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FINANCING OF THE UNITED NATIONS PEACE-KEEPING FORCES IN THE MIDDLE EAST

REVIEW OF THE RATES OF REIMBURSEMENT TO THE GOVERNMENTS
OF TROOP-CONTRIBUTING STATES

Report of the Secretary-General

I. INTRODUCTION

1. This report is submitted pursuant to General Assembly resolution 34/166 of 17 December 1979, by which the Assembly, recognizing that inflation and escalating troop costs have adversely affected in real terms the existing standard rates of reimbursement, requested the Secretary-General to study, in consultation with the States contributing troops to the United Nations Disengagement Observer Force and the United Nations Interim Force in Lebanon, the existing standard rates of reimbursement, with a view of ensuring an equitable rate of reimbursement to the Governments of troop-contributing States, and to report on this matter to the General Assembly at its thirty-fifth session.

2. It will be recalled that by its decision of 29 November 1974, the General Assembly at its twenty-ninth session established standard rates of reimbursement to troop-contributing States for pay and allowances of their troops serving in the United Nations Emergency Force (UNEF) and the United Nations Disengagement Observer Force (UNDOF). The present rates of reimbursement for the troops' pay and allowances are \$680 per man-month for all ranks, plus a supplementary payment of \$200 per man-month for a limited number of specialists (up to 25 per cent of logistics contingents and up to 10 per cent of other contingents), as approved by the General Assembly at its thirty-second session by its decision 32/416 of 2 December 1977, with effect from 25 October 1977. It will be recalled further that the General Assembly by its resolution S-8/2 of 21 April 1978 applied these rates of reimbursement to those Governments contributing troops to the United Nations Interim Force in Lebanon (UNIFIL).

3. Four States - Austria, Canada, Finland and Poland - now contribute troops to UNDOF. Contingents from Austria, Canada and Poland have served in UNDOF continuously from its inception in 1974. Prior to its participation in UNDOF beginning last year, Finland had provided troops to UNEF during the entire period of its operations from 1973 to 1979.

4. Eleven States - Fiji, France, Ghana, Ireland, Italy, Nepal, Netherlands, Nigeria, Norway, Senegal and Sweden - now contribute troops to UNIFIL. The participation of contingents from the Netherlands, Italy and Ghana began during 1979 and the contingent from Sweden joined UNIFIL recently this year. All the other States have participated in UNIFIL from the date of its inception in 1978 or shortly thereafter. Ghana, Ireland, Nepal and Senegal provided contingents to UNEF in the first two years of its operation and Ghana and Sweden participated in UNEF from the first mandate period until its termination in July 1979.

II. TROOP COSTS

5. Basic information for the study of the reimbursement rates was provided by 12 of the troop-contributing Governments. This information, which was based on official records of the respective Governments, included troop costs, expressed in United States dollars, on an average cost per man-month basis and covering the years 1977 to 1980 or lesser periods. Those troop contributors also indicated the percentage increase in their costs over the years and the percentage of costs absorbed by them using the existing standard rates of reimbursement. This information is reproduced in columns 1 to 5 in the annex to this report.

6. Representatives of the troop contributors pointed out that troop-contributing countries were absorbing on the average 60 per cent of the cost of their contingents, with some absorbing over 70 per cent. They emphasized that such a situation was both inequitable and unacceptable. They stated that there was a demonstrable requirement for a substantial increase in the standard rates with a view to ensuring an equitable rate of reimbursement to the Governments of troop-contributing States.

7. From the figures in the annex it may be seen that the reported average cost in 1980 ranges between \$1,201 and \$3,341 per man-month, the median figure is \$1,944, and the average of the 11 troop contributors reporting 1980 costs comes to \$2,037 per man-month. In regard to those figures, the present reimbursement rates cover approximately 58 per cent, 21 per cent, 36 per cent and 35 per cent of the costs respectively.

III. CONSIDERATIONS

8. Inflation and escalating troop costs are two factors which the General Assembly singled out in its resolution 34/166, the fourth preambular paragraph of which reads "Recognizing that inflation and escalating troop costs have adversely affected in real terms the existing standard rates of reimbursement".

9. As regards escalation of troop costs, the data submitted by the troop contributors on average man-month costs include 1977 figures for 5 of the troop contributors only, out of the 12 countries reporting. It is therefore not possible to determine precisely the escalation that has affected troop costs from November 1977 of all the troop contributors. The five countries reporting 1977 figures show increases up to 1980 ranging from 18.5 per cent to 90.5 per cent, which arithmetically average at 50 per cent. Two other countries whose earliest reported costs are 1978 figures show increases from 1978 to 1980 of 13.2 per cent and 22.4 per cent, the average of both being 17.8 per cent for the two-year period. Two other countries showing only 1979 and 1980 figures denote increases from 1979 of 16.5 per cent and 38 per cent for an average of 27.3 per cent for one year. Of the three other reporting countries, one shows 1979 cost figures without 1980 figures, the other two only 1980 figures.

10. An analysis of the reported rises in the costs of the present troop contributors by year is summarized in the table below. While not all 12 reporting troop contributors have been able to provide cost data for each year from 1977, this analysis may be seen as indicative of the level of escalation in troop costs in more than half of the troop contributing countries.

<u>Percentages</u>				
<u>Increase</u>	<u>Range</u>	<u>Median</u>	<u>Average</u>	<u>Countries</u>
1978 over 1977	0 - 25	17	15	5 (A, B, F, G, K)
1979 over 1978	0 - 30	18	14	7 (A, B, D, E, F, G, K - assuming no increase for E)
1980 over 1979	0 - 38	17	14	9 (A, B, C, D, E, F, G, K, L - calculating increase for E from 1978 base)

11. Inflation in troop-contributing countries, as measured by rises in their consumer price indices over the period from November 1977 to approximately May 1980, based on data in official United Nations publications, has been of the order of 25 per cent on the average in 11 of the troop-contributing countries. Furthermore, the effects of currency fluctuations on the value of the United States dollar (the currency in which the reimbursement rates are set) in relation to national currencies of the same 11 countries, as measured over the period from November 1977 to September 1980, have resulted in a decrease in the United States dollar value relative to those currencies of the order of 11 per cent on the average.

12. Since many of the present troop contributors were not participating in the UNEF or UNDOF operations at the time in 1977 when the existing standard rates were established, it would be relevant to compare the current costs of the troop contributors with the figures that relate to the 1977 study of the reimbursement rates. This comparison, which takes in the figures shown in paragraph 7 above, is set out in the table below:

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	<u>1980</u> Cost per man-month (11 UNDOF/UNIFIL troop contributors reporting) \$	<u>1977</u> Cost per man-month <u>a/</u> (7 UNDOF/UNEF troop contributors reporting) \$	Difference between ... <u>1980 and 1977</u> per cent
Range	1,201 - 3,341	1,030 - 1,615	17 - 107
Median	1,944	1,112	75
Average	2,037	1,225	66

a/ See A/32/339, sect. V.

IV. CONCLUSIONS AND RECOMMENDATIONS

13. In view of the above, the Secretary-General is of the opinion that the present reimbursement rates can no longer be considered as providing fair and reasonable compensation to troop contributors for the pay and allowances of their troops and that in arriving at new rates which will ensure an equitable rate of reimbursement in accordance with General Assembly resolution 34/166, careful consideration should be given to the factors of inflation and escalating troop costs as well as the financial position of the troop contributors vis-à-vis the costs of their contingents.

14. Following preliminary discussions the representatives of the troop contributors proposed that the new rates be set at \$1,020 per man-month for all ranks, plus a supplemental \$300 per man-month for a limited number of specialists (up to 25 per cent of logistics contingents and up to 10 per cent of other contingents). However, the Secretary-General was of the view that an increase of 40 per cent over the present rates would more adequately reflect the considerations and factors outlined in paragraphs 9 to 12 above, and accordingly proposed to the troop contributors new rates of \$950 for all ranks plus a supplemental \$280 for a limited number of specialists, which he stated he would be prepared to recommend to the General Assembly.

15. The new rate proposed by the Secretary-General would cover up to 81 per cent of the cost of the troop contributor reporting the lowest expenditure (\$1,201) and 31 per cent of the highest (\$3,341) as well as 49 per cent of the average of the reporting troop contributors. The absorption percentages using these new rates are set out under column 6 of the annex.

16. The Secretary-General is pleased to report that the troop-contributing Governments have agreed to his proposal as outlined in paragraph 14 above. He recommends that the General Assembly approve the proposed new rates for UNDOF and UNIFIL, to take effect from 1 and 19 December 1980 respectively, should the Security Council decide to extend the Forces beyond their present mandates. In

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accepting the proposed new rates, the troop-contributing Governments have conveyed to the Secretary General their concern at the ever-increasing financial burden to them which is entailed by the impact of fixed reimbursements in time of rising costs to them, and proposed that future adjustments of reimbursement rates be made more frequently, preferably on an annual basis.

V. FINANCIAL IMPLICATIONS

17. Should the General Assembly approve the proposals recommended by the Secretary-General in paragraph 16 above, the additional cost to UNDOF and UNTMIL based on respective average strengths of 1,275 and 6,000 men, would be of the order of, respectively, \$4,324,000 and 20,272,000 on an annual basis.

Annex

Data presented by troop-contributing Governments (in US dollars)

Country	Year	Total average cost per man/month	Percentage increase in total average cost since 1977 unless otherwise indicated	Percentage of costs absorbed by troop contributors using old standard rates (\$680 + \$200)	Percentage of total 1980 costs absorbed by troop contributors using new rates	
					1950	1980
A	1977	1 020	-	31.4	-	-
	1978	1 276	-	45.1	-	-
	1979	1 664	-	58.0	-	-
	1980	1 944	90.5	64.0	-	49.7
B	1977	1 030	-	32.0	-	-
	1978	1 205	-	41.9	-	-
	1979	1 424	-	50.8	-	-
	1980	1 556	51.1	55.0	-	37.1
C	1977	-	-	-	-	-
	1978	-	-	-	-	-
	1979	1 759	-	60.2	-	-
	1980	2 050	16.5	65.9	-	52.3
D	1977	-	-	-	-	-
	1978	2 142	-	66.9	-	-
	1979	2 283	-	68.9	-	-
	1980	2 425	13.2	70.8	-	57.9
E	1977	-	-	-	-	-
	1978	1 400	-	49.0	-	-
	1979	-	-	-	-	-
	1980	1 713	22.4	57.4	-	40.4
F	1977	1 940	-	63.9	-	-
	1978	2 385	-	70.6	-	-
	1979	2 830	-	75.2	-	-
	1980	3 275	68.8	77.6	-	68.9

Data presented by troop-contributing Governments (in US dollars) (continued)

<u>Country</u>	<u>Year</u>	<u>Total average cost per man/month</u>	<u>Percentage increase in total average cost since 1977 unless otherwise indicated</u>	<u>Percentage of costs absorbed by troop contributors using old standard rates (\$680 + \$200)</u>	<u>Percentage of total 1980 costs absorbed by troop contributors using new rates \$950 - \$280</u>
G	1977	1 655	-	55.9	-
	1978	1 655	-	55.9	-
	1979	1 962	-	62.8	-
	1980	1 962	18.5	62.8	48.0
H	1977	-	-	-	-
	1978	-	-	-	-
	1979	-	-	-	-
	1980	3 341	-	78.7	69.5
I	1977	-	-	-	-
	1978	-	-	-	-
	1979	-	-	-	-
	1980	1 201	-	41.7	18.6
J	1977	-	-	-	-
	1978	-	-	-	-
	1979	1 167	-	40.0	16.2
	1980	-	-	-	-
K	1977	1 350	-	45.9	-
	1978	1 510	-	51.7	-
	1979	1 595	-	54.2	-
	1980	1 640	21.5	55.5	37.8
L	1977	-	-	-	-
	1978	-	-	-	-
	1979	941	-	25.6	-
	1980	1 299	38.0	46.1	24.7