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UNITED NATIONS OFFICE FOR PROJECT SERVICES

ANNUAL REPORT OF THE EXECUTIVE DIRECTOR ON THE ACTIVITIES
OF THE UNITED NATIONS OFFICE FOR PROJECT SERVICES

SUMMARY

The present report and the statistical summary (DP/1998/24/Add.1) are submitted pursuant to Executive Board decision 94/32 of 10 October 1994. UNOPS has come close to or has surpassed its 1997 financial targets and has operated in accordance with the self-financing principle. The report also describes actions taken with regard to implementation of the 1997 UNOPS Business Plan. Internal oversight issues are addressed in document DP/1998/21/Add.1.

I. BACKGROUND

1. In its decision 94/32 of 10 October 1994, the Executive Board requested the Executive Director to report annually on the activities of the United Nations Office for Project Services (UNOPS).

2. In line with decision 95/1 of 10 January 1995, in which the Executive Board approved the role and functions of the UNOPS Management Coordination Committee (MCC), the present report has been reviewed and cleared by the MCC.

3. Since its inception, UNOPS has adopted business planning as one of its distinctive management practices. The business variables and targets contained in the 1997 Business Plan, made available to the Executive Board at its third regular session 1997, are consistently used in the present report. Fiscal year 1997 data contained in the report are provisional and unaudited as of the end of February 1998.
II. FINANCIAL PERFORMANCE

4. Following the all-time high of $533 million of new business acquired in 1996, the target for 1997 was set at $573 million. This target was reached in October 1997, and by the end of the year business acquisition amounted to $705 million, exceeding the target by 23 per cent. Figure 1 provides a record of acquisition of new business for each of the years from 1987 to 1997.

![Figure 1. Business acquisition 1987-1997](image)

5. There are several noteworthy developments in the composition of the newly acquired project portfolio. The highest growth rate (close to 500 per cent) was registered for clients from the United Nations system other than the United Nations Development Programme (UNDP) although their share does not yet reach 10 per cent overall. A significant increase can also be reported in projects funded from UNDP core resources, which, at a total of $374 million represents twice the amount acquired in 1996. Management Services Agreements (MSAs) carried out on behalf of UNDP, on the other hand, have dropped by over $65 million, with new acquisitions amounting to $158 million (figure 2). This is the first decline in the acquisition of new MSAs, which have for over ten years been the mainstay of UNDP non-core resources channelled through UNOPS. New Global Environment Facility (GEF) projects have dropped sharply while those from the Montreal Protocol have dropped slightly. New trust fund projects, on the other hand, have again risen in value in 1997.
6. The value of the total UNOPS portfolio, including loan administration (referred to since the last annual report as the "services only" category), has reached a level of $3.0 billion. In 1997, there were 19 new loans, amounting to $261 million, added to the UNOPS portfolio, bringing total acquisition during the year to $964 million. As of January 1998, the value of the loans administered by UNOPS on behalf of the International Fund for Agricultural Development (IFAD) amounted to $1.6 billion, exceeding for the first time the amounts of funds entrusted to UNOPS under the project portfolio (see figure 3).

7. With regard to delivery, the 1997 target was set in the Business Plan at $500 million against funds entrusted for 1997. Provisional data indicate a delivery of $464 million, which would yield a delivery rate of 93 per cent of the target. Delivery in the UNDP core budget portfolio, which had reached a record level of $179 million in 1996, continued to grow even further and reached $208 million in 1997. In addition to funds handled on behalf of clients, UNOPS
has issued an all-time high of $147 million in disbursement authorizations under IFAD loans, bringing total UNOPS delivery in 1997 to $611 million.

8. Income had been estimated at $40.6 million in the 1997 Business Plan. Provisional data indicate that income will be in the order of $40.5 million. As in previous years, the largest portion of income (87.2 per cent in 1997) has been generated by project execution. The services-only category accounts for 10.1 per cent and other (mainly interest on the operational reserve) for 2.7 per cent of the income. Owing to the strong increase in demand for services from UNDP in 1997, the share of income generated from funds owned by UNDP has increased from 81 per cent in 1996 to 84 per cent in 1997 (see figure 4).

![Figure 4. Income derived from UNDP and other clients](image)

9. The target for administrative costs had been set at $38.5 million. Preliminary data indicate that expenditures against the administrative budget amounted to $35.3 million, i.e. 8.3 per cent lower than planned. This includes payment to UNDP for the provision of central administrative services of $3.1 million and to UNDP country offices for services provided on behalf of UNOPS of $2.0 million. Major factors contributing to this lower-than-projected expenditure are (a) an overall reduction in UNDP central service costs for the 1996-1997 biennium obtained entirely in 1997 and (b) a lower-than-anticipated expenditure on the development and implementation of information systems, the costs of which, however, are expected to increase significantly in the 1998-1999 biennium.

10. The overall average administrative overhead rate, representing administrative costs incurred for project services rendered, was, as in the two previous years, less than 7 per cent (see figure 5).
The self-financing principle requires UNOPS to generate enough income to cover all administrative expenses and to maintain the operational reserve at the prescribed level. In its decision 97/21 of 18 September 1997, the Executive Board set the level of the operational reserve at 4 per cent of the total of project delivery plus administrative expenditures of the previous year. The level of the reserve therefore needs to be adjusted from $17.1 million to $20.0 million. The total of $35.3 million (administrative expenditure) plus $2.9 million (additional to the operational reserve) equals $38.2 million. Considering that total income amounted to $40.5 million, this yields a self-financing rate of 106.0 per cent, down from 109.5 per cent in 1996.

In sum, overall financial performance in 1997 has again come very close to the targets set in the 1997 Business Plan and, in some instances, has even gone slightly beyond the targets (see figure 6). Important performance marks were crossed for the first time, such as the $900 million mark for total acquisition, $600 million for delivery and $40 million for income. Most significantly, in 1997 UNOPS was once again able to operate successfully in accordance with the self-financing principle.
13. Provisional statistics on UNOPS performance in 1997 are presented in addendum 2 to the present document.

III. REVIEW OF THE NON-FINANCIAL OBJECTIVES OF THE BUSINESS PLAN

14. The 1997 Business Plan focused on five key non-financial objectives. Progress has been achieved on each of them.

A. Cost assessment and fee-setting

15. The attention of the Executive Board is drawn to document DP/1998/25, the report of the Executive Director on follow-up to the recommendations of the Board of Auditors, in which issues of cost assessment and fee-setting have also been addressed.

16. The increasing diversification of UNOPS clients and of service offerings has raised the overall importance of cost assessment and fee setting for several reasons: (a) UNOPS must be able to ensure that its clients are receiving good value at a fair price; (b) UNOPS must ensure that the fees it sets for services are sufficient to cover the cost associated with providing the services; and (c) UNOPS must ensure, in order to contain its own operating costs, that it pays a reasonable price for services it obtains from United Nations organizations and other providers.

17. Until its establishment in 1995 as a separate entity, UNOPS was largely insulated from these considerations because of its placement within UNDP. UNOPS is still learning how to manage these issues in a businesslike manner; it is improving both its tools and its techniques for doing this.

18. The most obvious example of this improvement is the UNOPS business-planning process. In each successive Business Plan (the 1998 Business Plan will be made available to the Executive Board at the current session), UNOPS has been able to project with increasing specificity the anticipated volume, cost and income associated with different parts of the project portfolio. With business planning now firmly established at the organizational unit level, it is anticipated that UNOPS will continue to sharpen its skills in this regard.

19. Another step forward in 1997 was the improvement of the formula used by UNOPS to allocate its own "common costs" to individual organizational units. The ability to do this has been greatly enhanced by the movement towards full-function integrated teams organized around specific lines of business, on which the Executive Director has reported previously. The formula, revised by the Finance, Control and Administration Division on the basis of the new organizational structure, now provides a more transparent basis for ensuring that the various segments of the UNOPS project portfolio are self-financing.

20. UNOPS has also strengthened the cost-recovery assessment applied to each new project through the Project Acceptance Committee (PAC) review process, with relevant notations now being regularly included in the PAC documentation.
21. The umbrella agreement that UNOPS has signed with UNDP also represents a step forward, in that it clarifies the working relationship that the two organizations have with each other. This agreement provides a framework for the development of more detailed arrangements on the nature and cost of specific services. Work is continuing in 1998 on these issues, as noted below in paragraphs 40-41.

B. Communications policies and strategies

22. In the three years since its establishment, UNOPS has made significant progress in improving the quality and scope of information items. UNOPS information products are oriented to its clients, and each is intended to explain to existing or prospective clients a particular dimension of UNOPS services. Items produced in 1997 include the annual report, brochures presenting existing or new services, the 1998 UNOPS folding calendar, and posters portraying programmes and projects. UNOPS continues to produce its information materials in various languages, including English, French, Japanese and Spanish. A new table providing an overview of information items produced in 1997, their purpose, and the languages in which they have been developed is included in addendum 2 to the present report.

23. Design awards were won by the 1997 UNOPS calendar and by the Haiti poster series released in 1996.

24. In order to ensure that all UNOPS information materials are of a high professional standard and conform to United Nations and UNOPS guidelines and practices, UNOPS established in 1997 the External Communications Committee (ECC), which is charged with reviewing and endorsing an annual communications strategy and with reviewing and approving the content (factual and editorial) of all key information products, whether emanating from headquarters or from decentralized offices. The ECC has approved comprehensive guidelines and procedures for materials production that are already in effect and will be promulgated early in 1998.

C. Team-building and coordination issues

25. The UNOPS reform process had in its first stages concentrated on (a) transforming operational units into integrated teams; (b) strengthening the non-operational functions to provide high-quality professional services based on best practices; and (c) an ongoing overhaul of operational policies and procedures. Work carried out during successive management retreats revealed that, while management capacities had improved throughout UNOPS, they were not yet sufficiently uniform throughout the management structure.

26. In June 1997, a Strategic Leadership Team (SLT) comprised of the Executive Director, the Deputy Executive Director, and the three Assistant Directors was established. The SLT provides overall leadership by establishing strategic directions, setting priorities, deciding on strategic investments, ensuring compatibility with United Nations values, and enhancing internal and external communication processes. The SLT has adopted rules for conducting its business
that set high performance standards for its members and aim to provide a framework for leadership by example.

27. Improvements in coordination and communication also followed from the annual management retreat. Agreement was for the first time reached on the principle of and modalities for the sharing of responsibility for business acquisition, project implementation, and of income between different operations divisions. It is expected that this agreement will help to stimulate inter-divisional cooperation on projects. The special needs and concerns of the growing number of decentralized offices were also given greater attention. Changes resulting from this consideration include the rescheduling of some regular meeting times to allow for participation by staff away from New York via video conferencing, in-house advance notification of travel schedules, and the inclusion of additional relevant information on the intranet accessible to UNOPS staff at all locations.

28. In order to ensure that documentation standards and schedules for Executive Board submissions are maintained, the Planning and Information Division has been assigned the responsibility for coordinating the production of such documentation, including liaison with the Executive Board secretariat.

D. Information systems

29. UNOPS has carried out the analysis and planning activities that it had projected in 1997 for the important area of information systems. The findings and implications are discussed below in paragraphs 56-60.

E. Risk management

30. UNOPS concluded a comprehensive risk and liability review in 1997 and discussed its findings with both the MCC and the Advisory Committee on Administrative and Budgetary Questions (ACABQ). The review concluded that the UNOPS operational reserve, initially established at a level equal to 20 per cent of the annual administrative budget, was insufficient to match the risks to which UNOPS is exposed as a self-financing operational entity.

31. In his report on risk management, reserves and surplus income (DP/1997/26) presented to the Executive Board at its third regular session 1997, the Executive Director summarized the findings of the review and outlined an approach to financial risk management and the required level of reserve funding. The recommendations of this report were endorsed by ACABQ in its report DP/1997/28. Through its decision 97/21, the Executive Board established the level of the UNOPS operational reserve at 4 per cent of the combined expenditure on administrative and project budgets of the previous year. Drawdowns from the operational reserve will be reported to the Executive Board in conjunction with its annual review of the budget.

32. The UNOPS risk management strategy includes much more than the operational reserve, which is the mechanism of last recourse. To minimize any potential drawdowns on the reserve, the Policy and Contracts Division is focusing
attention on potential claims resulting from contracts. In addition to regularly refining and updating the text of basic contracting instruments used by UNOPS staff, the Division is also actively involved in a wide range of deliberations and claims, currently numbering 13, in order to ensure that the interests of UNOPS and of its clients are protected. The Division has also overseen the development of the UNOPS contracting training modules that are intended to reduce potential claims by raising the level of professionalism of UNOPS contract administrators.

33. UNOPS has also limited its risk exposure by obtaining, in consultation with the United Nations, insurance covering UNOPS property in New York and in decentralized offices. Discussions are also under way to assess the scope and amount of coverage that may be appropriate under an errors and omissions policy.

IV. UNOPS REFORM AND REORGANIZATION

34. Three key elements of the continuing UNOPS reform and reorganization process are addressed in this section.

A. Human resources management

35. In June 1997, the former Administration Section merged with the former Project Personnel Section, creating a new Human Resources Management Section (HRMS). This places management of project personnel and of UNOPS staff under one roof and enables UNOPS to achieve economies of scale in the management, administration and development of UNOPS staff resources. It also facilitates mobility between project and staff assignments, which is a cornerstone of the UNOPS human resources policy. In 1997, two senior project staff have been selected for management positions in UNOPS proper.

36. Initiatives already taken in 1995 and 1996, such as the simplified performance appraisal programme, the establishment of a UNOPS-specific appointment and promotion machinery, and the implementation of the integrated team approach, have laid the ground for new human resource strategies. While these initiatives continue to be implemented, evaluated and further refined on the basis of experience gained, a number of additional initiatives have been taken. They include:

(a) A thorough review of current contracting tools in order to determine their suitability to UNOPS requirements;

(b) The active promotion of interchange between project assignments and assignments to UNOPS staff functions in order to provide broader staff development opportunities;

(c) Increased authority to operational divisions and project management personnel through revised guidelines on the recruitment and administration of project personnel; and

/...
(d) Increased emphasis on the development of training modules for project personnel.

37. "Upward feedback" is among the new instruments introduced in 1997. It is designed to provide feedback to senior staff on their performance as managers as seen by their subordinates. In the pilot exercise carried out in 1997, upward feedback was provided anonymously for all managers supervising five staff or more. The result constitutes one among several performance indicators that are reviewed on an annual basis. As practised in UNOPS, upward feedback is less a tool for performance appraisal than an element in the context of skills development, a central objective of the UNOPS performance review system. UNOPS is carrying out an independent review of this experience in conjunction with the 1998 performance review, with the intent of determining the real and potential benefits of upward feedback to individuals and to the organization.

B. Decentralization

38. Decentralization has been one of the tools, in recent years, through which UNOPS has striven to lower cost and to improve the quality of its services. On the basis of these criteria, decentralized offices were opened in 1995 in Kuala Lumpur (UNOPS Asia Office) and in 1996 in Geneva (the Rehabilitation and Social Sustainability Unit) and Copenhagen (Procurement Projects Division). These offices are currently fully operational and meeting the expectations that motivated their establishment.

39. Following a review with the MCC of costs and benefits, a new decentralized office was established in 1997 in Abidjan. While initially the office will be devoted to servicing rural development projects financed or co-financed under IFAD Loans in Western and Central Africa and projects of the United Nations Capital Development Fund (UNCDF), arrangements are being made to satisfy through the Abidjan Office the demand for other services to current and new clients routinely provided by UNOPS.

C. Agreements with UNDP

40. The umbrella agreement with UNDP was concluded and was distributed to UNDP country offices in 1997. It was also made available to members of the Executive Board. A second agreement was reached with UNDP regarding the provision of internal audit services. With regard to the provision of and transparent compensation for central administrative services, UNOPS and UNDP have conducted a review upon which an agreement on compensation arrangements for the 1996-1997 biennium will be based. These arrangements, which are nearly finalized, will provide the basis for reaching agreement on compensation arrangements for the 1998-1999 biennium.

41. In the umbrella agreement, it is envisioned that UNDP would provide representational services to UNOPS through its country offices. Issues that have arisen in some countries are currently being reviewed by the two organizations.
V. UNOPS SUPPORT TO THE UNITED NATIONS REFORM EFFORTS

42. UNOPS has been a member of the United Nations Development Group (UNDG) since its establishment by the Secretary-General. In addition to participating in the UNDG deliberations, UNOPS has been an active member of the UNDG Support Group. In 1997, the Executive Director also made presentations on the UNOPS reform process to the United Nations Management Reform Group and to the United Nations Staff College in Turin.

43. At the request of the Assistant Secretary-General, Office of Conference and Support Services, and Chairman of the Task Force on Common Services, UNOPS agreed to chair the Working Group on Common Services for Procurement. This Working Group includes representation from the Secretariat’s Procurement Division, including peacekeeping procurement at headquarters and in the field, the United Nations Children’s Fund, UNDP, the United Nations Population Fund, the Office of the United Nations High Commissioner for Refugees, the World Food Programme, and UNOPS. The Working Group has focused on:

(a) An analysis of procurement effected by each entity from both headquarters and field locations;

(b) Selection of items of procurement action that could be undertaken by a lead agency or by a combination of United Nations organizations in new joint efforts;

(c) Development of common procurement principles for adoption by each concerned entity, through amendments to their Financial Regulations and Rules, in order to support further harmonization efforts that are part of the United Nations reform.

This UNOPS-led Working Group is coordinating its activities with the Inter-Agency Procurement Working Group (IAPWG), which includes procurement officials from all United Nations specialized agencies.

44. Upon the appointment by the Secretary-General of the Executive Coordinator for Common Services in October 1997, UNOPS made available, at no cost to the United Nations Secretariat, the services of a senior Operations and Management Specialist for a period of three months. This staff member assisted the Executive Coordinator in defining an overall strategy for common services and in coordinating the activities of the Task Force on Common Services and its 11 Working Groups.

VI. NEW UNOPS SERVICE OFFERINGS

45. Consistent with the principle that UNOPS services should be available to the United Nations system as a whole, demand has evolved for a number of new services.

46. In 1997, UNOPS began providing services to United Nations entities whose responsibilities go beyond the area of development cooperation. United Nations entities added to the list of UNOPS clients in 1997 include the Department for
47. Responding to increasing demand in the complex area of demining, involving activities in Angola, Bosnia-Herzegovina, Cambodia, Croatia, Iraq and Mozambique, UNOPS has established a Mine Action Unit that combines technical, managerial and legal expertise in one team. Programmes currently handled by UNOPS include the following features: mine detection and clearance; training of demining personnel; mine-awareness programmes; and rehabilitation programmes for victims of mine-related injuries.

48. In the past, the UNOPS Fellowship and Training Section managed project training for a variety of clients. In 1997, UNOPS designed a number of training courses in the framework of its own activities; these constitute new training products in two areas. The first area includes systematic training courses and refresher training in project management for Chief Technical Advisors of projects that have been entrusted to UNOPS. Secondly, building on the success of training activities in contracting, including procurement ethics, originally developed for in-house consumption, UNOPS has organized and led the development of a basic procurement policy training course in cooperation with the UNICEF Supply Division and with the UNDP Inter-Agency Procurement Services Office (IAPSO). The course, entitled "Essential principles of public procurement: best practices and professional responsibility", was presented several times in Copenhagen and New York for all three organizations, as well as in the field for UNICEF. Demand for this activity is expected to grow further in 1998.

49. In line with the discussions held on common services and capitalizing on the joint presence of the two parties in Copenhagen, IAPSO and UNOPS established in 1997 the facility known as the Joint Procurement Services for Development, Relief and Rehabilitation. Requests for services are reviewed by a joint management team, thus ensuring a prompt response. Procurement is carried out by one of the two cooperating offices on the basis of their comparative advantage and organizational strength relative to each service request.

50. In paragraph 14 of its report on risk management, reserves and surplus income (DP/1997/28), ACABQ expressed the view that the "rapid increase in programme delivery ... is directly related to the implementation of the UNOPS reform and the introduction of new work methods". The UNOPS management reform led to visible results in a relatively short period of time and was carried out at modest cost. In 1997, UNOPS started to exchange experiences in the area of management and organizational reform with other organizations engaged in project services such as the German Agency for Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit) and the Swedish International Development Agency. UNOPS is currently engaged in discussions with two clients who have expressed potential interest in management consulting services.
VII. HURDLES

51. While implementation of the 1997 Business Plan was largely successful, there are areas where progress was slow or where unexpected difficulties were encountered.

A. Diversification of the UNOPS clientele

52. Non-traditional United Nations client interest in using UNOPS services has grown considerably in 1997. Expressions of interest have been received from several specialized agencies, including the International Labour Organization, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, and the World Food Programme.

53. The greater number of concrete requests in 1997 for UNOPS services was from Departments of the United Nations Secretariat and other entities under its purview. The absence of standard modalities for transferring funds from the United Nations Secretariat to UNOPS for the execution of activities entrusted to UNOPS has been an obstacle to further diversification. Mechanisms that would allow for the timely transfer of funds have been proposed to the United Nations Secretariat, after review in the MCC, but progress has thus far been made only on a case-by-case basis.

B. Management information systems

54. As indicated in its budget submission for the 1998-1999 biennium (DP/1997/29), UNOPS anticipated having to devote considerable resources, both human and financial, to addressing imminent information systems needs. Of particular concern in this regard is ensuring that UNOPS information systems are year 2000-compliant and that adequate interfaces with the United Nations Integrated Management Information System (IMIS) are established.

55. UNOPS contracted an outside consulting firm to assist in the definition of present and future UNOPS business needs and their implications for systems development. The firm also conducted a gap analysis, involving Price Waterhouse, the contracting firm for IMIS, in which the systems needs of UNOPS were compared with the functionalities provided in IMIS. While the gap analysis revealed that IMIS provides only a partial solution to UNOPS information systems needs, UNOPS has decided to proceed initially with an implementation of the IMIS system, in partnership with UNDP, to be followed subsequently by implementation of any needed enhancements or supplementary systems development. This approach, recommended by the MCC, has been adopted for three principal reasons:

(a) The window of opportunity between now and the year 2000 is too small for UNOPS, with limited financial, human and technical resources at its disposal, to be able to guarantee development and implementation of a stable and reliable alternative system;
(b) As part of the United Nations system, any UNOPS information system must be linked with IMIS at least sufficiently to permit payroll operations to be carried out;

(c) The United Nations is including IMIS within the scope of the common services reform package; UNOPS wishes to support this effort in so far as it does not compromise the organization’s ability to operate effectively within the self-financing principle.

56. The implementation plan for the above-mentioned approach must balance two different, but related, dimensions of the problem. On the one hand, the project management approach that UNOPS uses to serve its clients - characterized by flexibility, speed and cost-effectiveness - provides an appropriate framework for meeting the time-bound and immediate challenge of the IMIS and year 2000 issues. On the other hand, IMIS assimilation and year 2000 compliance are not separate and peripheral to ongoing information systems operations - they are inextricably bound together by common technical considerations, internal service commitments and staff capacities.

57. At the same time, the importance of information systems/information technology (IS/IT) as a mission-critical function within UNOPS has increased for several reasons:

(a) UNOPS is increasingly using IS/IT for competitive advantage in areas such as operations streamlining, telecommunications and project monitoring;

(b) The IS/IT platform is the backbone for effectively operating a decentralized organization with significant delegated authority;

(c) The unique nature of UNOPS information needs is requiring UNOPS to assume greater responsibility for planning, maintaining and managing its own IS/IT platform.

58. In considering its options, UNOPS has also taken note of the IS/IT practices and approaches being adopted by other organizations, including from within the United Nations system. In particular, UNOPS has taken into account the draft recommendations of the Board of Auditors and the draft strategy paper of the Information Systems Coordination Committee (ISCC) on the establishment of the function of Chief Information Officer (ACC/1997/ISCC/5).

59. The Executive Director has concluded that the best way of balancing the different but related demands of the longer-term core IS/IT strategic functions and the project orientation of the IMIS and year 2000 issues is to place responsibility for both under a unified management structure to be headed by a Chief Information Officer (CIO) at the D-1 level. The CIO will report to the Executive Director, and will be responsible for overall IS/IT strategy formulation, maintenance of ongoing operations and management of the IMIS/year 2000 project.

60. Executive Board decision 94/32 of 10 October 1994 requires that the Executive Board approve in advance the establishment of any post at the D-1 level or higher. The current and projected financial circumstances of the
organization indicate that UNOPS has sufficient income to cover the costs associated with this post. The proposal has been placed before the MCC, which has provided its endorsement. The Executive Board is therefore requested to approve establishment of the CIO post at the D-1 level with effect from 1 July 1998.

C. Office premises

61. The current lease of UNOPS premises expires in September 1999. The owners of the building in which the present UNOPS premises are located informed UNOPS in the second half of 1997 that they will not renew the UNOPS lease in 1999. Consequently, UNOPS will be obliged to relocate its headquarters to different premises.

62. As in the management information area, UNOPS has constituted a project to handle the entire relocation exercise. The project will have a duration of approximately 20 months, and is beginning with professional consultancy assistance in assessing the future space needs of the New York headquarters office and the cost implications thereof. The exercise is being carried out in consultation with the relevant Departments of the United Nations Secretariat.

VIII. REPORT ON INTERNAL OVERSIGHT

63. At its second regular session 1996, the Executive Board requested UNDP and UNFPA to report, on an annual basis, on internal audit and oversight activities. Equivalent information for UNOPS is provided in addendum 1 to the present document. The Executive Board may note that such information on UNOPS has previously been included in the annual report of the Administrator to the Executive Board.

IX. DRAFT DECISION

64. The Executive Board may wish to:

(a) Take note of the report of the Executive Director of the United Nations Office for Project Services (DP/1998/24), further noting that UNOPS continues to operate successfully in accordance with the self-financing principle;

(b) Request the Management Coordination Committee to assist and guide the Executive Director of the United Nations Office for Project Services in finding appropriate responses to those areas identified in document DP/1998/24 in which UNOPS progress is slow or where unexpected difficulties are being encountered;

(c) Approve the establishment of the post of Chief Information Officer at the D-1 level with effect from 1 July 1998.