

Peacebuilding Commission Working Group on Lessons Learned

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

Initial Findings

Introduction

On 10 July 2013, following-up on its meeting of 3 April in which it addressed the role of the Peacebuilding Commission in mobilizing external resources, the Working Group on Lessons Learned of the PBC 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. The discussion highlighted the challenges and opportunities of internal revenue collection, focusing on the following three issues:

- The potentials of an improved domestic revenue collection system;
- The impact of a strategic approach to sustainable public expenditure in key peacebuilding priority areas; and
- The role that development partners can play in ensuring sustainability.

The opportunities and challenges of domestic resource mobilization and lessons learned

Opportunities:

- Domestic resource mobilization allows the country to identify and pursue predictable and sustainable sources of funding for service delivery on the ground.
- Domestic revenue collection enhances national ownership, which is a central component of sustainable peacebuilding.
- Domestic resource mobilization can serve to strengthen the social contract and trust between the government and its citizens if the benefits of the revenue raised are delivered back to the citizens in the form of service delivery. The confidence in the government through fair and equitable distribution of resources and services is crucial in pursuing sensitive and challenging post-conflict peacebuilding challenges such as security sector reform and national reconciliation.
- Good track record in domestic revenue collection signals good governance, which provides incentives for private sectors to invest more and international partners to provide more assistance.

Challenges:

- Domestic revenue collection systems are often inherently weak and are weakened further by conflict. Revenue collection and government expenditure processes are often not linked sufficiently to allow service delivery. Resource distribution system from the central to local government may be limited or not even in existence. Credible plan or strategy which should form a basis for budgeting is often lacking. Economic activities are stagnated, limiting the tax collection base.
- Improving domestic revenue collection requires a number of actions including addressing

infrastructure requirements, information systems, human resources needs, new legislation, and procedural reforms. It takes many years (at least 8-12 years) to build an effective revenue administration, as well as national capacities and skills to sustain the system.

- A strong political support from government's top leadership is indispensable for a successful reform of the revenue collection system. A strong will is necessary to enforce such measures as a national zero-tolerance policy on corruption.
- The long-term commitment and significant budget support from external partners (eg. 19 years in the case of Rwanda) are essential. It is important for the international community to maintain long-term focus on supporting the capacity of post-conflict countries in fiscal independence.

Lessons: Effective approaches

In order to build a solid domestic revenue collection system, the following approaches proved valid in enhancing the local ownership and sustainability:

- Comprehensive and long-term support programme for building an efficient tax collection in post-conflicts states such as in the case of Rwanda and Brundi, which ranges from establishing national tax collection office and drafting new tax laws to addressing the human resources needs and infrastructure requirements.
- Capacity building for regional border and customs management as in the case of East African Community (EAC): the customs service is a practical entry point to levy revenue. Supporting harmonization and regional integration of trade facilitation measures is effective.
- Stepping-up of the engagement of the taxpayers, media and other government agencies through outreach campaigns and transparency and accountability measures.
- Creating an efficient public expenditure scheme particularly in a transition setting, such as in the case of the Public Expenditure Review (PER) for the security sector in Liberia. An efficient public finance management allows government to allocate necessary resources to key and strategic peacebuilding priorities.
- Capacity building for implementing a medium-term financial planning, and strengthening budget policy and planning as well as decision-making process for a strategic prioritization. Building a robust macroeconomic framework to define realistic overall resource envelope and sector ceilings.
- Encouraging creation of fiscal space as part of institution building and resource mobilization efforts, through (a) rationalizing existing resources, (b) increasing efficiency, and (c) conducting human resource management reforms.
- Investing in systems and enhancing administrative capacities of local government involved in resource management and execution for functioning service delivery. This will include clarifying the division of labour and 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 stakeholders in order to realize fair and equitable distribution of services. This will cultivate trust between the governments and assist in encouraging taxpayers' compliances as well as in national reconciliation.
- 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. This will eventually widen the tax collection base.

- Capacity building in natural resources management, which has a great potential for domestic resource mobilization if managed in a transparent way and through an accurate system of checks and balances.

Lessons: Role of the PBC

The PBC can play a convening role of national actors and development partners to serve as a partnership platform in the following areas:

- Ensure long-term engagement of the international community in strengthening the local capacities.
- Engage the donor community in supporting critical priorities. Point to gaps in support of the progress made by agenda countries in the area of domestic revenue generation. Reach out to international partners yet to be on board to fill in gaps in local capacity building efforts.
- Ensure that domestic resources raised are allocated to the core peacebuilding priorities that require long-term sustainable funding, and coordinate how the domestic resources may be combined with external international assistance.
- Share lessons learned from countries that have undergone similar efforts.
- Mobilize support for national authorities in strengthening a legal framework that promotes private investments.
- Play an advocacy role to the government through emphasizing the advantage of the domestic resource mobilization efforts, and through supporting their outreach campaigns and efforts for increasing transparency.
