

PROCESSING OF APPLICATIONS UNDER RESOLUTION 1409 (2002)

Statistical update as of 5 December 2002

INTRODUCTION

1. This document represents the first comprehensive statistical update on processing of applications under the revised procedures since the updated dated 26 October 2002 that was attached to the report of the Secretary General. It is part of the OIP's commitment to provide the 661 Committee with regular updates on processing of applications under resolution 1409(2002).
2. Apart from the usual statistics and tables, the document contains additional information, namely comments by OIP/CPMD on the developing trends and reasons for these. The volume of applications processed so far has enabled OIP/CPMD to draw these initial conclusions on the developing trends.
3. Finally, this update contains, as a separate annex, a paper on processing of applications for trucks under the revised procedures. The 661 Committee specifically requested this as it became clear that the largest number of applications with GRL items would include this category of goods.

GENERAL PROCESSING STATISTICS

4. Table 1 below provides general processing statistics as of 5 December 2002. If compared to the statistics of 26 October 2002, the following trends can be observed:
 - The number of applications under OIP review has decreased from 231 applications worth \$633.5M to only 112 worth \$242.4 million demonstrating that the initial "backlog" of new and "legacy" applications has been cleared;
 - The number of applications with "Non-compliant" status (questions or clarifications required by OIP) has reduced slightly in absolute terms, from 437 applications in October to the current number of 399 applications. However, given the increase in the overall number of applications processed by OIP so far, this represents a clear indication of fewer questions asked by OIP due to better quality of submissions. It is also due to the increased clearance rate of "legacy" Non-compliant applications under the new procedures.
 - The number of applications under UNMOVIC/IAEA review has increased somewhat from 292 to 384 applications. This is partially a reflection of longer average processing times by UNMOVIC/IAEA, leaving more applications with UNMOVIC/IAEA at any given time, but also of the increase number of responses provided by suppliers in response to UNMOVIC/IAEA queries. While responses are reviewed, the application status is changed (again) to "UNMOVIC/IAEA review".
 - The number of applications under "GRL Non-Compliant" status has actually been reduced from 1,284 applications in October to the current 1,090 applications. In relative terms (as percentage of all applications reviewed by UNMOVIC/IAEA), there was a decrease from 41 per cent

to 27 per cent. As explained above, many applications with “GRL Non-Compliant” status are converted to “UNMOVIV/IAEA review” again as the requested information is being provided and this represents the main reason for this decrease. The second reason is that suppliers are learning the type of information required for GRL assessment and are increasingly providing such information in advance.

- The number of “OIP Approved applications has increased considerably from 1,708 applications worth \$2,187 million to 2,829 applications worth \$3.839.9 million. Included in the “OIP Approved” figure are 128 applications worth \$253.5 million have been “fast tracked” i.e. approved by OIP without GRL assessment by UNMOVIC/IAEA on the case-by-case basis and based on the “blue list” adopted by the 661 Committee.
- The number of applications containing GRL items has increased from 95 applications worth \$182 million to 158 worth \$531.8 million. Detailed statistics on these applications are provided in a separate section. Please note that the figures under (7) in Table 1 DO NOT include 10 applications worth \$61.3 million that had been with GRL items but were amended to delete/replace them. These 10 applications were subsequently approved by OIP.

TABLE 1: GENERAL PROCESSING STATISTICS AS OF 05/12/02 (in \$ mil)

	Application category	ESB (59 per cent) account		ESC (13 per cent) account		TOTAL	
		No.	Value	No.	Value	No.	Value
1.	Total number of applications received/regist.*	4,135	\$11,238.1	827	\$126.8M	4,962	\$11,364.9
2.	Under OIP Review	86	\$240.5M	26	\$1.9M	112	\$242.4M
3.	Non-compliant/ Inactive	396	\$2,490.9M	3	\$1.2M	399	\$2,492.1M
4.	Under UNMOVIC/ IAEA Review	315	\$976.1M	69	\$38.6M	384	\$1014.7M
5.	GRL non-compliant/ GRL Inactive**	1,050	\$3,297M	40	\$8.3M	1,090	\$3,305.3M
6.	OIP Approved***	2,160	\$3,768.8M	669	\$71.1M	2,829	\$3,839.9M
7.	Applications containing GRL Items****	128	\$464.8M	20	\$5.7M	148	\$470.5M

* Includes new applications as well as fully processed OLD HOLDS and “legacy” applications.

** Includes OLD HOLDS processed under para 18 and GRL Non-compliant, as well as “legacy” applications now with the same status.

*** Includes 756 applications worth \$996M previously on hold and now OIP approved under para. 18.

**** DOES NOT include 10 applications worth \$61.3M previously with GRL item(s) but subsequently amended and now “OIP Approved”

Note: 1 = 2+3+4+5+6+7

5. So far, **4,850** applications worth **\$11,122.5M** have been reviewed by OIP (3+4+5+6+7), of which 4,451 (91.8 per cent) worth \$8,630.4 (77.6 per cent) were cleared and moved to the next processing stage (4+5+6+7), and 399 (8.2 per cent) valued at \$2,492.1M (22.4 per cent) await response to request for clarifications (3).

6. So far, **4,067** applications worth \$7,615.7M have been reviewed by UNMOVIC/IAEA or “fast-tracked” by OIP (5+6+7), of which 2,829 (69.6 per cent) worth \$3,839.9M (50.4 per cent) contained no GRL items and were approved by OIP (6), 1,090 (26.8 per cent) worth \$3,305.3M (43.4 per cent) await response to requests for additional technical information (5), and 148 (3.6 per cent) worth \$470.5M (6.2 per cent) contained one or more GRL items (7).

PROCESSING TIMES

7. The average processing times for new applications for registration and review by OIP experts stand at 1.2 and 2.7 working days respectively (see Table 2a). This represents further reduction of processing times of 1.4 and 3.0 working days respectively as at 26 October 2002. At the same time, the average processing time for UNMOVIC/IAEA has gone up by 1.0 working day on average, from 3.9 working days in October to the current average of 4.9 working days.

8. The reasons for declining processing times by OIP during the past month include the relatively stable influx of new applications with many previously non-compliant applications resolved, better quality of submissions, better training of all involved (to include submitting missions and suppliers) resulting in better quality of submissions. Table 2b clearly shows that the OIP/CPMD workload in terms of processing has stabilized at about 100 applications in the processing stage at any given time after the period of fairly high numbers in October. The later was the result on numerous clarifications received from suppliers during that time, especially on “legacy” applications.

9. At the same time, the processing workload for UNMOVIC/IAEA has increased – as shown in Table 2c -- with to 400 applications in the “UNMOVIC/IAEA review” processing stage at any given time lately. This increase is largely due to a number of “old holds” that require processing under paragraph 18 of the revised procedures. Many of these applications required additional clarifications. These are now being provided by the suppliers, contributing to the overall number of applications with UNMOVIC/IAEA. Another reasons is the increasing number of applications that require multiple clarifications thus repeatedly going to “UNMOVIC/IAEA review” status as the information is being provided. There are currently 91 such applications worth \$480.5 million.

TABLE 2a: AVERAGE PROCESSING TIMES (all stages) as at 05/12/02

Processing Stage	Average Number of Working Days
REGISTRATION (Check and issuance of Comm. Number)	1.2
OIP REVIEW	2.7
UNMOVIC/IAEA REVIEW	4.9

TABLE 2b: NUMBER AND VALUE OF APPLICATIONS UNDER OIP REVIEW (Chronological overview)

Date	09/08/02	26/08/02	09/09/02	18/10/02	01/11/02	15/11/02	05/12/02
Number (US\$ value in mil.)	106 (\$333.5)	122 (\$369)	179 (\$339.5)	263 (\$789.8)	230 (\$752.8)	111 (\$358)	112 (\$242.4)

TABLE 2c: NUMBER AND VALUE OF APPLICATIONS UNDER UNMOVIC/IAEA REVIEW (Chronological overview)

Date	09/08/02	26/08/02	09/09/02	18/10/02	01/11/02	15/11/02	05/12/02
Number (US\$ value in mil.)	61 (\$182.1)	72 (\$139.5)	94 (\$216)	275 (\$476.3)	409 (\$739.6)	404 (\$942.5)	384 (\$1014.7)

MAIN REASONS FOR PROCESSING DELAYS

10. Since 1 July 2002, OIP has received 2,782 new applications. Of this number, 2,687 (or 88 per cent) were fully compliant and were immediately registered i.e. comm. numbers were issued. The remaining 350 (or 12 per cent) had one or more reasons for which they could not be registered. Among these, 255 applications have been registered following clarification or correction while 95 applications were still pending registration as of 5 December 2002.

11. Table 3a contains the overview of reasons for non-registration as of 5 December 2002. The statistics show little change from the earlier set of data on 26 October 2002. For example, the most common reason is still failure to provide Excel attachment in electronic format (26.6 per cent vs. 26.7 per cent in October). Similarly, submission of applications in old format is still the second most common reason (14 per cent vs. 14.7 per cent). However, out of 49 such cases registered since 1 July 2002, in the past six weeks only six new cases have been observed, indicating that this reason is becoming less of a problem. The third most common reason is still failure to complete all boxes in the application form (10.9 per cent vs. 10.6 in October) and the fourth one (also on the increase) is discrepancy between total value of contract and value indicated in the Excel attachment (9.7 per cent vs. 8.2 per cent in October).

12. There were almost 400 applications worth \$2.5 billion in “Non-Compliant/Inactive” categories as of 5 December 2002. OIP/CPMD has made changes to the database to allow for more detailed statistics on reasons for non-compliance. The frequency of reasons (as per the main reason for non-compliance) is provided in table 3c. The most frequent main reasons for which OIP experts cannot process applications further include failure to provide detailed and itemized list of all items included in the contracts and payment terms incompatible with the existing procedures. OIP will provide this information to supplier on the web site to draw their intention to the ways of avoiding lengthy processing delays. It should be noted that

out of the total number in the two categories, 151 applications (37.8 per cent) have become “inactive” as the suppliers failed to provide information within 90 days.

TABLE 3a: REASONS FOR NON-REGISTRATION BY OIP

REASON	Frequency of reason as per cent of total number of reasons	Number of applications in each category
Excel attachment to the Application Form (list of goods) not submitted electronically.	26.57%	93
Old version of the application used for applications submitted after 1 July 2002.	14.0%	49
Total value of line items in Excel attachment differs from total value of the contract.	9.71%	34
Boxes in the application form are not completed or filled in correctly.	10.86%	38
Application identified as a duplicate of another application previously submitted (same contract No.).	4.57%	16
Electronic Data submitted could not be opened. Accessible copy requested.	7.14%	25
No contract attached to the application.	4.57%	16
Certifying seal/signature omitted.	1.71%	6
Original application illegible.	3.14%	11
All other reasons (missing pages, tech specs, unit of measurement, paperwork in the wrong format, etc.).	17.71%	62
Total	100%	350

TABLE 3b: REASONS FOR NON-COMPLIANCE (QUESTIONS BY OIP EXPERTS) as of 5 December 2002

Category	# of applications	% of total #	US\$ value
Detailed list of goods required	234	58.6%	\$1,655.7M
Payment terms require explanation/change	33	8.3%	\$118.6M
All other reasons (numerically inaccurate, service clarification, price clarification, DP amendments, etc.)	132	33.1%	\$717.8M
TOTAL	399	100%	\$2,492.1

PROCESSING OF GRL ITEMS

13. The number of applications containing one or more GRL items has reached 158 applications valued at \$531.8 million. This represents 3.9 per cent of all applications assessed for GRL items (to include “old holds”) so far. As shown in Table 4a, there has been a steady increase in both absolute and relative (as percentage of all applications assessed at a given time) numbers of these applications. The recent levels remain at around 3.5 - 4.0 per cent.

14. The main “hike” was recorded in mid-October as UNMOVIC/IAEA returned a number of applications previously on hold and then re-assessed for GRL items under paragraph 18. A number of these contained one or more GRL items thus causing a sudden increase. At present, applications previously on hold and re-assessed under paragraph 18 still account for almost two thirds of all applications found to contain one or more GRL items (107 out of the total 158).

Table 4a: Applications containing GRL items from 1 August to 5 December 02

DATE	09/08/02	26/08/02	09/09/02	18/10/02	01/11/02	15/11/02	05/12/02
Number of applications containing GRL items	4	8	14	93	108	137	158
The above as percentage of total # assessed	1.4%	1.2%	1.4%	3.2%	3.3%	3.7%	3.9%
US\$ value (in millions)	\$3.3	\$3.54	\$27.65	\$204.7	\$279	\$449.6	\$531.8

15. Table 4b provides status overview of applications assessed by UNMOVIC/IAEA as containing GRL item(s). It includes applications still being processed (GRL Notice or GRL Processing) or completed (661 Approved, 661 rejected, Supplier Lapsed and OIP Approved/per amendment). It is evident that most GRL items (73.4 per cent of applications) of the applications are still at various stages of processing.

16. Although the suppliers may request partial shipment of non-GRL items while GRL items continue to be processed, OIP/CPMD received no such requests so far. This is quite understandable, given the fact that most of the applications found to contain GRL item(s) are for vehicles/trucks and any removal of GRL item in such cases would leave no non-GRL items or only spare parts. It would appear that the more popular way of dealing with GRL items is through an amendment deleting or replacing GRL items with non-GRL ones. So far, 10 applications (6.3 per cent) were cleared of GRL items in such manner with amendment pending or being processed in additional 21 cases (13.3 per cent). Therefore, such requests have been received in almost 20 per cent of the cases involving GRL items.

**Table 4b: General status overview for applications containing GRL items
(as of 05/12/02)**

GRL applications (status)	GRL Applications (number)	% of total number	Application Value	% of total value
GRL Notice	12	7.6%	\$60.9M	11.5%
GRL Processing*	116	73.4%	\$394.8M	74.2%
661 Approved	14	8.9%	\$4.2M	0.8%
661 Rejected	1	0.6%	\$2.0M	0.4%
Supplier Lapsed	4	2.6%	\$8.2M	1.5%
Null-and-void	1	0.6%	0.4M	0.1%
Sub-total:	148	93.7%	\$470.5M	88.5%
OIP approved**	10	6.3%	61.3M	11.5%
TOTAL	158	100%	531.8M	100%

* see table 4c for further details

**based on amendment to remove GRL items

17. Table 4c below provides further breakdown of applications containing GRL items that are still being processed. It is evident that there has been increasing number of suppliers request the United Nations to provide an assessment of the humanitarian, economic and security implications of the approval or denial of GRL item(s), to include the viability of the whole contract and the risk of diversion to military uses. There are currently 20 such assessment being prepared with 10 prepared earlier. Only a few such assessments have been circulated to the Committee so far but in all cases the approval for GRL items was denied. However, it is still too early to draw conclusions on the actual usefulness of such assessments.

18. The requests for reconsideration of the initial GRL assessment by the UN experts are also on the rise with 7 such requests pending with UNMOVIC/IAEA. The total number of request so far (to include the seven pending) was . It should be noted that in 3 cases UNMOVIC changed its initial assessment following the provision of additional information and clarifications with the reconsideration request.

**Table 4c: Detailed breakdown of GRL processing applications
(as of 05/12/02)**

Status	No. of applications	US\$ value
661 Pending(10)	19	\$29.5M
661 Pending(5)	2	\$3.2M
Pending assessment	20	\$174M
Pending amendment	17	\$91.3M
661 Denied	46	\$81M
Amendment Processing	4	\$5.8M
Reconsideration	7	\$9.9M
Pending response	1	\$0.1M
TOTAL	116	\$394.8M

19. Table 4d below provides status of applications that have been fully processed by the 661 Committee. So far, 66 applications valued at \$95.4 million have been decided on by the Committee out of the total 158 applications worth \$531.8 found to contain one or more GRL items. This represents 41.8 per cent or 17.9 per cent in terms of value. The rate of approvals stands at 21.2 per cent in terms of the number of applications fully processed and 4.4 per cent in terms of value of all applications fully processed so far.

20. All applications approved by the Committee have been approved under the condition of end-use verification. Most of the applications approved by the Committee (11 out of 14) are for the three Northern governorates. The remaining 3 approved for center-south contain animal vaccines and, in one case, fire fighting vehicles.

21. While GRL items have been denied approval in total of 52 applications, petitions have been submitted to the Committee in only four cases – two are still pending the Committee’s decision (“661 pending(5)), one has been rejected (“661 Rejected”) and one resulted in conditional approval for an application for vehicles but the confirmation of monitoring condition is still awaited (“pending response”). Once again, small number of examples did not allow OIP/CPMD to draw further conclusions on the petition process. Total of 4 applications previously denied approval lapsed as the supplier failed to submit a petition within 30 working days.

4d: Applications fully processed by the 661 Committee as of 05/12/02

GRL applications (status)	GRL Applications (number)	% of total number	Application Value	% of total value
661 Approved	14	21.2%	\$4.2M	4.4%
661 Denied	46	69.7%	\$81.0M	84.8%
661 Rejected*	1	1.5%	\$2.0M	2.1%
Pending Response**	1	1.5%	\$0.1M	0.1%
Supplier lapsed***	4	6.1%	\$8.1M	8.6%
TOTAL	66	100%	\$95.4M	100%

* Following a negative response to a petition

** Following a positive response to a petition (awaiting confirmation of monitoring)

*** Following failure on the part of suppliers to submit a petition

22. Finally, it should be noted that most of the applications in the GRL category contain GRL-rated trucks (94 of 158 applications or 59.5 per cent; in terms of value this category includes contracts worth \$423.4 million or 79.6 per cent of the total \$531.8 million). Detailed analysis of applications containing GRL-rated trucks will be provided as a separate document. Other item categories identified as GRL included:

- live vaccines (so far, all circulated have been approved)
- corrosion resistant valves and pumps (separate or as part of larger units as compact units)
- wind tunnel
- x-ray equipment (non-medical)
- radiation detecting equipment
- protection masks/respirators
- laboratory equipment

- water treatment chemicals
- biological safety cabinets
- medical lasers
- sensors (vibration and others) and flow meters
- titanium anodes
- demining equipment (for UNOPS in the North)

PROCESSING OF APPLICATIONS UNDER PARAGRAPH 18

23. Category A Holds: By 15 October 2002 all of the 171 applications worth US\$315.4 million containing one or more 1051 items were returned to submitting missions as per paragraph 18 of the procedures adopted under resolution 1409(2002). As of 5 December 2002, the suppliers entertained the right to resubmit such applications in 22 cases (worth US\$118.9 million). Of the total resubmitted, 6 applications worth US\$31.6 million have been approved by OIP as containing no GRL items, one was found to contain GRL items, one was null-and-void and the remaining 7 are at various stages of processing with OIP and UNMOVIC/IAEA.

24. Category B Holds: By July 2002 almost 2,200 applications worth over \$5.0 billion have been identified as “category B” holds and their re-assessment for GRL items had started. A number of applications in this category (43 worth \$180 million) were approved-released from hold by the Committee before re-assessment under paragraph 18 had been done and the rest were null-and-void. The remaining 1,858 applications worth \$4,680 million were re-assessed under paragraph 18.

25. Table 5 provides status of the applications re-assessed by UNMOVIC/IAEA as of 5 December 2002. Close to half of the total number re-assessed have been approved (908 out of 1,858) so far, with more applications in this category approved almost daily as the requested information is being provided and applications are cleared of GRL items. The “GRL Non-Compliant” and “UNMOVIC/IAEA Review” categories (responses being evaluated) contain 732 and 108 applications respectively, or the total of 840 applications. Finally, 107 of category B applications have been initially identified as containing one or more GRL items but four applications have been amended to remove/replace such items.

TABLE 5: Status of Category B Holds as of 5 December 2002

Returned from UNMOVIC/IAEA	No. of Applications	US\$ million
No GRL items*	908	\$1,406.2M
Additional Questions (GRL Non-Compliant or UNMOVIC/IAEA review)	840	\$2,828.4M
GRL Items**	103	\$443.1M
Null-and-void (after returned from UNMOVIC/IAEA)	9	\$6.7M
Total Reviewed	1,860	\$4,684.4M

* Also includes 4 applications initially containing GRL item(s) but subsequently amended

** Does not include 4 applications referred to above(*)