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**Administrative and budgetary aspects of the financing
of the United Nations peacekeeping operations****Reformed procedures for determining reimbursement to
Member States for contingent-owned equipment****Report of the Secretary-General***Summary*

Pursuant to General Assembly resolution 55/274 of 14 June 2001, the Secretariat convened the 2004 Working Group on Contingent-Owned Equipment from 23 February to 5 March 2004 to conduct a triennial review of reimbursement rates and to update the standards of major equipment and self-sustainment categories developed by the Phase II and Phase III Working Groups.

The Working Group comprised 259 technical, financial and medical experts from 74 Member States. Four subworking Groups were established to discuss issues on major equipment, self-sustainment, medical support services and troop cost. The Working Group agreed on the following issues: (a) criteria for reimbursement of commercial pattern support vehicles as military pattern vehicles; (b) standard reimbursement rates for certain special cases and new categories of major equipment; (c) a threshold value of \$500 for special cases major equipment; and (d) frequency of verification reports, to be completed by the field missions and forwarded to United Nations Headquarters on a quarterly basis.

Consensus was not reached within the Working Group on the following issues: (a) the triennial review of reimbursement rates for major equipment and self-sustainment; (b) a proposed refinement of the current methodology for triennial rate review of contingent-owned equipment; (c) a mechanism to provide guidance and

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decision-making on contingent-owned equipment; (d) a proposed modular medical concept; and (e) a proposed methodology to review the rates of reimbursement for troop cost.

The action to be taken by the General Assembly is set out in section IV of the present report.

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I. Introduction

1. In its report dated January 2000 (A/C.5/54/49, annex III), the Phase V Working Group recommended formats for the collection and consolidation of the national cost data provided by Member States for a triennial review, and the application of a new average index for each category based on national cost data submitted by Member States, to determine the new reimbursement rates. In January 2001, the post-Phase V Working Group performed the first triennial reimbursement rate review on contingent-owned equipment, using the national cost data as per the format established by the Phase V Working Group, and recommended that the statistical methodology be revised by using standard deviation calculations to reduce the variance in the data submitted by Member States for future triennial reviews.

2. By its resolution 55/274 of 14 June 2001, the General Assembly endorsed the recommendations of the post-Phase V Working Group and decided to convene in 2004 an open-ended working group of experts, for a period of no less than 10 working days, to hold a triennial review of reimbursement rates for major equipment and self-sustainment, including medical services. The General Assembly, by its resolution 57/314 of 18 June 2003, requested the Secretary-General to submit a comprehensive report, on the basis of recommendations of the Working Group, on issues that would require legislative action by the General Assembly at its fifty-ninth session. In addition, by its resolution 57/321 of 18 June 2003, the General Assembly requested the 2004 Working Group to consider the proposed methodology contained in the report of the Secretary-General on troop cost and to report on the results of its review to the General Assembly at its fifty-ninth session through the Advisory Committee on Administrative and Budgetary Questions.

3. In April 2003, the Secretariat requested national cost data from Member States for the triennial review of reimbursement rates on contingent-owned equipment. In October 2003, the Secretariat invited Member States to participate in the meetings of the 2004 Working Group on Contingent-Owned Equipment from 23 February to 5 March 2004, attaching the consolidated national cost data from 30 Member States. Updated national cost data from 32 Member States were distributed by the Secretariat in December 2003.

4. In accordance with its mandate, the Working Group discussed the following issues:

- (a) Triennial review of reimbursement rates of major equipment and self-sustainment;
- (b) Refinement of the current methodology on triennial contingent-owned equipment reimbursement rate review;
- (c) Establishment of criteria for reimbursement of commercial pattern vehicles as military pattern vehicles;
- (d) Standardization of reimbursement rates for certain special cases and new categories of major equipment;
- (e) Establishment of a threshold value of \$500 for special cases major equipment;
- (f) Frequency of verification reports to be completed by the field missions and forwarded to United Nations Headquarters;

- (g) Creation of a mechanism to provide guidance and decision-making on contingent-owned equipment;
- (h) Adoption of a modular medical concept;
- (i) Various issues in connection with the proposed methodology to review reimbursement rates for troop cost.

II. Summary of proposals and recommendations

A. Triennial rate review

1. Major equipment, self-sustainment and refinement of methodology

5. The 2004 Working Group on Contingent-Owned Equipment carried out a review of reimbursement rates of both major equipment and self-sustainment based on the statistical model established by the post-Phase V Working Group in 2001. The Working Group noted that no model or methodology was likely to be perfect, given the number of countries involved and the quite different capabilities and cost structures that influence the results of any methodology.

6. A group of Member States expressed satisfaction with the current methodology and preferred that it be maintained. They were of the view that the existing statistical model enjoyed consensus of the last Working Group and approval of the General Assembly and that any change in the existing methodology must be made through the established channels, namely, the Advisory Committee on Administrative and Budgetary Questions, the Fifth Committee and the General Assembly.

7. Another group of Member States proposed a refinement of the current methodology, as contained in paragraph 34 of the Working Group's report (A/C.5/58/37). They were of the opinion that the data provided by the Member States did not accurately reflect the true change in their cost for major equipment. As the national cost data indices from one period is compared with that of another period, the actual change in Member States' cost in comparison to the existing United Nations reimbursement rates was not reflected in the current methodology.

8. In view of the above, it is vital that the General Assembly examine the views of the two different groups of Member States and make a decision on how the next Working Group should proceed. The contingent-owned equipment system was developed in 1995 and many changes have occurred since then, such as: the increasingly multidimensional nature of United Nations peacekeeping operations, the changes in both technology and pricing in the market place, the increasing use of commercial equipment by the troop contributors, the increasing number of troop contributors and the change in their mix. The Secretariat is of the view that the system must keep pace with these changes. It is, therefore, proposed that, instead of a triennial review, the next Working Group should undertake a comprehensive review of the contingent-owned equipment reimbursement rates, as envisaged in paragraph 27 of the report of the Phase V Working Group (A/C.5/54/49), wherein it is stated that annex III provides Member States with the format for their submission of data and a comprehensive review (annex III.B) only if the General Assembly so advises, or at least every 15 years. A comprehensive review of the contingent-owned

equipment reimbursement rates, in accordance with annex III.C and annex IV of the above-mentioned report, calls for a recalculation of all reimbursement rates from the baseline and requires a large quantity of national cost data from Member States for this review to take place. A triennial review updates the reimbursement rates set by the comprehensive review by using the increase or decrease in the averaged national cost indices. In order to allow the Member States sufficient time to set up a database for collecting national cost data for all equipment and consumables for the base year of 2006 and to submit those data to the Secretariat in 2007, the Secretariat would like to propose that the next Working Group meet in early 2008, instead of 2007.

9. Of equal importance, the Secretariat requests that a methodology and a statistical model be established in the next Working Group, by which subsequent working groups will conduct future reimbursement rate reviews of contingent-owned equipment. This methodology should include formats and detailed instructions for the collection of national cost data and a statistical model to be used for the review of the consolidated data.

2. Mechanism to provide guidance and decisions on the contingent-owned equipment system

10. The Secretariat requested a mechanism to provide guidance and decisions on the contingent-owned equipment system between the triennial meetings of the Working Group. No consensus was reached in the Working Group.

11. The intent of the contingent-owned equipment system is to have in place a reimbursement system that encompasses simplicity, equity, transparency, comprehensiveness and flexibility to allow efficient and effective functioning of peacekeeping operations. The Secretariat, therefore, recommends that a channel of consultation between the Secretariat and Member States be established to ensure that the system is dynamic and keeps pace with changes in the peacekeeping environment between the triennial meetings of the Working Group. It is proposed that, once a year, the Secretariat invite Member States to discuss contingent-owned equipment issues that require their inputs and suggestions. Such a channel of communication should make a significant contribution to the success of the next Working Group.

B. The Contingent-Owned Equipment system

1. Support vehicles: amalgamation of commercial and military patterns

12. The Working Group agreed on a checklist (see annex I.B.2) defining the criteria for reimbursement of commercial pattern support vehicles as military pattern vehicles. The Secretariat recommends that the checklist be adopted.

13. The Working Group requested the Secretariat to gather information and present a cost analysis on the reimbursement for support vehicles between the current system and the recommended method with the checklist. Under the current system, the decision to reimburse a support vehicle as either military or commercial pattern is essentially a subjective determination, whereas under the recommended method, the determination of the pattern of a vehicle would be based on objective criteria. Consequently, the Secretariat believes that a cost comparison based on two different sets of criteria, subjective and objective, would not yield a valid outcome.

However, the Secretariat will continue to maintain a database on the number of support vehicles reimbursed under either military or civilian pattern, and will be able to produce the number of vehicles under both patterns on specific dates to allow Member States to review the impact of their decision in adopting the checklist.

2. New items and new categories of major equipment from the list of special cases

14. The Working Group reviewed the list of special cases major equipment and recommended standard reimbursement rates for new items of major equipment (see annex I.C.2), including explosive ordnance disposal and demining equipment and riot control equipment. In addition, the Working Group confirmed that special cases should be reserved for major equipment with a high generic fair market value and a long useful life, and recommended a threshold value of \$500 for the special cases and a life expectancy of greater than one year. The Secretariat welcomes the Working Group's recommendation that Member States limit special cases submitted to the Secretariat to items of high generic fair market value and a long useful life in the spirit of simplicity and reasonability. The Secretariat recommends that the reimbursement rates for the new items of major equipment set out in annex I.C.2, and the threshold value of \$500 for special cases major equipment, be adopted.

15. The Working Group decided that some of the major equipment should remain as special cases, and mandated the Secretariat to maintain a database of special cases for future reviews, with a view to approving additional standard reimbursement rates in future working groups.

3. Medical support services

16. The Working Group was of the opinion that the proposed modular medical support concept provides the flexibility and ability to build a more efficient, effective and responsive medical facility to meet the specific medical needs of any peacekeeping mission, and to enhance its medical capability. However, the Working Group could not reach consensus on the pricing of the modules and recommended that the next Working Group should revisit the costing of the modules and the level of medical staff to support these modules.

17. The Working Group agreed that the next Working Group should review the generic fair market value of medical equipment under the current medical system as listed in the 2002 Contingent-Owned Equipment Manual, as well as additional items and configuration which reflect the modular medical approach. As per the above-mentioned request, the Secretariat has updated the format for major medical equipment in annex II and presents it for review by the Member States. If approved, these forms will be used for the collection of major medical equipment for the next Working Group. The format for collecting self-sustainment medical data will remain the same as that used for the 2004 Working Group on Contingent-Owned Equipment.

18. The Secretariat requests that the modular medical concept be considered by the next Working Group and, if it is found to be responsive to the medical needs of peacekeeping, be adopted by that Working Group.

4. Frequency of verification reports

19. The Working Group recommended that, in future, the verification reports be completed by the United Nations field missions and forwarded to United Nations Headquarters on a quarterly basis. The Secretariat is currently processing contingent-owned equipment claims in blocks of three months upon receipt of verification reports from the peacekeeping operations, in line with the peacekeeping operations' budget year. The Secretariat welcomes this recommendation.

C. Troop costs

20. Among the components proposed for inclusion in the troop-cost reimbursement methodology (see A/57/774), discussions primarily focused on the inclusion of basic salary and allowances, peacekeeping-related training costs and post-deployment medical costs. Annex IV to the report of the 2004 Working Group on Contingent-Owned Equipment (A/C.5/58/37) provides more detailed information on the disparate views expressed by Member States on the various cost components. Other aspects of the proposed methodology, such as the periodicity, coverage and validity of the survey, were not discussed in detail by the Working Group. As the Working Group did not reach a consensus on a proposed methodology after two consultative meetings (the post-Phase V Working Group and the 2004 Working Group), it is recommended that the current reimbursement rates for troop cost be maintained and that the General Assembly determines when an adjustment to the reimbursement rates is warranted.

D. Other issues

21. The Working Group requested that the Contingent-Owned Equipment Manual be made available in all six official languages of the Organization and recommended its distribution as an official United Nations document. Owing to the increasing number of non-English speaking troop-contributing countries, the Secretariat supports this recommendation.

III. Conclusion

22. The Secretariat would like to express its appreciation to the Working Group for the guidance it has provided. The Secretariat emphasizes that a channel of communication between the Secretariat and Member States is vital to the effective implementation of the contingent-owned equipment system. An annual meeting would allow the Secretariat to discuss contingent-owned equipment issues with Member States and would contribute significantly to the success of the next Working Group.

23. As mentioned in paragraphs 8 and 9 above, the Secretariat is of the view that the next Working Group should be held in 2008 and that it should be mandated to carry out a comprehensive review of the contingent-owned equipment reimbursement rates, and further develop a methodology to be used in future reimbursement rate reviews of contingent-owned equipment, including formats and

detailed instructions for the collection of national cost data and a statistical model to review the consolidated data.

IV. Action to be taken by the General Assembly

24. The action to be taken by the General Assembly in connection with the report of the 2004 Working Group on Contingent-Owned Equipment (A/C.5/58/37) is:

- (a) Take note of the report of the 2004 Working Group on Contingent-Owned Equipment as a whole;**
- (b) Approve the checklist contained in annex I.B.2 defining the criteria for reimbursement of commercial pattern support vehicles as military pattern;**
- (c) Approve the reimbursement rates for new items and new categories of major equipment in annex I.C.2;**
- (d) Adopt the quarterly cycle of verification reports to be completed by the United Nations peacekeeping operations and forwarded to the United Nations Headquarters;**
- (e) Agree to distribute the updated Contingent-Owned Equipment Manual as an official United Nations document.**

25. In addition, the General Assembly may wish to consider making a decision on the following issues:

- (a) Approval of the Secretariat's proposal that the next Working Group on Contingent-Owned Equipment be held in 2008 instead of 2007, and that this Working Group should carry out a comprehensive review of the contingent-owned equipment system, as per the formats established by the Phase V Working Group;**
- (b) Requesting the next Working Group to establish a methodology on how future reimbursement rate reviews should be conducted, including formats and detailed instructions for the collection of national cost data and a statistical model to review the consolidated data;**
- (c) Establishment of a channel of consultation between the Secretariat and Member States on the contingent-owned equipment system;**
- (d) Mandating the next Working Group to review and make a recommendation on the costing and medical staffing level of the modular medical concept;**
- (e) Adoption of the format contained in annex II to be used to collect national cost data on medical equipment for review by the next Working Group;**
- (f) Maintenance of the current reimbursement rates for troop cost, and determination by the General Assembly of when an adjustment to the reimbursement rates is warranted.**

Annex I

Recommendations of the 2004 Working Group on Contingent-Owned Equipment and the Secretariat

<i>Item</i>	<i>Action to be taken by the General Assembly</i>	<i>Secretariat's view</i>
1. The report of the 2004 Working Group on Contingent-Owned Equipment	Take note of the report of the 2004 Working Group.	No recommendations
2. Support vehicles: criteria to reimburse a commercial pattern as military pattern vehicle	Approve the checklist in annex I.B.2 defining the criteria for reimbursement of commercial pattern support vehicles as military pattern vehicles.	Recommends approval
3. Special cases: new items of major equipment	Approve standard reimbursement rates for certain special cases and two new categories of major equipment, as per annex I.C.2.	Recommends approval
4. Frequency of verification reports	Adopt the quarterly cycle of the verification reports: United Nations peacekeeping operations complete the verification reports and submit them to United Nations Headquarters on a quarterly basis.	Recommends approval
5. Contingent-Owned Equipment Manual	Agree to distribute the updated Contingent-Owned Equipment Manual as an official United Nations document.	Recommends approval
6. Timeline for the next Working Group on Contingent-Owned Equipment	Mandate that the next Working Group on Contingent-Owned Equipment meet in 2008 to carry out a comprehensive review of the contingent-owned equipment reimbursement rates, as per formats established by the Phase V Working Group.	Recommends approval
7. Methodology for future triennial review of the reimbursement rates of contingent-owned equipment	Mandate that the next Working Group establish a methodology by which subsequent working groups will conduct future contingent-owned equipment reimbursement rate reviews, including formats and detailed instructions on data collection, and a statistical model to review the consolidated data.	Recommends approval
8. Channel of consultation on contingent-owned equipment between Member States and the Secretariat	Establish a channel of consultation on contingent-owned equipment between Member States and the Secretariat to ensure effective implementation of contingent-owned equipment. This channel would contribute to the success of the next Working Group.	Recommends approval
9. Modular medical concept	Mandate the next Working Group to review and to make a recommendation on the costing and the medical staffing level of the modular medical concept.	Recommends approval
10. Format to collect national cost data on medical equipment	Adopt the format in annex II to be used to collect national cost data on medical equipment for review by the next Working Group.	Recommends approval
11. Troop-cost reimbursement rates	Maintain the current reimbursement rates for troop cost, and the General Assembly determines when an adjustment to the reimbursement rates is warranted.	Recommends approval

Annex II

Working Group on Contingent-Owned Equipment: Submission of national cost data on medical equipment

1. In accordance with the recommendations of the 2004 Working Group on Contingent-Owned Equipment to conduct a review of the general fair market value of medical equipment listed in the 2002 Contingent-Owned Equipment Manual, as well as additional items and configuration which reflect the modular medical approach, Member States are requested to submit national cost data as per the format set out in annex II.
2. The Clinic/Level 1 and Hospital/Level II and III worksheets specify the equipment requirements as currently identified in the 2002 Contingent-Owned Equipment Manual. Further itemization has been incorporated to assist Member States in capturing all-inclusive costs. Each facility has been divided into functional components to reflect a medical “capability” and allow for potential modular configuration. There is provision within the worksheets for Member States to indicate multiple functionalities and/or modules within a facility and to provide costs for similar or substitute items. A miscellaneous worksheet is included to allow Member States to provide the cost of any additional capabilities that may be available.
3. The national cost data provided by Member States will greatly assist the next Working Group on Contingent-Owned Equipment in its review of medical equipment.