



**Executive Board of the
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United Nations Office for
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United Nations Office for Project Services

**United Nations Office for Project Services budget estimates
for the biennium 2016-2017**

**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 2016-2017 (DP/OPS/2015/5) for the United Nations Office for Project Services (UNOPS). During its consideration of the budget estimates, the Advisory Committee met with the Deputy Executive Director of UNOPS, who provided additional information and clarification.

Financial resources

2. The presentation of the resource estimates for UNOPS for the biennium 2016-2017 is in alignment with the harmonized presentation adopted by UNDP, UNFPA and 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 2016-2017 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 2016-2016, is included in UNOPS report (DP/OPS/2015/5, part III, section B, paras. 67-100).

3. UNOPS estimates that its available resources for the biennium 2016-2017 will amount to \$221.5 million, comprising an expected operational reserve of \$82.9 million, and an estimated budget in the amount of \$138.7 million (\$125.6 million in management resources and \$13.1 million earmarked for potential provisions), as compared to the biennium 2014-2015 when estimates amounted to \$201.1 million, comprising an operational reserve of \$62.9 million and an estimated budget of \$139.2 million (\$131.2 million in management resources and \$8 million earmarked for potential provisions). UNOPS is targeting zero net revenue, with the operational



reserve expected to remain above the required minimum at the end of the biennium (see also *ibid.*, para. 34-35, table 3).

4. Table 4 of the report details the budget estimates amounting to \$125.6 million by expense category for 2016-2017, compared to the anticipated expenses amounting to \$116.4 million for the biennium 2014-2015. Upon enquiry, the Advisory Committee was informed that the projected volume increase of \$3 million with regard to 2016-2017 is related to the new ERP system for follow-on costs in connection with its implementation, additional user training, the correction of potential problems and, if required, the addition of system functionality for training-related travel, expert consultants, and operating expenses. With regard to the projected overall cost increase for the biennium 2016-2017 in the amount of \$6.2 million, the Advisory Committee was informed, upon enquiry, that this was primarily inflation-related and calculated based on inflation rates derived from the International Monetary Fund World Economic Outlook.

5. With regard to management resources, UNOPS projects a 9 per cent real decrease for the biennium 2016-2017 compared to the biennium 2014-2015. The report also indicates that this projected reduction is a result of charging direct costs more accurately to a range of operational processes, i.e. project partners, thus reducing the indirect costs to be recovered (*ibid.*, paras. 23, 29, and 104). With regard to funds earmarked for potential provisions, UNOPS projects that the target of \$8 million, which was achieved in the biennium 2014-2015, will be exceeded by 64 per cent in the biennium 2016-2017, attributable to UNOPS risk management approach whereby funds are set aside for unforeseen events and circumstances which may require financial resources (*ibid.*, paras. 30, 102, and 105). **The Advisory Committee welcomes the continuing efforts made by UNOPS towards reducing its requirements for management resources.**

6. As a consequence of the increasing revenue and decreasing management expense, UNOPS expects to end the biennium 2014-2015 with a \$14.2 million surplus (on IPSAS basis), while liabilities related to after-service health insurance will likely result in actuarial losses, which are expected to balance out the positive net revenue. UNOPS therefore foresees the level of the operational reserve to remain unchanged over the biennium 2014-2015, ending at the same level as the opening balance of \$82.8 million (*ibid.*, para.31).

7. Figure 2 of the budget estimates provides a comparative view of actual revenue for 2012-2013 (\$132.8 million), the projected revenue for 2014-2015 (\$145 million), and the estimates for 2016-2017 (\$138.7 million). Upon enquiry, the Advisory Committee was provided with updated information showing the annual trend for net and gross revenues starting with the biennium 2004-2006, as shown in table 1 below:

Table 1: Annual revenue figures for UNOPS from biennium 2004-2005 to 2016-2017¹

Biennium	(a) Budget Estimates forecast In million US dollars	(b) Gross Revenue (2004- 2014: actuals, 2015: projection) In million US dollars	(c) Net Revenue (actual) In million US dollars
2004-2005	88.0	118.7	102.2
2006-2007	108.7	125.90	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	168.2	145.0
2016-2017	138.7		

8. On a related matter, aimed at increasing collaboration with other United Nations entities, UNOPS has signed a memorandum of understanding (MOU) with the United Nations Secretariat, for a refund programme whereas the price of services delivered by UNOPS would be reduced, provided that predefined volume thresholds are met (*ibid.*, para. 33 and para. 14 below). Upon enquiry, the Advisory Committee was informed that this MOU would extend to 2019 and also apply to other United Nations entities such as UNODC, UNEP, and UN-Habitat. The Committee was also informed that refunds under the MOU would be provided to the Financial Controller of the United Nations on an annual basis for distribution to the appropriate entities, with UNOPS returning, on a sliding scale, between 12.5 per cent and 36.5 per cent of the cumulative indirect project costs for projects exceeding \$16 million. **The Advisory Committee welcomes this initiative.**

Staffing

9. The total number of posts planned for the biennium 2016-2017 remains unchanged as compared to the previous biennium at 302 staff and comprises 138 staff posts for shared project services, which are fully or partially attributed as direct costs to projects; and 164 posts funded under the management budget (see *ibid.*, table 5, and footnote 24). In this connection, the report notes that, pursuant to the General Assembly request reflected in the Quadrennial Comprehensive Policy Review in 2012 (A/RES/67/226) for the United Nations development system to pursue reductions in management costs to minimize the necessary cost recovery rate within the existing budget framework, the cost for posts previously recovered as indirect costs have now been budgeted as direct project costs to ensure accurate cost recovery.

10. With regard to changes related to senior posts of D-1 and above, funded by the UNOPS management budget, the Advisory Committee was informed that UNOPS adhered to the terms of General Assembly resolution 35/217 of 17 December 1980, in which the concurrence of the Committee is sought for the establishment of extrabudgetary positions at the D-1 level and above.

¹ The Advisory Committee was informed, with reference to table 1 in the Committee's previous report (DP/OPS/2013/7), that 2012-2013 figures have been updated by UNOPS with realized numbers; in 2012 UNOPS changed its accounting standard from UNSAS to IPSAS and revenue numbers included in the newly updated table starting with 2012 are in accordance with this new basis.

11. Upon enquiry, the Advisory Committee was provided with a break-down of the following changes with respect to senior posts **between 2014-2015 and 2016-2017**:

Table 2: Changes of Director-level posts between 2014-2015 and 2016-2017

Grade						
14-15	16-17	Functional title	Unit	Nature of change	Reason for change	Region
D1	N/A	Deputy Regional Director, Asia Pacific Region	Office of the Regional Director, Asia Pacific Region	Abolished position	Position abolished when Asia Pacific Region and Europe Middle East Region merged into Asia, Europe and Middle East Region.	Regions and partner services
D1	N/A	Director, South Sudan	South Sudan Operations Centre	Reclassification from D1 to P5	Position reclassified from D1 to P5 as South Sudan was integrated in Ethiopia Operational Hub.	Regions and partner services
D1	N/A	Director, Corporate Performance and Management Group	Corporate Performance and Management Group	Abolished position	Position abolished as the Corporate Performance and Management Group was abolished.	HQ
D1	D2	Director, Corporate Support Group	Corporate Support Practice Group	Reclassification from D1 to D2	Position was reclassified due to a significant change in its scope.	HQ
D1	D2	Director, Sustainable Project Management Practice	Sustainable Project Management Practice Group	Reclassification from D1 to D2	Position was reclassified due to a significant change in its scope. The change in scope was due to UNOPS' increased effort to further strengthen delivery practices in its	HQ

					mandated areas of operation.	
N/A	D2	Director of Communications	Communications Practice Group	Created position	Position created in an effort to improve the UNOPS outreach strategy so as to elevate its profile in the development community, as well as with stakeholders at large.	HQ
N/A	D1	Director, Business Innovation & Improvement Programme	Business Innovation & Improvement Programme	Created position	Position created to lead the implementation of UNOPS' business innovation and improvement programme.	HQ
N/A	D1	Director, GPSO, Peace & Security Cluster	GPSO, Peace & Security Cluster	Reclassification from P5 to D1	Position reclassified from P5 to D1 to handle the extended areas of responsibility for Peace and Security Cluster, supporting the work of UN Mine Action Service as well as other UN partners.	Regions and partner services
N/A	D1	Deputy Director, People and Change Practice Group	People and Change Practice Group	Reclassification from P5 to D1	Position reclassified from P5 to D1 as Human Resources Practice Group was restructured into the broader People and Change Practice Group. The extended scope includes change	HQ

					management and excellence as well as HR.	
N/A	D1	Director and Representative to African Union, AFO, Ethiopia	Ethiopia Operational Hub	Created position	Position created to secure UNOPS high-level representation in the African Union, consolidating UNOPS' position in the region.	Regions and partner services

12. With regard to the use of individual contractor agreements (ICA), UNOPS indicates that it has provided the flexibility required by its self-financing model, while relying on a core number of fixed staff positions. In this connection, the Advisory Committee was provided with a breakdown of all UNOPS personnel with a contract duration of three months or longer, as follows:

Table 3: UNOPS personnel as at 1 June 2015 with contract duration of three months and longer

Supervisor	ICA	Staff	Grand Total
UNOPS Personnel	4,248	841	5,089
Partner Personnel	2,632		2,632
Grand Total	6,880	841	7,721

13. The Advisory Committee was informed, upon enquiry, that different ICA contract types are issued, as follows: staff contracts (FTAs) for functions involving representation, involving the staff supervision and requiring specific delegations of authority; and international and local ICA contracts which offer certain benefits such as annual leave, sick leave, maternity and paternity leave, health insurance and pension benefits.

Procurement

14. The Advisory Committee notes from the report that UNOPS has become the fourth organization in the world to be awarded “gold” status for its procurement practice under the certification standards of the Chartered Institute for Procurement and Supply² (ibid., para. 8). **The Advisory Committee commends this achievement.**

15. The report also indicates that UNOPS has signed an MOU with the United Nations Secretariat, documenting areas of cooperation that include the prerogative of United Nations Secretariat key procurement practices when working in

² The awards given by the Chartered Institute for Procurement and Supply (CIPS) reflect that the procurement function is maintaining the policies, procedures, processes and systems required by the CIPS standards to achieve increasing levels of influence, involvement and control. See also the CIPS website: <http://cips.org/en/CIPS-for-Business/supply-assurance/Sustainable-procurement-review/>

partnership. In this connection, the Advisory Committee recalls that, with regard to the rules governing procurement actions, UNOPS has a comprehensive regulatory framework for procurement as contained in its Financial Regulations and Rules (Organizational Directive No. 3). Furthermore, the Advisory Committee was informed during the hearing that the regulatory framework adhered to by UNOPS continued to be consistent with relevant General Assembly resolutions and with the principles of procurement followed by the United Nations entities. **The Advisory Committee trusts that UNOPS will continue to align its procurement activities and policies with that of the United Nations Secretariat and other United Nations entities.**

Service Centres

16. Upon enquiry, the Advisory Committee was informed that the UNOPS Global Shared Service Centre (GSSC) in Bangkok, which became fully operational in January 2015, is a cornerstone of UNOPS Global Delivery Platform aimed at establishing global support for its own and partners' transactional processes, as also explained in UNOPS Strategic Plan 2014-2017.

17. The Advisory Committee enquired as to comparative studies and benchmarks against the operations of other existing service centres within the United Nations system. UNOPS informed that the Centre in Bangkok provides transactional services for the administration of contracts for ICA personnel for UNOPS and its partners and that these services are unique to the United Nations system. UNOPS was therefore not able to identify a comparable basis to benchmark these services with other shared service centres.

18. Upon enquiry, the Committee was provided with a break-down of the services provided by the Centre and the estimated 2015 unit cost, as follows:

Table 4: Services delivered by UNOPS Bangkok Centre including unit cost projected for 2015

Nature of Service	Unit cost projections 2015
Contract Administration Services (ICA personnel)	\$4.7 per ICA/month
Payroll Services (ICA personnel)	\$6.3 per ICA/month
Financial Transactional Services (mostly ICA Vendor Approval)	\$11.2 per vendor

External audit

19. The Advisory Committee notes that the Board of Auditors has issued an unmodified audit opinion on the financial statement of UNOPS for the year ended 31 December 2013 (see A/69/5/Add.11) and was informed that the external report for the year ended 31 December 2014 was being finalized. In comparison, for the year ended 31 December 2007, the Advisory Committee notes that the Board of Auditors issued, at that time, a modified opinion with three emphases of matter (A/63/5/Add.10). **The Advisory Committee commends UNOPS management and staff for achieving the Office's financial and operational turnaround over recent years.**

20. **The Advisory Committee recommends approval of the budget estimates for the biennium 2016-2017 in the amount of \$138.7 million consisting of \$125.6 million in management resources and \$13.1 million for potential provisions.**