

# **The Underestimated Relevance of Economic Impacts of Crisis Response Operations**

Markus Gauster and Markus Maruszczak

## **A. THE ECONOMIC DIMENSION IN INTERNATIONAL CRISIS MANAGEMENT**

A.1. The Context

A.2. The Spectrum of Economic Impacts

A.3. The Lack of Economy-Related Analyses and Expertise

A.4. The Homeland Dimension

A.5. Questions to be Addressed in Future Research

## **B. THE BASIC TOOLKIT TO ASSESS ECONOMIC DEVELOPMENTS IN AREAS OF OPERATION**

B.1. Economic Growth, Economic Development, International Aid and Crisis Response Operations

B.2. Relative vs. Absolute Poverty – Does it Affect the CRO Assessment Process?

B.3. The Human Development Index (HDI)

## **C. SUGGESTED INDICATORS FOR MEASURING ECONOMIC IMPACTS**

C.1. The Consumer Price Index (CPI) – A Viable Indicator?

C.2. The Keynesian Multiplier – A Useful Indicator to Measure Effectiveness?

C.3. Table of Suggested Indicators for Economic Impacts of Crisis Response Operations

D. ECONOMIC IMPACTS OF OPERATIONS – ANALYSIS OF  
SELECTED ARTICLES AND CORRESPONDING  
EMPIRICAL EVIDENCE

D.1. Impacts of CRO Expenditures on the Host Nation

D.2. Impact of Mission Subsistence Allowance

D.3. Impact of Local Staff Wages

D.4. Impact of Procurement

D.5. Economic Relevance of Quick Impact Projects

D.6. Extent of Interaction of Wages and Inflation

E. COMPARING THE FINDINGS OF SELECTED PAPERS  
ON UNINTENDED IMPACTS OF CRISIS RESPONSE  
OPERATIONS

E.1. Afghanistan and Kosovo: Different Operations,  
Similar Fundamental Problems?

E.2. UN Local Staff Wages as Benchmarks for CROs?

E.3. Negative Impacts of Quasi-Government Actors  
and Privileges for UN Staff

F. CONCLUSIONS

G. RECOMMENDATIONS

H. BIBLIOGRAPHY

*Result-based crisis management gives potential rise to a conflict of aims: Peace Builders often understand solutions, but fail to understand the problems, e.g. that economic activities in war-torn societies do not stop but continue in one form or the other.*<sup>1</sup>

In the present article the authors intend to provide the reader with main findings and derivations of the papers included in this publication, dealing with the economic dimension in international crisis management (ICM) and its evaluation. Secondly, they try to pinpoint the main components of a basic toolkit to identify and apply economic indicators in the context of crisis response operations (CROs). Thirdly, they suggest a variety of economic indicators for advisors and decision makers to measure past, current, and prospective impacts of CROs as effectively as possible in order to be able to adjust their civil and military toolkits. Fourthly, they intend to set the main findings of William Durch, as put forth in his contribution to this publication, into relation with corresponding empirical evidence provided by him and others in one of the few relevant studies on economic impacts.<sup>2</sup>

---

<sup>1</sup> Referring to a statement of Chesterton, Gilbert Keith (1874-1936), and a lecture given by Pugh, Michael (University of Bradford, UK) at the University of Coimbra, Portugal, November 2009.

<sup>2</sup> Durch, William: *The Economic Impact of Peacekeeping: An Update* (included in this publication; hereafter referred to as “Update 2009”) and Carnahan, Michael / Durch, William / Gilmore, Scott: *Economic Impact of Peacekeeping: Final Report* (hereafter referred to as “EIP 2006”). New York: Peace Dividend Trust, March 2006.

## Excursus

### Clarification of relevant terms and their definitions

**1.** The aim of **international crisis management** is, first, to defuse the crisis or resolve a conflict. Secondly, it seeks to establish a secure environment to enable parties to deal with the causes of a crisis or conflict. Finally, it aims to initiate reforms of institutions or policies to prevent a follow-on crisis. E.g., in the German government's view, crisis management is an integral part of crisis prevention in so far as it can help to prevent a relapse.

**2. Crisis Response Operations (CROs)** are part of crisis management. The definition of CROs is derived from NATO ("non-article 5 crisis response operations") and EU, respectively and encompasses international missions or operations of civil or military character. CROs aim to support the peace process in a conflict area and include peacekeeping and peace enforcement, as well as conflict prevention, peace making, peace building and humanitarian operations.<sup>3</sup>

**3.** The scientific **evaluation** of the various dimensions of CROs requires a common understanding of terms and definitions applied. Evaluation is a contested term, as 'evaluators' use the term evaluation to describe an assessment or investigation of a program whilst others simply understand evaluation as being synonymous with applied research.<sup>4</sup> Although the definition of evaluation is highly debated, it is perceived in this article as a systematic determination of merit, worth, and significance of crisis response operations (CRO) using assessment criteria against a set of standards in order to bring in a value judgment. Evaluation as a process should add to clarify CRO objectives and their realization and concentrates on needs, results and impacts. In this context, the logic of CRO-evaluation includes needs, objectives, inputs, outputs, outcomes, impacts and the

---

<sup>3</sup> For point 1 and 2, cf. Kupferschmidt, Frank: *Crisis Management. A Combined Effort with Civil and Military Means*. SWP Working Paper FG3-WP 03, Berlin 2007, p. 1. <[http://www.swp-berlin.org/common/get\\_document.php?asset\\_id=3694](http://www.swp-berlin.org/common/get_document.php?asset_id=3694)> (retrieved 20.1.2010).

<sup>4</sup> Reeve, Joanne / Peerbhoy, Denise: *Evaluating the evaluation: Understanding the utility and limitations of evaluation as a tool for organizational learning*. In: *Health Education Journal*, Vol. 66, No. 2 (2007), p. 122.

corresponding indicators for measuring the performance. These abstract terms need to be clarified:<sup>5</sup>

**-Indicators** are measures how an organization defines and measures progress toward its goals. They can also be used to help define and evaluate the performance of a CRO.<sup>6</sup> Economic indicators allow analysis of economic performance and predictions of future performance. They are used for judging the health of an economy, such as GDP per capita, the rate of unemployment or the rate of inflation. Such statistics are often subject to huge revisions in the months and years after they are first published, thus causing difficulties and embarrassment for the policymakers who rely on them.<sup>7</sup> However, economic indicators (as suggested in chapter C.3.) can be applied when assessing conflict cycles in the context of a CRO.

-The **objective** is what a CRO plans to achieve. It should be a clear and explicit statement about the effects that are expected to be attained by the CRO. There are three groups of objectives: (1) Specific objectives concern direct effects on direct beneficiaries of the intervention; (2) global objectives concern indirect effects (on direct beneficiaries or on other groups in society), which often have a longer term character; and (3) operational objectives concerning the outputs produced by a CRO.

---

<sup>5</sup> Cf. Beeres, Robert / De Waard, Erik / Bollen, Myriame: *Ambitions and opportunities for assessing military performance in crisis response operations*. In: *Financial Accountability & Management*, Volume 26, Issue 3 (2010). Cf. also the training manual *Evaluation Module 1: Understanding the challenges of evaluation*. This manual served as additional basis for the above mentioned definitions (under point 3) and was developed for the European Commission by the French company *Demos* who supplies professional training ([www.demosgroup.com](http://www.demosgroup.com)). The manual complies with the *Eco-Management and Audit Scheme* (EMAS) rules of the EU. EMAS is a management tool for companies and other organizations to evaluate, report and improve their environmental performance. The scheme has been available for participation by companies since 1995 and was originally restricted to companies in industrial sectors. Since 2001 EMAS has been open to all economic sectors including public and private services. <[http://ec.europa.eu/environment/emas/index\\_en.htm](http://ec.europa.eu/environment/emas/index_en.htm)> (retrieved 20.2.2010).

<sup>6</sup> Reh, John F.: *Key Performance Indicators (KPI)*. In: <[www.about.com](http://www.about.com)>. <<http://management.about.com/cs/generalmanagement/a/keyperfindic.htm>> (retrieved 10.3.2010).

<sup>7</sup> The Economist, Research Tools Economics A-Z: *Economic Indicators*. <<http://www.economist.com/research/Economics/searchactionterms.cfm?query=indicators>> (retrieved 10.3.2010).

Examples: Granting social benefits for certain target groups; maintaining a certain level of service quality.

-The **inputs (resource and process indicators)** are e.g. financial input, human capital, material, organizational, logistic, or regulatory means used by a CRO. This corresponds with the political willingness available and the level of preparedness and readiness to implement a CRO.

Examples: Approach applied by CRO; personnel and budget allocated to a CRO; know-how provided to respectively by CRO; training programs (CRO personnel and locals); units deployed.

-The **output (performance indicators)** covers what is produced, or otherwise accomplished with the input allocated to the CRO. It can take various forms like equipment, work or soft services. Under the monitoring system, operators, who are responsible for implementation, must be answerable for output on a regular, systematic basis. This corresponds to a success or failure of the CRO.

Examples: Execution of the CRO; creation of an information or internal control cell; infrastructure financed and built in the area of operation (schools, roads, etc.).

-The **outcome (effect indicators)** is based on the output and covers that which is achieved or (not) obtained by a CRO. It includes the advantages (or disadvantages) obtained by direct beneficiaries of a CRO following their participation, collaboration or compliance. Outcomes can be observed once the CRO has completed the action and gives an account of its actions and the management of the sums with which it was entrusted.

Examples: Better cooperation between actors within the area of operation; more girls educated in schools; extent of social exclusion (see chapter B.2.); lessons learned from CRO; CRO appreciation by population in the mission area and at home; international political appreciation.

-The **impacts (impact indicators)** relate to that which is achieved by the CRO in the long term. These are the direct or indirect consequences which appear for the beneficiaries (winners or losers) after the end of the CRO. They may be expected or unexpected, positive or negative, intended or unintended. The specific impacts can be observed in the long term among direct beneficiaries, whereas the global impacts appear indirectly and also at macroeconomic and macro-social level.

Examples: Number of locals that find a job after having participated in a vocational training program financed or supported by a CRO or a structural fund (measured by the unemployment rate); lower birth rate due to capacity building of human capital; extent of change in economic data after CRO exit (e.g. CRO impact on inflation).

**-Unintended Impacts:** The law of unintended impacts, often cited but rarely defined, is that actions of people – and especially of the government – always have effects that are unanticipated or unintended. Economists and other social scientists have heeded its power for centuries; for just as long, politicians and popular opinion have largely ignored it. Whenever there is an attempt to bring about change in a complex system (e.g. a CRO operating in a post-war economy), the system reacts in a variety of ways. Some of these reactions are intended, in the sense that the intervention was designed to bring about these changes. Others are unintended, in the sense that those who were planning the CRO did not mean for these reactions to come about at all (See also the article of Katarina Ammitzbøll and Marianne Dons Tychsen in this publication).

-Simplified example of an ideal-typical sequence of CRO inputs, outputs, outcomes and impacts:

	Input	Output	Outcome	Impact
Military Dimension	Units deployed (Air Force)	Air strikes executed	Killed insurgents and civilians; no appreciation by population	Insurgents gain influence
Economic Dimension	Quick Impact Projects	Infrastructure built (schools, roads)	Improvement of livelihood and economic situation	Insurgency loses ground

## A. THE ECONOMIC DIMENSION IN INTERNATIONAL CRISIS MANAGEMENT

### A.1. The Context

Supporting and facilitating economic recovery in complex scenarios through expeditionary engagement is a key aspect of civil, military or integrated stabilization efforts. International CROs with international civilians and – in most cases – a much larger number of troops have a substantial effect on the economy and society of a war-torn country. Yet, the economic dimension of CROs often appears to be underestimated by the respective stakeholders. On this premise, the present publication deals with one important aspect of a Comprehensive Approach (CA) in ICM. This innovative philosophy ideal-typically encompasses, apart from the economic dimension, several other pillars to be integrated complementarily, in order to achieve the desired results: Security, Good Governance, Civil Society, International Law, Development Cooperation, etc. In this sense, the present publication intends to promote in-depth research on post-war economic parameters and the driving factors that may influence decision-making processes of military and civil leaders to enhance the stabilization of post-war economies.

According to Wolfgang-Peter Zingel, as put forth in his contribution, “National Security and Economic Development: Securing Development – Developing Security”, the economic impacts of CROs depend on four factors:<sup>8</sup>

- The initial situation in the country (compare Afghanistan, Kosovo, Chad, Cambodia, etc.),

---

<sup>8</sup> This article of Wolfgang-Peter Zingel is – like most of the others included in this publication – also based on the output of the IFK workshop *Security and Development – Assessing the Economic Impacts of Crisis Response Operations in the Field*. National Defence Academy, Vienna, 16.-17.10.2008.

- The character of the intervention (e.g. quick ousting of the Taliban in Afghanistan; bombardment of Serbia to establish former protectorate of Kosovo, etc.),
- The external circumstances (e.g. enforced intervention/Afghanistan vs. intervention by invitation/Chad),
- The local acceptance of the intervention.

Zingel highlights the fact that the capacities of civilian actors have reached their limits, which causes major problems for ICM to implement economic measures, provided that they are backed by an appropriate mandate which directly refers to the economic dimension. In his paper, “The Neglected Role of Economic Reconstruction in Post-conflict Societies and Failed States: Strategies, Actors and Instruments”, Michael Schmunk from the German *Auswärtiges Amt* even argues that civilian and military capacities in ICM are beyond their limits. Nevertheless, the bulk of the work is left to the military, which adds to its strategic overstretch. To overcome this status, Schmunk advocates a shift of paradigm in ICM towards an “economic corset”, with the labor market being a center of gravity in CROs.

Identifying and managing the economic impacts of CROs within local security and development architectures appears to be a decisive, though often neglected factor. In order to strengthen a weak state’s ability to attain stability and viable peace, international stakeholders influence the respective economies and societies in many ways. Civil and military actors, thus far, have not sufficiently assessed the economic impacts of their decisions and actions in the context of operations and missions. This has resulted in intended and, to a much larger extent, unintended impacts and shows that there is a definite need for developing a concept of causal economic relations in post-war societies.

One way of doing that is to compare several test cases, such as the ones highlighted in this publication. The test case of Afghanistan with regard to the economic effects of the CRO on the ground is

analyzed by the authors Christian Reder, Michael Schmunk (who also includes his vast experience gained in the Western Balkans) as well as by Katarina Ammitzbøll and Marianne Dons Tychsen. The test case of Kosovo and its economic dimension is examined by two authors: Jolyon Naegele from the position of UNMIK and Norbert Mappes-Niediek who points out critically a trade off in local hiring policies of CROs.

In her article, “Perpetuating conflict? On unintended consequences of intervention”, Helga Dickow sheds light on economic aspects and distortions in Chad. In 2008/09, EUFOR Tchad/RCA – including an Austrian contingent – executed a so-called “bridging mission” to assist the UN Operation MINURCAT (‘Mission des Nations Unies en République Centrafricaine et au Tchad’). Dickow discusses economic impacts such as price increases or brain drain and addresses the question of who finances the conflict system there. In particular, she argues that the choice of local personnel to be hired by the CRO is limited.

## **A.2. The Spectrum of Economic Impacts**

a. At strategic level one can argue that wars and armed conflicts represent a form of development and that war-torn societies should therefore in general be integrated in the world economy.<sup>9</sup> CROs play an important role in this context. To show the spectrum of the economic dimensions one could start by outlining scenarios. A best case scenario, for instance, might be to provide incentives for investment, while international CROs and donors would contribute to jump-start and transform the local war-torn economy during the early recovery process. A worst case scenario, on the other hand, might, for example, be caused by paying local employees way above-average salaries, so that the CRO could actually cause severe labor market distortions which, in turn, might fuel a conflict. In addition, CROs are, for various reasons, often not able to provide

---

<sup>9</sup> Cf. Academic work by Cramer, Christopher (School of Oriental and African Studies, University of London) and Tilly, Charles.

alternative means of subsistence, create jobs, or facilitate condition-based local ownerships. They might, in fact, encourage parallel structures and shadow economies (as, for instance, in Afghanistan) in an unintended way.<sup>10</sup>

An important question arising in this context is that of what kind of CRO measures affect a war or post-war economy in an intended manner and what kind of measures might have the reverse effect. Intended impacts may differ during the various stages of a conflict and one has to keep in mind that a CRO is only one of several factors on the ground. In an ideal-typical area of operation the following impacts may be induced by belligerent actors and/or CROs:<sup>11</sup>

- Flight of capital and a reduction or discontinuation of foreign direct investments
- Disruptions in trading (e.g. trade links get lost)
- Emergence of new economic channels and grounds
- Decline of people's savings
- Changes in relationships on all levels
- Massive exploitation of resources
- Significant growth of an informal economy, caused by the people's need to survive
- Diminished role of the state
- Termination of social contracts
- Expansion of the pool of uninsured persons<sup>12</sup>

---

<sup>10</sup> For a good synopsis see Nitzschke, Heiko / Studdard, Kaysie: *The Legacies of War Economies: Challenges and Options for Peacemaking and Peacebuilding*. In: *International Peacekeeping* 12, No. 2 (Summer 2005), pp. 222-239, and Heupel, Monika: *Shadow Trade War Economies and their Challenge to Peacebuilding*. In: *Journal of International Relations and Development* 9 (2006), pp. 140-169.

<sup>11</sup> The following points were highlighted in a lecture given by Pugh, Michael (University of Bradford, UK) at the University of Coimbra/Portugal, November 2009.

<sup>12</sup> Ibid. In this point, Michael Pugh refers to Duffield, Mark: *Development, Security and Unending War: Governing the World of Peoples*, Polity, London, 2007. For Duffield, the permanent war on insecurity is a product of the neoliberal bio-political division of the world between the insured and the uninsured. Cf. a review article of this book from

b. At operational level, Thomas Preindl from *Caritas Austria* identifies two ways in which humanitarian aid may have the unintended impact of intensifying or prolonging a conflict. In his contribution to this publication, “Economic and Long-term Development-oriented Perspectives of Humanitarian Aid in the Context of Humanitarian Crisis and Political Instability” he emphasizes two factors that may cause unintended impacts: The transfer of resources and the dissemination of ethical messages.

According to Preindl, unintended economic impacts in a humanitarian context materialize, for instance, when donor organizations, NGOs or other actors in the area of a CRO

- Hire local militias to guard their vehicles and thus become a factor in the private security market and the violence created by war,
- Import relief goods from abroad and distribute them free of charge, which may lead to the collapse of the local economy,
- Satisfy basic human needs in terms of food, shelter, health care, and education, which may release local political elites of their responsibilities towards their own population, or
- Set priorities among the target groups for whom relief is intended, thus creating envy and mistrust.

Preindl’s considerations on unintended impacts from a humanitarian perspective appear to be of great relevance for military actors in the context of civil-military interaction and decision-making processes. Looking at the economic situation in the Balkans, in Afghanistan or in African conflict systems, one can see that even after years or decades of international stabilization efforts, not much has changed since the beginning of the military interventions. Much work remains to be done to increase adequate initiatives in the economic dimension of ICM.

---

Chandler, David: *Theorizing the shift from security to insecurity – Kaldor, Duffield and Furedi*. <[http://www.davidchandler.org/pdf/journal\\_articles/CSD%20-%20Security%20review%20article.pdf](http://www.davidchandler.org/pdf/journal_articles/CSD%20-%20Security%20review%20article.pdf)> (retrieved 15.2.2010).

So far, it has become obvious that military efforts on the ground must be complemented – no matter in which region – by non-military means. This brings to bear the expertise of civilian actors, as Preindl highlights, both national and international. There will be a time when (political) leaders from international organizations (IOs) and troop contributing nations (TCNs) will have to respond to the crucial question of whether they are able to apply more effective regimes of international civil and military engagement by minimizing unintended impacts or whether they are facing a general target conflict with expeditionary ambitions. According to Zingel, a collision of aims in ICM appears to be likely, yet not inescapable.

### **A.3. The Lack of Economy-Related Analyses and Expertise**

Concerning the economic impacts on the ground, restoring basic security may promote an immediate upsurge in economic activities, but mission spending, in general, may stimulate the local economy by generating widespread inflation. Scientific missions before, during, and after CROs appear to be indispensable in the future to achieve satisfying research results for decision-makers. In other words, there is a demand for “economic advisers” – a new and important post – to be institutionalized on all levels in CROs. The urgent need for more viable information can be highlighted by the economic footprints the international troops left in Afghanistan.

With more than 100,000 soldiers of the International Security Assistance Force (ISAF) and Operation Enduring Freedom (OEF) on the ground (as of December 2009), these operations are having a direct impact on Afghanistan’s economic structures. The problem is that the respective impacts are not and never have been under their control. Therefore, in 2008, NATO, together with the World Bank, launched a major research project to come up with a macro-economic assessment of the overall spending of ISAF, including the

Provincial Reconstruction Teams (PRTs)<sup>13</sup>, to identify the economic impact of local spending and find ways to boost the local economy. This still ongoing project is to identify the main obstacles to stepping up local procurement in Afghanistan, which again shows the relevance and need for more economic expertise in ICM. When conducting this study, ISAF realized that it had an overwhelming shortfall in survey data. Post-war or war environments impair households, asset endowments, and the types of income-generating activities that households are engaged in. Another question coming up in this context is whether or not it makes sense to destroy Afghanistan's poppy industry, since it is the basic source of income of the local population.

#### **A.4. The Homeland Dimension**

Another economic issue ICM has recently focused on is the homeland dimension, i.e. the political justification and the people's approval within the TCNs. Focusing on the economic impacts CROs have in various TCNs the highly political question arises of whether the politicians are willing to make the costs of security transparent in order to legitimize their actions before their own population and gain its approval for contributing to CROs. In fact, often enough the political opposition in TCNs brings up this issue and some critics have already provocatively referred to the troop deployments from smaller European countries in economic terms, labeling them "non-productive labor".<sup>14</sup>

In their paper, "Disaster Response Supply Chain Management (SCM): Integration of Humanitarian and Defence Logistics by Means of SCM", Michael Eßig and Sandra Tandler from the

---

<sup>13</sup> Cf. Gauster, Markus: *Provincial Reconstruction Teams in Afghanistan. An innovative instrument of international crisis management being put to the test*. Marshall Center Occasional Paper Series No. 16, Garmisch-Partenkirchen 2008.

<sup>14</sup> Fitz-Gerald, Ann: *Developing a comprehensive approach to national security*. Chatham House Report, London 2007, p. 9.  
<[http://www.chathamhouse.org.uk/files/8268\\_210207fitzgerald.pdf](http://www.chathamhouse.org.uk/files/8268_210207fitzgerald.pdf)> (retrieved 15.2.2010).

*Universität der Bundeswehr* in Munich are focusing on the procurement dimension within the German *Bundeswehr*. They argue that – taking the principle of ultimo ratio into account – military services abroad should always be provided without putting financial burdens on the host nation. In addition, humanitarian operations should be under civil control, operating with a “civilian face”. Therefore, civil and military supply chains should be integrated through a “Cooperative Collaboration Concept” and through outsourcing.

Concerning the privatization of companies in multiethnic post-war environments as an economic measure facilitated by CROs, Michael Schmunk argues that this is likely to promote corruption, especially when based on ethnic aspects. This has become evident from several examples in the Western Balkans, where the process of privatization is still not transparent and misused as a political instrument. Considering the fact that in many EU member states it is getting increasingly harder to justify foreign deployments by gaining the legitimacy from the population, transparency is crucial. With regard to the economic impacts within TCNs, Harald Pöcher from the Austrian Ministry of Defense and Sports addresses the homeland dimension from an Austrian perspective. In his paper “The Internal Dimension: Economic Impacts of Crisis Response Operations Abroad in Troop Contributing Countries – the Example of Austria” he argues that especially small countries have to be aware of the economic impacts and consequences of operations at home and abroad.

#### **A.5. Questions to be Addressed in Future Research**

The present paper suggests several economy-related indicators for measuring impacts in certain economy-related fields (see chapter C). Such indicators are, for instance, the amount of local procurement, local salary levels, and local hires. It also aims at providing some expertise on the economic parameters in war-torn societies to facilitate further discussion. This might, for instance, result in a handbook for military and civil decision-makers on the ground

helping them to identify and deal with economic issues in CROs. Current and future research has to address the following questions, in order to create more awareness of intended and unintended economic impacts caused by civil and military decision-making processes:

- What does a civil-war economy ideal-typically look like?
- What are the driving economic forces and indicators in post-war societies?
- How do international donors, corporations, and CRO measures influence the economic structures in a conflict region in general?
- How do CRO actions influence the economic structures in particular?
- What lessons learned and best practices can be identified on regional, national and local levels?
- Which policy-related, strategic, and programmatic approaches of CROs may have which economic impacts during which phase of a conflict?
- How can intended economic impacts be stimulated and sustained, as for instance, through local procurement practices?
- What are the implications of civil-military interaction within the framework of the economic dimension?

The authors contributing to this publication come up with some conclusions, recommendations, and lessons learned and highlight the best practices in use by various response communities in order to increase intended respectively decrease unintended impacts in future CROs.

## B. THE BASIC TOOLKIT TO ASSESS ECONOMIC DEVELOPMENTS IN AREAS OF OPERATION

To set the context, this chapter deals with key issues of the economic dimension, namely the nexus between external engagement and enhanced state-related economic growth as well as with economic development focusing on the human factor. It also intends to provide insight into the relevance of economic indicators for assessing complex scenarios in CROs: Some indicators may be useful to identify economic impacts in the theatre, while others are not. One advice for decision makers in CROs is to be most careful when applying economic indicators for the purpose of contributing to economic growth and development in post-war scenarios.

### **B.1. Economic Growth, Economic Development, International Aid and Crisis Response Operations**

#### a. Characteristics of economic growth and related indicators

Economic growth is only one aspect of the economic development. Economic growth is the measure of the value of output of goods and services within a certain time period. By contrast, economic development is the measure of the welfare and well-being of the people in a society. It is reasonable to think that investments in health and education will, in the long run, support more rapid economic growth. Some of the most striking examples of economic growth in the 20th century were countries such as South Korea and Taiwan, who received large amounts of international funding. The question is, “How can one really measure economic growth?”

One can, for example, use the measures of economic performance in terms of income value, expenditures, and output:

<b>Gross Domestic Product (GDP)</b>	The value of output produced within a country during a time period
<b>Gross National Product (GNP)</b>	The value of output produced within a country plus net property income from abroad
<b>GDP/GNP per capita</b>	This measure takes into account the size of the respective population
<b>Real GDP/GNP</b>	Accounts for differences in price levels between countries in order to make them more comparable

Applying these economic parameters to evaluate impacts in ICM proves to be difficult: When the GDP increases, it does not necessarily mean that also the welfare of the entire population of a country increases. A decisive factor in this context is the impact of the so-called ‘trickle-down effect’ that affects many consumer goods:<sup>15</sup> Initially a product may be so expensive that only the wealthy can afford it. Over the time, however, its price may fall to a level that makes it affordable for the majority of the population. The stronger the trickle-down effect, the better it is for the welfare of the local population, as it can benefit more from the advantages of economic growth and development at a faster rate.<sup>16</sup> On the other hand, if inflation increases, it may be positive for exports, but negative for the local population.<sup>17</sup>

Nonetheless, one has to be aware that the security and development dimensions are too complex to link them solely to a type of GDP: Most of the existing indicators are averages and do not lend themselves well to assess the standard of living of the population in

<sup>15</sup> Zingel in the IFK workshop, 16.-17.10.2008.

<sup>16</sup> However, the ‘Trickle-Down Effect’ does not always yield the desired results. An example is the economic transformation of Latin America following the Washington Consensus in the 1980s and 1990s. From an economic point of view, the results were disastrous.

<sup>17</sup> Zingel in the IFK workshop, 16.-17.10.2008.

an area of a CRO.<sup>18</sup> This makes the application of indicators in ICM generally difficult. It also has to be noticed that facilitating institution building in war-torn societies depends on economic growth and development but to the same extent on a certain level of security, since capital and assets tend to be cautious, when the security situation deteriorates.

Another aspect that usually has an impact on the GDP is the provision of international aid.<sup>19</sup> Aid can have various impacts that make conflict transformation more likely and facilitate growth. International aid may provide infrastructure, such as electric power, roads and ports, which are strategic assets that make economic growth possible. It can also finance new skills and capacity-building measures, in order to increase human capital and know-how and it can provide access to financial services for entrepreneurs who take the initiative to build their businesses in an area of operation.<sup>20</sup>

However, the impact of aid on economic growth is extremely difficult to measure. To identify the overall impact of aid seriously, one would have to compare the world as it is today with a parallel universe without aid provision.<sup>21</sup> Yet it is not feasible for statistics and econometrics to measure a world without aid and any such calculations should be viewed with caution. What we know is that the provision of aid certainly makes a difference, but it is one of many determinants.<sup>22</sup> It may be assumed that if improvements in health and education do encourage growth – as common sense would suggest – the effects are likely to take many years to be observed

---

<sup>18</sup> Zingel in this publication, Chapter 2.2.

<sup>19</sup> In the context of this publication, ‘aid’ does not only stand for donor conferences or funding, e.g. provided by the World Bank or the International Monetary Fund, but for any form of assistance and support from CROs and independent humanitarian actors, such as NGOs, within the framework of ICM.

<sup>20</sup> Barder, Owen: *Beneath the Appeal, Modestly Saving Lives*. In: [www.opendemocracy.net](http://www.opendemocracy.net), 15.10.2009. <<http://www.opendemocracy.net/owen-barder/beneath-appeal-modestly-saving-lives>>, p. 2 (retrieved 16.10.2009).

<sup>21</sup> Barder, Owen, p. 3.

<sup>22</sup> *Ibid.*, p. 3.

empirically, making it very difficult to measure any statistical relationship, especially within the limited timeframe of CROs.<sup>23</sup>

To date, no evidence has been found that aid would be harmful or have a negative effect on growth. What was observed, however, was, that in some cases there was no noticeable effect. Hence, the safest conclusion is that statistical comparisons of the growth rates in different countries do not tell us anything about the effect of aid either way. In other words, there is no clear cause and effect pattern.

#### b. Economic development

Economic development is somewhat different. It incorporates the notion of measuring human welfare and well-being. As such, it is a normative concept open to interpretation and subjectivity, which leads to the following questions: What should this measure include? What does economic development entail? What are other factors linked with human welfare, such as political freedom, subsistence, sustainable development, and self-esteem? What parts of activities in the various sectors of the economy – the primary, secondary, and tertiary sector – are affected and in which way? The more important question, however, might be: “To what extent have these sectors already been developed?”

Many of these factors cannot easily be assessed or “boxed” into an index that could serve as an objective measure. Also, there does not necessarily have to be a change in the economic structure of a state for there to be an improvement in welfare, since minimal policy changes may already have an impact on the economic development. In the long run, these effects would expand and have a substantial positive influence on the economic development which comes and goes with economic growth: One cannot ignore the interdependency between economic growth and economic development. An example would be to introduce adequate measures in primary and secondary education in countries with CRO presence.

---

<sup>23</sup> Ibid., p. 3.

c. Further indicators for measuring growth and development

A widely accepted summary of “traditional” development indicators<sup>24</sup> are the following:<sup>25</sup>

- **Health:** includes indicators, like life expectancy, maternal and infant mortality, quality of life and the levels of health care available in situations of morbidity. Physical health and well-being are basic requirements of a stable population growth and the ability to function more effectively on a regular basis.
- **Choice, democracy, and participation:** participation in social and economic affairs, with fair economic rewards, the availability of reasonable choice, and participation in the democratic process. The political process can enable or inhibit development. The importance of good governance and appropriate democratic institutions to articulate social goals cannot be over-emphasized.
- **Income and economic welfare:** high levels of employment, high incomes per capita, and a higher GNP with appropriate corrections for environmental protection and income equity. Personal savings and investment to are important to support a long term sustainable structural change.
- **Literacy, education, and skills:** literacy, education, training and skills as well as opportunities for all members of society to increase its capacities. The availability and the level of education is an indicator in its own right; it also contributes to increased individual and social choice and is a prerequisite for democracy and good governance.
- **Technology:** the capacity for technological innovations and for making technological choices. Few countries are capable of

---

<sup>24</sup> Cf. United Nations Human Development Report 2009.

<<http://hdr.undp.org/en/statistics/faq/>> (retrieved 15.10.2009) in the lecture by Muñoz de Bustillo Llorente, Universidad de Salamanca/Spain.

<sup>25</sup> Muñoz de Bustillo Llorente, Lecture: *Desarrollo y Crecimiento*, Winterterm 2009/2010.

radical innovation, as research and development are becoming more expensive and complex. For these countries, a more appropriate indicator is the capacity, in terms of know-how and wealth, to make the appropriate choice between competing technologies and to develop or adapt technology that fits their own needs.

- **Cultural indicators:** they are obviously also important, but can be problematic. They are difficult to quantify, and there is little consensus about which cultural values actually support development. It has been discovered that OECD countries exhibit varying attitudes and approaches to support learning, innovation, wealth creation, and social development as part of their respective cultural identity. There are similar differences to be found in developing countries in the same region.

## **B.2. Relative vs. Absolute Poverty: Does It Affect the CRO Assessment Process?**

Other important measures to determine the wellbeing of a country and its population are the levels of poverty – absolute poverty and/or relative poverty, inequality and progress. The question is: “What constitutes progress?” How subjective this topic actually is, becomes evident when trying to define poverty. The important thing is to understand the difference between absolute and relative poverty. Once a common denominator can be agreed upon, when defining both, a lot can be done to analyze them.<sup>26</sup>

Absolute poverty<sup>27</sup> refers to the inability to acquire those goods that are necessary to satisfy basic needs, such as the means to obtain a minimum level of nutrition that is necessary to sustain an active life.

---

<sup>26</sup> Schwartzman: *The Statistical Measurement of Poverty*. In: “Summary of Expert Group Poverty Statistics”, Rio de Janeiro, 1999, pp. 1-2.

<sup>27</sup> Cf. Gordon, David: *Indicators of Poverty & Hunger*. University of Bristol. In: Expert Group Meeting on Youth Development Indicators. United Nations Headquarters, New York, 12.-14.12.2005.

<[http://www.un.org/esa/socdev/unyin/documents/ydiDavidGordon\\_poverty.pdf](http://www.un.org/esa/socdev/unyin/documents/ydiDavidGordon_poverty.pdf)> (retrieved 15.10.2009).

Basic needs also tend to include clothing and shelter. In simple terms, absolute poverty is having just enough to survive, but no more than that. However, it is well worth considering whether what counts as absolute poverty is, to some extent, relative to the culture in question: The concept is by no means uncontroversial.

Relative poverty<sup>28</sup> defines incomes or resources in relation to the average. It is concerned with the lack of material needs that allow full participation in public life. Relative poverty refers to the differential of income and wealth between people or countries. It is rather a measure of comparison. The poor are those with significantly less access to income and wealth than others in their society. How would one then “measure” the amount of poverty, using this “relative poverty” definition? One could simply look at what happens to income distribution over the time. If the distribution becomes more “equal”, the amount of relative deprivation – or “relative poverty” per definition – is reduced. If the distribution becomes more “unequal”, relative poverty increases. As such, this definition is an indicator of poverty that can be measured between individual countries, within regions, or simply across the population of a country.

Another term in this context, which has appeared in the relevant literature recently, is that of ‘social exclusion’.<sup>29</sup> Social exclusion is a multidimensional occurrence, relating to the relative position of an individual or a group (a region) within the entirety of society. Exclusion is conceptualized through different social processes and dimensions of everyday life, be it economic, cultural, physical, geographical, political or institutional. In other words, social exclusion is the outcome of a complex process and certainly not the

---

<sup>28</sup> Cf. Sreenivasa, Iyengar N.: *Inequality and Relative Poverty*. The Indian Economic Journal, Volume 49, No.4 (125-128).

<<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN019753.pdf>> (retrieved 21.10.2009).

<sup>29</sup> Citizen First: *Social exclusion by ICT*. <<http://www.citizen-first.net/Repository/623c34ca-c647-4c0f-bea7-e8bc28265a11.pdf>> (retrieved 10.10.2009).

result of poverty alone.<sup>30</sup> The examples of social exclusion in areas of CROs are numerous. One recent example was the exclusion of various ethnic groups in Darfur in Sudan because of their ethnicity and the amount of valuable natural resources. What followed soon in the region were problems for the local population living near the refugee camps. While the people inside the camps were provided with a certain level of security, water, food, and wellbeing, the locals outside did, in fact, not have access to such basic necessities, since they were excluded from the camp.

The main difference between absolute and relative poverty does not merely consist in the varying definitions. It becomes more evident when used as an indicator to assess the standard of living of a civil society. While absolute poverty is something on which indicators can be based, relative poverty is the comparison of values obtained through indicators based on the definition of absolute poverty. This raises the questions of which areas should be focused on and who is to focus on them. The actors are numerous: ICM in general, military and civilian CROs, NGOs, IOs, etc. – all have their own character. The answer depends on the specific context of every single CRO and the country in which it is conducted. A standard recipe would not and cannot yield the intended results.

### **B.3. The Human Development Index (HDI)<sup>31</sup>**

The following question further illustrates the problems with finding relatively unbiased economic development indicators: “Iraqis have apparently been given their freedom following the ‘Operation Iraqi Freedom’ but has it improved welfare?” Any answer is sure to lead to controversial arguments. One of the best available indicators for economic development appears to be the Human Development Index (HDI). This is a socio-economic index, reflecting not only changes in the economy but also other associated changes within local societies. It is focused on three dimensions of human welfare:

---

<sup>30</sup> Ibid.

<sup>31</sup> Muñoz de Bustillo Llorente, 2009/2010.

- Longevity – Life expectancy
- Knowledge – Access to education, literacy rates
- Standard of living – GDP per capita measured with Purchasing Power Parity (PPP) per US-\$<sup>32</sup>

The HDI is an index for human development, applicable to all countries in the world, which was first published in 1990 and is part of the Annual Human Development Report published by the United Nations Development Program (UNDP). The HDI was mainly elaborated by the Pakistani economist Mahbub ul Haq who worked closely together with the Indian economist and Nobel laureate Amartya Sen and the British economist and politician Meghnad Desai.<sup>33</sup>

Unlike the country comparison by the World Bank, it not only takes into account the GDP per capita of a country in PPP US-\$, but also life expectancy and the extent of access to education on the basis of literacy and school enrollment rates. The life expectancy factor is considered to be an indicator for health, nutrition, and hygiene, while the educational factor relates to the acquirable knowledge and participation in public and political life to make for a reasonable standard of living.<sup>34</sup>

For Amartya Sen, the fundamental motivation for creating the Human Development Index was the inadequacy of previous instruments (e.g. the assessment of the level of development) to

---

<sup>32</sup> ‘Purchasing Power Parity’ is a theory which states that exchange rates between currencies are in equilibrium when their purchasing power is the same in each of the two countries. This means that the exchange rate between two countries should equal the ratio of the two countries’ price level of a fixed basket of goods and services. When a country’s price level increases (i.e., a country experiences inflation), that country’s exchange rate must depreciate in order to return to PPP. The basis for PPP is the ‘law of one price’. In: Blanchard, Illing and Forster 2006; Krugman and Obstfeld 2009.

<sup>33</sup> Cf. Muñoz de Bustillo Llorente 2009/2010.

<sup>34</sup> Cf. United Nations Human Development Report 2009, presented by Muñoz de Bustillo Llorente.

measure the GDP per capita in PPP US-\$.<sup>35</sup> The HDI was to make it possible to measure the development best suitable for the needs of the people and to contribute to several aspects of this development. These considerations needed to be transformed into a simple index. One of the HDI inventors, Mahbub ul Haq, sought to enhance the capabilities of the people in a simple manner, on the basis of the HDI.<sup>36</sup> The Index was to show whether development objectives were reached or not, such as for example better nutrition, health, education, recreation, and opportunities of participating in public life.<sup>37</sup>

The HDI or rather its significance is nevertheless controversial. A reason for contention is the weighting of the aspects of human development. The UN World Food Program, for example, does not use the HDI for better-developed countries. It is less suitable for these countries, since they have already reached a level of development beyond the useful scale of the HDI. The main assessment standards, such as literacy and life expectancy, affect less developed countries to a much greater extent.

What also might cause problems is that the HDI uses country averages and thus does not directly reflect disparities within an economy. The HDI system is still being further developed and has seen several modifications in recent years concerning the question of how to deal with incomes as well as setting upper and lower income limits. This could result in a limited comparability of data over the years. In the introduction to the first Human Development Index of 1990 the objectives are described as follows:

“People are the real wealth of a nation. The basic objective of development is to create and enable an environment for people to enjoy long, healthy and creative lives. This may appear to be a

---

<sup>35</sup> Cf. Muñoz de Bustillo Llorente 2009/2010.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

simple truth. But it is often forgotten in the immediate concern with the accumulation of commodities and financial wealth...”<sup>38</sup>

One problem with relatively short-term operations, or ‘bridging operations’, respectively (e.g. EUFOR Tchad/RCA), is that some factors, such as education and life expectancy, are not short-term by nature. ICM simply cannot enable a post-war society in a short period of time to significantly change these factors. Therefore, alternatives should be discussed and incorporated into the HDI, or one might have to apply other means to measure human development in the future especially within CRO timelines.

---

<sup>38</sup> Ackerman, Frank: *Human well-being and economic goals*. Washington DC, Island Press 1997, p. 389.

## C. SUGGESTED INDICATORS FOR MEASURING ECONOMIC IMPACTS

### C.1. The Consumer Price Index (CPI) – A Viable Indicator?

The CPI measures the costs of goods purchased by an average household. In Austria this is done by *Statistik Austria*. The CPI is the basis for comparative measurements of inflation in Austria and in the European Union as well as for evaluating the stability of monetary values within the Euro zone. Aside from being a general indicator for price changes (e.g. inflation), the CPI is used for the valorization of fixed rates (e.g. rents, living costs) and provides the relevant data for wage and salary negotiations.<sup>39</sup> An acceptable EU inflation measure is the ‘Monetary Union Indices of Consumer Prices’ (MUICP). It is based on the ‘Harmonized Index of Consumer Prices’ (HICP) of the sixteen countries participating in the monetary union, as of 1 January 2007.<sup>40</sup> HICPs are monthly price indices designed for international comparisons of consumer price inflation. The indices cover all forms of household expenditures, net reimbursements, subsidies, and discounts.<sup>41</sup>

Applying the CPI within the ICM framework, however, is critical, since it contains several flaws, when used as a pure measure of inflation.<sup>42</sup>

- The new product bias: New products are not included in the CPI for a while after they appear.

---

<sup>39</sup> Statistik Austria: *Consumer Price Index*. 13.8.2008.

<[http://www.statistik.at/web\\_en/statistics/Prices/consumer\\_price\\_index\\_cpi\\_hcpi/index.html](http://www.statistik.at/web_en/statistics/Prices/consumer_price_index_cpi_hcpi/index.html)> (retrieved 15.11.2009).

<sup>40</sup> The harmonized index of consumer prices (HICP) is the basis for a comparative measurement of inflation in Europe and for evaluating the stability of monetary values within the Euro zone. Cf. EUROSTAT.

<sup>41</sup> OECD: *European Union Consumer Price Indices*, 2009.

<sup>42</sup> Cf. The Economist: *Research Tools Economics A–Z, Inflation*.

<<http://www.economist.com/research/economics/searchActionTerms.cfm?query=inflation>> (retrieved 15.11.2009).

- The discount store bias: Careful consumers will not pay full prices.
- The substitution bias: Price variations can cause consumers to respond immediately by substituting items, while the basic measure keeps their consumption of various goods constant.
- The quality bias: Product improvements are underrated in the CPI.
- The formula bias: Sale items are over-weighted in sample rotations.

Although all five factors have a substantial influence, the three most important ones are the substitution bias, the new product bias, and the quality bias.<sup>43</sup>

#### a. Substitution bias

Although the prices of goods and services change, they do not do so symmetrically. The number of items purchased change, depending on the relative prices of the items in the basket. As the basket is fixed, the CPI does not reflect the consumer's preference for items with lower price increases. Intuitive consumer behavior of substituting items is not taken into account by the CPI.

#### b. New product bias

Over the time, new items get into the basket of goods and services a regular consumer purchases. But since the CPI applies only to a fixed basket of goods, the introduction of new products is not reflected. The new items are left out of the calculation in order to keep the time period comparable with earlier time periods.

---

<sup>43</sup> Discussed in short by Lebow, David E. / Rudd, Jeremy B.: *Inflation Measurement*. In: Durlauf, Steven N. / Blume, Lawrence E.: *The New Palgrave Dictionary of Economics*, Palgrave Macmillan 2008, The New Palgrave Dictionary of Economics Online, Palgrave Macmillan (retrieved 15.11.2009).

### c. Quality bias

Changes in the quality of goods are not reflected adequately in the CPI calculation. As the items in the basket of goods increase or decrease in quality, so does their value and desirability, which is reflected in their price and its influence on the basket. These changes are, however, not taken into account, when calculating the CPI for the following year.

Despite these flaws, the CPI is a good indicator of price developments and changes. Especially when calculated within the framework of a micro-census, the problems mentioned above can, to a high degree, be overcome.

### **C.2. The Keynesian Multiplier – A Useful Indicator to Measure Effectiveness?**

The Keynesian multiplier effect is mentioned in the study “Economic Impact of Peacekeeping”:<sup>44</sup> An initial amount of government expenditure leads to increased consumption and spending, which results in an increase in national income, exceeding the initial amount of government expenditures. The Keynesian Multiplier Effect appears in times of changes in a state’s aggregate demand which causes a change in the aggregate output for the economy.<sup>45</sup> This may result in a value exceeding that of the initial spending. The Keynesian multiplier formulas measure the extent of changes in investment and saving in response to an exogenous change in income or spending.<sup>46</sup> Keynesian economists often calculate this multiplier to measure the effect on aggregate demand.

Opponents of Keynesianism argue that the Keynesian multiplier calculations are misleading. The ‘Theory of Rational Expectations’ states that it is impossible to calculate the effect of deficit-financed

---

<sup>44</sup> EIP 2006, p. 25.

<sup>45</sup> The state influences or intervenes in the economy as to increase this effect.

<sup>46</sup> Bergman, Michael: *The Keynesian Multiplier*, Copenhagen 2005.

government spending on demand, without specifying how people expect the deficit to be paid off in the future.<sup>47</sup> The Theory of Rational Expectations is used in macro-economic models. It studies decisions made over several time periods, incorporating the expectations of workers, consumers, and firms (the so-called 'economic agents') concerning future economic conditions. Though these expectations form an essential part of the theory, it is a matter of controversy, what exactly influences these expectations. It is well known that the predictions may differ, depending on the assumption made about the expectations. To arrive at rational expectations one would have to assume that the agents' expectations are wrong at every given instance, though correct on average over a long period of time. In other words, although the future is not fully predictable, the agents' expectations are assumed not to be systematically biased, but rather use all relevant information in forming rational expectations of economic variables.

Nevertheless, the Theory of Rational Expectations is not applicable in a post-war economy, as deficit-financed government spending is of little importance in a comatose economy, in which the most quasi-governmental injections are made by donors within the framework of a CRO.

The relevance of the Keynesian multiplier for ICM is to find out whether the CRO functions as a "quasi-government" (as, for instance in Kosovo). It's spending, such as on infrastructure projects, results in higher consumer spending and in adjustments of other aggregates. All of these changes are a multiple of the initial investment. In the calculations of the EIP 2006, this multiplier effect is assumed to amount to 1.5 US-\$.<sup>48</sup> In more practical terms, this means that each US Dollar spent in a CRO adds an additional 1.5 US-\$ to the GDP, as it cycles through the local economy as fiscal stimulus. This is an interesting effect, which might be worth to be further investigated in

---

<sup>47</sup> Sargent, Thomas J., 2008.

<sup>48</sup> EIP 2006, p. 25.

a more detailed macro-economic analysis within the framework of a CRO.

### **C.3. Table of Suggested Indicators for Economic Impacts of Crisis Response Operations**

The suggested indicators can provide a basis for an analysis of the economic impacts of CROs in the field after completion as well as for daily monitoring of an ongoing CRO. In addition, they might serve as guidelines for decision-makers, after having reviewed available empirical data.<sup>49</sup> This table follows the idea of sustainable planning and implementation of CROs.<sup>50</sup>

---

<sup>49</sup> Cf. Beeres, Robert / De Waard, Erik / Bollen, Myriame: *Ambitions and opportunities for assessing military performance in crisis response operations*. In: *Financial Accountability & Management*, Volume 26, Issue 3 (2010).

<sup>50</sup> Cf. the questionnaire on nations' overall spending on ISAF and PRTs. In: Notice AC/127-N (2009), p. 255. NATO International Staff, 14.10.2009.

Goals and Targets	Indicators for monitoring progress
<b>Goal 1: Encourage a moderate and stable price level</b>	
<p><u>Target:</u></p> <p>To keep inflation and thus the price level at a regional average within the area of a CRO.</p>	<p><u>Indicators:</u></p> <ul style="list-style-type: none"> <li>• Consumer Price Index (CPI).</li> <li>• Establishment of a local state-of-the-art basket of basic consumer goods (possibly one for international staff and one for locals, responding to different wants/needs).</li> <li>• Monitoring changes of the CPI: constant inflation monitoring through regional micro census of the basket of goods.</li> <li>• Identify changes in local market structures (e.g. perfect competition vs. oligopolies vs. monopolistic tendencies).</li> <li>• Degree/extent of local free trade.</li> </ul>

**Goal 2: Strengthen local procurement without depriving locals of basic goods and services**

<u>Targets:</u>	<u>Indicators:</u>
<p>(1) Increase the relative amount of direct CRO procurement in the local market.</p> <p>(2) Take into consideration consumables (e.g. food, water, fuel), commodities and supplies (e.g. office supplies, building materials) and local services (e.g. logistics, transportation, maintenance, translation).</p> <p>(3) Increase the economic impact of local CRO spending.</p> <p>(4) Enhance transformation of local firms from the informal sector into a formal one.</p>	<ul style="list-style-type: none"> <li>• Procurement policy: manage and use current procurement statistics.</li> <li>• Percentiles of the total procurement share going into local markets for goods and services.</li> <li>• Extent of local spending by international staff.</li> <li>• Identify main obstacles to increasing local procurement and spending: e.g. lack of access to local marketplaces, non-availability or poor quality of local goods and/or services, national caveats, local commercial laws that restrict local procurement, weak contracting procedures, lack of legal and/or economic advisers, lack of commercial information, perceived corruption, etc.</li> <li>• Manage economy-related data base before, during, and after CRO exit.</li> </ul>

### Goal 3: Increase adequate professional hiring of locals

<p><u>Target:</u></p> <p>To discourage ‘brain drain’<sup>51</sup> and prevent shifts from the local government and higher-skilled work sectors to the CRO, in order to facilitate local capacity building.</p>	<p><u>Indicators:</u></p> <ul style="list-style-type: none"> <li>• Extent of mandate adjustment to the principle of ‘local ownership’.</li> <li>• Number of obstacles to increased local hiring: E.g. lack of skilled personnel, lack of security clearance for individuals, national caveats, local laws that restrict local hiring, lack of legal advisers knowledgeable in local commercial law, perceived corruption, etc.</li> <li>• Number of available jobs, e.g. local Admin Officer, translator/interpreter, support personnel (driver, food preparation, etc), security, surveyors, professional engineers.</li> <li>• Amount of local hires paid in local currency.</li> <li>• Growth rate of GDP per person employed.</li> <li>• Employment-to-population ratio</li> <li>• Regular payments.</li> <li>• Salary gap between local and international hires.</li> <li>• Number and extent of acceptance of professional training initiatives introduced by CRO.</li> </ul>
--	---

<sup>51</sup> According to the Merriam-Webster dictionary, ‘brain drain’ means “the departure of educated or professional people from one country, economic sector, or field for another usually for better pay or living conditions.”

In: *Merriam-Webster Online Dictionary 2010*. <[http://www.merriam-webster.com/dictionary/brain drain](http://www.merriam-webster.com/dictionary/brain%20drain)> (retrieved 1.3.2010).

**Goal 4: Support formal enterprises to raise GDP and amount of taxation**

Targets:

(1) Encourage micro-businesses and enterprises in order to reinforce economic transformation from informal into formal sector.

(2) Encourage sustainable economic activity of firms.

(3) Extend the degree of informal sector businesses to become part of the formal sector.

Indicators:

- Amount of local participation in bidding for ICM procurement.
- Number of firms, NGOs and economic experts operating in the area of a CRO.
- Extent of local market dependence from and integration into the global market.
- Degree of civil leadership in CRO.
- Number of civil personnel in CRO.
- Number of Quick Impact Projects (QIPs) managed by CRO.
- Degree of expertise and number of economy-related incentives offered by socio-economic specialists.

**Goal 5: Support and train local security forces to stimulate the economy**

Targets:

(1) To increase the number of appropriately trained local security forces (army, police, border patrol, etc.) to reduce the unemployment rate in order to create a safe and secure environment for reconstruction and economic recovery.

(2) To create an economic multiplier effect with rising local expenditures of security forces.

Indicators:

- Extent of enabled or facilitated alternative livelihoods and ways of (legal) income.
- Shifts of irregular combatants into regular security forces.
- Ratio loyalty vs. proneness to bribery.
- Number of (civil) security sector specialists in area of CRO.

**Goal 6: Achieve economic CRO objectives to enhance future self-sustainability**

Target:

Include economic dimension in CRO directives in order to allow the development of a self-sustainable post-war environment.

Indicators:

- Extent of economic-related measures included in CRO mandate/Operations Plan.
- Extent of scientific approach, or expertise, respectively in the economic dimension of CRO at all levels.
- Amount of Foreign Direct Investments (FDI) in the area before, during and after CRO presence.
- Extent of variety of project pillars: security, infrastructure, education, employment, roads, agriculture, governance etc.
- Extent of partnering with locals to promote local business leadership.

<b>Goal 7: Increase the number of intended economic impacts of CROs</b>	
<p><u>Targets:</u></p> <p>(1) Decrease the number of unintended (economic) impacts by turning them into intended ones, such as by a pro-local supplier procurement policy.</p> <p>(2) Enable access to economic advisors (both local/international) in order to increase intended economic impacts.</p> <p>(3) Increase civil-military interaction appropriately in order to promote intended economic impacts.</p>	<p><u>Indicators:</u></p> <ul style="list-style-type: none"> <li>• Ratio of locally awarded procurement vs. foreign contractors.</li> <li>• Review of CRO's economic objectives.</li> <li>• Number of Economic Advisors in military and civil CROs.</li> <li>• Comprehensiveness of procurement planning for the CRO at all levels.</li> <li>• Coordination and adjustment of civil and military tasks, according to their respective core expertise.</li> <li>• Extent of coherent and complementary approaches of the actors.</li> <li>• Extent of compliance with UN 'Oslo Guidelines' and 'Guidelines on Civil and Military Defense Assets' (MCDA Guidelines) in order to avoid blurring the lines between civilian and military actors.<sup>52</sup></li> </ul>

<sup>52</sup> For a detailed analysis of civil-military interaction in the context of existing guidelines and respective impacts, cf. Gauster, Markus: *Richtlinien und Wirkung zivil-militärischer Interaktion. Theorie und praktische Erfahrungen am Beispiel EUFOR Tchad/RCA*. Schriftenreihe der Landesverteidigungsakademie 5/2010. Vienna 2010, pp. 35.

#### D. ECONOMIC IMPACTS OF OPERATIONS – ANALYSIS OF SELECTED ARTICLES AND CORRESPONDING EMPIRICAL EVIDENCE

The present publication contains two papers directly discussing the economic impacts of CROs: “The Unintended Economic Consequences of Complex Peace Operations on Host Societies” by Katarina Ammitzbøll and Marianne Dons Tychsen, focusing on Afghanistan, and “The Economic Impact of Peacekeeping: An Update” (hereafter referred to as ‘Update 2009’) by William Durch, focusing on UN-led CROs. Another source this chapter draws from is the study by Michael Carnahan, William Durch and Scott Gilmore, “Economic Impact of Peacekeeping: Final Report” (hereafter referred to as ‘EIP 2006’) which served as basis for the Update 2009. One aim of the EIP 2006 and the Update 2009 was to identify and examine the main economic factors associated with UN peacekeeping operations and the economic context of rebuilding a crisis-torn state. The Update 2009 primarily adjusts the figures and data of the EIP and discusses new developments from a different perspective. It also emphasizes ‘Quick Impact Projects’ (QIPs) as a significant factor of the economic impact, which is not well known and seldom used as an instrument for un-bureaucratic aid, especially infrastructural aid.<sup>53</sup> In essence, the following four factors that are of empirical relevance are pointed out:

- Mission Subsistence Allowance (MSA)
- Wages of locally hired mission personnel (national staff wages)
- The amount of local CRO procurement
- Quick Impact Projects

These four factors effectively cause the first cash inflows into a post-war economy, once the (UN) CRO gets underway. They can, or rather should, kick-start the local economy and serve as a stepping-

---

<sup>53</sup> Update 2009, “Introduction”.

stone for influencing key economic indicators for measuring further economic development and assessing the impact of a CRO. Such injections are, however, only part of the initial set-up of a CRO and not necessary an ICM or development objective. Rather, they may be considered to be side-effects or unintended impacts that may have positive as well as negative effects and are therefore often a matter of controversy.

### **D.1. Impacts of CRO Expenditures on the Host Nation**

#### **a. Actual findings**

According to the EIP 2006, no more than 10% of the operation spending went directly into the local economy – with the exception of the operation in Kosovo: This operation is different inasmuch as UNMIK (United Nations Mission in Kosovo) lacks the military component, while KFOR (Kosovo Force) operates under NATO command, so that the UN is not reimbursing troop contributing nations. The seemingly low percentage nevertheless has noticeable impacts on the GDPs of countries with little economic activity, most notably Sierra Leone (UNAMSIL, United Nations Assistance Mission in Sierra Leone) and Liberia (UNMIL, United Nations Mission in Liberia), adding 4-8% to their GDPs. In recent years CRO budgets have, on average, increase the local GDPs by 1.2-1.4%.<sup>54</sup> In some countries the impacts were as low as 0.1% (Sudan or Côte d'Ivoire)<sup>55</sup>, while in others they were as high as 4% Liberia (UNMIL) and Timor-Leste (UNTAET, United Nations Transitional Administration in East Timor) in 2007-08. In general, these impacts mainly come to bear in or around the capitals where the UN has its headquarters. Such uneven distributions of inflow pose a problem for rural areas.

---

<sup>54</sup> Update 2009, Chapter “Methodology”.

<sup>55</sup> UNAMID (United Nations Assistance Mission in Darfur), and UNOCI (United Nations Operation in Côte d'Ivoire).

As documented in the Update 2009, the impact of operation expenditures on local GDPs has gone down in several CROs (e.g. Kosovo (UNMIK), Sierra Leone (UNAMSIL), and Timor-Leste (UNTAET)), which may be attributed to the fact that funding and spending had already peaked in 2001-2002.<sup>56</sup>

#### b. Empirical evidence of the impacts of local CRO expenditures

The data recorded in the EIP 2006 show that UN operations can have a small yet considerable impact on local GDPs:<sup>57</sup> In Kosovo and Burundi the GDP went up by 7% and in Liberia and Timor-Leste it increased by just below/above 10% respectively. This raises the question of why operation expenditures can have such a tremendous impact on local GDPs. The most trivial explanation for that is that the local GDPs of these countries had already been rock-bottom, with years of conflict adding on to it. In other UN CROs analyzed in the EIP 2006, GDP increases ranged between 0.25% in Côte d'Ivoire and just below 4% in Cambodia (UNTAC, United Nations Transitional Authority in Cambodia).

#### c. The amount of local expenditures in selected CROs

The EIP uses money values to show the estimated local impact of CRO expenditures in units of thousand US-\$.<sup>58</sup> E.g., in 2004/05, in Burundi (ONUB, United Nations Operation in Burundi) the expenditures amounted to 30,153 and in Liberia to 28,642 during the same time period, while in Timor-Leste they were somewhat lower with 26,301 in 2001/02. These amounts are much higher than those in UNAMSIL (14,843 in 2001/02), yet much smaller compared to those in Cambodia (62,834 in 1992/93) or in DR Congo (70,734). However, in these economies the impact was substantially smaller than in Burundi or Liberia.

---

<sup>56</sup> Update 2009, Chapter "Methodology".

<sup>57</sup> EIP 2006, Figure 2.3.

<sup>58</sup> EIP 2006, Table 2.2. and Table 2.1.

This confirms the argument that any given amount of local CRO spending will affect small economies much more than large ones, which also finds reflection in the Update 2009, comparing the figures for DR Congo (MONUC, United Nations Mission DR Congo) – a large country with a relatively high GDP – with those of other smaller host nations of UN CROs.<sup>59</sup> The amounts added through UN operation expenditures – even if they were as high as 70 million US-\$ – only had a small impact on the local GDPs, amounting to less than 2%.<sup>60</sup> Conversely, the 30 million US-\$ the UN spent in Burundi affected this small economy more significantly, as reflected in the data that show an upsurge of more than 6% of the GDP.<sup>61</sup>

The GDP per capita of selected countries (Burundi, DR Congo, Côte d’Ivoire, Haiti<sup>62</sup>, Sierra Leone, Liberia, and Kosovo) shows that in all these countries there was a noteworthy decline of the GDP per capita, before the CRO was launched.<sup>63</sup>

#### d. Impacts of CRO expenditures on the GDP

A decline in the GDP seems to be a “natural” result of a conflict. When the respective CROs started, the developments of the GDP per capita differed. In general, there were positive impacts in all countries assessed in the EIP 2006, although they were more significant in some countries than in others.

While the GDP per capita in Burundi stayed within its range of 600 to 800 US-\$ and that of Liberia balanced out at approximately 200 US-\$, due to the CRO, other countries such as Kosovo or Sierra Leone saw a clear upswing in their GDPs per capita.<sup>64</sup> Kosovo had the sharpest increase in the GDP per capita from under 400 € in 1999

---

<sup>59</sup> Update 2009, Chapter “Economic Impact on DR Congo and Côte d’Ivoire”.

<sup>60</sup> EIP 2006, p. 15 and Figure 2.3.

<sup>61</sup> Ibid., p. 15.

<sup>62</sup> MINUSTAH (United Nations Stabilization Mission in Haiti).

<sup>63</sup> EIP 2006, Figure 1.1.

<sup>64</sup> EIP 2006, p. 8.

to over 800 € in 2001.<sup>65</sup> Also Sierra Leone saw a remarkable increase from about 500 US-\$ in 2000, when troops were deployed to the area of operation, to over 800 US-\$ in 2004.<sup>66</sup> The other countries included in the study showed less dramatic increases in the GDP per capita. In countries, like DR Congo, the UN operation had a relatively small impact on the local GDP, so that also the impact on the GDP per capita was minimal. By contrast, Kosovo's results are very impressive. The UN was a major contributor to the local GDP, so that the sharp upswing in the GDP per capita, was not surprising.

An additional aspect provided by the EIP 2006 is the illustration of the local impacts of CRO expenditures in nine UN operations.<sup>67</sup> Out of the nine operations analyzed, the UN operation in Kosovo is fundamentally different, as the UN lacks a military component, so that the operation was smaller with regard to personnel even though it had a higher budget than average civil UN CROs. What is remarkable is that in all other operations (again the exception is Kosovo) up to 85% of the total operation expenditures had no local economic impact. This means that only roughly 10% were spent locally, while the rest consisted of, for example, imports and unspent Mission Subsistence Allowances (MSA).<sup>68</sup>

e. Reasons for CRO impacts on the GDP and the extent of local impacts in general

The reasons for the extensive drain of CRO funds vary: Large amounts of CRO expenditures were allocated to fund the military contingents and pay the international staff as well as cover international procurement contracts (70%-85%).<sup>69</sup> The other roughly 15%-30% went into spending on imported goods and services, which did, of course, not have any intended local impact. The local impacts range from 2.4% in Sierra Leone to 9.1% in Burundi but never

---

<sup>65</sup> EIP 2006, p. 8.

<sup>66</sup> Ibid., p. 8.

<sup>67</sup> EIP 2006, Figure 2.2.

<sup>68</sup> Ibid., Figure 2.2.

<sup>69</sup> Ibid., Figure 2.4.

exceed 10% (with the exception of Kosovo). Again it should be noted that if UNMIK would have included a UN military component, the local impact might have only slightly exceeded the 10% range.<sup>70</sup>

#### f. Results

Only a minimal amount of total operation expenditures have a local impact. Nevertheless, the relatively small amounts of expenditures that remain in the area have an impact of up to 4% on the local GDP, depending on the host country. This is a significant amount which can and should be enlarged. The overwhelming amount of CRO budget outflows is allocated to funding military contingents to ensure a safe and secure environment, which is also to the benefit of all other actors in ICM.

### **D.2. Impact of Mission Subsistence Allowance**

#### a. Findings

The Mission Subsistence Allowance (MSA) and to some extent the UN Volunteer Living Allowance (which has a negligible effect of less than 1/10th of the MSA) are expenditures that make up about half of the UN CROs local injections into the economy. Approximately 50% of these expenditures flow exclusively into the accommodation of MSA recipients. On the one hand, this can be perceived as a stable source of income for the local population throughout the operation, while on the other hand MSA can ignite a price increase in markets that adapt to international customs, most notably in the housing and restaurant/food sectors.<sup>71</sup>

In 2005 only around 27% of the MSA went into the local economy of Liberia, while in Kosovo it amounted to 75%.<sup>72</sup> The empirical

---

<sup>70</sup> Ibid., p. 14.

<sup>71</sup> EIP 2006, p. 20.

<sup>72</sup> Ibid., p. 18.

data do not support the frequently voiced argument that this would lead to an endless upward spiraling of prices and that the local population would suffer as a result of it. In fact, the price increases primarily concern high-price market segments (e.g. catering for the international staff) and only marginally affect the lower-price segments. In addition, hardly any impacts on price levels were witnessed outside urban areas with UN HQs.<sup>73</sup>

#### b. Empirical evidence indicating the extent of MSA influence

Data concerning the impact various sectors have on the GDP show that in seven out of nine operations, MSA spending is of greatest local significance, quoted at 40%-50%.<sup>74</sup> This indicates that more could be spent on local procurement and national staff, with the average impact of either ranging between 10% and 20%, although there also are extremes, such as a 50% procurement impact in DR Congo or a 40% national staff impact in Kosovo.<sup>75</sup> Overall, local impacts vary but MSA is the most obvious impact factor. Procurement, national staff salaries, and MSA noticeably boost the local economy during the post-war phase, when (legal) economic activity restarts.

### **D.3. Impact of Local Staff Wages**

Employment of national staff is the second factor that directly influences a post-war economy, providing cash inflows and employment. It has the most far-reaching and direct impact on post-war economic structures. Employing national staff directly influences several economic indicators (see chapter C.3.).

---

<sup>73</sup> EIP 2006, pp. 20-22.

<sup>74</sup> Ibid., Figure 2.4.

<sup>75</sup> Ibid., Figure 2.4.

#### a. Wage rate settings and their impacts

The wage rates set by the UN for its staff forms the basis for all local as well as international employers. In general, international employers (donors, NGOs, and bilateral projects) have no problems competing with UN wage levels, while local governments and local employers often do, since the wages they pay cannot compare with even low-level UN contracts. For that reason, there is a noticeable amount of ‘brain drain’ from the local economy and the public sector: Highly skilled workers leave their original professions in order to get hired for CRO jobs. E.g., a medical doctor might be working as a CRO driver. The UN staff therefore has to be very careful when setting wages, since they represent benchmark values not only for international actors but also for the local companies. The way and the amounts at which wage rates are set can minimize local wage inflation and ‘brain drain’, for instance by contracting local firms rather than directly employing national staff.<sup>76</sup>

Wage imbalances within the population have long-lasting unintended impacts. An educated key worker might, for instance, opt for a low-level UN CRO job which, by comparison, would earn him more than taking a local government job, though the latter would allow him to contribute to rebuilding his country. This phenomenon has been observed in Afghanistan in the recent past.<sup>77</sup>

#### b. Inflationary impacts of wages

Inflationary impacts of wages can be most severe. The EIP shows that the best way to deal with this matter is ‘outsourcing’ by contracting local service providers to supply the UN workforce. In other words, local firms employ local staff (at local wage rates) and allocate them to provide services for the UN operation.<sup>78</sup> This may decrease the wage rate impact and the inflationary wage pressure,

---

<sup>76</sup> Update 2009, Chapter “Findings”.

<sup>77</sup> Ammitzbøll / Tychsen 2009, Chapter 2.b: ”Salary disparities”.

<sup>78</sup> EIP 2006, pp. 35-36.

which, in turn, reduces unintended consequences, as stated in the paper of Ammitzbøll and Tychsen. Another approach, suggested in the EIP, is to revise the UN wage setting policies<sup>79</sup> in order to adapt them to modern standards.<sup>80</sup>

National staff is and always will be an indispensable part of any CRO, particularly because their income will flow into the local economy. This not only adds to the legitimacy and the acceptance of an operation by the local communities but also helps save costs. At the same time, employment in a CRO offers several opportunities for national staff. It paves the way for further employment and strengthens the local government with new qualified staff, which is essential when the operation comes to an end. Within the framework of ICM this is surely an intended impact, as it creates available human capital on which the local government can build its future.

### c. Empirical evidence of the respective impacts

The wage pressure phenomenon analyzed by Ammitzbøll and Tychsen as well as in the EIP does not seem to be massive enough to

---

<sup>79</sup> According to UN, “the ‘Common System’ represents common standards, methods and arrangements being applied to salaries, allowances and benefits for the staff of the United Nations, those specialized agencies which have entered into a relationship with the United Nations, the International Atomic Agency and a number of other international organizations. The Common System is designed to avoid serious discrepancies in terms and conditions of employment, to avoid competition in recruitment of personnel and to facilitate the interchange of personnel. It applies to over 52,000 staff members serving at over 600 duty stations.”

<[http://www.un.org/Depts/OHRM/salaries\\_allowances/common.htm](http://www.un.org/Depts/OHRM/salaries_allowances/common.htm)>.

However, the actual methodology for setting local staff salaries in the Common System appears to be extremely complex, with the guidance manual covering over 100 pages and another 100 pages of annexes.

Cf. *Manual for Salary Survey in Non-Headquarters Duty Stations*

<[http://www.un.org/Depts/OHRM/salaries\\_allowances/salaries/SSM-0706.pdf](http://www.un.org/Depts/OHRM/salaries_allowances/salaries/SSM-0706.pdf)>; and *Review of the methodology for surveys of best prevailing conditions of employment at non-headquarters duty stations*

<[http://www.un.org/Depts/OHRM/salaries\\_allowances/salaries/icsc.pdf](http://www.un.org/Depts/OHRM/salaries_allowances/salaries/icsc.pdf)> (all retrieved 15.12.2009).

<sup>80</sup> EIP 2006, p. 30ff.

generate a substantial inflationary force on the respective economies.<sup>81</sup> The general trends of the inflation rates documented in the EIP do not significantly change in the Update 2009. Figure 1 in the Update 2009 shows that the inflation rate has remained within certain limits, barely exceeding the initial values of the EIP. Yet, inflationary pressures are encountered, when CROs come to an end and the economies have to manage on their own. Burundi is a point in case: After the UN CRO was terminated local inflation went up to 25% in 2008.<sup>82</sup> It can thus be concluded that the majority of UN CROs analysed have had a stabilizing effect when it comes to the rate of inflation.

#### **D.4. Impact of Local Procurement**

Local procurement is an appropriate lever to increase intended economic impacts of CROs, which has not been given enough consideration, often due to various reservations and caveats. It has the potential to decrease dependency on international aid and may initiate multiplier effects: The building of a school or clinic offers a chance for a local contractor. It may not only create jobs, but also restore livelihoods and add to capacity building in the private sector. UN CRO procurement concerning locally awarded contracts ranged between 6% and 45% of the total CRO procurement, while the rest was provided by the UN Headquarters.<sup>83</sup> Roughly 20% of this amount actually stayed within the local economy and gave it some economic boost.

The procurement of local goods and services not only puts cash into the local economy but also shifts firms into the formal sector, aside from generating employment and development.<sup>84</sup> Such employment has shown to be sustainable in nature. The local housing market, for instance, reacted to the increased demand for high-end housing for

---

<sup>81</sup> Update 2009, Chapter “Findings”.

<sup>82</sup> Ibid.

<sup>83</sup> EIP 2006, p. 23.

<sup>84</sup> EIP 2006, p. 25ff.

international staff not only by price increases but also – to justify the higher prices – by increased refurbishment work, in order to comply with UN standards. The increased demand led to an increase in employment rates in a new sector and added to capacity building.

However, any form of procurement, both in local as well as in international environments, encourages fraud and corruption. Nevertheless, the collected data does not show much difference between the extent of fraud and corruption in post-war economies and that practiced by established international firms or organisations. This leads to the general conclusion that one has to be careful and take appropriate measures to ensure fair contract allocation.<sup>85</sup> To make local economies more competitive, training programs for local suppliers should be introduced.

#### **D.5. Economic Relevance of Quick Impact Projects<sup>86</sup>**

The term ‘Quick Impact Project’ (QIP) was first used by the UNHCR in 1991 to describe small-scale, low-cost projects designed to assist the reintegration of returnees and displaced persons in Nicaragua. During the 1990s, QIPs evolved from “one-shot” community-based infrastructure programs to more elaborated sets of activities, presented as tools linking relief to longer-term development. They also included income-generating and micro-credit schemes. On the whole, they were seen as quick, focused, and relatively simple to implement, producing rapid results and supporting community development.

In his Update 2009, Durch recommends to plan and implement QIPs in an integrated manner, rather than running several stand-alone projects: “Unless QIPs form part of a comprehensive strategy for reintegration, rehabilitation, and reconstruction, designed with

---

<sup>85</sup> EIP 2006, p. 26.

<sup>86</sup> UN High Commissioner for Refugees: *Quick Impact Projects (QIP). A Provisional Guide*, 2004, pp. 1-5.

community participation, their impact is likely to be insufficient, isolated, and short-lived”.<sup>87</sup>

The greatest potential of QIPs consists in their flexibility and un-bureaucratic character, which enables them to impact on the local community on a long-term basis and therefore convinces skeptics within as well as outside the area of operations. To date, QIPs are not used to their full potential and are considered to be a somewhat “under-evaluated tool whose actual value is unknown”, which may implicate their future potential.<sup>88</sup>

## **D.6. Extent of Interaction of Wages and Inflation**

The inflation rates in countries with UN CROs were generally not alarming.<sup>89</sup> In fact, they were not very much different from what one would expect in a crisis region. In his Update 2009, Durch compares the inflation rates of these countries with those of other states in the region. As it turns out, there are no significant differences in the inflation rates and to a certain extent the CRO seems to act as a stabilizer.<sup>90</sup> The data explicitly do not support the idea that the presence of a UN CRO causes above-average inflation pressure within a host country.

### **a. Economic developments in countries with UN CROs**

In some countries, such as for instance Haiti, the presence of a UN CRO decreased inflation, after having spiked at over 30% before and during the local crisis. Likewise, in Côte d’Ivoire, Kosovo, and Liberia there was no distinct impact on the inflation level, resulting from the UN CRO. In Liberia there is even a continued decrease in the inflation rate from 10% to 5%. The same holds true for Timor-Leste, where after a conflict-induced jump to around 10% in 2002,

---

<sup>87</sup> Update 2009, Chapter “Quick-Impact Projects”.

<sup>88</sup> Update 2009, Chapter “Quick-Impact Projects”.

<sup>89</sup> EIP 2006, Figure 2.2, and Update 2009, Figure 1.

<sup>90</sup> Update 2009, Figure 2.

the inflation rate fell to below 5% the following year and stayed even during the UN CRO. Burundi, Sierra Leone as well as Haiti seem to have the most volatile inflation rates. This is, however, by no means a result of the UN CRO. In fact, the data suggest that a CRO presence actually made the inflation rates less volatile. In Burundi, for example, the inflation rate fell from close to 25% in 2000 to a value below 0% in 2002, before jumping to just over 10% in 2003.<sup>91</sup> Once the CRO started, inflationary spikes disappeared and a rather stable inflation rate developed, settling in at around 7-8%. Overall, ICM led to the stabilization of inflation rates, which is good for a number of reasons, the most important probably being that it gives the local population certain confidence in future price level developments.

b. Is there a connection between increased inflation and unintended impacts of a CRO?

Ammitzbøll and Tychsen,<sup>92</sup> who spent a considerable period of time in Afghanistan and Kosovo, analyzed the economic developments based on qualitative research focusing on CRO perceptions and perspectives of the local population. Their research was not only focused on ISAF and KFOR but on the presence of the entire international community in Afghanistan and Kosovo in 2004. The findings are included in this publication. They argue that unintended impacts are mainly caused by the lack of economic expertise on the ground. One finding is that ISAF and other international actors have contributed to an increase in local inflation rates.<sup>93</sup> This view is confirmed by experiences made by international staff on the ground. The available data in the EIP 2006 and the Update 2009 do, however, not support these observations.

UN-led CROs analyzed by Durch have, in general, added to the stabilization of inflation rates, steadying them at a reasonable level.

---

<sup>91</sup> EIP 2006, Figure 2.2, and Update 2009, Figure 1.

<sup>92</sup> Ammitzbøll / Tychsen 2009, Chapter 5.e

<sup>93</sup> Ammitzbøll / Tychsen 2009, Chapter 5.b

However, markets catering for the international community are generally under higher inflationary pressure, because at the beginning of a CRO goods and services for the international staff are scarce in local markets. This leads to an excess in demand and, in turn, to price increases (according to the demand and supply theory). In other words, the markets simply need time to adapt and therefore include a certain risk premium for local suppliers to procure their goods. Local entrepreneurs, so they exist, would try to skim risk premiums from the well paid international staff rather than to provide locals with goods at a lower profit margin.<sup>94</sup>

A good example for the linkage between inflation and a CRO is the oscillation of housing prices in Kosovo. After having seen a triple increase in 2000-2002, due to excess demand of international staff, prices fell to slightly above the pre-CRO level, reflecting the saturation of the market.<sup>95</sup>

### c. Impacts of inflation

The price increases were an incentive for local suppliers to provide more high-end housing facilities which led to an increase in available accommodation and subsequently to a drop in prices. An important observation was that the local markets, serving the domestic communities, were not significantly affected.<sup>96</sup> Furthermore, the rising inflation rates of 2007-08, which were observed in most of the host countries studied in the EIP and its Update 2009, were also noticeable in comparable countries and neighboring states without a UN CRO. This suggests that there must be another reason for the increase in price levels other than the presence of a CRO. One cause

---

<sup>94</sup> This refers to the economic concept of 'Price Discrimination', e.g. when a firm charges a different price to different groups of consumers for an identical good or service, for reasons not associated with costs. This concept should not be mixed up with 'Price Differentiation', e.g. when a firm offers more value for the same price to different consumers.

<sup>95</sup> EIP 2006, p. 12.

<sup>96</sup> Ibid., p. 12.

can be identified in a worldwide rise in prices, e.g. the increase of staple foods prices as a result of a draught in Australia in 2006.<sup>97</sup>

The findings concerning the averages of local impact in UN CROs analyzed by Durch (MSA, local procurement, national staff, and QIPs) did not change significantly in the Update 2009 in comparison to the EIP. This is significant, disappointing and regrettable, as it shows that obviously not enough efforts have been made to revise ICM policies.

---

<sup>97</sup> Update 2009, Figures 1 and 2.

## E. COMPARING THE FINDINGS OF SELECTED PAPERS ON UNINTENDED IMPACTS OF CRISIS RESPONSE OPERATIONS<sup>98</sup>

Several of the impacts discussed are unintended and not compliant with the primary CRO goals. However, intended or unintended, they have to be addressed. The EIP identifies four areas within the framework of UN CROs, in which unintended impacts are likely to occur:

- The relationship between UN CROs and the host nation governments, particularly concerning taxation arrangements
- The way in which CROs manage expectations, in view of the discrepancies between the international employees and the local population with regard to working conditions and living standard
- Policy decisions for CROs that entail unintended economic consequences
- The planning horizons of CROs.<sup>99</sup>

Other unintended and potentially negative impacts are caused by the current style of CRO spending. The uneven distribution of CRO expenditures within a host country, for instance, may lead to rivalries between urban and rural areas, as urban settings often benefit earlier from CROs than the rural population does.

### **E.1. Afghanistan and Kosovo: Different Operations, Similar Fundamental Problems?**

It should be noted that the operations in Afghanistan and the UN CROs analyzed by the EIP 2006 (and later the Update 2009), are fundamentally different and do have different benchmarks. First, most of the UN CROs included in the EIP 2006 are operating in areas with a sufficient level of peace and security. It can be argued that the civil components are more important in these CROs than the

---

<sup>98</sup> Cf. Ammitzbøll / Tychsen 2009, EIP 2006, and Update 2009.

<sup>99</sup> EIP 2006, p. 39.

military. In contrast, the UN Assistance Mission in Afghanistan (UNAMA) and other civilian actors are in the very background because of the non-permissive environment there. As such, the economic impacts of CROs in Afghanistan have different origins and differ considerably from UN CROs. In fact, derivations from the EIP 2006 and the Update 2009 should be handled with care when testing the case of Afghanistan.

Ammitzbøll and Tychsen have thus found a very different situation in Afghanistan when they undertook their field research in 2004. Several of their findings show that prices on food and housing have increased in Afghanistan since the influx of the international community. Inflation in salary levels is partial as this is restricted to salary levels at the international organizations but does not spill over into the domestic public sector. Hence this causes economic challenges for civil servants and other employees working for a local employer: Low salary but high costs for food and housing, especially in the capital area in and around Kabul impact the local population and their livelihoods.

However, the situation in Afghanistan and Kosovo has changed since 2004. Hence, observations of the EIP 2006 (e.g. that the markets will adapt over time) and those of Ammitzbøll / Tychsen should not be considered mutually exclusive, but complimentary, given the developments.

#### a. Kosovo

The problems encountered in the operations in Kosovo and Afghanistan is discussed in greater detail by Ammitzbøll and Tychsen in their paper. Among other things, they address the issue of local acceptance of the respective CRO. In Kosovo, for instance, a large number of Kosovo Albanians perceive the economic developments in their region increasingly critical. This disgruntlement with KFOR and UNMIK can clearly be associated with the declining attention Kosovo is receiving, resulting in lower

levels of international financial support for the country.<sup>100</sup> Most Kosovo Albanians feel that international support has not trickled down to remote villages as expected and that the Serbs were generally receiving better treatment from international organizations, simply because they are a minority.<sup>101</sup> This shows that some policy decisions have had economic impacts, some intended, and some unintended: Firstly the downsizing of the CRO and its transfers, after ten years of presence, as a first step of an exit strategy. Secondly, it may be politically intended to provide selective transfers to minorities as to encourage their political participation.

#### b. Afghanistan

In Afghanistan the situation is different from that in Kosovo. The optimism that had dominated right after the signing of the Bonn Agreement in 2001 had gradually decreased. Despite the severe situation in 2010, many Afghans still fear that a withdrawal of ISAF would harm their businesses and job opportunities.<sup>102</sup> The big difference to Kosovo is that while the Kosovo Albanians are more or less enjoying peace and stability, the Afghans are aware that they still have a long way to go. This also finds reflection in different priorities: While the Afghans are striving for security in order to be able to make a fresh start, the Kosovo Albanians are already looking into an economic future with an EU perspective. So far, it has not been possible to fully implement such different priorities in CRO planning horizons, which may cause unintended impacts.

### **E.2. UN Local Staff Wages as Benchmarks for CROs?**

#### a. Current situation

One decisive policy decision is the setting of national wage levels. The average local wage levels seem to increase with the presence of

---

<sup>100</sup> Ammitzbøll / Tychsen 2009, Chapter 5.a: “General Perceptions”.

<sup>101</sup> Ammitzbøll / Tychsen 2009, Chapter 5.a - c.

<sup>102</sup> Ammitzbøll / Tychsen 2009, Chapter 5.a - c.

a CRO, as empirical data have shown. In Kosovo, locals working with international organizations often earn four to five times more than their colleagues employed by local institutions. As a result, a cleaning lady working for the UN in Pristina earned three to four times more than a minister of the government, which brings the problem of ‘brain drain’ to bear.<sup>103</sup> This phenomenon is also documented in the EIP, which is not surprising, considering that the wage levels are set according to the same UN guidelines for wages, which often underestimate the impact caused by above-average wages. According to Ammitzbøll and Tychsen, excessive wages create an inflationary pressure that affects the local population, with regard to their participation in public life.<sup>104</sup>

Although the arguments of Ammitzbøll and Tychsen are convincing, the (empirically-based) EIP, which does not cover Afghanistan, did not confirm this impact on the price levels of local goods and services (housing, consumer goods, etc.) that can be directly linked to the wage setting policy. The Update 2009 reviewed the inflation rates and found that the wage-rate pressure was not strong enough to generate inflationary pressure.<sup>105</sup> As one possible solution the EIP recommends to contract local firms if they can provide the services required. These firms would employ local staff at locally acceptable wages, which would decrease the amount of uneven incomes. This may prevent local ‘brain drain’ and includes potential savings for CROs.

#### b. Setting the right wage rates

Military and civil operations in Afghanistan demonstrate the massive amount of unintended impacts CROs may create. The public sector reforms in Afghanistan have not come to bear yet, though several years have passed. When the agreement was signed, no clear figure was given, concerning the total number of civil servants on the

---

<sup>103</sup> Ammitzbøll / Tychsen 2009, Chapter 5.a - c.

<sup>104</sup> Ibid.

<sup>105</sup> Update 2009, Chapter “Findings”.

payroll. Some estimates suggested that approximately 300,000 civil servants would be needed plus roughly 700,000 personnel working in the security sector. It was clear that employing such a large number of civil servants was unrealistic. However, it was accepted that competitive salaries would be required as an incentive to keep qualified staff within the public administration. Despite this approach the salary level was set at approximately 30 US-\$ per month, which is far below the poverty line of 2 US-\$ per day. The consequences are ‘brain drain’ and a downsized public administration. Those civil servants who changed jobs were primarily skilled personnel who had the possibility of contracting with international NGOs, UN agencies, embassies, and other organizations operating in the country, that offer higher wages.<sup>106</sup>

Often, such CRO-driven job changes provide the individuals with monthly incomes that are ten to fifty times higher than what they earned before. Such loss of skilled labor is a typical unintended impact, caused by a CRO. Ammitzbøll and Tychsen further state that in addition to that it has led to a generation conflict within the civil service community.<sup>107</sup> Afghanistan is a prime example that demonstrates the unintended consequences of an inadequate wage-setting policy.

### **E.3. Negative Impacts of Quasi-Government Actors and Privileges for UN Staff**

Ammitzbøll and Tychsen highlight the problem of a “dual public sector” created by CROs.<sup>108</sup> The respective local government, the UN, and its operation affiliates all act as public institutions. In fact, CROs often discourage the development of self-sustainable local administrations, as local government entities may not have the last word, when it comes to making decisions. One reason for that is that

---

<sup>106</sup> Ammitzbøll / Tychsen 2009, Chapter 5.b: “Salary disparities”.

<sup>107</sup> Ibid.

<sup>108</sup> Ammitzbøll / Tychsen 2009, Chapter 5.c: “The dual public sector syndrome”.

the UN seeks to gain maximum advantage from its Convention on Privileges and Immunities, dating back to 1946.<sup>109</sup>

a. Do UN privileges impede economic growth and development?

As the EIP 2006 points out, the UN often faces a conflict of interests when dealing with complex scenarios. On one hand, it is to promote peace and stability in war-torn societies, while on the other hand it aims at gaining a maximum of concessions on taxation and user fees in the area of operations. This deprives the host nation of a valuable source of income. Though when dealing with functioning national governments, the UN does not seek these potential privileges, as the governments' ability of contestation leads to a balance between UN claims under the Convention on Privileges and Immunities and the rights of a sovereign state. The power of contestation would be a useful asset particularly for weak states, as Ammitzbøll and Tyghsen point out. In Afghanistan and Kosovo there were no contestations, which led to the creation of dual public sectors as an unintended impact of the respective CROs.

b. Field experiences

Afghanistan and Kosovo are examples of not having the necessary contestation power. The circumstances in Afghanistan suggest that the government lacks the capabilities to administer the use of the

---

<sup>109</sup> Convention adopted by the General Assembly on 13 February 1946.

“The Convention provides a clear set of immunities to the United Nations and its staff. The United Nations is exempt from all direct taxes (such as income taxes), but it is understood that the United Nations will not claim exemptions from charges for use of public utilities (Section 7a). The United Nations is exempt from customs duties (Section 7b), but will not as a rule claim exemption from excise duties (Section 8). Officials of the United Nations shall be exempt from taxation on their salaries (Section 18b) and have the right to import their furniture and effects free of duty at the time of first taking up their posting. Officials are not granted exemptions from customs or excise duties on goods they import for their personal consumption. The Convention makes no reference to the taxation treatment of contractors to the United Nations or national staff”.

Cf. EIP 2006, p. 39.

country's natural resources, such as land and valuable commodities, which might lead to the depletion of these resources.<sup>110</sup> In Kosovo the presence of UNMIK left little room for the public administration to assert its authority, despite a range of capacity building projects.<sup>111</sup>

At the operational level, operating procedures and manuals often take priority over local needs. One example is UNMISSET (UN Mission of Support in East Timor; 2002-2005). Procurement officers acknowledged the importance of the developmental impact of procuring certain goods in Timor-Leste, although the operational directions were taken exclusively from UN procurement guidelines which do not allow local impacts to be taken into consideration when awarding contracts.<sup>112</sup> However, the UN procurement manual makes it clear that the first and foremost guiding principle is to act "in the interest of the United Nations". This opens a certain loophole which allows giving local suppliers some preference.

---

<sup>110</sup> Ammitzbøll / Tychsen 2009, Chapter 5.c: "The dual public sector syndrome".

<sup>111</sup> EIP 2006, p. 42.

<sup>112</sup> EIP 2006, p. 46.

## F. CONCLUSIONS

The present paper summarized and analyzed various (unintended) economic impacts caused by CROs and external engagement in general. In this context, one cannot ignore the results of in-depth analyses by merely claiming that many developing countries have remained poor despite having received billions of dollars in aid over many decades.<sup>113</sup> To ensure more impact control in CROs, a table of indicators was developed in order to facilitate the assessment of local economic impacts in decision making processes. The authors stress that the use of these indicators is advisable before, during, and after a CRO to identify the full scope of impacts.

The following conclusions in this early stage of research should raise awareness of CRO instruments such as local procurement, national staff wages, Mission Subsistence Allowance and Quick Impact Projects. The proper adjusted application of these means may increase the intended impacts and act as a multiplier for CROs. Initiatives by commanders in the field – like encouraging local spending outside the base – do not only promote local economic activities but are also measures of confidence-building.

1. **The economic impacts of CROs in a host country can be massive and vary from case to case.** The empirical proof of the causal relationship between CROs and their impacts poses a real challenge for researchers. Reliable local data is often extremely rare and the use of secondary sources can distort the economic picture and may lead to assumptions rather than verifications of findings obtained.
2. **Hardly any lessons were applied to economy-related actions** of CROs between 2006 (EIP) and 2009. E.g., average local mission spending has not increased significantly and is still below 10% of the local GDP. Aside from that, there is still an uneven distribution of benefits, as ICM is concentrated in or around urban areas, while rural areas are basically neglected.

---

<sup>113</sup> Barder, Owen, p. 2.

3. Research has shown that the **national staff hiring policies often cause local labor market distortions** not controllable by CROs. The **recommended local staff providers for CROs are still non-existent**: Figures in the Update 2009 concerning the number of directly hired national staff specify a 75% increase between 2005 and 2008. At the same time national staff salaries increased by 118% across all CROs and are still disproportionately higher than local wage levels.<sup>114</sup>
4. **The papers consulted do not prove that CROs cause excess inflation.** Even the high wages of national and international staff did not substantially increase the respective price levels according to EIP 2006 and Update 2009 (which do not include Afghanistan). Undisputable was a short-term upward pressure on the cost of (luxury) housing of international staff in CRO areas, mainly because of extensive renovation work in order to bring the housing up to UN standards<sup>115</sup> (in regard to safety, security, and sanitation). This temporarily led to a shortfall in housing possibilities for the local population. However, Ammitzbøll and Tychsen have different findings. They identified rising levels of inflation in Kosovo and Afghanistan when focusing on local perceptions, including those of the international community in the areas.<sup>116</sup>
5. **Local spending by CRO procurement and CRO employees strongly impacts the local market** of goods and services as well as the manufacturing and employment sectors. The local labor market is affected by hiring local staff, while the consumer market is affected by the extent of locally-spent Mission Subsistence Allowance. Local procurement has the potential to act as an economic stimulus, as multiplier of CRO impacts,

---

<sup>114</sup> Update 2009, Chapter “Findings”.

<sup>115</sup> Update 2009, Chapter “Findings”.

<sup>116</sup> It should be noted that the CROs in Kosovo and Afghanistan are not “standard” UN Peacekeeping Operations. Both have strong ties with NATO and thus the economic impacts cannot easily be quantified in the same way. As a universal ground is missing, it would be misleading to compare results between EIP2006 / Update 2009 and the findings of Ammitzbøll and Tychsen directly.

and can decrease foreign dependencies. Ammitzbøll and Tychsen identified positive effects, caused by CRO-related procurement in Afghanistan,<sup>117</sup> which led to improvements in the construction, transport, retail and food service sectors.

6. **Size matters:** Some CROs and, in particular UN CROs, function like small states within a conflict scenario. In general, their impacts depend on (1) the (economic) strength of the host country in terms of the GDP and (2) on the scale of the CRO. The extent of interaction between the CRO and the host nation influences the ‘Keynesian Multiplier Effect’.
7. **A paradox?** CROs can have positive impacts on a particular group and yet negative impacts on society as a whole. For example, aid might successfully provide education or health care but simultaneously harm long-term prospects for overall growth by destroying the accountability of domestic institutions or by damaging a nation’s competitiveness.<sup>118</sup>
8. The **main focus of CROs should be on supporting and facilitating a secure and stable environment** – also in economic terms – in which (legal) economic activities would *want* to restart.

---

<sup>117</sup> Ammitzbøll / Tychsen 2009, Chapter 5.c: “Economic opportunities or disillusion”.

<sup>118</sup> Barder, Owen, p. 2.

## G. RECOMMENDATIONS

The EIP 2006 includes six categories of recommendations, based on the four major unintended impacts mentioned earlier and shows the need for additional research in the mentioned fields:<sup>119</sup>

- Recommendations relating to CRO mandates or major policy and funding issues which require the attention of the UN Security Council or the General Assembly
- Proposals to address the negative consequences in the labor market
- Recommendations relating to outsourcing policy and practice
- Administrative recommendations that can be implemented by the UN Secretariat
- A set of proposals to use voluntary contributions from donors to leverage the economic potential of assessed contribution spending via private sector development projects that enable local firms to become more competitive bidders for CRO business
- Recommendations relating to the implementation of the EIP.<sup>120</sup>

Following recommendations are derived from the results of the IFK workshop and selected papers:

1. **A prospective reform of the international aid sector**, including the approach of CROs, should include and provide more transparency in order to meet with the approval of the people at home as well as in the area of the respective CRO. More bottom-up pressure would reduce costs and improve efficiency. Such changes would provide incentives to increase the amount of

---

<sup>119</sup> These are further made up of several sub-points and categories, of which an in-depth discussion would lead too far. Hence a summary of them should be sufficient, as the EIP from Carnahan, Durch, & Gilmore can be consulted by the reader.

<sup>120</sup> EIP 2006, p. 16.

innovation, variation, and selection that underpin evolution and development which leads to economic growth.<sup>121</sup>

2. **Increase transparency of monetary transfers as they may have several unintended impacts.** Increased accountability could lead to more distinct feedback from the intended beneficiaries of aid (and not only from their governments). This, in turn, would create more competition among aid suppliers and may lead to more reliable measurements of the impacts. It would also craft disincentives for anti-social behaviour (such as taxes on proliferation of aid), and provide funding which is more closely aligned with the results.<sup>122</sup>
3. **Research has shown the necessity to revise some of the nearly 60-year old United Nations conventions** and papers regarding the implementation of operations (that also have an impact on EU- and NATO-led CROs). Further consideration should be given to a possible amendment of the UN ‘Convention on the Privileges and Immunities’ regarding a more reasonable extent of exemptions for UN operations and operation affiliates (international and local contractors) from local taxes, fees, and user charges.<sup>123</sup>
4. **Refine and adapt mandates to ‘modern peacekeeping’:** The following sentence taken from the conclusion of the Update 2009 contains a good summary of the consequences of the EIP recommendations: “In short, peacekeepers may be incidental economic peace builders, but incidental need not mean inadvertent.”<sup>124</sup> Mandates should define UN interests in local economic development and enhance it.
5. **The national staff hiring policy should be revised,** in order to make the CRO impact more controllable.<sup>125</sup>

---

<sup>121</sup> Barder, Owen. p. 5.

<sup>122</sup> Ibid. p. 5.

<sup>123</sup> EIP 2006, p. 52.

<sup>124</sup> Update 2009, Chapter “Conclusions”.

<sup>125</sup> EIP 2006, p. 51.

6. **Install Economic Advisers** with the explicit responsibility of maximizing intended impacts on all institutional CRO levels. Providing security and stability should go hand in hand with economy-related actions in cooperation with the host government. Therefore a clear line should be drawn between military and civil actors, in compliance with the UN Oslo and MCDA Guidelines.
7. **CROs should measure their economic impacts** on a host country to a high extent. A great deal of unintended consequences can be anticipated, amended or controlled if preparation were better tailored to the actual needs of CROs and especially long-term development.<sup>126</sup>
8. **Long-term CRO supply agreements** with local producers should be introduced. Increased demand would encourage local producers to hire more local staff. Local production would, in turn, increase the demand for labor from other sectors. Such interactions would lead to higher wages as well as tax revenue and subsequently improve the wellbeing of the local population.
9. Provision of **more and better coordination of local training** for entrepreneurs and employees.<sup>127</sup> This can lay the basis for a skilled labor force with a long-term impact.

*Britain spends about one hundred times as much on health care each year as it does on aid to Africa, but people in Britain still get sick. Does that mean that health spending doesn't work? Perhaps doctors are actually making us ill? More likely, we would have even bigger health problems without all that spending.<sup>128</sup>*

---

<sup>126</sup> Ammitzbøll / Tychsen 2009, Chapter 6: "Concluding discussion and preliminary recommendations".

<sup>127</sup> Ibid.

<sup>128</sup> Barder, Owen, p. 3.

## H. BIBLIOGRAPHY

1. Ackerman, Frank: *Human well-being and economic goals*. Washington DC: Island Press, 1997.
2. Ammitzbøll, Katarina: *The unintended consequences of peace operations on the host economy from a people's perspective*. In: Aoi, Chiyuki / de Coning, Cedric / Thakur, Ramesh: "Unintended consequences of peacekeeping operations". New York: United Nations University Press, 2007, pp. 67-87.
3. Barder, Owen: *Beneath the Appeal, Modestly Saving Lives*. In: openDemocracy.net, 15.12.2009. <<http://www.opendemocracy.net/owen-barder/beneath-appeal-modestly-saving-lives>> (retrieved 16.12.2009).
4. Beeres, Robert / van Fenema, Paul C.: *Assessing Civil-Military Performance: Towards a Research Agenda*. In: Bollen, Myriame / Rietjens, Sebastiaan (Eds.): "Managing Civil-Military Cooperation: A 24/7 Joint Effort for Stability". London: Ashgate, 2008, pp. 167-178.
5. Beeres, Robert / De Waard, Erik / Bollen, Myriame: *Ambitions and opportunities for assessing military performance in crisis response operations*. In: Financial Accountability & Management, Volume 26, Issue 3 (2010).
6. Bergman, Michael: *The Keynesian Multiplier*. Ed.: Department of Economics University of Copenhagen. 14.9.2005. <<http://www.econ.ku.dk/okoMBE/Makro2/Keynesianmultiplier.pdf>> (retrieved 19.10.2009).
7. Blanchard, Olivier / Gerhard Illing, Gerhard / Forster, Josef: *Makroökonomie*. München: Pearson Studium, 2006.
8. Carnahan, Michael / Durch, William / Gilmore, Scott: *Economic Impact of Peacekeeping: Final Report*. New York: Peace Dividend Trust, 2006.

9. Citizen First: *Social exclusion by ICT*. <<http://www.citizen-first.net/Repository/623c34ca-c647-4c0f-bea7-e8bc28265a11.pdf>> (retrieved 10.10.2009).
10. Duffield, Mark: *Development, Security and Unending War: Governing the World of Peoples*. London: Polity, 2007.
11. The Economist: *Research Tools Economics A–Z*. <<http://www.economist.com/research/Economics/searchactionterms.cfm?query=indicators>> (retrieved 10.3.2010).
12. Feichtinger, Walter / Gauster, Markus (Eds.): *Zivil-Militärische Zusammenarbeit am Beispiel Afghanistan. Civil-Military Interaction – Challenges and Chances*. Vienna: Schriftenreihe der Landesverteidigungsakademie 3/2008, 2008.
13. Fitz-Gerald, Ann: *Developing a comprehensive approach to national security*. London 2007. <[http://www.chathamhouse.org.uk/files/8268\\_210207fitzgerald.pdf](http://www.chathamhouse.org.uk/files/8268_210207fitzgerald.pdf)> (retrieved 15.8.2009).
14. Gauster, Markus: *Richtlinien und Wirkung zivil-militärischer Interaktion: Theorie und Praxis am Beispiel EUFOR Tchad/RCA*. Vienna: Schriftenreihe der Landesverteidigungsakademie 5/2010, 2010.
15. Gauster, Markus: *Provincial Reconstruction Teams in Afghanistan. An innovative instrument of international crisis management being put to the test*. Garmisch-Partenkirchen: Marshall Center Occasional Paper Series No. 16, 2008.
16. Gordon, David: *Indicators of Poverty & Hunger*. University of Bristol. In: Expert Group Meeting on Youth Development Indicators. United Nations Headquarters, New York, 12.-14.12. 2005 <[http://www.un.org/esa/socdev/unyin/documents/ydiDavidGordon\\_poverty.pdf](http://www.un.org/esa/socdev/unyin/documents/ydiDavidGordon_poverty.pdf)> (retrieved 15.10.2009).
17. Krugman, Paul R. / Obstfeld, Maurice: *International Economics: Theory and Policy*. 8<sup>th</sup> edition. Boston: Pearson Education, 2009.

18. Kupferschmidt, Frank: *Crisis Management. A Combined Effort with Civil and Military Means*. Berlin: SWP Working Paper FG3-WP 03, 2007.
19. Muñoz de Bustillo Llorente, Rafael: Lecture: *Desarrollo y Crecimiento* (engl. Growth and Development). Universidad de Salamanca (Spain), 2009/2010.
20. OECD: *European Union Consumer Price Indices*.  
<<http://stats.oecd.org/mei/default.asp?lang=e&subject=8&country=EUU>> (retrieved 14. November 2009).
21. Rauch, James E. / Meier, Gerald M.: *Leading Issues in Economic Development*. 8<sup>th</sup> edition. Oxford: Oxford University Press, 2005.
22. Reeve, Joanne / Peerbhoy, Denise: *Evaluating the evaluation: Understanding the utility and limitations of evaluation as a tool for organizational learning*. In: Health Education Journal, Vol. 66, No. 2, pp. 120-131 (2007).
23. Rietjens, Sebastiaan / Bollen, Myriame: *Managing civil-military cooperation. A 24/7 Joint Effort for Stability*. Aldershot: Ashgate, 2008.
24. Sargent, Thomas J.: *Rational Expectations*.  
In: "The Concise Encyclopedia of Economics 2008".  
Library of Economics and Liberty.  
<<http://www.econlib.org/library/Enc/RationalExpectations.html>>  
(retrieved 4.12.2009).
25. Schwartzman, Simon: *The Statistical Measurement of Poverty*. Rio de Janeiro, Brazilian Institute for Geography and Statistics, 1999. <<http://unstats.un.org/unsd/statcom/doc99/rio.pdf>> (retrieved 12.10.2009).
26. Speckbacher, Gerhard: *The Economics of Performance Management in Nonprofit Organizations*. In: Nonprofit Management and Leadership, Volume 13, No. 3, pp. 267-281 (2003).
27. Sreenivasa, Iyengar N.: *Inequality and Relative Poverty* In: The Indian Economic Journal, Volume 49, No.4, pp 125-128 (2002).

In: <<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN019753.pdf>> (retrieved 21.10.2009).

28. Thirlwall, A.P.: *Growth and Development with special reference to developing economies*. 7<sup>th</sup> edition. New York: Palgrave Macmillan, 2003.
29. United Nations High Commissioner for Refugees: *Quick Impact Projects (QIPs). A Provisional Guide*. May 2004.  
< <http://www.unhcr.org/refworld/docid/416bd5a44.html>>  
(retrieved 4.10.2009).
30. United Nations Development Programme: *Human Development Report 2009*. <<http://hdr.undp.org/en/statistics/indices/hdi/>>  
(retrieved 10.10.2009).