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ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE
UNITED NATIONS PEACE-KEEPING OPERATIONS: FINANCING OF THE
UNITED NATIONS PEACE-KEEPING OPERATIONS

Management of peace-keeping assets: policy, technique
and accounting issues

Report of the Secretary-General

SUMMARY

The present document is submitted pursuant to the requests contained in part VII, paragraph 2, and part XIV of General Assembly resolution 49/233 A of 23 December 1994 for a report on peace-keeping assets management, including the feasibility of procedures for the valuation and transfer of costs for assets redeployed from peace-keeping missions and reimbursement to the relevant special account. It also addresses issues raised by the Board of Auditors in its report (A/49/5, vol. II).

In paragraph 20 of the present report, the General Assembly is requested to endorse the overall assets management strategy proposed, the policy for the transfers of assets between peace-keeping missions and from peace-keeping missions to other missions and the methodology for the accounting of those assets.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. BACKGROUND	1 - 2	3
II. ASSETS MANAGEMENT AND ADMINISTRATION	3 - 19	3
III. ACTION TO BE TAKEN BY THE GENERAL ASSEMBLY	20	8
<u>Annex.</u> Priorities for disposal of assets from demobilizing peace-keeping missions		9

I. BACKGROUND

1. The expansion of United Nations peace-keeping operations in recent years has necessitated the acquisition of a large quantity of equipment and other portable assets. It has also, as some of these operations have been completed, entailed the temporary creation of sizeable asset surpluses - some of which have been reused by new or existing missions in lieu of further acquisitions. As a result, new field missions are gaining operational self-sufficiency much faster by utilizing such surplus assets. These developments have highlighted the importance of an effective planning, inventory control and assets management strategy for the Organization. Particularly in view of growing concern among Member States about the costs of peace-keeping operations, the challenge facing the Organization remains to manage the deployment of resources, both existing and new, in the most efficient and cost-effective manner possible.

2. The Secretariat is developing, through practice, an assets management system that is intended to balance the requirements of preparedness with cost-effectiveness and of flexibility with full accountability. This initiative, and the streamlined procedures envisioned for its implementation, are expected to result in a straightforward, logical system that will not only improve control over the Organization's peace-keeping assets but will also ensure the most effective utilization of the resources of the Organization for peace-keeping. Accountability is to be maintained through the combination of a detailed global inventory and simplified financial accounting procedures that will ensure consistency and clear assignment of responsibility. However, it is noted that as reporting is required globally of all the Organization's assets, and not only in respect of peace-keeping, the cross-referencing of the United Nations Common Coding System and the North Atlantic Treaty Organization (NATO) Codification System is essential if the United Nations is to be able to produce such reports.

II. ASSETS MANAGEMENT AND ADMINISTRATION

3. The United Nations has recently expanded its ability to handle the functions assigned to its Supply Depot at Pisa by establishing a Logistics Base at Brindisi, Italy. Like the Depot at Pisa (which ceased operations for peace-keeping activities as of 31 December 1995), the primary function of the Base at Brindisi is storing and coordinating the receipt and shipment of material and supplies for peace-keeping operations. This is particularly relevant in respect of closing or downsizing missions, which have large inventories of assets to be transported out of the mission area, often under conditions requiring the swiftest possible movement out of the country. A centralized facility for the receipt, inspection, inventory and issue of equipment and supplies to and from missions will ensure maximum control and the most efficient use of the Organization's assets. Together with a worldwide master inventory of field assets, reflecting the quantity, location, condition and availability of material according to increasingly standardized specifications, the basic tools for competent inventory management will be in place. A companion document entitled "Management of peace-keeping assets:

surplus asset storage facilities and mission start-up kits" (A/49/936) sets out the considerations related to the United Nations Logistics Base at Brindisi.

4. With the Logistics Base playing a pivotal role in the receipt and deployment of assets to and from the field missions, the maintenance of a comprehensive central inventory for all operations will be critical. Although each mission will remain responsible for its own detailed inventory of assets, the Logistics Base will provide a broad oversight and control function under the supervision of the Field Administration and Logistics Division of the Department of Peace-keeping Operations in New York. The individual mission inventories will be electronically linked (initially through regular file back-ups by diskette) to a master inventory at the Logistics Base. By maintaining this global overview of the Organization's field mission assets, it will be possible to plan the deployment and redeployment of assets to meet projected and immediate operational requirements in the most efficient manner. As such, it will be possible to match existing surpluses with shortfalls in other areas without the need physically to centralize all of the involved assets.

5. An accurate master inventory is important not only for control of existing assets but also as an integral component of an effective procurement system. Procurement plans must be able to take into account existing stocks of equipment and supplies, so as to prevent unnecessary purchase of items which may already be available elsewhere. Accurate and up-to-date records of all United Nations peace-keeping assets, with location and status of availability, are essential to maximizing the Organization's procurement effectiveness.

6. As part of the master inventory system, the following materials management mechanisms must be operational:

(a) A cataloguing system that incorporates a combined classification and identification process, which is the means by which a common "supply language" is achieved. Such a common language is critical for any procurement/supply system with global operations, and this is currently lacking in the United Nations. The Integrated Management Information System (IMIS) project is implementing the requirement defined for United Nations Headquarters and the main duty stations. At the same time, a need has been identified for the Organization to manage both United Nations and contingent-owned expendable and non-expendable assets for peace-keeping;

(b) A supply plan that includes a stocking policy at regional and mission levels, which addresses:

- (i) Stock levels;
- (ii) Reserve stock levels, including mission start-up kit stocks;
- (iii) Repair pools;
- (iv) Locations of stock;
- (v) Forecasting of requirements;

- (vi) Controls for the issue of all items, based on entitlement documentation and scales-of-issue, delegation of issue authority and controls for the issue of operationally critical items;
- (vii) Repair and maintenance criteria;
- (viii) Long-term storage criteria, such as long-term vehicle storage;
- (ix) Write-off and disposal criteria;
- (c) An electronic data processing system that supports warehousing and the materials management process by:
 - (i) Generating and processing requisitions, purchase orders and "pick tickets";
 - (ii) Providing links between processes, such as capturing at receipt data that is used to update warehouse stock records and also to initiate subsequent actions in procurement/finance units;
 - (iii) Freeing users, buyers and other staff from the vast amount of routine work associated with initiating and processing of requisitions, purchase orders, etc.;
 - (iv) Providing management with new and valuable data to allow timely management decisions to be taken;
 - (v) Providing user-generated reports for management;
 - (vi) Capturing transaction history, including usage rates, steps and trends and an audit trail of all transactions;
 - (vii) Staying ahead of the workload.

7. Within the Secretariat, an item codification project is currently under consideration which would introduce a common supply language within the United Nations peace-keeping operations, based on the NATO Codification System (which is in fact currently utilized by some 74 countries, both within and outside NATO). Because of the large participation of NATO member States as troop contributors to the United Nations Protection Force (UNPROFOR), some use of the NATO stock numbers has been made within that mission, in an off-line system that captures the details of the mission's contingent-owned equipment. Another off-line system developed in UNPROFOR also utilizes the NATO stock numbers to provide stock location information. Both of these off-line systems, like the automated purchasing and warehousing system in use throughout United Nations peace-keeping operations, are capable of utilizing the NATO stock numbers to improve management of field mission stock and contingent-owned equipment, and to enable better-informed procurement planning.

8. The progress to date in the implementation of this codification system in one mission is an indicator of its usefulness to ensure that the Organization's stocks are fully documented and traceable from source to eventual receiving

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Mission. Clearly, the adoption of a common supply language will be essential to the success of the Organization's worldwide assets management strategy. A six-month trial of the NATO system is being undertaken by the Secretariat to determine its appropriateness and capacity to fulfil these asset management needs.

9. In the case of closing missions, assets that are not immediately required by other missions will be stored at the Logistics Base for future use (priorities for disposal of assets of closing missions are attached in the annex to the present report). Some or all of those assets will be utilized to form mission start-up kits held in reserve to facilitate the Organization's capacity to respond immediately to new peace-keeping needs. Upon receipt for storage by the Logistics Base, all assets will be officially transferred from the inventory of the sending mission to the inventory of the Base. In this manner, the inventory records function as a tool to coordinate accountability for the Organization's assets. Inventory responsibility follows the physical movement of property as it is redeployed, including periods of storage for future use. That inventory responsibility will accordingly shift to the mission receiving the assets in due course.

10. In accordance with long-standing United Nations financial policies, inventory is included in the financial accounts of a mission at initial purchase price, so property is valued at the original cost of the assets, and carried in the records at that value until eventual disposal. Depreciation of assets, which would distribute the recorded costs over a period of time, is not practical in this context, except for assigning accountability for losses and for estimating a market value for non-competitive sales to other entities. This procedure, therefore, precludes any recording discrepancy that could arise in a mission that reuses equipment, including mission start-up kit equipment.

11. For start-up kit equipment that is deployed to a new mission, the inventory records would be transferred to that mission and the records for the replacement equipment that is procured against that mission's budget would be added to the inventory of the Logistics Base (and eventually transferred to a new mission).

12. The provisions for assets management described above are all predicated on the transfer of assets without reimbursement to the source. This is the most simple, straightforward manner of accounting for these assets, and carries the fewest supplemental financial implications for the Organization. Although the concept of reimbursement between missions seems very simple, it would entail an enormous commitment of accounting time and personnel, and raises ancillary issues such as multiple assessments to Member States for a single item, all with no real benefit to the Organization.

13. As a control device, at each mission location, inventory records are maintained separately both in the relevant financial unit and in the general services unit. Accountability for use of the property and the accuracy and completeness of the corresponding records rests in the general services unit, while accountability for maintaining a complete copy of those records for control purposes rests with the finance unit. Thus, for a closing mission, the disposal of its inventory according to relevant guidelines involves the transfer of both records and physical responsibility. The assets must be physically

accounted for and accurate inventory records reassigned, along with the financial records of that inventory's value. Though this is a major responsibility, it is not a particularly complicated one. Such would not be the case if the transfer of assets were to involve financial reimbursements and the determination of depreciated values.

14. The complications of using depreciated values are set out below. In order to place a monetary value on assets, the first requirement would be to establish a methodology for governing the valuation of those assets. Standards for age, usage and other general comparators would be required, as well as more specific subjective measurements of general condition, in order to assign values to each item on the inventory. Regular review would then be required to reflect appropriately the depreciation of the value of the inventory, and the losses would be reflected in the financial performance of the mission. This process would involve substantial staff hours both to maintain the accounting documents and to conduct regular, more detailed, physical inspections of the full inventory. The result would be significant increases in the staffing required to carry out these tasks.

15. If, following such a system of depreciation, the transfer of assets from a closing mission were not immediately required by another mission and were transferred to storage, reimbursement for those assets would either be suspended pending redeployment to another mission or be made from a separate budget for the storage facility. If the former were the case, it could be possible that the financial records for the closing mission would remain open for long periods, requiring continuing financial reports. On the other hand, if the storage facility (the Logistics Base) were to assume "ownership" of the inventory, the budget for the Base would have to be greatly increased and be flexible to absorb whatever inventory values as might be assigned to it. Associated costs would also arise for the additional accounting personnel that would be required and for the depreciation of the inventory value while it remained in storage.

16. In the event of a requirement to reimburse closing missions for their inventory, the mission start-up kit concept would similarly no longer entail only minimal financial and performance implications. The full cost of assembling the stock of kits, reduced by any savings from depreciated values of used surplus equipment, would be required as an additional budgetary assessment before implementation.

17. The Secretariat thus recommends that the assets purchased for peace-keeping operations should be accounted for through detailed property records valued at initial purchase price and that they should be transferred or redeployed to Brindisi and other field missions funded by assessed contributions at the same price with no additional cost to Member States. Only when such assets were disposed of or otherwise transferred by sale to activities not funded by assessment should the residual value be determined and reported to the General Assembly for appropriate action.

18. It can be further recommended that any equipment procured by the United Nations with assessed contributions should become the property of the Organization and be available (once no longer required for its original purpose)

for use by any other United Nations activity funded from assessed contributions without entering into additional financial transactions, so long as that activity could demonstrate an operational need for such equipment. However, material transferred to and from voluntary funded authority would be charged at depreciated rates.

19. Through the mechanisms described above for the management of assets of peace-keeping operations, the Organization is taking active steps to improve its capacity for responding to peace-keeping initiatives. Particular attention has been given to maximizing the effectiveness of the resources of the Organization through more efficient control and deployment, while striving to minimize the associated costs. Along with other readiness measures also being undertaken (such as stand-by troop arrangements, stand-by and contractual staffing arrangements), this increased response capability will allow the United Nations better to fulfil its mandated role in strengthening international peace and security.

III. ACTION TO BE TAKEN BY THE GENERAL ASSEMBLY

20. Accordingly, the General Assembly is requested to endorse the proposals contained in the present report, in particular: the overall assets management strategy as described in paragraph 3 to 8 above, the methodology for the accounting of those assets (paras. 9 and 10), and the policy for the transfers of assets between peace-keeping missions and from peace-keeping missions to other missions (paras. 17 and 18).

ANNEX

Priorities for disposal of assets from demobilizing
peace-keeping missions

1. With the increasing number of peace-keeping operations worldwide, transfer of equipment to other missions or storage in anticipation of upcoming missions is the alternative of choice, in that such transfers result in overall reduced costs to the Organization. Mission administrative personnel will assume responsibility for determining the method for disposal of all mission assets, in line with the priorities described below, and keeping in mind cost-effectiveness and the overall requirements of all field missions.

2. In the closing down of a peace-keeping mission, the mission's equipment and other property is to be disposed of in the following manner:

(a) Equipment that conforms to established standardization or is considered compatible with existing equipment will be redeployed to other United Nations operations elsewhere in the world or will be placed in reserve to form start-up kits for use by future missions;

(b) Equipment that is not required by other peace-keeping missions but may be useful for operations of other United Nations agencies, international or non-governmental organizations, and which it is not feasible to keep in reserve in terms of subparagraph (a) above, may be sold to such agencies or organizations at depreciated rates;

(c) Any unneeded equipment or property that it would not be feasible to dispose of as described above will be subject to commercial disposal within the country, following standard United Nations regulations and procedures;

(d) Any surplus mission assets that remain after disposition under the terms of under subparagraphs (a) to (c) above, and/or any assets that have already been installed in the country and, if dismantled, would in fact set back the rehabilitation process of the country, will be contributed free of charge to its duly recognized Government. This refers in particular to airfield installations and equipment, bridges and mine-clearing equipment. The General Assembly would, as a matter of principle, be required to approve any such disposition of mission assets that would provide for free-of-charge contribution to the Government. In this regard, all efforts would be made to obtain from the Government its agreement to compensate the United Nations in a mutually acceptable form (contributions, services, tax exemptions, etc.) for the residual value of any surplus mission assets installed in the country that could not otherwise be disposed of. To the extent possible, it would be desirable to designate in advance such assets to be contributed to the country to enable appropriate planning and avoid late decisions during the final stages of the mission.
