

# **INEF**

## **Report**

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### **The Financing of UN Peace Operations – An Analysis from a Global Public Good Perspective**

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## **Abstract**

The present report argues on the assumption that UN peace operations represent intermediate international public goods that yield a number of positive externalities – such as peace and security, enhanced international stability and respect for human rights. The potential benefits that can be derived from these operations critically depend on how the international community decides to provide and finance them. Despite the fact that the financing of UN peace operations is a crucial component of their production path, there have been surprisingly few attempts to examine whether and how the UN has adjusted the international public financing system underlying the provision of its operations to the complex tasks the organization is asked to undertake. The present study contributes to a better understanding of UN peace operations as international public goods and fills this gap by providing an up-to-date analysis of the several existing international financing mechanisms and tools created by the UN to help foster better allocation to its operations. It summarizes important UN internal reform processes related to their use and offers policy recommendations for a more integrated and innovative financing approach to UN peace operations as international public goods.

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## I. Introduction

Over the last fifteen years innumerable books, articles and papers have been proliferated on the study of UN peace operations. Many of them have examined the changing nature of these operations in the wider context of international security in the post-Cold War world and innovative studies have undertaken an important step by approaching the new role of UN peace operations from a *global governance* perspective (see e. g. Duffield 2001; Debiel 2002, 2003). It is well-known that the UN has increased dramatically number, size and scope of UN peace operations in response to a series of intrastate violent conflicts generating massive negative cross-border externalities. For example, since 1988 the number of peacekeeping operations has risen by more than two and a half times compared with the previous forty years (see DPKO 2004). The geographic scope of operations has expanded as well and perhaps most dramatically has been the expansion in the types of operations deployed. Even if the UN still holds on to a separation between peacekeeping operations on the one hand and political and peace-building missions on the other hand (and consistently authorize, head and finance them differently), today's operations are increasingly multidimensional in character and perform multiple tasks simultaneously, including peacekeeping, peacemaking, peace-enforcement, and peace-building, or at least move between the different types.

Given the large scale of literature on UN peace operations, there have been surprisingly few attempts to examine

whether and how the UN has adjusted the *international public financing* system underlying the provision of its operations to the complex tasks the organization is asked to undertake to maintain international peace and security. This is nearly beyond comprehension taking into account the fact that the extent to which and the way how these operations are financed are crucial for their failure or success. Even the final report of the *Panel of UN Peace Operations* ("Brahimi Report"), which was convened by the Secretary General in 2000 to undertake a thorough review of the United Nations peace and security activities, remains quite silent on the financial aspects of UN peace operations. In fact, there are only a few studies worth mentioning that have examined this important topic in greater detail. While some of these studies focus exclusively on the financing of the UN's *peacekeeping* operations (see Mills 1990; Durch 1993; Mc Dermott 1994a, 1994b; UNA-USA 1997; Laurenti 2001), others mainly explore the financing of UN *political* and *peace-building* missions including the voluntary funding of specific activities and programmes related to them (see Forman and Salomons 1998; Forman, Patrick and Salomons 2000; Salomons and Dijzeul 2001). In both cases the authors only look at selected financing arrangements, while leaving others, likewise relevant, disregarded. Moreover, some of the studies have lost their topicality since, over the last years, the UN has introduced a series of internal reform processes aimed to improve the financing of both mission types. Thus, while the knowledge on the public financing of UN peace operations mainly

is a topic of consideration among a small number of UN practitioners and economic experts, it still remains fragmented and incomplete in the academic literature.

Therefore, the overall objective of the present study is to fill this knowledge gap by contributing to a more systematic understanding on how the financing of international cooperation for the provision of UN peacekeeping as well as of UN political and peace-building missions currently works. To accomplish this research objective the examination will be embedded in the theoretical framework of the *global public goods concept*.<sup>1</sup> There is good reason to do so. To consider UN peace operations no longer merely as important international “concerns”, but as international public goods<sup>2</sup> offers a new and beneficial analytical perspective on these operations: just like private goods, (UN peace operations as) public goods need to be produced in a systematic fashion in order to exist. Consistently, public goods likewise have their own production path of which the financing is a crucial component (see Kaul and Le Goulven 2003a, 2003b). Put differently, if we look at UN peace operations through the lens of

global public goods we also have to ask how to best provide and finance them. Thus, while the prevailing literature on UN peace operations seldom integrate into their analyses the public finance dimensions of these operations, from a global public good perspective it is imperative to encourage a more systematic consideration of the different financing arrangements in place in order to get a better understanding of the patterns of burden-sharing behind the provision of UN peace operations as public goods and to enable policy-recommendations on how to improve their production path.

However, the notion of UN peace operations as public goods itself is rather new and needs to be clarified in greater detail. Against this background the present study has two purposes:

- *First*, it investigates the public good character of UN peace operations. What exactly is their public good nature? If UN peace operations represent public goods, to what extent is their degree of publicness in decisionmaking, consumption, and in the distribution of benefits? Put differently: How public is the decision when and where to deploy them? Do they yield regional, international or even global *purely* public benefits or a mixture of global and nation-specific benefits? Do they generate benefits that are subject to equal and fair distribution?
- *Second*, it provides a comprehensive and systematic analysis of the several existing international financing arrangements created by the UN to finance the resource requirements of UN peacekeeping operations as well

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<sup>1</sup> Triggered by the seminal 1999 study, “*Global Public Goods: Development Cooperation in the 21<sup>st</sup> Century*”, edited by UNDP staff Inge Kaul, Isabelle Grunberg, and Marc A. Stern, the concept meanwhile is subject of extensive academic study and has attracted growing attention in international fora and debates on how to manage the process of globalization.

<sup>2</sup> For an explanation why the present study considers UN peace operations as international public goods (IPGs) instead of global public goods (GPGs), see chapter II.4.



as of UN political and peace-building missions. How well – and to what extent – has the financing of UN peace operations been adjusted to their rising number, size and scope? What financial reforms have been initiated and which new financing mechanisms and tools have been created to help foster better allocation of resources to improve the provision of UN peace operations as public goods? Are the international financing arrangements in place appropriate for an optimal provision of UN peace operations as public goods?

While approaching these questions the examination does not take into consideration the financing of *Multinational Forces (MNFs)* which, although authorized by the Security Council, are not actual UN forces. Rather, they are coalitions made up of, and financed by, willing states. It also does not investigate the financing of peace operations conducted by regional organization (e. g. AU, ECOWAS, EU, NATO). Moreover, the study does not focus on the financing of private military companies (PMCs) and private security companies (PSCs), which are increasingly employed by the UN to support the activities of UN peace operations, but whose costs are met by the government of the states concerned rather than by the UN's peacekeeping budgets.

The study is divided into five chapters. Following the introduction (*chapter I*), *chapter II* first provides the theoretical framework of the study and is concerned with basic understandings of the (global) public goods concept. Doing so, it also

briefly introduces into the current debate on the financing of global public goods. Following a short description of the changing nature of UN peace operations and an overview of the essential features of burden-sharing behind their current provision, the chapter then is devoted to the analysis of UN peace operations as international public goods. It examines whether UN peace operations represent *pure* public goods generating regional or even worldwide purely public benefits or international “joint-product public goods” (Sandler 2001) yielding both purely public transnational benefits *and* country-specific (private) benefits. Moreover it offers new insights, e. g. by applying the “triangle of publicness” developed by Kaul (2001) as an analytical tool to determine a good's publicness in consumption, in decisionmaking, and in the distribution of net benefits.

Chapter III provides a systematic analysis – an “inventory”- of the various international financing mechanisms and tools created by the UN to finance the resource requirements of all types of UN peace operations. The chapter explores in great detail the manner in which UN Member States address burden-sharing and allocative issues to ensure the provision of UN peace operations as international public goods. Chapter IV takes a more detailed look at the *sources* of funding allocated to UN peace operations and critically discuss the intermingling of ODA and financing for these operations. The chapter also provides an outlook on the possible future shape of a financing system that is build up on alternative financing sources. Finally, the conclusion of the present study

(chapter V) brings the research findings together, assesses the financing arrangements in place from a public good perspective and offers policy recommendations for further improvements.

## II. UN Peace Operations as International Public Goods

In a relatively short time, the concept of global public goods (GPGs) has gained ground in the debate on how to manage best the process of globalization. Its political dynamics was particularly triggered by the two seminal studies “Global Public Goods. International Cooperation in the 21<sup>st</sup> Century” (Kaul, Grunberg, Stern 1999) and “Providing Global Public Goods. Managing Globalization” (Kaul, Conceição, Le Goulven, and Mendoza 2003) – both produced under the auspices of the UNDP. During the course of the World Summit on Sustainable Development (WSSD) in August 2002 in Johannesburg an “International Task Force on Global Public Goods”<sup>3</sup> was launched on the initiative of the Sweden and the French Ministry for Foreign Affairs in cooperation with the UNDP. By applying and extending the classic economic theory of public goods (see Samuelson 1954; Olson 1971

[1965]) in an international context<sup>4</sup> the protagonists of the GPG concept provided an additional rationale for international cooperation: challenges and risks of globalization are a consequence of the “underprovision” of global public goods which can be provided effectively only through *collective action* involving multiple actors throughout the world. *Vice versa*, opportunities of globalization are due to the adequate provision of global public goods (see Kaul, Conceição, Le Goulven, and Mendoza 2003, pp. 2 ff.). That apart, the concept offers a number of other additionalities. E. g. it reminds us that our well-being depends on private *and* public goods and, that issues such as “climate stability” or “peace and security” are not merely abstract concerns but goods in the public domain, which – just like private goods – need to be produced in a systematic fashion. Before applying the concept and its inherent additionalities to the study of UN peace operations, the next sections briefly introduce some basic definitions and understandings underlying the concept.

<sup>3</sup> The mandate of the Task Force which started working in September 2003 is to define an internationally accepted framework for the identification of key GPGs. In addition, its objective is to make recommendations to policy makers and other stakeholders on how to provide and finance them. The Task Force is co-chaired by Ernesto Zedillo, former President of Mexico, and Tidjane Thiam, Group Strategy and Development Director at Aviva, London (see <http://www.gpgtaskforce.org/bazment.aspx>).

<sup>4</sup> In fact, this approach is not new but did not receive the same attention in the past. Important contributions on which the above-mentioned studies could be built on *inter alia* were made by Hardin (1968); Russett and Sullivan (1971); Mendez (1992); and Sandler (1997). Moreover, the concept of public goods over the years was repeatedly applied within the context of the economic theory of international (military) alliances.

## II.1 Basic Definitions and Understandings of the Global Public Good Concept

The starting point of the GPG concept is the standard economic theory of public goods whose central concern is whether a good<sup>5</sup> is public or private. Referring to Paul Samuelson's pioneering article "The pure theory of public expenditure" (1954) economic textbooks usually define public goods – in contrast to private goods – as those which are *non-rival* in consumption and which have *non-excludable* benefits. That is, consumption of a public good by one individual does not prevent its consumption by another – and it is either impossible or too costly to exclude those who do not pay for the good from consuming it (see e. g. Stiglitz 2000, pp. 128 ff.). If both conditions are fully satisfied, a public good is said to be *pure*. The other side of the public good coin are *public bads* from whose negative utility nobody can be excluded. Because of their two critical properties *pure* public goods are subject to *free-riding*<sup>6</sup> and thus constitute

a case of *market failure*<sup>7</sup> creating a rationale for their public provision (see Morrissey, te Velde, and Hewitt 2002, p. 32). The market either will not supply, or will supply too little of, public goods.

Once in the (local-global) public domain, their adequate provision is restricted by collective action problems such as the *prisoner's dilemma*. As a result of the free-rider problem and the prisoner's dilemma public goods tend to be undersupplied. In practice, however, only few goods are purely public. Instead they are *mixed* public and private – so called *impure* public goods that only partially meet the criteria of non-excludability and non-rivalry. Impure public goods, again, can be classified into the following subclasses:<sup>8</sup>

- **Club Goods:** *Public goods that possess partially rival benefits that can be excluded at an affordable cost.* Examples are communication and transportation networks, airports, and free trade agreements. According to Sandler (2002, pp. 91 ff.) club goods potentially promise the most efficient outcomes among the non-pure public goods. Arce M. and Sandler (2002, p. 15) write: "A club good is partially rival for its members, but excludable to nonmembers [...]. The rationale for forming a club is that universal access causes rivalry in terms of

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<sup>5</sup> A good can be defined as a *commodity, service or resource* (see French Ministry of Foreign Affairs 2002, p. 10).

<sup>6</sup> The free-rider problem first was described by David Hume in the mid-18<sup>th</sup> century and then taken up by Hardin (1968) and Olson (1971 [1965]). "Free-riding" refers to a lack of incentives on the part of the users to finance their supply: A free-rider is "someone who enjoys the benefits of a good without paying for it. Because it is difficult to keep people from using pure public goods, those who benefit from them have an incentive to avoid paying for them" (Kaul, Conceição, Le Goulven, and Mendoza 2003, p. 605).

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<sup>7</sup> The term market failure describes "the situation in which a market fails to attain economic efficiency" Kaul, Grunberg, Stern 1999, p. 510; for a detailed discussion see e. g. Stiglitz 2000, pp. 76 ff.).

<sup>8</sup> Introductory definitions are adopted from Sagasti and Bezanson (2001, p. 167).

crowding and congestion. By restricting access to fee-paying members only, the club ensures that utilization of the shared good produces a benefit for members that meets or exceeds this fee. The club fee or toll charges a user the crowding costs that a visit imposes on the membership.” Kaul, Conceição, Le Gouvelven, and Mendoza (2003, p. 604) stress that “the optimal size of a club is that which maximizes the group’s jointly utility”.

- **Common pool resources:** *A subclass of impure public goods, which are mostly non-excludable but rivalrous in consumption.* Two criteria are used to define a common pool resource: “(1) the cost of achieving physical exclusion from the resource; and (2) the presence of subtractable resource-units” (Gardner, Ostrom and Walker 1990, cited in Sagasti and Benzanson 2001, p. 160). For example, water is often referred to as a common pool resource.
- **Joint Products** – consist of those activities that yield two or more outputs or joint products, which may vary in their degree of publicness. As such, joint product outputs may be purely public, private, or impurely public. An activity that yields both “purely public transnational benefits and country-specific benefits” is an instance of international joint products (Arce M and Sandler 2002, p. 15; see also Sandler and Hartley 2001; Sandler 2002). The present study takes up the concept of joint products in the

subsequent examination of UN peace operations as international public goods.

Closely associated with, but separate from the notion of public goods is the concept of *externalities*. While the theory distinguishes between the two concepts, in practice they overlap. Externalities – often called third party effects – arise when the effects of certain actions are not borne directly by the responsible party but by someone else. Constituting another form of market failure, they can be positive or negative. In the words of Kaul, Grunberg, and Stern (1999, p. 5) “externalities are by-products of certain activities – spillovers into the public sphere”. From an economists’ point of view the main problem with externalities is that the costs or benefits associated with them are not reflected in the price of the good itself. Thus, the challenge is to *internalize* externalities, i. e. to attribute effectively the benefits/cost of positive/negative externalities to the agent that generates it (see Sagasti and Benzanson 2001, p. 6). However, from a (global) public goods protagonists’ point of view the motivation for providing (global) public goods “arises from the desire to encourage positive externalities, or to correct negative ones” (Sagasti and Benzanson 2001, p. 6). As many externalities have the property to affect others, they can be viewed as a form of public goods, or vice versa: “public goods can be viewed as an extreme form of externalities” (Stiglitz 2000, p. 136).

Given this brief overview of some of the essential findings of the classic economic theory of public goods the central assumption of the concept of *global*

public goods is that, as a result of globalization and more porous national borders, several public goods – and notably *bads* – have been “globalized” and, consequently can no longer be provided through domestic policy action alone (see Kaul 2000a, 2000b). In their 1999 volume Kaul and her team at UNDP’s Office of Development Studies defined a pure global public good as “a public good with benefits that are strongly universal in terms of countries (covering more than one group of countries), people (accruing to several, preferable all, population groups) and generations (extending to both current and future generations, or at least meeting the needs of current generations without foreclosing development options for future generations)” (Kaul, Grunberg, and Stern 1999, pp. 509 f.). This definition comprises goods such as peace and security, financial stability, free trade, and health. In a recent publication Kaul and Mendoza (2003, p. 100) distinguish three main classes of global public goods by the nature of their publicness: “global natural commons” (e. g. the high seas), “global humanmade commons” (e. g. international regimes and norms), and “global policy outcomes or conditions” (e. g. global peace). Meanwhile a number of different schemes have been employed in the literature that usually classify global public goods by *sectors* (e. g. environment, health, security), *type of benefits* (e. g. risk reduction, direct provision of utility), *dimensions of publicness*, and *aggregation technology*<sup>9</sup>

(see e. g. Morrissey, te Velde, and Hewitt 2002; Sandler 2002; Barrett 2004).

In their 2003 volume Kaul, Conceição, Le Goulven, and Mendoza further developed their concept of (global) public goods by introducing new conceptual and methodological ideas that go far beyond the standard concepts and theories on public goods. One of the authors’ most important conclusions is that a good is not *per se* public or private because of its technical defined (non)rival and (non)excludable properties. Rather “publicness and privateness are in most cases social – human made – constructs” (Kaul, Conceição, Le Goulven, and Mendoza 2003, p. 7). Put differently, the publicness or privateness of a good first and foremost is subject to political decisions and can vary depending on political preferences (see Kaul and Mendoza 2003, pp. 81 ff.; also Kaul and Kocks 2003, p. 41).

It is against this background that Kaul and Mendoza expand the standard definition of public goods suggesting that “a distinction be made between these good’s basic or original properties (such as being nonrival or non-excludable) and their actual characteristics – those that society has assigned to him” (Kaul and Mendoza 2003, p. 80). Accordingly, the authors distinguish between those goods which are “potential candidates for actual being public” and those that are “de facto public or inclusive”, resulting in a revised two-level definition of public goods: (1) “Goods have a special potential for being public if they have

<sup>9</sup> Aggregation technology criteria classify public goods by the way of how individual contributions to the good determine the

overall level of the good (see Sandler 2002, p. 95).

nonexcludable benefits, nonrival benefits, or both”; (2) “Goods are de facto public if they are nonexclusive and available for all to consume”. By analogy, the authors define “de facto global public goods” as follows: “Global public goods are goods with benefits that extend to all countries, people, and generations” (Kaul, Conceição, Le Goulven, and Mendoza 2003, pp. 22 f.).

Perhaps most important, the authors also draw attention to two dimensions of publicness that hitherto were disregarded in the standard literature on public goods. While the prevailing literature exclusively focuses on the publicness in consumption to assess a good’s publicness, the authors go a step further by asking how well “publicness in consumption” is matched by “publicness in decisionmaking” and in the “distribution of net benefits” across various parts of the global public” (Kaul, Conceição, Le Goulven, and Mendoza 2003, p. 25). With regard to UN peace operations the present study will return to these dimensions of publicness in chapter II.4.4.

### **II.1.1 The Current Debate on Financing Global Public Goods**

For the last two or three years the question of ‘how best to finance global public goods?’ has assumed centre stage within the GPG discourse. This is not surprising, considering the current realities of international financing for global public goods: while an international dimension of public finance only exists rudimentarily, financing of global public goods first and foremost happens nationally. Kaul and Le Goulven estimate that “only \$1

of every \$200 spent on global public goods involves public spending at the international level” (Kaul and Le Goulven 2003a, p. 329). Since neither “national self-provision” nor “unilateral provision” (Kaul, Le Goulven and Schnupf 2002, pp. 13 f.) of global public goods can yield desired policy outputs, there is an enormous need for a more structured international public financing of global public goods. This would help “shifting the emphasis from controlling bads” – what usually happens at the national level – to “producing goods” (Kaul and Le Goulven 2003a, p. 359).

The current international financing practice, however, looks different. One of the most critical aspects is that at the international level global public goods on a large scale are financed through Official Development Assistance (ODA). Recent empirical analyses and studies on public goods estimate the sum of aid which is spent on purposes related to GPGs at 15 to 30 percent of total annual ODA resources (see te Velde, Morrissey and Hewitt 2002, Kaul and Le Goulven 2003a). It goes without saying that aid allocated to finance GPGs is at the expense of those core purposes which aid spending was originally thought for, namely fighting poverty, unemployment and stark social contrasts: “The intermingling of aid and financing for global public goods constraints the effectiveness of both – hurting, in particular, poor people.” (Kaul and Le Goulven 2003a, p. 330). Kaul demonstrates that ODA statistics in fact would look very different, if one subtracts the sum of aid which is spent on the provision of GPGs from total ODA.

Then total annual ODA would not amount to about 0.25 percent of total DAC members' GDP on an average, but to about 0.15 percent to 0.18 percent only (see Kaul 2004, p. 3). As already recommended by the 'UN High-Level Panel on Financing for Development' ("Zedillo Report") it is therefore "imperative to separate finance for development and humanitarian assistance from finance for global public goods" (UN Doc. A/55/1000, p. v). Also Kaul and Le Goulven (2002, p. 11) stress the importance of a "dual agenda of international development": one of ensuring an "adequate provision of public goods" and one of providing assistance to poor countries. The current intermingling of aid financing for international public goods is consistently due to the absence of a clear discussion on 'Who are the net-beneficiaries of the resources provided for?' In this context Kaul and Le Goulven critically note that "international financing of global public goods often follows a 'beneficiary pays' principle. For many key global concerns, the payers ('donor' countries) are also the main beneficiaries of their spending on international cooperation." (Kaul and Le Goulven 2003a, p. 329)

Reforming the international public financing system in its current shape, *inter alia*, would require creating new and innovative international financing mechanisms and tools<sup>10</sup> suitable to adequately channel resources to international cooperation aimed at the provision of global public goods. According to Sagasti and Bezanson (2001, p. 40) the

several mechanisms and tools currently under debate for financing international and global public goods at least can be grouped into four main categories: (1) Payments by users and beneficiaries which are associated with *internalising externalities* and which take the form of market mechanisms and of international taxes and fees; (2) *Private sources of finance* including funds provided by profit making firms, private independent foundations, corporate foundations, academic institutions, NGOs and individual persons; (3) *Public sources of funding* which comprise funds provided by government agencies in developed and developing countries, tax incentives that imply governments foregoing revenues, and funds from international financial institutions and other international organizations; (4) A combination of various sources of financing which usually take the form of *partnerships* between government agencies, private firms, foundations, civil society organizations and international institutions.

Most of these financing arrangements still primarily are utilized at the national level – especially those dealing with *internalizing externalities* (e. g. taxes, user charges, fees, levies). However, even if some of the innovative means of financing already are existent as "precedents" at the international level, they are far away from being embedded in a coherent and structured framework suitable for a sustainable international financing of global public goods. Rather they often are part of an "ad hoc" financing system created in response to urgent international challenges. Against this background further research is needed

<sup>10</sup> For definitions see chapter III.1

that aims at the systematic analysis of currently existing and possible future international financing arrangements.

## II.2 New Security Issues and the Changing Nature of UN Peace Operations

Since the early 1990s a series of violent conflicts, often entitled “new wars” (Kaldor 2000; Münkler 2002) or “network-wars” (Duffield 2001) has confronted the international community with extreme human suffering. Characteristic for these conflicts that erupted with the end of the Cold War is widespread violence against civilians, a multitude of different non-state actors willing to use force and an increasing privatization of military conflict. At first glance these conflicts seem to be intrastate, but they have a tendency to shift along a sliding scale between intrastate and interstate because they permeate easily across territorial borders (as e. g. in Liberia, Sierra Leone, Guinea, and the Great Lakes region) – often escalating to regional conflict complexes (see e. g. Debiel 2002a, 2002b, 2003). From a global public good point of view these violent conflicts represent *public bads* which have the potential to generate large *negative cross-border externalities* (spillovers) such as war economies, illicit trade of natural resources, and contagious political and economic instability. “Intra-state warfare is often viewed, in the prosperous West, simply as set of discrete and unrelated crisis occurring in distant and unimportant regions. In reality, what is happening is a convulsive process of state fragmentation and state formation that is transforming the international order itself.

Moreover, the rich world is deeply implicated in the process. Civil conflicts are fuelled by arms and monetary transfers that originate in the developed world, and their destabilizing effects are felt in the developed world in everything from globally interconnected terrorism to refugee flows, the export of drugs, the spread of infectious disease and organized crime.” (ICISS 2001, p. 5)

Violent intrastate conflicts are a clear consequence of the underprovision of peace and security on the local-global continuum. They do not only destroy public goods in developing countries where they most often occur, and therefore damage “disproportionately the countries most dependent on them” (Pottebaum and Kanbur 2001, p. 1) their negative externalities also can be felt regionally, internationally, or even globally – depending on their cross-border range. Against this background the provision of UN peace operations is the effort to correct as much as possible these negative externalities and to “produce” positive ones.

With the increasing deployment of UN peace operations in intrastate violent conflicts – notably in *failing* or *failed* states, such as Somalia, Liberia, Sierra Leone, and Kosovo where the central authority of the state has collapsed, law and order are non-existent and territory is controlled by competing warlords and other private actors – (see e. g. Münkler 2002; Crocker 2003) the dimensions and functions of UN peace operations have expanded as well. While the task of traditional UN *peacekeeping* operations during the Cold War was limited to monitoring and reinforcing a cease-fire



between opposing national armed forces (see e. g. Diehl, Druckman, and Wall 1998), “post-Westphalian” peace operations (Bellamy, Williams, and Griffin 2004, p. 2) instead perform a variety of tasks, such as peace-making, peace-enforcement, and peace-building, that go far beyond the traditional peacekeeping model.

Since UN Secretary-General Boutros Boutros Ghali sparked a widespread debate on the performance of UN peace operations in the post-Cold War era by introducing these interrelated concepts in his “Agenda for Peace” (UN Doc. A/47/277-S/24111 of 17 June 1992) there have been several different approaches to classifying contemporary UN peace operations according to its characteristics, functions and types. William Durch (1997, p. 8), for example, identifies four types of peace operations based on broad characteristics: “traditional peacekeeping”, “multidimensional peace operations”, “peace enforcement” and “humanitarian intervention”. Others offer more specific taxonomies. Diehl, Druckman, and Wall (1998, pp. 39 f.), for instance, put forward twelve different types of peacekeeping operations, ranging from “traditional peacekeeping” to “sanction enforcement”, while Bellamy, Williams, and Griffin (2004, pp 5 ff.) identify five types of peacekeeping operations: “traditional peacekeeping”, managing transition”, “wider peacekeeping”, peace-enforcement and peace-support operations”. An alternative approach is to categorize peace operations chronologically by referring to more recent operations as “new peacekeeping” (Ratner 1997) or “second

generation” missions (Mackinlay and Chopra 1992).

However, many of these classifications suffer from one essential weakness: they do not take into consideration that the same operation may perform multiple functions simultaneously or sequentially. In this context Jeong states that “different types of UN operations should not be regarded as distinct activities, but as a point on a continuum – not only because various military functions can be used in a parallel fashion but also because different roles and functions need to be integrated at a strategic level. Most international mandates fall somewhere between maintenance of order and peacebuilding.” (Jeong 2004, p. 19)

In fact, many of today’s operations are increasingly multidimensional since they incorporate elements of peacekeeping as well as of peace-making, peace-enforcement, and peace-building. Against this background it is important to note that the UN in authorizing, heading and financing UN peace operations only distinguishes *peacekeeping operations* (while using peacekeeping as an umbrella term for the whole range of principle activities as mentioned above) from so-called *political and peace-building missions*. While the former are directed and supported by the Department of Peacekeeping Operations (DPKO), the latter are directed and supported by the Department of Political Affairs (DPO). This artificial separation is not only misleading because many contemporary *peacekeeping* operations are characterized by a symbiotic relationship between *peacekeeping* and *peace-building* functions – as eloquently described in the

“Brahimi Report” (UN Doc. A/55/305-S/2000/809) –, it also has created a variety of administrative and financial problems which are topic of consideration in chapter III of the present study.

Given this brief picture, it is obvious that the UN has undertaken important steps to adjust the alignment of its peace operations to the changing nature of violent conflicts. Thereby the list of tasks performed has expanded immensely, including measures such as electoral support, humanitarian assistance and movement of refugees and displaced persons; mine clearance; observation and verification of cease-fire agreements; foreign troop withdrawal; preventive deployments; demobilization of forces; collection, custody and destruction of weapons; disarming paramilitary forces, private and irregular units; reconstruction of social infrastructure; institution building; and transitional assistance.

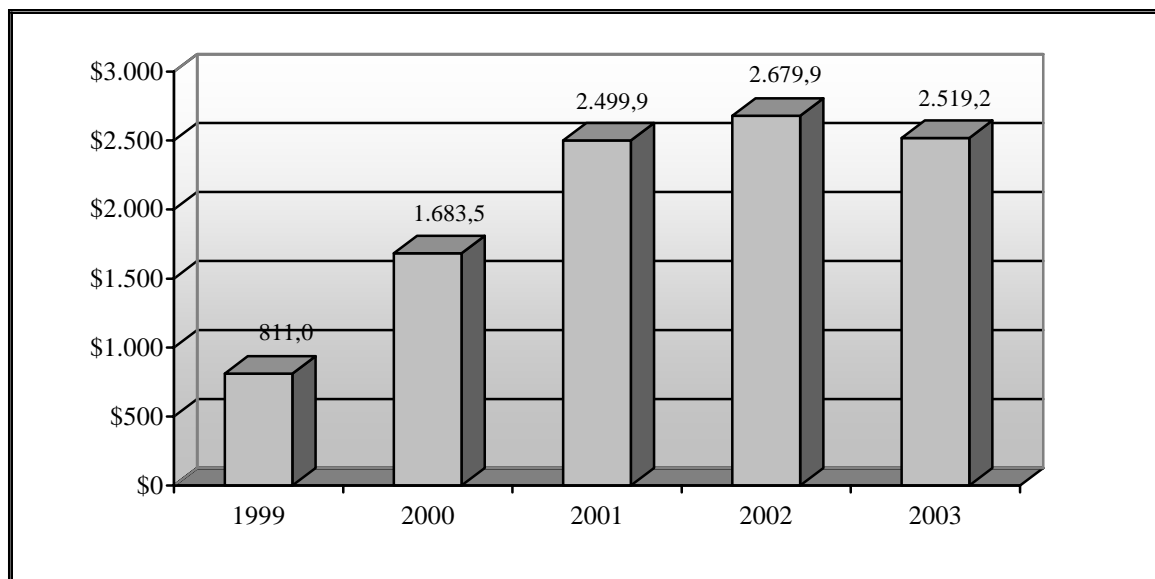
### II.3 Provision Status of UN Peacekeeping Operations at a Glance

The number of peacekeeping operations increased sharply for the years after 1987 compared to those before 1987. During the period 1948 to 1987 only 13 peacekeeping operations were conducted. After 1987, 46 new operations were deployed – of which 16 are currently active (August 2004). The approved budgets for the period from 1 July 2004 to 30 June 2005 amount to about US\$ 2.80 billion. The total costs of all peacekeeping operations from 1948 to 30 June 2004 are estimated at roughly US\$ 31.54 billion (see UNDPPI 2004).

All UN Member States are obliged to pay their share of peacekeeping costs under a formula that they themselves agreed upon (see chapter III.2). Compared with nation states’ military expenditures peacekeeping is not expensive – and it is far cheaper than the alternative, which is war. World military expendi-

**Figure 1: United Nations peacekeeping operations - Assessments**

(Millions of United States dollars)



Source: UN Doc. A/58/5 (Vol. II), p. 2

ture in 2002, for example, is estimated at US\$ 794 billion, accounting for 2.5 percent world GDP and representing an average of US\$ 128 per capita (see SIPRI 2003, p. 301). In that same year total expenditures for all UN *peacekeeping operations and* political and peace-building missions combined amounted to roughly US\$ 2.8 billion only (see UN Docs. A/58/5 (Vol. II), p. 3 and A/C.5/58/20, p. 12). Given these figures the *ratio* of expenditures for UN peace operations to world military expenditures was 1:284 in 2002.

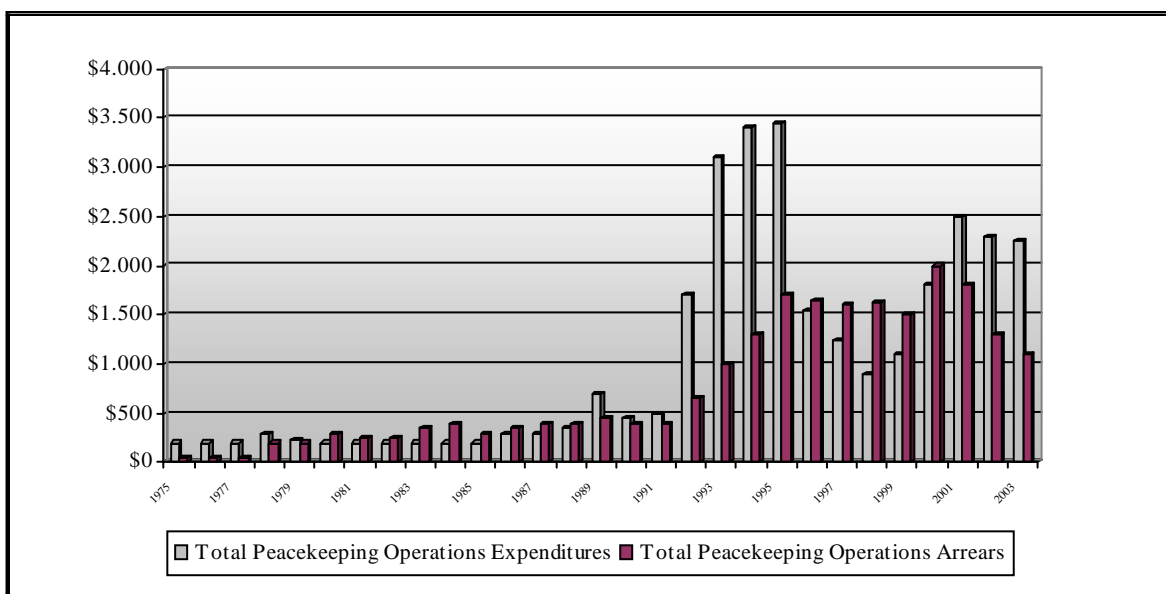
Figure 1 provides an overview of the total peacekeeping budget levels (assessments) during the period 1999 to 2003.

Despite the fact that UN Member States are legally obliged to pay for peacekeeping it is common practice that they withhold their assessed contributions to the *Peacekeeping Assessment Accounts*. Thus, financing is the major problem for UN Peace Operations. Outstanding

contributions to peacekeeping budgets currently amount to about US\$ 2.48 billion (as of 31 July 2004). The figures of the previous years were similar: US\$ 1.69 billion in 1999; US\$ 2.13 billion in 2000; US\$ 2.35 billion in 2001; US\$ 1.25 billion in 2002; and US\$ 1.08 billion in 2003 (see UN Doc. A/58/5 (Vol. II), p. 4). One reason for the high amounts of outstanding contributions is that the authorization of peacekeeping operations typically does not coincide with the normal budgetary cycles. This, however, is only one side of the coin considering the political reasons behind these figures (for a critical discussion, see chapter III).

Figure 2 contrasts total UN peacekeeping operations expenditure per year vs. total payment arrears by all UN Member States for the period from 1975 through 2003.

**Figure 2: Total UN Peacekeeping Operations Expenditures Per Year vs Total Payment Arrears by All Member States**  
(Millions of United States dollars)



Source: <http://www.globalpolicy.org/finance/tables/pko/expendarrears.htm>

The differences between assessment schedules and payments made can shed light on national stances toward the provision of UN peacekeeping operations as international public goods. However, when states are in arrears, the UN is unable to reimburse states that contribute troops, equipment, and supplies to peacekeeping operations. It goes without saying that the frequent and lengthy delay of reimbursements to troop-contributing countries most affects those countries that can least afford such deficits, and creates a disincentive to contribute troops. But even some developed countries are affected: “This lamentable record has engendered a certain fatalism among the wealthier (middle industrial) countries – such as Canada and the Scandinavians – who have

come to recognize, if not accept, that they will never be fully reimbursed for their contributions.” (Mc Dermott 1994, p. 178). Barrett (2004, p. 32) points out that the UN’s inability to reimburse troop contributing countries makes “these states less inclined to contribute in future peacekeeping operations, to the harm of all states, including those in arrears”. However, this does not avert wealthy states from withholding their payments. Table 1 shows that the main payers can also be the largest debtors.

The largest troop contributors usually are developing countries. Among the top ten troop-contributing countries to UN peacekeeping operations during the period 1997 to 2004 usually were India, Bangladesh, Nepal; Pakistan, Nigeria,

**Table 1: 15 main payers and debtors to UN peacekeeping budgets in 2003**

No.	Main Payers		Main Debtors	
	Country	Assessment Rates	Country	Debts (in Mio. US\$)
1.	USA	26,7	USA	482
2.	Japan	19,5	Japan	154
3.	Germany	8,7	Ukraine	154
4.	United Kingdom	7,4	China	49
5.	France	7,3	Belarus	42
6.	Italy	4,9	Republic of Korea	31
7.	Canada	2,8	Brazil	28
8.	Spain	2,5	Argentina	28
9.	China	2,5	Belgium	9
10.	Netherlands	1,7	United Arab Emirates	8
11.	Australia	1,6	Poland	6
12.	Republic of Korea	1,5	Iraq	6
13.	Russian Federation	1,3	Mexico	4
14.	Switzerland	1,2	Venezuela	3
15.	Belgium	1,1	Russian Federation	0,5

Source: Assessment rates are adopted from UN Doc. A/58/157/Add. 1; Debt figures are adopted from <http://www.globalpolicy.org/finance/tables/pko>

Ghana, and Kenya (see UNDPKO 2005). Industrialized countries instead prioritize deployment of their troops to operations led by NATO, the EU and / or ad hoc coalitions authorized by the Security Council. In this context Khanna, Sandler, and Shimizu (1998, p. 180) note: “From an incentive perspective, it is not surprising that some countries with low opportunity costs [...] are among the largest troop contributors in recent years. For many troop-contributing nations, the supplying of troops is a negative burden or a subsidy, whereas for others (e. g. United Kingdom, France, United States), it is an additional burden.” However, it is obvious that rich countries pay (if they pay) – and poor countries’ soldiers are sent into the field.

#### **II.4 Approaching UN Peace Operations from a Public Good Perspective**

Recent attempts to explore UN *peacekeeping* as international public goods are in the tradition of *economic theory of alliances* which has its origin in Mancur Olson’s seminal study “The Logic of Collective Action” (1965) where he used alliances, and NATO in particular, as an example of the different kinds of international organizations which face allocative efficiency problems from sharing a pure public good (see Olson 1971 [1965], p. 36). A formal model then followed in Olson and Zeckhauser (1966) which focused on burden-sharing among NATO members to provide *common defence* as a public good. The authors’ findings have shown that the large rich allies shoulder a disproportionate share of the burden, i. e. the

defence burden of the small, poor allies by providing the latter with a relatively *free ride*. The proposition became known as the *exploitation hypothesis* (see Sandler and Hartley 2001, p. 869). In recent years few authors have applied the methods and insights gained from the study of alliances to the study of *peacekeeping* (see e. g. Bobrow and Boyer 1997; Khanna, Sandler, and Shimizu 1998, 1999; Sandler and Hartley 1999; Arce M. and Sandler 2002). Doing so, the authors developed a *joint-product* explanation of peacekeeping leading to collective action implications that differ from those of the pure public good scenario provided by Olson and Zeckhauser.

In contrast to above-mentioned authors which define *peacekeeping* as an international public good, the present study follows the conviction that peacekeeping as well as peace-making, peace-enforcement, and peace-building are not public goods but *measures, activities* or *functions* of UN peace operations. Thus, it makes more sense to approach UN peace operations as public goods. Moreover, whereas one could argue that the provision of all UN peace operations together can be viewed as one public good, this study treats *each* single operation as a public good. Since different UN peace operations can vary in their degree of publicness there is good reason to do so.

Before returning to the joint-product model of UN peace operations in subchapter II.4.3, as a starting point it is useful to take a closer look a) at the basic questions of whether they represent *intermediate* or *final* public goods, and

b) at the *geographic range* of the *purely* public benefits yielded by UN peace operations to determine whether they represent regional, international, or even global public goods.

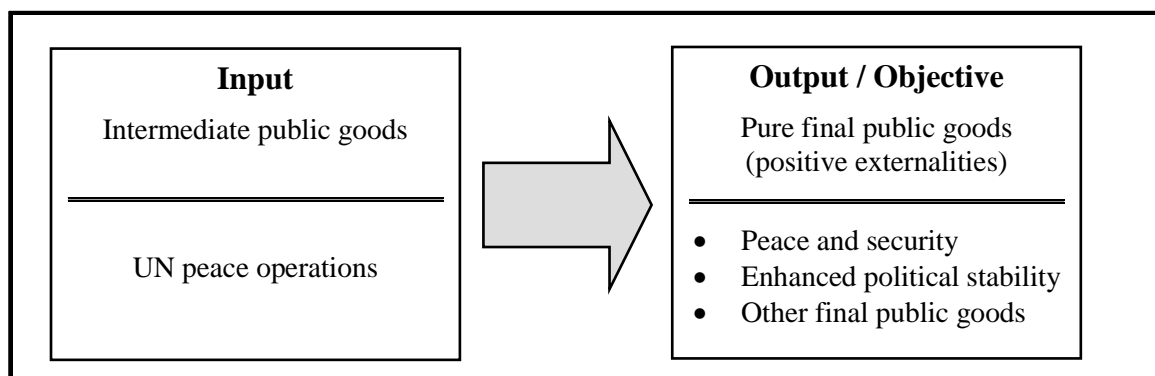
#### II.4.1 The Intermediate Public Good Nature of UN Peace Operations

According to Kaul et al. public goods can be differentiated by the stages of their *production path*: “Final public goods are those desired for consumption, such as clean air, efficient markets [...]. Producing final public goods often requires inputs of many private goods, public goods, or both. Public goods that contribute to the production of a final public good are called intermediate public goods.” (Kaul, Conceição, Le Goulven, and Mendoza 2003, p. 604) Even if the consumption of intermediate public goods is of an instrumental character as they constitute “building blocks of the production path leading to a final public good” (ODS 2002, p. 5), they fulfil the properties of public goods as well and are also subject to public consumption. For example, international regimes, agreements and organizations fall within the definition of intermediate (international) public goods (see Kaul and Mendoza 2003, p. 104).

From an idealistic point of view the motivation for providing UN peace operations arise from the desire to encourage public consumable positive externalities, i. e. *pure* global public goods such as peace and security and enhanced world-political stability. Against this background UN peace operations can be viewed as intermediate public goods or *inputs* into the final global public goods of peace and security and enhanced world-political stability. It goes without saying that the provision of UN peace operations only is one important building block of a more comprehensive intermediate public goods “delivery system” (Sagasti and Bezanson 2001, p. 27) ensuring the provision of peace and security as a final global public good.

Figure 3 provides a simple model illustrating the idealistic approach to UN peace operations as inputs to provide final *pure* global public goods. Chapter II.4.3, however, will demonstrate that this basic model must be differentiated as, in practice, the provision of peace operations also yield private benefits – a fact that raises the question whether peace operations are provided for ‘idealistic’ reasons only.

**Figure 3: An ‘idealized’ intermediate public good model of UN peace operations**



#### II.4.2 Spill-Over Range of Public Benefits

Before exploring the private benefits that some nations derive from the provision of UN peace operations it makes sense first to identify the geographical range – often termed “spatial range” or “spill-over range” (Morrisey, te Velde, and Hewitt 2002, p. 34) of the (purely) public benefits (externalities) of these operations. The spill-over ranges distinguished in literature are: local, national, regional and global. In case of *local* public goods (LPGs) the benefits are substantially local. *National* public goods (NPGs) are those whose benefits are limited to the national public. Instead, *regional* public goods (RPGs) convey benefits to the public of neighbouring states (see Sagasti and Bezanson 2001, Arce M. and Sandler 2002). While there is broad consensus on these categories, it is more problematic to distinguish between international public goods (IPGs) and global public goods (GPGs). Considering that Kaul, Conceição, Le Goulven, and Mendoza (2003, p. 61) define public goods as global if their “benefits (or costs) cut across countries in several regions and across current and future generations, and do not discriminate against any population group”, it becomes obvious that only few public goods de facto fall within this definition. Thus, instead of treating the terms IPGs and GPGs as synonyms, it seems reasonable to use the terms IPGs when referring to those public goods whose benefits can be felt beyond national boundaries but not completely globally in the sense of Kaul’s et al. definition (see also Morrisey, te Velde, and Hewitt 2002, p. 34).

In case of UN peace operations the spill-over range of public benefits derived from these operations varies as the externalities can range from the local to the global level. Apart from those benefits that are *privately* – i. e. locally or nationally – consumed by the conflict-ridden country into which an operation has been deployed (see below), UN peace operations can contribute to the maintenance of *regional* peace and stability, reduce the likelihood of unwelcome interventions by regional powers, promote stability for commercial and economic development interests in a region, and help to manage regional refugee problems (see Bobrow and Boyer 1997, pp. 726 f.). That is, UN peace operations produce positive regional externalities and nobody within a region can be excluded from consumption of these pure public outputs.

But UN peace operations can also yield *worldwide* purely public benefits: “[...] if successful [they, A.K.] provide an increased measure of world stability and security that benefits all nations – contributors and non-contributors – so that benefits are nonexcludable. Maintenance of world peace also yields nonrival benefits worldwide because one nation’s gain from world peace do not detract from other nations’ available gains.” (Khanna, Sandler and Shimizu 1998, p. 181) Moreover, UN peace operations can help curbing the international spread of crime and terrorism, preventing the spread of infectious diseases, fostering worldwide democracy, human rights and enhanced economic stability. In case of some of these outputs the international public consumption is indirect and may

well be of a somewhat smaller quantity than that consumed within the region. However, many (purely) public benefits of peace operations shift along a sliding scale between regional and international. Thus, it seems unhelpful to embrace absolute dichotomies – such as purely regional versus purely international – when referring to the public consumable outputs of UN peace operations.

Given the existence of purely public international benefits one could argue that UN peace operations represent *pure* IPGs (rather than GPGs because it is questionable if their benefits are completely global). But since there is evidence that UN peace operations also yield excludable benefits, it seems that they rather are *impure* than pure. The next section investigates this issue in greater detail.

#### II.4.3 UN Peace Operations as International Joint-Product Public Goods

The existence of several *private* benefits that nations can derive from the provision of UN peace operations already has been identified by a number of authors (see e. g. Bobrow and Boyer 1997; Khanna, Sandler, and Shimizu 1998; Sandler and Hartley 1999; Arce M. and Sandler 2002). Bringing the authors' findings together and adding some more examples the private – country-specific – outputs of UN peace operations at least can be classified into three different main types:

- Type 1: Conflict-country specific benefits refer to the private benefits that a conflict-ridden country receives from the deployment of a peace op-

eration within its borders. That is, the positive externalities generated by an operation are first and foremost consumed by the conflict-ridden country itself (or at least by the local community). Examples are:

- local and/or national peace and security (or at least lower levels of violence)
- national law and order
- reconstructed infrastructure
- free elections and keeping of human rights
- Type 2: Neighbouring state specific benefits refer to private benefits that a country gains with the end of a conflict in the country next to its borders. Examples are:
  - neighbourhood stability for a country whose proximity to the conflict represents special risks
  - enhanced trade flows and economic growth with return of political stability
- Type 3: Contributor specific benefits refer to private benefits that countries (and other actors) gain from supporting the deployment of UN peace operations. These benefits again can be classified into three sub-types:
  - a) Status enhancement for contributing countries being recognized as major promoter of world peace
  - b) Profit making from participating in UN peace operations
    - Some poorer countries channel the reimbursements for troop-contribution (see chapter III.2.3) into central coffers



while paying their troops much less

- Some keep equipment and supplies provided by the UN and in addition receive the benefits of experience and training
  - Some send troublesome military units and personnel to faraway places
  - Contracts for military and security companies employed by the UN to support its operations
  - Contracts for (I)NGOs and other relevant actors involved in activities related to UN peace operations (e. g. peace-building measures)
- c) Pursue of national political and economic interests by powerful states contributing to peace operations. Examples are:
- access to raw materials and primary commodities in the conflict-ridden country
  - security interests
  - serving the defense industry / arms sales

Recalling the subclasses of impure public goods provided in chapter II.1 of the present study it is obvious that UN peace operations represent an instance of activities with joint products – or put differently of international “joint-product public goods” (Sandler 2001, p. 190) – as they yield a mixture of regional/international purely public benefits and nation-specific benefits. According to Khanna, Sandler, and Shimizu (1998, p. 182) the joint product model “is a generalization of both the pure

public and private good models, including each as a special case”.

What does this mean for the provision and financing of UN peace operations? As we know from the classic economic theory of public goods, especially the provision of *purely* public goods is restricted by collective action problems (see Samuelson 1954; Olson 1971 [1965]). And, of course, in case of *purely global* public goods collective action yielding to adequate provision is even much more difficult. Instead, in case of activities with joint products, provision under certain circumstances can be expected to be more efficient – depending on whether excludable or purely public benefits are prevailing (see Sandler and Hartley 2001, pp. 876 ff.). Provided that excludable benefits are prevailing, “disproportionate burden shares need not result” (Sandler and Hartley 1999, p. 104). With regard to the financing of UN peace operations (notably peacekeeping) Arce M. and Sandler get to the heart of it: “Efficiency hinges on the ratio of excludable benefits (i. e., country-specific and club good outputs) to total benefits associated with peacekeeping. As this ratio nears one in value, so that all peacekeeping benefits are excludable, nations can be expected to support peacekeeping operations. If, however, the ratio is near zero, then peacekeeping benefits are primarily non-excludable and free riding is a greater concern.” (Arce M. and Sandler 2001, p. 58)

It goes without saying that the ratio of private to public benefits is difficult to measure directly. In this context Arce M. and Sandler note: “By examining the

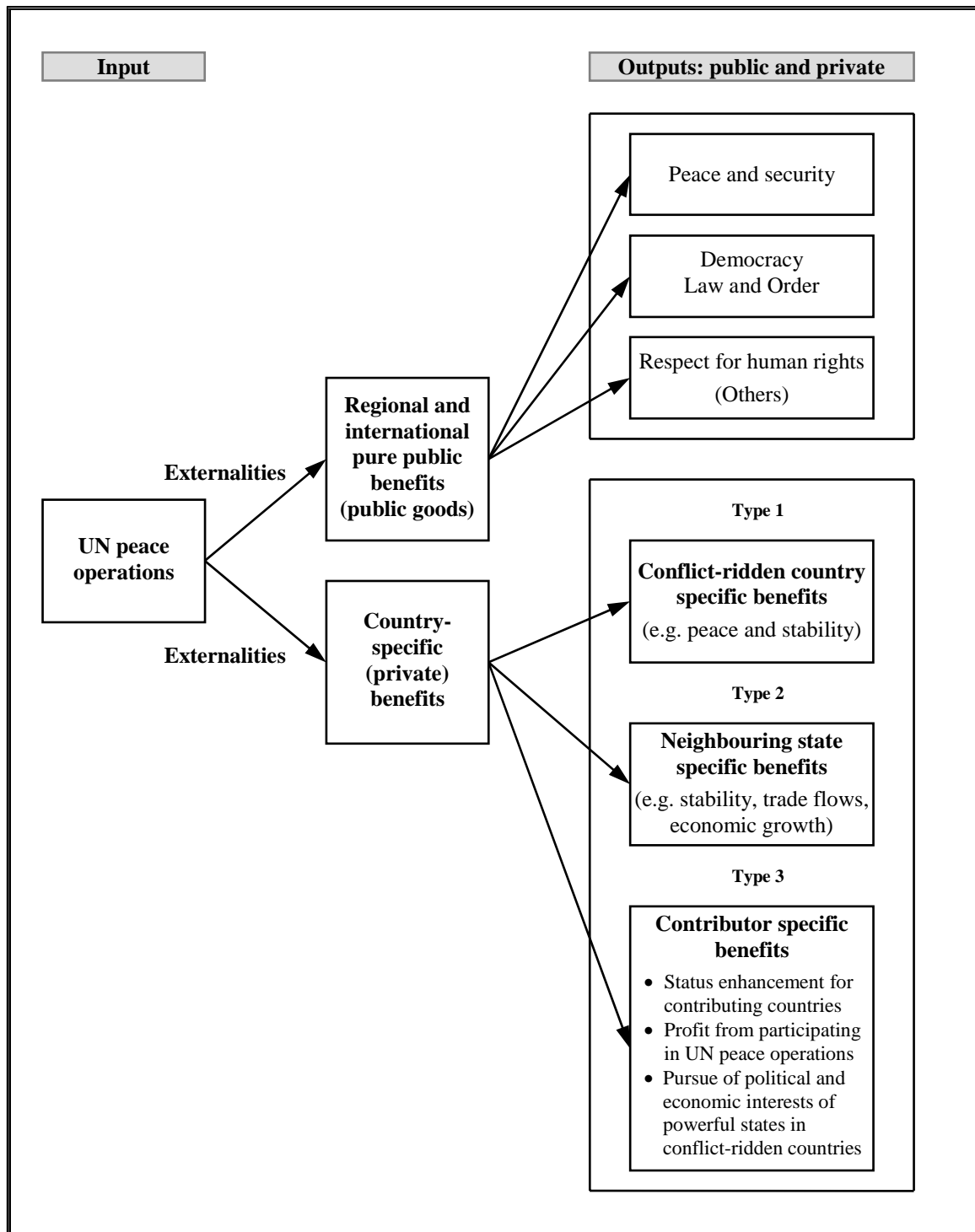
way in which peacekeeping burdens are actually carried, a researcher can infer something about the size of this ratio. If such burdens, as measured by the percentage of GDP devoted to peacekeeping, are disproportionately shouldered by the rich countries, then this suggests that the ratio is near zero, indicating mostly pure public benefits. If instead, peacekeeping burdens are not positively correlated with income, then the ratio is closer to one with a high proportion of excludable benefits.” (Arce M. and Sandler 2001, p. 58).

In two empirical analyses Khanna, Sandler, and Shimizu, (1998; 1999) have found evidence of a positive correlation between peacekeeping burdens and GDP suggesting that “rich countries are carrying a disproportionate burden for the poor countries in terms of the financing of peacekeeping and enforcement missions” (Khanna, Sandler, and Shimizu 1998, p. 192) – and thus indicating mostly purely public benefits. In other words, when considering UN peace operations as international joint-product public goods, the pure public good component is more dominant than the private one. Thus, even with regard to peacekeeping burden-sharing, there is evidence of Olson and Zeckhauser’s (1966) “*exploitation hypothesis*” (see above). But how are these findings to interpret? Do they suggest unfair burden-sharing on the costs of the richer countries as repeatedly expressed (implicitly, at least) by Sandler and others? And what about the issue that the rich countries also can be expected to be the main net-beneficiaries of the *purely public* outputs of UN peace operations, such as

global stability? We will be returning to these important questions in greater detail in the further course of the present study. Figure 4, again, illustrates the understanding of UN peace operations as international joint-product public goods. No doubt, the figure exclusively focuses on public and private *positive* externalities generated by UN peace operations. That apart, it must be borne in mind that these operations potentially can generate a number of *negative* externalities – or to put it differently, in some cases, UN peace operations can represent international public *bads*. It is well-known that there are examples of UN peace operations that turned out as insufficient, rather fostering conflict dynamics than promoting peace (see e. g. Debiel 2003). Thus, future analyses that approach the public good – or bad – character of UN peace operations must do this on a mission-by-mission basis. Nevertheless, the *theoretical model* as represented in figure 4 expresses the view that UN peace operations, if conducted appropriately (e. g. clear mandated, supported by sufficient political will and deployed with well-equipped and –trained personnel) rather have public good than public bad properties.

#### II.4.4 Beyond Publicness in Consumption

Up to here the present study exclusively has focused on the question of whether UN peace operations are purely public or mixed private and public *in consumption*. The foregoing has shown that publicness in consumption is limited in a twofold sense: *First*, from a *global*

**Figure 4: An international joint-product model of UN peace operations**

public good perspective the nonrival and nonexcludable benefits gained from UN peace operations (e. g. peace and security) rather are consumed regionally and internationally than globally. Thus, the present study treats peace operations as IPGs. Global publicness in consumption

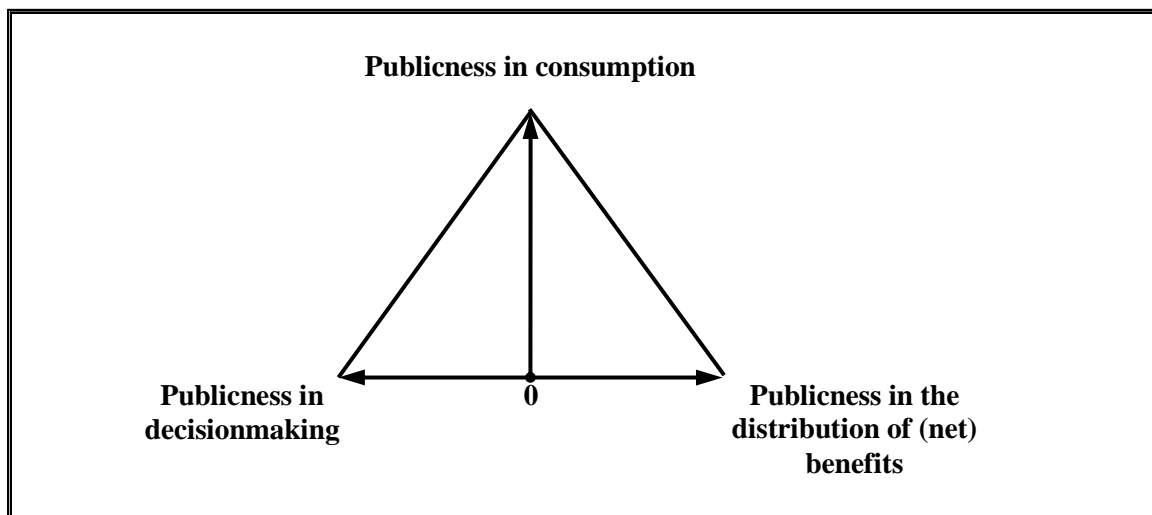
is not complete in the sense that the purely public benefits of UN peace operations are not consumable by all people around the globe. Rather the scope of nonrival and nonexcludable benefits is limited. *Second*, publicness in consumption is limited since UN peace

operations also yield benefits that are exclusive and rival “in nature” such as contracts for military companies cooperating with the UN.

However, focussing on the publicness in *consumption* only is one possibility (notably the most conventional) to assess a good’s publicness. As noted above, in two recent studies Kaul (2001) and Kaul and Mendoza (2003) draw attention to further two dimensions of publicness that are not part of the standard definition of public goods: “publicness in decisionmaking” and “publicness in the distribution of net benefits”. Thereby the

“equity of the distribution of benefits”, i. e. on “the extent to which various groups (consumers of the good) derive benefits” (publicness in the distribution of net benefits). These are often disregarded aspects, since many public goods are subject to public consumption but not to equitable distribution (e. g. because they have limited benefits for minority groups) and not a result of participatory decisionmaking. If all three dimensions of publicness are complete they result in an “ideal ‘triangle of publicness’” (Kaul and Mendoza 2003, p. 92) as represented in figure 5.

**Figure 5: Kaul’s ideal triangle of publicness**



Source: Kaul and Mendoza 2003, p. 92 (first in Kaul 2001, p. 16)

authors offer a new perspective based on the normative notions of ‘participation’ and ‘equity’ and ‘fairness’. According to Kaul and Mendoza (2003, p. 92) the publicness of a good does not only rely on the criterion of nonexclusiveness (publicness in consumption) but also on the “participatory nature” of the decisionmaking through which the good is selected and placed in the public domain (publicness in decisionmaking) and on the

The “triangle of publicness” serves as a simple framework for examining how various goods fare along the three dimensions: “The vertical axis measures publicness in consumption, the left side of the base publicness in decisionmaking, and the right side publicness (or equity) in the distribution of a good’s benefits.” (Kaul, Conceição, Le Goulven, and Mendoza 2003, p. 24) The ideal triangle represents a good with complete public-

ness in all three dimensions. If one or more dimensions of publicness are not complete, the shape of the triangle correspondingly will change.

What does the triangle look like if we apply it to assess the publicness of UN peace operations along the three dimensions? As already mentioned, publicness in consumption is limited so that the vertical axis has to be shortened. What about the left and the right side of the base? Is there evidence for full publicness in decisionmaking and in the distribution of benefits?

### **Publicness in Decisionmaking**

With regard to decisionmaking the answer certainly is no. According to the UN Charter the UN Security Council (as the organ with primary responsibility for maintaining peace and security) is the only entity which has the legal capacity to authorize UN *peacekeeping* operations (i. e. the use of force). It is well-known that, under the UN Charter, Member States are obliged to accept and carry out its decisions. Consequently, the UN General Assembly's role in matters of peace and security is subordinate to the Security Council. Its legal capacity, for example, is limited to the authorization of *non-military* political and peacebuilding missions. Put differently, decisionmaking on the essential issue of war and peace – of military intervention and the deployment of UN peacekeeping operations – is left up to fifteen Security Council members (with the Permanent Five (P5) enjoying a veto power), who hardly can claim to be the representatives of the international community. The UN Security Council, in its current

exclusive shape, clearly is lacking democratic, pluralistic and participatory decisionmaking on the question of when and where to deploy UN peace operations. As a consequence the deployment of UN peace operations remains subject to power politics and national interests of the P5. And above all it remains selective<sup>11</sup> yielding to *exclusiveness* in consumption.

Against this background it must be concluded that decisionmaking with regard to UN peace operations first and foremost is a matter of a handful of powerful states. Instead those countries into which peace operations are deployed often have limited access to decisionmaking. This imbalance does not only go for the highest decisionlevels. For example, the UN Department of Peacekeeping Operations (DPKO) – as the department responsible for the backstopping and support of peacekeeping operations at Headquarters – likewise is lacking publicness in decisionmaking – at least in a quantitative sense since only few UN Member States are represented at DPKO. The UN is aware of this problem and the General Assembly repeatedly has expressed its concern on this aspect.

### **Publicness in the Distribution of Benefits**

Do UN peace operations generate benefits that are subject to equal and fair distribution? Do the consumers of UN peace operations derive benefits to the

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<sup>11</sup> During the 1990s the Security Council, e. g. authorized military interventions in Iraq (1991), Somalia, Haiti, and Bosnia, but not in Sudan, Angola, and Myanmar.

same extent? Assumed that they are available for all to consume (which certainly is not true) insofar as each country ridden by a violent conflict can be expected to receive support by the UN, i. e. that peacekeepers are sent into its country. Then a possible question aimed at the publicness in the distribution of benefits could be whether the UN provides “an equitable quality of care” (Gilligan and Stedman 2003, p. 52) to the countries into which it deploys its troops. As a measure of the quality of UN peace operations Gilligan and Stedman (2003) have used their total costs (in million of US\$). If the UN lived up to its universal aspiration it could be expected to allocate (proportionally) equal amounts of resources to its missions. Based on a sample of nineteen peace operations deployed in five different world regions (see table 2) the authors instead have found evidence that the average cost of a mission in Europe was significantly higher than the cost of a mission in Africa, Latin America and the Caribbean, or the Middle East. Only the one mission in Asia was also quite expensive (see Gilligan and Stedman 2003, p. 52).

Of course the authors’ findings are preliminary and several things can be said about them. For example, it could be possible that missions in Africa and Latin America cost less simply because the missions in those regions required fewer resources. But if there really is evidence for “discrepant levels of UN funding by region” (Gilligan and Stedman 2003, p. 53), then this raises questions on the publicness in the distribution of benefits that various groups can derive from UN peace operations. The findings could indicate that, for example, consumers of UN peace operations in Africa cannot benefit from it to the same extent as consumers in Europe can because due to lower budgets peace operations in Africa do not yield the same amount of benefits as peace operations in Africa do. That is, both Africans and Europeans derive benefits of UN peace operations but the distribution of benefits is unequal.

### Assessment

Bringing the findings together it seems that all three dimensions of publicness are not complete. Even if the findings presented here are preliminary and re-

**Table 2: Peace operations costs by region**

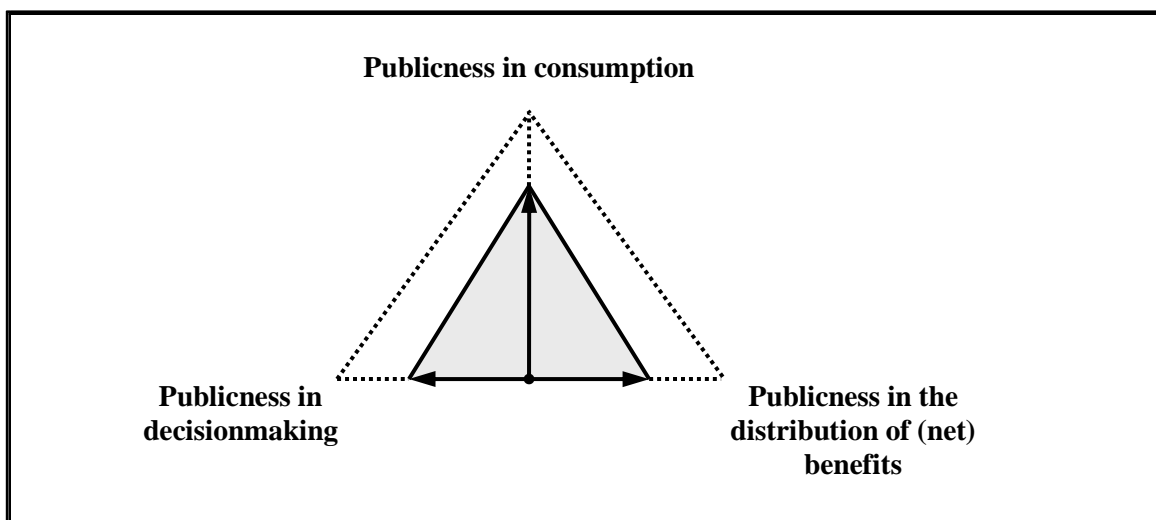
	Observed	Mean	SD	Minimum	Maximum
Full Sample	19	591.44	1101.53	4.57	4642.83
Africa	8	480.24	5550.42	16.40	1686.42
Europe	3	1583.66	2649.45	27.04	4642.83
Asia	1	1620.96	--	1620.96	1620.96
Latin America & Caribbean	5	196.07	185.16	4.57	443.41
Middle East	2	21.55	12.99	12.37	30.74

*Source: Gilligan and Stedman 2003, p. 53*

quire further research – especially the use of empirical data – one could argue that in case of UN peace operations incomplete publicness in consumption is matched by incomplete publicness in decisionmaking and in the distribution of benefits. Thus, the present study suggests a “triangle of publicness” (Kaul 2001) in the following shape:

dimension criteria it became obvious that the spill-over range of benefits generated by UN peace operations varies: UN peace operations are international produced public goods with local-international purely public outputs as well as private local-international outputs. The application of Kaul’s (2001) “*triangle of publicness*” to UN peace operations demonstrated that incomplete

**Figure 6: Kaul’s ideal triangle of publicness applied to UN Peace Operations**



The broken lines represent Kaul’s ideal triangle of publicness characterized by complete publicness in all three dimensions. In contrast, the continuous lines illustrate the shape of the triangle for UN peace operations. All three dimensions of publicness are not complete. This, however, does not mean that publicness is non-existent.

## II.5 Résumé

The present chapter investigated the (international) public good character of UN peace operations. It classified UN peace operations by a number of different criteria. With regard to non-excludability and non-rivalry criteria it subscribed to Sandler’s understanding of peace operations as international “joint-product public goods” (Sandler 2001, p. 190). According to “goals vs. means criteria” (Sagasti and Bezanson 2001, p. 167) the chapter presented an intermediate public good model of UN peace operations. By applying the spill-over

publicness in consumption is matched by incomplete publicness in decisionmaking and in the distribution of benefits. Recalling Kaul and Mendoza’s (2003) two-level definition of public goods given in chapter II.1 of the present study, a final question is whether UN peace operations represent goods that only have “a special potential for being public” or “de facto” international public goods. Hitherto, the present study treated each single operation as a public good. Doing so, one could argue that, once an operation is deployed generating benefits available for all to consume, it is *de facto* in the

public domain. But when considering the principle provision of all UN peace operations as one international public good, then it must be concluded that this good is *de facto not* in the public domain since countries in need are excluded from consumption of the good.

### III. Inventory of International Mechanisms and Tools for the Financing of UN Peace Operations

Given these critical findings on UN peace operations as international public goods the overall objective of this chapter is to take a detailed look at the *financing* of international cooperation underlying their provision. The foregoing already illuminated some of the essential features of burden-sharing. From an incentive perspective we know that the provision of UN peace operations is restricted by collective action problems, consequently they tend to be undersupplied. But how does the international public financing system for these operations exactly look like? What financial reforms have been initiated and which financing arrangements have been created by the UN to help foster better allocation of resources to improve the provision of UN peace operations? To what extent did reforms related to the arrangements in place had an impact on the burden sharing among UN Member States? As was pointed out in the introduction to this study the knowledge about these issues is still fragmented and incomplete and requires further research. Thus, the overall objective of this chapter is to provide a comprehensive and systematic analysis – an “inventory” – of the several existing international financ-

ing arrangements created by the UN to finance the resource requirements of UN peacekeeping operations as well as of UN political and peace-building missions.

#### III.1 Methodological Remarks

The methodology presented in this chapter follows the framework of Conceição (forthcoming in 2005)<sup>12</sup>, which developed an inventory of mechanisms and tools that support the financing of international cooperation. According to Conceição the arrangements on which the subsequent examination will focus on can be classified into different main categories of financing arrangements depending on their objective and structure:<sup>13</sup>

- (a) *international financing mechanisms* which are run and funded by more than one country have a concrete organizational structure, collect and channel resources to international cooperation purposes, and are considered as *financial intermediaries*, when they collect and disburse money – or as *regulatory financing mechanisms* when they only collect

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<sup>12</sup> Conceição, Pedro. Forthcoming in 2005. “An Inventory of Financing Mechanisms and Tools.” In Inge Kaul et al., eds., *The New Public Finance: Responding to Global Challenges*. New York: Oxford University Press.

<sup>13</sup> While the definitions of financing “mechanisms”, “tools”, and “principles” are adopted from Conceição, the category and definition of *financing methodologies* is given by the author. The author thanks Inge Kaul (Director) and Pedro Conceico (Deputy Director) of UNDP’s Office of Development Studies (ODS), New York, for their useful comments and for being allowed to make use of their theoretical considerations.



money and when the result of their activities directly affect the nature of level of funding.

- (b) *international financing tools* which can be understood as abstract principles used as policy-making instruments to mobilize or influence the allocation of resources.
- (c) *financing methodologies* which determine the burden-sharing among actors using the mechanisms and tools, often are concrete formulae based on fundamental *financing principles* that reflect notions about fair burden-sharing such as “ability to pay” or “beneficiary pays”, are used to calculate the amounts of contributions, disbursements and reimbursements.

According to its composition table 3 assigns each of the financing arrangements to be explored in this chapter to one of the main categories. Moreover, the table names their date of creation and if possible, the legislative mandate by which they were established. As can be derived from this listing the examination focuses on both: (a) UN *core-budgetary* financing mechanisms, which are regular components of the UN’s financing and mainly receive their income from assessed contributions of Member States, and (b) *non-core budgetary*, funding mechanisms (trust funds) and tools (cost-sharing, parallel financing) which enable the allocation of voluntary contributions to (specific activities and programmes related to) UN peace operations. The different voluntary funding arrangements that have arisen over the years play a considerable role in the financing of UN peace operations – especially of those

with a peace-building alignment – and therefore are likewise subject to the subsequent analysis.

Apart from the main financing arrangements currently “in operation” to financially support UN peace operations the examination, if necessary, also draws attention to those arrangements which were applied in the past but turned out to be insufficient, and to those which are of relevance because they are closely intertwined with the main ones (such as the UN regular budget scale of assessments, on which the peacekeeping scale of assessments builds up).

Factual information on each of the mechanisms, tools, and methodologies, including important UN internal reform processes related to them, are mainly gathered from the extensive analysis of a wide range of corresponding United Nations Documents. Information on voluntary co-financing arrangements are mainly drawn from documents and Internet websites of those United Nations system partners most frequently using these arrangements to complement the peacekeeping and –building strategies of the UN Secretariat, such as UNDP and the World Bank. The information which is necessary to complete the picture of the respective arrangements, but not given in the publicly available sources, is drawn from interviews by the author conducted at the Financial Management Office of the UN Department of Administration and Management and the UN Department of Peacekeeping Operations (DPKO), New York. Apart from that the analysis, if possible, builds up on relevant secondary literature.

Table 3: Categorization of financing arrangements used to support UN peace operations

Financing Arrangement	Purpose	Date of Creation/ authorized by	Categorization
<b>Peacekeeping Assessment Accounts</b>	Collect and disburse contributions of UN Member States to peacekeeping operations. Reimburses troop-contributing countries. One account for each operation. Assessed contributions of Member States to it are in addition to UN regular budget assessments.	A/RES 3101 (XXVIII) of 11 December 1973	Financing Mechanisms
<b>Ad Hoc Peacekeeping Scale of Assessments (1973-2000)</b>	Financing methodology for assessing the contribution rates of Member States to the peacekeeping accounts. Assigns each Member State a fixed share of the annual costs of peacekeeping operation. Apportions the costs among four groups of members according to the principle of "ability to pay" (based on GDP and the level of external debts) and UN privileges.	A/RES 3101 (XXVIII) of 11 December 1973	Financing Methodology (principle)
<b>Scale of assessment for the apportionment of the expenses of United Nations peacekeeping operations (since 2000)</b>	Replaced the old scale for the same purpose. Distributes Member States among ten different contribution levels (from level A to J) according to their average per capita GNP in relation to the average per capita GNP of all Member States ("ability to pay") and UN privileges.	A/RES/55/235 of 23 December 2000 A/RES/55/236 of 23 December 2000	Financing Methodology (principle)
<b>Peacekeeping Reserve Fund</b>	Cash flow mechanism to ensure rapid start-up funding of new or expanding peacekeeping operations before assessed contributions are received.	A/RES/47/217 of 23 December 1992	Financing Mechanism
<b>Support Account</b>	Financing of human and non-human resource requirements for backstopping and supporting peacekeeping operations at Headquarters.	A/RES/45/258 of 3 May 1991	Financing Mechanism
<b>Trust Funds</b> (in support of UN peace operations)	Extra-budgetary, voluntary funding of activities related to UN peace operations.	First established in 1989 ("Trust Fund in Support of United Nations Peacemaking and Peacekeeping Activities").	Financing Mechanisms
<b>Cost-Sharing</b> (in support of UN peace operations)	Extra-budgetary, voluntary funding of activities related to UN peace operations.	Since the 1990s	Financing Tool
<b>Parallel Financing</b> (in support of UN peace operations)	Extra-budgetary, voluntary funding of activities related to UN peace operations.	Since the 1990s	Financing Tool

The subsequent examinations do not only provide neutral fact-based information, but also assess the performance of each of the financing arrangements. If reasonable, interpretations are already given in the descriptions. Moreover, each description is followed by a final assessment which draws attention to critical aspects and weak points and, if need be, offers recommendations for further improvements. Following the conceptual framework of Conceição (forthcoming in 2005) the subsequent list provides an overview of some of the most important aspects that will be addressed in each arrangement's analysis.<sup>14</sup> Thereby the focus of examination varies depending on whether the arrangement is a mechanism, tool, or methodology:

- I. *History* [date of creation; context of creation, i. e. created on whose initiative; actor/body/legislative mandate by which it was established]
- II. *Purpose and Role* [main objectives of the arrangement; description of how it works; redefining of purpose (when, why and how?); organizational context (actors, members, departments involved, attached to which organizational unit/used by whom); equity considerations and transfers vs. better allocation of resources to public goods; *regarding*

*tools*: how does it influence resource allocation?]

- III. *Modalities of operation* [general modalities for the use of the arrangement; budgetary process; resource aspects: *resource collection process* (the way how funds do flow into the *mechanisms*, underlying financing principle, main contributors, sources of funds, amount of funds generated); *resource disbursement and/or reimbursement process* (procedures and criteria for authorizing disbursements and allocating funding, allocation to whom and for which purpose, procedures of how actors get access to the use of the arrangement); general aspects of management, authority and governance; resource collection and disbursement problems]
- IV. Applications [tool: examples where it has been applied]

This list of aspects is not exhaustive; rather does it serve as an orientation by illustrating the main dimensions to be considered in evaluating the different financing arrangements in support of UN peace operations.

### III.2 Peacekeeping Assessment Accounts

Although peacekeeping is not specifically mentioned in the United Nations Charter, the Charter gives the UN Security Council primary responsibility for the maintenance of international peace and security. The Council, therefore, creates and defines peacekeeping operations. To finance these operations, instead, is the collective responsibility of *all* UN Member States – based on Arti-

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<sup>14</sup> Different from Conceição's research that is limited to the provision of "profiles" of a variety of mechanisms and tools that support the financing of international cooperation in different policy fields, the examinations of the financing arrangements in this chapter go beyond that approach as they are more interpretative in nature.

cle 17, paragraph 2, of the UN Charter which specifies that “the expenses of the Organisation shall be borne by the Members as apportioned by the General Assembly”.

Before a General Assembly resolution in 1973 requested the Secretary-General to open *separate accounts*<sup>15</sup> for each UN peacekeeping operation, which were to be financed by special assessed contributions from Members States on the basis of a *scale of assessments* different from that for UN regular budget assessments, the General Assembly, in the early years of the organization, repeatedly decided provisions for peacekeeping operations should be made in the regular budget since this was the only method in use at the time to finance the activities of the Organization (see Mills 1990). When the UN was facing new and more expensive operations in subsequent years, this funding method turned out as insufficient.

In need of finding alternatives peacekeeping then was funded on a mission-by-mission-basis by: assessed contributions on the basis of different *ad hoc* approaches; temporary solutions due to Member States’ withholdings of such assessed contributions like *issuing bonds*, using an UN internal *Working Capital Fund*, and establishing a *Special Account* to collect voluntary contributions from those Members which refused to pay their assessed contributions; and

payments which the parties most directly concerned were obliged to pay<sup>16</sup>.

The history of the different efforts by the UN to arrive at an equitable and practical way of financing UN peacekeeping operations is a protracted one. It is characterized by numerous setbacks and financial disputes among UN Member States and demonstrates the collective action problem underlying the provision and financing of UN peace operations as a public good.

The search for alternative funding methods in peacekeeping financing during the 1950s and 1960s has been succinctly chronicled by Mills (1990), Durch (1993), Mc Dermott (1994a; 1994b), and Laurenti (2001). As Mills reports the costs of the first two peacekeeping operations established – the United Nations Truce Supervision Organization (UNTSO) in 1948 and the United Nations Military Observer Group in India and Pakistan (UNMOGIP) in 1949 – were covered by the regular budget. While no other operation was established until 1956, the General Assembly experienced with different financial arrangements in connection with the establishment of the first United Nations Emergency Force (UNEF I) in 1956 and the United Nations Operation in the Congo (ONUC) in 1960. At a time when

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<sup>15</sup> The term “accounts” is defined by the UN as the “official records of the income, expenditures, assets and liabilities of each peacekeeping operation” (UN Doc. A/57/764, para. 2).

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<sup>16</sup> This approach was applied only twice: *first*, to cover the costs of the United Nations Yemen Observation Mission (UNYOM) which were borne by Egypt and Saudi Arabia and *second*, to cover the costs of the United Nations Temporary Executive Authority/United Nations Security Force in West Guinea (UNTEA/UNSF) which were shared by Indonesia and the Netherlands (see Mills 1990, p. 91).

UN Member States already refused to pay their assessed contributions to the regular budget (see Mills 1990, p. 93; also Mendez 1999, p. 401) alternative financing included meeting the costs outside the regular budget, but apportioning them on the basis of regular assessments (as was used initially for UNEF I), using variants of the regular assessments for part of the costs and sliding scales taking the financial burden from the poorer countries (as was used at a later stage for UNEF I and then for ONUC), and meeting all costs from voluntary contributions<sup>17</sup> (see Mills 1990, pp. 93 ff., Mc Dermott 1994a, p. 173, UNA-USA 1997, p. 35).

Because Member States were unable (or unwilling) to reach consensus on how to meet the costs for UNEF I and ONUC, many of them did not pay their assessments under these arrangements.<sup>18</sup> Oth-

ers, namely the newly independent developing countries, “fell into delinquency on their rapidly spiralling peace-keeping bills” as their national budgets could not “absorb the shock of unplanned special assessments for peace-keeping missions” (Laurenti 2001, p. 31). Thus, starting in 1960, the UN experienced its first genuine cash crisis precipitated by peacekeeping operations. In October 1960 the Secretary-General was compelled to meet the main costs of ONUC from the *Working Capital Fund* (WCF) which was established in 1946 as a form of cash reserve to cover regular budget expenditures, i. e. to meet the Organization’s day-to-day expenditures when contributions to the regular budget are late. Starting with ONUC the WCF has been repeatedly *misused* as a cash reserve to meet early “unforeseen” and “extraordinary” expenses of new peace operations until the *Peacekeeping Reserve Fund* (see below) was established in 1992 for the same purpose exclusively.<sup>19</sup>

<sup>17</sup> The only peacekeeping operation that ever was financed wholly by voluntary contributions is the United Nations Peacekeeping Force in Cyprus (UNFICYP) established in 1964. Its costs have been shouldered by the government of Cyprus, the troop-contributing states and by other voluntary donations. Given the uncertain nature of voluntary contributions this type of financing is unlikely to be used another time (see Mills 1990, p. 100; also McDermott 1994a, p. 177). Moreover, it became evident that voluntary contributions were insufficient to cover all the costs of UNFICYP, assessments were applied to this mission in the 1990s, too (see e. g. UN Doc. A/57/838).

<sup>18</sup> It goes without saying that the delinquency of some Member States with regard to their assessed obligations was also a symptom of the overall world political crisis at that time. This especially serves for ONUC. Moreover, there is no doubt that Member States have specific objections to particular missions. Thus, Arab states refused to contribute to UNEF which was deployed in response to the Suez Crisis.

<sup>19</sup> The term “Unforeseen Expenses” means expenses “arising from, or identical to, the carrying out of a programme in accord with General Assembly approved policies, which expenses were not foreseen when estimates were made”. The term “Extraordinary Expenses” means expenses “for items or objects outside the scope of the budget estimates, i. e. outside the programme on which the estimates were based.” (UN Doc. A/RES/68 (1)). Since the 1960s the financing of start-up needs of new operations was defined as an unforeseen and extraordinary expenditure (see Mills 1990, p. 98 f.; McDermott 1994a, p. 174). Assessments of advances of Member States’ to the WCF were made in accordance with the UN regular scale of assessments. The limited reserves of the WCF were temporarily exhausted by mid 1991 and the UN was ironically forced to cross-borrow funds from the peacekeeping accounts (see below) to meet

At the end of 1961 when the Organization “was facing imminent bankruptcy” (Mills 1990, p. 97) the General Assembly authorized the Secretary-General, as a temporary solution, to issue bonds up to an amount of US\$ 200 million to pay for ONUC. By including a provision in the regular budget the interest and principal of these bonds have been repaid over a twenty-five year period beginning in 1963. Mills critically notes that the bond issue in turn caused a new kind of financial crisis as those Member States which were unwilling to pay for UNEF I and ONUC “began also to withhold a portion of their assessed contributions to the regular budget, in amounts which they considered represented their proportionate share of the repayment of the bond issue” (Mills 1990, p. 97). Even if indirectly the UN regular budget once again was used to finance peacekeeping operations.

Though unable to agree on an appropriate formula which stipulates *in detail* how the financial burdens of future peacekeeping operations should be shared among Member States, in 1963 the General Assembly adopted the resolution 1874 (S-IV) that, for the first time, specifically linked permanent membership on the Security Council with the financing of peace operations while specifying the distinctive principles for establishing a *special peacekeeping scale*:

a) “Whereas the economically more developed countries are in a position to make relatively larger contribu-

tions, the economically less developed countries have a relatively limited capacity to contribute towards peace-keeping operations involving heavy expenditures;

- b) Without prejudice to the principle of collective responsibility, every effort should be made to encourage voluntary contributions from Member States;
- c) The **special responsibilities of the permanent members of the Security Council** [A.K.] for the maintenance of peace and security should be borne in mind in connection with their contributions to the financing of peace and security operations;
- d) Where circumstances warrant, the General Assembly should give special consideration to the situation of any Member States which are victims of, and those which are otherwise involved in, the events or actions leading to a peace-keeping operation.” (UN Doc. A/RES/1874 (S-IV) of 27 June 1963)

It took more than ten years until the General Assembly settled on a formula consistent with these principles: On 11 December 1973, the General Assembly adopted resolution 3101 (XXVIII) on the financing of UNEF II. The resolution asked the Secretary-General to set up an *Assessment Account* outside the regular budget to cover the costs of UNEF II. As an “ad hoc arrangement” Member States were assessed according to a special scale that assigned each member a fixed share of the annual costs of the operation (UN Doc A/RES/3101 (XXVIII)).

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regular expenditures (see UNA-UK 1999, p. 2).

### III.2.1 Ad Hoc Peacekeeping Assessment Scale 1973-2000

The methodology of this scale – as adopted by the General Assembly on the advice of the UN Committee on Contributions<sup>20</sup> – goes back to a proposal of 37 developing states which the United States and other Western Countries agreed to as a “compromise of a compromise” (US Department of State 2000). Originally intended to serve as a temporary solution for the financing of UNEF II exclusively, it turned out to be durable for the next 27 years and became the model for almost all peacekeeping operations until 2000. While the peacekeeping scale of assessments was reformed in that year the practice to establish a separate assessment account for each peacekeeping operation has remained until today.

As represented in box 1 the first scale divided the then 135 Member States into four groups, according to UN privileges (permanent membership of the Security Council) and *ability to pay*<sup>21</sup>, based on gross domestic product (GDP) as well as the level of external debts for smaller states: (A) the five permanent members of the Security Council; (B) 23 economically developed countries, not permanent members of the Security Council; (C) 82 economically less de-

veloped states; and (D) 25 economically less developed states (see UN Doc A/RES/3101 (XXVIII)). In its resolution the General Assembly also decided that (1) 63.15 percent of the total appropriated should be apportioned among group A in proportions determined by the regular scale of assessments then applicable; (2) 34.78 percent of the total appropriated should be apportioned among group B; (3) 2.02 percent of the total costs should be apportioned in proportions determined by the scale of assessments among group C; and (4) 0.05 percent should be proportionally apportioned among group D.

#### Box 1: Ad Hoc Peacekeeping Assessment Scale 1973-2000

Contributions from Member States to the *Peacekeeping Assessment Accounts* are assessed according ability to pay, based on gross domestic product (GDP) as well as the level of external debts for smaller states. Moreover, the permanent members the Security Council are assessed on a higher rate because of their “special responsibilities” for the maintenance of peace and security.

This is translated into a graded scale:

- Group A (the five permanent members of the Security Council) pays 63.15 %
- Group B (developed countries, not permanent members of the Council) pays 34.78 %
- Group C (wealthier developing countries) pays 2.02 %
- Group D (specifically identified less developed countries) pays 0.05

These assessed payments are in addition to regular budget assessments for membership.

Note: Between 1973 and 2000 the relative shares of the total costs shifted among the four groups but the basic arrangements remained.

Sources: UN Doc A/RES/3101 (XXVIII); UN Doc. A/RES/1874 (S-IV); Mills 1990; UNA-UK 2001; Arce M. and Sandler 2002

<sup>20</sup> The Committee on Contributions was established by the General Assembly in 1946 as a group of experts that, among other things, advises the General Assembly on the apportionment among UN members of the expenses of the UN. Its 18 members are elected by the General Assembly and serve for three years in their personal capacity.

<sup>21</sup> Some authors synonymously use the term *capacity to pay*.

By comparing Member States' peacekeeping assessments under this formula with their regular budget assessments the main effects of the "ad hoc" scale become evident: while in relation to regular budget assessments the charges on the five permanent members were increased the burden of dollar costs borne by group C and D were reduced significantly. This is demonstrated in table 4 by contrasting the proportions of the total costs of UNEF II which were assigned to each of the four groups with the proportions of regular budget assessments at that time.

tries paid about 10 percent more than their regular budget assessments whereas group B countries paid contributions equivalent to their regular budget assessments. Group C countries paid about one fifth their regular budget assessments whereas group D countries paid one tenth their regular budget assessments (see also Durch 1993, p. 46; Khanna, Sandler, and Shimizu 1998, p. 180). As mentioned in box 1 over the years there were some changes regarding Member States' relative shares of the annual costs of peacekeeping operations but without having an impact on group D

**Table 4: Ratio of UNEF II assessments to regular budget assessments in 1973**

	UNEF II Assessments (percent of total)	Regular Budget Assessments in 1973 (percent of total)
Group A	63.15	54.64
Group B	34.78	34.78
Group C	2.02	10.08
Group D	0.05	0.50

Source: after Mills (1990), p. 101

The majority of UN members received discounts of 80 percent (group C) and 90 percent (group D) whereas the five permanent members of the Security Council were assigned to pay a premium to offset the discounts given to group C and D. Instead, the countries in group B were designated to pay their regular budget contribution percentages. Put differently: On the basis of this financing methodology which was the model for all peacekeeping operation established between 1973 and 2000<sup>22</sup> group A coun-

tries. This is mainly due to the fact "that the methodology by which the General Assembly divides the total costs of peacekeeping operations among the four groups is consciously designed to produce a substantial reduction in the dollar amounts to be borne by the less and least economically developed member states. Thus, even though the number of member states in Group D has virtually doubled since 1973, the part of peacekeeping costs to be shared by that group has been maintained at 0.05 percent." (Mills 1990, pp 101 f.)

<sup>22</sup> Except the United Nations Good Offices Mission in Afghanistan and Pakistan (UNGOMAP).

As a consequence the shares of costs continuously shifted to the permanent



members of the Security Council (group A) so that in 1997 the U.S. under this apportionment was assessed nearly at a 31 percent share of total peacekeeping costs (see UNA-USA 1997, p. 36). Among the 189 UN Members in 2000 98 percent of the costs were borne by 30 Members with the other 159 collectively paying 2 percent. All group A countries together paid more than 75 percent of the expenses (see US Department of State 2000).

Considering this “disproportionate burdens” (Sandler and Hartley 1999, p. 101) the permanent five repeatedly complained about the size of its assessed contributions and as early as in 1997 the U.S. Congress insisted that it no longer would pay “any peacekeeping bill in excess of 25 percent of a mission costs” (UNA-USA 1997, p. 36). A typical argument raised at that time was: “In the absence of any established criteria, the assignment of peacekeeping discounts to UN Members is totally arbitrary, and frequently based upon anecdotal evidence.” (US Department of State 2000).

Even if that is a one-sided argument not reflecting the United States’ withholdings of assessed contributions<sup>23</sup> and its low personnel participation in UN peace operations it can not be denied that the use of the scale for the purpose of assessments indeed was not always objective over the years. Some countries were classified as “economically less developed” (while receiving 80 percent dis-

counts) though they actually would have had a greater “ability to pay” if more objective criteria had been applied by the General Assembly. The fact that countries with high per capita incomes like Brunei and United Arab Emirates (with 1998 per capita incomes of US\$ 18.038 and US\$ 16.666 respectively) (see Laurenti 2001, p. 34) and newly industrializing countries like Singapore were classified as group C countries shows clearly that the relationship between national income and peacekeeping financial obligations was far from being perfect. For that reason the methodology of the scale was subject to controversial debates among UN Member States and has been critically reviewed by a variety of policy analysts (see e. g. Bobrow and Boyer 1997; Khanna, Sandler and Shimizu 1999). When above-mentioned “high income ‘developing’ countries” (Laurenti 2001, p. 34) found themselves under growing pressure from Washington as well as from some developing countries willing to change the methodology of the scale the time for reform had come.

### III.2.2 Peacekeeping Assessment Scale Established in 2000

After 27 years the General Assembly reformed the methodology for apportioning the expenses of peacekeeping operations by its resolution 55/235 of 23 December 2000, replacing the ad hoc arrangement as described above. A new scale titled “*Scale of assessments for the apportionment of the expenses of United Nations peacekeeping operations*” was adopted. Likewise the old scale, the new one is based on the scale of assessments for the UN regular budget (“Scale of

<sup>23</sup> Since the 1990s the U.S. has withheld payments to negotiate down its percentage of assessments to the peacekeeping accounts that stood at roughly 31 percent (see chapter III.2.2).

assessments for the apportionment of the expenses of the United Nations”) as it offers less and least developed countries discounts from their regular rates of assessments.

According to the resolution “all discounts shall be borne on a pro rata basis by the permanent members of the Security Council” (UN Doc A/RES/55/235, para. 6). Reflecting the principles specified in its resolution 1874 (S-IV) of 27 June 1963 (see above) the General Assembly decided on the parameters of a new set of 10 levels for Member States to be implemented on a three-year basis beginning on 1 July 2001. Thereby the apportionments range from a premium payable by permanent Member States of the Security Council (Level A) to a 90 percent discount for least developed countries (Level J). That means least developed countries still pay for peacekeeping a rate that is a tenth of their regular budget share. Those high income countries which formerly received 80 percent discounts – namely Brunei Darussalam, Kuwait, Qatar, Singapore and United Arab Emirates – were classified into a separate level (level C) and receive a “nominal” discount of 7.5 percent from their regular rate of assessments, “allowing them still to claim to be part of the developing world” (Laurenti 2001, p. 35).

The placement of Member States in levels B and D to I was based on the *average per capita gross national product (GNP)* of each Member State during the six-year base period 1993-1998<sup>24</sup> in

*relation* to the corresponding *average per capita* GNP of all Member States which was US\$ 4797 (see UN Doc. A/RES/55/235, para. 12). Each of these levels prescribes the rate of discount that is accorded to Members States for peacekeeping assessments, *relative* to their assessments for the regular budget. The thresholds resulting from the calculation were applied for the period 1 July 2000 to 31 December 2003 as the resolution requested the Secretary-General “to update the composition of the levels [...] on a triennial basis, in conjunction with the regular budget scale of assessments reviews, in accordance with the criteria established [in the resolution, A.K.]” (UN Doc. A/RES/55/235, para. 15).

In his report of 15 July 2003 (UN Doc. A/58/157) the Secretary-General responded to that request and provided information on *changes* in the peacekeeping levels of Member States based on an average per capita gross national income (GNI) during the period 1996-2001.<sup>25</sup> According to the report the use of per capita GNI instead of per capita GNP for the purpose of assessing Member States’ shares of peacekeeping costs during 2004-2006 is due to changes in the performance of statistics: “...the concept of GNP in the System of Na-

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2003 as well as for preparing the peacekeeping scale of assessments 2001-2003 (see UN Docs. A/RES/55/5 B-F and A/RES/55/235).

<sup>25</sup> For the purpose of updating the composition of peacekeeping levels for the triennium 2004-2006 the Secretary-General has used the same data as the Committee on Contributions in considering the regular budget scale of assessments for the period 2004-2006 (see UN Doc. A/58/157, para. 6).

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<sup>24</sup> This base period was used for preparing the regular budget scale of assessments 2001-

tional Accounts, 1968 has renamed GNI in the System of National Accounts, 1993 but this is just a refinement of product and income concepts and does not entail a change in the actual coverage of the concept.” (UN Doc. A/58/157, para. 6). This calculation, however, resulted in an average per capita GNI of all Member States amounting to US\$ 5094 and, correspondingly, in new thresholds on the levels D to I. The updated composition of peacekeeping levels was approved by the General Assembly in its resolution A/RES/58/256 of 11 February 2004.

Box 2 highlights the main elements of the new peacekeeping assessment scale established in 2000 while taking into account the changes made for the scale period 2004-2006.

As a result of the adoption of the new peacekeeping scale of assessments the United States could reduce its percentage of assessments from 31 percent to under 27 percent of each peacekeeping operations' total costs. That was the minimum condition Washington had negotiated when the new scale was outlined, even if it still seeks to further reduce peacekeeping assessments to 25 percent (see UNA-

**Box 2: Methodology of the Peacekeeping Assessment Scale established in 2000 (with updated composition of contribution levels for the scale period 2004-2006)**

- For the purpose of apportioning the costs of peacekeeping operations UN Member States are distributed among ten different levels (from level A to level J) according to ability to pay and UN privileges:
- **Level A:** permanent members of the Security Council; pay assessments equivalent to their regular budget assessments plus a *surcharge* calculated on the reallocation of the remaining costs after discounts to poorer countries have been made.
- **Level B:** Developed countries, not permanent members of the Security Council; pay assessments equivalent to their regular budget assessments and receive *no discount* (all Member States not included in level A and C-J).
- **Level C:** Specified “high income developing countries” (Brunei Darussalam, Kuwait, Qatar, Singapore and United Arab Emirates); pay the same rate as regular dues minus a *discount of 7.5 %*.
- **Level D-I:** less developed countries (except level A, C and J contributors); receive different discounts from their regular budget rate of assessments, based on their average per capita GNI in relation to the average per capita GNI of all Member States (= US\$ 5094 based on 1996-2001 figures - for assessments in 2004-2006):
  - Level D: Member States with per capita GNI less than 2 times the average for all Member States (threshold for 2004-2006: under US\$ 10188): *20 % discount*
  - Level E: Member States with per capita GNI less than 1.8 times the average for all Member States (threshold for 2004-2006: under US\$ 9169): *40 % discount*
  - Level F: Member States with per capita GNI less than 1.6 times the average for all Member States (threshold for 2004-2006: under US\$ 8150): *60 % discount*
  - Level G: Member States with per capita GNI less than 1.4 times the average for all Member States (threshold for 2004-2006: under US\$ 7131): *70 % discount*
  - Level H: Member States with per capita GNI less than 1.2 times the average for all Member States (threshold for 2004-2006: under US\$ 6112): *80 % discount (or 70 % on a voluntary basis)*
  - Level I: Member States with per capita GNI less than the average for all Member States (threshold for 2004-2006: under US\$ 5094): *80 % discount*
- **Level J:** Least developed countries; receive *90 % discount* and thus pay only 10 percent of their regular budget share.

Sources: UN Doc. A/RES/55/235; UN Doc. A/RES/58/157; UN Doc. A/RES/58/157/Add.1

UK 2000; Barrett 2004, p. 32). The new rates consequently require other *developed* states to pay more in order to compensate the reductions for the United States.

Under the new arrangement, however, the apportionment of peacekeeping expenses better reflects the wealth of UN Member States, especially of those assigned to level C. At the same time it still takes into account the reality of many developing countries and their limited capacities to contribute. Put differently, under the new scale only those countries are assessed higher which *de facto* have the capacity to do

so. Moreover, it is to judge positively that some countries have shown goodwill with regard to their assessments as they voluntarily moved to a higher level of the scale and consequently contribute to peacekeeping operations a higher rate than required by their per capita income (see UN Docs A/RES/55/236 and A/RES/58/157).

Table 5 illustrates the apportionment of the annual costs of peacekeeping operations among the ten different contribution levels of the new peacekeeping scale of assessments for the period 2004-2006. Moreover, the table shows the contrast between the proportions of

**Table 5: Ratio of regular budget assessment rates to peacekeeping assessment rates based on the scale of assessments for the period 2004-2006**

Level <sup>a</sup> / number of countries	Regular Budget Assessment Rates (percent of total) <sup>b</sup>	Peacekeeping Assessment Rates	
		(percent of total) <sup>c</sup>	percent of discount
Level A 5 countries	37.310	45.2639	Premium
Level B 32 countries	50.164	50.1640	0
Level C 5 countries:	0.883	0.8168	7.5
Level D 1 county	1.796	1.5086	20
Level E 3 countries:	0.014	0.0083	40
Level F 2 countries:	0.715	0.2860	60
Level G 4 countries:	1.159	0.3411	70
Level H 9 countries:	0.954	0.2814	70 (voluntary)
Level I 91 countries:	6.891	1.3782	80
Level J 49 countries:	0.114	0.0114	90
Total	100.000	100.0000	

<sup>a</sup> taking into account movements based on new per capita GNI thresholds and voluntary movements

<sup>b</sup> Figures taken from UN Doc. A/58/157/Add.1; regular assessment rates are displaced at 3 decimal places

<sup>c</sup> Figures adopted from UN Doc. A/58/157/Add.1; peacekeeping assessment rates are displaced at 4 decimal places

peacekeeping costs and the proportions of regular budget costs assigned to each of the ten levels during this period.

By comparing table 5 with table 4 it becomes obvious that the main burden of peacekeeping costs to bear by the permanent members of the Security Council because of their “special responsibilities” has been reduced from 63.15 percent (regular budget: 54.64) in 1973 to 45.26 percent (regular budget: 37.31) for the period 2004-2006. Thus, the developed countries assigned to level B (former group B) have been assessed at a correspondingly higher rate to balance these reductions: Their regular budget and peacekeeping assessment rate has been increased from 34.78 percent in 1973 to 50.16 percent for 2004-2006. The relation between level (group) A and level (group) B is the most significant change in peacekeeping as well as in regular budget assessments. Under the new scale, however, 95 percent of the annual expenses of peacekeeping are still borne by level A and B countries together – a decrease of 3 percent in relation to assessments between 1973 and 2000 (see above). The remaining 5 percent are apportioned among the developing countries (level C-J) representing an increase of 3 percent compared to assessments under the old scale.<sup>26</sup> As explained above their assignment to the different levels is now based on more precise criteria than under the old arrangement.

### III.2.3 The Budgetary Process: From Security Council Decision to Resource Disbursement

Since the mid 1990s a number of UN internal reforms have been undertaken to improve the efficiency of UN administrative practices related to the financing of peacekeeping in general and to the establishment of Assessment Accounts in particular. *Inter alia*, a *Peacekeeping Reserve Fund* was created as a cash-flow mechanism to ensure rapid start-up funding of new and expanding peacekeeping operations, the budgetary process has been standardized and streamlined, budget cycles were harmonized, and standardized costing was introduced. Most of these reforms were introduced by General Assembly resolution 49/233 of 23 December 1994. In that resolution the General Assembly decided to institute a financial period for each peacekeeping operation from 1 July to 30 June. This has been a major improvement considering the fact that in the early 1990s the financial cycles of the peacekeeping operations still depended on the mandate period approved separately for each mission by the Security Council and thus, Member States were asked to make payments at unexpected moments throughout their domestic budget cycles.

However, even if the frequency of assessments on Member States could have been reduced by establishing a unified budget cycle of twelve months and spending authority based on an annual

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<sup>26</sup> As the number of UN Members which are to be categorized as developing countries has been increased, the increase of 3 percent of total peacekeeping costs to be

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shouldered by these countries is to be considered relatively.

basis<sup>27</sup> the budgetary process is quite protracted and involves a number of UN bodies: Before Member States can make payments into an *Assessment Account* for a new operation the Secretariat after the adoption of a Security Council Resolution<sup>28</sup> must first prepare a budget on the basis of a “Standard Cost Manual” that ensures to standardize and compare cost. The Advisory Committee on Administrative and Budgetary Questions (ACABQ)<sup>29</sup> is charged with examining the peacekeeping budget proposal in consultation with the Security Council and Field Operations Divisions. The results of its review are then sent to the General Assembly’s Fifth Committee (Financial and Budgetary) to further review the budget and ACABQ’s proposals. Finally, the budget is voted on in

the General Assembly and Member States can be assessed (see McDermott 1994b, p. 9; UNA-UK 2000; Salomons and Dijkzeul 2001, pp. 19 ff.). In the words of the UN Secretary-General, the current practice again can be summarized as follows:

“For each peacekeeping operation:

- a) A special account is maintained for the recording of income and expenditure;
- b) A separate budget is prepared and reported on;
- c) A separate resolution is adopted approving the budget and the method of financing;
- d) The timing of assessments is linked to the budget cycles (1 July to 30 June) and to the period of the mandate approved by the Security Council.” (UN Doc. A/57/746, para. 3)

Against the background of this time-consuming procedure it is doubtful whether the budgetary reforms undertaken since 1994 represent a sufficient solution for streamlining financing of peacekeeping. A more comprehensive approach would be to “establish a unified budget for UN peacekeeping with separate line items for each peacekeeping operation” – a proposal made by former Australian Foreign Minister Gareth Evans as early as 1993 (Evans 1993, p. 120). During its fifty-sixth session the General Assembly took up this idea and requested the Secretary-General “to submit a report on the feasibility of consolidating the accounts of the different peacekeeping operations” (UN Doc. A/RES/56/293, para. 10). The

<sup>27</sup> There is a fundamental exception: as described in greater detail in chapter III.3.1 the Secretary-General is authorized by the General Assembly to use the Peacekeeping Reserve Fund to allot funds (US\$ 50 million per mission, not exceeding US\$ 150 million per annum) *before* the General Assembly has found time to consider a budget. Put differently, he is not dependent on the entire budget cycle to make cash available for meeting the start-up needs of new peacekeeping operations.

<sup>28</sup> During the writing of this study it was under debate if the Secretary-General should be allowed to allot funds *prior* to the adoption of a Security Council resolution.

<sup>29</sup> The ACABQ currently is comprised of 16 experts who are appointed by the General Assembly on the recommendation of the Fifth Committee but who serve (for three years) in their own personal capacity. ACABQ’s main task is to examine and report on the regular and peacekeeping budgets and the accounts of the UN. The Committee reviews all reports of the Secretary General on financial questions relating to peacekeeping and submits its finding to the General Assembly (see e. g. UNDP 2000, p. 19).

Secretary-General, in turn, concluded that such a consolidation is not compatible with the current finance practices which treat each peacekeeping mission independently (see UN Doc. A/57/746, para. 4). Thus, he provided an analysis of a wide range of issues which would be necessary to be taken into account before any consolidation could be implemented. Following his report (paras 7-9) these issues would vary depending on whether all accounts were consolidated and whether this was done “retroactively” or “prospectively”. A third option would be to consolidate the accounts of active peacekeeping operations only, “and to do so prospectively”. In examining the Secretary-General’s proposals the ACABQ points out in its corresponding report that any of those actions would require revision of the Financial Regulations and Rules of the United Nations (see UN Doc. A/57/772, para. 24).

In view of the difficulties and barriers inherent to this approach the General Assembly has so far failed to translate the consolidation of the various accounts into action (August 2004). Even though it cannot be expected that the consolidation of the peacekeeping assessment accounts will be realized in the short-term, the Secretary-General as well the ACABQ are aware of the potential benefits of this reform. According to the Secretary-General the approach would streamline the budget approval process for the UN and reduce the number of legislative decisions required as well as the number of assessments; it would also facilitate planning for Member States (see UN Doc. A/57/746, para. 5-6).

Moreover, he mentioned that one of the most beneficial impacts of the approach would be on the current practice of reimbursement to troop-contributing Governments: “Under the current practice, it is often necessary to defer payments for troops and contingent-owned equipment for a particular mission because of delays in the payment of assessed contributions for that mission [...]. The pooling of accounts would eliminate the need for cross borrowing and could permit more consistent and timely reimbursement [...].” (UN Doc. A/57/746, para. 5)

Considering the current practice of some Member States’ withholdings with regard to their assessed contributions to the peacekeeping accounts it is questionable if these members under the condition of a unified budget for UN peacekeeping are more willing to pay their assessments in full and on time. Certainly, consolidated accounts would have an impact, but in the end political obstacles cannot solely be averted by budgetary reforms. So the question is, is there any penalty for Member States failing to pay?

Under the UN’s Financial Regulations and Rules UN Member States are required to pay their assessed contributions in full within 30 days of receiving a statement of their obligations whether for the UN regular budget or peacekeeping operations. Article 19 of the UN Charter provides that a Member State “which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the General Assembly if the amount of its arrears equals or exceeds the amount of the

contributions due from it for the preceding two full years.” This is the only sanction which can be applied for failure to pay assessed contributions (see Durch 1993; Khanna, Sandler, and Shimizu 1999, p. 348). Over the years various Member States actually have lost their right to vote, but – as a several number of authors have found out – there is evidence that the threat of Article 19 has not constituted an adequate incentive to pay to those Member States who are not willing to do so: Given the insignificance of a General Assembly vote for Security Council members, “the sanction of Article 19, used on occasion, is not much of a deterrent” (Sandler and Hartley 1999, p. 100).

Throughout the UN’s history this has led many Member States not to fulfil their legal obligation either in terms of the completeness or the timeliness of their payments to the assessment accounts. As a consequence of the high number of arrears of assessments to the peacekeeping accounts, the UN frequently has fallen behind in its reimbursements of contributing governments for the costs they incurred by participating in peacekeeping operations. Thus, the Secretary-General repeatedly has expressed concern at the Member States’ unwillingness to pay their assessed contributions on time and in various reports he has drawn attention to the negative impact of these arrears on countries’ willingness to contribute troops, knowing they would not be reimbursed for years.

If resources are available (!), troop-contributing States are reimbursed by the UN at a flat rate of meanwhile a little over US\$ 1100 per month for each

soldier regardless of rank. That is, peacekeeping soldiers are not directly paid by the UN but by their own Governments according to their national rank and salary scale. Consequently, those few developed countries which provide well-trained troops (e. g. Canada) “do not come close to recovering their opportunity costs which can run upward of \$ 4,500 per month, whereas those sending poorly trained troops may receive 3 ½ times their opportunity costs” (Khanna, Sandler, and Shimizu 1998, p. 180). This is quite astonishing as the UN standard rates of reimbursement (see below) were, *inter alia*, established on the basis of the following two principles: “(a) No Government should receive a higher reimbursement than its actual costs, that is, no Member State should profit from its participation in the operation; (b) Some Governments would not be fully reimbursed on the basis of any standard cost-reimbursement formula, but they should be reimbursed at least the amount that was actually paid to their troops as overseas allowance.” (UN Doc. A/55/887, para. 9).

Reimbursement to Member States for contingent-owed equipment and troop costs is determined by a “standard cost-reimbursement formula” (UN Doc. A/55/887, para. 9) which has been revised several times, last time by General Assembly resolution 55/274 of 14 June 2001. On the recommendation of the ACABQ (UN Doc. A/55/887) the General Assembly decided to increase the rates of reimbursement for troop costs by 4 percent amounting to US\$ 1101 (including US\$ 1028 as basic pay and US\$ 73 for clothing, gear, and equipment).



Technical and civilian specialists are reimbursed at a higher rate and receive a surplus of US\$ 303. In addition, the UN has developed several other standard reimbursement rates, among other things for major equipment and self-sustainment, painting and repainting of major equipment, medical services and transportation claims (see UN Doc. A/55/815).

### Assessment

- Due to UN Member States' inability to agree on the establishment of an appropriate financing mechanism for peacekeeping operations the organization in its early years was urged to experiment with various insufficient ad hoc approaches and temporary solutions. With its decision to establish a separate peacekeeping Assessment Account outside the UN regular budget to cover the costs of UNEF II the General Assembly in its resolution 3101 (XXVIII) of 11 December 1973 created a "financial intermediary" that collects and disburses money for peacekeeping in a more equitable and practical way than ever before. This financing mechanism has turned out to be durable for the financing of almost all peacekeeping operations deployed since then.
- With the standardization and streamlining of budgetary processes, the introduction of standardized costing and the establishment of unified budget cycles a number of initiatives have been undertaken to improve the efficiency of UN administrative practices related to the use of the mechanism. As indicated above the logical next step is to establish a unified peacekeeping budget by consolidating the

Assessment Accounts of the different operations. Apart from other potential benefits this would save considerably in the administration of numerous peacekeeping operation budgets and would possibly permit more consistent and timely reimbursement to troop-contributing countries.

- Any critical assessment of the peacekeeping Assessment Accounts must take into consideration that the Peacekeeping Reserve Fund as well as the Support Account for peacekeeping operations (see below) and the United Nations Logistic Base at Brindisi (UNLB) are financially linked to the peacekeeping Assessment Accounts. Therefore, they suffer from Member States' unpaid assessed contributions to the Assessment Accounts as well. Should the UN decide to de-link them from unreliable peacekeeping assessments it consequently must search for alternative income sources.
- With regard to the reform of the *peacekeeping assessment scale* made in 2000 it is difficult to answer if the new conception will help foster better allocation of resources to the peacekeeping accounts:
  - a) On the one hand, the new distribution of Member States among the 10 different contribution levels is based on more objective criteria and thus less arbitrary than in case of the old scale. While still taking into account the developing countries' limited "ability to pay" the new scale only assesses those former *free-riders* at higher rates which over years refused to pay higher shares of peacekeeping costs that they were de facto capa-

ble to pay while at the same time enjoying the positive externalities of peacekeeping as well. However, under the new peacekeeping scale of assessments based upon the principle of “*ability to pay*” 95 percent of the total costs of peacekeeping are still borne by level A and B countries together (old scale: 98 percent).

- b) On the other hand, under the new arrangement the main burden of peacekeeping costs to be shouldered by the permanent members of the Security Council (level A) because of their “special responsibilities” for the maintenance of peace and security has been reduced significantly. As a consequence other developed countries (level B) have been assessed at corresponding higher rates to balance these reductions. Put differently, those permanent members of the Security Council who have succeeded in negotiating down their percentage share of peacekeeping costs likewise have succeeded in *extending* their “special responsibilities” to other countries. Due to the fact that under the new peacekeeping scale of assessments all level B countries together pay 5 percent more than all level A countries together the question to be raised is whether this new proportion is in violation to General Assembly resolution 1874 of 27 June 1963 which specifically linked permanent membership on the Security Council with the financing of peacekeeping, and whether a

Security Council reform would not be the logical consequence of some permanent members’ refusal to pay a larger share of peacekeeping burdens that was originally assigned to them. Thus, one could argue that in the long term the new proportion might yield to a greater say of level B countries in the decision-making processes. This again might yield to an enhanced provision of UN peace operations (see Barrett 2004).

- Most critical is the weak impact of Article 19 of the UN Charter as a sanction mechanism for Member States who are arrears with their assessed contributions. Given that Article 19 is not much of a deterrent – especially not to permanent members of the Security Council the UN should not completely rule out the possibility of applying alternative sanctions.

### III.3 Special Purpose Accounts

#### III.3.1 Peacekeeping Reserve Fund

In view of the UN’s inability to ensure rapid start-up funding of new peacekeeping operations, caused by cash flow problems through unpaid contributions to the peacekeeping accounts, in 1992, former Secretary-General Boutros Boutros Ghali in his “Agenda for Peace” (UN Doc. A/47/277-S/24111, para. 70) stressed the necessity for “a temporary Peace-keeping Reserve Fund, at a level of \$50 million, to meet initial expenses of peace-keeping operations”. Taking up the Secretary-General’s proposal the Fifth Committee of the General Assembly approved “after protracted negotiations” (Mc Dermott 1994, p. 57) the

establishment of the Fund by resolution 47/217 of 23 December 1992 to serve “as a cash flow mechanism to ensure the rapid response of the Organization to the needs of peace-keeping operations”. In accordance with that resolution the initial level of the reserve fund was set at \$150 million which was allocated from unencumbered balances in the special account of the United Nations Transition Assistance Group (\$49,242,762), from unencumbered balances in the special account of the United Nations Iran-Iraq Military Observer Group (\$18,156,200) and from authorized retained savings in the United Nations General Fund (\$82,601,038) (see UN Doc. A/58/5 (Vol. II), p. 171). Those Member States that joined the UN subsequently to the adoption of that resolution (and consequently did not contribute to the special accounts) contributed to the Fund in accordance with the peacekeeping assessment scale.

Through the above-cited resolution the General Assembly authorized the Secretary-General to advance from the Fund “such sums as may be necessary to finance: (i) unforeseen and extraordinary expenses relating to peace-keeping operations within the commitment authority established by the General Assembly; (ii) budgetary appropriations, including start-up costs, approved by the General Assembly for new, expanded or renewed peace-keeping operations pending the collection of assessed contributions.” (UN Doc. A/RES/47/217)

This was a major improvement to meet start-up needs of peacekeeping operations “and to buffer temporarily the unpredictable receipt of peace-keeping

assessments” (UN Doc. A/48/945, para. 40) but it did not resolve the problem of time lag between the Security Council’s mandate and the General Assembly’s release of Funds: the wording of the resolution shows “how the General Assembly kept a tight rein on the process: this was no green light for the Secretary-General to allot funds before the General Assembly had found time to consider a budget, but only a permit to spend resources before they had been collected”. (Salomons and Dijkzeul 2001, p. 21) Consequently, the necessary flexibility was not given.

Further improvements with regard to the Peacekeeping Reserve Fund were made two years later. Considering the continuous cash crisis of the UN system the General Assembly in its resolution 49/233 of 23 December 1994 decided to “limit the utilization of the Peacekeeping Reserve Fund to the start-up phase of new peacekeeping operations, to the expansion of new ones or to unforeseen and extraordinary expenditures related to peace-keeping” and urged all Member States to ensure full and timely payment of their assessed contributions, so as “to improve the cash-flow situation by enabling replenishment of the relevant reserves”. (UN Doc. A/RES/49/233, XI). Beyond the limitation of the Fund the Secretary-General was authorized “with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions..., to enter into commitments [using the Peacekeeping Reserve Fund] not to exceed 50 million United States dollars per decision of the Security Council” (UN Doc. A/RES/49/233, IV).

Put differently, for the start-up period of a peacekeeping operation there would be an initial ceiling of *US\$ 50 million*<sup>30</sup>. Moreover, the resolution stipulates that all start-ups together shall not exceed *US\$ 150 million* per annum and that, whenever the General Assembly appropriated “outstanding commitments” the reserve of *US\$ 150 million* shall be replenished automatically. The fund shall be replenished from assessed contributions to the peacekeeping operations which used it. For commitment request in excess of *US\$ 50 million* per operation the General Assembly’s approval is required<sup>31</sup>. These ceilings have not been redefined till today.

Focusing on the limits of the Peacekeeping Reserve Fund’s effectiveness, in 2000 the “Report of the Panel on United Nations Peace Operations” (“Brahimi Report”) recommended to increase the size of the fund as well as to give authority to the Secretary-General to use up to *US\$ 50 million* *before* the Security Council authorizes a new operation: “The Secretary-General should be given

authority to draw up to *\$50 million* from the Peacekeeping Reserve Fund once it became clear that an operation was likely to be established, with the approval of ACABQ but prior to the adoption of a Security Council resolution”. (UN Doc. A/55/305-S/2000/809, para. 169 (c))

These essential recommendations have not been translated into action up to now<sup>32</sup>. In 2004 during the 58<sup>th</sup> session of the General Assembly the ACABQ indicated that an increase of the level of the Peacekeeping Reserve Fund would have little or no impact on the short-term cash-flow problem, “which can be solved only by an improved pattern of payment of assessed contributions” (UN Doc. A/58/732, para. 16). Referring to the Secretary-General’s recommendation that the level of the Peacekeeping Reserve Fund be maintained at its current authorized level (see A/58/724, para. 8), ACABQ furthermore points out that the fund will be required to meet immediate cash requirements of UNOCI, UNMISSET and operations in Haiti and Sudan.

The financial “Report of the Board of Auditors” (UN Doc. A/58/5 (Vol. II)) on United Nations peacekeeping operations provides detailed information on the status of the Fund for the 12-month period from 1 July 2002 to 30 June 2003. As reflected in the report the level of the fund of 30 June 2003 was *US\$ 194.297 million* which is approximately *US\$ 44.3 million* higher than the ap-

<sup>30</sup> Before the adaption of resolution 49/233 the ceiling was set at *US\$ 10 million* per operation for start-up costs, and this money could be accessed only if contributions had been received (see Salomons and Dijkzeul 2001, p. 23). In this context the Secretary-General has proposed the level of the Peacekeeping Reserve Fund be increased from *US\$ 150 million* to *US\$ 800 million*. (see UN Docs. A/48/403-S/26450 and A/48/945, para 41). An amount that never could be reached.

<sup>31</sup> The Brahimi Report notes that in exceptional cases the General Assembly has granted authority to the Secretary-General to commit up to *US\$ 200 million* to start up large operations, such as UNTAET, UNMIK and MONUC (see UN Doc. A/55/305-S/2000/809, para. 160).

<sup>32</sup> The important question of “*pre-mandate commitment authority*” currently is under review (see UN Doc. A/RES/57/317).

proved level of US\$ 150 million because of accrued *interest income*. Of that amount US\$ 33.3 million were transferred to the *Support Account for peacekeeping operations* for the period from 1 July 2003 to 30 June 2004 under the terms of the General Assembly resolution 57/317 of 18 June 2003, leaving an amount of US\$ 161.0 million or an excess balance of approximately US\$ 11 million (see UN Doc. A/58/5 (Vol. II), p. 20). US\$ 14.1 million in interest income of the fund were transferred to the *Strategic Deployment Stocks*.<sup>33</sup>

Pursuant to the report of the Secretary-General on the Fund the fund balance of 29 February 2004 was US\$ 162.977 million while the amount of available cash was US\$ 73.957 million of which US\$ 12.820 million in loans to MINURCA were still outstanding and US\$ 76.200 million to UNMIL for its start-up requirements (see A/58/724, para. 3).

### Assessment

- The establishment of the Peacekeeping Reserve Fund has been a major improvement of short-term financing as it helps the Secretary-General to make cash available for more rapid deployment of new or expanding peacekeeping operations pending the receipt of assessed contributions. *Vice versa*, without this cash-flow mecha-

nism the Secretary-General would still be struggling to meet start-up needs of peacekeeping operations, especially during the first crucial weeks.

- In this context the Brahimi Report with some satisfaction notes that the Fund now provides “a standing pool of money from which to draw quickly”. (UN Doc. A/55/305-S/2000/809, para. 159)
- Since its establishment the mechanism has been made more efficient by authorizing the Secretary-General to allot funds *before* the General Assembly has found time to consider a budget (resolution 49/233), and potentially (as still under debate) *prior to* the adoption of a Security Council resolution. Consequently the improvements made with regard to the Peacekeeping Reserve Fund have strengthened the Secretary-General’s ability to act more quickly and flexible in responding to crisis – when speed is of the essence.
- However, Member States’ non-payments of assessed contributions threaten the viability of the Peacekeeping Reserve Fund as loans from the fund must be reimbursed from the *Peacekeeping Assessment Accounts*.
- Considering the distinction made by the UN between peacekeeping operations on the one hand, and political and peace-building missions on the other hand, Salomon and Dijkzeul (2001, p. 36) raise the question whether the DPA, as the Department responsible for political and peace-building missions, should also have access to the Peacekeeping Reserve Fund, or the DPKA only – as currently practised. This is a pertinent question as it points to a more inte-

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<sup>33</sup> Strategic deployment stocks were established in 2002 to ensure rapid deployment of peacekeeping operations within 30 days (for a traditional mission) and 90 days (for a complex mission). These stocks comprise items such as vehicles, communications, engineering equipment and accommodations (see UN Doc. A/58/5 (Vol. II), p. 29).

grated financing of both types of peace operations.

### III.3.2 Support Account for Peacekeeping Operations

Since the UN has been involved in a significantly larger number of peacekeeping operations it has also been compelled to authorize additional posts – so-called “overload posts” – in the relevant Headquarters offices engaged in peacekeeping support, such as DPKO and DPI, to alleviate the additional work-load – and to ensure the efficient “backstopping”<sup>34</sup> of these operations (see UN Doc A/45/493)<sup>35</sup>.

Those posts were originally financed in an ad-hoc manner from the budgets of the ongoing peacekeeping operations – supplementary to those posts provided under the UN regular budget. But this arrangement was found wanting because overload posts were derived from the financial resources of an existing operation and were not available “before the enabling resolution of the Security Council established the operation” (UN Doc. A/45/493). Moreover, it became

apparent “that identifying an overload post against a specific mission was arbitrary, since the incumbents of such posts performed tasks for any number of missions interchangeable” (UN Doc. A/50/876, p. 8).

At its forty-fourth session the General Assembly by its resolution 44/192 of 21 December 1989 therefore requested the Secretary-General to provide information on the proposed establishment of a Support Account for peacekeeping operations – a separate account that was supposed to replace the previous overload post arrangement. In his report the Secretary-General formulated the technical guidelines relating to the use and operation of the Support Account for peacekeeping operations (see UN Doc. A/45/493). Based on these guidelines the General Assembly by its resolution 45/258 of 3 May 1991 approved the establishment of the Support Account, effective 1 January 1990.

Following the report of the Secretary-General the account originally was designed “to continue meeting the needs caused by existing peace-keeping operations as well as the additional work-load in connection with the pre-implementation phase of prospective operations and good offices activities that are clearly not within the confines of the biennium programme budget financing.” Moreover it should provide the Organization with the “necessary resources to allow it to respond effectively and in timely and efficient way to initiatives that need to be undertaken as and when the occasions arise in relation to such good offices and peace-keeping activities.” In addition it had to provide

<sup>34</sup> The “backstopping” of peacekeeping operations is defined as “the overall direction, assistance and guidance given by departments/offices and other units, at Headquarters, for ensuring the effective planning, implementation and liquidation of peace-keeping operations” (UN Doc. A/50/876, p. 6).

<sup>35</sup> Even if the practice of providing overload posts - under the budgets of peacekeeping operations - goes back to the first peacekeeping operation established in 1956 involving the deployment of military contingents (UNEF I), there has been a significant increase in additional work-loads caused by new and expanding peace operations since the 1990s (see UN Doc A/45/493).

“flexibility in the use of resources to respond to the administrative and political backstopping tasks of the various operations in accordance with their changing requirements.” (UN Doc. A/45/493, para. 11-12)

By resolution 49/250 of 20 July 1995 the General Assembly limited this broad formulated scope of the account and decided “that support account funds shall be used for the sole purpose of financing human and non-human resource requirements for backstopping and supporting peace-keeping operations at Headquarters, and that any change to this limitation will require the prior approval of the General Assembly.” (UN Doc. A/RES/49/250, para. 2) In other words, the Support Account shall be merely used to cover direct *non-field* support costs for peacekeeping operations, i. e. to improve the administrative management of the relevant Headquarters offices, and not any “on the ground” action.

The original Support Account funding formula is likewise expounded in the above-mentioned report of the Secretary-General and was adopted by the account establishing resolution as well. According to the report the account was initially to be financed from resources already included in the approved peacekeeping budgets. Beginning in 1991 financing should be through the “inclusion of a provision in each of the budgets of peacekeeping operations, in an amount equal to the average ratio in 1990 of the costs of overload posts to the cost of the civilian establishment in the mission areas, excluding UNTAG, and is estimated at approximately \$7 million gross (\$5.6 million net) at 1991 rates. [...] The

proposed average ratio to be applied, beginning in 1991, in calculating the amounts to be included in each of the budgets of peace-keeping operations is 8.5 per cent of the cost [...] of the civilian component in the mission area of the respective peace-keeping operation.” (UN Doc. A/45/493, para. 13)<sup>36</sup>

This fixed percentage approach (8.5 percent of the total civilian staff cost component of ongoing peacekeeping operations) for the annual budget of the Support Account had been in place until 1996, when the General Assembly decided “to review the methodology, in the light of the changing requirements for and nature of backstopping peacekeeping operations at Headquarters” (GA decision 50/473, cited in UN Doc. A/50/876, p. 1). Actually, the funding methodology based on the above-described “8.5 percent-formula” had a number of weaknesses and could not provide an adequate annual level of resources to meet the minimum backstopping requirements.<sup>37</sup> Therefore, the Secretary-General recommended, as an alternative approach, “that once the General Assembly has discussed and approved the minimum requirements for backstopping activities at Headquarters

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<sup>36</sup> The ratio was based on five active peacekeeping operations in 1990: the United Nations Peacekeeping Force in Cyprus (UNFICYP), the United Nations Disengagement Observer Force (UNDOF), the United Nations Interim Force in Lebanon (UNIFIL), the United Nations Iran-Iraq Military Observer Group (UNIIMOG), and the United Nations Observer Group in Central America (ONUCA) (see UN Doc. A/45/493).

<sup>37</sup> For a detailed discussion see UN Docs. A/50/876 and A/55/305-S/2000/809.

for the 12-month periods ending 30 June of the following year, it should then appropriate the related resources, which should be assessed on the same scale as at that for peace-keeping assessments". (UN Doc. A/50/876, p. 25). Furthermore, he pointed out that according to the new approach the review and approval of the budgetary requirements "would be based on actual workload

justification and has to be approved by the General Assembly. In this context the Brahimi Report critically notes that even under the new system DPKO staffing levels grew little, "partly because the Secretariat seems to have tailored its submissions to what it thought the political market would bear" (UN Doc.A/55/305-S/2000/809, para. 175).

**Table 6: Ratio of total Support Account budgets to total Peacekeeping operations budgets for the period 2001-2005**  
(Millions of United States dollars)

	July 2001- June 2002	July 2002- June 2003	July 2003- June 2004	July 2004- June 2005 <sup>c</sup>
Total Peacekeeping budget level <sup>a</sup>	2 679.9	2 606.5	2 818.7	2 682.1
Total Support Account budget level <sup>b</sup>	97.3	104.5	112.1	122.1
Support Account budget as a percentage of the Total Peacekeeping budget	3.63 %	4.01 %	3.98 %	4.55 %

<sup>a</sup> Includes United Nations Logistic Base at Brindisi (UNLB) and the Support Account

Figures adopted from UN Docs. A/58/5 (Vol. II), p. 2 for 2001/02; and A/58/705, p. 3 for 2002-2005

<sup>b</sup> Figures taken from UN Docs. A/57/5 (Vol.II), p. 118 for 2001/02; A/58/5 (Vol. II), p. 118 for 2002/03; and UN Doc. A/58/715, p. 4 for 2003-2005

<sup>c</sup> Estimated

experience of the backstopping requirements of the prior year and projected workload for the next year, taking into account the number, scope, scale and complexity of active, completed and closed peace-keeping missions supported", and that such reviews shall take place "in conjunction with the annual review and approval of peace-keeping budgets" (UN Doc. A/50/876, p. 25).

This new funding methodology for the Support Account was adopted in its resolution 50/221 of 11 April 1996 by the General Assembly and has not been replaced since then. In accordance with this methodology every post funded by the Support Account requires an annual

Table 6 lists the total Support Account budgets and the total budgets for peace-keeping operations from mid 2001 through mid 2005. It also shows that the Support Account budgets covering Headquarters support staff have not exceeded 5 percent of the total budgets for peacekeeping operations.

Table 7 shows the contrast between the deployed strength of peacekeeping operation's *field personnel* (including deployed troops, military observers, civilian police, and civilian staff) and the authorized strength of their *Headquarters support staffs* (funded by the Support Account). Expressed in percentages only 1.2 % of the total personnel in-



volved in peacekeeping activities in 2004/05 (not taking into account a small number of posts funded by the regular budget) are responsible for the backstopping and support of peacekeeping operations at Headquarters.

Support Account and *no* post by the regular budget (see table 8). In contrast, 48,500 troops (including military observers) and 4250 police officers are intended to be sent into the field. Consequently, 83 officers of DPKO's Military

**Table 7: Ratio of total Support Account funded staff at Headquarters to total field personnel for the period 2001-2005**

	2001/02	2002/03	2003/04	2004/05
Ongoing peacekeeping operations <sup>a, c</sup>	13	11	12	12
Total field personnel <sup>b, c</sup>	64 483	54 176	61 080	63 402
Staff at Headquarters <sup>c</sup>	687	702	743	762
Headquarters: field ratio	1.07 %	1.30 %	1.22 %	1.20 %

<sup>a</sup> Includes United Nations Logistic Base at Brindisi (UNLB)

<sup>b</sup> Includes deployed troops, military observers, civilian police, and civilian staff in missions

<sup>c</sup> Figures adopted from UN Doc. A/58/705, p. 5

Tables 8 and 7 combined illustrate that the Support Account for the period from 1 July 2004 to 30 June 2005 amounts to US\$ 122.1 million and provides for 762 posts (2003/04: US\$ 112.1 million for 743 posts), i. e. *only* 762 persons in the relevant Headquarters offices have the responsibility to provide for 63,402 persons in the field (in 12 peacekeeping operations) with substantive and operational support.

When focussing on the proportion between the military and civilian police units in the field and the corresponding military and civilian police divisions inside the DPKO, the imbalance is similar: According to the proposed staffing of the DPKO for the period 2004/05 79 posts within DPKO's Military Division are funded by the Support Account and only 4 posts by the regular budget. Within the DPKO's Civilian Police Division 24 posts are funded by the

Division (funded by the Support Account and the regular budget) and 24 officers of DPKO's Civilian Police Division (funded by the Support Account) are responsible for 48,500 troops and 4250 police officers in the field. That is a percentage of 0.2 % and 0.6 % respectively.

The Support Account funds 85 percent of the DPKO budget – until 2001 about US\$ 40 million annually – while the rest comes from the regular biennium budget (see UN Doc. A/55/305-S/2000/809, para. 174). Due to an increase of posts the support account resources for the DPKO for 2003/2004 amount to some US\$ 77.33 million – an increase of US\$ 4.39 million (6 percent) over the appropriation of US\$ 72.94 million for the current year (see UN Doc. GA/AB/3563 of 12 May 2003).

The overall staffing requirements of the DPKO for the period 2004-2005 amount

to 601 posts out of which 539 posts are funded by the Support Account and only 62 posts by the regular budget (see UN Doc. A/58/715, Annex I). That is seven out of eight posts in the DPKO are funded by the Support Account and have to be re-justified every year, which is “to treat [DPKO] as though it were a temporary creation and peacekeeping a temporary responsibility of the Organization” (UN Doc.A/55/305-S/2000/809, para. 176).

2000, the Brahimi Report therefore recommended “an emergency supplemental increase to the Support Account to allow immediate recruitment of additional personnel, particularly in DPKO” (see UN Doc.A/55/305-S/2000/809, para. 197). In more concrete terms the Brahimi Report proposed as a temporary arrangement to replace once again the existing funding methodology “by calculating the regular budget baseline for Headquarters support of peacekeeping as

**Table 8: Ratio of military and civilian police staff at DPKO to military and civilian police personnel in the field for the period 2004-2005**

	Military personnel <sup>b</sup>	Civilian police
Field personnel <sup>a</sup>	48 500	4 250
DPKO staff: <sup>c</sup>		
- funded by regular budget	4	--
- funded by Support Account	79	24
- total	83	24
DPKO: field ratio	0.2 %	0.6 %

<sup>a</sup> Figures adopted from UN Doc. A/58/705, p. 5

<sup>b</sup> Includes deployed troops and military observers

<sup>c</sup> Figures adopted from UN Doc. A/58/715, Annex I

In view of the above-described disproportions it is surprising the ACABQ in its report was of the opinion that “if the decrease in peacekeeping operations were to continue, it would be difficult...to justify the level of the support account” because “a direct link between the size and complexity of peacekeeping operations and the level of the support account is difficult to establish” (UN Doc. A/57/776, para. 24). Even though it is comprehensible in terms of methodical difficulties it is obvious that the Headquarters offices involved in peacekeeping activities are understaffed and cannot provide adequate support. As early as

a percentage of the average cost of peacekeeping over the preceding five years” (UN Doc.A/55/305-S/2000/809, para. 194). In the long term the resource requirements should then be funded mainly through the regular United Nations budget instead of the Support Account which has to be justified year by year and post by post. None of these proposals have been carried out till today. However, using the Brahimi Report’s formula on the total peacekeeping operations budgets for the period 2001-2005, as represented in table 6, would result in an amount of US\$ 134.1 million of the Support Account (5 % of

the average) – only US\$ 12 million higher than the actual Support Account budget level for the period 2004/05. But despite the constant increase in the level of the Support Account over the last years it could by no means solve the problem of the above-indicated disproportions between the number of the operation's field personnel and the authorized strength of their Headquarters support staff, since the number of field personnel has grown, too.

In view of the need for a better assessment of financial resource requirements and for a more efficient and effective management of the available resources, in 2002 the UN Secretariat introduced the *result-based budgeting* format to the Support Account for peacekeeping operations. Result-based budgeting has been defined by the UN as a “programme budgetary process in which programme formulation revolves around a set of predefined objectives and expected results (accomplishments), which are derived from and linked to outputs required to achieve such results and in which actual performance in achieving those results is measured by means of performance indicators for each objective” (UN Doc. A/57/5 (Vol. II)).

### Assessment

- The introduction of the result-based budgeting as a standard *modus operandi* for the use of the Support Account has been an important improvement to guarantee a more professional and objective review of human and financial resource requirements at Headquarters offices engaged in the backstopping of peacekeeping operations. Within the result-based budgeting framework the resource and staffing needs are increasingly determined by objective management and productivity criteria.
- But this internal management reform can by no means replace the continuing treatment of the Headquarters support offices as if they were a *temporary organizational phenomenon*. The two above-mentioned main problems averting a substantial improvement of backstopping activities both in terms of quantity and quality still remain: *First*, the high disproportion between the strength of field personnel and the authorized strength of their Headquarters support staff. Which national Government would send 48.500 troops into the field with just 83 officers back home to provide them with substantive and operational military guidance? Which police organization would deploy 4250 police officers with only 24 headquarters staff to provide them with substantive and operational policing support? *Second*, the fact that every post funded by the Support Account requires an annual (re-) justification and has to be approved by the General Assembly. Considering the fact that seven out of eight posts in the DPKO are funded by the Support Account, it becomes obvious that DPKO as the Department most engaged in peacekeeping support has “no predictable baseline level of funding and posts against which [it] can recruit and retain staff” (UN Doc.A/55/305-S/2000/809, para. 177).
- Support Account funding methodologies have been replaced several times without reaching a sustainable solution. A future finance option would be to treat Headquarters sup-

port for peacekeeping as a *core activity* of the United Nations that should be funded mainly through the *regular budget*, as already recommended by the Brahimi Report.

### III.4 A Case Apart: Funding UN Political and Peace-Building Missions

According to the UN's distinction between peacekeeping operations on the one hand and political and peace-building missions on the other hand there are some important differences in the way they are authorized, headed and financed. Nevertheless, it should be considered that many of today's missions actually combine the aspects of both types of missions.

Table 9 summarizes the main differences, including the differences in their funding modality and introduces the focus of examination in this section.

Similar to the allocation of resources for UN peacekeeping operations the General Assembly has to establish a Special Account for *every* political mission authorized by the Security Council or the General Assembly (in case of peacekeeping operations the Security Council

is the only authorizing entity). But in contrast to UN peacekeeping operations which are mainly funded on the peacekeeping assessment scale the scale of assessments used for political missions is the one used for the *regular budget*.

Salomons and Dijkzeul complain that political missions suffer from the same administrative handicaps and liquidity problems that were partly overcome for peacekeeping operations: "lack of start-up funding, complex and time consuming budgetary processes, and second tier attention with regard to logistics and staffing" (Salomons and Dijkzeul 2001, p. 10).

In fact, there is no cash-flow mechanism for political missions to ensure rapid start-up funding comparable to the *Reserve Fund* for peacekeeping operations. According to that Salomons and Dijkzeul (2001, p. 31) describe the lack of start-up funding during the end of the 1990s as follows: "No financial commitment could be made until the Controller had given an 'allotment'. No 'allotment' could be made until ACABQ, the Fifth Committee and the General Assembly had approved the budget. Even now, the General Assem-

**Table 9: Main Differences between Political and Peacekeeping Missions**

Type of mission	Authorizing entity	Funding modality	Department responsible	Role of military
Political and Peace-building	General Assembly or Security Council	Regular budget assessments (with voluntary contributions)	DPA	No military involvement
Peacekeeping	Security Council	Peacekeeping budget assessments (with voluntary contributions)	DPKO	Military involvement crucial

Source: After Salomons and Dijkzeul 2001, p. 30

bly will not even adopt a resolution to establish a political mission until it has approved its budgetary implications.”

In this regard, however, a major improvement was made when the General Assembly in its resolution 53/306 of 5 February 1999 decided that a provision for political missions should be included in the *regular* biennium budget. This principle to treat the provision as a part and parcel of the regular biennium budget has not been revised in the subsequent years, and the overall requirements for the current 20 political missions for the calendar year 2004 amount to US\$ 140 million *prorated* of the regular biennium budget.

The Department of Political Affairs (DPA) as the Department responsible for setting up, supporting and advising political missions and peace-building offices can now access the necessary resources with ACABQ approval without involving the General Assembly or the Security Council. Moreover, the above-mentioned General Assembly decision “has strengthened somewhat the Secretary-General’s capacity to mobilize political missions at short notice, and it has belatedly created a parity of sorts in the manner peacekeeping and political missions are treated with respect of start-up funding” (Salomons and Dijkzeul 2001, p. 11). A further improvement worth mentioning is the application of *result-based budgeting* techniques to seven of the largest political missions representing over US\$ 125 million of the US\$ 140 million for the above-indicated period (see UN Doc. A/C.5/58/20, para. 5).

Apart from these improvements aimed to facilitate the funding of political missions and to ensure better financial management administrative obstacles still remain for an effective and efficient support of these types of missions. The DPA as the designated focal point of Headquarters support for United Nations political and peace-building missions face severe management and authority constraints that could not be fully overcome until today: *First*, DPA’s support structure – funded by the regular budget and voluntary contributions – is even more inadequate than DPKO’s support structure for peacekeeping operations. There is e. g. no structure parallel to DPKO’s Peacekeeping Finance Division in the DPA. Furthermore, the Field Administration and Logistic Division – which formerly cooperated with the DPA – was moved from the Department of Administration and Management to DPKO in 1994 (see Salomons and Dijkzeul 2001, p. 30). *Second*, with regard to the question of UN internal responsibilities: “DPA’s authority and capacity to coordinate UN interventions are limited by the department’s lack of operational responsibilities and the injunction that it ‘fully respect existing mandates, lines of authority, and funding arrangements’ within the UN System. Moreover, when peacekeeping is at the core of a mission, lead responsibility shifts to the Department of Peacekeeping Operations” (Forman, Patrick, and Salomons 1998, p. 12).

During the last years several recommendations have been made of how to get over the weaknesses in the Headquarters support structure for political and peace-

building missions. One option is to establish a set of common services for the four “*Complex Emergencies Departments*”, i. e. the Office for the Coordination of Humanitarian Affairs (OCHA), DPKO; DPA, and the Centre for Human Rights – a proposal made in 1997 by the former Under-Secretary-General for Peacekeeping Operations, Marrack Goulding, in his report to the Secretary-General titled “*Enhancing the United Nations’ Effectiveness in Peace and Security*” (quoted in Salomons and Dijkzeul 2001, p. 30). A similar approach can be found in the Secretary-General’s report to the Security Council entitled “*No Exist without strategy*” of 20 April 2001. In it the Secretary-General takes the view that the UN’s effectiveness (in peacekeeping and peace-building), *inter alia*, depends upon the extent to which it can deploy UN operations and agencies in collaboration with each other: “Given the potentially large challenges and costs .. comprehensive peace-building often encompasses, it is essential to ensure that all key parts of the United Nations system are fully engaged in collaborative and constructive fashion. [...] No single department or agency can be expected to devise and implement, on its own, all the elements of a comprehensive peace strategy.” (UN Doc. S/2001/394). Instead the Brahimi Report suggests transferring the entire field support for all “smaller, non-military field missions” to the United Nations Office for Project Services (UNOPS) (UN Doc. A/55/305-S/2000/809, para. 243). However, such reforms are still due.

That apart, the most critical aspect hampering the UN to effectively bring out its political and peace-building missions mandates is the low amount of *assessed* contributions provided for these missions within the regular budget. By no means, the prorated US\$ 140 million for the calendar year 2004 give sufficient leeway to the Secretary-General. In contrast to UN peacekeeping assessed funding is “in fact relatively rare in peace-building, where most activities are funded by voluntary donations” (UN Doc. A/55/305-S/2000/809, para. 239).<sup>38</sup> Thus, voluntary contributions – allocated through trust funds or other extra-budgetary arrangements – often decide the success of UN peace operations, especially of political and peace-building missions.

### Assessment

- The level of resources provided as a *part and parcel* of the *regular* biennium budget appears inadequate in relation to the scope and number of current and future political and peace-building missions. In addition, the Headquarters’ support structure remains fragmented – especially DPA as the department responsible for the backstopping of these missions “is neither designed nor equipped to be a field support office” (UN Doc. A/55/305-S/2000/809, para. 241). Apart from the above-mentioned changes in the funding modality, initiated by General Assembly resolu-

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<sup>38</sup> As mentioned above, this also serves for the Headquarters support offices. DPA’s Electoral Assistance Division (EAD), for instance, fully relies on voluntary contributions.

tion 53/206, further bureaucratic and financial reform processes aimed to strengthen political and peace-building missions are still outstanding.

- If the UN wanted to hold on to its integrated vision of peacekeeping and peace-building as described in several UN documents from “*An Agenda for Peace*” (1992) to the “*Brahimi Report*” (2000) it should abolish its artificial separation between peacekeeping operations on the one hand and political and peace-building on the other hand: “If indeed peace-building and peacekeeping are integral aspects of the same or related process, the logic of organizational effectiveness would indicate that this should be reflected in the United Nations’ organizational structure and ultimately in its financing mechanism” (Salomons and Dijkzeul 2001, p. 36). In fact, the current financing system does not reflect the approach of integrated peace operations.
- Most peace-building activities carried out by UN missions are financed through voluntary contributions – often in an uncoordinated manner and rarely within a strategic and integrated financing framework as the next chapter will demonstrate.

### III.5 Voluntary Funding: Extra Budgetary Mechanisms and Tools

The low amounts of assessed contributions from either peacekeeping accounts or the regular budget are just sufficient to cover the core costs of most of the UN peace operations and by no means provide all the resources required to complete them successfully. For that reason

success or failure of UN peace operations often depend on the extent to which and the way how *voluntary contributions*<sup>39</sup> will be provided for them – and considering this it is small wonder that many Security Council and General Assembly resolutions contain appeals for external funding in support of UN peace operations.

This especially serves for complex political and peace-building missions characterized by a variety of tasks “that are essential under the missions’ mandate, but that fall outside its budgetary scope.” (Salomons and Dijkzeul 2001, p. 43).<sup>40</sup> Unlike funding for UN peace-making and peacekeeping operations contributions for those missions that have first and foremost a post-conflict recovery focus are for the most part voluntary, “thereby unpredictable and subject to lengthy and competitive fundraising campaigns” (Forman and Salomons 1998, p. 7). In this context one should also bear in mind that in some cases worth mentioning multidimensional peace operations under UN command have initiated wider and successful post-conflict peace-building efforts with

<sup>39</sup> The term “voluntary contributions” refers to those contributions (made by multi- and bilateral donors, NGOs, and the private sector) which are *not* based on an obligation to pay (i. e. on assessed contributions).

<sup>40</sup> There is a wide range of examples for structural preventive, peace-building and development related activities that cannot be covered only by the mission’s core budgets, such as disarmament monitoring, demobilization and reintegration of combatants, reintegration of refugees and displaced persons, conduction of democratic elections, reform of the judicial system, rebuilding of state structures, human rights monitoring, repair of infrastructure, rebuilding of social capital.

a variety of actors and donors typically involved in those processes. “For example, UN-led peacekeeping or observer missions were in place when international reconstruction efforts began in Cambodia (UNTAG), El Salvador (ONUSAL), Guatemala (MINUGUA), Mozambique (UNOMOZ), and Tajikistan (UNMOT).” (Forman, Patrick, and Salomons 2000, p. 18). The lesson to be learned from these cases is that it is in the donors’ own interest to provide such missions with timely and adequate financial support to set the right course for their later engagement in countries recovering from conflict.

A common mechanism for raising voluntary contributions in support of peace-building and development activities linked to UN peace operations are multilateral pledging conferences<sup>41</sup>, including Round Tables (RTs) and Consultative Groups (CGs)<sup>42</sup>. In 1992, e. g. a Ministerial Conference initiated by the Government of Japan and UNDP generated some US\$ 880 million in pledges for peace-building efforts in Cambodia. These funds were essential for the success of the United Nations Transitional Authority in Cambodia (UNTAC) – the

then deployed UN operation (see Salomons and Dijkzeul 2001, p. 43). In that same year the international donor community pledged over US\$ 400 million to support the United Nations Operation in Mozambique (ONUMOZ), i. e. to finance “those components of the peace process, such as the conduct of elections and the provision of emergency food aid, that were not covered in the ONUMOZ budget, but that were presented as key components of ONUMOZ’s strategy” (Salomons and Dijkzeul 2001, p. 43). Unfortunately, pledging conferences often have the character of a “political theatre” as donors from time to time overstate “the generosity of their aid packages, sometimes ‘double-counting’ amounts previously promised or already delivered to an implementing agency that also subsequently report them. Alternatively, donors may pledge large amounts that they cannot deliver, either ever or any time soon” (Forman and Salomons 1998, p. 5).

Apart from pledging conferences there are some other important options that potentially enable the mobilization of resources for essential activities related to peace operations in a more adequate and coherent manner. Over the years the UN has employed several extra-budgetary arrangements for collaborative financing (“*co-financing*”<sup>43</sup>) in support of UN peace operations, including voluntary funding mechanisms and tools

<sup>41</sup> “A pledge denotes a public expression of donor intent to mobilize funds for which an approximate sum is given.” (Forman, Patrick, and Salomons 2000, p. 29)

<sup>42</sup> Forman and Salomons critically note that RTs often take place too late to address peace-building needs where fast response is of the essence, while CGs meetings cannot be held without the presence of a “legitimate recipient government” (Forman and Salomons 1998, p. 5). It goes without saying that this prerequisite for CGs (mobilized by the World Bank) is hardly to realize if peace-building missions are deployed in failing or failed states.

<sup>43</sup> UNDP, for instance, handles this term as an *umbrella term* for several modalities used by UNDP to administer non-core funding for its programmes and projects which include resources received through cost-sharing, trust funds and parallel financing (see UNDP 2002).



like *trust funds*, *cost-sharing*, and *parallel financing*. Salomons and Dijkzeul emphasize that “each of these instruments can be used at the global, regional and country level, and may involve other multilateral organizations, governments, financial institutions, NGOs, or private sector institutions. In principle each of these financial tools, if properly applied, is at the disposal of the Special Representatives of the Secretary-General (SRSGs)<sup>44</sup>, and can contribute to the effective execution of joint operations.” (Salomons and Dijkzeul 2002, p. 45) Even though voluntary contributions allocated through these arrangements usually do not flow directly into the missions’ budgets, but are earmarked for specific activities and programmes related to the respective missions, they can be seen as “supplementary budgets” that can avert many missions from failure.

The next sub-chapters provide a thorough analysis of the three above-mentioned financing arrangements available for voluntary funding in support of UN peace operations. Thereby it follows, if possible, the methodology of the foregoing analyses and highlights, *inter alia*, the general modalities for the use of the mechanism, procedures for authorizing disbursements and allocating funding, administrative obstacles to

implementation procedures as well as questions of management, authority and governance. Furthermore, the analysis especially focuses on the role of the UN peace operation’s SRSGs in getting access to the use of these financing mechanisms.

### III.5.1 Trust Funds

Since the 1990s when UN Peace Operations increased in size and number trust funds have played a key role in the extra-budgetary voluntary financing of activities relating to these operations and have provided a temporary solution for timely, cross-border funding. The UN defines trust fund as “accounts established with specific terms of reference or under specific agreements to record receipts and expenditures of voluntary contributions for the purpose of financing wholly or in part the cost of activities consistent with the Organization’s aims and policies” (UN Doc. ST/SGB/188, Annex p. 1).

In August 1989 the first “Trust Fund in Support of United Nations Peacemaking and Peacekeeping Activities” was established to provide short-term financing for preliminary implementation and start-up operations at that time followed by the “Trust Fund for the Cambodian Peace Process” in August 1990 which was originally established to finance fact-finding missions in Cambodia (see McDermott 1994a, pp. 175 f.). Both funds are still active. Today’s Trust Funds related to UN Peace Operations cover various conflict prevention, peacekeeping, –making, and –building activities in different countries such as the “Trust Fund to Support United Nations

<sup>44</sup> While the broad leadership and guidance for UN Peace Operations comes from the Security Council and from the Secretary-General the operations are headed by SRSGs “on the ground”. Of course, this does not go for operations which are under control of coalitions of Member States and authorized by the Security Council as was the case in Somalia (1992), Rwanda (1994), and Haiti (1994).

Peacekeeping-related Efforts in Sierra Leone”, the “Trust Fund for Confidence-building Measures in Eastern Slavonia”, and the “Trust Fund in Support of the Delimitation and Demarcation of the Ethiopia-Eritrea Border” (see UN Doc. A/58/5 (Vol. II), Annex II).

Salomons and Dijkzeul (2001, p. 46) emphasize that those trust funds established for humanitarian and development programmes in conjunction with UN Peace Operations “can take the role of a co-ordination mechanism, as joint funding stimulates joint planning, implementation and evaluation”. By way of illustration the authors name the “Holst Peace Fund”, which was created to finance the start-up costs of the Palestinian Authority and small-scale projects in the West Bank and Gaza. Established in 1994 (closed in 2001) this multi-donor trust fund was not administered by the UN but by the World Bank and is one of the first examples of the international donor community responding through a single funding mechanism to needs for post-conflict development (see World Bank 2001).

Besides country and regional specific funds, there are also funds that have a more thematic, non-geographical alignment. Examples are the “Trust Fund for Support from Government and Organizations to the Department of Peacekeeping Operations’ Lessons-learned Mechanism”, the “Trust Fund for the Rapidly Deployable Mission Headquarters” and the “Trust Fund to Support Public Information and Related Efforts in United Nations Peacekeeping Operations”.

The 2004 Report of the Board of Auditors lists no less than 31 trust funds

which financed activities related to peacekeeping operations during the fiscal year ended on 30 June 2003 (see UN Doc. A/58/5 (Vol. II), Annex II). Trust fund income and expenditure amounted to US\$ 14.2 million and US\$ 91.8 million respectively. The balance of the trust funds as of 30 June 2003 was US\$ 92.2 million (30 June 2002: US\$ 169.9 million). The list includes large as well as broad-based funds such as the above-cited \$ 42 million “Trust Fund in Support of United Nations Peacemaking and Peacekeeping Activities” and small and narrow ones like the US\$ 10.000 “Trust Fund for the Financing of United Nations International Conference on Medical Support for Peacekeeping Operations”.

According to the distinction made within the UN between general and technical co-operation trust funds – both applied as financing mechanisms to support peacekeeping and political missions –, *general trust funds*, established either for long-term or specific short-term purposes, are used “to enhance or expand the work programme of one or more organizational units of the Secretariat, or for humanitarian and relief purposes to provide direct assistance in respect of emergency situations.” In contrast *technical co-operation trust funds* “refer to those which provide economic and social development assistance to developing countries”, i. e. they are “established to finance specific projects of technical co-operation.” (UN Doc. ST/SGB/188, pp. 3 f. and Annex, p. 1)

The authority to establish and manage both types of trust funds is set out in Regulation 4.13 of the “Financial Regu-

lations and Rules of the United Nations”: “Trust funds and reserve and special accounts may be established by the Secretary-General and shall be reported to the Advisory Committee.” The supplementary [Financial] Rule 104.3 states: “Trust funds and reserve and special accounts may be established by the General Assembly or the Secretary-General in respect of specific activities entrusted to the Organization. The establishment, purpose and limits of trust funds and reserve and special accounts established under the authority of the Secretary-General require the approval of the Under-Secretary-General for Management.” (UN Doc. ST/SGB/2003/7). UN Doc. ST/SGB/188 (p. 5) stipulates that the Under-Secretary-General for Management, in turn, has delegated this authority to the Assistant Secretary-General for Financial Services. In case of trust funds established by the General Assembly the terms of reference (TORs) of the fund are set out in the Assembly resolution or in documentation referred to in the resolution.

The process of implementing a trust fund in support of UN Peace Operations can be summarized as follows (after Salomons and Dijkzeul 2001, pp. 48 f.):

*First*, when a peace operation’s Special Representative of the Secretary-General (SRSG) has identified the need for a trust fund he has to find donors willing to support the proposed fund. This usually happens in the context of a pledging conference. *Second*, after the TORs have been formulated with the parties concerned the Chief Administrative Officer of the operation can submit the TORs to

DPKO or DPA for review. The Department responsible, in turn, issues a formal request to the Assistant Secretary-General for Financial Services (to the authorized Controller of the UN respectively). *Third*, once the trust fund is authorized donors can deposit funds in the special account set up for the trust fund. After the funds are received the SRSG can ask the Department for an allotment, i. e. for a “spending authority” (UN Doc. ST/SGB/188, p. 8). Finally, disbursements can be made within days. By decision of the General Assembly the UN itself charges programme support costs on the basis of expenditures of 13 percent (see Salomons and Dijkzeul 2001, p. 48).

Instead of using voluntary trust funds under the aegis of the UN Secretariat donors can place their contributions in an abundance of different trust funds administered by the United Nations’ major programmes and funds, such as UNICEF, UNDP, UNHCR, and UNEP or by the specialized agencies of the UN system, such as the World Bank. Salomons and Dijkzeul (2001, p. 49) point out that these trust funds usually imply more operational *flexibility* and *lower fees* (programme support costs) to donors. Compared to the 13 % charged by the UN Secretariat UNDP’s Trust Funds are charged between 3-5 % only (see UNDP 2000a, p. 1). If those trust funds in addition are more flexible and therefore more “effective” (e. g. faster disbursements, disbursements in advance), it is in the very own interest of a UN Peace Operation’s SRSG to choose one of the UN programmes as the administrative body for a required trust fund.

The UN programmes' trust funds are likewise to be established under the United Nations' financial regulations and rules but are subject to the administrative authority of their executive heads. E. g. in March 2000 UNDP established a "Thematic Trust Fund for Crisis Prevention and Recovery" which is used to finance a wide range of peace-building and prevention activities in crisis-affected countries. This fund is managed and administered by the UNDP *Bureau for Crisis Prevention and Recovery* and has mobilized over US\$ 180 million since its establishment (see UNDP 2003 pp. 5 and 17). As many other UN programmes' and specialized agencies' trust funds it also covers activities in support of peace operations directed by the DPA or the DPKO – and those which usually fall under the mandate of UN Peace Operations<sup>45</sup>. One example among others is UNDP's implementation of a disarmament and demobilization programme in the Republic of Congo where 8,000 ex-combatants could be demobilized (see UNDP 2003, p. 10). At the same time the *United Nations Organization Mission in the Democratic Republic of the Congo (MONUC)* had a similar mandate in the bordering state (see UN Doc. S/RES/1291).

The World Bank also has established several new major trust funds within the last years through which donors can support countries emerging from conflict. It particularly has increased its capacity "to contribute to international efforts to deal with specific aspects of post-conflict reconstruction" (World Bank 1998, p. v). Apart from the above-mentioned "Holst Peace Fund", in 1997 the World Bank instituted a new grant facility, the "Post-Conflict Fund", which gives grants to a wide range of the Bank's partners to provide conflict-affected countries with an earlier and broader World Bank assistance (World Bank 2004).

Another example is the "Afghanistan Reconstruction Trust Fund" established in 2002 which currently is one of the main instruments available to the Government of Afghanistan to finance key recurrent expenditures and which disbursements totalled US\$ 182 million in 2003 (see World Bank 2003b). The whole Bank's trust fund programme expanded by 30 percent in 2003 while the contributions received from donors totalled US\$ 4.44 billion (see World Bank 2003a, p. 41). Although some of these trust funds are not directly related to UN peace operations it should be considered that the purposes which they are established for are often identical to those set out in peace operation's mandates. While most of the operations suffer from outstanding contributions of the key donor countries the same donors prefer to pay quite an amount of money into corresponding trust funds.

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<sup>45</sup> UNDP (2003 pp. 6 ff.) offers the following seven *service lines* which can be financed by the fund: "Conflict Prevention and Peace-building"; "Recovery"; "Security Sector Reform and Transitional Justice"; "Small Arms Reduction, Disarmament and Demobilization of Ex-Combatants"; "Mine Action"; "Natural Disaster Reduction"; "Special Initiatives for Countries in Transition". Each of these activities usually is part of the performance of UN Peace Operations.

### Assessment

- It is obvious that the evolution of trust funds in support of peace operations since the 1990's has been caused by the overall budgetary crisis of the UN and reflects at the same time the permanent financial improvisation of the UN Secretariat in collecting additional resources to ensure short-term financing when necessary. To put it differently, there is a growing dependence on non-core income – such as trust funds –, while core funding is on the decline (see ODI 1997, p. 9). Even some temporary posts within in the Headquarters peacekeeping support offices (such as DPKO and DPI) are financed by trust funds (see e. g. UN Doc. A/RES/50/221, para. 8).
- The dilemma inherent in this development has been that the political guidance comes from those countries that fund the trust funds and not necessarily from the Security Council or the General Assembly. According to that one may infer that the more a nation pays into a special trust fund the more it could use this fund to pursue pure national interests. Already in the start-up period of a proposed trust fund “willing” donors drive a hard bargain to reach TORs that meet their own interests and therefore ensure to have the biggest possible influence over their own resources. Salomons and Dijkzeul (2001, p. 48) formulate it more cautiously: “Establishing the terms of reference, however, is often a bottleneck, as negotiations between the mission, the donor and the UN Secretariat can become quite complex.” Therefore the need for further investigation into the question of how democratically these funds are administered becomes apparent.
- Another important aspect that deserves to be regarded critically is that the different UN programmes in some cases establish trust funds for similar purposes in the same countries and even in connection with the same peace operation. Considering the fact that each programme's trust fund has its own administrative authority (with a diversity of donors in the background) questions of coherence and compatibility arise. And even if there is an abundance of trust funds at the disposal of the SRSG who leads a peace operation, he does not necessarily know *how* to enter into commitments because each agency handles its trust funds differently – based on different regulations and procedures. It is obvious that such conditions can have a negative impact on effective implementation and disbursement procedures. Salomons and Dijkzeul (2001, p. 6) hold the view that “donors and UN agencies have so far failed to co-ordinate [trust fund mechanism and procedures, A.K.] adequately.”
- Donors should reconsider their priorities how best to finance UN Peace Operations as international public goods. The struggle with a diffuse variety of trust funds can not be a convenient substitute for the existing budgetary financing mechanisms in place. But as Cecil rightly points out: “The existing pool of funds for global public goods reflects the current realities of prioritization and cooperation, no more and no less.” (Cecil 2001, p. 5)
- Taking these critical aspects into consideration one can conclude that trust funds do not represent an effective long-term substitute for assessed

contributions, their creation rather represents another example of financial improvisations.

### III.5.2 Cost Sharing

A further common method to raise additional *non-core resources* in support of UN peace operations is the employment of *cost sharing*.

Salomons and Dijkzeul (2001 p. 46) define cost sharing as the “modality whereby bilateral donor governments, multilateral organizations, international financial institutions, NGO’s or private sector entities contribute financial resources to an agency administering a project or program which involves funds of its own.” According to the authors, cost sharing is a common instrument to “implement a specific project with multiple funding, although occasionally entire programs are financed in this manner, often involving the recipient government as a financial partner.”

Over the last years cost sharing has been increasingly used to finance the *development side* of UN peace operations, especially of those including peace-building components in its mandates. With its operational capability in this field, UNDP has consequently turned out as the United Nations system partner most frequently using this co-financing modality to complement the political and peacekeeping strategies of DPO and DPKO, i. e. to finance development-related projects in addition to those operational measures that are directly covered by the core-budget resources of UN peace operations (see UNDP 2001).

Based on the cost-sharing modality, UNDP led projects have flanked and/or

supported several peace operations. For example, on the Salomon Islands, UNDP has helped UNOMB (United Nations Observer Mission in Bougainville) to bring out its political and peace-building mandate by developing a strategic alliance with other development partners for joint peace-building initiatives and programme coordination. Thereby, significant progress could be made, among other things, in regard to the demobilization of and support to ex-combatants and other vulnerable groups in that region (see UN Doc. DP/CFF/SOI/1/Extension I of 4 July 2001). In Guatemala UNDP has supplemented MINUGUA’s (United Nations Verification Mission in Guatemala) involvement in the post-conflict transition process by promoting over 100 different projects in partnership with the Government and other stakeholders. For that, UNDP has intended to allocate approximately US\$ 111 million for the period 2001-2004 based on cost-sharing (see UN Doc. DP/CCF/GUA/2 of 3 August 2001). Also UNAMSIL (United Nations Mission in Sierra Leone) – one of the UN’s largest peacekeeping operations with an approved budget of US\$ 543.49 million for the period July 2003-June 2004 (DPKO 2004) – is dependent on UNDP’s co-operation within the framework of a *United Nations Peace-building and Recovery Strategy (PBR)* for Sierra Leone. In its ‘Draft country programme document for Sierra Leone (2004-2007)’ UNDP emphasizes the importance of its work for UNAMSIL: “In order to ensure the sustainability of activities initiated by UNAMSIL, UNDP and its other United Nations partners are working closely with UNAMSIL on a

number of transition issues, such as the reintegration of ex-combatants, the extension of state authority and the rebuilding of the justice system and local administrations.” (UN Doc. DP/DCP/SIL/1 of 9 June 2003, p. 2). Moreover, the co-operation between the peace operation and UNDP becomes apparent considering the fact that the UNDP Resident Representative concurrently serves at UNAMSIL as “Deputy Special Representative of the Secretary General for Governance and Stabilization” (UN Doc. DP/DCP/SIL/1 of 9 June 2003, p. 2).

As outlined in the resources framework of the above-mentioned document most of UNDP’s projects administered in support of UNAMSIL are, *inter alia*, financed by cost-sharing and thus supplement the operations’ work financed by its core budget.

UNDP distinguishes between *government cost-sharing* and *third-party cost-sharing* – according to the two major sources where cost-sharing funds can come from: “(a) the recipient government (government cost-sharing) from the recipients’ own budgetary resources or from the technical cooperation component of loans and credits to governments from the IFIs<sup>46</sup>; or (b) Donor-government and IFI grants (third-party cost sharing with funding directly to UNDP)” (UNDP 1996, Annex I)<sup>47</sup>

Put differently, under *government cost-sharing* agreements counterpart resources are provided by the recipient government, whereas in case of *third-party cost sharing* UNDP manages a specific project on behalf of and funded by a particular donor (see ODI 1997; also Galvani and Morse 2004). Usually the implementation of cost-sharing projects is based on a standard model agreement between the Donor and UNDP. The agreement outlines the financial and administrative handling of the contribution (i. e., schedule of payments, earned interest and reporting requirements) as well as the purpose and the utilization of the contribution. Furthermore, it stipulates that programme/project management and expenditures have to be consistent with the regulations, rules and directives of UNDP. As in the case of its trust funds, UNDP charges 3-5 % fees for the administration. If the modalities of the agreement are approved, it will be signed by the authorized *UNDP country representative* and the *donor* (bilateral donors, multilateral organizations, civil society organizations, or private sector).

In practice, *government cost-sharing* as well as *third-party cost-sharing* are used by UNDP to allocate resources to pro-

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*cost-sharing*) (see UNDP 2002, p. 2). In addition to the donors mentioned above, more recently, the private sector and NGO’s have expressed increased interest in co-financing (cost-sharing) with UNDP. According to UNDP this new source of funding has been made possible “through an Executive Decision (Sept. 96) whereby UNDP can receive contributions from private sector institutions and NGO’s regardless of the size of the contribution” (UNDP 2002, p. 4).

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<sup>46</sup> International Financial Institutions.

<sup>47</sup> UNDP offers that cost-sharing contributions can be made for a specific project (*project cost-sharing*), for the whole UNDP programme or components thereof (*programme cost-sharing*) or may be fully funded by a donor contribution (100 %

jects which are implemented in connection with UN peace operations. However, even if a peace operation is the beneficiary of any such cost-sharing project the operations' SRSG has little control over the actual implementation of the project, as the cost-sharing project is based on the agreement between the donor and UNDP. Therefore the SRSG relies on the close co-operation with the UNDP Resident Representative (or the United Nations System Resident Coordinator, who usually also heads the UNDP office, see Salomons and Dijkzeul 2001 p. 52) and who is authorized under UNDP's Financial Regulations and Rules to mobilize cost-sharing resources (see UNDP 2000b). Thereby UNDP Resident Representatives and Country offices receive support from their Regional Bureau and the Division for Resource Mobilization of the Bureau for Resources and Strategic Partnership (DRM/BRSP). Moreover, the financial administration (of co-financing in general) involves various sections of UNDP's Bureau of Management (BoM) (see UNDP 2002, pp. 5 f.).

As early as mid 1990 the cost-sharing modality has become the largest funding category of UNDP's co-financing arrangements (see UNDP 1996). In 2000 voluntary contributions to UNDP amounted to US\$ 1.5 billion, comprising US\$ 571 million in third-party co-financing (trust funds and *third-party cost-sharing*) and US\$ 933 million in *programme country cost-sharing*. During the period 2000-2003 third-party co-financing amounted to US\$ 2.6 billion and programme-country cost-sharing to

US\$ 3.8 billion (see UN Doc. DP/2002/7, p. 4).

Also UNDP's efforts in the backing and supplementing of UN peace operations are mainly funded through cost-sharing arrangements instead of trust funds (see UNDP 2001, p. 2). There are some good reasons for this. Unlike cost-sharing trust funds are not integrated into UNDP projects and thus require additional management tasks (e. g. trust funds require the designation of a Trust Fund Manager) and cause higher transaction costs<sup>48</sup> for the country offices related to the procedures for obtaining them (see UNDP 1996). Moreover, cost-sharing is more attractive to UNDP because it can control directly the use of the funds integrated into its projects. That apart, trust funds lessen the influencing control of the Resident Representative (and consequently of the SRSG) as they are usually administered centralized and often have a broader focus that goes beyond the UN peace operations' mandate and the UNDP country office level: "Many trust funds are headquarter-managed with little consultation and involvement of beneficiary countries and country offices, which consequently do not have a sense of ownership of the particular programme activities." (UNDP 1996, Chapter IV)

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<sup>48</sup> Transaction costs are "the extra costs (beyond the price of the purchase) of conducting a transaction, whether in terms of money, time, or inconvenience" (Kaul, Conceição, Le Goulven, and Mendoza 2003, p. 606).



### Assessment

- From the foregoing it is clear that cost-sharing increasingly has been used to raise additional non-core resources in support of UN peace operations. This especially serves for complex, multidimensional operations with post-conflict peace-building mandates aimed at both the installation of negative and, in the longer run, positive peace. Such transformation processes cannot be achieved solely by the UN missions (covered by core-budget resources), but rely on the close co-operation between the mission and the UN system partners – as UNDP – to ensure a holistic strategy that takes the structural and development-related aspects of peace processes into consideration.
- As mentioned before, the inherent problem is that a mission's SRSG has quite little control over the actual implementation of UNDP-administered projects which are mainly financed through cost-sharing. Therefore, failure or success of an operation also relies on the degree to which the SRSG can pursue his interests in co-operation with the UNDP Resident Representative – who then at best signs a cost-sharing agreement with the donor(s) suitable for the support of the operation.
- However, in practice, it might be difficult to ascertain when a UNDP cost-sharing project is implemented in direct support of a mission and when it “just” takes place in a mission's peace-building environment and pursues strategies that by chance correspond to the mission's mandate. It can be assumed that UNDP does not understand itself as a “sub-contractor” mobilizing resources on behalf of a SRSG, but rather pursue its own country strategies.
- For further assessments it is therefore important to establish criteria to differentiate between projects that only coincidentally are related activities and those that are actually cost-sharing projects in direct support of UN peace operations and can be recorded as their efforts, too.
- In financial terms it thus is still difficult to define when voluntary contributions based on such cost-sharing projects can directly be assigned to a mission's budget and when not. But even if a cost-sharing project is not implemented in direct relation to a mission, the mission nevertheless indirectly benefits from the project as its budgetary resources then can be used for those strategies not already approached by the system partners or other actors in the conflict area.
- Given the variety of different UN offices, donors and other actors involved, the current cost-sharing practice – whether in direct or indirect support of UN peace operations – clarifies the urgent need that the UN should continue strengthening its approach of *common services* to ensure that all actors will be “in a better position to supplement and complement, through their respective mandates, what the political or peace-keeping missions are unequipped to do” (Salomons and Dijzeul 2001, p. 52).

### III.5.3 Parallel Financing

Different from trust funds and cost-sharing, *parallel financing* is the major unknown among the co-financing mo-

dalities. There is little reporting on the extent to which it serves as a form of co-financing (especially with regard to the support of UN peace operations) and the few examples of parallel financing that have been observed in the relevant literature (e. g. UNDP 1998, Salomons and Dijzeul 2001) indicate that it is a concept with little uniformity in practice. By definition, parallel financing is “the modality whereby one or more multilateral organizations, in partnership with other donors (often under bilateral programs), jointly fund a program or project, but administer their resources separately.” (Forman and Salomons 1998, p. 7). The fact that it does not enter the organizations’ accounts and thus does not generate income for them from fees (see UNDP 1996) might constitute a main obstacle to its use. Instead, from the donors’ perspective it is a very promising modality as it guarantees them greater identification with their projects and greater independence with regard to their resources: “Parallel financing offers the possibility of joint programming, while allowing for distinct resource mobilization patterns and reporting responsibilities. By opting for parallel financing, donors are able to maintain their programmatic identity and visibility, while benefiting from their partners’ particular competencies.” (Salomons and Dijzeul 2001, p. 47)

Considering this brief picture, the question is to what extent parallel financing is a realistic option to raise additional sources in support of UN peace operations. In principle, it offers the respective SRSG a wide range of options for the implementation of collaborative projects

that are essential to bring out the missions’ mandate, but are – for reasons of lacking budgets, capacities, and staff – hardly to realize in the solo run. However, in practice, there are a number of barriers hampering the SRSG to translate the potential benefits of parallel financing into action. Most essential is the fact that the different agencies’ finance mechanism potentially available for parallel financing in support of peace operations are not harmonized but are based on different regulations and procedures<sup>49</sup>: “Currently, the financial rules of the World Bank, and its affiliate organizations differ substantially from those of the United Nations. Moreover, each of the United Nations’ funds and programs [...] has its own financial rules and regulations, including different provisions for the receipt of funds from the private sector. This lack of compatibility may present serious obstacles, particular when reporting and accountability have to meet the different standards of a variety of partners.” (Salomons and Dijzeul 2001, p. 47)

Therefore it is essential for the respective SRSG to work out the specific features of parallel financing with the donors/implementing agencies before entering into any commitments.

### Assessment

- As noted, there is only little information on the use of parallel financing in

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<sup>49</sup> A problem already described with regard to trust fund administration. As a result SRSGs often do not know how to enter into commitments without having comprehensive knowledge on the different regulations and procedures.

support of UN peace operations available. Thus, the foregoing suggests the need of further investigation into the question of the use and relevance of this co-financing modality in connection with the extra-budgetary financing of peace operations.

- Hitherto, it can be recorded that parallel financing potentially provides another useful financing modality that should be part and parcel of the SRSG's option catalogue for co-operation with donors/UN system partners willing to contribute to selected projects/components of a mission.
- The existing procedural barriers (different regulations and procedures among the agencies, donors, and programmes), as well as opportunities for harmonization should be identified in greater detail to avert lengthy and cumbersome pre-implementation requirements when speed is of the essence. If these problems are addressed, there will be better conditions to translate the potential benefits of parallel financing in support of UN peace operations into action.

#### **IV. Current and Possible Future Funding Sources**

The last chapter has examined in great detail the various financing arrangements created by the UN to ensure the provision of its peace operations. Before the conclusion of the present study assesses the arrangements in place from a public good perspective, this chapter takes a look at the *sources* of funding allocated to them. Since there is evidence that large shares of financial contributions to UN peace operations flow as aid, though the "willing donors"

often are also the *main* net-beneficiaries of their spending, there is good reason to do so. The chapter then provides an outlook on the possible future shape of a financing system that is build up on alternative financing sources. Doing so, *first* it will recall some important proposals for reform within the existing "conventional framework of government contributions" (Mendez 2001, p. 152); and *second* it will introduce more innovative proposals for a system of financing beyond government contributions.

#### **IV.1 Intermingling of ODA and Financing for UN Peace Operations**

For assessing the use of foreign aid – or official development assistance (ODA) – in financing UN peace operations it is necessary to distinguish between aid that is spent as *bilateral voluntary contributions* to specific projects directly related to operations (especially to those with a post conflict peace-building alignment) and aid that is spent as *multilateral assessed contributions* either to the UN peacekeeping operations' assessment accounts or, in case of UN political missions, to the UN regular budget.

First and foremost aid flows become obvious when donors are willing to support specific peace-building and development projects implemented in connection with UN peace operations. Often the same Member States that are in arrears with their assessed payments to the peacekeeping accounts tend to provide high sums in aid as bilateral voluntary contributions. By using the co-financing arrangements described in the foregoing chapters each year plenty of

US\$ million are thus directly allocated from donors' national aid budgets.

With regard to multilateral assessed contributions the use of aid is more of an "indirect" nature. *First*, UN Member States' multilateral assessed contributions to the UN biennium regular budget are partly allocated from their development budgets (considering that these budgets usually contain such an item<sup>50</sup>) and thus indirectly finance UN political and peace-building missions since their provision has been included in the UN regular budget. *Second*, there is evidence that some OECD/DAC members tend to report their multilateral assessed contributions to the UN *Peacekeeping Assessment Accounts* as part of the ODA they provide – although these contributions are allocated from their Foreign Ministries' budgets and it is not obvious whether provided for the operations' military or development-related components.

As illustrated in box 3, the question whether and to what extent support for UN peace operations should be "ODA eligible"<sup>51</sup> still is under debate within the framework of the DAC. Even if OECD members meanwhile agree on a set of conditions under which the bilateral

participation in *UN post-conflict peace-building operations* is ODA eligible (see OECD/DAC 2001; 2003), corresponding reporting procedures for multilateral assessed contributions are still outstanding. However, the DAC so far has failed to approach the question of ODA eligibility from a global public good perspective. Thus, the DAC guidelines are silent on the question of whether it would not be more appropriate to *completely* separate provisions for UN peace operations from ODA instead of thinking about which parts of it could be ODA eligible. Moreover, there is no considerable general debate within the DAC of how to treat the relationship between financing of international public goods and development assistance.

As UN peace operations represent international public goods with high social and private returns the net-beneficiaries, in many cases, especially are the developed countries – more than in case of development assistance. Against this background there is a clear *misuse* of ODA underlying the financing of UN peace operations. Even if development and peace are closely linked to each other – and mutually supportive – it is a critical approach to finance peace operations as public goods through official development assistance while jeopardizing the limited resources needed to fight poverty. Thus, the main payers among UN Member States should internalize that the more they benefit from the positive externalities of UN peace operations the less ODA they should use for its financing. Also *bilateral voluntary contributions* to specific projects directly related to UN peace operations should

<sup>50</sup> Some countries only provide one item for *specific UN programmes* within their development budgets and mainly allocate their assessed contributions to the UN regular budget from their Foreign Ministries' budgets.

<sup>51</sup> The rules and issues on which types of expenditures should be categorized as ODA ("ODA eligibility") are periodically reviewed and monitored by statistical experts of DAC Members who meet in the Working Party on Statistics of the DAC (see OECD/DAC 2001, p. 39).

### Box 3: Aid Allocation to UN Peace Operations - A Questionable Trend

- **Direct assessed contributions to UN peacekeeping operations**

Usually Member States pay their assessed contributions to UN peacekeeping operations out of their Foreign Ministries' budgets.<sup>a</sup> However, this does not necessarily avert countries from categorizing their contributions as ODA. Germany, for example, allocates its assessed contributions from the budget of the Federal Foreign Office - but until now has reported it as part of the ODA it provides.<sup>b</sup> Doing so, Germany undermines the integrity and credibility of ODA statistics as assessed contributions also cover the *military, non-development-related* components of peacekeeping operations.

- **Voluntary contributions in support of activities related to UN peace operations**

During the 1990s the international donor community pledged approximately US\$ 100 billion dollars in aid to three dozen countries recovering from conflict.<sup>c</sup> By using co-financing mechanisms and tools such as trust funds, cost-sharing, and parallel financing much of this aid was provided as bilateral "*voluntary contributions*" for specific peace-building and development activities directly linked to UN peace operations. In practice, however, it can not be excluded that some projects funded through ODA have significant development-military interfaces as in case of the *Kofi Annan International Peacekeeping Training Centre (KA IPTC)* in Ghana which is partly funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).<sup>d</sup>

#### The OECD DAC standpoint

The question whether and to what extent support for UN peace operations should be categorized as ODA ("*ODA eligibility*") has become a topic of considerable discussion within the framework of the OECD Development Assistance Committee (DAC) in recent years. According to the DAC reporting guidelines<sup>e</sup> members meanwhile agree on the eligibility of *bilateral participation* in *UN post conflict peace-building operations* to be classified as ODA. Thereby, the guidelines provide for eligibility under the following conditions:<sup>f</sup>

"The costs of a donor's bilateral participation in the activities listed below, when they are part of the post-conflict peace-building phase of a United Nations peace operation, net of any compensation received from the United Nations (the cost of bilateral activities is calculated as the excess over what the personnel and equipment would have cost to maintain had they not been assigned to take part in a peace operation): human rights; election monitoring, rehabilitation assistance to demobilized soldiers; rehabilitation of basic natural infrastructure, monitoring or retraining of civil administrators and policy forces; training in customs and border control procedures; advice or training in fiscal or macroeconomic stabilization policy; reparation and demobilization of armed factions, and disposal of their weapons; and explosive mine removal."

In contrast, the following activities are not ODA-eligible: military aid, military equipment, training of military personnel, and personal security.

Note: As the existing reporting procedures exclusively focus on the bilateral participation in UN peace-building operations, efforts are made within the DAC to apply them to a.m. multilateral contributions as well.

"A procedure of this kind would presumably mean that only a certain percentage of UN missions - namely, those devoted to civil tasks - would be eligible for consideration as ODA."<sup>g</sup>

<sup>a</sup> Information is drawn from an interview by the author conducted at the Financial Management Office of the UN Department of Administration and Management, New York, in July 2003

<sup>b</sup> See Klingebiel and Roehder (2003), pp. II and 17

<sup>c</sup> See Forman, Patrick, and Salomons (2000), p. 1

<sup>d</sup> See Klingebiel and Roehder (2003), p. 18

<sup>e</sup> See OECD/DAC (2001), pp. 39 f.; for further reading see also OECD/DAC 2004

<sup>f</sup> OECD/DAC (2003), p. 17; on new conditions currently under debate see also Elliesen (2005), p. 181

<sup>g</sup> Klingebiel and Roehder (2003), p. 17

come under critical review as these projects often lay in a *grey zone* between public good provision and development assistance. Therefore the UN in cooperation with the DAC should develop clear criteria and guidelines to determine when aid spending is appropriate and when these projects are a public good matter to be financed through alternative resources. This would constitute a suitable way for ensuring that development funds are not misused for the provision of UN peace operations as public goods and to preserve the integrity and credibility of ODA statistics.

## **IV.2 Towards a More Innovative International Public Financing of UN Peace Operations**

### **IV.2.1 Proposals for Reform within the Framework of Government Contributions**

Most prominent among a number of conventional proposals that have been made over the last years to address the problem of inadequate financial resources for UN peace operations is the idea to provide incentives for the timely payment of dues. As already proposed by former Secretary-General Boutros Boutros Ghali in 1991 (UN Doc. A/46/600/Add. 1), interest payments could be charged on the amounts of peacekeeping assessed contributions that are not paid on time (*negative incentive*). The interest proceeds then either could flow directly into the missions' budgets or could be used as a form of recompense for those members which pay their assessed contributions on time (*positive incentive*). A more radical approach would be to introduce a kind of "sham-

ing mechanism", e. g. by providing a "well-publicized list of delinquent members, as is done in clubs, and a ranking of members on the basis of degree of financial responsibility" (Mendez 2001, pp. 151 ff.). Considering the political obstacles and the current resistance of sovereign Member States to any such a proposal it, of course, is rather difficult to apply a system of "sticks and carrots" to international public finance. Nevertheless, the UN Secretariat at least should keep on trying to place it on the international agenda since the practice has shown that the system of assessments in its present shape does not work effectively.

Other proposals that have been made include: changing certain financial regulations of the UN to permit the retention of budgetary surpluses; authorizing the Secretary-General to borrow money from the commercial financial community; authorization for the UN to borrow from the World Bank and the IMF; increasing the levels of the "Peacekeeping Reserve Fund" and the "Working Capital Fund"; and general tax exemption for contributions made to the UN by foundations, business and individuals (see "An Agenda for Peace" (UN Doc. A/47/277 – S/24111, paras. 70-73); McDermott 1994a, 1994b; Mendez 2001). Some of these proposals already demonstrate the search for new funding sources but in the end still are deeply rooted in the *status quo* framework of government contributions.

The main problem inherent in proposals like these is that they do not fully take into consideration the difficulty of arranging payments through national

budgetary processes, which first and foremost give priority to internal issues. If holding on to the idea of government contributions it therefore must be imperative to foster national reforms aimed to bridge the “jurisdictional gap” (Kaul 2000b, p. 7)<sup>52</sup> between domestic and foreign affairs. In this context Kaul, Le Goulven, and Schnupf recommend that parliaments should mandate their national ministries to assume enhanced responsibility in order to get more closely involved in international cooperation and to budget for expenditures abroad: “Authorizing ministries to undertake dual-track budgeting, showing domestic and international expenditures separately, would also enhance transparency and accountability. It would then be possible for governments to demonstrate to their taxpayers how much the country invests in keeping the world in balance in order to ensure peace, security, and prosperity at home.” (Kaul, Le Goulven, and Schnupf 2002, p. 21)

With regard to the financing of future UN peace (-keeping) operations this might constitute a useful approach. Instead of solely allocating their assessed contributions to the *Peacekeeping Assessment Accounts* out of their Foreign Ministries’ budgets – as currently practised – in addition, UN Member States should consider integrating a separate budget line for the financing of these operations into their Defense Ministries’ budgets. This would be conform to the

idea that international peace and security only can be achieved effectively by national self-provision *plus* international security cooperation. Thus, the logical consequence would be that also national Defense Ministries fulfill a more active role as actors embedded in a “system of cooperative global governance” (Group of Lisbon 1996). Against this background a necessary step is that the political involvement of national ministries in international affairs also is flanked by a corresponding higher financial involvement.

Apart from such efforts to reform the financing of UN peace operations within the framework of government contributions, a “system of financing beyond the nation-state” (Mendez 2001, p. 153) is required. Without considering more innovative and imaginative approaches, the international public financing of UN peace operations cannot be expected to be put on a firmer and more reliable footing. But what should be the sources that help the UN no more than still causing dependence on the daily financial will of Member States? It is well-known that voluntary contributions cannot constitute a more effective financing – not least because of the *free-rider problem* inherent to the voluntary provision of public goods.

#### **IV.2.2 Proposals for a System of Financing beyond Government Contributions**

A possible way towards a more innovative international public financing of UN peace operations, for example, could be to apply those public finance tools that still primarily are utilized at the national

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<sup>52</sup> More precisely, Kaul uses the term to refer to “the discrepancy between the global nature of today’s major policy challenges and the still predominantly scope and focus of policy-making” (Kaul 2000b, p. 7).

level for *internalizing (negative) externalities*, such as *taxes, user charges, fees* and *levies*. For example, in recent years several international tax proposals have been put forward for the purpose of financing the provision of different global public goods.<sup>53</sup> With regard to the financing of UN peace operations the most relevant proposal perhaps is that a tax should be levied on international arms transfers. Such a tax would have two positive effects: it would decrease (enhanced) international arms trade, i. e. it would internalize arms trade as a negative externality (a public bad itself) of international public *bads* such as war, and it could provide additional resources for UN peace operations. As often suggested, the basis for this taxation could be an already existing Register on Conventional Arms, established by the General Assembly in 1991, that contains data on state-to-state imports and exports of conventional arms<sup>54</sup>. Binger (2003,

p. 19) estimates that an annual amount of US\$ 1.2 billion could be expected from this tax. This would constitute almost the half of the entire peacekeeping budget 2004. Another proposal already made by former Secretary General Boutros Boutros Ghali in his “Agenda for Peace” is a levy on international air travel, which is dependent on the maintenance of peace. Referring to Henderson and Kay (1995), Sagasti and Bezanson (2001) instead discuss the idealistic notion of a “United Nations Security Insurance Agency” providing insurance against aggressions: “This idea would exploit the concept of scale economies: a global UN Peacekeeping Force can protect many countries, helping to reduce the need for military spending. The cost of the prepaid insurance would need to be considerably smaller than it costs a country to maintain its own military forces” Sagasti and Bezanson (2001, p. 122).

However, these proposals are not exhaustive; rather do they serve as an orientation on how an international public financing system dealing with internalizing externalities for the purpose of financing UN peace operations could look like. It goes without saying that international taxes in general are a highly unpopular subject, often rejected by concluding that “no worldwide government exists” (Rosen 1988, p. 538) that has the authority to impose them. But such a point of view is misleading as, in fact, procedures for international taxes could be put into effect without creating a supranational tax authority. For example, Sagasti and Bezanson (2001, pp. 42 f.) argue that any such a

<sup>53</sup> Prominent examples for international taxation among others are a currency transaction tax (“Tobin Tax”), a common carbon tax, a tax on specific traded commodities, and different taxations of the global commons, such as a tax on ocean fishing or seabed mining (see e. g. Mendez 1992 pp. 213 ff., also 2001; Sagasti and Bezanson 2001, pp. 44 f.).

<sup>54</sup> Problematic with the register certainly is that only government-to-government transfers are reported, while the growing private arms market remains outside the reporting system. Moreover, it is to judge critically that reporting to the register is voluntary and that it only provides information on the number of items traded but not on their monetary value so that it would be difficult to determine the size of the tax (see Wahlberg 2001). Thus, Najman and D’Orville (1995), for example, judge the register as unsuitable for the purpose of taxing international arms trade. Wahlberg (2001), instead, proposes to modify the register for this purpose.



tax could be collected “at the international level through existing revenue collection agencies” and then transferred to international institutions. This makes sense and, moreover, would constitute an important step to bridge the “jurisdictional gap” (Kaul 2000b, p. 7) discussed above. Also Mendez (2001, p. 155) holds the view that no world government is needed and instead proposes a “convention or multinational treaty” that should stipulate the legal and administrative aspects of a future international tax system. Such a treaty certainly only would serve its purpose if all nation states signed it to avoid tax-free zones. However, once translated into action it would give the UN the necessary leeway to operate on a secure and steady independent financial foundation rather than solely relying on the financial unreliability of Member States.

Given the abundance of innovative proposals currently under discussion for the financing of global public goods in general (including mechanisms to internalize externalities, private and public sources, public-private partnerships), the UN in cooperation with the “International Task Force on Global Public Goods” should identify which of the several options besides those suggested above are suitable to allocate additional resources to its peace operations. Many of the innovative means that have been suggested for the financing of other global public goods – or for ensuring additional resources to the UN in general, also could be considered as appropriate for the financing of peace operations. These include international fees and levies such as a surcharge on airline

tickets, parking fees for geostationary satellites, and charges for the utilisation of the geomagnetic spectrum; a “bit tax” (a small tax on the amount of data sent through the Internet); a global lottery (with direct and voluntary citizen participation); a “UN Communication Day” (on which all postage charges and telephone calls would carry levies accruing to the UN); and resource mobilization from income earners such as credit-card sponsorship (see e. g. Mc Dermott 1994a; Sagasti and Bezanson 2001; Wahlberg 2001; Mendez 2001). Moreover, still unrealized is the establishment of a US\$ 1 billion global *Peace Endowment Fund*<sup>55</sup> as suggested by former Secretary-General Boutros Boutros Ghali in his “Agenda for Peace” which could follow the model of the already existing “Global Fund to Fight AIDS, Tuberculosis and Malaria”. Finally, another innovative proposal made by Forman, Patrick, and Salomons (2000, p. 26) is the creation of a *full-fledged Strategic Recovery Facility* which *inter alia* could be used to finance peace-building activities related to UN peace operations.<sup>56</sup> With the “Global Environ-

<sup>55</sup> Boutros Boutros Ghali originally intended that resources to the fund should flow as assessed and voluntary contributions - one-third to be provided by governments, and the remainder to come from the private sector as well as individuals (see Mc Dermott 1994a, p. 176). Given the experience with assessed contributions it would be more appropriate to de-link the allocation of resources to such a fund from any assessments.

<sup>56</sup> According to the authors the Facility would be open for participation to a variety of relevant actors and would have “dedicated funds available for its own analytical and preparatory tasks as well as a standing trust fund...” (Forman, Patrick, and Salomons

ment Facility” a similar arrangement already exists in the field of international environment policy.

Considering the various financing proposals introduced here the question to be raised is whether these proposals are realistic and political feasible or rather of utopian nature. Against the background of the current political realities it can be expected that most of the innovative proposals are likely to encounter opposition from Member States – at least in the immediate future. But Member States should internalize that the more alternative financing sources for UN peace operations will be found the less financial burdens will have to be shouldered through their national budgets – without losing policymaking sovereignty on a bigger scale.

## V. Conclusion

The present study has addressed three main issues: the international public good nature of UN peace operations; current UN Member States’ burden-sharing behaviour underlying their provision; and in greater detail the performance of the various international cooperative financing mechanisms and tools currently existing to ensure the provision of UN peace operations.

It has shown that UN peace operations represent international joint product public goods yielding both international purely public and nation-specific bene-

fits. Since there is evidence that purely public benefits are predominant UN peace operations tend to be undersupplied. This is mainly due to the fact that nation states are not fully aware of these benefits. Thus, no less than a radical change of views towards the provision of UN peace operations is needed. To encourage purely public externalities is not only a matter of normative considerations. It also expresses a realistic understanding on how best to manage the process of globalization. In an increasingly interdependent world the adequate provision of UN peace operations is in the very own interest of all nation states. Thus, UN member states should reconsider their current burden sharing behaviour – in terms of financial as well as personnel contributions. The overall level of funding for UN peace operations is inadequate, reflecting the often lukewarm or token support given by Member States. As described in the foregoing, the *ratio* of expenditures for UN peace operations to world military expenditures was 1:284 in 2002. What does this ratio say? It says that nation states are not willing to pay an amount that exceeds 0.35 percent of that amount they are willing to pay for their national defense. From a global public goods point of view it also says that nation states still prefer to control global public *bads* (i. e. to correct negative externalities) instead of promoting global public *goods* (i. e. encouraging positive externalities) – and that they still prefer doing this nationally instead of internationally. This reflects “old-style power politics” (Czempiel 2003, p. 41) at its best and by no means constitutes an adequate way to deal with international security chal-

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2000, p. 26). Such a Facility, however, would contribute to a more integrated financial cooperation among the several actors which currently are involved in the voluntary support of peace-building activities related to UN peace operations.

lenges in a today's increasingly interdependent world. While war-lords and –economists already “have gone global”, (see Duffield 2001; Cater 2002) nation states still act in “Westphalian categories”, not willing or able to subscribe to the idea of cooperative security – with the United Nations as its crystallization point.

With regard to the performance and “appropriateness” of the several international public financing mechanisms and tools applied by the UN to allocate resources to its peace operations the overall conclusion is mixed.

On the positive side, it can be concluded that many of the UN internal reforms described in the foregoing sub-chapters have resulted in significant improvement in the efficiency of UN administrative practices related to the use of the different *core-budgetary financing mechanisms* currently “in operation”. Several examples have been given in the foregoing: budgetary processes have been standardized and streamlined; the collection of resources to the Peacekeeping Assessment Accounts has been improved by creating a new methodology (peacekeeping scale of assessments) on the basis of more objective criteria (avoiding free-riding of “high-income developing countries”) and the resource reimbursement to troop-contributing countries has been improved by revising the underlying “standard cost-reimbursement formula”; higher start-up funds were placed at the Secretary-General's immediate disposal (Peacekeeping Reserve Fund); and the result-based budgeting format has been introduced to the Support Account. In short,

these reforms have optimized the allocation of existing resources to UN peacekeeping operations and thus have contributed to a more *effective* provision of this type of peace operations as international public goods.

On the negative side, these improvements, important as they may be, are by no means sufficient to place the financing of UN peace operations on a solid and sustainable basis. There are two major reasons for it: *First*, no procedural reforms related to the financing mechanisms in place can solve the core problem the UN faces, namely the negative impact of the delinquency of some UN Member States with regard to their peacekeeping assessed contributions. According to the previous analyses the different core-budgetary financing mechanisms are closely linked to each other and, directly or indirectly, derive its income from Member States' assessed contributions. Against this background it is of urgent need that the UN considers to apply alternative sanction mechanisms for late or unpaid assessed contributions (others than Article 19). It should also completely de-link the collection of resources to the Support Account and to the UNLB as well as the replenishment of the Peacekeeping Reserve Fund from any assessed contributions to the Peacekeeping Accounts.

*Second*, reforms which have been introduced successfully to the financing of peacekeeping operations are still outstanding for the financing of political and peace-building missions. Thus, it is imperative to foster a more *integrated financing approach* helping to bridge the gap between peacekeeping and peace-

building. Moreover, such an approach should finally intend to overcome the UN's separate financing of peacekeeping operations on the one hand and political and peace-building missions on the other hand. One way forward could be to expand the scope of the core-budgetary financing mechanisms in place towards its use for *all* mission types. For example, this could imply to increase the total amount of income of the Peacekeeping Reserve Fund to meet the start-up needs of UN political and peace-building missions as well. Furthermore, the General Assembly should review its decision to provide the core financial resources for political and peace-building missions within the UN regular budget. The thus budgeted amounts are not only insufficient in relation to the number and mandate of these missions, but are also at the expense of other activities of the organization to be covered by the regular budget. Should the UN, as currently under debate, establish a unified peacekeeping budget by consolidating the different Peacekeeping Assessment Accounts, a possible future option would be to integrate the provisions for political and peace-building missions into this unified budget. As a result UN Members States would be assessed for all mission types only once a year. The resulting "surplus" within the UN regular budget then could be used to fund additional posts at DPKO (instead of using the Support Account for that purpose) and DPO needed for the administrative and political backstopping tasks of the various operations. In the long term, however, it should be considered to merge the engaged offices of both departments to ensure an effective organizational

structure that, in an adequate manner, reflects the integrated vision of peacekeeping and peace-building.

The challenge of developing a more holistic broad-based approach will not only require to integrate the various core-budgetary financing mechanisms into a more coherent framework. Considering the fact that the flow of funds for political and peace-building missions is almost completely voluntary, political motivated, and patchwork in nature, a more systematic approach to financing UN peace operations must also be based on a more effective use of the different *voluntary financing mechanisms and tools*. Thereby it is essential to improve the cooperation between the UN Secretariat and those United Nations system partners most frequently using these arrangements to complement the peacekeeping and -building strategies of the UN Secretariat. The foregoing examinations have identified and described the most important non-core budgetary financing mechanisms (trust funds) and tools (cost-sharing, parallel financing), and have pointed at some of the relevant UN offices and programmes that presently implement them. Further research that can build up on these findings should also identify the average time required to establish these arrangements. Moreover, it would be useful to develop a sort of guide enabling a peace operations' SRSG to establish quickly a mechanism and/or or tool suitable for his operation (see Fafo 1999). As also provided in this study, the guide should entail information on the programme support costs and procedures associated with the respective mechanisms and

tools so that an SRSG can choose among a range of options. In this context it is of great importance to further strengthen the position of the SRSGs in getting access to the different voluntary financing arrangements: “[...] the UN Secretariat must provide the SRSG with a clear mandate and terms of reference, stronger administrative and policy support and more generous and flexible financial instruments. To improve coordination within the crisis country, each SRSG should be given clear authority to speak on behalf of the various programs, departments, and agencies of the UN family. Most importantly, the SRSG should be granted direct access and supervision over the resources of these entities.” (Forman, Patrick, Salomons 2000, p. 18)

In order to promote a more *integrated financing approach* to UN peace operations, it is moreover up to the different UN programmes and offices to do their part to facilitate the access and use of the different voluntary financing arrangements they provide. This especially goes for the administration of trust funds. Thus, those programmes which establish trust funds in support of UN peace (-building) operations should foster more coherent and compatible administrative procedures. Appropriate measures would be to: (a) consolidate and reduce the number of trust funds to avoid unnecessary overlaps; (b) harmonize as much as possible the rules and requirements relating to trust fund management and reporting; (c) revise and harmonize the system of support cost charges; (d) streamline procedures for accessing trust fund monies.

But even if the UN overcame its present lack of strategic policy design by integrating the various core- and non core-budgetary financing elements into a more coherent framework, it would be far away from creating a suitable and sustainable public finance architecture that ensures an enhanced provision of UN peace operations. The present pattern of international public financing for UN peace operations is based on an insufficient system of assessments due to the absence of any serious sanction mechanisms for non-payers. Consequently it highly depends on voluntary contributions that “cannot constitute an effective system of public finance in the international arena any more than it can in nation-states” (Mendez 1992, pp. 35 f.). Moreover these voluntary contributions often flow as aid – at the expense of those core purposes which aid spending was originally thought for.

Against the background of these findings it must be concluded that international public financing for UN peace operations currently does not work in a structured way. A more comprehensive provision of UN peace operations as international public goods does not only require to foster policy coherence regarding the financing arrangements in place, but, in the light of chronic underfunding, the challenge also is to create *alternative* financing arrangements that could be used to channel *additional* resources to UN peace operations. Several proposals were made in the foregoing chapter of the present study. Nevertheless, it is unlikely that even a more innovative financing system can do without government contributions in the

near future. Thus, as long as Member States are neither willing to reconsider their current burden-sharing behaviour nor to support the establishment of new and innovative financing mechanisms and tools beyond government contributions the financing of UN peace operations as international public goods cannot be expected to be put on a firmer and more predictable footing.

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## VII. List of Abbreviations

ACABQ	Advisory Committee on Administrative and Budgetary Questions
AU	African Union
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development)
BoM	Bureau of Management (UNDP)
CGs	Consultative Groups
DAC	Development Assistance Committee (OECD)
DPA	Department of Political Affairs
DPI	Department of Public Information
DPKO	Department of Peacekeeping Operations
DRM/BRSP	Division for Resource Mobilization of the Bureau for Resources and Strategic Partnership (UNDP)
ECOWAS	Economic Community of West African States
EU	European Union
GDP	Gross Domestic Product
GNP	Gross National Product
GPGs	Global Public Goods
ICISS	International Commission on Intervention and State Sovereignty
IFIs	International Financial Institutions
IMF	International Monetary Fund
IOs	International Organizations
IPGs	International Public Goods
KAIPTC	Kofi Annan International Peacekeeping Training Centre
LDCs	Less Developed Countries
LLDCs	Least Developed Countries
LPGs	Local Public Goods
MINUGUA	United Nations Verification Mission in Guatemala
MINURCA	United Nations Mission in the Central African Republic
MINUSTAH	United Nations Mission in Haiti
MONUC	United Nations Organization Mission in the Democratic Republic of the Congo
NATO	North Atlantic Treaty Organization
NGOs	Non-Governmental Organizations
NPGs	National Public Goods
NICs	Newly Industrializing Countries
OCHA	Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
ODS	Office of Development Studies (UNDP)
OECD	Organisation for Economic Co-operation and Development
ONUC	United Nations Operation in the Congo
ONUSCA	United Nations Observer Group in Central America
ONUMOZ	United Nations Operation in Mozambique



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ONUSAL	United Nations Observer Mission in El Salvador
PBRs	United Nations Peace-building and Recovery Strategy (for Sierra Leone)
PCGNP	Per Capita Gross National Product
PCI	Per Capita Income
P5	Permanent Five Members of the UN Security Council
PMCs	Private Military Companies
PSCs	Private Security Companies
RPGs	Regional Public Goods
RTs	Round Tables
SRSg	Special Representative of the Secretary-General
TORs	Terms of Reference
UN	United Nations
UNDOF	United Nations Disengagement Observer Force
UNDP	United Nations Development Programme
UNEF I	First United Nations Emergency Force
UNEP	United Nations Environment Programme
UNFICYP	United Nations Peacekeeping Force in Cyprus
UNGOMAP	United Nations Good Offices Mission in Afghanistan and Pakistan
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIFIL	United Nations Interim Force in Lebanon
UNIIMOG	United Nations Iran-Iraq Military Observer Group
UNMIK	United Nations Interim Administration Mission in Kosovo
UNMIL	United Nations Mission in Liberia
UNMISSET	United Nations Mission of Support in East Timor
UNMOGIP	United Nations Military Observer Group in India and Pakistan
UNMOT	United Nations Mission of Observers in Tajikistan
UNOCI	United Nations Operation in Cote d'Ivoire
UNOPS	United Nations Office for Project Services
UNSF	United Nations Security Force in West Guinea
UNTAC	United Nations Transitional Authority in Cambodia
UNTAET	United Nations Transitional Administration in East Timor
UNTEA	United Nations Temporary Executive Authority
UNTMIH	United Nations Transition Mission in Haiti
UNTSO	United Nations Truce Supervision Organization
UNYOM	United Nations Yemen Observation Mission
WCF	Working Capital Fund