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## FINANCING OF THE UNITED NATIONS IRAN-IRAQ MILITARY OBSERVER GROUP

Voluntary contributions of supplies and servicesReport of the Secretary-General

1. The present report has been prepared in the context of General Assembly resolution 43/230 of 21 December 1988. In section II, paragraph 4, of the resolution, the Secretary-General was requested to submit to the Assembly, through the Advisory Committee on Administrative and Budgetary Questions, a report containing technical guidelines relating to the treatment and valuation of voluntary contributions in the form of supplies and services to the Iran-Iraq Military Observer Group. In paragraph 5, the Assembly indicated that the cash value of voluntary contributions in the form of outright grants of supplies and services in respect of budgeted requirements may eventually reduce the total amount to be assessed on Member States, and in paragraph 6 the Assembly decided that, upon receipt of the Secretary-General's report, it would consider appropriate procedures and guidelines for the treatment of voluntary contributions other than as outright grants.
2. In the debate that preceded the adoption of the resolution, the possibility was contemplated that voluntary contributions of supplies and services might be offered either as outright grants or as advances. It was also noted that such offers might relate to items appearing in the budget of the peace-keeping operation concerned or might be outside the framework of the budget.
3. Draft technical guidelines appear in annex I to the present report. They cover each of the situations described in paragraph 2 above, distinguishing throughout between voluntary contributions as outright grants and those made in the form of advances. In annex II are found recent examples of contributions of supplies and services (also referred to as voluntary contributions in kind) to peace-keeping operations of the United Nations.

4. The draft guidelines are consistent with two basic principles of the financial regulations of the United Nations, namely (a) that the acceptability of voluntary contributions shall be determined solely by the Secretary-General, and (b) that voluntary contributions that contain financial implications for assessed budgets of the United Nations shall be subject to the approval of the General Assembly.

ANNEX I

United Nations peace-keeping operations: draft technical guidelines  
for voluntary contributions of supplies and services

I. VOLUNTARY CONTRIBUTIONS AS OUTRIGHT GRANTS

A. Nature and purpose

1. United Nations peace-keeping operations have benefited from the voluntary provision of goods and services (also referred to as voluntary contributions in kind) in a number of ways. Some of these voluntary contributions have been offered by Member States or other donors at their own initiative, while others have been made in response to general appeals or specific requests made by the Secretary-General. Some have been of a continuing nature, while others have been non-recurrent offers, frequently made in the context of the initial start-up of a peace-keeping operation. Examples of both types of voluntary contributions in kind that have been made to United Nations peace-keeping operations in the past may be found in annex II.

2. It is important to distinguish between supplies and services provided without any cost to the United Nations by means of voluntary contributions and those which the United Nations acquires from a Member State or other donors at a rate that may be lower than full cost, for example, the provision of aircraft to a mission. For the present report, the element of donation that may be present in the latter type of transaction is excluded from consideration. By the same token, those costs incurred by a troop-contributing country which exceed the amount reimbursed by the United Nations are not considered to be voluntary contributions in kind for the present purposes.

3. Also excluded from consideration as voluntary contributions in kind are the costs of facilities (e.g., office and residential accommodation, office furniture, vehicles or air transportation) agreed to be provided by Member States in whose countries United Nations peace-keeping operations are located. Such contributions are considered as counterpart contributions.

4. In the light of the above, voluntary contributions in kind as outright grants may be defined for the purposes of the present paper as: contributions of goods and services, other than counterpart contributions, offered to and accepted by the Secretary-General, in the context of United Nations peace-keeping operations, in respect of which no compensation or reimbursement is required to be made by the United Nations.

B. Acceptability

5. Offers of voluntary contributions in kind as outright grants may be made by Member States or by other donors.

6. Determination of the acceptability of a voluntary contribution in kind rests with the Secretary-General. The primary criterion in determining the acceptability of an offer will be the suitability of the supplies or services offered for the purposes of the peace-keeping operation in question. The acceptability of the valuation placed upon the contribution may also be a factor in its acceptance.

7. The acceptability of an offered voluntary contribution in kind will be determined by the Under-Secretary-General for Administration and Management, under authority delegated by the Secretary-General. For this purpose, the Under-Secretary-General may be assisted by a secretariat board consisting of representatives of the Offices of the Secretary-General (the Military Adviser, the Office for Special Political Affairs and the Office of Legal Affairs), the Office of Programme Planning, Budget and Finance and the Office of General Services.

8. Financial rule 107.7 provides that voluntary contributions which directly or indirectly involve an immediate or ultimate financial liability for the Organization may be accepted only with the approval of the General Assembly. For this reason, the Secretary-General will endeavour to ensure that all associated costs (e.g. painting of aircraft in United Nations colours, freight costs) are included in the original offer. Should this not prove possible, and if the associated costs have not already been included in the budget, the Secretary-General, prior to accepting the contribution, should seek the approval of the General Assembly or obtain from the donor a supporting cash contribution in an appropriate amount.

9. In determining the acceptability of a proposed voluntary contribution in kind, particular attention shall be paid to United Nations policy relating to standardization of materials and to other administrative considerations, such as compatibility with existing equipment, ease and availability of maintenance, availability of spare parts, provisions related to replacement of defective material etc.

10. In paragraph 5 of section II of General Assembly resolution 43/230 the General Assembly invited the Secretary-General to make adequate and timely information available as to what supplies and services would be required in order to facilitate offers of voluntary contributions. The Secretary-General intends to make such information available once a year on the projected requirements of each mission for standardized items. These listings will describe the types of items that are expected to be required by the Organization and will describe in general terms considerations to be taken into account in acceptance of voluntary contributions in kind. In addition, budget proposals will contain information as to the requirements of the Organization that will be as explicit as is possible under the circumstances. The budget proposals, modified by subsequent recommendations of the Advisory Committee, will provide an additional source of information as to the Organization's requirements.

C. Relationship to the budget

11. Once an offer of a voluntary contribution in kind has been received, the Controller will determine whether it constitutes an item contained in the budget or not. It may be considered to be partially contained in the budget if the offer is for a larger quantity than had been provided or for a different kind of item. Voluntary contributions in kind for items that have not been included in the budget are acceptable, provided they are specified as outright gifts and carry no additional financial implication.

12. If the voluntary contribution relates to an item that is partly or wholly provided for in the budget, it will be necessary to account for the item at a value no greater than its budgeted value. This value, as determined by the Secretary-General, may be greater or less than the value of the contribution. This requirement is explained more fully in paragraphs 14 to 17 below.

D. Basis for valuation

13. The donor may propose a certain value to be attached to the contribution offered. For the United Nations, the basis of valuation for items available on the international market shall be the fair wholesale market value, exclusive of taxes where appropriate. Items already valued for United Nations purposes (e.g. UNICEF or World Food Programme supply items) shall be valued at existing United Nations rates. Items that are not readily available on the international market may be valued at the donor's valuation, based on substantiating information provided in support of the valuation proposed but cannot exceed the budgeted cost. In the event that two or more donors offer similar items the determination as to which offer shall be accepted should be based primarily on the suitability of the respective items, rather than on their valuation. The final decision as to value shall rest with the Secretary-General.

E. Accounting

14. In general, voluntary contributions in kind will be recorded as income and expenditures in the financial statements of the Organization only to the extent that they relate to items for which budgetary provision has been made. Where a voluntary contribution in kind is made as a grant in respect of supplies and services for which no budgetary provision has been made, no accounting entry will be made, but the amount of the contribution will be reflected in a footnote to the financial statements. Both types of voluntary contribution will be reported to the General Assembly.

15. Voluntary contributions in kind made as grants in respect of items included in the budget will be recorded as income under the heading of "voluntary contributions" at the level at which the supplies and services have been budgeted. An equivalent amount will be recorded as expenditure against the appropriate budgetary accounts. The effect of this accounting treatment will be to ensure that no budgetary shortfall or surplus will arise as a result of the acceptance of the

contribution, while also reflecting additional income that may be returned to Member States or be utilized to offset future appropriations.

16. Voluntary contributions in kind that are made as grants in respect of supplies and services for which provision has been made in the budget shall be recorded in the accounts only at the time that delivery of the supplies and services has commenced, following acceptance by the Secretary-General. If the agreement calls for the supplies and services to be donated over more than one financial period, the contribution and the expenditure shall be prorated between the financial periods.

17. Periodic financial statements and reports to the General Assembly shall contain information disclosing the agreed valuation of all contributions in kind, distinguishing between those for which budgetary provision has been made (which appear in the accounts) and those which were made outside the framework of the budget.

18. Where equipment has been donated through a voluntary contribution in kind, it will be subject to standard United Nations provisions for the protection of physical assets, including formal inspection and acceptance upon receipt, insurance, inventory control and the jurisdiction of the Property Survey Board.

## II. VOLUNTARY CONTRIBUTIONS IN THE FORM OF ADVANCES

### A. Nature and purpose

19. In paragraph 6 of section II of its resolution 43/230, the General Assembly decided that on receipt of the present report it would consider appropriate procedures and guidelines for the treatment of voluntary contributions in the form of supplies and services other than as outright grants.

20. Contributions of this nature may be divided into two main categories. The first category reflects a situation in which supplies and services are rendered to the United Nations on the understanding that the United Nations will, in due course, reimburse the donor in the form of a cash payment. The second category of voluntary contribution as an advance relates to the loan of equipment and supplies, which are intended to be returned to the donor in due course.

21. A contribution falling into the former category can be distinguished from a purchase of supplies and services by the United Nations in one important respect, namely, that a purchase of supplies and services places the United Nations under an immediate obligation to reimburse the supplier at a definite point in time, whereas in the case of an advance, the reimbursement would be made by the Organization only when, in the view of the General Assembly, on the basis of proposals by the Secretary-General and recommendations of the Advisory Committee, its financial situation so permits.

22. A voluntary contribution in the form of a loan of equipment and/or supplies needs to be distinguished from present arrangements in peace-keeping operations

relating to contingent-owned equipment. Under the latter type of arrangement, the United Nations undertakes to reimburse those Member States which provide the equipment, usually troop-contributing countries, with periodic payments over a maximum period of four years. For military pattern equipment, which the Organization would not normally purchase, upon expiration of a mission or withdrawal of the contributing country concerned, a residual value of such equipment is determined and reimbursement adjusted accordingly. With regard to other types of equipment, title is either transferred to the Organization upon completion of the reimbursement or, if agreed between the parties, the equipment is retained by the contributor on the basis of a formula similar to military pattern equipment.

23. It is assumed that a voluntary contribution of supplies and equipment in the form of an advance would equate more closely to a loan. In other words, the United Nations would not be required to pay for usage costs or an allowance for depreciation, but would simply return the supplies and equipment to the lender at the end of the term. Under such an arrangement, it would be necessary to reach agreement on the respective responsibilities of the United Nations and the lender to replace the equipment in the event of loss or damage during the period of the loan.

24. In view of the complexities involved in these types of arrangements, it is anticipated that voluntary contributions in kind in the form of advances would be made only by Member States. If a voluntary contribution is being offered in the form of an advance, this must be stated from the beginning.

#### B. Acceptability

25. As is the case with voluntary contributions as outright gifts, the determination of the acceptability of contributions as advances rests with the Secretary-General. The provisions of paragraphs 6 to 10 above would be fully applicable to this type of contribution. A further criterion in respect of such contributions is that a request for such supplies and services would originate from the United Nations either because funds were not available to procure them in the usual manner, or because they were not available on the international market, or because they were offered under conditions clearly advantageous to the United Nations.

26. In determining the acceptability of a proposed contribution in kind as an advance, the valuation to be placed on the contribution assumes greater significance. If the contribution in kind is being offered as an advance against eventual payment of cash by the Organization, it shall not be accepted unless the Organization has satisfied itself by all available means, including competitive bidding, that the valuation is not disadvantageous to the United Nations.

27. Where equipment has been loaned or otherwise made available to the Organization, while remaining the property of the donor, the agreement to be signed between the parties will specify the conditions under which the equipment will be enjoyed by the United Nations.

C. Relationship to the budget

28. Contributions as advances against eventual reimbursement in cash by the Organization may be accepted only if the Controller certifies that they relate to items for which provision has been made in the budget.

D. Basis for valuation

29. The provisions of paragraph 13 above shall also apply to contributions being made as advances. If eventual reimbursement in cash is required, competitive bidding may also be required, as indicated in paragraph 26 above.

30. Where voluntary contributions are being made in the form of loans of equipment, the value of the contribution is the difference between the value of the equipment at the commencement of the loan and its value when the equipment is to be returned. This question is discussed further in paragraphs 32 and 33 below.

E. Accounting

31. Contributions in kind intended as advances against eventual reimbursement in cash shall be recorded in the accounts at the time that delivery of the supplies and services is begun. At that time, the value of the contribution shall be shown as an expenditure against the appropriate budgetary account. It will also be shown in the balance sheet as a liability reflecting the amount that shall, in due course, be refunded to the donor. This liability account shall be similar to the suspense accounts established for voluntary contributions in cash under the provisions of General Assembly resolutions 34/9 and 42/233.

32. Accounting for voluntary contributions in the form of a loan of supplies and equipment, to be returned to the lender in due course, requires that valuations be made both at the time the equipment is made available to the United Nations and at the time it is to be returned. The difference between these two valuations reflects the economic value derived by the United Nations during the period of the loan. If the loan is for a short period, after which the Organization is required to make other arrangements to replace the item loaned, the benefit to the United Nations would be much less than would be the case if the equipment were to be available for the bulk of its useful life, with only a residual value reverting to the lender.

33. For accounting purposes, it is intended that only the expected net economic value of the loan to the United Nations should be reflected in the accounts. Thus a loan of equipment for the balance of its useful life should be recorded as income and expenditure at full budgeted valuation, less any agreed scrap value. However, a short-term loan should be recorded as income and expenditure only to the extent of the difference between the budgeted valuation at the time of the loan and the expected valuation at the time it is to be returned.



ANNEX II

Examples of voluntary contributions in kind that have  
been made to United Nations peace-keeping operations

A. Contribution of a continuing nature

1. Placement of an aircraft at the disposal of a mission for movement of personnel and other administrative tasks (e.g. UNTSO and UNIIMOG).
2. Provision of a jet-powered air ambulance aircraft on an "on-call" basis for the medical evacuation of seriously ill personnel from any peace-keeping operation.
3. Provision on a loan basis of portable satellite communications and crypto equipment for use by a particular mission (e.g. UNGOMAP).

B. Contributions of a "one-time" nature or associated with the "start-up" of new peace-keeping operation

1. Provision of heavy freight and passenger carrying (military) aircraft for initial placement of equipment, stores and advance party personnel in a newly established peace-keeping mission area (e.g. UNGOMAP, UNIIMOG, UNTAG).
2. Provision of a quantity of motor cars and mini-buses for administrative-type tasks at a new mission (e.g. UNTAG).
3. Supply, installation and commissioning of an additional unit in a sewage treatment plant (e.g. UNIFIL).
4. Supply and delivery of cargo trucks, forklift trucks, office furniture, vehicle workshop equipment, tools and supplies (e.g. UNIIMOG).
5. Provision of telecommunications encryption equipment being used at five different locations; also training of technicians in the repair and maintenance of the equipment.
6. Provision of tents, blankets, mattresses, fire extinguishers (e.g. UNTAG).

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