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**United Nations Office for Project Services**

## **Independent review pertaining to the business model and related issues of the United Nations Office for Project Services – progress report**

**Note of the Executive Director, a.i.**

*Summary*

The present conference room paper is submitted pursuant to Executive Board decision 2003/4 of 23 January 2003, paragraph 8, in which the Board requested that a preliminary report on progress and recommendations of the review mission be submitted, for information purposes, at its annual session in June 2003.

It provides a summary of activities undertaken by the United Nations Office for Project Services (UNOPS), the Management Coordination Committee (MCC) and the consulting firm since the adoption of decision 2003/4, including selection of the consulting firm, progress made thus far and the methodology followed by the firm.

### **I. Selection**

1. The selection process was conducted in accordance with the provisions set out in paragraph 6 of Executive Board decision 2003/4 of 23 January 2003. Pursuant to decision 2003/4, a request for proposals applying a two-envelope procurement method was circulated to members of the Executive Board and sent to seven short-listed firms that had either expressed interest or were known to provide consulting services of the nature required for the review. By the closing date of 26 March 2003, a total of four proposals had been received,

of which three were from short-listed firms and one from an unsolicited source.

2. Members of the MCC Working Group opened submissions on 27 March 2003. The Working Group reconvened on 2 April 2003 to evaluate the technical proposals following standard procedures, including the use of a scoring matrix. The Working Group was assisted in the evaluation by UNOPS staff with relevant experience. In the review, specific attention was given to the consulting firm's general reliability, experience and capacity, particularly with regard to United Nations activities and operations in developing countries, the approach adopted by the firm in outlining the proposal, and the qualifications and competence of the individual personnel proposed for the assignment. The MCC Working Group concluded its technical evaluation on the same day, reconvening on 3 April to undertake the financial evaluation.

3. Satisfied that a transparent selection process had been conducted, and satisfied that the proposal made by the highest scoring firm met all requirements of the request for proposal, the Working Group recommended to the MCC, with the agreement of the Executive Director, a.i., that UNOPS be requested to award a contract for services to Goss Gilroy, Inc. (GGI), a Canadian consulting firm with headquarters in Ottawa. The MCC approved the recommendations made by the Working Group.

4. Following consultations with UNDP on certain contractual issues, the contract was signed between GGI and UNOPS on 30 April 2003, and work started immediately thereafter.

5. As an integral part of the contract, UNOPS has agreed to pay GGI – in full consideration for the complete and satisfactory performance of the services under the contract – an amount not to exceed \$219 841. This amount does not include any direct costs that UNOPS may incur in facilitating the consultant's work, such as communications and other office support costs of a general nature.

6. The consultants entrusted with the review are primarily guided by the terms of reference adopted by the Executive Board in annex 1 of its decision 2002/22.

### **III. Preliminary review**

7. Following the signing of the contract, several principal members of the project team, established by GGI for the purpose of the review, travelled to UNOPS headquarters to conduct an initial number of meetings with the Executive Director, a.i., and senior managers. During these meetings – either face-to-face or via teleconference with managers away from New York – senior staff conducted briefings on the substantive issues to be covered by the review, and provided a range of key documents that may be of relevance to the team. To facilitate contacts with external parties and various UNOPS staff, the Executive Director, a.i., requested that the Chief of Human Resources act as focal point for the independent review for the duration of the contract.

8. During the initial interviews with most UNOPS senior managers, the team was able to gain a good understanding of the UNOPS business model, and the systems and procedures in place to support the model. The team also reviewed a large volume of documentation, including various business plans, annual reports, financial reports, management reports, studies and questionnaires. The first stages of the review focused on identifying the main challenges confronting UNOPS in order to develop a more detailed work methodology. The methodology would emphasize the steps and tasks needed to conduct a comprehensive analysis of these challenges.

9. In the course of the preparatory review, the team also met with members of the MCC Working Group who impressed on them that the review should be strategic in nature and level of analysis, outward looking, and both future and client oriented. A representative of the team subsequently met with the Chairman of the MCC to obtain his views, after which he presented the methodology proposed for the review to the MCC at its meeting on 14 May 2003.

#### **IV. Methodology**

10. Based on the information collected during the preliminary review, the team concluded that there were three main areas on which the review should focus: (a) analysis of the current business model, market analysis and potential direction of UNOPS; (b) analysis of cost and revenue structure; and (c) the framework for moving forward.

##### *Analysis of the current business model, market analysis and potential direction of UNOPS*

11. To address issues related to the long-term viability of the UNOPS business model, the team will:

- (a) Attempt to estimate potential levels of existing and new lines of business;
- (b) Study the competition in regional and world markets for UNOPS services and identify those agencies and firms considered competitors with UNOPS;
- (c) Review the efficiency and cost-effectiveness of UNOPS operations, including the identification of competitive advantages and constraints, and possible areas where UNOPS can enhance the capacity of recipient countries, project delivery and effectiveness; and
- (d) Conduct interviews and surveys with a representative sample of actual and potential clients.

12. The team will be present at the annual session of the Executive Board in 2003 in order to obtain views from States members of UNDP on the above and other issues of relevance to the review.

*Analysis of cost and revenue structure*

13. The team will review the costing structures at UNOPS, and examine, on the revenue side, relationships between workload, time and revenue. It will also analyse financial and other information systems, and the impact they have on operations. Of particular importance will be the impact of the new Enterprise Resource Planning system on workflow, personnel requirements and costs.

*Framework for moving forward*

14. The team will review the organizational structure and its impact on inter-divisional relations, including competition among the various operations divisions.

15. As part of the overall review of the organizational and management structure, the team will review the governance structure as well, including the role, appropriateness and effectiveness of the Executive Board and the MCC, and their involvement in the short and long-range decision-making processes in the organization. This will not entail a detailed historical review, but rather a forward-looking review focusing on the future role of the Board and the MCC. This review may also explore the feasibility of alternative governance structures. The team will also:

- (a) Assess, through interviews with portfolio managers, how the structure of UNOPS could be best tailored to client needs, and project and project portfolio management;
- (b) Review issues related to human resources management, including the provision of training as a tool for improving efficiency, the introduction of a performance management system that clearly defines standards and measurable outputs, and the UNOPS potential to establish an institutional process for knowledge management;
- (c) Consider issues related to organizational development, including leadership and management skills requirements, accountability and norms, and delineation of functions; and
- (d) Gauge the impact of various procurement functions delegated to several individual staff, including portfolio managers, and the need for general procurement support and oversight.

## **V. Next steps**

16. From 19 May to 26 June 2003, the team will complete its review at UNOPS headquarters, which includes interviews with United Nations client agencies, Member States and a wide range of staff and managers. Similarly, from 29 June to 12 July 2003, the team will visit UNOPS offices away from New York in Copenhagen, Geneva, Kuala Lumpur, Nairobi and Rome. The

team also seeks to conduct a number of interviews with UNOPS project staff to the extent possible. Throughout the review, the team will maintain contact with as many UNOPS staff as possible to ensure full participation of the staff at large, thereby giving everyone the opportunity to contribute to the review, while also obtaining a comprehensive overview of client perspectives.

17. By the end of July 2003, the team will finalize the report, which in turn will be submitted to the Executive Board at its second regular session in September 2003. In accordance with Board decision 2002/22, the MCC and the Executive Director, a.i., of UNOPS will provide their comments on the final report at the second regular session of the Board in September 2003.

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