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LIMPAC

ASSESSING THE ECONOMIC IMPACT OF THE DRAW-DOWN OF UNMIL ON THE LIBERIAN ECONOMY

SAMUEL W. THOMPSON

AGENCY FOR ECONOMIC DEVELOPMENT & EMPOWERMENT

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Liberia Macroeconomic Policy Analysis Center
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MINISTRY OF FINANCE & DEVELOPMENT PLANNING
MFDP
REPUBLIC OF LIBERIA

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ABBREVIATIONS AND ACRONYMS

AEDE	Agency for Economic Development & Empowerment
AfDB	African Development Bank
AfT	Agenda for Transformation
AGI	African Governance Initiative
BDS	Business Development Services
BI	Business Incubation
BOP	Balance of Payment
CA	Current Account
CBL	Central Bank of Liberia
CPO	Crude Palm Oil
ECOMIL	ECOWAS Mission in Liberia
ECOWAS	Economic Community of West African States
FPIC	Free, Prior and Informed Consent
FX	Foreign Exchange
GDP	Gross Domestic Product
GPP	Government Provided Personnel
GST	Goods and Services Tax
GVL	Golden Veroleum of Liberia
IFC	International Finance Corporation
IMF	International Monetary Fund
LATA	Liberian Agricultural Transformation Agenda
LRA	Liberia Revenue Authority
MFDP	Ministry of Finance and Development Planning
MOA	Ministry of Agriculture
MoCI	Ministry of Commerce and Industry

ABBREVIATIONS AND ACRONYMS

MSME	Micro, Small and Medium Enterprise
NBDAC	National Business Development and Advisory Center
NGO	Non-governmental organization
NIC	National Investment Commission
NTGL	National Transitional Government of Liberia
PPP	Public-Private Partnership
PRS	Poverty Reduction Strategy
RSPO	Roundtable on Sustainable Palm Oil
SME	Small and Medium Enterprise
SOFA	Status of Forces Agreement
SRSG	Special Representative of the Secretary General
UN	United Nations
UNDP	United Nations Development Programme
UNMIL	United Nations Mission in Liberia
USAID	United States Agency for International Development

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TABLE OF CONTENTS

TABLE OF CONTENTS

EXECUTIVE SUMMARY

By the time UNMIL deployed in 2003 at the end of the civil war, Liberia's gross domestic product had declined by 91%, probably the largest economic collapse in the world since World War II! This left basic road, power and water infrastructure in ruins, creating serious blockages to economic activity and isolating entire sections of the country. Sanctions on diamond and timber exports and declines in various economic sectors resulted in a collapse in government revenues to less than US$ 85 Million between 2000-2005. Liberia's total debt stock was US$ 4.5 Billion or 3,100% of exports!

The greatest economic impact of UNMIL was the restoration of peace and security which created an incentive to invest in the legal economy. Peace and security made the legal economy viable again. Furthermore, the peacekeeping force also provided employment plus income due to local spending by the UN mission helped to kickstart the local economy but this and other impacts declined significantly as the peacetime economy expanded.

Our review of literature on the "local impact" of UN peacekeeping missions around the world showed that over 90% of mission spending is paid offshore to troop contributing countries for military contingents, international staff salaries, plus UN headquarters procurement on behalf of the mission. With these insights, review of UNMIL annual expenditure reports and budgets, plus discussion with UNMIL leadership, we estimated total local impact of US$ 551.8 Million or 7.4% of total UNMIL-related spending of US$ 7.5 Billion between 2003 and June 2018. This translated into a cumulative local impact on GDP of US$827.7 Million. However, annual GDP impact ranged from 11.2% in 2004/05, the peak year of UNMIL deployment, to 1.3% in FY 2017/18. Below is a summary of local impact (in US$ Millions):

1) Mission Subsistence Allowance (MSA) spent, of which:	**280.8**
• *Housing*	134.8
• *Food*	73.0
• *Recreation*	44.9
• *Miscellaneous*	28.1
1) Local procurement	**47.3**
3) National Staff spending of salaries	**223.7**
Total UNMIL Local Expenditures	**551.8**
Local impact on GDP assuming 1.5X multiplier	**827.7**
Negative Impact: Taxes foregone on National Staff salaries	***42.1***

To assess the economic impact of the UNMIL drawdown, we first determined the positive impacts of its presence. They included postwar renovation of damaged housing infrastructure plus large investments in tourism infrastructure in response to MSA spending; development, formalizing and tax compliance of local building contractors; direct spending of significantly higher salaries of national staff into the local economy; increased employment and capacity building of service industries catering to UNMIL as well as UNMIL local staff.

Negative impacts included an excess supply of high-end market housing; brain drain of talented people from the civil service and private sector in response to much higher UNMIL pay scale; inflationary pressure on local wages, leading to public outcry over income inequality; estimated US$ 42.1 Million loss of income taxes plus user charge exemptions for UNMIL local staff, tax and duty exemptions for international contractors plus leaking of duty free goods into the local economy encouraged a low tax compliance culture and unfair competition.

Regarding the economic impact of the UNMIL withdrawal on exchange rates, we determined that the mission's average annual foreign exchange (FX) inflows of US$ 34.5 Million were less than 10% of the country's annual FX reserves and BOP aggregates such as the trade and current account balances both of which exceed US$ 1.0 Billion. Similarly, regarding its impact on inflation, UNMIL local spending in 2017/18 is negligible versus the above aggregates, and especially the over US$ 600 Million combined cost of rice and petroleum products that are increasingly being paid for by the general populace in L$.

Although UNMIL local spending highly stimulated growth of the country's stagnant GDP during the early postwar years, its potential impact on GDP growth as UNMIL draws down has now become much less significant in both absolute and relative terms. Loss of employment by UNMIL national staff averaging 752 persons over the past 16 years will affect at least 5,264 persons assuming an average family size of 7 persons. Indirect employment will be lost on local service contracts in construction, cleaning, garbage disposal, security guards, cooks, housemaids and other services to the mission. So also, will declines in UNMIL-related business revenues to hotels, restaurants and entertainment centers affect staffing levels in those businesses. The most visible impact of the UNMIL drawdown is the glut in high end residential and office space, which has been reinforced by the consolidation of all UN operations in the Pan African Plaza.

With respect to fiscal policy and, given the UN's tendency to seek the maximum tax and user fee concessions from host governments, the impact will be very negligible on revenue collections. On the expenditure side, the key spending will be on security sector and civil administration in various counties to ensure that national security is enhanced and sustained in the absence of UNMIL.

UNMIL's drawdown has left behind a still fragile and vulnerable country with many of the systemic elements in place that led to socio-economic and political upheaval, and eventually civil war; which necessitated the UN mission's deployment in 2003-04. They include socio-economic exclusion of the vast majority from the economic mainstream; a rent economy that generates low tax revenues for socio-economic development and has exported low volumes of a few primary commodities relative to Liberia's BOP for almost seven decades without value-added transformation; a highly import-dependent country that does not produce what it consumes and does not generate enough FX to cover its import bill, foreign debt service and other factor payments; a high current account deficit indicating a low savings rate and high dependency on external grants to finance imports and development. The risk of depreciation of the national currency is therefore quite high and negatively impacts the cost of living for the majority who earn mainly LD$.

High vulnerability due to the above factors requires prudent debt management and fundamental restructuring of the economy to promote growth, economic diversification and significantly reduce vulnerability to external shocks. As UNMIL draws down, it is significant to note that periods of major socio-political upheaval in primary commodity exporters like Liberia around the world closely correlated with periods of commodity price decline! Restructuring the economy should focus on agriculture that provides more jobs than mining and the civil service, can improve the BOP while reducing our import dependence. Reforms cover land rights, an intelligent commodity strategy including oil palm, value added processing and PPPs for infrastructure finance.

1.0 WHERE WE CAME FROM

1.1 METHODOLOGY

In our study on the economic impact of the withdrawal of UNMIL from Liberia, we have conducted extensive desk reviews on the causes of Liberia's civil war and economic consequences of civil war, and the local impact of expenditures by UN peacekeeping missions in Liberia and several other countries.

Based on the reviews of those UN missions, we noted similarities and differences in expenditure patterns across those missions. We also looked at the literature on the unintended consequences of those missions, plus economic development in countries of UN mission deployment in terms of impact on GDP,employment, taxation, infrastructure development and inflation.

With these insights, we then took data from various annual Performance Reports on the Budgets of UNMIL by the UN Secretary General to the Security Council from 2003 to 2017 on actual expenditures, plus the UNMIL 2017/18Budget, to estimate the actual percentage of local spending versus the massive annual expenditure numbers of the mission. We also calculated the local impact on GDP using a multiplier of 1.5 derived by Carnahan et al and validated with the World Bank, IMF and other stakeholders in a landmark study of (8) eight UN missions that were sponsored by the UN's Peace Dividend Trust. Furthermore, we interviewed the UNMIL Director of Mission Support.

Our desk review also included material from IMF staff writers on conflict economies, as well as its 2017 report on Liberia. We looked at reports on the Liberian economy from the CBL, MFDP and LRA on the economic impact of the departure of UNMIL. Based on conclusions drawn from empirical estimates of the actual impact of UNMIL's deployment and withdrawal, we evaluated concerns expressed in various official assessments of the country's vulnerability to external shocks and debt sustainability because of the UNMIL withdrawal, export performance and donor flows. Because of the linkage between vulnerability, debt sustainability and fragility, and the potential for renewed conflict, we investigated causes of vulnerability in commodity exporting countries based on extensive work done by the UNDP and UNCTAD on this topic.

In the aftermath of massive US$ 7.5 Billion spending by UN member states to end the civil war, stabilize Liberia and, given the high correlation between vulnerability to external shocks and socio-political upheavals in commodity exporters like Liberia, we decided to explore how countries like Indonesia and Malaysia have successfully reduced both vulnerability and rural poverty by well-conceived commodity strategies. Our earlier reviews of the oil palm and rubber sectors for LATA showed how those two countries' commodity strategies focused on increased oil palm acreage plus value-added transformation. We also drew on LATA strategy work by the Africa Governance Initiative, Government of Liberia, Golden Veroleum Liberia; the Overseas Development Institute on the financing of market-oriented agricultural infrastructure via PPPs; and Holger Muhlenkamp on the structuring of PPPs to avoid increasing public debt.

We are very gratified to have been selected by LIMPAC and the MFDP to carry out this research for clarity on the actual economic impact of UNMIL's withdrawal and, by context, the root causes as well as solutions for Liberia's vulnerability, socio-political conflict and outright civil war.

1.2 ROOT CAUSES OF LIBERIAN UNREST AND CONFLICT

The root causes of Liberia's history of civil unrest and conflict were not differences in class, tribe, religion or political ideology. Instead, they were crippling poverty, bad governance, corruption and the failure of succeeding leaderships to end the socio-economic and political exclusion of the vast majority of our people during most of its existence.[1]

[1]Thompson, S. W., African Solutions For African Problems?: National And International Responsibility For Conflict Resolution, Delivered at Wilton Park Conference in Sussex, United Kingdom, July 26, 2004

As UNMIL leaves, the Liberian political economy closely resembles political and economic patterns that existed during the 1950s and 1960s, which were characterized as "growth without development."[2] There is also persistent and widespread poverty in the 4th poorest country in the world. In 2015, Liberia remained only eleven places from the bottom of the Human Development Index ranking, trailing behind the Democratic Republic of the Congo, Afghanistan, and Haiti.[3] Overall, the persistence of these pre-conflict conditions indicates that Liberia's postwar economic recovery is still fragile, with potential for future unrest if not fundamentally and urgently addressed.

During this research, we also found out that each of the major socio-political upheavals since the April 14, 1979 Rice Riots was closely correlated with periods of global commodity price downturns. The 1980 coup d'état was the beginning of Liberia's deep descent into crisis. A decade of mismanagement and brutal dictatorship led to President Doe's assassination and the outbreak of a 14-year civil war of chaos, plunder and violence, mostly under governments led by President Charles Taylor.

Peace and security is the single most important precondition for economic development because without it, there is no incentive for productive investments in the legal economy[4] due to the low likelihood of return on investment. Lucrative criminal activities in weapons, drug and human trafficking, plus illegal extraction of non-renewable resources flourish during such conditions. Such was the situation during two civil wars fought in Liberia between 1990-96 and 1999-2003.

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[2]Clower, R., Dalton, G., Harwitz, M., and Walters, A. 1966. 'Growth Without Development: An Economic Survey of Liberia'. St Evanston, IL: Northwestern University Press.

[3]Werker, E. and Pritchett, L., Deals and Development in a Resource-Dependent, Fragile State: The Political Economy of Growth in Liberia, 1960-2014, in Deals and Development: The Political Dynamics of Growth Episodes, Oxford Scholarship Online: December 2017, p. 3

[4]Carnahan, M, Durch, W. and Gilmore, S (2006)Economic Impact of Peacekeeping: Final Report, New York: Peace Dividend Trust for the Peacekeeping Best Practices Section, UN Department of Peacekeeping Operations

1.3 ECONOMIC CONSEQUENCES OF CIVIL WAR

Most importantly, in his paper on the economic consequences of civil wars fought between 1960-1992, Collier found that GDP per capita during civil wars declined at annual rate of 2.2%[5], partly because war reduces production, partly due to gradual loss of capital stock due to destruction, non-saving and capital flight. However, in their study on the dynamics of pre- and post-1990 conflicts, the IMF noted that pre-1990 conflicts had a much less severe impact on GDP (1.7% reduction) versus post-1990 conflicts with the pace and depth of economic contraction much more severe as real GDP per capita declined by around 12.5% per annum[6]. For Liberia, the economy completely collapsed during the conflict. Its GDP fell by over 90% between 1987 and 1995,one of the largest if not the largest, economic collapses in the world since World War II[7]. Its cumulative 91% decline in GDP between 1979-96 was by far the largest of the many protracted declines in Sub-Saharan Africa over the last several decades per below:

Table 1: Cumulative Decline in GDP

Country	Decline	Period	Country	Decline	Period
Liberia	91%	1979-96	Uganda	28%	1977-81
Rwanda	54%	1992-94	Guinea Bissau	28%	1997-98
Congo, Dem. Rep	47%	1974-01	Gabon	27%	1977-87
Sierra Leone	42%	1991-99	Angola	27%	1988-93
Zimbabwe	38%	1998-06	Chad	26%	1977-81
Mozambique	28%	1981-86	Burundi	25%	1992-97

Source: World Bank, World Development Indicators, except Uganda, which is from the Penn World Tables.

The economy initially began to rebound after violence subsided in 1996 and elections were held in 1997. However, the war soon re-ignited and violence reached extreme levels in 2002 and 2003 until

[5]Collier, P. (1997) On Economic Consequences of Civil War, Centre for the Study of African Economies
[6]Working Paper No.97:18.Oxford University.
Staines, N. (2004) Economic Performance over the Conflict Cycle, IMF Working Paper WP/04/95
[7]Radelet, S. (2007) Reviving Economic Growth in Liberia, Center for Global Development

the peacekeepers arrived in mid-2003 and ousted the then President, Taylor. By the 2005 elections, average income in Liberia was just 1/4th of 1987 levels and 1/6th of 1979 levels. Nominal GDP per capita was US$ 160 in 2005.

Liberia's civil war left its basic infrastructure in ruins. There was no electricity (other than private generators) or piped water anywhere in the country for 15 years after 1991. Many roads became impassable, creating serious blockages to economic activity in agriculture, timber and mining. Entire sections of the country were isolated, undermining the delivery of basic health care and education services[8]. Production of iron ore, timber, and mining and panning ceased completely. Officially recorded exports dropped from US$ 486 M in 1978 to about US$ 10 M in 2004. The UN Security Council imposed sanctions on diamond and timber exports because they were being used warring factions to finance arms purchases. However, although sanctions forced such activity underground, it is also clear that legitimate exports dropped sharply. Rice production fell 73% between 1987 and 2005, financial services fell 93%, and electricity and water fell 85%. Transportation and communication, trade and hotels, and construction all fell around 70%. Only the production of charcoal and wood increased as Liberians turned to these products to meet their basic energy needs.

Furthermore, according to Radelet, government finances collapsed, with revenue falling to less than US$85 Million a year between 2000 and 2005, translating into public spending of only about US$25 per person per year, one of the lowest levels in the world. At the same time, years of mismanagement left a huge external debt burden, mostly due to large borrowing and expenditures in the 1980s and steady accumulation of arrears. Liberia's total debt stock stood at about US$4.5 Billion by 2007, or an astonishing 800 percent of GDP and 3,100 percent of exports! Domestic debt and arrears totaled at least $304 Million, with an additional US$317 Million in contestable claims.

[8]Ibid

In 2003, UNMIL subsumed the 3,500 ECOMIL soldiers consisting primarily of Nigerian military and then gradually began to increase troop strength such that by October 2005, UNMIL had hit its mandated peak troop level of just over 15,000 soldiers (including 199 Military Observers and 1,101 Civilian Police)[9]. As a result of the progressively huge deployment of UNMIL forces nationwide, in 2003-04 it was possible to usher in a National Transitional Government of Liberia (NTGL) and to eventually transfer power to an elected government in 2005 via peaceful elections.

▶ 2.0 ECONOMIC IMPACT OF PEACEKEEPING

To fully understand the economic impact of the withdrawal of UNMIL from Liberia, it is very important to first understand the local economic impact of the protracted presence of UNMIL forces in the country and total mission-related expenditures of US$ 7.5 Billion[10] between 2003 and 2018with all its ramifications.

▶ 2.1 IMPACT OF PEACE AND SECURITY

In the broadest sense, the provision of peace and security is the greatest contribution to economic development beyond the subsistence level[11]. Peacekeeping restores and maintains basic initial security in mission areas and is the largest single contributor to development since without peace and security, there is no incentive to invest in the legal economy. Peace and security makes the legal economy viable again and the presence of a peacekeeping force provides employment plus income to kick start the local economy. An immediate upsurge in economic activity is associated with the restoration of basic security.

[9]http://fletcher.tufts.edu/African-Peace-Missions/Research/Case-Studies/Liberia

[10]Summary of expenditure totals from Annual Reports of the United Nations Secretary-General on Budget Performance of UNMIL for 2003-04 to 2016-17 plus its 2017-18 Budget is US$ 7.47 Billion. See Table A-1. The UNMIL Budget for the period 1 July 2017 to 30 June 2018 totals $122.1 Million, and provides for withdrawal and liquidation of the Mission by June 30, 2018 per Security Council resolution 2333 (2016).

[11]Carnahan, M. (2007) Evaluation of the economic effects of UN peacekeeping missions: Economic Development through Peacekeeping? Crawford School of Economics and Government - Australian National University

2.2 LOCAL IMPACT OF UN MISSION SPENDING

In their 2006 study cited above, Carnahan et al did surveys of mission personnel in nine UN mission countries to estimate their spending at locally-owned versus foreign-owned businesses and on locally-produced versus imported goods, to refine the estimate of local impact of allowance spending. Those interviewed included current and former mission staff like the Special Representative of the Secretary-General or his Deputy, Director of Administration, Chief Financial Officer, Chief of Procurement, Chief Civilian Personnel Officer, and Chief Security Officer. In many missions, the team also interviewed the head of the Political Affairs office, military liaison officials and development coordinators. Outside of the mission structure, those interviewed included representatives of bilateral and multilateral development agencies, representatives of the International Monetary Fund and World Bank, ministers and other officials from the host governments, leaders of local businesses who had won contracts from the mission, and representatives from the local business community.

The external components of UN mission budgets are in general, over 90% of total expenditures and include:

1) Direct payments and reimbursements to troop contributing countries for military contingents

2) International civilian staff salaries are usually more significant and paid directly into the staff member's home country bank or presumably other designated offshore accounts.

3) Procurement of goods and services by UN HQ on the Mission's behalf

International civilian staff salaries are separate from mission subsistence allowances (MSA), which are paid directly to staff in the field as per diem on special mission assignments away from home countries. However, they are not taken fully in cash by most staff in most missions. Project surveys asked mission personnel to estimate their spending of MSA at local-owned versus foreign-owned businesses and on locally-produced versus imported goods, to further refine the estimate of local impact of allowance spending. The surveys were supplemented by interviews with former mission staff.

Spending from international staff MSAs, local procurement of national staff wages provides stimulus to the local economy. This activity also makes more citizens and residents to become stakeholders in maintaining the peace. The US$ 7.5 Billion spent by the United Nations for its Liberia mission will come to an average annual expenditure of US$ 467 Million by the end of 16 years, with a range of US$ 122 to 741 Million.

2.2.1 LOCAL IMPACT AS SHARE OF TOTAL UNMIL SPENDING

However, it is important to note that a very significant portion of the annual UNMIL budgets have not been spent within Liberia. According to Carnahan, the volume of funds that actually stays in the local economy is generally less than 10% of UN mission budgets across the countries studied. The estimated cumulative local impact of annual UNMIL mission spending of allowances by military observers, international police and civilian personnel; salaries of national staff, plus the local content of mission procurement will be about US$ 551.8 Million by June 2018. Local impact comes from wages paid to national staff, spending from allowances by international staff and supply of goods and services to the mission by local companies. To determine local impact, it is very important to estimate the percentage of that fraction of allowances paid to international staff directly in country, that is spent at locally-owned versus foreign-owned businesses, and on locally-produced versus imported goods.

Effectively, this represents the payments to local factors of production. Table 2 below presents the breakdown of expenditures by major category for the year in which each UN mission operated at its peak deployment level. For Liberia, Local Impact as a percentage of total UNMIL spending was 4.0%. Note the relative size of allowances not spent in country for Liberia.

Table 2: Expenditure by Category (US$ '000)

	UNMIK	UNTAET	UNAMSIL	UNMIL	ONUCI	ONUB	MONUC	MINUSTAH
	Kosovo	Timor	S. Leone	Liberia	C. Ivoire	Burundi	DR Congo	Haiti
	2001-02	2001-02	2001-02	2004-05	2004-05	2004-05	2004-05	2004-05
Local Impact								
Allowances	50,181	17,765	5,255	13,414	14,453	14,671	23,956	13,876
National Salaries	40,892	6,355	3,108	10,042	7,630	4,305	15,657	4,631
Procurement	6,333	2,181	6,479	5,186	5,353	11,177	31,121	13,599
Subtotal	97,406	26,301	14,842	28,642	27,436	30,153	70,734	32,106
External Impact								
External Spending	164,057	424,547	549,313	598,353	306,232	235,445	696,257	257,226
Allowances not spent	63,828	37,871	18,411	34,063	11,806	8,036	44,984	15,132
Spending on Imports	34,957	38,866	35,080	61,575	32,999	56,080	142,790	74,582
Subtotal	262,842	501,284	602,804	693,991	351,037	299,561	884,031	346,940
Total Spending	360,248	527,585	617,646	722,633	378,473	329,714	954,765	379,046
Local Impact %	27.0%	5.0%	2.4%	4.0%	7.2%	9.1%	7.4%	

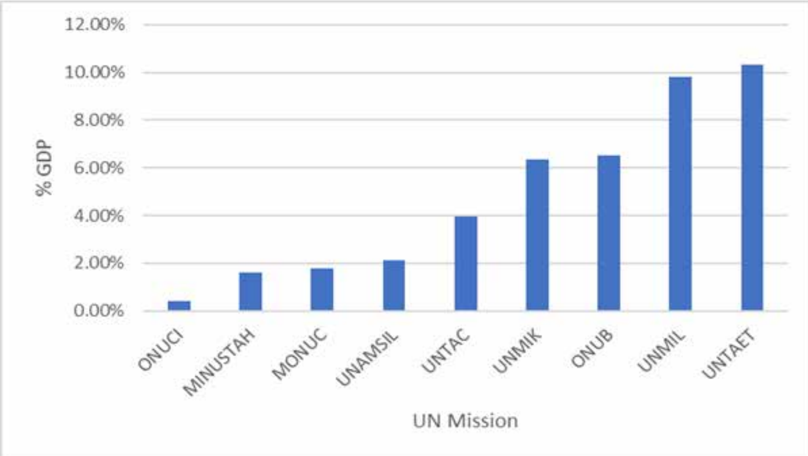
Source: United Nations financial statements presented to the General Assembly (available online at www.un.org/documents) and project staff estimates based on data collected on field visits.

Further to this, in Table 17 below, we have calculated the Local Impact % across the total period of UNMIL's deployment using the same interrelationships between different variables like average Mission Subsistence Allowances (MSA) spent in country, local content of procurement, and spending of national staff salaries. The estimated share of UNMIL spending ranged from 2.7% to 15.3% towards the end of the Mission's deployment with a period average of 7.4%. Our estimates are based on patterns observed in the studies by Carnahan et al and Durch on the economic impact of UN mission spending in various countries during the peak years of mission deployments, as discussed below.

2.2.2 IMPACT ON GDP

On average, except for Kosovo, the UN mission's local impact or "economic footprint" ranged from 2.4-9.1% of mission budgets and, as indicated in Table 2, was 4% during the peak year of UNMIL's deployment in Liberia. Using a multiplier of 1.5 for such expenditures with respect to impact on GDP, Carnahan determined the following for Liberia and other UN mission countries:

Figure 1: Estimated Local Impact as % of GDP



Source: United Nations financial reports, project estimates and IMF WEO database

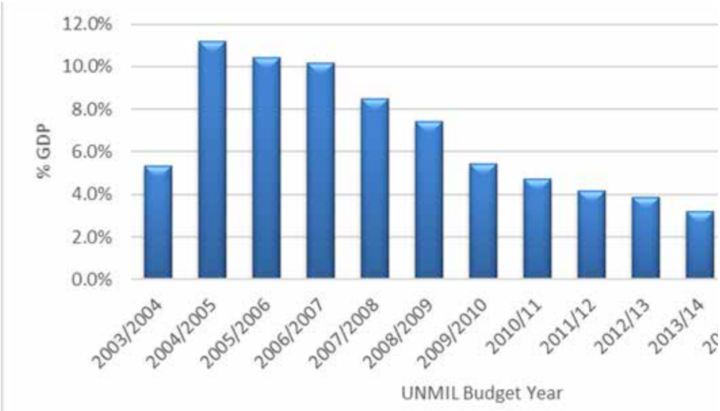
Local Impact as a share of GDP was 6% for four countries. In Liberia and Burundi, it was in range of 10% due mainly to the relatively low level of their GDPs. In Kosovo, although they have a much larger economy, there was greater local impact from procurement activity due to the more developed economy and greater capacity to source locally. The Chart below shows movements in Liberia's Gross Domestic from 1960 to 2016.

Figure 2: Liberia Gross Domestic Product 1960-2016

Source: World Bank Group

Using the GDP data between 2003 and 2016 and data gathered from UNMIL annual Budget Performance Reports between 2004-2017 and its 2018 final year Budget per Table 17, we have developed the below chart on local impact as a percentage of Liberia's GDP for that period.

Figure 3: Annual Local Impact Share of GDP



Source: United Nations

The peak UNMIL deployment year's contribution to GDP was 11.2% and the lowest impact was 2.8% in 2015/16. The declining trend reflects the combined effects of declining UNMIL annual expenditures beyond its peak deployment year of 2004/05, plus growth in Liberia's postwar GDP due to increased investments in the legal economy of Liberia. This has resulted from peaceful conditions created by the presence of the large multinational peacekeeping force in the country.

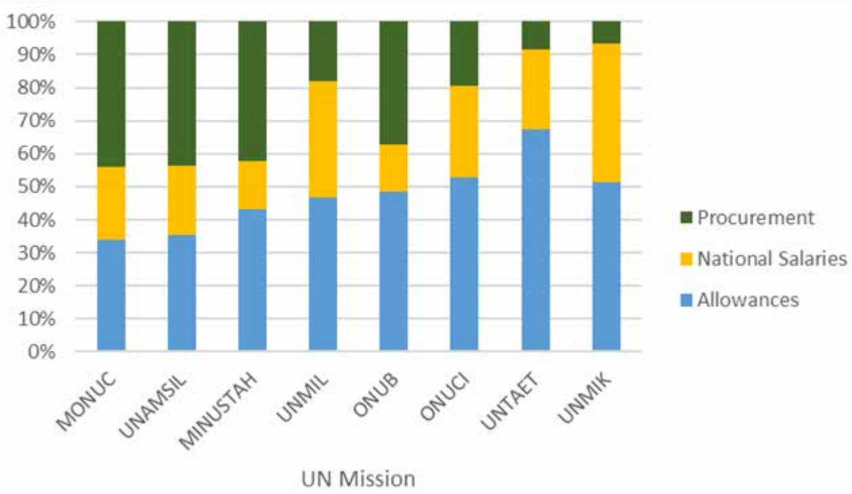
2.2.3 IMPACT OF MISSION SUBSISTENCE ALLOWANCE SPENDING

Overall spending of Mission Subsistence Allowances (MSA) by international staff makes the largest overall contribution to local impact. [14]For the purposes of this study, MSA refers to the combined total of Mission Subsistence Allowances and UN Volunteer

[14]Bove, V and Elia, L (2017) Economic Development in Peacekeeping Host Countries, The University of Warwick

Allowances or "UNVA". [15]It was greater than 50% in four missions and between 40-50% in four other missions. This can be seen clearly in Figure 4 below and Figure 5 page 22.

Figure 4: Breakdown of Local Impact

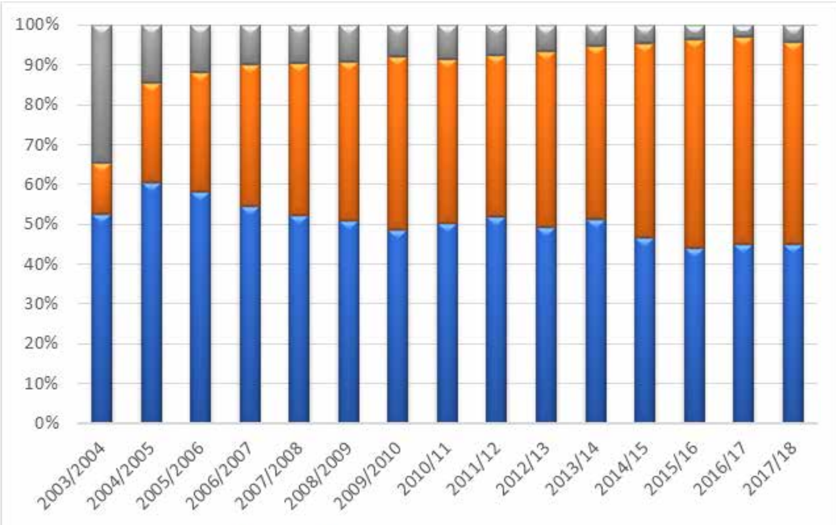


Source: United Nations financial reports, project estimates and IMF WEO database

Figure 5 shows a fairly consistent expenditure pattern over the 16-year UNMIL deployment period but with National Salaries assuming a greater portion of declining expenditures as the mission gradually reduced its deployment. However, spending of MSA by international staff was on average 40-60% of local impact between 2003-2018.

[15]Carnahan et al advised that in addition to MSA paid to international staff and civilian police and UNVA paid to UNVs, military contingent troops also receive a very small allowance of $40 per month from the UN. As it was not possible to trace this small spending, it was excluded from their study. Authors felt that as most peacekeeping troops live in barracks rather than in the community, they have little need or opportunity to purchase locally produced goods or services, so the local impact from this allowance was deemed likely to be small. Nevertheless, for completeness, we included an estimate of US$ 4.9 Million between 2003 and 2018 in Table 17 for information, based on staff deployment data from Table 18.

Figure 5: Breakdown of Local Impact



Source: UNMIL Budget Performance Reports2003-2017 and 2018 Budget

Table 3 shows the number of UN civilian staff receiving MSA during the peak years of deployment in each mission with Liberia's figure at US$ 83.7 Million.

Table 3: International Human Resource Deployment (peak year)

	UNMIK	UNTAET	UNAMSIL	UNMIL	ONUCI	ONUB	MONUC	MINUSTAH
	Kosovo	Timor	S. Leone	Liberia	C. Ivoire	Burundi	DR Congo	Haiti
	2001-02	2001-02	2001-02	2004-05	2004-05	2004-05	2004-05	2004-05
International civilian	1,168	785	294	635	427	399	975	479
Civilian police	3,372	1,099	54	635	345	120	268	872
Military observers	38	117	252	215	200	200	760	-
UNVs	224	522	125	431	225	172	491	153
Total	4,802	2,523	725	1,916	1,197	891	2,494	1,504
MSA and UNVA ($m)	**130.7**	**85.8**	**31.5**	**83.7**	**40.7**	**35.7**	**92.7**	**50.4**
Military contingents	-	6,820	16,503	14,785	6,040	5,450	15,714	6,700

Source: United Nations annual budget and expenditure reports to the General Assembly. Information prior to 2004–05 was taken from actual performance reports and represents actual historical data. Data for 2004–05 were budget estimates, as the budget performance reports for 2004–05 were still under preparation at the time of the study.

Table 4: MSA Actually Paid and Estimated Spending

	MSA per day	MSA per month	Average monthly MSA paid in cash	Percentage paid in cash	Staff estimates of monthly spending
UNMIK	134/84	2,638	1,501	56.9%	2,418
UNMIL	181/134	4,138	2,590	62.6%	2,794
UNAMSIL	115/115	3,450	1,527	44.3%	2,579
ONUCI	140/122	3,705	**		2,634
ONUB	156/120	3,690	**		2,860
MONUC	205/138	4,308	2,154	50.7%	3,062
MINUSTAH	203/139	4,330	**		3,044
UNTAET	130/90	2,800	1,514	54.1%	2,034

**Data not available

Sources: MSA/day from United Nations Office of Human Resource Management; MSA/month calculated assuming average tenure is 12 months; cash paid from mission CFOs; staff estimates of monthly spending from Peace Dividend Trust survey of mission staff.

Table 5 shows that housing expenditure would have contributed at least 48% of the estimated US$ 21.4 Million of MSA spent in Liberia during UNMIL's peak deployment, or US$ 10.3Million in that year. While serving as a member of the Council of Economic Advisors in the NTGL in 2004, this author mounted a press campaign in several newspapers to warn against the harmful effects on the Liberian economy of UNMIL renting a floating ship to house its personnel[16].

Table 5: Allowance Spending by Category

	Housing	Food	Recreation	Miscellaneous
UNMIK	46%	25%	18%	12%
UNMIL	48%	26%	16%	10%
UNAMSIL	42%	27%	19%	12%
ONUCI	43%	27%	19%	12%
ONUB	47%	24%	17%	12%
MONUC	47%	26%	17%	10%
MINUSTAH	49%	23%	17%	11%
UNTAET	39%	25%	24%	12%

Source: PDT survey of expenditure

According to Table 17, although annual spending on housing declined during the period of UNMIL's deployment in Liberia, it contributed to a significant transfer of wealth to homeowners and to

[16]http://allafrica.com/stories/200412170139.html

improvement of Liberia's housing stock through repairs. Based on available data from UNMIL Budget Performance Reports and 2018 Budget to the UN Secretary General for the period 2003-2018in Table 17, we have estimated total spending out of MSA and UNVA by international civilian personnel on housing of at least US$ 134.8 Million (average US$ 8.4 Million p.a.),with a multiplier effect on GDP of US$ 202.2Million over the period.

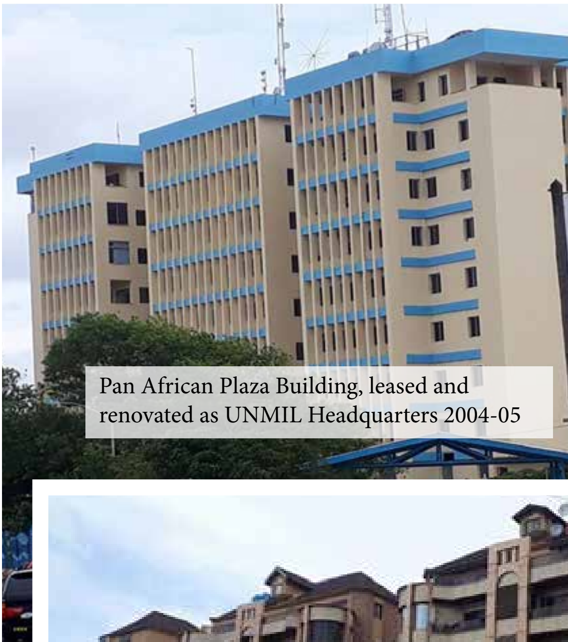
Another positive impact was the development and entry into the formal construction sector by building contractors who were required by UNMIL to register their businesses, obtain professional certificates and show evidence of tax compliance in keeping with the UN's international standards. This also contributed to enhance collection of tax revenues from the construction industry although as discussed below, UNMIL's status seriously constrained GoL's ability to generate tax revenues from resources spent in the local economy. However, there is little evidence that price hikes in higher-end mission housing spread to the cost of housing for the local population, especially outside the capital cities (Carnahan).One negative economic impact of the significant MSA spent on housing is that it led housing investors to build an excess supply of high-end housing in the market. Below are a few examples of such housing.

Figure 6: Pictures of Some Residential Buildings Constructed 2003-2018

Residential Building under construction in Sinkor

New Buildings along Tubman Boulevard and Sinkor in background

Mixed Use Building on Crown Hill, Monrovia



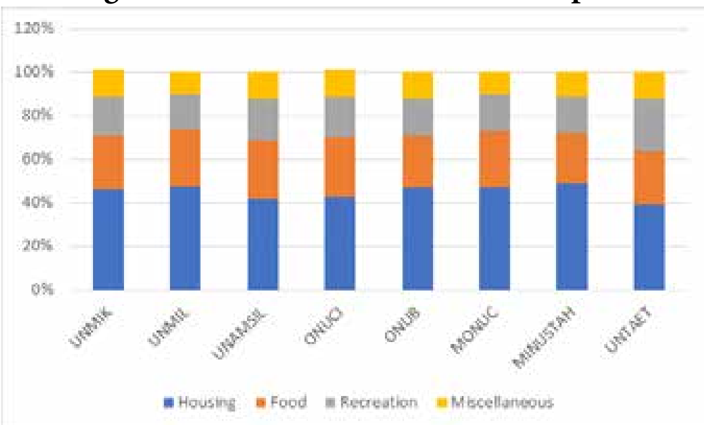
Pan African Plaza Building, leased and renovated as UNMIL Headquarters 2004-05

Mixed-Use Building on SekouToure Avenue, Monrovia

Mixed-Use Building on 8th Street, Sinkor

Figure 7 shows more clearly the relative importance and consistency in spending pattern of the different expenditure categories for MSA spent by UN mission staff in various countries. We have assumed that those patterns prevailed throughout UNMIL's deployment. With respect to food and recreation, average annual MSA spent were US$ 4.6 Million and US$ 2.8 Million respectively and total MSA spending for food and recreation during the mission's deployment are estimated at US$ 73.0 Million and US$ 44.9 Million respectively.

Figure 7: Breakdown of Allowances Spent

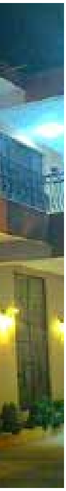


Source: United Nations annual budget and expenditure reports to the General Assembly. Information prior to 2004–05 was taken from actual performance reports and represents actual historical data. Data for 2004–05 were budget estimates, as the budget performance reports for 2004–05 were still under preparation at the time of the study.

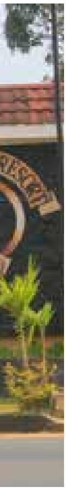
Figure 8: Hotels Built or Renovated 2003-2017

Many restaurants, hotels and shops do not go out of business as a mission ends but rather, operate at a lower scale and transition towards the tourist market. Investments by owners of those businesses have served to put in place the basic infrastructure for a post-deployment tourism sector (Carnahan et al). We have seen this in Liberia with the significant increase in new international standard hotels built or upgraded during the UNMIL deployment period.

In many cases, depending on the length of time they have been in business since the UN mission was established, a significant number of businesses recovered initial investments and capital expenditures during the peak mission period, so they can remain profitable at a much lower capacity but with declining average revenues as the mission winds down. However, employees of closed businesses would lose their jobs if they cannot find new market niches to serve as the UN mission leaves.



Perhaps, the most controversial impact of MSA spending is the local sex trade industry, which grows rapidly when operations deploy and then decline after drawdowns. Although there are no formal statistics, we suspect based on anecdotal evidence that the local economic impact has been considerable. However, a highly controversial aspect of this activity is the risk of sexual exploitation, abuse, establishment of brothels linked to human trafficking rings, forced prostitution and organized criminal syndicates that control trafficking[17]. Also, the activity has a high risk of infection from HIV/AIDS and other sexually transmitted diseases.



The total estimated local impact of MSA spending by international staff over the 16-year period of UNMIL's deployment in Liberia is US$ 280.8 Million (annual average of US$ US$ 17.6 Million). Assuming a multiplier of 1.5, this translates to US$ 421.3 Million from the housing, food, recreation and miscellaneous sectors.

▶ 2.2.4 IMPACT OF LOCAL PROCUREMENT

In general, the local content of UN mission procurement has the second largest impact on the local economy. We see from Table 6 that in four of the UN missions (i.e., Congo, S. Leone, Haiti and Burundi),it contributed to roughly 40% of total procurement. The higher overall local impact in Kosovo (in Table 2) was the result of several factors including:

a) lack of a military component due to that aspect being managed directly by NATO and thus, troop contributing countries incurred their own expenses that were not reimbursed by the UN.

[17]http://www.washingtonpost.com/sf/world/2016/02/27/peacekeepers/?utm_term=.418ecde93ee5

If a comparably sized and equipped military force had been mounted by the UN, the treatment of those costs via payments to troop contributing countries would have reduced UNMIK's local impact to just over 10%, which is higher than the average above; and,

b) Kosovo had a larger and more diversified economy, which supplied a higher percentage of goods and services (including spending from MSA) than other mission countries. This is because the Kosovo diaspora, which had both access to capital and business experience, returned in greater numbers than in other mission countries and had a much stronger supply response (Karnahan, Durch& Gilmore).

Table 6: Comparison of Procurement Results (peak years)

	UNMIK	UNTAET	UNAMSIL	UNMIL	ONUCI	ONUB	MONUC	MINUSTAH
	Kosovo	Timor-Leste	S. Leone	Liberia	C. Ivoire	Burundi	DR Congo	Haiti
	2001-02	2001-02	2001-02	2004-05	2004-05	2004-05	2004-05	2004-05
Total procurement ($000)	49,941	140,950	217,455	242,656	166,497	135,828	421,710	128,658
Mission procurement (000)	24,307	7,282	31,819	29,429	23,183	53,838	148,781	66,437
Mission procurement (as % of total)	48.7%	5.2%	14.6%	12.1%	13.9%	39.6%	35.3%	51.6%
Local content of mission procurement ($000)	6,333	2,181	6,479	5,186	5,353	11,177	31,121	13,599
Local content (as % of total procurement)	12.7%	1.5%	3.0%	2.1%	3.2%	8.2%	7.4%	10.6%
Local content (as percent of mission procurement)	26.1%	30.0%	20.4%	17.6%	23.1%	20.8%	20.9%	20.5%

Sources: United Nations annual budget and expenditure reports to the General Assembly, supplementary information provided by mission CFOs and heads of procurement, project staff estimates. Information prior to 2004–05 was taken from actual performance reports and represents actual historical data. Information for 2004–05 was estimated data taken from budget proposals, as the performance reports for 2004–05 were still under preparation.

On the other hand, Liberia and Timor-Leste had the lowest local content percentage at 2.1% and 1.5% respectively, due to their much-undiversified economic structures, which focused on subsistence level production. [18]There is very little manufacturing and value-added production in Liberia whose major exports are the two primary commodities: iron ore and rubber, and which imports most of what is consumed in the country. So, during the peak deployment periods, the local supply response was slow in both countries, and resulted in a higher proportion of procurement from foreign sources.

[18]Carnahan, Durch& Gilmore, p. 24

In Timor-Leste, only 2% of the overall procurement expenditure went into the local economy, to the extent that a floating hotel ship was brought in to lodge the UN staff during the first 18 months of deployment[19]. In the case of Liberia and as mentioned above, a similar decision being considered to rent a floating hotel ship was vigorously and successfully resisted by the author as a member of the NTGL Council of Economic Advisors on the basis of its potential negative impact on the local economy.

Liberia's limited internal supply response plus the UN's own internal procurement guidelines also resulted in a bid being organized in 2003 towards selecting a German-based company called Supreme Sales, for a 5-year US$ 60.2 Million contract to supply food and drinking water to UNMIL.[20] Under the Supreme contract, the optional drinking water component was US$1.9 Million. We are aware that Supreme supplied UNMIL down to imported vegetables, which could have been grown locally, in the absence of a reliable local supply arrangement at the outset of mission deployment. The general supply arrangement with Supreme apparently continued beyond the 5-year contract. We also recall that during the early years of UNMIL deployment, a commissary ship was docked to supply duty-free various foods, drinks and other consumer goods to mission personnel.

Furthermore, due to continuation of economic and political governance patterns from the 1950s to 1960s into recent years, [21]commercial activity in Liberia remains dominated by foreign owned businesses. President William V. S. Tubman's fear of political opposition often determined his policies. He preferred foreigners who, as noncitizens, were less of a political threat. In 1950, Tubman began handing out lucrative government contracts to foreign enterprises and the country's growing Lebanese expatriate

[19]Ibid, p.22
[20]http://www.foxnews.com/projects/pdf/procurement_recs.pdf
[21]Werker, E. and Pritchett, L., Deals and Development in a Resource-Dependent, Fragile State: The Political Economy of Growth in Liberia, 1960-2014, in Deals and Development: The Political Dynamics of Growth Episodes, Oxford Scholarship Online: December 2017, p. 3

community[22]. As a result, over his 27-year rule, the foreign business class became deeply entrenched. On the other hand, Liberians were discouraged from becoming economically (and politically) potent through commercial activity. Instead, to consolidate his political power, citizens were encouraged to depend for livelihood on Tubman's vast patronage network[23]. This included government employment, preferential employment and/or contracts with foreign concessions, and the nationwide public relations officer (or "PRO") informant network.

Because of these governance patterns, Lebanese, Indian and lately Fulani community businessmen have become very potent economically, with preferential access to both domestic and lower-cost foreign lines of credit. So, the playing field has not been level for indigenous businesses to meet the UN's heavy Financial Stability requirements for proof of solvency[24] and access to funding from local banks. As a result, the majority of local businesses that supplied UNMIL were foreign owned. This led to the bulk of the proceeds from UNMIL procurement spending to local suppliers being remitted abroad to cover the high import cost of goods and services supplied or profits to business owners' home countries. In 2016, Liberian owned MSMEs accounted for only 4.5% of businesses.[25]

As a result of all the above factors, the estimated local content of UNMIL procurement was quite low, at only US$47.3 Million over 16 years, or an average of US$ 2.95 Million per annum.

[22]Ciment, James, Another America: The Story of Liberia and the Former Slaves who Ruled It, 2013, p.200

[23]Werker, E. and Pritchett, L., p. 7

[24]UN Procurement Manual, January 2004 Rev 02, Section 97.6.2 (1) b. "Financial Stability"

[25]Thompson, S. W., Paegar, E. W. & Brownell, J. Y. (2015) Feasibility Study and Strategic Business Plan for the Proposed National Business Development and Advisory Center, Agency for Economic Development & Empowerment for United States Agency for International Development-IBEX

▶ 2.2.5 IMPACT OF NATIONAL SALARIES

UNMIL employed national staff to fill predominantly administrative, clerical and support roles. UN policy on setting wages is referred to as the Flemming Principle, which stipulates that wages should be determined by the "best prevailing local conditions" (Carnahan et al). This implies that the UN will match whichever employer in the country is offering the best conditions, to ensure that the mission attracts staff of the correct caliber.

There are several positive benefits of hiring national staff in UN missions. The key one is that salaries are spent directly into the local economy. This benefits the national staff member's immediate and extended family members because the wages of the staff are significantly more than is needed to cover basic lifestyle costs in the country. In order to enhance the legitimacy of the UN mission by ensuring that national staff not only fill support roles, UNMIL carried out its policy of hiring in the National Professional Officer category in 2008/09. These constituted the line item of Government Provided Personnel (GPP) who earned significantly higher per capita salaries shown in Table 18. Those annual salaries ranged from US$24,077 to US$54,934 with an average of US$ 45,892, albeit for a small peak number of 31 staff in that category in 2013/14.

However, although on a per capita basis, international staff cost is 10 to 50 times higher than national staff due to not only higher salaries but also to the costs of travel, MSA and staff security, as stated in Section 2.2.5, the key concern brought about by the Flemming Principle has been the inflationary impact of higher UN compensation of national staff on the general pay levels in government, aid agencies and international NGOs over time. This is illustrated in Table 7 below where indicative mid-level national staff compensation completely overshadowed comparable staff levels and even senior government positions.

Table 7: Comparison of UN National Staff and Government Pay Scales

Timor-Leste (2001)	$210	$123	$360
Kosovo (2004)	€ 790	€ 145	€ 667
DRC (2005)	$763	$25	$75
Liberia	$578	$25	$1,400
Burundi	$558	$40	na
Sierra Leone	$363	$30-50	$600
Haiti	$626	$238	$952

Source: United Nations OHRM website—salary for level 3 fifth step, total net amount; government salaries from various sources including project staff interviews and World Bank staff. Senior examples are: Timor-Leste—civil service head of ministry; Kosovo—Chief Justice; DRC—most senior official in agriculture department; Sierra Leone—civil service head of ministry; Haiti — Director-General of Ministry.

Table 18 further illustrates the very significant gap between the per capita compensation of international staff and national staff during the years of UNMIL deployment. However, although the latter constituted on average only 13.1% of non-salary MSA paid to international civilian personnel, the negative impact stemmed from the fact that the UNMIL national staff pay scale was significantly higher than both the local civil service and the private sector. This caused a brain drain of talented people away from the national bureaucracy and the private sector. In addition, mission wages set for national staff put upward pressure on public and private sector wages in the country.

This trend was reconfirmed in an updated study of the economic impact of UN peacekeeping missions where it was noted that while national staff in the missions increased by 75% between 2005-2008, national staff salaries increased by 118%[26]. Over the same period, the total number of personnel in UN operations increased by only 30%, meaning that the UN did not accept earlier recommendations for fewer local direct hires and more outsourcing to local companies

[26]Durch, p.165

hiring greater numbers of people at prevailing wage rates as a means of reducing the inflationary pressure on local wages.

Table 8 shows that national staff comprised 42.8% of total UNMIL civilian personnel during its peak deployment year.

Table 8: National Human Resource Deployment (peak year)

	UNMIK	UNTAET	UNAMSIL	UNMIL	ONUCI	ONUB	MONUC	MINUSTAH
	Kosovo	Timor	S. Leone	Liberia	C. Ivoire	Burundi	DR Congo	Haiti
	2001-02	2001-02	2001-02	2004-05	2004-05	2004-05	2004-05	2004-05
National staff	3,533	1,656	515	798	476	423	1,355	548
All civilian personnel	4,925	2,963	934	1,864	1,128	994	2,821	1,180
National percentage	71.7%	55.9%	55.1%	42.8%	42.2%	42.6%	48.0%	46.4%

However, using actual headcount data from the UNMIL annual Budget Performance Reports to the UN Secretary General in Table 18, the ratio of national staff to civilian personnel ranged from 26.7% to 49.1% with an average of 37.2% for 2003 to 2018.

Total national staff salaries paid by UNMIL were US$223.7Million between 2003 and 2018. Using the 1.5 multiplier assumed by Carnahan et al in their study, this translates into a cumulative impact of US$ 335.6 Million on local activity from spending of UNMIL national staff salaries in the Liberian economy or, at an average annual national staff payroll of US$14.0 Million, an average GDP impact of US$ 21.0 Million per annum over the 15-year period for that one aspect of UNMIL expenditure. Nevertheless, relative to Liberia's GDP, the local impact of spending of national staff salaries was on average only 1.9% per annum with a range of 0.7% to 3.6%.

2.2.6 INFLATIONARY IMPACT OF PEACEKEEPING

There is an immediate upsurge in economic activity linked to the restoration of basic security when a UN mission deploys. This plus the impact of mission staff spending and procurement provides a stimulus to the local economy. However, the notion that there is a risk of widespread inflation due to mission spending is not borne out by the research on this aspect. Studies show that some price rises do occur in parts of the economy, which service international mission staff. This is because price escalation usually occurs only in the market segment of housing, hotels and restaurants catering to international standards and tastes. Mission deployment causes a rise in rental rates of the high-end housing market segment. However, there is little evidence that rates in this segment spread to the cost of rental housing in the local population market segment, and especially outside the capital cities.

Inflationary pressure on local wages was the largest inflationary effect noted by respondents in the UN mission study by Carnahan et al. This is because the missions generally pay higher wages than the public and private sectors, and wages do rise for scarce skilled labor[27]. This scarcity in post-conflict environments results from many of the most skilled members of the local labor force having fled the country during the conflicts that led to the UN mission's deployment. In all mission areas, the higher mission pay scale also causes a drain of talented people away from the bureaucracy to the mission. Wages set by missions with large civilian components or civil administration responsibilities can affect both public sector and private sector wages. They become the wage floor on which many donors and NGOs base their own wages. This puts upward pressure on public and private sector wages which cannot be affordably sustained by least developed countries like Liberia. It has definitely had an impact on public sector wages over time, as GoL agencies have increased their pay scales to attract and retain qualified personnel away from the UN, NGO and donor agency employers.

Most critically, high salaries in certain agencies of the public sector have created a public outcry over income inequality and the need to harmonize salaries of higher-level public servants versus the civil service. Some top government officials' monthly salaries currently range from US$ 15,000 to US$ 25,000 whereas a patrolman earns

[27] Carnahan, Durch and Gilmore, p. 4

US$ 157, an immigration officer earns US$ 100 and a C-Certificate public school teacher earns US$ 130 per month.

[28]The Daily Observer reported that in 2015, the then Minister of Finance and Development Planning announced that out of US$ 3.1 Billion of revenues generated between 2012 and 2015, about 60% was spent on government administration, including salaries and other incentives to government employees, with the bulk of spending distributed among top officials and very little to civil servants. This has helped to maintain GoL's recurrent budget above 80% of the total (for example, 86.7% in the FY 2017/18 Budget), diverting scarce counterpart funding away from its development budget. In 2012, the GoL's Agenda for Transformation development plan warned that to avoid future violent conflict, Liberia needs to address income inequality, widely share the rewards of economic growth, and deliberately spread the benefits across the population.[29]

2.2.7 IMPACT ON TAX REVENUES

The fiscal impact of UNMIL's presence in Liberia was very minimal in terms of tax revenue generation due to the UN's tendency to seek the maximum concessions from its host governments on taxation and user fees for itself, its staff and its contractors within the scope of the Convention on Privileges and Immunities of the United Nations or the "Convention"[30] . It provides a clear set of immunities to the UN and its staff including exemptions from all direct taxes such as income taxes, customs duties, taxation on salaries of UN officials, and duty free on importation of furniture and effects at the time of first posting of the staff. However, it is understood that the UN will not claim exemptions from charges on the use of public utilities and will not as a rule claim exemption from excise duties. Furthermore, beyond the initial importation of personal effects, officials are not granted exemptions on goods they import for their personal

[28] Dopoe, Robin. "House to Harmonize Salaries of Public Servants." Daily Observer, Monrovia, April 19, 2018
[29]Ibid
[30]The Convention was adopted by the UN General Assembly on February 13, 1946

consumption. The Convention also does not make reference to the tax treatment of contractors to the UN or national staff (Carnahan). However, additional immunities from taxation are contained in the UNMIL Status of Forces Agreement (SOFA)[31] including tax and duty privileges for contractors as follows:

1. The Government undertakes to assist UNMIL as far as possible in obtaining and making available, where applicable, water, electricity and other facilities free of charge, or, where this is not possible, at the most favorable rate, and in the case of interruption or threatened interruption of service, to give as far as is within its powers the same priority to the needs of UNMIL as to essential government services.

2. Waiver of duties, charges or taxes including value-added tax, on import and export of equipment, provisions, supplies, fuel, materials and other goods used in support of UNMIL, including import and export by contractors;

3. Waiver or refund of taxes and excise payable on goods purchased locally by UNMIL or its contractors for official use;

4. All necessary visas, licenses or permits for foreign contractors shall be issued by GoL free of charge

5. Contractors, other than Liberian nationals resident in Liberia, shall be accorded exemption from taxes in Liberia on the services provided to UNMIL, including corporate, income, social security and other similar taxes arising directly from the provisions of such services.

6. SRSG and high-ranking members of the SRSG of UNMIL staff plus Commander of the military component of UNMIL are accorded privileges and immunities of diplomatic envoys

7. UNMIL civilian officials and military personnel shall have privileges and immunities provided for in the SOFA

8. Locally recruited personnel of UNMIL shall enjoy the immunities concerning official acts and exemption from taxation and national

[31]Agreement between Liberia and the United Nations Concerning the Status of the United Nations Mission in Liberia, United Nations, November 6, 2003

service obligations

9. Members of UNMIL shall be exempt from taxation on the pay and emoluments received from the United Nations or from a participating State and any income received from outside Liberia. They shall also be exempt from all other direct taxes, except municipal rates for services enjoyed, and from all registration fees and charges. In summary, the overall impact of the maximization of various tax, duty and user fee exemptions, privileges and immunities has been to drastically reduce government revenues from one of the largest economic actors in the country during the peak years of UNMIL's operations. It has also undermined the building of a viable revenue authority capable of collecting enough revenue to fund the basic operations of the Government.

So, although National Staff earned average annual income of US$ 14.0 Million over the years of mission deployment, this income was tax exempt per point 8 above. This treatment in the SOFA is consistent with UN policies on salary, allowances, benefits and job classification, which states that most member states have granted UN staff exemption from national income taxation on UN emoluments. For the few member states that do tax their nationals, the UN organizations reimburse the income tax to the staff members.[32] In Table 18, we have estimated total income taxes lost on UNMIL national staff and GPP at US$ 42.1 Million or average US$ 2.6 Million per annum based on applicable tax rates.[33] Furthermore, as our efforts to get a breakdown of payments made by the mission to foreign versus local service providers have not been successful, it is not possible to determine whether or how much taxes were paid by Liberian contractors resident in the country during the mission's deployment.

In 2016, during a courtesy call by the LRA head on the UNMIL SRSG, it was acknowledged that there were issues of constraints being faced by UNMIL officers from local port officers at the Roberts International Airport during departure and arrival. The

[32]http://www.un.org/Depts/OHRM/salaries_allowances/salary.htm

[33]PricewaterhouseCoopers. (2013). A quick guide to Taxation in Liberia 2013. [Brochure]. Accra, GH: Author

SRSG's comments about resolving the challenges related to UNMIL personnel, that he saw no reason why UN personnel would not want to abide by the law of the country, and that there would be "no UNMIL protection for those who depart from the law"[34] seems to suggest that there may have been abuses by UNMIL staff in cases where legitimate user fees or duties were payable by them.

In many UN missions, there have also been major concerns over goods imported duty free leaking into the private market for resale. This has had the effect of hampering the development of local businesses having to compete with duty free goods imported for mission use and then sold privately. Furthermore, tax and duty exemptions for international contractors have given them a competitive edge over local contractors who have to pay tax. Also, local staff income tax and user charge exemptions for UNMIL personnel have made it more difficult to obtain compliance from private businesses on payroll tax deductions for employees and compliance in collecting user charges. This has adversely affected the tax compliance culture in the country.

2.2.8 SUMMARY OF LOCAL IMPACT

The most important impact of the deployment of UNMIL forces in Liberia beginning 2003 and onwards was the restoration of peace and the reduction of the risk of a resumption of conflict.[35] Peace is the single most important pre-condition for development and the resumption of productive investments in Liberia's legal post war economy whose GDP had declined by 90% – the greatest destruction since World War II. Peacekeeping missions such as UNMIL stimulate demand in depressed economic environments and economic growth is significantly higher in their presence compared to cases in which no peacekeepers are deployed[36]. The local economic footprint or local impact of spending of MSA by UNMIL international staff, local procurement and spending by national staff contributed an average 5.2% of Liberia's GDP between 2003 to 2018 with a range of 1.3% in FY 2017/18 to 11.2% in 2004/05 which was the UN mission's peak deployment year.

[34]Brooks, Cholo. "Liberia Revenue Authority Solicits UNMIL's Partnership to Enhance Tax Administration." Global News Network Liberia, Monrovia, February 25, 2016

[35]Bove&Elia, p. 2

[36]Bernd, Beber, Gilligan, Michael, Guardado, Jenny and Karim, Sabrina (2016).Challenges and Pitfalls of Peacekeeping Economies

The positive and negative impacts of the huge UNMIL deployment can be summarized as follows:

A. Positive Impacts

1. Contribution to GDP growth by maintaining the peacetime economy over the past 16 years after the initial kick-start from high mission-related local expenditures. Estimated US$ 551.8 Million total Local Expenditures per Table 17, with US$ 827.7 Million Local Impact during the deployment period.

2. Significant improvement in renovation and increase of the country's housing stock that was severely damaged during the civil war, via steady rental income of US$ 134.8 Million to property owners and investors.

3. Large investments to improve tourism sector infrastructure and significant increase in international standard hotels built or upgraded during the period in response to US$ 118.1 Million of MSA spent on food and recreation by international staff.

4. Development and entry into the formal construction sector by building contractors required by UNMIL to register businesses obtain professional certificates and show evidence of tax compliance per UN's international standards.

5. Hiring national staff in UN missions led to direct spending of significantly higher wages than local pay scale, totaling US$ 223.7 Million into the local economy.

6. Increased employment and capacity building in various service industries catering to the mission and its staff.

7. Increased local capacity development by various UNMIL training and staff development programs

B. Negative Impacts

1. Significant MSA spent by UNMIL international staff on housing led homeowners and investors to build an excess supply of high-end market housing.

2. The significantly higher UNMIL national staff pay scale than the local civil service and the private sector caused a brain drain of talented people away from those sectors.

3. Higher national staff wages also put upward pressure on public and private sector wages for middle and senior level positions, leading to public outcry over income inequality for the vast majority of workers.

4. Income tax (US$ 42.1 Million) and user charge exemptions for UNMIL national staff have adversely affected the tax compliance culture. They made it more difficult for private businesses to comply on payroll tax deductions for employees and in collecting user charges.

5. Tax and duty exemptions for international contractors gave them a competitive edge over local contractors who paid taxes.

6. Leaking of goods imported duty free for mission use and then re-sold in the private market hampered the development of local businesses competing against such goods.

7. Loss of employment UNMIL national staff and government provided personnel (GPP) at an average extended family size of 7 and using the average 752 headcount, at least 5,264 persons will be adversely affected.

8. Most controversial aspect is the characteristic growth of the local sex trade industry which leads to sexual exploitation, abuse, brothels linked to human trafficking rings, forced prostitution and organized

criminal syndicates that control trafficking. There is also, a high risk of infection from HIV/AIDS and other sexually transmitted diseases.

3.0 ECONOMIC IMPACT OF UNMIL DEPARTURE

Our review of the literature shows that the UNMIL drawdown has had multiple impacts on the Liberian economy. However, although it has acknowledged the significance of this key macroeconomic factor, it has been difficult to isolate its impact among other equally significant factors such as the lingering effects of the Ebola epidemic and price declines for Liberia's key iron ore and rubber commodities.

3.1 IMPACT ON NET FX INFLOWS L$ EXCHANGE RATE

Nevertheless, during a press conference on July 16, 2016 the Executive Governor of the Central Bank of Liberia (CBL) highlighted the significant impact the progressive drawdown of UNMIL troops and international personnel as well as reductions of national staff levels over the past few years has had on net FX inflows and the exchange rate of the Liberian Dollar against the United States Dollar. [37]Figure 8 below highlights the trend of FX inflows into Liberia based on the gradual reduction of UNMIL's operations in Liberia. We have used Annual Local Expenditure figures from Table 17 as indicators of actual inflows spent in Liberia. Note the sharp drop in annual inflows beginning 2014/15 and which will end at practically zero inflows after the June 30, 2018 deadline for full UNMIL withdrawal from Liberia.

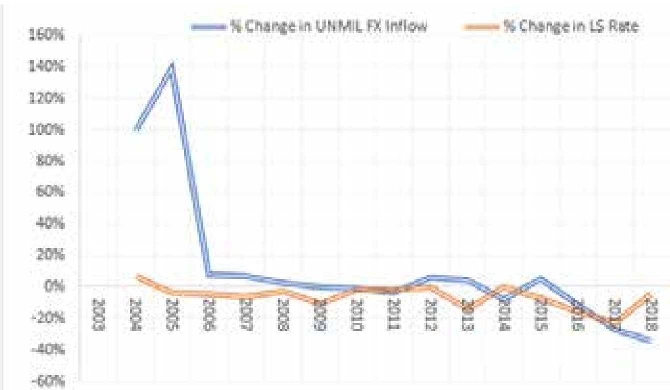
[37]http://gnnliberia.com/2016/07/15/cbl-governor-says-unmil-drawdown-gives-rise-depreciation-liberian-dollar-united-states-dollar/

Figure 9: UNMIL FX Inflows

Source: UNMIL Budget Performance Reports2003-2017 and 2018 Budget

At that time, the rate was L$98:US$1.Between December 2016 when the rate was 102.5:1 and December 2017 at 125.5:1 there was a 22.5% depreciation of the L$[38]. Based on annual declines in UNMIL FX inflows between 2015 and 2018 and information on end of period exchange rates from the Central Bank of Liberia Annual Reports covering 2003 to 2017, we have charted movements in FX inflows and$ exchange rates as follows:

Figure 10: UNMIL FX Inflows and L$ Exchange Rates



Source: United Nations and Central Bank of Liberia

[38]Central Bank of Liberia, Annual Report 2017

Furthermore, although there appears to be some correlation between FX inflows and the exchange rate movements, the CBL has acknowledged that in addition to declining UNMIL FX inflows, the L$ depreciation was the result of several factors such as deteriorating terms of trade (due to iron ore and rubber price declines versus the cost of imported goods and services), high demand for forex to facilitate imports, reflected by the high demand for foreign exchange through the CBL's foreign exchange auction and increased Liberian dollar expenditure by GoL, especially during the second and third quarters of the year.[39] We agree with the CBL given the magnitude of the UNMIL related US$ inflow numbers which have not exceeded US$ 45 Million in any given year, per Figure 8 above, in relation to the country's overall BOP numbers discussed below.

The IMF also added pre-election capital flight as another factor. Since then, the rate has further depreciated to 141:1 as of May 25, 2018. In its 2017 Memorandum of Economic and Financial Policies (MEFP) for the 7th and 8th Reviews under the IMF's Extended Credit Facility, GoL advised that in addition to delays in foreign direct investment and job creation caused by declining iron ore and rubber prices, the drawdown of UNMIL has significantly weakened demand in the domestic economy.[40] As a result, the country's IMF program target on the net foreign exchange position of the CBL was missed due to a swap arrangement with GoL to cover high US$ commitments of GoL including elections and security expenditures[41].

Liberia's gross international reserves position (including SDRs and Reserve Tranche) as of December 2017 dropped by 15.0%to US$499.7 million, from US$588.0million in 2016. This decline affected GoL's ability to redeem a US$ 30 Million swap. Default on the swap was due to lower GoL foreign exchange revenue intake, lower-than-expected sales of foreign exchange to the CBL by GoL and increased intervention by CBL on the foreign exchange market.[42] GoL has

[38]Central Bank of Liberia, Annual Report 2017

[39]Ibid, p. 37

[40]2017 International Monetary Fund. IMF Country Report No. 17/348. LIBERIA.

[41]Ibid. p.99

[42]Central Bank of Liberia, Annual Report 2017, p. 29

been unable to sell foreign exchange to the CBL due to lower than expected revenue collection in foreign currency. The CBL reports that Liberia's net foreign reserves position also decreased by 9.7% between 2016 and end-December 2017.

However, in terms of contribution to this decline and per Table 17, UNMIL FX inflows declined by only US$ 15 Million between 2015/16 and 2016/17!So, the decline was impacted mostly by other factors. Table 9provides more information on the CBL's FX reserve position.

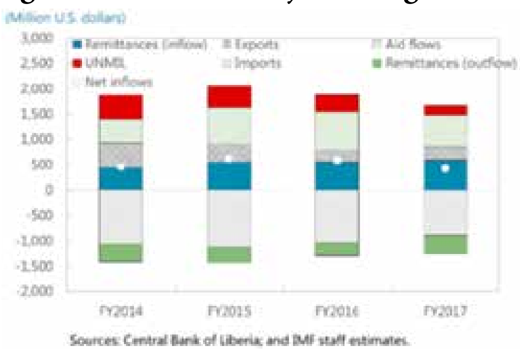
Table 9: Stock of International Reserves (2015-2017)
(In millions, US$ unless otherwise indicated)

Foreign Reserve	End-Dec-2014	End-Dec-2015	End-Dec-2016	End-Dect-2017
Gross Foreign Reserve	517.0	560.5	588.0	499.7
Net Foreign Reserve	220	164.0	176.0	154.8
Months of Import Cover	2.6	3.4	3.6	4.6

Source: Central Bank of Liberia

Figure 11 below illustrates the IMF's analysis of how net foreign exchange inflows have reduced. Net inflows are measured by the sum of the four largest inflows (UNMIL-related flows as proxied by the UNMIL budget, aid flows, commodity export receipts and inflows

Figure 11: Liberia: Major Foreign Exchange Flows, FY2014-17



Source: Central Bank of Liberia and IMF staff estimates of remittances) less the largest outflows (imports and remittances), have declined by 28% between FY end 2016 to FY end 2017.

The IMF reports that the above decline has been driven mainly by the UNMIL withdrawal and a decline in net inflows of aid.

However, we differ with the above assessment of the IMF with respect to annual UNMIL inflows, which we believe is misleading and appears to have been based on Gross Annual UNMIL expenditures as follows:

Table 10: UNMIL Annual Expenditures vs. UNMIL Annual FX Inflows (In US$ Millions)

	2013/14	2014/15	2015/16	2016/17
UNMIL Gross Annual Expenditures	447.9	410.9	313.3	182.9
UNMIL FX Inflows	41.1	43.1	38.1	27.9
Local Impact assuming 1.5 Multiplier	61.7	64.7	57.1	41.9
Annual Change in UNMIL FX Inflows	(3.7)	2.0	(5.1)	(10.2)
UNMIL FX as % of Gross Expenditures	2.7%	4.8%	5.4%	6.0%
UNMIL FX as % of Gross FX Reserves	7.9%	7.7%	6.5%	5.5%

Source: Central Bank of Liberia and United Nations

Furthermore, our analysis of the hard numbers in Annex A.1, annual UNMIL FX inflows to the Liberian economy averaged US$ 34.5 Million with a median of US$ 42 Million over the past 16 years. However, we note from Table 10 that those FX inflows constituted less than 6% of UNMIL total annual expenditures and that they were less than 10% of the country's annual foreign exchange reserves. Furthermore, between 2014 and 2017, the net decline in UNMIL FX inflows was only US$ 17 Million.

Therefore, we believe that the focus in official statements up to now on the impact of declining UNMIL foreign exchange inflows is too overstated considering the level of the country's Gross Reserves.

What can be said, however, is that those flows were generally in direct correlation to the trend of declining FX reserves, albeit not as significant. Given the above findings, we believe that it is important to highlight additional macroeconomic factors that have not been given prominence so far in the analyses of GoL and the IMF with respect to the root causes of Liberia's very fragile BOP situation, its related foreign exchange reserve situation, the risk of persistent future depreciation in the Liberian Dollar, vulnerability to external shocks, and debt sustainability. Most importantly, as UNMIL leaves Liberia's shores, we need to more clearly understand the linkages between Liberia's situation as an exporter of highly volatile primary commodities and persistent conditions of political instability and civil conflict. There is more on this below.

3.2 IMPACT ON INFLATION

In the absence of significant new sources of foreign exchange to establish equilibrium in the country's balance of payments, GoL's policy options are limited to smoothing out volatility in the foreign exchange rate through market interventions to prevent a rapid fall of the L$, as well as exercising fiscal restraint to avoid a costly overshooting of the FX rate plus second-round inflationary impact.[43] The overriding objective of such interventions has been to avoid undue hardship for the most vulnerable groups of our people in terms of inflation and reduced purchasing power. According to the CBL, depreciation of the L$ has led to sharp increases in inflation from 8.8 percent in 2016 to 12.4 percent in 2017. The rise in global petroleum prices coupled with GoL tax policy on petroleum products was also cited as another factor. As at end-November, CBL interventions in the FX market had risen from US$ 49.6 Million compared to US$ 24.5 Million for the same period in 2016[44].

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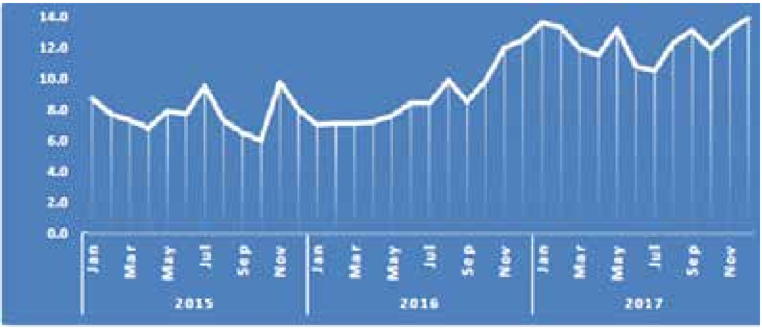
[43]IMF Country Report 2017, p. 36

[44]Staff Writer, "Central Bank Denies There's Cash Shortage, as Inflation Rises to 12.4%." News Public Trust, December 22, 2017

Figure 12: Year-on-Year Rates of Inflation (2015-2017)

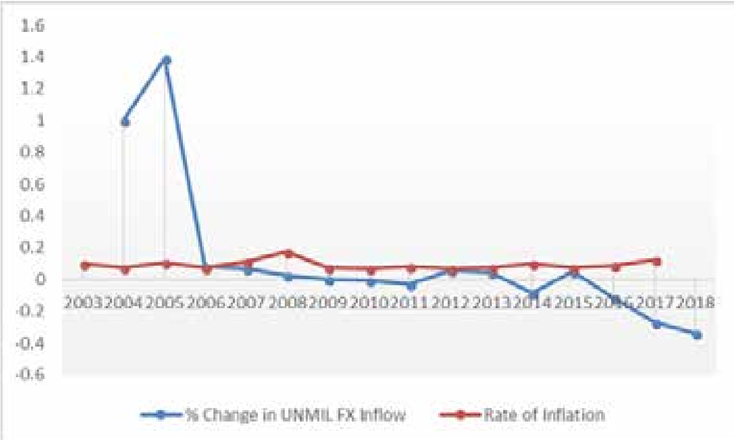


Source: Central Bank of Liberia and Liberia Institute of Statistics and Geo-Information Services

However, we have seen from the information given above on the quantum of FX inflows from UNMIL-related spending in-country, that this could not have been relied upon to significantly halt the depreciation of the L$ through FX market interventions by the CBL. Although in all fairness, it is important to note the significant impact of spending an average US$ 14.0 Million annually by families of UNMIL national staff on goods and services in the economy or average annual local UNMIL FX inflows of US$ 34.5 Million during its 16-year deployment, these figures pale in comparison to the balance of trade aggregates of over US$ 1.2 Billion in 2016for annual imports. Imports include US$ 605.5 Million for food and live animals (US$ 268.0 Million) plus petroleum products (US$ 337.5 Million), two items that constitute 50% of imports.

Figure 13 also seems to indicate a low correlation between UNMIL FX inflows and inflation, which is consistent with the analysis on the impact of other macroeconomic variables.

Figure 13: UNMIL FX Inflows and Inflation Rates



Source: United Nations and World Bank

Please refer to BOP Table 11 below.

Table 11: Annual Balance of Payments (BOP) Statistics (2015-2017) (In millions, US$ unless otherwise indicated)

Description	**2015**	**2016e**	**2017p**
Current account	**-852.3**	**-325.4**	**-346.5**
Credit	2401.2	2122	1457.4
Debit	2086.3	2447.4	1803.8
Goods and services	-1360.3	-1514.1	-781
Credit	486.5	370.4	461.7
Debit	1846.8	1884.6	1242.7
Trade Balance	-1,268.00	-1,040.70	-629.3
Credit (Exports)	**283.3**	**279.3**	**388.8**
Iron ore	141.8	48.2	63.3
Rubber	61.1	56	68.1
Mineral (Diamond & Gold)	53.4	145.3	220.4
Palm oil	0.3	1.5	8
Other exports (excluding gold)	26.7	28.3	29.1
Debit (Imports)	**1,551.40**	**1,210.30**	**1,018.20**
Food and Live Animals	356.5	268	267.5
O/w Rice	171.9	95.2	109.3
inerals, Fuel, Lubricants1	431.6	353.6	212.3

O/w Petroleum Products	365.7	337.5	189.7
Machinery & Transport Equipment	371.8	136.5	229.9
Other Imports	391.5	452.2	308.5
General merchandise on a balance of payments basis	**-1,294.60**	**-921.9**	**-800.6**
Credit	256.8	279.3	201.3
Debit	1,551.40	1,201.30	1,018.20
Of which Re-exports (credit)	7.4	40.5	0.1
Services	**-92.3**	**-473.4**	**-151.7**
Credit	203.1	200.8	72.9
Debit	295.4	674.2	224.6
Primary Income	**112.9**	**-252.7**	**-44.1**
Credit	39.1	23.3	20.2
Debit	-73.9	276	64.3
Secondary Income	**1,422.60**	**1,441.50**	**478.6**
Credit	1,736.10	1,728.30	975.5
Debit	313.4	286.8	496.8
Capital Account	**99.6**	**41.6**	**65.4**
Credit	99.6	41.6	65.4
Debit	0	0	0
Net Lending (+)/Net Borrowing (-): Current & Capital Accounts balance	-738.1	-283.8	-281
Financial Account			
Net acquisition of financial assets (+)/Net incurrence of liabilities	-1,089.80	-558.2	-661.5
Direct investment	**-736.5.**	**-501.7**	**-247.8**
Net acquisition of financial assets	0	0	0
Net incurrence of liabilities	736.5	501.7	247.8
Other investment	**-389.7**	**-491.7**	**-326**
Net acquisition of financial assets	-238.6	-469.1	-185.8
Net incurrence of liabilities	151.1	22.6	140.2
Reserve assets	36.4	35.1	-87.7
Special drawing rights	6.3	-32.4	3.3
Reserve position in the IMF	0	48.8	0.7
Other reserve assets	30.1	18.7	-91.7
NET ERRORS & OMISSIONS	**-351.7**	**-274.5**	**-380.5**
MEMORANDUM ITEMS			
Gross Foreign Reserves Position	560.5	588	500.5†

Import Payments (cif)	1,687.20	1,301.80	1,110.80
Imports (cif) & Service Payments	1,982.60	1,976.00	1,335.40
Current Account Bal. Excl. Grants	-1,927.00	-1,310.90	-825.1
Nominal GDP	**2,038.00**	**2,101.00**	**2,190.00**
Current Account Bal. Incl. Grants % of GDP	-41.8	-15.5	-15.8
Current Account Bal. Excl. Grants % of GDP	-94.6	-62.4	-37.7
Trade (in goods) Deficit % of GDP	-62.2	-49.5	-28.7
Months of Imports Cover	3.4	3.6	3.7††

Source: IMF Country Report 2017

Most crucial in the above analysis of the impact of the UNMIL departure on inflation is that its local expenditure numbers are negligible vis-à-vis the above aggregates, and especially the cost of rice and petroleum products which are increasingly being paid by the general populace in L$. The CBL advised that rises in the global prices of those two commodities are likely to outweigh medium term increases in the export prices of Liberia's key commodities of iron ore and rubber, and thus induce inflationary pressure.[45] So the impact on inflation from the withdrawal of UNMIL from Liberia will be insignificant.

3.3 IMPACT ON GDP GROWTH

According to the IMF, the above-mentioned reduction in net foreign currency inflows has impacted real incomes of households, aggregate demand and domestic absorption, and contributed to poor growth performance. Furthermore, per Table 12 below, the CBL advised that real GDP (i.e., inflation adjusted) contracted by 1.6 percent in 2016 due to lower production in the mining, forestry, and manufacturing sectors and a higher than estimated impact of the UNMIL drawdown, despite some recovery in the agriculture sector.

[45] CBL Annual Report 2017, p. 14
[46] IMF Country Report 2017, p. 35

Table 12: Liberia: Sectoral Origin of Gross Domestic Product (GDP) (At 1992 Constant Prices: 2015-2018) (In Millions of US$)

Sector	2015	2016	2017+	2018*
Agriculture & Fisheries	218.2	232.2	236.3	242.5
Forestry	94.8	94.8	87.2	83.7
Mining & Panning	103.5	69.3	89.3	92
Manufacturing	63.5	60.2	61	62
Services	416.4	425.1	429.4	434.5
Real Gross Domestic Product	**896.4**	**882.1**	**904.1**	**939.4**

Source: Liberian Authorities & IMF Staff estimates and projections
* Projections + Revised/Actual

Available information to date indicates that the recovery in 2017, with growth originally expected to reach 3¼ percent, may now be lower at 2.5%, to US$ 904.3 Million due to significant increases in the mining and panning sector by 28.8% due to rising industrial gold production and better than expected performing in the manufacturing (cement) sector by 1.4%.[47] The CBL expects real GDP to grow by 3.9% in 2018 subject to key risks of price declines in iron ore and rubber, infrastructural challenges and GoL tax policy. Nevertheless, over the medium term, the IMF expects GDP growth to rise steadily to 7% led by the mining sector, with support from the agriculture, services and manufacturing sectors. All these sectors are expected to benefit from structural reforms and infrastructure investment that were carried out throughout the ECF-supported program. However, we believe that a very substantive reforming of the agricultural sector will be required versus the half-hearted efforts exhibited by previous governments, in order for agriculture to significantly boost the country's GDP. More is on this below.

Nevertheless, with respect to the key focus of this study, our empirical research now shows that the Local Impact of UNMIL-related spending as a share of GDP has declined from 11.2% during

[47] CBL Annual Report 2017, p. 15

the peak deployment year of 2004/05 to less than 3% as the country's post-conflict GDP has grown based on increasing investments in the legal, peace time economy. So, although the literature and our actual experience has shown that annual UNMIL-related local spending had a significant impact on stimulating growth of the country's stagnant GDP during the early postwar years, its potential impact on GDP growth as UNMIL draws down has now become much less significant in both absolute and relative terms. Perhaps the greatest impact of the UNMIL deployment as the mission shuts down by June 2018 will be its contribution to GDP growth by maintaining the peacetime economy over the past 16 years after the initial kick-start from mission-related local expenditures.

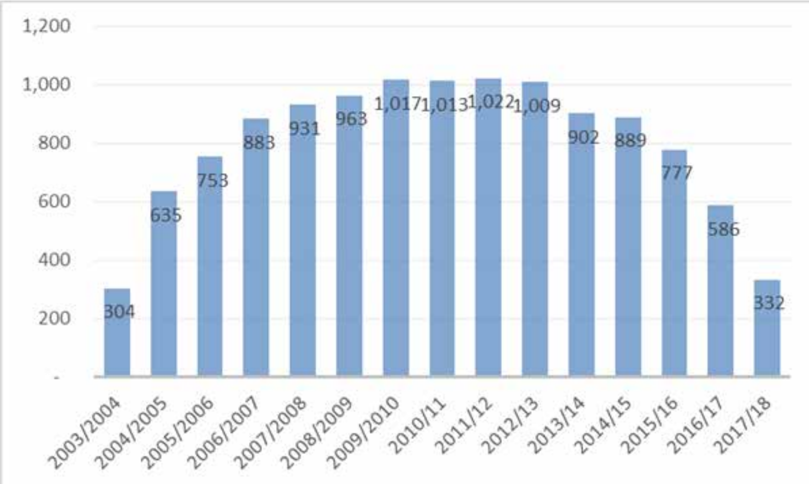
▶ 3.4 IMPACT ON EMPLOYMENT

One major impact of the UNMIL drawdown will be the loss of employment by its national staff and government provided personnel (GPP) whose head counts have averaged 737 and 15 per annum (total 752) during most of the mission's deployment.[48] National staff headcount including GPP has ranged from 304 to 1,022 persons during this period. At an average extended family size of 7, the impact of the drawdown on local families of the mission's national staff using the average 752 headcount is at least 5,264 persons adversely affected. Given, as mentioned earlier, that national staff salaries are much higher than the local cost of living of the immediate family, the impact could be higher through extended family and other beneficiaries of those staff.

Please refer to Table 13 below for movements in the total number of national staff and GPP employed by UNMIL during each year of its deployment.

[48]The Government provided personnel category only began in 2009/10 per Table 18, with a range of 5 to 31 staff.

Table 13: UNMIL National Staff & GPP



Source: UNMIL Budget Performance Reports2004-2017 and 2018 Budget

Another indirect employment impact will be via local service contracts lost in construction, cleaning, garbage disposal, security guards, cooks, housemaids and other services to the mission. So will declines in UNMIL-related business revenues to hotels, restaurants and entertainment centers affect staffing levels in those businesses. However, we note that many of those businesses have been gradually adjusting to the declining levels of mission expenditures since 2012/13,even though the final 2018 mission closure could have a residual impact.

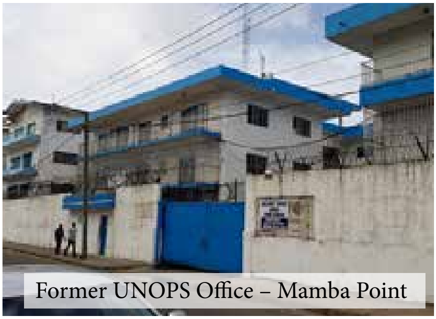
3.5 IMPACT ON REAL ESTATE MARKET

The most visible impact of the UNMIL drawdown is the impact on the high end residential and office space market segments. As mentioned earlier, the protracted presence of UNMIL over 16 years and the high proportion of MSA spent on housing encouraged the creation of a housing glut. This glut has been further exacerbated by the decision of the United Nations to consolidate all UN operations into the Pan African Plaza building in Sinkor. As a result, there are a large number of vacant apartments and office spaces in the Mamba Point and Sinkor areas. These were the main areas in Monrovia that provided residential housing for UNMIL international staff and office space for the various UN agencies like the UNDP, UNICEF, WHO, UNESCO, UNFPA, UNAIDS, UNWOMEN, UNIDO, UNHABITAT, IOM, UNHCR, UNOPS, ILO, FAO and WFP.

Below are several photographs of vacant buildings formerly rented by UN agencies, vacant rental housing plus empty new buildings contributing to the current housing glut:

Figure 14: Vacant UN Offices, High End Housing and Offices

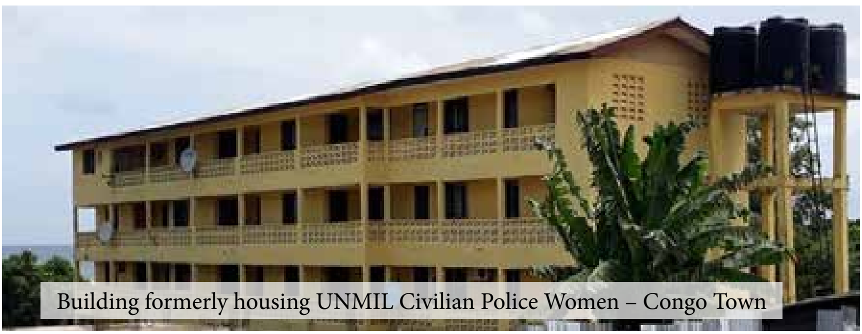
Former UNHCR Office – Mamba Point



Former UNOPS Office – Mamba Point

Former UNDP Office – Mamba Point

Empty former UN Office Building – Mamba Point



Building formerly housing UNMIL Civilian Police Women – Congo Town


Vacant building – 5th Street Sinkor


Vacant apartment building – Warner Ave., Sinkor


Mixed use building – SekouToure Ave. Mamba Point


Vacant building – 18th Street Sinkor

▶ 3.6 IMPACT ON FISCAL POLICY

Again, one of the factors given by the Liberia Revenue Authority for a US$7.2 Million under performance in tax collections is the impact of the UNMIL drawdown, along with election year speculation and foreign exchange pressure, which led to contraction in the tax base.[49]

[49]Liberia Revenue Authority, Annual Report 2016-2017, p.28

However, while it may be true for taxes on goods and services from service sectors catering to the reducing presence of international staff as well as lower numbers of national staff hired by UNMIL, this assertion does not hold otherwise, based on the information given in Section 2.2.7 on the UN's tendency to seek the maximum tax and user fee concessions from its host governments for itself, both its international and national staff plus its contractors within the scope of the Convention on Privileges and Immunities of the United Nations plus the SOFA. Based on the exemption of locally recruited personnel (i.e., national staff and GPP) from taxes per clause VI.30 of the SOFA, we have estimated average annual income tax revenues of US$ 2.6 Million or a total of US$ 42.1 Million lost by GoL during the UNMIL deployment period due to non-payment by national staff and GPP's. Therefore, going forward, there would be no losses in income taxes related to job losses of national staff due to UNMIL's departure.

Because UNMIL advised us that they were not in position to provide more precise data including the breakdown of local versus foreign vendors on service contracts, it has not been possible to estimate tax revenues on contracts between the mission and locally resident service providers that are not tax exempt.

Table 14: Liberia Government Budget, FY2017-181
(Millions of U.S. dollars)

	FY2017		FY2018	
Millions of U. S. dollars	Program (5th& 6th Review)	Estimates	Approved Budget	Baseline
Revenue and Grants	**569**	**533**	**562**	**537**
Revenue	499	466	502	491
Tax	403	382	399	392
Income & profit	145	144	148	147
Goods & services	60	49	54	53
International trade	192	185	190	185
Others	6	5	8	8
Non-tax				

of which: Import fuel surcharge	43	28	36	34
Grants				
of which:			10	5
Total Expenditure	**576**	**548**	**552**	**524**
Excluding election cost	556	531	527	499
of which: Spending on the road fund			26	21
Current expenditure	539	497	517	495
of which : Compensation of employees	255	289	289	289
of which : Goods and services	155	132	128	123
Capital expenditure	37	51	35	30
Overall balance	**-7**	**-15**	**10**	**13**
In percent of GDP	-0.3	-0.7	0.5	0.6
Financing	**7**	**15**	**-10**	**-13**
Borrowing	18	23	0	0
Amortization	-13	-6	-12	-15
Deposit financing (+: withdrawal, -: deposit)	2	-2	2	2
Memorandum				
Nominal GDP	2183	2084	2154	2154
Tax-GDP ratio (percent)	18.7	18.3	18.5	18.2
Revenue & grants, including off-budget grants	695	611	635	635
Expenditure, including off-budget projects	860	766	774	762
Overall balance	-165	-155	-140	-127
1This table summarizes fiscal operation only under the budget. Thus, the numbers are different from the ones in Table 3a and 3b, which includes off-budget activities. Also, because of differences in revenue and spending classifications, presented numbers are different from the text table in the Memorandum of Economic and Financial Policies although both tables refer to the budget operations.9				

Source: Liberian authorities; and IMF staff estimates and projections.

The UNMIL drawdown has also generated significant fiscal pressure with GoL having to increase spending on security sector and civil administration in various counties. According to the MFDP, ensuring that national security is enhanced and sustained after the drawdown was one of the top priorities for the Security and Rule of Law Sector in the FY 2016-17[50] and FY2017-18 Budgets.is to provide security for the state in the wake of election and leadership transition, as well as the recruitment and training of officers to replace exiting UN

[50]Ministry of Finance and Development Planning, Fiscal Outturn Report for the Third Quarter: Fiscal Year 2016/17. March 2017

forces.[51] Thus, although the appropriation for the sector declined by 9% from US$ 94.9 Million in FY 2016-17 to US$ 86.0 Million, the compensation budget increased by US$ 800 thousand.

Implementation of the FY 2017/18 budget faces substantial fiscal risks emanating from potential delays in donor support and decline in international trade, with $24 million (1.1 percent of GDP) unlikely to be realized. Fiscal management responses will include expenditure reductions plus contingent revenue and expense controls. The overall fiscal deficit including off-budget expenses is estimated at US$ 127 Million or 5.9% of GDP and expected to reduce to 3% in the medium term via sustained fiscal consolidation including freeze on hiring outside of the health and education sectors, travel restrictions and postponement of wage reforms.

On the revenue side, GoL intends to enhance domestic resource mobilization through improved tax compliance, reducing leakages, taxpayer education and desk audits for large taxpayers, reviewing Liberia Revenue Code to address shortcomings,. reviewing current investment incentives and planning to implement VAT in 2019. Structural reforms include amendments to the PFM legal/regulatory framework to strengthen fiscal responsibilities, ensure efficient budget execution and financial management; and to improve SoE governance, internal controls, and cash management. However, it is important to note that these measures are not the direct result of the UNMIL departure, given the magnitude of tax losses and the overall insignificant impact of the mission on GoL revenues.

3.6 FRAGILITY, VULNERABILITY AND DEBT MANAGEMENT

AS UNMIL fully draws down its presence in Liberia, it is leaving behind a fragile and vulnerable country with many of the systemic elements in place that led to socio-economic and political upheaval, and eventually civil war; which necessitated UNMIL's deployment in 2003-04.

[50]Ministry of Finance and Development Planning, National Budget Fiscal Year 2017-2018, p. 5

The crux of all the above empirical analyses and narratives in the various literature reviewed including previously erroneous conclusions on the magnitude of the impact of the UNMIL drawdown, as well as other much more significant exogenous shocks to the Liberian economy, is to highlight how fragile the Liberian economy is, due to its historical dependence on a few commodities. Iron ore and rubber have continued to be exported in very low volumes relative to the size of Liberia's trade deficit, and in primary form for almost seven (7) decades without any value-added transformation. Lack of value-added processing in Liberia is because these two commodities create jobs in the destination countries whose economies are structured to transform them into finished goods with higher and more stable prices in end markets.

Furthermore, Liberia's huge annual trade deficits in excess of US$ 1.0 Billion or more than 60% of GDP, indicate a highly import-dependent economy that does not produce in any significant quantity what it consumes, and does not generate enough FX to cover its import bill, foreign debt service and other factor payments. The following BOP statistics and especially the actual 2015 figures highlight the country's vulnerability:

Table 15: Selected Balance of Payment Indicators

	2015	2016e	2017p
Current Account Balance Including Grants % of GDP	-41.8	-15.5	-15.8
Current Account Balance Excluding Grants % of GDP	-94.6	-62.4	-37.7
Trade (in goods) Deficit % of GDP	-62.2	-49.5	-28.7
Months of Imports Cover	3.4	3.6	3.7††
Iron Ore exports as % of trade balance	11.2	4.6	10.1
Rubber exports as % of trade balance	4.8	5.4	10.8
Diamond & Gold exports as % of trade balance	4.2	14.0	35.0
PV of Debt-to-Exports	40.0	99.0	76.5
PV of Debt-to-GDP (%)	_14.0__	23.4	23.1

Source: IMF – 4th ECF Review 2015 &Country Report 2017

The very high ratio of the country's current account deficit excluding grants to GDP indicates a low savings rate, high dependency on external grant or high grant element funding to finance the country's import and development needs. Furthermore, in countries with incomplete financial markets such as Liberia, it indicates a high susceptibility to abrupt reversal of financial flows due to international market sentiments. It is closely linked to changes in international reserves, capacity to import, and capacity to service debt along with other measures of economic development and macro-stability. Also, it is a key indicator of the degree of pressure to depreciate the real effective exchange rate of the national currency.[52] The high ratio of trade deficit to GDP ratio indicates the country's high import dependence.

An analysis of Liberia's balance of payments confirms the IMF's Debt Sustainability Analysis assessment of moderate but close to high debt vulnerability. This is because the country's post-HIPC debt stock has increased rapidly since 2010 to US$ 736 Million. The IMF expects the PV of debt-to-GDP ratio to increase from 23.1% in 2017 to 27.5% in 2019. However, downward revisions in the debt-to-exports ratios are expected to continue into 2019 due to increased gold and iron ore exports, although tolerances are relatively slim (perhaps due to the risk of adverse commodity price fluctuations). Continued debt vulnerability calls for a prudent debt management policy, a credible path of revenue mobilization and fiscal consolidation, plus structural reforms to promote growth and economic diversification. The IMF advised that while prioritizing infrastructure investments to remove binding constraints, GoL should moderate debt distress risk by seeking grants and concessional loans to finance them. However, they did not mention PPP arrangements that have also been used successfully several decades by other African countries in similar debt sustainability situations[53] to finance infrastructure investments without increasing government debt provided those arrangements are properly structured. There is also a need to diversify the economy to make it more resilient to external shocks as a commodity exporter and to create fiscal space to meet social and development needs (poverty reduction) while ensuring productivity.[54]

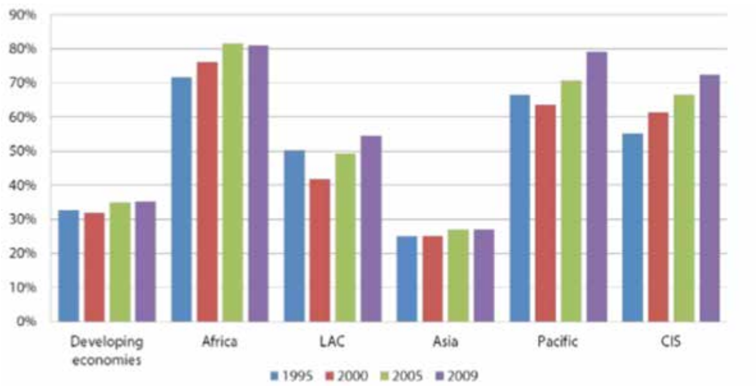
[52]http://www.un.org/esa/sustdev/natlinfo/indicators/methodology_sheets/global_econ_partnership/current_account_deficit.pdf

[53]For example, since 1990, la Cote d'Ivoire has carried out 10 PPP transactions totaling US$ 2.7 Billion to finance energy, road transport, ICT, airports, ports, toll bridges, railways and natural gas pipeline. Please see https://pppknowledgelab.org/countries/c%C3%B4te-d%E2%80%99ivoire

[54]IMF Country Report, p. 89

In a study of the impact of high dependence by developing countries on primary commodity exports, the UNDP noted that the types of commodities exported by a country are an important determinant of a country's vulnerability to exogenous economic shocks.[55] Most developing countries depend on primary commodities for export revenues and, of the 141 developing countries, 95 depend on primary commodities for at least 50 percent of their export earnings. Per Figure 15, these countries generally fall in the group of Africa, Pacific and CIS (i.e., Commonwealth of Independent States or a grouping of about 26 former Soviet republics). On the other hand, the much more stable and fast developing BRICS (Brazil, Russia, India, China and South Africa) nations fall in the group of Developing, LAC (i.e., Latin American and Caribbean countries) and Asia countries.

Figure 15: Share of primary commodities in total exports by region, 1995-2009



Source: *Calculated using data from UNCTAD, Handbook of Statistics 2009*

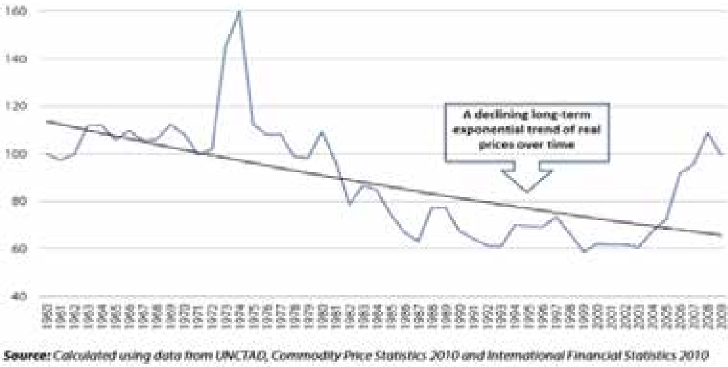
Furthermore, the higher the share of primary goods in a country's exports, the more likely it is to be vulnerable to external shocks. Most primary commodity exporting countries suffer from widespread poverty and have low human development indicators (HDI). The UNDP advised that 26 of the countries with the lowest HDIs were either among the 54 agricultural commodity-dependent exporters

[55]United Nations Development Program, Commodity Dependence and International Commodity Prices, in "Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty." October 13, 2011, p. 58

identified by the European Union or the 25 most mineral-dependent or 25 most oil-dependent countries in the world.

However, international commodity prices are notoriously volatile in the short to medium term, sometimes varying by as much as 50 percent in a single year (South Centre 2005). Moreover, price volatility is increasing over time and across a broad range of commodities. "In the past 30 years, there have been as many price shocks across the range of commodities as there were in the preceding 75 years" (Brown 2008).[56] Table 16 illustrates the increasing volatility of primary commodity prices over several decades since 1990.

Table 16: Average Monthly Price Instability over Time



As UNMIL draws down, perhaps the most significant factor in the overall analysis is that periods of major socio-political upheaval in the world and Liberia in particular, are closely correlated with periods of commodity price decline! Commodity price cycles are associated with significant political, economic and diplomatic changes in world history.[57] According to Kemp, developing countries such as Liberia have always had to contend with unusually high volatility in export earnings and output due to extreme variability in commodity prices. These assertions appear to be true when one closely examines the peaks and troughs of Chart 16, which shows a generally downward slant in movements in the index of real commodity prices with several

[56] Ibid, p. 58

[57] Kemp, John, "COLUMN-Trouble looms for developing countries as commodity revenues collapse: Kemp." INTEL, September 29, 2015

short duration price peaks between 1960 and 2009. For example, the 1979 Rice Riots and the 1980 Coup occurred during the same period of decline in the index. So also did the 1986 Quiwonkpa invasion, the 1989-90 NPFL incursion, plus commencement of our second civil war in 1999!

Given the above close correlation, there is an urgent need to reduce the risk of future recurrence of conflict and instability by focusing on fundamental reforms to diversify the Liberian economy and expand the tax base. Such reforms would help to counteract the country's high import dependence and heavy reliance on export of very low volumes of a few highly volatile primary commodities.

4.0 THE WAY FORWARD POST-UNMIL

To reduce vulnerability to external shocks such as Liberia experienced due to the UNMIL withdrawal and other much more significant macroeconomic factors, the African Development Bank advises that Liberia and other West African countries in similar situation must increase domestic input into its products through manufacturing, especially processing of minerals and agricultural products.[58] Furthermore, given the debt sustainability concerns highlighted above, the country's debt management strategy should focus on alternative approaches to financing infrastructural development such as Public-Private Partnerships (PPP) which, if adequately structured, can result in the debt acquired to finance the investment not being reflected on the balance sheet of the government or public sector entity directly involved in the project.[59] Therefore, PPPs tend to be more common in countries where governments suffer from severe debt burdens. Such PPPs can be structured to cover farm-to-market roads, irrigation projects, agro-processing, wholesale markets and trading centers[60], rural renewable energy and other projects to

[58]African Development Bank, West African Economic Outlook 2018: Macroeconomic developments and poverty, inequality, and employment. Labor markets and jobs, 2018

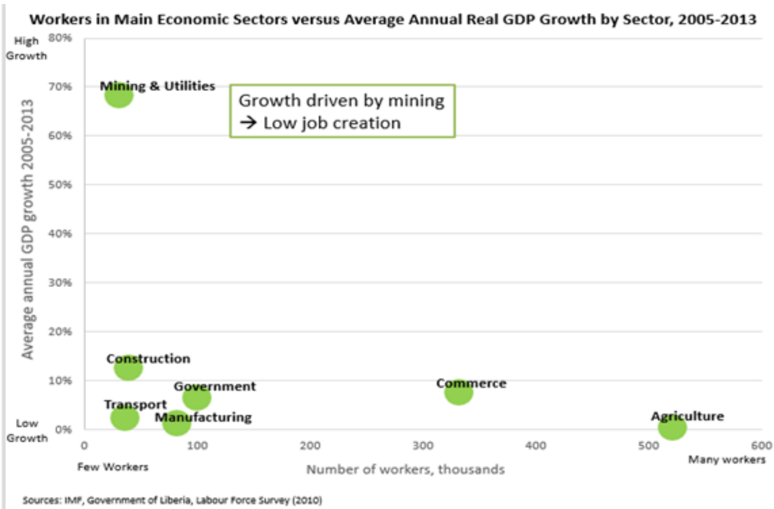
[59]Mühlenkamp, H (2014) Public-Private Partnerships and Government Debt, in CESifo DICE Report 3/2014

[60]Warner, M. and Kahan, D. (2008) Market-oriented agricultural infrastructure: Appraisal of public-private partnerships, in Overseas Development Institute for Food and Agricultural Organization, Project Briefing No. 9

enhance agricultural and manufacturing productivity with support from private investors, multilateral and bilateral lenders and donors without breaching public debt sustainability criteria.

The way the Liberian economy is currently structured contributes to high unemployment, vulnerability and deep-seated poverty. This is because of less policy focus in the past on the agricultural sector, which has a significantly higher capacity to drive economic growth and provide gainful employment than the mining, government, utilities and other sectors. Figure 17 clearly illustrates that agriculture grew by only 2.8% but provided over 500,000 jobs.

Figure 17: Agriculture sector contribution to GDP growth and jobs



Therefore, we can address high unemployment, our vulnerable BOP situation and binding infrastructure constraints to more efficient agricultural production with vigorous concerted regional actions involving entire production zones and multiple stakeholders like agribusiness investors, out growers, multilateral and bilateral lenders and infrastructure investors. Warner and Kahan advise that such infrastructure investments can be bundled logically in terms of how they contribute to the efficiency of agricultural production, value-added processing and exports (e.g., toll roads, BOT energy projects, industrial zones and ports), and with the participation of agribusiness investors as partners in key PPP arrangements. With land reform and more forward- thinking investment frameworks, we can diversify the Liberian economy away from reliance on iron and rubber exports into a few carefully selected agricultural product value chains.

4.1 COMMODITY STRATEGY

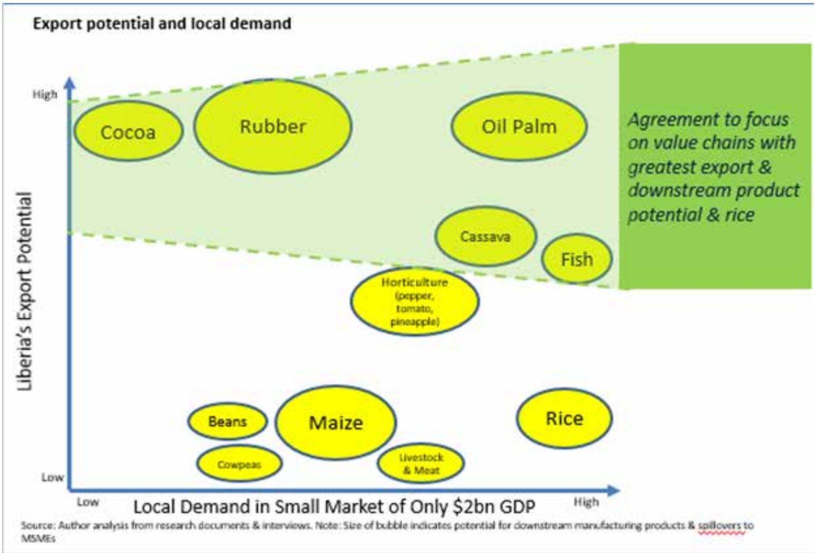
However, vigorous action must be taken to ensure value-added production of selected commodities in order to break the country's vulnerability to commodity price shocks noted above. Most importantly, our choice of commodities to focus on expanded production and value-added processing must be guided by the following factors:

1. Natural comparative advantage in terms of suitability of climate and soil conditions for large scale production plus familiarity of local work force with cultivation practices
2. Relatively short crop cycle or gestation period to production and revenue generation
3. Strong global and regional demand fundamentals
4. Versatility in range of value-added products that can be produced
5. Risk of trade conflict due to potential job and revenues losses in traditional primary commodity importer countries

During its various deliberations and research work to formulate the Liberian Agricultural Transformation Agenda (LATA), the AfT Pillar Meeting identified the following 6 commodity value chains for consideration:[61]

[61] African Governance Initiative, Plan of Action to Deliver Inclusive Growth in the Oil Palm Sector, presentation to the Oil Palm Sector Working Group, Monrovia, April 2015

Figure 18: LATA Commodity Value Chains



Source: African Governance Initiative

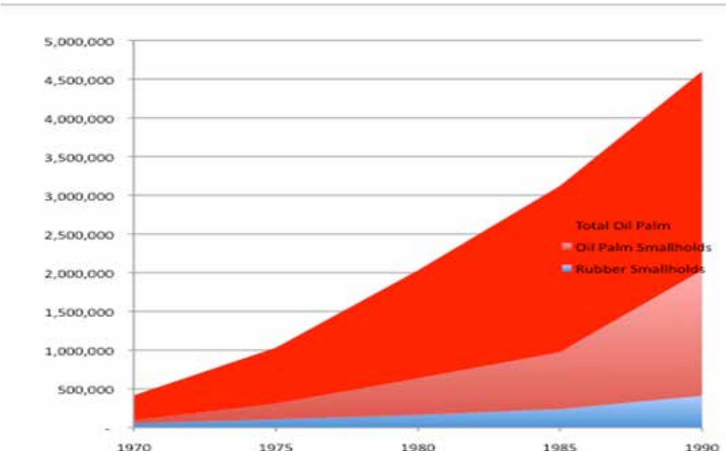
However, the AGI has cautioned that countries which have succeeded to transform their economies with inclusive growth have focused on a few value chains rather than spreading over too many sectors, resulting in less impact. Nevertheless, this concern must be balanced against vulnerability issues highlighted in the above discussion of the UNDP study on commodity dependence.

Looking at the 6 commodities highlighted in Figure 18 including Rice, we have developed Table 19 to aid in the selection of the best commodity value chain(s) to focus on for diversification and value-added production. This process is necessary, in our view, given the scarcity of resources and the need to take urgent action to avert future crises due to external shocks linked to commodity price downturns in the post-UNMIL era.

From a review of those criteria, the highest-ranked commodities appear to be Oil Palm, followed by Cocoa and Rice. Although Rubber has been a traditional export commodity, it is not clear given the present industry structure whether it would be possible to shift significantly from primary exports to value-added production without the potential conflict highlighted in Criteria 5. Some work has been done by GROW to set up production of ribbed smoked sheets in farm clusters along the country's rubber belt. Furthermore, the commodity's very long 5 ½ to 7-year gestation period does not lend itself well to the current imperatives to reduce poverty via large scale involvement of farm families in shorter-term income generating activities. However, these deficiencies in the rubber value chain could be hedged by partial replanting of cleared land in palm oil, and a shift towards a greater proportion of 5 ½ year rubber clones versus 7-year clones.[62]

This kind of thinking must have gone into Indonesia and Malaysia's commodity strategies, as illustrated by Figure 19 below. The amount of rubber acreage planted between 1970 and 1990 (depicted in blue below) was less than 400,000 acres, versus over 4.5 Million acres of oil palm (depicted in red and pink) planted over the same period:

Figure 19: The Reason for Oil Palm in Liberia - What Indonesia and Malaysia have Achieved

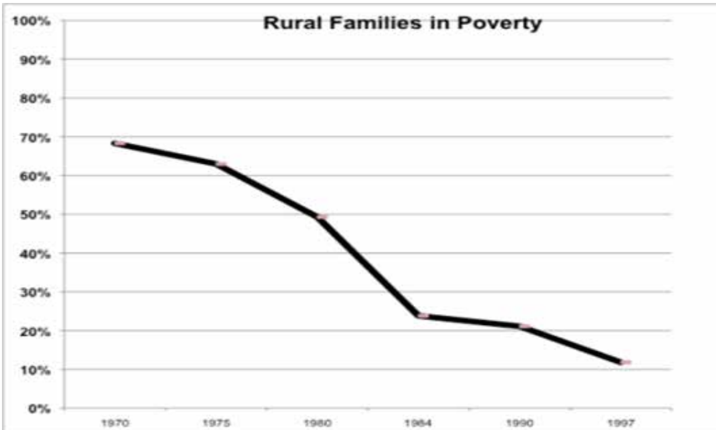


Source: Golden Veroleum Liberia

[62]Interview with Tupin K. Morgan, Managing Director, Agro Inc., December 4, 2016 by this author in preparing the Situational Overview of the Rubber Sector for LATA

On the other hand, rubber acreage was significantly reduced such that by 2016, Indonesia produced 36 Million metric tons of crude palm oil (CPO) on 11.8 Million hectares and generated export receipts of US$ 18.6 Billion.[63] CPO is that country's third most valuable export behind coal and petroleum. It is very important to note that the focus of their commodity strategy on the significantly shorter-cycle oil palm crop versus rubber by Indonesia and Malaysia over a 30-year period has contributed to a reduction of rural poverty from 70% to 10% in those countries.[64]

Figure 20: EVOLUTION OF RURAL POVERTY IN INDONESIA & MALAYSIA



Source: Golden Veroleum Liberia

Furthermore, over the past decade, the Indonesian authorities have shifted priority to refined products higher up the value chain to hedge against the risk of sliding CPO prices. They have encouraged large Indonesian agribusiness firms like Unilever to invest heavily in expanding palm oil refining capacity.[65] Palm oil is a very versatile commodity for value-added production as shown in Figure 21below. However, because of outstanding success of this commodity in countries like Indonesia and Malaysia, environmental concern about the need to limit further destruction of their forests has created

[63]https://www.indonesia-investments.com/business/commodities/palm-oil/item166?
[64]Golden Veroleum Liberia. Briefing to Ministry of Commerce and Industry: Challenges and Opportunities for the palm oil industry in Liberia. June 30, 2015
[65]https://www.indonesia-investments.com/business/commodities/palm-oil/item166?

the perfect opportunity for Liberia to partner with key industrial companies from the two countries to develop its oil palm sector.

Figure 21: Derivative Products of higher Palm Oil Value Chain

Source: African Governance Initiative

4.2 WHY FOCUS ON OIL PALM INITIALLY IN LIBERIA

The country has a competitive advantage in CPO and derivative products due to near optimal growing conditions in areas close to seaports and large tracts of undeveloped land. The country is also located close to large markets (Nigeria and the European Union) at a time of a rising global demand versus supply constraints, due to lack of additional land in Southeast Asia and few other suitable places to further expand oil palm plantations.

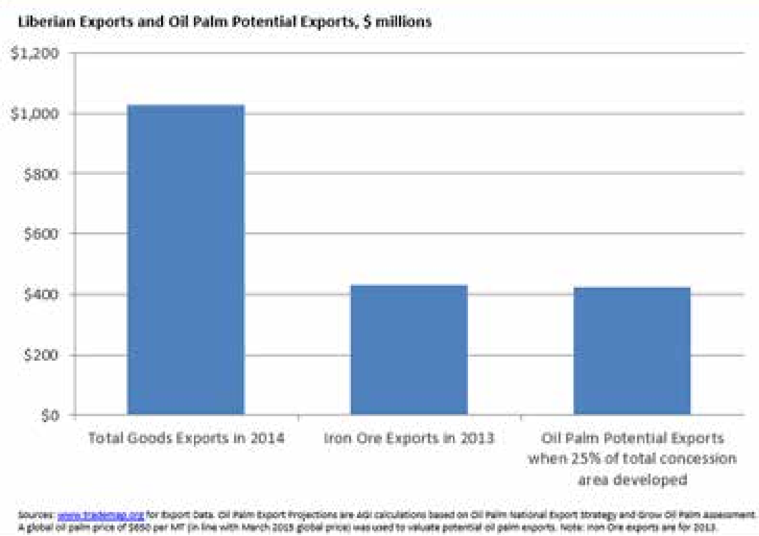
The Oil Palm is the most efficient oil crop, producing up to 5 MT of oil per ha annually, which is five times more than soya, its nearest competitor.[66] CPO is very resilient as a food, fuel and pharmaceutical product with multiple uses, because of the ease of substituting it with other more expensive vegetable oils in industrial processes, a global supply deficit for the product and the fact that despite significant

[66]Oil Palm Market System Analysis, GROW, June 2015

drops in world market prices from over US$ 2,000/MT to US$ 643/MT in 2016/16, it was still profitable to produce CPO.[67]

The AGI estimates that the sector has the potential to create 160,000 jobs and 1.4 Million metric tons of CPO if the proper reforms are put in place! Furthermore, if only 25% of the total oil palm concession acreage is developed (i.e., 187,000 ha), oil palm sector potential exports would equal iron ore sector exports of over US$ 400 M as of 2013![68] This is illustrated in Figure 22 below.

Figure 22: Liberian Exports and Oil Palm Export Potential



Very significantly, this implies that by the time 100% of the oil palm sector's intended acreage of roughly 750,000 ha are in full production, the sector would contribute US$ 1.6BN of CPO exports. This figure could be further boosted through value-added production of derivative products like cooking oil, margarine, soap, cosmetics and a host of other products. Therefore, reforms should urgently target revision of the oil palm concession framework, land rights and shifting oil palm cultivation away from the environmentally sticky

[67]Interview with Emmanuel Yarkpazuo, Manager - Compliance, Golden Veroleum Liberia, September 28, 2016
[68]African Governance Initiative

and heavily forested original "areas of intent" land granted to four (4) oil palm concessions, toward the degraded forests.[69] More is on this below concerning the oil palm and other agricultural sectors targeted by LATA for diversified and inclusive economic growth.

The oil palm sector in Liberia has the most ideal growing conditions in Africa, a very short gestation period of only 3 years to production, low production costs plus very stable price and demand fundamentals. However, the sector has stagnated since 2008 when four concession agreements were granted by GoL to various investors with a total "area of interest" amounting to over 800,000 hectares of land[70] as follows:

1) In 2008, UK-based Equatorial Palm Oil obtained a 182,000-ha concession.
2) In 2009, Sime Darby, a Malaysian enterprise, was granted a 220,000-ha concession.
3) In 2010, a 350,000-ha concession was also granted to Golden Veroleum Liberia (GVL), an Indonesia-based enterprise, and
4) In 2011, SIFCA, a West-African company, received permission to restore and develop 8,800 ha of Maryland Oil Palm Plantation (MOPP) land.

However, in the absence of a comprehensive and equitable land rights legal regime in Liberia, land grants by GoL to the various concessionaires have been fraught with accusations by global land rights advocacy organizations as "land grab" and have also bred serious and often violent conflict between local community residents and concessions.[71] This has led to formal complaints to the powerful Roundtable for Sustainable Palm Oil (RSPO) which certifies palm oil exports, about the lack of a Free, Prior and Informed Consent (FPIC) procedure involving the community people, as a compulsory requirement for RSPO certification and unhindered access to global palm oil markets.[72]

[69]Thompson, S. W. (2016), Situational Overview: Oil Palm Sector, for Liberia Agricultural Transformation Agenda, for Ministry of Agriculture
[70]Oil Palm Market System Analysis, GROW, June 2015
[71]Temples & Guns, Global Witness, October 2016
[72]Thompson, p. 6

In addition to these land grab issues, high concerns over no-deforestation in the oil palm concession areas of interest, the global climate change and forest protection lobby has severely limited the concessions' development of oil palm plantation acreage such that by 2015, only 15,021 ha of oil palm had been planted out of 873,148 ha of gross concession areas of interest.[73] We understand from industry sources that as of 2018, the total acreage planted has climbed to only 40,000 ha. This includes only 10,000 ha planted by Sime Darby out of its 220,000 ha of gross concession area due to deforestation concerns.[74] Lack of FPIC and inclusiveness in the industry have also led the World Bank and African Development Bank Groups to withdraw funding support to the local oil palm industry, depriving it of the kind of support that contributed heavily to the Malaysian and Indonesian success stories.

At an average yield of US$ 2,250 per ha of oil palm plantation, the opportunity cost of slow progress in expanding plantation acreage in Liberia due to environmental and land grab concerns has been to forego inclusive growth in GDP and annual foreign exchange inflows of US$ 2.0 Billion[75] from the production and export of CPO alone, excluding value-added activity.

The following recommendations were made by this author in the LATA strategy for the oil palm sector:

1. Pass an equitable and comprehensive land rights legislation which grants rights to community dwellers and individuals in those communities across the country to their ancestral lands so that they and their representatives can negotiate more equitable terms with agricultural investors. A paradigm shift via land rights reforms towards a more transparent process of achieving FPIC would eliminate RSPO concerns and barriers to financing of industry growth.

[73]The HCS Approach Toolkit - The High Carbon Stock Approach: No Deforestation in Practice, HCS Approach Steering Group, March 2015

[74]McAllister, E. & Chow, Emily, "Sime Darby's Africa ambitions stall pending new deforestation rules." Environment, February 14, 2018

[75]Calculated at 870,000 ha times an average annual yield of US$ 2,250 per ha, or US$ 1,957 Million.

2. Shift oil palm farming to over 3.0 Million ha of degraded forest areas in Cape Mount, Bong, Lofa, Nimba, Grand Bassa, Rural Montserrado, Margibi, Grand Kru and Maryland counties, similar to what the World Bank Group is actively financing in Indonesia, Brazil and Malaysia,[76] as a means of rapidly expanding oil palm acreage while eliminating the environmentalist impasse. See Forest Cover map in Figure 23 below.

3. Encourage investors to engage landowners in those areas in out grower schemes with strong technical support from the investors, GoL and multilateral institutions like the African Development Bank and World Bank Groups.

Urgent action is required to strengthen Liberia's balance of payments, foreign exchange reserves and slow down the rapid depreciation of our currency. However, per the recent narrative in the Environment article cited above on Sime Darby's expansion problems, these recommendations have yet to be implemented for the oil palm sector.

Figure 23: Forest Cover Map of Liberia

[76]World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector, World Bank, March 31, 2011

In view of all the above factors, the Oil Palm sector strategy needs to be revised as the first point of departure to urgently and effectively deal with Liberia's vulnerability issues, given that those investors are already operating in country.

4.3 LATA STRATEGY MAKES SENSE TO ADDRESS VULNERABILITY

Furthermore, in view of the need to reduce our vulnerability to future shocks from commodity price downturns, Liberia needs to follow the commodity strategy outlined in the LATA towards a robust value-added approach in a few other value chains that have a greater chance of success based on Liberia's comparative advantage and strong global market demand fundamentals. Furthermore, because of debt vulnerability concerns, we recommend greater use of the PPP approach in order to provide the road, power, manufacturing and port infrastructure required to stimulate higher export volumes of value-added products. However, particular attention must be paid to the structure of such PPPs, in order to prevent increases in public debt. Furthermore, the infrastructure projects should be planned within the context of complementary economic value chain activities being simultaneously implemented within the area that toll roads, power supply projects, ports and other infrastructure are to be constructed, in order to enhance their overall cost-benefit justifications and support the LATA strategy.

5.0 CONCLUSION

The greatest economic impact of the presence of UNMIL in Liberia has been to give Liberia a chance to develop a peacetime economy and stimulate economic growth. Initial spending by the mission was very significant in stimulating the highly vulnerable post-war economy as the country tried to recover from a 91% decline in GDP and a complete breakdown of the legal economy. We have seen from the research that the local impact of UNMIL expenditures during the mission's peak deployment years of 2004-2010 constituted a significant percentage in range of 5.4-11.2% of the country's GDP. This spending contributed to a significant improvement in the renovation and increase of the country's housing stock that had been severely damaged during the civil war. It also induced greater investments to improve tourism sector infrastructure such as hotels and restaurants, and positively impacted employment in various service industries catering to the mission and its staff. However, some of those industries have had to reduce staff as mission-related business declined in line with reductions in the mission's deployment. The UNMIL deployment provided employment for over 1,000 Liberians with impact on their extended families at a higher tax-free salary level vis-à-vis the local public and private sector pay scale. The downside has been the upward pressure on the pay scale, prompting public outcry over vast disparities between upper level employees in the public sector as GoL tried to attract and retain qualified staff. Nevertheless, because of extensive tax, duty and user fee exemptions and privileges in the UN Convention as well as the UNMIL SOFA, some tax revenues of US$ 42.1 Million were foregone by GoL on national staff/GPP salaries plus another unspecified amount of indirect GST on spending by UNMIL staff at various service businesses.

With respect to the economic impact of the withdrawal of UNMIL, as the postwar economy grew from legitimate private sector and donor-financed investments and UNMIL's mission size declined, the local impact of mission spending has become less significant relative to the country's GDP and BOP. This fact has not been clearly understood up to now in certain official analyses. This is because although the annual UNMIL expenditures were quite significant, ranging between US$ 122.1 Million to US$ 741.1 Million over the past 16 years, the actual amount spent locally was on average only 8.0% of total UNMIL annual expenditures. The local impact of this spending using a GDP multiplier of 1.5 was on average 5.2% of GDP during the entire period, less than 2.0% in 2017, and forecasted to decline further to 1.3% in 2018. So, based on the above analysis, the GDP impact of the UNMIL withdrawal will not be as significant as announced. We have drawn similar conclusions about the impact on tax revenues due to UNMIL's tax, duty and user fee exemptions during the mission deployment, as well as the impact of UNMIL-related FX inflows vis-à-vis the size of Liberia's BOP line items such as the current account and trade balance.

In short, the economic impact of UNMIL's departure from Liberia by June 2018 will have become minimal although thereafter, the estimated residual local annual expenditure of US$ 18.4 Million for this final year will no longer flow through the Liberian economy. A residual 329 national staff and GPP will lose their jobs, although staff numbers have been declining gradually over the past few years from more than 1,000 employees during the peak years of 2004 to 2010. However, with respect to the country's overall workforce, the number of residual job losses will be insignificant.

The key benefit of this research will be to bring more clarity versus previous analyses and public statements about the impact of the UNMIL closure. Therefore, we also looked at the underlying vulnerability of the Liberian economy, which some analysts have tried to overly simplify in terms of the contribution of UNMIL spending to reducing the country's vulnerability to external shocks (i.e., in terms of FX inflows, BOP, L$ exchange rate movements and debt sustainability). Here we have reconfirmed that the root causes of Liberia's vulnerability to external shocks is its dependence on exports of very low volumes of a few primary commodities, iron ore and rubber, without any value-added processing. The prices of those and several other primary commodities have become increasingly volatile over the past 20 years and continue to decline in real times. From that analysis, we discovered that the timing of the greatest socio-political upheavals in Liberia's history including the 1980 coup and commencement of Liberia's two civil wars, have been closely correlated with periods of global commodity price downturn. Furthermore, we noted that the US$ value of those commodity exports constituted less than 20% of its trade balance which is in a huge deficit position due to the country's high import dependency.
The country's huge current account deficit and international reserve situation, the latter of which constitutes less than 4 months

import cover, all serve to highlight its vulnerability and pressure to depreciate the real effective exchange rate of the L$. Furthermore, these concerns feed into the debt sustainability analysis which shows that the country needs to diversify the economy to make it more resilient to external shocks as a commodity exporter, and to create fiscal space to meet social and development needs while ensuring greater productivity of economic activity.

In this light, we identified the need for the country to revisit its commodity strategy in terms of those commodities in which it has a comparative advantage, that have a relatively short production cycle or gestation period, have very strong global market demand fundamentals, are highly versatile in terms of the range of finished products that can be produced through value-added transformation, and do not present potential conflict with economic objectives of powerful importer countries for job creation and revenue generation at home. Much work has already been done in this regard by GoL and partners like the AGI in formulating the LATA strategy, which proposes focusing on a few agricultural value chains for expanded crop production along with in-country value-added processing

.

We agree with this strategy and have proposed that it be sequenced in terms of focusing on the Oil Palm sector, which is the No. 1 commodity, identified according to the selection criteria, followed by Cocoa and Rice. However, for oil palm to play the same role that it did in stimulating economic growth, creating massive jobs, drastically reducing rural poverty by 70% in Indonesia and Malaysia, urgent attention is required to eliminate several environmental and FPIC (land rights) bottlenecks that have restricted growth of oil palm acreage to only 40,000 ha versus more than 800,000 ha areas of interest determined in four oil palm concession agreements since 2008-09.

The three key reforms needed to realize the sector's full potential by quickly increasing planted acreage were identified as: (1) comprehensive and equitable land reform via passage of the Land

Rights Act, (2) shifting oil palm farming from the environmentally sensitive high forest areas of original concession land allocation to over 3.0 Million acres of degraded forest along with a more supportive investment framework, and (3) encourage investors to engage land owners in the degraded forest with technical assistance to organize massive out grower schemes with support from GoL and multilateral finance institutions. With respect to other commodities and in view of environmental sustainability concerns discussed above, Cocoa's ecology is appropriate because it thrives in the high forest areas without affecting forest cover.

Furthermore, given debt sustainability concerns above, infrastructure required for a more productive agribusiness focus and value-added processing under LATA should be financed via well-structured PPPs in order to minimize increases in public debt.

These various reforms proposed will help to reduce Liberia's vulnerability to external shocks and drastically reduce rural poverty if well implemented. They will also help to make Liberia a more prosperous and stable country that will no longer fall into the kind of debilitating conflicts that we experienced due to lack of inclusive growth. This will also avoid a repeat of massive and expensive deployment of peacekeeping missions like UNMIL in Liberia for more than a decade.

Table 17: UNMIL Financial Resources

UNMIL FINANCIAL RESOURCES
(In thousands United States Dollars)
(Budget year: July 1st - June 30th)

PERIOD	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Grand Total
UNMIL TOTAL EXPENDITURES/BUDGET	*548,278.70*	*741,084.80*	*707,160.90*	*676,354.80*	*649,531.90*	*591,531.70*	*541,863.30*	*512,361.00*	*522,970.00*	*496,453.00*	*447,036.10*	*410,911.70*	*315,304.90*	*182,099.30*	*122,111.30*	*7,486,703.30*
Categories of Expenditures1																
I. MLA - Military Observers and Police Personnel	*16,897.30*	*44,094.00*	*40,722.70*	*41,016.00*	*40,185.80*	*36,046.00*	*32,462.00*	*33,379.20*	*31,901.40*	*32,010.00*	*33,223.60*	*29,177.00*	*20,686.10*	*8,872.30*	*2,732.70*	*442,529.00*
O/w: Military Observers	5,576.80	11,837.80	10,047.80	10,805.20	10,734.70	9,531.00	7,135.20	7,367.80	7,110.20	6,829.40	7,159.30	6,428.00	5,056.80	1,698.80	661.50	*108,569.80*
Police personnel	11,320.00	32,258.20	30,074.00	30,210.80	29,451.10	26,515.00	25,325.80	26,011.50	24,821.20	25,220.60	26,064.30	22,740.00	15,620.50	6,402.40	2,071.20	*333,759.20*
		0.140														
II. Civilian personnel	*33,785.80*	*100,249.30*	*112,354.90*	*114,814.90*	*113,942.80*	*114,935.50*	*114,777.30*	*113,600.30*	*126,355.70*	*127,906.40*	*118,887.60*	*120,884.40*	*105,745.40*	*85,544.40*	*58,911.10*	*1,539,996.60*
O/w: MLA- International staff	27,694.40	74,898.20	83,534.20	87,754.50	88,271.20	88,164.00	83,335.20	83,889.80	96,773.60	94,831.10	87,452.90	83,787.80	72,086.00	61,561.50	43,048.80	*1,157,250.10*
National staff	1,905.20	8,757.60	11,491.60	14,423.00	15,936.00	16,737.80	18,094.80	16,688.70	17,261.20	18,755.10	17,887.00	21,048.00	19,950.30	14,472.30	9,540.00	*228,745.60*
UNVA- UN Volunteers	3,756.70	12,965.10	14,594.80	10,638.50	11,131.50	11,452.20	11,409.20	10,313.60	11,523.40	11,694.50	11,755.60	12,701.40	11,759.90	8,581.40	6,194.20	*160,482.80*
General temporary assistance	189.50	1,650.30	2,634.30	1,197.10	623.10	570.60	415.50	393.10	508.30	447.50	17.60	2,068.70	378.10	308.20	117.90	*11,462.80*
Government provided personnel (GPP)	-	-	-	-	-	-	1,422.50	1,301.20	1,270.30	1,498.20	1,614.50	1,273.50	1,591.10	625.00	210.90	*10,810.10*
III. Operational costs (Total Procurement)	*314,964.80*	*347,447.90*	*317,430.50*	*196,858.40*	*190,983.50*	*185,875.40*	*139,388.70*	*266,444.30*	*138,649.90*	*138,576.40*	*105,775.30*	*90,977.10*	*64,969.80*	*42,009.50*	*36,964.10*	*2,538,612.20*
O/w: Consultants	150.30	353.80	414.40	307.40	621.30	691.20	673.60	904.10	324.30	661.30	319.50	219.10	371.00	241.10	185.90	*7,238.10*
Official travel	2,007.40	1,560.50	2,342.00	2,536.40	2,433.80	2,588.60	2,303.70	2,117.20	2,270.30	2,073.60	1,026.60	1,627.00	2,152.10	1,131.10	1,118.50	*30,178.80*
Facilities and infrastructure	78,293.80	89,774.80	78,709.70	68,684.70	68,741.80	68,479.00	51,228.80	48,875.80	54,288.80	48,040.40	28,041.70	26,781.80	18,048.80	12,278.60	11,390.80	*749,290.10*
Ground transportation	48,921.00	11,345.20	17,185.80	15,220.10	19,312.00	17,830.60	14,877.10	14,179.20	10,594.70	9,207.00	11,405.90	9,391.90	3,203.80	1,508.50	1,462.10	*213,496.90*
Air Transportation	34,720.40	54,680.00	61,829.80	59,268.80	65,904.20	64,502.60	56,076.60	64,941.50	58,164.20	44,842.90	41,763.80	33,102.90	22,111.20	10,463.40	3,800.10	*676,288.80*
Naval transportation	4,816.00	2,381.30	2,479.30	2,692.00	3,000.80	3,031.80	2,894.80	3,359.40	3,006.80	2,083.70	3,081.00	3,134.60	2,753.40	832.70	-	*40,690.40*
Communication	26,278.40	21,071.10	21,292.60	16,677.40	15,310.30	14,861.10	10,565.30	12,312.00	11,400.00	10,217.10	4,312.60	5,277.70	4,370.20	3,527.60	3,504.50	*190,296.20*
Information technology	11,022.10	7,209.70	3,577.50	3,032.50	4,095.00	6,332.20	4,178.50	4,689.10	4,079.20	4,778.10	4,301.00	6,236.20	3,204.00	3,031.60	2,163.50	*77,197.00*
Medical	7,891.40	12,231.20	15,691.20	12,710.50	12,055.40	2,217.40	9,008.10	7,448.40	7,721.10	7,348.90	598.10	2,242.10	754.10	398.10	293.90	*99,247.40*
Special equipment	2,898.70	4,068.20	3,800.10	3,584.60	2,162.20	10,173.60	2,335.60	2,120.90	2,230.00	2,009.30	-	-	-	-	-	*37,372.40*
Other supplies, services and equipment	24,115.90	24,244.20	8,125.10	6,179.80	4,318.40	3,295.10	3,305.80	4,329.90	3,231.70	3,073.80	3,778.30	3,830.00	4,692.10	3,536.40	3,894.20	*116,877.50*
Quick-impact projects	995.80	1,000.00	1,000.00	995.80	992.50	998.70	1,000.00	1,000.00	1,000.00	1,000.00	974.30	997.70	1,998.80	1,991.00	2,000.00	*17,943.40*
Annual Estimates of Local Impact2																
1. Annual MSA spent in Liberia (16%)	*7,759.78*	*21,433.17*	*22,326.37*	*22,311.84*	*21,886.16*	*21,386.10*	*20,860.86*	*20,888.26*	*22,276.69*	*22,134.10*	*21,854.74*	*20,108.19*	*16,721.97*	*13,578.27*	*8,816.11*	*280,834.54*
O/w: - Housing (48%)	3,724.69	10,287.92	10,880.81	10,709.73	10,505.36	10,265.33	9,773.21	9,744.12	10,692.81	10,609.57	10,106.27	9,651.93	8,026.52	6,037.57	3,991.73	134,800.58
- Food (26%)	2,017.54	5,572.62	5,774.23	5,801.10	5,690.40	5,560.38	5,293.82	5,278.07	5,791.94	5,782.26	5,474.23	5,228.13	4,347.70	3,270.35	2,162.19	73,016.98
- Recreation (16%)	1,241.56	3,429.31	3,554.60	3,569.91	3,501.79	3,421.78	3,257.74	3,248.04	3,564.27	3,539.86	3,368.76	3,217.31	2,675.51	2,012.52	1,330.58	44,933.53
- Miscellaneous (10%)	775.98	2,143.32	2,221.65	2,231.19	2,188.62	2,138.61	2,036.09	2,030.03	2,227.67	2,213.41	2,105.47	2,010.82	1,672.19	1,257.83	831.61	28,083.45
Mission Procurement (12.1% of Tot. Procmt.)	26,659.77	29,941.20	28,205.09	23,719.68	23,351.00	22,430.42	19,310.23	20,119.75	19,198.64	18,741.54	12,558.57	11,370.50	8,103.29	4,971.81	4,472.70	272,258.20
2. Local content of mission procurement3	*5,144.09*	*5,196.47*	*4,566.04*	*4,216.64*	*4,052.65*	*3,892.88*	*3,351.96*	*3,495.33*	*3,331.65*	*2,995.90*	*2,179.24*	*1,973.19*	*1,406.06*	*862.88*	*776.15*	*47,232.08*
3. National Staff Salaries	*1,905.20*	*8,757.60*	*11,491.60*	*14,423.00*	*15,936.00*	*16,737.80*	*18,094.80*	*16,688.70*	*17,261.20*	*18,755.10*	*17,887.00*	*21,048.00*	*19,950.30*	*14,472.30*	*9,540.00*	*228,745.60*
Annual Local Expenditures (UNMIL FX Inflows)	*14,809.07*	*35,387.17*	*38,323.91*	*40,853.57*	*41,874.81*	*42,016.78*	*41,807.00*	*40,484.28*	*42,869.54*	*44,785.10*	*41,120.98*	*43,124.59*	*38,078.38*	*27,913.45*	*18,432.27*	*551,881.22*
Local Impact assuming 1.5 Multiplier Effect	*22,213.60*	*53,080.76*	*57,485.87*	*61,280.36*	*62,812.22*	*63,025.17*	*62,710.51*	*60,726.43*	*64,304.30*	*67,177.65*	*61,681.46*	*64,686.88*	*57,117.56*	*41,870.17*	*27,648.33*	*827,796.83*
Military Contingent Allowances @ US$ 40	*365.84*	*578.96*	*587.44*	*565.24*	*526.88*	*426.36*	*369.12*	*315.24*	*311.12*	*288.72*	*228.24*	*172.60*	*116.72*	*47.60*	*7.56*	*4,882.64*
Est. Taxes Foregone on National Staff and GPP	*154.70*	*1,049.52*	*1,551.96*	*2,144.00*	*2,478.40*	*2,778.68*	*3,487.19*	*3,051.38*	*3,178.88*	*4,047.49*	*3,748.78*	*4,539.45*	*4,601.37*	*3,290.11*	*2,126.90*	*42,198.75*
ANNUAL GDP (Current)	416,000.00	474,700.00	550,000.00	604,028.90	730,027.20	850,040.50	1,155,000.00	1,293,000.00	1,546,000.00	1,736,000.00	1,946,000.00	2,013,000.00	2,084,000.00	2,101,000.00	2,154,000.00	
Yearend L$/US$ Exchange Rate	54.5	56.5	59.0	62.5	64.0	70.5	71.5	72.5	72.5	82.5	82.5	88.5	102.5	125.46	131.29	
Inflation Rate	10.33%	7.83%	10.83%	7.34%	11.30%	17.40%	7.42%	7.29%	8.40%	6.84%	7.58%	9.83%	7.78%	8.83%	12.40%	
RATIOS																
% Change in UNMIL FX Inflow	100.0%	139.0%	8.2%	6.7%	2.5%	0.3%	-0.5%	-3.2%	5.9%	4.5%	-8.2%	4.9%	-11.7%	-26.7%	-34.0%	
% Change in L$ Exchange Rate	7.2%	-3.7%	-4.4%	-6.9%	-2.4%	-10.2%	-1.4%	-1.4%	0.0%	-13.8%	0.0%	-7.3%	-15.8%	-22.4%	-4.7%	
UNMIL FX Inflows as % of UNMIL Expenditures	2.7%	4.8%	5.4%	6.0%	6.4%	7.1%	7.7%	7.9%	8.2%	9.0%	9.2%	10.5%	12.1%	15.3%	15.1%	8.0%
Local Impact as % of GDP	5.3%	11.2%	10.4%	10.1%	8.6%	7.4%	5.4%	4.7%	4.2%	3.9%	3.2%	3.2%	2.8%	2.0%	1.3%	6.2%
Local Impact of National Staff Salaries on GDP	0.7%	2.8%	3.1%	3.6%	3.2%	3.0%	2.3%	1.9%	1.7%	1.7%	1.4%	1.6%	1.5%	1.0%	0.7%	1.9%
National Staff Salaries as % of Civilian Personnel	5.6%	8.7%	10.2%	12.7%	14.1%	14.6%	15.9%	14.5%	13.7%	15.4%	15.0%	17.4%	18.9%	16.9%	16.5%	14.9%

1/ Please note categories of expenditures as stated here consider expenditures mostly in the domestic economy of Liberia.

2 Percentages based on Carnahan et al study on UN Missions.

3/ Calculation using 2.2% of Total Procurement yields a result closer to the Carnahan et al study and more conservative than using the alternative 17.6% of Mission Procurement.

Source: http://www.un.org/en/ga/documents/...

Table 18: UNMIL Human Resource Deployments

UNMIL HUMAN RESOURCE DEPLOYMENTS (In Number of Persons) (Budget year: July 1st - June 30th)[1]																
PERSONNEL CATEGORY	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Average
Military Observers	93	201	200	205	208	172	128	132	129	127	129	117	90	50	15	**124**
Military Contingents	9,146	14,499	14,686	14,131	12,922	10,659	9,228	7,881	7,778	7,018	5,506	4,315	2,918	1,190	189	**7,629**
Civilian Police	338	599	577	591	562	479	472	467	453	469	468	423	297	226	25	**403**
Formed Police Units	210	480	479	542	598	658	836	843	844	894	1,067	999	829	380	120	**611**
International Civilian	284	468	525	516	501	474	443	448	475	455	424	394	342	294	202	**390**
National Staff	304	635	753	883	931	963	989	985	994	979	871	862	748	560	327	**737**
UN Volunteers	121	309	337	240	237	223	218	215	240	219	212	189	178	157	92	**199**
Government Provided Personnel	-	-	-	-	-	-	28	28	28	30	31	27	29	26	5	**15**
Total	**10,496**	**17,191**	**17,857**	**17,108**	**15,961**	**13,628**	**12,342**	**10,999**	**10,941**	**10,191**	**8,703**	**7,326**	**5,431**	**2,883**	**975**	
Less Military contingents and formed police	*1,140*	*2,212*	*2,392*	*2,435*	*2,434*	*2,311*	*2,278*	*2,275*	*2,319*	*2,279*	*2,130*	*2,012*	*1,684*	*1,313*	*666*	
National percentage of Civilian Personnel	26.7%	28.7%	31.5%	36.3%	38.2%	41.7%	43.4%	43.3%	42.9%	43.0%	40.9%	42.8%	44.4%	42.7%	49.1%	*37.2%*
National Staff Salaries as % of Civilian Personnel	5.6%	8.7%	10.2%	12.7%	14.1%	14.6%	15.9%	14.9%	18.7%	15.4%	15.0%	17.4%	18.0%	16.0%	15.8%	*13.1%*
Avg. Annual Pay Per Head (in US$)																
Military Observers	59,963	56,407	53,239	52,708	52,979	55,413	55,744	57,330	55,118	53,775	55,498	54,940	56,184	39,378	44,100	**50,174**
Civilian Police	33,228	54,688	52,123	51,187	52,724	55,355	53,656	53,558	54,797	53,775	54,135	53,780	52,625	28,329	82,848	**49,176**
International Civilian	98,361	164,308	159,113	170,067	170,202	181,782	188,116	187,464	201,626	207,761	206,634	212,685	210,690	209,393	213,113	**173,832**
National Staff	6,267	13,791	15,261	16,336	17,117	17,381	18,296	16,943	17,365	20,179	20,536	24,412	26,672	25,843	28,563	**17,810**
UN Volunteers	31,047	41,938	43,308	44,328	46,968	51,333	52,365	47,970	48,014	53,400	55,431	67,203	66,123	55,296	67,328	**48,270**
Government Provided Personnel	-	-	-	-	-	-	50,807	46,471	45,368	49,940	52,081	47,167	54,934	24,077	42,180	**45,892**
Calculation of Income Tax Loss on Local Staff																
Yearend L$ Exchange Rate	54.5	56.5	59.0	62.5	64.0	70.5	71.5	72.5	72.5	82.5	82.5	88.5	102.5	125.5	131.3	
Avg. Annual Pay - National Staff (in L$ 000)	342	779	900	1,021	1,095	1,225	1,308	1,228	1,259	1,665	1,694	2,160	2,734	3,242	3,750	
Avg. Annual Pay - Gov't Prov. Personnel (in L$ 000)	-	-	-	-	-	-	3,633	3,369	3,289	4,120	4,297	4,174	5,631	3,020	5,538	
Income Tax per Head - National Staff (in L$ 000)	28	93	122	152	170	203	224	204	211	313	320	437	580	707	834	
Income Tax per Head - GPP (in L$ 000)	-	-	-	-	-	-	805	739	719	927	971	940	1,304	652	1,281	
Total Income Tax - National Staff (in US$ 000)	155	1,050	1,552	2,144	2,478	2,771	3,092	2,766	2,896	3,711	3,379	4,253	4,232	3,156	2,077	
Total Income Tax - GPP (in US$ 000)	-	-	-	-	-	-	315	285	278	337	365	287	369	135	49	
Est. Income Tax Loss on Local Staff (US$ 000)	*155*	*1,050*	*1,552*	*2,144*	*2,478*	*2,771*	*3,407*	*3,051*	*3,174*	*4,047*	*3,744*	*4,539*	*4,601*	*3,291*	*2,126*	*42,131*

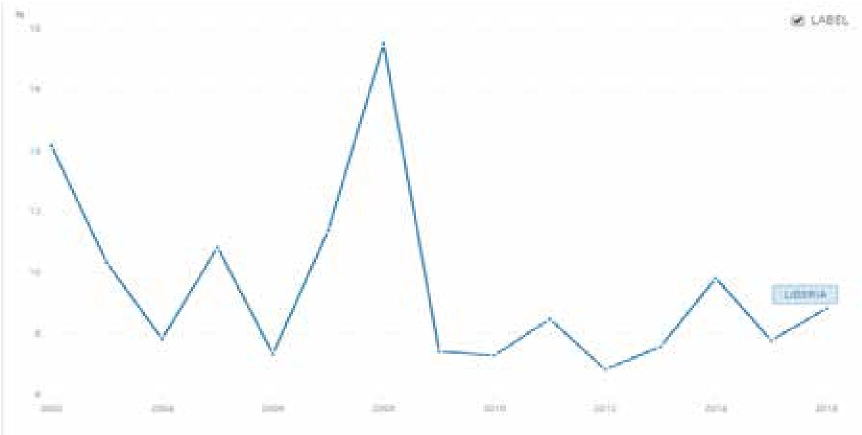
[1]/ 2017/18 figures represent mainly end of March 2018 levels for Military Observers, Military Contingents, Civilian Police, Formed Police Units and International Civilian staff. National Staff, UNV and GoL Provided Personnel levels are June 30.

[2]/ Based on PricewaterhouseCoopers manual on tax regulations in Liberia

Table 19: Selection Criteria for Commodity Strategy

	Commodities					
Selection Criteria	**Cocoa**	**Rubber**	**Oil Palm**	**Cassava**	**Fish**	**Rice**
Natural comparative advantage	High	High	High	High	Medium	High
Relatively short crop cycle	High	Low	High	High	High	High
Strong global and regional demand fundamentals	High	Low	High	Medium	Medium	High
Versatility in range of value-added products that can be produced	Medium	High	High	Medium	Medium	Medium
Conflict due to potential job and revenue losses in commodity importer countries	Medium	High	Low	Low	Low	Low

Figure 24: Annual Inflation Rates 2002-2016



Source: World Bank

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