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Population Fund and United
Nations Office for Project Services**

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United Nations Office for Project Services budget estimates for the biennium 2014-2015

Summary

Geared towards implementing the UNOPS strategic plan, 2014-2017 (DP/OPS/2013/3), UNOPS management resources are targeted to strengthen the ability of UNOPS to provide partners with advisory, implementation and transactional support services in sustainable project management, infrastructure and procurement.

The budget supports the path of UNOPS towards organizational excellence. For each management result, the aspiration for the two-year period is articulated, together with the specific indicators of progress for which UNOPS will be held accountable. UNOPS is committed to investing in the knowledge, innovation and partnerships needed to support sustainability, both in the results to which it contributes and its way of working.

UNOPS seeks to deliver products and services that are appreciated by stakeholders, sustainable, and in accordance with international standards and recognized best practice – always satisfying or surpassing partner expectations. To achieve this end, UNOPS will focus on a clearly defined catalogue of products and services, making targeted investments in knowledge, methodologies, tools, guidance and personnel. Resources are directed to improving the ability of UNOPS to help develop partners' implementation capacity in areas of its mandate and core competencies.

UNOPS will invest in its delivery platform, achieving cost savings through business process reengineering, automation and system integration. UNOPS will explore innovative ways of presenting information on its activities and of demonstrating results in real time to partners and the wider public. Efforts to enhance the quality and efficiency of services are demonstrated through benchmarking against other organizations.

UNOPS estimates that revenues from implementation and transactional services will remain at current levels, while revenues associated with advisory services will increase. Following seven consecutive years of solid financial performance, including 2012, the UNOPS operational reserve is projected to remain above the minimum requirement at the end of the current biennium. UNOPS therefore targets zero net revenue for the upcoming biennium.

In preparing these budget estimates, UNOPS has worked to safeguard its financial stability and the viability of its business model as a fully self-financing service provider in the United Nations. The budget estimates of \$131.2 million for 2014-2015 correspond to a 6 per cent real reduction in management resources compared to the budget estimates for the previous biennium. This is achieved by driving down indirect costs while making room for strategic investments.

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 pursue operational excellence.

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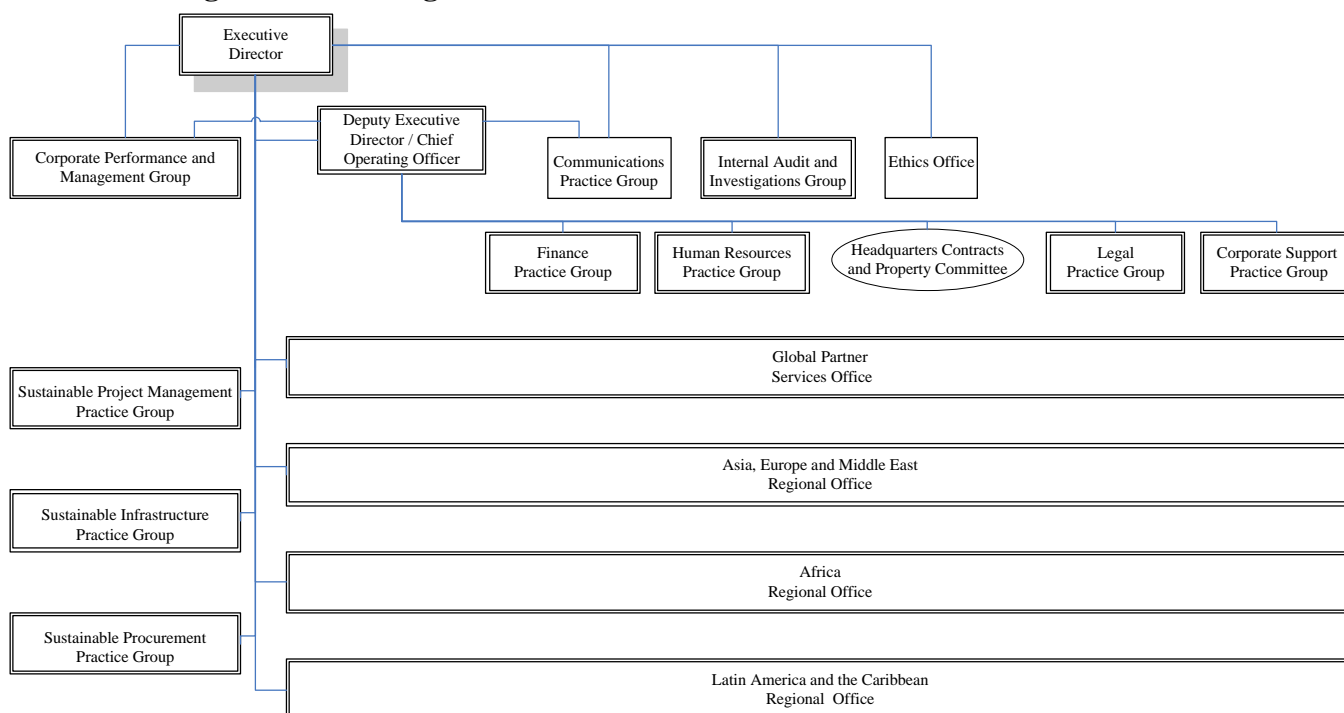
- Annex I. Methodological note on UNOPS management results and budget framework
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I. Strategic context

1. UNOPS is committed to United Nations coherence and contributing to sustainable results that improve the lives of people in need. It is guided by the Millennium Development Goals and other internationally agreed goals as well as the United Nations policy framework, including General Assembly resolution 67/226 on the Quadrennial Comprehensive Policy Review.

2. The UNOPS strategic plan, 2014-2017 (DP/OPS/2013/3), provides direction and focus for the organization as a valued partner for advisory, implementation and transactional support services in sustainable project management, infrastructure and procurement. It articulates what, and how, UNOPS can contribute operationally to the development, humanitarian and peacebuilding results of its partners.

Figure 1. UNOPS global structure



A. Developing countries expect increased added value

3. Enhancements in national ownership and capacities in developing countries, and the challenges of integrating and balancing the economic, social and environmental dimensions of sustainable development, create new conditions for UNOPS as a provider of operational services.

4. A number of developing countries have ‘graduated’, or are in the process of graduating, to middle-income status, and are ready to share their development experience. Effective, sustainable development cooperation requires the use of country systems as the default approach. In this context, UNOPS expects demand for its services to increase, particularly in focus areas where Member States have made a strong call for capacity development.

5. UNOPS must be prepared for a future in which it potentially manages smaller volumes of funds, where the focus is on value added, for example through the provision of targeted advisory services, specialized skills, and knowledge transfers, including South-South cooperation. The importance of UNOPS can no longer be judged by its delivery volume but by its contributions to partner results.

B. Cost recovery principles reaffirmed by the General Assembly

6. In the Quadrennial Comprehensive Policy Review, the General Assembly acknowledged the principle of full cost recovery and that United Nations organizations have different business models and mandates, which implies that their funding structures differ. It also requested the United Nations funds and programmes to pursue further reductions in management costs.

7. In preparing these budget estimates, UNOPS has aimed at safeguarding the financial stability of the organization and the viability of its business model as a fully self-financing service provider in the United Nations. UNOPS seeks a significant real decrease in management resources.

8. In particular, UNOPS is taking steps to reduce the risk associated with changes in the composition of its project portfolio. By deemphasizing cost recovery in its handling of resources, UNOPS creates incentives to focus contributions where they add most value for partners, while encouraging the use of national systems. Further information on specific measures in this regard is provided in the section on financial stewardship (chapter III, section A).

C. UNOPS strategic goals endorsed by the Executive Board

9. The UNOPS strategic plan, 2014-2017, endorsed by the Executive Board at its annual session 2013, builds on the lessons learned from prior years, particularly the comprehensive stocktaking reflected in the midterm review of the UNOPS strategic plan 2010-2013, conducted in 2012¹.

10. The strategy is premised on the need to focus on specific areas, allowing UNOPS to contribute to world-class performance standards and best practices where it will have most impact. The plan presents the UNOPS strategic goals, which drive its focus on national capacity and sustainability. Three contribution goals guide UNOPS contributions to partners results in:

- (a) Sustainable project management;
- (b) Sustainable infrastructure; and
- (c) Sustainable procurement.

11. The UNOPS engagement acceptance process helps sharpen UNOPS focus and is a central component of its risk management systems. The process assures that UNOPS only accepts projects aligned with its strategic plan and goals, as well as relevant United Nations Development Assistance Frameworks. It ensures that new projects offer effective contributions to national capacity development, incorporate the three dimensions of sustainability, and are financially viable for UNOPS.

¹ Midterm review of the UNOPS strategic plan, 2010-2013 (DP/OPS/2012/7) and annexes

D. Budget estimates reflect UNOPS aspirations with respect to its management goals

12. During the strategic plan period, UNOPS will be held accountable for its compliance with the Quadrennial Comprehensive Policy Review requirements, for its contributions to the sustainable results of its partners – specifically in project management, infrastructure and procurement – and for achievement of a set of management results articulated in the biannual results-based budgets for 2014-2015 and 2016-2017.

13. UNOPS has been recognized for organizational excellence². UNOPS is an active and appreciated member of United Nations country teams; it has been recognized for its leadership in transparency; financial viability has been proven for seven consecutive years; and risk management, internal controls, accountability and oversight systems are in place. UNOPS received unqualified external audits for the last two bienniums, as well as for 2012, and has maintained operational reserves above the minimum requirement since the end of 2009. Outstanding issues pertaining to historic liabilities are being worked on to achieve final resolution.

14. Building on those achievements, the 2012-2013 budget estimates³ prioritized certain strategic initiatives which are now being implemented. These include transition to International Public Sector Accounting Standards, improvement of business practices, and the achievement of external certifications of core management functions, business processes and personnel. Knowledge management, guidance and tools have also been enhanced.

15. The UNOPS management results framework, presented in the annex IV of the strategic plan, 2014-2017, provides direction for ensuring the viability of its self-financing business model and builds an organization able to realize its vision. The presentation of the budget estimates is based on that framework.

16. A ‘UNOPS excellence model’ is being developed based on the ‘EFQM excellence model’. It shares structural similarities with the Multilateral Organization Performance Assessment Network’s common approach to assessing organizational effectiveness and results. UNOPS is committed to benchmarking its performance against world-class standards, and will continue to use its excellence model to seek external assessment of its performance.

II. Financial context

A. Projections for the biennium 2012-2013 indicate achievement of net revenue target

17. As reflected in UNOPS audited financial statement for 2012, at the mid-point of the biennium UNOPS was well positioned to achieve its target of zero net revenue for 2012-2013. Management expenses were kept well below 2011 levels, compensating for the delay in revenue recognition caused by the transition to International Public Sector Accounting Standards. The surplus in 2012 enables UNOPS to invest in its ability to add value to partners’ projects.

² UNOPS was recognized with four stars in an external assessment of organizational excellence performed by the EFQM (formerly the European Foundation for Quality Management).

³ UNOPS budget estimates for the biennium 2012-2013 (DP/OPS/2011/5)

18. Through its management information systems, UNOPS continually monitors results, including real-time financial performance against targets. UNOPS will continue its prudent management practices, ensuring financial sustainability even in the event of a reduction in revenue. The outcome of accounting provisions is difficult to estimate in advance, as in many cases this requires agreements with partner organizations, arbitration settlements with contractors, or financial commitments by donors.

19. At the time of budget preparation, it was necessary to make certain assumptions regarding expected opening balances for the next biennium. Based on these, UNOPS believes that it will meet or exceed the net revenue target set for the 2012-2013 biennium.

20. The financial performance of UNOPS in 2012-2013, to be reflected in the certified financial statement for the biennium, will depend on revenue generated and expenses incurred until the last day of 2013. It will be influenced by determinations of write-offs and bad-debt provisions for historic liabilities. The result, and any impact on future planning, will be reported to the Executive Board in 2014.

B. Proposal to revise operational reserve requirement in light of International Public Sector Accounting Standards

21. As a fully self-financing organization, it is important for UNOPS to maintain an operational reserve. As announced in the 2012-2013 budget estimates, UNOPS commissioned a review of the operational reserve and the mandated minimum requirement.

22. UNOPS carefully considered the outcome of the review. Recalling that the purpose of the operational reserve is to ensure continuity of UNOPS operating business on a going-concern basis, two findings were seen as particularly important: (a) risk associated with the execution of projects is not dependent on the level of project related expenses; and (b) under International Public Sector Accounting Standards, accruals related to end-of-service liabilities for retirees have to be built, whereas under the previous accounting standard, those liabilities were deemed to be covered by the operational reserve.

23. UNOPS proposes that the appropriate minimum requirement for its operational reserve is the equivalent of four months of the average of management budget expenses over the previous three years. The outcome of the review and rationale for the proposal are elaborated in a conference room paper presented to the Executive Board alongside these budget estimates.

24. UNOPS has maintained year-end operational reserves above the minimum requirement for three consecutive years, since the end of 2009. As reflected in the audited financial statement, the closing balance at the end of 2012 was \$62.9 million, \$15.8 million above the requirement. It is estimated that the closing balance at the end of the biennium 2012-2013 will be of similar magnitude.

C. Budget preparation and implementation reflect realities ‘on the ground’

25. In order to ensure that reality ‘on the ground’ is fairly reflected, the budget estimates build on bottom-up forecasts based on data in UNOPS management information systems. The projections include analysis of past performance and assumptions provided by senior management.

26. In line with the organizational structure, implementation of the budget will be decentralized to regional offices and associated operational hubs, operations and project centres, and the Global Partner Services Office and associated clusters. Office managers will be held accountable for reaching annual target agreements. The status of entities in the organizational structure will be revised based on the annual target-setting exercise.

27. Monitoring of and reporting on budget implementation is an integral part of the UNOPS performance management system. Data are collected and analyzed to allow results to be reported at different levels: for the whole organization; by region; and by entity.

28. To ensure the flexibility required to meet changing partner demands for UNOPS services, financial regulation 14.02 authorizes the Executive Director to redeploy funds within the approved biennial management budget, as well as to increase or reduce funds, including the number of posts in the staffing table, provided that the net revenue target, established for the biennium by the Executive Board, is met.

D. Projections reflect the viability of UNOPS self-financing business model

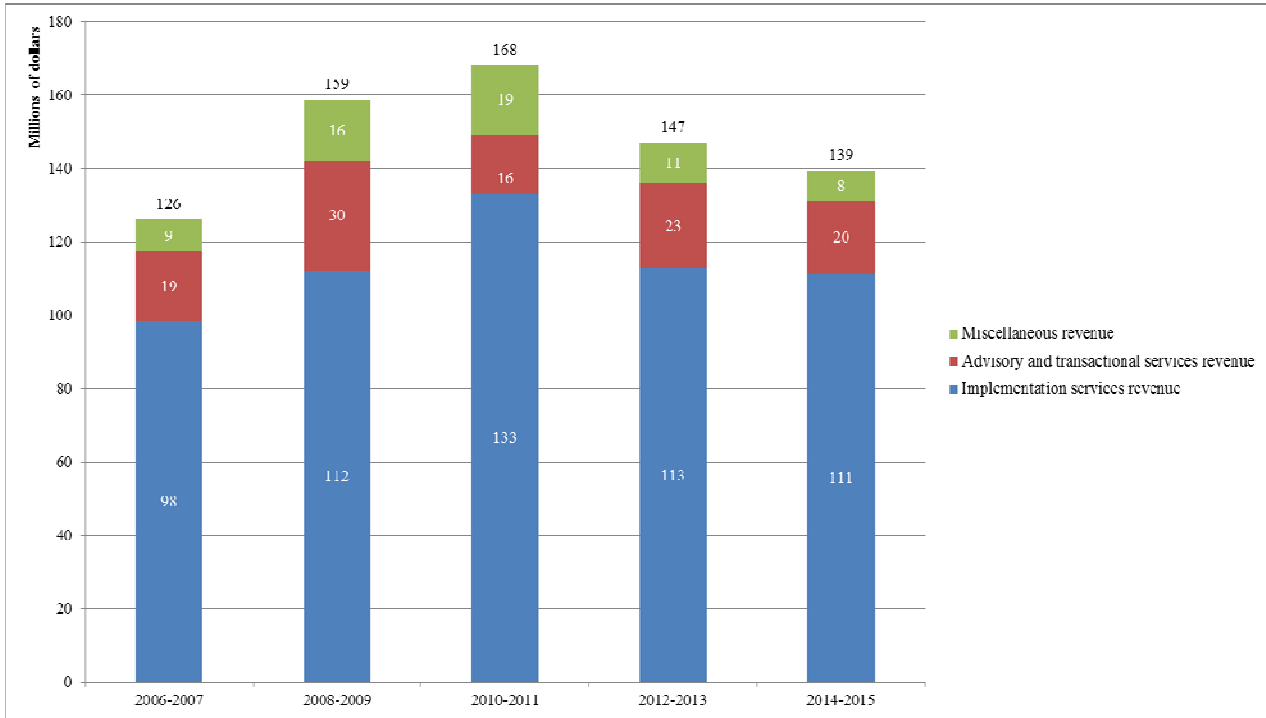
29. As a self-financing organization, the viability of UNOPS requires that its revenue matches its management costs. As a high-level planning assumption associated with the strategic plan 2014-2017, UNOPS estimates that revenue from implementation and transactional services will remain at current levels, while revenue associated with advisory services will increase.

30. For the biennium 2014-2015, the gross revenue target is set at \$139.2 million. This is composed of \$111.2 million in estimated revenue from project implementation services, \$20 million from advisory and transactional services and \$8 million in miscellaneous revenue. Figure 2 illustrates how the projections compare with past performance. The figure shows revenue for 2012-2013 as a combination of 2012 actuals and 2013 estimates; 2014-2015 data are the budget estimates, while data for previous years are actuals. To improve comparability among service types, figure 2 reflects *net* revenue for present and future advisory and transactional services revenue, whereas data for 2012 and earlier years are *gross*. This explains why the segment in the chart decreases in size at the same time as *net* revenue, on a comparable basis, increases.

31. In these budget estimates, UNOPS is targeting zero net revenue, which means that the operational reserves will remain above minimum requirements at the end of the biennium.

32. Throughout the budget period, UNOPS will monitor revenue and expense patterns, and, in line with financial regulation 14.02, make adjustments to 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.

Figure 2. Revenue trends, by source of revenue
(in millions of dollars)



III. Management results and budget framework

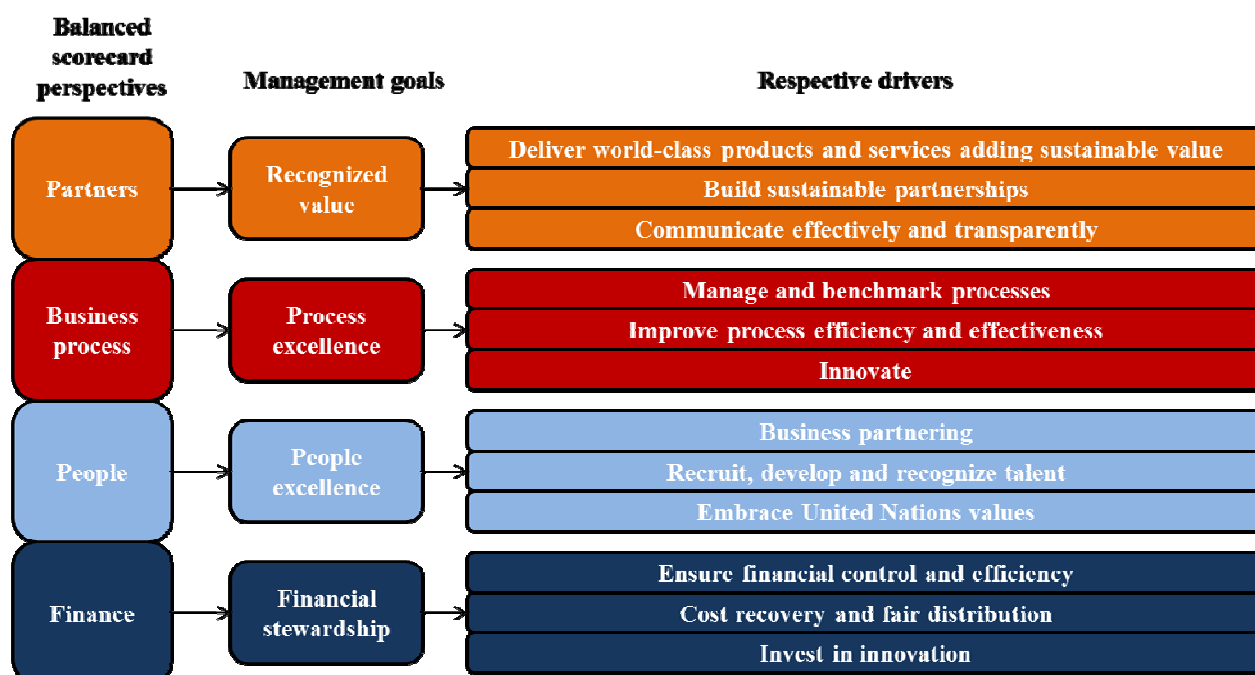
33. Informed by extensive consultations with stakeholders and partners, UNOPS strategy outlines how the organization can offer solutions and value for its partners while modeling operational practices for quality, sustainability, efficiency, transparency and accountability. To drive organizational excellence, the UNOPS strategic plan, 2014-2017 articulates four management goals:

- (a) Recognized value (partner perspective);
- (b) Process excellence (business process perspective);
- (c) People excellence (people perspective); and
- (d) Financial stewardship (financial perspective).

A. Management results provide a framework for pursuit of excellence

34. As reflected in figure 3, the three drivers associated with each management goal have been refined to enable effective pursuit and communication of UNOPS excellence agenda.

Figure 3. Management results framework



35. The initiatives prioritized for investment are based on an analysis of what steps towards operational excellence UNOPS can take over the next biennium, and the available resources. The prioritization builds on the May 2013 external excellence assessment performed and associated consultations with UNOPS managers globally.

Goal A. Recognized value: coordinate added value to partners

Driver A1. Deliver world-class products and services adding sustainable value

36. UNOPS seeks to deliver products and services that are acknowledged, validated and appreciated by stakeholders, sustainable, and in compliance with international standards and recognized best practices. They should satisfy or surpass partner expectations.

37. To achieve this, UNOPS will focus on a clearly defined catalogue of products and services for which it makes targeted investments in methodologies and knowledge, tools, guidance and personnel.

38. It is expected that demand for high-quality implementation and transactional services in project management, infrastructure and procurement will continue. Increasingly, UNOPS is asked to help develop national capacity within those areas by offering advice, best-practice processes, training, and support for enhancing management oversight, transparency and accountability. UNOPS will invest in its capacity to deliver such advisory services.

Driver A2. Build sustainable partnerships

39. UNOPS expects that governments in developing countries will remain its central partners, either serviced directly by UNOPS or indirectly through United Nations partner-supported programmes. As a member of United Nations country teams, UNOPS will engage within the United Nations Development Assistance Framework.

40. UNOPS will build on its experiences with South-South cooperation and partnerships with the private sector, and will focus on improving approaches for the transfer of knowledge and capacity, including through public-private partnerships.

41. UNOPS anticipates building further relationships with bilateral donor governments, regional organizations, international financial institutions, foundations and non-governmental organizations. Engagement with these partners will take place centrally as well as in-country, depending on how the partner is organized. UNOPS will invest in building and implementing a key partner management approach to ensure coordination at all levels within UNOPS. In addition, UNOPS will invest in building the competencies of senior managers and personnel in uncovering and addressing partners' needs and priorities.

Driver A3. Communicate effectively and transparently

42. The ambition of UNOPS is to lead in terms of accountability for results and transparency. UNOPS has strengthened its result-based management systems and the way it reports on operational and management results. To better manage for and report on results, every effort will be made to improve UNOPS information management systems. UNOPS will explore new ways of presenting information on its activities and demonstrating results in real time to partners and the wider public and will comply with open data and transparency standards and practices.

43. UNOPS will focus on managing for and reporting on sustainability. It will help strengthen common reporting standards, especially in the areas of physical infrastructure and public procurement, thereby contributing to broader development effectiveness. UNOPS is developing a 'sustainability screening tool' for project assessment, target-setting, monitoring and reporting. The new tool, which will be publicly available through open-source software, captures the three dimensions of sustainability, as well as contributions towards national capacity development. UNOPS will leverage international standards and best practices to measure sustainability. Associated results information will gradually be made available on the UNOPS public website starting in 2014.

Goal B. Process excellence: efficient and effective business processes and systems

Driver B1. Manage and benchmark processes

44. To meet the rising expectations of partners, UNOPS must demonstrate continuous progress in process efficiency. This will be achieved by benchmarking against world-class private and public organizations. Building on its existing process management framework, for which it achieved 'ISO 9001' certification for quality management from the International Organization for Standardization, UNOPS is implementing a more comprehensive, externally recognized process management framework.

Driver B2. Improve process efficiency and effectiveness

45. UNOPS will apply best practices in process management by developing improvement plans based on five 'drivers of efficiency and effectiveness': design, ownership, practitioners, systems support, and metrics. Improvement plans will be monitored for effectiveness, effort, and costs.

46. Information and communications technology support for business processes is a key component of the UNOPS delivery platform, resulting in timely, consistent delivery of high-quality products and services in every location. Where possible, UNOPS will establish global service centres to achieve economies of scale.

47. In 2012, a study by the Gartner Group found that UNOPS operational requirements were not adequately covered by the abilities and functionalities available in its systems. They did not provide the level of agility required for integrating the business processes associated with project management, infrastructure and procurement. Since tailoring the shared platform with mandate-specific business requirements would place undue burden of complexity and cost on partner agencies, UNOPS is exploring alternative platforms.

Driver B3. Innovate

48. Within its mandated areas of work, UNOPS will seek to contribute to innovation and the adaption of best-practice standards of sustainability and quality. To keep pace with developments in technology and partner demand, UNOPS will direct resources towards the development of sustainable products and services in its three delivery practices.

49. To ensure that the UNOPS delivery platform is informed by internationally recognized best practices and leading external standards, UNOPS will develop additional strategic partnerships for knowledge and innovation. These will enhance the quality of UNOPS services through knowledge-sharing, secondment of personnel, training programmes and organizational certification, in addition to providing direct support to UNOPS projects.

Goal C. People excellence: empowered and high-performing people

Driver C1. Business partnering

50. Human resources will be developed in support of the UNOPS focus areas: sustainable project management, infrastructure, and procurement. Emphasis will be placed on building a pool of experts to provide advisory services through outreach to professional forums and partnering.

51. Human resources will be aligned with the UNOPS global structure, supporting its strategy. Economies of scale in transactional services will be pursued where attractive. UNOPS will design and conduct skills-mapping exercises, identifying existing and required personnel skills and standardizing structures, processes, products, profiles and job descriptions.

52. UNOPS will invest in refining the 'individual contractor agreement' modality to respond to partners' needs and enhance its competitiveness in attracting personnel with relevant skills and competencies. This will increase operational efficiency and personnel satisfaction.

Driver C2. Recruit, develop and recognize talent

53. UNOPS aims to be an employer of choice for the best talent. Therefore, the implementation and strengthening of policies, tools, practices and systems supporting recruitment and performance management will continue.

54. UNOPS provides a range of professional development courses and certifications based on recognized international standards. The UNOPS business process framework will serve as a basis for internal learning programmes.

55. UNOPS recognition awards and merit rewards programme will be maintained and developed to strengthen the positive attitudes and motivation of personnel.

56. Several initiatives have been identified to improve career development opportunities. These include mentorship, coaching, defined and structured career paths, and the enhancement of capabilities and skills through continuous learning.

57. To assume leadership in mandated and selected areas, and to be known for dedicated, effective leaders, UNOPS will identify, nurture and develop its present and future cadre of senior managers. Building on its experience with strategy and leadership training and certification, UNOPS will develop leadership competences within its global management team.

Driver C3. Embrace United Nations values

58. UNOPS will promote an organizational culture and personnel behaviour aligned with United Nations core principles and values. It will support United Nations initiatives, encourage personnel to benefit from training available in the United Nations System Staff College, and support managers applying to the resident coordinator programme.

59. UNOPS will strengthen its gender policy framework and human resource practices, and will respond to the requirements of the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women. UNOPS will also expand its national capacities.

60. UNOPS will seek to implement standard costing for staff positions. Projects will be charged a predetermined cost for a particular position in a particular country, instead of the actual cost associated with the individual holding the position. Removing variations in project costs caused by individual benefits and entitlements will encourage selection of staff based on competencies and remove disincentives to implementing diversity. The measure also increases predictability of project costs.

Goal D. Financial stewardship: finances managed for development effectiveness

Driver D1. Ensure financial control and efficiency

61. UNOPS ensures its accountability for resources entrusted to it while helping partners exercise their own accountability. UNOPS believes transparency is essential for the efficient use of resources.

62. UNOPS seeks a governance structure based on shared values allowing for sound judgment within a clearly articulated accountability framework. This enables entities and teams to regulate their performance without micromanagement. UNOPS will optimize its accountability framework in line with its global structure. Planning and resource allocation will be a continuous, inclusive and performance-driven process rather than a top-down annual event.

63. To enable personnel to respond to partner demand in a rapid, flexible manner, UNOPS will aim to further decentralize authority based upon individual assessments of the performance and maturity of entities, and the skills and competencies of personnel.

64. To optimize planning and resource allocation, UNOPS will improve the relevance and timeliness of financial information. Building on its current systems for managing financial performance in real time against targets per fiscal year, systems will be updated to reflect twelve-month rolling actuals and to enable entities to prepare regular updates of twelve-month rolling forecasts for key financial parameters. Each entity, and the organization as a whole, will thus be able to improve the way resources are prioritized and meet changing business realities.

Driver D2. Cost recovery and fair distribution

65. UNOPS will take a two-pronged approach to ensuring the stability of its self-financing model. First, it will consistently attribute direct costs of the organization to projects. Activity-based costing will be used to determine the effort and cost associated with specific processes. This will ensure that costs are distributed more accurately among projects, and should enable UNOPS to reduce the amount to be recovered as indirect costs.

66. Second, UNOPS will refine its pricing model for the recovery of indirect costs to include relevant cost-drivers associated with the value added by UNOPS. This will distribute costs more fairly to projects and reduce the risk associated with changes in the composition of the UNOPS project portfolio. By deemphasizing the cost recovery in handling resources, UNOPS creates incentives to focus contributions where it adds most value for partners while encouraging the use of national systems.

Driver D3. Invest in innovation

67. UNOPS is committed to reinvesting at least half of any financial surplus into innovation for sustainability. The resources will be focused on integrating and balancing sustainability, prioritizing (a) development of products and services; (b) business development; (c) strategic partnerships; and (d) strategic change initiatives. Funding for innovation will be managed through a fast, yet rigorous, process with clear criteria within each of the four priority areas. Investments and associated results will be tracked in a transparent manner, and innovations will be shared across the organization.

B. Resources targeted and organization aligned to achieve results

68. UNOPS has developed its budget for the biennium 2014-2015 in alignment with the harmonized approach adopted by UNDP, UNFPA and UNICEF based on decisions 2010/32, 2011/10, 2012/27 and 2013/9, in which the Executive Board approved the harmonized approaches for cost-classification, results-based budgeting and budget presentation. Due to UNOPS self-financing business model, two years is seen as the most relevant planning horizon in terms of revenue and costs.

69. The UNOPS organizational structure drives efficiency and effectiveness in the delivery of services to partners and clearly defines global functions, authorities and accountabilities. The results and budget framework for the biennium 2014-2015 is directly aligned with UNOPS global structure as revised in early 2013 (figure 1), and is intended to enable more coordinated decision-making and integrate key functional roles within and around delivery and management practices.

70. This section describes UNOPS management results and budget framework, through the lens of the seven harmonized functional clusters. Table 1 provides a summary of performance indicators, with associated baselines and targets, as well as resources per functional cluster.

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

Harmonized functional cluster	Performance indicator	Baseline	Target 2014-2015	2014-2015 management resources
Leadership and corporate direction	Substantive UNOPS contributions to relevant UNDAFs	83% in 2012	90%	\$15.3 million
	Carbon neutrality achieved	100% in 2011	100%	
	Share of entities assessed that are successful in maintaining 'ISO-14001' environmental management	100% through May 2013	100%	
	Share of entities assessed that are successful in maintaining 'ISO-9001' quality management system	100% through May 2013	100%	
	Increase in the number of balanced scorecard performance perspectives linked to the UNOPS rewards and sanctions framework	One perspective (Finance) in 2012	All four	
	Implementation of new process management framework based on externally recognized standards, such as those of the APQC	Not available	100%	
	Achievement of net revenue target approved by the Executive Board	100% in 2010-2011	100%	
Corporate external relations and partnerships, communications and resource mobilization	Increase in share of UNOPS projects in direct partnership with national and local governments	21% of UNOPS delivery was in direct partnership with governments in 2012	10%	\$25.3 million
	Increase in UNOPS share of United Nations procurement of construction and common user items, while maintaining UNOPS share of United Nations procurement for health items	UNOPS share of United Nations procurement in 2011: - construction items: 23% - common user items: 31%	15%	
	Increase in engagement addition from identified key partners	Not available	15%	
	UNOPS compliance with IATI standards	100% in 2012	100%	
	Introduction of sustainability results information, categorized by country, partner or UNOPS delivery practice, on UNOPS public website starting in 2014	0% in 2012	100%	
	Average number of monthly visits to UNOPS public website	86,000 in 2012	95,000	
Country office oversight, management and operations support	Overall partner satisfaction	78% in 2012	80%	\$28.8 million
	Share of UNOPS delivery within its areas of focus	Share of UNOPS delivery, 2010-2012: - project management: 35% - infrastructure: 31% - procurement: 28% Share of delivery within UNOPS areas of focus: 94%	95%	
	Increase in advisory services projects, directly or indirectly, to national and local governments	\$10.7 million of UNOPS engagement additions represented advisory services in 2012	300%	
	Share of implementation services projects that included national capacity-building components, agreed on with partners, including employing personnel locally, in combination with defined on-the-job learning elements, and formal training and certifications	Approximately 50% of projects supported by UNOPS worked on developing national capacity by enhancing institutions or developing skills in 2012	65%	
	Share of projects screened and approved using minimum sustainability standards, including gender markers	Not available	100%	
	Share of relevant UNOPS vendors screened for adopted sustainability criteria	Not available	90%	
	Share of UNOPS new infrastructure projects that include elements of resilience consideration	Not available	100%	

	Share of UNOPS projects on track for cost and schedule	80% in 2012	80%	
	Engagement assurance completion rate	93% in 2012 (fourth quarter)	100%	
	Timely operational closure of projects	76% in 2012	80%	
	Average duration of procurement through formal solicitation (number of days)	78 in 2012	80	
	Implementation rate of accumulated internal audit recommendations	93% in 2012	90%	
Corporate human resources management	Overall personnel satisfaction	81% in 2011	80%	\$8.6 million
	Personnel performance appraisal completion rate	- 97% for personnel on staff contract in 2012 - 70% for personnel on 'individual contractor agreements' in 2012	90%	
	Share of relevant practitioners externally certified	830 personnel participated in external certifications run by ACCA, CIPS, Cornell University and Prince2 in 2012	70%	
	Share of relevant practitioners internally certified	40% of relevant project management practitioners are on course for internal certification in 2012	50%	
	Completion rate of mandatory United Nations learning, including UNOPS induction and security	Not available	100%	
	Average duration of staff recruitment (number of days)	Not available ⁴	80	
	Share of females amongst UNOPS supervised personnel (staff and ICAs)	27% in 2012	35%	
	Share of females amongst UNOPS supervised international personnel (international professional staff categories and international ICAs)	30% in 2012	35%	
Staff and premises security	Evaluated offices compliant with minimum operation security standards	84% in 2012	85%	\$1.0 million
Corporate financial, information and communications technology and administrative management	Share of surplus invested in sustainability initiatives	Not available	50%	\$47.4 million
	Share of projects that cover their estimated indirect costs (new pricing)	Not available	90%	
	Rate of implementation of prior year United Nations Board of Auditors recommendations	86% for prior biennium in 2012	50%	
Corporate oversight and assurance	Level of implementation of risk-based internal audit plan for Internal Audit and Investigations Group	100% in 2012	90%	\$4.7 million
	Share of required personnel filing of financial disclosure	100% in 2012	99%	

IATI = International Aid Transparency Initiative; ISO = International Standards Organization; UNDAF = United Nations Development Assistance Framework; APQC = American Productivity and Quality Centre

Leadership and corporate direction

71. *Definition.* The harmonized functional cluster 'Leadership and corporate direction' corresponds to the UNOPS global function 'Strategic management and leadership. This reflects the fact that responsibility for leadership and strategic

⁴ UNOPS implemented its new Global Personnel Recruitment System during 2012. The performance for 2013 will therefore be used as the baseline for reporting on performance in the 2014 – 2015 biennium.

management is assumed at headquarters as well as by senior positions throughout the regional structure and functional areas.

72. *Issues and narrative.* This harmonized functional cluster articulates the accountability of the Executive Director to the Executive Board for implementing the strategic plan, 2014-2017, and relevant targets for management results in the biennial budgets. The global function reflects the responsibility for leadership and support for further adoption of UNOPS values throughout the organization.

73. Supported by performance management tools and frameworks, the global function enables the Executive Director to hold managers throughout the organization accountable for their achievement of management results and contribution to operational results.

74. *Accountability and funding level.* Strategic management and leadership is funded within all entities of the global structure as well as functional areas. Accountability lies with the Executive Office as well as management across the UNOPS practices and regional entities. The Corporate Performance and Management Group is dedicated to this function. The estimated funding level is \$15.3 million.

Corporate external relations and partnerships, communications and resource mobilization

75. *Definition.* The harmonized functional cluster 'Corporate external relations and partnerships, communications and resource mobilization' comprises two UNOPS global functions: business development and communications.

76. *Issues and narrative.* In response to the findings of the midterm review of the UNOPS strategic plan, 2010-2013, including feedback from partner and stakeholder consultations, UNOPS organized around three delivery practices and revised its structure to expand its geographical presence and functions.

77. To support greater collaboration and coordination with key partners, UNOPS established a partner management team for knowledge-sharing and coordination.

78. *Accountability and funding level.* Accountability lies with the Global Partner Services Office – whose director coordinates liaison function – and the communications practice, as well as management across UNOPS regional entities. The estimated funding level is \$25.3 million.

Field/country office oversight, management and operations support

79. *Definition.* The harmonized functional cluster 'Field/country office oversight, management and operations support' comprises four of the UNOPS global functions: sustainable project management, sustainable infrastructure, sustainable procurement, and legal.

80. *Issues and narrative.* The three UNOPS delivery practices ensure that its products and services are developed to create optimum, recognized value and are produced, delivered and managed using sustainable approaches, while the knowledge and skills of their practitioners are aligned and strengthened.

81. Project management is the primary UNOPS modality for delivering value, both externally and internally. The sustainable project management function ensures that all projects apply UNOPS project management methodology to ensure quality, speed and cost-effective results.

82. UNOPS has a well-established role in physical infrastructure, and will strengthen its delivery capabilities and position in this area. UNOPS will place disaster risk reduction at the core of efforts to contribute to the United Nations goal

of building a sustainable, resilient future, ensuring that programming and project design are informed by risk assessments.

83. Increased focus on development effectiveness brings greater emphasis on efficient, transparent public procurement and building national capacity in this area. UNOPS will include sustainability considerations into all of its procurement, introducing appropriate standards for common products and services and emphasizing sustainability throughout the product life-cycle.

84. UNOPS will dedicate adequate resources to providing advice, training and development of guidance on the implementation of UNOPS policies, particularly for delivery and management practices. This will support the mitigation of risk for the organization and its partners and increase transparency and accountability.

85. *Accountability and funding level.* Accountability lies with management across UNOPS regional entities, the new entity for integrated practice advice and support, the project management practice, the procurement practice, the legal practice, and all practices involved with transactional services, process support and records maintenance in support of operations. The estimated funding level is \$28.8 million.

Corporate human resources management

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

87. *Issues and narrative.* Talented people are the most important resource. UNOPS will strengthen links between individual performance and rewards and sanctions, and between individual performance and organizational results. To do this, UNOPS will standardize its structures, processes and products and link them to standardized profiles, including job descriptions.

88. UNOPS will mainstream gender equality in all its activities. It will increase its female workforce in all locations and at all levels, with the goal of gender parity. Gender markers will track the extent to which gender is considered in projects.

89. *Accountability and funding level.* Accountability lies with the human resource practice. The estimated funding level is \$8.6 million.

Staff and premises security

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

91. *Issues and narrative.* Security is vital for the implementation of UNOPS projects. It helps set the parameters within which UNOPS personnel can plan and implement operations. Acknowledging the need for a continued focus on security, UNOPS has introduced procedures to increase the rate of compliance with minimum operating security standards in its offices.

92. *Accountability and funding level.* Accountability lies with UNOPS personnel at headquarters and in the field, in accordance with the framework for accountability for the United Nations security management system. The UNOPS Chief of Security, in the corporate support practice, is charged with monitoring UNOPS compliance with United Nations management policies on behalf of the Executive Director. The bulk of UNOPS security costs are covered directly by the relevant project budgets. The estimated funding level from the management budget is \$1 million.

Corporate financial, information and communications technology, and administrative management

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

94. *Issues and narrative.* Building on demonstrated achievement of financial results, UNOPS will ensure the stability of its self-financing model in managing finances for development effectiveness. UNOPS will maintain appropriate controls and integrity in accordance with relevant international standards.

95. Information and communications technology supports UNOPS business processes as well as its delivery of products and services.

96. UNOPS will continue to strengthen the articulation and implementation of administrative policies and procedures. Asset management will be aligned with International Public Sector Accounting Standards. Following the move of UNOPS headquarters in Copenhagen to the new UN City premises, UNOPS will explore the potential for synergies with other organizations.

97. *Accountability and funding level.* Accountability lies with the finance practice and the corporate support practice. The proposed funding level is \$47.4 million.

Corporate oversight and assurance

98. *Definition.* The harmonized functional cluster ‘Corporate oversight and assurance’ comprises the following UNOPS global functions: internal audit and investigations, contract and property review, and ethics, as well as the the Strategic Audit Advisory Committee.

99. *Issues and narrative.* 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 provides the Executive Director and UNOPS governing bodies with assurance on governance, risk management processes, and internal controls. The group plays an important role in assuring the quality of project audits funded directly through contracts with partners.

100. UNOPS Ethics Office assists the Executive Director in promoting the highest standards of integrity and fostering a culture of ethics, transparency and accountability in UNOPS to ensure that all staff conduct themselves with professionalism and uphold the Charter of the United Nations. The Strategy and Audit Advisory Committee provides the Executive Director with external, independent advice.

101. UNOPS will continue exercising assurance on its procurement function. The assurance function will be made more efficient through the deployment of institutional tools, incentives for preparing high-quality submissions, and process automation.

102. *Accountability and funding level.* Accountability lies with the Internal Audit and Investigations 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 costs of any services rendered by the Investigation Division of the Office of Internal Oversight Services on a fee basis. The estimated funding level is \$4.7 million.

IV. Budget estimates for the biennium 2014-2015

103. UNOPS targets a 6 per cent real decrease in management resources for the biennium 2014-2015. The budget estimates of \$139.2 million consist of \$131.2 million in management resources and an earmarking for potential provisions in the amount of \$8 million. For comparison, in its 2012-2013 budget estimates, UNOPS budgeted for \$139.7 million in management resources and earmarked \$8 million for potential provisions.

A. Increase added value while reducing management resources

104. The average effect of inflation for 2014-2015 is estimated at 2.5 per cent per year, reflecting the combined impact of a 2 per cent annual inflation rate at headquarters and a 3.4 per cent weighted average annual inflation rate for all other locations. The estimated rates are derived from the International Monetary Fund.

105. The reduction in management resources reflects UNOPS efforts to curtail costs through increased efficiency and effectiveness, offsetting the increase otherwise required, as well as systematic efforts to charge relevant costs as direct, in line with the definitions in UNOPS financial regulations and rules.

106. In preparing these budget estimates, UNOPS performed a thorough review of actual expenses in various cost categories over the last years. Biennial costs were estimated based on that review, together with adjustments of the staffing table and other priorities for the biennium.

B. Flexible personnel force aligned with strategy

107. Table 2 provides an overview of UNOPS posts, comparing the 2012-2013 and 2014-2015 budget estimates. The planned number of posts for 2014-2015 is the same as the actual status as of mid-2013. The reduction in the number of staff took place in the first half of 2013 as part of the realignment of UNOPS global structure.

108. The reduction in the number of staff positions was achieved through (a) continuous improvement and pursuit of efficiency gains where possible; (b) ongoing efforts to accurately attribute direct costs to projects; and (c) increased use of the 'individual contractor agreement' modality. The latter point is motivated by the fact that the personnel with the competencies required by UNOPS delivery practices are not typically found among United Nations staff, and 'individual contractor agreements' are more attractive to certain candidates. The modality also provides the flexibility required by the UNOPS self-financing business model. These factors account for the \$15.5 million in volume decreases associated with posts and staff costs reflected in table 5.

Table 2. Management funded posts, by category and location, 2012-2013 and 2014-2015

	2012 -2013 budget estimates			2014-2015 budget estimates			Change		
	Head- quarters	Regions and partner services	Total	Head- quarters	Regions and partner services	Total	Head- quarters	Regions	Total
USG/ASG	2		2	2	0	2			
D-2	3	5	8	4	4	8	1	-1	
D-1	7	15	22	6	13	19	-1	-2	-3
Other international professionals	57	95	152	55	86	141	-2	-9	-11
All other	55	127	182	43	89	132	-12	-38	-50
Total	124	242	366	110	192	302	-14	-50	-64

C. Other non-staff costs remain stable

109. In the first half of 2013 UNOPS, with other United Nations organizations in Copenhagen, moved its headquarters to UN City. This allowed UNOPS to consolidate certain functions, which is expected to lead to efficiency gains and corresponding cost reductions, with regard to both direct costs incurred in partner projects and indirect costs covered through the management budget.

110. As described in the paragraphs on staff positions, UNOPS plans to increase the share of personnel funded by the management budget that are on 'individual contractor agreements'. As shown in table 5, the budget for consultants has been increased significantly, by \$5.9 million, or 17.4 per cent, in real terms.

111. UNOPS plans to make a number of one-time investments associated with the implementation of its strategic plan, 2014-2017. These include development of products and services, and enhancements in information and communication technology support for business processes and reporting systems, which will enable sustainability and results reporting for all UNOPS engagements.

112. UNOPS plans for zero real growth in other operating expenses. Finally, reimbursements are expected to increase somewhat as certain costs, previously being allocated out to projects as direct costs (allocable charges), will be covered from the management budget.

113. Over the next biennium UNOPS plans to increase the share of management resources available for allocation throughout the year as requirements and opportunities arise. The resources will be managed in a rapid, transparent and results-oriented manner, with direct involvement from senior management. Decisions to allocate resources will be based on business cases submitted by entities and personnel, and will be assessed according to criteria aligned with UNOPS strategy, with a focus on innovation for sustainability.

D. Provisions for potential liabilities and future risks

114. The budget for the biennium 2014-2015 includes an earmarking for potential provisions in the amount of \$8 million, the same amount as in the 2012-2013 budget estimates. This is based on an assessment of historic liabilities and write-offs made over the last decade and the desire to make adequate provisions for potential liabilities and risks. The provisions for 2014-2015 cover potential merit rewards associated with UNOPS policy on recognition, rewards

and sanctions in accordance with UNOPS financial regulations and rules, rule 130.05, and as endorsed by the International Civil Service Commission.

Table 3. Resource plan

	2012-2013	2012 (actuals) and 2013 (estimates) ⁵	2014-2015
	Budget estimates		Budget estimates
Resources available			
Operational reserve beginning of period	57.0	33.4	62.9
Implementation services revenue	118.5	112.7	111.2
Advisory and transactional services revenue	20.2	23.1	20.0
Miscellaneous revenue	10.0	11.0	8.0
Total revenue	148.7	146.8	139.2
Total available	205.7	180.2	202.1
Use of resources			
Management resources	139.7	132.1	131.2
Provisions	8.0	6.5	8.0
Implications of International Public Sector Accounting Standards	1.0		
Total use of resources	148.7	138.6	139.2
Balance of resources			
Net revenue	0.0	8.2	0.0
Operational reserve at end of period	57.0	62.9	62.9

⁵ The operational reserve held by UNOPS as of 31 December 2011 stood at \$63.3 million. With the application of International Public Sector Accounting Standards, after the allowance made for all known liabilities of \$29.9 million, the revised operational reserve as of 1 January 2012 totaled \$33.4 million. UNOPS realized a net surplus in 2012 amounting to \$8.2 million, which increased its accumulated surplus to \$15.8 million. A credit of \$21.4 million arising from an actuarial valuation of employee benefits at year-end was recognized and added to the accumulated surplus, resulting in an operational reserve balance of \$62.9 million as of 31 December 2012. Details are included in the UNOPS audited financial statement for 2012. UNOPS assumes zero net revenue in its updated estimates for 2013, resulting in an estimated operational reserve balance of \$62.9 million as of 31 December 2013.

Table 4. Management funded senior posts, by location

	USG/ASG	D-2	D-1	Total
2012 – 2013 posts	2	8	22	32
A. Increases and decreases				
Headquarters	0	+1	0	+1
Field	0	-1	-3	-4
Total increases and decreases	0	0	-3	-3
B. Reclassifications				
Total changes (net)	0	0	0	0
2014 – 2015 posts	2	8	19	29

Table 5. Budget estimates, by expense category
(in millions of dollars)

Expense category	2012 (actuals)	Volume increase		Cost increase amount \$	2014 -2015 budget estimates
	2013 (estimates)	Amount in dollars	Percentage		
Posts a/	43.1	-9.3	-21.5%	2.2	36.1
Common staff costs	29.2	-6.3	-21.5%	1.5	24.4
Travel	7.1	0.3	4.5%	0.4	7.8
Consultants b/	34.2	5.9	17.4%	1.7	41.9
Operating expenses c/	15.0	0.0	0.2%	0.8	15.8
Supplies	1.5	-0.0	-0.2%	0.1	1.5
Furniture and equipment	1.2	-0.1	-8.8%	0.1	1.2
Reimbursements	0.8	1.7	210.6%	0.0	2.6
Total expenses	132.1	-7.6	-5.8%	6.7	131.2

a/ Includes costs for posts (local and international), and learning costs.

b/ Includes 'individual contractor agreements', local and international consultants, contractual services and company contracts.

c/ Includes general operation expenses, material and goods, communication and audiovisual equipment, hospitality, information technology equipment, rental and maintenance, and miscellaneous expenses.