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**United Nations Office for Project Services**

## **Methodology and time frame for refund of excess reserves**

### **I. Introduction**

1. In its decision 2023/18, the Executive Board requested UNOPS to propose to the Board for approval, at every second regular session at which the UNOPS biennial budget is considered, starting in 2023, a fair and transparent methodology and time frame for distributing, within 12 months following receipt of the report of the United Nations Board of Auditors, any excess reserves accumulated in the relevant budget cycle to paying entities – including those of the United Nations system – to be presented to the Board in an informal session prior to those second regular sessions.
2. Pursuant to that decision, the present document proposes a fair and transparent methodology and time frame for distributing to paying entities any excess reserves generated during the 2022-2023 biennium. This builds on decision 2023/4, whereby UNOPS was requested to distribute, without delay, excess reserves accumulated as of 31 December 2021. UNOPS is committed to the expeditious implementation of that decision, and, as of 13 July 2023, 41 per cent of the \$123.8 million refund has been distributed to paying entities.
3. The key points of the proposed methodology and time frame (see chapters II and III, below, for details) are as follows:
  - (a) UNOPS will replicate the process applied for the distribution of the excess reserves accumulated as of 31 December 2021 to the redistribution of any excess reserves accumulated during the 2022-2023 biennium;
  - (b) The attribution of excess reserves will be based on the management fees charged to each paying entity during the 2022-2023 biennium as a proportional share of total management fees charged by UNOPS during this period;
  - (c) The distribution of excess reserves to paying entities for the biennium 2022-2023 is expected to be completed within a 12-month period ending September 2025;
  - (d) UNOPS will provide each paying entity with options for the transfer of its respective share of the refund; and

(e) UNOPS will introduce a threshold of \$2,500 whereby any individual refund below that threshold will be pooled, with the Board deciding on the use of such funds alongside any funds where paying entities have not responded.

4. While proposing the above-mentioned approach, UNOPS also notes that the Advisory Committee on Administrative and Budgetary Questions, in its forthcoming report on the UNOPS budget estimates, 2024-2025, has recommended that the Executive Board “*decide that any excess operational reserves at the end of the strategic plan period are credited to partners*”.<sup>1</sup> Should the Executive Board consider a refund process aligned with the strategic plan cycle, the methodology outlined in the present document could similarly be applied to the current strategic plan cycle, 2022-2025.

## II. Time frame

5. UNOPS aligns the time frame and methodology for distribution of excess reserves to paying entities with the relevant decisions, including decision 2023/4, which defines excess reserve as “*total accumulated reserves minus the minimum operational reserve, as established by the Executive Board in its decision 2021/21*”.

6. The time frame envisaged by UNOPS for distributing, within 12 months following receipt of the report of United Nations Board of Auditors, any accumulated excess reserve (see chapter III, below, for methodology), is the following:

- (a) Receipt of the Board of Auditors’ report indicating the excess reserve to be redistributed: September 2024
- (b) UNOPS calculates, and shares with the Board, excess reserves by paying entity for the 2022-2023 biennium: September 2024
- (c) UNOPS contacts eligible paying entities by: December 2024
- (d) Deadline for receipt of feedback from paying entities: March 2025
- (e) UNOPS proposes to the Executive Board, at an informal session prior to the annual session, an alternative use of refunds (June 2025) – for decision by the Board at its annual session – in cases where:
  - (i) Eligible paying entities are non-responsive;
  - (ii) Paying entities have decided to pool their refunds for consideration by the Board (see paragraph 10(d));
  - (iii) Balance of the refund to a paying entity is below a threshold of \$2,500 [see paragraph 11(b)];
- (f) Conclusion of excess reserve refund process for the period: September 2025.

7. UNOPS will regularly update the Executive Board on its progress in distributing excess reserves for the 2022-2023 biennium to paying entities. UNOPS will explore opportunities for making data related to its progress in fee generation and refunds available through a public platform.

## III. Fair and transparent methodology

8. In its financial statements for 2023, UNOPS will publish the level of excess reserves (if any) as at 31 December 2023, in line with the International Public Sector Accounting Standards (IPSAS).<sup>2</sup> The statements are expected to be released in September 2024. Prior to publication of the financial statements, the presentation of excess reserves would have been subject to the annual audit of the United Nations Board of Auditors.

9. Based on the management fees charged to each paying entity during the 2022-2023 biennium as a proportional share of total management fees charged by UNOPS during the period,<sup>3</sup> UNOPS will, in the event of any excess reserve and to ensure transparency, share with the Executive Board a full list of the amounts to be refunded to individual paying entities. Management fees

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<sup>1</sup> DP/OPS/2023/8, paragraph 43 (e)

<sup>2</sup> In accordance with the definition of excess reserves set forth in decision 2023/4, paragraph 21.

<sup>3</sup> Reflecting the methodology outlined in decision 2023/4, paragraph 22.

posted in UNOPS systems during the biennium will serve as the source data for such calculations.

10. After sharing the overview with the Executive Board, UNOPS will contact all eligible paying entities to advise them on the refund options for excess reserves. UNOPS will provide each paying entity, for the transfer of its respective share of the refund, with the following options:

- (a) To the paying entity;
- (b) To UNOPS-managed projects;
- (c) To other United Nations organizations or projects; or
- (d) To pool the refund for decision on its use by the Executive Board at its annual session 2025.

11. In that context, and based on lessons learned from the ongoing refund process, UNOPS will approach the distribution of excess reserves as follows:

- (a) Excess reserves attributable to activities funded by pooled and/or commingled funding sources, such as ‘hosted entities’,<sup>4</sup> will be refunded to such entities for further consideration by their respective governing mechanisms. Those entities will be clearly identified in the list of excess reserves by paying entities, to be shared with the Executive Board at its second regular session 2024.
- (b) Paying entities with balances below \$2,500 will not be contacted, and the use of such balances will be subject to a decision by the Board at its annual session 2025. As reference, balances under that threshold represent 0.02 per cent of the total share of management fees generated from paying entities during the four-year period 2018-2021.

12. Any observations by the ongoing third-party independent review on the distribution of excess reserves regarding accuracy and relevance that would apply to the process outlined above will be duly incorporated and shared with the Executive Board for review prior to engaging in the refund process for 2022-2023.<sup>5</sup>

#### IV. Future considerations

13. As of the second regular session 2023, UNOPS expects its net assets to comprise the operational reserve and asset changes reported in accordance with IPSAS. Starting with the financial statements for 2023, excess reserves will be clearly identifiable in the statements. At the same time, UNOPS will ensure that IPSAS-mandated reporting of asset changes is ring-fenced. This will avoid unintentional distribution of funds attributable to unrealized gains, changes in valuation of staff post-employment liabilities, and such funds as form part of UNOPS net assets. For each financial period, UNOPS net assets are subject to audit by the United Nations Board of Auditors.

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<sup>4</sup> In accordance with [UNOPS policy](#), hosted entities/hosted engagements are referred to when “...two or more interested parties, individuals or entities want to establish an initiative and conclude that, instead of establishing a new legal entity for the initiative, it is best implemented as a programme by UNOPS”.

<sup>5</sup> Decision 2023/18 notes the third-party review.