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Agenda item 134ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE
UNITED NATIONS PEACE-KEEPING OPERATIONSReview of the rates of reimbursement to the Governments of
troop-contributing StatesReport of the Secretary-General

I. INTRODUCTION

1. The General Assembly, by paragraph 4 of its resolution 44/192 C of 21 December 1989, requested the Secretary-General to complete the review of the rates of reimbursement on receipt of the outstanding information and to submit, through the Advisory Committee on Administrative and Budgetary Questions, his report for the consideration of the Assembly at its forty-fifth session. The present report is submitted in accordance with that request.

2. It is recalled that, in response to General Assembly resolution 42/224 of 21 December 1987, in which the Secretary-General was requested to report at least once every two years on his review of the rates of reimbursement to the Governments of troop-contributing States, the Secretary-General submitted a report to the General Assembly at its forty-fourth session (A/44/500). In that report, it was indicated that, although questionnaires had been sent to 13 troop-contributing States, requesting cost data for utilization in the review of the standard rates of reimbursement for troop costs, replies had been received from only nine States. As a result of the incompleteness of the data received, it was concluded that a realistic basis did not exist to draw conclusions as to the adequacy of the current reimbursement rates, which became effective in December 1980 and are as follows:

(a) \$950 per person per month for pay and allowances for all ranks;

(b) \$280 per person per month as supplementary payment for specialists, comprising 25 per cent of logistics contingents and 10 per cent for other contingents;

(c) \$65 per person per month for the usage factor for personal clothing, gear and equipment for all ranks;

(d) \$5 per person per month for personal weaponry, including ammunition, for all ranks.

II. CONSIDERATIONS

3. The standard rates of reimbursement, which were established with effect from October 1973 and were revised *in* 1977 and 1980, introduced equality of payment to Governments for providing troops to United Nations peace-keeping forces. In establishing these rates of reimbursement, it was recognized that troops serving side by side should be reimbursed on the same basis for identical services, that no Government should receive a higher reimbursement than its actual costs and that any reimbursement formula based on standard rates may not provide equitable or full reimbursement for the expenses borne by certain of the troop-contributing States in providing such troops. However, the rates should reimburse all troop-contributing States for at least that portion of their cost which was paid to their troops as actual overseas allowances. A report *on* the review of the background and development of reimbursement to Member States contributing troops to peace-keeping operations was submitted to the General Assembly at its forty-fourth *session* (A/44/605/Add.1).

4. The four prior reviews of the rates of reimbursement, which have been undertaken since their establishment, have indicated that there are wide variations in troop costs among the Governments providing troops to the peace-keeping forces. Therefore, the current standard rates of reimbursement do not fully compensate all Governments for their troop costs. That portion of the costs which is not compensated for by the standard rates of reimbursement and which is absorbed by the respective troop-contributing States is referred to as the absorption factor.

5. At the time the current rates were established in 1980, the cost to the troop-contributing States for pay and allowances for troops when compared with the reimbursements made by the United Nations showed that the overall average absorption factor among the troop-contributing States was 45.9 per cent.

III. TROOP COSTS

6. At the time (January 1989) that cost data were requested from troop-contributing Governments for the present review of the rates of reimbursement, the United Nations Observer Group in Central America (ONUCA) had not been established. As a result, questionnaires were sent to 13 of the 14 Member States currently providing troops to United Nations peace-keeping operations, namely, Austria, Canada, Fiji, Finland, France, Ghana, Ireland, Italy, Nepal, New Zealand, Norway, Poland and Sweden. The other current troop-contributing State is Argentina, which participates in ONUCA. Replies have now been received from 12 of the 13 Member States surveyed, although one reply was *in* a format that did not permit

its inclusion in the review. In addition, certain costs included in the data provided by the troop-contributing States, primarily associated with training, were excluded from the review. The results of the analyses of the cost information provided by 11 troop-contributing States are set out in annexes I, II and III to the present report.

7. Annex I lists, in ascending order of magnitude, the average cost per person per month to the troop contributors in respect of pay and allowances of troops (expressed in United States dollars) as well as the corresponding absorption factor (expressed as a percentage). From the distribution, it may be seen that the reported average cost for pay and allowances of troops in December 1988 ranged between \$260 and \$4,413 per person per month, with an overall average of \$2,297 and a median of \$2,356. The comparable overall average cost for 1980 was \$2,037 and the median cost was \$1,944.

8. Annex II provides a distribution, in ascending order, of the average cost per person per month of the usage factor for troops' personal clothing, gear and equipment and personal weaponry (including ammunition), together with the absorption factor indicating the percentage of the costs to each of the troop-contributing States not covered by the current rate of reimbursement of \$70. The reported average cost per person per month in December 1988 ranged from \$48 to \$322, with an overall average cost of \$109 and a median cost of \$90.

9. A composite of the average costs per person per month for the items covered by the standard rates of reimbursement, that is, pay and allowances, personal clothing, gear and equipment and personal weaponry (including ammunition), is shown in annex III. These composite costs, listed in ascending order of magnitude, indicate a cost range from \$396 to \$4,736. The overall average cost per person per month amounts to \$2,405.

10. Annex IV lists the individual as well as the average absorption factors borne by troop-contributing Governments in respect of pay and allowances only, for the years 1960, 1984, 1986 and 1988. The absorption factors shown in this annex for each of the four years represent those portions of the costs for pay and allowances, including overseas allowances, paid to the troops by the troop-contributing States, which are in excess of the current reimbursement levels. The composition and ranking of troop-contributing States are not the same for each of the four years shown. As can be noted, the average absorption factors for the years 1980, 1984, 1986 and 1988 were 45.9, 34.3, 46.3 and 23.3 per cent, respectively. These average absorption factors indicate that, since 1980, there has not been an appreciable increase for any of the three years surveyed. It is evident, however, that between 1980 and 1988 the median absorption factor has increased. For 1988, the median absorption factor was 58.5 per cent, compared with 48.0 per cent for 1980. The comparable median cost to the troop contributors for each of those years was \$2,356 for 1988 and \$1,944 for 1980. This translates into an increase in the median cost between 1980 and 1988 of some 21 per cent.

11. It should be noted that at the time the review for 1980 was undertaken, for reasons of confidentiality the troop contributors did not identify in the data submitted to the United Nations Secretariat the individual troop contributors to which the troop costs for pay and allowances were attributable. Consequently, it is not possible to trace the increase or decrease attributable to any individual troop contributor since 1980. However, the cost data provided since 1984 do permit tracking of these changes for those States which have reported data for both of those years. Annex V shows, in ascending order of magnitude, the percentage increase or decrease in the average cost per person per month for pay and allowances on the basis of the reports received from nine of the troop-contributing States, in their national currencies, for the years 1984 and 1988. It shows that there has been an average increase in the cost of pay and allowances of 7.4 per cent for those nine States over the four-year period. For the purposes of confidentiality, the names of the troop-contributing States are not shown.

IV. CONCLUSIONS

12. Annexes I and IV of the present report indicate that the average absorption factor in respect of pay and allowances of troops for 1988 had decreased to 23.3 per cent when compared with the average absorption factor of 45.9 per cent for 1980, the time the current rates of reimbursement were approved. These average absorption factors were derived from costs expressed in United States dollars and, therefore, were reflective of the currency exchange rates utilized at the time the cost data in national currencies were converted into United States dollars. Annex IV, on the other hand, also indicates that for most of the troop-contributing States their absorption factors have increased. This apparent contradiction appears to be due primarily to the conversion of the national currency costs into United States dollars and, in particular, for those States which have experienced wide fluctuations in currency exchange rates owing to official devaluation or substantial market depreciation of their currencies.

13. As can be noted in annex V, between the years 1984 and 1988, there has been an average increase of 7.4 per cent in the cost relating to pay and allowances for troops for the nine troop-contributing States that have reported for both years. This average reflects both increases and decreases in the data reported in national currencies by each troop contributor and, therefore, seems to reflect *more* realistically the changes that have occurred during the four-year period. If the position were to be taken that the absorption factor of 45.9 per cent that existed in 1980 should also be applied to the increase that has occurred in the national currency cost between 1984 and 1988, then the relative increase would be approximately 4 per cent.

ANNEX I

Average costs, per person per month (pppm) reported by the troop-contributing States and the allowances of troops, and the absorption factor at the current reimbursement rate (\$950 plus \$280 for a limited number of specialists) in December 1988

	<u>Each troop contributor's average cost, ppm a/ (United States dollars)</u>	<u>Absorption factor b/ (Percentage)</u>
	280	(264.5)
	771	(26.9)
	2 022	51.6
	2 158	52.7
	2 188	55.3
	2 356	58.5
	2 472	58.7
	2 552	60.0
	2 874	65.6
	3 177	67.9
	4	76.9
Average	2 297	23.3
Median	2 356	58.5

a/ Conversion from national currencies to the nearest dollar based on the United Nations operational rates of exchange in December 1988.

b/ The portion of the costs to the troop-contributing States not covered by the standard rates of reimbursement.

ANNEX II

Average costs, per person per month (pppm) reported by the troop-contributing States under the heading of usage factor for personal clothing, gear and equipment and personal weaponry (including ammunition) of troops and the absorption factor at the current reimbursement rate (\$70) in December 1988

	<u>Each troop contributor's average cost, ppm a/ (United States dollars)</u>	<u>Absorption factor b/ (Percentage)</u>
	48	(45.0)
	56	(22.4)
	57	(16.6)
	63	(11.7)
	64	(9.8)
	90	22.6
	95	26.5
	117	40.0
	117	40.0
	165	57.6
	322	78.3
		<hr/>
Ave rage	109	14.5
Median	90	22.6

a/ Conversion from national currencies to the nearest dollar based on the United Nations operational rates of exchange in December 1986.

b/ The portion of the costs to the troop-contributing States not covered by the standard rates of reimbursement.

ANNEX III

Combined average costs, per person per month (pppm) reported by troop-contributing States for pay and allowances and for personal clothing, gear and equipment and personal welfare - (including ammunition) of troops and the absorption factor at the current reimbursement rates in December 1988

	<u>Each troop contributor's average costs, ppm a/ (United States dollars)</u>	<u>Absorption factor b/ (Percentage)</u>
	396	(174.9)
	866	(21.0)
	2 079	49.6
	2 221	50.9
	2 278	54.0
	2 522	57.1
	2 528	58.1
	2 601	58.4
	2 991	64.6
	3 240	66.4
	4 736	77.0
	<hr/>	<hr/>
Average	2 405	30.9
Median	2 522	57.1

a/ Conversion from national currencies to the nearest dollar based on the United Nations operational rates of exchange in December 1988.

b/ The portion of the costs to the troop-contributing States not covered by the standard rates of reimbursement.

ANNEX IV

Summary of absorption factors at the standard current per person
 monthly reimbursement rate (\$950 plus \$280 for a limited number
 of specialists)

	<u>Absorption factor a/</u>			
	<u>(Percentage)</u>			
	<u>1980</u>	<u>1984</u>	<u>1986</u>	<u>1988</u>
	18.6	(22.2)		(264.5)
	24.7	11.7	(37.0)	(26.9)
	37.1	13.6	35.2	51.6
	37.8	18.6	37.2	52.7
	40.4	28.8	42.5	55.3
	48.0	38.8	50.2	58.5
	49.7	48.8	56.4	58.7
	52.3	50.9	59.8	60.0
	57.9	61.9	67.3	65.6
	68.9	70.7	71.1	67.9
	<u>69.5</u>	<u>72.2</u>	<u>80.4</u>	<u>76.9</u>
Average	45.9	34.3	46.3	23.3
Median	48.0	38.8	53.3	58.5

a/ That percentage of the costs of the troop-contributing States not covered by the standard rates of reimbursement.

ANNEX V

Percentage change in the average cost per person per month (pppm)
for pay and allowances for nine of the troop-contributing States
between 1984 and 1988

Increase/decrease

Average cost ppm in national currency
1988 over 1984

(Percentage)

(21.6)

(16.9)

(9.6)

0.5

7.4

23.5

26.6

27.6

30.9

Average

7.4

Median

7.4
