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CANADIAN FORCES COLLEGE / COLLÈGE DES FORCES
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EXERCISE NEW HORIZONS/EXERCICE NOUVEAUX HORIZONS

THE COST OF PEACEKEEPING TO THE DEFENCE BUDGET

FROM 1989-90 TO 2002-03

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La présente étude a été rédigée par un stagiaire du Collège des Forces canadiennes pour satisfaire à l'une des exigences du cours. L'étude est un document qui se rapporte au cours et contient donc des faits et des opinions que seul l'auteur considère appropriés et convenables au sujet. Elle ne reflète pas nécessairement la politique ou l'opinion d'un organisme quelconque, y compris le gouvernement du Canada et le ministère de la Défense nationale du Canada. Il est défendu de diffuser, de citer ou de reproduire cette étude sans la permission expresse du ministère de la Défense nationale.

ABSTRACT

The fundamental tenets of Canadian defence management in the 1970s and 1980s are no longer valid. The well-defined Soviet threat to Western nations allowed defence planners the ability to control expenditures, because they could actually control personnel and equipment activity rates. The result was that, excluding the impact of Defence Specific Inflation, defence managers could largely control personnel related costs, the Operations and Maintenance (O&M) budget, and the capital equipment budget. However, starting in 1990-91, peacekeeping missions multiplied, and have continued at a high rate, yet peacekeeping costs are not explicitly captured or analyzed for their long-term impact on the defence budget.

Canadian defence policy must recognize and account for the peculiar circumstances of Canadian defence, where out of necessity deployed operations are the primary orientation of military forces, while the defence of Canada is the top policy priority. This paper takes the position that the cost of peacekeeping to the Canadian defence budget is substantial, yet little understood, and its impacts need to be identified by defence planners to ensure resources are being allocated effectively. The paper examines peacekeeping expenditure from 1989-90 to 2002-03 and outlines the departmental cost estimate process. The paper concludes with a number of alternatives for funding the cost of Capital equipment used extensively on peacekeeping missions.

The fundamental tenets of Canadian defence management in the 1970s and 1980s are no longer valid. The well-defined Soviet threat to Western nations allowed defence

planners the ability to control expenditures, because they could actually control personnel and equipment activity rates. The result was that, excluding the impact of Defence Specific Inflation (DSI)¹, defence managers could largely control personnel related costs, the Operations and Maintenance (O&M) budget, and the capital equipment budget. However, starting in fiscal year 1990-91, Canadian participation in peacekeeping activities multiplied, and this has continued at an exceptional level through into the 21st century. The result was that these new circumstances destroyed the effectiveness of management practices that had developed over the preceding decades to control defence expenditure. The effects were threefold. First pressures on the O&M budget multiplied. Second, the precise and detailed life-cycle management system in place for major capital equipment fleets was no longer valid. Third, following retrenchment from Europe and assumption of peacekeeping missions worldwide, the Canadian Forces began operating at the edge of their logistical capabilities. When Canadian troops are deployed to a theatre of operations where combat is a probability or a certainty, the CF deploys the troops and equipment to do the assigned task. When this is required, cost becomes a secondary consideration. This, however, has follow-on effects on long-term CF operations costs, which have not always been understood or appreciated.

The mission of both the Department of National Defence (DND) and the Canadian Forces (CF) is to “defend Canada and Canadian interests and values, while contributing to international peace and security.”² To accomplish this task, the

¹ Ben Solomon, “Defence Specific Inflation: A Canadian Perspective,” *Defence and Peace Economics* 14, no.1 (2003): 19-36.

² Department of National Defence, *2003-04 Estimates Part III – Report on Plans and Priorities*. (Ottawa: Communication Canada, 2003): 1.

Department was provided \$12,415.4 million by the federal government in fiscal year 2002-03.³ The top two priorities are the defence of Canada and the defence of North America. The third priority is to contribute to international peace and security. Peacekeeping and peace support operations are one of the prime elements of the third defence priority, and it now actually accounts for a substantial portion of Canadian military activity each fiscal year. Homeland security is, and will remain, the top Canadian defence priority. Expeditionary, or deployed, operations, however, are the reality and this drives the daily operational tempo of the Canadian Forces. Canadian defence policy and associated defence funding must recognize and account for the peculiar circumstances of Canadian defence, where out of necessity deployed operations are the primary orientation of forces, while the defence of Canada is the top policy priority.

This paper takes the position that the cost of peacekeeping to the Canadian defence budget is substantial, yet little understood, and its impacts need to be identified by defence planners to ensure resources are being allocated effectively.

The paper will first consider financial management of peacekeeping activities. Next, defence priorities and the shift in defence activity and expenditure to peacekeeping will be outlined from the end of the Cold War until 2002-03. Peacekeeping expenditure in fiscal year 2002-03 will then be considered in detail. Peacekeeping costs are not captured directly in the accounting system. The determination of annual peacekeeping costs through a cost estimation process is briefly explained, followed by a listing of

³ Department of National Defence, *2002-2003 Departmental Performance Report*. (Ottawa: Communication Canada, 2003), http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2003/dpr-1b_e.asp; Internet; accessed 16 February 2004.

actual peacekeeping expenditure in 2002-03 by standard object.⁴ The paper will conclude with a discussion of alternative funding mechanisms for capital equipment used on peacekeeping related missions. The term peacekeeping in this paper is defined in a generic sense and is inclusive of peacekeeping, peace making and peace support operations.

Financial management of peacekeeping activities is an important function within DND/CF. Canadian military forces are continually engaged in a wide range of activities, all of which must be supported, managed and coordinated within one national organization, spread out across several thousand kilometres and active in every province and territory. Military forces operate a variety of training institutions, engage in military operations, manage army, navy and air force equipment programs and life-cycle management, support national objectives, maintain and support infrastructure at bases and units, provide search and rescue services throughout the country and also respond to aid of the civil power requests from provincial governments. Peacekeeping operations, then, are only one of a myriad of different, but related, defence activities.

The Department of National Defence, as with other federal government departments, falls under the Federal Expenditure Management System (EMS), and must manage budgets in accordance with federal management policies, practices and procedures. Determination of peacekeeping expenditures must, therefore, be derived from the accounting system used by the Department of National Defence. However, the cost to the Department and the Canadian Forces of peacekeeping activities does not fall along neat functional lines, or fit into convenient expenditure categories. In fact, the cost

⁴ The Federal Estimates and Public Accounts for expenditures employ Standard Objects, which are the highest level of object classification used for parliamentary and financial reporting purposes.

of peacekeeping is derived from a wide variety of organizations that undertake activities in direct and indirect support, including personnel, materiel, training, capital and operational expenditures. On any given day, budget managers in Canada could also incur expenses for support to domestic operations, such as G8 Summits, search and rescue missions or movement of unit equipment to training areas for routine training. All these expenses must be accounted for separately and are charged to different budgets. The difficulty, in this case, is to capture all peacekeeping expenditures incurred by organizations that undertake many concurrent activities. This is further complicated by activities that support both peacekeeping and other defence missions simultaneously.

The Deputy Chief of the Defence Staff (DCDS) is responsible for the command and control of troops deployed on operations outside Canada. Contingent funding for in-theatre costs is funded and managed through the DCDS. However, in Canada the Chief of the Land Staff (CLS), Chief of the Maritime Staff (CMS) and Chief of the Air Staff (CAS) are responsible for costs incurred in generating the military forces for deployment. Similarly, the DCDS and the three Environmental Chiefs of Staff incur costs for planning and co-ordinating deployed operations. The Assistant Deputy Minister (Material) (ADM (Mat)), Assistant Deputy Minister (Human Resources – Military) (ADM (HR Mil)), DCDS, CLS, CMS and CAS all contribute to the cost of logistical support to operations and equipment maintenance. Finally, the ADM (HR Mil) funds the salaries and foreign duty allowances earned by deployed military personnel. Clearly, the costs of peacekeeping operations are felt throughout the Department of National Defence and Canadian Forces. The next section will discuss defence priorities and then peacekeeping activities from 1989-90 to 2002-03

Defence policy in Canada is based on the 1994 *White Paper*. This document was the federal government response to the end of the Cold War. The 1994 *White Paper* announced significant reductions in personnel equipment and infrastructure as a response to the end of superpower confrontation. Despite the dramatic change to the international strategic environment, defence policy priorities in the 1994 *White Paper* remained fairly constant with policies established following World War II. Indeed, it is difficult to imagine the circumstances in which these defence priorities would change. The *White Paper* emphasized in order of priority the protection of Canada, defence of North America and finally contributing to international peace and security.⁵ Peacekeeping, although indirectly affecting the defence of Canada and North American priorities is prominent in the third ranked priority of contributing to international peace and security. Although subordinate to the defence of Canada and North America, the 1994 *White Paper* highlights this defence activity and states “as a reflection of the global nature of Canada’s values and interests, the Canadian Forces must contribute to international security.”⁶

Expectations in the early 1990’s were that the end of the Cold War would herald an era of greater peace and security. However, this has not turned out to be the case. Indeed, released from the constraints of the Cold War, regional conflicts have proliferated. A number of states have failed and instability has become commonplace in several regions of the world. This phenomenon is contrary to assumptions made in the early 1990’s of greater peace and stability, as well as, expected dramatic and long-term

⁵ Department of National Defence, *1994 White Paper* (Ottawa: Canada Communication Group, 1994), 15-38.

⁶ *Ibid*, 27.

cuts in worldwide defence expenditure. The result over the past decade has been a massive increase in Canadian Forces participation in peacekeeping, peace support operations and peace-making type activities, a trend that is likely to continue through the current decade. The DND *2002-03 Departmental Performance Report* emphasized,

“in terms of operations, fiscal year 2002-03 was one of the busiest years the CF has experienced since the Korean Conflict. Despite this high operational tempo, the CF was able to strike a balance between international and domestic operational requirements, and to successfully accomplish all major operational tasks they were assigned.”⁷

Paradoxically, the authorized manning level of Regular Force military personnel has been 60,000 since the 1994 Defence White Paper, necessitating a decline of 28,800 in Regular Force personnel from the end of Cold War manning level of 88,800 in 1989, during a period when deployed operations were dramatically increasing in quantity, size and complexity.⁸

One significant impact is that this has driven much higher military activity levels within the Canadian defence establishment than anticipated in the drafting of the 1994 White Paper. A prominent Defence analyst has defined the problem in the following manner:

Almost every 1994 assumption, assessment, and conclusion about the world we live in, the breadth and demands of Canada’s explicit and implicit commitments to the international community, the military capabilities Canada needs to meet them, and the funds required to sustain

⁷ Department of National Defence, *2002-2003 Departmental Performance Report* (Ottawa: Communications Canada, 2003) Capability programs – Conduct Operations section, http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2003/dpr-3a_e.asp#; Internet; accessed 16 February 2004.

⁸ Department of National Defence, *1994 White Paper* (Ottawa: Canada Communication Group, 1994), 46.

them are seriously weakened or compromised by the facts of international security and defence relations in the world of 2003.⁹

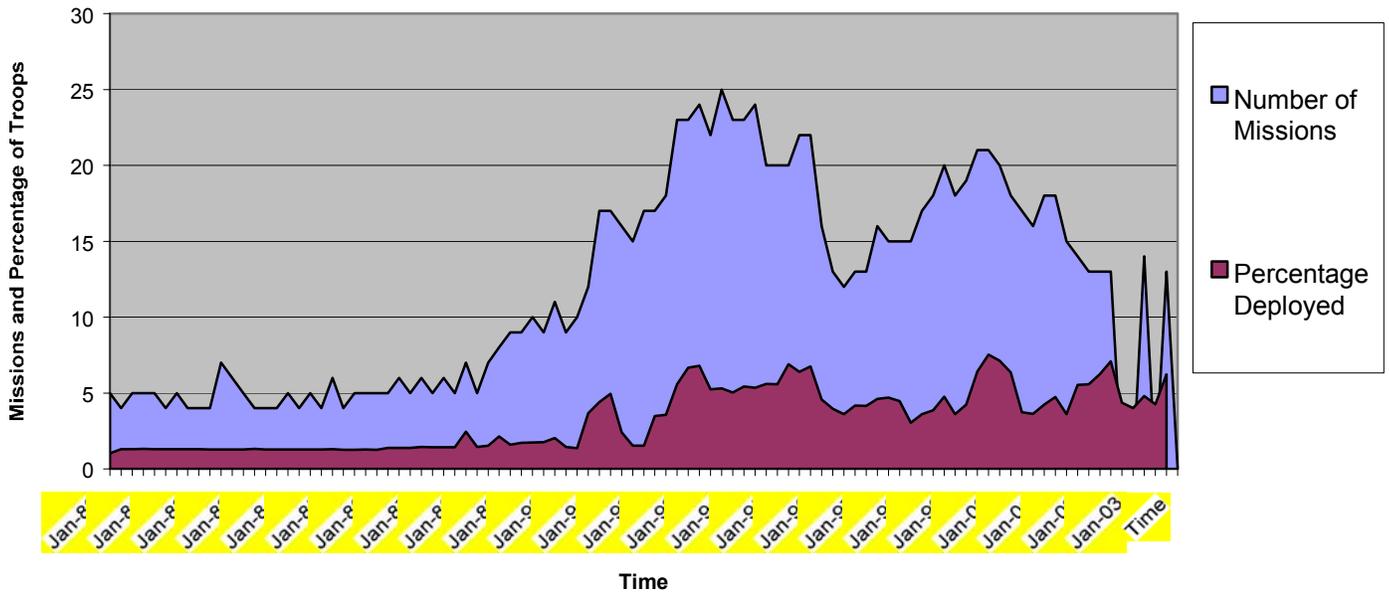
The costs of Canadian deployed operations, including peacekeeping related costs, are substantial, with incremental costs of \$425.5M in fiscal year 2002-03 alone, with full costs amounting to \$1,224.4M. The costs associated with peacekeeping are significant, yet are not explicitly captured or analyzed for their long-term impact on the defence budget. In particular, the increased use of vehicles and equipment on deployed operations has a follow-on inflationary influence on subsequent requirements for spare parts, repair and overhaul, and the timing of equipment replacement programs. In essence, the cumulative effect of the decade-long high level of peacekeeping operations is now being felt on the defence budget. The negative impact of these pressures will be felt in capital, as well as, operations and maintenance budgets for the next fifteen years. In effect, the entire length of the long-term capital program. The impacts need to be understood, their influence recognized and problems addressed within the defence-funding envelope.

As with equipment, the high participation of military personnel in deployed operations has brought increased costs that will be felt over the next ten to fifteen years. Specifically, illnesses such as Post-Traumatic Stress Syndrome, or diseases such as malaria, and other medical problems resulting from the conditions under which military personnel have served outside Canada will result in increased costs medical and disability costs to the department. The sharp growth in number of deployed operations and

⁹ Douglas L. Bland, "The Fundamentals of National Defence Policy Are Not Sound," *Canada without Armed Forces?* ed. Douglas L. Bland (Kingston, School of Policy Studies Queen's University, 2003), 1.

percentage of CF personnel deployed on peacekeeping, peace support and peace-making missions is illustrated in Chart 1.¹⁰

Chart 1 - Number of Missions and Percentage of Military Personnel Deployed 1980 - 2003



This chart illustrates two important and inter-related factors that have had a major influence on defence costs since fiscal year 1989-90. Missions begin to climb in 1989-90 while concurrently military personnel strengths declined through the mid-1990s to reach the 1994 *White Paper* target of 60,000 Regular Force personnel. The result was that the historical percentage of deployed military personnel jumped from under two percent to as much as six percent during the mid-1990s through to 2002-03. Another significant factor concerned the numbers of personnel deployed, which swung wildly throughout the 1990-91 to 2002-03 period, while remaining at a high operational tempo. This was in response to the unstable international environment and the high level of Canadian participation in

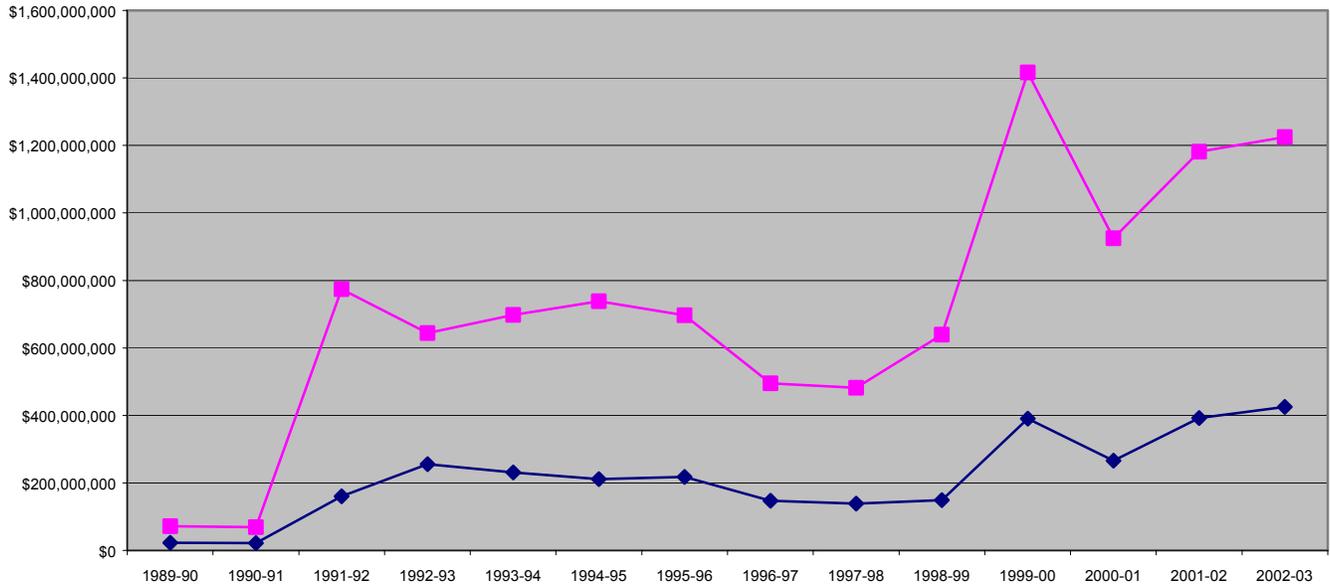
¹⁰ Sean Pollick, *Personnel Deployed in Operations Spreadsheet 1980–2003* (Ottawa; DND, 2004).

UN, NATO and coalition missions. Furthermore, the increase in participation rate was not only quantitative, but qualitative as well. Specifically, the nature of the peacekeeping missions changed from a benign UN Chapter VI traditional peacekeeping mission to peace-making or peace-enforcement missions. Not reflected in this chart is the wide variety of geographical locations to which the CF deployed over the 1990-91 to 2002-03 period, or the duration of individual operations.

The end of the Cold War released constraints in both internal and trans-border disputes, and resulted in the eruption of internal and inter-state conflict at the start of the 1990s. The United Nations, as the pre-eminent global institution with representation from most nations in the world, was thrust to the forefront in a period of rapid change and adjustment in the international security environment. The result was a rapid proliferation of UN peacekeeping missions throughout the world, during a time of unrealistic expectations by the international community. Canada, as a strong supporter of multilateralism, and of UN efforts to increase international peace and security, began an intense period of deployments of troops and equipment in support of both UN and NATO peacekeeping in a number of continents, which endured from 1990-91 through to 2002-03. Chart 2 illustrates the Canadian peacekeeping activity rate starting from a relatively stable activity level in 1989-90 and then increasing dramatically in the period 1990-91 through to 2002-03 in terms of both full and incremental costs.¹¹ The top line on the chart represents full costs and the bottom-line the incremental costs.

¹¹ Department of National Defence, *Total Cost of CF Deployments 1990-2003* (Ottawa: Director Financial Operations, 2003).

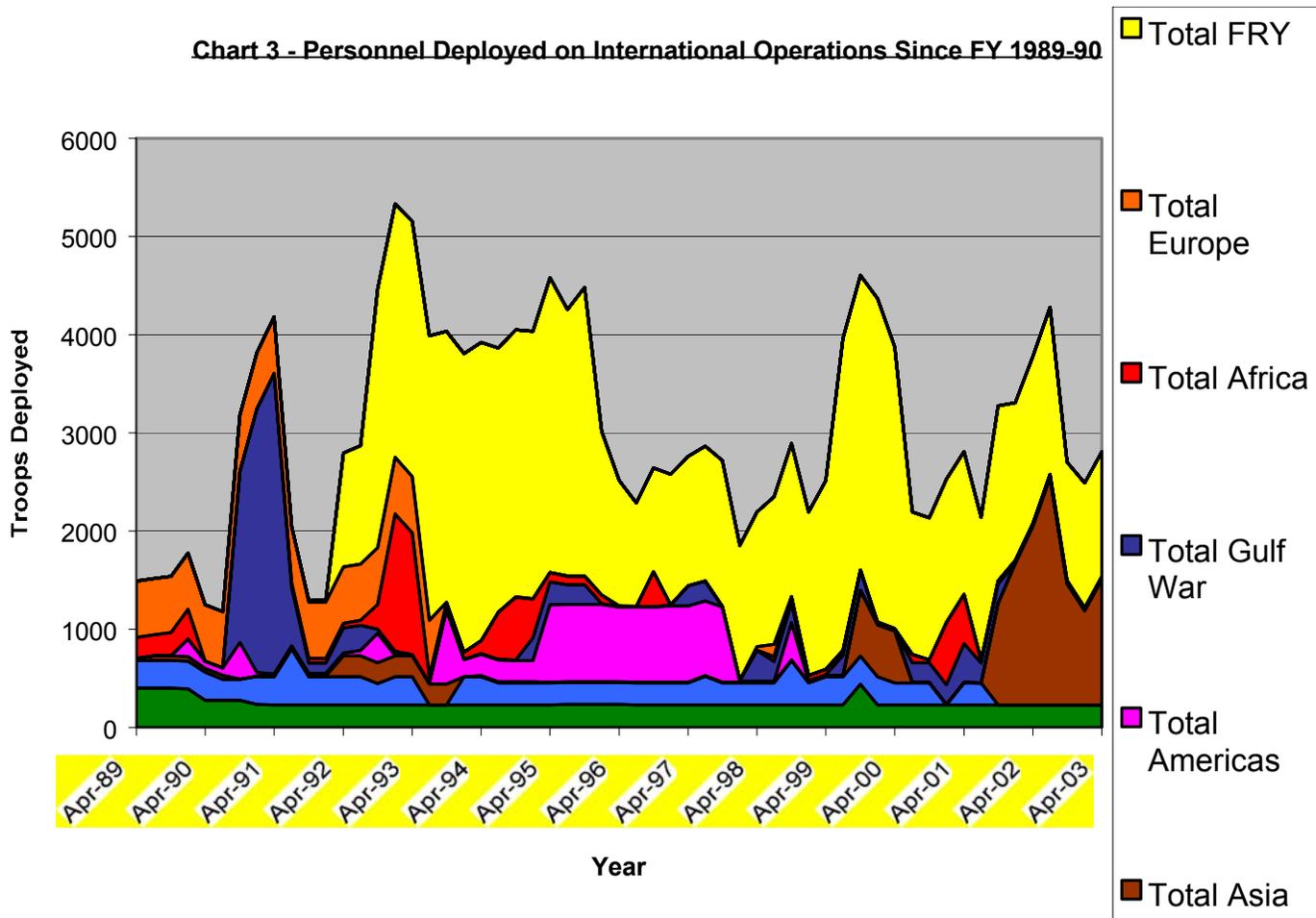
Chart 2 - Full and Incremental Deployment Costs 1989-90 to 2002-03



The deployed operations of the Canadian Forces were not limited to one geographical area, but often spanned the globe. This had significant implications to DND and the CF regarding both deployment and sustainment costs. The closure of Canadian Forces Base (CFB) Baden-Soellingen in 1994 and CFB Lahr in 1995 meant the Canadian Forces no longer had a staging base in Europe. As a consequence, supply chains, for Canadian military equipment spare parts, had to originate in Canada. Chart 3 illustrates the wide range of geographic regions in which CF personnel have deployed since 1989-90.¹² Although peacekeeping in the Former republic of Yugoslavia has dominated deployed operations, the Canadian Forces have also participated in significant missions in Asia, the Middle East, the Americas and Africa during the past decade.

¹² Sean Pollick, *Personnel Deployed in Operations Spreadsheet 1980–2003* (Ottawa; DND, 2004).

Chart 3 - Personnel Deployed on International Operations Since FY 1989-90



The Cold War presented defence planners with a stable planning and operating environment. Viewed from this perspective, decisions on capital equipment procurement programs, CF manning levels, training schedules, and O & M expenditure rates could be made with a much greater degree of certainty. During this period, the Soviet Union was a known threat and NATO had developed detailed plans to counter any offensive action by the Warsaw Pact. Other threats, such as the North Korean military, interstate conflict and international terrorism were contained under the dominant Cold War structure. This was not the case following the Cold War. Uncertainty became the dominant construct and military planners entered uncharted territory. Future deployments of peacekeepers could

not be predicted with any great degree of certainty, nor could future national or international threats. Places that Canadians had generally never heard of before the 1990s became the frequent destinations of Canadian peacekeepers. Chart 3 displays the massive swings in numbers of deployed troops throughout the past decade and graphically illustrates this instability. Unfortunately, the lack of reliable information on potential future deployments has made it difficult to either anticipate or plan for future operations. Similarly, activity levels of troops and equipment have become dependent on the number and intensity of international deployments. Uncertainty, irregular unforecasted activity level changes and the inability to plan effectively for the future, due to an unstable international security environment, makes it difficult for defence planners to optimize funding allocations to Personnel, O&M and Capital.

The Chief of Defence Staff in his 2002-03 Annual Report stated that “operations are our business and the most important and visible expression of how we make a difference and why we serve.”¹³ In fiscal year 2002-03, in excess of 5,000 Canadian military personnel deployed on a variety of operations outside the country. Indeed the average number of military personnel deployed during that Fiscal Year exceeded 2,500.¹⁴

¹³ Gen Ray Henault, *Annual Report of the Chief of Defence Staff 2002-2003*. (Ottawa: DND, 2003), 28.

¹⁴ Department of National Defence, *2002-2003 Departmental Performance Report* (Ottawa: Communications Canada, 2003) Capability programs – Performance Highlights (delivering on operations) section. http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2003/dpr-2a1_e.asp; Internet; accessed 16 February 2004.

The map below from Part VII of the *DND 2002-2003 Departmental Performance Report* illustrates the location of CF deployments in 2002-03.¹⁵

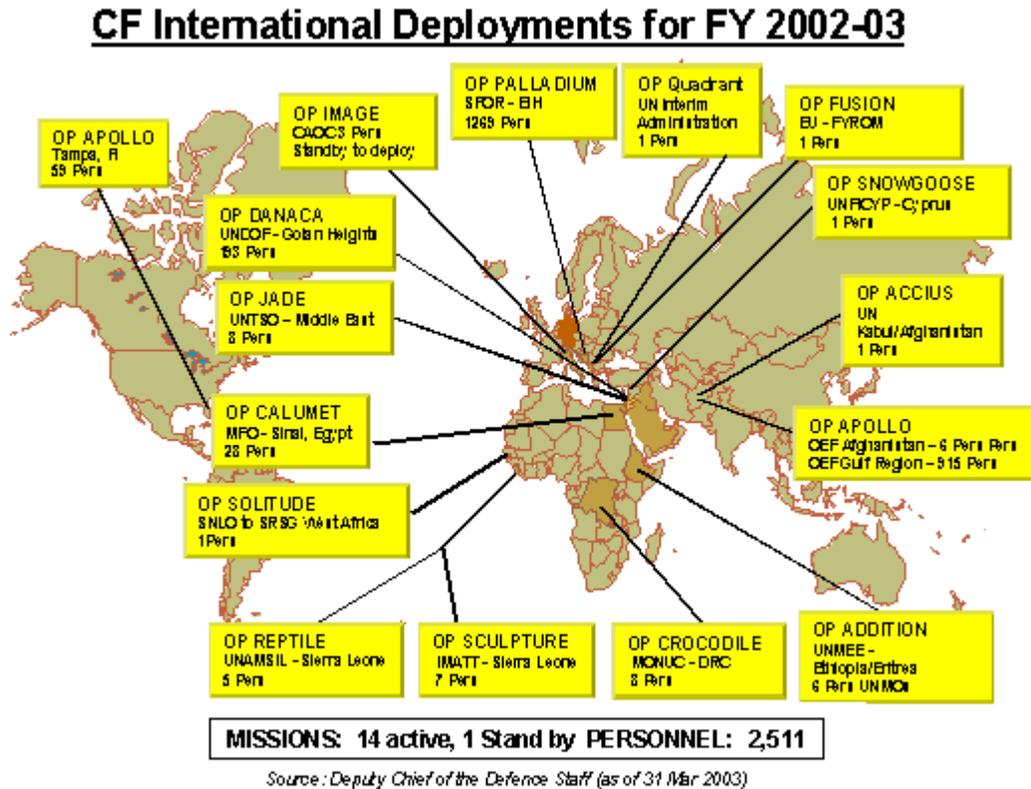


Table 1 provides the cost of CF deployments in 2002-03 in terms of both full and incremental costs. Two major peacekeeping missions largely determined DND/CF peacekeeping costs in 2002-03. The first mission was the war on terrorism in Southwest Asia, which resulted in \$233.5M in incremental costs to DND. The second mission was the long-standing NATO mission in Bosnia that resulted in incremental costs to DND of \$180.7M. The third peacekeeping mission was the United Nations mission on the Golan Heights in which Canada has participated since 1974, and the incremental cost to DND

¹⁵ Department of National Defence, *2002-2003 Departmental Performance Report* (Ottawa: Communications Canada, 2003) Canadian Forces International Operations section http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2003/dpr-7b_e.asp; Internet; accessed 16 February 2004.

was \$8.0M in 2002-03. Although the Canadian Forces had a further 10 missions in 2002-03 which incurred less than \$1M each in incremental costs, the impact was felt more on the time and effort required by NDHQ Joint Staff to manage the small numbers of peacekeepers in those missions and monitor and adjust to changing circumstances in the respective theatres of operation.

Table 1 - Cost of Canadian Forces Deployments in Fiscal Year 2002-2003 (in \$M)¹⁶

	<u>Full Cost</u>	<u>Incremental Cost</u>
<u>Europe</u>		
SFOR Op Palladium - NATO (Bosnia)	\$472.9	\$180.7
Op Quadrant (Albania, UNMIK, UNMACC)	\$0.8	\$0.4
Op Image - NATO (DCAOC Poggio Renatico Italy)	\$0.2	\$0.1
Op Artisan - UN (Albania)	<u>\$0.1</u>	<u>\$0.1</u>
Subtotal - Europe	\$474.0	\$181.3
<u>Asia</u>		
Op Apollo (Afghanistan) (Southwest Asia) (Tampa USA)	<u>\$709.1</u>	<u>\$233.5</u>
Subtotal - Asia	\$709.1	\$233.5
<u>Middle East</u>		
Op Danaca - UNDOF (Golan Heights)	\$29.6	\$8.0
Op Calumet - MFO (Sinai)	\$3.0	\$0.5
UNTSO - (Middle East)	\$1.5	\$0.7
Op Snowgoose - UNFICYP (Cyprus)	<u>\$0.3</u>	<u>\$0.1</u>
Subtotal - Middle East	\$34.4	\$9.3
<u>Africa</u>		
Op Addition - UNMEE (Ethopia/Eitrea)	\$1.0	\$0.5
Op Crocodile - MONUC (DRC)	\$1.3	\$0.3
Op Sculpture - IMATT - (Sierra Leone)	\$4.0	\$0.4
Op Reptile - UNAMSIL - (Sierra Leone)	<u>\$0.6</u>	<u>\$0.2</u>
Subtotal - Africa	\$6.9	\$1.4
Total Cost of International Operations	<u>\$1,224.4</u>	<u>\$425.5</u>

¹⁶ Department of National Defence, *Total Cost of CF Deployments 1990-2003* (Ottawa: Director Financial Operations, 2003).

Table 2 provides the distribution of CF personnel deployed outside Canada in 2002-03. The deployment numbers mirror the cost figures in Table 3 with the war on terrorism and the NATO mission in Bosnia accounting for the majority of deployed personnel.

Table 2 - Deployed Personnel FY 2002-03¹⁷

	<u>APRIL 2002</u>	<u>JULY 2002</u>	<u>OCTOBER 2002</u>	<u>JANUARY 2003</u>	<u>APRIL 2003</u>
OP JADE (UNTSO)	8	6	7	8	8
OP DANACA (UNDOF)	190	191	193	193	193
OP CALUMET	30	31	30	29	29
OP CROCODILE (MONUC)	6	8	8	8	8
OP REPTILE (UNMASIL)	5	5	5	5	5
OP SCULPTURE (IMATT)	11	11	11	7	7
OP ADDITION (UNMEE)	6	6	6	6	6
OP SOLITUDE (SENEGAL)	0	0	0	0	1
OP APOLLO (WAR ON TERRORISM)	1822	2318	1235	960	1275
OP ACCIUS (UNAMA)	0	0	0	1	1
OP ATHENA (AFGHANISTAN)	0	0	0	0	2
OP SNOWGOOSE (UNCIYP)	1	1	1	1	1
OP PALLADIUM (NATO SFOR)	1699	1699	1207	1269	1269
OP QUADRANT (UNMIK)	1	1	0	0	0
OP IMAGE (CAOC ITALY)	1	1	0	0	0
OP FORAGE (MACEDONIA)	1	1	0	0	0
OP FUSION (FRYOM)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
TOTAL	3781	4279	2703	2487	2806

¹⁷ Sean Pollick, *Personnel Deployed in Operations Spreadsheet 1980–2003* (Ottawa; DND, 2004). The deployed personnel numbers are based on mid-month figures.

The Department of National Defence values the cost of peacekeeping in terms of full DND cost and incremental DND cost. Full DND cost is defined as “the sum of all costs, variable and fixed, direct and indirect, cash and non-cash, incurred by the Government in the supply of a service.”¹⁸ Included in this cost are civilian and military wages/overtime/allowances, full costs for Petrol, Oil and Lubricants (POL), spares, contracted repair and overhaul as well as amortization and attrition for all equipment involved. Incremental DND cost is defined as the cost to DND, which is over and above the amount that would have been spent for personnel, facilities and equipment if they had not been deployed on the task. It is derived from the full DND cost by subtracting wages, equipment amortization, attrition and other costs that otherwise would have been spent on exercises or absorbed as part of normal activities. These costs are derived from standard costs and are calculated annually by Assistant Deputy Minister (Finance and Corporate Services) staff. These standard costs are “national average costs, based on several years of historical data, of a particular resource per unit of activity, such as per full time equivalent for personnel and per flying hour per aircraft.”¹⁹

The process followed by the Federal Government in deciding on participation in a peacekeeping operation involves the coordination of the Department of Foreign Affairs and International Trade (DFAIT), the Privy Council Office (PCO), Treasury Board, Department of Finance and DND/CF. The Chief of the Defence Staff makes a recommendation to the government on military forces that could be provided and an estimated cost of the operation must accompany this recommendation. The military cost

¹⁸ Department of National Defence, *Cost Factors Manual 2003-2004* (Ottawa: DND, 2003), G-1.

¹⁹ Ibid, G-2.

estimate is used by the federal government and its departments in the decision process and provides an early planning figure for use by Treasury Board and the Department of Finance, in advance of the Supplementary Estimates funding process. The cost estimate process has been refined through extensive use by the department and it allows DND to plan for, and cash manage, within the existing DND funding envelope until the Supplementary Estimates funding process occurs late in the Fiscal Year.

The cost estimate process starts when the Joint Staff at National Defence Headquarters begin looking at options for a potential peacekeeping mission or other deployed operations. Joint Staff, or J-Staff, are military staff organized in a consistent manner to support a Commander. At NDHQ, a Joint Staff organised along functional lines is responsible to the Chief of the Defence Staff (CDS).²⁰ This Joint Staff includes Branches responsible for administration, intelligence, operations, logistics, Strategic plans, communications, operational plans, and finance

The J3 Operations staff, within the Deputy Chief of Defence Staff organisation, co-ordinate with the J8 Financial Coordination Centre (FCC). The J8 FCC is a component of the Directorate of Financial Operations, which is one element of the Assistant Deputy Minister (Finance and Corporate Services) (ADM (Fin CS)).

With the information obtained from the J3 Operations staff, the J8 FCC develops a preliminary cost estimate for each option under consideration by the CDS. At this point, the cost estimate only provides a rough order of magnitude of expected costs. This is refined, as more detailed information on each of the options becomes available to planning staff.

²⁰ G.L. Garnett, "The Evolution of the Canadian Approach to Joint and Combined Operations at the Strategic and Operational Level," *Canadian Military Journal* (Winter 2002-2003): 3-8.

The Directorate of Strategic Finance and Costing (DSFC) within ADM (Fin CS) is mandated to provide strategic assessment of the cost ramifications of all Departmental initiatives, to ensure, that the costs presen

budget managers in Canada. Expenditures such as filling up ships with fuel in Halifax before deployment overseas or the purchase of food in Canada for consumption on ships during peacekeeping missions are included.

In-theatre expenditure for deployed operations represents only a portion of the actual cost of these missions. For example, salaries of reservists employed on peacekeeping missions, which are incremental costs to the department, are paid from accounts managed at NDHQ. The in-theatre Vote 1 expenditure in 2002-03 reflects the Operations and Maintenance category of costs. As a result, the main expenditures in-theatre are for transportation and communication, rentals, services, fuel, electricity, materials and supplies. The Vote 5 costs charged against in-theatre accounts are to support Unforecasted Operational Requirements (UORs) for minor in-theatre Capital. Capital procurement is not generally significant for peacekeeping operations, as the CF normally uses equipment from their existing inventory.

Table 3 - In-Theatre Fiscal Year 2002-03 Vote 1 Actual Peacekeeping Expenditure²²

Standard Object	Description	Expenditure
1	Pay and Allowances	\$262,564.20
2	Transportation and Communication	\$50,423,579.76
3	Information	\$72,532.34
4	Other Professional & Special Services	\$76,463,122.18
5	Rental	\$27,685,532.14
6	Building, Works & Equipment Repair	\$622,755.02
7	Fuel, Electricity, Food, Clothing, Materials and Supplies	\$50,031,866.50
9	Minor Equipment and Ammunition	\$5,731,742.27
12	Other Subsidies & Payments	\$1,208,017.70
	Total	\$212,501,712.11

Table 4 - In-Theatre Fiscal Year 2002-03 Vote 5 Actual Peacekeeping Expenditure²³

Standard Object	Description	Expenditure
1	Pay and Allowances	\$4,730.78
2	Transportation and Communication	\$204,165.44
4	Other Professional & Special Services	\$4,213,685.47
5	Rental	\$404,927.06
6	Building, Works & Equipment Repair	\$1,645,755.66
7	Fuel, Electricity, Food, Clothing, Materials and Supplies	\$232,789.42
8		\$1,787,838.05
9	Minor Equipment and Ammunition	\$4,923,625.03
12	Other Subsidies & Payments	\$739.56
	Total	\$13,418,256.47

²² Department of National Defence, NDHQ/Director Budget download of 2002-03 data from the Financial and Managerial Accounting System (FMAS) on September 4, 2003.

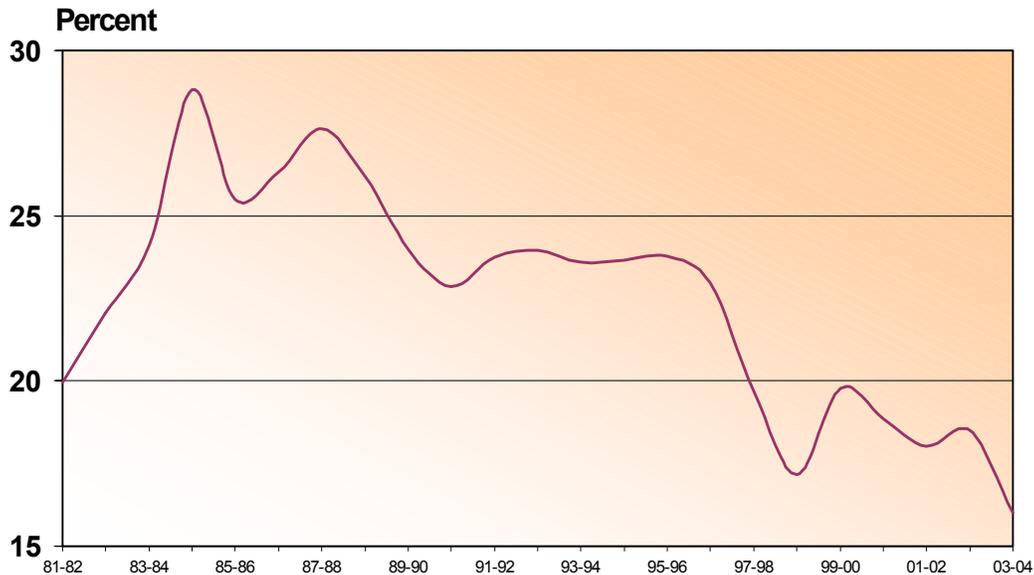
²³ Ibid.

One significant element of CF peacekeeping cost is related to equipment. A number of potential alternatives exist for raising the visibility of CF peacekeeping costs to the government and to Canadians. This section will discuss a number of potential alternatives for funding peacekeeping activities. These alternatives include the status quo, adding a premium charge on deployment costs to purchase new capital equipment, purchase of equipment solely for use on deployments, implementing a separate “Peacekeeping Capital Program”, obtaining capital equipment for peacekeeping through a long-term capital lease, advance funding of spare parts and O&M costs, and finally implementing central peace support funding for all federal departments.

The issue of military Capital equipment replacement is an ongoing preoccupation of all military forces. Canadian defence economist Jack Treddenick views the current stock of capital equipment as being the “result of cumulative effects of capital investment decisions made over several years, even decades in the past.”²⁴ Chart 4 illustrates the capital share of the defence budget for the past two decades, which has been on a declining trend since the mid-1980s.

²⁴ John M. Treddenick, “Distributing the Defence Budget: Choosing Between Capital and Manpower,” *Issues in Defence Management* (Kingston: School of Policy Studies, Queen’s University, 1998): 57-82.

Chart 4 - Capital Share of the Defence Budget



The high operational tempo of the Canadian Forces is likely to continue through at least the next decade. This places a burden on equipment operators and maintainers. One alternative to mitigate part of this burden is to add a premium charge to the cost of each peacekeeping deployment, which would then be credited to a special DND peacekeeping Capital account. The Treasury Board Secretariat would manage this account, and access to these credits would be through DND Treasury Board Capital program submissions for Capital equipment replacement resulting from high use on deployed operations. Procurement using these credits would be limited to equipment used extensively on peacekeeping missions. This would enable timely replacement of

equipment used on peacekeeping missions and provide for the regular retirement of older, high use, equipment.

A small number of CF capital equipment fleets are used regularly on deployments. One alternative is to purchase additional equipment for use only on deployments overseas. This would allow DND and the CF to control the usage, activity rates, and life-cycle management of the equipment used in Canada, as was done during the Cold War. This would result in a higher overall CF inventory of major equipment, but it would also provide dedicated equipment for foreign deployments. This would be beneficial for the Army, but less practical for the Navy. The Air Force could benefit from increased strategic lift.

The Canadian Forces Capital Program is an ongoing long-term process. It can take years from concept development to actual purchase of a weapon system. The conundrum is that the future tempo of peacekeeping operations is impossible to predict. One partial solution to this problem, would be to fund Capital in support of peacekeeping activities as an explicit element of the defence budget, in order to provide a bridge between long-term planning requirements and an unknown future. In a clearly defined and managed process, defence planners could develop a separate “Peacekeeping Capital Program” that could be used to replace high use capital peacekeeping equipment regularly over a 15-year period. This would fit more closely into the federal fiscal funding framework, by spreading out cost, yet compensate the CF for higher equipment usage than during the Cold War era, while supporting the renewal and modernization of CF equipment.

Capital equipment programs valued in the billions of dollars place an additional burden on the federal fiscal framework, as the purchase generally must be paid for over a short period of years. Obtaining capital equipment through a long-term capital lease for use in peacekeeping may be more affordable for the government under certain circumstances. The lease expense, under this option, would be a separate line item in the defence budget and funded for the duration of the lease as baseline DND funding.

In recent years, peacekeeping missions have no longer been strictly military operations. Indeed, the conditions that lead to deployment of military troops to the area of conflict, generally need the support of a variety of civilian organizations to help establish conditions for a lasting peace. Therefore, this could include Canadian contributions of military forces, civilian police, the Canadian International Development Agency (CIDA) involvement in support of reconstruction and rehabilitation programs, Department of Justice lawyers assisting in drafting a democratic based legal system, and NGOs representing numerous disciplines. At present, funding is allocated individually to each department or agency. One alternative is to allocate all the funding to a lead department at the start of the mission, with that organization coordinating the overall effort. The lead department would then be responsible to report back to the government with a comprehensive report on expenditure of allocated funding. This type of reporting was done by the government for Public Security and Anti-Terrorism (PSAT) funding, which gave the government good visibility on the overall effort in this important initiative. A second key feature of PSAT funding is that this money is provided to departments under an explicit framework that enables expenditure only directly in support of approved PSAT initiatives.

This paper takes the position that the cost of peacekeeping to the Canadian defence budget is substantial, yet little understood, and its impacts need to be identified by defence planners to ensure resources are being allocated effectively. Selection of one or more of the options would enable the government and Canadians to better understand the cost of peacekeeping to this country.

The unstable international security environment has increased the attention given by Western governments to national defence forces and their capacity to counter current threats. The Canadian Forces have been actively participating in peacekeeping and other related deployed operations since 1989-90. The sustained high operational tempo has had a substantial effect on the CF and cannot be ignored as a transitory reaction to the end of the Cold War.

Canadians support the contribution of Canadian Forces personnel and equipment to peacekeeping missions throughout the globe, as a distinct and national contribution to international peace and security. Peacekeeping is expected to continue as a significant activity of the Canadian Forces into the next decade. The objective of this study was to demonstrate that peacekeeping is a significant cost driver of the defence budget. The existing pattern of high peacekeeping costs that must be absorbed in the defence budget will likely continue over the next decade. An understanding of the impacts of peacekeeping costs to the defence budget will assist defence planners and government officials in decision making over this period.

Canadian Forces International Deployments in FY 2002-2003

Mission	Canadian Forces Operation
Africa	
United Nations Mission in Ethiopia and Eritrea (UNMEE)	Operation ADDITION
United Nations Mission in Sierra Leone (UNAMSIL)	Operation REPTILE
International Military Advisory and Training Team (IMATT) Sierra Leone	Operation SCULPTURE
United Nations Observer Mission in the Democratic Republic of the Congo (MONUC)	Operation CROCODILE
United Nations Mission in West Africa (Senegal, Nigeria, and Cameroon)	Operation SOLITUDE
Arabian Gulf and Asia	
The Multinational Coalition Against Terrorism	Operation APOLLO
United Nations Assistance Mission in Afghanistan (UNAMA)	Operation ACCIUS
Europe	
North Atlantic Treaty Organization (NATO) Stabilization Force	Operation PALLADIUM
European Union Mission in the Former Yugoslavian Republic of Macedonia	Operation FUSION
United Nations Mission in Kosovo (UNMIK)	Operation QUADRANT
North Atlantic Treaty Organization (NATO) Air Campaign	Operation IMAGE (Standby)
Middle East	
United Nations Truce Supervision Organization (UNTSO)	Operation JADE
United Nations Disengagement Observer Force (UNDOF)	Operation DANACA
Multinational Force and Observers (MFO)	Operation CALUMET
United Nations Peacekeeping Force in Cyprus (UNFICYP)	Operation SNOWGOOSE

Annex B

Table 8 – Cost of CF Deployments from 1989-90 to 2002-03 (in \$M)²⁵

Fiscal Year	Europe		Asia		Middle East		Africa		Americas	
	Full	Incr	Full	Incr	Full	Incr	Full	Incr	Full	Incr
1989-90					\$43.9	\$13.1	\$28.2	\$9.6		
1990-91			\$0.4	\$0.1	\$46.8	\$14.3	Check	\$0.6	\$20.8	\$6.4
1991-92	\$6.1	\$1.0	\$5.5	\$3.1	\$754.2	\$152.4	\$3.3	\$1.3	\$4.5	\$2.8
1992-93	\$288.0	\$101.0	\$23.1	\$4.0	\$92.8	\$25.0	\$236.9	\$124.5	\$2.8	\$0.9
1993-94	\$517.0	\$166.0	\$16.0	\$7.0	\$48.0	\$11.0	\$82.0	\$45.0	\$36.0	\$3.0
1994-95	\$529.0	\$143.0	\$2.0	\$1.0	\$30.0	\$7.0	\$123.0	\$53.0	\$54.0	\$7.0
1995-96	\$519.0	\$176.0	\$2.0	\$0.0	\$56.0	\$9.0	\$26.0	\$13.0	\$94.0	\$20.0
1996-97	\$252.6	\$76.2	\$1.4	\$0.4	\$46.8	\$8.4	\$41.1	\$15.1	\$153.0	\$47.0
1997-98	\$290.2	\$92.7	\$1.0	\$0.3	\$86.9	\$12.8			\$101.9	\$32.5
1998-99	\$501.7	\$119.7	\$1.0	\$0.3	\$83.7	\$12.8	\$16.7	\$2.8	\$36.4	\$13.3
1999-00	\$1,189.8	\$340.0	\$126.9	\$33.1	\$77.5	\$12.0	\$21.4	\$3.2	\$2.5	\$1.9
2000-01	\$759.2	\$220.0	\$2.8	\$2.0	\$99.9	\$15.7	\$62.5	\$28.5	\$0.2	\$0.1
2001-02	\$472.6	\$169.7	\$589.6	\$190.8	\$74.0	\$12.7	\$44.8	\$18.8		
2002-03	\$474.0	\$181.3	\$709.1	\$233.5	\$34.4	\$9.3	\$6.9	\$1.4		
Total	\$5,799.2	\$1,786.6	\$1,480.8	\$475.6	\$1,574.9	\$315.5	\$692.8	\$316.8	\$506.1	\$134.9

²⁵ Department of National Defence, *Total Cost of CF Deployments 1990-2003* (Ottawa: Director Financial Operations, 2003).

Table 9 – Cost of CF Deployments to UNPROFOR/IFOR/SFOR (\$M)²⁶

Fiscal Year	UNPROFOR CANBAT I (Croatia)		UNPROFOR CANBAT II (Bosnia)		UNPROFOR - Others (Croatia & Bosnia)		UNHCR Airlift – Op Assistance		OP Sharpguard (Adriatic)		IFOR NATO (Balkans)		SFOR NATO (Balkans)	
	Full	Incr	Full	Incr	Full	Incr	Full	Incr	Full	Incr	Full	Incr	Full	Incr
1989-90														
1990-91														
1991-92	\$6.1	\$41.0												
1992-93	\$127.0	\$49.0	\$141.0	\$49.0			\$20.0	\$3.0						
1993-94	\$163.0	\$66.0	\$221.0	\$87.0			\$20.0	\$7.0	\$112.0	\$6.0				
1994-95	\$143.0	\$51.0	\$147.0	\$58.0	\$67.0	\$21.0	\$26.0	\$3.0	\$144.0	\$10.0				
1995-96	\$89.0	\$34.0	\$111.0	\$48	\$56.0	\$16.0	\$9.0	\$2.0	\$110.0	\$8.0	\$88.0	\$13.0		
1996-97	\$2.2	\$2.2	\$6.1	\$6.1	\$0.2	\$0.2	\$0.2	\$0.2	\$17.0	\$2.8	\$112.0	\$36.4	\$113.0	\$26.4
1997-98											\$3.3	\$3.3	\$249.1	\$64.6
1998-99													\$341.8	\$100.6
1999-00													\$356.6	\$106.2
2000-01													\$457.0	\$174.0
2001-02													\$455.1	\$162.9
2002-03													\$472.9	\$180.7
Total	\$530.3	\$243.2	\$626.1	\$248.1	\$123.2	\$37.2	\$75.2	\$15.2	\$383.0	\$26.8	\$203.3	\$52.7	\$2,445.5	\$815.4

²⁶ Department of National Defence, *Total Cost of CF Deployments 1990-2003* (Ottawa: Director Financial Operations, 2003).

Table 10 – Cost of CF Deployments to UNDOF (Golan Heights) (\$M)²⁷

Fiscal Year	Full Costs	Incremental Costs
1991-92	\$17.7	\$4.7
1992-93	\$14.8	\$4.2
1993-94	\$21.1	\$4.0
1994-95	\$22.0	\$5.0
1995-96	\$22.0	\$5.0
1996-97	\$24.2	\$4.0
1997-98	\$26.4	\$6.4
1998-99	\$26.4	\$6.4
1999-00	\$28.6	\$7.0
2000-01	\$29.6	\$8.0
2001-02	\$29.6	\$8.0
2002-03	\$29.6	\$8.0
Total	\$292.0	\$70.7

²⁷ Department of National Defence, *Total Cost of CF Deployments 1990-2003* (Ottawa: Director Financial Operations, 2003).

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