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**Administrative and budgetary aspects of the financing
of the United Nations peacekeeping operations****Status of the implementation of the strategic
deployment stocks****Report of the Secretary-General****Summary*

The present report is submitted pursuant to General Assembly resolution 56/292 of 27 June 2002, in which the Assembly requested the Secretary-General to report to the Assembly at its fifty-seventh session on the expenses incurred in the implementation of the strategic deployment stocks and on the expeditious liquidation of closed peacekeeping missions and the crediting of Member States following the liquidation of such missions.

The report summarizes the plans developed by the Department of Peacekeeping Operations of the Secretariat to establish the strategic deployment stocks and provides a status report on its implementation by the Department of Peacekeeping Operations and the Department of Management, as well as the progress made on liquidation of closed missions.

The actions to be taken by the General Assembly are set out in paragraph 21 of the present report.

* The present report was delayed in order to ensure that the report included the most up-to-date information.



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I. Introduction

1. The present report is submitted in accordance with General Assembly resolution 56/292 of 27 June 2002, in which the Assembly requested the Secretary-General to report to the Assembly at its fifty-seventh session on the expenses incurred in the implementation of the strategic deployment stocks (para. 12), and on the expeditious liquidation of closed peacekeeping missions and the crediting of Member States following the liquidation of such missions (para. 18). The Assembly endorsed the concept of the strategic deployment stocks presented in the report of the Secretary-General (A/56/870), and the related recommendations of the Advisory Committee on Administrative and Budgetary Questions (A/56/902).

2. The General Assembly approved \$141,546,000 to meet the requirements of the strategic deployment stocks. The financing modalities related to this approval were set out in paragraphs 6 to 11 of Assembly resolution 56/292. The actual distribution of income to meet these requirements is shown in table 1 below.

Table 1

(United States dollars)

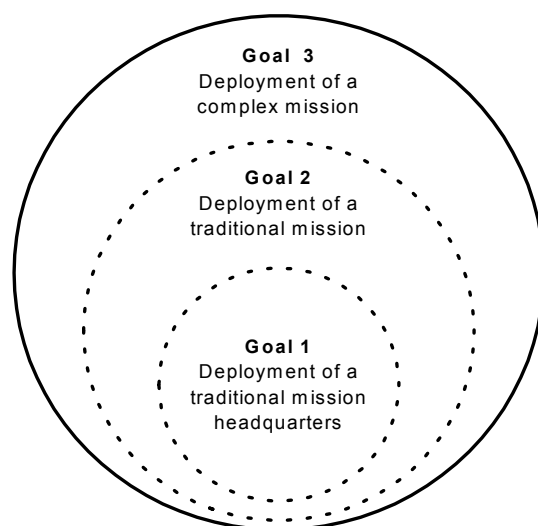
<i>Source of income</i>	<i>Amount</i>
United Nations Peace Forces (UNPF)	54 690 848
United Nations Mission in Haiti (UNMIH)	25 815 321
Interest income from the Peacekeeping Reserve Fund	14 137 444
New assessments	46 902 387
Total	141 546 000

3. The first part of the present report summarizes the plans developed by the Department of Peacekeeping Operations to establish the strategic deployment stocks and provides a status report on its implementation by the Department of Peacekeeping Operations and the Department of Management. The second part focuses on the progress of liquidation of closed missions.

II. Strategic deployment stocks — implementation planning

4. Following the adoption of General Assembly resolution 56/292, the Office of Mission Support of the Department of Peacekeeping Operations developed a detailed project plan for the phased establishment of these critical stocks at the United Nations Logistics Base (UNLB) at Brindisi, Italy. The first major milestone of this plan was the ability to deploy a headquarters for a traditional mission. The second and third milestones were the ability to deploy a traditional and a complex mission, respectively. The plan took into account the concurrent development of the human resources capacity and the physical infrastructure necessary to receive, inspect and store strategic deployment stocks assets, which is described in greater detail below.

Figure
Key goals in the strategic deployment stocks establishment



5. A phased requisitioning and delivery plan was developed to meet the requirements of the different components of both traditional and complex missions. The Office of Mission Support focused its procurement strategy on the use of systems contracts, where feasible, to ensure continuity, uniformity and ease of replenishment. The plan also recognized the staffing and storage constraints of UNLB. In this regard, as part of its voluntary contribution in kind to the United Nations, the Government of Italy undertook to build three warehouses at UNLB. Construction commenced in January 2003 and is expected to be completed by late 2003. Pending the completion of the three warehouses, the Department of Peacekeeping Operations has identified alternative temporary storage sites at UNLB, including some suitable open storage areas. These arrangements include the temporary storage of equipment in aircraft shelters, soft-wall shelters and sea containers, and the reactivation of the San Pancrazio site to be used principally as hard standing for the vehicle fleet. Due consideration has been given to the proper maintenance and storage of climate-sensitive equipment and the security of strategic deployment stocks assets.

6. The Office of Mission Support has undertaken a detailed analysis of the property management needs to effectively manage strategic deployment stocks assets. The centrepiece of these efforts has been the development of a comprehensive inventory management system to meet the Department's needs. The development of this system is well under way, and will be available for testing in May 2003.

7. In January 2003 the Department conducted a pilot exercise in rapid deployment at UNLB with the participation of staff from existing peacekeeping operations as well as from Headquarters. Two of the key elements of this exercise were the successful validation of the strategic deployment stocks concept in the context of mission start up and the integration of strategic deployment stocks into planning in the Department for rapid deployment.

III. Status of the implementation of the strategic deployment stocks

8. In December 2002, the Department of Peacekeeping Operations achieved the first significant milestone and has positioned sufficient strategic deployment stocks assets at UNLB to rapidly deploy a headquarters for a traditional peacekeeping mission. The Department continues to make considerable progress towards meeting its second goal of being able to deploy the immediate operational capability required for a traditional peacekeeping mission.

9. The current strategic deployment stocks holdings at UNLB exceed \$32.5 million in value. In addition to procurement from the resources approved by the General Assembly for acquisition of the strategic deployment stocks, these holdings include equipment transferred from the Department's reserve and surplus stocks from peacekeeping operations which fully conform to the high level of serviceability established for the strategic deployment stocks. Details regarding the transferred equipment are shown in table 2 below.

Table 2

Equipment transferred from the Department of Peacekeeping Operations Reserve and surplus stocks

(Thousands of United States dollars)

<i>Equipment transferred</i>	<i>From Department of Peacekeeping Operations reserve and start-up kits</i>	<i>From other sources ^a</i>	<i>Total</i>
Facilities and infrastructure	838	1 802	2 640
Ground transportation	3 034	6 228	9 262
Communications	543	5 048	5 591
Other equipment	164	1 465	1 629
Miscellaneous supplies	74	1 931	2 005
Total	4 653	16 474	21 127

^a Transferred from: United Nations Mission in Bosnia and Herzegovina (UNMIBH), United Nations Mission of Support in East Timor (UNMISET), United Nations Mission in Sierra Leone (UNAMSIL) and United Nations Interim Administration Mission in Kosovo (UNMIK).

10. As a precautionary measure, given the lead time required for the purchase of vehicles for strategic deployment stocks, some 200 surplus general purpose four-wheel drive vehicles (three-four years old) are being held in reserve in the United Nations Mission in Bosnia and Herzegovina (UNMIBH). These surplus vehicles will exceed their useful life by the time the new systems contracts are in place and will subsequently be disposed of.

11. A summary of the status of procurement actions related to the strategic deployment stocks is provided in table 3 below. At 20 February 2003, out of the total budget of \$141,546,000, expenditures and pre-encumbrances amounted to \$115,783,000 (82 per cent), including general temporary assistance. The Department projects that the approved resources will be fully utilized. Detailed specifications for some complex equipment in areas such as communications are now being finalized

and will allow the Procurement Division to raise the remaining purchase orders in the coming months. Requirements for temporary assistance amounting to some \$1.4 million are being met from projected savings to facilitate the reception, processing and storage of the strategic deployment stocks at UNLB.

Table 3

Procurement status of the strategic deployment stocks at 20 February 2003

(Thousands of United States dollars)

<i>Category</i>	<i>Pre-encumbrance</i>	<i>Obligation</i>	<i>Disbursement</i>	<i>Total commitments</i>
Facilities and infrastructure	22 008	15 340	2 829	40 177
Ground transportation	14 570	9 310	1 064	24 944
Communications	25 170	2 018	2 233	29 421
Information technology	6 496	2 300	3 036	11 832
Medical	4 008	-	-	4 008
Miscellaneous supplies and services	2 503	1 801	82	4 386
Total ^a	74 755	30 769	9 244	114 768

^a In addition, \$500,000 has been obligated and \$515,000 disbursed for general temporary assistance.

The Department projects that the approved resources will be fully utilized. Detailed specifications for some complex equipment in areas such as communications are now being finalized and will allow the Procurement Division to raise the remaining purchase orders in the coming months. Requirements for temporary assistance needed to facilitate the reception, processing and storage of the strategic deployment stocks at UNLB amount to some \$1.4 million and are being met from projected savings.

12. The Department of Peacekeeping Operations and the Department of Management will continue to coordinate efforts towards the goal of completing the procurement process for the strategic deployment stocks within the current financial period. The Department of Peacekeeping Operations intends to utilize 100 per cent of the approved resources to establish the strategic deployment stocks. No underexpenditure is foreseen at this stage apart from limited savings from freight costs, which are projected to be lower than budgeted. However, the following potential risks have been identified, which could result in unavoidable underexpenditure at 30 June 2003:

(a) Unforeseen difficulties to find/select contractor(s) for the turnkey project to furnish the three new warehouses at UNLB (\$3 million);

(b) Unexpected problems in the selection following technical and commercial evaluation of vendor(s) for the humidity-controlled shelters required for storing 289 vehicles (\$3 million).

For this reason, it is proposed that the validity period in respect of the resources approved by the General Assembly in its resolution 56/292 be extended to 30 June 2004.

IV. Liquidation of closed missions

13. The final performance report for a mission cannot be issued until negotiations with troop-contributing countries on amounts owed for contingent-owned equipment, including losses, have been completed, the outstanding liabilities of the mission have been determined and any obligations that are no longer required have been liquidated. It is only after the completion of all of these actions that it is possible to identify amounts that are available for credit back to Member States. It should be noted, however, that as soon as these actions have been completed, the final performance report is issued immediately thereafter.

14. It should also be borne in mind that most of the amounts reported in final performance reports that are eventually credited to Member States result from savings that arise from the cancellation of prior period obligations during the liquidation phase. Additionally, as in the case of UNPF, the United Nations Operation in Somalia (UNOSOM) and the United Nations Angola Verification Mission (UNAVEM)/United Nations Observer Mission in Angola (MONUA), it is sometimes necessary to request the General Assembly to retain part of the fund balance in order to settle outstanding claims for which no funds had been obligated during the life of the mission.

15. The coordination of mission liquidation requires the participation of Headquarters and field components to develop a realistic liquidation plan and to delineate responsibilities and activities. The Department of Peacekeeping Operations has issued internal guidelines for the coordination of the liquidation process, encompassing the main tasks to be undertaken in the logistics, personnel and financial management areas.

16. In accordance with these guidelines, the liquidation process commences six months prior to the termination of the political mandate of the mission, and continues in the field beyond the termination of the mandate for a period of time dependent on the circumstances of the individual mission. A Liquidation Coordinator is assigned responsibility for the coordination of all liquidation activities and heads the Liquidation Team. The Liquidation Team issues reports on its activities to the Department of Peacekeeping Operations on a weekly basis, by means of which individual areas monitor the progress of the liquidation and disposition of assets and make recommendations accordingly.

17. The responsibilities of the finance area are fully elaborated in the liquidation guidelines. In the past, field personnel were routinely detailed to Headquarters following the termination of the mandate to close the financial accounts. However, the related supporting documentation was often in the field, in storage or in transit, and hence unavailable for reference at Headquarters. Now, however, missions under liquidation maintain the minimum number of finance staff necessary in the mission area to complete such tasks as the sale of assets, payments to mission personnel and vendors, collection of accounts receivable, including security deposits, the closure of local bank accounts and remittance of residual balances to Headquarters, and the expeditious negotiation and settlement of any potential disputes with vendors. Recent experience has indicated that it is cost-effective to complete these tasks in the field.

18. At Headquarters, the Finance Management and Support Service of the Department of Peacekeeping Operations provides guidance to the mission

throughout the liquidation process, and following the closure of the mission in the field, manages the mission's accounts until such time as these are closed and referred to the Accounts Division of the Office of Programme Planning, Budget and Accounts. Upon receipt of the mission's accounts, the Finance Management and Support Service focuses its efforts on determining the volume of pending government claims and ensuring that financing is made available in consultation with the Peacekeeping Financing Division of the Office of Programme Planning, Budget and Accounts. The settlement of government claims in the Finance Management and Support Service has been greatly expedited by the introduction of the new methodology for the reimbursement of contingent-owned equipment. Much of the prior uncertainty related to the settlement of claims and the slow closure of missions in liquidation resulted from the lack of precise information on the value of claims troop-contributing countries could bring against the Organization under the old methodology. Under the new methodology, the verification reports submitted by the missions provide an accurate and up-to-date account of the liabilities of the Organization vis-à-vis the troop-contributing countries and facilitate the processing of claims in Headquarters.

19. The liquidation process has been shortened through the provision of improved guidance to missions and the strengthening of the Liquidation Unit at Headquarters. The Unit comprises staff with field mission experience and expertise in final liquidation activities from the perspective of both the field and Headquarters. The liquidation process has been documented, and related standard operating procedures for the liquidation of missions are being prepared. Further improvements are expected as these are fully implemented. Obligations related to government claims may still be outstanding after liquidation activities have ceased, mainly as a result of a cash shortage in some of the closed missions.

20. The liquidation of UNSMIH, the United Nations Support Mission in Haiti (UNSMIH)/United Nations Transition Mission in Haiti (UNTMIH)/United Nations Civilian Police Mission in Haiti (MIPONUH), the United Nations Mission of Observers in Tajikistan (UNMOT), the United Nations Preventive Deployment Force (UNPREDEP), the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES) and UNPF has been completed. The liquidation of the United Nations Observer Mission in Liberia (UNOMIL) and the United Nations Assistance Mission for Rwanda (UNAMIR) will be completed by the end of March 2003. Final performance reports for UNSMIH/UNTMIH/MIPONUH, UNMOT, UNPREDEP, UNTAES and UNOSOM were submitted to the General Assembly at its fifty-sixth session. Final performance reports for UNAVEM/MONUA, UNAMIR, MINURCA, UNOMIL and UNMOT will be presented to the Assembly at its fifty-seventh session. It is anticipated that the Finance Management and Support Service will receive the field accounts for UNMIBH and UNTAET during 2003.

V. Actions to be taken by the General Assembly

21. The actions to be taken by the General Assembly in respect of the strategic deployment stocks are as follows:

(a) To take note of the progress made by the Secretariat in the implementation of the strategic deployment stocks;

(b) To extend the validity period of the resources approved in General Assembly resolution 56/292 to 30 June 2004.