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United Nations Office for Project Services budget estimates for the biennium 2018-2019

Summary

The budget estimates for the biennium 2018-2019 are rooted in UNOPS strategic plan, 2018-2021, which is submitted to the Executive Board for approval together with this document and the UNOPS purpose, mission and vision statements. The UNOPS results framework, consisting of three mutually reinforcing contribution goals and four management goals, supports the 2030 Agenda for Sustainable Development and the requirements of the quadrennial comprehensive policy review of operational activities for development of the United Nations system.

Based on the nature of its demand-driven business model, UNOPS expects a slight increase in revenue for the biennium 2018-2019 compared to 2016-2017 projections. These available management resources are targeted to achieve UNOPS ambitions for the next biennium. Two internal reform initiatives will play a vital role: UNOPS structural reform, and improvement in its delivery platform through continued investments in information and communication technology.

The proposed budget supports UNOPS contribution goals by dedicating resources to the underlying management results. For each result, the aspiration for the two-year period is articulated, together with the indicators of progress for which UNOPS will be held accountable.

In preparing these budget estimates, UNOPS continues to safeguard its financial stability as a demand-driven, fully self-financed organization. At the mid-point of the biennium 2016-2017, the operational reserve remains above the minimum requirement set by the Executive Board, reassuring partners that UNOPS can deliver on its commitments. UNOPS targets zero net revenue for the biennium 2018-2019, estimating that the operational reserve will remain at the level as of end 2016.

The \$132.7 million budget estimates for 2018-2019 correspond to \$2.5 million in real growth of management resources compared to the budget estimates for the previous biennium. The revenue target has increased significantly, from \$138.7 million in the budget estimates for 2016-2017 to \$179.3 million for 2018-2019, reflecting projected revenue growth in 2016-2017 resulting from increased focus on value-adding services. Beyond core management resources, UNOPS will set aside sufficient funding as required by its risk profile to address current risks through write-offs and provisions and establish a plausible contingency surplus to prepare for future risks. In line with its increased focus on added value and quality, UNOPS will invest in upgrading the quality of its processes and the competencies of its personnel.

Elements of a decision

The Executive Board may wish to (a) approve the net revenue target; and (b) endorse the two-year aspiration of UNOPS with respect to its management results and the targeting of resources to support its contribution goals.



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Annexes (available on the Executive Board web page)

- Annex I. Methodological note on the UNOPS management results and budget framework
- Annex II. Terminology

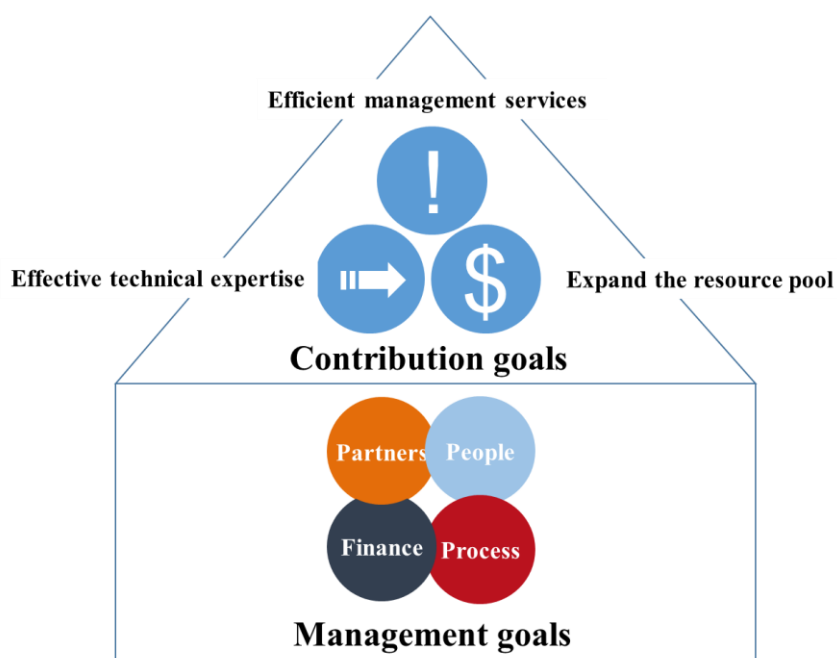
I. Where UNOPS is going: Ambitions for 2018-2019

1. Through General Assembly resolutions and Executive Board decisions,¹ Member States have mandated UNOPS to expand implementation capacity by partnering with governments, the United Nations system and others, including the private sector. As reflected in the UNOPS strategic plan, 2018-2021, the functional service lines of this mandate include infrastructure, procurement and project management, as well as human resources, financial management and other management services.

2. The Executive Board has welcomed the UNOPS purpose and refined vision and mission statements: “Our vision is a world where people can live full lives supported by appropriate, sustainable and resilient infrastructure and by efficient and transparent use of public resources in procurement and project management. Our mission is to help people build better lives and countries achieve peace and sustainable development”.²

3. The strategic plan, 2018-2021, reaffirms the UNOPS results framework consisting of three mutually reinforcing contribution goals and four management goals. The framework will drive UNOPS support of the 2030 Agenda for Sustainable Development, address the requirements of the quadrennial comprehensive policy review, and support the Secretary-General’s vision for the United Nations.

Figure 1. UNOPS results framework



4. The three UNOPS contribution goals constitute its value-proposition and ambitions within its mandated areas, by (a) enabling partners to do more with less through *efficient management support services*, delivered locally or as global shared services; (b) helping people achieve individual, local, national and global objectives, through *effective technical expertise* founded in international norms and standards; and (c) supporting countries *expand the pool and effect of resources* available to achieve the 2030 Agenda. Supporting the contribution goals, the four management goals express

¹ General Assembly resolution 65/176; Executive Board decisions 2009/25, 2010/21, 2013/23, 2015/12, 2016/12 and 2017/16.

² Decision 2016/19

the UNOPS ambition for organizational excellence, quality and principled performance throughout its operations. They frame how it will drive internal reform and innovation through

(a) *partner value*; (b) *people excellence*; (c); *process excellence* and (d) *financial stewardship*.

5. The budget estimates, 2018-2019, outline how resources will be allocated to implement the first leg of the UNOPS strategy in the next biennium. This chapter outlines the ambitions UNOPS will pursue to support the Secretary-General's vision and the 2030 Agenda. Chapter II summarizes the financial resources UNOPS will have available to support these ambitions based on projections for the current biennium and estimates for the next. Chapter III describes the management results UNOPS needs to achieve in order to drive management reform and innovation to adapt its institutional fitness for purpose. Finally, chapter IV articulates the budget estimates for 2018-2019 in detail.

A. Efficient management support services

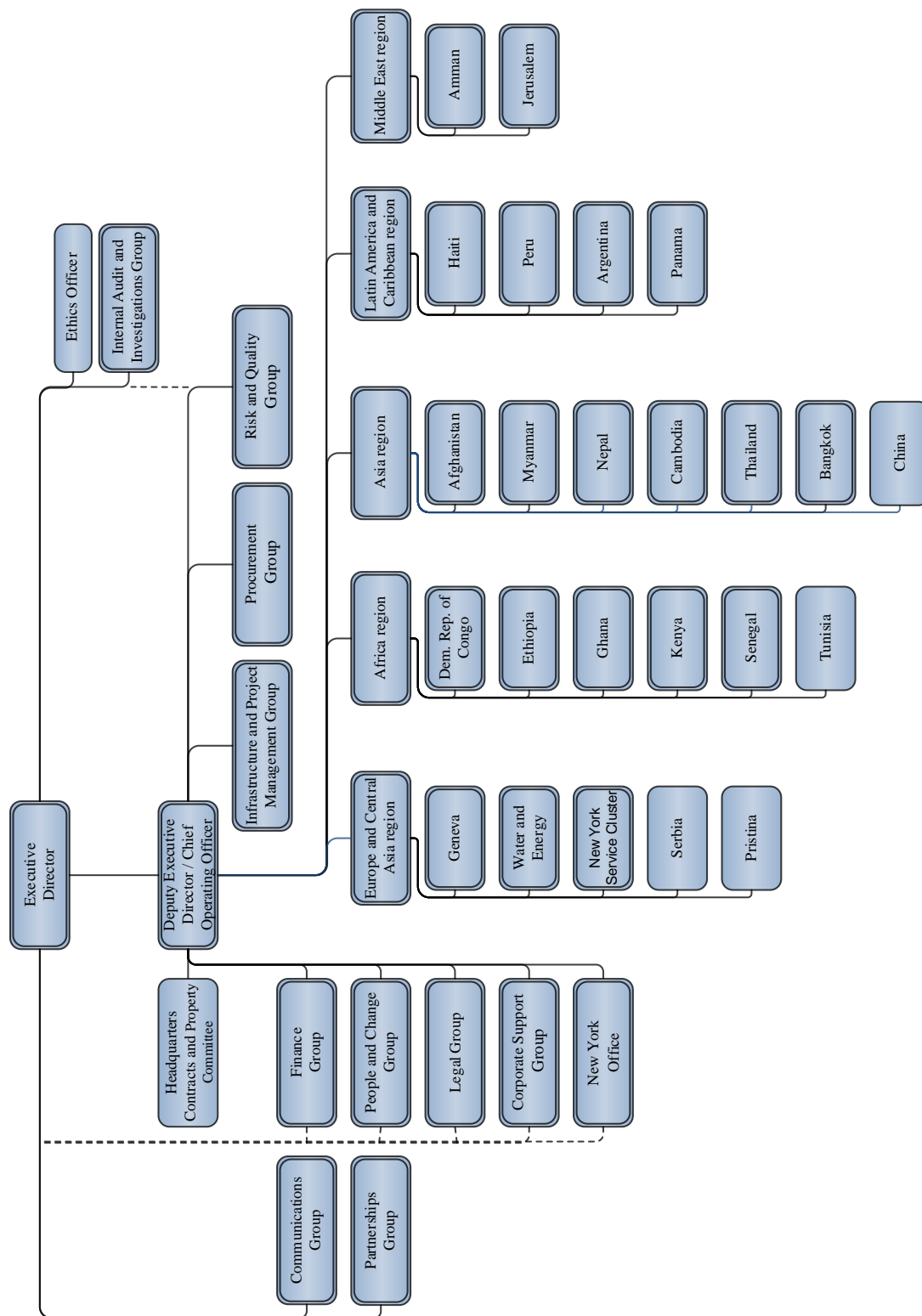
6. Through efficient management support services, UNOPS will contribute to Member States and United Nations partners' objectives and expand their implementation capacity across all 17 sustainable development goals. Its demand-driven business model enables UNOPS to tailor its service offerings to partners' needs. Its ambition is to be an efficient, service-oriented strategic partner, delivering high-quality results through its excellence framework. As part of these efforts, UNOPS strives to improve its ability to measure service quality, including the speed and compliance of processes.

7. In response to the Secretary-General's call for management reform, UNOPS seeks to be recognized in the United Nations system and beyond as a reliable partner for shared services. UNOPS already offers support services within areas such as human resources, financial management, procurement, information and communications technology support services and modalities such as shared services, and secretariat services for international initiatives. Well-established examples are the hosted United Nations Global Marketplace, used by 26 United Nations organizations as their vendor and sourcing platform, and the Global Shared Service Centre, providing human resources and financial services to United Nations partners worldwide. In May 2017, the European Foundation for Quality Management completed an assessment of UNOPS, confirming its strength in addressing partner needs with the speed and flexibility needed for operations under the most challenging conditions.³

8. During the biennium 2018-2019, UNOPS will further integrate its management support services offerings and provide them as more strategic solutions for partners in the United Nations and beyond. UNOPS will offer more standardized processes through its Global Shared Service Centre, expanding its offerings within areas such as information and communication technology support, treasury, grants management, procurement and human resources services. The UNOPS agenda for management reform and innovation comprises strengthening service delivery based on information technology, including through use of secure mobile technology for enhanced client-management interface. An example of the use of improved technology is 'UN Web Buy Plus'. Launched by UNOPS in March 2017, it enables partners to procure a wide range of goods and supply-chain services efficiently, consolidating the position of UNOPS as a value-adding procurement service provider.

³ UNOPS improved its overall performance rating compared to the previous assessment to "501 - 600" points, out of a maximum of 1,000.

Figure 2. UNOPS global structure



9. UNOPS aims to be a resource for support and innovation in improving United Nations efficiency and field focus. In line with the Secretary-General's vision of a less bureaucratic, more productive United Nations, UNOPS leads a working group within the Human Resources Network of the United Nations that is developing a new staff contract modality adapted to field operations – combining staff privileges with a lighter administrative burden and improved financial predictability.

B. Effective specialized technical expertise

10. UNOPS aims to be known for tangible contributions towards countries' achieving a number of the global goals, in response to partner demand. As a resource for infrastructure, procurement, and other operational solutions, UNOPS stands ready to contribute technical expertise, connecting peace and security, sustainable development and humanitarian efforts. The 2016 partner survey revealed that partners find UNOPS expertise especially relevant in supporting three sustainable development goals: goal 9, industry, innovation and infrastructure; goal 17, partnerships for the goals; and goal 3, good health and well-being. Partners also recognize UNOPS experience related to goal 6, clean water and sanitation; Goal 16, peace, justice and strong institutions; and goal 11, sustainable cities and communities. An analysis of UNOPS delivery in 2015 and 2016 confirmed that its experience corresponds well with the results of the 2016 partner survey, with 72 per cent of UNOPS delivery converging around four goals for which partners anticipate future demand.

11. As articulated in its strategic plan, 2018-2021, UNOPS will provide more integrated offerings and specialized solutions to partners. The foundation for this is its certified delivery model,⁴ based on which UNOPS is advancing specialized and context specific solutions in the areas of procurement and infrastructure to provide integrated services that help governments meet the challenges of the 21st century. These position UNOPS to support the Samoa Pathway ambition of enabling Small Island Developing States to establish resilient, sustainable infrastructure.

12. In the area of procurement, UNOPS has been recognized as a leader, receiving the 'Gold Level in Sustainable Procurement' award from the Chartered Institute of Procurement and Supply in 2015 and 2016. UNOPS is among only a handful of organizations globally that have achieved gold status in two consecutive years. UNOPS provides tailored advisory procurement services to governments and other partners, and strives to be a strategic partner in building capacity for procurement reforms. UNOPS believes that efficient, transparent, cost-effective and sustainable procurement practices will create synergies that benefit partners and people in need.

13. Over the next four years, UNOPS will build more integrated service offerings, and through more strategic engagement with partners – earlier on and higher up in the decision making process – will help find solutions that help countries achieve their goals. Answering the Secretary-General's call to focus on delivery and results, UNOPS will enhance its systematic reporting of the strategic and tactical results of partner projects, including under the International Aid Transparency Initiative framework.

C. Expanding the pool and effect of resources

14. In response to the Secretary-General's ambition to form partnerships at three levels, including with the private sector, UNOPS seeks to be recognized as a United Nations partner unblocking impediments to bringing private capital into the service of sustainable development. In its decision on the midterm review,⁵ the Executive Board recognized the increasing demand for the UNOPS contribution to "mobilization of

⁴ UNOPS maintains the following certifications: Project Management: Prince2, Project Management Institute, Association for Project Management; Procurement: Chartered Institute of Procurement and Supply; Infrastructure: International Federation of Consulting Engineers; Quality and Environment: International Organization for Standardization; ISO 9001 and ISO 14001.

⁵ Decision 2016/12

resources for the 2030 Agenda for Sustainable Development, including from the private sector”. Following the launch of its social impact investment initiative, UNOPS is creating institutional capacity to strategically identify and finance social impact investment projects. UNOPS is working towards the 2030 Agenda through inclusive infrastructure investments in the renewable energy, affordable housing and water and sanitation sectors,

15. Responding to the Secretary-General’s appeal to bridge the funding gap to achieving the global goals, as well as Member States’ call to explore new funding sources, UNOPS will be a resource for innovative funding approaches. In the next biennium, it will further develop solid structures for governance and management of risks associated with mobilization of innovative funding, including from the private sector. In 2016, UNOPS launched the ‘UNOPS Engage’ platform to generate resources for selected partner projects through crowdfunding. UNOPS will strengthen its use of information technology and explore new mobilization methods in the next biennium.

II. How UNOPS is performing: Financial context

A. Viability of the UNOPS self-financed business model

16. The viability of UNOPS as a self-financed United Nations entity requires that its revenue cover management costs and operational risks.⁶ Its revised cost recovery model was implemented, with Executive Board approval, in 2013.⁷ While its activity-based costing principles remain unchanged, UNOPS continuously refines the application of the policy and supports it with internal guidance notes and external communication material. UNOPS confirms to the Executive Board that its cost recovery mechanism fulfils the requirements expressed in the quadrennial comprehensive policy review,⁸ utilizing the best practices recommended in the ‘Independent and external assessment on the consistency and alignment of cost recovery with General Assembly resolution 67/226’.⁹

17. Based on the results of the governance, risk and compliance framework implementation, and to further develop its direct cost recovery model, UNOPS will continue to move processes to its integrated practice advice and support function, and to the Global Shared Service Centre in Bangkok. While many personnel and legal processes are already integrated into these units, the potential transfer of financial and procurement processes will be reviewed in the next biennium. UNOPS will also explore transforming its recovery for personnel cost to a standard cost model.

18. With regard to indirect cost recovery, UNOPS will further integrate risk into the calculation of its management fee. The risk exposure of the engagement will be reflected in the management fee in proportion to the scope of liabilities UNOPS assumes. Risk will be evaluated based on a combination of service lines and types in the engagement. This will require an assessment of the overall management fee calculation and is expected to be implemented during the biennium 2018-2019.

19. UNOPS is promoting a principles-based leadership model aligned with its management process. To support this UNOPS will establish a quarterly business review process informed by up-to-date data financial and non-financial performance, risks and

⁶ UNOPS operates on the basis of full recovery of direct costs through cost attribution, and of indirect costs through its pricing model. Risks that have to be absorbed by UNOPS indirect costs are mitigated through the provisions and a contingency surplus to absorb plausible future risks.

⁷ Decision 2013/33

⁸ A/RES/71/243

⁹ DP/FPA-ICEF-UNW/2016/CRP.1

forecasts. This will help senior management collaborate in identifying and addressing current and future challenges and close the management loop.

B. Projections reflect achievement of the 2016-2017 target

20. Projections for the 2016-2017 biennium, based on the audited financial statement for 2016 and the approved 2017 budget, show that UNOPS is likely to meet the targets set out in its previous budget estimates. Revenue is expected to end at \$177.3 million, surpassing the \$138.7 million target.

21. As reflected in the UNOPS financial statements, 2016, at the mid-point of the biennium UNOPS was well positioned to achieve its target of keeping management expenses at a low level, both in real terms and relative to total delivery. The \$128.1 million management expense projection is only marginally above the \$125.6 million target for the biennium.

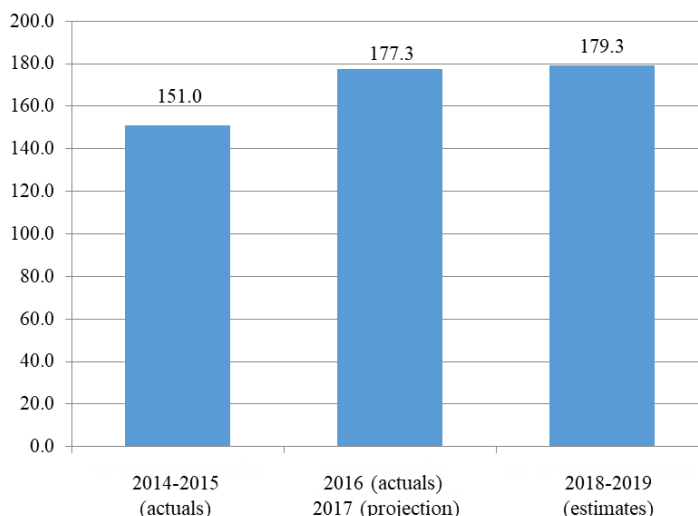
22. The increase in revenue for 2016-2017 is due to an increased recovery rate, as overall delivery is comparable to the last biennium. This is an early reflection of the UNOPS ambition to increase its focus on value-adding services, and shows the need to increase investments in quality and capabilities in the biennium 2018-2019. Provisions for the current biennium are projected to be lower than planned (\$4.9 million, compared to the estimate of \$13.1 million).

23. As a consequence of increasing revenue, stable management expense and the requirement to invest additional funds in its delivery platform, UNOPS expects to end the 2016-2017 biennium with a \$31.3 million surplus. With accounting related adjustments, UNOPS foresees that by the end of the 2016-2017 biennium the operational reserve will remain at \$131.6 million, the level of end 2016.

C. Estimates for 2018-2019 indicate a sufficient resource base

24. The revenue target for the 2018-2019 biennium is set at \$179.3 million, representing a significant increase from the \$138.7 million in previous budget estimates and reflecting UNOPS growth in the past biennium. Figure 3 illustrates how the projections compare with past performance. The figure shows revenue for 2016-2017 as a combination of 2016 actuals and 2017 estimates; 2018-2019 data are estimates, while data for 2014-2015 are actual financial results.

Figure 3. Revenue trends
(in millions of dollars)



25. Pursuant to the 2014 memorandum of understanding between UNOPS and the United Nations Secretariat, UNOPS provides a refund to the Secretariat upon reaching an agreed threshold of cumulative fees. In 2016, the fee collected during the collaboration with the Secretariat triggered such a refund for the first time. In line with the memorandum, UNOPS will increase its collaboration with all parts of the United Nations Secretariat in the coming biennium. In 2016 UNOPS signed a record number of new engagements. The ‘order-book’ (the overall delivery UNOPS has to implement pursuant to signed agreements) indicates that UNOPS can meet the estimated revenue target. For the biennium 2018-2019, UNOPS is including budget lines funded by its surplus that are dedicated to meeting investments, potential write-offs, provisions, and establishing a contingency surplus.

26. In these budget estimates, UNOPS is targeting zero net revenue, which means that the operational reserve will remain above the required minimum at the end of the biennium. Throughout the budget period, UNOPS will monitor revenue and expense patterns, and, in line with financial regulation 14.02, adjust the budget as necessary to align management expenses with evolving realities. If the net revenue target is not achieved, UNOPS will reduce the operational reserve in line with its intended use according to financial regulation 22.02.

III. How UNOPS will pursue its goals: Results for 2018-2019

27. In its strategic plan, 2018-2021, UNOPS links the strategic ambitions expressed in its three contribution goals with its management framework, represented by the four goals of its balanced scorecard.¹⁰ The management goals ensure that UNOPS is fit for purpose and that management resources support the 2030 Agenda while contributing to United Nations management reform. The resourcing of the UNOPS management budget, presented in accordance with the harmonized functional clusters, will be aligned with the planned results through UNOPS global functions.¹¹

A. Management results provide a framework for pursuing UNOPS contribution goals

28. As shown in figure 4, the three drivers associated with each management goal enable UNOPS to pursue and communicate its strategic ambitions. Their implementation in the next biennium will be supported by two major initiatives driving UNOPS internal reform: implementation of the governance, risk and compliance framework and improvement of the UNOPS delivery platform through information and communication technology.

Goal A. Partner value

29. As a self-financed, demand-driven organization, the ability of UNOPS to meet and exceed partners’ expectations is crucial. Its management goal for partner relations is to deliver services and innovative solutions contributing value, recognized by partners, in accordance with international standards and best practices.

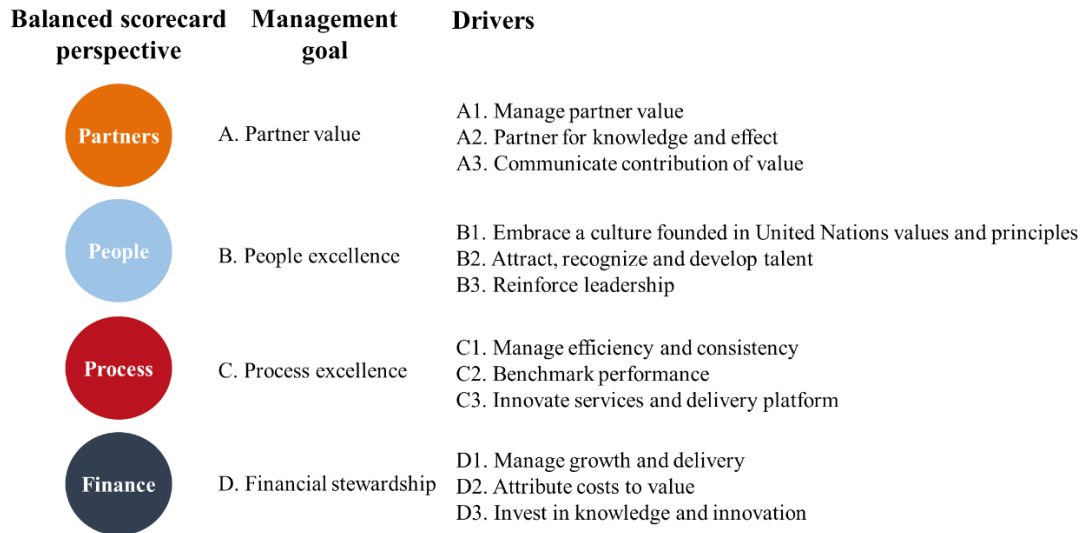
Driver A1. Manage partner value

30. Building on its experience and the demand for high-quality services, UNOPS will strengthen global and local delivery mechanisms for its service lines: infrastructure, procurement, project management, human resources, and financial management. Examples are the increasing number of design reviews for infrastructure projects, and the integration of expert project management and infrastructure advisers in the regions.

¹⁰ See also figure 1.

¹¹ For the mapping of UNOPS institutional functions to harmonized functional clusters, see annex 1, figure 2.

Figure 4. Management results framework



31. UNOPS is committed to delivering high-quality services and demonstrating efficiency, speed and value-add to support partners in achieving sustainable results. For example, UNOPS will leverage its expertise in areas such as resilient, sustainable infrastructure and procurement to support the Small Island Developing States in their efforts to mitigate and adapt to climate change.

32. UNOPS continues building relationships with a variety of partners, including other United Nations organizations. This will be characterized by a clear partnership development and management approach distinguishing local, regional and global partners, together with the new liaison functions established in key locations. Those functions will support all engagements signed with global partners under their responsibility, while the UNOPS key partner management approach will advance to the operational level.

33. UNOPS will further leverage the annual partner survey as a means of receiving feedback and new impulses, ranging from the headquarters level to the operational level in the field. UNOPS will incorporate the net promotor score to complement partner satisfaction.

Driver A2. Partner for knowledge and effect

34. UNOPS recognizes the value of knowledge- and best practice-sharing in achieving consistent, efficient project delivery. UNOPS is systematically broadening its infrastructure and project management capabilities while disseminating infrastructure and project management know-how internally and with partners.

35. UNOPS is harnessing its technical expertise in infrastructure, procurement and project management to add value for partners. Examples are: building public procurement capacity and driving public procurement reform to improve efficiency and innovation; and enabling deployment of sustainable and resilient infrastructure within and across sectors (energy, water, transport, waste and information and communications technology), and relevant enabling assets, such as for social infrastructure in health, education and housing.

36. UNOPS is focusing its efforts – earlier and higher up in the decision making process – on developing integrated service offerings as well as tools and approaches that enable strategic engagement with partners to find context-specific solutions to their

needs and the goals countries strive to achieve. This is linked with the ambition to add value and grow delivery with global partners, and to establish thought leadership through academic partnerships, enabling UNOPS to provide innovative solutions to development issues.

Driver A3. Communicate contribution of value

37. UNOPS is committed to transparency and is working to re-establish access to live data concerning all ongoing projects on its data site, as well as a full International Aid Transparency Initiative-compliant data set.

38. UNOPS acknowledges its commitment to providing support to the 2030 Agenda. Its reporting and analytical processes continuously evolve to help communicate the value its projects bring to partners and communities, together with tangible results from numerous projects. These efforts include the further integration of Global Reporting Initiative standards into UNOPS operations at the engagement level to ensure continuous reporting on performance.

Goal B. People excellence

39. UNOPS operations are rooted in personnel. Empowering people to perform at consistently high standards, and being considered an employer of choice that attracts and retains a talented workforce in a culture conducive to principled performance, are key to supporting people in need.

Driver B1. Embrace a culture founded in United Nations values and principles

40. UNOPS strives to ensure an integrated, consistent focus on diversity and inclusion across recruitment and talent management efforts, such as enhancing gender and geographic (North/South) balance. UNOPS is committed to strengthening its gender policy framework and human resource practices, and responding to the requirements of the United Nations System-Wide Action Plan on Gender Equality and the Empowerment of Women. Gender initiatives are being implemented across the organization, including a gender advisory panel to facilitate dialogue on gender issues. UNOPS is committed to strengthening its representation of national professionals, especially those from the Southern hemisphere, among its professional personnel category.

41. With a strong field presence, the vast majority of UNOPS personnel are nationals working in their own countries and developing local capacity. UNOPS is committed to helping build national capacity where needed by offering advice, best-practice processes, training, exchange of experience, and expertise.

Driver B2. Attract, recognize and develop talent

42. Global initiatives to recruit, develop and recognize talent are top priorities for UNOPS. UNOPS will proactively identify career and development aspirations, matching people with organizational roles that make the best use of their skills and abilities. One step in that direction will be to embed the new UNOPS competency framework in talent recruitment and performance management.

43. UNOPS will redouble its efforts to recognize talent and improve succession planning for business-critical roles through initiatives such as talent benches. UNOPS will extend its pool of external talent through increased outreach activities; identify local talent in the countries where it operates; and provide opportunities for national talent and the diaspora.

44. UNOPS offers a holistic approach to learning, including personal, professional and leadership development focused on a continuous learning model. UNOPS will

strengthen its use of a learning management system that facilitates the monitoring and completion of learning activities, including mandatory United Nations courses.

45. UNOPS will enhance its individual contractor agreement contract to respond to partners' needs and increase its competitiveness in attracting and retaining personnel with relevant skills and competencies. As part of the human resource network of the United Nations, UNOPS is working to propose a revised or new staff contract modality that will enable United Nations organizations to attract talent in present and future job markets and to support the needs of the development sector.

46. Recognizing that its personnel is highly engaged, UNOPS seeks to ensure that it balances the values embedded in the United Nations culture with certain elements of the private sector mind-set that support the UNOPS self-financed business model.

Driver B3. Reinforce leadership

47. Building on the positive results of its people survey, UNOPS is committed to keep personnel engagement at a high level, for which performance management and career development are strong drivers. UNOPS is therefore strengthening its culture of feedback and reinforcing accountability for people management, supported by global initiatives such as performance management training.

48. Another aspect of reinforcing people's leadership skills is enabling leaders to meet the challenge of managing personnel. UNOPS has launched several relevant learning initiatives, including the 'Leading People at UNOPS' programme.

49. While leadership is supported through process improvements and trainings, it also relies on the support of effective change management and excellence practices. UNOPS will expand and build on its existing change management capacity and proactive methodology to support organizational development and mitigate the impact of change in UNOPS business realities.

Goal C. Process excellence

50. UNOPS continues its process improvement efforts. It expects to achieve measurable improvements in the quality, efficiency and reliability of its operations through the simplification and innovation of processes, based on clear standards and delegated authority, facilitated by information technology.

Driver C1. Manage efficiency and consistency

51. UNOPS ensures organizational fit for purpose by monitoring and improving processes and operations to meet the expectations of partners and other stakeholders. Key to this is the quarterly engagement assurance process, during which all projects are reviewed as to whether they are on track for cost and time.

52. To drive organizational excellence and performance towards business objectives, UNOPS will increase the availability of relevant management information and business intelligence through the quarterly business reviews, enabling leaders to review the project portfolio and take informed management decisions.

53. UNOPS will combine its business process mapping exercise with the roll-out of its new governance, risk and compliance framework to identify processes that can become shared services. To leverage these efficiencies UNOPS is expanding its Global Shared Service Centre in Bangkok and turn it into a global partner, adapting to regional and headquarters requirements.

54. While improving speed and quality, UNOPS will further enhance its enterprise resource planning system, 'oneUNOPS', to expand system coverage, integrate internal controls, and reduce costs associated with business processes. Cost savings have already been generated by insourcing benefits, entitlements and payroll services, and discontinuing the maintenance of legacy systems.

Driver C2. Benchmark performance

55. The internationally recognized model for organizational excellence of the European Foundation for Quality Management has helped UNOPS establish priorities for strategic and operational improvements. Building on the excellent results from the assessment by the Foundation in 2017, UNOPS will take advantage of the model in framing its improvement agenda, whether for organizational architecture or country-level operations.

56. Key processes in UNOPS are structured according to the American Productivity and Quality Centre framework and are designed, documented and managed within its process and quality management system, enabling process ownership and continual improvement of process design to support policies and strategy. Establishing the system as an integral part of the new governance, risk and compliance framework will make guidance easily accessible, enable clear delegation of authority, and enhance accountability and responsibility within UNOPS.

57. UNOPS is committed to improving the security of its personnel and the health and safety standards of its operations, as well as its impact on the environment. Beyond compliance with United Nations security management system policies, adherence to security, health, safety and environmental standards will provide consistency in UNOPS operations.

Driver C3. Innovate services and delivery platform

58. The ‘oneUNOPS’ enterprise resource planning system will continue to serve as the organizational platform for increasing efficiency, control, innovation and collaboration. This delivery platform provides a broader menu of global shared services that will, in turn, allow efficient, effective deployment of support to projects and partners. UNOPS will explore establishing information technology services as a service line it can offer to partners.

59. UNOPS will make continuous efforts to establish long-term agreements with suppliers. It will ensure that, where feasible, these are made available to United Nations system partners directly or through ‘UN Web Buy Plus’, expanding the list of products available on this e-commerce platform. UNOPS is improving its in-house e-sourcing platform, integrating it with the United Nations Global Marketplace and exploring the possibility of sharing it with external partners.

60. UNOPS works to build the capacity of small and medium enterprises and women- and youth-owned businesses, improving their access to the United Nations Global Marketplace through initiatives such as the ‘UNOPS Possibilities Forum’ and the ‘UNOPS Possibilities Portal’. Both initiatives encourage enterprises to demonstrate how their products or services can expand the possibilities for UNOPS projects, improving its service to people in need around the world.

61. As part of its commitment to climate neutrality, UNOPS is reducing its greenhouse gas emissions through initiatives such as revising its travel policy to adopt a more disciplined approach to travel and the utilization of travel entitlements.

Goal D. Financial stewardship: finances managed for development effectiveness

62. The finance function is to safeguard UNOPS demand-driven self-financed business model and its ability to invest in innovation for the benefit of governments, the United Nations and other partners, and the people they serve.

Driver D1. Manage growth and delivery

63. The core measure of UNOPS financial performance is achievement of its net revenue target (recovery of sufficient revenue to offset its cost during a year). It is vital to ensure recovery despite the diverse composition of the UNOPS portfolio. UNOPS has achieved this with its flexible pricing model, wherein each engagement signed with partners is priced based on its setup rather than on a fixed percentage.

64. UNOPS intends to continue to grow its operations in support of United Nations partners and reach more people in need. Key to this will be a healthy ratio between delivering on existing partner agreements, and signing new ones. This will be achieved using data from the recently introduced order-book information.

Driver D2. Attribute costs to value

65. Answering the call of the quadrennial comprehensive policy review to enhance cost recovery models, UNOPS plans not only to ensure full cost recovery, but also to link the recovery modality with its service lines and types. UNOPS will further investigate the possibility of implementing a standard cost approach when recovering personnel cost and continue to grow the number of processes managed and recovered as shared services.

66. All engagements should be signed in accordance with the cost recovery policy. To achieve this, UNOPS will manage towards a low level of exceptions to policy and framework agreements, as requested by the General Assembly.¹²

Driver D3. Invest in knowledge and innovation

67. With the approval of the UNOPS contribution goals in the midterm review, the Executive Board provided UNOPS with clear objectives. To fund these, UNOPS will invest a portion of its revenue into activities supporting those goals. Funding will be made available on a 'need' basis throughout the biennium for projects that support the UNOPS contribution and management goals.

B. Resources targeted and organization aligned to achieve results

68. UNOPS has developed its budget for the biennium 2016-2017 in alignment with the harmonized presentation adopted by UNDP, UNFPA and the United Nations Children's Fund, based on decisions 2010/32, 2011/10, 2012/27, and 2013/9, in which the Executive Board approved harmonized approaches for cost-classification, results-based budgeting and budget presentation. Due to the self-financed business model of UNOPS, two years is seen as the most relevant planning horizon in terms of revenue and costs.

69. The UNOPS organizational structure allows efficiency and effectiveness in service delivery to partners and clearly defines global functions, authorities and accountabilities. The results and budget framework for the biennium 2018 -2019 is directly aligned with the UNOPS global structure (figure 1).

70. This chapter examines the management results and budget framework through the lens of the seven harmonized functional clusters. Table 1 provides key performance indicators, with associated baselines and targets, and resources per functional cluster.

¹² A/RES/71/243

Table 1. Targets and resources for management results, by functional cluster

Harmonized functional cluster	Performance indicator	Baseline	Target 2018-2019	Management resources 2018-2019
Leadership and corporate direction	Achievement of net revenue target approved by the Executive Board	100% (in 2016)	100%	\$16.0 million
	Share of UNOPS offices assessed that are successful in maintaining external certifications	100% (in 2016)	100%	
Corporate external relations and partnerships, communications and resource mobilization	Increase in new and extended partner agreements from global partners supported by liaison offices	\$956 million (average 2014-2016)	10%	\$30.4 million
	UNOPS Annual Report to the Executive Board compliant with Global Reporting Initiative (GRI) standards	100% (in 2016)	100%	
Country office oversight, management and operations support	Share of projects regularly assessed against UNOPS criteria for successful projects	97% (in 2016)	98%	\$34.4 million
	Share of UNOPS procurement with registered local suppliers in developing and fragile states	52% (in 2016)	60%	
Corporate human resources management	Overall personnel engagement	4.16 (in 2016)	4.06	\$9.1 million
	Women in UNOPS workforce (UNOPS personnel only)	37% (in 2016)	50%	
Staff and premises security	Evaluated offices compliant with minimum operating security standards	90% (in 2016)	90%	\$0.7 million
Corporate financial, information and communications technology and administrative management	Proportion of management fees collected by UNOPS reinvested	5% (in 2016)	10%	\$32.3 million
Corporate oversight and assurance	Implementation rate of accumulated internal audit recommendations	93% (in 2016)	90%	\$9.8 million
	Rate of implementation of prior year United Nations Board of Auditors recommendations	62% (in 2016)	65%	
Total				\$132.7 million

Note: See annex 1 for details of performance indicators and their measurement.

Leadership and corporate direction

71. Definition. The ‘leadership and corporate direction’ harmonized functional cluster corresponds to the UNOPS ‘strategic management and leadership’ global function, which is performed by the global leadership team.

72. Issues and narrative. This cluster articulates the accountability of the Executive Director to the Executive Board for implementing the UNOPS mission and vision through its strategic plan, 2018-2021. It is responsible for pursuing contribution goals and relevant targets for management results in the biennial budgets. The global function is responsible for leadership and organization-wide support for the integration of UNOPS values.

73. Accountability and funding level. Strategic management and leadership are funded in all entities of the global structure. Accountability lies with the Executive Office and

with senior management across the organization. The estimated funding level is \$16 million.

Corporate external relations and partnerships, communications and resource mobilization

74. *Definition.* The ‘corporate external relations and partnerships, communications and resource mobilization’ harmonized functional cluster comprises two UNOPS global functions: ‘business development’ and ‘communications’.

75. *Issues and narrative.* As UNOPS matures in managing its external relations, the headquarters-based Partnership Group has been extended by additional liaison offices located in proximity to partners. UNOPS has increased its business development capabilities in the regions to ensure sufficient resource mobilization and to increase the quality of engagements signed. The Communications Group has been strengthened with additional resources to increase the visibility of UNOPS to target audiences. This sharper focus is reflected in an increased funding level for 2018-2019.

76. *Accountability and funding level.* Accountability is shared among the Partnerships Group, UNOPS liaison offices, the Communications Group, and management across UNOPS regional entities. The estimated funding level has increased by \$6 million, to \$30.4 million.

Field/country office oversight, management and operations support

77. *Definition.* The ‘field/country office oversight, management and operations support’ harmonized functional cluster comprises four UNOPS global functions: project management, infrastructure, procurement, and legal.

78. *Issues and narrative.* Acknowledging the interdependence between two UNOPS service lines, support for infrastructure and project management activities has been consolidated into the new Infrastructure and Project Management Group. UNOPS is strengthening its delivery mechanism through additional technical advisory capacity at the regional level. These initiatives reflect its ambition to continue growing technical expertise to support partners in its mandated areas.

79. The increase in funding reflects implementation of the new UNOPS governance, risk and compliance framework, which enables it to better distinguish between transactional processes and policy-setting and oversight activities. By further delineating these roles for field support functions, UNOPS will be able to leverage its resources to develop improved solutions and promote innovation in support of partners.

80. *Accountability and funding level.* Accountability lies with management across UNOPS regional entities, the Infrastructure and Project Management Group, the Procurement Group, the Legal Group, the Corporate Support Group with its integrated practice advice and support function, and all functions involved with transactional services, process support and records maintenance in support of operations. The estimated funding level has increased, by \$3.5 million, to a total of \$35.4 million.

Corporate human resources management

81. *Definition.* The ‘corporate human resources management’ harmonized functional cluster covers the UNOPS global ‘human resources’ function.

82. *Issues and narrative.* The insourcing of payroll, benefits and entitlements management processes enables UNOPS to deliver high-quality global human resources transactional support in its Global Shared Service Centre. It provides the basis for expanding its capability as a service provider, not only for UNOPS, but also to increase the scope, types and share of services delivered to partners.

83. The separation of advisory and transactional functions to the Global Shared Service Centre and the integrated practice advice and support function allows the People and Change Group to focus on strategic and institutional priorities, a more cost-effective

way of delivering specialized human resources functions to the organization and beyond. Thanks to its costing model, the cost of UNOPS transactional processes are largely recovered as direct cost, so the overall cluster will require slightly less resourcing in the next biennium.

84. *Accountability and funding level.* Accountability for policy lies with the People and Change Group, whereas operational implementation is shared with the Global Shared Service Centre and the integrated practice advice and support function. The estimated funding level is \$9.1 million.

Staff and premises security

85. *Definition.* The ‘staff and premises security’ harmonized functional cluster covers the UNOPS global security function.

86. *Issues and narrative.* Security is a critical component in the implementation of UNOPS projects worldwide, and the bulk of those costs are covered directly by relevant projects. In addition to the security of personnel and assets, UNOPS is implementing internationally recognized health, safety and environmental standards.¹³ UNOPS has allocated additional personnel reporting to its Chief of Security to implement and promote a safe, healthy working environment. With the expanded role of the security function UNOPS will review the options to position this as a shared service with potentially increased resources.

87. *Accountability and funding level.* Accountability lies with UNOPS personnel at headquarters and field levels, in accordance with the accountability framework of the United Nations security management system. The UNOPS Chief of Security, in the Corporate Support Group, will monitor UNOPS compliance with United Nations management policies and adopted standards on behalf of the Executive Director. The estimated funding level from the management budget has increased by \$0.4 million, to a total of \$0.7 million.

Corporate financial, information and communications technology, and administrative management

88. *Definition.* The ‘corporate financial, information and communications technology and administrative management’ harmonized functional cluster comprises three UNOPS global functions: ‘finance’, ‘information and communications technology’, and ‘general administration’.

89. *Issues and narrative.* Following the successful implementation of its new global enterprise resource planning system ‘oneUNOPS’, UNOPS consolidated its information and communications technology function under the new Chief Information Officer. While most of the support function is recovered as direct cost, consolidation of the information and communications technology systems landscape has allowed for reductions in the cost of services provided through the management budget. Increased investments in information and communications technology functions will result from the new strategy, and further consolidation of ‘shadow’ solutions are projected to achieve overall savings, enhance information security controls and enable greater business intelligence.

90. The UNOPS Finance Group is undergoing a review for alignment with the governance, risk and compliance framework, leading to the transfer of a number of processes to the Corporate Support Group for global implementation. Many of those now funded by management budget resources are expected to be recovered as direct cost for shared services in the future.

¹³ ISO-14001 and OHSAS-18001

91. Rooted in the successful implementation of shared services at local, regional and global levels, UNOPS has achieved a high proportion of direct cost recovery for general administration functions, contributing to overall cost reduction.

92. *Accountability and funding level.* Accountability lies with the Finance Group and the Corporate Support Group. The proposed funding level is \$32.3 million; UNOPS expects savings of \$5.7 million.

Corporate oversight and assurance

93. *Definition.* The ‘corporate oversight and assurance’ harmonized functional cluster comprises the internal audit and investigations and the corporate oversight functions.

94. *Issues and narrative.* The global corporate oversight function comprises the recently established Risk and Quality Group, the contract and property review function, the Ethics Office, and the Audit Advisory Committee. It has been strengthened through the creation of the Risk and Quality Group, which oversees engagement-related activities and is responsible for the organizational enterprise risk management framework.

95. The UNOPS Ethics Office promotes the highest standards of integrity and fosters a culture of ethics, transparency and accountability to ensure that all personnel conduct themselves with professionalism and uphold the Charter of the United Nations.

96. UNOPS will continue to exercise assurance on its procurement function. The process will be made more efficient with institutional tools, incentives for preparing high-quality submissions, and process automation.

97. The Internal Audit and Investigations Group will continue to assist UNOPS management in assessing and improving the adequacy, efficiency and effectiveness of its control systems, business practices and use of resources to achieve results. The group has been strengthened to ensure sufficient oversight of UNOPS growing operations.

98. *Accountability and funding level.* Accountability lies with the Internal Audit and Investigations Group, the Risk and Quality Group, the Executive Chief Procurement Officer, the Headquarters Contracts and Property Committee, and the Ethics Office. This functional cluster includes costs associated with external oversight provided by the United Nations Board of Auditors and the Joint Inspection Unit. The estimated funding level has increased, by \$2.5 million, to \$9.8 million.

IV. How UNOPS will manage: Budget estimates 2018-2019

99. As a self-financed organization, the viability of UNOPS requires that its revenue match its management costs. The \$179.3 million biennial revenue target serves as a frame for the UNOPS management budget, 2018-2019.

100. UNOPS targets stable management resources in real terms for the biennium 2018-2019 compared to the projections for 2016-2017. The \$179.3 million budget estimates comprise \$132.7 million in management resources, an earmarking of \$26.5 million for provisions and further liabilities, and \$20 million for strategic investments from its surplus. By comparison, in its 2016-2017 budget estimates UNOPS budgeted for \$125.6 million in management resources and earmarked \$13.1 million for potential provisions.

A. Stable management resources focused on quality and added value

101. In the years up to 2016, UNOPS achieved a reduction in management resources as share of delivery. Targeted efforts to create efficiencies by insourcing processes, investing in information technology and redesigning processes, as well as recovering

direct costs through appropriate cost drivers, have enabled UNOPS to increase delivery while maintaining a stable management budget.

102. While optimizing processes and refining its cost recovery model, UNOPS will sharpen the focus of its management budget on establishing a delivery platform that will improve quality and add value. In response to partner demand, UNOPS will provide integrated, strategic solutions to partners, expanding their implementation capacity to achieve global goals.

103. Management resources are expected to grow with inflation in the next biennium, remaining stable in real terms compared to the projections for 2016-2017. The effect of inflation for the next biennium is estimated at 2.29 per cent for 2018 and 2.6 per cent for 2019, reflecting the combined impact of the annual inflation rate at headquarters and all other locations.

104. Beyond the management resources that will fund its core functions, UNOPS will allocate a portion of its surplus to mitigate potential financial risks that may have to be absorbed by its own resources. It also allocates funds for investments to progress implementing its strategic plan 2018-2021.

B. Flexible personnel force aligned with strategy

105. Table 2 represents an overview of UNOPS staff posts for the 2018-2019 budget estimates.

Table 2. Staff posts funded by management budget, by category and location¹⁴

	2016-2017 budget estimates			2018-2019 budget estimates			Change		
	Head-quarters	Regions	Total	Head-quarters	Regions	Total	Head-quarters	Regions	Total
USG/ASG	2	0	2	2	0	2	0	0	0
D-2	7	4	11	7	2	9	0	-2	-2
D-1	4	14	18	5	12	17	1	-2	-1
Other international professionals	43	47	90	43	47	90	0	0	0
All other	18	25	43	10	18	28	-8	-7	-15
Total	74	90	164	67	79	146	-7	-11	-18

¹⁴The total number of staff posts funded by direct and indirect costs has remained stable since mid-2015, when the previous budget estimates were presented. During the insourcing of the benefits and entitlements services, UNOPS reviewed all staff contracts. To ensure consistency and alignment in terms of liabilities and entitlements, on 1 January 2016 the vast majority of staff contracts formerly categorized as “client supervised” were reclassified as “UNOPS staff”. Taking this into account, the number of UNOPS staff remains stable at approximately 750 (approximately 500 of whom were reported as UNOPS staff in the 2016-2017 budget estimates, while 229 “client supervised” staff were reclassified as UNOPS staff). In line with the General Assembly request reflected in the quadrennial comprehensive policy review (A/RES/67/226) and reaffirmed in the quadrennial comprehensive policy review of operational activities for development of the United Nations system (A/RES/71/243), UNOPS continues its efforts to attribute direct costs to appropriate cost drivers. Through an expanded ability to identify functions and processes that should be directly recovered from projects, the cost of posts previously recovered as indirect has now been budgeted as shared services and is largely recovered from direct costs. This explains the reduction of 18 staff posts funded by the management budget in the UNOPS budget estimates, 2018-2019.

106. The individual contractor agreement modality gives UNOPS the flexibility required by its self-financed and project-based business model. Nevertheless, the organization relies on a core number of staff posts to ensure stability, and retention of knowledge and competencies.

107. The total number of staff has remained stable in the recent biennium. The estimated number of staff in the budget estimates, 2018-2019, reflects the status as of mid-2017. The decrease in the number of staff funded by the management budget reflects UNOPS efforts to attribute direct costs to appropriate cost drivers. The changes in senior staff reflect realignment of regional portfolios already implemented, and the strengthening of the finance function at headquarters.

C. Allocating resources to address risks

108. Since 2009, the UNOPS operational reserve has remained above the minimum requirement set by the Executive Board. A solid operational reserve ensures that management expenses can be met. Beyond this minimum requirement, it is essential to UNOPS business model as a fully self-financed United Nations organization without support of core funding; the reserve plays a key role in assuring partners that UNOPS can deliver on its commitments. In the next biennium, the operational reserve is estimated to hold its \$131.6 million level as of end 2016. This constitutes less than 1 per cent of annual UNOPS delivery.

109. As the UNOPS mandate has evolved over time, so has the complexity of its portfolio. Not only has the number of infrastructure assignments increased, UNOPS is also a trusted partner for operations in fragile states and challenging environments. Moreover, the recently added mandate to support mobilization of private sector funds for development objectives has added to the complexity and risk exposure of UNOPS work.

110. As UNOPS works to mitigate its risk exposure through process improvements, training and other internal measures, a residual risk is inherent in these operations. The focus on implementing the revised governance, risk and compliance framework is a key step towards mitigating risk exposure and better quantifying risk profile. In the coming biennium, UNOPS will enhance its assessment of engagement risk by considering the nature of the services rendered and the role it assumes, as well as context-related factors.

111. Efforts to quantify risk exposure are important for UNOPS to ensure that sufficient funds are set aside and that each engagement recovers a sufficient amount to fund risk mitigation measures.

112. UNOPS is committed allocating sufficient funding to address risks. In the biennium 2018-2019, UNOPS will earmark \$26.5 million for potential write-offs, provisions, and a contingency surplus to address plausible risks that UNOPS is exposed to and that would not be covered through direct cost. This constitutes approximately 15 per cent of estimated revenue for the biennium.

D. Investments to support UNOPS ambitions

113. Beyond the core functions funded by management resources, UNOPS will allocate funds to equip it to meet evolving partner demand in light of the 2030 Agenda. In the biennium 2018-2019, UNOPS will set aside \$20 million for strategic investments. In line with its strategic plan, 2018-2021, UNOPS will target investments that enhance the quality of its processes and the competencies of its personnel.

114. In the next biennium, UNOPS will continue to develop its delivery platform, enabling it to optimize its internal processes and service delivery to partners. This will be supported through investments into knowledge management and improvements to UNOPS information and communications technology infrastructure.

115. In line with its drive for excellence, UNOPS will invest in expanding the skill set and competencies of its personnel, enabling it to engage with partners in identifying solutions of high quality and impact. Efforts will be targeted at further developing UNOPS internal leadership capacity in terms of personal skill sets as well as organizational decision making processes.

116. UNOPS will invest in developing innovative solutions to help Member States deliver on the global goals. In line with its mandate to mobilize private sector funds for development objectives, UNOPS will continue to deliver social impact investment projects and explore innovative solutions for resource mobilization.

Table 3. Resource plan

(in millions of dollars)

	2016-2017 Budget estimates	2016 (actuals) and 2017 (projection)	2018-2019 Budget estimates
Resources available			
Operational reserve beginning of period	82.8	99.2	131.6
Total revenue on budget basis	138.7	177.3	179.3
Total available	221.5	276.5	310.9
Use of resources			
Management resources	125.6	128.1	132.7
Write-offs, provisions, contingency surplus	13.1	4.9	26.6
Strategic investments from surplus		13.0	20.0
Total use of resources	138.7	146.0	179.3
Balance of resources			
Net revenue on budget basis	0.0	31.3	0.0
Budget basis to IPSAS reconciliation ¹⁵		1.1	0.0
Change to the operational reserve on IPSAS basis		32.4	0.0
Operational reserve at end of period	82.8	131.6	131.6

¹⁵ The reconciliation of \$1.1 million is a results from an actuarial loss of \$2.0 million and an increase in fair value reserve of \$3.1 million (see UNOPS financial statements, 2016, statement III). (IPSAS = International Public Sector Accounting Standards).

Table 4. Budget estimates, by expense category
(in millions of dollars)

Expense category	2016 (actuals) 2017 (projection)	Volume increase		Cost increase in \$	2018-2019 budget estimates
		Amount in \$	Percentage		
Posts	24.6	-	-	0.9	25.5
Common staff costs ¹⁶	17.7	-	-	0.6	18.4
Travel	7.7	-	-	0.3	8.0
Consultants ¹⁷	59.7	-	-	2.2	61.9
Operating expenses ¹⁸	14.5	-	-	0.5	15.0
Furniture and equipment	1.6	-	-	0.1	1.7
Reimbursements	2.3	-	-	0.1	2.4
Total management expenses	128.1	0.0	0%	4.6	132.7

¹⁶ Includes allowances, insurances, learning and staff administration costs

¹⁷ Includes 'individual contractor agreements', local and international consultants, contractual services and company contracts

¹⁸ Includes general operation expenses, hospitality, rental, utility, maintenance and miscellaneous expenses