



The Politics of Domestic Resource Mobilization for Social Development

It is clear that developing countries cannot rely only on aid to transform their economies and meet the needs of their citizens. They will also have to increase efforts to mobilize domestic resources.

Independent growth

Developing countries must increase efforts to mobilize domestic resources to transform their economies and meet the needs of their citizens

Estimates by the MDG Gap Task Force show big gaps in meeting aid commitments that are targeted to less developed countries. The importance of domestic resource mobilization is becoming evident to both recipient and donor governments. From the perspective of recipient governments, even if aid improves substantially, it often comes with conditions, such as buying donor goods and services, giving donors considerable space in the policy process, as well as delays and uncertainties in aid disbursement. At the same time, donors increasingly hold the view that aid can be made more effective when linked to efforts by recipient governments to mobilize domestic resources.

Stronger together

Aid and domestic resource mobilization should work in tandem

In the Monterrey Consensus that followed the Conference on Financing for Development in 2002, donors pledged to increase aid in return for improved tax efforts by developing countries. A growing body of literature even sees aid as a curse that stifles development and democratic accountability of governments to citizens. Discounting the more extreme calls for dismantling aid, one interesting view is that of restoring aid to its original goal of filling domestic resource gaps. From this perspective, if aid and domestic resource mobilization work in tandem, recipient governments will be more responsive to the constituencies that provide the resources, that is, citizens and donors.

Research Beneficiaries

National governments, bilateral donors multilateral institutions and civil society advocacy groups concerned with taxation, service provision and accountability will be the primary beneficiaries of this research work.

Project Objectives

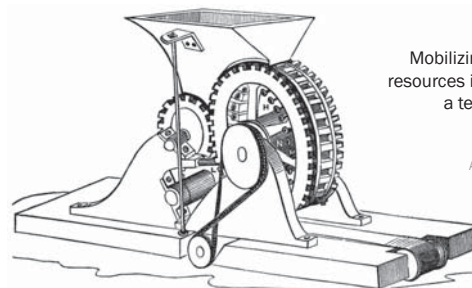
The project seeks to inform global debates on the political and institutional contexts that enable poor countries to mobilize domestic resources for social development.

It will examine the processes and mechanisms that connect the politics of resource mobilization and demands for social provision; changes in state-citizen and donor-recipient relations associated with resource mobilization and allocation; and governance reforms that can lead to improved and sustainable revenue yields and services.

Not something for nothing

Citizen acceptance of new tax regimes in exchange for improved provision of social services

Support for domestic resource mobilization does not guarantee that the desired amount of resources will be generated, let alone allocated to preferred programmes, or that the burden of resource extraction will be distributed fairly among different population groups. Issues of contestation and bargaining are bound to influence the extent to which governments can succeed in extracting resources from their populace. Bargaining may involve acceptance by citizens of governments' tax plans in exchange for services, social protection, employment guarantees and income support—making the politics of domestic resource mobilization inextricably inter-connected with the politics of social development.



Mobilizing domestic resources is not purely a technical issue

image source
Antisell, T (1852)

Context

- ▶ Domestic resource mobilization holds the potential to bridge funding gaps in poor countries to meet global development targets.
- ▶ National ownership of development programmes should be enhanced to improve ability to mobilize domestic resources.
- ▶ Citizen-state resource bargains, over taxation, for example, can promote greater government accountability.
- ▶ Greater levels of social provision can be achieved through better understandings of the politics around domestic resource mobilisation.

Challenges and Possibilities: Filling the Research Gaps

The UNRISD research project, Politics of Domestic Resource Mobilization for Social Development, will explore the challenges and possibilities of improving poor countries' ability to raise domestic resources for social development. The project will plug some of the gaps in the existing literature on domestic resource mobilization and contribute to developing country policy making and donor strategizing. Three key themes will shape the research:

Who pays: Contestation, bargaining and outcomes

Domestic resource mobilization generates conflicts over types of resources to be mobilized, who pays, who and what is exempted, how much should be paid, and how the resources collected should be allocated across sectors, groups and communities. This suggests that issues of coverage, tax and premium levels, and outcomes in terms of resource yields, allocation and benefits cannot be predetermined. This theme will examine the nature of resource bargains, types of resources and social programmes involved in bargains; trade-offs among competing programmes and resources, and resource yields.

Upgrading institutional capacities for service delivery

Success in resource mobilization and service provision requires institutional development. To support stabilization policies and revenue mobilization, institutions in the financial sector—ministries of finance, tax offices and central banks—have been strengthened. Independent revenue authorities provide incentives on careers, pay and training, as well as granting of autonomous powers to officials tasked with revenue collection. However, institutions concerned with service provision have been neglected and are usually the first targets for expenditure cuts. This theme will examine the extent to which the politics of domestic resource mobilization generate pressures for upgrading the institutions entrusted to deliver services.

About the Project

Building on Previous UNRISD Research

- ▶ Financing Social Policy
- ▶ Mineral Rents
- ▶ Combating Poverty and Inequality

Methodology

Researchers will generate primary data and analyse official records or administrative data, public finance statistics, documents of companies and advocacy groups, and published information to address the three themes of the project. The research will focus on low- and lower middle-income countries.

Activities and Outputs

A series of methodology workshops will bring the research teams together prior to commencing country studies. A global conference will be held towards the end of the project to discuss the research findings and implications for policy. A number of publications will also be produced alongside briefing reports to share findings.

Research Team

Research Coordinator Katja Hujo will be leading the project. Country-level researchers are currently being appointed.

Funding

This project is being made possible by the generous support of the Swedish international development agency (Sida) and the support of UNRISD's core funders: Denmark, Finland, Mexico, South Africa, Sweden and the United Kingdom.

State-citizen relations and donor-recipient relations

How can we understand changes in key relationships in the context of the dynamics of resource mobilization and allocation. Looking at the literature on taxation and governance, which emphasizes the importance of contractual relations between citizens and states for effective mobilization of resources, two types of relationships will be examined: state-citizen relations; and donor-recipient relations. This theme will examine the extent to which the politics of resource mobilization lead to a redefinition of state-citizen relations. And whether improvement in domestic resource mobilization leads to more fiscal space and autonomy in policy making.



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UNRISD/PB1, ISSN 2305-5952

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