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The Political Economy of UN Peacekeeping: Incentivizing Effective Participation

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Cover Photo: Uruguayan peacekeepers in the UN mission in the Democratic Republic of the Congo patrol the town of Pinga, in North Kivu Province, on December 4, 2013. UN Photo/Sylvain Liechti.

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Providing for Peacekeeping is an independent research project that seeks to help improve the quality of military and police capabilities available for peacekeeping. The project serves as a hub for researchers, governments, and peacekeeping practitioners around the world to deepen their understanding of—and find new solutions to overcome—the capability challenges that imperil the effectiveness of peace operations. The project is implemented in partnership with Griffith University and the Elliott School of International Affairs at George Washington University. IPI owes a debt of gratitude to its partners and to its generous donors whose contributions make projects like this possible.

CONTENTS

ILLUSTRATIONS

Figures

Tables

Abbreviations

ACABQ	Advisory Committee on Administrative and Budgetary Questions
C-34	Special Committee on Peacekeeping Operations
CMMRB	COE/MOU Management Review Board
COE	Contingent-Owned Equipment
DFS	Department of Field Support
DPKO	Department of Peacekeeping Operations
G77	Group of 77
LOA	Letter of Assist
MINURSO	United Nations Mission for the Referendum in Western Sahara
MINUSMA	United Nations Stabilization Mission in Mali
MINUSTAH	United Nations Mission in Haiti
MONUSCO	United Nations Stabilization Mission in the Democratic Republic of the Congo
MOU	Memorandum of Understanding
MSA	Mission Subsistence Allowance
P5	The five permanent members of the UN Security Council
PCC	Police-Contributing Country
SAG	Senior Advisory Group on Rates of Reimbursement to Troop-Contributing Countries
TCC	Troop-Contributing Country
UN	United Nations
UNAMID	African Union–United Nations Mission in Darfur
UNDOF	United Nations Disengagement Observer Force
UNFICYP	United Nations Peacekeeping Force in Cyprus
UNIFIL	United Nations Interim Force in Lebanon
UNISFA	United Nations Interim Security Force for Abyei
UNLB	United Nations Logistics Base
UNMIK	United Nations Interim Administration Mission in Kosovo

UNMIL	United Nations Mission in Liberia
UNMISS	United Nations Mission in South Sudan
UNOCI	United Nations Operation in Côte d'Ivoire
UNSOA	United Nations Support Office for the African Union Mission in Somalia

Executive Summary

The United Nations (UN) has a unique set of mechanisms for financing its peacekeeping operations, and it can draw on significant funding for this purpose: total authorized expenditure for the 2013–2014 budget year was $7.54 billion. These resources allow the UN to employ civilian peacekeepers, enter into commercial contracts for its peacekeeping missions, and shape the financial incentives of states deciding whether and how to participate in a UN peacekeeping operation. Ideally, UN peacekeeping financing mechanisms should incentivize timely state contributions of highly effective peacekeeping units willing to make full use of their capabilities.

After reviewing the budget system and the disbursements made from it, this study argues that the current system of UN peacekeeping financing falls short of this goal. It identifies three sets of weaknesses in the financial incentive structure created for troop- and police-contributing countries (TCCs and PCCs).

First, current methods for reimbursing TCCs and PCCs for military and police personnel costs arising from their deployments are flawed. The basic uniformed personnel cost reimbursement rate has not increased since 2002, making participation in UN peacekeeping financially less attractive for states facing rising deployment costs. In addition, there are insufficient financial rewards for contributing excellent or highly specialized uniformed personnel. Although a "key enabling capacities" premium has been proposed, uniformed personnel cost reimbursements remain fundamentally based on the number of troops deployed rather than on troop quality or expertise.

Second, there are weaknesses in the mechanisms for reimbursing states for the costs of deploying their contingents' equipment. The system is primarily designed to compensate states for the costs associated with the use of their equipment in a UN operation, not for the cost of acquiring this equipment. States that have to purchase equipment to meet UN deployment standards face a financial disincentive to participating in UN operations. TCCs and PCCs with larger equipment inventories have a financial incentive not to contribute their best equipment to UN operations but to deploy older and less valuable items, because the same rate is paid for any serviceable item of a particular type. States also face disincentives to using the equipment they have deployed in UN operations. Reimbursements for contingent-owned equipment are subject to satisfactory verification reports, and using equipment can impair serviceability. Although a maintenance rate and "no-fault incident factor" are included in UN lease rates, both are paid automatically as part of the monthly reimbursement rate and therefore neither eliminates the financial disincentives for using equipment. Finally, the presence of commercially contracted aircraft in UN missions undermines states' financial incentives to contribute air assets.

Third, there are structural obstacles that prevent the UN from fully leveraging its peacekeeping resources to incentivize timely state contributions of highly capable peacekeeping units:

- Less than half of the UN's peacekeeping resources are available to shape TCCs' and PCCs' incentives, the remainder being apportioned to commercial contracts and civilian peacekeepers.
- There is no financial incentive for states to invest in readiness for UN peacekeeping because TCCs and PCCs are currently reimbursed only for costs arising from their participation in a particular mission. Costs incurred in advance of a UN deployment are not reimbursable.
- The process for adjusting UN peacekeeping reimbursement rates is heavily politicized, which impedes the smooth adjustment of TCC and PCC reimbursement rates to reflect changing costs.
- The UN system of reimbursing TCCs and PCCs separately for personnel and equipment costs does not reflect the nature of an effective peacekeeping force, which consists of task-oriented units combining specific personnel and their equipment.
- Arrears to the UN peacekeeping budget can impede the timely reimbursement of TCCs and PCCs, and the threat of arrears limits TCCs' and PCCs' bargaining power during financial negotiations.
- The effects of the incentive structure created by the financing system for UN peacekeeping are filtered by states' internal policies.

RECOMMENDATIONS

This study makes six recommendations for improving the incentive structure that UN peacekeeping financing mechanisms create for TCCs and PCCs. Four are immediate steps that remedy particular aspects of this incentive structure, and two are longer-term strategies for improving the UN's ability to adjust its reimbursement policies to attract the peacekeeping capabilities it needs.

Immediate Steps

1. **Complete the current process for revising the uniformed personnel cost reimbursement rate.** In 2012 a Senior Advisory Group (SAG) report recommended a troop cost survey to facilitate member state agreement on adjusting the uniformed personnel cost reimbursement rate. The survey results were released in March 2014. They suggest that the current rate is too low to cover most states' personnel deployment costs.. It is vital that member states reach agreement on increasing the reimbursement rate during the Second Resumed Session of the Fifth Committee in May 2014.
2. **Introduce a readiness premium.** In a first instance, this can be accomplished by supporting the secretary-general's proposal to add a temporal dimension to a premium for key enabling capacities that was also recommended by the 2012 SAG report. Subsequently, Secretariat members and member states should consider extending the financial incentives for readiness beyond key enabling capacities by creating a separate readiness premium.
3. **Address financial disincentives to using major equipment items.** In situations where TCCs and PCCs enjoy discretion in how much major equipment items are used, the maintenance rate and the no-fault incident factor should no longer be automatically paid as part of the UN reimbursement rate. If a mission reports consistent under-usage of an equipment item, the maintenance rate and no-fault incident factor should be decreased or withheld. Should the UN agree to assume rotation costs for some equipment items, this too should be subject to adequate usage.
4. **Modestly harness procurement expenditure.** UN peacekeeping procurement must continue to be guided by the principle of "best value for money." However, additional Procurement Division outreach measures specifically for states contributing significant peacekeeping capabilities would allow the UN to expand the proportion of its resources available to build support for participation in UN peacekeeping within member states.

Longer-Term Recommendations

5. **Implement a pilot project on unit-based reimbursement,** focusing on a limited set of specialized capacities that are commonly required in UN peacekeeping missions and for which a specific combination of trained personnel and appropriate equipment is especially important. The ability and willingness of states to participate could be enhanced by several measures including a "unit premium" and a targeted effort to match potential unit contributors with potential equipment donors.
6. **Recognize opportunities to alleviate the politicization of peacekeeping financing debates.** The growing presence of developing states among the UN's larger financial contributors is a positive development from the point of view of bridging the current divide between the UN's major financial contributors and its main troop and police contributors. It is important to acknowledge the potential contribution of these states without placing excessive emphasis on their role in brokering agreements: smaller and/or less affluent TCCs and PCCs must continue to receive adequate consideration in UN debates about peacekeeping financing.

Introduction

The United Nations (UN) has a unique set of mechanisms for financing its peacekeeping operations. In military operations launched by other international organizations, participating states are often responsible for their own deployment costs. By contrast, troop-contributing countries (TCCs) and police-contributing countries (PCCs) in UN peacekeeping operations receive reimbursement payments intended to compensate them for the costs of deploying their personnel and/or equipment in the mission. In addition, the UN is financially responsible for the mission's civilian components and for many of its logistic needs, including food and fuel. There are debates about the adequacy of these provisions, and financial considerations are rarely—if ever—the only factors shaping states' decisions about whether and how to contribute personnel to UN operations.[1] Nevertheless, UN peacekeeping financing mechanisms create a particular financial incentive structure that inevitably factors into states' decision-making processes.

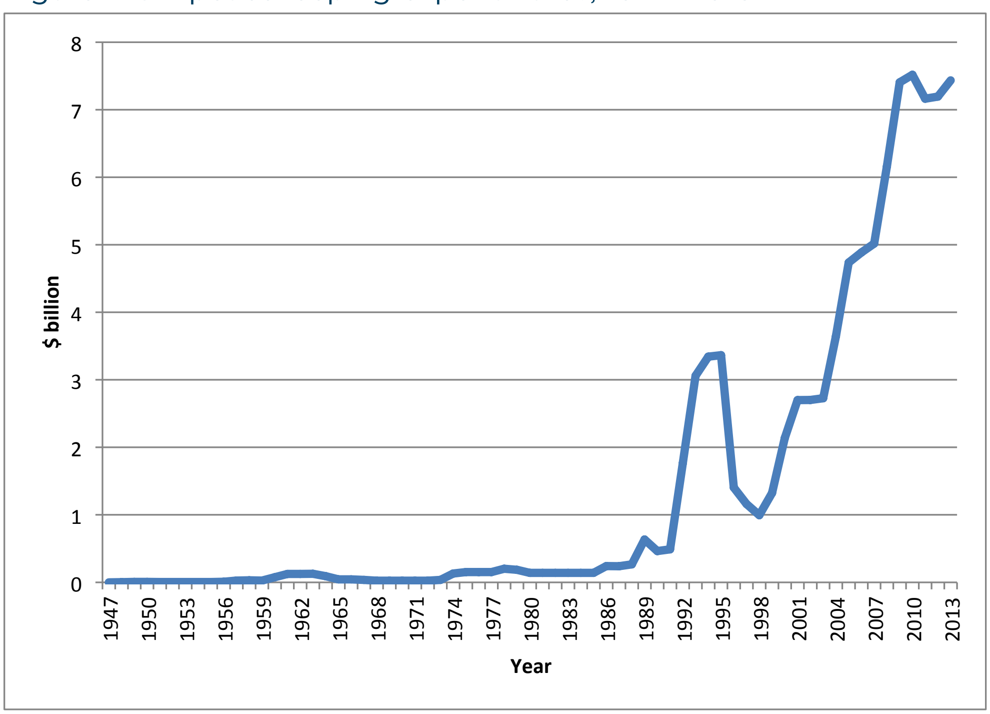
Ideally, these mechanisms should incentivize timely state contributions of highly effective peacekeeping units willing to make full use of their capabilities. This report suggests, however, that the current system of UN peacekeeping financing falls short of this goal.

This study has three purposes. First, it outlines the main features of the current system for financing UN peacekeeping operations. Second, it analyzes the financial incentive structure this system creates for TCCs and PCCs. It identifies several ways in which current personnel and equipment reimbursement policies fail to incentivize timely contributions of highly effective peacekeeping units willing to make full use of their capabilities. It also notes six structural factors limiting the UN's ability to fully leverage its peacekeeping resources towards this goal. Third, it offers some recommendations for improving the financial incentive structure facing TCCs and PCCs.

The UN Peacekeeping Budget: An Overview

The UN's earliest peacekeeping operations were financed through the organization's regular budget, but several states, including the Soviet Union and France, objected to this financing method and withheld their payments, especially for the UN's controversial 1960–1964 deployment in Congo.[2] This precipitated a financial and political crisis within the UN and led the organization to formally distinguish between its regular budget and its peacekeeping expenditures.

Figure 1. UN peacekeeping expenditures, 1947–2013[3]



1 For an analysis of the range of factors affecting state decisions to participate in UN peacekeeping, see Alex J. Bellamy and Paul D. Williams (eds.), *Providing Peacekeepers: The Politics, Challenges and Future of United Nations Peacekeeping Contributions* (Oxford: Oxford University Press, 2013). See also International Peace Institute and The Elliott School at George Washington University, *Providing for Peacekeeping*, www.providingforpeacekeeping.org .

2 Susan R. Mills, "The Financing of United Nations Peacekeeping Operations: The Need for a Sound Financial Basis," *International Peace Academy Occasional Paper* 3, 1989, pp. 8–12.

3 Michael Renner, "Peacekeeping Operations Expenditures: 1947–2005," Global Policy Forum, available at www.globalpolicy.org/images/pdfs/Z/pk_tables/expend.pdf . Post-2005 data from annual UN Secretary-General reports on *Approved resources for peacekeeping operations.* Because the UN peacekeeping budget year runs from July 1st to June 30th, annual expenditures are calculated by averaging the straddled budgets—e.g., 2013 expenditure is an average of the 2012–2013 and 2013–2014 budgets. Note: data is in current US dollars, so it is not adjusted for inflation.

As Figure 1 illustrates, the latter have increased significantly over time, rising quickly in the early post–Cold War years and recovering from a sharp contraction in the late 1990s to plateau at over $7 billion a year since the 2008–2009 fiscal year. For 2013–2014, the UN General Assembly allocated $7.543 billion to UN peacekeeping.[4] This was almost three times the size of the UN's operating budget ($2.6 billion in 2013).[5] While the financial resources available for UN peacekeeping are dwarfed by total global military expenditure ($1.73 trillion in 2012),[6] they are nevertheless significant enough to shape the incentives of current and potential TCCs and PCCs.

BUDGET STRUCTURE

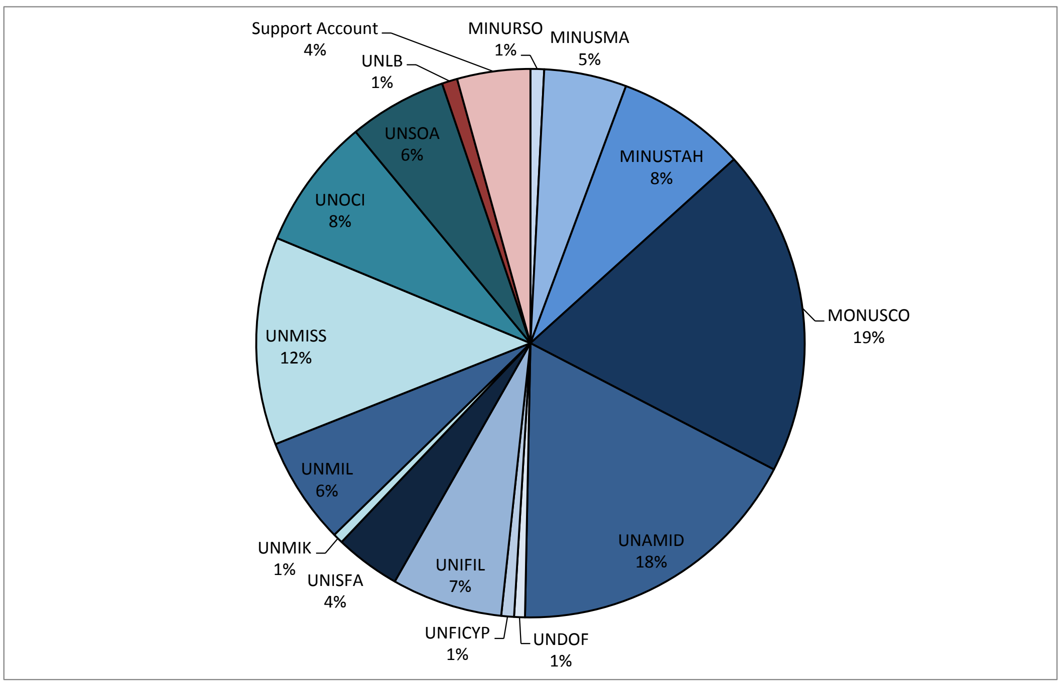
There is no single UN peacekeeping budget. Instead, the General Assembly approves separate yearly budgets for:

- most active UN peace operations,[7]
- the UN Logistics Base,[8]
- the UN support account for peacekeeping operations,[9] and,
- since 2009, the UN Support Office for the African Union Mission in Somalia.

The sum total of these budgets constitutes the UN peacekeeping budget for the budget year, which runs from July 1st to June 30th.

As Figure 2 illustrates, individual peace operations account for the vast majority of this budget. The UN Logistics Base (UNLB) was funded at $68.5 million in 2013–2014, representing 0.91 percent of total approved peacekeeping resources, while the peacekeeping support account was funded at $325 million, or 4.31 percent of total authorized resources. The remaining 94.78 percent

Figure 2. Distribution of UN peacekeeping resources by budget, 2013–2014[10]



4 United Nations Secretary-General, *Approved resources for peacekeeping operations for the period from 1 July 2013 to 30 June 2014*, July 18, 2013, UN Doc. A/C.5/67/19.

5 UN General Assembly Resolution 66/248 (December 24, 2011), UN Doc. A/RES/66/248. The yearly figure represents half of the biennium budget.

6 Stockholm International Peace Research Institute (SIPRI), *SIPRI Military Expenditure Database*, www.sipri.org/research/armaments/milex/milex_database .

7 The UN observer missions in the Middle East (UNTSO) and India/Pakistan (UNMOGIP) are still funded from the regular budget.

8 The UN Logistics Base provides base support, logistics, and communication technology services for UN peace operations.

9 The support account finances "human resources and non-human resource requirements for backstopping and supporting peacekeeping operations at [UN] Headquarters." UN Fifth Committee, *Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations*, June 13, 2012, UN Doc. A/66/834, p. 12.

10 Data from United Nations Secretary-General, *Approved resources for peacekeeping operations for the period from 1 July 2013 to 30 June 2014*, July 18, 2013, UN Doc. A/C.5/67/19. The sum of the percentages in this figure is slightly more than 100 due to rounding.

of the authorized peacekeeping expenditure for 2013–2014 ($7.15 billion) was allocated to specific peace operations. These operations themselves vary substantially in size and cost: for 2013–2014, budgets ranged from $45 million for the UN Interim Administration Mission in Kosovo (UNMIK) to $1.4656 billion for the UN Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).

BUDGET PROCESS

Within the UN, the Security Council has the power to authorize peace operations, determine their mandates, and specify the maximum number of military and police personnel to be deployed. However, the power to approve peacekeeping expenditures rests with the General Assembly, creating an important counterweight to the Security Council's authority. Developing states—especially TCCs and PCCs that feel inadequately represented in the Security Council—can use their numerical strength in the General Assembly to force consideration of their views. The fact that budget decisions are nearly always made by consensus further empowers individual assembly members. Consequently, the budget process is intense, contentious, and protracted.

There are two basic versions of this process. One is for new peace operations and existing missions whose mandates are being changed significantly, and it begins when the Security Council adopts the relevant resolution. The other is the annual budget review cycle for ongoing missions, the UN Logistics Base, and the peacekeeping support fund.

Both processes feature significant input from the UN Secretariat. For new missions, the Department of Peacekeeping Operations (DPKO) develops a concept of operations (a blueprint for achieving an operation's mandate) and a statement of force requirements that disaggregates the total number of authorized personnel into smaller components assigned specific tasks within the operation.[11] The Department of Field Support (DFS) assesses the mission's logistical support requirements. Based on this planning, DFS and DPKO develop a cost estimate, which is reviewed by the Department of Management before the secretary-general formally proposes a mission structure and a budget estimate.[12]

The regular annual budget cycle begins with budget performance reports from the secretary-general detailing how each operation's previous budget was spent and accounting for any variance between apportioned resources and actual expenditures. Subsequently, the secretary-general issues an overview report consolidating the performance assessments and proposing funding levels for each mission for the new budget year; a report on "cross-cutting issues" affecting UN peacekeeping; and separate detailed budget proposals for each ongoing mission, the peacekeeping support account, and the UN Logistics Base.

In both versions of the budget process, the Secretariat's work faces several levels of scrutiny. Individual states consider the secretary-general's proposals at the national level. Within the UN, the Advisory Committee on Administrative and Budgetary Questions (ACABQ)—a group of sixteen experts appointed by the General Assembly—reviews and comments on the reports. Based on these inputs, the General Assembly's Administrative and Budgetary Committee (known as the Fifth Committee), which includes all UN member states, negotiates a draft budget resolution for the new operation and separate resolutions for each ongoing mission, the UN Logistics Base, and the peacekeeping support account. The Fifth Committee's power is considerable even though it cannot change the maximum number of uniformed personnel authorized for a mission. For new missions, as one DFS official put it,

> They might say, "Yes, I agree that 4,000 troops are required. That's not up for debate here in the Fifth Committee. However, you're telling me that in the first year, you can deliver 4,000 boots on the ground? I'm sorry, I don't believe you. I think you can only deliver 2,000 troops on the ground. So we will only fund 2,000 troops on the ground." … Or sometimes they simply say, "I just cut $20 million from the budget" … That's their prerogative as well.[13]

11 Col. William Stutt, "Force Generation in the United Nations" *Blue Helmet Review 2006*, p.85-86.

12 ZIF, *Planning and Deployment of UN Field Operations: the Integrated Mission Planning Process*, October 2011. The UN is experimenting with a standardized funding model to expedite this initial budgeting process.

13 Confidential interview with a DFS official, New York, April 9, 2013.

For ongoing missions, committee delegates scrutinize the variances in expenditure and vacancy rates reported by the missions to determine whether the resources requested for the next budget year are justified. States—especially major financial contributors—also frequently task the Secretariat with finding efficiency gains to reduce costs.[14] However, TCCs and PCCs in particular exert strong pressure so that such economies do not adversely impact the deployed personnel. Such divergences of interest give rise to protracted and often acrimonious negotiations, but ultimately the committee almost always makes its decisions by consensus. This is partly a matter of principle and partly pragmatism: the two-thirds majority necessary under the formal voting rule is unattainable without the support of developing countries, but any attempt by these states to impose a budget rejected by the major financial contributors would be unwise (see below). Once negotiated, the Fifth Committee's draft budget resolutions are typically adopted by consensus within the General Assembly, though votes may be called on particularly contentious resolutions or clauses.

Both versions of the budget process are lengthy. It takes months to establish the budget for a new mission (the UN Mission in South Sudan was mandated in July 2011 and received General Assembly approval for its budget in December 2011), and the UN's Peacekeeping Reserve Fund is designed to help bridge this gap.[15] The annual budget cycle takes almost a year: Secretariat members "start preparing the next year's budget in July, pretty much as soon as the current year has been approved."[16] The individual budget performance reports are typically issued in November and December, the overview reports and new budget proposals in January, February, and March. These reports are crucial for informed debate in the ACABQ and Fifth Committee, but the volume of reporting reinforces the need to begin preparatory work very early.

FINANCING THE BUDGETS

Although states can make voluntary contributions to particular peace operations, such contributions account for only a tiny proportion of peacekeeping expenses: for 2013–2014, budgeted voluntary contributions were estimated at $6.4 million, or 0.08 percent of the total financial requirements.[17] Almost all the remaining expenses are distributed among UN member states according to the Scale of Assessments that apportions a specific percentage share of the costs to each state.[18] In addition to underlining the legitimacy of UN peacekeeping as an activity to which all member states contribute, this ability to distribute costs is at the heart of the UN's capacity to finance its peace operations.

The precise calibration of the Scale of Assessments is subject to ongoing debate and triennial review by member states.[19] Fundamentally, the peacekeeping scale is based on the scale used to finance the UN's regular budget, which broadly reflects the relative sizes of states' gross national income, adjusted for their debt stock and per capita income levels and bounded by minimum and maximum contribution rates.[20] For the period 2013–2015, the regular budget scale ranges from 22 percent (for the USA) to 0.001 percent (for thirty-five states).[21] Given approved regular budget expenditures of $5.152 billion for the biennium of 2012–2013, this translates into an assessment of $567 million per year for the USA and $25,760 per year for each of the smallest contributors.[22]

The peacekeeping scale adjusts the regular scale by providing discounts to developing states that are

14 The DFS Global Field Support Strategy is one response to such pressures. DFS, *United Nations Global Field Support Strategy*, available at www.un.org/en/peacekeeping/documents/GFSS_Fact_Sheet.pdf .

15 The secretary-general may commit up to $100 million from this fund to a new peace operation. Louise Fréchette with Amanda Kristensen, "UN Peacekeeping: 20 Years of Reform" *CIGI Papers* 2, April 2012, p. 15.

16 Written communication with a UN official, August 2013.

17 United Nations Secretary-General, *Approved resources for peacekeeping operations for the period from 1 July 2013 to 30 June 2014*, July 18, 2013. Additional ad hoc voluntary contributions are not captured in the budget.

18 There is a slight reduction of assessments on states due to staff assessment income, which arises from an internal tax on UN civilian staff originally instituted to ensure that all staff members have equal net salaries. In 2012–2013, staff assessment income amounted to $194 million, or 2.48 percent of gross financial requirements. United Nations Secretary-General, *Approved resources for peacekeeping operations for the period from 1 July 2012 to 30 June 2013*.

19 For peacekeeping expenses, countries moving to a higher contribution level are accorded a graduated transition period, so effective rates can vary slightly on a yearly basis.

20 UN Committee on Contributions, *Report of the Committee on Contributions, Seventy-second session, 4–29 June 2012*, UN Doc. A/67/11.

21 UN General Assembly Resolution 67/238 (February 11, 2013), UN Doc. A/RES/67/238.

22 UN General Assembly Resolution 66/248 (December 24, 2011), UN Doc. A/RES/66/248.

balanced by a surcharge on the five permanent members of the Security Council (P5). The gradation of discounts has changed over time, but for 2013–2015 states are grouped into ten levels, from A to J. Level A comprises the P5, and level B includes thirty-two states whose assessed share of UN peacekeeping expenditures equals their assessed share of the regular budget.[23] States in levels C through J receive discounts on their regular assessment rates ranging from 7.5 percent (level C) to 90 percent (level J). The P5 surcharge distributes the cost of these discounts among permanent Security Council members in proportion to each P5 member's share of the regular budget. Thus, since the USA's assessment for the regular budget (22 percent) represents 55 percent of the total P5 share of that budget (40 percent), the USA bears some 55 percent of the cost of discounts given to developing states within the peacekeeping scale.

For 2013, the peacekeeping scale ranged from 0.0001 percent for twenty countries to 28.3993 percent for the USA. Given approved UN peacekeeping expenditures of $7.435 billion for the calendar year of 2013,[24] this implied assessments of $2.1 billion for the USA and of $7,435 for the twenty smallest contributors. Table 1 lists the percentage and dollar share of the 2013 peacekeeping costs for the twelve countries with the largest assessments and indicates the change in their assessment rate from 2012 to 2013. Although the global financial crisis has resulted in a contraction of assessed shares for most members of this group, Australia, China, Russia, and the USA have seen an increase in their assessment rates. As a group, these twelve states have shed only a fraction of their financial responsibilities and remain responsible for 84.54 percent of UN peacekeeping expenditures.

Since there is no unified UN peacekeeping budget, however, states are not assessed for a single lump sum. Each funded peace operation has a unique "special account," and the funding for the peacekeeping support account and the UN Logistics

Table 1. The largest financial contributors to UN peacekeeping, 2013[25]

	2013 peacekeeping assessment rate (%)	2013 expected peacekeeping assessment ($ million)	Change in assessment rate, 2012 to 2013
USA	28.3993	2,111	+1.2578
Japan	10.8330	805	-1.6970
France	7.2199	537	-0.3341
Germany	7.1410	531	-0.8770
UK	6.6854	497	-1.4620
China	6.6454	494	+2.7111
Italy	4.4480	331	-0.5510
Russia	3.1472	234	+1.1708
Canada	2.9840	222	-0.2230
Spain	2.9730	221	-0.2040
Australia	2.0740	154	+0.1410
Rep. of Korea	1.9940	148	-0.2660
TOTAL	84.5442	6,286	-0.3334

23 A thirty-third country, Oman, is transitioning to level B. United Nations Secretary-General, *Implementation of General Assembly resolutions 55/235 and 55/236: Report of the Secretary-General*, August 3, 2012, UN Doc. A/67/224, pp. 15–21.

24 Calculated by averaging the approved expenditures for 2012–2013 and 2013–2014 because the budget year runs from July 1st to June 30th.

25 United Nations Secretary-General, *Implementation of General Assembly resolutions 55/235 and 55/236*, pp. 15–21. The expected peacekeeping assessment for 2013 is calculated based on UN budget predictions for 2012–2013 and 2013–2014 (UN Docs. A/C.5/66/18 and A/C.5/67/19).

Base is prorated among these. Once budgets are approved, states receive a separate notification of assessment for each special account. Since peacekeeping operations' mandates are subject to Security Council renewal, moreover, initial notifications of assessment for each mission only reflect approved expenditures for the remaining months of the mission's mandate. If the operation's mandate is renewed, states receive another assessment notification covering the remainder of the budget year. States affected by a change in the peacekeeping scale of assessments from one calendar year to another receive separate notifications to cover their assessed contributions until December 31st and from January 1st onward. If a new mission is approved, states receive yet another notification of assessment when the corresponding budget process is complete. Unsurprisingly, "it can be difficult for Member States to keep fully current with assessments."[26]

Disbursements from UN Peacekeeping Budgets

A UN peacekeeping operation's budget comprises three broad categories: military and police personnel costs, civilian personnel costs, and operational requirements. Military and police personnel costs account for 37 percent of total approved UN peacekeeping resources in 2013–2014, civilian personnel costs for 24 percent, and operational requirements for 39 percent.[27] The following sections describe each category and outline the main kinds of payments made within it, noting in particular whether these payments are made to deployed individuals, TCCs and PCCs, or private companies. This is fundamental to understanding which parts of the peacekeeping budget affect the incentives of current and potential TCCs and PCCs.

MILITARY AND POLICE PERSONNEL COSTS

Uniformed personnel in UN peace operations include troops and police officers deployed as part of larger national contingents or formed police units, and troops and police officers serving individually as military observers or UN police members. As Table 2 illustrates, there is considerable variance in the costs associated with each category, both overall and in per capita terms. This section examines the sources of these costs and the variance among them. It also highlights that the vast majority of UN expenditures in this category are not direct

Table 2. Apportionment by military and police personnel category, 2012–2013[28]

	Apportioned funds ($ millions)	Share of total apportioned military and police personnel funds (%)	Average apportionment per authorized personnel member in the five largest UN Peacekeeping Operations ($)				
			MINUSTAH	MONUSCO	UNAMID	UNIFIL	UNOCI
Military observers	99.21	3.5	n/a	63,696	38,933	n/a	52,176
Military contingents	2,214.03	77.2	25,646	21,116	24,064	19,463	25,885
UN police	356.21	12.4	59,060	56,176	34,899	n/a	48,464
Formed police units	197.84	6.9	25,503	23,670	25,105	n/a	24,983

26 United Nations Secretary-General, *Improving the financial situation of the United Nations: Report of the Secretary-General: Addendum*, May 14, 2013, UN Doc. A/67/522/Add.1, para. 13.

27 United Nations Secretary-General, *Approved resources for peacekeeping operations for the period from 1 July 2012 to 30 June 2013*.

28 Data from United Nations Secretary-General, *Overview of the financing of the United Nations peacekeeping operations: budget performance for the period from 1 July 2011 to 30 June 2012 and budget for the period from 1 July 2013 to 30 June 2014*, January 31, 2013 (UN Doc. A/67/723), and from the 2013 Secretary-General reports on MINUSTAH (A/67/719*), MONUSCO (A/67/797), UNAMID (A/67/806), UNIFIL (A/67/747), and UNOCI (A/67/777).

disbursements to deployed individuals but reimbursement payments to TCCs and PCCs.

With the exception of the force commander and a few very senior officers, the UN does not employ the uniformed personnel deployed in its peace operations: most troops and police officers remain in national employ and therefore receive their salaries from their states rather than from the UN. Direct UN payments to deployed uniformed personnel are therefore very limited. Staff officers, military observers, and individual civilian police officers receive a daily mission subsistence allowance (MSA) ranging from $56 to $208 depending on location, with which they are expected to find their own accommodation and food.[29] Members of national contingents or formed police units typically receive accommodation and food through their unit and are not eligible for MSAs. The only direct payments they currently receive from the UN are a daily allowance of $1.28 and a recreational leave allowance of $10.50 per day.[30]

In addition, a "risk premium" is currently under consideration for individuals in units "operating without restrictions and caveats" and recognized as having "acquitted themselves well despite exceptional levels of risk."[31] The premium was proposed in October 2012 by the Senior Advisory Group on Rates of Reimbursement to Troop-Contributing Countries (SAG), a body created to address the deeply contentious question of the basic personnel cost reimbursement rate (see below). The General Assembly endorsed a modified version of the SAG's proposals in May 2013.[32] The secretary-general initially suggested that implementing the risk premium was contingent on the General Assembly reaching agreement on a new troop cost reimbursement rate,[33] but a March 2014 report envisages the premium's operationalization separately from the reimbursement rate issue.[34] Risk premiums could represent significant payments to the individuals receiving them, but they would not constitute a major increase in overall UN military and police personnel expenditure. Premiums are designed to be rare and limited: "It's absolutely exceptional, and it's not a permanent premium… It's… for the period [troops] are taking that risk, and they shouldn't be taking that risk for that long."[35] Moreover, total risk premiums would be limited to "an amount equal to a 10 per cent premium paid to 10 per cent of the average number of contingent personnel deployed during the peacekeeping fiscal year."[36] For 2014–2015, assuming an unchanged personnel reimbursement rate, the maximum cost is estimated at $13.3 million.[37]

In addition to these payments to individuals, the UN faces direct costs from deploying military and police personnel, most notably because it is financially responsible for transporting personnel to the mission area, for periodically rotating personnel,[38] and for providing food and water to personnel not receiving an MSA. In 2011–2012, rations and rotations accounted for 8 percent of total peacekeeping expenditures, or $605.5 million.[39] After an initial thirty to ninety days,

29 UN Office of Human Resources Management, *Mission Subsistence Allowance*, available at www.un.org/depts/OHRM/salaries_allowances/allowances/msa.htm .

30 United Nations, *Manual On Policies And Procedures Concerning The Reimbursement And Control Of Contingent-Owned Equipment of Troop/Police Contributors Participating in Peacekeeping Missions (COE Manual)*, contained in Juan Pablo Panichini, *Letter dated 25 February from the Chair of the 2011 Working Group on Contingent-Owned Equipment to the Chair of the Fifth Committee*, UN Doc. A/C.5/66/8, pp. 193–194.

31 United Nations, *Report of the Senior Advisory Group on rates of reimbursement to troop-contributing countries and other related issues* (SAG Report), contained in UN General Assembly, *Letter dated 9 November 2012 from the President of the General Assembly to the Chair of the Fifth Committee*, November 15, 2012, UN Doc. A/C.5/67/10, para. 111.

32 UN General Assembly Resolution 67/261 (May 10, 2013), UN Doc. A/RES/67/261.

33 United Nations Secretary-General, *Implementation of the report of the Senior Advisory Group on rates of reimbursement to troop-contributing countries and other related issues – Report of the Secretary-General*, January 29, 2013, UN Doc. A/67/713, para. 41.

34 United Nations Secretary-General, *Results of the revised survey to establish the standard rate of reimbursement to troop-contributing countries, and approved by the General Assembly in its resolution 67/261 on the report of the Senior Advisory Group on rates of reimbursement of troop-contributing countries – Report of the Secretary-General (Results of Revised Survey)*, March 26, 2014, UN Doc. A/68/813, paras. 59–63.

35 Confidential interview with a UN official, April 3, 2013.

36 United Nations, *SAG Report*, para. 112.

37 For 2014–2015, assuming an unchanged personnel reimbursement rate, the cost is estimated at $13.3 million. United Nations Secretary-General, *Results of Revised Survey*, para. 58.

38 The UN has historically covered the costs of rotating troops every six months, but the SAG recommended changing typical rotation periods to twelve months (UN, *SAG Report*, para. 53). The General Assembly has accepted a modified version of this recommendation but insisted on the SAG suggestion that the secretary-general should have the discretion to "determine operational circumstances and requirements that may demand rotation periods shorter than 12 months" (UN General Assembly Resolution 67/261, para. 7). The conditions warranting such shorter rotation periods are currently the subject of considerable debate within the UN.

39 United Nations Secretary-General, *Overview of the financing of the United Nations peacekeeping operations: budget performance for the period from 1 July 2011 to 30 June 2012 and budget for the period from 1 July 2013 to 30 June 2014*, pp. 66–67.

during which troops must be self-sufficient and TCCs are reimbursed for the associated costs, the UN typically fulfills its obligations regarding food by contracting private firms.[40] In 2012, for example, ES-KO International won contracts totaling $148.2 million to supply food, bottled water, and other services to five UN missions.[41] Regarding water, the UN may fulfill its obligation by providing access to "raw" water (e.g., a well), with the TCC or PCC assuming the responsibility for water treatment and storage. With regard to rotation, past practice has largely been to rely on commercial firms, though some TCCs and PCCs chose to rotate their own personnel and were reimbursed by the UN for doing so. Since September 2012, the UN has entered a long-term lease for a long-range wide-body passenger aircraft in an effort to reduce its rotation costs.[42]

The most significant portion of the UN's military and police personnel expenses takes the form of two kinds of reimbursement payments to TCCs and PCCs. The first is directly related to personnel: TCCs and PCCs are reimbursed at a current base rate of $1,028 per month per contingent member, plus a specialist rate of $303 per month for a set proportion of the deployed troops (25 percent of logistics units, 10 percent of all other units). They currently also receive a supplemental payment of 6.75 percent of the base rate ($69.39 per unit member per month), which the General Assembly has approved until June 2014.[43] Some TCCs and PCCs distribute all or part of these funds to their deployed personnel, but they are under no obligation to do so. TCCs and PCCs also receive $68 per month per contingent member as a "personal clothing, gear and equipment allowance" and $5 per month per contingent member for "personal weaponry and training ammunition."[44] The total average personnel cost reimbursement to TCCs and PCCs is thus approximately $14,400 per contingent member per year ($15,000 for members of logistics units).

The second reimbursement type relates to contingent-owned equipment (COE), more specifically major equipment items (e.g., electrical generators, trucks, machine guns, or engineering equipment) that TCCs and PCCs contribute to enable deployed personnel to fulfill their tasks. The UN's COE Manual includes a detailed table of items and their reimbursement rates under either a "wet" or "dry" lease arrangement. Wet leases, in which the contributing state assumes responsibility for the equipment's maintenance, are by far the most common arrangement. Specified monthly wet lease rates range from $7 for a pair of loudspeakers to $33,532 for a level-three hospital, but for some "special case equipment" items (e.g., radars) the reimbursement rate is determined on a case-by-case basis.[45] In addition, the UN acknowledges three "mission factors" that may increase the lease rates by up to 5 percent each: extreme environmental conditions, intensified operational conditions, and increased risk of loss through hostile action or forced abandonment.[46] The UN also pays an incremental transportation factor to compensate TCCs and PCCs for transport costs, and it reimburses states for the costs of (re-) painting equipment to meet UN specifications.[47]

Each TCC and PCC concludes a memorandum of understanding (MOU) with the UN before deploying in a mission. The MOU specifies the size and nature of the state's uniformed personnel and equipment contribution, the mission-specific factors, and the applicable equipment reimbursement rates.[48] If a state subsequently provides additional equipment or services and/or assumes functions normally fulfilled by the UN (e.g., fuel provision), a letter of assist (LOA) is signed between the state and the UN specifying the nature of the state's contribution and its reimbursement level. The state's actual contributions are verified in

40 UN Department of Peacekeeping Operations, *Contingent Owned Equipment*, available at www.un.org/en/peacekeeping/sites/coe/staff.shtml .

41 UN Procurement Division, "2012 PD Contract Awards for Others," available at www.un.org/Depts/ptd/12_hq_contract_others.htm .

42 UN Advisory Committee on Administrative and Budgetary Questions (ACABQ), *Observations and recommendations on cross-cutting issues related to peacekeeping operations*, April 30, 2013. UN Doc. A/67/780, paras. 121–123.

43 UN General Assembly Resolution 67/261.

44 United Nations, *COE Manual*, p. 193; *SAG Report*, table 2. Until 2012, states also received $6.31 per contingent member per month for troop welfare provisions and $2.76 to provide Internet access. The SAG recommended that these funds be paid directly to the missions of deployment.

45 United Nations, *COE Manual*, pp.156-171, and ch. 5.

46 United Nations, *COE Manual*, ch. 7. The hostile action/forced abandonment factor applies only to the spare parts element included in wet leases.

47 United Nations, *COE Manual*, p.173.

48 United Nations, *COE Manual*, ch. 9.

the field through inspections undertaken by UN COE verification teams.[49] The resulting verification reports are submitted to UN Headquarters, where the reimbursement amount foreseen in the state's MOU and/or LOA is adjusted to reflect any shortfalls in troop numbers and/or serviceable equipment.

CIVILIAN PERSONNEL COSTS

Unlike uniformed peacekeepers, civilian peacekeeping personnel work directly for the UN. Consequently, the civilian personnel costs component of the UN peacekeeping budget largely reflects payments to individuals, either as salaries and benefits or as compensation for work-related travel and expenses.

Civilian peacekeeping personnel fall into three official categories: international staff, national staff, and UN volunteers. International staff members are typically long-term UN employees who may serve in a variety of headquarters and/or field locations during their career. Some are field service staff, providing "administrative, technical, logistics and other support services to United Nations field missions,"[50] but most fall into the UN's "professional and higher" staff classification, notably its five professional categories (P-1 to P-5) and two director levels (D-1 and D-2). National staff members are recruited within the country where a UN peace operation is deployed. They often fulfill "general service" functions, such as administrative support, clerking, or building maintenance.[51] However, "national professional officers" may be employed in areas where local expertise is especially crucial to the fulfillment of professional functions, such as public information.[52] UN volunteers from a wide range of national and professional backgrounds also contribute to UN peacekeeping missions, often in important substantive roles. However, although they receive UN allowances (see below), they are not formally UN employees and cannot expect to transition to a salaried UN position.[53] In 2011–2012, 56.2 percent of authorized nontemporary civilian posts funded through UN peacekeeping budgets were for national staff, 31.4 percent for international staff, and 12.4 percent for UN volunteers.[54]

As table 3 illustrates, these three categories differ significantly in their cost implications for the UN. International staff members generate the largest

Table 3. Apportionment by civilian personnel category, 2012–2013[55]

	Apportioned funds ($ millions)	Share of total apportioned civilian staff funds* (%)	Average apportionment per authorized personnel member in the five largest UN Peacekeeping Operations ($)				
			MINUSTAH	MONUSCO	UNAMID	UNIFIL	UNOCI
International staff	1,244.5	72.5	190,296	178,616	164,391	168,256	175,246
National staff	361.7	21.1	23,325	26,352	22,323	54,017	25,361
UN volunteers	111.1	6.5	47,066	45,541	42,517	n/a	41,916

* Excluding general temporary assistance funds

49 For the standards applied, see United Nations, *COE Manual*, ch. 3, annexes A and B.

50 United Nations, "United Nations Careers," available at careers.un.org/lbw/home.aspx?viewtype=SC .

51 International Civil Service Commission, *United Nations Common System of Salaries, Allowances and Benefits*, May 2013, p. 13.

52 Ibid., p. 19.

53 United Nations, "Volunteer Programme," available at careers.un.org/lbw/home.aspx?viewtype=VOL .

54 United Nations Secretary-General, *Overview of the financing of the United Nations peacekeeping operations: budget performance for the period from 1 July 2011 to 30 June 2012 and budget for the period from 1 July 2013 to 30 June 2014*, pp. 60–61.

55 The missions in table 3 were the five largest UN missions in 2013. Data from the 2013 UN secretary-general's budget proposals for these missions (UN Documents A/67/719*, A/67/797, A/67/806, A/67/747, and A/67/777) and from United Nations Secretary-General, *Overview of the financing of the United Nations peacekeeping operations: budget performance for the period from 1 July 2011 to 30 June 2012 and budget for the period from 1 July 2013 to 30 June 2014*, p. 70.

expenses for the UN, in both per capita and absolute terms. UN volunteers account for the smallest proportion of total civilian staff costs, but on a per capita basis they impose larger costs than national staff.

This variation arises from differences in payment schemes across the civilian personnel categories. Remuneration for international staff is governed by two salary scales that ensure standardization throughout the UN system: gross annual salaries range from $46,487 to $189,744 in the professional and higher categories and from $38,269 to $111,627 in the field service category.[56] International staff typically also qualify for hardship allowances ($4,360–23,250 annually), mobility allowances ($7,130–16,900 annually), and assignment grants to cover the relocation costs, and the UN pays their travel and leave expenses.[57] By contrast, national staff members are assumed not to incur travel or relocation costs and receive salaries designed to be competitive with the best remuneration offered locally for similar types of work, which is often quite low.[58] UN volunteers do not receive a salary, but the UN pays their airfare to the mission and they are entitled to several financial benefits including a settling-in grant and a monthly volunteer living allowance.[59]

The civilian personnel costs associated with UN peacekeeping are thus a direct consequence of the number and nature of posts approved for each active mission, the UN Logistics Base, and the peacekeeping support account. For a new peace operation, the secretary-general's report proposing the mission budget includes a detailed account of how many international staff, national staff, and UN volunteer positions are envisioned for each of the mission's functional units, specifying the rank of each international staff post. Subsequent annual budget reports review staffing levels and must justify recommendations to maintain or alter approved posts. For both new and existing missions, the ACABQ can recommend specific changes to staffing proposals and the General Assembly makes the final decision. Debates among member states on these questions can be contentious: major financial contributors seek to limit costs, and states that perceive their nationals to be under-represented in the most influential staff positions may seek to block approval of new posts in protest.

OPERATIONAL REQUIREMENTS

UN peacekeeping operations generate a range of mission-level expenses that constitute the "operational requirements" category within the operation's budget. Table 4 illustrates the nature and size of the total operational requirements expenditure approved for UN peacekeeping for 2012–2013. Some of these payments are made to individuals but most are made to states or commercial companies.

As table 4 indicates, a small proportion of operational requirements expenses arise from the deployment of additional personnel, including seconded ("government-provided") personnel such as the force commander. These are largely paid directly to the deployed individuals. Another small portion of operational requirements resources fund quick-impact projects, "small-scale, low-cost projects that are planned and implemented within a short timeframe… to build confidence in the mission, the mandate or the peace process" among the local population.[60]

A more significant set of expenses arises from the self-sustainment requirements of deployed military and police units—that is, "minor equipment and consumables not directly related to major equipment" but necessary to support personnel, including bedding, laundry services, and medical equipment.[61] Self-sustainment items fall within the COE system, and states contributing or arranging for them are reimbursed according to monthly rates published in the COE Manual. Reimbursement payments range from $0.16 per contingent member for fire alarms to $46.87 per contingent member for very high frequency communications equipment.

56 UN Office of Human Resources Management, "Salaries & Post Adjustments," available at www.un.org/depts/OHRM/salaries_allowances/salary.htm .

57 International Civil Service Commission, *United Nations Common System of Salaries, Allowances and Benefits*, May 2013, pp. 7–10.

58 Ibid., pp. 13 and 19.

59 UN Volunteers, *Conditions of Service for International UN Volunteers*, Handbook dated September 2008, especially pp. 39 and 155–156.

60 UN Department of Peacekeeping Operations and Department of Field Services, *Civil Affairs Handbook* (New York: United Nations, 2012), p. 224.

61 United Nations, *COE Manual*, para. 4. The UN is considering moving self-sustainment costs from the operational requirements category into the military and police personnel cost category.

Table 4. Approved resources for operational requirements by category, 2012–2013[62]

	Approved resources ($ million)	Share of total approved operational requirements resources (%)
Government-provided personnel	17.54	0.7
Civilian election observers	0	0
Consultants	12.17	0.5
Subtotal personnel	29.71	1.1
Official travel	51.50	1.9
Facilities and infrastructure	774.14	28.9
Ground transportation	154.04	5.8
Air transportation	838.46	31.3
Naval transportation	39.31	1.5
Subtotal transportation	1,031.81	38.6
Communications	224.83	8.4
Information technology	125.69	4.7
Subtotal communications & IT	350.52	13.1
Medical	97.04	3.6
Special equipment	30.71	1.1
Other supplies, services, and equipment	296.32	11.1
Subtotal self-sustainment	424.07	15.8
Quick-impact projects	14.75	0.6

Transportation, facilities, and infrastructure generate the largest shares of operational requirements expenses in UN peacekeeping. Facilities and infrastructure expenditures typically take the form of commercial contracts, many of them with companies in the country hosting the peace operation. In 2012, for example, Ivoirian companies won contracts valued at almost $8.5 million to provide security guards, garbage collection, construction, maintenance, and other services for facilities used by the UN operation in Côte d'Ivoire.[63]

In-mission transportation for UN peacekeeping operations comes from three sources. First, the UN owns some ground transportation vehicles directly and may deploy them to missions, largely to transport civilian staff, military observers, and UN police. The 2012–2013 budget for the UN mission in Liberia, for example, envisioned "a fleet of 1,145 United Nations-owned vehicles, including armoured vehicles, trailers, and material-handling equipment."[64] Second, states may contribute ground, air, and naval transportation assets. Ground transportation assets fall within the major equipment category of the COE system, are specified in the contributing state's MOU with the UN, and are reimbursed at rates published in the COE Manual. For air and naval assets, the contributing state concludes an LOA with the UN governing the asset itself and a separate MOU

62 United Nations Secretary-General, *Approved resources for peacekeeping operations for the period from 1 July 2012 to 30 June 2013*. In this table, the percentage subtotal for personnel differs by 0.1 percent from the sum of the individual percentages in this category owing to rounding.

63 UN Procurement Division, "Contract Awards for Field Mission," available at www.un.org/depts/ptd/award_contract_field.htm .

64 United Nations Secretary-General, *Budget for the United Nations Mission in Liberia for the period from 1 July 2013 to 30 June 2014*, February 22, 2013, UN Doc. A/67/755, p. 59.

governing the personnel, self-sustainment, and ground-based major equipment associated with it.[65] The reimbursement rates specified in the MOU are guided by the COE Manual, but those in the LOA are negotiated between the contributing state and the UN.[66] Third, the UN can enter into contracts with commercial companies to lease air (but typically not naval) transportation assets. In 2012, for example, UTAIR Aviation JSC was awarded a $17.4 million contract to provide two aircraft for the UN Interim Security Force for Abyei for two years.[67]

The UN's sourcing of transportation assets typically depends on availability as well as price. Many missions deploy both UN and contingent-owned ground transportation assets. Naval assets are typically only provided by states. With regard to air transportation, commercial assets are often more expensive than those contributed by states. For example, "documents from Ukraine suggest that the annual cost differential could be as much as $18 million more for eight Mi-8 civilian than for eight Mi-8 military helicopters."[68] Commercial contracts also typically include usage restrictions designed to limit risks to the asset. If states are unwilling or unable to provide all the required assets, however, commercial contracts are the only remaining option: "In MONUSCO right now, they have a lot of LOA-type agreements, but there are a lot of commercial ones as well because we could not find an LOA. That is generally the driving force behind all this."[69]

The UN also enters into commercial fuel contracts, whose costs appear both as "facilities and infrastructure" expenses (e.g., fuel for generators) and in the transportation categories, since the UN is responsible for providing fuel for all transportation assets. Fuel accounted for 7 percent of total peacekeeping expenditures in 2011–2012, or approximately $500 million.[70] The UN currently favors "turn-key" contracts, in which the vendor assumes responsibility for the distribution of the fuel.[71] A 2012 fuel contract for the UN mission in Haiti amounted to $120.6 million.[72]

Thus the operational requirements category includes most of the commercial procurement for UN peacekeeping, the total value of which amounted to $2.348 billion in 2012.[73] Procurement is undertaken both at mission level (for smaller contracts) and at UN Headquarters (especially for contracts over $1 million and for "systems contracts" that fill recurring needs). A formal solicitation of potential vendors can take the form of an invitation to bid (where the required item is fully specified) or a request for proposals, where a need has been identified and vendors are invited to propose a strategy for meeting it. After invitations to bid, the contract is awarded to the lowest-cost bid from a qualified vendor,[74] while after requests for proposals it is awarded primarily on the technical merits of the proposal and only secondarily on price.[75]

Weaknesses in the Financial Incentive Structure for TCCs and PCCs

The UN's elaborate system for financing peacekeeping operations shapes the decisions of states considering whether and how to participate in UN missions. Yet the incentive structure it creates for TCCs and PCCs is flawed: current financing mechanisms do not sufficiently incentivize timely state contributions of highly effective peacekeeping

65 United Nations, *COE Manual*, p. 123.

66 United Nations, *COE Manual*, pp. 123–124.

67 UN Procurement Division, "2012 PD Contract Awards for Air Transportation Services," available at www.un.org/depts/ptd/12_hq_contract_air.htm .

68 Jake Sherman, Alischa Kugel, and Andrew Sinclair, "Overcoming Helicopter Force Generation Challenges for UN Peacekeeping Operations," *International Peacekeeping* 19, No. 1 (2012), p. 84.

69 Confidential interview with a DFS official, New York, April 9, 2013.

70 United Nations Secretary-General, *Overview of the financing of the United Nations peacekeeping operations: budget performance for the period from 1 July 2011 to 30 June 2012 and budget for the period from 1 July 2013 to 30 June 2014*, January 31, 2013, p. 67.

71 Ibid., p. 45.

72 UN Procurement Division, "2012 PD Contract Awards for Others."

73 UN Procurement Division, "Procurement Volume by Country or Area (Peacekeeping) – 2012," available at www.un.org/depts/ptd/12peace.htm . The peacekeeping procurement figure includes food and rotation expenses accounted for under military and police personnel costs. The total procurement figure includes peacekeeping and other UN Secretariat procurement but not procurement by regional commissions, tribunals, or offices away from headquarters. Communication from UN Procurement Division, received November 25, 2013.

74 United Nations, *United Nations Procurement Manual* (Version 6.02*), November 1, 2011, para. 11.2.3.

75 Ibid., para. 11.2.4 and ch. 9.

units willing to make full use of their capabilities. Moreover, the UN's ability to leverage its peacekeeping resources for this end is limited by several basic characteristics of the financing system. The following sections highlight problematic incentive effects arising from (1) how the UN reimburses states for military and police personnel and (2) how the UN reimburses states for major equipment contributions, before (3) identifying structural obstacles that make it difficult to optimize the financial incentives facing TCCs and PCCs.

REIMBURSEMENTS FOR UNIFORMED PERSONNEL COSTS

The Level of the Reimbursement Rate

During the 1990s, it was frequently asserted that developing countries could "make a handsome profit" from UN peacekeeping deployments, because their actual personnel costs were lower than the organization's reimbursement rates.[76] However, since the 1990s UN peacekeeping has become far less financially attractive for many developing states. The last permanent adjustment of the basic uniformed personnel cost reimbursement rate (to $1,028 per month) occurred in 2002. Since then, many TCCs have experienced inflation rates that are not fully offset by changing exchange rates between the US dollar and their national currency. For example, $1,028 represented 49,611 Indian rupees on January 1, 2002, and 54,546 Indian rupees on January 1, 2012, but the purchasing power of 54,546 rupees in 2012 was equivalent to only 26,871 rupees in 2002.[77] In terms of local purchasing power, therefore, for India the UN's uniformed personnel reimbursement rate shrank by 45.8 percent between 2002 and 2012. Bangladesh, Ethiopia, Jordan, Nepal, Nigeria, and Pakistan experienced contractions of 30.6 percent, 59 percent, 37.3 percent, 48.4 percent, 56.1 percent, and 44.1 percent, respectively. General inflation data thus lends credence to the more specific claims made by many TCCs that they face rising deployment costs not covered by the stagnating UN personnel reimbursement rate. For India, UN reimbursement rates "have not kept pace with either rising costs or rising salaries."[78] Pakistan has complained that "while expenditure and remunerations for other UN activities are adjusted to inflation and cost-of-living considerations, the peacekeepers are expected to work for fixed and archaic rates."[79] Fiji has insisted that "it is completely unreasonable that the UN System expects troop contributing countries to subsidise the UN peacekeeping budget through an outdated and inadequate troop cost reimbursement which national pay scales have long overtaken."[80]

Since 2002, UN members have failed to reach agreement on increasing the basic uniformed personnel reimbursement rate, not least because the main contributors to the UN peacekeeping budget are wary of the financial implications of such an adjustment. In June 2011, the General Assembly authorized "a one-time supplemental payment" to TCCs, but the debate about a more permanent adjustment remained inconclusive. It was this deadlock that prompted the General Assembly to task the secretary-general with establishing the SAG.[81] In turn, the SAG recommended that a survey of states' deployment costs be conducted to facilitate agreement on an appropriate base rate.[82] This was critical because, unlike equipment costs, personnel costs cannot be estimated using private market prices: "there's a global market for equipment… in a way that there isn't for a military and police force." Trying to adjust troop reimbursement rates without a survey is thus "not even an educated guess."[83] Yet the UN had been unable to revise the reimbursement rate based on survey data since 1991: states challenged

76 Eric G. Berman and Katie E. Sams, *Peacekeeping in Africa: Capabilities and Culpabilities* (Geneva: UNIDIR, 2000), pp. 253–254.

77 Inflation data from the World Bank's World Development Indicators database, available at http://data.worldbank.org/data-catalog/world-development-indicators . Exchange rate information from XE, "Current and Historical Rate Tables," available at www.xe.com/currencytables/ .

78 Dipankar Banerjee, "India," in Bellamy and Williams, *Providing Peacekeepers*, p. 241.

79 Inam-ur-Rahman Malik, "Pakistan," in Bellamy and Williams, *Providing Peacekeepers*, p. 219.

80 Ambassador Peter Thomson, Fiji's permanent representative to the UN, quoted in The Fijian Government, "Fiji Envoy reaffirms Peacekeeping Commitment to Global Community," press release dated February 25, 2014, available at www.fiji.gov.fj/Media-Center/Press-Releases/FIJI-ENVOY-REAFFIRMS-PEACEKEEPING-COMMITMENT-TO-GL.aspx .

81 UN General Assembly Resolution 65/289 (June 30, 2011), UN Doc. A/RES/65/289, paras. 72–73.

82 United Nations, *SAG Report*, paras. 54–76. The SAG also recommended that supplemental payments of 6.75 percent of the base rate should continue to be made to TCCs and PCCs until June 2014.

83 Confidential interview with a UN official, New York, April 9, 2013.

the results of a 1996 survey, and survey attempts in 2010 and 2011 failed due to low response rates and incomplete data provision.[84] These failures were partly due to the complexity and sensitivity of the data requested, and the SAG proposed a new survey methodology to mitigate these difficulties.[85] The results of this survey were announced in March 2014. Among the ten surveyed countries, the weighted average per person cost of deployment was $1,536.23 if only the costs traditionally reimbursed by the UN are considered, and $1,762.55 if expenses arising from pre-deployment medical attention, inland transportation, and peacekeeping-specific training are also included.

These results support the claims made by many TCCs and PCCs that the current reimbursement rate has become inadequate. In the short term, the effect on states' willingness to deploy personnel in UN operations has been limited. Despite growing discontent with the reimbursement rate, the UN has elicited enough troop contributions for an unprecedented increase in deployed uniformed personnel from under 50,000 in 2002 to over 90,000 since 2009.[86] Yet the less favorable financial conditions have created considerable resentment. As one diplomat from a developing TCC put it, "we are swallowing that cost. But we're not particularly happy about it, because it's particularly unfair."[87] Moreover, worsening financial incentives make it harder for developing countries to sustain their deployment levels. As one UN official commented, "I don't think it stops countries [yet], but if it gets to the level of the gap [being too significant], particularly for the middle-income countries, it becomes really hard for them to justify [deployments] domestically to their treasury or their finance ministry."[88]

The Uniformity of the Reimbursement Rate

UN troop cost reimbursements largely reflect the number of troops deployed, not their quality or expertise. Even the specialist supplement is automatically paid for a fixed proportion of a contingent. This system is easy to apply and avoids controversial judgments of troop quality, but it "incentivizes the quantity, not the quality or capability of peacekeeping contributions."[89] Specifically, it has two problematic implications.

First, there is no financial incentive for TCCs or PCCs to contribute elite contingents, or even contingents with experience operating as a unit. Currently, many "peacekeeping units… get pulled together from existing units or from existing services to then deploy as a peacekeeping unit."[90] As one contingent commander described,

> I received the whole [contingent], probably it was three weeks before the deployment... This was the first contact I had with the whole contingent… The Army, first of all, decided [on] me as a commander, and then gave me the staff, coming from different places… [And then] from the Army, one unit gives more or less the core of the force that is coming… but when you go to the figures, it's not more than 40 percent of the whole force.[91]

A lack of joint experience decreases the military effectiveness of deployed contingents, which face the challenge of building unit cohesion almost simultaneously with the challenge of adapting to a new operational environment. These challenges resurface with each contingent rotation. Nevertheless, TCCs fielding contingents constituted on an ad hoc basis receive the same personnel cost reimbursement rate as TCCs contributing more cohesive units.

Second, there is currently no financial incentive for TCCs or PCCs to contribute specialized military or police capacities. Contributing small units with extensive—and expensive—training is less financially attractive than providing large basic infantry or police units. Yet as one UN official put it, while TCCs "all want to contribute infantry units… our problems are with what we call

84 United Nations, *SAG Report*, paras. 5, 55–57.

85 United Nations, *SAG Report*, paras. 60–70.

86 United Nations, *Monthly Summary of Military and Civilian Police Contribution To United Nations Operations*, 2005–2013, available at www.un.org/en/peacekeeping/contributors/documents/yearly12.pdf .

87 Confidential interview, New York, April 9, 2013.

88 Confidential telephone interview, April 3, 2013.

89 Adam C. Smith and Arthur Boutellis, "Rethinking Force Generation: Filling the Capability Gaps in UN Peacekeeping," *Providing for Peacekeeping No.2*, New York: International Peace Institute, May 2013, p. 18.

90 Confidential telephone interview with a UN official, April 3, 2013.

91 Confidential interview with a UN contingent commander, November 25, 2010.

enablers."[92] The SAG report also recognized this problem:

> Within military and formed police unit contingents, there are certain enabling capacities that are in higher demand and require a greater investment in training, costing a contributing country more to provide. By making these units available to the United Nations, a contributing country also incurs an opportunity cost, since they are not available for deployment elsewhere. The Senior Advisory Group has concluded that the modernized troop cost reimbursement regime should be adapted to reflect this.[93]

The report argued that a unit-based rather than per capita reimbursement system was not immediately achievable within the UN, but proposed instituting a premium for "key enabling capacities" (as identified in specific cases by the secretary-general) as a partial remedy.[94] As with the risk premium (see above), the General Assembly has indicated its approval of this measure, and although an initial secretary-general's report suggested that "no premium [would] be paid until after a decision on a revised [base] rate has been made," a March 2014 report treated the two issues separately.[95] However, total key enabling capacities premiums will be capped at "an amount equal to a 15 per cent premium paid to 20 per cent of the average number of contingent personnel deployed during the peacekeeping fiscal year."[96] For 2014-2015, this is projected to amount to approximately $40 million, assuming there is no change in the basic personnel cost rate.[97] It remains to be seen whether this will be sufficient to motivate TCCs and PCCs to provide these capacities. The March 2014 report advocated making key enabling capacities premiums proportional to the "the personnel and equipment reimbursement for the unit concerned" in order to provide a more significant financial incentive for states.[98] However, given the overall spending cap this concentration of funds would also limit the number of states receiving this incentive.

REIMBURSEMENTS FOR EQUIPMENT CONTRIBUTIONS

Reimbursement for Use, not Acquisition

The COE system is primarily designed to compensate states for the costs associated with the use of their equipment in a UN operation, and it offers no guarantee that the costs of acquiring this equipment will be covered. The monthly reimbursement rate for a major equipment item is largely based on its "generic fair market value" and "estimated useful life." The assumption is that the contributing state has already purchased the item for national use, and in doing so has effectively bought a certain number of usage months. The state is reimbursed for making one of those months available for UN peacekeeping. Yet states do not always already possess the required equipment. As one diplomat put it, "Most people think that, OK, you take one unit from your country and move [it] to a UN mission. It's not so simple. You maybe have to get additional equipment. The standard of equipment of UN is not equal of national equipment… It's a big difference from your country to the UN."[99] A UN official concurred:

> Some [TCCs] may have to buy military equipment specifically for a deployment… [and] moreover self-sustainment equipment is also a problem—maybe even more so than military equipment… Nationally, a lot of modest TCCs do not use the kind of self-sustainment equipment that is required by the UN… There are a number of UN standards in terms of self-sustainment that force [states] to buy this kind of self-sustainment equipment that they do not normally use in a national framework. And it's another investment for them… [and] it's costly.[100]

The need to purchase equipment before being able to deploy uniformed personnel to a UN operation is a significant financial disincentive for

92 Confidential interview with a DPKO official, New York, July 12, 2010.

93 United Nations, *SAG Report,* para. 86.

94 United Nations, *SAG Report,* para. 90.

95 United Nations Secretary-General, *Implementation of the report of the Senior Advisory Group,* para. 50; *Results of Revised Survey*, paras. 64–69.

96 United Nations, *SAG Report,* para. 114.

97 United Nations Secretary-General, *Results of Revised Survey,* para. 58.

98 United Nations Secretary-General, *Results of Revised Survey,* para. 66.

99 UN diplomat, cited in Katharina P. Coleman, "Token Troop Contributions to United Nations Peacekeeping Operations," in Bellamy and Williams, *Providing Peacekeepers,* p. 56.

100 Telephone interview with Gérard Hauy, deputy chief of DPKO's Force Generation Service, April 18, 2013.

some potential TCCs and PCCs.[101] Some states receive assistance from developed countries to mitigate this problem.[102] UN officials are often willing to facilitate such sponsorship arrangements, but the UN has no systematic mechanism for pairing prospective TCCs with possible sponsors.[103] It is also possible for states to amortize equipment purchases by keeping the assets deployed in UN peacekeeping operations over the long term. TCCs and PCCs can recoup their acquisition costs—or even achieve a financial profit—if they can purchase an asset for less than the "generic fair market value" listed in the COE Manual and especially if that asset exceeds its "estimated useful life." However, the conditions in most UN peacekeeping operations militate against equipment longevity: "I would not go as far as saying that this is a way of purchasing equipment: if you remain deployed long enough, your pick-ups, your trucks, your plants, even your generators have eaten so much dust and taken so much abuse… they're virtually good to throw away after six or seven years of deployment in difficult conditions."[104] Moreover, TCCs and PCCs have no certainty about how long they will be able to deploy equipment purchased for a UN operation: if the mission ends or its requirements change, the equipment may no longer be needed and reimbursement payments will stop. Thus, "when we see the reactions of countries who are pulled out of a mission at the inappropriate time, it means that the investment has not been covered. They are not getting a financial benefit for what they've been doing."[105]

Uniform Reimbursement Rates

The value of a particular equipment item can vary significantly with its specifications, sourcing, quality, and age. However, the COE Manual assigns a single "generic fair market value" to each major equipment type (except for "special case equipment"), which is basically an average value derived from a survey of state equipment costs.[106] The manual further assumes a single "estimated useful life" and a single maintenance rate for all assets in an item category. The monthly wet lease rate for an equipment item is based on these values and is uniformly applied to all TCCs and PCCs.

Consequently, states that have above-average equipment costs because they invest in sophisticated, high-quality equipment and/or renew their equipment stocks frequently find that UN reimbursement rates do not cover the costs of deploying their equipment. They face a financial disincentive to contributing their equipment to UN missions.

Moreover, when states have a sufficiently large inventory of equipment meeting UN specifications, they have a financial incentive not to contribute their best items to UN operations but to deploy older and less valuable ones.[107] They receive the same monthly reimbursement rate for any item that meets minimum functional and serviceability requirements, regardless of its actual value. They are also reimbursed for the "generic free market price" of any item or aggregate of items valued at over $250,000 that are lost because of hostile action or forced abandonment, again regardless of the actual value of the lost equipment.[108] From a financial point of view it is thus ideal to deploy the most minimally acceptable equipment capable for sustained use. As one UN official put it,

> Anybody who turns up with a truck—utility or cargo—of that specification will get that reimbursement rate. Therefore, there is no financial incentive for someone to turn up with a better car or a more modern car. In fact, quite the opposite. Why send your brand new, highly capable APCs [armored personnel carriers] to a peacekeeping mission and

101 TCCs can avoid these equipment costs by contributing only staff officers, military observers, or troops embedded in another state's contingent. Coleman, "Token Troop Contributions," pp. 56–57.

102 Norway, for example, is currently helping Serbia develop its capacity to deploy a field hospital in UN or other peacekeeping operations. Stian Kjeksrud, "Contributor Profile: Norway," *Providing for Peacekeeping Country Profile*, December 2013, available at www.providingforpeacekeeping.org/wp-content/uploads/2014/01/Norway-Kjeksrud-31-Dec-2013.pdf .

103 In late 2011, the UN explored "a 'clearing house' process to better match potential providers of assistance to those with capability gaps," but it has not implemented this concept. UN DPKO and DFS, *The New Horizon Initiative: Progress Report No.2*, December 2011, p. 16.

104 Telephone interview with Gérard Hauy, April 18, 2013.

105 Confidential interview with a DPKO official, New York, June 30, 2010.

106 The precise terms of the formula for deriving reimbursement rates from survey data is a major part of negotiations in the triennial COE Working Group.

107 As noted above, states with insufficient equipment and/or equipment that does not meet UN specifications often have to purchase equipment specifically for a deployment. This incentive does not operate in these cases.

108 United Nations, *COE Manual*, ch. 6, para. 9.

> get $3,000 a month when you can send your old APCs, which you've just replaced with these new ones, to that peacekeeping mission and get $3,000?[109]

The Impact of Commercially Contracted Air Assets

The fact that the UN obtains air assets from private companies as well as from states has two potential negative effects on states' incentives to contribute these assets.

First, although states contributing air assets to UN operations negotiate their reimbursement rate with the UN on a case-by-case basis, reimbursement is linked to the asset's actual flight hours during deployment. Contributing states commonly charge that their assets are underused because of the availability of commercial aircraft: "According to this argument, the 'annual guaranteed fixed costs' of contracted providers have already been paid, therefore creating a disincentive for the mission to use military utility helicopters, which are reimbursed for actual flight hours."[110] This has negative financial implications for states:

> You sign an LOA for a maximum of, let's say, forty hours of flight per month and per machine… [But if] you're flying only five hours, you're reimbursed only for five hours under the standard rules governing LOAs.… [States] had pilots that could not fly and therefore were in danger of losing some of their certifications requiring a minimum number of flight hours per month; the only solution was to send these pilots back home to fly in a national framework to keep current on their qualifications. This is normally done at the expense of the TCC. Moreover, TCCs still had to maintain the machine, and they did not get the reimbursement. So it was an expense for them more than a benefit.[111]

The UN has begun modifying LOAs—which traditionally have specified a maximum of flight hours but no minimum—to "commit the UN to make all efforts to operationally utilize the envisaged flying hours."[112] Nevertheless, competition from commercial air assets may continue to affect total flight hours for state-provided aircraft and therefore reimbursement amounts and state incentives to contribute assets.

Second, states with laws that allow for a temporary re-allocation of military assets to commercial companies have an incentive to make use of this pathway rather than contribute air assets directly to UN operations. The UN expends significant resources on commercial air assets: in 2012, Russian companies secured contracts worth almost $300 million, South African companies contracts worth $63 million, and Ukrainian companies contracts worth $54 million.[113] The greater attractiveness of commercial contracts over LOAs is suggested by the number of helicopters secured from these different sources. For example, Russia contributed eight helicopters to UN peacekeeping operations in February 2011,[114] but in 2012 UN contracts with Russian companies covered at least fifty-one helicopters.[115] Some states are able to react to the difference between commercial and LOA terms:

> Some TCCs are making their military aircraft available to be contracted by the UN as a civilian-contracted arrangement. So they are released from military service and then given to a third-party operator that is then contracted by the UN—they can earn over twice the reimbursement rate than for military assets, for exactly the same bit of kit. Now, for some TCCs, their own constitutional position doesn't allow for that… but some have more flexibility, and it's perfectly constitutionally lawful. So they are quite willing to give you some of those expensive, high-maintenance niche capabilities, but under completely different terms—only when the bottom line adds up in their favor.[116]

Disincentives to Use

As noted above, UN equipment cost reimbursements to a TCC or PCC are reduced if verification inspections reveal that the state's equipment contribution falls short of the commitments specified in its MOU or LOA. The SAG report went

109 Confidential interview with a DFS official, New York, April 8, 2013.

110 Sherman, Kugel, and Sinclair, "Overcoming Helicopter Force Generation Challenges," p. 84.

111 Telephone interview with Gérard Hauy, April 18, 2013.

112 Communication from a DFS official, received October 13, 2013.

113 UN Procurement Division, "2012 PD Contract Awards for Air Transportation Services," available at www.un.org/depts/ptd/12_hq_contract_air.htm . Contracts whose not-to-exceed (NTE) amount is given as N/A are not included in these figures.

114 Sherman, Kugel, and Sinclair, "Overcoming Helicopter Force Generation Challenges," p. 79.

115 Some contract descriptions do not specify the number of helicopters and thus are not included in this total.

116 Confidential interview with a DPKO official, New York, June 30, 2010.

further to recommend that troop reimbursement payments should also be curtailed "to the extent that major equipment specified in relevant memorandums of understanding is absent or non-functional, thereby affecting the ability of a contingent to perform the responsibilities required of it."[117] Many developing TCCs, especially but not exclusively African states facing equipment shortages, rejected this recommendation, depicting it as an unfair penalization of troops. In May 2013, however, the General Assembly accepted an attenuated version of the proposal as part of the SAG package of reforms.[118]

Verification inspections are essential for ensuring that the UN does not reimburse states for the use of inadequate, nonserviceable, or simply nonexistent equipment. However, the system creates a financial incentive for TCCs and PCCs to minimize their contingents' use of their equipment, because use can impair serviceability and result in reduced reimbursements. As one UN official commented,

> The current system could be exploited by TCCs and PCCs through minimal utilization of their equipment in the mission area, [with states] rather preferring to keep their equipment neat and tidy waiting for the inspections. This will be with the view to prolong the lifespan of the equipment while meeting the COE requirements—without necessarily committing the equipment to operational use.[119]

The COE system includes two mechanisms for mitigating the cost of using equipment deployed to UN peacekeeping operations. One is the monthly maintenance rate included in a wet lease arrangement to compensate states for the costs of keeping equipment serviceable despite use; the other is a "no-fault incident factor" included in any lease to compensate states for the risk of loss or damage due to accidents during equipment use. A third mechanism is under consideration: in January 2014 the COE Working Group proposed that the UN should pay the transportation costs associated with repatriating and replacing equipment deployed in UN peacekeeping for more than seven years or having reached half its expected lifetime. If approved by the General Assembly, this would be a significant change to the current policy of TCCs and PCCs being financially responsible for equipment rotation. It also has the potential to reduce the disincentives to states for using their equipment by decreasing the cost of replacing worn-out equipment.

However, as currently implemented or envisioned, none of these measures eliminate the financial disincentives for using equipment. The maintenance rate is paid automatically for as long as the equipment is serviceable, regardless of how much maintenance has actually been performed. States therefore have a financial incentive to undertake only the minimum maintenance necessary to meet UN serviceability standards, especially for items that are unlikely to return to national service because they have relatively short expected lifespans or were provided by a sponsoring state. States also have an additional financial incentive to avoid using their equipment, since use increases the need for maintenance and therefore reduces the net profitability of the lease agreement. "There's no financial incentive for a TCC to use its equipment—none whatsoever, because if it does use its equipment, any equipment, it will generate a maintenance requirement… There's no financial incentive to actually use your equipment—quite the opposite."[120] The "no-fault incident factor" is also paid monthly regardless of whether equipment has been used, and because it has been paid "there is no additional reimbursement and no other claims are receivable in case of equipment loss or damage in such incidents."[121] Thus if equipment is used, states risk having to assume the costs of major repairs or replacement in order to continue receiving COE reimbursement for the item. By contrast, if the equipment is not used, states run little risk of damage and will continue to receive the full COE reimbursement. Finally, as currently proposed, the UN's assumption of equipment rotation costs would depend solely on the length of the

117 United Nations, *SAG Report*, para. 53.

118 UN General Assembly Resolution 67/261, paras. 8–12. It is unclear whether this acceptance was conditional on a resolution of the uniformed personnel base rate issue. A March 2014 secretary-general's report treated the two issues separately. United Nations Secretary-General, *Results of Revised Survey*, paras. 73 –77.

119 Interview with Adekunle Adeyinka, military logistics planning officer, UN Office to the African Union, Addis Ababa, May 1, 2013.

120 Confidential interview with a DFS official, New York, April 8, 2013.

121 United Nations, *COE Manual,* ch. 2, para. 18.

equipment's deployment rather than its use: avoiding equipment use would allow TCCs and PCCs to either delay replacing the equipment or repatriate equipment more fit for continued national use.

STRUCTURAL OBSTACLES TO OPTIMIZING THE FINANCIAL INCENTIVE STRUCTURE

Firewalls in UN Peacekeeping Expenditures

Authorized UN peacekeeping expenditures have exceeded $7 billion every budget year since 2008–2009, but only a subset of these resources is available to shape the financial incentive structure facing TCCs and PCCs. In 2012, for example, authorized peace-keeping expenditure approached $7.2 billion but included $1.7 billion in civilian personnel costs and $2.3 billion in commercial procurement.[122] Thus over 56 percent of total authorized peacekeeping resources was allocated to expenditures that do not directly affect states' incentives to participate in UN peacekeeping.

UN payments to companies and civilian personnel have the potential to create constituencies for UN peacekeeping within states, and therefore to indirectly affect the decisions of actual and potential TCCs and PCCs. However, this indirect effect is currently limited because a state's participation in UN peacekeeping does not substantially enhance its nationals' chances of securing procurement contracts or civilian personnel positions. The ACABQ has called for greater representation of TCC and PCC nationals among civilian peacekeeping staff, but the secretary-general has merely promised greater "outreach" to TCCs and PCCs to identify qualified personnel.[123] There is also "a fairly healthy… firewall… between the procurement side of the house and the side of the house that does force generation."[124] There are good reasons for maintaining such firewalls: civilian staff should be selected on merit, and contracts should be awarded on the basis of cost and fit with UN requirements. It is nonetheless important to note that less than half of the UN's peacekeeping resources are currently available to shape the incentive structure facing TCCs and PCCs.

Parallel Budgets

Having separate budgets for each active peace operation, the UN Logistics Base, and the peacekeeping support fund presents several advantages for UN member states. They can separately scrutinize the performance and future requirements of each funded body and are shielded from having to accept "package" deals on financing provisions. They can also distinguish between and potentially prioritize among their financial contributions to particular missions: while formally obligated to pay all their assessed contributions, in practice states can choose when to make a payment to which special account. Moreover, parallel budgets limit the autonomy of the UN Secretariat, which cannot reallocate resources between missions without the consent of member states. Another key implication of the parallel budgets system, however, is that virtually all the resources available for the reimbursement of states' peacekeeping costs are tied to participation in a particular mission.[125] This has two problematic consequences.

First, there is currently no financial incentive for states to invest in readiness for UN peacekeeping—that is, in maintaining uniformed personnel equipped and deployable for a potential UN mission. States are reimbursed for costs associated with actual participation in a mission, not for costs incurred before a deployment. Moreover, Secretariat members cannot encourage early equipment purchases because they cannot commit to deploying a particular member state's capabilities in future operations. Thus, states

> won't buy equipment until they're sure they are accepted by DPKO… They are not going to commit any funds, because if they buy new equipment and at

122 Total expenditure and civilian cost expenditures represent an average of the 2011–2012 and 2012–2013 budgets. Procurement figure from UN Procurement Division, "Procurement Volume by Country or Area (Peacekeeping) – 2012," available at www.un.org/depts/ptd/12peace.htm .

123 UN ACABQ, *Observations and recommendations on cross-cutting issues related to peacekeeping operations, para. 53. United Nations Secretary-General, Overview of the financing of the United Nations peacekeeping operations: budget performance for the period from 1 July 2011 to 30 June 2012 and budget for the period from 1 July 2013 to 30 June 2014*, para. 123.

124 Confidential interview with a UN official, New York, April 9, 2013.

125 In March 2014, the secretary-general proposed establishing a separate fund for payment of the risk and key enabling capacities premiums (see above). Even if it is implemented, however, the fund would comprise only $53.4 million, unless the basic personnel cost reimbursement rate increases. United Nations Secretary-General, *Results of Revised Survey*, paras. 70–72.

> the end DPKO chooses another TCC, well, they will have new equipment that will rot in their yards... So they wait until the last minute, until they are approved, and then they go buy the equipment. And during that time, we wait, because procurement of major equipment takes time… The UN rules do not allow the organization to pay anything before deployment. If there would be some kind of incentive that would allow willing TCCs to keep units at the ready based on the UN standard, we would be immensely helped in terms of rapidity of deployment.[126]

Second, the parallel budgets system means that states that do purchase equipment to participate in a particular mission will only continue to receive reimbursement payments for as long as the equipment is needed in that particular mission. Secretariat members have no independent authority to transfer resources from one mission to another and therefore can offer no guarantees that equipment no longer needed in one operation will be re-deployed to another mission. Having the option of re-deploying equipment to another mission would mitigate the uncertainty TCCs and PCCs face about how long they will receive reimbursement payments for equipment items and therefore encourage purchases. However, the parallel budget system precludes this.

The Politicization of Rate Adjustments

The UN's standardized uniformed personnel and equipment cost reimbursement rates are a practical necessity: force generation would be significantly delayed if reimbursements had to be negotiated on a case-by-case basis, and it would be impossible to estimate a mission's budget in advance. It is also politically unacceptable for the UN to discriminate among its members by systematically paying less for contributions from some states than from others. However, standardization entails the need to periodically adjust rates. Within the UN, the rate adjustment process is state-dominated, largely occurring in the triennial COE Working Group for equipment rates and in the General Assembly's Fifth Committee for uniformed personnel reimbursement rates. The process has become heavily politicized, impeding the smooth adjustment of reimbursement rates to reflect changing costs.

At the heart of this politicization is the fact that the UN's main troop contributors and its largest financial contributors form two distinct groups, with limited overlap among them. As table 5 indicates, in 2013 the UN's twelve top financial contributors were assessed for 84.5 percent of the UN's peacekeeping costs, but in December 2013 they furnished only 6.7 percent of UN uniformed peacekeepers. By contrast, the UN's twelve top uniformed personnel contributors deployed over 60 percent of UN uniformed peacekeepers in December 2013 but were assessed for only 0.2 percent of the UN's peacekeeping costs. This produces opposing interests with regard to adjusting reimbursement rates. Large financial contributors have an interest in limiting UN peacekeeping costs and derive little direct benefit from rate increases, while large troop contributors stand to gain from rate increases and face few of the associated costs. The distinction between these groups is all the more sensitive because it falls largely along a pre-existing cleavage: most of the UN's uniformed personnel contributors are developing countries, while most of the largest financial contributors are developed states.

The problem of politicization has been especially apparent in the debate about adjusting the base personnel cost reimbursement rate. The issue is inherently delicate, because "people are more sensitive about payment for a human resource, compared to payment for something material."[127] The absence of survey data on troop costs, which itself reflected a level of mistrust among member states, compounded the difficulty of negotiations and arguably rendered politicization inevitable: "if you can't find the actual costs, then what are the other options? You make it a kind of political bargain… You have a political discussion—and [it's] sort of about what the market can bear."[128] By 2011, this had produced a "poisonous" atmosphere in the Fifth Committee, which had begun spilling

126 Telephone interview with Gérard Hauy, April 18, 2013. Note that a March 2014 report of the UN secretary-general proposed introducing a readiness dimension into the SAG-proposed key enablers premium. See the "Recommendations" section at the end of this report.

127 Confidential interview with a UN official, New York, April 9, 2013.

128 Confidential telephone interview with a UN official, April 3, 2013.

Table 5. Contributions by top financial and uniformed personnel contributors[129]

	2013 peacekeeping assessment rate	2013 expected peacekeeping assessment ($ million)	Uniformed Personnel (Dec. 2013)	Share of total UN uniformed personnel (Dec. 2013)
12 Largest Financial Contributors (2013)				
USA	28.3993%	2,111	118	0.12%
Japan	10.8330%	805	270	0.27%
France	7.2199%	537	952	0.97%
Germany	7.1410%	531	251	0.26%
UK	6.6854%	497	289	0.29%
China	6.6454%	494	2,078	2.12%
Italy	4.4480%	331	1,118	1.14%
Russia	3.1472%	234	103	0.10%
Canada	2.9840%	222	115	0.12%
Spain	2.9730%	221	597	0.61%
Australia	2.0740%	154	52	0.05%
Rep. of Korea	1.9940%	148	614	0.63%
TOTAL	**84.5442%**	**6,286**	**6,557**	**6.68%**
12 Largest Uniformed Personnel Contributors (Dec. 2013)				
Pakistan	0.0170%	1.26	8,266	8.42%
Bangladesh	0.0010%	0.07	7,918	8.06%
India	0.1332%	9.90	7,849	7.99%
Ethiopia	0.0010%	0.07	6,619	6.74%
Nigeria	0.0180%	1.34	4,836	4.92%
Rwanda	0.0002%	0.01	4,751	4.84%
Nepal	0.0006%	0.04	4,580	4.66%
Jordan	0.0044%	0.33	3,254	3.31%
Ghana	0.0028%	0.21	3,005	3.06%
Senegal	0.0006%	0.04	2,998	3.05%
Egypt	0.0268%	1.99	2,742	2.79%
Tanzania	0.0009%	0.07	2,505	2.55%
TOTAL	**0.2060%**	**15.33**	**59,323**	**60.41%**

129 United Nations Secretary-General, *Implementation of General Assembly resolutions 55/235 and 55/236*, pp. 15–21. UN, *Monthly Summary of Contributions*, data as of December 31, 2013, available at www.un.org/en/peacekeeping/resources/statistics/contributors_archive.shtml . The expected peacekeeping assessment for 2013 is calculated based on UN budget predictions for 2012–2013 and 2013–2014 (UN Docs. A/C.5/66/18 and A/C.5/67/19). In this table, the total 2013 peacekeeping assessment for the twelve largest financial contributors differs by 1 million from the sum of the individual country assessments owing to rounding.

over into the COE Working Group[130] and the usually more operational policy-focused Special Committee on Peacekeeping Operations (C-34).[131]

The SAG's contribution to overcoming this impasse was significant. It brought together "five eminent persons… appointed by the Secretary-General, five representatives from major troop contributors, five representatives from major financial contributors and one member from each regional group."[132] SAG members enjoyed some insulation from interstate politics, serving as named individuals designated by their countries rather than directly as state representatives.[133] They deliberated as an independent panel, which facilitated constructive discussion that allowed participants to explore their states' shared interests. Beyond seeking to limit UN peacekeeping costs, developed states have an interest in effective UN peacekeeping as a tool for addressing international crises. Large troop contributors share this interest, and need not be negatively impacted by reforms aiming at greater cost-effectiveness. Thus,

> In the SAG, what you had was the large troop-contributing countries realizing that it is very much in their interest and the interest of their military and their soldiers deployed to have more professional capacity in the missions… They recognized that enablers are vital, and if they're not there, their soldiers are more at risk. They were prepared to recognize the notion of a penalty if you show up without what you promised you would bring, because… everybody suffers from a failure by some contingent to live up to their commitments. So they were reacting not as the South facing the North… [but] as sophisticated peacekeeping countries that had a stake in a better functioning of the UN in peacekeeping deployment.[134]

SAG members thus reached consensus on a set of reform proposals that included the prospect of more financial resources to TCCs and PCCs (short-term supplemental payments and the new cost survey, to be repeated every four years), a cost-reduction measure (extending the standard troop rotation period to twelve months), the penalty for TCCs not fulfilling their equipment commitments, and the risk and key enabling capacity premiums discussed above. As noted, the General Assembly has conditionally endorsed a modified version of these proposals.[135]

Yet while the SAG helped ease the deadlock on this specific issue, the politicization of debate in the Fifth Committee persists. In fact, the Fifth Committee debate on the SAG report itself was acerbic. Smaller troop contributors felt underrepresented in the SAG and objected to several of its recommendations. Several Latin American states raised concerns about lengthening the rotation period while another, predominantly African, group of states objected to the proposed penalty for TCCs and PCCs not meeting their equipment commitments. The Group of 77 (G77) bloc, through which developing states typically negotiate in the Fifth Committee, was thus divided, and "the only common denominator that they had was a total rejection of [all] the recommendations where they had concerns."[136] Meanwhile, developed countries insisted on the SAG recommendations being a package deal: "We're saying that if we start cherry-picking this… we're going to unravel the entire thing."[137] Although an agreement was ultimately reached, the debate substantially exceeded its allotted timeline and had to be escalated to the ambassadorial level as Fifth Committee delegates failed to reach consensus.

Moreover, although the periodic troop cost surveys advocated by the SAG would provide a sounder empirical basis for current and future rate adjustment negotiations, the success of these surveys is no foregone conclusion, and, more fundamentally, stronger empirical data does not eliminate the scope for politicization. Discussions in the triennial COE Working Group are grounded by equipment cost surveys, but this does not

130 UN Fifth Committee, *Letter dated 25 February 2011 from the Chair of the 2011 Working Group on Contingent-Owned Equipment to the Chair of the Fifth Committee*, March 2, 2011, UN Doc. A/C.5/65/16, p. 9.

131 Confidential interview with a UN diplomat, New York, April 8, 2013.

132 UN General Assembly Resolution 65/289 (September 8, 2011), para. 73.

133 Telephone interview with Louise Fréchette, chair of the Senior Advisory Group, April 4, 2013.

134 Telephone interview with Louise Fréchette, April 4, 2013.

135 UN General Assembly Resolution 67/261.

136 Confidential telephone interview with a UN diplomat, April 23, 2013.

137 Confidential interview with a UN diplomat from a developed state, New York, April 8, 2013.

preclude intense interstate negotiation: contestation is simply channeled to focus on the methodology used to calculate rate adjustments given the survey data. The 2011 COE formula, for example, included an overall cap on rate increases, which was included at the insistence of developed states and caused considerable resentment among TCCs and PCCs.[138] Similarly, periodic negotiations on the regular and peacekeeping scales of assessment involve sharp political confrontations—particularly between developed and developing states—despite the availability of the empirical data. As in the COE Working Group, these confrontations often focus on methodology, especially on how the data is used to calculate changes in assessment levels. As one Fifth Committee delegate commented, "We discuss the methodologies, but the methodology has both technical aspects and political aspects."[139] Another concurred, "it's very, very technical, but we all know that it's actually very political."[140]

Fragmented versus Unit-Based Reimbursements

The UN currently reimburses TCCs and PCCs in a fragmented manner: states receive personnel cost reimbursements based mainly on the number of troops and police officers they have deployed, and they receive a largely separate set of reimbursement payments related to the equipment they have contributed to the mission. However, an effective peacekeeping force does not consist of a group of deployed individuals and a separate pool of equipment, but of task-oriented units combining personnel of particular types with equipment appropriate to the unit's task and familiar to its personnel. Recognizing this, a 2009 DPKO/DFS report advocated a "capability-driven approach" to UN force generation:

> To match personnel and equipment to the tasks they are required to perform, and to provide appropriate incentives to contributors, we need to move from a quantitative focus on numbers to a qualitative approach emphasizing the generation of capabilities. This demands the development of standards and their systematic linkage to training, equipping and delivery on the ground.[141]

Reimbursing TCCs and PCCs for integrated units rather than separately for personnel and equipment contributions would reflect this capability-driven approach and allow the UN to calibrate per-unit reimbursement rates to create incentives for states to provide scarce but operationally valuable units.

The SAG report highlighted the desirability of per-unit reimbursement, but it concluded that "at this stage… the process of force generation is not yet organized to facilitate reimbursement by unit... Many troop-contributing countries would [also] need time to adapt to such an approach."[142] Moving to unit-based force generation requires adjusting the UN Secretariat's force-generation process,[143] which must be mandated by member states. Yet unit-based reimbursement faces resistance, especially among states that are able to contribute personnel to UN peace operations but would struggle with the equipment and training challenges inherent in generating units. Unless combined with considerable capacity-building resources, a move to unit-based reimbursement could threaten these states' ability to participate in UN operations in a financially advantageous way. The fact that developing states furnish the vast majority of the UN's uniformed peacekeeping personnel makes this a critical challenge:

> If we were drawing peacekeeping forces from NATO countries or other countries with advanced military capabilities, [unit-based reimbursement] wouldn't be a problem. But NATO countries… don't serve in peacekeeping missions. So the UN is often dealing with some countries that can only provide a headcount. The notion of units is built around the capabilities and self-sustaining concepts and so on, and there are a lot of troop-contributing countries that are not capable [of contributing these].[144]

138 United Nations, *Letter dated 25 February 2011 from the Chair of the 2011 Working Group on Contingent-Owned Equipment to the Chair of the Fifth Committee*, March 2, 2011, UN Doc. A/C.5/65/16, paras. 86–88.

139 Confidential interview, New York, April 10, 2013.

140 Confidential interview, New York, April 9, 2013.

141 DPKO and DFS, *A New Partnership Agenda: Charting a New Horizon for UN Peacekeeping* (New York: United Nations, 2009), pp. v–vi.

142 United Nations, *SAG Report*, para. 82.

143 Smith and Boutellis, "Rethinking Force Generation."

144 Telephone interview with Louise Fréchette, April 4, 2013.

The SAG recommendations to institute premiums for key enabling capacities and impose troop reimbursement penalties if states fail to furnish the major equipment specified in their MOU represent efforts to partially introduce some of the incentives inherent in unit-based reimbursement: "It doesn't change the per-head, per-soldier system, but it's leaning towards the idea that you reimburse the capability rather than the numbers."[145] The secretary-general's March 2014 proposal to calculate the amount of any key enabling capacities premium based on "both the personnel and equipment reimbursement for the unit concerned" is a further acknowledgement of the need to move to unit-based reimbursement.[146] Yet these are only partial remedies: as long as reimbursement payments are made on a per capita basis for uniformed personnel and separately for equipment, the UN cannot fully calibrate the financial incentives it offers to the units it needs to attract.

The Fact and Threat of Arrears

Unpaid state assessments, or arrears, are a perennial challenge for the UN, affecting both the regular and the peacekeeping budget. The intensity of the problem varies over time, and the current situation is one of relative calm. The total amount owed for peacekeeping expenditures was $1.3 billion in December 2012, $1.5 billion in April 2013, and $3.4 billion in October 2013—arrears fluctuate significantly from month to month because new assessment notifications are issued throughout the year.[147] While substantial both in absolute terms and in relation to the total 2012–2013 budget, the December 2012 figure represents a major decrease from the $2.6 billion owed in December 2011[148] and a much smaller proportion of the total peacekeeping budget than was commonly the case in the late 1990s and early 2000s. For comparison, in December 1999 peacekeeping arrears ($1.482 billion) dwarfed the year's peacekeeping assessments ($856 million).[149] The October 2013 figure, while high, reflected rapidly accumulating recent assessments and represented "35 per cent of total PKO assessments in 2013, compared to 40 per cent one year ago."[150] Nevertheless, the figure highlights how quickly UN peacekeeping arrears can accumulate. This volatility ensures that the arrears issue continues to affect states' financial incentives to contribute to UN peacekeeping operations, both directly and—currently more importantly—indirectly.

The direct impact is that unpaid state assessments impede the timely payment of reimbursements to TCCs and PCCs deployed in particular missions. Given the parallel budgets system, arrears accrue to particular missions and cannot be compensated for by transferring funds from another mission's special account or from the peacekeeping reserve fund. Within the affected mission, some of the impact of arrears may be absorbed by higher-than-budgeted staff vacancy rates, lower-than-expected uniformed personnel or equipment deployments, and/or unforeseen savings on operational requirements. However, if a funding shortfall remains when claims are calculated on a quarterly basis, the UN Department of Management imposes priorities for the disbursement of available funds. Financial obligations from civilian staff contracts, procurement contracts, and LOAs must be met, but reimbursements for uniformed personnel and COE costs are "subject to availability of cash."[151] Put differently, "if there is no money in the kitty, the least priority is the COE doesn't get paid, troops don't get paid."[152] Moreover, the UN has "to pay all TCCs at the same time for a specific mission. So if [the missions] don't have sufficient money, we don't pay… any TCC in that particular mission."[153]

145 Confidential telephone interview with a UN official, April 3, 2013.

146 United Nations Secretary-General, *Results of Revised Survey*, para. 66.

147 United Nations Secretary-General, *Improving the financial situation of the United Nations: Report of the Secretary-General: Addendum*, May 14, 2013, UN Doc. A/67/522/Add.1, para. 12. Yukio Takasu, under-secretary-general for management, "Financial Situation of the United Nations," statement delivered to the General Assembly's Fifth Committee on October 9, 2013, p. 3.

148 United Nations Secretary-General, *Improving the financial situation of the United Nations: Report of the Secretary-General: Addendum*, May 14, 2013, para. 11.

149 United Nations Secretary-General, *Improving the financial situation of the United Nations: Report of the Secretary-General*, April 13, 2000, UN Doc. A/54/454/Add.1, paras. 16 and 5.

150 Takasu, "Financial Situation of the United Nations," p. 3.

151 Telephone interview with Yacine Hamzaoui, UN Office of Programme Planning, Budget and Accounts, June 18, 2013.

152 Confidential interview with a DFS official, New York, April 9, 2013. By convention, troop cost reimbursements have priority over COE reimbursements.

153 Confidential telephone interview with a DFS official, April 18, 2013.

Arrears in the peacekeeping budgets thus create debts that the UN owes to its TCCs and PCCs. In October 2013, these totaled $862 million. Eighty-three states were owed reimbursements, and the most significant sums were due to India ($80 million), Ethiopia ($54 million), Bangladesh ($50 million), Pakistan ($49 million), and Rwanda ($37 million).[154] In historical perspective, this debt is relatively small; it has halved relative to its peak of $1 billion in December 2006.[155] It is also relatively young: of the $525 million owed to states in December 2012, $428 million reflected payments overdue for less than one year.[156] Nevertheless, arrears cause payment delays to TCCs and PCCs, which represent a financial disincentive to participation. TCCs and PCCs also tend to resent the fact that arrears transfer the financial burden of UN peacekeeping from the developed countries that are not paying their full assessments to the developing states furnishing the uniformed peacekeepers. Moreover, arrears are concentrated in particular missions, which TCCs often attribute to the low priority these missions have for the major financial contributors. In October 2013, arrears were concentrated in the operations in Western Sahara (MINURSO), Abyei (UNISFA), Cyprus (UNFICYP), Liberia (UNMIL), and South Sudan (UNMISS), and some of these missions had chronic payment problems. In the worst-affected case, MINURSO, reimbursements had only been paid up to March 2011.[157] There is thus a particular financial disincentive to participating in these missions.

The indirect impact of arrears derives from the recognition that the potential for a quickly escalating financial crisis exists even when arrears levels are relatively low. The experience of the late 1990s and early 2000s vividly demonstrated how much the UN depends on major financial contributors' willingness to pay their assessed resources in full. With almost 85 percent of peacekeeping expenditure assessed to just twelve states, arrears can escalate precipitously if these major contributors refuse to support particular missions or decide that reimbursement rates or overall peacekeeping expenditures have reached levels that they are unwilling or unable to support. The fact that a new arrears—and reimbursement—crisis could rapidly emerge under these conditions not only imbues participation in a UN operation with an additional element of financial risk, it also limits the bargaining power of TCCs and PCCs during budget and reimbursement rate negotiations. Developing states' respect for the convention of consensus budget negotiations at least partly reflects a pragmatic recognition that if TCCs and PCCs use their numerical superiority to push through budget and reimbursement rate increases, developed states may simply refuse to meet their financial obligations in full or on time. The result would be a new arrears crisis.

Differences in States' Internal Structures and Policies

The effects of the financial incentive structure created by the UN peacekeeping financing system differ from state to state because they are filtered by states' internal structures and policies. This applies both to direct UN payments to states and to payments made to other actors within states.

UN disbursements to entities other than states can indirectly affect state policies, but this impact depends on the relationship between the recipients and their state. As noted above, for example, differences in the terms of commercial contracts and LOAs create incentives for states to release military air assets to commercial companies rather than offer them as national peacekeeping contributions—but whether a state responds depends at least partly on its internal characteristics. A state response is most likely where domestic laws permit such a temporary transfer of assets between the military and private companies, where companies are parastatal (i.e., government-run or linked to the government), and/or where government officials have a personal stake in the relevant firms. Similarly, the mission subsistence allowances paid to individually deployed uniformed personnel can represent very significant sums to the individuals receiving them: "A one-year assignment on one of these missions is your pension. It's like winning the lottery."[158] This creates a constituency in support of

154 Takasu, "Financial Situation of the United Nations," slide 15.

155 United Nations Secretary-General, *Improving the financial situation of the United Nations*, May 23, 2007, UN Doc. A/61/556/Add.1.

156 Takasu, "The United Nations Financial Situation," slide 13.

157 Takasu, "The United Nations Financial Situation," slide 14.

158 UN peacekeeper, quoted in Coleman, "Token Troop Contributions to United Nations Peacekeeping operations," p. 61.

the state's contribution to UN peacekeeping, but its impact depends on the affected actors' access to and influence over national decision makers.

The political impact of UN reimbursement payments to TCCs and PCCs depends significantly on internal state policies about how these funds are received and allocated. States are rarely monolithic. The costs of contributing to UN peacekeeping are typically concentrated in particular state institutions. Financial contributions are "generally made by the State Departments/Ministries of Foreign Affairs of Member States"[159] but in some countries they are paid directly by the treasury, which decreases the sensitivity of foreign affairs ministries or departments to fluctuations in the size of their state's assessments.[160] Uniformed personnel and equipment deployment costs tend to accrue to defense and police departments or ministries. UN peacekeeping reimbursement payments, meanwhile, are commonly made either directly to defense and police departments or ministries or more centrally to ministries of finance, which then determine how to distribute the funds among government departments.[161] It is the sovereign prerogative of each TCC and PCC to designate the recipient institution(s) for its reimbursement payments. As one DFS official put it, "[states] just give us bank accounts and bank details, and we don't know whether it's going to ministry of defense or whatever. Some of them will state it, but others may not state it… We are not supposed to review or question them on where they want their money to go…"[162] Another DFS official concurred, "it gets paid to whatever bank account the government tells us to pay it to. Now, what becomes of the money, we don't know and we don't ask. It's their business what they do with the money."[163]

States also have the sovereign right to decide whether or not they will reserve UN reimbursement funds exclusively for peacekeeping-related uses. Some TCCs and PCCs transfer their entire basic troop cost reimbursement to the deployed individuals, but others retain a portion (or all) of the payment for other purposes. Similarly, some states reserve all funds from COE reimbursement payments for equipment maintenance and replacement, but others may not. Again, the UN has almost no influence over these policies. With regard to equipment cost reimbursements, a state's decision not to invest these funds in maintaining and renewing its stock may ultimately result in a loss of reimbursements because items have become unserviceable, but there is no direct verification of these expenditures.[164] For troop cost reimbursements, "the point… is [that] it's not salaries. It's not payment. It's not that the UN is paying those soldiers. The UN is essentially reimbursing the troop-contributing country."[165] The only exception has traditionally been for troop welfare reimbursements: "There, it has to be demonstrated that this stuff is being provided in the mission area."[166] Citing a concern "that the levels of actual expenditure on welfare arrangements are uneven and do not always enable the recommended minimum standards to be met," the SAG went a step further and proposed that welfare (and Internet) funds should be paid directly to the mission rather than to TCCs.[167] The General Assembly accepted this recommendation as part of the SAG reforms in 2013.[168] However, the sums involved are small: \$2.76 per month per contingent member for Internet and \$6.31 per month per contingent member for welfare. The vast bulk of reimbursements for uniformed personnel and equipment thus remain reserved for states, to be allocated according to their internal policies.

TCC and PCC policies about how to allocate UN peacekeeping reimbursement funds can affect particular state institutions' stances with regard to national participation in UN peacekeeping.

159 Communication from UN Contributions Service, received July 18, 2013.

160 Thierry Tardy and Dominik Zaum, "France and the United Kingdom at the UN Security Council," in David Malone, Sebastian von Einsiedel, and Bruno Stagno-Ugarte (eds.), *The United Nations Security Council in the Post-Cold War Era* (Boulder: Lynne Rienner, forthcoming).

161 Confidential interviews with UN diplomats and officials, New York, April 2013.

162 Confidential telephone interview, April 18, 2013.

163 Confidential interview, New York, April 8, 2013.

164 Confidential interview with a DFS official, New York, April 8, 2013.

165 Confidential telephone interview with a UN official, April 3, 2013.

166 Confidential interview with a DFS official, New York, April 8, 2013.

167 UN, *SAG Report*, para. 95.

168 UN General Assembly Resolution 67/261.

Defense departments are more likely to favor participation if they receive the full UN reimbursement payments for troop and equipment costs. Other government departments have a greater incentive to support their country's participation in UN peacekeeping if reimbursement payments become part of the larger national budget rather than accruing only to defense and/or police departments. The effects can significantly shape a state's decision about whether and how to participate in a UN peacekeeping operation, but the UN has no control over them because they depend on the internal policies of sovereign TCCs and PCCs.

Recommendations

Ideally, the UN's peacekeeping financing mechanisms should incentivize timely state contributions of highly effective peacekeeping units willing to make full use of their capabilities. However, the above analysis has highlighted that the current system of UN peacekeeping financing falls short of this goal. The military and police personnel reimbursement rate has stagnated, and there are insufficient financial rewards for contributing excellent and/or highly specialized uniformed personnel. Equipment cost reimbursement policies do not cover the expense of acquiring equipment for a UN deployment, and they create financial incentives for some TCCs and PCCs not to deploy their best equipment in UN operations and to limit their use of the equipment they do deploy. Moreover, the presence of commercially contracted aircraft in UN missions undermines states' financial incentives to contribute air assets. There are also structural obstacles that prevent the UN from fully leveraging its peacekeeping resources to incentivize timely state contributions of highly capable peacekeeping units. Less than half of the UN's peacekeeping resources are available to shape TCC and PCC incentives. The resources that are available for TCCs and PCCs are tied to participation in a particular mission, so there is no financial incentive for states to invest in readiness for UN peacekeeping. The process for adjusting UN peacekeeping reimbursement rates is heavily politicized, impeding the smooth adjustment of reimbursement rates to reflect changing costs. TCCs and PCCs are reimbursed separately for personnel and equipment costs, even though effective peacekeeping forces consist of task-oriented units that combine specific personnel and their equipment. Arrears to the UN peacekeeping budget can impede the timely reimbursement of TCCs and PCCs, and the threat of arrears limits the bargaining power of TCCs and PCCs during financial negotiations. Finally, the effects of the financial incentive structure created by the UN peacekeeping financing system are filtered by states' internal policies, over which the organization has no influence.

This report cannot offer remedies for all these issues. However, it recommends four immediate steps toward addressing the stagnating uniformed personnel cost rate, remedying the lack of financial incentives for peacekeeping readiness, decreasing the disincentives for using deployed equipment, and expanding the portion of UN resources available to build support for participation in UN peacekeeping within states. It also identifies two longer-term strategies for improving the UN's ability to adjust its reimbursement policies to attract the peacekeeping capabilities it needs.

IMMEDIATE STEPS

1. **Complete the current process for revising the uniformed personnel cost reimbursement rate.**

   It is vital that UN member states reach agreement on adjusting the uniformed personnel cost reimbursement rate during the Second Resumed Session of the Fifth Committee in May 2014. Adjusting this rate is the linchpin for fully implementing the package of reforms proposed by the SAG and endorsed (with alterations) by the General Assembly. If states cannot reach agreement on this issue, protracted negotiations about whether and how other elements of the SAG reform package will be implemented are likely to ensue. More generally, resolving this deeply divisive issue will greatly enhance the likelihood of constructive discussions on other aspects of UN peacekeeping expenditures both immediately and in the future.

   The completion of the SAG-recommended troop cost survey should facilitate member states' efforts to reach an agreement. As noted above, the existence of empirical data does not eliminate the potential for highly politicized debate, but it can help compromises emerge by providing support for particular positions. It will also be important for member states to reaffirm their endorsement of the SAG proposal that the rate subsequently be reviewed every four years.

2. **Introduce a readiness premium.**

A premium paid for the rapid deployment of appropriately equipped troop and police contributions would give states a financial incentive to invest in readiness for peacekeeping.

In March 2014, the secretary-general proposed adding a temporal dimension to the SAG-recommended key enabling capacities premium. TCCs and PCCs contributing these capacities could receive a one-time premium equal to 25 percent, 15 percent, or 10 percent of the annual personnel and equipment cost reimbursement payments if the equipment is ready to ship within thirty, sixty, or ninety days respectively, of DPKO's acceptance of the contribution.[169] This measure would begin to provide financial incentives for TCCs to invest in readiness for UN peacekeeping. It should be supported by member states.

In a subsequent step, Secretariat members and member states should consider extending the financial incentives for readiness beyond key enabling capacities by creating a separate readiness premium to reward the rapid deployment of any peacekeeping unit designated by DPKO as required in the initial phase of a new peacekeeping operation. In the case of uniformed personnel being "re-hatted" when a UN peacekeeping operation replaces another deployment, however, the readiness premium should be payable only if the re-hatted personnel meets UN equipment and self-sustainment standards.

3. **Address financial disincentives to using major equipment items.**

For major equipment items where TCCs and PCCs enjoy discretion in how much the equipment is used, the maintenance rate and the no-fault incident factor should not be automatically paid as part of the wet lease rate. The relevant MOUs should specify the expected usage rate of an item, and the mission's COE and MOU management review board (CMMRB) should monitor usage.[170] If an item's expected usage rate is consistently not met, the maintenance rate and no-fault incident factor should be decreased or withheld. Over the longer term, the state's MOU may need to be renegotiated.

In addition, UN member states should approve the January 2014 COE Working Group's proposal for the UN to assume the costs of rotating equipment deployed for seven years or half its expected life span. However, they should specify that the UN will not assume these costs for items for which the mission's CMMRB has reported consistent under-usage.

This will require ensuring that each UN peacekeeping operation has an active CMMRB: a March 2013 internal UN audit found that CMMRBs "were not established and functioning in some missions."[171] Given the reporting burden generated by tracking usage, moreover, this measure is best reserved for expensive and/or specialized major equipment items where reluctance to use is a significant concern.

4. **Modestly harness procurement expenditure.**

UN peacekeeping procurement must continue to be guided by the principle of "best value for money," defined as the "optimization of whole-life costs and quality needed to meet the user's requirements, while taking into consideration potential risk factors and resources available."[172] Yet the UN also recognizes "effective international competition" and "the interest of the United Nations" as relevant principles.[173] These arguably inform the Procurement Division's current efforts to reach out to suppliers in developing and transition economies. The division tracks how much of its expenditure is awarded in contracts to suppliers from these

169 United Nations Secretary-General, *Results of Revised Survey*, para. 66.

170 This echoes a UN Office of Internal Oversight Services (OIOS) proposal for closer tracking of the "activities/use of the specialized teams and their equipment." OIOS, *Audit Report 2013/030*, March 25, 2013, paras. 27 and 32.

171 Ibid., para. 13.

172 United Nations, *United Nations Procurement Manual*, Revision 6, Update Version 6.02, November 1, 2011, ch. 1, para. 1.2.1.b.

173 United Nations, *United Nations Procurement Manual*, ch. 1, para. 1.3.C.

countries, and offers business seminars to inform potential suppliers about the UN procurement process.[174] Developing additional outreach measures specifically for states contributing significant peacekeeping capabilities would allow the UN to modestly harness its procurement expenditure to enhance states' incentives to contribute to peacekeeping—without compromising the best-value-for-money principle. One measure would be for a UN procurement expert to join DPKO/DFS pre-deployment visits to states making a major contribution to a particular mission, thereby providing an opportunity for government officials and potential suppliers to learn more about the UN procurement process. Another measure would be for procurement personnel in mission headquarters to periodically offer training sessions on UN procurement mechanisms for officers from national contingents deployed in the mission.

LONGER-TERM RECOMMENDATIONS

5. **Implement a pilot project for unit-based reimbursement.**

Reimbursing TCCs and PCCs for integrated units rather than separately for personnel and equipment contributions would allow the UN to better calibrate reimbursement rates to attract the peacekeeping capabilities it needs. As noted above, implementing unit-based reimbursement requires a significant transformation of the UN Secretariat's force-generation process and measures to address the concerns of states whose ability to offer fully equipped military or police units is limited. This suggests the need for a gradual transition process, of which the SAG-recommended premium for key enabling capacities is arguably a first step. The next step should be for UN member states to authorize the design and implementation of a limited-term pilot project that (1) introduces unit-based reimbursement for a limited set of specialized capacities (for example, a special forces unit or a construction engineer company) and (2) enables and incentivizes states to contribute these capacities as units.

Designing the pilot project would require UN force-generation experts to identify a limited set of specialized capacities that are often required in UN peacekeeping missions and for which a specific combination of trained personnel and appropriate equipment is especially important. The minimal personnel and equipment requirements for delivering this capacity will need to be specified, and the additional requirements of a highly effective unit may be noted.[175] The reimbursement payments currently available to TCCs and PCCs furnishing these levels of personnel and equipment can then be calculated.

States and Secretariat members should then consider ways to enhance the ability and willingness of potential TCCs and PCCs to furnish these capacities as unit contributions. Options include, but are not limited to, the following: the proportion of specialists in the unit (and therefore the specialist reimbursement due to the TCC or PCC) could reflect the actual unit composition rather than being assumed to equal 10 percent, or 25 percent in logistics units. A "unit premium" could be paid, so that the reimbursement rate for the whole unit marginally exceeds the reimbursement currently available for separate personnel and equipment contributions. A targeted effort could be made to match potential unit contributors with donors willing to provide necessary equipment. Should the 2014 COE proposal regarding equipment rotation costs fail to gain acceptance (see above), the UN could adapt it more specifically to pay for equipment rotation for unit-based contributions.

Most innovatively, member states could authorize the Secretariat to commit to deploying some units over more extended time periods, as long as these units respond effectively when called upon to perform their function. This would require the creation of a budgetary mechanism to continue paying reimbursements for these units if the mission to which they are

174 UN Procurement Division, "Business Seminars," available at www.un.org/depts/ptd/seminars.htm .

175 Detailed unit descriptions can already be found in UN DPKO, *Stand-By Arrangements in the Service of Peace – Tables of Organization and Equipment* (2009 edition). A differentiation between minimal and highly effective unit requirements would be an innovation.

deployed ends or its requirements change.[176] Member states could specify a maximum expenditure level for this mechanism and a maximum period during which it could cover reimbursement costs for units no longer actively deployed in a mission.

Balancing these financial incentives, MOUs for states making unit-based contributions should stipulate that reimbursement payments will drop significantly if a unit contribution does not meet and consistently maintain the applicable personnel and equipment standards.

Once this design is in place, force-generation officials would solicit the identified capacities as unit contributions. The pilot project should then be assessed for lessons learned and, if successful, unit-based reimbursement should be gradually extended to most if not all elements of UN peacekeeping forces.

6. **Recognize opportunities to alleviate the politicization of peacekeeping financing debates.**

It is normal for sovereign states with differing interests and perspectives to disagree on key aspects of UN peacekeeping financing. As noted above, however, debate in the General Assembly's Fifth Committee has suffered from excessive politicization in recent years. Acrimonious disagreements between the developed states that are the UN's largest financial contributors and developing states, which include the UN's main TCCs and PCCs, are common. The SAG experience highlighted that the resulting deadlock can sometimes be remedied by temporarily moving debate into a smaller and more insulated venue.[177] However, the SAG experience also illustrated that the Fifth Committee's acceptance of recommendations made in other venues is far from automatic—and ultimately decisions about UN peacekeeping finances are made through the Fifth Committee. It is therefore important to recognize and respond appropriately to trends that may help alleviate the politicization of debate within the Fifth Committee.

In this context, the growing presence of developing states—and especially of developing states that are substantial troop and/or police contributors—among the UN's larger financial contributors is a positive development. Eleven developing states are currently among the top 20 percent of contributors to the regular UN budget, and nine of these (China, Brazil, the United Arab Emirates, Saudi Arabia, Mexico, Kuwait, Qatar, India, and Venezuela) are also among the top 20 percent of contributors to the peacekeeping budget. These nine states were jointly responsible for 9.37 percent of UN peacekeeping expenditures in 2013, an increase from 6.13 percent in 2012.[178] In addition, Oman is transitioning into level B on the peacekeeping scale of assessment, becoming the first self-identified developing country other than China not to receive a discount in this scale.[179] Not all of these developing states are also significant UN uniformed personnel contributors, but some are. China contributed 2,078 uniformed UN peacekeepers in December 2013. Its assessed share of the peacekeeping budget grew from 3.93 percent in 2012 to 6.65 percent in 2013. Brazil deployed 1,748 peacekeepers in December 2013 and saw its assessment rate increased from 0.32 percent in 2012 to 0.59 percent in 2013. India, with 7,849 deployed peacekeepers in December 2013, saw its share of UN peacekeeping expenditures rise slightly from 0.11 percent to 0.13 percent. If it persists, this trend may help debates about UN peacekeeping financing move beyond the current "North-South" cleavage.

However, this trend should be responded to with sensitivity. Since there has not (yet) been a substantial return of developed countries to UN peacekeeping, the countries emerging to potentially play a bridging role in peacekeeping financing debates are all developing states. It is important to acknowledge their potential contribution during formal and informal

176 The secretary-general has proposed the establishment of a centrally managed fund to enable the disbursement of the SAG-recommended risk and key enabling capacities premiums. United Nations Secretary-General, *Results of Revised Survey,* para. 70. Such a fund could also include resources to incentivize unit-based contributions.

177 For an analysis of the effectiveness and limitations of this technique in other cases, see Katharina P. Coleman, "Locating Norm Diplomacy: Venue Change in International Norm Negotiations," *European Journal of International Relations* 19, No. 1 (2013).

178 Calculated from data United Nations Secretary-General, *Implementation of General Assembly resolutions 55/235 and 55/236*, pp. 15–21.

179 United Nations Secretary-General, *Implementation of General Assembly resolutions 55/235 and 55/236*, p. 16.

consultations without placing excessive emphasis on their role in brokering agreements. Developing states that are smaller troop contributors and/or do not enjoy the rapid economic growth of the potential “bridging” states do not necessarily share these states’ perspectives or feel represented by them. Indeed, for some developing TCCs and PCCs the prospect of a less united G77 negotiating bloc on peacekeeping finances is a cause for concern. If the trends noted above continue, it will therefore be important to ensure that the concerns of smaller and less affluent TCCs and PCCs continue to receive adequate consideration in UN debates about peacekeeping financing.

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