



h in the legitimacy of the State and in a peaceful road ahead.

This requires that governments work to ensure that public services are delivered equitably. It means that safe water, proper sanitation, health care, justice, education, and other services become realities or, at least, achievable goals for the people.

International aid is, of course, necessary in many situations. But it rarely helps build a new social contract. It can also weaken national ownership. The best way to assist countries going through post-conflict transition is to help them generate their own resources and capacities.

This is no easy task. In countries recovering from violent conflict, infrastructure is often destroyed, many professionals have left the country. Former fighters are often jobless. In most cases, you would be hard-pressed to find normally functioning economic activity in the ashes of war. War-ravaged societies, for instance, very often lack the capacity to generate domestic revenues through taxation.

There are encouraging examples of success. Rwanda and Burundi both emerged from severe conflicts and managed to develop their tax administrations and devise effective tax policies. As a result, tax evasion and corruption have declined and revenues from taxation have significantly increased. The increased income as well as stronger institutions have in turn reinforced the state-building process.

But mobilizing domestic resources is hampered by illicit financial flows, which in recent years cost developing countries almost a trillion dollars. That figure represents double the amount of foreign direct investment and more than six times the official development assistance they received. Africa is particularly affected, with illicit outflows amounting to 6 per cent of GDP, as former President Thabo Mbeki has recently documented.

The effects are hugely damaging.

Badly wounded nations are deprived of significant resources that could otherwise be used for

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