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United Nations Office for Project Services

UNOPS financial, budgetary and administrative matters
ad hoc submission of revised budget estimates for the year 2002

SUMMARY

The present ad hoc budget submission is a response to the exceptional financial situation confronting the United Nations Office for Project Services this year and contains revised estimates for 2002. This document has been prepared for the Annual Session of the Executive Board and has been reviewed and approved by the Management Coordination Committee and submitted to the Advisory Committee on Administrative and Budgetary Questions. Total income for 2002 is forecast to be \$44.3 million compared with the approved budget forecast of \$58.1 million. The Executive Director therefore proposes a decrease in administrative expenditure from the approved budget of \$56.5 million to a revised total of \$44.0 million. Work continues in UNOPS to find ways to increase income and/or reduce operating costs to ensure that UNOPS' operating income in 2002 exceeds its operating expenditure and to monitor performance closely to ensure that income and expenditure budgets are achieved. These revised targets are in response to UNOPS' financial results for the biennium 2000-2001, and to the urgent need to improve UNOPS' financial situation and lay the foundation for rebuilding the operational reserve.

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ABBREVIATIONS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ALD	Activities of Limited Duration
EG	Executive Group
HR	Human resources
IFAD	International Fund for Agricultural Development
IG	Implementation Group
MCC	Management Coordination Committee
ORG	Operational Review Group
SMF	Staff Management Forum
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNFPA	United Nations Population Fund
UNOPS	United Nations Office for Project Services

I. INTRODUCTION

1. The present report contains the ad hoc revised budget estimate for the year 2002 for the United Nations Office for Project Services. This revision is submitted in accordance with Executive Board decision 94/32 of 10 October 1994. A separate report combining the revised budget information and a revision for the second year of the current biennium (2003), will be submitted to the Executive Board at its September session.
2. Pursuant to UNOPS Financial Regulations, the present budget estimate is being submitted through —and has been reviewed and approved by—the Management Coordination Committee. This estimate has also been submitted to the Advisory Committee on Administrative and Budgetary Questions.
3. In 2001, UNOPS achieved 104 per cent of its business acquisition target, 84 per cent of its total delivery target, and 83 per cent of its total income target. Total administrative expenditures amounted to 95 per cent of the approved budget. Largely because delivery in 2001 was lower than projected, insufficient income was generated to cover all administrative expenditures for the year. This resulting shortfall is explained in the annual report of the Executive Director (DP/2002/19).
4. The budget approved in Executive Board decision 2001/19 projected a total 2001 income of \$56.8 million and total administrative expenditures of \$55.3 million. Actual total income for 2001 amounted to \$47.2 million, which was \$9.6 million less than projected in the approved budget. Actual administrative expenditures totalled \$52.8 million, \$2.5 million less than the approved budget of \$55.3 million. However, total expenditure exceeded total income by \$5.6 million. UNOPS covered this shortfall in income through a drawdown on the operational reserve, in accordance with the Financial Regulations and Rules. The prospect of a drawdown from the operational reserve was brought to the attention of the Executive Board at the first regular session in January 2002.
5. The drawdown at the end of 2001 reduced the 2001 closing balance in the operational reserve to \$5.0 million, rather than the \$12.0 million projected in the approved budget. This level is 58 per cent below the amount originally forecast, and 78 per cent below the level of \$23.1 million called for at the end of 2001 by application of the recently revised operational reserve formula. The results for the biennium 2000-2001 and the critically low level of the UNOPS operational reserve led to a significantly changed approach to the development of the revised budget for 2002.

II. REVISED PROJECTIONS OF INCOME AND ESTIMATED EXPENDITURES FOR 2002

A. 2002 budget development process

6. In response to the financial results of 2001, UNOPS initiated a revision of its budget estimates for 2002, drawing partly on data for delivery, income and expenditures during the 2000-2001 biennium and partly on operations divisions' detailed delivery projections. UNOPS launched a special business review and planning process on 14 February 2002 with the establishment of an Operational Review Group Task Force. This ORG Task Force analysed and reviewed the 2002 delivery, income and administrative budget estimates from all UNOPS divisions and identified opportunities to increase income or reduce operating costs. Specifically, the task force identified a gap between the newly projected \$43 million in income for 2002 and the estimated \$54 million in administrative expenditures in 2002 anticipated by UNOPS operating units.
7. The ORG Task Force's report, issued on 10 March, was used by an Executive Group, chaired by the Executive Director. The goal of the EG, which included a representative from the UNOPS Staff Management Forum, was to assist the Executive Director with an analysis and reduction of the budget to close the gap identified by the ORG Task Force. In mid-April, the EG produced a revised business plan and a new budget

proposal, with income totalling \$44.2 million and expenditures totalling \$47.1 million. The EG also stated its commitment to finding ways to close the gap between income and expenditure before the end of the year. The EG sought to concentrate resources to functions that directly and immediately contribute to delivery and generate income, while maintaining a minimum of corporate “support” services. The EG’s report was presented to the MCC for its 19 April meeting and was used as a basis for informal discussions with the Executive Board on 26 April 2002.

8. An MCC Working Group was established on 19 April, in line with the recommendations of the Secretary - General and a decision of the Executive Board. This working group, which includes a representative from each MCC member’s organization and UNOPS, is co-chaired by representatives of UNOPS and of the Chairman of the MCC. The first task of this group was to work together to find ways to reduce UNOPS’ 2002 expenditures to \$43 million, in line with the cap set by the MCC at its 19 April meeting. The group produced an interim report, which was discussed at an MCC meeting on 30 May. The MCC Working Group undertook a division -by-division and line-by-line review of the April EG budget proposal of \$47.1 million. This report, based on the detailed review of the April EG budget proposal for the year, recommended a revised budget cap of \$44 million. The report also identified and recommended a first set of reductions totalling \$1.2 million in non -staff operating costs. In addition, the management of UNOPS identified a further \$0.7 million in reductions through measures including freezing some vacancies, supporting staff who were interested in taking mission assignments, and voluntary special leave without pay. UNOPS’ management then worked with divisions to find still another \$1.2 million in cost reductions, mostly through cuts in short -term personnel. These three rounds of cuts together enabled UNOPS to cut a total of \$3.1 million from the April budget proposal of \$47.1 million, resulting in the achievement of the MCC Working Group’s \$44 million budget goal for 2002. UNOPS’ revised 2002 income projection has been substantiated by the EG and subsequently confirmed through the MCC Working Group. Targets were based in part on assumptions of \$503.2 million in project delivery in 2002, \$35.4 million in project income, and \$8.9 million in other income. The projected total income for UNOPS in 2002 is therefore \$44.3 million. These estimates are detailed in Tables 1 and 2.

Table 1. Projections of project expenditures and income 2002,
compared with figures for the bienniums of 1998 -1999 and 2000-2001
(in millions of United States dollars)

	Actual 1998-1999	Actual 2000- 2001	Actual 2001	Approved 2002 estimates	Revised 2002 estimates		
Delivery - projects	1,097.7	975.8	504.7	632.0	503.2		
- services	371.0	388.0	195.0		-		
Total delivery	1,468.7	1363.8	699.7	632.0			
Income							
Income from implementation of project portfolio	86.5	74.6	37.9	48.7	35.4		
Income from "services only"	10.1	13.6	7.0	8.0	7.8		
Other income	5.4	7.4	2.3	1.4	1.1		
Total income	102.0	95.6	47.2	58.1	44.3		
Administrative expenditure							
Recurring administrative expenditures	87.8	105.0	52.8	56.5	44.0		
Non-recurring administrative expenditures	18.2	3.0	-		-		-
Total administrative expenditures	106.0	108.0	52.8	56.5	44.0		
Unexpended resources and movements on the operational reserve							
Operational reserve brought forward	20.0	17.4	10.6	12.0	5.0		
Unexpended resources brought forward	1.4	-	-	-	-		-
Direct charge to operational reserve (to cover estimated staff separation costs)					-2.2		
Transfer to operational reserve	-	-		1.6	0.3		
Transfer from operational reserve	(2.6)	(12.4)	-5.6				-
Transfer from unexpended resources	(1.4)	-	-	-	-		-
Unexpended resources carried forward	-	-	-	-	-		-
Operational reserve carried forward	17.4	5.0	5.0	13.6	3.1		

Table 2. Revised budget estimate for 2002
(in thousands of United States dollars)

Object of expenditure	Actual	Actual	Actual	Approved	Revised	
	Expenditure	Expenditure	Expenditure	Estimated	Estimated	
	1998-1999	2000-2001	2001	Expenditure	Expenditure	
				2002	2002	
A10/H10/H12 Salaries	27,846	32,643	16,790	18,421	15,331	
A12/H14-61 Common staff costs	13,911	17,147	9,058	8,796	8,264	
B10 Temporary assistance	5,078	4,590	1,839	2,008	1,305	
B12/ Activities of limited duration (ALD)	5,232	7,088	3,779	4,514	3,093	
B10 Overtime	199	287	94	168	41	
B12 Consultants	2,793	4,917	2,672	2,732	1,511	
B14 Training	404	788	195	389	26	
B18 Staff travel	3,193	4,820	2,060	2,167	1,091	
B16 Contracts	1,499	2,212	1,363	1,087	584	
B16 System development contracts	547	105		445	-	
B20 Printing and publications	76	182	73	64	9	
B22 Rental and maintenance-premises	5,008	9,348	4,747	4,635	4,623	
B26 Rental and maintenance of equipment	222	337	157	393	179	
B28 Communications	2,082	2,271	1,139	1,809	1,029	
B30 Mainframe Hardware	-	41	41	85	1	
B32 Miscellaneous services	1,891	1,551	714	501	374	
B34 Maintenance of PC Hardware	-	23	23	133	233	
B40 Office supplies	1,503	875	358	344	201	
B42 Furniture and equipment	620	479	123	235	43	
B44 Computer systems equipment	2,434	799	605	823	173	
C10 Hospitality	24	41	22	25	4	
	Subtotal	74,562	90,544	45,852	49,768	38,115
B50 Services provided by UNDP Country Offices and other UN agencies	6,167	5,706	2,702	2,966	2,458	
B50 Reimbursement to UNDP						
- Services provided by UNDP/OAPR	1,713	1,841	821	1,000	793	
- UNDP central support services	4,414	4,094	1,738	1,724	1,398	
- United Nations central services	983	2,844	1,664	1,000	1,206	
	Subtotal	13,277	14,485	6,925	6,690	5,855
Information system project	4,063	3,006	-	-	-	
Relocation project	14,108	-	-	-	-	
	Subtotal	18,171	3,006	-	-	-
	GRAND TOTAL	106,010	108,035	55,777	56,458	43,970

B. Portfolio

9. The project portfolio, consisting of funds committed by UNOPS' clients for the implementation of their projects, totalled \$1.4 billion in the second quarter of 2002. UNOPS also maintains a \$2.2 billion loan portfolio, under which fee-based loan supervision and administration services are provided. These loan services continue to be provided to the International Fund for Agricultural Development. In addition to these two primary service areas, UNOPS now, as in the biennium 2000 -2001, continues to provide fee-based advisory services to other clients in the UN system. These project and service portfolio numbers are consistent with those achieved at the same time in 2001 and reflect a continuing and stable demand for UNOPS services.

C. Income

10. In the budget estimates for the biennium 2002 -2003 originally presented in DP/2001/28, total income for 2002 was projected to be \$58.1 million. The revised 2002 total income projection is \$44.3 million, which is \$13.8 million, or 24 per cent, lower than the approved budget and \$2.9 million, or 6 per cent, lower than the actual result achieved in 2001. Overviews of income performance and projections for the bienniums 1998 -1999, 2000-2001, and the year 2002 are included in Table 1.

1. Income from implementation of the project portfolio

11. Actual project delivery in 2001 of \$504.7 million generated income of \$37.9 million. These figures correspond to 82 per cent and 80 per cent, respectively, of the approved budget targets. The approved project delivery and income targets for 2002, \$632 million and \$48.7 million respectively, have been revised downwards to \$503.2 million for project delivery and to \$35.4 million for project income. This revision reflects a projected decrease in project delivery of \$128.8 million, or 20 per cent, below the approved budget and a decrease of \$13.3 million, or 27 per cent, below the project income included in the approved budget. This significant reduction in estimated project delivery for 2002 reflects the experience in 2000 and 2001 where actual project delivery fell significantly short of business plan estimates. The revised forecast for project delivery in 2002 results from critical and rigorous review of the portfolio available for delivery in 2002 and the implementation of projects to be acquired in the course of 2002. The reviews by the MCC Working Group and the EG indicate that the new targets are realistic. The reduction in overall project income rate from the approved budget rate of 7.7 per cent to a revised weighted average rate of 7.0 per cent reflects experience of 2000 and 2001. This prudent approach recognises the developing nature of the UNOPS project portfolio and the constant pressure on income rates from all sources of funds.

2. Income from services provided on the loan portfolio

12. In 2001, fee income from the provision of loan-administration and supervision services totalled \$5.9 million, compared with the approved budget of \$7.3 million. Background to this result is provided in DP/2002/19. The revised income estimate for 2002 loan portfolio services to IFAD is \$6.7 million. This increase in projected loan supervision and administration income is based on an increased volume of IFAD loan administration and project supervision work assigned to UNOPS.

3. Income from advisory and other services

13. This service portfolio generated an income of \$1.1 million in 2001 and included advisory and other support services as well as the provision of accounting services to the Programme of Assistance to the Palestinian People.

As these activities continue, 2002 income is also projected at \$1.1 million. This trend continues to represent a small but important contribution to the development and diversification of the services provided by UNOPS.

4. Other income

14. UNOPS' total income also includes interest income and minor amounts from other and occasional sources as well as income from the rental of serviced office space in New York. As explained in DP/2002/19, this income in 2001 totalled \$2.3 million, compared with the approved budget of \$1.4 million. The revised forecast for 2002 is for \$1.1 million and includes \$0.7 million from rental income and other minor and occasional sources. UNOPS plans to earn \$0.5 million in 2002 from subleasing serviced office space in the UNOPS New York headquarters to other UN organisations. The income estimate is based on agreements with representatives of groups from the UN Secretariat and agencies, which are currently in the final stages of negotiation.

D. Administrative expenditures

15. The approved budget for administrative expenditures for the year 2002 is \$56.5 million (refer to Table 1). The present revision, based on the experience in 2001 and the results of the intensive effort to focus resources on producing delivery and generating income, shows a \$44.0 million administrative budget for 2002. This represents a reduction of \$12.5 million, or 22 per cent, against the existing approved budget and \$8.8 million, or 17 per cent, against the actual expenditure incurred in 2001. The dramatic reduction in administrative expenditure was derived from a comprehensive planning exercise in 2002 through the ORG task force, the EG, close collaboration with the MCC Working Group and decisions taken by a new UNOPS Implementation Group. This IG was set up by the Executive Director to monitor implementation of the EG decisions and the work of a Human Resources Task Force and to address any remaining budget shortfall in conjunction with the MCC Working Group. As with the EG, the IG included a representative of the SMF.

1. Staffing costs

16. The revised total for salaries and common staff costs for the year 2002 is \$23.6 million, which is \$3.6 million less than the existing approved budget of \$27.2 million. As shown in Table 2, temporary assistance expenses have been reduced from \$2 million in the approved budget to \$1.3 million in this latest revision. Earlier approved estimates for ALDs, overtime and consultants totaled \$7.4 million, while the revised total amounts to \$4.6 million—an overall reduction of \$2.8 million. The equivalent comparison between the revised budget figures for 2002 and the actual expenditure in 2001 shows staff salaries and common staff costs reduced by \$2.3 million, temporary assistance by \$0.5 million, ALDs by \$0.7 million, overtime by \$53,000 and consultants by \$1.2 million.

17. These reductions were achieved through a sequence of reviews, initially by the EG. The EG review, however, did not focus on specific posts, categories of personnel or individuals but instead involved a business-driven analysis of functions essential to delivery and income generation. The implementation of the EG's decisions was delegated to the HR Task Force which included representation from the UNDP/UNFPA/UNOPS Staff Council as well as the SMF. The first aim of the HR task force was the development of policies and guidelines to be applied during staffing decisions. These included policies on mission assignments, part-time work and special leave without pay. These were followed by specific guidelines to be followed in connection with the administrative budget reduction exercise at UNOPS headquarters and decentralised offices. These guidelines were developed on the basis of strict compliance with UN Staff Regulations and Rules and were thoroughly reviewed, discussed with and endorsed by the UNDP Office of Human Resources (since many positions identified in the functional review are occupied by staff holding UNDP contracts) and the UNDP/UNFPA/UNOPS Staff Council.

18. As a result of the HR Task Force's work, letters were issued to 54 individuals with 100/200/300 series contracts, notifying them that they would be displaced because of recommendations by the EG. Although these 54 people would be affected by the process, only 22 people would actually separate from UNOPS because the HR Task Force had identified 32 vacancies arising from the consolidation of multiple functions or the relocation of functions. These 32 vacancies were advertised with the emphasis on filling them wherever possible with qualified candidates from within UNOPS (whether these staff were displaced or not). But after the MCC Working Group issued its report calling for a \$44 million budget cap for 2002, UNOPS looked for opportunities for additional savings, through reductions in non-staff costs, temporary assistance and holders of ALD contracts. As a result, the total number of vacancies dropped from 32 to 21.5. In the meantime, UNOPS decided to displace an additional five people, raising the total number of staff to be affected to 59. With 59 people affected and 21.5 vacancies remaining, the number of people to separate from the organization is now estimated at 37. This strategy, along with the new targets, were endorsed by the MCC at a meeting on 30 May 2002.

19. As of the date of this report, the selection and placement process for the 21.5 vacancies is still in progress (and is scheduled to be completed no later than the end of June). Until it is completed, the exact individuals to be separated—and their levels and types of contracts they hold—will not be known. Therefore, the exact amount of separation costs will also not be known until that time. Of the 37 separations, some will involve ALD and fixed-term contract holders who have been with the organization less than five years and whose separation costs will be minimal or non-existent. Others will involve holders of UNDP contracts whose services are not limited to UNOPS. For this latter group of individuals, separation costs will be covered through a cost-sharing arrangement between UNOPS and UNDP. At this point, UNOPS estimates that the exposure against the operational reserve for this purpose will amount to \$2.2 million in 2002 (see Table 1).

20. The Executive Director advises the Executive Board that the abolition and establishment of posts resulting from this process are reflected in tables 3 and 4.

Table 3. UNOPS current staffing table

Category/post level	Established Posts ^a (including core + project) as of June 2001			Posts Abolished		Posts reclassified ^b (from 1 June 2000 until 31 May 2002)	Additional core posts ^b (from 1 June 2000 until 31 May 2002)	Additional Project-related Posts ^c	Grand total (as of 1 June 2002)	Posts filled by staff (as of 1 June 2002)	Vacant Posts ^d
	Core	Project	Total	Core	Project						
International											
ASG	1		1						1	1	
D-2	1		1						1	1	
D-1/L-6	16	2	18				0	0	18	15	3
P-5/L-5	50	3	53	(8)		2 ^f	3	1	51	49	2
P-4/L-4	51	2	53	(6)	(1)	(2) ^f	0	0	44	41	3
P-3/L-3	26	0	26	(4)	(1)	1 ^g	3	0	25	23	2
P-2/L-2	9	2	11	(5)			2	1	9	9	0
Subtotal	154	9	163	(23)	(2)	1	8	2	149	139	10
Locally recruited											
Principal level											
(G7/G6)	84	7	91	(12.5) ^e	(1)	2 (3)	0	0	76.5	74	2.5
Other level	162	16	178	(40)	(1)	2 (2)	2	0	139	131	8
Subtotal	246	23	269	(52.5)	(2)	0 (1) ^g	2	0	215.5	205	10.5
Total	400	32	432	(75.5)	(4)	0	10	2	364.5	344	20.5

^a Executive Board decision 2001/14.

^b Since decision 2001/14.

^c Posts strictly relating to specific projects.

^d Posts that are indicated as vacant include functions covered by non -staff employment (e.g., temporary assistance) as well as posts under recruitment.

^e This number reflects the abolition of one part -time procurement associate post, hence the use of .5.

^f Two P-4 posts were reclassified to the P -5 level. As a result, there is a reduction of two in the P -4 column as indicated in brackets and an addition of two in the P -5 column.

^g One G-6 post was reclassified to the P -3 level, and this explains the addition of one in the P -3 column and the reduction of one in the G -6/G-7 column. The net, therefore, is 1.

Table 4: Post abolition

Category/Post level	Grand total* (as of 1 June 2002)	Posts abolished** (as of 1 July 2002)
International		
ASG	1	
D-2	1	
D-1/L-6	18	2
P-5/L-5	51	7
P-4/L-4	44	8
P-3/L-3	25	2
P-2/L-2	9	2
Subtotal	149	21
Locally recruited		
Principal level		
(G7/G6)	76.5	8
Other level	139	17
Subtotal	215.5	25
Total	364.5	46

* As per Table 3 submitted for EB 2002.

** In addition, 13 ALDs have been identified whose functions will be eliminated as of 01 July 2002.

2. Other expenditures

21. The reduction of non-personnel expenditures was closely based on submissions from individual units and the initial recommendations of the ORG Task Force. These decisions were supplemented by the MCC Working Group, which identified and proposed further reductions in the area of non-personnel costs. These recommended reductions, totalling \$1.2 million, were considered by UNOPS management, and implemented with only minor variations. The dramatic and extensive nature of these reductions is clear from the comparison of the revised budget expenditures with either those incurred in 2001 or with the existing approved budget for 2002. Every line is significantly reduced with the two exceptions of rental of premises and the costs of maintaining computer hardware. The apparent increase of \$0.1 million in computer hardware maintenance costs is simply a shift from the contracts expenditure line so as to reflect accurately the nature of the expenditure. While the expenditure associated with the rental of premises remains comparable to the amount in the approved budget and actual expenditure in 2001, this is offset by the plan to sublet office space in New York. The total reduction in costs in the revised budget for 2002 compared with the existing approved budget (excluding all the lines described in personnel above) amounts to \$4.6 million. The reduction in the 2002 budget revision compared to the actual expenditure in these categories in 2001 is \$3.1 million. The challenge throughout the reduction process for UNOPS management and the MCC Working Group was how to achieve significant reductions while maintaining the resources necessary to deliver projects and services to the required standard in 2002 and beyond.

22. UNDP plans to implement a new Enterprise Resource Planning system in 2004 and UNOPS is considering joining UNDP in this exercise. UNDP is starting the implementation of this system but has not yet presented UNOPS with an estimate of its share of the implementation cost. UNOPS, however, is confident that through the inclusion in the budget of the staff resources necessary in information systems to support UNOPS' interest in the implementation, adequate resources have been provided in this revised 2002 budget.

4. Reimbursements to UNDP, the United Nations Secretariat and other United Nations organizations for services provided

23. The revised budget projects \$2.5 million for payments to other United Nations organizations and to UNDP country offices for support that UNOPS obtains from them in the implementation of its project portfolio. The contributions to UNDP country offices are particularly significant, hence UNOPS attaches considerable importance to the continuing system-wide discussions on the nature and extent of payments by organizations to UNDP for services obtained at the country level, without which the ad hoc nature of these reimbursement arrangements will continue.

24. The revised projected payments to UNDP for central support services, including those provided by the UNDP Office for Audit and Performance Review, total \$2.2 million for 2002. This amount compares with actual costs in 2001 of \$2.6 million and an existing approved budget of \$2.7 million. The reduction of \$0.4 million from the actual expenditure for 2001 reflects further anticipated cost reductions of the human resources-related services provided by UNDP. These changes continue to develop from the introduction of IMIS and from implementation of the delegation of authority in personnel matters to the Executive Director of UNOPS. Draft agreements in the areas of information systems and finance and administrative services and the associated costs remain under review while the equivalent for human resources services is being formulated.

25. The projected \$1.2 million payment to the United Nations Secretariat for services received by UNOPS is \$0.5 million lower than in 2001, but \$0.2 million higher than the approved budget. The decrease against 2001 actual relates to exceptional allocations that came through in 2001 for that and prior years. The increase against the approved budget reflects continued implementation of the agreement reached between the United Nations Secretariat and UNDP, UNFPA, UNICEF and UNOPS. The agreement describes the nature of the services provided by the United Nations to these bodies and establishes the basis on which these services are to be reimbursed.

III. REVIEW OF THE LEVEL OF THE OPERATIONAL RESERVE

26. At the end of the biennium 2000-2001 the UNOPS operational reserve was reduced to \$5.0 million, compared to the level in the approved budget of \$12.0 million. On the revised basis of calculating the UNOPS operational reserve approved in decision 2001/14 the operational reserve at 31 December 2001 should stand at \$23.1 million. The shortfall against this level is therefore \$18.1 million, or 78 per cent. The revised 2002 budget described in this submission envisages essentially a break-even position in 2002 at the operating level and an estimated charge to the reserve of \$2.2 million to cover separation costs. The two main goals pursued in the development of this revised budget for 2002 have been to stabilise UNOPS' financial situation and to lay a sound foundation for the continuing sustainability of UNOPS.

IV. EXECUTIVE BOARD ACTION

27. The Executive Board may wish to :

1. Take note of the report of the Executive Director on revised budget estimates for the year 2002, (DP/2002/CRP.10);

2. Approve the revised budget estimates for the year 2002 in the amount of \$44.0 million;
 3. Approve the staffing level as proposed for the year 2002.
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