



**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

**Distribution of excess reserves to paying entities:
UNOPS proposal on alternative use of
undisbursed funds**

I. Executive summary

1. The Executive Board, in its decision 2023/18 para 5(b), dated 9 June 2023, requested UNOPS “to make a good faith effort over a maximum of 12 months to distribute all these excess reserves to paying entities after which UNOPS will propose to the Executive Board at the first regular session of 2024 an alternative use for undisbursed funds, within the United Nations system and/or to replenish the UNOPS minimum operational reserve”.

2. The present proposal adheres to recent Executive Board decisions related to the UNOPS reserve and distribution of any excess reserves to paying entities.¹ The proposal builds on the UNOPS conference room paper on the methodology and time frame for refund of excess reserves² dated 20 July 2023.

3. Pursuant to decision 2023/18, UNOPS presents the following options for alternative use of undisbursed funds for consideration by the Board:

- (a) Option 1. Continued engagement with partners, thereby extending the 31 December 2023 deadline for the 2021 excess reserve until 31 December 2024;
- (b) Option 2. Transfer the non-refundable amount of excess reserves into a trust fund to support the achievement of the Sustainable Development Goals;
- (c) Option 3. Transfer the non-refundable amount to the Secretary-General to support the repositioning of the United Nations development system;
- (d) Option 4. Transfer the non-refundable amount to the Special Purpose Trust Fund for the Resident Coordinator System and the Development Coordination Office; and
- (e) Option 5. Any other consideration for prioritization of the funds deemed appropriate by the Executive Board.

¹ 2022/13, 2022/21, 2022/24, 2023/4, 2023/18, and 2023/22.

² DP/OPS/2023/CRP.6.



II. Recap of the refund process to date

4. In its decision 2023/18, the Executive Board provided the basis for UNOPS to develop and implement a refund process for its excess reserves in accordance with the UNOPS financial statements for the year ended 31 December 2021.³ Subsequently, UNOPS calculated the necessary financial data points and established a process through which a refund of excess reserves to paying entities could be executed. Further to sharing the approach with the Board, the 2021 excess reserve refund process commenced in the second quarter of 2023.

5. At the same time, UNOPS began reporting on the progress of the refund process in its monthly updates to the Board. It provided the Board with presentations and a conference room paper on the methodology and time frame for refund of excess reserves that formed the basis for further decisions on the process, including that the excess reserve refund should be a biennial process, as well as the request to prepare the present paper.

6. UNOPS requested a third-party consultancy to conduct a review during July-August 2023 so as to provide independent assurance on the excess reserve refund process. The reviewed data points confirmed that UNOPS adheres to Executive Board instructions in relation to the processing of the refund, and the results have been shared with the Board. Recommendations for improvements to the operational implementation of the refund process were provided by the third-party consultancy. UNOPS agreed to their implementation in full for future iterations of the process. In addition, the United Nations Board of Auditors has started a review of the 2021 excess reserve refund process during its 2023 interim audit.

III. Status of the refund process as of 15 November 2023

7. At the time of drafting this document, UNOPS had refunded \$74.3 million out of a total of \$123.8 million, to 96 partners. The refunds to UNOPS partners from within the United Nations system, as well as to some of the local government counterparts with whom UNOPS is working, was in many cases straightforward, contributing to a refund rate of 60 per cent of the total amount at the time of drafting.

8. However, parts of the process remain a challenge, particularly for partners working with UNOPS in multi-partner settings⁴. Examples include funds provided by national development organizations to multi-partner activities hosted by UNOPS, as well as arrangements where a partner (such as the World Bank or the Global Fund) provides funds to national governments for activities that are then implemented through UNOPS.

9. While UNOPS has provided additional measures that will streamline and reduce the administrative burden of the excess reserve refund processes, as endorsed by the Board,⁵ some partners experience challenges upon being requested to receive such refunds. The challenges stem mainly from the fact that the refunds are not linked directly to individual agreements, and even if attributable, many records are already closed in partners' records.

IV. Options for alternative use of undisbursed funds

10. UNOPS is proposing for consideration by the Board five options for alternative uses of undisbursed funds, either to extend the timeline for the 2021 excess reserve refund or to repurpose the funds for the benefit of development needs.

11. **Option 1. Continued engagement with partners, thereby extending the 31 December 2023 deadline for the 2021 excess reserve until 31 December 2024.** This takes into account that the excess reserve refund for 2021 is an exceptional process that many partners are faced with for the first time, as described in chapter III, above. Noting that preparations for the refund

³ A/77/5/Add.11.

⁴ As referenced during the monthly update to the Executive Board on 5 October 2023.

⁵ Executive Board decision 2023/22.

process began immediately after the Board decision in February 2023, and that the process gained traction in mid-2023, robust progress has been made to date. For the remaining amounts, further engagement with partners is required to find solutions to complexities of their specific circumstances, which includes allowing them sufficient time to engage with their respective governing bodies. As per the status as of 15 November 2023, UNOPS anticipates that this engagement will benefit from a further 12 months. Depending on the overall status of the 2021 excess reserve refund process at the end of 2023, the Executive Board might wish to consider this option.

12. **Option 2. Transfer the non-refundable amount of excess reserves into a trust fund to support the achievement of the Sustainable Development Goals.** To contribute to the acceleration of the 2023 Agenda for Sustainable Development, any balance available at the end of 2023 could be transferred to a new or existing trust fund. For the establishment of a new trust fund, UNOPS would need guidance from the Executive Board in terms of the entity to establish such a trust fund, its mandate, and governance arrangements.

13. **Option 3. Transfer the non-refundable amount to the Secretary-General to support the repositioning of the United Nations development system.** UNOPS would be mandated to transfer the remaining balance to the United Nations Secretariat in support of the Secretary-General's ambition to reposition the United Nations development system. The Board should consider determining the purpose of the funds, and specifying whether any special reporting on the use of the funds should be provided.

14. **Option 4. Transfer the non-refundable amount to the Special Purpose Trust Fund for the Resident Coordinator System and the Development Coordination Office.** UNOPS partners have already provided \$1.5 million of the refund to the Resident Coordinator system, with the understanding that the funds transmitted to the Development Coordination Office will be reported as a voluntary contribution to the Special Purpose Trust Fund from the respective partner. Should this be the preferred option, no further guidance would be required from the Board, and reporting would follow the established process.

15. **Option 5. Any other consideration for prioritization of the funds deemed appropriate by the Executive Board.** In its decision, the Executive Board may wish to transfer the remaining balances to any other development priority deemed appropriate.

V. Next steps

16. As a supplement to the present document, UNOPS will present to the Executive Board a breakdown of all partners who have not provided a decision on the use of the refund amount by the end of 2023. That breakdown will be presented at an informal session prior to the first regular session 2024.

17. For each partner, UNOPS will indicate the amount of the undisbursed excess reserve refund, and the reason for the non-disbursal. Reporting on the finalization of the 2021 excess reserve refund process will be provided to the Executive Board in accordance with the decision on the alternative use of undisbursed funds.