SECRETARIAT

LOSS & DAMAGE - BASIS OF REIMBURSEMENT FOR BEYOND ECONOMIC REPAIR AND LONG TERM UNSERVICEABLE MAJOR EQUIPMENT IN THE EVENT OF HOSTILE ACTION OR FORCED ABANDONMENT

Secretariat Issue Paper # 11

1. ISSUE PAPER THEME: Major Equipment

2. SUMMARY / BACKGROUND / PREVIOUS HISTORY

The COE Manual does not currently distinguish between serviceable and unserviceable COE for the purpose of calculating the reimbursement amounts in cases of loss due to hostile action or forced abandonment. As a result of this gap and the prevailing formula for calculating claims, the longer a piece of equipment has been unserviceable, the more the UN is obliged to reimburse for it in the event of loss due to hostile action or forced abandonment.

For major equipment, the current method of calculating the reimbursable amount for a total loss is the equipment generic fair market value (GFMV) rate minus the equipment use charge, (i.e. the cumulative payments to date under a dry lease and any other payments associated with the mission factors made by the United Nations for that equipment). As such, lost equipment which has been deployed for a long period of time with minimal periods of unserviceability will be paid out a substantially lower amount than equipment deployed the same amount of time, but which has been non-operational for most of its deployed life due to unserviceability – as there are no cumulative payments to subtract in the latter scenario. The Secretariat puts forward that this reimbursement approach is counter-intuitive and rewards non-performance of equipment in a manner disproportionate to the operational value derived from the equipment.

As a second related issue; several missions are experiencing a buildup of long-term unserviceable or beyond economical repair contingent equipment within bases, despite the COE Manual requirement that T/PCCs dispose of these items within a stipulated timeframe. This includes a high volume of COE which is unserviceable due to lack of maintenance or repair by contingents. The Secretariat seeks to add language to the COE Manual to state that this specific type of long-term unserviceable or beyond economical repair equipment will be excluded from eligibility for claims of reimbursement in the event of a subsequent forced abandonment of a site. This proposal aligns with the existing requirement for contingents to dispose or repatriate equipment which is beyond economical repair or long-term unserviceable within a specified timeframe.

3. DETAILED PROPOSAL

To address these issues, the Secretariat proposes the following principles are reflected in the COE Manual:

Change 1: the reimbursement formula will continue to be based on the equipment generic fair market value (GFMV) rate minus the equipment use charge, however, the formula should disregard any period of unserviceability (i.e. when calculating the reimbursable amount of the cumulative use charge, it will start from date of deployment and end at the date of loss). This adjustment will ensure that all COE is reimbursed in a manner commiserate to its time in the mission irrespective of serviceability status.

Change 2: exclude beyond economical repair or long-term unserviceable equipment and not disposed of within UN required timeline (stipulated in Chapter 4 Section VIII) at the time of a forced abandonment event from reimbursement eligibility under the loss and damage, hostile action or forced abandonment policy. I.e., applicable in the event of an attack on a camp/site where already unserviceable equipment is further destroyed or seized, or which the unit is otherwise required to abandon. The exclusion will not apply to COE still within the allowed timeframe for disposal, or equipment already being processed under an existing hostile action or forced abandonment claim.

4. FINANCIAL IMPLICATIONS

This policy is expected to bring financial efficiencies by ensuring the timely disposal of beyond economical repair and long-term unserviceable equipment, thus, reducing the chances of it getting lost or damaged during hostile action or forced abandonment.

5. PROPOSED 2026 COE MANUAL TEXT

To effect these proposals, the following changes to the COE Manual main body are recommended:

Proposed edits to Chapter 6, Section IV Hostile action or forced abandonment, para 11, p. 159/281 (text in bold to be added; struck out text to be deleted):

> 11. The method of calculation for the reimbursement of the cost of such equipment is made at the generic fair market value rate less the equipment use charge, i.e. the cumulative payments **from arrival to the date of loss/damage** ~~to date~~ under a dry lease and any other payments associated with the environmental or logistics and road conditions mission factors ~~**made**~~ **applicable** ~~**by the United Nations**~~ for that equipment, **irrespective of its serviceability during the period.**

Add a new paragraph 17 to Chapter 6, Section IV Hostile action or forced abandonment, p. 159/281 (text in bold to be added):

> **17. Equipment deemed beyond economical repair or long-term unserviceable due to lack of maintenance or repair by the contingent will become ineligible for reimbursement under the hostile action or forced abandonment policy for subsequent events, where it has not been disposed of within the United Nations required timelines of six consecutive quarters (540 days) from the date of unserviceability, as outlined at Chapter 4, Section VIII.**

The following text is proposed for the model Memorandum of Understanding template used for military contingents and formed police units in Chapter 9, Annex B Major equipment, Section VI. Loss and damage, para 20 (b) (iii), p. 224/281, (text in bold to be added; struck out text to be deleted):

> (iii) For major equipment lost or damaged as a result of a single hostile action or forced abandonment, the United Nations will assume liability for each item of major equipment whose individual generic fair market value equals or exceeds $80,000 or for the major equipment lost or damaged when the collective generic fair market value of such equipment equals or exceeds $250,000 for a series of hostile actions within one United Nations budget year. The value of the loss or damage is determined using the generic fair market value. The reimbursement is made at the generic fair market value rate less the equipment use charge, i.e. the cumulative **payments from arrival to the date of loss/damage under a dry lease and any other payments associated with the environmental or logistics and road conditions mission factors**

> **applicable for that equipment, irrespective of its serviceability during the period. ~~dry lease rate and any payments associated with the environmental and logistics and road conditions mission factors made by the United Nations for that equipment.~~**

Add a new para 23 to the model Memorandum of Understanding template used for military contingents and formed police units in Chapter 9, Annex B Major equipment, Section VI. Loss and damage, p. 224/281, (text in bold to be added and revise the subsequent para numbering accordingly).

> **23. Equipment deemed beyond economic repair or long-term unserviceable due to lack of maintenance or repair by the contingent will become ineligible for reimbursement under the hostile action or forced abandonment policy for subsequent events, where it has not been disposed of within the United Nations required timelines of six consecutive quarters (540 days) from the date of unserviceability, as outlined at Chapter 4, Section VIII.**