

## PUBLIC PROCUREMENT OF UNPKO: FOCUSING ON ITS BUDGETARY SIGNIFICANCE AND BASIC MODALITIES

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**ABSTRACT** UNPKO (United Nations' Peacekeeping Operations) is one of the effective means for maintaining international peace and security. However, the UN itself doesn't have enough internal resources to conduct it. Therefore, procurement of various resources is essential. Based on such background situation, this paper attempts to reveal 1) budgetary significance of its public procurement, 2) the basic procurement modalities, and 3) main challenges. As the result of above analysis, in addition to some implications, following results are found. 1) About 80% of the expenditure of UNPKO is spent on procuring various resources. 2) Comparing procurement from companies with that from governments, clear differences of procurement contents and its methods are observed. 3) Common challenges of procurement from companies and that from governments are quantity, quality and efficiency. This research is conducted mainly by referring to various UN official documents in addition to related previous researches.

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## INTRODUCTION

UNPKO (United Nations' Peacekeeping Operations) is one of the effective means for maintaining international peace and security. Although there are much limitation both to establish a capable new mission timely and to deploy and show enough performance (for example, in the case of Rwanda and Darfur), and although there are various serious failures in the past (for example, in the case of Somalia and Bosnia-Herzegovina), it is clear that presence of UNPKO often contributes significantly to prevent the escalation of international conflicts or wars (for example, in the case of Golan, Kashmir, Kosovo-Serbia) and also to prevent the dramatic escalation of domestic conflict and even massacres/atrocities (for example, in the case of Haiti, Cyprus, Darfur, Liberia, Cote d'Ivoire, Democratic Republic of Congo).

Once political support and decision of establishing a new mission is granted to the UN Secretariat by the UN Security Council, the UN Secretariat must prepare for deployment of the new UNPKO. Also, provided with political decision of its renewal, the UN Secretariat must maintain UNPKO presence and conduct various mandates<sup>1</sup>. However, the UN Secretariat itself doesn't have enough internal resources to implement UNPKO. Therefore, procurement of various resources is essential and public procurement of UNPKO can be said to be an important theme for public procurement in general because the UN is the most well-known international public organization and as explained above, UNPKO is a very important international public activity.

Based on such a basic understanding, and also based on literature review on next section, this paper pursues the following three research questions. First question is about the budgetary significance of UNPKO procurement. To what extent, does UNPKO have budgetary significance? To address this question, after clarifying UNPKO budget, its income mechanism and scope of UNPKO procurement, the extent of public procurement in the total UNPKO budget is assessed. Second question is about basic procurement modalities. What are basic modalities of UNPKO procurement? To address this question, procurement from companies and procurement from governments are analyzed especially in view of the

main procurement contents and methods. Then, these two procurement types are compared and procurement modalities are identified. Third question is about challenges for UNPKO procurement. What are main challenges of UNPKO? To address this question, procurement from companies and procurement from governments are also analyzed especially in view of the basic important challenges such as securing quantity, quality and efficiency.

This paper consists of following sections. The first section is literature review. Some related academic and practical public procurement papers and works are referred to and examined. The second section is overview of UNPKO and identifies the necessity of public procurement in it. The third section explores the budgetary significance of public procurement and the first research question is answered. The fourth section explores basic procurement modalities and the second research question is answered. The fifth section identifies basic procurement challenges and the third research question is pursued, as such. Finally, the entire analyses above are summarized and some implications are addressed.

Considering the scarcity of comprehensive academic research on this theme, this paper was produced mainly based on review and analysis of the UN official documents in addition to reference to the related academic works, previous researches, papers and presentations such as those referred above. Also, considering related recent data availability, this paper basically uses relevant key statistical data for 2010 to show evidence and validity of discussions.

## LITERATURE REVIEW

Though researches and attentions on UN public procurement are not enough yet, on this matter, there are already several academic and practical papers (and presentations at the previous IPPCs: International Public Procurement Conferences).

NIGP (2005) and Deloitte (2005) are typical examples of external researches and J. Branch (2010) is an academically recognized paper written by an UN procurement official. In the *Journal of Public Procurement*, GAO's report about UN's procurement reform was reprinted (GAO, 2002, pp. 109-127). Also, some analysis of UN

procurement is included as a part of UN system procurement in Sakane (2008) and Gronden et al. (2007). In addition, at the second IPPC, Sakane (2006) in the Proceedings and its presentation<sup>2</sup> covered UNPKO as one of the analytical objects. At the third IPPC, in the opening plenary, UN Procurement Division Director, Paul Buades, presented about UN procurement. At the fourth IPPC, Schroeder (2010) were in its Proceedings. In addition, another presentation about UN procurement reform was conducted by J. Branch<sup>3</sup>.

Then, what are the still remaining matters despite existence of such researches, papers and presentations? Firstly, those previous works are based on mainly procurement of the UN or the UN System as a whole and not necessarily focus on UNPKO procurement. Secondly, internal control and organizational aspects were paid much attention to, but financial and budgetary aspect was not so, except for a few works. However, as is explained later, procurement of the PKO occupies the biggest volume of the UN procurement. Thirdly, in all the above previous works, only the procurement from companies was regarded as the UN or UNPKO procurement. In other words, procurement from governments in UNPKO was not a subject of analysis because, practically speaking, it is not formerly regarded as procurement in the UN. Fourthly, in many previous researches, internal control and organizational aspects are the most frequently discussed themes. Basic procurement modalities including what, how, and from where the UN procures for UNPKO are not discussed enough yet. Fifthly, critical matters including main challenges are still remained to be analyzed. Such a critical analysis is to be left to outside academic researchers rather than internal practitioners including UN procurement officials.

In addition to above analyzed UN procurement researches, there are various topics and literatures that relate to this paper. However, in here, literatures about interests and goals of public procurement is focused on, paying enough attention to the fact that this paper analyzes not procurement of domestic governments but procurement of international organizations, and especially to the fact that UNPKO procurement contain procurement from governments. Normally, public procurement research has an implicit premise that supplier is company. So, this case has theoretically interesting element.

Then, what kinds of major differences are brought out in public procurement from governments compared with public procurement from companies? Interest or purpose of suppliers is a possible important element. With relate to this point, Telgen et al. (2007) identifies major conflicting and some joint interests in public procurement. Here, let's check these interests focusing on interests of suppliers' side. Primary interests are the interest of suppliers to continue of their organization or to make profit for their shareholders. Secondary interests are the possibility to gain experience through the job, building a reference list, increasing market share and so on. Two other interests, though these are not conflicting but rather joint interests of buyer and supplier, are process interest that is to keep the transaction costs of the process at a minimum; and competition interest that is to have competition and to make sure the competition is fair (pp. 19-20). Above analyses is basic but quite important point when we think about various public procurement issues. Actually, it is widely accepted that companies act as suppliers for gaining profit. However, government doesn't basically pursue financial or economic direct interest. So, what for do governments become suppliers in the case of UNPKO?

Thai (2001) argues two types of goals. One type is goals of public procurement that includes quality, timeliness, cost (more than just the price), minimizing business, financial and technical risks, maximizing competition, and maintaining integrity. The other type is goals of non-procurement goals that normally includes economic goals (preferring domestic or local firms), environment protection or green procurement (promoting the use of recycled goods), social goals (assisting minority and woman-owned business concerns), and international relations goals. Thai importantly states that it is very difficult for policy makers and public procurement professionals to make an optimum decision as there are always tradeoffs between these goals (p. 27). Then, what kinds of goals are precious and especially challenging ones in the UNPKO procurement from governments?

## BACKGROUND SITUATIONS

This section briefly covers background situations of UNPKO including its overview as well as the necessity and importance of procuring various resources.

What is UNPKO? According to the UN<sup>4</sup>, UNPKO is explained as follows.

UNPKO helps countries torn by conflict create conditions for lasting peace. Peacekeeping has proven to be one of the most effective tools available to the UN to assist host countries to navigate the difficult path from conflict to peace. Peacekeeping has unique strengths, including legitimacy, burden sharing, and an ability to deploy and sustain troops and police from around the globe, integrating them with civilian peacekeepers to advance multidimensional mandates. UN Peacekeepers provide security and the political and peace building support to help countries to make early transition from conflict to peace.

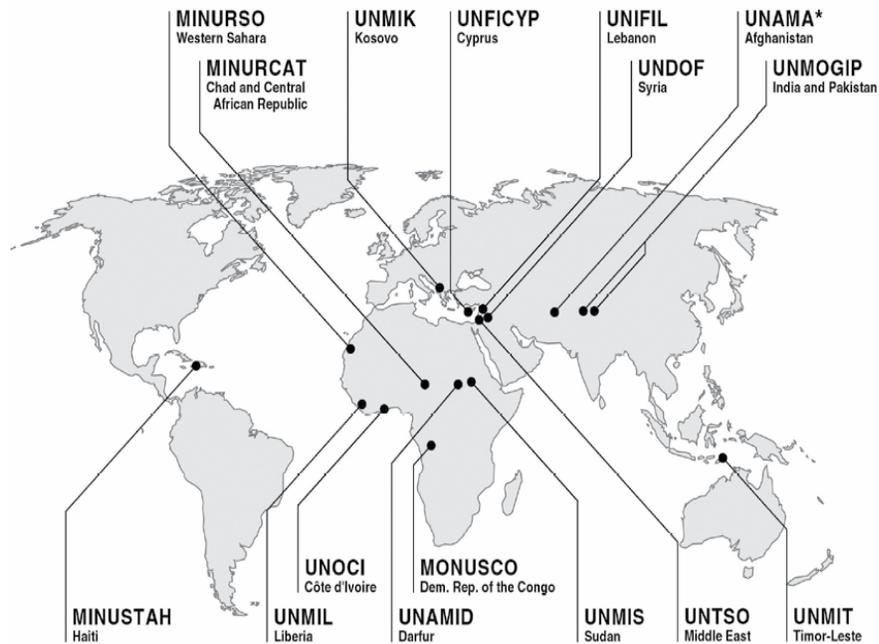
However, success is never guaranteed, because UN Peacekeeping almost by definition goes to the most physically and politically difficult environments. UN Peacekeeping is guided by three basic principles: consent of the parties; impartiality; and non-use of force except in self-defense and defense of the mandate. As such, power and authority of UNPKO is quite limited and it is totally different from national military that most sovereign countries own. In addition, UNPKO is not authorized unless more than nine members of the Security Council agree with no veto from the five permanent members of it.

Today's multidimensional peacekeeping operations are called upon not only to maintain peace and security, but also to facilitate the political process, protect civilians, assist in the disarmament, demobilization and reintegration of former combatants; support the organization of elections, protect and promote human rights and assist in restoring the rule of law. As more UNPKO expands its roles, the more various goods and services are becoming necessary. Therefore, public procurement is essential for UNPKO.

From 1948 to 2010, 64 UNPKO were deployed in total. There were 15 UNPKO missions as of 31 July 2010 deployed on four continents

as shown in Figure 1<sup>5</sup>.

Figure 1 UNPKO Missions as of July 2010



Source: UN. 2011a, p. 76.

From Figure 1, we can see that most deployed regions are Sub-Sahara Africa and Middle East. These two regions contain several historically unstable areas/countries and existence of UNPKO contributes a lot to maintain peace and prevent from escalation of conflicts and wars.

In order to maintain UNPKO and to conduct effective operations, financial resources are needed. Table 1 shows financial resources approved to be used for each UNPKO mission.

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Table 1 Approved Resources of Each UNPKO Mission for the Period from 1 July 2010 to 30 June 2011

Category	Net requirements (US\$)	%
UNAMID (African Union-United Nations Hybrid Operation in Darfur)	1,776,155,300	25.14
MONUC (United Nations Organization Mission in the Democratic Republic of the Congo)	1,334,543,900	18.89
UNMIS (United Nations Mission in the Sudan)	912,674,100	12.92
UNMIL (United Nations Mission in Liberia)	511,194,800	7.24
UNIFIL (United Nations Interim Force in Lebanon)	507,713,700	7.19
UNOCI (United Nations Operation in Cote d'Ivoire)	474,278,000	6.71
MINUSTAH (United Nations Stabilization Mission in Haiti)	371,780,100	5.26
Support Account	334,382,600	4.73
MINURCAT (United Nations Mission in the Central African Republic and Chad)	212,263,000	3.00
UNMIT (United Nations Integrated Mission in Timor-Leste)	196,837,000	2.79
Support of the African Union Mission in Somalia	171,435,600	2.43
UNLB (United Nations Logistics Base)	63,034,100	0.89
MINURSO (United Nations Mission for the Referendum in Western Sahara)	54,722,400	0.77
UNFICYP (United Nations Peacekeeping Force in Cyprus)	53,770,000	0.76
UNDOF (United Nations Disengagement Observer Force)	46,413,900	0.66
UNMIK (United Nations Interim Administration Mission in Kosovo)	43,316,300	0.61
Total	7,064,514,800	100

Source: UN, 2010, pp. 2-3.

Various points can be found from Table 1. For example, there are huge varieties in terms of size, depending on each PKO. The top three UNPKO – UNAMID in Darfur with AU, MONUC in Democratic Republic of Congo, and UNMIS in mainly former Southern Sudan (presently South Sudan) – occupy more than half of total UNPKO budget. These three missions are all covers quite wide inland area and access is not easy. Unfortunately, political and military situation is not well and social instability is eminent. On the contrary, budget level of UNMIK to Kosovo, UNDOF to Golan, UNFICYP to Cyprus, MINURSO to South

Sahara and though not the mission, UNLB that is Logistics Base in Brindisi too are all less than one percent of budget weight.

As a whole, 7 billion US\$ is approved for these UNPKO in total for 12 month. It is true that how to collect financial resources is important. However, from the point of public procurement, how collected finance is used and what the weight on procurement spending is very important. Except for volume of procurement from companies, total amount of substantial UNPKO procurement is neither generally known nor well-analyzed. Next section examines these issues.

### **BUDGETARY SIGNIFICANCE**

Based on the understanding of the background situation of UNPKO, this section analyzes budgetary significance of its public procurement: the first research question. Firstly, budget and its income mechanism is described. Then, expenditure structure and importance of public procurement is analyzed.

#### **Budget and its Income Mechanism**

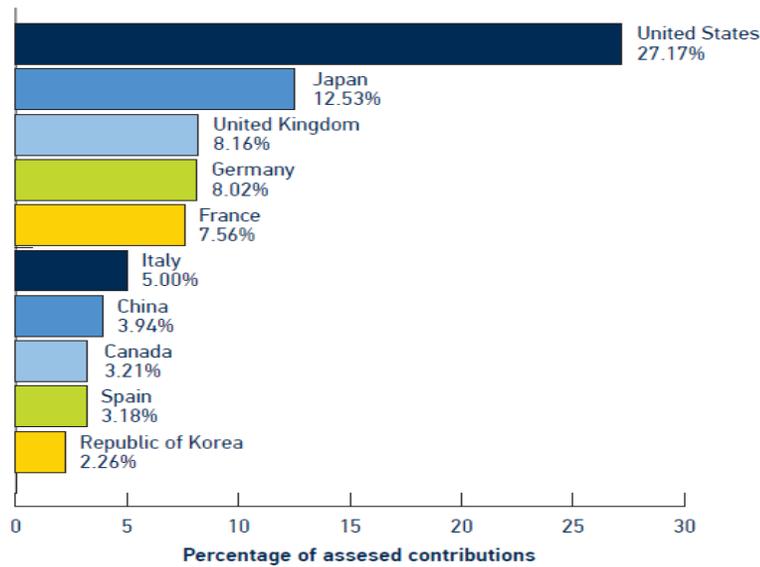
In the UN, most finance for the PKO activities is prepared separately from the Regular Budget. PKO Special Budget is prepared and approved by the General Assembly based on discussion of the Fifth Committee and also the Advisory Committee on Administrative and Budgetary Questions, so-called ACABQ. Budget for each PKO mission is considered and approved separately.

Payment of PKO Budget is mandatory for member states. Payment level is set depending on each country's ability. Figure 2 shows top ten contributing countries.

As is shown in the Figure 2, main financial contributors are USA, Japan and major European countries. In addition, other permanent member of the Security Council such as China and emerging countries such as South Korea considerably support even now and will increase more in the future.

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Figure 2 Top 10 Providers of Assessed Financial Contributions to UN Peacekeeping Operations (2010-2012)



Source: UN, 2011a, p. 81.

### Expenditure Structure and Public Procurement

Contrary to income mechanism, expenditure structure is not so simple. From the viewpoints of public procurement, analysis of expenditure structure by category is important. Table 2 shows the overall expenditure structure of UNPKO.

According to Table 2, following findings are important. The biggest expenditure is for military and civil police and occupies about 40% of entire expenditure, amounting about 2.83 billion US\$. Then, expenditure for various goods and services accumulates in about 38%, amounting about 2.67 billion US\$. Most of the rest of expenditure is for civilian staffs that occupy about 22% of entire expenditure, amounting about 1.56 billion US\$. Among above resources, the UN itself only has civilian staffs internally as employee. Other resources such as military and civil police, and various goods

and services are all procured from outside of the UN.

Table 2 Expenditure Structure of UNPKO in 2010

Category	Expenditure (US\$)	%
Military and police personnel costs	2,834,274,900	40.12
Civilian personnel costs	1,562,721,500	22.12
Air transportation	871,922,300	12.34
Facilities and infrastructure	795,740,200	11.26
Other supplies, services and equipment	215,717,300	3.05
Communications	212,822,800	3.01
Information technology	171,830,300	2.43
Ground transportation	159,564,500	2.26
Medical	89,412,600	1.27
Official travel	50,432,000	0.71
Naval transportation	36,461,600	0.52
Special equipment	33,802,400	0.48
Quick-impact projects	14,375,000	0.20
Government-provided personnel	8,028,000	0.11
Consultants	7,409,400	0.10
Net requirements	7,064,514,800	100

Source: UN, 2010, pp. 2-3.

### Main Findings

As the result of above analysis, following points are found.

UNPKO is financed through PKO Special Budget and it is approved not by the Security Council but by the General Assembly. It is mandatory for member states to pay assessed contributions allocated. The top five countries were owed to contribute more than 2/3 of total income to the budget and the top ten countries were more than 80% respectively in 2010.

Then, most expenditure of UNPKO is spent on payments to governments and companies for procuring necessary resources such as personnel, goods and services. Actually, about 80% of the expenditure of UNPKO is spent on procuring these resources. As such, budgetary significance of public procurement in terms of entire PKO expenditure is made clear.

### BASIC PROCUREMENT MODALITIES

This section seeks to make clear the basic procurement modalities: the second research question. Though there can be various aspects and explanations about procurement modalities, this paper focuses on main procurement contents and procurement methods.

#### Modalities of Procurement from Companies

##### *Procurement Contents*

With regard to procurement contents, there are many goods and services procured by the UN Secretariat. Main contents of procurement from companies in 2010 are shown in Table 3.

Table 3 Top Ten Goods and Services Procured by the UN in 2010

Goods and Services	Amount (US\$)	%
Air Transportation Services	846,229,178	26.91
Architecture, Engineering & Construction Related Services	478,277,839	15.21
Freight Forwarding & Delivery Services	235,219,944	7.48
Chemical & Petroleum Products	216,103,105	6.87
Food Rations/Catering Services	210,498,334	6.69
EDP Equipment and Maintenance Services	99,088,068	3.15
Rental & Lease	96,907,302	3.08
Motor Vehicles/Parts & Transportation Equipment	89,705,305	2.85
Telecommunication Equipment & Services	83,960,340	2.67
Prefabricated Buildings	78,214,317	2.49
Others	710,311,799	22.59
<b>Total</b>	<b>3,144,515,529</b>	<b>100</b>

Source: Created based on Types of Commodities Purchased - 2010

<http://www.un.org/depts/ptd/10com50.htm>

Though not all are used for UNPKO, more than 2/3 is procured and these are essential for it. From goods and services in Table 3, practical importance of public procurement can be well understood. These procurement items are really essential for conducting UNPKO.

### ***Procurement Methods***

Procurement from companies is mainly implemented competitively. According to Financial Rule 105.14, effective competition is set the basis of procurement contracts award. Following elements are regarded as important as the competitive process (UN, 2003, Financial Rule 105.14 and 105.15, p. 24 etc.).

- (a) Acquisition planning for developing an overall procurement strategy and procurement methodologies;
- (b) Market research for identifying potential suppliers;
- (c) Consideration of prudent commercial practices;
- (d) Formal methods of solicitation, utilizing invitations to bid or requests for proposals on the basis of advertisement or direct solicitation of invited suppliers, or informal methods of solicitation such as requests for quotations;
- (e) Public bid openings.

Though, some exceptions to the use of formal methods of solicitation are categorically permitted on the Financial Rule 105.16, it can be said that procurement from companies is mainly implemented competitively.

### **Modalities of Procurement from Governments**

#### ***Procurement Contents***

Procurement from governments mainly consists of troops/police and related equipments and transportation. Procurement of troops/police and related equipments are both not practically regarded as procurement but are virtually and substantially able to be

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regarded as procurement. Such procurement is fairly unique even compared to other international or domestic public procurement. As of 31 December 2010, there were 98,311 uniformed personnel (81,792 troops, 14,318 police and 2,201 military observers). The UN substantially procured these uniformed personnel from 115 countries.

In addition to military and police personnel, though this paper doesn't deal with in detail, UN also needs to secure necessary equipments for them. These equipments are called Contingent-Owned Equipment (hereinafter written as COE). UN itself doesn't own weapons and other military or police equipments. Rather, deployment governments provide these equipments and in return, UN reimburses the cost of them. As such, UN virtually and substantially procures COE from governments too.

### ***Procurement Method***

Procurement method of troops/police from governments can be regarded as "outsourcing". UN neither pays salary to each military and police personnel nor employs them directly. Rather, UN basically pays to governments that provide them. Therefore, UN is virtually and substantially outsourcing military and police personnel from governments. It can be regarded a type of public procurement. Rules of Reimbursements to Governments is shown in Table 4.

According to the UN, the basic principles of this system are simplicity, accountability, financial and management control. This is accomplished by reducing the administrative burden on troop/police contributors, the Secretariat and peacekeeping missions; standardization of reimbursement rates on an equitable basis and common standards to be applied to equipment and services to be provided. Furthermore, accountability and control are ensured by the system relying on an a priori agreement between the United Nations and the troop contributor (UN, 2009, para. 11).

Table 4 Rules of Reimbursements to Governments for Troops/Police Personnel Deployment/Provision effective in 2010

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- (a) Troop/police costs at the rate of \$1,028 per month per contingent member;
  - (b) Personal clothing, gear, and equipment allowance at the rate of \$68 per month per contingent member. The recommended troops/police kit requirement is listed in the appendix;
  - (c) Personal weaponry and training ammunition at the rate of \$5 per month per contingent member;
  - (d) An allowance for specialists at the rate of \$303 per month for 25 per cent of troop strength of [logistics units to be listed] and 10 per cent of troop strength of infantry unit, formed police unit, force headquarters, sector headquarters and other units.
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Source: UN, 2009, p. 173, para.2.

Contrary to the governments, the contingent personnel only receives directly from the peacekeeping mission a daily allowance of \$1.28 plus a recreational leave allowance of \$10.50 per day for up to 7 days of leave taken during each six-month period (UN, 2009, p. 174, para. 3).

Payment level of over 1000 US\$ per month per personnel is not so low for developing countries but not enough for developed countries. Some developing countries can gain revenue by providing personnel for UNPKO, even deducting salary costs to deployed personnel. That revenue can be used for maintaining or strengthening own military power for national defense. On the contrary, countries such as USA, Japan and most major European countries need to prepare additional domestic finance for the deployment and maintenance.

### **Main Findings**

As the summary of this section, modalities of procurement from companies and that of procurement from governments are compared in view of main procurement contents and procurement methods.

Firstly, clear difference of procurement contents is found.

Procurement from governments is mainly military and civilian police personnel. In this relation, COE are also procured from governments. Meanwhile, procurement from companies is mainly various goods and services such as transportation, fuels, vehicles, foods and telecommunication. Procurement from companies is regarded as procurement but procurement from governments is not regarded as procurement in practice. However, procurement from governments is in effect and substantially a type of “outsourcing” and should be analyzed as such from the viewpoint of public procurement academically.

Secondly, clear differences of procurement methods are found. Procurement from governments is mainly done through discretionary contract. Rates of reimbursement to troop-contributing governments are fixed. COE are procured at fixed rates too. So, procurement method is less competitive. Meanwhile, procurement from companies is mainly conducted by international competition.

## CHALLENGES

This section explores main challenges for public procurement of UNPKO: the third research question. In addition to preventing corruption and strengthening internal control that is widely-known and a frequently-discussed issue, other main and basic challenges are found in common in both procurement from governments and companies. Such findings are shown at the end of this section.

### Challenges in Procurement from Companies

#### *Quantity*

To secure necessary quantity is the first challenge. Amount of goods and services procured for UNPKO from companies increased dramatically in this decade from about 640 million US\$ in 2002 to about 2,740 million US\$ in 2008, i.e., more than 4 times of increase. After the peak of 2008, more than 2.4 billion US\$ is procured constantly so far (Table 5). Therefore, procurement source is important to secure necessary amount of goods and services.

Actually, procurement source is quite concentrated because nearly 2/3 is from top ten countries as Table 6 shows. These countries are categorized in three. First category is developed countries that can afford supply capacity. Second category is transition countries, i.e. the former USSR countries. These countries are said to have much unused military capacity including air transportation services. Third category is host countries where actual UNPKO operation is implemented. Sudan is a typical example. However, as a whole, developing and transition economies are major supply sources taking about 63%.

Table 5 Procurement Amount for UNPKO and Procurement from Developing and Transition Economies

Year	Procurement Total (US\$)	Procurement from Developing and Transition Economies (US\$)	%
2011	2,465,719,050	1,733,914,738	70.32
2010	2,483,011,730	1,566,507,497	63.09
2009	2,577,457,178	1,409,188,539	54.67
2008	2,737,664,678	1,470,660,181	53.72
2007	1,645,836,954	991,438,089	60.24
2006	1,783,529,365	1,074,315,346	60.24
2005	1,438,817,809	721,634,546	50.15
2004	1,116,909,537	548,528,452	49.11
2003	728,905,316	366,999,903	50.35
2002	639,998,083	376,394,074	58.81

Source: Created based on information in <http://www.un.org/depts/ptd/statistics.htm> - Procurement by Country (Peacekeeping).

Compared to procurement in developed countries where there are plenty of goods and services in each country, especially procurement in the field of UNPKO is sometimes more difficult because countries

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and regions where UNPKO is deployed are often unstable not only politically but also economically.

Table 6 Top Ten Origins of Goods and Services for UNPKO

Country or Area	Amount (US\$)	%
Russian Federation*	429,426,708.45	17.29
Sudan*	269,614,943.51	10.86
United States of America	187,838,135.38	7.56
Switzerland	139,590,239.41	5.62
Italy	132,391,948.96	5.33
Ukraine*	109,642,648.20	4.42
Jordan*	77,148,099.43	3.11
United Kingdom	76,322,388.89	3.07
Panama*	75,360,992.43	3.04
Denmark	72,274,499.28	2.91
Others	913,401,125.85	36.78
<b>Total</b>	<b>2,483,011,730.00</b>	<b>100</b>
cf: Developing and Transition Economies (*)	1,566,507,497.00	63.09

Source: Created based on Procurement Volume by Country or Area (Peacekeeping)- 2010 (<http://www.un.org/Depts/ptd/10peace.htm>)

### **Quality**

In addition to such a quantity question, to procure goods and services with enough quality is the second challenge. In UNPKO, securing basic quality is sometimes difficult. For example, to secure safety in air transportation service, which is the largest expenditure item, is a big challenge.

Though not limited to UNPKO but the increase in demand for United Nations air support in general, including humanitarian activities, shed light on the lack of experience, proper training and coordination mechanisms, which created a number of fatal injuries during the second part of the 1990s. Hence, the United Nations became increasingly concerned about air safety. The plane crash in 1999 in Pristine, Kosovo, which occurred when airlifting the staff of

the United Nations Interim Administration Mission in Kosovo, caused the death of 24 passengers and triggered a more serious “remise en cause” of the way United Nations air operations were managed. In the same period, experts of ICAO were requested to undertake a review of safety and security issues of United Nations air operations, which resulted in the joint development by WFP and DPKO of the United Nations Aviation Standards (AVSTADS) applicable to both humanitarian and peacekeeping air service (JIU, 2008, paras. 11-12). However, AVSTADS has not been effectively and fully used.

In the UN and UNPKO, plane crashes still happen even in recent years, examples being the cases such as UN plane crash in Democratic Republic of the Congo (DRC) on 4 April 2011, Haiti Mission Plane Crash on 9 October 2009, and UN chartered plane crash in the DRC on 2 September 2008. As such, safety of air is a matter of concern in the context of procurement with enough quality.

### ***Efficiency***

To implement procurement efficiently is the third challenge. Needless to say, in order to ensure efficiency, preventing frauds, corruption and excessive payments is important. Efforts of internal control, oversight, inspection and audits are indispensable.

However, at the same time, there is a possibility of gaining efficiency not only through preventing frauds and corruptions but also through a wise use of various efficient procurement methods. In this regard, an increasing use of system contract is important in UNPKO. System contracts have advantages of the volume discount potential and setting up a mechanism for drawing requirements without repeating the bidding exercise for each requisition. However, in such contracts, greater vigilance in monitoring vendor performance and carrying out effective contract administration are needed (UN, 1996, para. 10).

Recently, the large-scale implementation of global systems contracts is an meaningful effort. The UN Secretariat has dedicated significant resources to maintaining an ever-increasing range of contracts for commonly required capital goods and supplies for peacekeeping operations. That has brought significant economies of

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scale, productivity gains and reductions in operating costs through the establishment of standardized fleets of equipment and services (UN, 2006a, para. 56.).

### Challenges in Procurement from Governments

#### Quantity

To secure necessary quantity is the first challenge. As Figure 3 shows, number of UNPKO uniformed personnel that is mostly composed of military troops and police personnel increased dramatically in this decade from about 40,000 in 2001-January to about 100,000 in 2010-January, which means 2.5 times of increase.

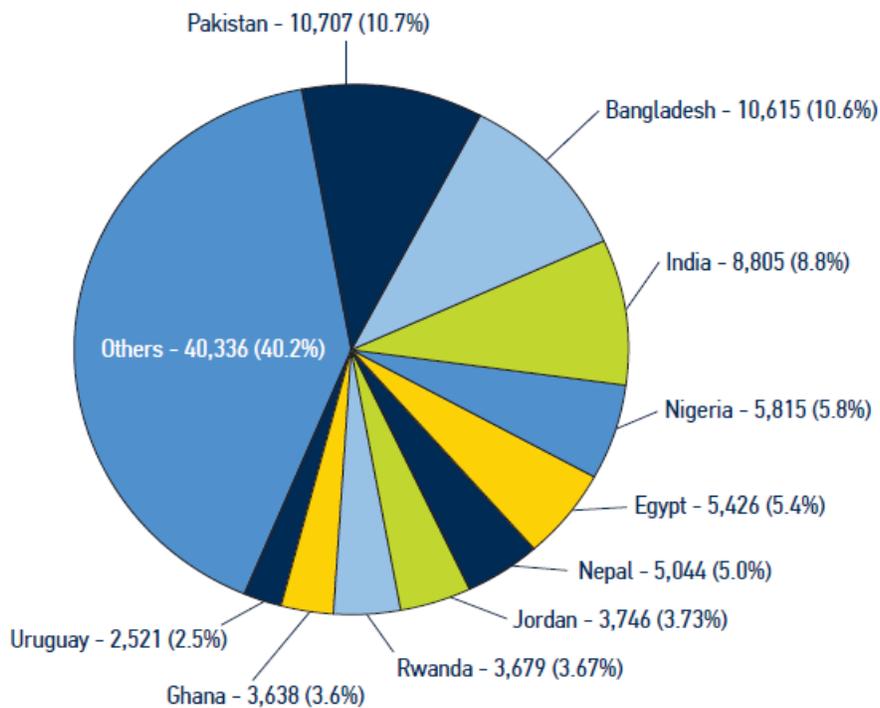
Figure 3 Surge in Uniformed UNPKO Personnel from 1991 to 2011



Source: UN, 2011a, p. 81.

Actually, the main source of military/police and COE is developing countries. Figure 4 shows the top ten military and police contributing countries.

Figure4 Top Ten Provider of Military/Police Personnel for UNPKO in 2010 (Average)



Source: UN, 2011a, p. 81.

As economic growth of developing countries continues, financial interests for those countries to provide personnel become less attractive. How to keep securing necessary number of personnel is a major challenge. Government is not same as companies. For example, countries such as USA, Japan and most major European countries are spending additional domestic finance for the deployment and

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maintenance. Such a political will and interest are unique point in procurement from governments compared with procurement from companies.

### **Quality**

In addition to such quantity matter, to secure enough quality is the second challenge. In UNPKO, securing troops/police personnel with enough quality is recently becoming more difficult because of dramatic increase of needed number of personnel. Here, quality implies several matters. Needless to say, capability of mission execution, composition of COE, training level, and even battle power for self-defense are all important quality elements. However, there is a different kind of quality matter, i.e. sexual exploitation and abuse. Though perpetrators/victimizers are not only limited to troops/police personnel, are involved military and police personnel are involved in many number of such allegations as Table 7 shows.

From the viewpoint of public procurement, responsibility of governments, as supplier of troops/police personnel, would be crucial, in addition to responsibility of the individuals and the UN.

Table 7 Number of Allegations in 2010 Involving Personnel Deployed in UNPKO and Special Political Missions.

<i>Mission</i>	<i>Staff member</i>	<i>United Nations Volunteer</i>	<i>Contractor</i>	<i>Military personnel</i>	<i>Military observer</i>	<i>United Nations police</i>	<i>Total</i>
BINUB	1	—	—	—	—	—	1
MINURCAT	1	1	1	—	—	—	3
MINURSO	—	—	—	—	—	—	—
MINUSTAH	2	—	—	6	—	2	10
MONUC/MONUSCO	7	2	1	23	2	1	36
UNAMA	—	—	—	—	—	—	—
UNAMI	—	—	—	—	—	—	—
UNAMID	—	—	—	—	—	—	—
UNDOF	—	—	—	—	—	—	—
UNFICYP	—	—	—	—	—	—	—
UNIFIL	—	—	—	—	—	—	—
UNLB	—	—	—	—	—	—	—
UNMIK	—	—	—	—	—	—	—
UNMIL	5	1	—	5	1	3	15
UNMIS	6	2	—	—	1	1	10
UNMIT	—	1	—	—	—	2	3
UNMOGIP	—	—	—	—	1	—	1
UNOCI	2	—	—	2	—	2	6
UNSCO	—	—	—	—	—	—	—
UNTSO	—	—	—	—	—	—	—
<b>Total</b>	<b>24</b>	<b>7</b>	<b>2</b>	<b>36</b>	<b>5</b>	<b>11</b>	<b>85</b>

Source: UN, 2011b, p. 22, Annex V.

### **Efficiency**

To procure efficiently is the third challenge. As has already been explained in the prior section, outsourcing of troops/police personnel to governments is done by fixed reimbursement rate. It is true that sovereignty and international equality of nations is an important basic principle. However, from the viewpoint of public procurement, because there are many UN member countries, introduction of some elements of competition between contributing countries would be a possible measure.

Even if present fixed reimbursement system continues in the

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future, the way to set rates is not only very difficult but also directly influences efficiency and total cost of UNPKO. Table 8 shows the increase trend of rate since establishment of this system. Political pressures to raise the rates always exist.

Table 8 Standard Rates of Reimbursement.

<i>Cost component of rate of reimbursement</i>	<i>Effective date</i>						
	<i>October 1973</i>	<i>December 1975</i>	<i>October 1977</i>	<i>December 1980</i>	<i>July 1991</i>	<i>July 2001</i>	<i>January 2002</i>
Pay and allowances	500	500	680	950	988	1 008	1 028
Supplementary pay for specialists (25 per cent of logistic contingents and 10 per cent of other contingents)	150	150	200	280	291	297	303
Usage factor for personal clothing, gear and equipment	—	65	65	65	65	66	68
Usage factor for personal weaponry	—	5	5	5	5	5	5

Source: UN, 2006b, p. 4, Table 1.

At least theoretically, some kinds of competition in price or conditions between potential contributor member state governments would be one option, though it might not be rigid reverse auction. In addition, expansion of contributors would be another possibility. Possible additional potential providers would be increase cooperation of regional and sub-regional organizations.

### Main Findings

At the end of this section, challenges of procurement from companies and from governments are compared below and common three challenges are identified.

Quantity is the first common challenge. As the result of dramatic increases of scale of the entire UNPKO, both procurement from companies and procurement from governments increased

dramatically. How to secure enough quantity is a basic but important challenge. The role of developing countries and countries in transition is especially important.

Quality is the second common challenge. To keep enough quality of personnel and goods and services is not an easy mission for the UN Secretariat. For example, how to prevent air crash and how to prevent misconduct such as sexual exploitation and abuse are both important but difficult to completely eliminate yet. Developed countries mainly contribute by providing high-quality resources but can't afford enough volume at all.

Efficiency is the third common challenge. To procure efficiently, it is important to prevent frauds and corruption. In addition, to make use of efficient procurement such as system contract is important. Efficiency of procurement from governments depends very much on the reimbursement rate. How to include competitive mechanism would be a future challenge especially from the viewpoint of public procurement.

### **SUMMARY**

As the result of entire analysis, following three points that corresponding to three research questions are found.

Firstly, budgetary significance of public procurement in terms of entire UNPKO expenditure is made clear. UNPKO is financed through PKO Special Budget that is approved by the General Assembly and is mandatory for member states to pay. Actually, about 80% of the expenditure of the budget is spent for procuring necessary resources. UN pays to governments amounting about 40% of entire UNPKO expenditure for procuring military and civilian police personnel and COE (contingent-owned equipments). UN pays to companies amounting nearly 40% of its expenditure for procuring goods and services such as transportation, fuels, vehicles, foods and telecommunication. Therefore, public procurement can be regarded as the most important and significant element for the entire UNPKO budget, especially in terms of its expenditure.

Secondly, varieties of public procurement, especially clear

differences of procurement modalities between governments and companies are found. In regards to procurement contents, the UN procures military and civilian police personnel and COE from governments; on the other hand, the UN procures various goods and services such as transportation, fuels, vehicles, foods and telecommunication from companies. Clear differences of procurement methods are also found. Procurement from governments is mainly done through discretionary contract. Rates of reimbursement to troop-contributing governments are fixed. So, procurement methods are not competitive. Meanwhile, procurement from companies is mainly conducted by international competition.

Thirdly, in addition to preventing corruption and strengthening internal control, which are matters widely-known and frequently-discussed in UN procurement, other main and basic challenges such as quantity, quality and efficiency are found. First is to secure necessary quantity. As UNPKO dramatically increased, both the number of military and police personnel that outsourced to governments and amounts of goods and services procured from companies increased accordingly. Developing countries and countries in transition mainly contribute by providing high-volume resources such as most of personnel from governments, and many goods and services from companies. To keep securing necessary quantity itself is very basic issue but not easy to resolve. Second is to secure enough quality. Developed countries mainly contribute by providing high-quality resources such as personnel for command operations center from governments, and air transportation services from companies. However, it is too hard to provide enough number of high quality resources. Actually, in UNPKO, securing basic quality is sometimes difficult considering occurrences of sexual exploitations and abuses by personnel and other things such as plane crash accidents. Third is to implement procurement efficiently. Payments to companies have more possibility of gaining efficiency due to competitive procurement. In this regard, preventing inefficient procurement with frauds, corruptions and excessive payments is important. Also, increasing use of efficient methods such as system contract is desirable. In short, it is an enormous challenge for recent UNPKO to efficiently procure necessary quantity of resources with enough quality.

### IMPLICATIONS

Above stated summary has various implications and contributions to existing public procurement knowledge. To conclude this paper, three implications are proposed below.

Firstly, this paper contributed to reveal overall and macroscopic picture and main features of UNPKO procurement including not only modalities but also challenges. It would be a meaningful contribution because though UNPKO is one of the most important international public activities by the UN, comprehensive external research has not enough been done. Actually, UNPKO procurement has not only international but also global feature strongly and that is interesting research theme academically.

Secondly, this paper contributed to raise interesting results in supplier of public procurement. Normally, public procurement researches start with implicit understanding that governments are demand side and companies are supply side as a matter of course. This paper showed unique example by regarding governments in supply side as providers of military/police personnel to the UN. Actually, this procurement from governments can be regarded as “outsourcing”.

Thirdly, from the analysis of this paper, fairly unique values and goals especially in procurement from governments compared to procurement from companies can be found. Among four interests as cited in literature review section for companies as provider, competition interest is very weak or rather reluctant. On the contrary, process interest is very strong in terms of minimizing transaction costs. Although to continue their organization or to make profit for their shareholders are normally primary interest, and to gain experience through the job, building a reference list, increasing market share are normally secondary interest for companies, priorities of these interests for governments as suppliers in the UNPKO are mixed. For example, some governments can gain benefits by providing personnel but some need to prepare additional their own finance. Other interests vary governments by governments. Similarly, in terms of procurement goals, though many goals are also important

in this case too, procurement from governments has special features compared with normal procurement from companies. In this case, especially international relations and minimizing business are primary goals and competition goals and economic goals are quite weak so far. In addition, as rather unique element, quantity goal is also very important.

Though more detailed analysis on this theme including procurement from governments as outsourcing are desirable, it can be concluded that this case have several implications and contributions to existing public procurement knowledge as shown above.

#### NOTES

1. About the UN mandates including mandate cycles, the basic framework and recommendations to UN activities in general, see (Kuyama and Sakane, 2007, pp. 1-14).
2. Oral presentation by T. Sakane titled: "Public Procurement in the United Nations System: Tackling International Emergency Situations", at the IPPC 2006, on September 21, 2006.
3. Oral presentation by J. Branche titled: "Establishing a Compliance Programme in Public Procurement?: A New Frontier", at the IPPC 2010, on August 27, 2010.
4. The explanations below are generally based on:  
<http://www.un.org/en/peacekeeping/operations/peacekeeping.shtml>. However, explanations are slightly modified and added by the author in view of a specific nature of the public procurement. All URLs listed in this paper were checked for their accessibility on March 31, 2012.
5. In 15 missions, UNAMA in Afghanistan is excluded though it is on Figure 1 because it is a political mission. Other political missions are also excluded because political mission is different category and basically each mission size is much smaller than average UNPKO size.

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