

Information paper
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UNOPS: Update on the implementation of the revised 2002 budget

I. Introduction

1. The present document, supplementing information presented in document DP/2003/CRP.3, provides an update on the implementation of the revised 2002 budget of the United Nations Office for Project Services (UNOPS), including levels of delivery, income, expenditure and changes in the level of the operational reserve.
2. In comparison with the projections laid out in document DP/2003/CRP.3, projected delivery and income are lower than expected, but so also are projected administrative expenditures, resulting in a higher year -end level of the operational reserve.
3. All financial information and analysis are based on preliminary figures as of 31 December 2002. Final 2002 figures will be available following the closure of accounts in March 2003.

II. Preliminary financial data

A. Project delivery

4. As of 31 December 2002, the recorded project delivery reached \$485 million, which is 96.5 per cent of the \$503.2 million target. It is to be noted that the discrepancy between the current figure and the target is the result of one procurement action with respect to which UNOPS is ready to deliver, but which the beneficiary has put on hold. Had this action been completed by year -end, UNOPS delivery would have stood at \$500 million, or 99.4 per cent of the target. As indicated in paragraph 5 below, UNOPS has invoiced the client for the delayed procurement in accordance with the implementation agreement and therefore includes the value of the services rendered in its service income projection.
5. A number of actions that are yet to be taken, notably the final review of unliquidated obligations, could result in adjustments to the \$500 million figure. For the present report, UNOPS has elected to use a conservative figure of \$475 million for year-end delivery (\$10 million less than the recorded delivery) and has calculated its income accordingly.

B. Income

6. Based on the \$475 million delivery figure, the income earned for project delivery totals \$34.4 million. UNOPS expects to earn an additional \$7.2 million from its service portfolio (including the invoiced amount for services rendered for the outstanding procurement action described in paragraph 3 above) and \$1.2 million in other income, for a total of \$42.8 million. This amount represents 97 per cent of the \$44.3 million income target.

C. Administrative expenditure

7. The recorded administrative expenditure as of 31 December 2002 amounts to \$38.9 million (88 per cent of the target of \$44 million). Taking into consideration the recording of estimated additional expenditure in the amount of \$5.0 million, the total expenditure is projected to be \$43.9 million. Thanks to strict control of administrative expenditure, this amount is below the \$44.9 million projection presented to the Executive Board in document DP/2003/CRP.3, despite significant staff cost increases and unfavourable exchange rates. Notwithstanding these savings, administrative expenditures are expected to exceed income by \$1.1 million by the closure of accounts.

D. Level of the operational reserve

8. The opening balance of the operational reserve for 2002 was \$5 million. UNOPS has identified some \$0.5 million in savings from prior year obligations. Against this, staff separation costs directly chargeable against the reserve remain at \$1.6 million, as previously reported. The expected \$1.1 million shortfall of recurrent administrative expenditure against projected income is also chargeable to the reserve. Finally, as a prudent measure, UNOPS is making provision for a charge of \$0.7 million for a prior-year receivable that has yet to be paid. UNOPS will write off that amount only after having exhausted all means of recovery. The year-end balance of the operational reserve is preliminarily projected to be \$2.1 million. Based on approved project budgets for 2003 and on already recorded delivery of \$58 million as of mid-January 2003, UNOPS currently has adequate liquidity to cover its operating costs.

9. The complete information on the 2002 financial situation will be provided to the Executive Board at its annual session 2003 in the annual report of the Executive Director of UNOPS.

Revised projections of 2002 project expenditures and income as of 31 December 2002

(in millions of United States dollars)

	Approved revised 2002 estimates	Preliminary as of Dec. 2002	Projected as of end 2002
Delivery			
Projects	503.2	485.5	475.0
Total delivery	503.2	485.5	475.0
Income			
Income from implementation of project portfolio	35.4	35.3	34.4
Income from "services only"	7.8	7.1	7.2
Other income	1.1	1.2	1.2
Total income	44.3	43.6	42.8
Administrative expenditure			
Recurring administration expenditures	44.0	38.9	43.9
Non-recurring administrative expenditures			
Total administrative expenditures	44.0	38.9	43.9
Movements on the operational reserve			
Operational reserve brought forward	5.0	5.0	5.0
Direct charge to operational reserve (to cover estimated staff separation costs)	(2.0)	(1.6)	(1.6)
Direct charge to operational reserve (provisional write off)		(0.7)	(0.7)
Transfer to operational reserve	0.3	0.5	0.5
Transfer from operational reserve		4.7	(1.1)
Operational reserve carried forward	3.3	7.9	2.1