



General Assembly

Distr.: General
14 February 2005

Original: English

Fifty-ninth session

Agenda item 123

**Administrative and budgetary aspects of the
financing of United Nations peacekeeping operations**

Implementation of the strategic deployment stocks, including the functioning of the existing mechanisms and the award of contracts for procurement

Report of the Secretary-General

Summary

In its resolution 58/297, the General Assembly requested the Secretary-General to report at its fifty-ninth session on the functioning of existing mechanisms of the strategic deployment stocks in the light of lessons learned from experience with mission start-ups.

In its previous resolution on the strategic deployment stocks, resolution 56/292, the Assembly had requested the Secretary-General to report on an annual basis on the award of contracts for procurement for the strategic deployment stocks to all Member States, in particular to developing, least developed and African countries and countries with economies in transition.

The present report summarizes the implementation of the strategic deployment stocks during the concurrent deployment of a number of missions, both in terms of composition and issuance to various missions as well as the award of contracts for the procurement of the stocks. The report also invites the General Assembly to consider a number of proposals based on the lessons learned from the mission start-ups that may help in enhancing the efficiencies and effectiveness of the stocks to support the rapid deployment of United Nations peacekeeping and peacebuilding operations, including regional peace operations mandated by the Security Council.

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I. Introduction

1. The General Assembly has endorsed the concept of the strategic deployment stocks (SDS) 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/58/759/Add.9). The present report is submitted in compliance with Assembly resolutions 58/297, in which it requested the Secretary-General to report at its fifty-ninth session on the functioning of existing mechanisms of SDS, in the light of lessons learned from experiences with mission start-ups, and 56/292, in which it had requested the Secretary-General to report on an annual basis on the award of contracts for procurement for SDS to all Member States, in particular to developing, least developed and African countries and countries with economies in transition.

2. The first part of the report summarizes the implementation of SDS during the concurrent deployment of multiple peacekeeping missions in 2003 and 2004, in terms of its mechanism, composition and programming of the stocks to various missions. The second part reports on the distribution of award of contracts for procurement of SDS to developing, least developed and African countries and countries with economies in transition. The third part of the report focuses on the lessons learned from the deployment of SDS to support mission start-ups and the conclusions drawn therefrom.

3. The final part of the report requests the General Assembly to approve recommendations that would enhance the efficiency and effectiveness of SDS in supporting the rapid deployment of United Nations peacekeeping and peacebuilding operations, including regional peace operations mandated by the Security Council.

II. Status of implementation

4. The General Assembly, in its resolution 56/292, approved an amount of \$141,546,000 for the establishment of the strategic deployment stock programme. In its resolution 57/315, the Assembly extended the validity period in respect of the resources approved in its resolution 56/292 for an additional period of 12 months, up to 30 June 2004.

5. The two-year project of establishing SDS has been effectively completed. The management of SDS at the Secretariat and the United Nations Logistics Base at Brindisi, Italy (UNLB) is fully functional; the procurement of SDS equipment and materials has been completed, and stocks have already been intensively utilized to support multiple mission start-ups and expansions.

6. At the end of the financial year 2003-2004, the approved funds for SDS were committed, with \$9,033 remaining unspent. Table 1 reflects the total expenditure, including status of obligations. As at 30 June 2004, total unliquidated obligations amounted to \$20,845,243. During the period from 1 July 2004 to 31 January 2005, 70 per cent of those obligations were disbursed, and the remaining obligations of \$6.3 million will be disbursed by 30 June 2005.

Table 1
Total expenditure and unliquidated obligations of strategic deployment stocks by category

(Thousands of United States dollars)

<i>Category</i>	<i>Total expenditure 2002-2004</i>	<i>Obligations as of 30 June 2004</i>	<i>Obligations as of 31 January 2005</i>
Facilities and infrastructure	44 078	4 990	1 179
Ground transportation	43 981	8 424	3 848
Communications	30 992	2 367	592
Information technology ^a	13 371	1 381	585
Medical	2 579	2 347	61
Miscellaneous supplies and services	4 943	1 337	9
General temporary assistance	1 269	-	-
Special equipment	323	-	-
Total	141 536	20 846	6 274

^a Includes \$3.4 million spent on the Galileo inventory management system.

7. Outstanding contributions from Member States for SDS amounted to \$13.6 million as at 31 December 2004. Of this amount, \$13.5 million (99 per cent) related to the special assessed contribution of one Member State. This has resulted in temporary borrowing in order to settle SDS invoices.

8. As of 30 June 2004, savings on SDS funds amounting to \$397,322 from the liquidation of prior period obligations had accumulated. Further savings will be realized from liquidation of obligations during the period from 1 July 2004 to 30 June 2005. It is proposed that the savings derived from the liquidation of prior period obligations and the \$9,033 that remains unspent be utilized to cover any loss on currency exchange incurred on outstanding obligations. The residual balance will be used for the replenishment of the stocks.

9. Since the establishment of SDS in July 2002, \$132 million worth of equipment has been issued to various operations, as shown in table 2 below.

Table 2
Total of strategic deployment stocks issued to operations from 1 July 2002 to 31 January 2005

(Thousands of United States dollars)

<i>Receiving operation</i>	<i>Amount</i>
United Nations Mission in Liberia (UNMIL)	36 396
United Nations Advance Mission in the Sudan (UNAMIS)	30 665
United Nations Operation in Côte d'Ivoire (UNOCI)/United Nations Mission in Côte d'Ivoire (MINUCI)	20 816
United Nations Operation in Burundi (ONUB)	15 790
United Nations Stabilization Mission in Haiti (MINUSTAH)	15 741

<i>Receiving operation</i>	<i>Amount</i>
United Nations Assistance Mission for (UNAMI)/Office of the Special Representative of the Secretary-General for Iraq (OSRSGI)	5 428
United Nations Organization Mission in the Democratic Republic of the Congo (MONUC)	3 053
United Nations Assistance Mission in Afghanistan (UNAMA)	1 407
12 other operations ^a	2 560
Total	131 856

^a UNMOVIC, UNAMSIL, UNMIK, UNDOF, UNFICYP, United Nations Office of the Humanitarian Coordinator for Iraq, United Nations Mission in Angola, UNMOGIP, United Nations Office for West Africa, UNOGBIS, UNIFIL and UNIKOM.

III. Procurement report

10. The present report includes the procurement contracts for SDS awarded to all Member States, in particular to developing, least developed and African countries and countries with economies in transition.

11. During the period from 1 July 2002 to 30 June 2004, from the funding allocated for SDS purchase orders were awarded by Headquarters for a total of \$135,298,275. The value of procurement conducted directly by UNLB locally against the stocks amounted to \$3,975,143. In addition, expenses were incurred for freight forwarding and associated insurance services for a total amount of \$1,366,074. The purchase orders were placed against systems contracts already in place for telecommunications and electronic data-processing equipment, generators, prefabricated buildings, engineering and transportation equipment. The total value of procurement conducted in support of SDS amounted to \$140,639,492. Contracts valued at \$12 million were awarded to companies from developing countries and countries with economies in transition. In addition, contracts for \$1.9 million were awarded to companies from Africa.

12. It should be noted that the above figures for contract awards were recorded in United States dollars at the time of obligation of funds and that, therefore, the figures at the time of disbursement of funds do not necessarily correspond with the figures for awards owing to the fluctuation of currencies in the case of transactions that were not carried out in United States dollars.

IV. Lessons learned

Rapid and effective deployment capacities

13. The report of the Panel on United Nations Peace Operations of 21 August 2000 (A/55/305-S/2000/809), the “Brahimi Report”, set the goal for the deployment of a traditional mission to within 30 days and for a complex peacekeeping operation to within 90 days after the adoption of a Security Council resolution. Recent mission start-up experiences have demonstrated that to achieve this mandated goal, mission planning and pre-mandate deployment activities would have to start at least 90 days

prior to adoption of a Security Council resolution. **Material readiness, including SDS, systems contracts, services contracts and inter-Mission transfers, has proved to be one of the key elements for developing such a rapid and effective deployment capability.**

14. In the last 18 months, SDS has supported the deployment of missions in Liberia, Côte d'Ivoire, Burundi, Haiti, Iraq and the Sudan, as well as the expansion of MONUC. While this accomplishment, carried out at a time when SDS was still in the process of development, has far exceeded the mandated goal of supporting one complex mission at a time it has also challenged the structure of the stocks and the mechanisms to rapidly deploy and reconstitute them. **The development of capacity and flexibility in the management of the composition of SDS to provide for sequential and/or concurrent support for multiple deployments is essential in the present uncertain global security environment.**

Strategic deployment stocks concept

15. The rapid and effective deployment of a complex mission within 90 days of a Security Council mandate is feasible, provided mission predeployment activities start 90 days prior to that date. The SDS concept is designed to support this mission deployment schedule. It does not, however, define the rate at which the Organization should be able to reconstitute and redeploy the stocks. This rate is affected by: notice and preparation time; reimbursement from missions to finance replenishment; procurement lead time; the size of order batch-sizes; stock levels of critical and long lead time items; and mechanisms of deployment and stock rotation. **Improvement in the rate of redeployment is important for the overall capacity, robustness and effectiveness of SDS.**

16. Prior to the introduction of rapid replenishment mechanisms, it was generally accepted that SDS could be partially redeployed only once a year. **By adjusting the composition and timely replenishment of SDS, the redeployment rate can be improved.**

17. Optimizing the rate of redeployment of SDS may introduce new material management challenges as the volume of operational activities increases. **This will require new approaches for material management within the Secretariat, UNLB and receiving missions.**

Composition of strategic deployment stocks

18. The composition of SDS has developed from the initial equipment list to accommodate changes in the operational environments of peacekeeping missions, especially the emerging security equipment requirements to meet the minimum operational security standards (MOSS). In addition, unforeseen requirements for the re-hatting of regional peacekeeping operations, disarmament and demobilization activities, public information and close-protection units have created new demands on strategic deployment stocks. Regular revisions of the composition of the stocks also address changes in technology, availability and markets for materials, sustainment capacities of troop- and police-contributing countries and changes in operational concepts. **The composition of SDS is not a fixed inventory, but rather a dynamic capability that will develop over time based on updated needs as identified in annual composition reviews.**

19. The SDS concept was based on modules, which were identified for 26 civilian, military, police and joint mission elements that are deployed in the early stages of mission start-up. SDS is not stored, deployed or reconstituted as modules because specific mission locational needs and operational requirements limit the utility of modules as a unit of deployment. **UNLB will store SDS materials in a manner appropriate to each of the many commodity types in order to support stock rotation and enable optimal utilization of the stocks for the deployment of missions.**

20. The deficiencies in contingent-owned equipment of a number of regional contingents re-hatted for UNMIL, ONUC, ONUB and MINUSTAH added to the mission support challenges. This will imply the provision of SDS to supplement deficiencies of contingent-owned equipment. Issuance of SDS in such instances will be adjusted in the reimbursement for contingent-owned equipment. **Re-hatting regional troops will require more flexibility in the composition and utilization of SDS.**

21. The reconfiguration of the composition of SDS implies changes in type, quantity and replacement costs through: replenishment; transfer of equipment from United Nations reserve stocks; rotation of the stocks through existing missions and other United Nations entities; and procurement. **Management of SDS will require the flexible use of available methods to reconfigure SDS composition.**

22. Lead time for the procurement of SDS equipment varies from 30 to 360 days. For most equipment, lead times are under 120 days, whereas many specialized high-value items, like ambulances, fire-engines and material handling equipment have longer lead times of up to 360 days. **To accelerate the redeployment rate, the inventory levels of long lead time items will need to be increased and the stocking of short lead time items reduced appropriately.**

Replenishment of strategic deployment stocks

23. The General Assembly, in its resolution 56/292, approved a replenishment policy for SDS whereby mission budgets, when approved by the Assembly, would pay for the replacement of stocks drawn from SDS. Replenishment from approved mission budgets however, takes approximately 150 days, taking into account “M-60” days (60 days before the mandate), when a commitment authority is authorized by the Advisory Committee on Administrative and Budgetary Questions, and “M+90” days (90 days after the mandate), when a budget is approved by the Assembly. Delaying the replenishment of SDS by 150 days from the time a commitment authority is approved until the time a new peacekeeping mission budget is approved could diminish its ability to support other new missions. **The inclusion, therefore, of the provision for SDS replenishment to within the \$50 million commitment authority approved by the Assembly in its resolution 49/233 A would mitigate the constraints resulting from the 150 day time lag. In addition, on an exceptional basis, if the need for the replenishment of SDS is over and above the \$50 million for a new peacekeeping mission, the Secretary-General, with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions, could be authorized to approve SDS requirements above \$50 million.**

Management of strategic deployment stocks

24. Recent mission start-ups have demonstrated that the current practice whereby missions order SDS (the “pull” approach) is not the most efficient method of deployment. **There is a greater need for Headquarters to identify and prioritize the release of SDS to missions (a more “push”, less “pull”, approach).**

25. The Secretariat is finalizing an extensive set of policies and procedures defining the deployment concept for SDS and the roles, responsibilities and procedures for its planning, deployment, replenishment, rotation, accounting and support. **Upon approval, this set of policies and procedures will be promulgated.**

26. There is an increased need for better material planning for new peacekeeping missions. Tables of equipment are required as templates for each element of complex missions. These tables and the planning parameters of a new mission concept are being used as the basis of material resourcing plans. **Material resourcing planning has been initiated for missions in the Sudan and the Democratic Republic of the Congo. Timely material planning will be used to authorize dispatch of SDS.**

27. The implementation of the SDS programme introduced a new concept of a revolving inventory management, requiring the concurrent deployment, replenishment and adjustment of SDS holdings. The Galileo inventory management system tracks global peacekeeping assets. **However, revolving inventory management of SDS requires sophisticated automated material accounting systems to complement Galileo.**

28. If not fully utilized within planned time frames, there may be a need to rotate certain SDS items with a short shelf life. The Galileo inventory management system is a useful tool for planning assets rotation. **Most of such items will be rotated through existing missions.**

29. UNLB prepares SDS for shipment based on material release orders received from Headquarters. Once ready for shipment, equipment may still remain at UNLB for months awaiting shipping authorization from receiving missions. To remedy this constraint, and to facilitate the rapid deployment of SDS, the Secretariat and UNLB will dispatch stocks to new missions based on a deployment concept. **The Secretariat will establish a practice of issuing material release orders to UNLB with account codes obtained from the respective missions for charging shipment expenses. All release orders issued for shipments from SDS and United Nations reserve stocks will incorporate clear priority and realistic required delivery dates.**

30. The inventory of medical SDS is stored, maintained, shipped and replenished under a contract with a commercial distributor. This arrangement has proved to be efficient and effective in that all necessary medical equipment and supplies have arrived at missions on the requisite dates. Additionally, the initiative to integrate the inventory of medical SDS into a commercial contract has the inherent benefits of mission-wide standardization, life-cycle management and timely support to other missions. **Outsourcing of medical SDS has proven to be more efficient and cost-effective.**

31. The introduction of SDS has dramatically increased activity at UNLB. Efforts are under way to enlarge the facilities in Brindisi to the neighbouring San Vito air

base. UNLB has dedicated three warehouses for SDS and has markedly improved its material management capacity. As the volume and pace of operations has increased, new bottlenecks in receiving, inspecting, testing, integrating, consolidating and dispatching of materials have emerged. UNLB has proposed the regularization of 64 temporary staff with core functions to help meet the target of a single deployment of SDS in a year, as defined in their 2005-2006 budgetary proposals. **Increasing the rate at which stocks are delivered above current levels will require modern approaches to material management. Also, additional surge requirements that exceed UNLB capacity, including temporary hiring of additional contracted support, will need to be resourced using the budgets of the receiving missions if they exceed planned levels of UNLB support.**

32. Material management processes at UNLB need to accommodate the volume and the rate of SDS movements. For example, receipt and inspection activities at UNLB currently act as a constraint, with processing times of 4 to 6 weeks affecting the rapid reconfiguration and redeployment of SDS. Increasing the speed of delivery of the stocks will require a review of all material management processes and the organizational structure of UNLB. Receipt and inspection is an important function through which the status and identification of equipment can be ascertained by incorporating new assets and expendables into the United Nations inventory management system. The receipt and inspection function and related activities at UNLB improve the quality and operability of equipment received in the missions and provide a value-added service. If SDS arrives pre-inspected from UNLB in sealed containers or otherwise intact, the receipt and inspection processes in the missions could be greatly reduced. However, current methodology requires extensive manual handling, 100 per cent inspection and labelling of all assets and 30 to 100 per cent inspection of all expendables. **All aspects of material management require development at UNLB and at new mission start-ups in order to support rapid and frequent deployment of SDS.**

33. Since many stock items are received from the suppliers in bulk, they require consolidating, assembling, testing, marking and repackaging prior to deployment. This includes the testing of vehicles and generators, unit packaging of furniture, assigning bar codes for items, intermediate packaging and the packing of shipping containers. New missions are less equipped to provide this service in a timely manner, and vendors have limited ability to modify equipment to peacekeeping specifications. **System integration is essential prior to the release of SDS from UNLB.**

34. As of now, the tracking of SDS shipments is not fully automated. For example, shipments are bar coded for end-use inventory management purposes only. Shipments do not carry bar codes to facilitate dispatch and tracking during transit. The use of bar coding or equivalent automatic identification of shipments would improve dispatch, tracking and receipt of SDS at missions. The current automated material management systems at UNLB also require an upgrade. **There is a need to introduce contemporary logistics management practices and to adapt them to meet the material management requirements at UNLB and at missions.**

35. The infrastructure of ports and airports in the areas of operation of new missions are invariably damaged and have very limited cargo handling capacity. This, combined with the lack of availability of material handling equipment in the missions at the time of start-up, chokes the flow of SDS as most of the heavy equipment and vehicles are usually shipped from UNLB in 20-foot sea-containers.

There is a need to ship SDS in smaller shipping units to locations that do not have adequate handling equipment. In addition, both the SDS programme and troop-contributing countries will deploy material handling equipment at an early stage of mission deployment.

36. Recent deployments of SDS have provided valuable lessons in cargo management in terms of stuffing, marking, dispatching and security of containerized cargo. **All high value cargo will be kept in containers. All containers will have prominent external markings for their quick identification.**

37. For immediate operationalization of SDS to missions, UNLB has developed its capacity to deploy technical support teams to assist and train mission staff in the immediate deployment of the stocks. **The concept of technical support teams needs to be institutionalized.**

38. Receiving missions require early notification about SDS equipment and its movements. **The Galileo inventory management system will be implemented in all new missions prior to the arrival of major items of SDS.**

39. AT UNMIL, the scarcity of staff required for receipt and inspection at the mission start-up was a major constraint. Despite staffing shortfalls, ships and aircraft were offloaded in a timely manner, although the receipt, inspection and consequently the issue of United Nations-owned equipment was delayed, affecting mission deployment schedules, in particular to the sectors. **Adequate receipt and inspection capacity must be built into the rapid deployment teams, and the staff required for port operations and receipt and inspection of SDS must be deployed prior to arrival of shipments of stocks in the mission area.**

40. The changing operational environment is posing new material challenges to existing peace operations. For example, security-related SDS equipment has been shipped to existing operations to upgrade minimum operational security standards (MOSS). **The practice of supporting existing missions with SDS on a case-by-case basis has proved to be beneficial.**

V. Conclusion

41. Strategic deployment stocks are beneficial both in increasing the speed of deployment and in helping to overcome the equipment shortfalls of troop-contributing countries. Meeting the challenges of rapid deployment will not be easy and will require the continued collaborative support of Member States to make United Nations peacekeeping an effective instrument in helping to end violent conflict and build peace where it is most needed.

42. The Secretariat is committed to developing the United Nations rapid deployment capacity and material readiness and will continue to monitor the issues identified in the present report and to inform Member States of developments through the reviews of UNLB and the performance reports of the receiving missions.

43. The Secretariat will continue to develop the management capacity of UNLB and the composition of SDS to accommodate the changing operational environment of peacekeeping. This will require continuous adjustments through replenishment, rotation, new procurement and transfers of items from United Nations reserve stocks. The Secretariat is defining procedures on SDS items transferred from United Nations reserve stocks and other sources.

VI. Actions to be taken by the General Assembly

44. It is requested that the General Assembly:

(a) Take note of the present report and acknowledge the completion of the implementation of the SDS programme;

(b) Approve the use of savings derived from liquidation of SDS obligations and the unspent balance to cover losses on currency exchange and replenishment of the stocks;

(c) Approve the inclusion of SDS replenishment within the \$50 million commitment authority;

(d) Authorize the Secretary-General, on an exceptional basis, with prior concurrence of the Advisory Committee on Administrative and Budgetary Questions and subject to the Financial Rules and Regulations of the United Nations, to enter into commitments over and above the \$50 million for replenishment of SDS in respect of the start-up phase of a new peacekeeping mission, to be financed from within the authorized level of the Peacekeeping Reserve Fund.
