



**Executive Board of the  
United Nations Development  
Programme, the United Nations  
Population Fund and the  
United Nations Office for  
Project Services**

Distr.: General  
27 April 2023

Original: English

**Annual session 2023**

5 to 9 June, New York

Item 15 of the provisional agenda

**United Nations Office for Project Services**

**Midterm review of the UNOPS strategic plan, 2022-2025, including  
the annual report of the Executive Director, 2022**

*Summary*

This fast-tracked midterm review of the UNOPS strategic plan, 2022-2025 is presented in accordance with decision 2022/24 of the Executive Board.<sup>1</sup> In accordance with decision 2023/4, the midterm review also is the annual report of the Executive Director, 2022.

The midterm review+ process included a comprehensive situational analysis, covering (a) stakeholder consultations; (b) desk review of international priorities; (c) desk review of external studies; (d) multifaceted portfolio analysis; (e) external evaluation of contributions; and (f) analysis of performance against key performance indicators and other statutory reporting for 2022.

The review confirmed the continued relevance of the UNOPS implementation role set out in General Assembly resolution 65/176. It affirms that the restated UNOPS strategic plan, 2022-2025 should emphasize the collaborative advantage of UNOPS to expand partners' implementation capacity to help people in need and support countries in accelerating achievement of the Sustainable Development Goals.

The review uncovered strategic, operational and management risks, challenges and lessons learned, which are addressed in the restated strategic plan, 2022-2025.

*Strategic risks, challenges and lessons learned*

(a) To reduce the risk of perceived mandate creep, UNOPS should calibrate external communication to more clearly express its implementation role without presumption of its being programmatic.

(b) To address the challenge of ensuring the relevance and viability of its operating model, UNOPS must stay attuned to developments in the global context and the evolving needs of its partners, and seek to harness capacity for contributions based on experience and anticipated demand.

(c) To address the challenge of not spreading limited resources thin, UNOPS should focus development of substantive knowledge and capacity on Sustainable Development Goals, based on experience and anticipated demand.

(d) To address the challenge of finding the right cost-benefit of its efforts to analyse, learn and report on its contributions, UNOPS should encourage partners to evaluate projects and supplement with its own targeted project-level and strategic thematic evaluations.

(e) A lesson learned is that UNOPS in responding to the triple crisis can further focus efforts for impact for countries in special and fragile situations, and the most vulnerable people.

<sup>1</sup> DP/2023/4



(f) A lesson learned is that the maturity of UNOPS capacity and standards in different areas is a function of three mutually reinforcing elements that are brought together for implementation: functional services, substantive focus, and the types of partners it works with.

*Operational risks, challenges and lessons learned*

(a) To reduce the risk of accepting engagements where UNOPS may not have sufficient capacities, UNOPS should enhance the engagement acceptance process with dedicated risk management of quality and due diligence.

(b) To mitigate increasing risks associated with demand for more complex integrated solutions, UNOPS should consider refining and standardizing legal agreements with partners.

(c) To address the challenge of lost opportunity to increase contributions, UNOPS should put measures in place to enable more systematic application of its sustainable implementation approaches.

(d) A lesson learned is that UNOPS should reset the contribution goal ‘enable partners’ to emphasize ‘cost-effectiveness’ as opposed to ‘doing more for less’.

*Management risks, challenges and lessons learned*

(a) To reduce risks of low personnel engagement negatively affecting the quality of work or increasing personnel turnover, rebuilding internal trust should be a key priority for the new executive leadership.

(b) To mitigate the risk of internal bureaucracy inhibiting flexible response to partner needs, UNOPS needs to find the right balance of trust and control, aided by policy requirements and procedures, supported by digital systems for active and targeted risk management.

(c) To mitigate the risks of UNOPS not achieving a quadrennial ‘net-zero’ revenue target, balancing of indirect costs and revenue will require recurrent, dedicated attention.

(d) To address the challenge of ensuring that talent is available for project start-up and not lost at project closure, UNOPS should leverage talent pools for functional and substantive expertise.

(e) A lesson learned is that strategy deployment through an expanded results framework should be aided by digital solutions for automated monitoring and reporting, informing regular constructive review with consequence through relevant course correction.

UNOPS embraces United Nations values and principles in all its actions. As part of the United Nations development system, it is essential for UNOPS to increasingly assess the effect of contributions by expanding implementation capacity for the Sustainable Development Goals and Our Common Agenda.

*Elements of a decision*

The Executive Board may wish to take note of the fast-tracked midterm review of the UNOPS strategic plan, 2022-2025, including the annual report of the Executive Director, 2022, presented in accordance with decisions 2022/24 and 2023/4, and based on the format presented at the second regular session 2022.

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## I. Introduction

1. On November 30, 2022, the Executive Board held a special session on two independent third-party reviews of: (a) the effectiveness of the UNOPS oversight mechanisms for the Sustainable Investments in Infrastructure and Innovation ('S3i') initiative; and (b) UNOPS internal control systems, risk management and overall governance structures.
2. In accordance with decision 2022/24,<sup>2</sup> the midterm review+ process<sup>3</sup> produced two documents that are presented to the Executive Board for approval at its annual session 2023: the midterm review of the UNOPS strategic plan, 2022-2025, including the annual report of the Executive Director for 2022, and the restated UNOPS strategic plan, 2022-2025.
3. Congruent with the practices of the Executive Board in relation to UNDP and UNFPA, the midterm review is also the annual report of the Executive Director for 2022. Its structure is based on the enhanced format,<sup>4</sup> which was presented to the Executive Board at its second regular session 2022.
4. The midterm review+ process included a comprehensive situational analysis, covering: (a) stakeholder consultations; (b) desk review of international priorities; (c) desk review of external studies; (d) a multifaceted portfolio analysis; (e) external evaluation of contributions; and (f) analysis of performance against key performance indicators and other statutory reporting for 2022.
5. The process provided the opportunity to:
  - (a) Consult with the Executive Board at its first regular session 2023 and informal sessions in March and May 2023;
  - (b) Listen to partners through the partner survey, 2022, with more than 900 respondents, and two segments of the annual client board in March 2023;
  - (c) Engage management through the focus and capacity survey, 2023, with more than 90 respondents from UNOPS global leadership, and regular engagement with the management team; and
  - (d) Listen to personnel through the first-quarter 2023 pulse survey, with a 67 per cent participation rate and more than 80 questions raised to management at the associated town hall meeting.

## II. UNOPS in the global agenda

6. The strategic plan articulated the UNOPS response to the global agreements forming the 2030 Agenda for Sustainable Development.<sup>5</sup> It identified how UNOPS, across the three pillars of the Charter, can contribute to realizing the Secretary-General's vision on prevention,<sup>6</sup> enabled by management reform and repositioning the United Nations development system.
7. Following Executive Board approval of the strategic plan, there have been significant developments in the global context. The following chapter provides a synthesis of those developments.

### A. Global context

8. The global environment changed dramatically in 2022, with a triple crisis unfolding: rising geopolitical tensions and conflicts increased pressure on food, energy and finance, affecting many countries. Financial market uncertainty put downward pressure on global foreign direct investment.<sup>7</sup> The situation has particularly affected the most vulnerable people and countries in special and fragile situations.

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<sup>2</sup> DP/2023/4

<sup>3</sup> DP/OPS/2023/CRP.2

<sup>4</sup> Enhanced annual report format

<sup>5</sup> A/RES/70/1

<sup>6</sup> Vision of the Secretary-General on Prevention (2017)

<sup>7</sup> A/RES/77/155

9. The climate crisis is a threat to our planet, with cross-cutting implications for the stability, safety and sustainability of communities. In November 2022, 112 world leaders gathered for the ‘Together for Implementation’ climate summit to discuss and deliberate how to translate commitments into implementation.<sup>8</sup>

10. Universal access to affordable, reliable, sustainable and modern energy is an integral part of poverty eradication and achievement of the 2030 Agenda,<sup>9</sup> and part of the response to the climate emergency. While progress towards the achievement of Sustainable Development Goal 7 has been made, efforts remain below the scale required to meet the Goal by 2030.<sup>10</sup>

11. The world will need an additional 25 million kilometres of roads and 335,000 kilometres of railroads by 2050.<sup>11</sup> Meeting human needs without damaging biodiversity requires innovative strategies to make infrastructure construction more sustainable.<sup>12</sup> The United Nations Biodiversity Conference, in December 2022, ended with a landmark agreement that will guide global action on nature through to 2030.<sup>13</sup>

12. At its 77th session, the General Assembly reaffirmed its resolution on the Addis Ababa Action Agenda on Financing for Development. It recognized that international project finance can enable governments to leverage public investment through private finance participation, and noted that developing countries are disadvantaged in that regard.

13. The United Nations should continue to work collaboratively to accelerate the mainstreaming of a gender perspective in the United Nations system. Achievement of gender equality and the empowerment of all women and girls is essential for the achievement of all the Goals.<sup>14</sup>

14. During the General Assembly consultation on ‘Our Common Agenda/Summit of the Future’ in February 2023, the Secretary General affirmed that we must move from ideas to action. The Summit of the Future will be an opportunity to reinvigorate global action, recommit to our fundamental principles, and develop multilateral frameworks that work for today’s world and move us into the future we want.<sup>15</sup>

## B. Strategic results

### Focus for impact, countries and people in need

15. With activities in more than 85 countries, UNOPS has a broad global reach. Its flexible structure of country and multi-country offices, backed by global support and delivery structures, enables it to meet changing demand. This is illustrated by the regional distribution of presence and activities over the previous strategic planning period.<sup>16</sup>

<sup>8</sup> COP27, 2022

<sup>9</sup> A/RES/77/170

<sup>10</sup> Ibid.

<sup>11</sup> CBD, 2021

<sup>12</sup> Ibid.

<sup>13</sup> COP15, 2022

<sup>14</sup> ECOSOC resolution 2022/18

<sup>15</sup> Remarks by the Secretary-General, February 2023

<sup>16</sup> The project expense is used as a proxy for activity. Countries of presence include those with an annual average 2018-2021 expense of at least \$2 million, which accounts for 86 per cent of the expense. The ‘Project for the Procurement of Medicines’ in Mexico is not included.

**Table 1. Geographical deployment in 2018-2021**

<i>Region</i>	<i>Percentage of portfolio</i>	<i>Number of countries</i>
Africa	28	38
Americas	20	14
Asia	37	26
Europe	3	6
Oceania	1	2
Global	11	N/A

16. The Secretary-General has emphasized the importance of recognizing fragile situations and prioritizing capacity development for resilience, to enable people to manage risks and shocks more effectively.<sup>17</sup>

17. When asked to identify countries of focus for the planning period 2022-2025, 86 per cent of all indications from the management survey were for countries in special and fragile situations.

18. Of the top 25 countries indicated for focus, 15 were least developed countries, six were landlocked developing countries, and one was a small island developing State. Many were countries in fragile situations, ranging low on human development and high on humanitarian risk.<sup>18</sup>

19. From 2014 to 2021, UNOPS support to countries doubled, from \$1.2 billion to \$2.4 billion per annum. Between 2018 and 2021, UNOPS delivered implementation activities of more than \$8.7 billion. Eighty-six per cent of activities were in-country activities across more than 85 countries and territories.<sup>19</sup> Some 11 per cent were global activities managed from several countries which are members of the Development Assistance Council of the Organisation for Economic Co-operation and Development (OECD/DAC).<sup>20</sup>

20. About 70 per cent of UNOPS in-country project expenses were in least developed countries, landlocked developing countries, small island developing States, and other countries in fragile situations. In parallel, UNOPS saw increased demand for services and technical expertise in middle-income countries that are home to many of the people left farthest behind.

#### **Focus on the Sustainable Development Goals based on experience and demand**

21. UNOPS recognizes that the 17 Goals and 169 targets are universal, mutually reinforcing and interdependent. Countries achieve and report on them, and the United Nations system provides support in accordance with national plans and priorities.

22. UNOPS can be a resource for implementation capacity for all the Goals while intensifying its focus on those Goals where it has significant experience or anticipates particular demand. This does not mean that UNOPS presumes a normative policy mandate; rather, it is a reaffirmation of the commitment to deploy efforts and capacity for purpose and to help partners achieve their objectives.<sup>21</sup>

<sup>17</sup> <https://www.un.org/sg/en/priorities/prevention.shtml>

<sup>18</sup> See annex II, graph 1.

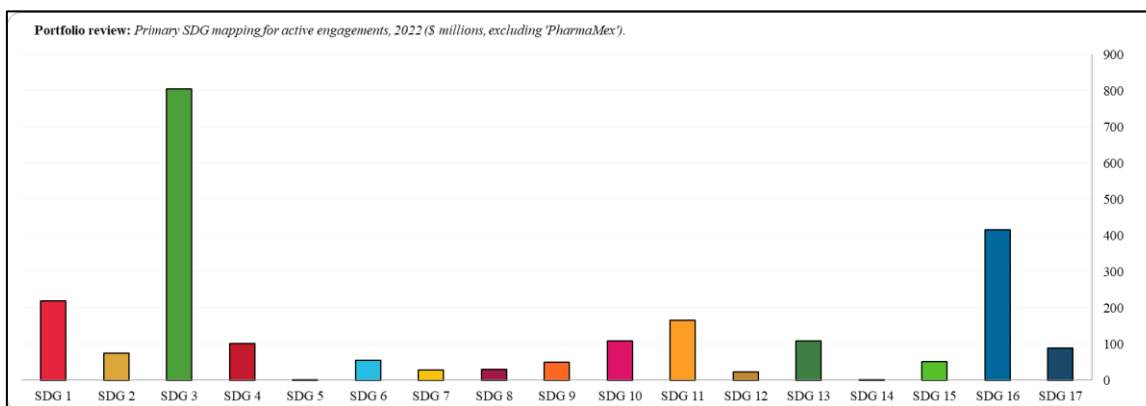
<sup>19</sup> Countries with more than \$2 million average annual delivery between 2018 and 2021.

<sup>20</sup> See annex II, graph 2.

<sup>21</sup> DP/OPS/2023/CRP.2, paragraph 15

23. Below is the initial response to the Executive Board request for UNOPS to begin systematic analysis and reporting on the contributions of its service delivery to the objectives of partners and the achievement of broader development goals.<sup>22</sup> The analysis combines the portfolio analysis with the results of the surveys of management and partners.

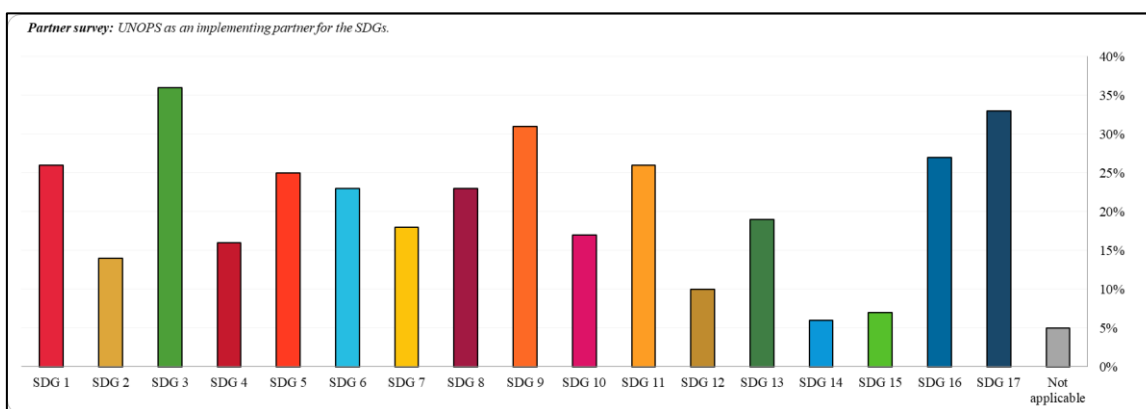
24. During 2022, UNOPS introduced a systematic way for all projects to map the ‘primary’ and ‘secondary’ Goals to which they contribute. The mapping was used in the portfolio review, 2022, as a basis for understanding where the organization has experience. As illustrated below, this is particularly the case for Goals 3 and 16.



25. The partner survey indicated particular demand for services expanding capacity to respond to health issues, such as Goal 3 ‘good health and well-being’. This also came across prominently in the management survey.

26. The management survey demonstrated a strong ambition to approach Goal 13, ‘climate action’ as an area of priority. Although the past activity volume is relatively limited, the significant need, and a number of successful projects, raised the internal recognition of Goal 7, ‘affordable and clean energy’, as an area of priority focus.<sup>23</sup>

27. UNOPS support to Goal 16 ‘peace, justice and strong institutions’, has been consistently in high demand and is recognized by many partners. In the management survey it featured less prominently.<sup>24</sup> Nevertheless, it is an area warranting unpacking the diverse capacity, which ranges from (a) operational responses, including through demining activities, and rule of law and security infrastructure, to (b) development of capacity for public procurement and infrastructure.



<sup>22</sup> Decision 2021/20

<sup>23</sup> See annex II, graphs 5 and 6.

<sup>24</sup> The lesser prominence in the management survey is probably a consequence of the fact that a major part of the associated activity is managed by a few, so that the number of respondents is not commensurate with the relative share of activities supporting Goal 16.

28. In the surveys of partners and management there was strong recognition of the UNOPS association with Goal 9, 'industry, innovation and infrastructure'. In the portfolio review, Goal 9 featured less prominently, as it primarily reflected contributions to transport infrastructure. The feedback from partners and management may reflect recognition of UNOPS capacity for infrastructure in general. This suggests a need to reiterate and clearly communicate that sustainable, resilient and inclusive infrastructure is relevant for all the Goals,<sup>25</sup> including Goal 11, 'sustainable cities and communities'; and that UNOPS has an important role to play with its technical expertise for infrastructure.

### **Evaluation of contributions**

29. In December 2022, UNOPS commissioned a thematic evaluation covering 12 project case studies.<sup>26</sup> The projects were selected based on criteria to provide robust representation of service lines, country typology, regions, partner types, and Goals 3, 7 and 13.<sup>27</sup>

30. The review found clear evidence of causal pathways to change, though contributions vary, depending on factors such as the nature and stage of the project. Most projects contribute to more than one Goal. The following paragraphs provide highlights of contributions made to Goals 3, 7 and 13.

31. UNOPS contributed to Goal 3 'good health and well-being' through infrastructure, procurement and programme implementation services:

(a) In Guatemala, the 'Acquisition of Medicines and Strengthening of the Guatemalan Social Security Institute' project contributed to developing United Nations-supported health services, with an estimated 3.2 million Guatemalans benefiting from improved health care and over 50 per cent cost savings on purchase of medicines and medical supplies.

(b) In Kosovo<sup>28</sup>, the 'Emergency COVID-19' project contributed to emergency preparedness and universal health care through procurement and civil works. At the time of the evaluation, 4,000 patients had benefited from installed computer tomography scanners.

(c) In Costa Rica, the 'Puerto Viejo' project is expected to contribute to a reduction in water-borne diseases as a result of an intervention focused on water and sanitation.

32. UNOPS contributed to Goal 7, 'affordable and clean energy', through infrastructure, procurement and programme implementation services:

(a) In Sierra Leone, the 'Rural Renewable Energy' programme reached 495,990 beneficiaries and contributed to electrifying 99 community health care centres, installation of distribution grids in 95 villages, and establishment of 4.3MW generation capacity.

(b) In Papua New Guinea, feasibility studies and initial design of the 'Strengthening Infrastructure Systems' project are leading to the introduction of local mini-grids using solar and hydropower hybrid systems for hard-to-reach communities across five provinces.

(c) In the Marshall Islands, installation of solar-powered chest freezers in the 'Mili Atoll' project will contribute to improved food security for the entire population.

33. UNOPS contributed to Goal 13, 'climate action', mainly by providing technical advice in infrastructure services:

(a) In Bangladesh, the 'National Resilience' programme has contributed to strengthening the ability of public institutions to design and manage resilient infrastructure. The intervention has potential for wide impact across several other Goals, and for a high proportion of the population of Bangladesh.

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<sup>25</sup> Infrastructure Transition Research Consortium and UNOPS, 2018: [Infrastructure – underpinning sustainable development](#).

<sup>26</sup> The review was conducted by the company that produced the 2020 MOPAN assessment of UNOPS. Results in the midterm review are based on the nine assessments completed at the time of writing.

<sup>27</sup> The evaluation report will be available by the annual session 2023.

<sup>28</sup> References to Kosovo shall be understood in the context of Security Council resolution 1244 (1999).



(b) In Ghana, the ‘National Infrastructure Systems Enhancement’ project provided novel modelling and assessment tools to identify climate hazards to national infrastructure systems. The project has the potential to impact the lives of a major proportion of the population.

34. Contributions to other Goals were also highlighted. The ‘Tulkarem Courthouse Construction’ project in Palestine contributed mainly to Goal 16 ‘peace, justice and strong institutions’. The courthouse has increased access to justice, trust and confidence in the legal system, and has contributed to local economic development.

35. The findings of the evaluation emphasized that the UNOPS implementation role is not always well understood by some agencies, funds and programmes, which at times raised concerns over potential mandate creep. Most partners and personnel agreed with the description of three service models: support services, integrated solutions and technical advice.

36. The evaluation found that ‘theory of change’ is used inconsistently, often reflecting the implementing role of UNOPS. To take impact into further consideration, it was recommended that UNOPS should address underlying incentive structures, including being clearer as to which engagements it would turn down.

37. In response to the expectations of Executive Board,<sup>29</sup> UNOPS needs to establish and resource organizational capacities for monitoring and evaluation. As a self-financing organization, considerations for embedding those capacities may include:

(a) How annual, strategic thematic evaluations are an integral part of refining and rolling out UNOPS organizational strategy, reinforced by an expanded results framework with ambitions for impact, contributions and management results that underpin the institutional theory of change;

(b) How quality management can be strengthened through project-level monitoring, tracking of progress and assessments, documentation of knowledge, learning and management of risk, which can be synthesized and embedded into future project design; and

(c) How the three service models can contribute to partner objectives and development goals, directly and indirectly, including how UNOPS can track, report and, ultimately, increase its knowledge of contributions to the Goals.

### **C. Strategic risks, challenges and lessons learned**

38. There is a risk of perceived mandate creep among United Nations organizations, as confirmed by the external evaluation. To reduce that risk, UNOPS external communication needs to be calibrated to clearly express that it does not profess to have a programmatic mandate.

39. In the unpredictable political, economic and security environment, it is a continuous challenge to ensure the relevance and viability of the UNOPS operating model. To address this challenge, UNOPS must stay attuned to developments in the global context, the evolving needs of its partners; and seek to harness capacity for contributions based on past experience and anticipated demand.

40. It is a continuous challenge to ensure that limited resources are not spread thin, thus reducing the potential for impact. To address this challenge UNOPS should focus development of substantive knowledge and capacity, including strategic partnerships, on Sustainable Development Goals, based on past experience and anticipated demand.

41. It is a continuous challenge to find the right cost-benefit balance of efforts to analyse, learn and report on contributions. To address this challenge, UNOPS should continue to encourage partners to evaluate the projects implemented on their behalf, and supplement its own targeted project-level evaluation by collecting and analysing findings of relevant partner evaluations, including as input for thematic evaluations.

<sup>29</sup> Decision 2021/20

42. A lesson learned is that UNOPS can, in responding to the triple crisis, further focus efforts for impact for countries in special and fragile situations, and the most vulnerable people, including in middle income countries.

43. A lesson learned is that the maturity of UNOPS capacity and standards for its performance-based operating model is ultimately a function of three mutually reinforcing elements that are brought together for implementation: its functional services, its substantive focus, and the types of partners it works with.

## **II. UNOPS contributions**

### **A. UNOPS operations**

#### **Functional services**

44. Partners recognize the value of UNOPS flexible and modular functional services. Projects typically combine two or more functional services, including when enabling programme implementation and providing secretariat services. UNOPS responds to demand on a ‘fee-for-service’ and full cost-recovery basis.

45. UNOPS functional services comprise:

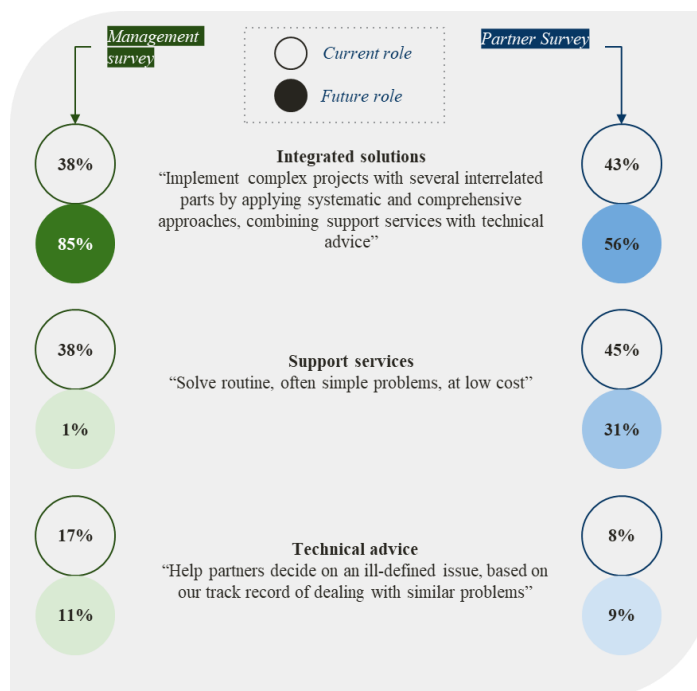
- (a) *Infrastructure*. Plan, design and construct sustainable, inclusive and resilient infrastructure, and advise governments on making infrastructure more effective;
- (b) *Procurement*. Help governments and other partners to plan and implement transparent, cost-effective public procurement for sustainable impact;
- (c) *Project management*. Apply sustainable approaches in implementing projects, programmes and portfolios;
- (d) *Financial management*. Support implementation of grants and multi-partner pooled funds, and provide fiscal oversight for projects, programmes and portfolios; and
- (e) *Human resources*. Provide flexible, tailored human resources solutions to United Nations partners across peace and security, humanitarian and development efforts.

46. Infrastructure and procurement are well-recognized functional services, demonstrated by both the partner and management surveys. Almost half of partner survey respondents saw UNOPS providing support in both. Internally, the value propositions for each are well understood and recognized.

47. Among UNOPS partners, project management is the service with the highest indication of demand. The management feedback suggested that additional effort is needed to ensure that UNOPS project management systematically applies and mainstreams sustainable approaches.

## Service models and value propositions

48. Partners confirm the value of the three UNOPS service models, whose value propositions are summarized below:<sup>30</sup>



49. Approximately one third of partners saw a continued need for support services. Both partners and managers saw the future UNOPS role increasingly as a provider of integrated solutions. UNOPS should prioritize investment in institutional capacity for integrated solutions over technical advice, without losing sight of the need for reliable and cost-effective support services, which are also part of integrated solutions.

50. From the increasing demand for integrated solutions, it should be inferred that there is a need to strengthen capacities beyond the ability to respond at low cost. A more systematic approach to managing substantive and context-specific knowledge should be pursued so as to provide cost-effective responses to future demand.

## Principal and agent responsibilities

51. Under the International Public Sector Accounting Standards, expense is recognized as either 'principal' or 'agent', based on the activity-associated risks and responsibilities. The risks affect the level of indirect costs to be recovered (lower risks and indirect costs for agent than for principal activities). Based on a simplified logic,<sup>31</sup> the expense analysis illustrates how the portfolio has two main components:

- (a) Integrated solutions that are often principal, typically with *direct* contributions to partners' objectives.
- (b) Support services that are often agent, typically with *indirect* contributions to partners' objectives.

<sup>30</sup> *Harvard Business Review*, 2021

<sup>31</sup> While the general principle of association of service models, agent/principal and indirect/direct is logically sound, a detailed analysis of individual projects is expected to present a more complex picture.

52. In 2022, UNOPS project expenses were approximately \$1.1 billion principal and \$1.3 billion agent,<sup>32</sup> excluding procurement activities in Mexico. The portfolio analysis indicates significant principal activity in support of Goals 3, 11 and 16, predominantly through procurement, project management and infrastructure services. It illustrates significant agent activity in support of Goals 1 and 3, predominantly through procurement and financial management services; support to Goals 10 and 16 is predominantly through human resources services; and support to Goals 4 and 16 through procurement services.<sup>33</sup>

53. The value of leveraging this distinction could be explored to maintain clarity on accountability for results and to enhance alignment of results reporting with financial reporting. The distinction between principal and agent activities should be clarified in the legal agreements with partners, which are a key instrument for managing expectations and risk.

### **Sustainable implementation approaches and cross-cutting Goals**

54. Every development intervention has the potential to address multiple objectives. UNOPS has leveraged sustainable implementation approaches to integrate considerations for the economic, social and environmental dimensions of sustainability into projects.

55. The portfolio analysis included an effort to identify and understand the wider contribution of implementation activities through the lens of Goals recorded as ‘secondary’.<sup>34</sup> This was complemented by the management survey, which ascertained feedback on cross-cutting Goals.

56. A number of Goals emerged from the management survey as particular cross-cutting concerns, including Goal 5, ‘gender equality’; Goal 8, ‘decent work and economic growth’; Goal 10, ‘reduced inequalities’; and Goal 13 ‘climate action’. The UNOPS focus on gender was reinforced in 2022 through the introduction of a new strategy for gender equality and social inclusion mainstreaming in projects. The survey feedback and portfolio confirm the effect of this effort.<sup>35</sup>

57. Sustainable procurement is a key aspect of Goal 12, ‘responsible consumption and production’, and relevant to all the Goals. Both partners and management recognize the special role of UNOPS in procurement. However, the UNOPS role in relation to Goal 12 was not prominent in either survey, warranting attention from both communication and implementation perspectives.

58. Demand for support to Goal 17, ‘partnership for the goals’, featured prominently in the partner survey. While it was a less prominent primary focus in the management survey, it did emerge as a cross-cutting concern. That conclusion was supported by the portfolio review. This may suggest a general recognition of the importance of partnerships and the role of UNOPS as an implementing partner. It also may indicate a need to further unpack potential for support to development finance – the underlying thrust of Goal 17.

### **Development financing**

59. Taking to heart the lessons learned from 2022, UNOPS asked its management about existing capacities to support innovative development financing.

60. Seventy-three per cent of respondents indicated that UNOPS has the capacity to support implementation through infrastructure, procurement, and project management, based on partners’ innovative finance.

61. Fewer than half of the respondents found that UNOPS has the capacity to build upstream advisory services for the design and development of projects and programmes based on innovative finance. Only 8 per cent found that capacity to be strong. This suggests a need to develop a clearer concept, linked to Goal 17, as the basis for any Executive Board endorsement of a new strategic initiative in this area.<sup>36</sup>

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<sup>32</sup> These are preliminary, unaudited figures. Principal includes all instances of engagements that combine “principal + agent” activities.

<sup>33</sup> See annex II, graphs 8 and 9.

<sup>34</sup> See annex II, graph 10.

<sup>35</sup> See annex II, graph 11.

<sup>36</sup> See annex II, graph 12.

## B. Operational results

62. The operational ambitions and commitment of UNOPS to a sustainable, resilient and inclusive future were framed by three contribution goals. The following paragraphs provide a narrative account of the results under the contribution goals.

### Supporting countries

63. UNOPS set a goal to “*support countries in developing their capacity and resource base for the Sustainable Development Goals*”.

64. UNOPS has supported countries’ development of capacity for public procurement and infrastructure. In 2022, the share of infrastructure projects supporting capacity development was 79 per cent, up from 72 per cent in 2021.

65. Since 2019, UNOPS has provided market intelligence to the Mexican Government through its ‘Regional Medicines Prices Observatory’ tool, which provides international and regional reference prices. In 2023, Mexico benefited from that data for contract awards, strengthening its capacity to buy more at better prices.

66. In 2022, UNOPS was awarded the United Nations procurement award on sustainable procurement and supply for its exemplary adoption of sustainable criteria in tenders, promoting gender and social inclusion and developing the capacity of governmental institutions and suppliers. The award was based on UNOPS engagement in supporting efficient and transparent procurement of medicines and medical supplies in Mexico, which delivered around \$2 billion over 2021 and 2022.

67. The ‘Acquisition of Medicines and Strengthening of the Guatemalan Social Security Institute’ project<sup>37</sup> established foundations for change by supporting the development of effective, accountable and transparent institutions, and generated cost savings on the purchase of medicines and medical supplies of more than 50 per cent, corresponding to more than \$300 million.

68. In partnership with the Ministry of Environment, Science, Technology and Innovation, the Global Centre for Adaptation, and the University of Oxford, UNOPS developed a road map to identify and address climate-resilient infrastructure needs in Ghana. Novel modelling and assessment tools, combined with stakeholder consultation, were used to identify the climate hazards. The road map outlines targeted adaptation options to mitigate risks and proposes institutional interventions.

### Helping people in need

69. UNOPS set a goal “*to help people in need through effective specialized expertise grounded in international norms and standards*”.

70. The UNOPS path to helping people in need is framed by sustainable implementation approaches. In 2021, UNOPS committed to a framework with indicators and targets for the three mutually reinforcing sustainability dimensions: (a) equitable economic growth; (b) social justice and inclusion; and (c) environmental respect.<sup>38</sup>

71. Infrastructure is an essential enabler of sustainable, resilient and inclusive development. In 2022, 90 per cent of infrastructure projects generated labour days, up from 87 per cent in 2021. The share of infrastructure projects enabling access to and use of facilities or services was 63 per cent in 2022, down from 64 per cent in 2021.

72. Engaging local communities and beneficiaries is good practice to ensure equitable access to project benefits. In 2022, 60 per cent of infrastructure projects included local community engagement activities, up from 53 per cent in 2021. Forty-five per cent of the procurement in 2022 was recorded with local suppliers, down from 47 per cent in 2021.<sup>39</sup>

<sup>37</sup> UNOPS, 2023

<sup>38</sup> DP/OPS/2021/6, annex I

<sup>39</sup> Excluding procurement activities in Mexico.

73. Sustainable implementation approaches imply taking into account the interactions between human development and environmental sustainability. In 2022, the share of UNOPS energy consumption from self-generated renewable energy sources was 2 per cent, up from 1 per cent in 2021. The share of infrastructure projects protecting or restoring habitat areas was 8 per cent, up from 3 per cent in 2021.

### **Enabling partners**

74. UNOPS set a goal to “*enable partners to ‘do more with less’ through efficient project services, delivered locally or as global shared services*”.

#### *Types of partners*

75. During 2018-2021, UNOPS worked with about 290 different partners. The distribution of the \$8.7 billion worth of activities was 26 per cent for the United Nations, 24 per cent for governments of programme countries, 20 per cent for vertical funds and multi-partner initiatives, and 15 per cent for governments of OECD/DAC countries, 10 per cent for international financial institutions, 5 per cent for regional and other intergovernmental organizations, and 1 per cent for other partners.

76. Compared to the prior strategy period, 2014-2017, UNOPS saw increased demand from all types of partners. Demand from governments of programme countries more than doubled, accounting for about 42 per cent of growth. This came particularly from middle-income countries in the Latin America region, as well as from programme countries in Asia and Europe.

77. Average demand from international financial institutions more than tripled, accounting for around 22 per cent of growth. Implementation activities with the United Nations were mainly in Africa and Asia. The demand from governments of OECD/DAC countries remained strong, with some growth in the Asia and Africa regions. Regional governmental organizations remained the biggest partner in Europe.

#### *Services in demand*

78. UNOPS partners indicate demand for different project services. The analysis highlights that:
- (a) United Nations system entities are most prone to having support services in demand, particularly human resources services. They also indicate demand for integrated solutions through project management.
  - (b) Governments (programme and donor), international financing institutions and intergovernmental organizations are most prone to having demand for integrated solutions, with particular demand for infrastructure, project management and procurement services.
  - (c) Funds and foundations are most prone to having demand for integrated solutions, particularly for project management, financial management and procurement services.
  - (d) Governments of programme countries are the partners most prone to having demand for technical advice.

#### *Outputs delivered*

79. In 2022, UNOPS enabled its partners through capacity for implementation, delivering a number of outputs on their behalf. These included 24 schools, four hospitals, 10 health clinics, 297 kilometres of road and 9 police stations. UNOPS also procured approximately \$1.8 billion worth of goods and services for partners, and generated close to 9 million days of paid work for local people.

#### *Procurement of goods and services*

80. UNOPS can contribute to sustainable development through the supply chain. Under ‘Delivering Responsibility in Vendor Engagement (DRiVE)’, a minimum requirement is that all suppliers participating in online tenders with procurement values above \$50,000 are screened for sustainability. In 2022 approximately 55 per cent of all awarded suppliers were screened. Introduction of mandatory criteria in 2020 resulted in an increase of gender considerations from 18 per cent of online tenders awarded, to 49 per cent in February 2023.

## C. Operational risks, challenges and lessons learned

81. There is a risk posed to partners and beneficiaries if UNOPS accepts engagements where it may not have sufficient capacities to respond with quality services. Enhancement of the engagement acceptance process with dedicated risk management of quality and due diligence can help it to better identify when there is a match between partner demand and UNOPS capacities, and when there is not. At the same time, UNOPS needs to maintain or build capacities where it expects demand.

82. Increased demand for integrated solutions with higher complexity will increase risks. UNOPS should consider mitigating such risks by refining and standardizing legal agreements with partners, and by providing clarity on principal and agent responsibilities.

83. Every development intervention has the potential to address multiple objectives. Thus, it is a continuous challenge to ensure that opportunities to contribute additional value are not lost. Introduction of mandatory sustainability criteria in the procurement process has resulted in increased gender considerations. A more systematic approach to other aspects of sustainable implementation can have similar effects.

84. A lesson learned is that UNOPS should reset the contribution goal ‘enable partners’ to deemphasize ‘more for less’ and emphasize its attention to ‘cost-effectiveness’, rather than strictly focusing on low cost. This is part of the response to the third-party review finding regarding undue business focus and risk-taking.

## III. UNOPS management

### A. Rebuilding trust with stakeholders

#### Responding to third-party reviews

85. At the end of 2022, the management consulting company KPMG issued two reports on its external independent review of the ‘S3i’ failures, containing 43 recommendations. UNOPS responded with 84 dedicated actions. Three recommendations were for the Executive Board. The following paragraphs provide brief narrative accounts of UNOPS implementation of dedicated actions.

#### *Mandate and strategy*

86. Based on a comprehensive situational analysis and consultations with key stakeholders, UNOPS will present the midterm review of the UNOPS strategic plan, 2022-2025, and the restated UNOPS strategic plan, 2022-2025, to the Executive Board at its annual session 2023.

87. The restated UNOPS strategic plan, 2022-2025 will, inter alia, refocus UNOPS to its implementation role as a demand-driven provider of services to the United Nations system, governments and other partners.

#### *Governance and management*

88. UNOPS has made provisions to establish an organizational structure with segregated reporting lines, under two separate deputy executive directors. The management team has been expanded in representation through inclusion of the regional directors.

89. UNOPS has established internal governance and organization arrangements for digital transformation. Foundational architectural decisions have been taken and implementation of a partner relationship management system has been initiated.

#### *Risk management and control environment*

90. Requirements for risk management system capabilities and gaps in the existing platform have been identified. UNOPS is reviewing its due-diligence framework and setting up a dedicated capability.

91. Revised terms of reference of the Audit Advisory Committee will be presented to the Executive Board in annex to the Committee's annual report.

*Ethics, compliance and organizational culture*

92. The independence of the Ethics Office has been reviewed, work on an ethics case-management tool initiated, and training delivered in Europe and Central Asia. Training for Africa and a joint global outreach campaign by the ethics offices of UNDP, UNFPA and UNOPS are planned for May 2023.

93. KPMG has been engaged to assist UNOPS with an assessment of the existing organizational culture, with regard to United Nations values. UNOPS has initiated a review of its whistle-blower processes.

*Financial and performance management*

94. The development of an expanded results framework is on track. It will be part of the restated strategic plan, 2022-2025 and the biennial budget estimates, 2024-2025.

95. Findings of the external evaluation, with case studies of 12 projects contributing to Goals 3, 7 and 13, were presented to management in March. The evaluation report will be completed and available for external consumption by the annual session.

*S3i future*

96. UNOPS has discontinued all investment activities. All investment projects are operationally closed and undergoing financial closure.

*Driving strategic improvements*

97. UNOPS has made significant progress in implementing the comprehensive response plan. At the end of the first quarter 2023, the average implementation rate for all activity was 63 per cent. Several actions have been completed well in advance of the envisaged due date.

98. Management estimates that the average completion rate will be above 70 per cent by the end of the second quarter 2023. The remaining 30 per cent of implementation can be subsumed into four main areas of strategic improvement:

- (a) Reinforcing organizational structures and functional capacities;
- (b) Rebuilding trust and organizational culture;
- (c) Implementing a digital transformation programme; and
- (d) Applying transparent cost-recovery for net-zero revenue.

**Listening to partners**

99. UNOPS solicits partner feedback through an online survey every other year. The survey helps UNOPS to better understand partners' perceptions, needs and expectations.

100. The crisis caused by the S3i initiative has damaged the reputation and the general trust in UNOPS, particularly among partners close to the political process. The trust of partners who work with UNOPS on a regular basis is less affected. Seventy-nine per cent of partners would recommend UNOPS as a partner to others, and express trust in UNOPS as a partner.<sup>40</sup>

101. Partner feedback underscores the need to pay attention to expectation management and proactive communication during implementation. It also highlights the need for external communication on UNOPS focus areas and cross-cutting issues, where awareness remains low.

102. Partners value efforts to meet requests with flexibility and highlight the professionalism and technical expertise of UNOPS personnel.

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<sup>40</sup> See annex III. Percentage refers to the 963 respondents in the partner survey, 2022. Thus, while they provide an indication, they are not an expression of the opinions of the totality of UNOPS partners.



### Listening to personnel

103. In January 2023 UNOPS conducted a pulse survey of all personnel. Sixty-seven per cent responded, an increase of five percentage points compared to the previous pulse survey in June 2022. Results were shared with all personnel in March 2023.

104. The survey results for the first quarter 2023 showed some improvement in the level of personnel engagement compared to the second quarter 2022. Nevertheless, engagement levels were low, including compared to external benchmarks. This was the case for personnel in general, but particularly among middle management.

### Listening to management

105. Through the survey, UNOPS management indicated strong support for an expanded strategic results framework with focus on impact, and indicators and targets for contributions and management results. More than 90 per cent agreed with aligning accountability for results externally and internally; and the importance of digital tools for reporting and transparency.

106. Concretely, this can be realized through a three-level results framework, comprising management goals with indicators and targets; contribution goals with indicators and targets; and realization of ambitions for impact, assessed based on ex-post evaluations, portfolio reviews and country-level reporting.

107. Managers' indications of risks and areas for improvement can be summarized as follows:

- (a) *Focus and reputation*: Ensure substantive focus is anchored in functional service lines and models, and that UNOPS can maintain and expand its reputation for implementation, without presumption of a programmatic mandate;
- (b) *Matching aspirations with capacities*: Ensure UNOPS either has or can build capacities to deliver quality services that match partner needs and organizational ambitions;
- (c) *Balancing controls, flexibility and risk management*: Find the right balance of policy and control while enabling flexible, context-specific response and management of risk;
- (d) *Culture and leadership*: Focus organizational discourse and decisions on impact, with accountability for results at all relevant levels of the organization;
- (e) *Capture and develop knowledge*: Improve sharing of knowledge and information internally and externally, including through well-documented project examples;
- (f) *Fit-for-purpose monitoring and evaluation capacities*: Establish capacity to demonstrate contributions to partner objectives and global goals, fitting with UNOPS demand-driven operating model and implementation role;
- (g) *Fraud and corruption*: Maintain and continuously improve policies and processes to prevent misuse of assets; and
- (h) *Integrated strategy deployment*: Apply lean and effective management processes for organization-wide deployment and reinforcement of the restated strategic plan.

## B. Management results

108. Four management goals guided the UNOPS pursuit of quality and organizational excellence. They framed UNOPS management ambitions across the four perspectives of the balanced scorecard: partners, people, process, and finance.

### Partner value

109. The goal for partner value was “*to deliver quality services and solutions contributing value, recognized by partners, in accordance with international standards and best practices*”. It is supported by three drivers: (a) Manage partner value; (b) Partner for knowledge and effect; and (c) Communicate contribution of value.

110. At 77 per cent, partner satisfaction with UNOPS remained high in 2022 (compared to 78 per cent in 2020), though below the 80 per cent target. The value of new agreements supporting public

procurement and infrastructure increased by 26 per cent based on the 2020-2021 average baseline of \$745 million, which was above the 10 per cent target.

111. UNOPS has continued to publish data in accordance with the international aid transparency initiative. It can expand its public content for added transparency of its ongoing portfolio, including information on the Goals and types of countries served by UNOPS and its partners.

112. UNOPS continues to meet all statutory reporting requirements, some 10-12 reports per year. In addition, the organization responds to more than 20 substantive requests for reporting to the United Nations system, along with a number of ad hoc requests. UNOPS may seek to leverage some of those external reporting requirements for its internal monitoring and performance management.

### **People excellence**

113. UNOPS recognizes that people are its most important asset. Without the right people, UNOPS cannot enable its partners to support countries and help people in need.

114. The goal for people excellence was *“to empower people to perform at consistently high standards, and to be an employer of choice, attracting and retaining a talented workforce”*. It is supported by three drivers: (a) Embrace a culture founded in United Nations values and principles; (b) Attract, recognize and develop talent; and (c) Reinforce leadership.

115. The share of women in the workforce was 51.2 per cent, an increase over the 2020 baseline of 46 per cent. The share of women in senior positions was 43.8 per cent compared to the 2020 baseline of 41 per cent.

116. At 3.72, the personnel engagement score from the first quarter 2023 pulse survey was slightly higher compared to the second quarter 2022. However, the score is still low and places UNOPS in the 24th percentile in the database of the independent survey provider.

### **Process excellence**

117. The goal for process excellence was *“to improve quality, efficiency and reliability of operations through streamlining and innovation of processes enabled by digitalization”*. It is supported by three drivers: (a) Manage efficiency and consistency; (b) Benchmark performance; and (c) Innovate services and delivery platform.

118. In 2022, UNOPS closed 276 oversight recommendations, significantly more than in 2021 or 2020. UNOPS started 2023 with only 45 open recommendations for its internal targets. This is less than a third of the 166 entering 2022 and 163 entering 2021.

119. At the end of 2022, the timely completion rate for projects was 92 per cent, up from the 2021 baseline of 83 per cent. The timely forecasting of project expenditure increased from 88 per cent in 2021 to 90 per cent in 2022, reflecting progress towards the 95 per cent target.

120. An independent review completed during 2022 concluded that across business capabilities, UNOPS digital maturity is generally low or medium compared to peers who typically have a higher degree of maturity in foundational systems. Further, the review noted that compared to peer organizations, the delivery capacity and budget of the information technology organization are low, and this affects the ability to meet business requirements.

121. Since 2012 UNOPS has collected and reported data on its environmental footprint. While emissions of CO<sup>2</sup> and CO<sup>2</sup> equivalents per capita/personnel have decreased by 38 per cent, from 3.9 tonnes in 2012 to 2.4 tonnes in 2022, the organization recognizes that efforts need to be enhanced significantly.

122. To drive its commitment to energy efficiency, UNOPS can further leverage its recurrent monitoring and reporting for the United Nations ‘Greening the Blue’ initiative as part of its expanded results framework.

### **Financial stewardship**

123. The goal for financial stewardship was *“to safeguard UNOPS demand-driven, self-financing business model, by balancing risks and opportunities, and investing in innovation for the benefit of*

*countries and people in need*". It is supported by three drivers: (a) Manage growth and delivery; (b) Attribute costs to value; and (c) Invest in knowledge and innovation.

124. In 2022, UNOPS project expenses were \$1.1 billion principal and \$2.4 billion agent, including procurement activities in Mexico. Net revenue from project activities amounted to \$127.3 million, compared to \$139.7 million in 2021. The average fee was 3.7 per cent, compared to 4.1 per cent in 2021. Management expenses amounted to \$132.8 million, compared to \$74.7 million in 2021. The financial figures for 2022 represent indicative calculations by UNOPS, not yet audited by the United Nations Board of Auditors.

125. In 2022, the annual project expense (when activities in Mexico are excluded) new agreements signed was equal to 70 per cent of the financial value of new agreements signed. This is below the targeted range of 75 to 80 per cent, but above the 63 per cent average baseline from 2020 and 2021. It provides a positive financial outlook for future projects.

126. In 2022, 94 per cent of internal investment projects reported on results – up from the 71 per cent 2020 baseline – reflecting an improvement in the oversight processes related to internal investment management.

127. UNOPS has initiated the distribution of excess operational reserves to paying entities.<sup>41</sup>

### **C. Management risks, challenges and lessons learned**

128. There is a risk that low levels of personnel engagement and internal trust could negatively affect the quality of work and increase turnover of personnel. To mitigate that risk, rebuilding trust must be a key priority for the new executive leadership.

129. There is a risk that internal bureaucracy could inhibit a flexible response to partner needs. To mitigate that risk, UNOPS needs to find the right balance of policy requirements and procedures, supported by digital systems that enable active and targeted risk management.

130. There is a risk that fluctuations associated with the demand-driven, self-financing operating model could inhibit achievement of the target for zero net revenue. To mitigate that risk, continued attention to financial performance is required, including possible upward pressure on indirect costs from strengthening existing organizational capacities and developing new ones.

131. It is a continuous challenge for a project-based organization to ensure that talent is available for project start-up and not lost when projects close. To address that challenge, UNOPS could seek to find new and innovative ways to attract, harbour and quality-assure the pools of functional and substantive expertise needed to enable its partners.

132. A lesson learned is that deployment of strategy through an expanded corporate results framework should be aided by digital solutions for automated monitoring and reporting, informing regular constructive review with consequence through relevant course correction and adaptive leadership.

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<sup>41</sup> Decision 2023/4