



**Executive Board of the  
United Nations Development  
Programme, the United Nations  
Population Fund and the  
United Nations Office for  
Project Services**

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**United Nations Office for Project Services**

**United Nations Office for Project Services budget estimates  
for the biennium 2018-2019**

**Report of the Advisory Committee on Administrative and  
Budgetary Questions**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the budget estimates for the biennium 2018-2019 (DP/OPS/2017/6) for the United Nations Office for Project Services (UNOPS). During its consideration of the budget estimates, the Advisory Committee met with representatives of the Executive Director of UNOPS, who provided additional information and clarification, concluding with written responses received on 19 July 2017.

**Financial resources**

2. The presentation of the resource estimates for UNOPS for the biennium 2018-2019 is in alignment with the harmonized presentation adopted by the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF), based on decisions 2010/32, 2011/10, 2012/27, and 2013/9, in which the Executive Board approved the harmonized approaches for cost-classification, results-based budgeting, and budget presentation. Due to the self-financing business model of UNOPS, two years is regarded as the most appropriate planning cycle, with the results and budget framework for the biennium 2018-2019 directly aligned with the UNOPS global structure; detailed information thereon for its seven functional clusters, including a table with key performance indicators, associated baselines, targets, and resources for 2018-2019, is included in the UNOPS report (DP/OPS/2017/6, part III, section B, paras. 68-98).

3. UNOPS estimates that its available resources for the biennium 2018-2019 will amount to \$310.9 million, comprising an expected operational reserve of \$131.6 million, and total revenue<sup>1</sup> of \$179.3 million (\$132.7 million in management

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<sup>1</sup> The total revenue is also designated as the budget estimate.



resources, \$26.6 million for write-offs, provisions and contingency surplus, and \$20 million earmarked for strategic investment). Upon enquiry, the Advisory Committee was provided with the updated resource plan from the budget estimates for 2016-2017, the resource plan for 2018-2019 is contained in the table below (see also DP/OPS/2017/6, table 3).

**Table 1: Resource plan from the budget estimates for 2016-2017 and 2018-2019**

	<b>2016-2017 Budget estimates</b>	<b>2016 (actuals) and 2017 (projection)</b>	<b>2018-2019 Budget estimates</b>
<b>Resources available</b>			
<b>Operational reserve beginning of period</b>	<b>82.8</b>	<b>99.2</b>	<b>131.6</b>
Total revenue on budget basis	138.7	177.3	179.3
Total available	221.5	276.5	310.9
<b>Use of resources</b>			
<b>Management resources</b>	<b>125.6</b>	<b>128.1</b>	<b>132.7</b>
Write-offs, provisions, contingency surplus	13.1	4.9	26.6
Strategic investments from surplus		13.0	20.0
Total use of resources	138.7	146.0	179.3
<b>Balance of resources</b>			
Net revenue on budget basis	0.0	31.3	0.0
Budget basis to IPSAS reconciliation		1.1	0.0
Change to the operational reserve on IPSAS basis		32.4	0.0
<b>Operational reserve at end of period</b>	<b>82.8</b>	<b>131.6</b>	<b>131.6</b>

4. The report indicates that UNOPS is targeting zero net revenue for 2018-2019 (DP/OPS/2017/6, para. 26). The Advisory Committee was informed, upon enquiry, that the net revenue target is in line with UNOPS mandate as per its Financial Regulation 9.01 which provides that UNOPS operates on the basis of full cost recovery.

5. **The Advisory Committee recommends that the Executive Board approve the net revenue target of zero (\$0.0) for the biennium 2018-2019 and endorse the two-year aspiration of UNOPS with respect to its management results and the targeting of resources to support its goals.**

6. The report also indicates that the operational reserve is expected to remain above the required minimum at the end of the biennium<sup>2</sup>. The Advisory Committee notes that if the net revenue target is not achieved, UNOPS will reduce the operational reserve accordingly. The Advisory Committee also notes that the operational reserve increased from an estimated \$82.8 million in 2014-2015 to

<sup>2</sup> The minimum requirement for the UNOPS operational reserve should be equivalent of four months of the average of previous three years' expense under the management budget as per DP/OPS/2013/CRP.1, para. 14.

\$131.6 million at the end of 2016, and is foreseen to remain at this level in 2017, 2018 and 2019 (see DP/OPS/2015/5, table 3 and DP/OPS/2017/6, paras. 23 and 26).

**Taking into consideration that the operational reserve is scheduled to remain above the required minimum, the Advisory Committee recommends that UNOPS undertake an analysis of the actual amount of reserve needed for its operations and include this analysis in the next budget estimates.**

7. The report reflects that the decision to earmark funds for potential write-offs and contingency surplus, in addition to potential provisions, aims to better address the risks related to the increased complexity of the UNOPS portfolio (DP/OPS/2017/6, paras. 109-122 and table 3). Upon enquiry, the Advisory Committee was informed that the assessment of risk will be based on the review of each individual engagement and integrated with the new Enterprise Risk Framework. However, as this framework is not yet fully in place, and as concerns the current budget estimates, UNOPS informed the Advisory Committee that it decided to use the total revenue as the best available indicator of the future risk profile. Pursuant to consultation with the Audit Advisory Committee, UNOPS decided to set aside 15 per cent of the total revenue to cover for future risks.

8. With regard to the decision to set aside \$13 million for strategic investments in the current biennium and \$20 million in 2018-2019, the report indicates that UNOPS targets investments that enhance the quality of its processes and the competencies of its personnel (DP/OPS/2017/6, para. 113). Upon enquiry, the Advisory Committee was informed that the fund will be used to advance the following goals: a) enabling partners to do more with less through efficient management support services; b) helping people achieve individual, local, national and global objectives, through effective technical expertise founded in international norms and standards; and c) supporting countries expand the pool and effect of resources available to achieve the 2030 Agenda. The Advisory Committee was further informed that the funds will be allocated to project proposals after review of an Investment Board and upon final decision of UNOPS Executive Director. **The Advisory Committee notes with interest the decision of UNOPS to increase its strategic investment from \$13 million in the current biennium to \$20 million in 2018-2019 and looks forward to an update on this regard in the next budget estimates.**

9. The report provides updated figures regarding the current biennium on the basis of actuals for 2016 and projections for 2017, which are now estimated at \$276.5 million including an operational reserve of \$99.2 million and total revenue amounting to \$177.3 million. Management resources would amount to \$128.1 million, write-offs, provisions and contingency surplus amounts to \$4.9 million, and strategic investment is projected at \$13 million. The report indicates that the increase in revenue for 2016-2017 is due to an increased recovery rate (DP/OPS/2017/6, para. 22). Upon enquiry, the advisory Committee was provided with the updated table below regarding the total revenue between 2004-2005 and 2018-2019.

**Table 2: Annual revenue figures for UNOPS from biennium 2004-2005 to 2018-2019**

*(Millions of United States dollar)*

Biennium	Budget Estimates forecast	Gross Revenue (actuals*)	Net Revenue (actuals*)
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2004-2005	88.0	118.7	102.2
2006-2007	108.7	125.9	109.1
2008-2009	133.3	158.6	135.2
2010-2011	140.1	168.0	150.2
2012-2013	148.7	160.1	132.8
2014-2015	139.2	173.9	151.0
2016-2017	138.7	189.8	177.3
2018-2019	179.3		

\* Except for 2017 which is still based on projection

10. The Advisory Committee notes the significant changes in the budget estimates for 2016-2017 between the initial assessment (see DP/OPS/2015/5, table 3) and the updated estimates based on the actual figures for 2016 (see DP/OPS/2017/6, table 3). The Committee encourages UNOPS to improve its budget projections.

11. Table 4 of the report details the budget estimates by expense category for 2016-2017 (\$128.1 million) and 2018-2019 (\$132.7 million). With regard to the projected overall cost increase of \$4.6 million between the two biennia, the Advisory Committee was informed, upon enquiry, that this increase was primarily inflation-related and calculated based on inflation rates derived from the International Monetary Fund World Economic Outlook Database.

#### Staffing

12. The report indicates that as at 1 January 2017, UNOPS personnel comprised 829 staff compared with 841 staff as at 1 January 2015. The decrease of 12 staff members coincides with increases in the number of individual contractors from 2,753 to 4,248, and Partner personnel from 2,632 to 5,955 (see DP/OPS/2015/7, table 3).

**Table 3: UNOPS personnel as at 1 January 2017 with contract duration of three months and longer**

Personnel Category	ICA	Staff	Grand Total
UNOPS Personnel*	2,753	829	3,582
Partner Personnel	5,955	-	5,955
<b>Grand Total</b>	<b>8,708</b>	<b>829</b>	<b>9,537</b>

\*Excluding Retainer and Lump Sum consultant contracts, interns and Junior Professional Officers (JPO) and Temporary Appointments with less than 3 month contract duration

13. With regard to individual contractors, the Advisory Committee was informed, upon enquiry, that the Individual Contractor Agreements (ICA) can last for a period ranging from one hour to a maximum of two years at a time. As most of UNOPS work is project-based, individual contractors are a key resource for UNOPS and its partners are selected through three types of ICAs, depending on the scope of the functions and the place of work: a) International ICA, for specialist personnel performing expert or advisory functions outside of their home country or place of residence; b) Local ICA Specialist, for personnel performing specialist, expert or advisory functions in their home country or place of residence; and c) Local ICA Support, for personnel performing support or administrative functions in their home

country or place of residence. UNOPS also manages the ICA contracts of Partner personnel on behalf of its clients; however, UNOPS does not supervise this personnel.

14. With regard to staff members, the report indicates that the number of posts funded through the management resources will decline from 164 in 2016-2017 to 146 in 2018-2019. The reduction of 18 posts concerns 2 D-2, 1 D-1, and 15 GS or related posts. Upon enquiry, the Advisory Committee was informed that the changes reflect the reorganization of the regional structure that was implemented in the current biennium, resulting in the number of staff posts funded through the management budget at the Headquarters in Copenhagen and in New York being decreased, while the number of posts funded through the management budget increased in the newly established regional offices in Geneva, Amman, the liaison offices in Brussels and Washington and the Global Shared Service Centre in Bangkok.

15. With regard to the overall changes specifically affecting posts at D-1 and above levels, the Advisory Committee was provided, upon enquiry, with the table below showing a net decrease of 3 posts (2 D-2 and 1 D-1):

**Table 4: Changes of Director-level posts between 2016-2017 and 2018-2019**

Budget Estimates 2016-2017			Budget Estimates 2018-2019	
Level	Functional title	Nature of change	Level	Functional title
D2	Regional Director, Asia, Europe and Middle East Regional Office (AEMO)	Realignment of regional portfolios, position abolished		
D2	Director, Sustainable Infrastructure Practice Group	Abolished position - Infrastructure and Project Management Practice Groups merged		
D2	Director, Global Portfolio Services Office (GPSO)	Realignment of regional portfolios, position abolished		
		New position - HQ restructuring	D2	Director, Risk and Quality Group
D1	Deputy Director, AEMO, Office of the RD	Realignment of regional portfolios, position abolished		
D1	Director and Representative, AEMO, Iraq	Realignment of regional portfolios, position abolished		
D1	Director, GPSO, New York Liaison	Position abolished, functions consolidated		
D1	Director, GPSO, Geneva Cluster	Realignment of regional portfolios, position abolished		
D1	Director, Cambodia	Realignment of regional portfolios, position abolished		
D1	Director, LPG	Position repurposed as part of New York Office restructuring	D1	Director of New York Office/General Counsel, LG
D1	Director, Business Innovation & Improvement Programme	Position repurposed as part of ICT restructuring	D1	Director, ICT Group/Chief Information Officer
		Realignment of regional portfolios, new position	D1	Regional Director, Middle East Region
		Realignment of regional portfolios, new position	D1	Regional Director, Europe and Central Asia Region (ECR)
		Realignment of regional portfolios, new position	D1	Regional Director, Asia Region
		New position	D1	Deputy CFO

### General comment

#### *Refund*

16. Pursuant to a memorandum of understanding between UNOPS and the United Nations Secretariat adopted in 2014, UNOPS provides a refund to the Secretariat upon reaching an agreed threshold of cumulative fees of \$16 million. Upon enquiry, the Advisory Committee was informed that UNOPS collected a total fee of \$17.9 million in 2016 and consequently an amount of \$2.24 million will be refunded to the United Nations Controller for the first time. Future refunds are estimated at \$2.2 million for 2017, \$2.3 million for 2018 and \$2.35 million for 2019. The Advisory Committee notes that 2016 is the first year for which the refund mechanism is to be implemented.

*Service Centre*

17. In its previous report on UNOPS, the Advisory Committee noted that the UNOPS Global Shared Service Centre (GSSC) in Bangkok, which became fully operational in January 2015, was a cornerstone of the UNOPS Global Delivery Platform aimed at establishing global human resources and financial support services for itself and its UN partners worldwide (DP/OPS/2015/7, paras. 7 and 16). The present report indicates that during the biennium 2018-2019, UNOPS would offer more processes through its GSSC, expanding its offerings within areas such as information and communication technology support, treasury, grants management, procurement and human resources services (DP/OPS/2017/6, para. 8).

18. The Advisory Committee was also informed, upon enquiry, that the most recent audit of GSSC has concluded that UNOPS is saving resources by performing the human resources and financial support services internally, in comparison to utilizing a United Nations service partner. With regard to the services provided to other United Nations entities having offices in Thailand, the Advisory Committee was informed that at the end of 2016, UNOPS provided human resources services amounting to \$ 9.3 million to the Office of Information and Communications Technology in the Department of Management of the United Nations Secretariat, United Nations Environment Programme and UNHCR.

**19. The Advisory Committee trusts that the lessons learned from the establishment of a Global Shared Service Centre by UNOPS in Bangkok will be shared with the United Nations Secretariat in preparation of the Secretary-General's report on the Global Service Delivery Model.**

*Procurement*

20. The report indicates that UNOPS has been recognized as a leader in the area of procurement, receiving the 'Gold Level in Sustainable Procurement' award from the Chartered Institute of Procurement and Supply in 2015 and 2016. UNOPS was among only a handful of organizations globally which have achieved "gold status" in two consecutive years (DP/OPS/2017/6, para. 7). **The Advisory Committee acknowledges the effort made by UNOPS to achieve the highest standards in procurement. The Committee reiterates its trust that UNOPS will continue to align its procurement activities and policies with that of the United Nations Secretariat and other United Nations entities (see DP/OPS/2015/7, para. 15).**

*Benchmarking performance*

21. The report indicates that in May 2017, the European Foundation for Quality Management completed an assessment of UNOPS, confirming its strength in addressing partner needs with the speed and flexibility needed for operations under the most challenging conditions (DP/OPS/2017/6, para. 7). The Advisory Committee was informed, upon enquiry, that with regard to the administration of staff members, UNOPS benchmarks the duration of recruitment, contracts' issuance and entitlement processes. With regard to ICA, UNOPS indicates that it does not benchmark the contract itself with other service providers because it is difficult to compare the ICA directly with any other contract modality. Finally, the Advisory Committee was informed that UNOPS does not aggressively advertise the findings of its benchmarks; however, it shares its experience in certification and standards with other UN entities at meetings organized under the umbrella of the High-Level Committee for Management and through the United Nations Laboratory for Organizational Change and Knowledge (UNLOCK). **The Advisory Committee**

**encourages UNOPS to expand its performance benchmarking efforts and to include detailed information on this effort in its next budget estimates.**

*Use of languages*

22. One of UNOPS Key Performance indicators refers to “share of UNOPS public website content available in all official languages”. The Advisory Committee was informed, upon enquiry, that UNOPS is publishing all official documents submitted to the Executive board in the six official United Nations languages of the Secretariat. At the same time, UNOPS has established, under its Organizational Directive 30 on Information Disclosure Policy, a commitment to providing information on its public website in English, French and Spanish. The Committee was further informed that the specific Key Performance Indicator will be reworded for the Annual Reports from 2017 onwards to read: “share of UNOPS public website content available in English, French and Spanish”.

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