the evaluation questions covering the contribution of SBCs to the direct outputs (EQ2) and induced outputs (EQ3; EQ4; EQ5; EQ6), as well as the outcomes (EQ7; EQ8; EQ9) (see Annex 7).

Figure 20: Contribution of SBCs to state consolidation



6.1 Contribution of SBCs to fiscal space increase, macroeconomic stabilisation, strengthening of public finance management and economic resilience

By providing financial resources directly to the budget, SBCs contributed to enlarging the fiscal space, while ensuring satisfactory predictability of funds (direct output). The resources provided in the form of currency and transferred to the treasury account, in fact, contributed to the stabilisation of the macro-fiscal framework in the short term and made it possible, with complementary support and the leverage stemming from variable tranche indicators, to secure and even increase social expenditures (indirect outcome).

At the same time, the attention given to Domestic Revenue Mobilisation through the complementary measures and the variable tranche indicators, contributed to stimulating the mobilisation of national revenue and, in this way, bolstering the government's own resources in order to deploy its development strategy over the medium-term. The integration of SBCs into the government budget and the use of national systems is in itself, in a context of fragility, a decision legitimising public systems and enabling often weakened systems to work. SBCs made the strengthening of Public Finance Management a major objective, with progress that was gradual but often complicated by the political and institutional weakness characterising the intervention context (see Figure 20).

6.1.1 Fiscal space increase clearly visible and satisfactory predictability

SBCs were able to intervene rapidly with significant funds to contribute to the increase of fiscal space, which became essential in a number of countries to ensure their functioning as they emerged from crisis. SBCs enabled significant fiscal space increase in most of the beneficiary countries and for a period of time usually longer than budget support from bilateral donors. In 8 of the 15 beneficiary countries analysed, the SBCs brought significant amounts into the government budget, amounting to over 5% of public revenue for a period of one or more years, with a massive intervention in the first years following the crisis. The share of SBCs in total revenue peaked in some countries during their emergence from the crisis, as was the case in The Gambia and CAR, and was significant in terms of duration in countries such as Niger, Sierra Leone and, to certain extent, Mali.

In **CAR**, the first SBC dates from 2014, while the wage bill in the public sector amounted to 140% of tax revenue. The SBC provision amounted to 15% of total revenue in 2014, and over 12% in 2015. Throughout this period, the SBC contributions remained very significant in relation to the overall wage bill (still close to 20% in 2018) and total revenue (between 6 and 8% from 2016 to 2018). In **Gambia**, SBC1, allocated in the form of a single fixed tranche in 2017, provided an essential contribution to cover the government's urgent needs, with a contribution equivalent to 13% of its revenue. In 2018, the first tranche of SBC2 amounted to 10% of the government's revenue.

In Ivory Coast, Haiti, Chad and Guinea, the "government's revenue increase" effect was less spectacular in proportion to the revenue. SBCs have, however, been an important component of financial support to the public sector within the framework of a joint response by the Technical and Financial Partners. In other cases (Afghanistan and Nepal in particular),

although the amounts allocated via SBCs were relatively less considerable, they clearly provided additional fiscal space, which financed new discretionary expenditure.

SBCs were also, in specific situations of political crises or very high risk, real triggers for mobilising contributions in the form of BS from other donors (as in The Gambia, Central Africa, Mali, Ivory Coast and to a lesser extent, Somalia). The EU, through the SBCs, was one of the major players in the mobilisation of BS to support fragile countries. This is explained by its capacity for rapid intervention and by the significant amounts allocated, giving the EU substantial weight in all BS allocated to beneficiary countries. The fiscal space increase effect was broadly amplified by the actions agreed by the donors, essentially multilateral but also bilateral (France or the United Kingdom, depending on the country).

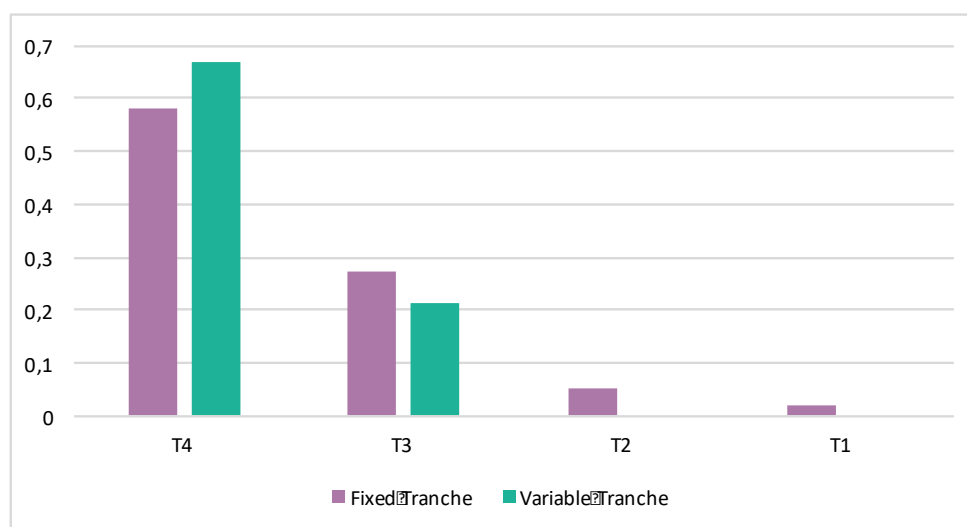
A massive revenue generation over time may lead, in certain cases, to a form of dependence of governments on external funding allocated in the form of SBCs. When it comes to withdrawing or reducing funds, this dependency may, on the other hand, result in a contractionary effect, obliging the country to adjust its expenditure. These cases are few, thanks in part to the increase in national resources that followed most of the SBC programmes, which is reflected by a reduction in the share of SBCs in public revenue over the years.

The predictability of flow disbursements was satisfactory overall, but more difficult to ensure for VTs. The disbursement schedules were respected in half of the cases and fewer than 10% of the disbursements were carried over to the following fiscal year.

- 50% of the fixed tranche disbursements were made during the course of the quarter provided for in the financing agreement and 30% in the following quarter. 80% of transfers were therefore made within a three-month period at most.
- 36.5% of the variable tranches were disbursed during the quarter planned in the financing agreement and 33% were three months late. 70% of transfers related to variable tranches were therefore made with a maximum three-month time lag.

In most of the cases where disbursements concerned only one fixed tranche, the timeframe was respected. There is less predictability for the variable tranches: delays were often encountered in the submission of justificatory documentation required for the disbursement of the tranches; and there were also difficulties encountered by the beneficiaries in forecasting the amounts that would actually be disbursed in the context of the variable tranches. In the 15 countries reviewed, the amounts disbursed in the context of variable tranches amounted to 75% of the total amounts foreseen, equivalent to a non-disbursement of €145M out of the total €560M.

Figure 21: Period of disbursement of the fixed and variable tranches per quarter (for the 15 countries studied)



Source: ADE, based on data from the SBC database

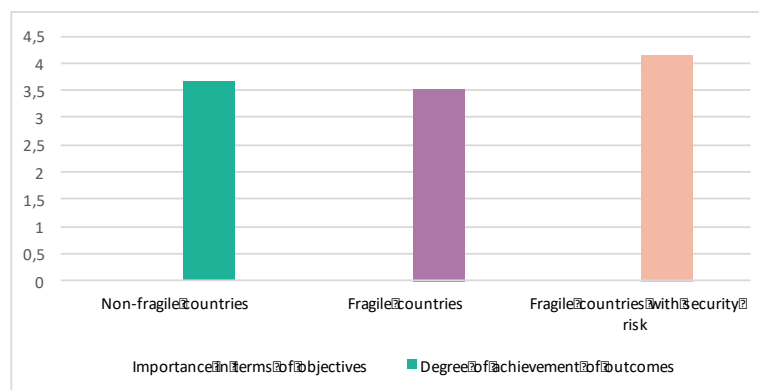
The recommendation made in the guidelines to plan the disbursement, where possible, at the start of the fiscal year was often not followed. For the most part, the disbursements were made during the fourth quarter, particularly for variable tranches. No variable tranche disbursement was able to be made during the first six-month period, and only 7.5% of fixed tranche disbursements were made during the first half of the year. Efforts were made, however, to ensure the spread of disbursements over the year with, notably, two disbursement periods planned: one during the first half of the year for fixed tranches and the other at the end of the year for variable tranches (e.g. Niger).

6.1.2 Restoration of macroeconomic stability and preservation of basic expenditure

SBCs, mainly through financial transfers, have contributed to restore macroeconomic stability, while preserving current expenditure, but without avoiding adjustments on capital expenditure.

The analysis of the SBCs in the 15 countries under review consolidates EU staff views which consider the short-term restoration of macroeconomic stability as the fourth most important objective pursued by SBCs and the first in terms of outcomes in all contexts in which SBCs were implemented. This outcome is generally deemed to have been achieved in non-fragile countries as well as in structurally fragile countries, with particularly significant effects in fragile countries facing security risks.

Figure 22: Short-term restoration of macroeconomic stability: importance of the objective and extent to which the outcomes were achieved



Source: Survey conducted by ADE of EU staff involved in SBCs

Urgent interventions to secure the treasury

The objective “of helping partner countries to ensure vital state functions and delivering basic services to the populations” (2012 BS guidelines) assigned to the SBC implicitly includes the provision of urgent resources to enable the government to continue fulfilling its duties, especially when treasury tensions can lead to a significant accumulation of payment arrears on core expenditure such as wages or the supply of medicines or fuel. With the partial exception of the SBCs implemented in medium-income countries such as Tunisia and Ukraine, the stated intention to secure the treasury existed in all SBCs, even for those that prioritised support for the recovery of a country after a natural disaster (as in Dominica, Nepal and Fiji) rather than support for macroeconomic governance. It is clear that, a priori, a greater reliance on budget support resources - typical of SBC recipient countries - makes them more important in government cash-flow programming. It remains difficult to demonstrate that the increase in fiscal space derived from SBCs has systematically enabled governments to sustain essential expenditure given the weaknesses encountered in cash flow planning in many fragile countries, which remains opportunistic, insufficiently rigorous and sometimes lacking in transparency. The “SBC effect” on the treasury, however, seems very clear in the Central African Republic, Chad and in The Gambia, countries that were facing major debt servicing and/or arrears obligations, having a crowding-out effect on the budget implementation of other priority/essential expenditure. In structurally fragile rather than post-crisis countries, the effect of the SBC on the treasury is harder to determine. There are, however, chronic emergency situations where the SBC continues to help some countries to keep their heads above water (Sierra Leone). In one-off emergency settings, even countries less dependent on BS benefited from the room for manoeuvre offered by the SBC (Mali and Haiti), but the TFPs rarely succeeded in coordinating their disbursements to respond in real time to national cash-flow needs (as in Guinea).

In the **CAR**, the programme to support the safeguarding and consolidation of the Central African State disbursed in 2014-2015 made it possible to ensure 15% and 12%, respectively, of the total government revenue and up to 36% of civil servants’ remuneration during and immediately after the peak in intra-community violence and at a time when no other donor was providing budget support. The EU budget support was the only direct support for public expenditure in 2014 and 2015. As of 2016, balance of payments support and budget support were also provided by the IMF, the WB, the African Development Bank and France. With the election of President Touadera and the relative stabilisation in the political arena, the weight

of the SBC gradually declined to 6% in 2018, but cash-flow remained very tight over the entire period under review. Budget support unquestionably relieved the pressure but did not eliminate it, the mobilisation of domestic revenue remained insufficient despite real progress (from 5% of the GDP in 2014 to 9% of the GDP in 2018).

A stabilising/shock-absorbing effect on public current expenditure, allowing the payment of essential expenditure but not restarting capital expenditure

The financial windfall from the SBC contributed to the reduction of payment arrears accumulated during the crisis period, particularly in Ivory Coast, Chad and Mali.

One case where action on payments arrears is patent was **Mali**. In 2013 and 2014, SBC1 accounted for 50% of the entire BS (grants and loans) included in the budget, which is approximately 8% of the government revenue. This injection of currency and revenue for the government contributed to redressing the crisis situation of 2012, which had led to a massive increase in arrears, seriously undermining suppliers and the banking sector, as well as causing a slump in public investments and a drop in foreign reserves. The provision of external assistance via the budget in 2013, and the maintenance of a prudent fiscal policy made it possible to revive expenditure, while avoiding recourse to unsustainable sources of funding. A large part of the arrears was reimbursed in 2014-2015, with Mali often being cited as an example of a successful arrears absorption policy. The direct effect of budget support, and of the SBC, diminished thereafter and was replaced for some time by an effective national stabilisation policy.

The financial flows of the SBC have also contributed to maintaining or even increasing essential government spending (spending effect). The quantitative analysis and country case studies converge to show the positive effect of SBCs on government expenditure, in particular for current expenditure, even though it remained under pressure throughout the period.

The quantitative analysis conducted for this study on the basis of the ANOVA methodology (Annex 5) indicates that during the 2012-2018 period, unlike the preceding period, the SBC beneficiary countries saw a rapid increase in the public final consumption share of GDP compared with non-beneficiary countries. The difference between SBC beneficiary and non-beneficiary countries therefore diminishes in terms of the level of current expenditure as a percentage of GDP. This catch-up effect can be linked to the introduction of SBCs during the 2012-2018 period. It is supported by the results of econometric regressions that tested the effect of the SBC on public expenditure and its main components. They show that the SBC has a fairly weak, yet not negligible positive effect, to explain the evolution of the public final consumption in GDP, which is essentially made up of the wages of civil servants.

The effect of the SBC on investment expenditure is less visible, although both the ANOVA and econometric regressions suggest that SBCs have played a role in the more positive evolution of public investment in GDP, which is increasing for SBC recipient countries while it is decreasing in non-beneficiary non-fragile countries²³. The indicators collected at the same time on the share of capital expenditure of GDP show, at best, a stabilisation of these expenses over the period studied in SBC beneficiary countries at levels below 10% and, in a number of

²³ This outcome should, however, be viewed with caution as, in numerous countries, particularly non-fragile SBC beneficiary countries, statistics relating to the gross fixed capital formation (GFCF) (expressed as a percentage of GDP) is not available in the World Bank's World Development Indicators (WDI) database.

cases (Burundi, Haiti, CAR, Chad and Guinea), a downward trend towards levels close to 5%, that are far insufficient to set a development process in motion.

These results are confirmed by the findings from country field visits. In general, SBC beneficiary countries stabilised and, in some cases (Niger and Haiti), even saw a slight increase in their current spending as a percentage of GDP. Investment expenditure was more directly affected by shocks or crises with an impact on macro-fiscal frameworks. They remained at low levels, as a percentage of GDP, but with an upwards trend during the emergence from the crisis. All countries were closely monitored by the IMF with the aim of pursuing budget adjustments in order to ensure the stability of the macro-financial framework. This pressure may explain this “spending control”, which is clearly visible in all fragile countries under review and also led to a more drastic adjustment in current spending in countries such as The Gambia, Guinea and Chad, where their level was near or beyond 18% of GDP before the crisis. In countries deemed less fragile in macro-fiscal terms (such as Nepal), the effect of SBCs can more immediately be seen in the increased spending.

SBCs contributed to the spending effect in social sectors and made it possible to secure and even increase public spending in the essential education and health sectors. The results of the analysis of variance (ANOVA) show that the amount of spending on education was maintained as a percentage of GDP in SBC beneficiary countries, whereas it decreased in the others. Spending on health as a percentage of GDP is significantly higher in fragile SBC beneficiary countries than in non-fragile beneficiary countries and tends to increase, a sign that health remains a priority and that, when available, additional resources are allocated to this sector.

Stabilisation effects through facilitated access to currency and use of less expensive financing

In principle, budget support, through the input of currency, also has an effect on the balance of payments and capacity of absorption by contributing to lightening constraints on access to foreign currency and therefore permits the regulation of imports, debt clearance operations and even, in extreme cases, capital flights.

For SBCs, in view of the ANOVA results, foreign currencies have mostly been used by SBC beneficiary countries to reduce debt servicing and make essential imports possible. The ANOVA analysis shows that there was no increase in foreign currency asset holding and therefore there was no long-term effect of SBCs on the amount of reserves, or an effect on the debt stock and therefore on macroeconomic resilience. On the other hand, a positive effect is observed in terms of decrease in debt servicing in fragile SBC beneficiary countries, which may also be derived from an improvement in the signature of some countries studied. Their capacity to obtain more favourable interest rates on the market - mostly the national market - seems to have recovered over the years in which SBCs were deployed, suggesting that the SBC, by bringing credibility to the beneficiary government, was able to facilitate recourse to less expensive debt.

Weak leverage on the short-term macroeconomic stance in the presence of the IMF, whose mandate is to do so

Beyond financial contributions, the relevance and effectiveness of SBCs must also be evaluated in light of their leverage effect on the maintenance of a macroeconomic policy geared to stability, including the implementation of specific macroeconomic stabilisation measures. In all SBC beneficiary countries, it is the IMF, partly through European funding support via AFRITAC or CARITAC, that guides most of the short-term macroeconomic management policies and measures, such as the management of the interest rate and the exchange rate, modelling for budget preparation, national accounts, debt management and

management of monetary policy, with the sole exception of the mobilisation of national resources.

The country case studies do not demonstrate that the general macroeconomic eligibility condition (criterion) had a real leverage effect on macroeconomic policy orientation. In fact, this eligibility is broadly aligned with the IMF position, which, unlike the European Commission, has a sufficiently strong mandate to defend any suspension of budget support on the sole basis of failure to comply with the macroeconomic policy criterion. In addition, in the countries studied, no variable tranche macroeconomic indicator covered these areas, except for a condition relating to the consistency of the wage bill with the programming agreed with the IMF, enshrined in the Finances Law of 2016 in SBC 2 of the Central African Republic.

The country case studies reveal some isolated cases where technical assistance has been able to play a somewhat more influential role in macroeconomic management. The few successful cases depend more on the skills of a specific technical assistance than on a consistent approach by the EU on matters of macroeconomic stabilisation.

In countries where fiscal and monetary policy remained stability-oriented, the role of the general macroeconomic condition has been elusive as the EU, unlike the IMF, prefers to focus on reforms aimed at restoring sound budget management, primarily supporting public finance reform and domestic resources mobilisation, making it possible in the medium or long term to limit the fiscal deficit and improve financial and administrative governance. In this sense, even if a macroeconomic analysis is carried out to provide context elements and justify compliance with the macroeconomic general condition, the general condition on public finance reform is still more closely and concretely embedded in the design of a European SBC than the former.

In the event that budgetary and monetary policies present instability risks, the choice between i) suspension when reforms do not follow or ii) maintenance of SBCs to avoid the costs of a suspension and a worsening of the risk of instability was not easy to make. The EU generally, but not systematically, followed in the IMF's footsteps. Experience shows that there is no obvious choice and that the (threat of) suspension can either provide the expected leverage or, on the contrary, plunge the country into chaos. The decision to make or not a disbursement in an unpromising situation as regards reforms or misuse of public funds is fraught with consequences and must be taken in conjunction with the other donors.

In **Burundi** and **Sierra Leone**, the choice was to continue disbursements in a borderline situation, on the assumption that significant measures to improve budgetary discipline would be taken sooner or later, which may have contributed to maintaining, or even masking for a time, fiscal policies deemed irresponsible. In Burundi, the worsening of the political situation finally led to the withdrawal of all budget support with disastrous effects on the stability of the macroeconomic framework. In Sierra Leone, the changes began after the IMF 2018 programme, when the newly elected government committed to renewed structural efforts, finally giving reason to maintain disbursements.

In **Chad**, on the other hand, the EU suspended the disbursement of the 2017 tranche because of the debt problem caused by the takeover of Glencore which led the IMF to interrupt its programme. However, the African Development Bank and France paid to the treasury at the end of 2017 the significant amounts planned for, hereby limiting the potential destabilising effects. The EU was able to resume its dialogue and its disbursements after a solution was found.

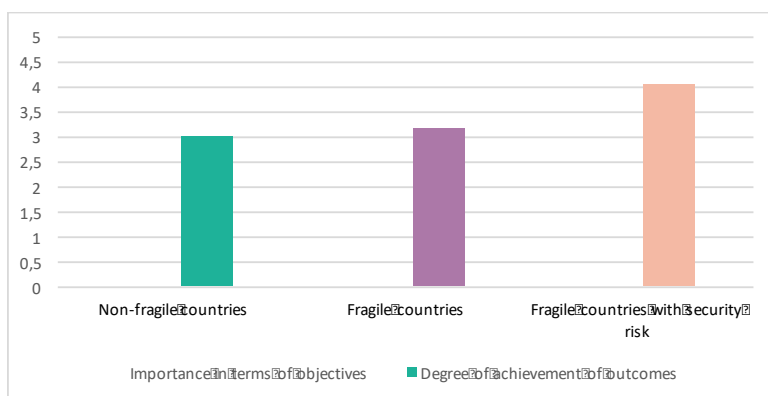
In **Mali**, in 2014, the SBC, through the strategic dialogue underway and the threat of a non-disbursement, made it possible to contribute to the adoption by the government of various corrective measures in response to two scandals demonstrating mismanagement of public funds.

Budget support, including SBCs, are supposed to be comprehensive responses by the international community to situations of fragility. The fragmentation of the national counterparts responsible for monitoring and supervising the programmes is characterised by the national counterparts for European SBCs being generally different from those of the IMF Extended Credit Facility (ECF). This is explained, in part, for institutional reasons, including the role of the National Authorising Officer in the management of EU aid which may pose a problem.

6.1.3 Consolidation of medium-term macro-budgetary framework and PFM system underway

The leverage effect of the SBC has been widely used to drive the adoption of reforms that contribute to the long-term consolidation of the macroeconomic framework. In this potentially huge area, the EU most often considered **increased domestic revenue mobilisation** (DRM) as a priority. Besides DRM, the vast majority of the reforms in this area supported by SBCs related to **public finance management**, and, in particular, budgetary planning, treasury, controls, procurement and staff expenditure. These are structural reforms aimed at the sustainability of a country's macroeconomic framework, which primarily benefitted those with the weakest initial capacity (CAR, Sierra Leone and Somalia, among others).

Figure 23: Medium-term sustainability of fiscal policy: importance of the objective and degree of achievement of outcomes



The medium-term sustainability of fiscal policy is, furthermore, considered by EU staff who participated in the on-line survey to be the second most important objective targeted by the SBC (scoring 3.5 out of 5) and the second outcome achieved (scoring 3.38 out of 5).

Source: Survey conducted by ADE of EU staff involved in SBCs

According to the survey respondents, the objective of medium-term sustainability of the fiscal policy and the outcomes perceived in the field were all the more significant when the country is in a situation of structural fragility, particularly when it continues to cope with urgent security challenges.

These reforms above all helped beneficiaries to implement and protect a macroeconomic status quo that was just about sustainable but did not increase the room for manoeuvre for implementation of growth policy, hence the prevalence of the macroeconomic risk in 2019 as high as in 2012. These are longer-term reforms, whose achievements can be more easily reversed by the political context, as exemplified in Burundi or the obstructions by the Haitian legislator to taxation and customs reforms.

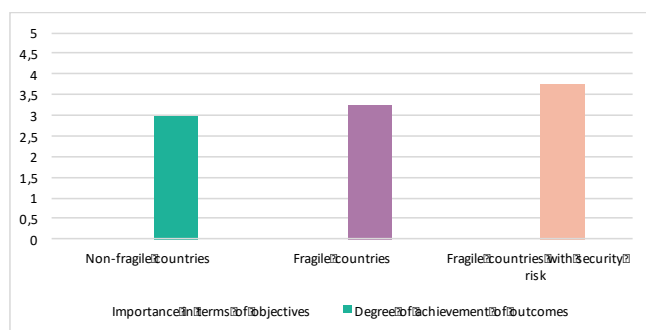
Increased domestic revenue mobilisation

The contribution of SBCs to increased domestic revenue mobilisation has been confronted with the limits of economic structures and the absence of a tax policy for inclusive growth.

With the exception of Tunisia, DRM is part of the variable tranches indicators of all SBCs implemented in the 15 countries studied in greater detail. Although this growing attention stems in part from political demands for accountability made by public opinion in donor countries, it cannot be denied²⁴ that fragile countries - even more than others - must wean themselves off their dependence on a limited number of funding sources, particularly official development aid, with a view to reducing their vulnerability to the fluctuations of international financial flows.

Figure 24: Mobilisation of domestic revenue: importance of the objective and degree of achievement of the outcomes

Domestic Revenue Mobilisation (DRM) is seen by EU staff as the major objective of SBCs (score 3.93 out of 5) and one where the most significant outcomes were achieved (3.35 out of 5, the third most successful). This outcome is considered to be best achieved in fragile and security-risk prone countries.



Source: Survey conducted by ADE of EU staff involved in SBCs

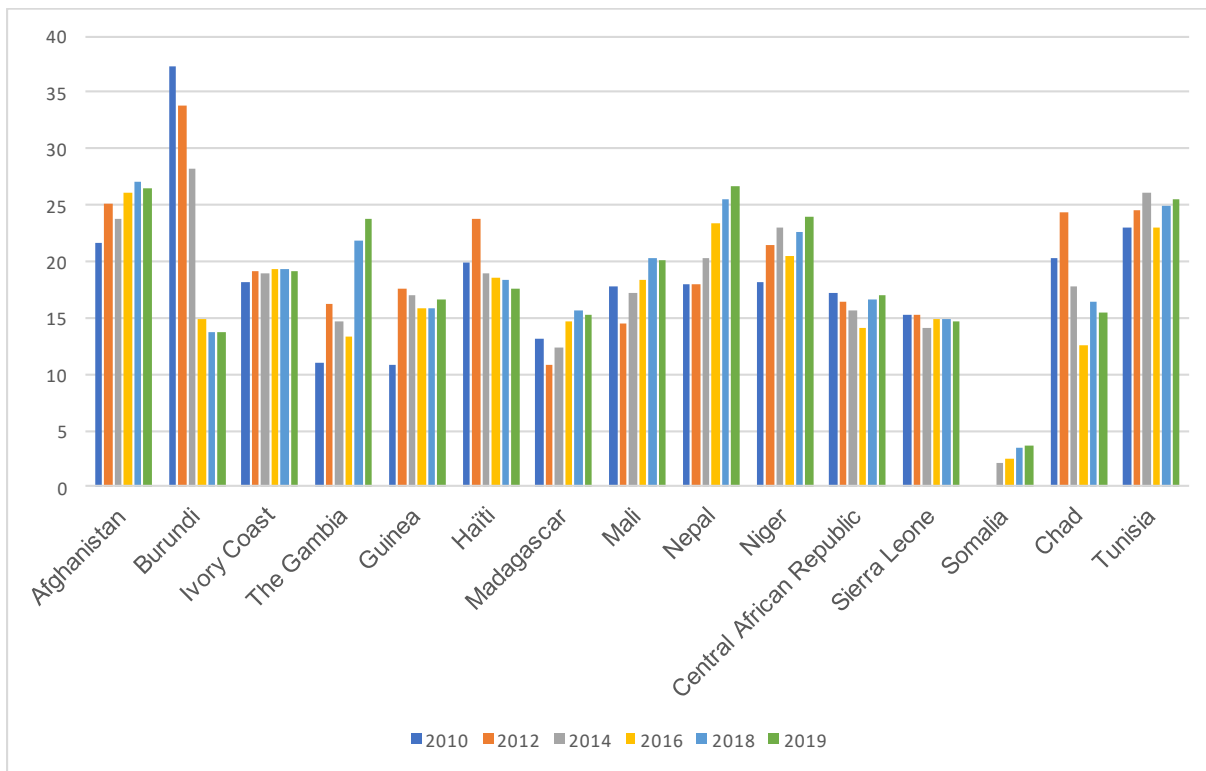
In fact, the DRM agenda made undeniable progress in the macroeconomic choices of fragile countries during recent years. The following graph illustrating the evolution of government revenue expressed as a percentage of GDP for the 15 countries studied in detail shows that the majority of the countries taken into consideration exceed the average of 14% which the OECD had identified in 2011²⁵.

Aside from the spectacular dropout of Burundi and Haiti's relative performance, most of the countries show an encouraging overall development, even though in some cases, such as The Gambia, Sierra Leone or Chad, the results remain volatile or slow (Madagascar).

²⁴ See inter alia: OECD, *Fragile States 2014. Domestic Revenue Mobilisation in Fragile States*.

²⁵ With an average ratio of taxes to GDP of 14% in 2011, the capacity of fragile countries to mobilise revenue was considerably less than the average of developing countries (17%) and very much less than OECD countries (34%).

Figure 25: Government revenue as a percentage of GDP for the 15 countries reviewed



Source: IMF

In general, SBCs above all targeted, and often succeeded in, improving the collection of what is owed (identification of taxpayers, including legal entities, better determination of the tax base and - in the next logical step - exemptions and tax expenditure), but fell short of supporting a real structuring of the fiscal framework, whether for better redistribution or to serve a growth agenda. SBCs promoted major technical reforms, but these have not always - or not yet - demonstrated their potential for transformation, or even for increasing revenues, which should result from a broadening of the tax base, itself dependent on economic diversification²⁶.

SBCs responded to the concerns expressed by the European Court of Auditors²⁷ by more explicitly integrating the problem of tax exemptions (Guinea, Mali, Niger, CAR and Chad) as well as the extractive sector (Afghanistan, Mali and Sierra Leone).

The case studies show that one SBC was not enough to carry forward an ambitious tax reform agenda without sustained political will, but prioritisation of the issue by the SBC and by all TFPs has been important for its signalling and advocacy effect vis-à-vis the recipient government, although all progress cannot be systematically attributed to SBCs as the IMF is normally very active on this issue. However, the SBC has sometimes had to be satisfied with

²⁶ There is still no international consensus on “good” tax policy in developing countries, and even less so in fragile countries (OECD 2013 cit.). In the short term, too rapid a rise in taxes in weakened economies can have negative effects on the economic recovery in countries emerging from crisis. On the other hand, and again in the short term, the broadening of the tax base is often difficult to reconcile with the desire to quickly boost investment through an attractive business environment, or even through a certain degree of complacency for tax planning and optimisation techniques well known to multinationals (free zones, transfer pricing, “tolerant” auditing, etc.).

²⁷ The Court of Auditors noted that the evaluations conducted by the Commission on Tax Policy and Administration, prior to the design of the support, did not address issues such as the risks related to tax exemptions, and the collection and transfer of tax and non-tax revenues from natural resources. Court of Auditors, *The use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa*, 2016.

prior measures, without always being able to accompany the reforms to the end. In fact, these are long reforms whose implementation and success may exceed the duration of an SBC.

When it was set up, the quality of the technical assistance provided by the EU to strengthen DRM was welcomed (Haiti, Guinea and The Gambia), but, overall it suffered in many cases from a lack of overall steering focused on strategic priorities shared with the partner country and other donors.

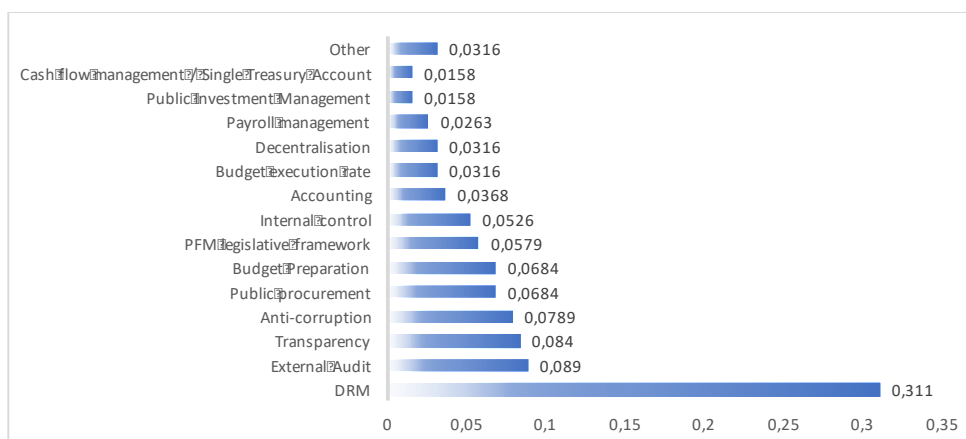
Finally, it is worth recalling the importance for tax reforms of good cooperation with the legislative power, which SBCs tend not to deal with directly, in order to avoid any "political" co-opting of a tool that is above all intended to be technical.

Development of the Public Finance Management systems: support for reforms aligned with reform plans and agreed with other TFPs but not specifically geared towards "fragility"

The strengthening of public finance management systems was one of the main objectives of SBCs. All programmes addressed this objective via the general condition relating to the implementation of a relevant and credible PFM programme, and in all programmes of the 15 countries reviewed (except Nepal) through the addition of VT indicators around which a dialogue with the authorities was initiated. Over half of the variable tranche indicators of SBC programmes in the 15 countries (190 out of 357) focused on PFM aspects, including DRM and anti-corruption. Furthermore, the programmes were systematically supported by technical dialogue, coordination with the other TFPs and technical assistance.

As indicated in the graph below, the variable tranche indicators first targeted DRM strengthening, greater transparency, anti-corruption measures, improvement of public procurement systems and the budget programming process.

Figure 26: Frequency of variable tranche indicators per area of PFM



Source: ADE, based on data from the SBC database

Variable tranche indicators generally responded to the main weaknesses identified in the assessments of PFM systems, but some were too complex or overambitious in terms of capacity to implement reforms (Madagascar, Sierra Leone and Chad). In general, they do not show specific characteristics related to "fragility". In the SBCs analysed, the "fragility" dimension is essentially observed in a "starting situation" that is weaker. The core functions of PFM systems - such as treasury management (through the single treasury account) or payroll management (which is an important issue given the burden of wages in current spending) – have been poorly addressed through the selected variable tranches indicators. These topics could be covered by complementary measures (as in Niger to support the implementation of the single Treasury account).

During implementation, coordination and dialogue with the partner government was mainly conducted at a technical level. High-level strategic dialogue was less frequent. The quality of the dialogue and coordination was affected by capacity constraints within national administrations and high staff turnover, which is generally more frequent in fragile countries.

Coordination with other TFPs has essentially consisted of information-sharing to avoid duplication and to seek synergies. In only four out of 15 countries has a common PFM performance matrix been established, with varying degrees of success (fairly effective in Haiti but unconvincing in Sierra Leone and unsustainable in Burundi).

In 14 of the 15 countries studied, the partner country was supported by PFM technical assistance, that was deployed according to the needs of each country and took different forms: 1) TA to monitor and facilitate dialogue (Afghanistan SBC2, Guinea); 2) TA targeting specific technical issues (CAR, Mali, Haiti, Gambia and Somalia); 3) TA in support of overall reform (Sierra Leone, Burundi, Chad and Nepal); 4) on-going support not directly related to the SBC (Ivory Coast, Sierra Leone SBC1, Afghanistan).

Little or no progress in the overall performance of PFM systems

The various means deployed have contributed to progress in the reforms targeted, however, progress has fallen short of initial expectations and the effects on the performance of PFM systems have remained barely visible.

Illustrating the difficulties encountered in the implementation of reforms, the performance of the beneficiary countries on the PFM indicators contained in the VT indicators was mixed, with 55% of the indicators having been fully met and the others having been partially or not met. This average is negatively affected by countries such as Burundi, Sierra Leone and Chad, where most of the indicators were not met, but in none of the programmes did all PFM indicators meet the target set at the outset.

This lack of progress in reform, as illustrated by the case studies, is well perceived by programme managers, who considered the degree of achievement of PFM targets to be rather mixed in several of the areas covered. This assessment should be qualified: in fragile countries, and particularly those under strong security pressures, SBCs supported strengthened cash management and an improved budget programming process, whereas in non-fragile countries, better outcomes were seen in higher-level reforms such as public procurement management and the strengthening of other functions of the PFM system.

Figure 27: Degree of achievement of objectives in the PFM areas covered by SBCs according to context (between 0 and 5)



Source: Survey conducted by ADE of EU staff involved in SBCs

The analysis of the performance of PFM systems, measured by Public Expenditure and Financial Accountability (PEFA) assessments and Country Policy and Institutional Assessment (CPIA) scores, shows that only two of the 15 reviewed (Ivory Coast and Madagascar) saw any real improvement in their public finance management since 2012. By contrast, these same indicators reveal that performance deteriorated in three countries (Burundi, Haiti and Niger).

The evaluation points to various factors that facilitated the ability of SBCs to effectively contribute to the advancement of PFM systems: 1) the initial commitment and ownership of reforms by the government, which cannot be “bought” by the general condition (most often not very restrictive and without demonstrated leverage) or the variable tranche indicators; 2) the implementation of complementary measures to support of the reforms targeted by the programme, in line with the agreed agenda and in response to the needs expressed by the partner; 3) the realism of targets and objectives in weak capacity settings; 4) the quality of technical dialogue when it is conducted by people with the necessary skills and experience.

Progress in the area of budget transparency, but no significant improvement in accountability

Some progress was made in the area of budget transparency and oversight, particularly related to the availability of budgetary documents and the role of parliament and civil society in the budget programming process. On the other hand, transparency in budget execution and control by external audit institutions have either stagnated at low levels or diminished.

The main progress made during the implementation of SBCs, through the transparency eligibility condition and in certain cases through variable tranche indicators (Central African Republic) has focused on the provision of information on the budget, the monitoring of its execution and the involvement of civil society (see table below). In a number of beneficiary countries (see EQ 4, Annex 7), the review of the Finance Law was strengthened by its publication and accompanying documents (The Gambia, Haiti, Nepal, Niger and Chad), quarterly performance reports were published (Burundi before 2015, Gambia, Guinea, Haiti, Niger, CAR and Chad in 2015), management accounts were sent to the Court of Auditors and the Parliament (Niger and CAR), citizen budgets were produced and distributed (Afghanistan,

Gambia, Guinea, Niger and Chad) and the involvement of civil society was strengthened (Burundi before 2015 and Niger).

In this field, the general condition was able to have greater leverage than the other general conditions due to the fact that the documents to be disseminated are very clearly identified, the targets are precisely defined and these objectives are monitored by PEFA indicators. In certain cases, however, the general condition did not have the desired incentive effect (Ivory Coast, Madagascar and Chad until 2018).

The progress made in the availability of budgetary information and reading tools (citizen budget) did not lead to the outcomes expected in terms of budgetary transparency and decision-making, public participation and accountability mechanisms of the States concerned. There was no significant change in the level of budgetary transparency measured by the PEFA and the OBI (see EQ4 Annex 7). In 2017, the availability of information and participation of the public remained very low, particularly in fragile countries (Niger, Chad and Burundi). Several countries in which budgetary transparency questions were closely monitored through SBCs (CAR, Gambia, Guinea and Haiti) still did not have an evaluation of the level of transparency by the OBI in 2017.

6.1.4 Limited attention until 2017 to the implementation of growth-oriented structural policies and little contribution to strengthening economic activity and reducing the economic vulnerability of States

While stability is obviously a precondition for pursuing a policy of growth and poverty reduction, the choice of budgetary rigour also has a cost in terms of expenditure which, without a significant improvement in the quality of spending, may affect the deployment of growth factors through the implementation of structuring investments. Maintenance of a fairly “restrictive” fiscal policy as advocated by the IMF remained the line applied by default by the authorities and by the EU. Within this framework, in some cases, SBCs were able, often in the context of sectoral dialogue, to facilitate the maintenance of a degree of social spending, but did not generally provide a particularly innovative approach to the dilemmas of the “Washington Consensus” or how to restore growth within a particularly narrow macro-fiscal framework.

Reconstructing certain basic financial management functions where SBCs are most often involved was a crucial prerequisite for establishing macroeconomic stability in flagrant cases of state failure before tackling long-term growth issues (the case of Central Africa in particular). Some SBCs, particularly the most recent ones formulated after the 2017 revision of the guidelines that explicitly introduced the resilience objective, adopted other variable tranche indicators for structural economic policies besides public finance management, the domestic mobilisation revenue mobilisation and public sector reform (i.e. governance of the extractive sector (Afghanistan, Mali and Sierra Leone) or other productive sectors (Somalia, Chad, Sierra Leone and Tunisia), active labour market policies (Afghanistan), entrepreneurship (Gambia), technical and vocational training (Mali and Sierra Leone), regulation of water/energy/telecommunications utilities (Guinea, Madagascar and Somalia), and infrastructure (Guinea, Mali, Nepal, Sierra Leone and Tunisia)). Although several of these indicators have been achieved, the added value of a generalist instrument such as the SBC is not apparent in cases that are often technically complex, where Ministries of Finance, the usual counterparts of the SBC, often have neither the capacity nor the will to federate the efforts of the competent sectoral administrations nor the latter to go through the filter of the Ministry of Finance. On another note, climatic resilience is very rarely taken into account in SBCs, even in Sahelian countries where it is a top priority of European cooperation in the broad sense. Despite the importance of this issue, and its coverage by some of the prior fragility analyses undertaken during the formulation of new SBCs, few of them addressed explicitly climate change policies in the broad sense (with the recent exception of Haiti).

SBCs have helped to put in place some of the conditions necessary to enable the government to implement a consolidation policy and to initiate a process of sustainable growth. The SBCs contributed to the restoration of viable macroeconomic balance necessary for sustainable growth. The macroeconomic stabilisation reforms to which SBCs have helped beneficiaries to implement and protect a broadly sustainable macroeconomic status quo but did not increase the room for manoeuvre, particularly in terms of fiscal policy, to pursue a growth policy. Moreover, few countries have been able to put in place truly effective country-specific mechanisms to respond to crises and shocks, as the fiscal space of SBC beneficiary governments to respond to economic shocks was limited and mainly used to maintain stability through current expenditure spending.

SBCs have, however, been effective in terms of lending credibility to the beneficiary countries, and fragile countries in particular, through EU involvement - and often that of other TFPs. The results of the ANOVA variance analysis suggest that SBCs sent a positive signal to creditors and investors, which led to a reduction in the cost of debt and Foreign Direct Investment (FDI) inflows. The ANOVA analysis, in fact, reveals the noteworthy and unexpected outcome that fragile SBC countries receive more FDI than all others, although overall, the groups identified for analysis saw their FDI decline in value.

These advances were, however, insufficient to set in motion a process of economic growth and diversification to reduce the level of macroeconomic risk, which is currently as high as it was in 2012.

6.2 Contribution of SBCs to the delivery of basic social services

All countries studied benefited from at least one SBC that explicitly aimed to maintain access to social services or to services in a particular sector (education, health or food security). Depending on the context, SBCs sought to contribute 1) to the implementation of emergency measures to maintain basic services and care for the most vulnerable populations; 2) to stabilising the government's capacity to restore/maintain the provision of social services (including food security) in a difficult budgetary/institutional security context (Afghanistan, Ivory Coast, Mali, Niger, Chad and Sierra Leone); 3) to structure and consolidate the provision of education (Burundi, Haiti and Madagascar) and health (Burundi and Madagascar) services, in particular by capacity building for policy design, implementation and monitoring, and even the establishment of long-term safety nets. In the first two cases, SBCs were put in place while, at the same time, aid flows from ECHO increased significantly to protect the most vulnerable populations.

The objectives of maintaining and structuring services in these sectors are not, however, seen as SBC priorities. According to the survey to EU services, these objectives were generally considered to be of little importance (scoring between 1.9 and 2.4 out of a maximum 5). The assessment of the degree of achievement of outcomes, however, is higher, particularly concerning the short-term maintenance of education (2.9 out of 5) and health services (3.2 out of 5), which suggests that it is where the effects of SBCs were the greatest. This observation is largely confirmed by the field missions and the country analyses conducted on documentary basis.

Of the 13 SBC beneficiary countries with one or more variable tranche indicators related to social sectors or the issue of vulnerability, nine underwent several successive programmes without always explicitly addressing the issue of moving from the stabilisation phase to the consolidation phase. In most cases, the link in the SBC chain between stabilisation and consolidation was not explicitly established. However, it was clear in the countries where SRCs

took over, as in the education sector (Niger and Tunisia) or the food security sector (Mali and Niger).

6.2.1 Maintenance/strengthening of education and health services, but no real contribution to the quality of services

Maintenance/increase in budgets for the education and health sectors

The most visible effect of SBCs in the social sectors is an “expenditure effect” through which the financial transfers and agreed upon spending priorities made it possible to maintain the level of spending in education as a percentage of GDP in SBC beneficiary countries (whereas it fell in non-beneficiary countries) and to significantly increase the level of spending in the health sector in fragile SBC beneficiary countries (see ANOVA results).

These expenditure effects contributed both to restoring social services in emergency situations (Nepal, CAR, Haiti, Guinea and Sierra Leone) and to maintaining their provision that could potentially be affected by major pressure on government sources.

Recovery in an emergency

In countries directly hit by a shock, the response consisted of ad hoc support aimed at keeping infrastructure open and caring for vulnerable populations: post-disaster reconstruction (Haiti and Nepal), epidemics - Ebola - (Guinea and Sierra Leone) or cushioning of a political shock (Madagascar²⁸, CAR). SBCs were able to mobilise more or less significant resources fairly quickly: either with the implementation of a specific programme to provide a response to the emergency situation encountered, such as the one mobilised in Nepal, CAR or Guinea, or by additional tranches mobilised from an SBC already under way, as in Haiti and Sierra Leone.

In **Nepal**, the SBC support for the implementation of the Post Disaster Reconstruction Framework (PDRF) in 2016 and 2017, particularly on the “housing grant” component, included provision of funds as well as selected variable tranche indicators and technical assistance provided through the Nepal-EU Action for Recovery and Reconstruction (NEARR).

In countries the Ebola-affected countries (Sierra Leone and Guinea), SBCs made it possible to increase spending in the health sector in the midst of the crisis (2014-2016).

An aid spending effect at the sectoral level was observed in **Guinea**, among other countries, where the specific conditions relating to budget allocation and execution had a mixed performance²⁹. A recent evaluation still demonstrates that it is thanks to the conditions of the SBC that the Guinean side has, to some extent, stayed on track with its international commitments to maintain social spending above predetermined levels in several key sectors, including health, which was also in line with IMF requests.

In **Sierra Leone**, the share of health sector expenditure as a percentage of GDP increased from 13.3% in 2011 to 19.7% in 2014, 20% in 2015 and 16.5% in 2016. During these years,

²⁸ In Madagascar, the political shock was prior to the mobilisation of SBCs, but caused an economic and budgetary shock that lasted throughout the so-called transition period.

²⁹ Pohl Consulting & Associates, *Mid-term Evaluation of Public Finance Support Programmes*, Republic of Guinea, 2019.

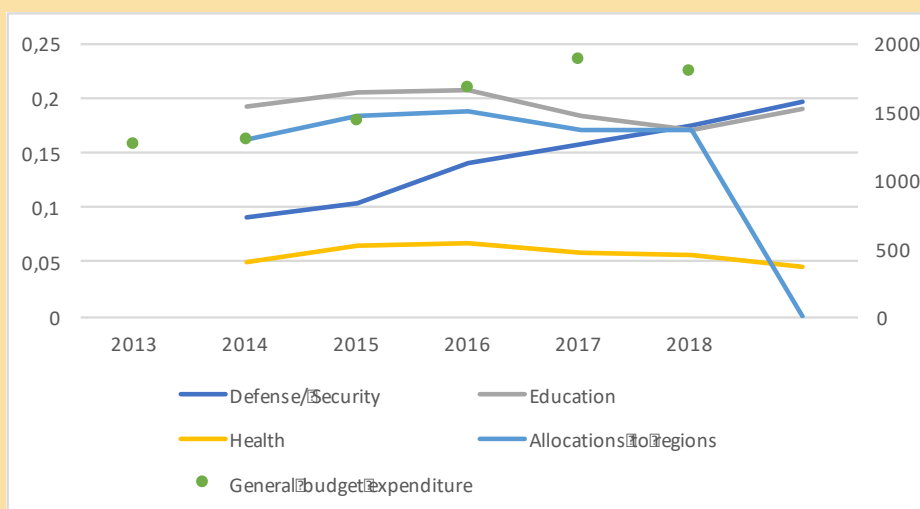
the SBC, supplemented by an additional “Ebola” fixed tranche, accounted for a substantial share of government revenue, allowing for this increase.

Maintaining/restoring services in situations of budgetary stress

As suggested by the results of the variance analysis (ANOVA), the resources provided by SBCs were accompanied by a maintenance or increase in current expenditure in the health and education sectors. These striking results of the ANOVA confirm the observations made on the basis of the documentary analyses and field missions. The budgets allocated to health and education were generally maintained as a percentage of expenditure, and even increased in some years in SBC beneficiary countries, except in Chad, The Gambia, Niger and the CAR for health.

In **Mali**, the education sector remained the largest budget item (between 19 and 20% of total expenditure between 2013 and 2018), recently overtaken by defence/security, which in five years increased from 9% to 19.6% of total expenditure. The health budget increased between 2013 and 2017 but decreased in 2018.

Figure 28: Allocations in priority areas as a percentage of total expenditure and change in expenditure in FCFA billions (right axis)



Source: ADE, on the basis of data provided by the Malian Ministry of Finance

SBCs contributed to strengthening the delivery of education services, mostly outside of areas where the security situation is difficult. The policy dialogue accompanying the monitoring of indicators has helped build the capacity of the Ministry of National Education to monitor its policies and to relaunch the process of recruiting new teachers and assigning them according to needs.

The share of the budget devoted to education in **Central Africa** (VTI 2018) seems to have increased significantly (16% in 2017 compared to 6.5% in 2010) and the target set for the indicator on the allocation and execution of the budget for the education sector for 2018 has been met. This leads one to conclude that the quality of the partners’ political and technical dialogue on the education sector may have influenced the government’s priorities and the trade-offs of the Ministry of Finance and Budget in favour of the sector.

In countries subject to structural fragility, SBCs have, in some cases, enabled the catch-up of expenditure dedicated to social sectors and the securing of budgetary allocations (Madagascar).

In **Madagascar**, the Basic Social Sector Support Programme (PASSOBA), launched in 2013 and implemented in nine out of the 22 poorest regions of the country, contributed to maintaining basic education and health services and to caring the most vulnerable populations. SBCs above all contributed, through dialogue and the variable tranche indicators, to remove the bottlenecks identified such as the management of healthcare personnel recruited through PASSOBA, the reduction of delays in the payment of subsidies to FRAM teachers and the resumption of transfers to municipalities, as well as the onset of the clearance of arrears due to drug dispensers and guards of basic health centres.

The enlarged fiscal space provided by SBCs is an initial factor that has allowed these expenditures to be maintained, but alone, it has little chance of having the intended effect. The evaluation shows that without being accompanied by specific conditions and/or dialogue specifically focused on preserving budgetary allocations and the effective execution of expenditure, the expenditure effect has little chance of materialising. The persistence of tensions in the allocation of available resources in the face of urgent and multiple needs, particularly security needs in countries where the risks of conflict are high (see, for example, Mali, Niger and CAR), makes it necessary to accompany transfers with a sustained dialogue on the budget instrument. In the 15 country case studies, one (or more) indicators was (were) specifically formulated to secure budget allocations in the social sectors: in Guinea (Healthcare), in Madagascar (Education and Healthcare), in Nepal (Education and Healthcare), in Central Africa (Education) in Ivory Coast (Healthcare) and in Sierra Leone (Education and Healthcare). In the field of healthcare in particular, indicators relating to sector allocations (or expenditure) were monitored over several years: Guinea (three tranches), Madagascar (two tranches), Sierra Leone (three tranches). In Nepal, one indicator (2017 tranche) targeted spending by the authorities in charge of reconstruction, and more specifically for school and health infrastructures.

The effects of the dialogue on the budgets allocated to social sectors have, however, been uneven and most of the budget envelopes obtained remain modest in relation to their share in the budget. The argument, rightly raised by the Ministries of Finance, is generally that of cross-sectoral fairness, with the social sectors already benefitting from significant support from foreign partners.

Limited effect on the structuring of services delivery

Contribution of SBCs to a better distribution of resources on the territory (staff, operating means)

The implementation of decentralisation policies is an important aspect of education policy through the effective strengthening of the decentralised management of peripheral services (i.e. remote from large urban centres) and particularly through the improvement of the functionality of peripheral educational establishments. This matter was addressed via variable tranche indicators in three of the 15 countries, in Madagascar (Tranche 2018), Mali (Tranche 2016 and 2017) and in the CAR (Tranche 2018). The targets were not all reached, but progress was made (reduction of transfer payment times at a deconcentrated level in Madagascar, improvement of the teacher/pupil ratios in deficit areas in Mali).

The support for structuring of the supply of healthcare services was produced above all through the support for the strengthening of deconcentrated structures. The implementation of policies to decentralise and structure the supply of peripheral health services was covered by six indicators relating to three countries: Guinea (Tranches 2016, 2018, 2019), Madagascar (Tranche 2015) and Ivory Coast (2013). A number of these variable tranche indicators were

not achieved, but they gave rise to a dialogue that provided an opportunity to emphasize the issues, as in Madagascar.

In **Ivory Coast**, the SBC clearly contributed to strengthening the deconcentration of the healthcare system in terms of human and financial resources, making the Departmental Health Authorities (DHAs) operational and thus facilitating the formulation of district health development plans incorporating priority health programmes. The DHAs, as peripheral deconcentrated bodies, play a crucial role in the organisation and management of the production of healthcare services. In particular, they have the role of organising and monitoring work, allocating tasks, deploying personnel, evaluating and guiding personnel, establishing and maintaining discipline for the production of quality healthcare services. In this sense, improving the effectiveness of the DHAs has led to an increase in the level of performance of health facilities.

In **Madagascar**, the selected indicator aimed to ensure that the healthcare staff, assigned to health centres located in remote areas with funding of an on-going European project is included in the financing of the government budget (target partially met). As a corollary, the indicators for the following tranches paid close attention to the transfers made by the Ministry of the Interior and Decentralisation to clear part of the subsidy arrears owed to social sectors via the municipalities (target not met) and to the transfers specifically intended for contract staff responsible for drug management in health facilities. These criteria were not met, but they led to a dialogue that was necessary to address these bottlenecks, which had been paralysing the health sector for nearly ten years.

Contribution of SBCs to specific functions of government responsibility (drug management)

SBCs have not systematically aimed to address specific aspects of education and health services. In the education sector, no indicator directly targets quality issues, except for those relating to basic teacher training as in Haiti, Sierra Leone or more recently Somalia with varying degrees of success (in Haiti, the indicator relating to a teacher training policy was dropped, but the indicator relating to the need for a provisional teaching licence for 60% of teachers was met). In the area of health, medicine management was addressed in two countries (Mali and Chad) where the situation had become extremely precarious. Output indicators were formulated to resolve the bottleneck of drug availability, which is essential to sustain the activities of healthcare facilities. In both countries, these were achieved.

Limited contribution of SBCs to strengthening sectoral policies and better steering of both sectors

In countries with institutional fragilities, SBCs contributed to strengthening the role of sectoral ministries in exercising sector leadership and managing these massive external funds that are unevenly aligned with national systems. However, it must be acknowledged that the SBC alone had little leverage in strengthening the management capacities of the concerned ministries. The effect is most visible when the SBC is used in conjunction with other instruments such as the Education SRCs (Niger) or other structuring projects (Madagascar) and with the interventions of other donors, in particular through basket funds (Burundi and Niger).

In several countries (Haiti, CAR and Somalia), SBCs provided more or less explicit support to national education strategies, either existing or to be developed, and some offered to support the steering process of the sector. The effects remained modest, consisting mainly in published statistical yearbooks and marginally revised strategies. For the health sector, greater emphasis was placed by SBCs on monitoring an existing policy, or specific sections of it, than on the design or strengthening of an overall sector policy. Some SBCs were able to align with

strategies already in place and to monitor output (Afghanistan (ANPDF/ NPPs)) or outcome (Niger) indicators. In other countries, such as Chad, SBCs sought to monitor a particular aspect of this strategy such as the integration of nutrition into the minimum package of health sector activities.

Contribution to gender mainstreaming

SBCs paid particular attention to the **girls' schooling** (Mali, Niger, Central African Republic and Sierra Leone) through variable tranche indicators focusing on awareness-raising (Mali), on monitoring over several years of the performance of girls' enrolment in basic education (Mali, Niger and Central Africa) and on monitoring the performance of girls' schooling in secondary school (Sierra Leone).

In the area of health, the issue of **maternal health** was addressed in several of the 15 countries studied (Burundi, Ivory Coast, Guinea, Niger and Sierra Leone) through variable tranche indicators aimed at improving the performance of the health system in terms of assisted birth rates (Burundi, Guinea, Niger and Sierra Leone) and contraceptive prevalence rates (Burundi, Niger). The targets set for the proportion of assisted deliveries were achieved in all four countries, as were the targets set for the percentage of women using modern methods of contraception.

Overall, there is no evidence that these efforts have led to a real qualitative leap in the provision of basic social services, even if, in the health sector, the timid jump in attendance at health facilities, established by the increase in births attended by skilled staff in the three countries where a VT monitored this theme, may give an indication of the improvement in the confidence of women giving birth (Burundi, Guinea and Niger).

6.2.2 Weak contribution to policies directly targeting vulnerable populations

While all SBCs had the objective to reduce poverty, few of them explicitly deployed an intervention logic focusing around the theme of vulnerability: a trend confirmed by the results of the on-line survey according to which the problems of food security and of the consolidation and structuring of safety nets were only marginally targeted by SBCs and did not produce visible outcomes.

In contrast to sectoral themes such as health and education, a real support or dialogue mechanism is indeed difficult to put in place to address this intrinsically multidimensional and above all multi-sectoral problem, which simultaneously concerns rural, water and sanitation development policies, crisis management systems and social welfare mechanisms through, in most cases, free social services, or mechanisms to prevent the exclusion of certain categories of the population (schooling for girls, for example). SBCs did, however, address the issue through technical dialogue led by the choice of variable tranche indicators around sectoral entry points (agriculture, water/sanitation, social sectors), or by more specifically targeting the strengthening of food security or some safety nets. The progress made by SBCs in this area seems very limited in view of the high stakes, the multiple causes of fragility and the elements needed to strengthen resilience.

SBCs attempted to establish a dialogue in four countries on sectors identified as being at the forefront of **strengthening food security** by targeting circumscribed and well-identified problems from the beginning in the field of agriculture, water and sanitation or food security mechanisms. The definition of a consistent set of indicators to support the same measure over several tranches has strengthened the dialogue with the partner and has made it possible to obtain results even though these were deferred with respect to the date of measurement of the target achievement (water supply in Afghanistan, strengthening food crisis management

systems in Mali). On another note, the example of Chad highlighted the difficulty of achieving the desired progress over time.

In both cases (Mali and Haiti), the issue of **school canteens** was taken into account as a vector for improving children's food security, with a positive effect in Mali, where the selected indicator made it possible to initiate a dialogue between the Ministry of Finance and the Ministry of Education on the number and location of canteens to be financed. In Haiti, the indicator "securing expenditure on the school canteen programme" was not achieved, and the dialogue was redirected to the issue of steering the sector.

In the area of health, SBCs contributed to **improving the financial accessibility** of healthcare for populations identified as the most vulnerable, by allowing and encouraging the government to take charge of the associated exemptions (Niger, Gambia and Madagascar), but without ensuring the sustainability of the system.

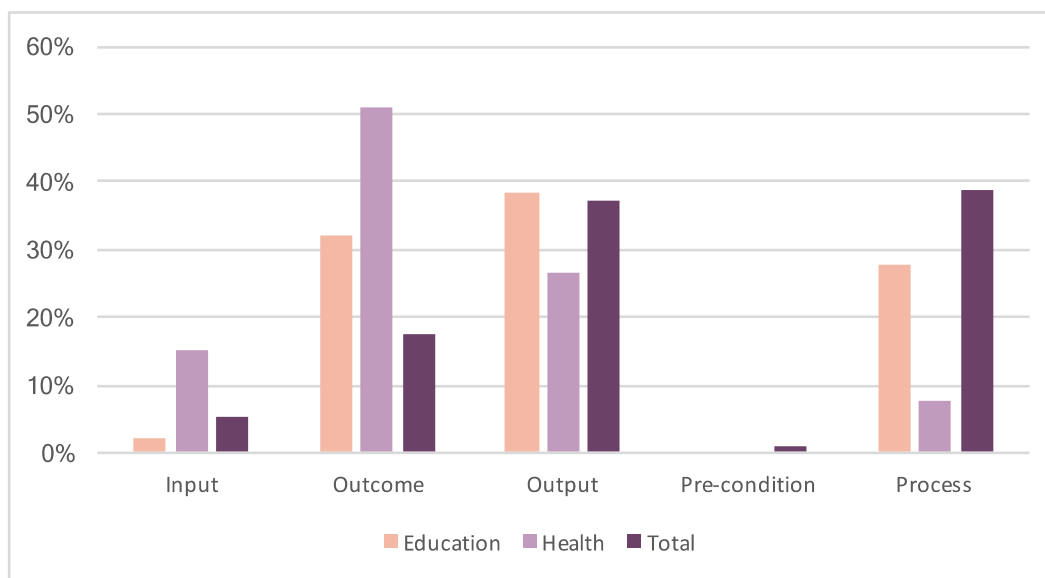
The goal of strengthening the **safety nets** was pursued through SBCs in three countries: in each case, an approach to establish continuous dialogue was evident: in Haiti, to implement the national risk and disaster management system; in Nepal, for effective support for the disaster-affected populations; and in Niger, for effective management of healthcare provided free of charge to targeted groups (indicators achieved but which had been formulated within the framework of the GGDC).

6.2.3 Positive contribution to progress in access to education and healthcare, but no effect on the prevalence of malnutrition

The quantitative and functional improvement in supply made possible by maintaining or increasing spending in the beneficiary sector produced positive outcomes in terms of use of social services and in terms of improvement in certain health indicators (see Section 3.3).

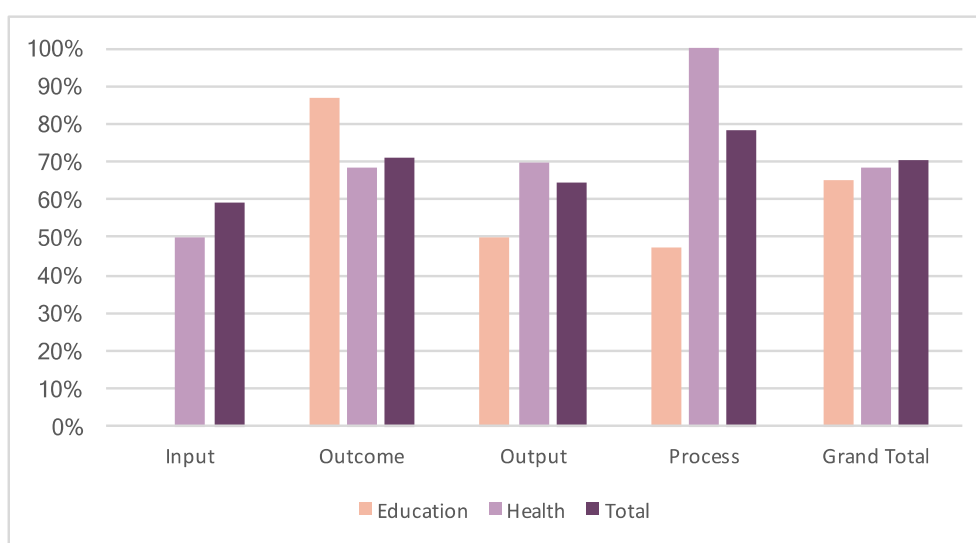
The choice of variable tranche indicators was crucial to achieve a real leverage effect. In the health and education sectors, the variable tranche indicators favoured outcome indicators with a high achievement rate, particularly in education. SBCs used relatively fewer process indicators and the rate of achievement of output and process indicators was lower overall than in all sectors. The variable tranche indicators therefore focused more on the achievement of outcomes than on addressing specific issues of health and education policies. When this has been the case, the results have so far not been very clear, showing the difficulty of addressing specific sectoral policy issues through a more generalist instrument. However, focusing on priority outcomes can contribute to strengthening the government's commitment to achieving them (rate of assisted childbirths, education of girls).

**Figure 29: Variable tranche indicators in the social sectors
Breakdown by type**



Source: ADE, based on data from the SBC database

**Figure 30: Variable tranche indicators in the social sectors
Achievement rate**



Source: ADE, based on data from the SBC database

Contribution of SBCs to improving primary school enrolment, including girls

The improvement of primary school enrolment (see Section 3.3) was achieved through a conjunction of factors, one of the main ones being the substantial support provided to the sector by the TFPs and the Global Partnership for Education (GPE). Through financial transfers and dialogue on the budget, SBCs contributed to this outcome by securing current public expenditure, essentially used to cover the wages of teaching staff. This is particularly the case in fragile countries with major financial constraints. In cases of reconstruction after a natural disaster, SBCs contributed more directly to the investment programme (Nepal) and to the redeployment of infrastructure to maintain services.

The increase in primary school enrolment rates was coupled with improved geographic accessibility in several countries (Nepal, Ivory Coast, Madagascar and Sierra Leone). by

ensuring a better distribution of resources over the territory, SBCs were able to contribute to this important outcome (Ivory Coast and Madagascar).

SBCs mainstreamed gender in several countries where girls were the first to be expelled from school (Central Africa, Mali, Niger and Sierra Leone). In three of these countries, an improvement in their school enrolment rate was observed during the period under study. The attention paid to this dimension through the variable tranche indicators has helped to maintain the course towards this goal.

Contribution of SBCs to the reduction in child mortality and the improvement of maternal health (monitored pregnancies and assisted birth rates)

The marked drop in child mortality in all SBC beneficiary countries (except for Dominica) can be explained by a combination of efforts made in the framework of the Millennium Development Goals. The countries have benefited from numerous, continuous, consistent and coordinated technical and financial supports, and of the mobilisation of significant funding in the context of international initiatives such as the International Health Partnership, the Global Alliance Vaccine Initiative (GAVI) or the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), in addition to the support traditionally provided by the TFPs.

In this context, as in the education sector, SBCs contributed to this result, through financial transfers and dialogue on the budget, making it possible to preserve and even increase expenditure in the sector and maintain a health supply network that is better distributed over the territory (Ivory Coast and Madagascar).

By contrast, there is no demonstrated effect on immunisation rates (see ANOVA variance analysis), which can be partly explained by the fact that immunisation strategies are most often financed by external funding (such as the United Nations (UNICEF, WHO) specialised programmes).

The attention paid by SBC on maternal health in four of the 15 countries studied is reflected in the improvement among all SBC beneficiaries in indicators for the percentage of assisted births as well as those for attended pregnancies and contraceptive prevalence. The ANOVA results suggest a positive contribution of SBCs to the percentage of attended pregnancies for fragile SBC beneficiary countries and to contraceptive prevalence for non-fragile SBC beneficiary countries, but not for assisted births, suggesting that it is essentially through the expenditure effect (and not the variable tranche indicators) that SBCs contributed to these outcomes.

Deterioration in undernourishment prevalence rates

Food insecurity remained a major concern in most SBC beneficiary countries due to continued high vulnerability to shocks (increased climatic risks (drought (Mali, Niger and Chad), cyclones (Haiti and Dominica), flooding (Burundi)), recurring natural disasters (Nepal), and persistent security problems with their effect on economic dynamics (Central African Republic, Niger, Mali, Chad and Afghanistan), deterioration in the political situation (Burundi), endemic institutional weakness (Guinea, Haiti, Madagascar), falling prices in export products (Chad), absence of a return to sustainable growth dynamics, and difficulties in implementing and financing intrinsically multidimensional and multi-sector food security policies whose efficiency depends on the effective mobilisation of weak national structures. In this context, the contribution of SBCs could only be limited, although some small progress was made in areas of policies aimed at reducing food insecurity and strengthening the authorities' response to crises. The ANOVA analysis confirms that the effects of SBCs are not significant on indicators of severe malnutrition.

6.3 Contribution of SBCs to peacebuilding and democratic governance

Numerous SBC programmes sought to strengthen democratic governance and to consolidate peace and the social contract. This section successively presents the contribution of SBCs to the strengthening of institutions that are responsible for security, justice and the maintenance of peace, as well as their contribution to the reforms necessary to strengthen democratic governance, before analysing the extent to which these contributions promoted the achievement of expected outcomes (socio-political stabilisation, improved public governance and the rebuilding of the social contract).

6.3.1 Overall positive effects on the institutions responsible for ensuring the preservation of peace, security and justice

Support for the creation and/or functioning of institutions in the area of peace, security and justice was a secondary theme of SBCs, but nonetheless integrated in nearly one third of the programmes (13/42 programmes) and affected **just over half of the countries** that were part of a case study (8 out of 15). Most of the time, SBCs focused their attention on these themes through variable tranche indicators and sectoral dialogue envisaged in the context of the selected indicators, relating to one of these themes: i) creation of institutions in the areas of peacekeeping, security and justice, and the fight against corruption, ii) increase/maintenance of budget allocations for institutions in charge of justice, maintenance of law and order, security and the fight against corruption; and/or iii) the strengthening of systems, procedures and capacities of actors in the areas of justice or internal security.

In the countries concerned, SBCs sought to support the restoration and/or consolidation of the functioning and/or creation of public institutions in the fields of justice (Burundi, Ivory Coast, Madagascar, Mali, Niger and Tunisia), transitional justice (Gambia and Ivory Coast), internal security (Ivory Coast, Madagascar, Mali and Somalia), concerning deconcentration (Ivory Coast), the fight against corruption (Ivory Coast, Madagascar and Niger) and social dialogue to strengthen labour governance (Tunisia). In some cases, these themes were covered via eligibility criteria (as in Mali where the designation of the structure responsible for monitoring and implementing the roadmap for transition was an eligibility criterion for the first fixed tranche) or the EU matrix of priority actions (as in Madagascar with the matrix on public finances and the fight against corruption).

Overall, little complementary support through technical assistance covering these themes has been mobilised in SBCs.

SBCs have contributed to strengthening these institutions in these countries, particularly in the area of justice. Overall, progress remains slow and these institutions continue to be characterised by major institutional and financial weaknesses. According to the survey respondents, the contribution of SBCs was of “average” importance to the recovery/consolidation of public institutions responsible for justice (score of 2.72/5) and internal security (score of 2.59/5), and of “little” importance to the recovery/consolidation of public institutions responsible for defence (score: 1.42/5). In five of the eight countries in which SBCs covered this problem³⁰, positive effects are visible with the creation of institutions in the field of justice (Niger and Tunisia), transitional justice (Gambia), and the fight against corruption (Ivory Coast), and with an improvement in the functioning of the institutions and capacities of

³⁰ Information on the effects of the SBC in Somalia is not provided as the programme agreement was signed at the end of 2018, and it is too early to determine its effects.

stakeholders in the area of justice and security (e.g. processes, appointment and staff recruitment, securing/increasing budget allocations, strengthening the ethics and rules of professional conduct of police officers).

In **Ivory Coast**, the SBC supported i) an increased judicial networking and the functionality of the courts of first instance through the regular holding of civil and criminal hearings on the national territory; ii) the initiation of a political dialogue on the independent and impartial process of criminal justice through the holding of fair criminal trials for the most serious crimes committed during the post-electoral crisis (although the relevant variable tranche indicator was not achieved); and iii) the strengthening of the capacity of the Ministry of Justice to conduct a quality dialogue with the government and, in particular, to mobilise funds from the Ministry of Finance.

In **Gambia**, the SBC supported the creation of transitional justice institutions (e.g.: the Truth and Reconciliation Committee) and human rights (e.g.: the Commission on Human Rights). These institutions showed slow progress in terms of capacity strengthening.

6.3.2 An overall positive effect on democratic governance reform processes

SBCs have often aimed to support public policies and reforms that ensure the transition towards democratic governance systems, particularly in the justice sector, including the fight against corruption and to a lesser extent in support of electoral processes. Over 40% of the SBCs (18/42 programmes) included variable tranche indicators for one of these themes: definition of policies and/or implementation of reforms in the justice or police sectors; financing and support for electoral processes; support for the decentralisation process; anti-corruption legislation; or an eligibility criterion on monitoring the implementation of peace agreements (sole case of Mali). In most of the country case studies (10/15 countries; 14 SBCs), SBCs sought to support States in their process of transition towards a democratic governance system, in particular in the area of: justice sector reform (Burundi, Ivory Coast, The Gambia and Niger), police reform (Somalia), strengthening citizen participation in public life (Afghanistan), promoting merit and performance in the administration (Haiti), anti-corruption legislation (Haiti, Madagascar, Niger, Mali), decentralisation as an essential element of the peace agreement (Mali), support for electoral processes (Niger and Tunisia). It should be noted that the emphasis placed by SBCs on local democracy and citizen participation remained generally modest. Finally, little additional support in the form of technical assistance covering these themes was mobilised within SBCs.

Positive effects on democratic governance reform processes were visible in over half of the countries where these reforms were supported through SBCs (6/10 countries). In relation to the objectives referred to above, particularly note-worthy is the contribution of SBCs to the definition and programming of sectoral reforms in the areas of: justice (Ivory Coast and Gambia) and internal security (Niger); the promotion of the idea of an administration based on merit and performance (Haiti); progress in anti-corruption legislation (Madagascar and Niger), the financing and organisation of elections so that they become free and transparent (Niger and Tunisia); the introduction of a citizen's charter targeting the improvement of citizen participation in public life (Afghanistan); and the increase in the transfers of funds from deconcentrated services to decentralised services as an essential element of the peace agreement (Mali).

Justice and security sectors effects

In **Burundi**, the SBC initiated support to justice sector reforms focused on issues associated with the backlog of cases and incarceration. Measures were taken by the government in 2013 and 2014, without leading to any of the intended effects. Monitoring of actions in this field was discontinued at the end of 2014.

In **Ivory Coast**, the SBC supported the definition and programming of a justice sector reform policy tackling major challenges in the sector (fair access to justice, the fight against corruption, conditions of detention, etc.) and a costed action plan (2013-2015). It also promoted computerised processing of jurisdictional and penitentiary information, making it possible to ensure credible monitoring and steering of public policy.

In **Niger**, the SBCs supported justice and internal security reforms. A national internal security strategy (and its plan of action) was designed and adopted by the government in 2017 with support from the EU, the UNDP and EUCAP Sahel. Its implementation is supported by SBC3 (implementation under way in 2019).

In **Mali**, progress was gradually made in reforming the security sector with a working group set up in 2014, and an action plan for security sector reform, which was in the process of finalisation in 2019. SBC3 (signed in 2018) supported this process, with little conclusive effects in mid-2019.

Anti-corruption effects

In **Niger**, SBCs contributed to the adoption of a new anti-corruption law (2016) and the establishment of the national anti-corruption policy and the High Authority for Coordinating the Fight against Corruption (target not met under SBC1 but met under SBC2).

In **Madagascar**, the SBC2 contributed to advances in anti-corruption legislation with the anti-corruption law adopted in 2016 and the Decree on the recovery of illicit assets, adopted in 2019. Other legislation such as the Law on the declaration of assets of constitutional subjects and the Law on the recovery of illicit assets remained pending since 2016.

However, the beneficiary countries remained characterised by major structural fragilities in the political and/or security areas.

6.3.3 Positive contribution to the political transition towards a democratic governance system

SBCs have accompanied, with positive effects overall, the formal progress made by beneficiary countries related to justice and security sector reforms, state redeployment, the emergence of democratic checks and balances, and increased legitimacy. To date, these advances have not led to visible results in terms of improved public governance. For the majority of countries undergoing political transition, electoral cycles have been factors in domestic policy renewal (Ivory Coast, Gambia, Haiti and Tunisia) contributing to a willingness of democratisation and openness, framed by more active and demanding civil societies (Afghanistan, Madagascar, Niger, Tunisia). In these countries, there was greater political will and commitment to introducing institutional and public policy reforms. However, the case of Burundi shows a notable hardening and drifting of executive power. In the six countries studied that showed progress (and where SBCs targeted these issues), the SBCs, by focusing on supporting the creation and consolidation of public institutions - including through securing budgets - and the adoption of national policies and the initiation democratic governance reforms, have promoted the establishment of conditions for political transition and

for the establishment of stable and inclusive governance. The progress made has yet to produce effects on the quality of governance and on the level of state legitimacy.

6.3.4 Mixed contribution to peacebuilding processes creating conditions for socio-political stabilisation

The effects of SBCs on peacebuilding processes that should create the conditions for socio-political stabilisation have generally been mixed. SBCs have had positive effects in accompanying these processes when they were anchored in a successful political transition. On the other hand, they have had modest effects on these processes in contexts of weak public governance and fragile peace agreements. This shows the importance of external factors in determining whether or not SBCs contributed to these processes. During periods of cessation of armed conflict following the conclusion of a peace process coupled with political transition leading to a new political leadership, SBCs effectively accompanied peacebuilding reforms (Ivory Coast and CAR). In this context, political transitions offered a favourable context for intervention by the SBCs, which provided stabilisation and recovery support. The experience of the SBC in Ivory Coast is notable in this regard, with effective SBC support for the territorial redeployment of local services in the security and justice sectors. On the other hand, in contexts where there is weak public governance, persistent armed conflict and fragile peace processes, SBC support to government efforts had very modest effects on peacebuilding and the transition to a sustainable exit from crisis (Afghanistan and Mali). The effects of national policies were also limited by the difficulty for States to regain territorial control (Afghanistan, Mali, Somalia and CAR, despite the success of the transition process nationally).

6.3.5 Mixed contribution to the process of rebuilding the social contract

SBCs, on the whole, have had mixed effects on the rebuilding of the social contract and mutual trust between ordinary citizens and the State and have not managed to avoid a deterioration in state legitimacy.

The reforms supported by SBCs have largely focused on the creation of institutions and the adoption of national policy which, while necessary for institutional reform, are not sufficient for a renewal of the social contract, which also requires favourable governance conditions.

States that have successfully undergone democratic transition (Ivory Coast and Tunisia) or democratic political alternation (Niger) have seen a strengthening in the quality of their public governance, accompanied by more ambitious institutional reforms that SBCs were able to support in the areas of justice, the fight against corruption or citizen participation in particular. By contrast, in states with weaker governance (Haiti, Mali and Madagascar), unstable electoral processes (Afghanistan, Haiti and Madagascar) and the persistence of armed conflicts (Afghanistan and Mali), SBC support for institutional reforms failed to produce the intended effects.

The targets achieved for the variable tranche indicators related to the level of sector policy budget allocation did not automatically translate into levels of deployment and quality of services throughout the territory. SBCs, which were focused primarily on consolidating the government at the central level, have provided relatively little support to deconcentration and decentralisation, as well as for citizen participation and local democracy mechanisms, which are key to promoting peaceful democratic transitions. These are themes that the EU was able to support through other aid modalities. There are a few exceptions worth highlighting: effective support for the local justice and police policy in Ivory Coast; the strengthening of Haitian civil society and its capacity for control and democratic interpellation thanks to institutional support mobilised within the framework of SBCs; support for the creation of the National Council for Social Dialogue in Tunisia; support for the introduction of the citizens' charter in Afghanistan

and the on-going process of decentralisation in Mali, which has not yet led to territorial democratisation, as transfers of competences are yet to be made operational by transfers of concomitant means.

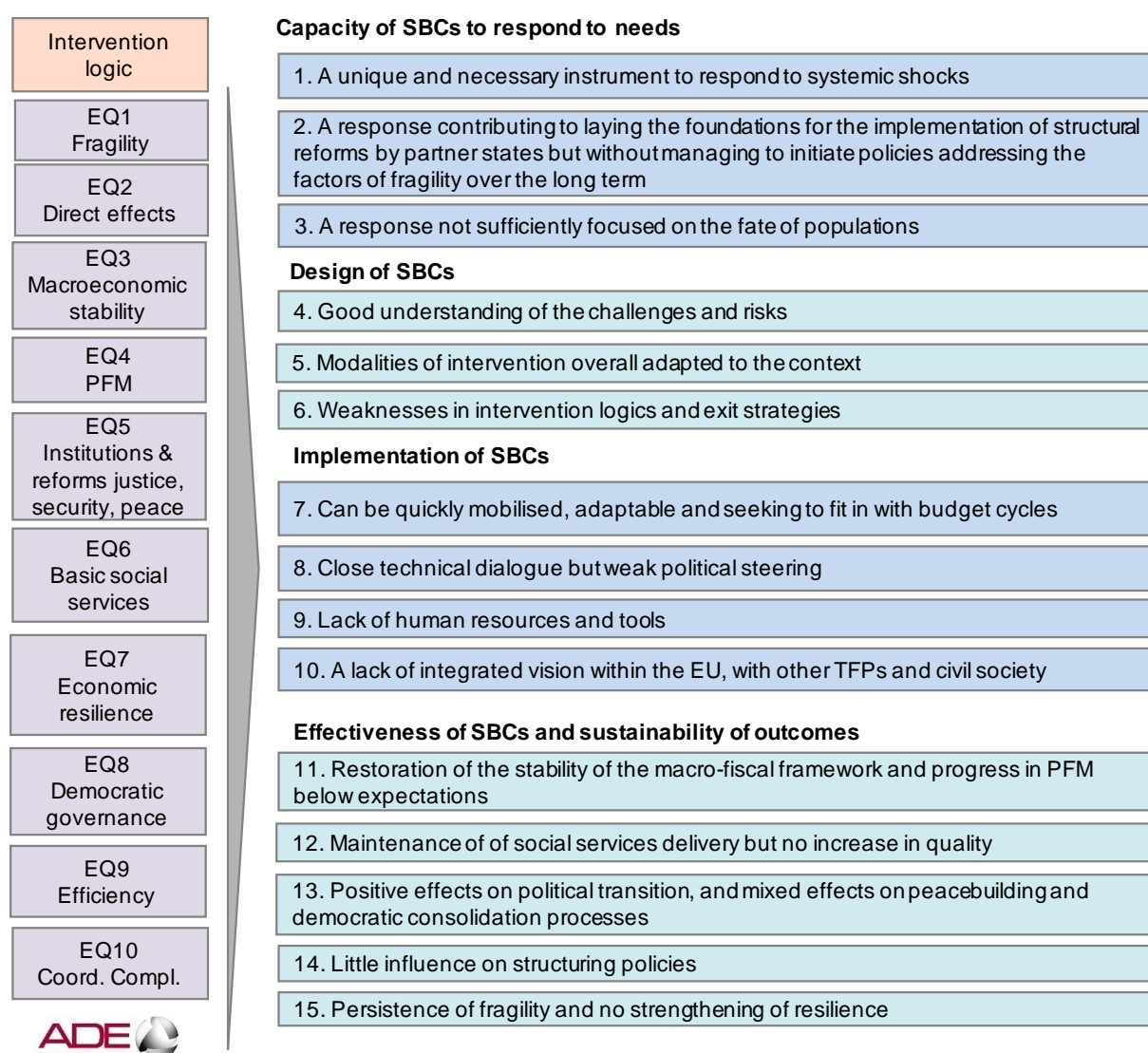
Furthermore, the variance analysis (ANOVA) indicates that the “Political” component of the Fragile States Index is improving for non-SBC beneficiary countries, while it is stagnating for countries that have benefited from a SBC. By breaking down the analysis into sub-indicators, we find the same negative result for the “state legitimacy” component, no significant effects for the “public services” component and a positive effect for SBC beneficiary countries on the “human rights” component. The SBC does not succeed in preventing deterioration in state legitimacy in the countries supported, but fragile SBC beneficiary countries tend to see an improvement in their indicators for human rights, a possible effect - among other factors - of greater international attention to countries receiving this support.

7 Conclusions

The conclusions are structured into four groups:

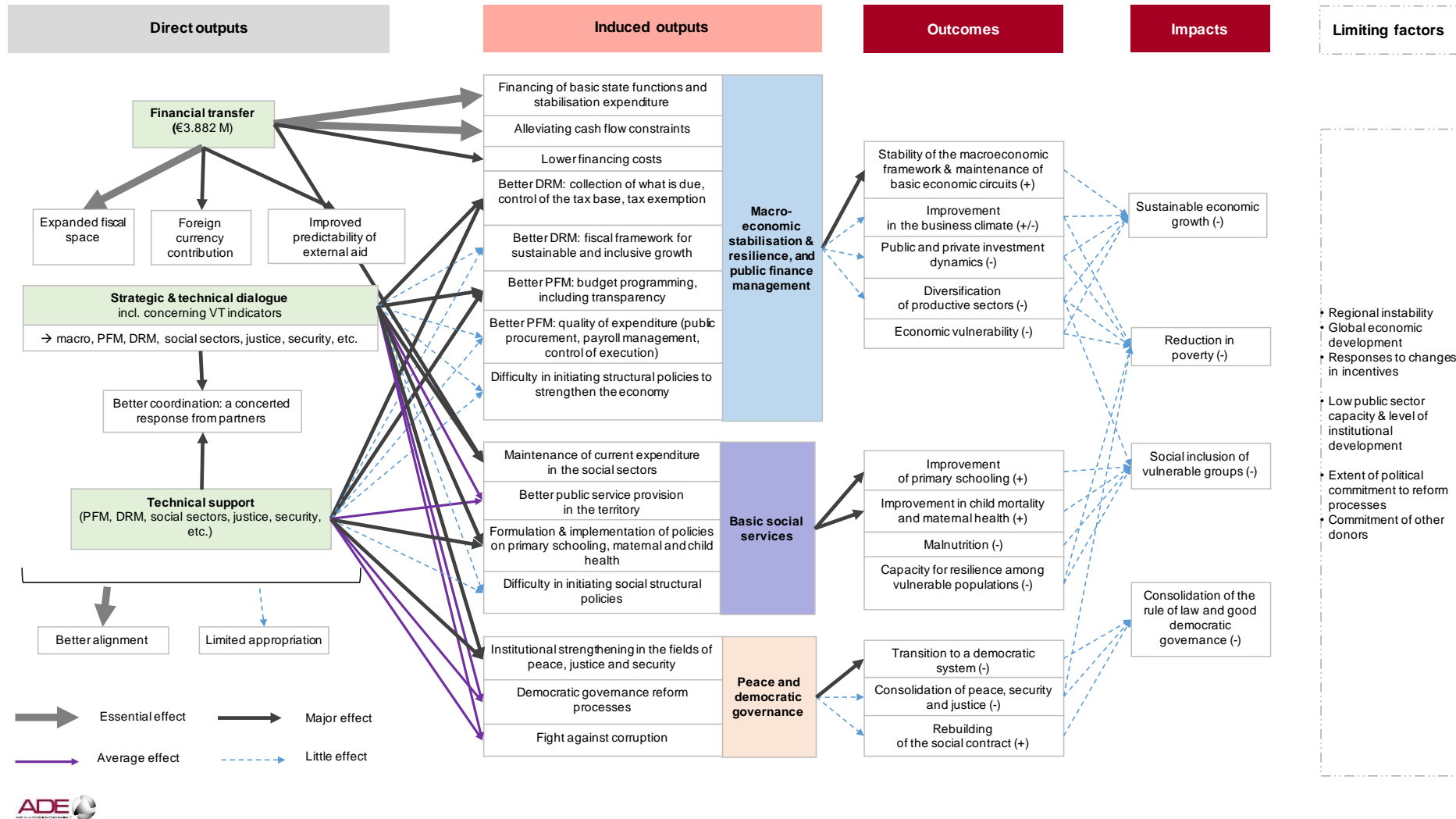
- The capacity of SBCs to respond to the needs of countries in situations of fragility/transition;
- The design of SBCs and their means of intervention;
- The implementation of SBCs;
- The effectiveness of SBCs and their contribution to outcomes.

Figure 31: Summary of conclusions



The following figure illustrates the summary of the main direct and indirect effects of SBCs, as well as their relationship to the outcomes and impacts identified. They cover the analyses developed in Sections 3 to 6.

Figure 32: Contribution of budget support to i) public policies and ii) outcomes and impacts



7.1 SBCs capacity to respond to the needs of countries in situations of fragility and/or transition

C1. A unique and necessary instrument to respond to systemic shocks

The SBC has proven to be a unique and necessary instrument to respond to the immediate urgent requirements of situations of fragility / transition / reconstruction and to avoid processes of State collapse. In several cases, the EU seized a window of opportunity to initiate dialogue and implement a programme.

SBCs have been designed to intervene in complex and varied situations of fragility. They have been mobilised in situations of i) acute political crisis during the critical period when countries were being steered by a Staff Monitored Programme while waiting to be able to access a credit facility, ii) recovery and reconstruction following a natural disaster, iii) economic shocks in a fragile environment, or iv) structural fragility aggravated in some cases by high security risks. These contexts of intervention, each of which have their specific features, have generally been characterised by the urgency of the response to be provided, substantial cash requirements, weak institutional structures, an uncertain and changing outlook, high risks and high vulnerability of the populations.

The SBC is the only instrument that enables the EU, in a short period of time, to finance the government current expenditure (for the most part, the salary of beneficiary countries' civil servants) with a grant and ensure the survival of the State in extreme cases (such as The Gambia, Chad and the Central African Republic). In a context of increasing other aid channels, in particular humanitarian aid, SBCs, which followed a systematic approach placing the government at the heart of the response to fragility, also responded to the need to strengthen the capacity of vital state structures. By guiding the use of government resources towards basic services and contributing to consolidating national systems, SBCs enabled the government to continue to exercise its core functions and thus protect populations from the effects of shocks. Compared to the other instruments at the EU's disposal for intervention in these types of situation, SBCs enabled the EU to go beyond a direct and ad hoc response to crises. They have simultaneously addressed macroeconomic instability, weak public governance and basic social services delivery. They have paved the way for support over time, where necessary, for public policy reforms, particularly in contexts where there is a clear willingness to reform.

In over half of the cases analysed (9/15), the deployment of the (first) SBCs coincided with a window of opportunity created by the circumstances, through which the EU was able to launch a long-term commitment and gradually broaden its scope of action.

C2. A stabilising instrument contributing to laying the foundations for the implementation of structural reforms by partner States, but without succeeding in initiating policies addressing fragility over the long term

SBCs have above all provided a response to stabilisation needs. The magnitude of financial resources, the duration of the programmes and the fragility of the intervention contexts limited their ability to respond to the need of consolidating the economies and societies in which they were deployed. However, by focusing their action on strengthening public finance management and domestic revenue mobilisation, they contributed to laying the foundations enabling for partner countries to implement structural reforms. The latter could be supported by other instruments (Sector Reform Contract (SRC), institutional support, blending, projects, basket funds, etc.).

The objectives of SBCs were ambitious:

- Restoring macroeconomic and budgetary stability;
- Consolidating state and societal resilience;
- Supporting a process of transition towards development and democratic governance;
- Promoting reforms intended to tackle the sources of vulnerability;
- Ensuring vital state functions (notably the provision of peace and security, the payment of civil service salaries, the provision of core administrative functions and of minimum basic services).

The SBC has proven to be a unique instrument for preventing the worsening of the vicious cycle of fragility and for accompanying the exit from crises by mitigating their potentially disastrous consequences. Indeed, SBCs have contributed to i) a return to macroeconomic stability; ii) the consolidation of the state and its legitimacy, iii) the maintenance of basic social services; and iv) the protection of the territory as a whole and of its inhabitants.

By contrast, in view of the ambition of the objectives, the results achieved in terms of increasing resilience and reducing the vulnerability factors in the beneficiary countries seem modest. However, the response delivered by the SBC made it possible to go beyond the simple rescue of States in crisis. By focusing on reforms of public finance management systems and domestic revenue mobilisation policies, the SBC contributed to bolstering national systems and establishing the conditions for the implementation of structural reforms to consolidate the State and society. These reforms can then be supported by other instruments (Sector Reform Contract, institutional support, blending, projects, joint funds, etc.) that have greater added value to support consolidation.

The transition towards a consolidation phase has indeed proved more complex in environments where it is difficult to introduce a long-term vision and carry out structural reforms. The stabilisation process led to policies for fiscal austerity that have left little room for more ambitious actions to diversify the economy, to combat youth unemployment or protect the environment. The inclusion of the objective of state and societal resilience at the heart of the SBC as of 2017 has not yet shown its added value. Although several of the indicators relating to structural economic policies such as technical and vocational training, the regulation of public services, infrastructure or labour market policies have been achieved, the added value of a comprehensive instrument such as the SBC has not been shown on issues that are often technically complex and require specific institutional support. More generally, in structurally fragile states with persistent institutional weaknesses, the conduct of structural

reforms designed to reduce economic, social and political fragilities is rendered more difficult and requires significant political commitment and major technical support that goes beyond the scope of one or more successive SBCs.

C3. A response not sufficiently focused on the fate of populations

Within the limitations of its scope of intervention, SBCs have not sufficiently focused on populations: the intervention logics were insufficiently geared towards the changes expected at their level; the fragility analyses have not sufficiently well covered the institutional and sectoral aspects directly affecting them.

Beyond the unfavourable context, the difficulties encountered by SBCs in having an effect on resilience capacities and situation of the populations are partly due to the complex nature of the situations themselves and the difficulty of addressing through this instrument the multiple fragility factors affecting these populations. SBCs have not sufficiently taken into account several vulnerability factors affecting populations, such as: 1) obstacles to youth employment; 2) issues of deconcentration and the reduction of territorial inequalities, that are a condition for a peaceful transition to democratic governance; 3) the weakness of local democracy and of civic engagement stakeholders; 4) climate fragility and the protection of natural resources; 5) the multidimensional factors of extreme poverty and malnutrition.

7.2 SBCs Design

C4. Programmes based on a good understanding of the challenges and risks

In general, SBCs have delivered an appropriate response to fragility factors identified in the context of prior fragility and risk analyses, despite several limitations.

All SBCs were subject to succinct fragility/context analyses and more in-depth risk analyses as part of their identification/formulation process. The fragility analyses provide an overview of fragility in its various dimensions but have several limitations: they do not thoroughly cover the different fragility factors; they do not cover the institutional fragility which SBCs seek to address; or sub-state fragility factors; and they do not identify the sources of resilience. The risk analyses cover the risks relating to macroeconomics, public finance management and corruption in greater depth than political and developmental risks.

All these initial analyses together generally enabled SBCs to respond to the challenges the countries are facing and to address the immediate priorities of stabilisation, as well as the shortcomings observed in public finance management. However, in a third of the programmes analysed, the thoroughness and frequency of the fragility analysis and of the context assessment, particularly at sector level, were not always sufficient to deliver an appropriate response (often a formulation of variable tranche indicators not entirely focused on the issues at stake).

C5. Modalities of intervention generally adapted to the context

The modalities of intervention of SBCs have generally been well-suited to the situation of fragility and have shown flexibility during implementation. This enabled the EU to strike the right balance between the need to provide financial support to a State at a critical moment and to engage in reforms, including through continued support over time.

The programmes were often prepared in a short period of time based on a dynamic assessment of eligibility. They often comprised a significant initial fixed tranche with no variable tranche and included variable tranche indicators focused on inputs and/or direct outputs for the following tranches. Specific elements were also introduced during programme design (indicators not specified in the financing agreement, multi-year disbursements, precautionary measures, etc.).

The evaluation of the eligibility criteria took into account the weak institutional capacity, as well as the slow and differentiated progress over time in implementing reforms in different countries. The objective was to avoid jeopardising stabilisation, particularly in the fiscal area. However, this flexibly led implicitly to the lifting of the binding nature of the general conditions and, therefore, the desired incentive effect. That was particularly the case for the general condition relating to the relevance and credibility of the development policy and for the condition relating to the implementation of a relevant and credible public finance management reform plan, even though some progress was observed in this area thanks, above all, to the attention given to it in the specific conditions and the technical assistance targeting these reforms.

The variable tranche indicators have in fact been the main lever for encouraging the initiation and/or implementation of reforms and for fuelling technical dialogue. With nearly 30% of targets not met and nearly 30% of the amounts not disbursed, the sanction/bonus mechanism was well applied, but with disruptive effects on the predictability of funds. The country case studies showed that the added value of an indicator was not limited to its performance. Difficulty in achieving them could also reflect the severity of bottlenecks and triggered useful dialogue.

Overall, the indicators have been relevant to the context, having been designed to ease the constraints identified for the restoration of government functions. The findings of this evaluation show that the indicators were not, however, always able to have the expected incentive effect due to certain limitations, in particular:

- Ownership by the partner (why, how, when): in several cases, national interlocutors 1) were not familiar with the indicators selected (particularly at the sectoral level); or 2) had not properly understood the reasons for the choice of these indicators and their articulation with their own public policy objectives;
- Realism of the targets set: unrealistic goals or, on the contrary, the choice of indicators already achieved in order not to penalise the disbursement limit the incentive effect;
- Relevance to the objectives sought: the indicators were not always appropriately formulated, particularly in cases where they were not sufficiently representative of national practices or did not reflect a real reform issue;
- Continuity: indicators used for the disbursement of a single variable tranche had little effect if they were not monitored through dialogue or other accompanying measures.

C6. Weaknesses of intervention logics and exit strategies

The intervention logics of SBCs have not been explained in detail, partly because of the complexity of the intervention contexts, and presented several weaknesses that could undermine the effectiveness of the programmes. The “exit strategy/strategy to sustain the gains made” has de facto led to the renewal of an SBC or the introduction of another type of budget support, without sufficient reflection on alternative scenarios or to ensure the sustainability of the outcomes.

The programme intervention logics were not sufficiently clearly explained due to the complexity of the intervention contexts, characterised by major uncertainty and the presence of many uncontrollable factors. The assumptions underlying the successful implementation of the programmes are numerous, hard to identify and change over time. Risk monitoring helped to identify them, but the analyses of the risk management framework have generally not been used to update and adapt the intervention logics of the programmes being implemented.

Other weaknesses were identified in the intervention logics, which are not all due to the fragile context: too general and often too ambitious formulation of programme objectives; a lack of phasing for the achievement of induced outputs (improvement in public policies, public institutions, public spending and service delivery); confusion between direct and induced outputs/outcomes; the lack of elements specifying how the dialogue and above all complementary technical support will contribute to the achievement of induced outputs and outcomes; the absence, in some cases, of overall performance matrices tracking the achievement of elements of the intervention logic.

The SBC exit strategy/strategy to sustain the gains made were not made explicit and implicitly relied, particularly for structurally fragile countries, on the transition to SRCs/GGDCs, depending on the context, as indicated in the guidelines, but with no establishment of clear conditions for transition from one type of contract to another and without sufficiently ensuring the sustainability of the outcomes achieved. The change of approach in 2017, no longer setting limits to the number of successive SBCs and extending its duration to three years, did not clarify the exit strategy options. It also promoted the renewal of SBCs over time, particularly in countries that for political reasons are not eligible for C-MDG. These cases of successive SBCs (e.g. Mali, Niger and Haiti) show a gradual evolution towards multi-sector programmes with increasingly broad goals over time and that move away from the core of the instrument.

7.3 SBCs Implementation

C7. An instrument that can be quickly mobilised, adaptable and seeks to be articulated with budgetary cycles

During their implementation, SBCs have generally been able to ensure rapid response, adapt to changing situations, take the budgetary cycle into account and, in general, ensure good predictability of funds, although efforts remain to be made in this regard.

The financial transfer component of SBCs has often been implemented very quickly: in over half of the country case studies, SBCs enabled the EU to deliver a rapid response to deal with

a situation considered urgent and in some cases acted as triggers for mobilising contributions in the form of budget support from other donors.

The instrument has generally shown itself to be responsive to changing contexts and needs, and underwent numerous adaptations along the way (revised amounts, extended duration, modification of variable tranche indicators, special tranches to address specific shocks, reallocation of undisbursed amounts).

The SBC has taken care to ensure that transfer periods are well coordinated and anticipated with the budget cycles in very tight budgetary situations, often encountered in fragile countries, where shifts - even by one quarter - can lead to cash flow difficulties. Overall, the findings of the evaluation show that the predictability of disbursements was satisfactory. The fixed tranches, especially when they were disbursed alone or separately from the variable tranches, were predictable and more than 50% were disbursed within the foreseen timeframe. But the variable tranches were perceived by the beneficiaries as being largely unpredictable due to the uncertainty about the amounts to be received, which were difficult to estimate at the time of budget programming. Disbursements were also most often made at the end of the fiscal year, whereas the guidelines recommend, wherever possible, disbursements at the start of the fiscal year.

C8. Close technical dialogue but weak political steering

A local technical dialogue that is highly valued by the beneficiaries was generally established through the implementation of SBCs. Political dialogue under the instrument was more timid and often undermined by the need to stabilise the situation in macroeconomic terms.

In the 15 countries studied, dialogue has been a central element of SBCs, as these programmes have been a unique vehicle for dialogue on budgetary, fiscal and public financial management system-related issues, as well as on respect for fundamental values. Technical dialogue, based on variable tranche indicators, has been stepped up and has been gradually developed and structured (through monitoring platforms or the establishment of steering committees), in a logic of proximity that is welcomed by partner country representatives and considered a specific characteristic of the EU approach.

The rapid mobilisation of funding enabled SBCs to take a leading role in the dialogue resulting from the emergency situation and to take advantage of the window of opportunity. A resumption or revival of political dialogue with governments has thus been made possible in complex situations (Afghanistan, Gambia, Mali and Burundi prior to 2016).

The political leverage of SBCs was recognised in over half of the country case studies, notably thanks to the inclusion of specific conditions for the disbursement of fixed tranches (Mali, Haiti and Tunisia). However, political steering, which ensures the government's commitment at the highest level on the reforms that the SBC intends to support, was less robust and often undermined by the urgent need for macroeconomic stabilisation and the disbursement of funds. This steering is, however, crucial in contexts where national authorities' political commitment to SBC objectives has not always been ensured. The SBC steering mechanism at the highest level in beneficiary countries has not been sufficiently systematized. It did not include a systematic dialogue during the preparation/approval of disbursement files. The involvement of the EEAS remained generally limited, particularly during the identification/formulation phase.

The general conditions established to ensure the effectiveness of the instrument did not generally provide a real leverage effect, although some progress was made. The main "means

of exerting pressure” was the non-disbursement of amounts linked to unmet variable tranche indicators, but this has not allowed political dialogue on the country’s overall commitment to carrying out basic reforms. The postponement of disbursement when the macroeconomic condition was not met, was another tool for applying pressure, but mainly under the impetus of the IMF.

C9. Lack of human resources and tools

The human resources and tools mobilised at EU level and in partner countries have been insufficient to allow the full potential of the instrument to be deployed.

The formulation and implementation of SBCs require major resources both at EU and partner country level. For both parties, this involves: i) conducting or coordinating fragility analyses, risk assessment, analyses of the evolution of the context; ii) negotiating programme content, iii) analysing the eligibility criteria; iv) monitoring the indicators selected for variable tranches; v) participating in and contributing to the technical and political dialogue on these issues; vi) planning and performing monitoring of the complementary support; vii) coordinating the disbursement files and justifying the achievement of criteria; and viii) performing continuous monitoring of the stakeholders present. Both the EU Delegations and the partners have not been able to deploy sufficient resources to ensure these tasks, both in number and sometimes also in terms of qualifications.

The tools deployed to support staff were welcomed but insufficiently developed and/or deployed, especially the training and guidance tools specific to interventions through BS in situations of fragility.

The decision-making process involving the EU Delegations and various headquarters services has proven to be sound. The findings of the evaluation demonstrate that this long and multi-phase process is justified given the importance of the decisions to be taken and the need for analysis underlying the programmes. The role of the Budget Support steering committee at the core of this process was important for taking into consideration changes in context and developing a common vision at headquarters. Overall, the interactions between the headquarters and the EU Delegations were valued, particularly the technical support received by the headquarters throughout the phases of the programme cycle. By contrast, in several cases, the EUDs did not feel sufficiently heard in the choice of orientations.

C10. A lack of comprehensive vision within the EU, with other TFPs and civil society

SBCs have shown weaknesses in applying an EU integrated approach in response to the situation of fragility. In particular, these comprise poor complementarity between EU instruments and with other TPF and a low level of involvement of civil society.

SBCs were mobilised without their specific role being sufficiently established in relation to that of **other EU instruments**. The complementarity between SBCs and other EU interventions seeking to reduce fragility was very variable and strongly influenced by the local context. This has mainly resulted in the use of complementary support (TA) to help beneficiaries meet the variable tranche indicators. Complementarity with ECHO’s humanitarian aid, which accounted for a growing share of aid in these countries alongside SBCs, has not materialised to any great extent and this was also the case with the CSDP missions. Similarly, effective complementarity with the SRCs was rather weak in the field, even though SBCs and SRCs are budget support implemented by the same teams.

SBCs made it possible to stimulate coordination with the other **technical and financial partners providing BS**, but within the limits of each one's respective strategies. The design of SBCs has fostered an in-depth dialogue with the technical and financial partners providing BS, as the programmes were generally designed in close collaboration with the other partners. Rather, they were implemented on a bilateral basis. The approach has often been convergent, but rarely joint, except in situations of extreme emergencies requiring a strong response (Ivory Coast, Chad and Somalia).

Complementarity between the (objectives and means of) SBCs and the IMF was crucial to maximize the contribution of SBCs to macroeconomic stabilisation and public finance reform. It was insufficient in the area of complementary technical support (TA), as the EU generally had little information/influence on the work of AFRITAC, which, however, it largely finances. The public finance management/domestic resource mobilisation axis is the one where coordination among partners has been the most developed and fruitful. When cooperation among all BS providers materialised, it considerably enhanced the credibility and effectiveness of SBCs through the unification of public policy dialogue and the reduction of transaction costs for the beneficiary.

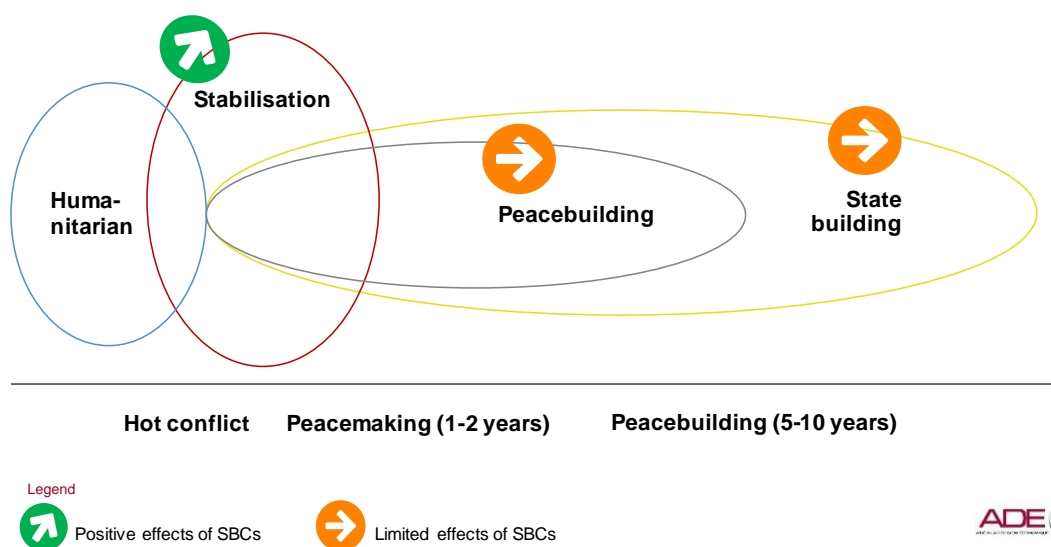
Ensuring effective coordination in other areas essential for state reconstruction has remained a challenge: fragility analyses are specific to each partner and not shared among them; and even if partners share a common vision of the main challenges of the situation, developing a common vision on the type of joint response to be provided is still far more difficult.

Finally, **the involvement of civil society** in the design, implementation or evaluation of SBCs has generally been very limited. This is largely explained by the fact that the partner State is the main interlocutor involved in the negotiation and implementation of the SBC. It is very often the case that situations of fragility result from a lack of confidence of the populations in their public authorities over which they have little influence. The strengthening of civil society information and control mechanisms, which in some countries has been the subject of complementary support to SBCs, has generally been insufficiently linked to the reforms supported by SBCs.

7.4 SBCs Effectiveness

SBCs have above all contributed to stabilizing the economic and social situation, and initiating early recovery after a crisis, thus avoiding a deterioration in conditions or even, in some cases, state collapse. It is in this role that they have proved most effective, with a more mixed contribution to consolidation and sustainable recovery phases.

Figure 33: Summary of the effectiveness of SBCs



C11. Above all a stabilising instrument, first and foremost in terms of fiscal and macroeconomic policy

By mobilising substantial financial resources in consultation with other TFPs (mainly multilateral), SBCs have first and foremost contributed to restoring the stability of the macro-fiscal framework. The effects in terms of strengthening PFM fell short of expectations despite progress in budget programming, cash management and public procurement management, against a backdrop of increased but still weak transparency.

The effect of SBCs was most visible in the provision of financial resources that cushioned shocks to government current expenditure. SBCs did not prevent adjustments in capital expenditure. Neither did they influence the macroeconomic policy stance pursued by the countries in conducting fiscal and monetary adjustments, which remained the prerogative of the IMF. The gains in DRM, especially in improving collection of what is owed, have helped to sustain these stabilising effects and strengthen the capacity to respond to shocks.

While overall progress in public financial management fell short of expectations, SBCs, by prioritising the deficiencies observed according to context, contributed, in particular, i) in structurally fragile countries, to improving budget programming processes and strengthening cash management, and ii) in non-fragile countries, to improving public procurement management.

The effects in terms of public financial management and DRM were mainly achieved through the variable tranche indicators and the technical dialogue surrounding them. The leverage effect of the general condition relating to public financial management was not very effective as it was particularly limited by the need to meet immediate stabilisation needs. The

assessment of this general condition has often been considered favourable, despite the obvious slowness and bottlenecks in the implementation of the reforms initiated.

Budget transparency has been improved through greater availability of budget documents, including during budget execution, and through a greater role for parliament and civil society (notably through citizen budgeting) in the budget programming process. It is the eligibility criterion on this theme that mainly drove these advances. These have not yet led to a real improvement in the transparency of budget choices, public participation or accountability mechanisms in the States concerned.

C12. Maintenance of social services delivery but no quality enhancement

SBCs have contributed to maintain basic social services delivery (education and health), notably thanks to the increase of the fiscal space provided by these programmes and to the dialogue conducted on these issues. However, they have not been able to contribute to a strengthening of the quality of social services.

Fiscal and monetary adjustments have been made while preserving overall spending on education and health, and ensuring that basic services in these sectors is maintained. SBCs contributed in part to these effects, as shown by the variance analysis. The enlarged fiscal space provided by SBCs was a key element allowing for the maintenance/increase of these expenditures. It has been accompanied by specific conditions and/or dialogue specifically focused on preserving budget allocations and on the effective execution of expenditures so that the expenditure effect materialises. Accompanying transfers with sustained dialogue concerning the budget instrument has been key, in tense environments, in the allocation of available resources to address the urgency of multiple needs, particularly security needs in countries where the risk of conflict remained high (e.g. Mali and Niger).

By helping to maintain expenditure in sectors deemed essential for the protection of populations (health, education, justice, security), SBCs have shown their specificity in relation to IMF interventions, which set the framework for macroeconomic policies over which other donors have no influence.

On the other hand, the evaluation shows that SBCs were not able to initiate a consolidation of sectoral policies in these areas or contribute to increasing the quality of the services.

C13. A more appropriate and effective instrument to support political transition than peacebuilding or the refounding of the social contract

The SBC has been an appropriate and effective instrument to respond to crises, particularly during the phases of political transition, which were the most favourable context for successful intervention. It was less appropriate and effective in supporting other cycles of conflict.

SBCs have also contributed to mitigating the effects of crises on the conditions for democratic governance. In particular, they have contributed to (i) creating and/or strengthening institutions in the area of peace, security, justice and anti-corruption (e.g. through increased/maintained budget allocations and/or by strengthening stakeholders' systems, procedures and capacities) and (ii) the adoption of national policies and the initiation of reform processes in democratic governance. These effects have been achieved through the inclusion of variable tranche indicators for these sectors, as well as the attention paid to fundamental values in the framework of political dialogue. This specificity of SBCs compared to other donors' BS is considered by the latter a strong point of the EU. However, overall progress has remained slow

and the institutions supported have continued to be characterised by significant institutional and financial weaknesses. Moreover, progress has been slow to have an effect on the quality of governance and the states' level of legitimacy.

Overall, SBCs have produced (i) heterogeneous effects on the quality of public reforms during the peacebuilding phase, (ii) fairly positive effects on the phases of political transition towards a democratic governance system, and (iii) more mixed effects on the phases of stable democratic consolidation. The phases of political transition are the most favourable context for successful SBC intervention, with the most substantial effects on reforms being observed during periods of democratic opening and quality political and technical dialogue.

The expected progress in countries emerging from crisis, from a stabilisation phase to a political transition towards public democratisation, does not appear to have been achieved within the group of SBC beneficiary countries. This overall unfavourable evolution illustrates the difficulty of public policies in fragile states to produce effects on the determinants of conflict and on democratic governance.

C14. Little influence on structuring policies that would consolidate the sectors targeted and reduce vulnerability

SBCs have not been able to sustainably influence policies intended to build resilience and reduce vulnerabilities.

In none of the three targeted areas have SBCs led to a sustainable consolidation of government policies. The macro-fiscal framework has been stabilised, but the conditions for consolidation of this framework in the medium term have not been established. The macroeconomic risks are still present, or even higher, and the economic vulnerability of beneficiary governments has not diminished. While SBCs have been able to contribute to the restoration of a sustainable macroeconomic balance, this balance was not sufficient to bring about sustainable growth and an exit from poverty.

In the social sectors, SBCs have contributed to maintaining and strengthening health and education services but not to improving the quality of the services, structuring sectoral policies or better steering of the sectors. At the same time, SBCs have contributed to better care for certain vulnerable populations (particularly in terms of girls' schooling or the implementation of a policy of free healthcare for women/children and access to the school system) but in a limited way and without ensuring its sustainability. Overall, SBCs have had little effect on the systems/policies for caring for food-insecure populations.

Furthermore, through the general condition on public policy, SBCs have aimed to support a relevant and credible public policy, intended to address the vectors of fragility faced by the country, and to ensure its implementation. However, this criterion has rarely been synonymous with leverage to encourage the government to take better account of fragility and resilience factors in its policy.

C15. Stabilised situations in what is still a very fragile environment without strengthening societies' resilience capacity

The SBC has so far not played a leading role in strengthening the capacity for resilience of fragile societies in complex and uncertain contexts marked by the persistence of internal and external shocks. However, by stabilising government functions and ensuring the maintenance of basic services, it has been able to contribute to social progress without reducing poverty or vulnerability.

The majority of the beneficiary countries in situations of structural fragility have experienced a virtual status quo in their situation, without strengthening their capacity for resilience or their medium-term growth process. The implementation period of SBCs, from 2012 to 2018, was generally marked by the persistence of situations of fragility in the beneficiary countries without any real improvement in the capacity for resilience of the countries concerned and without any real strengthening of economic structures, governance capacity or the functioning of institutions.

In these countries, SBCs have, above all, contributed to maintaining the status quo, avoiding massive deterioration in their situation and enabling them to pursue the efforts undertaken in the social sectors with the support of donors. In these complex contexts, SBCs have thus contributed to the progress made in terms of schooling and health, and in particular the improvement of children's schooling at primary level, including girls, as well as the reduction of infant mortality and the improvement of maternal health.

SBCs have not reduced the vulnerability of populations and this remains a major challenge. In this respect, the deterioration in the undernourishment prevalence rates in most of the countries benefiting from SBCs is only the visible tip of a very deep iceberg, in the face of which public policies in the contexts encountered remain powerless.

8 Recommendations

The specific contexts of fragility/transition/reconstruction targeted by SBCs are not going to disappear any time soon. The analyses point to the complexity of the issues at stake and the persistent nature of problems in the future. The World Bank estimates that by 2030, at least half of the populations living below the poverty line will live in countries prone to fragility, conflict and/or violence³¹. These situations have an impact on poverty and extreme poverty in particular due to violence but also due to the decline in basic services and the weakening of the State's sovereign functions. The humanitarian and development challenges are numerous and are likely to remain so for a long time to come.

This evaluation has demonstrated the relevance of the SBC instrument in addressing critical needs in situations of fragility. While SBCs are far from having achieved all expected outcomes, this does not mean that they have been ineffective. Contexts of fragility are inherently difficult and high-risk, with rapidly changing situations. Furthermore, the evaluation showed that SBCs were not able to solve everything, that it was necessary to take into account their specificity and to integrate them with other interventions in a comprehensive approach.

The recommendations and their link to the conclusions are detailed in Figure 35; Figure 34 presents their level of importance and ease of implementation.

³¹ World bank Group, Strategy for fragility, Conflict and Violence 2020-2025, Concept Note

8.1 Position the SBC as a stabilisation instrument, responding to the needs of social cohesion and democratic governance in fragile contexts and strengthening the core of the government system

R1: Give greater emphasis to EU support to social cohesion and democratic governance policies for stabilization.

The EU should continue its commitment to support fragile states or states weakened by shocks with BS and strengthen its capacity to respond to immediate stabilisation needs. In this context, the EU should display more its priorities, in particular, access to basic services for all populations and democratic governance. In order to better meet these stabilisation needs and the provision of essential services for the benefit of populations in all contexts, the following is recommended:

- Strengthen the analysis of immediate needs for stabilization/strengthening of essential government services in the analysis of fragility, in an approach aimed at protecting populations;
- Explain more clearly in the design/formulation documents the SBC intervention logic (including the sequencing of expected induced outputs);
- Emphasise the objective of preserving budget allocations/execution of expenditures in the social/justice/security/defense sectors and the improvement of expenditure management in these sectors, including spending quality;
- Include in the general condition on PFM a specific section on expenditure management reforms in priority sectors where there is no Sector Reform Contract;
- Clarify the transition from SBCs to Sector Reform Contracts and strengthen complementarity between the instruments (in particular on the budget allocation/expenditure management side);
- Further support local democracy and citizen participation, as well as the territorial policies of deconcentration and decentralisation.

R2: In structurally fragile countries, emphasise the role of the SBC as a lever to strengthen the government's capacity to manage its public finances and the steering of its public policies, which are necessary conditions for supporting consolidation policies.

Consolidation in structurally fragile countries requires first of all strengthening the government's management capacities and its means of financing. In this context, in parallel with stabilisation, SBCs should continue to give priority to the consolidation of PFM and DRM. They should also give greater importance to the capacity of governments to formulate and steer a national policy that addresses fragility in its various dimensions and that draws on sources of resilience. It is recommended to:

- Identify key actors with the political and financial clout and the willingness and capacity to carry out sensitive reforms;
- Clarify within PFM systems which core functions should be prioritised in fragile/reconstruction contexts;
- Gradually introduce an analysis of the sources of resilience, particularly in structurally fragile countries that do not face high risks of conflict/violence.

R3: In countries prone to natural disasters, use SBCs to strengthen crisis management systems and address context-relevant vulnerability factors (including environmental, climate and social change).

In countries facing natural disasters, it is recommended to:

- Take better account of the vulnerability factors that leave countries exposed to the risks of natural disasters (analyse this exposure more systematically);
- Provide guidance tools (including training) to take these dimensions into account;
- Systematically integrate an analysis of the sources of resilience into the road map/Action Document.

8.2 Improve the design of SBCs

R4: Further develop the intervention logic at regular intervals as the context evolves to better take into account the urgency and complexity of needs and ensure the adaptability of the response provided.

In situations of fragility, rapid intervention is a key factor for effectiveness, as is the ability to adjust to urgent needs. Overall, the EU was able to respond quickly and intervene in fragile, urgent and shifting contexts. Disbursements were made quickly, but efforts can still be made to better take into account cash-flow needs (especially in post-crisis situations). Moreover, the relatively short duration of the programmes at the outset (one year, followed by two years) made it possible to adapt them as the context changed rapidly. The introduction of three-year programmes requires the implementation of mechanisms for monitoring and adapting to changes in risks and the context. It is recommended to:

- Improve the predictability of amounts to be disbursed and their consideration in cash-flow management, particularly in post-crisis situations (strengthen the forecasting capacities of the Ministry of Finance, set mutually agreed disbursement schedules to meet cash-flow requirements);
- Renew the intervention logic annually on the basis of changes in risk management frameworks and in light of changes in the context;
- Monitor the outputs and outcomes as they are achieved by systematically reviewing the performance matrices attached to the intervention logics;
- Intervene rapidly in case of additional needs through a special "crisis" tranche with conditions specific to the situation rather than by "topping up" existing programmes.

R5: Ensure that programmes take better account of the quality of social services, territorial and environmental issues, and the fate of the most vulnerable populations.

Some key issues have not always received sufficient attention. The recommendation is to ensure that programmes fully integrate the following objectives:

- The geographical coverage of public services throughout the territory, which are a key factor for social cohesion and for ensuring state legitimacy;
- The management of public expenditure in priority sectors, including spending quality;
- The consolidation of sectoral policies in priority sectors and the enhancement of the quality of social services, especially when successive SBCs are deployed over time;
- The rapid improvement of the fate of the most vulnerable populations, who are often the first victims of shocks, in particular through the objectives of strengthening food security;

- The needs arising from environmental fragility.

The role of SBCs in addressing these issues should be specified and clarified in the guidelines. Guidance tools (including training) for taking these dimensions into account could be developed.

R6: Ensure continuity to guarantee the sustainability of achievements.

SBCs have often initiated a learning dynamic that takes time and requires dialogue and long-term support that has not always been met. Moreover, the absence of exit scenarios envisaged from the outset made it impossible to consolidate progress in a clear sequence such as, for example, the transition to SRCs. It is recommended to:

- Identify more explicitly at the outset the upward (SRC/GGDC) and downward (in the event of programme suspension for non-compliance with the general conditions or observed deterioration in the monitoring of fundamental values) exit strategies and adapt them as programmes are implemented;
- In the choice of indicators, ensure continuity in support for reforms and dialogue throughout successive programmes;
- Ensure systematic capitalisation on the achievements of previous SBCs and guarantee good internal coherence between programmes in the case of successive SBCs.

R7: Jointly analyse institutional strengthening needs.

Complementary support is an important component of SBCs but is not sufficiently valued, especially as it is often isolated from the rest of the programme and with a delayed implementation schedule. It is recommended to:

- Integrate the role of TA and complementary support in the intervention logics and specify how they are intended to contribute to the achievement of the objectives;
- Clarify the mechanisms for identifying and implementing support in partnership with the beneficiaries;
- Strengthen coordination with technical support provided by other donors, and, in particular, with the IMF in the framework of AFRITAC, which is co-financed by the EU.

8.3 Rise the EU profile in political dialogue by fostering the leverage effect of the general conditions and its convening role with donors

R8: Continue structuring close technical dialogue and strengthen political dialogue.

The EU has shown that, through the SBC, it is able to conduct a close policy dialogue that is highly appreciated by partners but that needs to be structured: conducting regular dialogue coordinated by the NAO services or another department of the Ministry of Planning or the Ministry of Finance should make it possible to regularly monitor the achievement of the variable tranche indicators, to identify obstacles and the need for complementary support. At the same time, the analysis has shown that the lack of political commitment for carrying out reforms, particularly in the area of financial governance, has hindered the achievement of SBC objectives. A deeper and more systematic political dialogue should be developed, particularly when disbursement files are submitted. It is recommended to:

- Make the role and content of the technical policy dialogue more explicit in action documents/ financing agreements;
- During the implementation phase, ensure that a continuous and structured dialogue is held, jointly involving the Ministry of Finance and the sectoral ministries (introduction of a variable tranche indicator dashboard enabling monthly monitoring of the degree of achievement of the indicators and the risk of blockages);
- Reinforce dialogue at the highest level (EU ambassador and ministers in charge) on the achievement of general conditions when formulating programmes and during their implementation, particularly when approving each disbursement;
- Involve the EEAS services more in the conduct of dialogue and in the analysis of disbursement conditions.

R9: Strengthen the leverage effect of general and specific conditions by better framing general conditions and improving the choice of variable tranche indicators.

In the situations encountered, the general conditions attached to the adoption of programmes and the disbursement of each tranche are not very restrictive. They are often useful for analysing the initial situation and stressing the importance of having a relevant and credible public policy, a relevant and credible PFM reform plan, stability-oriented macroeconomic policies and the availability of comprehensive and sound fiscal information. In practice, these conditions no longer provide the incentive initially sought. This role and the expected minimum requirements need to be redefined, in particular:

- Clarify expectations regarding the relevance and credibility of targeted policies in different types of context;
- Further frame the analyses required to examine the public policy and PFM eligibility criteria and expected progress (similar to what exists for the criterion on transparency).

The variable tranche indicators are an important signal for prioritising and advocating to the government. To strengthen the effectiveness of the variable tranche indicators and their incentive nature, it is recommended to:

- Systematically involve stakeholders in the choice of indicators and the definition of targets, and rely as much as possible on indicators defined in national policies;
- Limit the number of indicators (e.g. a maximum of five) and avoid the use of sub-indicators;
- Maintain indicators for the same themes over time to gradually lead to progress in reforms;
- Further promote complementarity between indicators and technical support in order to advance the most sensitive sectoral reforms (security and justice).

R10: Strengthen human resources and their qualifications within EU Delegations for the design, monitoring and implementation of SBCs.

The case studies have shown the importance of having a sufficiently large and qualified team on site that is able to carry out all the necessary analytical work and regularly monitor the context and risks, and that participates in the technical dialogue, taking into account the constraints imposed by a fragile environment. It is recommended to:

- Develop a human resources management and capacity-building policy on fragility (career management, financial incentives, training on SBCs and fragility analysis);
- Strengthen technical support from headquarters on specific aspects of SBCs and fragility;

- Develop specific guidance tools to intervene in the contexts targeted by the SBC (reconstruction, transition, fragility) on the analysis of fragility factors, PFM priorities, technical aspects of reconstruction phases, etc.);
- Capitalise on the achievements of implemented SBCs. This could be done through systematising the production of a final report and taking into account the lessons learned in subsequent programmes;
- Clarify the role of external expertise and the channels for mobilisation; in particular, avoid that it substitutes the Commission services in the dialogue with the authorities.

8.4 Integrate the SBC into a comprehensive EU response to fragility

R11: Integrate the SBC into a comprehensive EU response to fragility/consolidation and further seize opportunities for mobilisation and synergies within the EU portfolio and with other technical and financial partners.

The development of a long-term holistic approach for responding to situations of fragility and which integrates role of the SBC in its various components (financial, dialogue and institutional support) within a multi-instrument response should be initiated rapidly to enhance the effectiveness of EU action. It is recommended to:

- Formulate an integrated strategy for responding to fragility;
- Reinforce synergies with humanitarian aid to support a territorial approach and the transition from emergency services to continuous services (interact more closely with ECHO to strengthen synergies from the design of SBCs and during their implementation, ensure regular exchanges in the field with humanitarian actors working in the areas covered by the SBC);
- When formulating SBCs, identify projects with which complementarity can be envisaged and ensure that synergies are maximised in the field and in the policy dialogue;
- Intensify coordination with the IMF and the search for complementarity with other donors providing budget support and technical assistance, in particular EU Member States.

8.5 Strengthen the role of national actors and accountability: ensure ownership of the instrument by partners and systematically involve civil society

R12: Ensure greater ownership of the instrument by partners (including civil society) and further alignment of specific conditions and disbursement periods with their capacities/needs.

Ownership of the instrument by partners is an essential condition for its effectiveness, in particular to bring about the reforms covered by the general and specific conditions. In many cases, the instrument and the content of the programmes are not well understood by the partners, particularly within the sector ministries. Measures should be adopted to:

- Strengthen the understanding of the instrument by informing the authorities of the partner countries through continuous dialogue and by organising training for national administrations and authorities;
- Exchange more widely with beneficiaries and civil society actors during the formulation phase on the selection of variable tranche indicators, sequencing and targets. This could be done through a several-day seminar bringing together all stakeholders to discuss and validate the choice of variable tranche indicators and agree on the monitoring process;
- Take better account of the time needed for the preparation of disbursement requests, the analysis of the data provided and the preparation of disbursement files, as well as their review by headquarters (e.g. systematically integrate a retro-planning starting from the desired disbursement date);
- Systematically communicate to partners on whether or not variable tranche indicators have been met at the time of disbursement.

R13: Strengthen the role of civil society in the implementation of SBCs.

In fragile environments, where the strengthening of state institutional capacity is often slow and constrained by the lack of resources and the primacy of political concerns, civil society has a key role to play in discussing and making more transparent the choices made by the legislative and executive powers. In particular, civil society needs to be more involved in monitoring budget choices and budget implementation. It is recommended that partnerships be further developed and strengthened to enable partners to play a more active role. This requires:

- Involving them from the formulation of programmes and throughout the policy dialogue;
- Systematising the production of citizen budgets;
- Putting in place actions to strengthen their budget analysis capacity and their understanding of the role played by the SBC and other budget support in the management of the government budget;
- Helping them set up communication and exchanges activities with citizens.

R14: Increase the visibility of SBCs and the accountability to different audiences.

SBCs are a specific and complex instrument for the uninitiated to grasp. They often raise questions about the relevance of using public money without necessarily achieving visible outcomes. It is important that the instrument is well known to civil society and stakeholders in both the countries of intervention and in the donors' countries. Communication is therefore an important issue that needs to be adapted to the different target audiences. It is recommended to:

- Define and implement a communication strategy with an action plan, in particular to show the benefits brought by SBCs;
- Prepare press releases (similar to those issued by the IMF) to provide information about important decisions, including the signing of the financing agreement, disbursement decisions and the conclusions of headquarters missions.

Figure 34: Recommendations: level of importance and ease of implementation

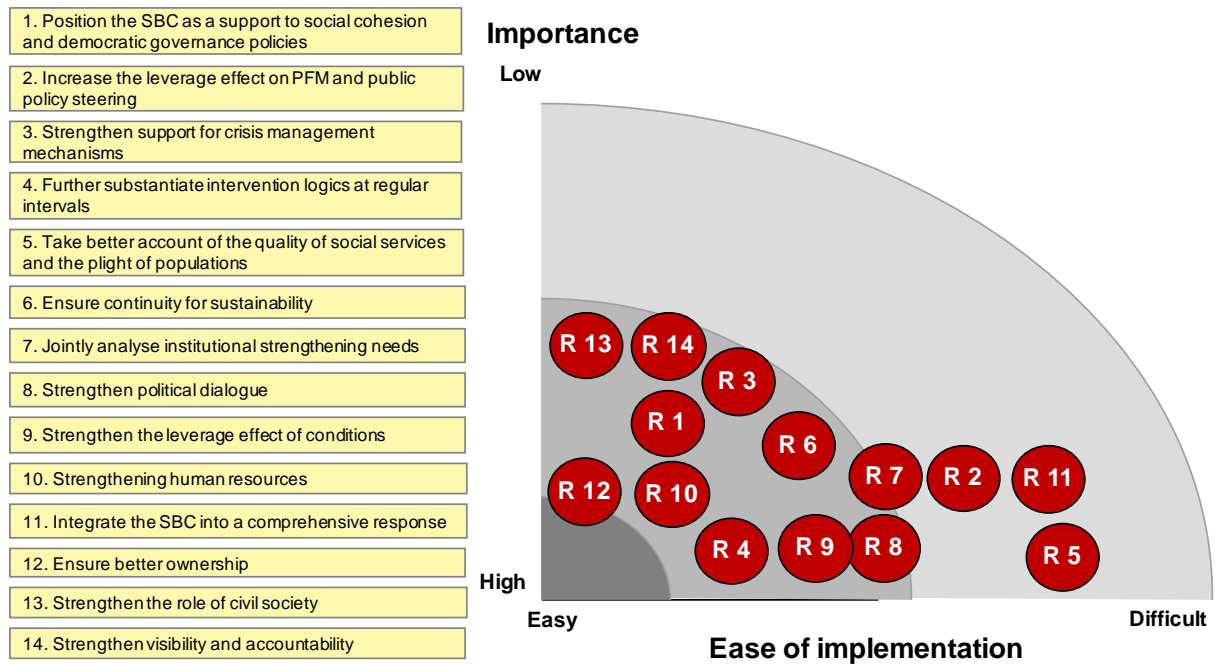


Figure 35: Summary of conclusions and recommendations

