

FINANCING OF THE UNITED NATIONS PEACE OPERATIONS AS A GLOBAL PUBLIC GOOD

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Abstract¹

Peace has all the characteristics of pure public goods, such as non-excludability and non-rivalry. While peace in national level is a public good, peace in international level is a global public good which should be financed accordingly.

In this study, first, characteristics of peace as a global public good is investigated, then, how peace operations are financed in United Nations (UN) is examined. Although, there have been significant improvements on financing structure of UN peace operations, it is still not very efficient and the current level of funding for UN peace operations is inadequate. There is also a need for an effective sanction for late payment of peacekeeping assessments. In the literature, there have been many new ideas to finance peace operations more effectively, ranging from insurance approach (countries get insurance from UN) to applying some kind of arm trade tax on countries. Suggestions to improve financing peacekeeping operations as global public goods are also discussed in this study.

Özet

Barış tüketimden mahrum bırakılmama ve tüketimde rekabet olmaması kriterleri nedeniyle tam kamusal mal özelliği taşımaktadır. Ulusal barış kamusal mal iken, uluslar arası barış ise küresel kamusal maldır ve ona göre finansmanı sağlanmalıdır.

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Bu çalışmada ilk olarak barış'ın küresel kamusal mal olarak özellikleri araştırılmış, daha sonra ise barış operasyonlarının Birleşmiş Milletler (BM) bünyesinde nasıl finanse edildiği tartışılmıştır. Son yıllarda BM barış operasyonlarının finansman yapısında ciddi gelişmeler olmasına rağmen, günümüzdeki finansal yapı hala çok verimli değildir ve BM barış operasyonlarının finansman seviyesi de yetersizdir. Ayrıca, barışın finansmanı için gerekli ödemeleri geciktiren ülkelere karşı etkili yaptırımlara ihtiyaç vardır. Barış operasyonlarının daha etkili finansmanı için literatürde birçok yeni fikre rastlamak mümkündür; bunlar sigorta yaklaşımından (ülkeler korunmaları için BM'den sigorta yaptırımları) ülkelerin yaptıkları silah ticareti üzerine vergi konulmasına kadar değişebilmektedir. Barış koruma amaçlı operasyonların finansmanını küresel kamusal mal çerçevesinde geliştirebilmek için yapılan farklı öneriler bu çalışmada tartışılmıştır.

I. INTRODUCTION

In order to explain peace as global public goods, perhaps it is more appropriate to briefly explain the concepts of private and public goods, externalities and free-rider problems. Optimal provision of private goods can be achieved by the market mechanism, since these goods are rival in consumption and their benefits are excludable, so supply and demand mechanisms provide efficiency in a market. Although, David Hume first mentioned about public goods (common goods) as early as 1739, the full theoretical analysis is carried out by Samuelson (1954) in his groundbreaking article which is called "The pure theory of public expenditure". According to Samuelson, there are two important characteristics of pure public goods that differentiate it from private goods; *non-excludability* and *non-rivalry*. He names pure public goods as collective consumption goods and defines as follows "*collective consumption goods ... which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtraction from any other individual's consumption*

of that good”². Non-excludability of a public good indicates that it is either impossible or very costly to exclude people who do not pay for the good. For example, all ships in the area can benefit from lighthouse for guidance; it is very difficult to exclude non-paying sailors from the use of the good. *Non-rivalry* indicates that once pure public good is provided additional cost of another person consuming the good is zero, i.e. there is no marginal cost of additional use (again think of lighthouse example). Non-excludability and non-rivalry characteristics of public goods bring the problem of free-rider. According to this, because it is very difficult to exclude any person from using a pure public good, people who benefits from the good have an incentive to avoid paying for it. In this case effective production of public good by private sector is not possible. Another concept related to public good is the externalities which is also called third party effects. “When the activity of one entity (a person or a firm) directly affects the welfare of another in a way that outside the market mechanism, that effect is called an externality”.³ There are positive and negative externalities, but in both cases the benefits or costs associated with them are not included in the price mechanism, this will lead to market failure. Therefore, production of public goods should be carried out by government or the cost of externalities should pass to the externality generating agent by government interventions (externalities should be “internalised”). Therefore, government should encourage positive externalities while discouraging the negative ones. Degrees of “publicness” in consumption can change, not all public goods are pure, but some of them excludable at a cost and others are rivalrous after some critical points (such as bridges and roads). Impure public goods also require government interventions or agreement between the private units or both for efficient level of provision⁴.

² Paul A Samuelson., “The Pure Theory of Public Expenditure” *The Review of Economics and Statistics*, Vol. 36, No. 4, 1954, p. 387.

³ Harvey S Rosen., *Public Finance*, McGraw-Hill, 2005, p. 82.

⁴ Francisco Sagasti, ve Keith Bezanson, *Financing and Providing Global Public Goods. Expectations and Prospects*. Report prepared on behalf of the Institute of Development Studies, Sussex, U.K, for the Sweden Ministry for Foreign Affairs, Stockholm, 2001, p. 6.

There are also issues of spill-over range of public goods. The effect of public goods can be local, national, regional, or global in the geographical sense. For example, the benefits of street lights will be local, but benefits from defence are national. The term regional public goods indicate that the benefit spills-over to the public of neighbouring countries, for-example cleaning river water may benefit all those countries where the river passes. Many authors use the global public goods (GPGs) and international public goods (IPGs) in the same meaning, however some makes a distinction⁵, and use the term IPGs when referring to the public goods whose benefits spill-over beyond national boundaries but the effect is limited in a sense that it is not global.

As mentioned earlier, although theory of public goods is quite old, the concept of GPGs has been recently developed; Sandler (1997), Kanbur *et al.*, (1999), Kaul *et al.*, (1999) first studied about GPGs, followed studies by Arce and Sanler (2002), Kaul *et al.*, (2003), Kocks (2005) and Kaul and Conceicao (2006).

GPG is defined by Kaul *et al.*, as follows;

“a public good with benefits that are strongly universal in terms of countries (covering more than one group of countries), people (accruing to several, preferably 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).”⁶

⁵ Alexander Kocks, *The Financing of UN Peace Operations. An Analysis from a Global Public Good Perspective*. Duisburg, Germany: Institute for Development and Peace, 2005, p. 21. <http://inef.uni-duisburg.de/page/documents/Report77.pdf> (latest access, 08.08.2007).

⁶ Inge Kaul, Isabelle Grunberg and Marc A. STERN, "Global Public Goods-Concepts, Policies and Strategies." In Inge Kaul, Isabelle Grunberg, and Marc A. Stern, eds., *Global Public Goods: International Cooperation in the 21st Century*. New York: Oxford University Press, 1999, p. 509.

World Bank defines GPGs as “commodities, resources, services and also systems of rules or policy regimes with substantial cross-border externalities that are important for development and poverty-reduction, and that can be produced in sufficient supply only through cooperation and collective action by developed and developing countries.”⁷

It is possible to categorise GPGs according to different criteria. In Table 1 Kaul *et al.*,⁸ categorise GPGs according to their nature, the table is self explanatory.

⁷ Development Committee, *Poverty Reduction and Global Public Goods: Issues for the World Bank in Supporting Global Collective Action*, Washington DC:World Bank, DC/2000-16.
[http://siteresources.worldbank.org/DEVCOMMINT/Documentation/90015245/DC-2000-16\(E\)-GPG.pdf](http://siteresources.worldbank.org/DEVCOMMINT/Documentation/90015245/DC-2000-16(E)-GPG.pdf) (latest access, 02.08.2007), p. 5.

⁸ Kaul *et al.*, *ibid.*, p.454.

Table 1. Global Public Goods

| Global concerns as global public goods: a selective typology | | | | | | |
|--|-----------------------------|------------------------|-------------------------------------|---|----------------------------|-----------------------|
| Class and type of global good | Benefits | | Nature of the supply or use problem | Corresponding global bad | Costs | |
| | Non-excludable ^a | Non-rival ^b | | | Nonexcludable ^a | Nonrival ^b |
| 1. Natural global commons Ozone layer | Yes | No | Overuse | Depletion and increased radiation | Yes | Yes |
| Atmosphere (climate) | Yes | No | Overuse | Risk of global warming | Yes | Yes |
| 2. Human-made global commons | | | | | | |
| Universal norms and principles (such as universal human rights) | Partly | Yes | Underuse (repression) | Human abuse and injustice | Partly | Yes |
| Knowledge | Partly | Yes | Underuse (lack of access) | Inequality | Partly | Yes |
| Internet (infrastructure) | Partly | Yes | Underuse (entry barriers) | Exclusion and disparities (between information rich and information poor) | Partly | Yes |
| 3. Global conditions | | | | | | |
| Peace | Yes | Yes | Undersupply | War and conflict | Partly | Yes |
| Health | Yes | Yes | Undersupply | Disease | Yes | Yes |
| Financial stability | Partly | Yes | Undersupply | Financial crisis | Yes | Yes |
| Free trade | Partly | Yes | Undersupply | Fragmented markets | Yes | Yes |
| Freedom from poverty ^c | No | No | Undersupply | Civil strife, crime and violence | Yes | Yes |
| Environmental sustainability ^c | Yes | Yes | Undersupply | Unbalanced ecosystems | Yes | Yes |
| Equity and justice ^c | Partly | Yes | Undersupply | | | |
| <p>Note: This typology includes primarily issues that are the subject of the case studies in this volume. In addition, it refers only to final global public goods and bads, not to intermediate ones such as global regimes and institutions.</p> <p>a. Here nonexcludable means that it is difficult for anyone to avoid bearing the costs of the bad.</p> <p>b. Here nonrival means that one person's being affected by a bad—such as a disease—does not reduce the extent to which others are affected.</p> <p>c. The demand for these goods emerges to the extent that the overuse of natural global commons or the underuse of human-made global commons assumes alarming proportions.</p> | | | | | | |

Source: Kaul *et al.*, (1999, p.454).

Kaul and Mendoza grouped GPGs according to their nature of their publicness (see Table 2).

Table 2 A Typology of Global Public Goods by the Nature of Their Publicness

| Class of good | Nature of publicness |
|--|---|
| Global natural commons (such as the atmosphere or the high seas) | <i>Free (managed) access.</i> In their original state these goods are typically rival and nonexcludable. Some global natural commons (such as the ozone layer) have taken on the social form of a managed access resource. But they are usually still available for all to consume—though sometimes only in limited measure. |
| Global humanmade commons (such as global networks, international regimes, norms, and knowledge) | <i>Free access.</i> Noncommercial knowledge, for example, is often accessible to all. It is nonrival and difficult to exclude. It typically has limited (if any) commercial value but can be important to people's daily lives or to economic and political governance. |
| | <i>Limited access.</i> Patented knowledge, for example, may be in the public domain but its use is restricted, at least for a period. The rationale is that providing incentives to private producers of knowledge will enhance the economy's growth and its dynamic efficiency. |
| | <i>Inclusiveness being promoted.</i> Many efforts are under way to enhance the inclusiveness of goods with network characteristics and whose expansion promises "additional user" benefits or positive network externalities. Examples include international regimes (multilateral trade regime, Universal Declaration of Human Rights), global communication and transport systems, and informal norms. Efforts to increase the inclusiveness of these goods will widen the range of users, globalizing the benefits and costs. Globalization of public goods includes both top-down (from international to national) and bottom-up efforts. |
| Global policy outcomes or conditions (such as global peace, financial stability, and environmental sustainability) | <i>Universalization of essentially private goods.</i> Examples include global (national and international) efforts aimed at "for all" goals—basic education, health care, and food security. |
| | <i>Indivisibility of benefits and costs.</i> Goods in this category have indivisible benefits that form the core of the interdependencies among countries and people. These goods tend to be technically nonexcludable and so de facto inclusive and public. |

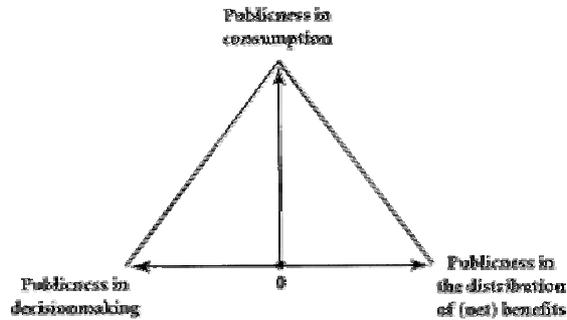
Source: Kaul and Mendoza (2003, p.100).

There are also other studies which grouped GPGs differently; according to sectors (security, health, etc.), publicness and benefits. All these categories include peace as global public goods.

Kaul and Mendoza further improve the theory of public goods, they are not only talking about publicness in consumption but include the dimensions of publicness in decision making and publicness in distribution of benefits. Publicness in decision making indicates decisions about which goods to produce, how to shape goods and

distribute their benefits in public, in short participatory nature of public good is also important. Publicness in the distribution of benefits means "... the extent to which various groups (consumers and public goods) derive benefits."⁹ When all three dimensions of publicness are provided, they suggest an ideal "triangle of publicness", as can be seen from Figure 1.

Figure 1: Ideal triangle of publicness



Source: Kaul *et al.*, (2003, p.24).

This triangle helps to examine how different public goods fare along these three dimensions.¹⁰

II. PEACE AS A GPG AND UN PEACE OPERATIONS

While law and order is a public good as national level, global peace benefits all, therefore global peace can be considered as a GPG. As a result of globalisation many national public goods became global public goods with cross-border effects. Intrastate conflicts are not only damage the relevant country, but they also generate huge externalities

⁹ Inge, Kaul and Ronald U. Mendoza, "Advancing the Concept of Public Goods." In Inge Kaul, Pedro Conceição, Katell Le Goulven and Ronald U. Mendoza, eds., *Providing Global Public Goods: Managing Globalization*. New York: Oxford University Press, 2003, p. 92.

¹⁰ Inge Kaul, Pedro Conceição, Katell Le Goulven and Ronald U. Mendoza, *Providing Global Public Goods: Managing Globalization*, New York: Oxford University Press, 2003, p.24.

to neighbouring countries and beyond (in the shape of refugees flows, drug trafficking, illegal arms flows, conflicts spreading to neighbouring countries, etc.). On the other hand, under peace and security people can travel abroad, international trade can develop, so everybody can enjoy the benefits of peace, without affecting others consumptions (*non-rivalry*). Moreover, "Welfare economists, in fact may deem peace even more fundamental than a public good. They may consider it as an enabling institution of the market mechanism."¹¹ In the literature of GPGs, peace is also considered as a joint product, which consists of activities that yields two or more outputs that differ in their degree of publicness.¹² For example, while UN peace operations in one region produce specific benefits to this region and nobody in the region can be excluded, they also produce worldwide positive externalities such as world stability and security, help preventing crime and terrorism, protecting worldwide democracy and human rights.¹³

Although, United Nations sponsored peace operations are taking place more than 40 years, in the post-Cold War period, these operations increased dramatically in numbers, cost and complexity. Solomon indicates that during Cold War, UN peace keeping cost was about \$200 million per year, but since then it has increased to average of \$2 billion per year¹⁴. This kind of increase leads to some financial difficulties of peace operations. However, for example compare to

¹¹ Ruben P Mendez., "Peace as a Global Public Good." In Inge Kaul, Isabelle Grunberg, and Mark A. Stern, eds., *Global Public Goods: International Cooperation in the 21st Century*. New York: Oxford University Press, 1999, p. 388.

¹² Todd Sandler, *Regional public goods and international organizations*, School of International Relations University of Southern California USA, 2005. http://www-rcf.usc.edu/~tsandler/Sandler_RPG_RIO_2006.pdf (latest access, 08.08.2007).

¹³ Alexander Kocks, *The Financing of UN Peace Operations. An Analysis from a Global Public Good Perspective*. Duisburg, Germany: Institute for Development and Peace, 2005, p. 21. <http://inef.uni-duisburg.de/page/documents/Report77.pdf> (latest access, 08.08.2007).

¹⁴ Binyam Solomon, "Political Economy of Peacekeeping" In Sandler, T and Hartley, K (eds), *Handbook of Defense Economics*, volume 2, Elsevier, 2007, p. 743.

world military expenditure of estimated \$1,001 billion in 2005¹⁵ the amount spent by UN peace operations was very tiny. In fact, peace keeping expenditures of UN are same as fire or police department budgets of most large developed metropolitan cities.

Some brief information is presented here about UN peace operations which mainly gathered from the UN web-side (www.un.org). The United Nations was established to save succeeding generations from the scourge of war, according to UN web-side it is the most important function of the Organization. United Nations peace operations involve three main activities which are as follows; conflict prevention and peacemaking, peacekeeping, and peacebuilding. Conflict prevention concentrates on the structural sources of conflict in order to build foundation for peace. Peacemaking involves conflicts in progress, attempting to bring conflict to an end by diplomacy and mediation. “The Security Council may recommend ways to resolve a dispute or request the Secretary-General’s mediation. The Secretary-General may take diplomatic initiatives to encourage and maintain the momentum of negotiations.”¹⁶ So, it includes bringing hostile parties to agreement by peaceful means. Peacebuilding indicates post-conflict UN action to strengthen the foundations of peace and provide the tools for building on those foundations. It includes actions to help countries in their transitions from war to peace.¹⁷ Peacebuilding actions include reintegrating former combatants into civilian society, reforming of security sector, strengthening the rule of law, improving respect for human rights, providing technical assistance for democratic development and promoting conflict resolution and reconciliation techniques.

UN’s largest and most visible engagement in peace operation is peacekeeping both in operational and financial terms. Peacekeeping is defined by UN as “an operation involving military personnel, but without enforcement powers, undertaken by the United Nations to

¹⁵ See <http://www.globalissues.org/Geopolitics/ArmsTrade/Spending.asp> (latest access, 05.08.2007)

¹⁶ United Nations, *Basic Facts about the United Nations*, United Nations Publications, New York, 2004, p. 71.

¹⁷ United Nations, *ibid*, p.71.

help maintain or restore international peace and security in areas of conflict.”¹⁸ Peacekeeping operations are authorised by the Security Council, operations include uniformed personnel and civilian staff. The number of peacekeeping operations increased dramatically over the years; in the first 40 years of the UN's history just 13 peacekeeping operations were carried out while in the 20 years since then, 47 missions have been set up. (www.un.org). There are currently 18 peace operations directed and supported by the Department of Peacekeeping Operations. Involved personnel and finance of peacekeeping operations can be seen from Table 3.

¹⁸ United Nations, *The Blue Helmets: A Review of United Nations Peace-Keeping*, United Nations Publications, New York, 1996 cited by Karen A Mingst., ve Margaret P. Karns, *The United Nations in the 21st Century*, West view press, 2007, p. 94.

Table 3 Personnel and Financial aspect of peacekeeping operations

| Personnel | |
|--|--------------------------|
| Uniformed personnel* | 83,170 |
| Including 70,972 troops; 9,657 police and 2,541 military observers | |
| Countries contributing uniformed personnel | 117 |
| International civilian personnel* (31 May 2007) | 4,852 |
| Local civilian personnel* (31 May 2007) | 11,091 |
| UN Volunteers* (31 May 2007) | 2,049 |
| Total number of personnel serving in 15 peacekeeping operations* | 101,162 |
| Total number of personnel serving in 18 DPKO-led peace operations** | 104,414 |
| Total number of fatalities in peace operations since 1948*** | 2,379 |
| Financial Aspects | |
| Approved resources for the period from 1 July 2007 to 30 June 2008 | About \$5.29 billion**** |
| Estimated total cost of operations from 1948 to 30 June 2007 | About \$47.19 billion |
| Outstanding contributions to peacekeeping (30 April 2007) | About \$2.07 billion |
| *Numbers include 15 peacekeeping operations only. Statistics for three special political and/or peacebuilding missions—UNAMA, UNIOSIL and BINUB — directed and supported by DPKO can be found at http://www.un.org/Depts/dpko/dpko/ppbm.pdf | |
| **This figure includes the total number of uniformed and civilian personnel serving in 15 peacekeeping operations and three DPKO-led special political and/or peacebuilding missions—UNAMA, UNIOSIL and BINUB. | |
| ***Includes fatalities for all UN peace operations. | |
| ****Includes requirements for the support account for peacekeeping operations and the UN Logistics Base in Brindisi (Italy). | |

Source: <http://www.un.org/Depts/dpko/dpko/bnote.htm>, (latest access 14.08.2007).

All UN member states are obligated to pay their shares which assessed under the peacekeeping budget that they agreed upon. Although, financial aspect of operations may seem quite large compared to its alternative which is war, peacekeeping operations are very cheap. As mentioned, compared to world military expenditure, these expenditures are so small. To put these expenditures in perspective this example may help; for example, the UN spends less on peacekeeping operations worldwide than the City of New York spends on the its police department per year (www.un.org).

III. FINANCING MECHANISM OF UN PEACE OPERATIONS

All UN peacekeeping operations with the exception of one or two, are financed through an assessment account which depends on the UN scale of assessment for the regular budget¹⁹. In general, attempts to finance peacekeeping operations voluntarily have not worked well²⁰. In this section, we briefly explain main financing mechanisms of UN peacekeeping operations²¹.

On December 1973, the assembly made ad hoc arrangement for financing of United Nations Emergency Force (UNEF). Financial mechanism which originally intended as a temporary solution for financing UNEF II exclusively, continued for 27 years²². The ad hoc arrangements based each member state's rate of assessment for UNEF on its rate of assessment for the regular budget. There were total four groups, while member states in group D had their regular budget rates reduced by 90 %, group C countries got 80 % reductions. Those in group B paid at the same rate. Permanent member of Security Council which are assigned to group A, paid the difference pro rate to their rate of assessment. Box 1 which prepared by Kocks explains each group's assessment scales.

¹⁹ Binyam Solomon, "Political Economy of Peacekeeping" In Sandler, T and Hartley, K (eds), *Handbook of Defense Economics*, volume 2, Elsevier, 2007, p. 747.

²⁰ William J., Durch "Paying the tab: Financial crisis", In: Durch, W.J. (Ed.), *The Evolution of UN Peacekeeping: Case Studies and Comparative Analysis*, Macmillan Press, Pennsylvania, 1993, pp. 39–59 cited by Binyam Solomon, "Political Economy of Peacekeeping" In Sandler, T and Hartley, K (eds), *Handbook of Defense Economics*, volume 2, Elsevier, 2007, p. 747.

²¹ For a detailed discussion and analysis see Alexander Kocks, *The Financing of UN Peace Operations. An Analysis from a Global Public Good Perspective*. Duisburg, Germany: Institute for Development and Peace, 2005, p. 21. <http://inef.uni-duisburg.de/page/documents/Report77.pdf> (latest access, 08.08.2007).

²² Alexander Kocks, *The Financing of UN Peace Operations. An Analysis from a Global Public Good Perspective*. Duisburg, Germany: Institute for Development and Peace, 2005, p. 37. <http://inef.uni-duisburg.de/page/documents/Report77.pdf> (latest access, 08.08.2007).

Box 1: Ad Hoc Peacekeeping Assessment Scale 1973-2000

Contributions from Member States to the *Peacekeeping Assessment Accounts* are assessed according to 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: Kocks, (2005, p.37), cites UN Doc A/RES/3101 (XXVIII); UN Doc. A/RES/1874 (S-IV); Mills 1990; UNA-UK 2001; Arce M. and Sandler 2002.

Although, the number of member countries in group D doubled over time, the peacekeeping cost of the group 0.05 % has stayed the same. This resulted in shares of cost shifting to the permanent members of the Security Council. In 1997, USA shared 31% of the total peacekeeping cost²³ USA complained about this assessment scale by indicating its unfairness. As explained by Kocks some newly industrialised countries such as Singapore and countries with high per capita incomes (e.g. Brunai, United Arab Emirates) in group C indicated unfairness in the cost sharing²⁴. Finally, in its resolution 55/235 of 23 December 2000, the General Assembly replaced the ad hoc arrangements and established a new system of adjustment of regular budget scale rates. The assessments included a complicated, but, transparent adjustment to account for the member states ability to pay²⁵. Peacekeeping assessments levels are dependent on national

²³ Alexander Kocks, *The Financing of UN Peace Operations. An Analysis from a Global Public Good Perspective*. Duisburg, Germany: Institute for Development and Peace, 2005, p. 37.
<http://inef.uni-duisburg.de/page/documents/Report77.pdf> (latest access, 08.08.2007).

²⁴ Kocks, *ibid*.

²⁵ Binyam Solomon, “Political Economy of Peacekeeping” In Sandler, T and Hartley, K (eds), *Handbook of Defense Economics*, volume 2, Elsevier, 2007, p. 747.

average per capita of GDP (gross national products) and there are total ten different income brackets.

Box 2 briefly indicates the methodology of peacekeeping assessment scale.

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: Prepared by Kocks (2005, p.41) cites UN Doc. A/RES/55/235; UN Doc. A/RES/58/157; UN Doc. A/RES/58/157/Add.1

New peacekeeping assessment scale has some advantages over the old system, first of all grouping countries in to 10 different levels reflects the ability-to-pay principle more appropriately. Some rich and newly developed countries pay the increased amount in the new system. On the other hand, permanent members of the security council succeeded in passing some part of their burden to group B countries.

One of the biggest problem in financing of peacekeeping operations is the amount of overdue payments. Many countries delay their payments which cause financial strain on peacekeeping operations and reimbursement of troop providing countries. Article 19 of the UN Charter explains sanctions mechanism for non-payers.

"A Member of the United Nations 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. The General Assembly may, nevertheless, permit such a Member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member."

Many authors indicate that this sanction is not effective, and some financial burden (payment of interest, fine) should be applied to late payers.

Some UN financial crises were caused by late payments of USA. The number of member states, which paid their dues entirely on time, was only 40. Thus lead to cross borrow money from peacekeeping operations, which delayed remuneration for troop providing countries²⁶.

Countries with largest debt on 1th January 2007 can be seen from Table 4.

Table 4. Countries Total Debt (in US\$ Million)

| Country | Total Debt |
|-------------------|------------|
| US | 989 |
| Japan | 859 |
| Germany | 143 |
| UK | 130 |
| Republic of Korea | 116 |
| France | 101 |
| Spain | 101 |
| China | 92 |
| Italy | 86 |

Source:<http://www.globalpolicy.org/finance/tables/pko/due2007.htm>
(latest access 14.08.2007).

²⁶ Volker Lehmann and Angela Mcclellan, "Financing the United Nations" *Dialogue on Globalization*, Fact Sheet, April, 2006, p. 2.

Table 5. Largest troop contributing countries

| Country | Number of Troops |
|------------|------------------|
| Pakistan | 10703 |
| Bangladesh | 9715 |
| India | 9332 |
| Nepal | 3651 |
| Jordan | 3577 |
| Ghana | 2947 |
| Uruguay | 2589 |
| Nigeria | 2515 |
| Italy | 2505 |
| France | 1986 |

Source: <http://globalpolicy.igc.org/security/peacekpg/data/pktp07.htm> (latest access 14.08.2007).

Largest troop contributing countries are mainly the developing ones. Some authors indicated that because of reimbursement of troop contributing countries, it makes economical sense that developing countries provide more troops.

In this study, voluntary financing of UN peace operations are not examined.²⁷ However, it is indicated that voluntary contributions are not effective financing of peacekeeping, due to free-rider problem of public goods provision which mentioned earlier²⁸.

United States, Japan, Germany, United Kingdom, France, Italy, China, Canada, Spain and Republic of Korea are the top 10 providers of assessed contributions to UN peacekeeping operations as of 1 January 2007. For the period of 2007-2009, the Committee decided to leave in place the main elements of the preceding budget scale, which set in

²⁷ For an examination in great detail see, Alexander Kocks, *The Financing of UN Peace Operations. An Analysis from a Global Public Good Perspective*. Duisburg, Germany: Institute for Development and Peace, 2005, <http://inef.uni-duisburg.de/page/documents/Report77.pdf> (latest access, 08.08.2007).

²⁸ Kocks, *ibid*, p. 77.

2000 (www.un.org). An example of contribution of the selected countries is given in table 6.

Table 6. Peacekeeping assessment scales for selected member states

| Country | Level | PK effective rates in 2006 | Regular Budget 2007-2009 | PK effective Rates | |
|----------------------|-------|----------------------------|--------------------------|--------------------|-----------|
| | | | | 2007 | 2008-2009 |
| US | A | 26,6932 | 22,000 | 26,3497 | 26,2240 |
| Japan | B | 19,4680 | 16,624 | 16,6240 | 16,6240 |
| United Arab Emirates | C | 0,2174 | 0,302 | 0,2794 | 0,2794 |
| Barbados | E | 0,0060 | 0,009 | 0,0054 | 0,0054 |
| Oman | F | 0,0210 | 0,073 | 0,0292 | 0,0292 |
| Trinidad and Tobago | G | 0,0044 | 0,034 | 0,0085 | 0,0102 |
| Poland | H | 0,1383 | 0,533 | 0,1599 | 0,1599 |
| Mexico | H | 0,3766 | 2,257 | 0,4514 | 0,4514 |
| Turkey | I | 0,0744 | 0,405 | 0,0810 | 0,0810 |
| Bangladesh | J | 0,0010 | 0,010 | 0,0010 | 0,0010 |

It is suggested that;

“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.”²⁹ This practice may strengthen the concept that international peace and security may be provided by both national self-provision and international cooperation.

IV. FUTURE FINANCING SOURCES

Current level of financing peace operations is inadequate. Many major countries delay their assessment payments and there are not adequate sanctions for late payers. Although recent changes in the assessment scale increased the efficiency, UN still has financial difficulties. At this current form, UN peace operations try to correct

²⁹ Kocks, *ibid*, p. 77.

public bads rather than trying to strengthen a global public good of peace. It may be stated that with enough financial support UN peace operations may achieve keeping law and order.

In national level, one way to internalize the externalities is to apply tax on goods. These taxes most of the time have double aims; (i) by taxing good with negative externalities production of it decreases and (ii) provided revenues by taxing those goods further can be used to correct the negative externalities and for the production of goods with positive externalities.

In 1978, an international currency transaction tax (CTT) is proposed, which is known as Tobin tax, by the Nobel laureate economist James Tobin. Many years later the discussion on international taxes intensified. However, universally accepted global taxes in the near future do not seem possible³⁰. During the last few years, some leaders politicians, and intergovernmental institutions provided important developments towards global taxes. In this part, we briefly mention alternative tax sources that can be used financing UN peace generations. Levying a tax on arm trade as a global tax can be effective means of supporting peace. Arm trade volume is very high and taxing arm trade both provide considerable revenues and reduce the production of goods with negative externalities³¹. Smith indicated that there are different proposals for generating revenues; (1) levying tax on the arm trade, (2) the imposition of tax on ammunitions exports and (3) an insurance fee paid by producers and sellers of arms in order to compensate production of public bads³². Binger estimates

³⁰ See Johnathan Rickman "U.N. Struggles to Find Voice on Global Taxation" *Tax Notes International*, 43.8., 2006, p.626.

<http://www.globalpolicy.org/soecon/glottax/general/2006/0821unglobaltaxes.pdf> (latest access, 08.08.2007).

³¹ Albert Binger, "Global Public Goods and Potential Mechanisms for Financing Availability." *Background paper prepared for the Fifth Session of the Committee for Development Policy meeting*, April 7-11, 2003.

http://www.un.org/esa/analysis/devplan/al_binger.pdf (latest access, 02.08.2007).

³² Janel Smith, "Financing the Delivery of Global Peace through an L20? Considerations for an Initial L20 Meeting on Financing Global Public Goods." Presented at the L20 conference on financing global public goods, Princeton, N.J., February 26-27, 2006., p. 5.

that 5 % tax on major conventional weapons can provide an estimated revenues of \$1.2 billion³³. On the other hand the price elasticities of supply and demand indicate that the burden of arms trade tax would be carried by arms buyers who are mainly the developing countries³⁴. It is also indicated that low level of transparency of international arm trade poses one of the biggest problem about taxes on arm trade, still compare to Tobin tax, a tax on arm trade has fewer practical problems³⁵. Some of the problems of arm tax are as follows; (i) sufficient level of tax compliance is difficult (ii) the tax may increase activities in black market (iii) there are also problems about the absence of an institution which sanctions countries and enforce compliance.

Other global tax proposals are made by academics and some institutions. Former Secretary General, Boutros Boutros Gali, made a tax proposal on air travel in his report. Air travel is highly dependant on global peace³⁶ and it seems logical to levy tax on air travel for providing global peace. France has been levying a tax on air tickets since July 2006, the obtained revenue would be used for a fund which combat Aids, malaria and tuberculosis in the developing countries³⁷. Some other countries such as Chile and Brazil also decided to introduce tax on air tickets.

Most discussed international tax is Currency Transaction Tax (CTT) which is also called Tobin tax. The potential revenue from CTT is huge and it is possible that some of the revenues can be used for

http://www.l20.org/publications/Phase%20III/Publicgoods/L20%20GPG%20Communique_Smith.pdf (latest access, 02.08.2007).

³³ Binger, *ibid*, p. 19.

³⁴ Michael Brzoska, "Taxation of the Global Arms Trade? An overview of the Issues" *Kyklos*, 57, 2004, p. 167.

³⁵ Brzoska, *ibid*.

³⁶ Kocks, *ibid*, p. 78.

³⁷ Peter Wahl , "From Concept to Reality: On the Present State of the Debate on International Taxes" *Dialogue on Globalization*, Briefing Papers, FES, Berlin, 2006, p. 2. http://www.fes-globalization.org/publications/Briefing%20Paper-%20Wahl_International%20Taxes.pdf (latest access, 08.08.2007).

supporting global peace. It is estimated that a tax of 0.2 % and assumed 50 % reduction in transactions would provide \$300 billion annually, a tax of 0.1 % would provide \$132 billion annually³⁸. There have been some recent developments about CTT; Belgian adopted CTT on July 2004 and became a second country after France which adopted legislation on CTT. These indicated as ground-breaking and setting example as how to practically and technically introduce a CTT³⁹. However, both France and Belgian law will not come into effect without other EU countries participation.

There are other taxes suggested for global public goods such as; carbon taxes (a tax based on carbon content of fuels consumed), Bit tax (a charge for using internet which depends on the amount of data transmitted) and world trade tax (which can be justified according to benefit criterion, since 95% of all goods are transferred via oceans)⁴⁰. There have been also some proposals about the new financial sources rather than taxes for financing global public goods; an idea of establishing UN Security Insurance Agency which provides insurance against aggression. According to this, cost of insurance needed to be much smaller that it costs a country to maintain its own military forces, and in reality because of economics of scale this could be possible⁴¹. Other ideas for income such as a global lottery and fees for satellites are also discussed. There are also discussion about whether there is a need for a worldwide government and how to make sure that nationally collected taxes are used for global peace rather than nations' own interest.

³⁸ See, Binger, *ibid*, p. 17-18.

³⁹ Katarina Wahlberg, "Progress on Global Taxes?" Global Policy Forum, Global Policy Forum, 2005, p.2.
<http://www.globalpolicy.org/socecon/glotax/general/2005/12progress.pdf> (latest access, 12.08.2007).

⁴⁰ Binger, *ibid*, p. 19.

⁴¹ Francisco Sagasti, and Keith Bezanson, *Financing and Providing Global Public Goods. Expectations and Prospects*. Report prepared on behalf of the Institute of Development Studies, Sussex, U.K, for the Sweden Ministry for Foreign Affairs, Stockholm, 2001, cited by Kocks, *ibid*, p. 78.

V. Conclusion:

Peace is a global public good with joint production; it has both country specific benefits and global benefits. As national public goods, global public goods are also not efficiently produced by private sector. For an efficient production of peace, co-operations between countries are needed. UN is an intergovernmental organization which helps production of peace with its peace operation. Analysing recent reforms in financing of UN peace operations indicates that financing mechanisms have been improved significantly. But, there are still important problems. The most important one is the absence of adequate sanctions. Many countries delay their payments causing financial crises in UN. Heavy penalties and application of interests for late payers may solve the problem. The number and cost of peace operations have significantly increased over the recent years (however compare to world defence expenditure, it is still very tiny). As a result of those increases, developed nations such as USA started to complain about their high burden since 1990s. Paying assessed contributions by Defence Ministries, and making Defence Ministries not only responsible of national defence but also global peace may increase effectiveness of production.

Because of free-rider problem, voluntary financing of UN peace operations are not effective. The financing of public goods in national level is made by taxes. Therefore, the answer to financing peace efficiently as a global public good can be through international taxes. The most related tax to financing global peace can be taxing arm trade or taxing international flights. Although, there are recent developments about international taxes, applications of them for the production of peace as a global public good do not seem possible in the near future.

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