

Peacebuilding Commission, Annual Session 2015
Predictable financing for peacebuilding: Breaking the silos
23 June 2015

Chair's Summary

I. Introduction

The second Annual Session of the Peacebuilding Commission (PBC) took place on 23 June 2015 under the title “*Predictable financing for peacebuilding: Breaking the silos*”. The session addressed the need for practical measures to enhance: a) predictability of peacebuilding funding through financial mechanisms for early and sustained support for peacebuilding priorities; and b) capacity development for domestic revenue generation, including through national capacity building to build the taxation system, coordinate and manage aid and control illicit financial flows. In addition to a keynote address and remarks in the opening and closing segments, two informal working sessions brought together Member States, representatives of the UN system, international and regional organizations, financial institutions and civil society organizations. These working sessions explored intergovernmental avenues for enhancing predictability of peacebuilding funding and minimizing the impact of the existing silo approach to humanitarian, security and development finance on the coherence and effectiveness of UN and international response in post-conflict situations.

II. Opening segment

The Chair of the PBC, H.E. Mr. Olof Skoog (Sweden), and Deputy Secretary-General, H.E. Mr. Jan Eliasson, opened the Session. The President of the African Development Bank, H.E. Mr. Donald Kaberuka delivered the keynote address (via video-link).

The Chair of the PBC noted that the annual session is taking place at a time when global financing priorities and mechanisms are discussed in the context of the Third International Conference on Financing for Development (Addis Ababa, Ethiopia, July 2015), the Sustainable Development Goals (SDGs), actions to address climate change, and humanitarian financing. At the same time, he observed the ever-increasing need to prevent conflict, rather than simply respond to it, noting that adequate, flexible and risk-tolerant funding for peacebuilding is equally important.

The **Deputy Secretary-General** noted the lack of global estimates for peacebuilding-related needs and, hence, the funding gap is inadequately measured. He observed that recent estimates pointed to the inadequate levels of funding channeled to support critical institution-building efforts in the political, security and justice areas in the six countries on the PBC agenda (only 7 per cent of Official Development Assistance (ODA) during the period 2002-2013). He also noted that assessed budgets of missions mandated by the Security Council do not include programmatic funds to help strengthen national institutions in the political, security, human rights, public administration and rule of law areas. He further noted that development, security, human rights and humanitarian activities are often funded from different budgets with separate decision-making processes, which leads to unpredictable donor engagement, inefficiencies and persistent underfunding of critical peacebuilding areas. He admitted that this fragmentation is mirrored on the part of the United Nations, with insufficient coordination among

various UN entities, competition for funds and lack of resources for strategic activities. As a possible remedy, he noted that global pooled funds, such as the Peacebuilding Fund (PBF), have played a positive role in breaking down the silos, incentivizing common analysis of needs, and promoting coherent approaches at country-level, calling for upscaling the Fund to be able to expand its contribution. Finally, he noted that investing in national capacities to build tax systems and strengthen rule of law in recipient countries would contribute to self-financing of peacebuilding.

The President of the African Development Bank affirmed the need for rapid, predictable, flexible, and risk-tolerant funding for countries emerging from conflict. He stated that such funding must be decided by the distinct nature and trajectory of each conflict, and the imperative to empower those affected by the crisis to own the peacebuilding process. To this end, the President outlined several lessons that guided the establishment and the work of the Bank's newly introduced US\$ 1.5 billion Transition Support Facility; namely: a) "Ring-fencing" prioritizes investment in peace, since traditional development assistance seeks to reward performance which is inherently weak in countries emerging from conflict; b) volume of funding is not sufficient and must be complemented by risk-taking in the provision of budget support, procurement and flexibility in accounting; c) method of deployment must be contextualized and accept enormous capacity gaps in receiving countries. In this context, there is a need for careful balance between risk mitigation and risk-taking and conviction that investment in strengthening state capacity to absorb and use funds is an investment in peace; d) rebuilding and enabling state institutions to raise revenues and meet the development needs of their populations requires attention as early as possible in the process. This is fundamental not only for enabling public finances but also for long term political stability and growth; e) the need for dedicated investment in assisting countries as they undertake major natural resources contract negotiations, or seek to limit illicit flows; and f) the imperative for early private investment to help boost the economy, and create jobs.

III. Working Session One: Predictable funding and fragmented international aid architecture

The discussion in the first working session referred to the gap between peacebuilding financing needs and available resources to address these needs. As a result, the main challenge is not only ensuring sufficient volume of funding but also to make peacebuilding financing more effective and predictable.

In this regard, the upcoming discussions on financing for development and sustainable development goals present a unique opportunity to further advance this debate and address it in view of a, hopefully developing, new paradigm of addressing conflict and fragility. Several participants confirmed that the international donor community must adapt to the changing patterns of conflicts in order to invest in addressing their drivers, sources and effects. To this end, it was observed that donors need to increasingly prioritize funding for nationally and locally identified peacebuilding-related priorities and for building critical state institutions. In this context, participants underlined that despite the cost-effectiveness of conflict prevention and peacebuilding, securing sufficient and predictable funding compared to that available for security engagement through peacekeeping continues to be challenging.

Participants also highlighted the relevance of the PBF as a useful tool to provide flexible, fast and relevant support to peacebuilding needs in post-conflict contexts. In this regard the relatively limited financial support to the PBF was highlighted and the need to upscale its size and contribution to filling

the enormous funding gaps was particularly emphasized. It was also noted that the PBF is one of the most inclusive funds given its broad donor base, and its contribution to incentivizing coherence in UN programme design and delivery.

Participants further alluded to the need to diversify the sources of financing for peacebuilding related processes through private sector investment, broadening the tax base and curbing illicit financial flows. Moreover, remittances from the diaspora were highlighted as an increasingly significant source of revenue that should be better utilized. It was also noted that South-South and triangular cooperation represented another untapped potential for broadening the donor base, and it has proven effective in several situations. Lastly, it was suggested that predictable funding should be predicated on improved networks of partnerships to strategically address global and local problems strategically.

The discussion concluded that core funding allocations for institution-building will help overcome the unpredictability and sustainability of funding in support of core state capacities and national systems. It was noted that although significant technical expertise is required to build institutions, many of the institutions in question are highly political in nature, and need to be engaged with as such. In this context, the discussion concluded that political leadership in the countries concerned is critical in order to craft a national vision that drives prioritization that help ensure strategic and efficient use of resources.

IV. Working Session Two: Domestic sources of financing for peacebuilding

The second working session represented a follow-up to the outcome of the first annual session in 2014. The discussion explored means of strengthening domestic resource mobilization for peacebuilding, which entails structured support for building national capacity for revenue generation and effective financial management in post-conflict countries. The discussion also addressed various challenges and opportunities for longer-term international support for capacity development in the area of domestic resource mobilization in countries affected by or emerging from conflict.

In this context, participants noted that domestic resource mobilization plays an important role in securing support from the donor community. Combined with a longer term development agenda, greater national commitment to generate revenues domestically demonstrates political will and national ownership and encourages greater international support and engagement. At the same time, it was emphasized that risk aversion by traditional donors represents a real challenge to large scale investment in capacity development for domestic revenue generation. It was highlighted that a more risk-tolerant approach should combine the provision of technical assistance with active political engagement. In this connection, it was observed that while national resource collection is a political endeavour, the support offered by the international community in this area is often technically focussed. In addition, several participants emphasized the need to build capacity on a sub-national level for more efficient and visible collection and service delivery.

There are economic activities in fragile states that operated outside tax systems and common structures, it was noted. Guinea-Bissau's political will to reform its fiscal and tax systems and increase enforcement was highlighted as an example of measures against tax evasion. Incentives to pay taxes are important since payment of taxes could lead to improved delivery of services and investment in social

and economic development, which is key determinant in establishing trust between society and state and help establish a viable social contract that contribute to sustaining peace. Serious efforts in the fight against corruption at state-level were also cited as an imperative for minimizing tax evasion and gain confidence across society. Participants also noted that sustainable tax systems require establishing inclusive and broader tax collections, sound natural resource management, decentralization and transparency of tax systems where the legislature and judiciary have a role to play.

The discussion alluded to the challenge posed by illicit financial flows (IFFs) from countries affected by or emerging from conflict, which deprives these countries from a significant source of funding for peacebuilding and development and have a significant detrimental impact on the development process in Africa. It was noted that the extractive industries in particular are a source of IFFs. The Report of the High-Level Panel on Illicit Financial Flows from Africa examined the magnitude of the issue estimating that Africa lost about US\$ 50 billion annually to illicit financial flows and that 60 to 65 per cent of these illicit flows are caused by commercial activities, especially trade mispricing. Trade mispricing can be identified and with international support be effectively addressed. In this context, discussants noted that curtailing IFFs require political determination and a framework for international cooperation and coordination.

V. Closing segment

This segment was chaired by H.E. Ms. Margot Wallström, Minister of Foreign Affairs of Sweden, Chair of the PBC. The President of the General Assembly, H.E. Mr. Sam Kutesa, and the President of the Security Council, H.E. Mr. Ramlan Bin Ibrahim, delivered closing remarks. The need for integrated and coherent development and security strategies in post-conflict countries was particularly stressed as a way for addressing fragmented and silo-ed approaches to peacebuilding funding. In this regard, the importance of sufficient programmatic funding for peacebuilding-related tasks in UN mandated missions was particularly emphasized. In the same context, a call was made for ensuring augmented and predictable resources for the PBF in order to expand investments in political, security and justice institutions to enable it to sustain funding over a longer time period and to fill critical funding gaps throughout the various stages of the post-conflict cycle.

Moreover, and in view of the ongoing reviews of peace operations and the peacebuilding architecture, and the upcoming reflection on humanitarian financing in 2016, the Chair noted that these discussions should inform one another with greater focus on preventing conflicts. At the same time, it was also observed that the challenge of funding conflict prevention lies in the difficulty to demonstrate results, which could be a question of improved and more efficient communications.

At the conclusion of this segment, the PBC adopted a previously negotiated statement summarizing the main messages from the discussions throughout the day and providing broad political direction for follow-up (see annex).

VI. Policy recommendations and next steps

A. Summary of identified policy recommendations:

- Long-term predictable funding for peacebuilding should entail core funding allocations to critical peacebuilding institutions and processes, including security sector reform and support to the justice sector.
- There is a need for augmented and predictable resources for the PBF to expand its flexible and risk tolerant investments in political, security and justice institutions; and to enable it to fill critical funding gaps throughout the various stages of the post-conflict cycle.
- The PBC should consider means of encouraging diverse channels of financing peacebuilding-related priorities, including through South-South and triangular cooperation, partnership networks and local and sustainable foreign private investments.
- Illicit financial flows require a global solution. The recommendations of the Report of the High-Level Panel on Illicit Financial Flows from Africa should be taken into consideration in the Financing for Development discussions and in other global fora. There is also the need to consider the development of global frameworks to help curb illicit financial flows from countries emerging from conflict.
- The donor community should prioritize investment in local and national capacity development for domestic revenue generation. Special focus should be given to revenue collection capacity at the sub-national level.

B. Next steps

The Organizational Committee will discuss the emerging policy recommendations generated through the working sessions, with a view towards formulating advice to the General Assembly and the Security Council, as appropriate. These recommendations would be reflected in the PBC's next Annual Report, together with key policy conclusions from the PBC's deliberations on the subject. The Peacebuilding Support Office was requested to provide the necessary policy and secretariat support to this exercise.
