

Peacebuilding Commission Working Group on Lessons Learned

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

Chair's Summary

I. Introduction

1. On 10 July 2013, the Working Group on Lessons Learned (WGLL) of the Peacebuilding Commission convened a meeting 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.

2. The Commission has focused its attention on the mobilization of external resources since its inception. In this context, the WGLL has recently organized a meeting (3 April 2013) on the organization of donors/partners conferences and, last year, it held a discussion on mapping aid flows to identify overlaps and gaps in funding. Furthermore, the PBC is also in the process of identifying ways to strengthen its partnerships with the private sector in order to promote responsible investments in the countries on the Commission's agenda.

3. However, as noted by the Chair in his opening remarks, it is also important to focus on internal and domestic resource mobilization in order to 1) allow a country to identify and pursue predictable and sustainable sources of funding; and 2) allow a country to use the revenue raised in a way which strengthen the social contract and the trust between government and citizens. In order to gain a better understanding of the challenges and opportunities of internal revenue collection, the Chair noted that the discussion would focus on three main issues:

- The potentials of an improved domestic revenue collection system, with particular attention to the most recent experience in Burundi and in Rwanda;
- 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;
- The role that development partners can play in the strengthening of government view in Liberia;

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II. Presentations by Panelists

5. **Mr. Kieran Holmes** opened his presentation by identifying the importance of post-conflict reconstruction through efficient tax collection. He noted that of the three important revenue flows, i.e. aid flows, diaspora remittances, and tax revenues (both fiscal and non-fiscal), countries have the most to gain by mobilizing domestic revenues. Mr. Holmes also reflected on the successes that were attained in Rwanda, which included a 700% increase in revenues between 2002 and 2010. He noted that the main factors in

high cost of maintaining security. Therefore, WB and UNMIL have conducted a PER for the security sector in order to identify financial needs and gaps and provides recommendations to inform the Government of Liberia and the donor community.

10. Ms. Hoffman noted that one of the key findings of the PER was a significant financing gap after UNMIL's initial drawdown in 2012. However, due to the limited resources, needs should be prioritized and scaled down. She also indicated that the recommendations from the PER for the government included allocating resource based on the government strategic priority, prioritizing security needs, and strengthening strategic policy decision making at the National Security Council that include Ministry of Finance.

11. Ms. Hoffman listed three emerging issues:

- An efficient public finance management (PFM) is critical for the security sector;
- Importance of having a robust macro framework to define realistic overall resource envelope and sector ceilings;
- Medium Term Expenditure Framework (MTEF) process requires long-term engagement to strengthen security strategic policy as well as PFM capacity.

12. She also highlighted the impacts of PER:

- Increased budgetary allocation for the security sector in FY2012-13 (from \$68 million in 2011/12 to \$81 mil in 2012/13, and \$83 mil in 2013/14).
- Creation of Security Sector Focal Point in the Ministry of Finance to liaise with security sector agencies during the MTEF process;
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- institutionalizing the system of resource transfers between central and local governments, restructuring and rationalizing the administrative machinery, and providing training for policy formulation, budgeting, resource allocation, and programme management;
- Inclusive project planning based on thorough consultation with various categories of people, as well as fair and equitable distribution of services, which enhance national reconciliation;
 - Capacity building for border and customs management: The customs service is a practical entry point to levy stable revenue in the post conflict period as in the case of East African Community(EAC), since collecting income or corporate tax requires much broader efforts;
 - Using development assistance projects to create a “vanguard” effect of vitalizing private sector activities: for example, a paved road increased access to the market, direct-sales of agricultural products, bike-taxi business, etc.

16. Ms. Komukai concluded that domestic resource mobilization effort should be conceived in a wider perspective by taking into account the above mentioned elements, namely,

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