



Money Matters: Addressing the Financial Sustainability of Security Sector Reform

Rory Keane and Thorodd Ommundsen



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Imprint

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Introduction¹

The political economy of security sector reform (SSR)² is an emerging area of United Nations (UN) engagement. SSR practice and thought have shifted in recent years to incorporate a greater focus on the costs of rebuilding the security sector in post-conflict contexts, as well as the associated costs of maintaining a reformed security sector. With its landmark Resolution 2151 on SSR in 2014, the UN Security Council underlined the importance of security sector public expenditure reviews (SSPERs) as key to sector-wide initiatives aiming to “enhance the governance and overall performance of the security sector and address the foundations upon which security institutions in each component area are built”.³

Financial sustainability is a key consideration when planning how to take SSR forward. The best plans on paper can easily become bad plans in practice unless they are cloaked in a veil of financial viability. For this reason, the discourse on SSR is moving away from a narrow focus on what is needed to reform the security sector in post-conflict and fragile contexts, and towards a broader conversation on how to match priorities and recurring costs with available resources over the long term. Fostering such dialogues and forging credible and feasible SSR plans require both national authorities undergoing reform and external actors and donors to be conscious of the need for financial sustainability.

The political economy of SSR is not an altogether new area, and there are a number of tools available that can help inform partner and donor countries alike.

In this regard SSPERs are a particularly useful tool, and have received increased attention. In 2012 the UN and the World Bank joined forces to support the first-ever peacekeeping analysis of security sector public expenditure, which took place in Liberia.⁴ Adding to that, a World Bank-UN sourcebook on the topic is in the process of being finalized, an SSPER in Somalia is well under way, and a project by the World Bank and the UN Department of Peacekeeping Operations has been launched to implement such support in peacekeeping missions elsewhere.

However, if the management of public resources for SSR is so critical, why have UN peacekeeping missions only recently begun to engage with this issue? The answer to this question is complex and multifaceted. Traditionally, peacekeeping missions have tended to interpret their role as just that – keeping the peace. Today, peacekeeping missions are expected to understand and fulfil the role of early peacebuilders within a multidimensional framework.⁵

Understanding which reforms can be sustained is important to peacekeeping missions for several reasons. First, the success of SSR requires the long-term sustainability of the security sector to be addressed in a comprehensive manner. Second, true national ownership of SSR requires authorities to allocate funding for the reform process. Indeed, a functioning security sector is essential for national sovereignty, but a security sector that is entirely funded by external donors can hardly be viewed as sovereign. Third, while the legitimacy and credibility of SSR processes depend on a number of factors, which typically require confidence building over extended periods of time, an essential element of creating trust between security sector institutions and those they serve is improved transparency and management of public resources for the provision of human security rather than regime security.

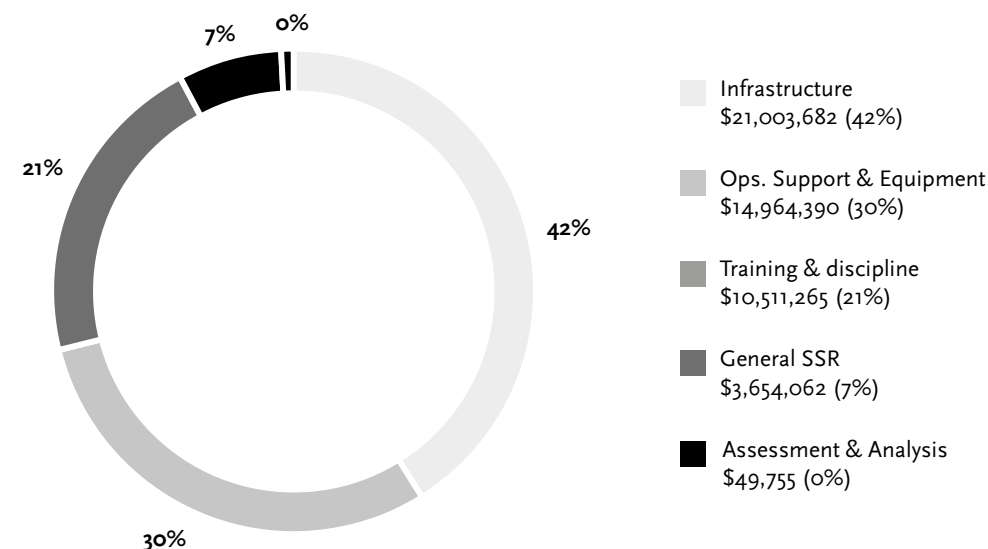
Given the broad remit of the UN, it is not possible in a single paper to assess the political economy of SSR within all post-conflict contexts and from the perspective of the many different UN entities. This paper thus focuses on the case of Liberia. The first section introduces the concept of sustainability, and places it within the context of SSR support. This section also explores the possible benefits of SSPERs as a tool in promoting more sustainable SSR solutions. The second section presents the Liberia case study, and outlines the methodology and the main findings and recommendations of the SSPER. Finally, the third section outlines lessons learned from the Liberian case – lessons which if understood correctly can help inform similar exercises in other countries. The lessons concern challenges in engaging the political economy of SSR, addressing sensitive issues around “right-sizing” security institutions, and focusing on the political viability of reform – not just the technical aspects.

Financial Sustainability in SSR Support

The persistence of intrastate conflicts, the emergence of new threats and actors, the fragility and breakdown of state institutions and the destabilizing effects of ungoverned territories within states and regions have resulted in a growing demand for UN peacekeeping efforts. This, in turn, has led to an exponential increase in funding for peace operations. Between 2004 and 2011 the UN peacekeeping budget grew almost threefold, from US\$2.85 billion to a record US\$7.87 billion.⁶

At the same time, peacekeeping has become more complex and multidimensional. Peacekeeping operations are now expected not only to facilitate early recovery from conflict, but also to assist national authorities in rebuilding institutions and establishing governance structures. As part of this expansion, an increasing number of UN peacekeeping missions have been mandated to undertake SSR activities. Whereas only four missions contained SSR capacities in 2007, 12 peacekeeping and special political missions had dedicated SSR teams in 2012. New sources of funding have also been made available for SSR. For example, between its launch in 2006 and 2012, the UN Peacebuilding Fund supported SSR-related projects in ten countries, constituting approximately US\$50 million, or 21 per cent, of its total US\$228 million expenditure.⁷ Of this total, approximately 72 per cent was allocated to infrastructure, operations support and equipment, 21 per cent to training and discipline-related issues, and only 7 per cent to issues of governance and oversight.⁸

Figure 1: UN Peacebuilding Fund – Funding for SSR by Activity



A majority of the resources allocated to SSR by the UN Peacebuilding Fund have been directed to infrastructure and support/equipment activities, potentially posing challenges around long-term sustainability. Source: Presentation by the UN Peacebuilding Support Office, "Peacebuilding and SSR: Challenges and emerging issues", New York, 20 October 2011.

As illustrated in Figure 1, most of this new funding has been directed towards “hardware” gaps, as opposed to investments in important “software” areas. This is despite experience showing that successful SSR processes need to move beyond activities aiming to train uniformed personnel to focus more on the strategic priorities of enhancing the entire security sector architecture, in particular its governance and accountability aspects. Moreover, “hardware” has a high sustainability footprint, meaning that investment in hardware will invariably put significant pressure on the national budget in terms of recurring and maintenance costs.

As investments in SSR have increased, donors are starting to attach more importance to both achieving measurable results on the ground and promoting sustainable solutions. Indeed, the successful transition and drawdown of peace operations are largely dependent on the ability of the host government to assume responsibility for the provision of security and other public goods while sustaining service delivery in the absence of large-scale international support.

Another factor that has resulted in a greater focus on long-term sustainability is the limited resources available for institution-building programmes, due to the current global financial climate. The recent crises over public spending and crippling national debts in Europe and the United States have led to severe fiscal constraints among traditional Western donors and reduced aid budgets in some cases.⁹ At the same time as funding is becoming strained, the demand for support to post-conflict reconstruction activities, including in the area of SSR, is increasing. The “Arab Spring” placed new and competing demands on donor budgets. Moreover, the independence of South Sudan and developments on the ground in Somalia, Mali, Côte d’Ivoire and the Central African Republic have given rise to additional requests for SSR support. As a result, the opportunity cost of investing in SSR has increased for donors over the past few years.

Going forward, international partners will have to make tough choices in deciding which countries and what types of SSR programmes to support. Moreover, decision-makers and public opinion in donor countries can be increasingly expected to demand measurable and sustainable results in return for their taxpayer money (the so-called “more with less” debate). Against this backdrop, donors will likely increase their focus on affordable and sustainable SSR support in the years to come.

Disconnect between policy and practice

The concept of sustainability features prominently in SSR-related donor policy statements, programme documents and reports. The Paris Declaration on Aid Effectiveness, for example, which focuses on aid effectiveness more broadly, encourages committed partner countries to “intensify efforts to mobilize domestic resources, strengthen fiscal sustainability and create an enabling environment for public and private investments”.¹⁰ The *OECD-DAC Handbook on SSR* lists sustainability as one of four central objectives for successful engagement in reforming security institutions. In this regard, it states that “Donors must work with partners to ensure that initiatives to support the delivery of security and justice are sustainable – financially, institutionally and culturally.”¹¹ The 2008 UN Secretary-General’s report on SSR, “Securing peace and development: The role of the United Nations in supporting security sector reform”, links the sustainability of SSR support to strong national commitment and ownership, and states that “In order to be successful and sustainable, support in the area of security sector reform must be anchored on national ownership and the commitment of involved States and societies.”¹² The 2013 report of the Secretary-General on SSR, “Securing

states and societies: Strengthening the United Nations comprehensive support to security sector reform”, also reflects the growing importance of financial sustainability. It specifically underscores that sustainable national ownership “requires the commitment of human and financial resources to the security sector reform process” and thus recommends that UN activities and expertise must be “better linked to a broader set of practice areas, such as ... public financial management in the security sector”.¹³ Finally, The New Deal for Engagement in Fragile States commits partners to build mutual trust “by providing aid and managing resources more effectively and aligning these resources for result”.¹⁴ It also requests that recipient governments, with support from international partners, take “all reasonable measures to strengthen their public financial management systems from the ground up and to be transparent in this process”.¹⁵

However, despite the strong consensus on the importance of addressing sustainability in international SSR support, there appears to be a gap between policy and practice. Some practitioners would argue that “sustainability” and other commonly used cross-cutting concepts, such as “government buy-in” and “national ownership”, have become popular catchphrases that are easy to promote in policy statements but difficult to operationalize on the ground. In theory, the process of ensuring sustainability in SSR programming should start in the design phase and be maintained as a central focus throughout implementation, as well as at the monitoring and evaluation phase. However, in practice the urgency to build and extend state authority as fast as possible after the cessation of hostilities has led many international partners to favour “quick-impact projects”, with little consideration for sustainability. Such projects can be important in catalysing stabilization efforts, but they are, by design, short term, *ad hoc* and often output focused rather than geared towards long-term outcomes addressing institutional deficits and building indigenous local capacities within the security sector. In some cases, footing the bill for salaries, fuel, maintenance and other recurrent costs associated with projects places an additional burden on already strained national resources.¹⁶

Another limiting factor in addressing sustainability is the lack of data and awareness about revenue and expenditure in security sectors undergoing reform. While the UN, bilateral donors and regional organizations have for years invested significant resources into building and reforming security institutions to prevent countries relapsing into conflict, insufficient attention is paid to analysing how the money has been spent. Inadequate information about the cost of the security sector complicates the coordination and implementation of SSR projects. More

importantly, it makes it difficult for national authorities to reach informed decisions about how best to spend scarce public resources and what the trade-offs are for other important sectors, such as education and health.

Unpacking the concept of “sustainability”

The apparent disconnect between the normative emphasis on sustainability and the degree to which it informs actual implementation of SSR activities can be traced back to several factors. Chief among them is a lack of clarity as to what the concept means and implies. The term “sustainability” is widely used within the realms of ecology, development and finance. In its simplest form, it is used to describe something that can be prolonged or maintained at a certain rate or level.¹⁷ Although the degree to which SSR efforts are sustainable can be assessed according to a number of variables, this paper explores the financial dimensions of SSR and focuses more narrowly on the indicator of “fiscal sustainability” as a central measurement of the resilience of security institutions and the long-term impact of reform. There is no single, universal definition of the term “fiscal sustainability”, but generally it relates to “the ability of the government to indefinitely maintain the same set of policies while remaining solvent”.¹⁸ For governments to remain solvent, particularly in cases where the levels of development aid and other sources of external support are decreasing or absent, a key factor is raising public finance, which can be defined as the ability of the government to “collect revenue, allocate resources, and manage expenditure in a manner that is regarded by its citizens as effective and equitable”.¹⁹ Following from these definitions, fiscal sustainability in the context of SSR can thus be described as the ability of the government to fund and sustain security sector institutions in the short, medium and long term through the use of public resources.

However, given the complex environment in which contemporary SSR support takes place, this definition has its limitations. First, it presupposes an end state in which national authorities are capable of footing all, or at least a significant share, of the bill for maintaining their own security sector. While this outcome may be expected in most middle-income and developed countries, it is difficult to achieve in post-conflict contexts where domestic resource mobilization and management often pose a challenge. Second, the definition implies a state-centric approach in which security sector institutions comprise statutory and formal security entities. However, this would leave out a large number of informal and non-statutory actors that also contribute to security provision and governance. In addition, while “public resources” are mentioned as the key revenue source for sustaining



Police station, Monrovia, Liberia: Police require uniforms, premises and equipment to function, and need the trust of the population to succeed.

security institutions, the definition does not cover other means of raising capital, including the informal economy, which often employs and sustains more people and is typically bigger than the formal economy in post-conflict countries.

Security Sector Public Expenditure Reviews

One useful tool in bridging this information gap is an SSPER, which assesses, among other things, four important issues: how much money has been and is being spent on security provision in a given country; for which activities this money has been allocated; by whom it has been allocated; and whether proper fiduciary management is in place. Yet despite the potential value of SSPERs, only a handful of assessments have been undertaken.²⁰ SSPERs and related work have been spearheaded in the past with some success²¹ by the UK's Department for International Development in Kosovo and Sierra Leone, and by the World Bank in Afghanistan, Guinea, Mali and Niger. In the case of Liberia, considerable national resources and donor funding have been invested in SSR over the past decade, yet a post-conflict SSPER was only undertaken in 2012 – marking the first time a UN peacekeeping mission undertook an SSPER (in this case jointly with the World Bank). Sector-wide assessments of the financial dimensions of SSR thus seem to be the exception rather than the rule in contemporary SSR practice.

SSPERs and other instruments geared towards improving the sustainability of SSR can provide critical information (or snapshots) that highlights the most glaring deficits. However, there are many limitations that must be factored in when undertaking such analysis. One important caveat is the narrow definition of “fiscal sustainability” outlined earlier. Another caveat concerns the role

and responsibilities of non-state actors in security provision, which are often overlooked due to the traditional focus on formal state actors.

A central objective of sustainable reform efforts is to strengthen the capacities of state security institutions. Yet in many contexts affected by conflict and fragility, the reach of the formal, statutory security institutions is extremely limited and does not always extend beyond the capital city and major urban areas. Moreover, as a result of the ill-disciplined and unaccountable security institutions found in many countries, and the legacies of a predatory security apparatus, such contexts are often characterized by a lack of trust between the population and state institutions, particularly the security providers. In situations where the state does not have a monopoly over the use of force, due to a deficit in capacity and/or public trust or as a result of long-standing practices and customs, many citizens have recourse to informal, non-statutory actors for security and justice.

It is also important to unpack the different genres of non-state actors, as there are many. For example, driven by insecurity and fear of violence or crime, many rural communities have watch groups or vigilante groups to protect themselves and their assets. This is also apparent in many poorer neighbourhoods in cities and urban areas. On the other hand, rich elites in the same societies tend to have the means to hire professional security companies for their safety. Over the past few decades there has been an exponential growth of private security companies, particularly in developing countries. Reliable data is difficult to obtain, but some studies suggest that the ratio of private security guards to police in developed countries is 3:1, whereas in developing countries it may be as high as 10:1.²² In sub-Saharan Africa there has been an expansive growth of private security companies in the last three decades. Abrahamsen and Williams have argued that the growth in private security actors is linked to the declining ability and/or willingness of the state to provide security and protection to all citizens.²³ However, provision of security services is not the only role that private and non-customary actors play. Increasingly, such actors also undertake “train and equip” for uniformed personnel and other related tasks as part of national SSR efforts. A relevant case in point is Liberia. The Comprehensive Peace Agreement of 2003 gave the United States the lead responsibility for the defence reform. The US government in turn outsourced the work to the private military companies DynCorp International and PAE, which managed the restructuring and overall reform of the Armed Forces of Liberia (AFL). This US\$95 million programme centred on vetting, recruitment and the provision of basic training and logistics for the AFL, and was administrated by the US State Department.²⁴



Capitol Building (Parliament), Monrovia, Liberia:
Parliamentary budget committees need to work closely
with parliamentary security committees.

The large number of security sector actors and the wide scope of their responsibilities illustrate the limited role of the state in many countries undergoing SSR. This reality contrasts sharply with the aforementioned definition of fiscal sustainability, which presupposes a Weberian understanding of the state as the only legitimate source of security provision. In a context where the government plays only a part in maintaining law and order, this definition has limited value since the sustainability of SSR is measured exclusively by the resilience of state security institutions. For SSR to be successful, the long-term fiscal sustainability of public institutions is essential, but cannot be viewed in isolation from non-statutory and informal security actors. Therefore, when thinking about costing or sustaining the security sector, these non-state actors also need to be factored into the equation while remaining cognizant of the government's primary role.

SSPERs in Practice: The Case of Liberia

With financial support from the UN Partnership Trust Fund, the UN Mission in Liberia (UNMIL) and the World Bank jointly undertook an SSPER in Liberia, which was finalized in early 2012. The primary rationale for the review was to assess the potential consequences of the UNMIL drawdown for the Liberian security sector. In 2006 the UN Security Council authorized a phased and gradual consolidation, drawdown and withdrawal of UNMIL's troop contingent, as the situation permitted and without compromising the security of Liberia. The initial drawdown, from 15,000 to 8,000 troops, was carried out between October 2007 and May 2010. The next phase of UNMIL's transition is scheduled to run between 2012 and 2015, with a further reduction of 4,200 troops and enablers in certain geographical areas. The challenge for the government in the immediate phase will therefore be to maintain public order and security across the country with a reduced level of backup support from the UNMIL military component.

There were three core objectives of the SSPER in Liberia: first, to assess the fiscal space²⁵ available to support the security sector within the Liberian budget over a multiyear period; second, to identify the core security package (minimum standard) required to facilitate UNMIL transition while taking into account the recurrent costs that would have to be absorbed into the overall budget envelope, as well as responding to the security risks facing the country; and, third, to

analyse security expenditure and public financial management (PFM) systems in the security sector.

The scope of the review encompassed all budget entities organized across the security sector, including those with oversight, integrity and compliance functions. However, there was a particular focus on security sector institutions likely to be most directly affected by UNMIL drawdown, notably the Liberia National Police and Bureau for Immigration and Naturalization, and the linkages between policing and the delivery of justice functions. Other major budget entities organized within the sector and covered by the assessment included the AFL; the Liberia Coast Guard; and the prosecutorial services, court system and prison system.

The results (outlined below) from Liberia provide a snapshot of the type of useful information and analysis that an SSPER can provide to decision-makers to assist national authorities in developing sustainable solutions for SSR. There are also a number of lessons that can be useful to other UN missions considering a similar exercise.

1. Government ownership of and buy-in to the process are vital, and therefore considerable time is needed to ensure that critical government ministries are on board from the onset of the process. In the case of Liberia, these key ministries included finance, defence, justice and planning.
2. Linking the SSPER to a relevant political context can help to create momentum and focus. In Liberia, the SSPER was put in context as a necessary financial planning initiative to ensure that the minimum security package required during the next phase of UNMIL drawdown could be financed and sustained.
3. It is important to allow sufficient time to find the appropriate consultants to support this type of technical work, as locating experts with the required niche expertise is not a straightforward task. In the case of Liberia, a set of consultants with expertise in economics, PFM and SSR were selected to undertake the assessment.
4. The Liberia SSPER was somewhat different from a traditional World Bank public expenditure review, which tends to develop fiscal space scenarios based on a review of current and past spending, revenue collection and efficiencies in the budgeting system. What was required in Liberia was something more forward looking and directly linked to the trade-offs that needed to be made in deciding what aspects of the Liberian security sector to support and prioritize in view of imminent UN peacekeeping mission downsizing. The assessment was unique in that it analysed both UN and national expenditure compositions

while at the same time modelling three scenarios for possible UNMIL drawdown (rapid, moderate, slow), outlining their likely implications and offering options on how national authorities could put in place a core security package to ensure stability and an orderly and sustainable transition. As with any such forward-looking scenario exercise, it was not possible to predict all scenarios, and certainly the scenario of the Liberian budget taking a severe hit in 2014–2015 due to the major Ebola crisis was not foreseen.

Based on the reality of UNMIL downsizing and eventual drawdown, it was necessary to calculate the minimum security package required to maintain security in the absence of UNMIL, in addition to the one-off and recurring costs associated with putting this minimum package in place and the necessary fiscal space available to pay for it. Given the limited nature of the fiscal space available in Liberia, part of the analysis needed to focus on risk in order to determine which security sector priorities should be front-loaded in the national budget and which could be phased in over time. Also in view of the limited fiscal space, it was essential to review the existing PFM systems within security sector agencies to see if there was any room available for savings and/or further efficiencies. Finally, it was important to assess the economic impact of UNMIL on the local economy and how best to manage any economic side-effects from UNMIL transition and drawdown (see below).

According to the SSPER, the full cost of putting in place and sustaining a minimum security package in view of UNMIL transition will be approximately US\$167 million for the period 2012–2019. This figure is allocated to maintaining the current security system, in addition to covering the increase in manpower, equipment and recurring costs. It also assumes that the pace of UNMIL's drawdown is moderate (spanned over seven years), to give Liberia's security sector sufficient opportunity to strengthen its capacity. Given the current Liberian government resource allocation (4.9 per cent of GDP for the security sector) and a spending growth rate that mirrors inflation (5 per cent), a financing gap of US\$86 million will need to be covered. The gap will be particularly important for the first three years of the transition, mainly reflecting an up-front investment cost to replace UNMIL logistics capacity (totalling US\$77 million over 2012–2015).

A key dilemma for the government is how to close this financing gap and at the same time ensure that its security apparatus and personnel attain the organizational competence and skill level required to replace UNMIL without compromising the peace dividend achieved to date. The SSPER suggests that there

are neither easy alternatives nor silver bullets to address this looming challenge. The government will therefore need to pursue a combination of options that will lead to a reduction in transition costs and increase its fiscal space. The optimal manner to tackle the financing challenge is within the medium-term expenditure framework (MTEF) and annual budgetary processes.

The SSPER provided detailed recommendations to the government on scaling up financial support for the security sector within the budget. The government of Liberia responded positively to these recommendations in its budget for the fiscal year 2012–2013, increasing overall support for rule of law and security from US\$67 million to US\$81 million, and specifically increasing the budget of the Liberian National Police from US\$14 million to almost US\$18 million. Clearly, deeper reforms will also be required to improve security sector efficiency. Through the process of undertaking the SSPER, it became evident that the budgetary controllers within most security sector agencies in Liberia require training and capacity development in order to prepare effective budgetary submissions to the Ministry of Finance and to monitor spending and the application of PFM systems. It is equally evident that there is a void in regular consultation and dialogue between the Ministry of Finance and the security sector budgetary controllers, which leads to misunderstandings.

The SSPER stressed that the National Security Council (NSC) will need to play an active role in the MTEF process. As the body responsible for coordinating security sector policy, the NSC should participate in taking decisions concerning prioritization and sequencing given limited fiscal space. Currently, the financial resource envelope for the security sector is set by the Ministry of Finance with minimum input from the security sector. As recommended in the SSPER, the minister of finance will need to be a permanent member of the NSC, the body entrusted with providing security policy advice to the government. Further, the NSC will need to participate in the discussion on the MTEF and annual budgetary process that set the resource envelope and establish priorities for the sector. Close involvement of the security sector in this process is critical if effectiveness and efficiency are to be ensured. In a positive sign since the publication of the SSPER, the minister of finance has participated for the first time in NSC meetings.

Lessons Learned for SSR Practitioners

As the first SSPER undertaken by a peacekeeping mission, the Liberia case offers useful lessons learned for UN SSR practitioners engaged in similar work in other contexts. The Liberia experience illustrates some of the most complex challenges and dilemmas in assisting national authorities to address sustainability deficits in their security sectors: engaging the political economy of SSR; addressing sensitive issues around “right-sizing” security institutions; and focusing on the political viability of reform – not just its technical aspects.

The political economy of SSR

National authorities, donors and UN peacekeeping and special political missions are increasingly confronted with a difficult question: what type of security sector can a post-conflict country afford, and how can the UN and partner governments help sustain what is required? Responding to this question necessitates in-depth assessment of not only the security threats facing the country but also the current and projected resources available. In short, informed analyses based on economic data and financial and security risks are required. The basis for successfully undertaking such assessments is to foster a close partnership with the government. Specifically, in undertaking such work SSR practitioners will need to focus on building the relationship with both security actors and officials within the government, as well as their counterparts within the ministries of finance,

planning and interior. Working closely with the ministry of finance is particularly critical, not solely to gather more information and knowledge on government revenue projections and available fiscal space, but also as an important way to facilitate a policy dialogue between the ministry of finance and traditional security sector ministries. In many cases the minister of finance and his or her officials are not always properly informed of critical SSR gaps and challenges, or adequately sensitized about the value of investing in the security sector. They may not always appreciate the value of a stable security sector in creating a conducive domestic and foreign investment environment. They may not have considered the revenue generation possibilities from customs, fines for illegal fishing and illegal parking, court fines and many other security-related activities.

In the event of limited in-house expertise with respect to PFM, one practical way for a UN peacekeeping mission to gain this type of expertise is to team up with relevant organizations, including the World Bank. Building partnerships between security and financial actors can serve a UN peacekeeping mission in a number of ways.

1. SSR practitioners will be sensitized and introduced to an important new set of influential government focal points, including ministry of finance officials, budgetary planning officials, presidential economic advisers, budgetary controllers within security sector agencies and parliamentary budgetary committee staffers. These are all critical interlocutors for a twenty-first-century peacekeeping mission. Likewise, financial practitioners will be introduced to key security focal points.
2. Organizations such as the World Bank have a unique access to government revenue projections, donor spending projections and national budgetary projections, and experts which can provide analysis on what the data means. This type of input will inform many of the critical findings and recommendations in the SSPER, including the overall fiscal space available.
3. Building relations with the World Bank can act as the first step in developing a policy discussion on key issues such as available fiscal space that should be targeted towards the security sector.
4. Early policy dialogue and interaction with the World Bank can also help to influence and focus a prioritization on SSR within a post-conflict needs assessment or subsequently within the World Bank's country assistance strategy.
5. Finally, forging a partnership between national authorities, UN peacekeeping missions and other partners, such as the World Bank, can provide the basis for

a credible dialogue on what is termed “right-sizing” and “right-financing” of the security sector.²⁶

Right-sizing and right-financing

In line with their mandates, UN peacekeeping missions can together with partners play a key role in advising governments on the appropriate size, capacity and competence of the security sector. However, this constitutes a rather academic discussion if the finances are not available to scale up and maintain the given security sector agency in line with required size and capacity. Thus the discussion on the right-sizing of the security sector needs to go hand in hand with a discussion on right-financing, to help prioritize key reforms pragmatically in light of the available fiscal space. For example, while it may be considered prudent to significantly scale up the size and capacity of a police force to respond to critical gaps, options on what to do in situations where finance is only available to meet the partial costs of such an investment and its maintenance over time must also be identified. In such instances a policy discussion needs to take place, and could include the following elements:

- recategorize or realign funds from other budget lines to make up the projected deficit required for scaling up
- reduce the projected size of the police or another security sector agency in line with available levels of finance, bearing in mind that there may be a heightened public security risk created by a smaller police service
- initiate further dialogue with international partners to increase donor support
- search for cost savings through enhancement of the PFM system.²⁸

Furthermore, there is a need to ensure that quality is taken into account in discussions on right-sizing and right-financing. Attention should therefore be paid to assessing the criteria for the quality of reform (rather than simply looking at quantifiable aspects).

Enhancement of the security sector PFM systems in place is a key priority that will assist simultaneously in increasing revenue for the security sector and in building donor confidence to invest in the security sector. UN peacekeeping missions should be encouraged to draw on the services of PFM experts as appropriate in order to review the in-country SSR PFM systems in place and make recommendations on how it can be improved. Such an assessment, if agreed to by the government, would examine the robustness of the security sector budget, especially the linkage between security sector policy and national budgetary

processes; the predictability and quality of control of security sector budget execution managed by the budgetary controllers in individual security sector agencies and/or ministries; the quality of security sector accounting, recording and reporting; the effectiveness of external scrutiny of the security sector, including the role of parliamentary committees dealing with both security sector and budgetary matters and the role of national independent auditing entities; and finally, the quality of donor coordination and harmonization in the security sector via the poverty reduction strategy or a similar framework.

Ensuring that SSPERs are politically viable

The preceding analysis has primarily focused on the technical challenges of addressing fiscal sustainability in the security sector. But SSR processes, and in particular SSPERs and other financial exercises intended to make the security sector more efficient, affordable and transparent, are inherently political. On the one hand, technical assistance is often required in a post-conflict context to fill gaps and provide training in areas where there is limited local capacity and expertise. On the other hand, technical support to such reform processes may be futile, even harmful, if the approach, methodology and implementation are not adapted to the local context and in line with the vision and wishes of national stakeholders – including both the government and society more broadly. Policy and guidance on SSR therefore highlight national ownership as an essential component of ensuring that reform efforts are politically viable and sustainable.²⁷

In practice, however, ensuring that SSPERs and similar efforts are politically viable is easier said than done. First, it may be difficult to receive the timely information and accurate data required to undertake an SSPER. National security is understood as the prerogative and primary function of the state. Consequently, discussions on reform and capacity of the security sector, in particular those of the defence and intelligence institutions, are likely to be confidential because of fears that the state's territorial sovereignty and internal stability may be jeopardized if sensitive information about capabilities, structures and policies is made public. Second, the predictability of the status quo is often preferred and defended over the unpredictability that change and reform may bring to those in power. Countries emerging from conflict tend to experience relative instability, fragility and contestation of power during their transitional phase from war to peace. In such contexts, formal institutions typically play a weak role in defining the rules which govern society and enforcing those rules. Instead, governing elites often derive their influence from informal yet highly complex and interconnected



Ministry of Justice, Monrovia, Liberia: Budgetary controllers need the skills and the support to ensure accountability.

networks expanding across the political, economic and security spheres in their societies. Given the fact that security sector audits and public expenditure reviews assess these types of informal networks and transactions, and identify recommendations to formalize and institutionalize systems that promote affordability and transparency, it is in the interest of some actors not only to avoid collaboration but to oppose and undermine such reform efforts.

Hence, for SSPERs to be effective and lead to the intended outcomes, it is essential that the experts undertaking them have an intimate understanding of the political environment in which they operate. This is important, and should also help ensure that national actors understand the objective of the work, provide the necessary data to produce an informed analysis and actively consider how best to implement the recommendations – which require patience and trust between the experts and their counterparts. It is also important to stress that experience has shown that many experts tend to forget that an essential value of SSPERs and similar projects lies in the process leading up to the product more than just the

product itself. Ensuring that the process is the centre of attention is crucial, since SSPERs, in addition to seeking to improve systems, ultimately aim to change the mindsets and cultures of the relevant security sector institutions so as to encourage increased efficiency, affordability and transparency.

Although the aforementioned political and practical constraints present SSPERs with challenges, these exercises also offer opportunities and entry points for SSR practitioners in their work. Compared to otherwise important but less tangible SSR-related issues, questions around security sector revenue and expenditure tend to evoke interest among national counterparts and donors alike, and such discussions may help to facilitate dialogue on security sector governance and oversight and management challenges more broadly over time.

Conclusion

This paper has unpacked the issues around security sector sustainability, and recommended that SSPERs should be undertaken as an important entry point and process for enhancing security sector sustainability. Based on UN Security Council mandates, UN peacekeeping missions increasingly support SSR in places like Liberia. However, there is a risk that SSR gains will be lost in the longer term if insufficient attention is paid to sustaining those reforms. In some post-conflict countries overall reform may be needed, whereas in other countries it will be more about maintaining reforms that have already been initiated. It is evident in this paper that up until very recently UN peacekeeping missions have not correctly prioritized the issue of security sector right-financing, or indeed have not had the right skill sets to deal with this complex question. It is recommended that more regular partnering between UN peacekeeping missions and the World Bank on the ground is a practical means by which the skill sets of both organizations can be maximized in order to support the development of a sustainable security sector.

In the case of Liberia, significant reform has taken place, but there are specific challenges posed by UNMIL transition that will need to be addressed in tandem with sustaining what has already been put in place. The SSPER in Liberia puts forward avenues for addressing the sustainability issues. At the technical level, it makes a number of practical recommendations – for example, the need to

train and build the capacity of security sector budgetary controllers and enhance information flow between them and the Ministry of Finance.

For SSR to be financially sustainable in the long run, it is necessary, but not sufficient, to focus on the technical aspects of reform. A stronger emphasis on the political dimensions of reform is also required, in particular with regard to the role of non-state actors, and indeed the political economy in which SSR takes place. While this paper has mainly focused on financial sustainability, it is important to stress that money is only one aspect of sustainability, as democratic institutions and a working social contract are also required to sustain reform. To this end, there is a need for SSR practitioners to facilitate processes that aim to rebuild the social contract from which rule of law and security institutions derive their legitimacy. While such initiatives may address governance and oversight deficits through either bottom-up and/or top-down approaches, a common denominator must be the objective of enhancing the trust and confidence between citizens and security institutions. In the end, the social contract is promoted if people feel safe, trust the security sector and see the results produced by the taxes they have paid. This form of social contract is the ultimate basis for sustainability.

Notes

- 1 An earlier version of this paper was originally prepared in 2012. The paper therefore does not take into account the Ebola crisis in Liberia in 2014–2015 and the effect that it has had on revenue and cost projections. The fact that the Ebola crisis could occur and leave such a disastrous human and economic fall-out demonstrates both the importance and the difficulty of scenario planning, especially in fragile contexts. Opinions expressed in this paper represent the authors' personal views and not those of the World Bank or the United Nations.
- 2 For an overview of the political economy of SSR, including SSPERs, see Nicole Ball, "Transforming security sectors: The IMF and the World Bank approaches", *Journal of Conflict, Security and Development*, Vol. 1, 2001, pp. 45–66; Peter Middlebrook, Nicole Ball and William Byrd, "Improving PFM in the Afghanistan security sector", Report No. 34582-AF, World Bank, Washington, DC, 2005; Nicole Ball and Yoichiro Ishihara, "Working paper 4 for Afghanistan PER: Security sector", World Bank and UK DFID, 2010, <http://siteresources.worldbank.org/afghanistanextn/resources/305984-1264608805475/6739619-1276813833351/Paper4.pdf>; Peter Middlebrook and Gordon Peake, "Right-financing security sector reform", Public Finance in Post-Conflict Environments Policy Paper Series, Political Economy Research Institute, University of Massachusetts Amherst, Amherst, MA, January 2008; Bernard Harborne, "The costs of security sector reform: Questions of affordability and purpose", *Militarisation*, 9 April 2014, <http://sustainablesecurity.org/2014/04/09/costs-of-the-security-sector/>.
- 3 UN Doc. S/RES/2151, 2014, <http://unsr.com/en/resolutions/2151>.
- 4 Geopolicity, "Public expenditure and needs assessment review of the security sector in Liberia – Establishing a sustainable security sector in view of UNMIL transition", Geopolicity Inc., British Virgin Islands, 2011. See also "Liberia public expenditure review note – Meeting the challenges of the UNMIL security transition", report by the World Bank and UNMIL, 2013, <https://openknowledge.worldbank.org/handle/10986/13231>.
- 5 See "United Nations peacekeeping operations principles and guidelines", UN Department of Peacekeeping Operations/Department of Field Support, New York, 2008, p. 19. See also "Peace: Keep it. Build it. The contribution of the United Nations to early peacebuilding strategy", UN Department of Peacekeeping Operations/Department of Field Support, New York, November 2011, pp. 24–25.
- 6 See "Peacekeeping factsheet", UN Department of Peacekeeping Operations, www.un.org/en/peace-keeping/resources/statistics/factsheet.shtml.
- 7 UN Peacebuilding Support Office, "Peacebuilding and SSR: Challenges and emerging issues", presentation, New York, 20 October 2011.
- 8 Ibid.
- 9 According to the OECD, members of the Development Assistance Committee provided US\$133.5 billion in net official development assistance in 2011, which represents approximately a 2.7 per cent reduction in real terms in comparison to 2010. The OECD attributes this decrease to fiscal pressures in some OECD member countries, which have had a knock-on effect on aid levels. See www.oecd.org/newsroom/developmentaidtodevelopingcountriesfallsbecauseofglobalrecession.htm.
- 10 "The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action", OECD, Paris, 2008, p. 5.
- 11 OECD, *OECD-DAC Handbook on Security System Reform – Supporting Security and Justice* (Paris: OECD, 2007), p. 11.
- 12 Report of the Secretary-General, "Securing peace and development: The role of the United Nations in supporting security sector reform", UN Doc. A/62/659, United Nations, 2008, pp. 12–13.
- 13 Report of the Secretary-General, "Securing states and societies: Strengthening the United Nations comprehensive support to security sector reform", UN Doc. A/67/970–S/2013/480, United Nations, 2013.
- 14 OECD, "A new deal for engagement in fragile states", International Dialogue on Peacebuilding and Statebuilding, OECD, Paris, November 2011.
- 15 Ibid.

- 16 Rory Keane and Mark Downes, "Security-sector reform applied: Nine ways to move from policy to implementation", International Peace Institute, New York, February 2012.
- 17 *New Oxford American Dictionary*, 2nd edn (New York: Oxford University Press, 2005).
- 18 Craig Burnside, "Theoretical prerequisites for fiscal sustainability analysis", in Craig Burnside, *Fiscal Sustainability in Theory and Practice* (Washington, DC: World Bank, 2003), p. 1.
- 19 James K. Boyce, "Public finance, aid, and post-conflict recovery", Economics Department Working Paper Series, University of Massachusetts Amherst, Amherst, MA, 2007, p. 2.
- 20 Ibid.
- 21 For an overview of this work see Ball and Ishihara, note 2 above. Regarding a security sector expenditure review in Sierra Leone which "charts the level and structure of security-related expenditures and assesses their strategic coherence, consistency and fiscal sustainability", see Peter Middlebrook and Sharon Miller, "Sierra Leone security sector expenditure review", prepared for UK Department for International Development, Sierra Leone Country Office, 2006, www.ssrnetwork.net/document_library/detail/3481/sierra-leone-security-sector-expenditure-review.
- 22 Rita Abrahamsen and Michael C. Williams, "Security sector reform: Bringing the private in", *Conflict, Security & Development*, Vol. 6, No. 1, 2006, pp. 1–23.
- 23 Ibid.
- 24 Adedeji Ebo, "Private actors and the governance of security in West Africa", in Andrew Alexandra, Deane-Peter Baker and Marina Caparina (eds), *Private Military and Security Companies, Ethics, Policies and Civil-Military Relations* (New York: Routledge, 2008).
- 25 "Fiscal space" is a term used to describe the "room in a government's budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy". In single-dimension terms it is the difference between likely revenues and the likely cost of existing policies and programmes (Liberia Public Expenditure and Needs Assessment Review, 2012).
- 26 For more information on right-financing security sector development see Peter Middlebrook, "Right-financing security sector reform: Innovative solutions for weak and fragile states", Centre for International Cooperation, New York University, New York, 2006.
- 27 "PFM underlies all government activity. It encompasses the mobilization of revenue, the allocation of these funds to various activities, expenditure and accounting for spent funds." See "A guide to PFM literature", ODI, London, December 2011, p. iv.
- 28 Four out of the ten principles in the UN Secretary-General's report on SSR (note 12 above) relate to national ownership. Furthermore, the UN "Integrated guidance note on national ownership and SSR" (2012) emphasizes the need for international partners to "buy into" national agendas and initiatives, rather than the other way around, and identifies four key factors which can facilitate stronger national ownership: facilitation of a common national security vision; implementation based on national participation and capacity; nationally led and nationally focused monitoring and evaluation; and commitment of some national resources to the SSR process.

Annex

Liberia: Public Expenditure Review Note

Public Disclosure Authorized

Report No. 71009-LR

Liberia
Public Expenditure Review Note

Meeting the Challenges of the UNMIL Security Transition

January 2013

Africa Region



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GOVERNMENT FISCAL YEAR

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CURRENCY EQUIVALENTS

Currency Unit = Liberia Dollars (LD)

US 1.00 = LD 73.00

(As of June, 2011)

ABBREVIATIONS AND ACRONYMS

ACPA	Accra Comprehensive Peace Agreement	MNS	Ministry of National Security
AFL	Armed Forces Of Liberia	MOF	Ministry of Finance
AfT	Agenda for Transformation	MOJ	Ministry of Justice
AU	Africa Union	MTEF	Medium Term Expenditure Framework
BCE	Bureau of Customs and Excise	MRU	Manu River Union
BCR	Bureau Of Correction and Rehabilitation	NBI	National Bureau Of Investigation
BIN	Bureau Of Immigration & Naturalization	NFS	National Fire Service
CBL	Central Bank Of Liberia	NPTA	National Police Training Academy
CRJ	Canadair Regional Jet	NSA	National Security Agency
CSCs	County Security Councils	NSC	National Security Council
CSOs	Civil Society Organizations	NTGL	National Transitional Government of Liberia
DEA	Drug Enforcement Agency	OECD DAC	Organization of Economic Cooperation and Development – Development Assistance Committee
DPKO	Department of Peace Keeping Operation	OOL	Operation Onward Liberty
DSCs	District Security Councils	PBF	Peace Building Fund
ECOWAS	Economic Community of West African States	PER	Public Expenditure Review
ERU	Emergency Response Unit	PRS	Poverty Reduction Strategy
FPU	Formed Police Unit	PSU	Police Support Unit
GDP	Gross Domestic Product	SOP	Standard Operating Procedures
GOL	Government Of Liberia	SRSG	Special Representative of Security General
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome	SPA	Spriggs Payne Airport
HRC	Human Right Commission	SSR	Security Sector Reform
IMF	International Monetary Fund	SSS	Special Security Services
JSC	Joint Steering Committee	TAM	Technical Assistance Mission
JSJP	Justice and Security Joint Program	UN	United Nations
LCG	Liberian Coast Guard	UNMIL	United Nations Mission In Liberia
LNP	Liberia National Police	UNSC	United Nations Security Council
MND	Ministry of National Defense	VIPs	Very Important Persons

LIBERIA

Public Expenditure Review Note

Meeting the Challenges of the UNMIL Security Transition

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PREFACE

This note is path breaking. It is the first example of a UN peacekeeping mission and the World Bank coming together to work on a Public Expenditure Review (PER) of a country's security sector. The note is recognition by both institutions that business as usual is not an option as security sector development is critical to sustainable development in post conflict and fragile states and that sustainable budgetary and predictable resource flows are critical to security. This work has been financially supported by the recently created UN Partnership Trust Fund (financed by Switzerland) and builds on one of the key recommendations outlined in the World Bank's 2011 World Development Report, where more cooperation between the UN and World Bank on key issues, such as PERs, is recommended.

It should be noted that all information/ data associated with military expenditures is based on expenditure and security data provided by the Ministry of Finance, and other security agencies, namely Ministry of Justice and Ministry of Defense. The findings and analysis of this PER Note benefit from a strong collaboration between UNMIL and the World Bank based on their respective core expertise and in close consultation with the Government of Liberia. UNMIL is responsible for the analysis and quality assurance of the security related issues including risks and threats, the Liberian security institutions and structure, their strengths and weaknesses as well as security needs and basic functions to be carried out by the Liberian security agencies. The World Bank is responsible for the analysis and quality assurance of public expenditure management and issues in the security sector, the estimated cost of a basic security package, fiscal space and financing gap in the context of a medium-term expenditure framework (MTEF) based on inputs from UNMIL.

EXECUTIVE SUMMARY

Nine years after the end of the civil war in 2003, Liberia has made significant progress in restoring its physical infrastructure, economy, and institutions. Continued peace, enhanced security and political stability have all been instrumental in building the foundations for successful reconstruction. The extent of the positive contribution made by the presence of the United Nations Mission in Liberia (UNMIL) during these past years in helping Liberia achieve its turn-around was (and continues to be) significant. So, too, have been the ongoing reforms designed to strengthen the country's security institutions, the aim of which are to improve operational effectiveness. Combined, these efforts aim to provide an enabling environment for investment, growth and employment so Liberia can solidify and accelerate its development agenda.

Despite the progress achieved thus far, peace and security remain fragile. Stability is at risk of being undermined by internal disturbances set off by conflict, disputes over land, and high unemployment especially among the youth. Liberia is also vulnerable to political tensions and insecurity spilling over from neighboring countries (Cote d'Ivoire, Guinea and Sierra Leone) due to its highly porous borders and limited state security presence in these areas. Whatever the trigger, the potential for disorder to escalate into large-scale violent confrontations is real. Given that the country's security sector capacity remains weak – due to inadequate training, limited logistics and communications equipment, and poor incentives – there is concern that the response capability of the security agencies, especially the Liberia National Police, is inadequate to meet the challenge, which could ultimately put the gains achieved to date at risk.

In 2006, the UN Security Council authorized a phased, gradual consolidation, drawdown and withdrawal of UNMIL's troop contingent as the situation permitted and without compromising the security of Liberia. The process, however, was put on hold to provide full support for the 2011 national elections, which took place without serious incident. With the inauguration of the new government complete, the drawdown has now taken on new momentum. As part of the withdrawal plan, key operations (but not all) currently handled by UNMIL are slated to be transferred to the national authorities. The measured handover of security functions should provide an adequate window of opportunity to scale up the capacity Liberian counterparts, primarily the police (LNP) and immigration (BIN) forces.

However, the transition of UNMIL personnel and equipment, expected to begin in 2012, is imposing a clear and pressing challenge for the government. At issue is the ability of and speed at which national security agencies can take on the functions currently being performed by UNMIL in an environment of competing development needs with limited fiscal space. The transition is also constrained by low public confidence in the Liberian security apparatus, which is due in part to weak professional integrity and corruption.

Given these challenges and the importance of ensuring a smooth transition, the government is encouraged to adopt a strategic approach such that the sustainability of security financing is ensured. It is clear that the government will not be able to absorb the full anticipated cost of security operations expected to be transferred from UNMIL. This Note, therefore, suggests that the government embrace the recently introduced medium-term expenditure framework (MTEF) that emphasizes a strategic focus on the security sector from the top-down and prioritizes realistic costing from the bottom up. Such an approach

calls for prioritization of the transferred security functions based on a national strategic policy that accounts for a limited resource envelope. The process calls for the proactive role of the National Security Council (NSC) in making strategic security policy and setting a complementary resource envelope in close coordination with the Ministry of Finance and Economic Planning and other relevant security agencies. In the meantime, the deepening of reform throughout the security sector should be encouraged to improve coordination, financial accountability and oversight, all of which will go a long way in reducing the cost and improving the effectiveness of security operations during a critical period of the country's efforts to transform the economy to middle income status by 2030.

Going forward, the note recommends that individual security agencies revise their own strategic plans to ensure consistency with the security sector's strategic objectives and that address the challenges associated with the UNMIL transition. The plans should be costed and prioritized, and take into account a realistic assessment of the available resource envelope and capacity of the security sector. In this context, the NSC could play a proactive role in setting a top-down priority for the whole security sector. Over the medium-term, the Note suggests that the security agencies focus on improving efficiency of the delivery of security services, both ongoing (to reduce operating cost) and new associated with the UNMIL transition. This could be achieved through: (a) rationalizing BIN and BCR operations, effective management of security assets (vehicles and buildings), sharing infrastructure among key security agencies, and improving efficiency of operations of regional security hubs to reduce operating costs; (b) strengthening public sector management in the security sector through implementing functional reviews to consolidate functions and eliminate redundancies; (c) improving human resource management (pay, grading structure, and training opportunities) as well as enhancing the professional integrity of security personnel (disciplinary actions and sanctions); and (d) strengthening public financial management in the security sector.

LIBERIA

Public Expenditure Review Note

Meeting the Challenges of the UNMIL Security Transition

I. Introduction

1. **A history of poor governance culminated in nearly fifteen years (1989-2003) of brutal conflict that destroyed lives, key institutions and infrastructure, and brought the Liberian economy to a halt.** The origins of the conflict were rooted in the marginalization and/or exclusion over many years of a large part of the Liberian population from political power and the economic wealth flowing from the country's substantial natural resources. As social discontent deepened and with few apparent options for redress, the country ultimately erupted into brutal civil war in 1989. The conflict left a disastrous toll on the nation: it led to the deaths of an estimated 270,000 Liberians, made the delivery of education and health services nearly impossible, and severely destroyed the country's public and private infrastructure (roads, railroads, electricity generation and transmission, potable water and sewage facilities). The 1995 peace agreement, which led to the election in 1997 of one of the warlords, Charles Taylor, as president, did not hold. Two years later, fighting broke out again and only worsened an already struggling economy. This state of affairs was to continue for another next 6 years.

2. **The 2003 Accra Comprehensive Peace Accords (ACPA) marked the beginning of a new era for Liberia.** Following the signing of the accords in August, 2003, a two-year National Transitional Government of Liberia (NTGL), headed by Charles Gyude Bryant, was established to ensure the implementation of the ACPA and carry out normal government functions including economic management, delivery of public services in education, health, infrastructure, etc. The United Nations Mission in Liberia (UNMIL) was established with a stabilization force consisting of 15,000 United Nations military personnel, including up to 250 military observers and 160 staff officers, and up to 1,115 UN police officers and units. The force was deployed to assist in the maintenance of law and order throughout the country, and a civilian component was established to support the implementation of the ceasefire agreement and peace process. This time, now exhausted by war and after having found so elusive a quick return to peace and stability, the country embraced the opportunity to rebuild with the support of the international community. Peace and security were enhanced as combatants were disarmed and demobilized. However, reintegration into society was (and continues to be) difficult given the limited economic opportunities and lack of adequate and ongoing counseling services. The gradual return of security eventually led to the free and fair legislative and presidential elections of November 2005, which resulted in the inauguration of Africa's first democratically elected female president. Although the president's party failed to win a majority in parliament, the result of active exchanges with the opposition and civil society soon led to support and enactment of a number of reforms on a variety of fronts.

3. **The new government articulated a broad vision of a peaceful, secure, and prosperous Liberia as described in *Lift Liberia*—the country's first poverty reduction strategy (PRS-1, 2008-**

2011). During this period, Liberia made good progress as the economy recovered and growth was sustained, especially in the urban areas. This was supported by macroeconomic stability characterized by low inflation, essentially balanced budgets, and a significant reduction in external debt as well as significant inflows of foreign direct investment to the agriculture and mining sectors. The financial sector expanded in size and in the range of services offered, and banks' balance sheets improved. Rebuilding of physical infrastructure began, and coverage of health and education services expanded by most measures.¹ Some aspects of governance improved and instances of poverty declined (Table 1).

Table 1: Liberia - Key economic indicators, 2003-2011

	2005	2006	2007	2008	2009	2010	2011
Real GDP growth (%)	5.6%	7.9%	12.7%	7.8%	6.2%	6.1%	8.1%
Inflation (annual average)	6.9%	7.2%	13.7%	17.5%	7.4%	7.3%	8.5%
<i>Fiscal Account (Percent of GDP)</i>							
Total Revenue and Grants	80.3%	12.3%	17.9%	20.4%	20.8%	23.5%	26.4%
Total Expenditure	12.3%	8.8%	14.8%	19.4%	22.1%	23.0%	27.0%
Overall Fiscal Balance	0.7%	3.5%	3.1%	1.0%	-1.2%	0.5%	-0.6%
Total Public External Debt	748.9%	678.8%	529.8%	315.7%	283.9%	137.2%	8.0%
<i>Monetary and Credit</i>							
M2/GDP	20%	23%	20%	24%	27.9%	33.3%	37.0%
Credit to Private Sector (% change)	20.6%	41.7%	39.2%	44.1%	31.5%	40.1%	32.4%
<i>Balance of Payments (% of GDP)</i>							
Exports, f.o.b.	16.9%	22.1%	22.4%	23.1%	13.3%	16.6%	24.7%
Imports, f.o.b.	-46.3%	-60.3%	-53.7%	-64.4%	-49.7%	-52.1%	-64.1%
Current Account Balance	-30.6%	-11.4%	-22.9%	-44.3%	-29.2%	-33.2%	-33.2%
Gross Official Reserves (US\$ million)	8.0	46.2	85.3	129.4	312.2	391.4	415.8
<i>Memo:</i>							
GDP (in Million US\$)	542	604	928.7	1,100.5	1,155.9	1,292.7	1,544.9

Sources: IMF

4. **A second democratic election took place in October 2011 with a run-off in November that led to victory for the incumbent party, a process that was conducted peacefully and benefited from UNMIL and broad international support.** Ellen Johnson-Sirleaf won another term as president. Indeed, Liberia has accomplished much since the signing of the Accra accords, making notable progress on many fronts. Still, the country remains fragile with substantial political and socioeconomic risks. As a way to focus her administration and citizenry on the way forward and ensure continued foreign support, the government is developing a *National Vision: Liberia Rising 2030* that calls for transforming the economy to middle-income status by 2030. To achieve the vision, a second Poverty Reduction Strategy for 2012-17, *Agenda for Transformation (AfT)*, is currently being formulated.

5. **Looking ahead, the newly elected government is confronting myriad challenges as it continues to lay the foundations for the country's long-term development.** Liberia must overcome economic, institutional, and security hurdles. On the economic front, infrastructure bottlenecks (energy,

¹ Republic of Liberia, Lift Liberia Poverty Reduction Strategy - A Result Focused Assessment (June 2008-December 2011).

transport, ports, water and sanitation) must be alleviated to facilitate trade and commerce, revitalize agriculture, and support private sector development. Progress in these areas will diversify the economy, create jobs for hundreds of thousands of unemployed youth and adults in the urban and rural areas, and help lift Liberians out of poverty. De-concentration of the government from the capital city to counties and districts is seen as a key priority of the transformation agenda to bring the state closer to the population, facilitate social reconciliation, and improve the delivery of basic services (education, health). On the institutional front, endemic corruption and weak state capacity at all levels are perceived as serious challenges hampering the government's ability to meet the development aspirations. Finally, on the security front, the administration is also facing the more immediate reality of a drawdown of UNMIL personnel and equipment beginning this year and the daunting task of transferring these costly but effective security functions to Liberia's own poorly paid, inadequately equipped and insufficiently trained security agencies. This Note focuses on the last issue: preparing for UNMIL's drawdown and assuming a larger responsibility for its own security.

6. **Recognizing the positive impacts of peace and security on Liberia, the World Bank in close collaboration with UNMIL is assisting the government to identify the core security functions and their associated costs as well as options to ensure a smooth security transition.** As such, this report does not carry out an in-depth analysis of public expenditure in the security sector. Instead, the costing of the security is based on the draft transition plan prepared jointly by the government and UNMIL, alongside the relevant costs outlined in the Liberia Peacebuilding Program, a central component of which is the development of regional justice and security hubs. The finding of this Note is expected to inform the government of the security cost, especially related to UNMIL's drawdown and strategic approach to ensure fiscal sustainability of the security financing over the medium and long-term. The Note is organized as follows: Section Two provides the country and sectoral context, followed by Section Three, which discusses the structure and functions of the country's security sector. Section Four discusses UNMIL operations in Liberia. Section Five discusses the challenges in taking on the security function, especially the financial challenges. The section presents the estimated cost of security services (including the cost of government security operations, the cost of transferred functions and the recurrent cost of the Joint Security and Justice Program or JSJP), the estimated financing requirement, and fiscal space and gap. Section Six outlines a road map for sustaining the security cost to be borne by Liberia. The final section provides recommendations for the government to consider as it moves forward.

II. Security Context

A. Threat assessment

7. **Liberia has remained generally stable since the deployment of UNMIL in 2003, but despite the prevailing stability, peace is fragile.** Many of the remaining security threats to Liberia are of an internal nature, including the recurrent tendency of minor incidents to escalate into large-scale violent confrontations beyond the response capability of the national police. Liberians still fear for their personal security because of a high incidence of violent crime and an inadequate justice system. Youth alienation is a particular challenge, and to address this will require a comprehensive intervention to tackle it. In addition, land disputes remain a serious conflict trigger throughout the country, exacerbated in many

instances by a lack of regulation and long-standing divides between ethnic groups or communities, given that the country is alienated along ethnic and geographical lines. Moreover, a number of structural conflict triggers persist, such as economic inequality, corruption, exclusion and perceived or real lack of political voice, human rights violations, impunity, ineffective accountability mechanisms and weak state institutions.

8. **While the sub-region is generally stable, each of the countries in the Mano River Union is undergoing some form of internal transition.** Each country remains vulnerable to disruption by political tensions or insecurity in any of the neighboring countries due to highly porous borders and limited state presence along the border areas. Networks for the illegal exploitation of natural resources remain, particularly in inaccessible areas of the country bordering Guinea, Cote d'Ivoire and Sierra Leone, and trans-national crime, including drug and goods trafficking persist, though the presence of UNMIL continues to deter more significant transnational criminal activity. Moreover, the refugee crisis in Liberia in 2011 following the contested elections in Ivory Coast continues to put a strain on the state, with a sizable number of refugees still present in the volatile border areas.

B. Liberia's national security strategy

9. The 2008 *National Security Strategy* is the foundational document for orientating the security sector in Liberia. The Strategy defines national security in a holistic manner that factors in democracy, rule of law, human rights, political and economic stability, civic duty, regional dimensions, reconciliation, professionalism of security actors and the environment. The Strategy takes into account *internal matters, regional factors and global issues*. Internal threats are identified as lack of respect for the rule of law, poverty, poor national resource management, deactivated ex-servicemen (17,000), ex-combatants (103,019 demobilized and an estimated 9,000 who did not benefit from reintegration programs), corruption, robbery, drug abuse and trafficking, illegally-held arms, land and property disputes, ethnic hatred and tensions, citizenship, illiteracy, fire occurrences, overcrowded prisons and HIV/AIDS.

10. The objectives of the Strategy include: consolidation of peace; development of a coordinated national security system; avoidance of duplication of roles; transparent recruitment of staff; gender responsive reform initiatives; establishing county and district security councils; democratic civilian oversight mechanisms; safeguarding the integrity, sovereignty and political independence of Liberia; participation in Regional Security Forces – Africa Union (AU) Standby Forces and ECOWAS Standby Forces; economic security and poverty reduction via PRSP; and environment and resource management.

11. Despite a good National Security Strategy and reform strategies developed by individual security sector agencies and the significant reform progress achieved, the development of the Liberian security sector remains hampered by shortcomings in coordination, oversight and financial sustainability. While the national security strategy emphasizes the need for an accountable and democratic security architecture, reform of the sector has so far focused on developing the operational effectiveness of the security institutions. Mechanisms for accountability and coordination remain weak, and civilian oversight of the security sector is ineffective. The passage in August 2011 of the National Security and Intelligence Act should help resolve the issue in the Liberian security system of multiple institutions with duplicate or archaic mandates. Nevertheless, more remains to be done in order to enhance security sector coordination

and to enhance synergy and cooperation between security sector agencies. Moreover, legislation is still pending on a new police law, gun control, drug control and prison reform, and while the National Defense Act was passed in 2008, a draft national defense strategy remains under review.

12. Given that internal security and public order are the key security threats faced by Liberia, the Liberian National Police (LNP) and the border police (the Bureau for Immigration and Naturalization - BIN) are the critical security sector agencies in view of the UNMIL transition. The Armed Forces of Liberia (AFL) is less significant as their remit relates to external security and territorial integrity, which is less of an issue for the country at this time.

13. The donor community has played a critical supporting role for the security sector and has ensured alignment with national priorities in line with the Paris Declaration on Aid Effectiveness. A Justice and Security Trust Fund was activated in late 2010, co-chaired by the Minister of Justice and the Deputy Special Representative of the Secretary General (SRSG) for the Rule of Law. From 2012 the Trust Fund Board has been integrated into a larger Justice and Security Board that takes account all donor support linked to a new three-year Joint Program on Justice and Security. The Joint Program prioritizes critical UNMIL transition gaps (including the hubs) and coherently integrates the various available funding instruments, including support from the Trust Funds, bi-lateral donors, the UN Peace Building Fund (PBF) and GoL budget. Sweden has also created an informal donor justice and security group (Sweden, US, UK, Norway, Ireland, Japan, Germany) to ensure effective donor coordination on security sector issues. Given that Liberia is also a member of the Peace Building Commission and receives PBF support, a Peace Building Joint Steering Committee (JSC) exists and is co-chaired by the Minister of Finance and Economic Planning and the Deputy SRSG Recovery and Governance. Government, the UN, civil society organizations (CSOs) and a select number of donors are represented on the JSC.

C. De-concentration of justice and security services

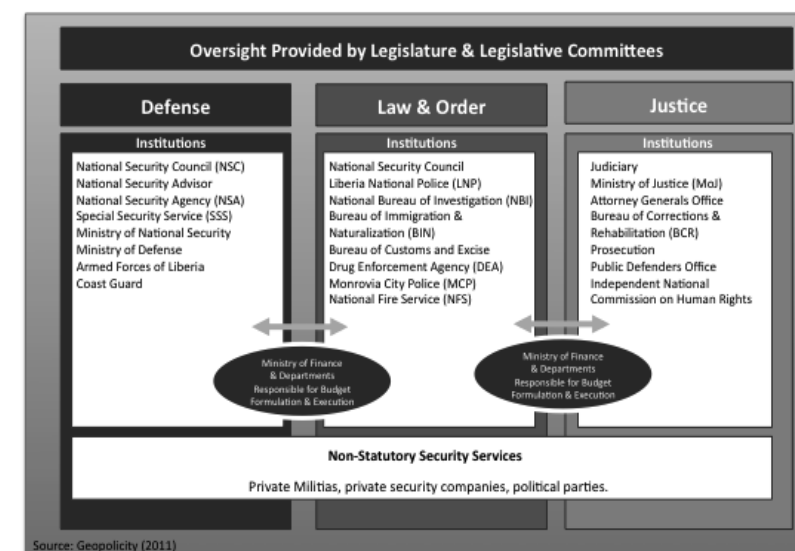
14. UNMIL continues to play a critical role in either providing security and justice services or facilitating the provision of these services by Liberian security actors especially outside of the capital (Monrovia). With the UNMIL drawdown on the agenda and given the weak justice and security infrastructure in the country, a decision was taken in late 2010, based on consultation between the UN and the government, to develop five justice and security hubs throughout Liberia, with each hub aiming to enhance the provision of existing services in three surrounding counties. The regional hubs are designed to extend security and justice services throughout the country. The regional hubs will act as a forward operating base for the Liberian National Police (including a robust Police Support Unit element) and the Bureau of Immigration and Naturalisation (BIN). The hubs will also include corrections facilities and courts so as to enable the justice system to operate more effectively. Building upon the National Security Strategy and the strategic plans of various agencies (Ministry of Justice, the Judiciary, the Bureau for Corrections and Rehabilitation, the Liberian National Police and the Bureau of Immigration and Naturalization), the Hub project is a holistic approach to providing security and delivering justice throughout the country by: (a) fostering linkages among rule of law actors—LNP, BIN, Corrections, Judiciary, public defense and prosecution; (b) increasing security response capacity; (c) improving work and training facilities; and (d) reinforcing administrative effectiveness and accountability. The first hub in Gbamga (Bong County) is due to be operational by July 2012. Each hub costs in the range of US\$3

million to construct, while an additional US\$1 million is required to enhance services, deployment and outreach. In addition, recurring costs to sustain the hub will need to be phased into the national budget. While the UN Peace Building Fund (PBF) fully financed the first hub, co-financing options with donors are sought for the remaining four hubs.

III. The Structure and Functions of the Security Sector

15. Figure 1 provides an overview of the security sector in Liberia by grouping ministries and agencies under three clusters: defense, law, and order and justice. The clustering is an artificial divide and is simply meant to help readers better understand the sector.

Figure 1: Structure of the security sector in Liberia



16. **The broad security functions in Liberia include defense, public order and safety, and justice.**² The defense function that focuses on protecting the territorial integrity of Liberia is performed

² The UN and OECD DAC provide the broad definitions of the security sector. The 2008 UN SG's Report on SSR provides a more formal conception of the security sector that focuses on those actors with a constitutional and legitimate responsibility for the provision of security for the state and its citizens. Generally, they include defense, law enforcement, corrections, intelligence services and institutions responsible for border management, customs and civil emergencies. Elements of the judicial sector responsible for the adjudication of cases of alleged criminal conduct and misuse of force are also included in many instances. In addition, the security sector includes actors that play a role in managing and overseeing the design and implementation of security, such as ministries, legislative bodies and civil society groups. The OECD's Development Assistance Committee defines the security sector to include core security actors (armed forces, police, paramilitaries, intelligence and security services), executive and

by the Armed Forces of Liberia (AFL) and the Liberian Coast Guard (LCG) under the Ministry of National Defense (MND). The law and order function seeks to detect and deter crimes, apprehend offenders, protect life, liberty and property, and enforce all laws and regulations. These duties are performed by the Liberia National Police (LNP). Immigration management and border protection are the responsibility of the Bureau of Immigration and Naturalization (BIN). The justice function covers prosecution, law courts, and public defenders, the Bureau of Correction and Rehabilitation (BCR) and the Human Rights Commission (HRC). The National Security Agency (NSA) manages and coordinates intelligence for the state; the National Security Advisor advises the President and acts as the secretariat to the National Security Council (NSC); and finally, the protection and security of the President, his/her immediate family, and other officials and visiting dignitaries (VIPs) are under the responsibility of the Special Security Services (SSS). The following sections briefly describe the responsibilities and strengths of key front line security agencies in Liberia.

17. The National Security Council (NSC), chaired by the President of Liberia, meets regularly on matters of national security. The National Security Reform and Intelligence Act, signed into law in September 2011, clearly codifies the role and membership of the Council. Importantly, the 2011 law includes the Minister of Finance and Economic Planning as a new member of the Council, alongside other key ministers and the National Security Advisor as the secretariat to the Council. The Council has a number of responsibilities including: advising the President, identifying and defining national security goals, initiating and discussing national security policy based on state intelligence, ensuring that agencies of government implement the security policy decisions of the Council, monitoring security agencies including approving policies and plans of the Ministry of National Defense, and when deemed necessary, serving as a war cabinet.

A. Core security actors

18. **Armed Forces of Liberia (AFL).** The AFL is responsible for defending national sovereignty and the country's territorial integrity (land, air and maritime). It participates in international peacekeeping activities conducted by the UN, the Africa Union, ECOWAS, Mano River Unions (MRU), and/or all international institutions of which Liberia may be a member. It provides support to civil authorities in the event of a natural or man-made disaster, outbreak of disease or epidemic, assists in search, rescue, and saving of life on land, sea, or air, and supports national law enforcement agencies at the request of the President.³ The AFL has been totally reformed. The force is now comprised of all new recruits and is expected to be operational by 2014. Its current strength is just under 2,000, including the engineering company, military police and coast guard. Regrettably, the attrition rate is high (estimated at about 10 percent), and professionalism and discipline are areas of serious concern.

19. Overall, AFL skills remain rudimentary and in need of continued development. The U.S. is the lead donor for and coordinator of support for the AFL. Within its mandate, UNMIL supports the AFL

legislative authorities with security management and oversight responsibilities, justice and law enforcement institutions, and non-statutory security forces.

³ This is based on the 2008 New National Defense Act approved on August 21, 2008. It repealed the National Defense Act of 1956, the Coast Guard Act of 1959, and the Liberian Navy Act of 1986.

upon requests from the government and in cooperation with the U.S. Embassy. In 2010 the AFL officially completed initial training, facilitated by the U.S. Army Training and Evaluation Program. The AFL has since assumed independent budgetary and functional responsibility for its own training. It continues, however, to be assisted by 61 U.S. military personnel under the authority of Liberian Defense Sector Reform mentors (known as Operation Onward Liberty or OOL).

20. **Liberia National Police (LNP).** The LNP is responsible for enforcement and maintaining law and order. Its functions include preserving peace, protection of life, limb and property, recovery of lost and stolen property, arresting violators of the law, prevention and detection of crime, enforcement of all laws and ordinances, and testifying in court. The LNP is comprised of the regular LNP, Emergency Response Unit (ERU), and the Police Support Unit (PSU). Regular LNP police are deployed in the counties and districts; the ERU responds to emergency security situations,⁴ and the PSU responds to disorder incidents, anti-crime patrolling, and protection of assets and VIPs.⁵ The strength of LNP stands at about 4,200 trained police officers, resulting in a police/citizen ratio of 683.⁶

21. Overall, LNP skills are basic and in need of continued development. Of particular concern is a weak command and control apparatus. Nonetheless, some key achievements have been made including (a) finalization of the LNP Manual; (b) introduction of standard operating procedures for LNP stations; (c) established systems and procedures for case file management; (d) formalization of registration of criminal complaints nationwide; (e) harmonization and streamlining of the payroll system with all officers enrolled in a direct deposit system allowing officers to receive salaries through-out the country; (f) community police is becoming a standard practice; and (g) improving investigative capacities.

22. UNMIL and the government estimate that the number of LNP should be increased incrementally in the coming years up to 8,000 (from the current level of 4,200) to maintain an adequate level of public security that will prevent Liberia from sliding back. In terms of a timeframe, it is strongly advised that the 8,000 LNP officers be in place before UNMIL/UNPOL completely depart Liberia. While UNMIL/UNPOL will maintain its current strength until mid 2015, its status after that point is as yet unclear and will depend on the UN Security Council. The call for 8,000 LNP officers is based on a police-to-population ratio of approximately 1:500.⁷ Given the country's poor road infrastructure, the lack of police communications and limited mobility, even a ratio of 1:500 may not ensure adequate police presence nationwide. Today, the lack of police presence and very slow police response time is one of the key grievances of the Liberian population. This is the case even despite considerable UNMIL logistics and capacity support for the LNP. Therefore, as UNMIL draws down, effort will need to be made to

⁴ It has 321 officers that have been trained and armed. Its performance is slowly improving in terms of efficiency and sufficiency.

⁵ The PSU has 681 police officers that have been trained and deployed.

⁶ This is based on population projections to 2019-20. A police strength figure of 7,000 in 2011-12 would represent a rate of 1:571, and a police strength of 9,500 in 2019-20 would represent a rate of 1:503.

⁷ The United Nations recommends on average one police officer for every 450 citizens. However, a number of caveats related to context need to be taken into consideration in deciding on the ratio, including the country's geography and road network; the country's policing model; police mobility and communications capacity; the resilience/contribution of informal policing mechanisms; the country's crime rate; and the fiscal space to recruit and sustain a professional police service.

increase the size and capacity of the LNP. This will have significant once off and recurring cost implications.

23. Training has evolved from UNMIL/UNPOL delivering basic training to LNP instructors teaching the majority of classes at the National Police Training Academy (NPTA). The Academy, which was recently accredited by the Ministry of Education, can train up to 300 LNP new recruits per year. This figure has recently been increased to 600 now that an expansion of the campus is complete. Part of the training includes instruction on standard operating procedures (SOPs) in key areas. Still, gaps exist in human resource management, logistics and procurement, information management and technology due to lack of available technical expertise. UNPOL is working with LNP to increase the number of instructors.

24. **Bureau of Immigration and Naturalization (BIN).** The BIN, established by the 1955 Act, is responsible for, and administers and enforces, the Aliens and Nationality Law of Liberia. It has the broad mandate to safeguard and protect the borders of Liberia against illegal entry of aliens into the country, as well as regulating the residence of foreigners by creating and maintaining a database and providing them with the required immigration status. It is a paramilitary organization with both law enforcement and revenue-generating functions. It operates in all 15 counties with a central office in Monrovia. Given vast and unmanned borders of approximately 1,500 km neighboring Guinea, Sierra Leone and Ivory Coast, there are approximately 176 entry points into Liberia. However, BIN officers are deployed at only 36 official entry points due to limited resources. The current number of BIN personnel (as registered on the payroll) is estimated at fewer than 2,000 officers; however, many are not qualified and some are eligible for retirement. The Ministry of Justice needs to engage in a dialogue with the Ministry of Finance to identify appropriate mechanisms and resources to enable the BIN to reduce the number of incompetent and fictitious officers.

25. **Bureau of Corrections and Rehabilitation (BCR).** The BCR, established by law in 1969, is one of three functional components of the Criminal Justice System and includes the Police, Courts and Prosecution. It comprises prisons, probation and parole, and parole board. The government is currently finalising the composition of the parole board. In addition, probation is now operational in Bong and Montserrado counties and will be expanded to Nimba and Lofa counties this year. The prison component has been established at a minimum level nationwide. Individual facilities are headed by superintendents who are answerable directly to the Director of Prisons. Corrections officers serve under the superintendents. Currently, the BCR manages 15 prisons and detention facilities, and also leads the capacity building program, including the rehabilitation of prison inmates (estimated at 1,500 in 2010). About 259 corrections officers have been recruited, trained and deployed to date, making the ratio of correction officer to prisoners 1:6, a figure that is far from the recommended ratio of 1:3. It is yet to develop its own critical response capacities to address prison violence and uprisings. Currently, prison security is provided by BCR staff, LNP and PSU officers as well as UNMIL troops in a number of locations across Liberia.

26. **In addition, five regional security hubs are being planned to enhance access to justice and security at the regional and county levels.** The government, together with UNMIL, UNDP and other development partners, developed a three-year Justice and Security Joint Program (JSJP). This initiative is based on a holistic approach that balances both capacity and infrastructure to strengthen justice and

security institutions (law enforcement, courts, state prosecution and defense, and corrections); enhance linkages between these institutions; and develop relationships between the institutions and the communities they serve. The program aims to establish decentralized justice and security hubs in five regions to extend services that are urgently required. The regional hubs will address justice and security provisions through co-location of the regional LNP headquarters (including a robust Police Support Unit-PSU element), BIN and elements of the justice system such as county attorneys, public defenders, magistrates and judges. Public information and legal assistance, awareness and outreach will be enhanced through a Public Services Office and related services. Each hub will service three counties to increase effectiveness in operational control and increase proximity for staff deployment, communication and service delivery. Currently, the first regional hub in Gbarnga (serving Bong, Nimba and Lofa counties) is under construction.⁸

B. Oversight of the security sector

27. **Oversight of the security sector is weak.** At the national level, legislative oversight of the security sector lies with several committees including the Committee on National Security, the Committee on National Defense, and the Committee on the Judiciary in the Senate and the House of Representatives as well as ad hoc commissions constituted to deal with specific aspects of oversight and regulations. The Committee on National Security is the main body that enforces legislative accountability of the government. These committees are weak and ineffective in exercising authority due to a lack of permanent staff, poor capacity and weak governance. Financial oversight of the security sector is performed by the General Audit Commission and Anti-Corruption Commission. Oversight at the county level is exercised by the County Attorney who regularly convenes security committee meetings. The National Security Strategy (2008) proposed that county security councils (CSCs)⁹ and district security councils (DSCs) be created. However, in the absence of decentralization in Liberia, it will be challenging to put CSCs or DSCs in place. Finally, the lack of civilian oversight further perpetuates informal or facilitation payments and corruption. As a result, access to security and justice services and public trust in security personnel are undermined and thereby limit the use of the formal justice system.

C. Financing of security services

28. **At present, the security sector (public safety and order, law enforcement, and justice) is insufficiently funded to effectively protect society.** As shown in Table 2, total public spending on the security sector has steadily increased both in nominal and relative terms (from US\$37 million or 4.3 percent of GDP in 2008/09, to US\$67 million or 5.3 percent of GDP in FY2011/12); however, its share in total expenditure remains flat at about 15 percent. The budgetary increases reflect adjustments in public spending to enable security agencies to perform their functions affected by the gradual UNMIL

⁸ The four remaining regional hubs will be located in Zwedru (serving Grand Gedeh, and Sinoe counties); Harper (serving Maryland, Grand Kru, River Gee counties); Tubmanburg (serving Bomi, Grand Capemount, and Gborpolu counties); and Buchanan (serving River Cess, Grand Bassa and Margibi counties).

⁹ CSCs facilitate coordination at different levels: between government actors, local authorities and clan and town chiefs. This creates a framework for review and oversight of local security issues. CSCs report to the Office of the Minister of Internal Affairs, which in turn forwards its report to the National Security Adviser and the MoJ (Griffith, 2010).

drawdown that began in 2006/07. Although about 90 percent of security expenditure are allocated to personnel costs and goods and services, the growing size of the security workforce, especially police, is still too small to effectively maintain public safety, law and order, and justice. New recruitments are limited by the current training capacity of 300 officers per year at the Liberia Police Training Academy and unattractive compensation. The sector also depends on funding from development partners to meet the required capital investments (e.g., the construction of vital infrastructure) and recurrent costs.

Table 2: Spending on the rule of law and public safety sector

	2008/09	2009/10	2010/11	2011/12*
Total security spending by GOL and Donors (Mill. US\$)	\$68.6	\$71.9	\$76.8	-
Total security spending per capita (US\$)	\$18.3	\$18.4	\$19.2	-
Total security spending by donors (Mill. US\$)	\$31.9	\$27.7	\$22.6	-
Donor spending on security per capita (US\$)	\$8.5	\$7.1	\$5.7	-
Percent of total GOL security budget	87%	63%	42%	-
Total GOL security budget (Million of US\$)	\$36.7	\$44.2	\$54.2	\$66.9
Percent of total security spending	54%	61%	71%	-
Percent of total public expenditure	14.7%	15.1%	14.7%	16.3%
<i>of which: Defense Spending</i>	2.4%	2.5%	2.9%	3.1%
Percent of GDP	4.3%	4.7%	5.1%	5.3%
<i>of which: Defense Spending</i>	0.7%	0.8%	1.0%	1.0%
Public spending on security per capita (in US\$)	\$9.8	\$11.3	\$13.6	\$16.4

* Budget Appropriation

29. **The consolidated budget for the security sector includes allocations for Judiciary, MOJ, MND, MNS, and other autonomous agencies including NSA, SSS, NBI and HRC.** The MOJ budget accounted for over 40 percent of the consolidated security budget (Table 3), while shares of Judiciary and MND in the total security budget are roughly similar to each other for FY2011-12. The budgets for key security agencies including LNP, AFL, SSS and BIN accounted for 20, 15, 9 and 7 percent of the total security envelope, respectively. In particular, the LNP and AFL have been receiving an increasing share of total budget appropriations.¹⁰

¹⁰ Between 2010-11 and 2011-12, these agencies (except the LNP) experienced a fall in appropriations, though trend wise increases are consistent. The Judiciary also experienced an overall fall in appropriations as a percentage of total appropriations since 2008-09.

Table 3: Security expenditure by key administrative agency
(Percent of total security sector expenditure)

	2008-09	2009-10	2010-11	2011-12*
Rule of Law and Public Safety Sector	100%	100%	100%	100%
Judiciary	27%	24%	20%	19%
Ministry of Justice, of which:	42%	41%	42%	44%
Liberia National Police	19%	19%	20%	22%
Bureau of Immigration and Naturalization	7%	7%	7%	7%
Bureau of Correction and Rehabilitation	2%	2%	2%	2%
Prosecution	3%	3%	3%	3%
Ministry of National Defense, of which:	16%	16%	20%	19%
Armed Forces of Liberia	14%	14%	17%	13%
Other Security Agencies				
National Security Agency	4%	3%	3%	5%
Special Security Services	7%	9%	11%	9%
Ministry of National Security	2%	2%	2%	1%
National Bureau of Investigation	1%	1%	1%	1%
Human Rights Commission	1%	3%	2%	2%

* Budget Appropriation

Source: Ministry of Finance, Republic of Liberia

IV. UNMIL Peacekeeping Operation

30. **The Accra Comprehensive Peace Agreement (ACPA) called for the establishment of a UN Mission in Liberia (UNMIL) with the overall mandate of ensuring security, reconstruction support and peace building.**¹¹ Specifically, UNMIL was tasked with supporting implementation of the ceasefire agreement; protection of United Nations personnel, facilities, and civilians; support for humanitarian and human rights assistance; support for security sector reform (monitoring and restructuring the police force, developing police training programs and assisting in the police training); and support for implementation of the peace process. As part of its core security functions, the Mission performs border security (coastal, air patrol, border check posts), operational police support, advising and training; plus judiciary and corrections support duties. Given the multitude of responsibilities, UNMIL is comprised of three components: military, police and civilian.

A. Impact of UNMIL presence

31. **The presence of UNMIL contributed to Liberia's security reform efforts and most recently helped establish the conditions for 2011's peaceful democratic elections and inauguration of a new government.** Over the years, Liberia has made steady progress in reforming the army, police, the Bureau of Customs and Excise and the Bureau for Corrections and Rehabilitation (although reform of the Bureau of Immigration and Naturalization remains a work in progress). Other actors in the security sector have also seen improvement, including the National Security Agency. In the area of justice, the prosecution services have registered some improvements, although reform of the judiciary requires continued focus. These reforms have enabled the Liberian security agencies to undertake security functions in urban and rural areas with UNMIL support, training and mentoring. More recently, UNMIL provided logistical

¹¹ UN Security Council Resolution 1509 (2003).

support, particularly facilitating access to remote areas, coordinating international electoral assistance, and supporting Liberian institutions and political parties in creating an atmosphere conducive to the conduct of peaceful elections in 2011, including support to national security agencies in providing for election security. UNMIL's presence also served to calm tensions that could have potentially led to violence during the period around the elections in early November 2011 when the opposition candidate called for a boycott of the elections.

32. **The peacekeeping mission also contributed indirectly to economic growth.** As a result of UNMIL's efforts to re-establish peace and security, it allowed development opportunities to emerge. It provided incentives for people to work and invest, and the favorable environment that ensued attracted direct foreign investment into the country. This self-reinforcing process stimulated economic growth. Despite a declining budget, UNMIL transfers have contributed to the local economy through the direct creation of local employment opportunities and spending for local procurement, and indirectly through local spending from international staff allowances (Box 1). According to the 2006 UN report, local spending of the peacekeeping mission (estimated at less than 10 percent of mission spending) boosted local income by almost 10 percent of GDP.¹² The impact was concentrated mainly in Monrovia and in those industries and sectors that directly support the mission.

Box 1: Cost of peace keeping operations by UNMIL

Total UNMIL spending has been steadily declining from US\$723 million in 2004/05 to US\$512 million in 2010/11. These amounts cover significant spending outside Liberia (military contingents, international civilian salaries, IT and communications infrastructure, and air transportation); personal allowances not spent within the mission country; mission funds spent in the country but for purchasing imported goods and services; and mission spending on locally produced goods and services. However, the cost for Liberia of taking over these functions is expected to be less than the cost currently incurred by UNMIL because not all functions need to be replaced. For example, Liberia can forego most UNMIL civilian personnel (such as international civilians, civilian police, military observers, UN Volunteers) and the costs associated with protecting UNMIL personnel and assets. Further, the costs of Liberian security personnel and recurrent items are significantly lower than those of UNMIL. For example, an average salary of a Liberian police officer is about US\$150 per month as compared to the UN counterpart whose salary is based on international standards.

Source: UN annual budget and financial reports to the General Assembly

B. UNMIL transition process

33. **UNMIL began drawing down its operations prior to the 2011 elections.** In 2006, the UN Security Council authorized a phased, gradual consolidation, drawdown and withdrawal of UNMIL's troop contingent as the situation permitted and without compromising the security of Liberia.¹³ The

drawdown was conducted during October 2007-May 2010,¹⁴ although the process was stalled in late 2010 as Liberia prepared for its second general elections. In early 2010, UN Department of Peace Keeping Operation (DPKO) directed that UNMIL start to consider the implications of the transition of security responsibilities to the government. The Mission developed a broad plan on how to approach the issue. It was clear from the outset that the handover of security responsibilities would underpin the whole transition process and this became the primary focus of the transition team appointed by the SRSG.

34. **The government has been actively involved in the preparation of the security transition.** Its involvement effectively commenced with a joint transition workshop, held between 28 June and 1 July 2010. The workshop examined security transition issues using examples from other peacekeeping missions' experiences. As a result of the workshop, the GOL and UNMIL agreed a broad structure of a plan for the gradual hand over of security tasks currently being performed by UNMIL to the GOL. The end state for this phase of the work was a mutually agreed list of security functions to be transferred, the gaps in GOL capability, and an overview of likely costs to fill the gaps. This work was completed in October 2011. The next steps called for agreement on the criteria for establishing priorities and to prioritize the agreed list of security functions to be transferred against the likely fiscal inputs. It is envisaged that a second transition planning workshop will take place in mid to late 2012 to support this process. This Note will serve as a useful background document for the envisaged workshop.

C. The planned drawdown calendar

35. **The UN Security Council (UNSC) Report of April 2012¹⁵ proposed a gradual UNMIL drawdown process.** The report was prepared at the request of the UNSC (Resolution 2008, 2011) to deploy a technical assessment mission (TAM) to Liberia after the inauguration of the government in 2012. The report reviewed progress made towards the transition benchmarks and developed proposals for the next stages of the Mission's drawdown. It recommended a gradual drawdown process over the three year period to provide a window of opportunity to scale up the capacity of LNP and BIN. The UNSG report concluded that, based on current threats, four infantry battalions could be gradually repatriated in three phases between August 2012 and July 2015, leaving UNMIL's military strength at approximately 3,750 troops by end 2015 (currently there are close to 8,000 UNMIL military), including battalions from ECOWAS countries and appropriate enablers. Major military equipment no longer required for operations could be repatriated, including one aviation unit of three armed helicopters.

36. **The UNSC report also recommended that UNMIL maintain UN police at its current strength.** Given the lack of national capacity to maintain public order, it recommended that no reduction be made to UNMIL's police component. However, it would be necessary to make internal adjustments in

¹⁴ An initial drawdown included a reduction of 2,450 military personnel during October 2007 to September 2008 and 498 police officers during the period April 2008 to December 2010 (Resolution 1777 (2007)). The second drawdown repatriated 1,460 military personnel during October 2008-March 2009 but increased 240 police officers (Resolution 1836 (2008)). The last stage of drawdown repatriated 2,029 military personnel, three helicopters and 72 armored personnel carriers during October 2009-May 2010 (Resolution 1885 (2009)). Current authorization of UNMIL strength (expiring at end-September 2012) includes 9,233 uniformed personnel (including 7,812 troops, 133 military observers, and 1,288 UN police), 481 international civilian personnel, 992 local staff, and 237 volunteers.

¹⁵ UN Security Council, Special Report of the Security General on the United Nations Mission in Liberia, S/2012/230, April 16, 2012.

¹² Carnahan, M., Durch, W., and Gilmore S. (2006), "Economic Impact of Peacekeeping," UN Department of Peacekeeping Operation.

¹³ UN Security Council, Resolution 1712 (2006).

view of the enhanced priority on mentoring the national security services, especially the police and immigration services, to expedite their readiness to assume security responsibilities from UNMIL. In order to build confidence and mitigate the effect of any potential security vacuum resulting from the drawdown of UNMIL troops, the report further recommended an increase in the number of UNMIL's formed police units (FPUs) by up to three additional units to provide backup support to national police in areas of the country without UNMIL troop presence.

V. The Challenges of Taking on their Own Security

37. **Despite the improvements of the past few years, security and peace in Liberia remain fragile.** A key reason for the concern is that the security sector continues to suffer from significant capability gaps. The number of national security personnel is insufficient, logistics ability is lacking and citizen trust in the security sector is a work in progress. The sector is constrained by ad hoc institutional practices in the absence of formal procedures, resource limitations, continual training needs for new and serving security personnel, and unattractive salaries and challenges in the area of oversight and control. The effectiveness of security operations is also compromised by the lack of functional structures, systems of command and control, and coordination challenges among national agencies. And, even if resources were available, the sector would still face the issue of corruption and the tendency of higher political interference that undermines public trust.

38. **In the case of Liberia, the fragility also stems from both domestic and external risks.** On the domestic front, ethnic conflict, land disputes, youth unemployment, and other societal issues could quickly lead to violence and threaten the peace. On the external front, the lingering refugee situation, tensions in Cote d'Ivoire, and spillover from Guinea and Sierra Leone could flare up and lead to instability. If these factors were to materialize, the current security posture, without adequate UNMIL support, would be unable to counter the risks. The UNMIL drawdown therefore poses significant challenges.

39. **The solutions to the security predicament are not straightforward and are tied to limited available resources.** Given the looming development needs to achieve the national vision and limited available resources, the government finds itself in a difficult situation to sustain the financial costs of the security functions to be transferred from UNMIL. The government will need to prioritize the security inputs – including personnel requirements, the national investment necessary to gear up logistics capacity to manage more complex responsibilities, and the absorption of recurrent costs – against the availability of fiscal resources for the security sector and its strategic goals. The absorption of recurring costs over a multi-year period is perhaps the most challenging part of the equation. Whereas international partners have shown some willingness to support once-off costs in view of the UNMIL transition, phasing in recurrent costs into the national budget will need to be prioritized and carefully managed.

Table 4: Total cost of security services
(Millions of US\$)

	Projections							Total	
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2012-15	2012-19
Total Cost of Security Services	108	96	102	93	99	104	110	306	712
1. Cost of ongoing security services	69	72	75	78	81	84	87	216	546
2. Transition Cost, of which:	39	23	25	14	16	19	21	87	157
Liberia National Police	11	12	14	6	7	8	10	37	68
Bureau of Immigration and Naturalization	4	3	4	3	4	4	5	11	27
3. On-budget Recurrent Cost	1	1	2	2	2	2	2	3	10
<i>Memo items:</i>									
Consolidated On-budget transition cost	39	24	27	15	18	20	23	90	166

Source: Geopolicity

B. Financing of the security services

42. **The key challenge is how to best prioritize security activities while ensuring that the security apparatus and personnel attain the organizational competence and skill level required to maintain the peace dividend achieved to date.** To set the priorities for the security sector, a strategic approach is required to rank security functions against fiscal reality. Such an approach is embedded in the Medium-term Expenditure Framework (MTEF) that the government introduced this year. The MTEF is an effective mechanism for allocating limited resources as it requires a two-pronged approach whereby a top-down resource ceiling for a sector is set (typically by the Ministry of Finance), and the bottom-up medium-term cost is estimated by the sector ministry/agency in question. The top-down process for the security sector requires clear mandates as to decision-making authority at top levels of government to set security priorities and allocations informed by the security strategic goal. The bottom-up process requires that security agencies evaluate and scrutinize the different costs and revenue sources available to the sector to arrive at coherent options.

43. **Clearly, the government needs to prioritize security activities given the fiscal constraints it faces over the foreseeable future.** The consultant's report estimates a financing gap of US\$86 million will emerge given a total resource ceiling of US\$626 million¹⁹ and a consolidated cost (for ongoing security services) of US\$546 million. The consolidated transition gap is estimated at US\$166 million during 2012-19 (Table 5). The projection shows a large financing gap (US\$77 million) during 2012-15 because of significant upfront fixed investment needs for infrastructure, logistics, equipment and increased recurring costs. The gap becomes smaller after 2015 as government revenue from iron ore exports is projected to accelerate once Accelor Mittal operations reach full capacity.

¹⁹ The resource ceiling is calculated based on the historical resource allocation rule of 4.9 percent of GDP.

Table 5: Financing requirement in the security sector
(millions of US\$)

	Projections							Total	
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2012-15	2012-19
1. Total Security Cost	108	96	102	93	99	104	110	306	712
(a) Consolidated On-budget transition cost 1/	39	24	27	15	18	20	23	90	166
(b) Cost of Ongoing Security Services	69	72	75	78	81	84	87	216	546
2. Security Resource Envelope (Historical Rule) 2/	71	76	82	88	95	103	111	229	626
3. Fiscal Space (2-1(b))	2	4	7	11	14	19	23	13	81
4. Financing Gap	-37	-20	-20	-5	-3	-1	1	-77	-86
<i>Memo Items</i>									
Security Cost Per Capita (US\$)	26.6	23.2	23.9	21.5	22.3	23.2	24.0	24.6	23.5

Note: 1/ Consolidated on-budget transition cost includes on-budget transition cost and the recurrent cost.

2/ The historical resource allocation rule is calculated as an average security budget allocation during the past three years and is equivalent to 4.9 percent of GDP.

Source: *Geopolitics*

44. **Given limited fiscal space, the government will not be able to fully replace UNMIL security functions outlined by the draft transition plan; alternative spending options will need to be explored.** The estimated transition cost is clearly unaffordable under the current fiscal environment. Thus, a road map that lays out a prioritization process should be developed to inform policymakers' decisions about how to make trade-offs regarding how much security capability to buy, over what period of time, and at what cost. The process should begin with identifying a core set of "priorities among priorities," acquiring certain capacities over a longer period, and finding cost savings in the current security configuration.

VI. A Road Map for Sustainable Security Financing

45. This section proposes a road map of sequenced actions that will help government be more strategic in making policy choices and trade-offs in managing the security transition in a resource constrained environment. Such a road map will be embedded in the MTEF to ensure that the budget will play a central tool for facilitating the security transition. The top-down approach led by the NSC will play an active role in setting up security priorities at the national level according to the security strategic goal articulated in the Aft.²⁰ A top down approach also requires the setting of a resource ceiling for the security sector and allocating resources within the sector. The bottom-up approach will involve individual security agencies setting their own priorities against the agency's strategic plan and estimates of the cost of security activities. The road map will facilitate priority setting in the security sector, and thus enable the government to make strategic choices that will rationalize the financing of the security services without compromising the security and peace dividend achieved to date.

A. Top-down approach

46. **The rolling MTEF for next year's budget cycle presents an entry point for aligning security priorities with the national security strategic goal and the resource envelope.** The MTEF process for

this year's budget has been concluded with the submission to legislature in May 2012. The next year MTEF will provide an opportunity for the NSC to set security priorities in accordance with the national security strategy and the joint security transition plan as well as determine a resource envelope for the security sector taking into account fiscal reality.

47. **The National Security Council (NSC) should play a proactive role in the top-down MTEF process.** Under the National Security and Intelligence Act, signed into law in September 2011, the Minister of Finance and Economic Planning was appointed full member of the NSC. It will be important to ensure that issues pertaining to UNMIL's transition are regularly addressed in NSC meetings and that the minister actively participates in these discussions as the transition is not just a security issue but also involves financial considerations. A proactive role in priority setting and involvement in the MTEF process should ensure that the security budget discussed at the National Budget Committee is informed by the NSC's decision.

48. **Priorities in the security sector should be established through a sector-wide strategic lens rather than a silo approach.** The 2008 national security strategy has facilitated the full integration of the security sector into the first and second Poverty Reduction Strategies, which incorporated the sector's contributions to growth, revenue and employment in Liberia. The Aft for 2012-17 that is being formulated also integrates the security sector and the rule of law in its medium-term agenda as maintaining peace and security is a prerequisite for investment and economic growth. However, the national security budget is incremental and is still driven by individual agency needs instead of national priorities for the security sector.

49. **The government and UNMIL are finalizing the transition plan based on the April 2012 UNSC security report.** The plan will identify the methodology for the security transition, priority of the security functions to be undertaken by the Liberian security agencies, and the critical security gaps emerging from the UNMIL drawdown taking into account the strategic security goals. The plan will facilitate security agencies in setting their own priorities and determining realistic security transition costs.

50. **The imminent UNMIL drawdown and the apparent high cost of the security transition necessitate that the government identify a package of core security functions and services that can be obtained in line with a limited budget.** The country has benefited from the security services provided by UNMIL and Liberia's own agencies since the end of the civil war in 2003. Given that security risks and threats could most likely emerge from domestic disturbances, the maintenance of law and public order and related safety functions, as performed mainly by the LNP and BIN, are seen as the core security services that need to be provided by the government and international community. The government can work with UNMIL and key development partners to identify an affordable core security service package. This will inform the composition, size and quality of the security personnel and the level of investment needed for infrastructure, logistics and equipment (as well as the necessary recurrent cost) of the regional hubs to sustain peace and security in Liberia.

²⁰ The Agenda for Transformation (Aft) incorporates the JSJP financed by donors.

B. Bottom-up process

(i) Determining realistic security transition costs

51. **To arrive at a realistic cost for the transition, the security functions to be transferred should be prioritized to reduce pressure on security financing.** There are three issues that the government is facing. First, it needs to determine the minimum number and quality of security personnel in the key security agencies (especially LNP, BIN, BCR, and AFL) required for effective duty. This will affect the sustainability of personnel costs as well as training costs over the medium- and long-term. Secondly, the government will need to rationalize investment as necessitated by the UNMIL drawdown to ensure effective security operations. Finally, the recurrent costs associated with undertaking UNMIL security functions as well as recurrent cost of the regional security hubs need to be absorbed into the medium-term budget.

52. **The size of the security workforce should be informed by the security strategy objective and fiscal reality to sustain personnel costs over the medium-term.** According to the transition plan, the number of security personnel is expected to be increased in a number of agencies (AFL/LCG, LNP, BIN, BCR and judiciary). For example, the total number of additional staff required to undertake the transferred security functions is 5,426 personnel including 1,500 BIN officers, 3,563 police, and 14 customs officers. Some targets for security personnel in the current strategic plans are based on international benchmarks rather than what is affordable and feasible. Further, these targets do not account for a potential reduction in personnel delivering non-core security services that could be affected by a rationalization of security functions.

53. **The identified investment spending in the areas that UNMIL provides should be prioritized based on the security sector's strategic objectives to reduce the financing requirement in the short-term.** While investment in infrastructure, logistics, and equipment is vital for improving core security services as performed by the LCG, LNP, BIN, and BCR, it should be rationalized and prioritized to align with strategic priorities. The government should rationalize the upfront one-time fixed investment cost (US\$62 million) identified in the draft joint transition plan that served as a basis for the consultant's estimated cost. This is especially the case for transport vehicles (cars, motorcycles, helicopters, armored trucks), logistics (patrol kits and uniforms, furniture, generators), equipment (mobiles, computers, scanners, weapons, etc), construction buildings, and construction and rehabilitation equipment for force engineering.²¹ This could be achieved by reducing the quantities of the items being proposed and by strengthening public procurement to achieve value for money.²² Revenue from iron ore exports is expected to increase in the years ahead. This will enable the government to meet many of the external

²¹ The estimated cost of civil engineer services provided by AFL (US\$6.2 million) comprises 20 demolition kits (US\$4 million), 3 concrete mixers (US\$1.2 million), and one pile driver (US\$1 million). The LNP's estimated cost of US\$25.9 million comprises 363 cars (US\$12.8 million), 137 trucks (US\$8.2 million), two helicopters (US\$4 million), and 6 armored vehicles (US\$0.9 million). The estimated cost for BIN (US\$11.5 million) comprises 137 trucks (US\$8.2 million), uniforms (US\$1 million), and 70 4-WDs (US\$2.3 million).

²² For example, a Kobelco 7045 pile driving crane, 45 tons lift capacity, leader length 28m, costs EUR 129,000; a MI-8 helicopter costs between US\$5-8 million (2006 prices), while very old ones reach US\$10,000; late model Kenworth concrete mixer trucks in good condition are sold for under US\$50,000, while a brand new state of the art Mack concrete mixer goes for under US\$200,000.

security costs that currently have been paid for by the international community. Prioritizing the investment related to the security transition, and taking into account the increasing availability of government resources over time, is particularly critical.

54. **Recurrent costs associated with assuming priority security functions from UNMIL and with administering the regional security hubs should be incorporated into the medium-term budget.** These recurrent costs typically cover office supplies, gasoline, repair and maintenance, cleaning services. A recurrent budget that is inadequate to meet these needs could undermine the efficient deployment of security officers and thereby the quality of the services delivered by security agencies and the regional hubs.

(ii) Improving efficiency of the security sector

55. **Rationalizing the delivery of ongoing security services could generate savings in the short-term and increase efficiency over the medium-term.** As the total financing requirement for the security sector is driven by the cost of ongoing services, the government could focus on rationalizing security activities as illustrated by the following example (as cited in the consultant's report). The BIN has a large number of border posts (36 posts and 176 porous and uncontrolled border areas) to manage and supervise. Focusing deployment of the limited manpower and resources to strategic border posts with high security risks will help strengthen border control. Strengthening management of security assets (vehicles and buildings) could similarly generate cost savings by reducing investment and recurrent costs. This could be achieved through rationalizing the number of vehicles, improving procurement of fuel and logistics, and ensuring proper repair and maintenance of fixed capital (equipment and vehicles). Sharing or using common infrastructure, such as barracks, can also be a cost effective way to reduce the cost of county deployment. Finally, the effective functioning of the regional justice and security hubs can lead to greater cost savings in the future as it will reduce the unit cost of security operations and strengthen intra-sectoral coordination. The government needs to monitor the functioning of the hubs: the first hub is expected to become operational in July 2012, and work on the second and third hubs is expected to commence thereafter.

56. **Deepening security sector reform (SSR) could reduce the cost of ongoing security service over the medium-term.** Reform efforts should encompass both institutional and human resource management. It is expected that implementation of the recently approved National Security and Intelligence Act (August 2011) could eliminate duplication of functions performed by multiple security agencies that result in inter-agency rivalry and inefficiencies with regard to cost, training and service delivery implications. The Act calls for the Ministry of National Security to be abolished and the functions of the National Bureau of Investigation (NBI) to be integrated with those of the LNP. Pensioning off a large number of inactive BIN officers would also create cost savings over the medium term. Early consultation between the Ministry of Justice and the Ministry of Finance should be undertaken with this objective in mind. Finally, strengthening external oversight of the security sector by the legislature and civil society organizations will be critical to fostering cost effectiveness, improving transparency and accountability.

57. **Human resource management reform should aim to address challenges in recruiting and retaining security personnel.** The reform should include an assessment of the staffing requirement appropriate to the new security structure and functions, pay and grading structure, and incentives (such as training opportunities) to enhance career progression prospects. This will attract qualified personnel to the security sector and improve service; however, it will limit force expansion given budget constraints. Complementary measures are necessary to create fiscal space for staff expansion and to ensure service quality. For example, the retrenchment of the security workforce – especially ghost workers, unqualified personnel and those eligible for retirement – will generate fiscal space and increase labor productivity over the medium-term. Because salary improvement by itself does not guarantee efficient security services, the integrity of the personnel needs to be strengthened (through strict disciplinary action against poor performance and corruption, a civilian complaints board, etc).

58. **Enhancing public financial management in the security sector will also contribute to greater transparency and efficiency in public spending and thus generate more room for priority functions.** To begin with, a credible security budget is necessary. This will require that the capacity of security agencies in strategic planning and the medium-term budget process (including budget planning, execution, reporting, procurement, and audit) be improved. Transparent and competitive procurement practices in the sector will also be central to increasing value for money and thereby efficiency of resource utilization. Lastly, strengthening financial oversight will go a long way to enhance transparency and accountability and deter corruption.

59. **The government should identify areas where improved security sector provision can positively influence revenue mobilization (customs, coast guard, etc) and respect for the rule of law.** Improvements in security services such as customs and coast guard are expected to have positive impacts on revenue mobilization. This could be a strong justification for a greater resource envelope for the security sector with the Ministry of Finance. Similarly, improvements in security services that have a positive impact on the respect for the rule of law could reduce the cost of security services indirectly as security incidences decline over time.

C. Dealing with limited fiscal space

60. **The incremental approach to the security budget will likely provide inadequate resources for some security agencies; thus, it is likely that some agencies could end up with a financing gap even after careful prioritization.** Such an approach is based on historical budget trends²³ rather than the sector strategic priorities over the medium-term. Given the major role that security services play in social and economic development, the resource allocation should be based on the priorities of the security sector and expected results rather than an incremental budget. The strategic approach to budget allocation could either increase or maintain the level of resource allocation for a security agency depending on the relative priority and the expected results.

²³ It is calculated as an average of public spending on the security sector as a ratio to GDP during the past three years (2009-2011), equivalent to 4.9 percent of GDP.

61. **Increased investment in the Liberia Coast Guard (LCG) and the Bureau for Customs and Excise (BCE) has the potential to increase revenue.** The consultant report suggested that further investment in the LCG and the BCE could have a dual advantage of both increasing security and revenue enhancement given that investment to scale up capacity of the LCG and BCE is estimated to be small. The revenue could be earmarked to the security sector in agreement with the MOF. By contrast, non-tax revenues including fees (visa and resident applications) and fines (illegal fishing, court and police) collected by the LNP, BIN, Customs, and Judiciary will likely be low.²⁴ It will not increase significantly over the next three years given the level of poverty, lack of trust in security agents, and widespread informal payments²⁵ in the security sector. While this doesn't close the gap significantly, the fees could cover some annual running costs in the sector when combined with other agencies' revenue generation.

62. **The government should seek to mobilize additional external grants to help close the gap.** Given Liberia's fragility and development needs, external partners should be more willing to assist if security activities are efficiently managed and well prioritized. An initiative that could appeal to donors is support for increasing training capacity at the National Police Training Academy (logistics, infrastructure, instructors, etc). Additionally, the government may appeal to donors to target their assistance towards critical security services such as those provided by LNP and BIN. Co-financing through the Justice and Security Trust Fund based on the work plan for the Justice and Security Joint Program could be instrumental to attract resources from both bilateral and multi-lateral donors.

63. Table 7 provides a summary of a road map towards sustainability of the security services during the UNMIL transition.

²⁴ NPL remitted around US\$100,000 of fees and fines in 2008; BIN remitted around US\$450,000 in 2008, of which 98% was for residence permits; and courts remitted just over US\$10,000 for the fees and fines issued.

²⁵ These payments are related to the delivery of certain security services within the police force (e.g., to enable arrests of suspects requiring lengthy journeys), prisons (e.g., to enable a pre-trial or convicted person to be moved from court to prison), immigration (e.g., rapid goods inspection charges) and the courts (e.g., to fast track proceedings).

Table 6: Summary of a road map for a sustainable UNMIL transition

Road map	Responsible agency
<i>Top-down approach led by NSC</i>	
• Identify an affordable core security service package in collaboration with UNMIL and key development partners	GOL, UNMIL, key DPs
• Prepare and approve a medium-term Security Transition Plan once the UNSC decides on the timetable and components of UNMIL drawdown	GOL and UNMIL
• Proactive and strong NSC in the top-down MTEF process	GOL, NSC, MOF
• Establish security sector priorities with sector-wide strategic lens	NSC and security agencies
<i>Bottom-up approach led by individual security agencies delivering core security services</i>	
• Revising and costing the agencies' strategic plans	All security agencies
• Determining realistic security transition costs of personnel and investment	All security agencies
<i>Improving efficiency in the sector</i>	
• Rationalizing the delivery of ongoing security services in BIN and BCR operations, effective management of security assets (vehicles and buildings), sharing infrastructure among key security agencies, efficient operation of regional security hubs	All security agencies
• Institutional reforms – functional review, consolidation of functions, and redundancies	MOJ, LNP, BIN, MNS, NBI, BCR
• Human resource management – pay, grading structure, and training opportunities as well as improve professional integrity of security personnel (disciplinary actions and sanctions)	All security agencies, especially LNP
• Strengthen public financial management in the security sector, including MTEF	All security agencies
<i>Dealing with limited fiscal space</i>	
• Align budget allocation to the sector's strategic priorities	MOF, NSC, and all security agencies
• Mobilize foreign grants/credit from development partners	MOF and key security agencies

VII. The Way Forward

64. **The MTEF for next year's budget will be an entry point for the security sector to ensure that strategic priorities are consistent with the availability of resources.** The MTEF process involves establishing a resource ceiling and the medium-term costing of both ongoing services and the functions to be assumed after the UNMIL drawdown. The process will set in motion an assessment of the resource allocation for the security sector and trade-offs among various activities at the agency and sector levels. A realistic resource envelope for the security sector should be based on prioritized needs aligned with the sector's policy, not on an historical resource allocation rule. Meanwhile, fine-tuning of the medium-term costing will require the government to revise the costing and make trade-offs among various programs without compromising security outcomes while balancing current and capital expenditures. Trade-off decisions are reached through the alignment of security priorities at the agency and sector levels. The final outcome will be a re-prioritization of activities that take into account resource constraints and the eventual intra-sectoral reallocation of budgetary resources within an agency and throughout the security sector.

65. **The NSC needs to play a proactive role in the MTEF process.** As a body responsible for coordinating security sector policy, the NSC should participate in taking decisions concerning the security resource envelope and sector priorities. Currently, the resource envelope for the sector is set by the Ministry of Finance with minimum input from the security sector. The minister will need to be an ever present member of the NSC, the body entrusted to provide security policy advice to the government. Further, the NSC will need to participate in discussions on the MTEF process that sets the resource envelope and establishes priorities for the sector. Close involvement of the security sector in this process is critical if effectiveness and efficiency are to be ensured.

66. **Individual security agencies need to revise their own strategic plans.** The revised plans should identify security priorities consistent with the security strategic objectives articulated in the AfT and take into account the security transition plan to be finalized. These plans should be realistically costed based on the available resources informed by the medium-term expenditure framework next year.

67. **Efforts should be focused on making the delivery of security services, both ongoing and new, to be as cost effective as possible.** These include a realistic target for security personnel and the rational investment cost for infrastructure, logistics and equipment. Improving the efficiency of security service provisioning could involve deepening reforms on various fronts including institutional and human resource management as well as public financial management.

68. **A strategic prioritization of the security functions should go hand in hand with a strategic budget allocation for the security sector.** This approach will promote strategic budget planning that focuses on achieving results rather than on incremental budgeting for the security sector.

69. Finally, a decision must be made with regard to the phasing of construction and operation of regional hubs over time given the limited available resources and the recurrent cost to operate and maintain the hubs.

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Money Matters: Addressing the Financial Sustainability of Security Sector Reform

Rory Keane and Thorodd Ommundsen

Although the financial sustainability of United Nations (UN) support to institutional capacity building in post-conflict contexts may be the least analysed topic on the peacebuilding agenda, understanding the costs of rebuilding and maintaining the security sector should be one of the most important priorities for security sector reform (SSR) practitioners today. Through innovative partnerships between the UN and the World Bank, a new and important practice area in public financial management of the security sector is beginning to take shape. This paper traces the new demands placed on peacekeeping operations to “get more bang for every peacekeeping buck”, and explores how to match SSR priorities and recurring costs in the security sector with available resources over the long term. In presenting the lessons learned from the security sector public expenditure review conducted by the UN and the World Bank in Liberia in 2012, the first such review jointly undertaken by the two organizations, the paper seeks to illustrate how the discussion on right-sizing of the security sector can go hand in hand with a discussion on right-financing in order to help prioritize key reforms pragmatically in light of the available fiscal space. Specifically, the paper provides SSR practitioners with insights into the challenges often encountered when assisting national authorities to address the political economy of SSR, and how to navigate those dilemmas.

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