



# Funding peace operations

## Better value for EU money

by Thierry Tardy

The financing of peace operations has become a critical issue due to the increasing complexity of missions as well as the wide array of actors whose financial resources are not guaranteed. For any contributing country or institution, the ability to finance its own operations is a precondition for both a certain level of effectiveness and some degree of political autonomy. In practice, however, the disparities in donors' financial means have become increasingly apparent in the last few years, in particular in operations in Somalia and Mali. This has created a donor-recipient relationship that may prove a viable short-term peacekeeping solution but also carries some political risks. For its part, despite its economic difficulties in recent years, the EU has been financing a large chunk of modern peace operations, especially in Africa. Yet it still does not wield a political influence commensurate with its financial engagement.

Peace operations' funding mechanisms vary significantly from one organisation to another. All operations are theoretically financed by the implementing institutions' member states. However, the different types of reimbursement in place – together with the inability of some states to meet the financial obligations set out by their organisations – create considerable variations, from the 'costs lie where they fall' rule in the EU or NATO

to organisations such as the UN or the AU where there is little correlation between troop commitments and the level of financial contribution.

### The UN: 'assessed contributions'

The UN stands out as the only organisation where a large portion of the expenses resulting from troop contribution are reimbursed by a standing budget financed by obligatory contributions. The UN peacekeeping budget was established in 1963 as separate from the UN regular budget: it is apportioned based on the scale of assessments for the regular budget, which is adjusted by taking account of political criteria (e.g. if a state has a permanent seat on the Security Council) and economic criteria (GDP, with ten levels of contribution). The peacekeeping budget – as an aggregate of the budgets created for each operation – amounts to \$7.54 billion for the fiscal period from July 2013 to June 2014. Each operation's budget includes operational costs (such as troop transport and logistics) as well as the salaries of police officers and civilian staff; this budget line is also used to reimburse troop-contributing countries (TCCs) according to a standard rate of \$1,028 per person and per month, and additional credits for contingent-owned equipment and specialised assets (such as



helicopters). These reimbursements do not necessarily cover all expenses incurred, depending on the TCCs' standards and levels of equipment. However, contributing to a UN operation seems to pay off economically for a number of countries, for whom the financial aspect may therefore even constitute an incentive to participate. In practice, UN operations are funded by countries regardless of the number of troops they contribute. In 2013 81% of the peacekeeping budget is covered by the US, the EU member states, Japan, Canada and Australia, who collectively contribute less than 6% of the troops (as of September 2013). On the other hand, the first ten contributing countries represent 55% of the total troops deployed yet pay less than 1% of the UN peacekeeping budget.

### The EU: 'costs lie where they fall'

The system is completely different in the EU, where the basic rule for military operations is, (as in NATO) that 'costs lie where they fall', according to which countries pay for most of the expenses that they incur when participating in an operation. Indeed, the Treaty on European Union (TEU) prohibits that 'expenditure arising from operations having military or defence implications' be covered by the EU budget. Accordingly, if CSDP civilian missions are funded by the Commission-managed CFSP budget (as well as by member states through seconded personnel, which can make up to 50% of the costs), military operations are entirely financed by member states. A distinction is then made between expenses directly supported by the contributing member states and the 'common costs' of an operation, which are covered by the so-called ATHENA mechanism. Common costs include headquarters, some transport costs, medical services and facilities, barracks and accommodation/infrastructure, and are estimated to account for between 10 and 15% of the total cost of an operation. This said, the total cost of EU military operations is difficult to establish with precision as it aggregates national expenses that are not always available and, furthermore, are often calculated in different ways across EU countries. The ATHENA mechanism is made up of member states' contributions in accordance with the GNP scale.

Finally, the Lisbon Treaty mentions the possibility of establishing a 'start-up' fund (Art.41§3) – still to

be formally created – made up of member states' contributions and aimed at financing preparatory activities which cannot be charged to the Union budget. But the EU's funding role goes far beyond the CSDP framework, and includes the two tracks of Community funds for peace-related activities and financial support to other institutions' peace operations.

### Africa: inadequate financial resources

In theory, the AU and the ECOWAS systems are very similar to one another and are in fact defined in almost identical terms. Their respective Protocols say that the states contributing contingents to an operation 'may be invited to bear the cost of their participation during the first three months', after which the AU or ECOWAS 'shall refund the expenses incurred by the concerned contributing States within a maximum period of six months' and then 'proceed to finance the operation'. Both organisations also see their own operations as transitional to a UN operation that is expected to take over at some point, which also has financial repercussions. The AU has also established a Peace Fund to provide the necessary financial resources for its missions: such a fund is made up of 'financial appropriations from the regular budget of the Union,

voluntary contributions from member states and from other sources within Africa, including the private sector, civil society and individuals, as well as through appropriate fund raising activities'. The ECOWAS Protocol has a similar provision, but

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furthermore specifies that 'funds for operations' may also be raised from the AU, 'voluntary contributions, and grants from bilateral and multilateral sources' (which has been the case for the funding of the Africa-led mission in Mali [AFISMA], where \$50 million have been pledged by the AU).

In practice, however, AU and ECOWAS operations have largely benefited from exceptional measures and external sources of funding. The UN and the EU have played a major role in this subsidising process, thus creating a new form of North-South donor-recipient relationship.

Since 2002, the AU has established five peace support operations (Burundi [AMIB], Darfur [AMIS and then UNAMID], Comoros, and Somalia [AMISOM]), as well as two hybrid missions in

Mali [AFISMA] and the Central African Republic [AFISM-CAR]), none of which has been funded by the AU budget. In most cases, however, contributing countries have financed part of their own expenses in accordance with the AU 'three months' regulation, although this has usually lasted longer than that. In parallel, AU operations have benefited from four different channels of external funding, used separately or simultaneously:

- the African Peace Facility (APF), financed through the European Development Fund (EDF);
- multi-donor trust funds;
- bilateral financial support to troop-contributing countries;
- UN-assessed contributions.

For example, the AMIS in Darfur was financed by the APF to the tune of approximately €305 million. Likewise, AMISOM in Somalia was financed by the APF for €411 million at the end of 2012 and also benefited – a *premiere* for a strictly regional operation – from the assessed UN peacekeeping budget to finance a 'Logistics Support Package' (for an amount of \$460 million in 2013).

ECOWAS missions have equally been financed from outside. ECOWAS has run five operations since the 1990s (Liberia, Sierra Leone, Guinea Bissau, Côte d'Ivoire and Mali) and all were confronted with major funding shortages. The 1990s ECOMOG operations in Liberia, Sierra Leone, Guinea-Bissau and Côte d'Ivoire were financed by the participating states (mainly Nigeria) together with bilateral support, coming predominantly from the US and European states.

In Mali, AFISMA's budget was estimated at \$460 million for a period of six months (January to June 2013), to be funded through a UN-managed trust fund and other bilateral mechanisms; the AU pledged \$50 million. Furthermore, the AFISMA is the first ECOWAS mission to benefit from EU funding through the APF, with €50 million. Some other individual countries (Australia, India, Japan and Norway) have also committed to contribute to the trust fund. In practice, however, it is not clear how the gap between pledges and the official budget of the operation can be filled, as less than a third of the \$460 million had been pledged as of 1 July 2013.

Beyond these specific cases, the ambition of African organisations and states to take care of security on the continent by themselves is undermined by their

lack of financial resources. In Mali, their inability to finance the AFISMA was one reason why the UN was eventually mandated to take over. Overall, none of the African-led peace operations since the end of the Cold War was financed through African funding, and it is likely that the operation in the Central African Republic will follow the Mali path. In the long run, this puts a question mark over the ability to provide 'African solutions to African problems'.

## Europe as a peace funder

This situation creates a donor-recipient relationship that, all its merits notwithstanding, also fuels the perception of an uneven partnership. The structure of troop contribution and funding mechanisms of peace operations raises a series of delicate questions related to the division of labour between different categories of states. Some point to a new form of Northern domination of the Global South through the so-called 'great outsourcing exercise': the North pays in dollars and the South in blood. Yet the way the EU approaches crisis management funding does not seem to reveal any particular hidden agenda aiming at some sort of domination.

Looking at security institutions through financial lenses reveals that the EU and its member states are by far the main funders of peace operations. This funding goes through at least six channels, including both intergovernmental and Community sources:

- participation in EU CSDP operations and missions ('costs lie where they fall' plus seconded civilian personnel) and contribution to the CFSP budget (€396 million in commitment appropriations in 2013) and ATHENA;
- contribution to the UN peacekeeping budget: the 28 EU member states contribute 36.81 % of that, amounting approximately to \$2.7 billion in 2013 (out of a total of \$7.33 billion);
- contribution to the EDF African Peace Facility that financially supports African operations: AMISOM in Somalia (approx. €600 million at the end of 2013), MICOPAX and MISCA in the Central African Republic (approx. €100 million at the end of 2012 for MICOPAX); and AFISMA in Mali (€50 million in 2013);
- contribution to the Instrument for Stability (IfS) in support of 'crisis response measures' and 'pre- and post-crisis capacity-building' (€325 million in commitment appropriations in 2013 for the IfS);



- EU member states' contribution to Trust Funds;
- bilateral support to African states that contribute to African (AU and ECOWAS) or UN operations.

To these one could add development and humanitarian aid, which for a large part is crisis management-related. Apart from the United States, which is a significant financial contributor through the UN peacekeeping budget (28.4%) as well as bilateral donations, none of the other powers – be they emerging or not – is anywhere close to the EU in this respect. With \$2.7 billion in 2013 the EU member states' contribution to the UN peacekeeping budget is by far the most important channel (although unrelated to EU member states' participation in UN operations, which has remained minimal over the last decade).

These different ways of financing operations are often combined – and overlap – with each other. In the case of Somalia, for example, the EU is present simultaneously through one civilian (EUCAP Nestor) and two military CSDP operations (Atalanta and EUTM), the AFP funding of AMISOM, the contribution to the UN logistical support package to AMISOM, and IfS-funded early recovery pilot projects.

### Payer or player?

If money is the 'sinews of peace', do those who pay have a corresponding impact and say on what institutions do? One conclusion is that, through its financial presence, the EU is de facto a major – and global – crisis management actor. Apart from their own operations, however, the EU and its member states do not derive a major political role from their substantial financial contribution.

Although EU member states fund a large share of the fifteen UN peacekeeping operations currently under way, they do not influence their mandates accordingly. For their part, France and Britain are key players in the design of UN-led and UN-mandated operations, but this has more to do with their permanent seats at the Security Council (where, incidentally, both countries are reluctant to speak on behalf of the EU or to associate European funding considerations with their conception of their own national prerogatives). Given the amounts at stake, the economic difficulties of the EU, and the unsustainability of its funding of African operations, one could expect Europe to rely on some sort of comparative assessment of what various options cost (UN-led and financed vs. AU-led but financed by the APF and bilateral donors, for example). Yet

this has not yet been seriously contemplated at any level. More specifically, generous EU funding of AMISOM does not lead to a commensurate say on the shape and conduct of the mission, which also raises a question of accountability. A case in point is the recent UN-AU assessment mission of AMISOM that recommended the reinforcement of the mission. Although invited to participate, the EU was not on an equal footing with the other two institutions.

Moreover, the debate raises the issue of the type of funding into which the EU may tap. Discussions on the 'comprehensive approach' have led some observers – especially in relation to the Sahel – to question the imbalance between the amount spent on long-term development by the European Commission and what is available for shorter-term CSDP operations, be they military or civilian. If money transfers from one 'pot' to another are unlikely (not least because of Treaty responsibilities for the execution of the budget), a more comprehensive approach could indeed mobilise development funds in support of a political blueprint, as advocated by the regional strategies for the Sahel and the Horn of Africa. In addition, some CSDP-type civilian missions (like EUBAM Moldova/Ukraine for example) could be implemented by the Commission and, therefore, financed outside and beyond the CFSP budget.

Interestingly enough, while the EEAS has no formal control over peace and security-related Community funds (let alone the CFSP budget), the 'comitology' in place for the allocation of these funds allows for little structural control by the member states either; and in the meantime funds coming from outside of the EU budget (like the EDF-funded APF) do not translate into more tangible political influence. A new EU Financial Regulation was adopted in late 2012, but this only makes it more difficult to envisage major additional changes in the way money is allocated and controlled in the immediate future. One residual option, however, remains the establishment of the 'start-up' fund foreseen under Article 41§3 of the Lisbon Treaty, which could provide the HR/VP with a source of funding that would not be Commission-controlled. In any case, and looking ahead, a strategic approach to peace operations will inevitably imply a closer linkage between financial engagement and political control.

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