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Report on the activities of the Office of Internal Oversight Services

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

Activities of the Office of Internal Oversight Services: review and evaluation of strategic deployment stocks

Report of the Office of Internal Oversight Services

Summary

Pursuant to General Assembly resolution 70/288, the Office of Internal Oversight Services (OIOS) conducted a review and evaluation of strategic deployment stocks. OIOS evaluated the extent to which the establishment of strategic deployment stocks contributed to faster mission start-up and expansion. The review examined historical utilization trends, as well as the current level, size and composition of strategic deployment stocks. It also analysed the effectiveness of existing governance/management structures, as well as the relevance of, and adherence to, existing policies and procedures.

The concept of strategic deployment stocks was established by the General Assembly in 2002. It was conceived as part of a strategic reserve to achieve full deployment of peacekeeping operations within 30 to 90 days after the approval by the Security Council of a mandate and to comprise items with long production, procurement and delivery timelines.

More than $526 million in strategic deployment stocks have been issued since their establishment. Strategic deployment stocks have supported the start-up of all peacekeeping operations, as their primary source of assets, with very positive stakeholder responses with respect to many facets of their performance. The concept has been expanded to cover special political missions and existing peacekeeping operations to rotate stock at risk of obsolescence.

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OIOS found that delivery of strategic deployment stocks within the stipulated period was rare. Contrary to what was envisaged in the concept document (A/56/879), the process commenced only after the approval by the Security Council of a mandate. Specific advance notice and funds were not provided. Sea and land transportation delayed deployment, as did the absence of systems contracts for freight forwarding. When items from strategic deployment stocks were delivered, missions lacked the capacity to install them.

Stakeholders were satisfied with the composition of the strategic deployment stocks, but highlighted issues that arose with respect to rapid technological change and choice. Interviews disclosed competing priorities between standardization/cost-efficiency considerations and missions' preferences for customized technical specifications.

The composition of the strategic deployment stocks is not fully aligned with start-up needs and modularization requirements. It also includes a large number of items for which the procurement lead time is shorter than 90 days. It is therefore questionable whether those items needed to be included in the stocks. Vendor-managed inventory, which had the potential of reducing physical stock and stock obsolescence, was consistently advocated, but resisted.

Management structures for strategic deployment stocks were not effective and did not enable end-to-end service for rapid deployment. The finalization of systems contracts was severely delayed, owing in part to limited technical proficiency in writing specifications. The clearing house policy was not effectively implemented and the United Nations Logistics Base at Brindisi, Italy, was unable to rotate strategic deployment stocks valued at least $1 million to missions.

Ultimately, the review showed a tension between the difficulty of predicting when new missions would start and the costs of keeping a permanent stock, with the implied possibility of underutilization and financial loss. This needs to be addressed by Member States, given the current reality of constrained resources for peacekeeping.

OIOS makes the following recommendations:

(a) **Recommendation 1**. The Department of Field Support should update and revise the strategic deployment stocks concept, its assumptions and related policies, in the context of supply chain management and ongoing initiatives affecting mission start-up, to ensure rapid deployment. The revised concept should be presented as a proposal to Member States;

(b) **Recommendation 2**. The Department of Field Support should review the current composition of the strategic deployment stocks to ensure that: (i) their level and size are based on start-up needs; (ii) they are aligned with the concept of modularization; and (iii) items with procurement lead times shorter than 90 days that are not components of modules are excluded and procured through contractual arrangements;

(c) **Recommendation 3**. The Department of Field Support and the Department of Management should implement measures to ensure that systems contracts for strategic deployment stocks remain current;

(d) **Recommendation 4**. The Department of Field Support should implement measures to reconcile, review and report on an annual basis on the write-off and replenishment of strategic deployment stocks;

(e) **Recommendation 5**. The Department of Field Support should report to legislative bodies for appropriate action the full details of the net transfer of strategic deployment stocks valued at $16.7 million to the United Nations reserve and UNLB inventory.

The Department of Field Support and the Department of Management accepted all of the recommendations and provided an action plan for implementation.

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List of abbreviations and acronyms

AFISMA/MINUSMA	African-led International Support Mission in Mali/United Nations Multidimensional Integrated Stabilization Mission in Mali
BINUCA	United Nations Integrated Peacebuilding Office in the Central African Republic
BONUCA	United Nations Peacebuilding Support Office in the Central African Republic
MINURCAT	United Nations Mission in the Central African Republic and Chad
MINURSO	United Nations Mission for the Referendum in Western Sahara
MINUSCA	United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic
MINUSMA	United Nations Multidimensional Integrated Stabilization Mission in Mali
MINUSTAH	United Nations Stabilization Mission in Haiti
MISCA	African-led International Support Mission in the Central African Republic
MONUSCO	United Nations Organization Stabilization Mission in the Democratic Republic of the Congo
OIOS	Office of Internal Oversight Services
OJSRS	Office of the Joint Special Representative of the United Nations and the League of Arab States for Syria
ONUB	United Nations Operation in Burundi
OPCW-UN	Joint Mission of the Organization for the Prohibition of Chemical Weapons and the United Nations for the Elimination of the Chemical Weapons Programme of the Syrian Arab Republic
UNAMA	United Nations Assistance Mission in Afghanistan
UNAMI	United Nations Assistance Mission for Iraq
UNAMID	African Union-United Nations Hybrid Operation in Darfur
UNDOF	United Nations Disengagement Observer Force
UNFICYP	United Nations Peacekeeping Force in Cyprus
UNIFIL	United Nations Interim Force in Lebanon
UNIOGBIS	United Nations Integrated Peacebuilding Office in Guinea-Bissau

UNISFA	United Nations Interim Security Force for Abyei
UNLB	United Nations Logistics Base at Brindisi, Italy
UNMIK	United Nations Interim Administration Mission in Kosovo
UNMEER	United Nations Mission for Ebola Emergency Response
UNMIL	United Nations Mission in Liberia
UNMIN	United Nations Mission in Nepal
UNMIS	United Nations Mission in the Sudan
UNMISS	United Nations Mission in South Sudan
UNMIT	United Nations Integrated Mission in Timor-Leste
UNMOGIP	United Nations Military Observer Group in India and Pakistan
UNOCA	United Nations Regional Office for Central Africa
UNOCI	United Nations Operation in Côte d'Ivoire
UNRCCA	United Nations Regional Centre for Preventive Diplomacy for Central Asia
UNSMIL	United Nations Support Mission in Libya
UNSMIS	United Nations Supervision Mission in the Syrian Arab Republic
UNSOS/UNSOA	United Nations Support Office in Somalia/United Nations Support Office for the African Union Mission in Somalia
UNTSO	United Nations Truce Supervision Organization

I. Introduction

1. The General Assembly, in resolution 70/288, requested the Secretary-General to entrust the Office of Internal Oversight Services (OIOS) with the conduct of a review and evaluation of strategic deployment stocks and to report thereon to the General Assembly at the second part of its seventy-first session, with a view to the Assembly taking a decision on the write-off and replenishment of strategic deployment stocks.

II. Scope and methodology

2. OIOS evaluated the extent to which the establishment of strategic deployment stocks contributed to faster mission start-up and expansion and assessed the efficiency of the strategic deployment stocks process. It examined historical utilization trends and reviewed the current level, size and composition of the strategic deployment stocks to determine whether underlying assumptions were still valid. OIOS also analysed the effectiveness of existing governance/management structures, as well as the relevance of, and adherence to, existing policies and procedures.

3. The Internal Audit Division and Inspection and Evaluation Divisions of OIOS carried out the review and evaluation jointly. The review and evaluation covered the period from 2002 to 2016. To ensure credibility, OIOS relied on the triangulation of data collected through:

(a) Reviews of policies, guidelines and performance reports;

(b) Secondary data analysis of figures related to strategic deployment stocks;

(c) Semi-structured interviews with the Department of Field Support staff at Headquarters and the United Nations Logistics Base at Brindisi, Italy (UNLB), mission support staff in selected peacekeeping operations and staff in the Procurement Division of the Department of Management;

(d) Surveys of Directors/Chiefs of Mission Support in peacekeeping operations and special political missions.[1]

4. Comments by the Department of Field Support and the Department of Management on the draft report were sought and taken into account in the preparation of the final report. Their formal responses are contained in the annex to the present report.

III. Background

Strategic deployment stocks were established in 2002

5. Rapid mission deployment has been on the Organization's agenda for more than 20 years. The Special Committee for Peacekeeping Operations has regularly addressed this issue, reiterating that "the Secretariat must have the capacity to act in

[1] The survey was sent to 212 staff; the response rate was 41 per cent.

a timely manner on the three critical and interdependent aspects of rapid deployment — personnel, materiel readiness and funding — once it becomes clear that a peacekeeping operation is likely to be established" (see A/57/767, para. 81).

6. Responding to a recommendation by the Panel on Peacekeeping Operations that full deployment of peacekeeping operations should be achieved within 30 to 90 days after approval by the Security Council of a mandate, the Secretary-General, in 2002, proposed the concept of strategic deployment stocks (see A/56/870), which was endorsed by the General Assembly in its resolution 56/292.

7. Strategic deployment stocks were conceived as part of a strategic reserve, which also included standby arrangements with Member States for military and police personnel, a roster of key civilian personnel and a pre-mandate commitment authority.

8. Strategic deployment stocks would comprise items requiring long production, procurement and delivery times, such as vehicles, prefabricated buildings and communications equipment. Items with a shorter lead time would be procured through systems contracts or a procurement exercise. The Secretary-General indicted that the use of retainer contracts would be explored based on a cost-benefit analysis (ibid., para. 17).

9. The concept was based on a specific countdown sequence, with the date of adoption of a Security Council resolution establishing a new mission designated as "D-day". The shipment of strategic deployment stocks was to be prepared 15 days before and dispatched to the mission on D-day. Deployment of the mission was to be completed 30 to 90 days following the adoption of the resolution.

10. The General Assembly approved the concept for one complex mission (11,000 uniformed personnel and 950 staff) and approved an amount of $141.5 million for the strategic deployment stocks.

Since 2007, there have been major changes in the scope, governance and focus of strategic deployment stocks

11. In 2007, the Secretariat issued a policy that expanded the use of strategic deployment stocks to include support to existing peacekeeping operations and special political missions.

12. In 2010, the General Assembly allowed the $50 million pre-mandate commitment authority to be used solely for strategic deployment stocks without immediate replenishment by the mission, and provided for an additional $100 million to be drawn separately from the Peacekeeping Reserve Fund, with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions (see General Assembly resolution 64/269, sect. VI, paras. 8 and 9).

13. In 2012, the management of the strategic deployment stocks was transferred from Headquarters to UNLB, with some residual elements (e.g., management of transport and medical assets and responsibility for systems contracts) remaining in Headquarters.

Strategic deployment stocks are embedded within larger organizational initiatives

14. Strategic deployment stocks were identified in the global field support strategy as one of the avenues to support the modularization approach for living and working facilities in missions.

15. Strategic deployment stocks are influenced by other processes, including ongoing initiatives on rapid deployment capability and supply chain management. Umoja Extension 2 is also expected to usher in a new era of materials management, which would impact strategic deployment stocks.

IV. Results

A. Strategic deployment stocks have significantly contributed to the start-up and expansion of peacekeeping operations and, to a lesser extent, of special political missions

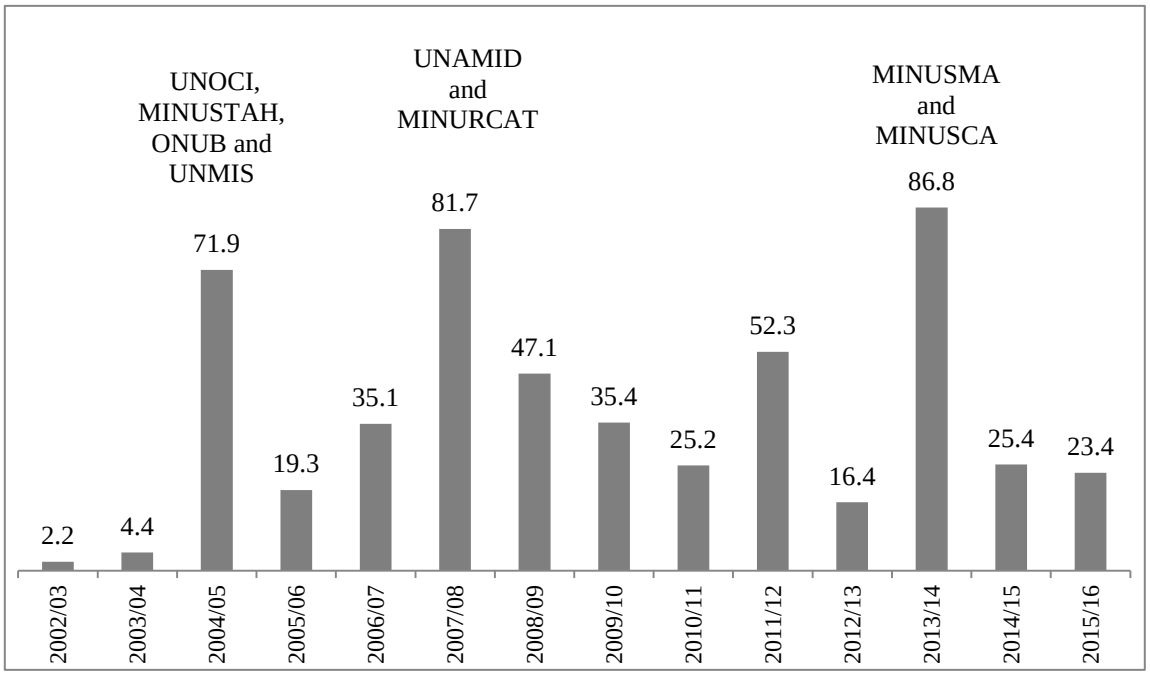
Since 2002, strategic deployment stocks valued at more than $526 million have been issued

16. Since 2002, strategic deployment stocks valued at $526.6 million (at historic cost) have been issued. As of 2016, missions had replenished a total of $659.2 million[2] (25 per cent more than the historic cost), including adjustment for inflation and freight and shipment costs from the vendor to UNLB.

17. The amount of strategic deployment stocks issued has varied greatly in each fiscal year, ranging from $2.2 million to $86.8 million per year (at historic cost), the variation being linked to the start-up (or absence thereof) of new peacekeeping operations.

[2] OIOS analysis of data from performance reports on the budgets of UNLB from 2002/03 to 2014-2015.

Figure I
Issuance of strategic deployment stocks from 2002/03 to 2015/16 (historic cost)
(Millions of United States dollars)



Source: OIOS analysis of data from UNLB.

Strategic deployment stocks supported the start-up of 35 missions

18. Strategic deployment stocks supported the start-up of all 15 peacekeeping operations established since 2002, including missions supported by the Department of Field Support in Somalia. The average amount of strategic deployment stocks issued during the first year of operation of missions was $16.5 million (ranging from $0.3 million for UNMIL to $49 million for UNAMID). For the entire start-up period,[3] the average amount of strategic deployment stocks was $23.2 million (ranging from $3.2 million for UNMIL and UNMISS to $57.9 million for UNMIS).

[3] While the strategic deployment stocks concept document (A/56/870) alluded to start-up as a one-year period, the strategic deployment stocks policy indicated that support for start-up would be provided until missions achieved the readiness to sustain their operations, which took one to three years.

Table 1
Strategic deployment stocks for start-up of peacekeeping operations and Department of Field Support missions
(Millions of United States dollars)

Mission	*Established*	*Strategic deployment stocks (first year)*	*Strategic deployment stocks for start-up (cumulative figure)*
UNMIS	2005	41.2	57.9
MINUSCA	2014	34.8	54.3
UNAMID	2007	49.0	51.6
MINURCAT	2007	29.8	51.2
AFISMA/MINUSMA	2012	47.4	49.4
UNSOA/UNSOS	2009	19.0	25.9
ONUB	2004	2.5	13.5
MINUSTAH	2004	1.2	9.7
UNSMIS	2012	7.3	7.3
UNMIT	2006	6.5	6.5
UNISFA	2011	2.1	5.7
UNOCI	2004	0.9	4.5
MONUSCO	2010	3.5	3.5
UNMISS	2011	1.9	3.2
UNMIL	2003	0.3	3.2

Source: OIOS analysis of data from UNLB.

19. Strategic deployment stocks also supported the start-up of 17 special political missions and 3 other entities.[4] The average amount of strategic deployment stocks issued for the start-up of special political missions and other entities was $0.9 million, with a maximum of $8 million (UNMIN).

[4] The United Nations Mission for Ebola Emergency Response (UMEER), the International Independent Investigation Commission/Special Tribunal for Lebanon and the Organization for the Prohibition of Chemical Weapons-United Nations Joint Investigative Mechanism.

Table 2
Strategic deployment stocks for start-up of special political missions and other entities (top 10 in terms of the amount received)
(Millions of United States dollars)

	Established	*Strategic deployment stocks (first year)*	*Strategic deployment stocks for start-up (cumulative figure)*
UNMIN	2007	7.9	8
UNSMIL	2009	6.6	6.6
UNMEER	2014	3.2	3.2
UNAMI	2003	0.07	3.1
Organization for the Prohibition of Chemical Weapons-United Nations Joint Investigative Mechanism	2013	1.6	3
UNIOGBIS	2009	2.1	2.5
BINUCA/BONUCA	2009	0.2	0.5
UNRCCA	2007	0.004	0.5
International Independent Investigation Commission/Special Tribunal for Lebanon	2005	0.03	0.4
UNOCA	2011	0.2	0.3

Source: OIOS analysis of data from UNLB.

Strategic deployment stocks were the primary source of assets for the start-up of peacekeeping operations and third in importance for other entities

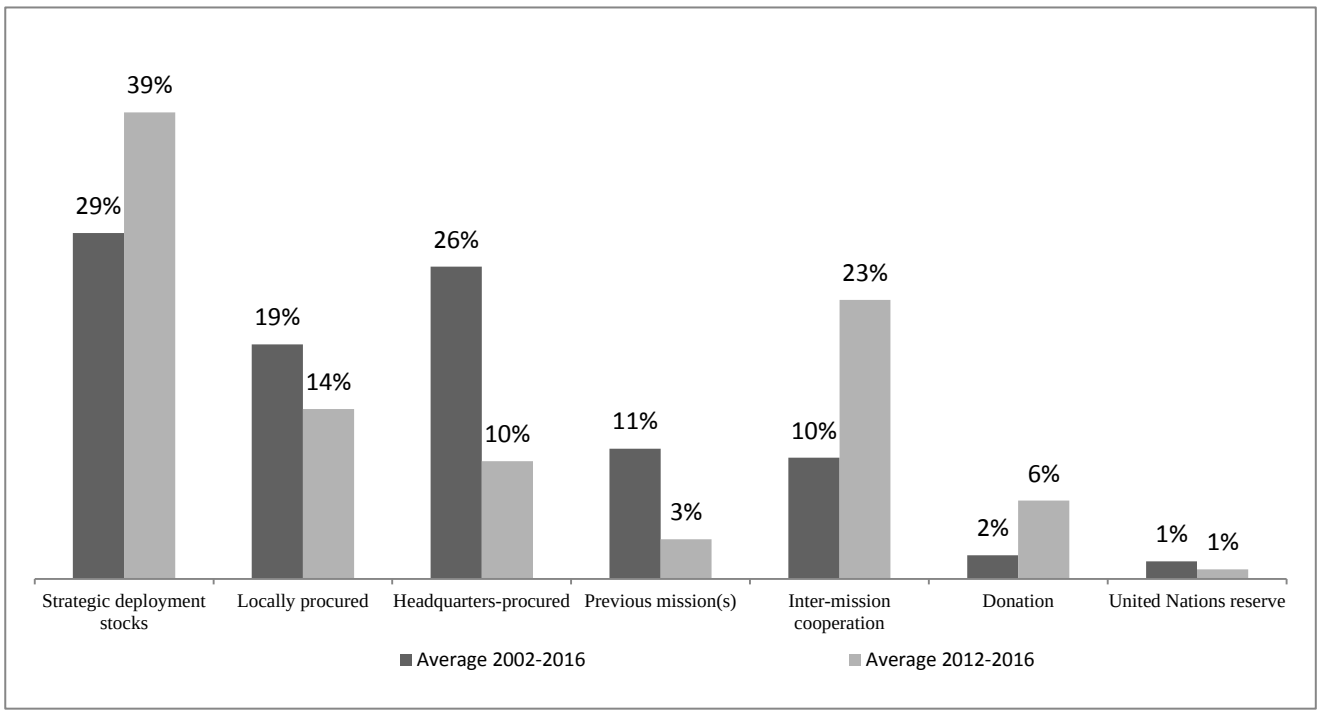
20. A large number of survey respondents reported having used strategic deployment stocks for start-up to “some” (44 per cent of respondents) or “a significant” (33 per cent of respondents) extent.

21. From 2002 to 2016, strategic deployment stocks represented 29 per cent of the assets used by peacekeeping operations in their first year of establishment,[5] followed by items procured by Headquarters,[6] locally procured items and items from previous missions in the same country. In the last five years, the importance of strategic deployment stocks as a source increased to 39 per cent (see fig. II). Inter-mission cooperation also increased, while items procured by Headquarters, items from previous missions and, to a lesser extent, local procurement decreased.

[5] The breakdown of asset sources was available for 10 peacekeeping operations and 16 special political missions and other organizations.

[6] Before the implementation of Umoja, this included all items purchased by Headquarters. Subsequently, this included anything procured through systems contracts.

Figure II
Sources of assets for peacekeeping operations (first year)



Source: OIOS analysis of data from UNLB.

22. Strategic deployment stocks represented the third source of assets for special political missions and other entities (13 per cent of the total), after assets from previous missions in the same country (49 per cent) and local procurement (18 per cent).

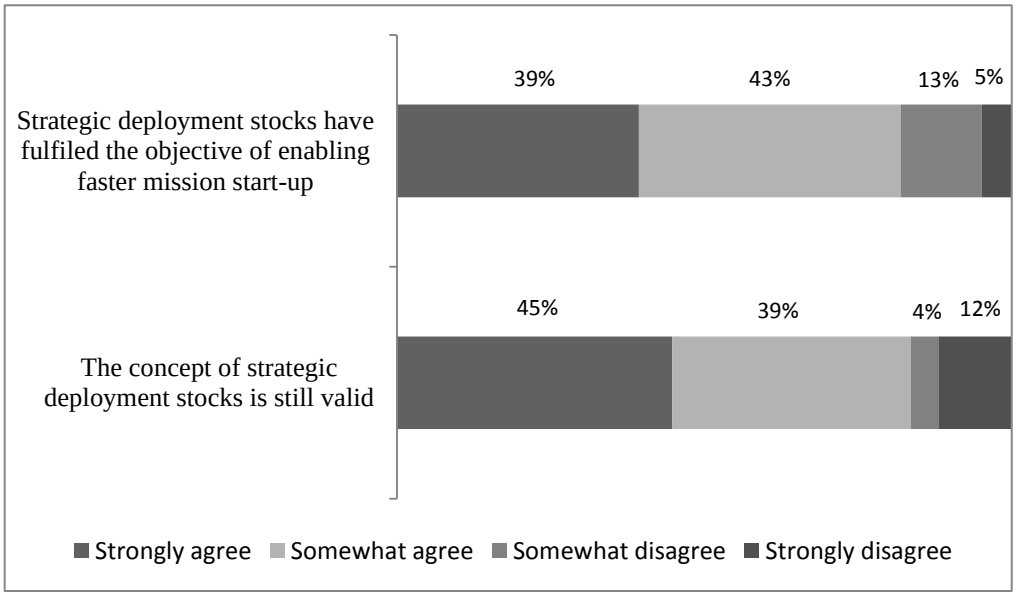
23. The missions that relied most heavily on strategic deployment stocks in their first year included UNSMIL (81 per cent), MINURCAT (68 per cent), UNSCOL (58 per cent) and UNSOA (53 per cent). Strategic deployment stocks represented 39 and 37 per cent, respectively, of the assets of MINUSMA and MINUSCA in their first year of operations.

Stakeholders perceived that strategic deployment stocks had enabled faster mission start-up

24. Eighty-two per cent of survey respondents considered strategic deployment stocks successful in enabling faster mission start-up. Sixteen interviewees (47 per cent) volunteered that strategic deployment stocks had also played an important role in emergency response. Interviewees labelled strategic deployment stocks as “critical” and “a must-have”, especially in light of the “limited capacities” of some contingents. Prominent positive examples included the support to MINUSTAH after the 2010 earthquake, as well as the start-up of UNMEER and MINUSCA.

25. Eighty-one per cent of survey respondents indicated that strategic deployment stocks would be their first choice when starting or expanding a mission.

Figure III
Survey responses on the validity and effectiveness of strategic deployment stocks



Source: OIOS survey.

B. Strategic deployment stocks have not contributed to faster mission start-up and expansion within the stipulated 90-day period

The Organization has inconsistently and inaccurately reported on delivery timelines for strategic deployment stocks

26. Until 2013/14, the Organization used the identification and deployment, within 90 days of Security Council mandate, of strategic deployment stocks to measure the rapid deployment and establishment of peacekeeping operations in response to Security Council mandates.[7] The indicator then changed to "90 days from the issuance of Headquarters instructions to the Global Service Centre" (see A/69/585), in essence relaxing the performance parameters set in the original concept. In addition, the reporting language varied from year to year, with "strategic deployment stocks issued and shipped" used one year and "strategic deployment stocks were identified and deployed" in the next, leaving an unclear picture of what had been achieved within 90 days of the approval of the mandate.

27. The Department of Field Support reported that all deployment occurred within 90 days of Headquarters instructions. Based on analysis by OIOS, this appears incorrect (see fig. IV). As indicated in internal performance documents and

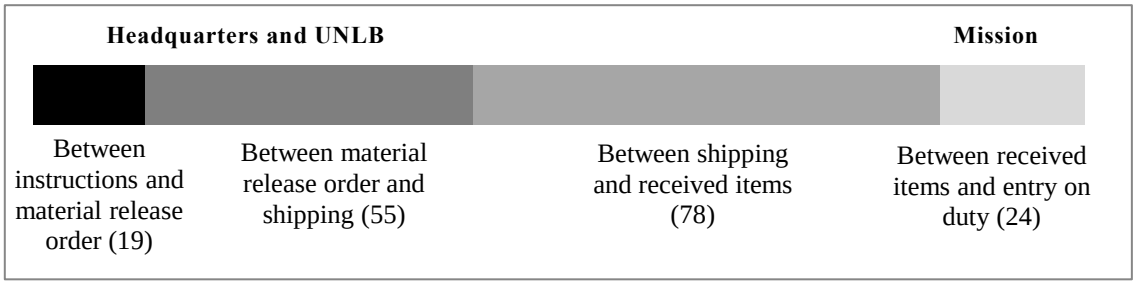
[7] Used in the results-based budgeting framework for UNLB (see, for example, A/64/575).

confirmed in interviews with strategic deployment stocks managers, the reporting covers only the phase between the receipt of Headquarters instructions and the shipment (for which UNLB is responsible). This is contrary to the definition of deployment given in the strategic deployment stocks policy directive and the spirit behind the creation of strategic deployment stocks for rapid deployment of missions, indicating fragmentation within the Department.

Delivery of strategic deployment stocks to missions within 90 days of Headquarters instructions was rare

28. Based on data provided by UNLB, OIOS calculated that the delivery of strategic deployment stocks to missions occurred, on average, 152 days after the Headquarters' instructions, with entrance on duty (the day on which equipment is ready to be used) 24 days later (see fig. IV).

Figure IV
Strategic deployment stocks process phases, average number of days, 2002-2016



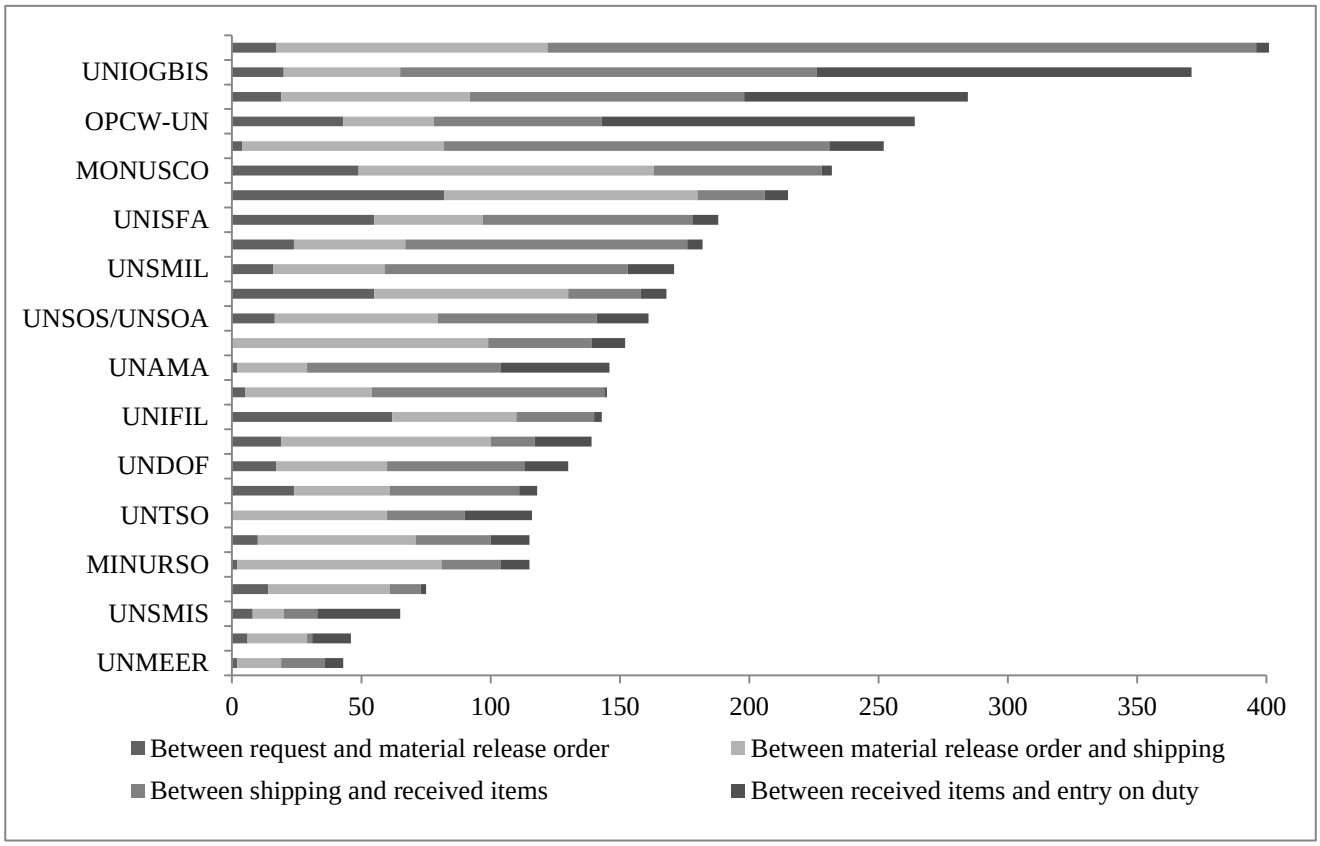
Source: OIOS analysis of data from UNLB.
Note: Data related to the phase "between instructions and material release order" were available only for 2012-2016.

29. Since 2012, only 4 of the 30 missions analysed have had an average delivery time of less than 90 days from the issuance of Headquarters instructions: UNMEER, UNSMIS, UNFICYP and UNMIK. No complex peacekeeping operation in start-up phase received the full complement of strategic deployment stocks, on average, within 90 days.

30. The entry on duty of strategic deployment stocks varied significantly by mission, ranging from 5 to 995 days from the material release order, with an average of 142 days and a 70 per cent coefficient of variation. In the case of MINUSMA and MINUSCA, entry on duty within 90 days occurred in 26 and 2 per cent of the cases, respectively.

31. Several factors appeared to have contributed to the variation among missions (see fig. V), including the number and complexity of shipments for large peacekeeping operations versus other missions, the shipment mode (air vs sea) and the geographic proximity of the mission to UNLB.

Figure V
Delivery time by mission, 2012 to 2016
(Number of days)

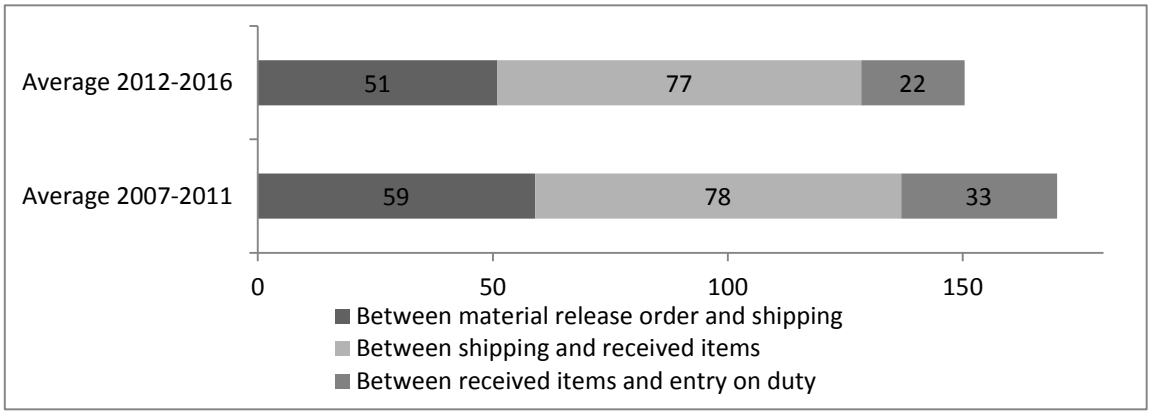


Source: OIOS analysis of data from UNLB.

Parts of the strategic deployment stocks process have become more efficient

32. The strategic deployment stocks process has become more efficient since 2012. Efficiency gains were seen in the dispatch of strategic deployment stocks from UNLB (particularly between release of the voucher and shipment) and in the post-delivery time in missions. The time needed for shipment and transportation remained the same (see fig. VI).

Figure VI
Strategic deployment stocks delivery time, from material release order to entry on duty
(Number of days)



Source: OIOS analysis of data from UNLB.
Note: The data on the time from the request to the material release order presented inaccuracies and consequently could not be used.

33. Sixty per cent of survey respondents confirmed that the delivery of strategic deployment stocks had "somewhat" or "greatly" improved over time.

Stakeholders perceived the delivery of strategic deployment stocks as timely

34. In contrast with empirical data, 85 per cent of survey respondents reported that strategic deployment stocks items were delivered "mostly" or "always" in a timely manner, with minor differences in perception among respondents who used strategic deployment stocks for start-up, expansion or routine sustainment of operations (see table 3). This can be explained in part by the favourable light strategic deployment stocks is seen in when compared to what respondents consider a generally slower procurement process. Ninety-three per cent of survey respondents perceived the strategic deployment stocks process as "somewhat" or "much" faster than general procurement. The high level of satisfaction was less evident during interviews.

Table 3
Perceptions of timeliness of strategic deployment stocks delivery
(Percentage)

	Always timely	*Mostly timely*	*Mostly not timely*	*Not timely at all*
Start-up	18	67	4	11
Expansion	13	70	4	13
Routine sustainment of operations	18	69	3	10

Source: OIOS survey.

Multiple factors have impeded the rapid deployment of strategic deployment stocks

Some planning requirements have not been complied with, and the strategic deployment stocks process did not start before the issuance of the mandate

35. Under the strategic deployment stocks concept, the Assistant Secretary-General is required to issue warning orders 60 days before approval of a mandate by the Security Council. Although internal discussion on mission planning occurs before the approval of the mandate, warning orders have never been issued, resulting in a different metric for measuring the beginning of start-up than the one envisaged in the original concept. Senior management of the Department of Field Support agreed that warning orders had been overtaken by events. A 2010 external review of the strategic deployment stocks[8] noted that the lack of warning orders limited the possibility to procure items directly from vendors.

36. The strategic deployment stocks concept was predicated on the fact that funds would be made available through a $50 million commitment authority. However, before 2010, the Secretariat was limited in the use of these funds, which needed to be replenished immediately and balanced against other (non-strategic deployment stock) priorities, including transport and personnel entitlements. In addition, with two exceptions (UNSOA and UNMEER), OIOS could not find evidence that the Secretary-General's commitment authority had been used for mission start-up before the issuance of a mandate.[9]

Delays in the finalization of material resourcing plans affected the timeliness of shipment

37. Material resourcing plans, which are expected to be finalized 50 days before approval of the mandate, were completed, on average, 53 days after approval of the mandate. For example, the material resourcing plan for MINUSMA was finalized nearly 60 days after the mandate was approved, leading to delayed shipment, starting four months after the adoption of the resolution by the Security Council. In MINUSCA, strategic deployment stocks were shipped starting in July and August 2014, taking advantage of the warning provided by the Security Council when it established MISCA, suggesting that lessons had been learned.

38. When interviewed, senior management of the Department of Field Support emphasized the need for increased efficiency in planning, particularly in terms of needs and gap analysis, and acquisition planning. The appointment by the Secretary-General of a lead planner for missions was advocated.

[8] In 2010, the Department of Peacekeeping Operations and the Department of Field Support asked an external consulting group to conduct a strategic overview, assessment and capability analysis of the strategic deployment stocks.

[9] According to the Department of Peacekeeping Operations/Department of Field Support 2016 policy on planning and review of peacekeeping operations, the Department of Field Support consults with the Controller on a draft commitment authority proposal to be ready for approval as soon as possible after the mandate is approved by the Security Council.

Transport by sea and land was time consuming and was delayed by the lack of systems contracts for larger freight forwarding

39. Transportation time emerged as the critical variable explaining the delivery time differences among missions, with a higher standard deviation than the other phases (see figs. VI and VII).

40. For reasons of economy, 57 per cent of the shipments of strategic deployment stocks since 2012 have been by sea and road. Twenty survey respondents stated that the length of time for delivery and delays in delivery — and challenges with respect to supply routes and customs clearance procedures at times — were the main challenges their missions faced with strategic deployment stocks. Transportation proved particularly time-consuming when the missions were located in land-locked countries, away from major ports and with poor quality roads, which often resulted in delivery of damaged items. Interviewees provided examples of air conditioners and generators arriving in the missions six to eight months after the placement of an order.

41. Shipment by air was restricted because it was more expensive. United Nations chartered flights or flights made available by Member States were used for all strategic deployment stock shipments to UNMEER and, to a lesser extent, to other missions such as UNMISS (54 per cent) and MINUSCA (38 per cent).

42. Interviewees cited the lack of systems contracts for air and sea shipments costing more than the $40,000 established threshold, and/or the absence of transport provisions in current systems contracts, as the cause of further delays. This meant that missions had to go through a regular bidding process for freight services, which could last up to four months. In 2005 and 2008, OIOS recommended the establishment of systems contracts for freight forwarding of strategic deployment stocks. The recommendation was only partially implemented, and with significant delays. Eight years later, in September 2016, an expression of interest was created, eliciting 120 responses. Statements of work are under development but still incomplete.

43. Seven senior managers at Headquarters and the missions, and one in UNLB, recommended that consideration be given to alternate geographic locations for the storage of strategic deployment stock items, closer to the missions' theatre of operations.

Missions lacked capacity to receive, inspect and set up strategic deployment stocks

44. Despite some recent improvements, the installation of strategic deployment stocks equipment by missions has taken, on average, 22 days (see fig. VI). The successful delivery of strategic deployment stocks items did not automatically translate into actual use, as missions in the start-up phase generally lacked the requisite capacity to receive, inspect and install the equipment.

45. Sixty-one per cent of survey respondents indicated that they lacked the capacity to install equipment, in particular communications and engineering items. For example, in 2013, MINUSMA received 813 20-foot sea containers in three months, but had only 17 engineers and 14 movement control staff to enable the actual use of materials. As a result, some delivered items remained in unopened

containers. In MINUSCA, the Chief Engineer and the Chief of Movement Control joined the mission five months after its establishment. Receiving capacity was similarly lacking in other missions, such as UNMIS, UNAMID and UNSOA.

46. While specifically required under the strategic deployment stocks policy, the establishment of mission support teams to assist in the set-up of items was insufficiently resourced. Furthermore, mission support teams were not deployed for adequate periods of time.[10] To enhance the support to missions for the installation of items, UNLB considered engaging the United Nations Office for Project Services, but the request was not supported by the Department of Field Support.

47. In the 2010 external review, it was stressed that, absent an enabling capacity, strategic deployment stocks process could not be considered a customer-focused process.

Responsibilities and tracking procedures were not clearly defined

48. The delays could be also attributed to: (a) the fact that start-up took much longer than the stipulated 90 days; (b) the lack of clarity with respect to the responsibilities of each party involved in pre-deployment activities, required actions to be taken and timelines for completion; and (c) the ineffectiveness of procedures to identify bottlenecks and impediments and provide effective solutions, as different stakeholders monitored aspects under their control.

C. The concept of strategic deployment stocks has expanded

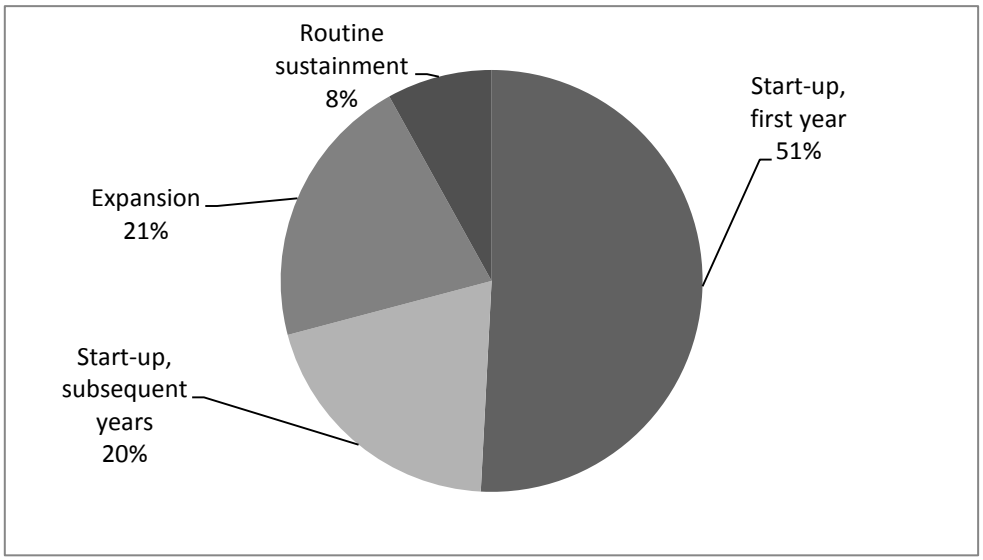
49. The 2007 strategic deployment stocks policy significantly enlarged the scope of strategic deployment stocks to include support to multiple missions until they achieve the readiness to sustain their own operations, as well as support to existing missions when this is justified by other unforeseen changes in the operational requirements. The policy also stipulated that strategic deployment stocks could be issued to existing missions to rotate stocks, as well as to special political missions and other entities if there were an extraordinary request.

50. Since 2002, strategic deployment stocks have been used to support, on average, 16 missions per year. The number of missions supported increased from 7 in 2002/03 to 25 in 2014/15.

51. Seventy-one per cent of strategic deployment stocks resources were used to support the start-up of missions, and the majority of those resources were used in the first year of operation. The remaining 29 per cent was used to support expansion and routine operations (see fig. VII). The increase in support to missions for routine sustainment is linked to the imperative of rotating stock that risks becoming obsolete or excluded from the strategic deployment stocks composition in the absence of, or decrease in the number of, new or expanding missions.

[10] Since 2011, mission support teams have been used 58 times, and a third of them were used to support start-up and expansion. However, 71 per cent of survey respondents indicated that they had not requested the assistance of mission support teams but did not specify the reason.

Figure VII
Use of strategic deployment stocks by phase



Phase	*2002 to August 2016 (Millions of United States dollars, historic cost)*
Start-up, first year	269.8
Start-up, subsequent years	106.5
Expansion	111.8
Routine sustainment	42.8
Total	**530.9**

Source: OIOS analysis of data from UNLB.

52. The 2010 external review concluded that, although forcing rotation of stocks was in line with the accounting principles for strategic deployment stocks, it was also being used for a quick turn-around on items that could not be procured fast enough through the standard procurement process.

53. The rate of issuance of such items was factored disproportionately in annual composition reviews, as described in section IV.D below.

D. Although stakeholders were generally satisfied with the composition of the strategic deployment stocks, the current composition does not reflect the requirements on modularization for mission start-up and expansion

Stakeholders were satisfied with the current composition of the strategic deployment stocks, but highlighted issues relating to rapid technological change and the choice of some items

54. Eighty-three per cent of survey respondents were "completely" or "mostly" satisfied with both the quantity and the quality of strategic deployment stock items. Seventy-four per cent indicated that the composition had been "greatly" or "somewhat" responsive to the evolving needs of the missions and had improved over time.

55. When measured in terms of monetary value, engineering and transport items emerged as the primary category of assets used during both start-up and expansion. Electronic data processing and medical items were the least used.

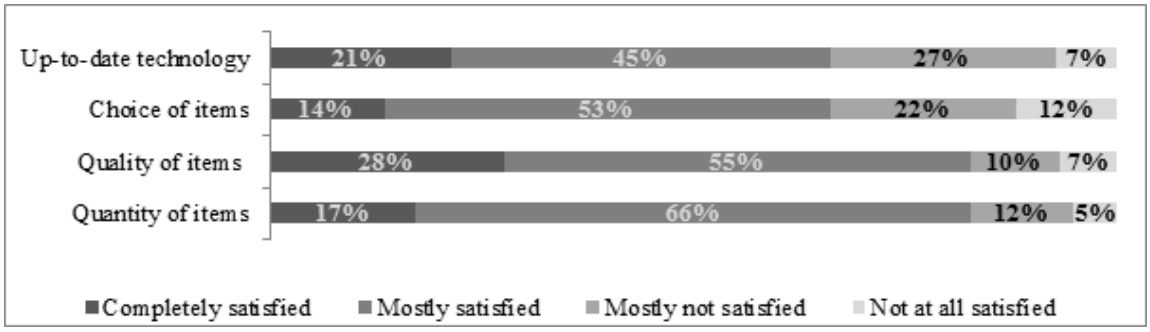
Table 4
Percentage of strategic deployment stock items used, by category and phase (2012-2016)

Category	*Start-up*	*Category*	*Expansion*
Transport	35	Engineering	41
Engineering	30	Transport	34
Communications	17	Communications	10
Supply	10	Supply	9
Electronic data processing	7	Electronic data processing	5
Medical	1	Medical	1

Source: OIOS analysis of data from UNLB.

56. A third of survey respondents were not satisfied with the choice of strategic deployment stock items, which were considered not to have kept pace with technological advancements. Fifteen interviewees' responses (44 per cent) disclosed competing priorities between standardization and cost-efficiency considerations on one side, and missions' preferences for customized technical specifications on the other. Two high-level interviewees attributed this to a lack of clarity about the main purpose of strategic deployment stocks, and considered that, without a clear concept of mission start-up, strategic deployment stocks risked becoming a "shopping list". Four interviewees pointed to inadequate planning assumptions and poorly drafted technical specifications affecting the quality of the items.

Figure VIII
Feedback of survey respondents on selected aspects of strategic deployment stocks



Source: OIOS survey.

The current composition of strategic deployment stocks does not reflect the requirements with respect to modularization for start-up and expansion of missions

57. In his 2005 report on the implementation of strategic deployment stocks, the Secretary-General noted that the composition of strategic deployment stocks was not a fixed inventory, but rather a dynamic capability that would develop over time based on updated needs as identified in annual composition reviews (see A/59/701, para. 18). In his 2011 report on progress in the implementation of the global field support strategy (A/66/591), the Secretary-General described the modularization concept and the need for the strategic deployment stocks to meet modularization requirements,[11] as reiterated by the High-level Panel on Peace Operations (see A/70/357-S/2015/682, para. 82).

58. The key planning assumptions for the annual composition reviews since 2013/14 have included the need to ensure that strategic deployment stock items are part of a modular package. In his report on the budget performance of UNLB for 2014/15, the Secretary-General stated that UNLB had finalized its annual composition review in line with modularization and mission demands (see A/70/609, para. 11 (d)).

59. The review by OIOS of the approved composition for 2015/16, however, showed that, although UNLB had considered the requirements for a 350-person advance rapidly deployable capacity, it did not address requirements for camps for 100, 200, 500 or 1,000 people. The 2015/16 strategic deployment stocks composition included 595,895 items, 54 per cent of which were not correlated to modules.

[11] The modularization requirements are pre-kitted assemblies of standardized components designed to provide a functional capability (for example, security, accommodation or power generation). A combination of these modules packaged together, delivered by an enabling capability, results in a service package that forms a functional element of a mission's infrastructure. Modules are the smallest units of support elements that can be assigned either as components of a service package or as stand-alone sets required for building peacekeeping facilities (see A/66/591, para. 33).

60. Even if the approved composition were fully implemented, it could not fully support the start-up of a new mission, as envisaged in the approved concept. For instance, in May 2014, MINUSMA resorted to external procurement of seven camps for 2,400 persons with an estimated value of $24.6 million because it was not possible to supply them from strategic deployment stocks. The Department of Field Support stated that, owing to the early forced migration of strategic deployment stocks to Umoja, UNLB was unable to start the replenishment process for previously utilized items until March 2014.

61. Strategic deployment stocks composition reviews remained ineffective, as the stock holdings were not aligned with the approved composition. This was due to the fact that:

(a) Annual composition reviews not only considered the needs with respect to mission start-up and expansion, but also focused on items that missions used more frequently in sustainment operations;

(b) There was no review of the outcome of the composition review vis-à-vis the objectives outlined in the planning assumptions to ensure that the objectives were met;

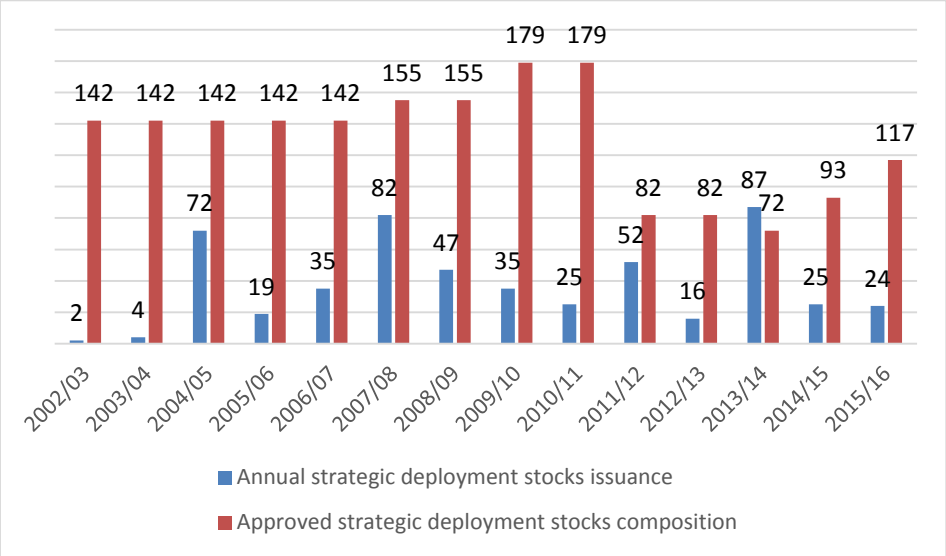
(c) Stakeholders did not always respect the established timelines for the implementation of the approved composition.

E. There was no evidence that the level and size of the strategic deployment stocks were reviewed based on a proper analysis of annual demand or that they excluded items with short procurement lead times

The approved strategic deployment stocks value is higher than the level and size of strategic deployment stocks issued each year

62. Although the number of personnel in start-up missions was generally in line with that anticipated in the strategic deployment stocks concept, annual issuance of stocks has been significantly lower than the approved amount, except in 2013/14. However, limited data, including on the impact of the lack of systems contracts on the availability of items and on requests by start-up missions, made any meaningful analysis of the adequacy of the level and size of strategic deployment stocks difficult.

Figure IX
Annual issuance of strategic deployment stocks versus approved composition
(Millions of United States dollars)



Source: OIOS analysis of data from UNLB and annual performance reports.

Forty-three per cent of the items in the current composition have procurement lead times shorter than 90 days

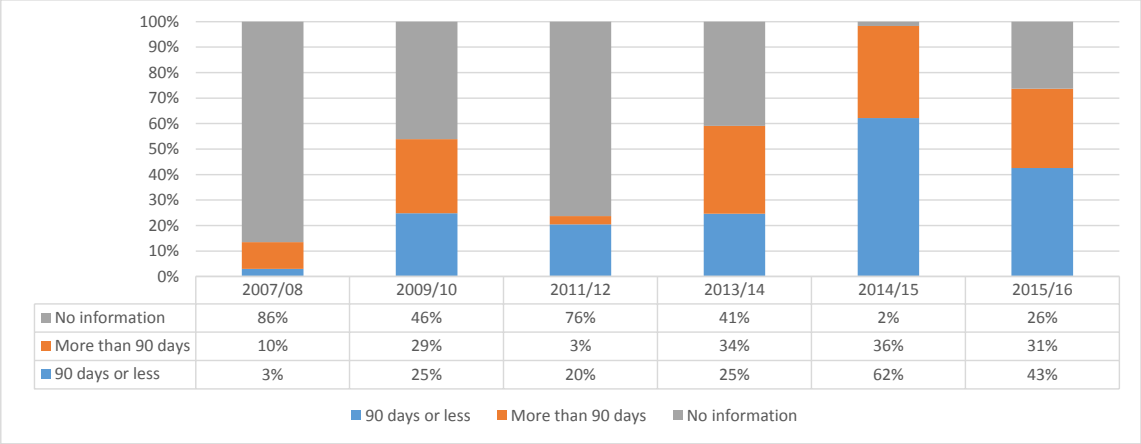
63. The strategic deployment stocks concept requires the strategic deployment stocks to be composed of items that are deemed critical and not readily available. Critical items with procurement lead times shorter than 90 days (except those that are components of modules) should be procured through contractual arrangements using the commitment authority.

64. OIOS analysis of six annual composition reviews of strategic deployment stocks between 2005 and 2016 showed that the composition had appropriately excluded critical items such as fuel, rations and bottled water that could be procured using other contractual arrangements. However, OIOS could not determine whether the procurement lead times for other items was adequately considered during composition reviews because the information was not always documented as part of the deliberations and therefore could not be provided.

65. An analysis of the information on procurement lead times, when available, showed that the percentage of inventory with lead times shorter than 90 days had increased from 3 per cent in 2007/08 to 43 per cent in 2015/16.[12] This occurred because asset managers for strategic deployment stocks were asked to propose items based on past stocks issuances, including those to existing missions for routine sustainment purposes. There was no evidence that procurement lead time remained a primary consideration.

[12] This includes accessories for items with longer procurement lead times.

Figure X
Approved composition of strategic deployment stocks by procurement lead time



	2007/08	2009/10	2011/12	2013/14	2014/15	2015/16
No information	86%	46%	76%	41%	2%	26%
More than 90 days	10%	29%	3%	34%	36%	31%
90 days or less	3%	25%	20%	25%	62%	43%

Source: OIOS analysis of information from approved composition tables for strategic deployment stocks.

66. The level and size of strategic deployment stock items that have short procurement lead times may be larger than necessary.

Vendor-managed inventory has been consistently advocated but consistently resisted

67. Vendor-managed inventory is a business model in which the vendor commits to maintaining in stock an inventory of selected goods, usually in exchange for a fee. While there are different views on the use of vendor-managed inventory, managers of strategic deployment stocks have consistently opposed it. Those supporting vendor-managed inventory argue that it would reduce the risk of stock obsolescence, but consider that it would not be agreed to because the mindset of the Organization is “too conservative”. Those who oppose it argue that it would make the price of materials prohibitive, that it would potentially translate into items shipped from across the world, leading to loss of control, and that it would adversely affect the quality of items shipped. It has been argued that the United Nations would be unable to use vendor-managed inventory for vehicles because it could not compete with commercial customers and contracts with manufacturers would not include the installation of essential components to make the vehicles field-ready.

68. External audits and reviews of strategic deployment stocks have advocated the use of vendor-managed inventory. The 2008 OIOS audit referred to the possibility of reduction of material holdings at UNLB through the use of vendor-managed inventory to reduce the costs associated with maintaining stocks in UNLB, eliminate problems with stock obsolescence and achieve budgetary savings related to staff and storage expenses. The 2010 external review suggested that, in some cases, vendor-managed inventory could reduce the delivery time through direct shipping from vendors to missions, depending on the vendor location. It recommended eliminating stock items with short procurement lead times and

progressively extending vendor-managed inventory beyond medical supplies, unless the total cost of ownership justified otherwise.

69. As of January 2017, only medical supplies are held at the vendor location, while vendor-managed inventory provisions have been recently included in contracts for office and dormitory furniture. No evidence was offered, however, to demonstrate that a structured cost-benefit analysis on vendor-managed inventory had been conducted.

F. More effective implementation of the clearing house policy would reduce potential write-off of items

70. The strategic deployment stocks policy requires asset managers to rotate equipment with limited shelf life to minimize the risk of obsolescence. The policy on centralized management of organizational assets in field missions requires all missions to request clearance from UNLB prior to acquiring assets with a unit cost of $1,500 or more (revised to $4,000 in June 2016). The cost of items that need to be replaced because of expiration or stock obsolescence would be met through the UNLB budget.

71. In its budget proposal for 2016/17 (A/70/779), UNLB requested $5 million over two financial periods, commencing in 2016/17, to replenish obsolete strategic deployment stocks. In annex II to the related report by the Advisory Committee on Administrative and Budgetary Questions (A/70/742/Add.9), UNLB provided a list of strategic deployment stock items valued at $5.6 million for potential write-off as at 15 March 2016. This was adjusted to $3.7 million as at 30 September 2016, as a result of a further write-off proposal, rotation of items to missions and the removal of items from the stock composition.

72. There were other items that had either been written off ($1.7 million) or identified for potential write-off ($1.1 million), which had not been previously reported by UNLB. Of those, $0.8 million were medical, electronic data-processing and communications items that have higher risk of obsolescence when they have passed their life expectancy. This brought the total amount of strategic deployment stocks written off and identified for potential write-off to $6.5 million. As there was no annual review and reporting on stock obsolescence prior to 2012/13, UNLB had not previously requested resources to replenish the obsolete strategic deployment stocks.

Table 5
Strategic deployment stocks written-off or identified for potential write-off
(Millions of United States dollars)

Description	*Value as at 15 March 2016*	*Value as at 30 September 2016*
Items outside of the approved composition	5.6	3.7
Items within the approved composition that have exceeded their life expectancy	–[a]	1.1
Total potential write-off if not absorbed by missions	**5.6**	**4.8**
Items written off since 2003	–[b]	1.7
Total strategic deployment stocks written off and identified for potential write-off	**5.6**	**6.5**

Source: UNLB.

[a] In the information it provided to the Advisory Committee on Administrative and Budgetary Questions in April 2016 (see A/70/742/Add.9, annex II), UNLB did not report items within the approved composition that had exceeded their life expectancy.

[b] In the information it provided to the Advisory Committee on Administrative and Budgetary Questions in April 2016 (see A/70/742/Add.9, annex II), UNLB did not report on total strategic deployment stock written off since 2003.

73. OIOS noted that, of the $4.8 million in potential write-offs as at 30 September 2016, UNLB could have rotated at least $1 million to missions if the clearing house policy had been more effective. In fact, in the past three years, peacekeeping operations had acquired similar items to the ones in the strategic deployment stocks, but through other channels. UNLB did not have the authority or mechanisms to enforce adherence to the policy on centralized asset management and relied on field missions to comply with the policy. To address this, in August 2016, UNLB requested support from the Office of the Assistant Secretary-General for Field Support to introduce a function within Umoja that would automatically route shopping carts for items above the established threshold to UNLB, to determine whether items could be internally sourced, including from strategic deployment stocks. On November 2016, the Department of Management informed the Department of Field Support that the implementation of a clearing house in Umoja had to be deferred to the development of Umoja Extension 2, as part of acquisition and demand planning.

G. Governance/management of the strategic deployment stocks could be improved

The Department of Field Support did not regularly assess the achievement of strategic deployment stocks objectives

74. Although managers are required to establish indicators and evaluate performance (see ST/SGB/2016/6), the Department of Field Support did not take adequate action in assessing whether the strategic deployment stocks concept was

fully achieving its objectives, thereby losing an opportunity to identify and implement measures to improve strategic deployment stocks operations.

75. In March 2012, the then Under-Secretary-General for Field Support endorsed the proposal of the Director of the Logistics Support Division to convene a high-level working group composed of representatives from the Department of Field Support and the Department of Management to develop and present a new concept of operations and policy framework on strategic deployment stocks, so that it would be more credible, deployable and effective. This proposal was not implemented, however, after the management of strategic deployment stocks was transferred to UNLB.

76. The 2011 report of the Secretary-General on progress in the implementation of the global field support strategy (A/66/591 and Add.1) included results and key performance indicators relating to strategic deployment stocks. The established key performance indicators included readiness to deploy five 200-person camps and a 50-person expeditionary kit, authority to release strategic deployment stocks within 72 hours from a request or mandate and the percentage of strategic deployment stock line items that are aligned to modularization requests and covered by systems contracts. In his 2012 report, the Secretary-General indicated that the key performance indicators were being refined and that detailed reporting on them would be included in his report on the overview of the financing of peacekeeping operations for 2013/14. However, measurements against the above-mentioned key performance indicators were not reported as envisaged.

The implementation of the transfer of management of the strategic deployment stocks was not fully effective owing to limited coordination of the related processes

77. In 2012, the General Assembly approved the transfer of strategic deployment stocks management from the Logistics Support Division to UNLB (see General Assembly resolution 66/266). UNLB and the Logistics Support Division prepared a matrix to clarify roles and responsibilities, leaving to the Division the responsibility to manage the transport and medical components of strategic deployment stocks and the establishment of systems contracts to procure stock items. The transfer was implemented on 1 November 2012, and four posts were relocated from Headquarters to support it.

78. The implementation of the transfer of management was not fully effective, however, owing to limited coordination of the related processes. For example, the 2015/16 strategic deployment stocks composition review was delayed for eight months because the transport asset managers of the Logistics Support Division did not provide input to the composition review before the related systems contracts were finalized. As of November 2016, transport contracts still had not been finalized. Furthermore, the delay in the provision of the information required for the composition review was not escalated in a timely manner to senior management.

Delays in the finalization of systems contracts significantly affected the availability of items

79. Fifty-seven per cent of survey respondents reported that they had “sometimes” or “often” requested strategic deployment stocks items that were not available,

particularly engineering (e.g., ablution units and generators) and supply (e.g., metal detectors, security containers and audio equipment) items. Fifteen interviewees explicitly referred to the absence of systems contracts to explain the unavailability of specific items and advocated greater accountability of managers to keep such contracts valid.

80. Because of delays in the finalization of systems contracts, strategic deployment stocks inventory could not be replenished on time and brought in line with the approved composition. As of June 2016, approximately 44 per cent of strategic deployment stock items remained without valid systems contracts. As of November 2016, 142 strategic deployment stock line items — corresponding to 38 per cent of the 2015/16 composition and 31 per cent of its estimated value — remained without a valid systems contract (see table 6).[13]

Table 6
Items in the 2015/16 strategic deployment stocks composition without valid contracts

Category	*Number of line items*	*Quantity*	*Estimated value (United States dollars)*
Engineering	43	531 958	19 548 495
Supply	48	4 611	5 231 632
Transport	24	980	5 831 979
Information and communications technology	27	377	5 311 750
Total	**142**	**537 926**	**35 923 856**

Source: OIOS analysis of data from UNLB.

81. The Department of Field Support acknowledged the impact that the delay with systems contracts was having on strategic deployment stocks and direct support to field missions. The Department also noted that, with the implementation of the global field support strategy, the management of systems contracts had not received appropriate attention and allocation of resources, leading to a backlog in replacement contracts that had persisted for four years and continued to date.

82. Interviewees in the Procurement Division, the Department of Field Support and UNLB further stressed that inadequate technical expertise for the development of statements of work in the Department of Field Support was also a potential delaying factor and required improvement.

[13] In November 2016, the Organization initiated action to renew/replace 12 systems contracts relating to 22 strategic deployment stock line items costing $8.1 million. Of these contracts, 9 were pending action by the Department of Field Support and 3 by the Department of Management.

H. Policies and procedures governing strategic deployment stocks were outdated, resulting in internal control gaps

83. While Headquarters sets strategic direction and exercises oversight, UNLB develops and monitors procedures for the strategic deployment stock operations.

84. OIOS identified gaps in strategic deployment stock procedures, processes, guidelines and process maps, as well as related accountability arrangements, following the transfer of the management of strategic deployment stocks from the Logistics Support Division to UNLB. Six of the nine established policies, procedures and guidelines were outdated, a number of practices were not governed by any established policy or procedures, and necessary controls were not always exercised. For example, the 2007 strategic deployment stocks policy was not updated to reflect the transfer of management from the Logistics Support Division to UNLB. There was also no update to the strategic deployment stocks accounting guidelines since the implementation of the International Public Service Accounting Standards in 2013/14. Furthermore, there was no requirement to report on the movement of strategic deployment stocks inventory on an annual basis or procedures to reconcile movement of strategic deployment stocks inventory during the year with the fund account. Consequently, UNLB was not performing any reconciliation. There was therefore no assurance that all issuances, replenishments and write-offs had been duly recorded and accounted for.

The procedures followed contradicted the approved replenishment policy and led to a $16.7 million reduction in the value of the strategic deployment stocks

85. Although the strategic deployment stocks concept required the stocks issued to be replenished at replacement cost from the allotments of receiving missions, from 2002 to 2013, net total transfers from strategic deployment stocks to the United Nations reserve and UNLB inventory, amounting to $15.4 and $1.3 million respectively, were not replenished. This was partly attributable to the 2012 decision by the Logistics Support Division to transfer strategic deployment stocks that had not rotated for more than five years, at no cost, to the United Nations reserve. This decision contradicted the strategic deployment stocks replenishment policy, allowing missions to receive the items free of charge from the United Nations reserve. There was no evidence that the Logistics Support Division had presented the change to the legislative bodies for approval.

86. The above-mentioned shortcomings occurred because the development of the policies and measures necessary to define strategic deployment stocks had not been given sufficient priority following the transfer of management of the strategic deployment stocks to UNLB. It was also unclear whether the Logistics Support Division or UNLB was responsible for developing policy for the strategic deployment stocks. Although the Director of UNLB has established some procedures with respect to strategic deployment stocks operations since 2013, no comprehensive study has been carried out on the strategic deployment stocks process workflows to identify all the control gaps.

V. Conclusions and recommendations

87. A strategic deployment stock is an indispensable tool for the Organization. The rationale upon which the strategic deployment stocks were created in 2002 — the need for rapid deployment — remains unchanged and, if anything, has become more important. In 2003, the United Nations had 57,855 personnel deployed in 13 peacekeeping missions; in 2016, it had 118,792 personnel in 16 peacekeeping missions. Based on the logistical requirements of providing support to so many personnel, the strategic deployment stocks concept is still valid.

88. The implementation of the strategic deployment stocks concept has achieved some success. Strategic deployment stocks have been used to support the start-up of all peacekeeping missions since their inception, with very positive stakeholder responses on many facets of performance.

89. Without the full and effective implementation of the other components of the strategic reserve, however, strategic deployment stocks cannot achieve the primary goal of rapid deployment within 90 days from approval of the mandate; this remains an ideal beyond reach. Experience has demonstrated that conceiving strategic deployment stocks exclusively as a material stock, without providing the services to actually deploy the assets in missions, is a crucial weakness.

90. The current state of strategic deployment stocks requires reflection and the clear articulation of available choices, followed by important decisions on various fronts.

91. The focus and planning assumptions behind the strategic deployment stocks concept need to be revisited and the composition of the stocks made more responsive to the requirements for the start-up of peacekeeping operations, for which the stocks were created. There is also a need to embrace the possibilities for greater effectiveness and efficiency inherent in vendor-managed inventory.

92. Future improvements in strategic deployment stocks must be predicated upon better and more coordinated planning, both at Headquarters and in the field. Management arrangements for strategic deployment stocks need to be made more effective to enable end-to-end service for rapid deployment. Procedures to enhance the timely finalization of systems contracts need to be strengthened. Furthermore, the development of technical proficiency in writing specifications also requires attention, in order to speed up procurement processes.

93. The updating and revision of the strategic deployment stocks concept will need to be done taking into account the Organization’s ongoing initiatives on supply chain management, in particular the examination of alternative venues for storing stock closer to peacekeeping operations. The update should also take into account technological innovations that enable faster deployment, as well as further developments with respect to Umoja.

94. Ultimately, the tension between the difficulty of predicting when new missions will start-up and the costs of keeping a permanent strategic stock, with the implied possibility of under use and financial loss, needs to be addressed with Member States, in the current reality of constrained resources for peacekeeping. Write-offs, when necessary, need to be reported accurately, completely and based on actual rather than potential value to be written off.

95. To support the achievement of effective rapid deployment, OIOS makes the following recommendations:

(a) **Recommendation 1**. The Department of Field Support should update and revise the strategic deployment stocks concept, its assumptions and related policies, within the context of supply chain management and ongoing initiatives affecting mission start-up, to ensure rapid deployment. The revised concept should be presented as a proposal to Member States. In particular, the Department of Field Support should consider:

(i) The overall vision for strategic deployment stocks, including whether they should be used exclusively for start-up and expansion or also for subsequent phases of a mission (see paras. 49-53 above);

(ii) The desirability of changing strategic deployment stocks from an exclusively material inventory into a service that can provide enabling capacity, and any additional resources that may be required to that end (see paras. 44-47 above);

(iii) The feasibility of the current timeline envisaged for strategic deployment stocks, including any practical impediment to the use of the pre-mandate commitment authority of the Secretary-General (see paras. 28-31 and 35-38 above);

(iv) Alternative venues for strategic deployment stocks storage closer to the theatre of operations, including through partnerships with, and leveraging the experiences of, other United Nations entities (see paras. 39-43 above);

(v) Opportunities to enhance use of vendor-managed inventory for strategic deployment stock items, based on a cost-benefit analysis, in conjunction with the Procurement Division (see paras. 67-69 above);

(b) **Recommendation 2**. The Department of Field Support should review the current composition of the strategic deployment stocks to ensure that: (i) their level and size are based on start-up needs; (ii) they are aligned with the concept of modularization; and (iii) items with procurement lead times shorter than 90 days that are not components of modules are excluded and procured through contractual arrangements (see paras. 57-66 above);

(c) **Recommendations 3**. The Department of Field Support and the Department of Management should implement measures to ensure that systems contracts for strategic deployment stocks remain current (see paras. 79-82 above);

(d) **Recommendation 4**. The Department of Field Support should implement measures to reconcile, review and report on an annual basis on the write-off and replenishment of strategic deployment stocks (see paras. 70-73 above);

(e) **Recommendation 5**. The Department of Field Support should report to legislative bodies for appropriate action the full details of the net transfer of strategic deployment stocks valued at $16.7 million to the United Nations reserve and UNLB inventory (see para. 85).

96. The Department of Field Support and the Department of Management accepted all the recommendations and provided an action plan for implementation.

Annex I

Memorandum dated 16 February from the Under-Secretary-General of the Department of Field Support addressed to the Inspection and Evaluation Division of the Office of Internal Oversight Services[a]

I refer to your communication dated 27 January 2017 regarding the draft report. Please find enclosed herewith our comments on the recommendations in the recommendation action plan (see enclosure). Thank you for the opportunity to comment on the draft report and for the valuable observations and recommendations made by Office of Internal Oversight Services as a result of this review and evaluation. We stand ready to provide any further information that may be required.

[a] In the present annex, the Office of Internal Oversight Service provides the full text of comments received from the Department of Field Support. This practice has been instituted pursuant to General Assembly resolution 64/263, following the recommendation of the Independent Audit Advisory Committee.

Enclosure

Recommendation by the Office of Internal Oversight Services	*Anticipated actions*	*Responsible entity(ies)*	*Target date for completion*
Recommendation 1 The Department of Field Support should update and revise the strategic deployment stocks concept, its assumptions and related policies, within the context of supply chain management and ongoing initiatives affecting mission start-up, to ensure rapid deployment. In particular, the Department of Field Support should consider: (i) The overall vision for strategic deployment stocks, including whether it should be used exclusively for start-up and expansion or also for subsequent phases of a mission; (ii) The desirability of changing strategic deployment stocks from an exclusively material inventory into a service that can provide enabling capacity, and any additional resources that may be required to that end; (iii) The feasibility of the current timeline envisaged for strategic deployment stocks, including any practical impediment to the use of the pre-mandate commitment authority of the Secretary-General;	UNLB has commenced work on the revised concept of strategic deployment stocks. Once the draft has been completed, it will be forwarded to the Office of the Under-Secretary-General for Field Support for approval.	Department of Field Support/UNLB	Third quarter of 2017

Recommendation by the Office of Internal Oversight Services	*Anticipated actions*	*Responsible entity(ies)*	*Target date for completion*
(iv) Alternative venues for strategic deployment stocks storage closer to theatre of operations, including through partnerships with, and leveraging the experiences of, other United Nations entities; (v) Opportunities to enhance the use of vendor-managed inventory for strategic deployment stock items, based on a cost-benefit analysis, in conjunction with the Procurement Division			
Recommendation 2 The Department of Field Support should review the current composition of the strategic deployment stocks to ensure that: (i) their level and size are based on start-up needs; (ii) they are aligned with the concept of modularization; and (iii) items with procurement lead times shorter than 90 days that are not components of modules are excluded and procured through contractual arrangements	Subsequent to the approval of the revised concept of strategic deployment stocks by the General Assembly, the strategic deployment stocks composition review will be conducted.	Department of Field Support/UNLB	The review of the composition of strategic deployment stocks will be completed within six months of the General Assembly's approval of the revised concept of strategic deployment stocks.
Recommendation 3 The Department of Field Support and the Department of Management should implement measures to ensure that systems contracts for strategic deployment stocks remain current.	The Department of Field Support has reviewed the status of all systems contracts and has identified the corrective actions required to ensure the timely availability of systems contracts with sufficient not-to-exceed amounts.	Department of Field Support/Logistics Support Division and Department of Management/Office of Central Support Services/Procurement Division	First quarter of 2018

Recommendation by the Office of Internal Oversight Services	*Anticipated actions*	*Responsible entity(ies)*	*Target date for completion*
	A dedicated team has been formed to have weekly meetings and establish a dashboard to ensure continuous monitoring of the status of all systems contracts.		
Recommendation 4 The Department of Field Support should implement measures to reconcile, review and report on an annual basis on the write-off and replenishment of strategic deployment stocks.	UNLB will implement the necessary measures to address this recommendation.	Department of Field Support/UNLB	Third quarter of 2017
Recommendation 5 The Department of Field Support should report to legislative bodies for appropriate action the full details of the net transfer of strategic deployment stocks valued at $16.7 million to the United Nations reserve and UNLB inventory.	The Department of Field Support and UNLB will implement the necessary measures to address this recommendation.	Department of Field Support/Logistics Support Division and Department of Field Support/UNLB	First quarter of 2018

Annex II

Memorandum dated 15 February 2017 from the Office of the Under-Secretary-General for Management addressed to the Inspection and Evaluation Division of the Office of Internal Oversight Services[a]

We refer to your memorandum dated 27 January 2017 and provide you herewith the response of the Department of Management (see enclosure). Thank you for giving our office the opportunity to provide comments on the draft report.

[a] In the present annex, the Office of Internal Oversight Service provides the full text of comments received from the Department of Management. This practice has been instituted pursuant to General Assembly resolution 64/263, following the recommendation of the Independent Audit Advisory Committee.

Enclosure

OIOS Recommendation	*Anticipated actions*	*Responsible entity(ies)*	*Target date for completion*
Recommendation 3 The Department of Field Support and the Department of Management should implement measures to ensure that systems contracts for strategic deployment stocks remain current.	The Procurement Division accepts the recommendation to coordinate with the Department of Field Support to implement measures to ensure that system contracts remain current. The Procurement Division will continue working with the Department of Field Support to support with practical measures to reduce the gap period between contract expiry and the replacement/renewal process.	Department of Field Support and Department of Management	31 December 2017