Economic Impact of Peacekeeping

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Sponsors

[Logos and names of sponsors]

- Peacekeeping Best Practices
- Australian Government
- AusAID
- DFID (Department for International Development)
- The World Bank
Background

• United Nations peacekeeping missions spend around $5b per year
• They are often criticised for distorting the local economy
• Nearly everyone has an opinion
  – But nobody has done any analysis
Research Approach

• Obtain information from UN HQ
• Field visits to eight active missions
• Follow the trail of the money
  – How much actually lands
  – How much actually stays
• Assess broader economic impacts
• Make recommendations
Limits of the approach

• Only looked at UN peacekeeping missions
  – Not the broader ‘development community’

• So only a part of the impact was covered
  – Need to start somewhere in a comprehensive manner
  – As first major actor UN sets precedents
Basic Conclusions

• Restoration of peace is the key
• Spending by missions and staff provides an economic boost
• Inflation is not as bad as perceived
• Labor market effects and other negatives
• Room to improve local impact
Fiscal Impact

• Assessed budget
  – Less external spending
  – Less funds not spent
  – Less spending leaked into imports
  – Equals local spending

• Multiplier effect

• Data sources discussed in the paper
Figure 2.2: Mission Expenditures by Category, Sorted by Percentage Local Impact
Figure 2.3: Estimated Local Impact as a Share of GDP
Figure 2.4: Breakdown of Local Impact

[Bar chart showing the breakdown of local impact for different UN missions, with categories for procurement, national staff, and allowances.]

- MONUC
- UNAMSIL
- MINUSTAH
- UNMIL
- ONUB
- ONUCI
- UNMIK
- UNTAC
- UNTAET
Allowance Spending

- Accounts for about half of the local impact
  - About half is not spent
- Spending categories
  - housing (50%);
  - food/restaurants (25%)
- Provided incomes and employment
- Triggered localised price rises
- Some ‘boom/bust’, but need to look over longer horizon
Mission Procurement

• Balance between mission and HQ procurement
• About 20% stayed in the local economy, the rest on imported goods
• Supported the construction and contracting industries
  – Brought these out of the informal sector
• Easiest way to increase local impact is to increase mission procurement
National Staff

• Role and impact of national staff provoked the strongest responses

• Benefits include
  – Cost savings vs international staff
  – Direct injection of cash into the economy
  – National staff get training
  – Increases mission legitimacy?
National Staff

• Significant problems
  – Higher pay draws people from the civil service and private sector
  – Skilled staff take unskilled UN jobs
  – Mission wages drag up private and public sector wages
  – Mission wages are the focal point for other actors
Managing labour market impacts

• Understand long term impacts better
• Make more use of outsourcing
  – Currently used but could be increased
• Revise wage setting procedures
  – Principles established 60 years ago when the UN was a small employer in well developed labour markets
  – Not appropriate for a large (or largest) employer in poorly developed markets
Unintended Impacts

- Revenue collection
- Expectations for working environment and living standards
- Broader economic impact of policy decisions
- Planning horizons
- Distributional impact
Recommendations

• Mandate and structure (GA/SC)
• Labour market (ICSC/GA)
• Outsourcing (5th Committee/GA)
• Administrative changes (Secretariat)
• Donor programs (donors)
• Implementation (Secretariat)
### Table 2.1: Total, External, and Estimated Local Expenditure ($US ‘000)

<table>
<thead>
<tr>
<th></th>
<th>UNMIK</th>
<th>UNTAET</th>
<th>UNAMSIL</th>
<th>UNMIL</th>
<th>ONUCI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kosovo</strong></td>
<td>Kosovo</td>
<td>Timor</td>
<td>Sierra Leone</td>
<td>Liberia</td>
<td>Cote-d’Ivoire</td>
</tr>
<tr>
<td><strong>2001-02</strong></td>
<td>360,248</td>
<td>527,585</td>
<td>617,646</td>
<td>722,634</td>
<td>378,473</td>
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<tr>
<td><strong>Total Spending</strong></td>
<td>262,842</td>
<td>501,284</td>
<td>602,804</td>
<td>693,992</td>
<td>351,037</td>
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<tr>
<td><strong>external spending</strong></td>
<td>164,057</td>
<td>424,547</td>
<td>549,313</td>
<td>598,353</td>
<td>306,232</td>
</tr>
<tr>
<td><strong>allowances not spent</strong></td>
<td>63,828</td>
<td>37,871</td>
<td>18,411</td>
<td>34,063</td>
<td>11,806</td>
</tr>
<tr>
<td><strong>spending on imports</strong></td>
<td>34,957</td>
<td>38,866</td>
<td>35,080</td>
<td>61,575</td>
<td>32,999</td>
</tr>
<tr>
<td><strong>Local Impact</strong></td>
<td>97,406</td>
<td>26,301</td>
<td>14,843</td>
<td>28,642</td>
<td>27,436</td>
</tr>
<tr>
<td><strong>Local Percentage</strong></td>
<td>27.0%</td>
<td>5.0%</td>
<td>2.4%</td>
<td>4.0%</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>ONUB</strong></td>
<td>Burundi</td>
<td>329,714</td>
<td>954,766</td>
<td>379,047</td>
<td>1,142,980</td>
</tr>
<tr>
<td><strong>MONUC</strong></td>
<td>DRC</td>
<td>299,561</td>
<td>884,032</td>
<td>346,941</td>
<td>1,080,146</td>
</tr>
<tr>
<td><strong>MINUSTAH</strong></td>
<td>Haiti</td>
<td>235,445</td>
<td>696,257</td>
<td>257,226</td>
<td>853,432</td>
</tr>
<tr>
<td><strong>UNTAC</strong></td>
<td>Cambodia</td>
<td>8,036</td>
<td>44,984</td>
<td>15,132</td>
<td>71,944</td>
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<tr>
<td><strong>Local Impact</strong></td>
<td>56,080</td>
<td>142,790</td>
<td>74,582</td>
<td>154,769</td>
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<tr>
<td><strong>Local Percentage</strong></td>
<td>30,153</td>
<td>70,734</td>
<td>32,106</td>
<td>62,834</td>
<td></td>
</tr>
<tr>
<td><strong>Local Percentage</strong></td>
<td>9.1%</td>
<td>7.4%</td>
<td>8.5%</td>
<td>5.5%</td>
<td></td>
</tr>
</tbody>
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