

Working Group on Lessons Learned

The PBC's role in resource mobilization: Domestic resource mobilization

Concept Note

Introduction and purpose of the meeting

The Working Group on Lessons Learned (WGLL) of the Peacebuilding Commission will convene a meeting on 10 July 2013 to discuss the role of domestic resource mobilization in post-conflict countries and the possible role of the PBC as a platform to help mobilize these resources in the countries on its agenda.

Mandated by the Commission's founding resolutions, resource mobilisation represents a key function of the PBC. Since its inception, the Commission has focused its attention on the mobilization of external resources, in particular through the organization of donor/partner conferences (see summary and initial findings of the WGLL meeting of 3 April 2013) and by supporting post-conflict countries in mapping aid flows and identifying overlaps and gaps in funding (see summary and initial findings of the WGLL meeting of 3 July 2012). At the request of a number of its Member States, the PBC is in the process of identifying practical entry points to strengthen partnerships with the private sector and philanthropic organizations in order to advocate for increased attention to and promote responsible investment in the countries on the Commission's agenda.

At the same time, experience shows that there is scope for the PBC to support the countries on its agenda in generating and channeling domestic resources to fund critical peacebuilding priorities and to demonstrate national commitment, leadership and ownership of the peacebuilding process.

This meeting of the WGLL will provide an opportunity to focus on: 1) the potentials of an improved domestic revenue collection system, with particular attention to the most recent experience in Burundi and in Rwanda; 2) the impact of a strategic approach to sustainable public expenditure in key peacebuilding priority areas, such as the security sector, building on the case of the Public Expenditure Review in Liberia; 3) the role that development partners can play in the strengthening of government institutions and ensuring sustainability.

Lessons Learned

The work which the PBC has undertaken in mobilizing resources for the countries on its agenda has proven that while it is important to help mobilize external resources from traditional and non-traditional donors during the different stages of the peacebuilding process, it is crucial for the countries on the agenda to continue to identify and pursue predictable and sustainable sources of funding. In this regard, resources generated through national systems of aid management and revenue collection need to be harnessed.

Improved taxation and domestic revenue collection system

Of the three main revenue flows, namely taxation, emigrants' remittances and international development assistance, experience shows that countries have the most to gain by mobilising domestic revenues. Burundi virtually doubled its domestic revenues in the three years between 2010 and 2012 in comparison with the base year of 2009 - the year before the newly formed Office Burundais des Recettes (OBR) became operational. Similarly between 2003 and 2010, Rwanda grew its domestic revenues by 700%, leading to a situation where its domestic revenues were covering more than 90% of its recurrent budget. Although Rwanda received substantial direct budget support, it is nevertheless the case that efficiently collecting domestic revenues allowed it to spend its own revenues in key areas such as defence, domestic security, health and education while using donor funds for essential capital projects. Quite often, emigrants' remittances are more substantial than donor assistance. Since these represent income flows from emigrants back to the home country, attention should thus be paid to the diaspora and their political and economic role in strengthening the state.

Experience also shows that while 'quick wins' are clearly realisable, as the Burundi experience demonstrates, building an effective revenue administration can take many years and investment is needed in capacity building, information systems, new legislation and modern processes and procedures. DFID supported the Rwanda Revenue Authority for a 12-year period while the support to the OBR is now entering its fourth year, with plans afoot for a second period of support.

In this regard, a number of recurring lessons have emerged from the experience of post-conflict countries:

- Resumption of economic activity in post conflict countries represents a potential for tax collection;
- Domestic revenue collection systems are often inherently weak and are weakened further by conflict. They must be strengthened as part of the post-conflict institution and peacebuilding agenda;
- Tax reform and a good track record in domestic revenue collection can provide an incentive for international partners to provide more external resources/assistance. The incentive would be even higher if the government manages those revenues properly and invests them in the right sectors;
- Domestic revenues can be invested in peacebuilding activities and contribute to stabilising post conflict countries.

Sustainable public expenditure

In post-conflict countries, expenditures are not always consistent with peacebuilding needs and priorities. In the case of Liberia, although the government recognized the critical need to maintain peace, security and provisioning of justice services, it opted for financial and technical assistance from UNMIL and development partners to support these activities. In particular, allocation of budgetary resources to the security sector was only 15% of total public spending between 2006 and 2012. It is in this context that, in 2012, World Bank and UNMIL conducted a Public Expenditure Review (PER) of the security sector and found that additional fiscal space

could indeed be created by: (a) rationalizing existing resources; (b) increase efficiency; and (c) human resource management reforms.

The PER was particularly important given the forthcoming drawdown of UNMIL. In transition settings, in fact, national authorities need to promote medium to long-term financial planning to ensure the sustainability of an effective security sector. The medium-term financing conducted in the context of the Liberia PER estimated the cost of UNMIL's security transition by focusing on core security functions that would be transferred to national agencies, especially the Liberia National Police (LNP) and Bureau of Immigration and Naturalization (BIN). PER provided an overall resource envelope for the medium-term budget and established resource allocations for the security sector. To cover the financing need, the PER recommended that additional fiscal space be used to cover the transitional cost through improved efficiency of public expenditure, mobilization of additional grants, and an increased resource envelope.

In addressing the public expenditures of post-conflict countries, a number of key issues need to be considered:

- In countries emerging from conflict, the efficient management of public finances is crucial for the development of the security sector;
- It is important to have a robust and realistic macroeconomic framework that provides an overall resource envelope for a medium-term budget as well as well-defined ceilings for sector budgets; and
- Implementation of a medium-term financial planning will also require strengthening budget policy and planning in the security sector as well as in the government decision-making process responsible for making a strategic prioritization.

Role of development partners in strengthening local capacities

Another aspect to consider is how to ensure long-term engagement of the international community in strengthening the capacities of not only the central government, but also local governments that are involved in financial and resources management as well as in the execution of peacebuilding and development programmes. In order to deliver results on the ground, it is critically important to establish a system that allow resources to flow smoothly to and build the capacity of those actually involved in service delivery. We often face the situation where, although resources are mobilized, the implementation of peacebuilding and socio-economic development programmes is stagnated because of weak capacity and a lack of systems. Building capacities to overcome this situation requires a long-term investment, often beyond the life span of peacekeeping operations. Therefore, it is very important to involve various development partners who can help build the capacity of the national and local governments at the earliest stage possible. In this regard, particular attention from the donor community and national governments should be placed on:

- Clarifying the division of labour and institutionalizing the system of resource transfers between central and local governments, and providing training in such processes as budget formulation, resource allocation, and programme management and execution ;
- Restructuring and rationalizing the administrative machinery of local governments for priority sectors, including doing away with redundant or inactive officers;

- Enhancing local capacities for developing framework, policies and plans for effective service delivery, which would simultaneously serve as the basis for resource mobilization and resource allocation;
- Building local capacities by providing training for managing revenue sources with high potential, such as natural resources and customs;
- Using development assistance programmes to create an environment conducive to private sector engagement; and
- Fair and equitable distribution of resources and services encouraging national reconciliation. This would contribute to restoring public confidence in the government, which will form a basis for future domestic resource mobilisation.

Key questions for discussion

- What are the obstacles faced by post-conflict countries in mobilising domestic resources? What are the main challenges in building functioning tax and revenue collection systems, and what is needed to minimise tax evasion?
- What sort of approach is effective for yielding revenues in the short term? What sort of approach is needed in the longer term for building capacities of the national government for sustainable domestic resource mobilisation and public resource management?
- How can the proper allocation of internal funds to key peacebuilding needs be ensured so as to make programmes implemented by external sources more effective or sustainable? How can we ensure that these two streams of resources are well-coordinated?
- What is the role that the PBC can play in order to enhance local capacities for revenue collection and resource management? What is the role of development partners and the private sector in this regard?

Panellists

- Mr. Kieran Holmes, Commissaire General, Office Burundais des Recettes.
- Ms. Jariya Hoffman, World Bank, Liberia (via video-link).
- Ms. Eri Komukai, Japan International Cooperation Agency.

Respondent

- Mr. Gjermund Saether, Ministry of Foreign Affairs, Norway.

Filename: Concept note WGLL on domestic resource
mobilization(FINAL).doc
Directory: C:\Documents and Settings\Husain.Salah\Desktop\PBC
Template: C:\WINDOWS\Application
Data\Microsoft\Templates\Normal.dot
Title: Working Group on Lessons Learned
Subject:
Author: United Nations
Keywords:
Comments:
Creation Date: 03/07/2013 1:50:00 PM
Change Number: 3
Last Saved On: 03/07/2013 2:17:00 PM
Last Saved By: United Nations
Total Editing Time: 4 Minutes
Last Printed On: 25/07/2013 5:42:00 PM
As of Last Complete Printing
Number of Pages: 4
Number of Words: 1,664 (approx.)
Number of Characters: 9,571 (approx.)