CONCEPT NOTE
SECURITY SECTOR EXPENDITURE REVIEW SOURCEBOOK

1. The objective is to strengthen policy and operational dialogue on security sector issues by providing national and international stakeholders with the information needed to engage in dialogue on security expenditure policy. The Sourcebook will help inform this dialogue by providing public finance practitioners with a framework for the analysis of financial management, financial oversight and expenditure policy issues in the security sector. The primary audience for the Sourcebook is the staff of international organizations working on public expenditure management and security sector issues and high level government officials. The Sourcebook is expected to reach a broader audience through the process of policy dialogue and training. The audience includes World Bank staff asked to assist in expenditure analysis related to the security sector and the staff of international organizations and development agencies directly involved in security sector reform. However, taking into account World Bank policy the Sourcebook will clearly define the role of World Bank staff in the expenditure review process. The Sourcebook will be jointly developed by the World Bank, the Office of Rule of Law and Security Institutions (OROLSI) within the United Nations Department of Peace Keeping Operations (DPKO) and the United Nations Development Program (UNDP), with each partner relying on their respective mandates, competencies and experience.

A. RATIONALE AND CONTEXT

2. In recent years, security issues have moved from the margin to the mainstream of the development agenda. Security is now recognized as essential for citizens’ livelihoods, access to services and for the free exercise of political rights. Security is seen as particularly important for the poor and other vulnerable groups because, in the absence of security, they suffer disproportionately from fear, loss of property and violence. Security is seen as the principal development challenge in fragile and conflict affected states. In 2007, the OECD DAC issued Principles for Good International Engagement in Fragile States and Situations calling on development agencies to recognize the links between political, security and development objectives as part of a “whole-of-government” approach. In 2008, the report of the UN Secretary General Securing peace and development: the role of the United Nations in supporting security sector reform, emphasized that longer-term development demands a sufficient degree of security to facilitate poverty reduction and economic growth. These themes are picked up in the 2011 World Development Report Conflict, Security and Development which stresses the importance of developing effective and legitimate institutions and governance for providing citizen security, justice, and jobs as the key to breaking cycles of violence.

3. The UN and OECD DAC advise states to adopt a “holistic” and sector-wide approach to Security Sector Reform (SSR). Following this approach, the security sector includes defense, intelligence and policing and institutions responsible for border management and civil emergencies; it also includes institutions responsible for administering the rule of law through the criminal justice system, including the judiciary, prisons, prosecution and public defenders services; together with the institutions that play a role in managing and overseeing security sector policy, such as ministries, legislative bodies and civil society groups. Beyond these institutions and functions the security sector also encompasses issues of transitional justice, disarmament, demobilization and reintegration that come to the fore in post-conflict situations.
and informal or non-statutory security entities (private security companies, guerrilla armies and militia).

4. **Public financial management is acknowledged to be an important part of the SSR agenda, though it has often proved difficult to make progress in this area.** The design of accountable budgeting, expenditure management and procurement arrangements are seen as important to sector governance, with particular emphasis on civilian control and anti-corruption. These issues are touched upon in the OECD DAC Handbook and have received considerable attention in a number of studies, notably in the Stockholm International Peace Research Institute’s *Budgeting for the Military in Africa*. They also feature in much of the country analytical and advisory work undertaken to date. Security sector expenditure reviews undertaken in Afghanistan (WBG 2005 and 2010), Sierra Leone (DfID 2006) and Central African Republic (WBG 2010) devote much of their content to design of effective, accountable financial management systems. The advice given in the literature and country work mirrors that found in much of the standard PFM literature, stressing the need for a clear policy framework, a transparent decision-making process involving key stakeholders and effective external oversight. Much of this does not sufficiently take into account the fundamental political nature of the control of resources – financial and otherwise – which is particularly relevant in the security sector. Indeed, one of the challenges facing practitioners is to convince key stakeholders that the security sector should be subject to the same principles of public financial management accepted by the remainder of public sector..

5. **Security sector expenditure policy issues have received less attention.** PFM assessments suggest that few central finance agencies in developing countries subject the security sector to critical analysis or contest security sector proposals during their internal expenditure planning and budgeting processes. The analytical and advisory work undertaken by international organizations also tended to avoid expenditure policy issues. *OCED DAC Handbook* refers only to the need for security sector policy to be framed within a realistic resource envelope. This theme is picked up in some of the country analytical work: the Afghanistan, Sierra Leone and Liberia reviews explore issues of fiscal sustainability, focusing on aggregate and wage bill security expenditures. Where the structure of security sector expenditure has been analyzed - as in the Central African Republic review – this tends to focus on resource allocation by organizational structure and wage bill composition without considering how these relate to sector policy and performance. The security sector’s involvement in economic activity and off-budget revenue sources is poorly understood. Indeed, in many countries there may be no explicit sector policy. One of the challenges facing practitioners in the field is translating the implicit policy objectives of key stakeholders into explicit statements of policy that can serve as the basis for expenditure analysis and planning and facilitate accountability. However, a few countries have begun to undertake more detailed security sector expenditure policy analysis. The *Public Expenditure and Need Assessment Review of the Security Sector in Liberia* (WBG and UN Mission in Liberia 2011), is an important step forward in this regard: it assesses efficiency, effectiveness and financing of the sector and key agencies and also reviews priorities and identifies a “core security package” the Government of Liberia will have to put in place in light of the ongoing UNMIL drawdown and transition exercise.

6. **There is a growing recognition that public expenditure management and expenditure policy should be addressed as part of a broader security sector policy process.** As WDR 2011 points out, the basic framework for expenditure analysis should be the same for
security as it is for any other sector: testing the underlying rationale for state engagement, policy alignment of resource allocations, effectiveness and efficiency in spending. Similarly, donors and international organizations working with national authorities have expressed concern that decisions regarding the role, size, organization and function of security institutions - often taken at critical points in the transition from conflict, during the peace process or the withdrawal of international peacekeepers - should be informed by analysis of their expenditure implications and income generating activities. Unfortunately most central finance agencies and development agencies are ill-equipped to undertake this analysis: public finance practitioners have little or no experience working with the security sector, security agencies and institutions may not consult the Ministry of Finance on security sector expenditure and allocations, and there is virtually no guidance material available. The Security Sector Expenditure Review Sourcebook seeks to fill this gap.

7. **Development of the Sourcebook responds to demand from partner international organizations and practitioners in the field.** The Sourcebook is part of a broader collaboration with OROLSI in DPKO on security sector issues and the United Nations Development Programme on rule of law, justice and security sector issues. The Sourcebook is intended to provide inputs and be informed by on-going dialogue between national authorities, WBG, DPKO and UNDP staff on SSR in Afghanistan, Liberia, Democratic Republic of Congo, Guinea Bissau and Burundi.

8. **The Sourcebook will also build on the growing body of work on the design and political economy of core public expenditure management reforms in fragile and conflict afflicted states.** Recently PRMPS and OPCFC completed a comparative study including eight detailed country case studies (Afghanistan, Cambodia, DRC, Kosovo, Liberia, Sierra Leone, Tajikistan, and West Bank and Gaza). The study’s conclusions help frame the context within which security sector expenditure reviews will often be conducted. The study demonstrates that PFM reforms are feasible in challenging post-conflict environments with initially very low skills and even where insecurity continues. Reforms tend to make the greatest progress in budget execution. Progress on budget planning has been more limited, while progress on budget transparency and accountability has been uneven, and appears to depend most strongly on political buy-in. This suggests that the development of analytical tools to support expenditure policy making is likely to be particularly challenging and require significant external support. Technical guidance can only go so far: practitioners also need advice on how to deal with the challenges of addressing the political economy of reform, identifying key stakeholders and mobilizing support for the reform process.

B. **Objective**

9. **The objective is to strengthen policy and operational dialogue on security sector issues by providing national and international stakeholders with the information needed to engage in dialogue on security expenditure policy.** This dialogue is an essential part of the national policy process, through which central finance agencies fulfill their function in contesting sector expenditure proposals in the planning and budgeting process. Dialogue on security expenditure policy also strengthens international partners’ engagement on security issues, helping them make informed decisions regarding the appropriate level and form of external assistance. The Sourcebook will help inform this dialogue by providing public finance practitioners with: information needed to engage in policy dialogue on security expenditure
policy; a framework for analysis of financial management, financial transparency and oversight and expenditure policy issues and linking these to how to most appropriately manage corruption risks; and advice on entry points for integrating expenditure analysis into the security sector reform and broader governance reform processes.

10. **The primary audience for the Sourcebook will be the staff of international organizations working on public expenditure management and security sector issues, development practitioners working in an advisory capacity and high level, technically-oriented government officials.** The audience includes World Bank who may be asked to assist in expenditure analysis related to the security sector. The Sourcebook will clearly define the role of World Bank staff in the expenditure review process taking into account World Bank policy.

11. **The Sourcebook should be written in simple language, with limited use of jargon and clear explanations where jargon is used so that it is can be read by a wider audience.** Sourcebook messages are expected to reach a broader audience through the process of policy dialogue and training. The Sourcebook will be accompanied by materials that can be used to communicate key messages with a broader audience of higher level government officials. The Sourcebook will address how practitioners can understand the political environment and devise strategies for moving forward in different, challenging country contexts as well as the technical issues around public financial management and sector expenditure policy and provide case studies and lessons learned from past reviews.

12. **The Sourcebook will be designed to respond to the needs of central finance agencies and security sector agencies.** Central finance agencies will have limited or no experience dealing with security sector expenditure policy issues. The intention is to equip public finance practitioners with the tools to analyze security sector expenditures and engage in dialogue on security sector expenditure policy issues without prescribing particular policy outcomes. The Sourcebook should help demystify the security sector and promote the application of the basic principles of sound public policy analysis and management in the sector. Security agencies, on the other hand, can be expected to have limited understanding of public financial management. This complicates the work of the central finance agency. The intention here is to equip security sector practitioners with an understanding of how the public financial management system applies in their sector and undermine any idea of "specialness" on the part of, particularly, the security actors.

13. **Table 1 provides a framework for results that can be assessed by the time that the Activity Completion Summary is prepared in late 2013.** The purpose of the results framework is to guide the work of the task team. It should be stressed that this task is part of a much broader initiative on the part of OPCFS and the regional vice-presidencies. This includes work with national authorities in countries where there is on-going work on security sector reform. The task teams of these activities will be important in shaping the content of the Sourcebook. At the same time, the Sourcebook seeks complement and contribute to the institutional development and capacity building objectives of these country operations. These developmental impacts will be assessed within the context of the broader OPCFS work program rather than at the task level.
Table 1: Results Framework

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<thead>
<tr>
<th>Objectives / Results</th>
<th>Indicator</th>
<th>Means of verification</th>
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<tbody>
<tr>
<td>Development Objective: Strengthen policy and operational dialogue on security sector issues</td>
<td>Country level security sector policy dialogue informed by Sourcebook</td>
<td>Survey of key WBG, DPKO and UNDP country staff in target countries</td>
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<td></td>
<td>Greater emphasis on “best fit” security sector reforms, reflecting political economy context, in design of operations</td>
<td>Survey of WBG, DPKO and UNDP community of practice</td>
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<tr>
<td>Intermediate Result: Improved understanding of technical and political economy dimensions of security sector PFM and policy reform</td>
<td>Number of times Sourcebook consulted</td>
<td>Website monitoring</td>
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<tr>
<td></td>
<td>Relevance of Sourcebook consulted</td>
<td>Survey of WBG, DPKO and UNDP community of practice</td>
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<td></td>
<td>Awareness of political opportunities and constraints in security sector</td>
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<tr>
<td>Outputs: Sourcebook meeting WBG quality standards</td>
<td>Sourcebook</td>
<td>Notes and minutes of decision meetings</td>
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C. **Scope, Structure and Content**

14. **The Sourcebook will be designed to support policy analysis on a broadly defined security sector agenda from a development perspective.** The Sourcebook will apply the UN’s definition of the security sector as comprising the military, police, judiciary and other functions within the criminal justice system. The Sourcebook will place the security sector within the broader development and governance reform context. The Sourcebook will provide guidance on possible entry points and strategies for engagement on security sector expenditure issues.

15. **The Sourcebook will address security sector expenditure management and policy issues in a range of country contexts.** Particular attention will be given to the issues that have to be addressed in post-conflict situations and transition context, such as determining the configuration of the security sector, implications of a peacekeeping mission, the appropriate design of reform programs, including in the area of disarmament, demobilization and reintegration, and identifying the “core package” of security services provided by national authorities that are affordable and responds to the risks the country faces. However, the audience for the Sourcebook is not limited to post-conflict countries, rather it should contribute to analysis and debate in any developing country where the security sector expenditure issues are relevant.
configuration of the security sector needs rethinking. For this reason, the Sourcebook will be
designed to support a wider range of security sector expenditure issues with a view to integrating
expenditure analysis into the SSR process. The Sourcebook will address issues relevant to both
middle and low income countries, recognizing that the specific issues of interest will depend on
country context.

16. The Sourcebook will comprise guidance on a) security sector expenditure reviews
and b) functional expenditure reviews on the military, police and judiciary functions within
the criminal justice system. Figure 1 presents this structure schematically. Guidance on
Security Sector Expenditure Reviews will explore how to address the development, governance
and fiscal context, sector-wide policy objectives and strategy, the interrelationship and possible
trade-offs between key functions of the security sector, alternative modalities for achieving
policy objectives and the review process and entry points for policy dialogue. Functional
reviews will focus on the specific requirements of each function in terms of governance, strategy
and operations and their expenditure management and resource allocation implications.
Functions will be addressed in a programmatic fashion through a series of modules. The
functional expenditure reviews covered under this Concept Note will be limited to military and
police functions.

17. The Sourcebook will address financial management, financial oversight and
expenditure policy issues. The intention is to constitute a comprehensive source for
expenditure analysts bringing together dispersed and new material in such a way that it can
facilitate analysts’ work. As currently conceived, the Sourcebook will cover six broad thematic
areas:

- **A Framework for Expenditure Analysis.** The Sourcebook will identify the likely
  entry points for dialogue on expenditure issues and key considerations in the design of
  an expenditure review. The Sourcebook will show how expenditure policy analysis can
  be integrated into a security sector reform process and the security sector’s place in
  broader development strategy, governance and public financial management reforms. It
  will address sector financing, including the security sector’s role in business and non-
  budgetary sources of finance and its development and governance implications. The
  Sourcebook will also relate security sector spending to broader fiscal policy, exploring
  how analysts can assess the sustainable level of security expenditure and trade-offs
  between alternative applications of funds.

- **Functions, Operations and Resource Allocation.** The Sourcebook will review security
  sector functions, how these are organized, alternative operational arrangements and their
  implications for the structure of security expenditure. The Sourcebook will explore how
  security policy objectives can impact on organizational structure and resource
  allocations.

- **Financial Management Systems.** The Sourcebook will explore how national
  authorities can integrate the security sector and functions into expenditure planning,
  budget formulation, budget execution, accounting and reporting. It will focus on the
  relationship between the central finance and security sector financial management
  systems, including the application of accounting and other relevant standards in the
  security sector. The Sourcebook will also address how the security sector and each
security sector function establish effective systems for personnel expenditures, procurement and asset management.

- **Financial Oversight.** The Sourcebook will argue that the principles of accountability and transparency are as important in the security sector as they are in other sectors. The Sourcebook will review how national authorities addressed these principles identify alternative institutional arrangements, focusing on the roles of the legislature, the audit authority and civil society.

- **Performance, Effectiveness and Cost-Drivers.** The Sourcebook will review performance measures for security functions, drawing on indicators identified through the Monrovia Roadmap process launched by the International Dialogue on Peacebuilding and Statebuilding. It will also identify cost drivers in developing country context, taking into account differing policy objectives and organizational arrangements.

- **Post-Conflict Issues.** The Sourcebook will explore expenditure implications of SSR and DDR programs. The latter will draw on WBG operational work. Additional issues that may be addressed if there is specific demand include expenditure implications of demining programs and the integration of non-statutory forces.

- **Risk analysis.** This section will help practitioners assess fiscal, expenditure policy and financial management risks and explore how these risks can be mitigated.

18. **These thematic issues will be addressed in the guidance on Sector Expenditure Reviews and Functional Expenditure Reviews as appropriate for the level of analysis.** The intention is to encourage national authorities to view security sector as a whole, rather than individual functions. However, the Sourcebook should also be prepared to support analysts where they have been asked to undertake standalone Functional Expenditure Reviews.

19. **The guidance will include reference materials for analysts.** Web-based publication will facilitate the incorporation of a wide range of reference materials. This will include: case studies that illustrate issues and approaches; toolkits that walk analysts through specific techniques; glossaries of key terms, both on the financial terms (for security specialists) and security terms (for finance specialists).

20. **Political economy considerations will be integrated throughout the Sourcebook.** Security sector policy is inherently political, involving powerful and often competing interests between and within the security agencies, the civilian administration and other national and international stakeholders. The Sourcebook should encourage practitioners to be sensitive to these political economy considerations in the design of the expenditure review process. It should also avoid prescription, identifying options and alternative approaches in each of the thematic areas.

D. **METHOD AND DISSEMINATION**

21. **The Sourcebook will draw on existing materials and consultations with practitioners.** The team will conduct a literature review, a desk review of WBG, DPKO and UNDP operations, and key informant interviews with WBG, DPKO and UNDP practitioners. Consultations will seek to ensure that the Sourcebook complements work by a wider group of international organizations working on security sector issues, including the OECD’s International Network on Conflict and Fragility and the Geneva Centre for the Democratic
Control of Armed Forces amongst others. The team will also consult with international organizations supporting public finance reform including the International Organization of Supreme Audit Institutions and the Collaborative Africa Budget Reform Initiative.

22. **An expert panel will guide and contribute to the preparation of the Sourcebook.** The expert panel will comprise representatives of key international organizations, national authorities – from developing, middle and high income countries - and research institutions, together with World Bank, DPKO and UNDP staff working on on-going security sector reforms. The experts should reflect the range of institutions that are likely to be involved in the security sector operations, policy and management from a variety of country contexts. These will include: central finance agencies budget and planning offices; sector ministries; operational services in armed forces, police and community policing, peacekeeping operations, demobilization and reintegration; oversight institutions; developing country CSOs actively involved in sector. Collaboration with security sector practitioners – especially civilians with experience of sector management and oversight – through the expert group will be critical to the success of this activity, since they are best placed to identify the security policy and operational issues that require expenditure analysis.

23. **The Sourcebook will also draw on on-going country operations in collaboration with WBG, DPKO and UNDP teams.** This may entail participation in WBG operational teams working on security expenditure issues in one or more of the following countries: Afghanistan, Liberia, Democratic Republic of Congo, Guinea Bissau, Nigeria and Burundi. This may include collaboration in the preparation country-level expenditure reviews where they can be used to test analytical techniques and generate case study material that is helpful for the Sourcebook. The scope and content of this country work will be determined in discussion with the WBG, DPKO and UNDP operational teams and their clients and will be laid out in specific Terms of Reference.

24. **The Sourcebook will be published on-line as a joint publication of the WBG, DPKO, UNDP and other partners.** The format will seek to complement the United Nations reports, policies and guidance on SSR and the OECD DAC Handbook on Security Sector Reform. Electronic publishing will facilitate access and periodic updating. It will also allow the analytical text to be presented alongside source materials and tools for practitioners. A limited number of hard copy Sourcebooks will be published for reference and dissemination purposes. Dissemination activities will be undertaken within the framework of the broader work program of the WBG/DPKO partnership, through the International Dialogue on Peacebuilding and Statebuilding and other forums. Equally important, the WBG will undertake dissemination activities targeting the public financial management practitioners through its broader community of practice.

E. **Implementation Arrangements**

25. **The Sourcebook will be jointly developed by the World Bank, the United Nations Department of Peace Keeping Operations Office of Rule of Law and Security Institutions, and the United Nations Development Program with each partner relying on their respective mandates, competencies and experiences.** OROLSI (DPKO) provides technical advice on security sector issues in post-conflict settings. UNDP provides security sector reform assistance as requested by national institutions, focusing on security sector governance, in a range of post-conflict and developing countries. Collaboration on the Sourcebook is part of a
broader program of joint work with the World Bank on security sector issues including work at the country-level. The World Bank’s involvement in this initiative will be in accordance with its development mandate under its Articles of Agreement and its legal and policy framework including the 1991 *Guidance on Military Expenditures* and the 2007 *Legal Opinion on Bank Involvement in Peace-Building, Security, and Relief*.

26. **A wider network of institutions involved in security sector reform will participate in the preparation of the Sourcebook.** These institutions include: officials from central finance and security agencies with technical expertise in security policy, operations and expenditure analysis; the Stockholm International Peace Research Institute, which has undertaken significant research on security expenditures and expenditure management in Africa; the Centre for Democratic Control of Armed Forces and the International Security Sector Advisory Team; regional initiatives such as the Africa Security Sector Network, ASSN; and the development agencies, notably AusAID and DfID, which have extensive experience in working with national authorities on security related issues.

27. **The Sourcebook will be prepared by a task team comprising staff of PRMPS and the World Bank’s team on Fragile and Conflict Affected Countries (OPCFC and AFTFC).** The Task Team will include a TTL Lead Public Sector Specialist (six weeks), a co-TTL Lead Conflict Specialist (three weeks), supported by an STC/ETC Public Sector Specialist (twelve weeks). Preparation of the draft texts will be contracted to individual consultants (twenty weeks). Additional STC inputs may be required to support country analysis. Two expert group meetings are envisaged: the first meeting in April 2012, will identify the key issues to be addressed, case studies and gaps in our knowledge and understanding and the framework for the Security Sector Expenditure Reviews; the second, in mid 2012, will address the Functional Reviews. The team will also constitute a reference group of PFM specialists within the World Bank to advise on the scope and content of the product.

28. **The Sourcebook will be delivered at end of third quarter of FY2013.** Work on the Sourcebook is scheduled to begin in March 2012 with a view the completion of the initial drafts by December 2012. The Guidance Notes will be submitted for a formal Decision Meeting in March 2013 with a view to publication by mid 2013.

29. **Preparation and dissemination of the Sourcebook will be financed by World Bank (BB), the Governance Partnership Facility (GPF Window 4.1) and other partners.** UK DfID will finance some of the consultancy inputs required for preparation of the Sourcebook. Additional funding for participation of national authorities of developing countries in the expert group meetings and country studies will be provided, as needed, from the Trust Fund financing WB/UN Partnership Trust Fund.