

**Report of the Office of Internal Oversight Services on the Review
and Evaluation of Strategic Deployment Stocks**

(A/71/798)

**Introductory statement to the
Fifth Committee
by Ms. Heidi Mendoza
Under-Secretary-General
Office of Internal Oversight Services
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Madame Chairperson, distinguished members of the Fifth Committee,

Today I have the honour to introduce for the Committee's consideration the Report of the Office of Internal Oversight Services on the Review and Evaluation of Strategic Deployment Stocks, (A/71/798). OIOS conducted the review in response to a request formulated by the General Assembly in its resolution 70/288, with a view to the Assembly taking a decision on the write-off and replenishment of strategic deployment stocks.

At the outset, I am proud to state that this report is a joint product of the Internal Audit Division and the Inspection and Evaluation Division of OIOS. This used the oversight professional skills of staff from both divisions, based in Headquarters and two field missions, synergistically and seamlessly. I am looking at how this can serve as a model for future cross-divisional collaboration on other subjects that lend themselves to such a joint approach.

On the issue itself, the rationale upon which SDS was created remains unchanged and, if anything, has increased. There were many positive results, but equally a number of issues require improvement.

Since its inception in 2002, SDS has supported the start-up of all peacekeeping operations, as their primary source of assets, with very positive stakeholder responses on many facets of performance. The stocks' delivery within the stipulated period of 30-90 days, however, was rare. Many planning assumptions were not met; sea and land transportation, while more cost-effective, were lengthy; and missions lacked initial capacity to install the items.

Following a policy review in 2007, the concept of SDS expanded to comprise support to multiple missions, including special political missions, until they achieved the readiness to sustain new operations, as well as support to existing missions when justified by operational

requirements and to rotate stocks to minimize risk of obsolescence. As such, SDS annual composition reviews did not only consider the mission needs with respect to start-up and expansion, but also focused on items that missions used more frequently in sustainment operations. OIOS did also not find any evidence that the level and size of SDS were reviewed based on a proper analysis of annual demand, or exclusion of items with short procurement lead time. There is a need to further embrace vendor-managed inventory for greater effectiveness and efficiency.

Management structures for SDS were not effective and did not enable end-to-end service for rapid deployment. The finalization of system contracts was severely delayed, owing in part to limited technical proficiency in writing specifications. The clearing house policy, meant to ensure a better utilization of existing stocks, was not effectively implemented, and the United Nations Logistics Base was unable to rotate SDS 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.

In this context, OIOS made five recommendations to the Department of Field Support and the Department of Management, with all of which the Departments agreed. These included: 1) updating and reviewing the SDS concept, in the context of supply chain management and ongoing initiatives affecting mission start-up; 2) reviewing the current composition of SDS to ensure that the level and size are based on start-up needs, aligned with the concept of modularization, and excluding items with procurement lead times shorter than 90 days and which are not component of modules; 3) implementing measures to ensure that systems contracts for SDS remain current; 4) implementing measures to reconcile, review, and report on an annual basis on the write-off and replenishment of SDS; and 5) reporting to legislative bodies the full details of the net transfer of SDS valued at \$16.7 million to the United Nations Reserve and the United Nations Logistics Base inventory.

I hope you will find this report helpful to your deliberations and decision-making. We look forward to your vision, guidance, views, insights, and priorities essential to improving the overall effectiveness of rapid deployment.

Thank you.