



THE INTERNATIONAL SECURITY SECTOR ADVISORY TEAM  
THE GENEVA CENTRE FOR THE DEMOCRATIC CONTROL OF ARMED FORCES (DCAF)

# **LINKING SSR AND PUBLIC FINANCE MANAGEMENT IN POST-CONFLICT SETTINGS**

DECEMBER 2017





# Linking Security, Justice, SSR and Public Finance Management in Post-Conflict settings

## Introduction

Public finance management (PFM)<sup>1</sup> has been continuously recognised in policies and guidance notes as an important element of sustainable and effective security sector reform (SSR), nonetheless PFM has been inconsistently integrated into SSR processes nor been a deliberate aim of SSR programming. In practice PFM and SSR specific programmes have commonly remained complementary yet distinctly separate. Discussions on finance related issues are often simplified to discussions about the total resource allocation, without exploring the more nuanced questions about how expenditure translates to improved performance and effectiveness of institutions, affordability but also oversight of expenditure.

In October 2017 DCAF-ISSAT organised a panel bringing together both leading advisors on SSR and on security expenditure issues. The panellists explored potential entry points for strengthening the linkages and collaboration between the two communities as a means to ensure PFM is more consistently an integral element of broader SSR processes.

## Recommendations

Based on the recommendations of the panel discussion, as well as findings from recent DCAF-ISSAT assessments in Liberia, Nepal, Ukraine, Albania, and Nigeria, the following is a list of possible entry-points and recommendations to help strengthen linkages between PFM and SSR, which are explored in more detail in the technical detail below.

1. **Improve collaboration, dialogue: help de-mystify SSR and PFM**
2. **Expand discourse on public spending in security sector – move beyond just total amounts**

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<sup>1</sup> PFM is concerned with management and control of the use of public funds. It usually focuses on the budgeting process, allocation of resources, expenditure disbursement, and public funds' accountability mechanisms. The Public Expenditure and Financial Accountability (PEFA) framework is now the internationally recognized tool for assessing and measuring budget planning, implementation, and control along a series of indicators, including (i) budget reliability, (ii) transparency of public finances, (iii) management of assets and liabilities, (iv) policy based fiscal strategy and budgeting, (v) predictability and control in budget execution, (vi) accounting and reporting, and (vii) external scrutiny and audit (World Bank, 2012).



3. **Focus on development and collection of data on security sector institutions to support budget formulation and policy decision processes**
4. **Systematically analyse affordability of reforms in mandate and programme planning**
5. **Ensure sector/institutions assessments examine sector expenditure issues**
6. **Apply a context specific and sensitive approach to engaging in PFM and SSR issues**
7. **Encourage cross sector approaches to PFM/expenditure discussions**
8. **Examine revenue collection functions/roles of security and justice institutions**
9. **Consider Public Expenditure Reviews as entry-point for wider PFM discussions or analysis of affordability of SSR processes**
10. **Identify entry-points for engagement**
11. **Examine the drivers of conflict that stem from poor PFM systems in security sector and support improved accountability related to expenditure**
12. **Critical reflection on donor spending in SSR is needed**



## Technical Detail

### Background

In recent years there have been growing examples of PFM making gradual headway into the mainstream SSR agenda and greater integration of the two areas, particularly in post-conflict contexts. This includes growing examples of World Bank and United Nations (UN) supported security sector expenditure reviews in countries such as Mexico, Mali, Liberia or Somalia, which have provided a wealth of information related to performance, affordability, spending trends, or even deficits in financial management (E.g. payroll or accountability frameworks). Such expenditure reviews have provided entry points to discuss affordability of planned or ongoing reforms in the security and justice sectors. The World Bank and UN have also taken forward awareness of this important area with the release in 2017 of the key handbook "[Securing Development: Public Finance and the Security Sector](#)", which highlights the role of public finance in the delivery of security and criminal justice services.

Yet, there is growing recognition in national and international SSR debates that more needs to be done to explore possible linkages between PFM and SSR, analyse affordability of reforms, address management of expenditure/revenues and ensure financial sustainability of SSR. These are areas that have frequently been identified in assessments and reviews as key impediments to the effectiveness of SSR processes but are infrequently being addressed by SSR programmes.

### Improve collaboration, dialogue: help de-mystify Security, Justice, SSR and PFM

There is an overall lack of awareness or even hesitance from public finance management specialists to engage on security issues or in the sector at large both by national actors but also development partners. Similar reluctance can be found amongst SSR practitioners, who commonly struggle to see PFM as core or integral part of their work and hesitate to engage on budget related issues altogether. These cultural barriers are amongst the leading reasons why PFM reforms are inconsistently part of SSR and collaboration is irregular.

As a first step forward, there is a need to continue to demystify security, justice, SSR within the PFM community. This includes promoting dialogue on the importance of SSR to wider development objectives but also to raise awareness to the core aims and principles of SSR. This can be done through dedicated training and sensitisation on SSR being made available to PFM practitioners but also more cross-disciplinary assessments or workshops. Similarly, there is an opportunity to integrate PFM related modules in the training packages for SSR practitioners to ensure that they feel more comfortable and willing to engage on basic budget issues.

Secondly, there is a need to ensure and support more regular dialogue between the two communities. This is especially the case when it comes to country level dialogue, whereby PFM specialists, including those from International Financial Institutions, should be included in discussions



on SSR policy and programming, sector coordination meetings but also consulted in assessment processes.

### **Identify entry-points for engagement**

Lack of adequate financing, misappropriation of funds, or poorly executed budgets have commonly contributed to poor performance of SSR processes, endemic corruption, and limited public confidence in the security sector. However, emerging evidence is showing that this is not inevitable. Possible entry-points for engagement and opportunities for strengthening PFM systems in the security sector largely depend on context. Nonetheless, even small scale efforts of integrating public finance management and SSR have proven to lead to impactful results. This includes an increase in budgetary allocation for the security sector in Liberia following a public expenditure review (2012), reduction in corruption and predatory behaviour of armed forces in Democratic Republic of Congo following reforms to the chain of payments, or reducing the scope of political interference by war veterans in Guinea Bissau by creating a dedicated pension system for retired military personnel. The GIZ regional police programme in West Africa or the EU Advisory Mission in Ukraine have shown that working even on basic budgeting and processing of payments at operational levels can translate to concrete improvements in the efficiency of the police at local level, and help to ensure that limited available funds are in practice committed to priority reform areas through strengthened linkages between planning and budgeting. Similarly, increased salaries of new police force in Georgia alongside wider accountability reform efforts have helped to reduce the extent of corruption within the police force and increased public confidence in the institution in a relatively short time frame.

### **Apply a context specific and sensitive approach to engaging in PFM and SSR issues**

Budgeting issues in the security sector are highly sensitive and often go to the core political and power dynamics in a country. More consistent efforts need to be made by SSR programmes and practitioners to understand the local political context and systematically conduct political economy analysis to help underpin any dialogue on budget or engagement on budgeting issues in the sector. In the absence of such knowledge it is possible that donors unknowingly effect internal power dynamics or can in fact spoil relations with national counterparts. Equally, through greater context analysis SSR practitioners can help PFM specialists identify potential champions of reform through which sensitive issues related to institutional reforms (e.g. PFM reforms) or accountability reforms can be introduced. This could also be an entry point for more active and regular support and engagement to Parliaments, civil society, Auditor Generals, and other institutions which have an external accountability mandate to ensure that they too become more engaged in raising the need to look at spending in the sector.

Most importantly, influencing critical reforms to how money is spent in the sector, which often include changing revenue collection or procurement systems within the institutions, requires not only technical approaches but rather first and foremost political dialogue. Donors must be willing and active in expending political capital to influence critical budget related issues in the security sector.



## Expand discourse on public spending in security sector – move beyond just total amounts

Commonly debates about available expenditure in the security sector are oversimplified to discussions about why the sector should be given more, or in some contexts less, overall funding. First, in many fragile and developing contexts there is a need to change the discourse and approach of the finance and development communities about security/justice being unproductive sectors. The aim of the SSR community should be to change common misperceptions of the security sector, especially within the Ministries of Finance, and concretely show how SSR can be an important element in broader development processes, economic growth and is a public good in itself. It is important that advocacy advances beyond just discussions on international principles, norms and theoretical arguments about the importance of SSR. Approaches based largely on normative arguments have often proved ineffective in influencing politicians or Ministries of Finance. Rather arguments need to be broken down to the basics: concretely and practically showing the potential active links of SSR with development (e.g. influence of improved security on school attendance, improved security influence on growth of local businesses, etc.) and highlighting the impacts/outcomes of SSR at community and national security services.

Second, there is a need to provide more nuanced arguments related to budget appropriations in the sector: justification of increases or decreases in budget should be based on clear criteria, costed plans and strategies, and clearly defined performance related data rather than just generalities concerning desired capability. In particular there is a need to inject more performance and effectiveness relevant data into debates about funding. This includes providing more detailed analysis of security and justice needs of the population, efficiency in use of resources, and operational performance of institutions. These are also the areas where potentially SSR practitioners have a leading direct role in the budget formulation processes. In addition, argumentation on budget should include discussions on allocative efficiency and operational efficiency, seeing what trade-offs are when spending in certain sub-sectors or on individual budget lines (e.g. spending on increasing salaries rather than maintenance or spending on justice vs. defence). The aim should be to balance discussions on how much is needed with discussions on the desired outcomes of increased budget.

In parallel, there is a window of opportunity to ensure that policymakers and managers across security institutions and agencies become savvier on budgeting issues. This requires that they are given support from PFM practitioners, but also from SSR practitioners and ideally jointly, on understanding the budgeting, expenditure and accounting processes. Effort should be made to ensure that systems are developed to routinely, as required by law but also planning requirements, feed critical information about how money is spent and potential emerging budgetary needs to senior leadership. Consideration should be made to integrating budgeting modules into leadership trainings provided through national Judicial Institutes or Police Academies to ensure that those with operational and management functions are savvier on budget related matters.



## Focus on development and collection of data on security sector institutions to support budget formulation and policy decision processes

In effective and performance based budget formulation processes, finding adequate data is critical to ensure that expenditure allocations and budget requests are well justified. This requires collecting a broad range of information that ranges from basic information related to number of personnel within the institutions, organigrams, census of existing infrastructure, to more sophisticated data on the effectiveness of institutions and potential emerging security hotspots. Ensuring that such data is systematically collected and analysed is also critical to promoting a more needs based approach to SSR. The challenge, however, is that in many contexts there is not enough effort being made to collect such information or when it is available it is scattered through multitude of reports or departments. In this regard, there is an opportunity for SSR practitioners to help in collecting, synthesizing and even collating such information to ensure that those making critical decisions on budgeting, whether it is in Parliament, line Ministries or Ministry of Finance, have easier access to the required performance data related to the security sector and that such data is easily digestible in order to make more informed decisions.

## Systematically analyse affordability of reforms in mandate and programme planning

When UN Security Council mandates or country level SSR programmes are designed, it is common to find scant, or even a total lack of, references to issues of affordability of proposed support or reforms. Development partners and national Governments need to overcome reluctance to discuss difficult questions related to affordability or spending.

Too often basic analysis of the financial resources available to sustain proposed programmes beyond the lifespan of implementation is absent in discussions on programming. In addition, developing affordable reform processes is rarely a priority at the planning stage of programmes or mandates. Yet, various evaluations and lesson learned reports have confirmed that the absence of discussions related to budgeting/affordability from the onset remains a key contributor to poor financial sustainability of support and leads to unrealistic reform ambitions and expectations being set.

Practically, SSR practitioners and programmes need to commit to conducting the necessary budgetary analysis before final decisions are made on priorities or approaches to reform. This includes realistic costing of long-term financial cost implications of proposed capabilities and costing re-current cost implications of programmes beyond the lifespan of the programme (e.g. maintenance or staff costs). In some cases such analysis can show that more low tech or less ambitious reform efforts would be more appropriate given available or projected resources.

Secondly, ensuring reforms are affordable should be an explicit objective of programmes and sector strategies. Programmes should also aim to track risks associated with insufficient budgets or misuse of funds. In some contexts it was noted that financial investment plans to underpin programme



planning helped to promote more affordable reforms in the security and justice sector and helped to ensure greater linkages between budgeting and planning processes.

### **Ensure sector/institutions assessments examine sector expenditure issues**

It remains common to find sector or institution specific assessments lack even basic analysis of expenditure issues, whether it is donor financing on national budget allocations. The absence of analysis of budgetary issues in the initial assessments is a key contributor to PFM being rarely integrated into subsequent SSR programme design, assessments missing contextual understanding of what actual vs. state priorities of the Government are, and even poor affordability of subsequent proposed reforms that stem from the assessment.

SSR specific assessments should at least examine:

- basic spending trends in the sector (donor financing, Government expenditure),
- spending across the sector (budgets of various agencies)
- division of costs of line items in the budget (how much is being spent on salaries, maintenance, travel, etc)
- forecast growth of the sector budget – affordability projections (such forward looking information is usually found in MTEF documents)
- information related to planned and actual expenditure

In most cases such basic information is readily accessible by examining national budget documents, many of which are publically available on the internet. While in some cases the information that is available may be incomplete or even inaccurate when compared to actual expenditure, it can provide at least some indication of potential opportunities or challenges to efficiency of spending, fiscal sustainability, and national commitment to reforms.

### **Encourage cross sector approaches to PFM/expenditure discussions**

One of the challenges in SSR processes is ensuring an effective balance in capacity and effectiveness of institutions across the sector. The interdependencies between the institutions can mean that weaknesses in one institution can undermine important gains in the capacity of another. Some of the commonly found imbalances in capability between security/justice institutions (e.g. between police and prosecutors) are the result of an imbalanced budget allocation between the institutions whereby one institution is heavily favoured in the budget process or by donors. There is a need to promote more coordinated and cross-sectoral approaches to budgeting; yet, the challenge is that naturally the various institutions compete against each other in budget formulation processes vying for extra resources. Such coordination could be developed through National Security Councils, yet, the budget oversight or budget formulation of such bodies often remains overlooked. While the Ministry of Finance leads on fiscal policy and budgeting, NSC can provide guidance on strategic priorities in the sector. Furthermore, in some contexts sector wide strategies have proven to help coordinate and re-balance capital expenditure for reforms across the sector.



In addition, dialogue and assessments in the sector should more systematically examine allocative efficiency at sector level – examining the benefits of spending on a single thematic issue (public security vs. justice) or institution (e.g. spending on police vs. Judiciary). In this regard, analysis and debate on trade-offs in allocations in the sector require strong analysis of efficiency of spending, needs, and capability. In this regard, it is important to ensure that adequate and balanced spending is provided that would enable all the institutions in the sector contribute to security and justice provision in line with mandates. Too often such spending favours individual institutions rather than understanding where the needs are most acute, and can introduce a negative sense of competition.

### **Examine revenue collection functions/roles of security and justice institutions**

An often overlooked aspect of the security and justice sector is the revenue collection functions or mandates that such institutions are given. In many contexts border and customs agencies, police and even courts are one of the largest sources of Government revenue, even in post-conflict contexts. Even small scale court fees or police collected fines can amount to significant amounts. Yet, rarely do SSR programmes directly engage to strengthen the effectiveness and integrity of the revenue collection systems and structures. Increased funding made available to institutions through improved efficiency of revenue collection can be a strong incentive for reform of the system. Addressing revenue collection could be an important entry-point for engaging in wider PFM reforms in the sector.

### **Consider Public Expenditure Reviews as entry-point for wider PFM discussions or analysis of affordability of SSR processes**

With support from the UN and World Bank, security sector public expenditure reviews (PER) have been used to both raise the profile of expenditure issues in the overall SSR debate at country level but more importantly also to provide key data on affordability and sustainability of reform efforts in the medium to long-term. To further encourage and support such work the World Bank has launched the Guide to Public Expenditure Reviews in the Security and Criminal Justice Sectors. This guide aims to inform both SSR practitioners and PFM specialists about the unique challenges of undertaking such reviews in the security sector but also to outline potential entry-points for such work.

Such expenditure reviews can be shaped and adapted to meet specific information needs at country level. As an example, in Liberia the PER helped the Government and donors understand overall trends in spending and affordability issues as a means to inform the peacekeeping transition process for UNMIL. For example, in Mexico a PER was conducted to understand financial leakages in the sector while in Afghanistan the PER was used to understand the overall spending in the sector (both Government and donor).

More attention should be given to developing processes, to complement tools or assessments. While the PER can provides a wealth of information on expenditure related issues in the sector, it is equally



important that a sustained follow up process is developed to monitor the extent to which recommendations are acted upon.

### **Examine the drivers of conflict that stem from poor PFM systems in security sector and support improved accountability related to expenditure**

The lack of attention to financing of SSR processes has been a key contributor to relapses into armed conflict, such as in the case of the CAR in 2008. Lack of salary payments generates low morale and ineffectiveness of security forces in a large number of post-conflict and fragile contexts, contributing to security institutions becoming purveyors of insecurity. A more recent example of this type of vulnerability comes from Cote d'Ivoire, where the unresolved issues related to financing salaries and pensions of the armed forces periodically lead to violence escalation and predatory behaviour of the military.

Analysis of salaries, pensions, and informal revenue collection (e.g. illegal checkpoints) needs to be systematically included in early warning mechanisms but also analysis of drivers of conflict.

Equally, more must be done to reduce poor efficiency in spending and corruption within the sector, which are both common challenges impacting the outcomes of SSR processes and public trust in the institutions. There is an opportunity to empower national NGOs to help monitor and engage on budget expenditure issues at national level, build the capacity of internal audit departments, but also to capacitate state oversight bodies, including Parliament, to more effectively scrutinize budget proposals and review how budget was spent.

### **Critical reflection on donor spending in SSR is needed**

Various studies have highlighted that in most countries donors typically spend 90 to 80 percent of their financial resources on tactical and operational reforms.<sup>2</sup> This includes programmes that are predominantly focused on training and providing equipment, which aim to strengthen the basic capability of security and justice institutions. While there has been a growth in the number of SSR programmes that have significant governance components aimed at strengthening management and accountability systems, such efforts are commonly overshadowed by the attention given to these standard 'train and equip' programmes, and rarely address PFM in the security sector. Donors also need to make greater efforts to ensure that there is greater transparency and predictability of how much money is spent and how it is spent. This includes greater consistency between pledged and actual support provided to reforms. It is strongly suggested that donor spending in the security sector is integrated into national budgets – in line with wider good practice across development programming.

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<sup>2</sup> [The Contribution and Role of SSR in the Prevention of Violent Conflict](#), DCAF-ISSAT, April 2017. A Contribution to the report [Pathways for Peace – inclusive approaches to preventing violent conflict](#), UN-WB, 2017.



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