1. The present document is submitted pursuant to Executive Board decision 97/21 of 18 September 1997, in which the Board requested the Executive Director to report biennially on the appropriateness of the level of the operational reserve of the United Nations Office of Project Services (UNOPS), established in the same decision at 4 per cent of the combined expenditure on administrative and project budgets of the previous year. The present report may be reviewed in conjunction with the revised budget estimates for the biennium 1998-1999 and budget estimates for the biennium 2000-2001 (DP/1999/39), which contains detailed information regarding movements of the operational reserve in accordance with paragraph 5 of decision 97/21.

2. As explained in document DP/1999/39, exceptional circumstances of 1998 and 1999 - the need to relocate headquarters offices, the implementation of the Integrated Management Information System, and the achievement of Y2K compliance - are projected to result in drawdowns from the operational reserve of $9.5 million in 1999 and $1.5 million in 2000. It is expected that the restoration of the reserve to the prescribed level will begin in 2001 and will be completed in the biennium 2002-2003.

3. While sharing the concern expressed by some delegations at the third annual sessions 1997 and 1998 that the 4 per cent level of the reserve may be too low, the Executive Director has concluded that the first priority for UNOPS in the current and next bienniums is the restoration of the operational reserve to its level as presently prescribed. Once this has been achieved, an analysis of the appropriateness of that reserve level will be a meaningful exercise. On
the basis of information presently at hand, such analysis can be conducted in 2003. The Executive Director therefore proposes that in the meantime, the present reserve level remain in effect through the current and next bienniums.

EXECUTIVE BOARD ACTION

4. The Executive Board may wish to:

1. Take note of the report of the Executive Director on the level of the operational reserve (DP/1999/40);

2. Decide that the level and rate of replenishment of the operational reserve established in paragraph 2 of decision 97/21 of 18 September 1997 remain in effect through the current and next bienniums;

3. Request the Executive Director to submit a detailed report on the appropriateness of the level of the operational reserve at the third regular session 2001.