

Peacebuilding Commission
Working Group on Lessons Learned

***Buttressing the State's Fiscal Capacities in Post-conflict Countries:
Comparative Lessons from Budget Support***

Date: 8 November 2007

Time: 10 am / 1 pm

Place: ECOSOC Chamber

Objective of the Meeting

The public sector in post-conflict countries confronts serious capacity problems which are compounded by the state's extremely weak financial resource base. With meager domestic revenues and despite heavy reliance on foreign assistance, many post-conflict countries face chronic budget deficits. Thus, the issue of budget support has been raised repeatedly as a possible element within a larger capacity building and peacebuilding strategy. There are strong arguments for and against budget support. Nonetheless, over the last decade, there have been various experiences with budget support to post-conflict countries within the broader context of financing for peacebuilding

A number of partners in development view an increase in the share of aid channeled through national budgets as useful to ensure ownership of development strategies and alignment of donor support with those strategies. However, lessons from experience have shown that budget support was not adequate to any situation and depended on a number of governance and economic factors. It appeared that recipient countries had to demonstrate an ability to manage resources before funding would be made towards direct budget support, which proved to be an important constraint, in fragile, post-conflict states. Requirements, conditionalities and earmarking by donors and international financial institutions, although needed under certain circumstances to foster good governance and macro-economic environments conducive to stability and growth, also added to the complexity of decision-making on budget support.

This Working Group on Lessons Learned will inform PBC members on the experiences and good practices of budget support to comprehend pros and cons of budget support which will, in turn, contribute to the formulation of the best possible means of providing support to countries emerging from conflict. The participation of international financial institutions to the discussion will contribute to developing a common understanding on these issues. Ultimately, this working group will distill concrete lessons on budget support in post-conflict situations, as a direct input into the PBC's work for countries under its consideration.

Key questions to be examined include:

- What are the linkages between economic governance and budget support?
- What are the conditions under which budget support has fostered national ownership, capacity building and alignment of donor aid?
- What are the pros and cons of budget support and project aid in post-conflict situations?
- How can participatory discussions on budget support foster stronger peacebuilding objectives?
- How can lessons learned from previous experiences facilitate decision making for post-conflict countries?

Format and structure

The meeting will take place on 8 November 2007, from 10 am to 1 pm, in the ECOSOC Chamber. It will involve short presentations (10-15 minutes) by several panelists and a facilitated dialogue.

Chair & Moderator

Chair: H.E. Ambassador Carmen María Gallardo Hernández,
Permanent Representative of El Salvador to the United Nations

Moderator: Mr. Eloho Otobo, Deputy Head PBSO and Director of Strategic Planning

Panelists & Presentations

Rebuilding Fiscal Institutions in Post-conflict Countries

Mr. Shamsuddin Tareq, Deputy Division Chief in the Fiscal Affairs Department, International Monetary Fund (IMF)

Budget Support versus Project Aid

Mr. Tito Cordella, Lead Economist, Latin America and the Caribbean Region, World Bank

Lessons from Experience in Designing Budget Support Policies for Fragile States

Mr. Jan Walliser, Lead Economist, Operations Policy and Country Services, World Bank

Macromanaging Liquidity Arising from Budgetary Support: Lessons from Four Case Studies

Ms. Benu Schneider, Chief of International Finance, Debt and Systemic Issues Unit, Financing for Development Office, Department of Economic and Social Affairs (UN-DESA)

Output

A Chair's summary report will be circulated following the session.

Background Documentation

Briefing Note: "Buttressing the State's Fiscal Capacities in Post-conflict Countries: Comparative Lessons from Budget Support"