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United Nations Office for Project Services

United Nations Office for Project Services budget estimates for the biennium 2020-2021

Summary

The budget estimates for the 2020-2021 biennium are rooted in UNOPS strategic plan, 2018-2021, and the UNOPS purpose, mission and vision statements. The UNOPS results framework, consisting of three mutually reinforcing contribution goals and four management goals, supports the 2030 Agenda for Sustainable Development and the requirements of the quadrennial comprehensive policy review of operational activities for development of the United Nations system.

Based on the nature of its demand-driven business model, UNOPS expects an increase in revenue for the 2020-2021 biennium compared to 2018-2019 projections. Available management resources are targeted to achieve UNOPS ambitions for the next biennium. The following internal priorities will play a vital role: gender parity throughout the UNOPS workforce; innovative financing; further creation of institutional capacity to strategically identify and finance Social Impact Investment ('S3I') projects; and increased investment in knowledge and innovation.

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

In preparing these budget estimates, UNOPS continues to safeguard its financial stability as a demand-driven, self-financed organization. At the mid-point of the 2018-2019 biennium, the operational reserve remains above the minimum requirement set by the Executive Board, reassuring partners that UNOPS can deliver on its commitments. UNOPS targets zero net revenue for the biennium 2020-2021, estimating that the operational reserve will remain at the same level as of end 2018.

The \$138.5 million budget estimates for 2020-2021 correspond to \$5.8 million in real growth of management resources compared to the budget estimates for the previous biennium. The revenue target for the 2020-2021 biennium is set at \$181.0 million, representing a significant increase over the \$173.4 million projection for the 2018-2019 biennium and reflecting increasing demand for UNOPS services. As required by its risk profile, UNOPS will set aside sufficient funding, beyond core management resources, to address current risks through write-offs and provisions and establish a plausible contingency surplus to prepare for future risks. In line with its focus on added value and quality, UNOPS will continue to invest in upgrading the quality of its processes and the competencies of its personnel.

Elements of a decision

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



Contents

<i>Chapter</i>	<i>Page</i>
I. Where UNOPS is going: Ambitions for 2018-2019	3
A. Efficient management support services	4
B. Effective specialized technical expertise	6
C. Expanding the pool and effect of resources	7
II. How UNOPS is performing: Financial context	7
A. Viability of the UNOPS self-financed business model	7
B. Projections reflect continued actual revenue growth trend	8
C. Estimates for 2020-2021 indicate a sufficient resource base	8
III. How UNOPS will pursue its goals: Results for 2020-2021.....	9
A. Management results provide a framework for pursuing UNOPS contribution goals	9
B. Management results framework	13
C. Resources targeted and organization aligned to achieve results	14
IV. How UNOPS will manage: Budget estimates, 2020-2021	19
A. Stable management resources focused on quality and added value.....	19
B. Flexible personnel force aligned with strategy	19
C. Allocating resources to address risks.....	20
D. Investments to support UNOPS ambitions	21
 Figures	
Figure 1. UNOPS results framework.....	3
Figure 2. UNOPS global structure.....	5
Figure 3. Revenue trends	9
 Tables	
Table 1: UNOPS management results framework.....	14
Table 2. Targets and resources for management results, by functional cluster	15
Table 3. Staff posts funded by management budget, by category and location	20
Table 4. Resource plan	22
Table 5. Budget estimates, by expense category	22

Annexes (available on the Executive Board web page)

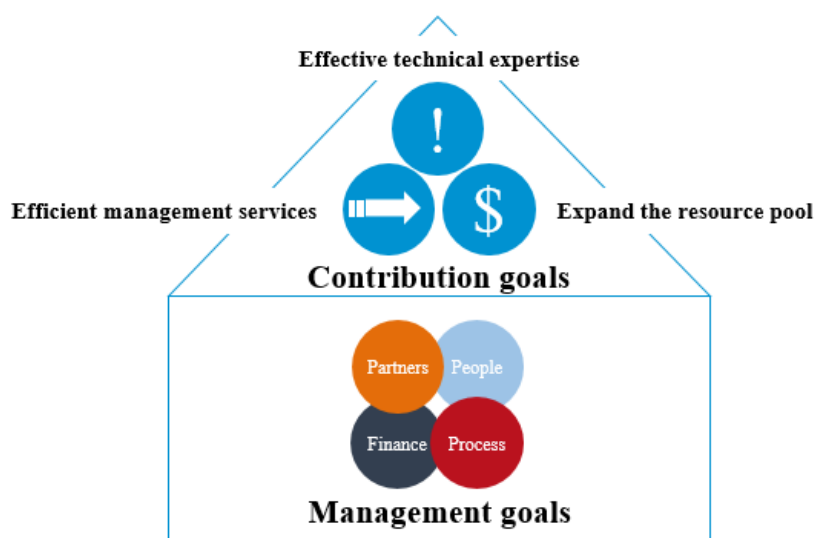
I. Where UNOPS is going: Ambitions for 2020-2021

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

2. The Executive Board has welcomed the UNOPS purpose and refined vision and mission statements²: “Our vision is a world where people can live full lives supported by appropriate, sustainable and resilient infrastructure and by efficient and transparent use of public resources in procurement and project management. Our mission is to help people build better lives and countries achieve peace and sustainable development”.

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

Figure 1. UNOPS results framework



4. The three UNOPS contribution goals constitute its value proposition and ambitions within its mandated areas, by (a) enabling partners to do more with less through *efficient management support services*, delivered locally or as global shared services; (b) helping people achieve individual, local, national and global objectives through *effective technical expertise* founded in international norms and standards; and (c) supporting countries in *expanding the pool and effect of resources* available to achieve the 2030 Agenda. Buttressing the contribution goals, the four management goals express the UNOPS ambition for organizational excellence, quality, and principled performance throughout its operations. They frame how it will drive internal reform and innovation

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

² Decision 2016/19

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

5. The budget estimates, 2020-2021, outline how resources will be allocated to implement the second leg of the UNOPS strategy in the next biennium. This chapter outlines the ambitions UNOPS will pursue to support the Secretary-General's vision and the 2030 Agenda. Chapter II summarizes the financial resources UNOPS will have available to support those ambitions based on projections for the current biennium and estimates for the next. Chapter III describes the management results UNOPS needs to achieve in order to drive management reform and innovation to adapt its institutional fitness for purpose. Chapter IV articulates the budget estimates, 2020-2021, in detail.

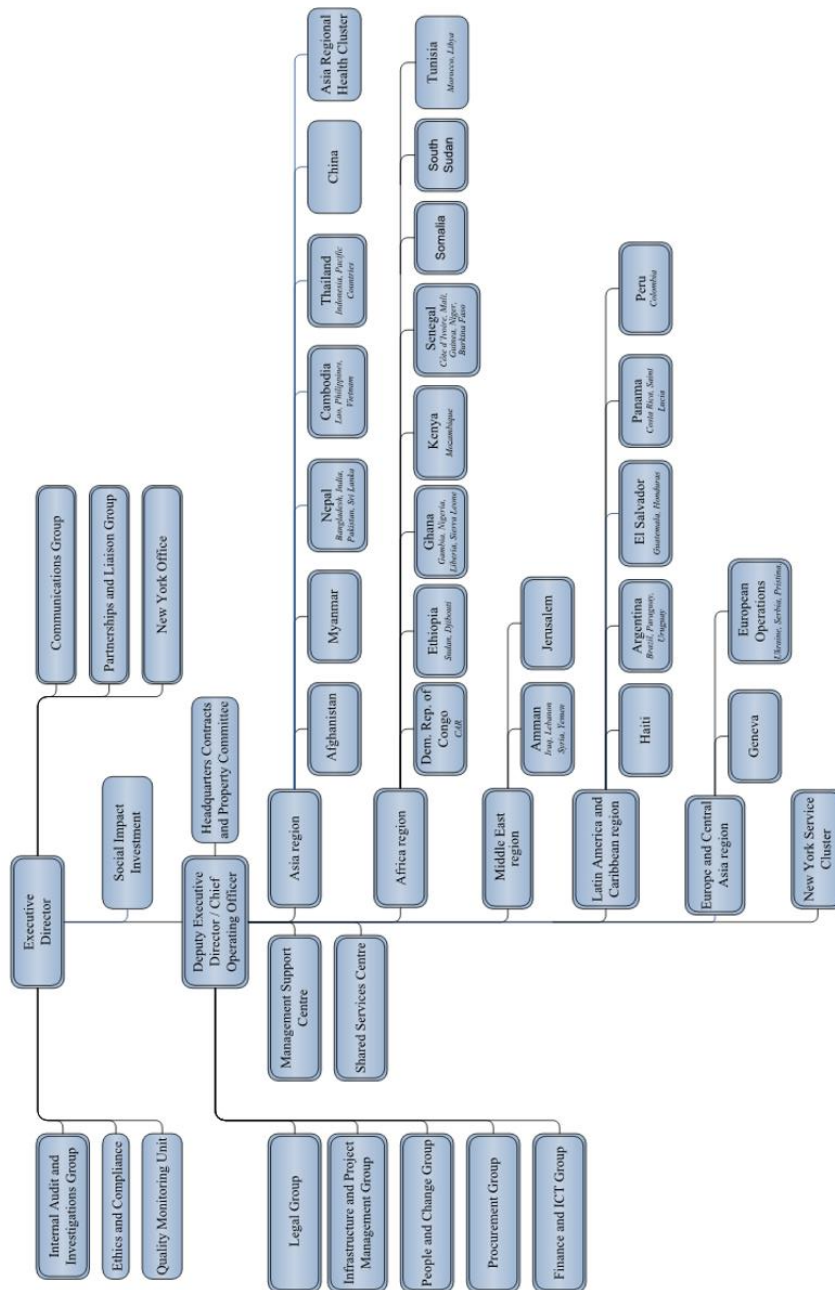
A. Efficient management support services

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

7. In response to the Secretary-General's call for management reform, UNOPS seeks to be recognized in the United Nations system and beyond as a reliable partner for shared services. UNOPS offers support services within areas such as human resources, financial management, procurement, information and communications technology support services, and modalities such as shared services and secretariat services for international initiatives. Well-established examples are the United Nations Global Marketplace, used by 26 United Nations organizations as their vendor and sourcing platform, and the Shared Service Centre, providing human resources and associated financial services to United Nations partners worldwide.

8. During the 2020-2021 biennium, UNOPS will further integrate its management support services offerings and provide them as more strategic solutions for partners in the United Nations and beyond. Through its Shared Service Centre, UNOPS will offer more standardized processes, expanding its offerings within areas such as information and communications technology support, treasury, grants management, procurement, and human resources services. The UNOPS agenda for management reform and innovation involves strengthening service delivery based on information technology. An example of the use of improved technology is 'UN Web Buy Plus', which enables partners to efficiently procure a wide range of goods and supply-chain services, consolidating the position of UNOPS as a value-adding procurement service provider.

Figure 2. UNOPS global structure



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

B. Effective specialized technical expertise

10. UNOPS strives to be known for tangible, context-specific contributions towards the work of countries to achieve a number of the global goals, including combating climate change. As a resource for infrastructure, procurement, project management and other operational solutions, UNOPS responds to partner demand for technical expertise, connecting peace and security, sustainable development and humanitarian efforts, and gender-sensitive approaches.

11. UNOPS expertise is in demand to expand implementation capacity across all sustainable development goals. The 2018 partner survey reconfirms strong demand for expertise in relation to a number of the global goals. They include goal 3 (good health and well-being), goal 9 (industry, innovation and infrastructure), goal 11 (sustainable cities and communities), goal 16 (peace, justice and strong institutions), and goal 17 (partnerships for the goals). This corresponds to the actual demand for services³. At the same time, the 2018 partner feedback suggests that demand for expertise in relation to a number of other goals is increasing. These include: goal 1 (no poverty), goal 5 (gender equality), goal 6 (clean water and sanitation), goal 7 (affordable and clean energy), goal 8 (decent work and economic growth), and goal 13 (climate action).

12. UNOPS is actively building recognition as a leader in sustainable and resilient infrastructure, which will be essential for countries to achieve the Sustainable Development Goals. A 2018 study, conducted by UNOPS and the University of Oxford, suggests that quality infrastructure influences 92 per cent of targets across the Goals. Grounded in long-standing UNOPS experience and expertise in infrastructure, and as a resource for governments and the United Nations, the organization has developed and is promoting an evidence-based infrastructure approach. The approach has been applied successfully in support of a number of countries where UNOPS has assessed capacity and infrastructure needs to support long-term development planning. Committed to gender equality, UNOPS is collaborating with a broad range of partners to compile a set of practical, discrete measures for integrating gender considerations into the planning, design and implementation of infrastructure projects.

13. UNOPS leadership in procurement continues to be recognized as best in class. In addition to having won the Chartered Institute of Procurement and Supply ('CIPS') Gold Certificate in Sustainable Procurement for three successive years, UNOPS was in 2019 awarded the Procurement Leaders World Procurement Award for Supplier Diversity and Inclusion for its flagship Possibilities Programme. UNOPS is one of only five organizations in the world to have received this honour from CIPS, and the only United Nations organization to have received a World Procurement Award. In 2020 UNOPS will become the first United Nations organization to mandate the inclusion of sustainability considerations in its tenders. This includes the mainstreaming of its 'DRiVE' programme (Delivering Responsibility in Vendor Engagement), which aims to ensure that UNOPS vendors operate responsibly and in accordance with high standards of integrity, through the development of a vendor assessment, inspection and corrective action-planning programme, focused particularly on human rights, labour rights, ethical conduct, sexual exploitation and abuse, and environmental responsibility. UNOPS provides tailored advisory procurement services to governments and other partners, and strives to be a strategic partner in building capacity for procurement reforms. UNOPS believes that efficient, transparent, cost-effective and sustainable procurement practices will create synergies that benefit partners and people in need.

14. UNOPS is committed to transparency and accountability. Through its standard management framework it embeds sustainable implementation approaches to realize

³ DP/OPS/2019/2, paragraph 11

tangible impact,⁴ particularly in implementation projects where it acts as a principal. Based on its experience with the Global Reporting Initiative, and in the light of the operational context and the nature of the activities performed, it will further develop its framework for a systematic account of contributions to economic, social and environmental sustainability.

C. Expanding the pool and effect of resources

15. In response to the Secretary-General's ambition to form partnerships at three levels, including with the private sector, UNOPS seeks to be recognized as removing impediments to bringing private capital into the service of sustainable development. In its decision on the midterm review,⁵ the Executive Board recognized the increasing demand for the UNOPS contribution to "mobilization of resources for the 2030 Agenda for Sustainable Development, including from the private sector". Following the launch of its social impact investment initiative, UNOPS is creating institutional capacity to strategically identify and finance social impact investment projects. UNOPS is working towards goals of the 2030 Agenda through inclusive infrastructure investments in renewable energy and affordable housing.

16. Responding to the Secretary-General's appeal to bridge the funding gap to achieving the global goals, as well as the call of Member States to explore new funding sources, UNOPS will be a resource for innovative funding approaches. In the next biennium, it will further develop solid structures for governance and the management of risks associated with mobilizing innovative funding, including from the private sector. In 2018, UNOPS made its first investment under Social Impact Investment Initiative to drive progress towards the Sustainable Development Goals, and by May 2019 UNOPS had deployed \$38.8 million of its reserves to 'S3I' projects, and had committed a further \$20 million.

II. How UNOPS is performing: Financial context

A. Viability of the UNOPS self-financed business model

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

18. With regard to indirect cost recovery, UNOPS has integrated risk into the calculation of its management fee. To ensure that UNOPS cost recovery mechanisms continue to add value, UNOPS is working to align its costing and pricing principles more closely with its service lines. This is tightly linked to its ambition to support partners by increasingly shifting the budgeting for project cost from an input- to an output-based approach.

⁴ DP/OPS/2017/5, paragraphs 15-17

⁵ Decision 2016/19

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

⁷ Decision 2013/33

⁸ A/RES/71/243

⁹ DP/FPA-ICEF-UNW/2016/CRP.1

19. UNOPS has aligned its cost recovery processes to ensure that its funding responsibility with respect to General Assembly resolution 72/279 on the repositioning of the United Nations development system are fully met. The organization has paid its double part of the cost-shared funding for the year 2019 and is ready to meet its obligations for the 2020-2021 biennium to ensure adequate funding for the resident coordinator network.

B. Projections reflect continued actual revenue growth trend

20. Based on the audited financial statement for 2018 and the approved 2019 budget, projections for the 2018-2019 biennium show that UNOPS is likely to fall marginally short of its revenue targets. Revenue is expected to reach \$173.4 million, which is 3.3 per cent below the target of \$179.3 million. The revenue is expected, however, to exceed the actual revenue of the 2016-2017 biennium of \$169.2 million by 2.5 per cent, thus continuing the growth trend in actual UNOPS revenue.

21. As reflected in the UNOPS financial statements, 2018, at the mid-point of the biennium it was well positioned to achieve its target of keeping management expenses low. The \$121.9 million management expense projection is well below the \$132.7 million target for the biennium.

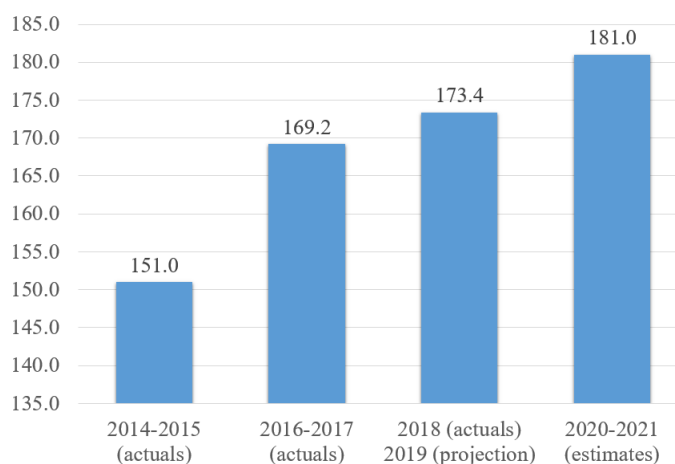
22. The increase in revenue for 2018-2019 resulted from increased delivery. It reflects the increased demand for value-adding UNOPS services, and shows the need to increase investments in quality and capabilities in the 2020-2021 biennium. Provisions for the current biennium are projected to be lower than planned (\$11.3 million, compared to the resources set aside to address provisions and liabilities, \$26.6 million).

23. As a consequence of increasing revenue, reduced management expense, and the requirement to invest additional funds in its delivery platform, UNOPS expects to end the 2018-2019 biennium with \$26.1 million net revenue on budget basis. With accounting-related adjustments, UNOPS expects that by the end of the 2018-2019 biennium the operational reserve will remain at \$192.9 million, the same level as at end 2018.

C. Estimates for 2020-2021 indicate a sufficient resource base

24. The revenue target for the 2020-2021 biennium is set at \$181.0 million, representing an increase from the \$173.4 million projection for biennium 2018-2019 and reflecting increased demand for UNOPS services. Figure 3 illustrates how the projections compare with past performance. The figure shows revenue for 2018-2019 as a combination of 2018 actuals and 2019 projection; 2020-2021 data are estimates, while data for 2014-2015 and 2016-2017 are actual financial results.

Figure 3. Revenue trends
(in millions of dollars)



25. In 2018 UNOPS signed a record number of new engagements. The ‘order-book’ (the overall delivery UNOPS has to implement pursuant to signed agreements) indicates that UNOPS can meet the estimated revenue target. For the biennium 2020-2021, UNOPS is including budget lines funded by its surplus that are dedicated to meeting investments, potential write-offs and provisions, and establishing a contingency surplus.

26. In the budget estimates, 2020-2021, UNOPS is targeting zero net revenue, which means that the operational reserve will remain above the required minimum at the end of the biennium. Throughout the budget period, UNOPS will monitor revenue and expense patterns, and, in line with financial regulation 14.02, adjust the budget as necessary to align management expenses with evolving realities. If the net revenue target is not achieved, UNOPS will reduce its operational reserve in line with intended use, in accordance with financial regulation 22.02.

III. How UNOPS will pursue its goals: Results for 2020-2021

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

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

28. Each of the four UNOPS management goals is associated with three drivers that enable UNOPS to pursue and communicate its strategic ambitions. In the 2020-2021 biennium, their implementation will be supported by focused performance indicators and related targets.

¹⁰ For the mapping of UNOPS institutional functions to harmonized functional clusters, see annex 1.

Goal A. Partner value

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

Driver A1. Manage partner value

30. The previous biennium sustained the trend of increasing demand from partners for UNOPS services. Building on its experience, UNOPS will continue to deliver high-quality services within its service lines: infrastructure, procurement, project management, human resources, and financial management. UNOPS remains committed to delivering high-quality services and demonstrating efficiency, speed and added value to support partners in achieving sustainable results

31. UNOPS continues to develop relationships with a broad range of partners at the local, regional and global level, including other United Nations organizations. In line with its partnerships management approach, UNOPS will continue to leverage its liaison offices in key locations to support engagements signed with global partners.

32. UNOPS will use its partner survey to receive feedback. In the previous biennium, UNOPS improved its approach to receiving partner feedback through the use of a third-party provider and online responses. UNOPS will strengthen its follow-up on feedback to ensure continued high levels of partner satisfaction.

Driver A2. Partner for knowledge and effect

33. UNOPS recognizes the value of knowledge- and best practice-sharing in achieving consistent, efficient project delivery. UNOPS will continue to implement its knowledge management strategy to capture lessons learned across projects, for the benefit of its partners.

34. UNOPS harnesses its experience in infrastructure, procurement and project management to add value for partners. With its mandate and technical expertise in public procurement, UNOPS is a resource for building public procurement capacity and transparent, accountable institutions. UNOPS is well positioned to further the prioritization and development of the resilient, sustainable infrastructure required to fulfil the 2030 Agenda. UNOPS will seek to grow delivery with partners, particularly to support public procurement and high-quality infrastructure.

35. UNOPS is focusing its efforts – earlier and higher up in the decision-making process – on developing integrated service offerings, as well as tools and approaches that enable strategic engagement with partners. This is linked with the ambition to establish thought leadership through academic partnerships, enabling UNOPS to provide innovative solutions to development issues.

Driver A3. Communicate contribution of value

36. Reflecting its commitment to transparency, UNOPS publishes live data about all ongoing projects on its data site. In 2018, UNOPS was again in full compliance with the International Aid Transparency Initiative standard; it will maintain that track record. UNOPS will further integrate Global Reporting Initiative standards into its activities to ensure continuous reporting on performance and results, in furtherance of its strategic goals through sustainable implementation (see annex 1).

37. To promote and strengthen harmonized and transparent financial data across the United Nations system, UNOPS will align its reporting to the United Nations data standards for system-wide reporting of financial data, including UNOPS contributions to the Sustainable Development Goals.

Goal B. People excellence

38. Reflecting its management goals, UNOPS seeks to empower people to perform at consistently high standards, and to be an employer of choice, attracting and retaining a talented workforce.

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

39. UNOPS is committed to enhancing its gender and geographic balance, and will focus on diversity across its recruitment and talent management activities. It will strengthen its talent outreach approaches to attract more diverse candidate pools across regions. UNOPS will continue to drive inclusive leadership and workplace practices to support a diverse workforce, targeting gender parity in its overall workforce.

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

Driver B2. Attract, recognize and develop talent

41. Global initiatives to recruit, develop and recognize talent are priorities for UNOPS. UNOPS will identify career and development aspirations, matching people with organizational roles that match their skills and abilities. Building on the integration of its competency framework in recruitment and performance management, UNOPS will further strengthen its management of people resources and talent.

42. UNOPS will strengthen its succession planning for business-critical roles, expanding talent benches and rosters. Its holistic learning strategy seeks to ensure balanced gender and geographic representation in learning opportunities.

43. Recognizing that an engaged workforce is key to talent retention and organizational performance, UNOPS continues to benchmark the level of its personnel engagement against that of other high-performing organizations. UNOPS will implement its action plan based on the results of the people survey to ensure continued high levels of personnel engagement.

Driver B3. Reinforce leadership

44. Building on the positive results of its people survey, UNOPS will strengthen its culture of feedback and accountability. Global performance management training and UNOPS leadership development programmes will support those efforts.

45. UNOPS will continue to increase the share of women in senior positions to ensure better organizational performance and results. In line with its drive to provide equal opportunities and serve as a role model for the societies it serves, UNOPS will increasingly harness the skills and behaviours of a gender-balanced leadership cadre.

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

Goal C. Process excellence

47. UNOPS continues to improve the quality, efficiency and reliability of its operations through simplification and innovation of processes, based on standards and benchmarks and facilitated by information technology.

Driver C1. Manage efficiency and consistency

48. UNOPS drives organizational performance and accountability for results through its performance management framework. Quarterly UNOPS business reviews enable senior management to assess the operational performance on a consistent and regular basis, informing strategic decisions and guiding operational actions. UNOPS will continue to improve the availability and quality of management information, including through dashboards and new collaboration tools.

49. UNOPS continues to improve its delivery platform, with further enhancement of its enterprise resource planning system, 'oneUNOPS ERP', to expand system coverage, integrate internal controls, and reduce costs associated with business processes. The recent introduction of 'oneUNOPS Projects', an enterprise portfolio and project management system, will improve the monitoring of project progress and completion against budget and schedule.

Driver C2. Benchmark performance

50. The internationally recognized model for organizational excellence of the European Foundation for Quality Management helps UNOPS establish priorities for strategic and operational improvements. UNOPS has extended its benchmarking activities to include performance analysis of both payroll and personnel administration. Those measures show continued improvements in efficiencies and favourable results when compared to industry standards. In 2017, the UNOPS Internal Audit and Investigations Group carried out a review of Global Shared Service Centre and confirmed the value for money achieved since insourcing those processes in 2016.

51. Informed by the American Productivity and Quality Centre process framework, and following the Governance, Risk and Compliance initiative, UNOPS has identified its core processes supporting the revised legislative framework. Those processes are under continual review and improvement by the process and quality management system. At the end of 2018, the system contained over 400 documented processes supporting 86 per cent of UNOPS policies. As part of the implementation of its knowledge management strategy, UNOPS will expand its use of the system.

52. UNOPS is committed to improving the security of its personnel and the health and safety standards of its operations, as well as its impact on the environment. Beyond implementing mandatory security measures in accordance with the findings of the local security risk management process, UNOPS is rolling out standards in health, safety, and social and environmental management, to offices and projects.

Driver C3. Innovate services and delivery platform

53. 'OneUNOPS' will continue to serve as the organizational platform for increasing efficiency, control, innovation and collaboration. The introduction of 'oneUNOPS Projects' allows the organization to improve project scheduling, record and escalate risks and issues, capture lessons learned, and monitor progress. UNOPS will track projects managed in accordance with project and enterprise risk management requirements.

54. UNOPS will continue to establish long-term agreements with suppliers. Where feasible, these will be made available to United Nations system partners directly or through 'UN Web Buy Plus', expanding the list of products available on the e-commerce platform. UNOPS is improving its in-house e-sourcing platform, integrating it with the United Nations Global Marketplace and exploring the possibility of sharing it with external partners.

55. UNOPS works to further build the capacity of small and medium enterprises and women- and youth-owned businesses, improving their access to the Global Marketplace through initiatives such as the 'UNOPS Possibilities Forum' and the 'UNOPS Possibilities Portal'. Building on the 2019 World Procurement Award for "Supplier

Diversity and Inclusion”, UNOPS will continue these initiatives, encouraging enterprises to demonstrate how their products or services can expand the possibilities for UNOPS projects.

56. As part of its commitment to climate neutrality, UNOPS offsets its greenhouse gas emissions annually, using certified emission reductions credits.

Goal D. Financial stewardship: finances managed for development effectiveness

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

Driver D1. Manage growth and delivery

58. UNOPS will recover sufficient revenue to offset its cost, aided by its flexible pricing model whereby each engagement signed with partners is priced based on setup and context.

59. UNOPS intends to continue to grow its operations in support of United Nations partners and reach more people in need. Key to this will be a healthy ratio between delivering on existing partner agreements and signing new ones. This will be achieved, in part, through improved forecasting and strengthened target setting.

Driver D2. Attribute costs to value

60. Answering the call of the quadrennial comprehensive policy review to enhance cost recovery models, UNOPS will continue to focus on linking its recovery modality with its service lines. This will be combined with shifting budgeting for project cost towards an output-based approach.

61. To ensure the financial viability of the UNOPS self-financing business model, engagements will be signed in accordance with the cost recovery policy. As requested by the General Assembly, UNOPS will manage towards a low level of exceptions to policy and framework agreements¹¹.

Driver D3. Invest in knowledge and innovation

62. In line with its strategic plan, 2018-2021, UNOPS will invest in knowledge and innovation based on technical expertise and capacity for the design, transfer and adaptation of specialized context-specific solutions. To that end, UNOPS will make investment funds available for knowledge and innovation, including for service offerings, strategic solutions and thought leadership.

63. The UNOPS knowledge management strategy is based on the premise that past and future demand will help focus investments for the reuse and innovation of expertise. UNOPS will strengthen arrangements for systematic, organization-wide knowledge management to help people achieve objectives through effective specialized technical expertise.

B. Management results framework

64. The four management goals articulated in the strategic plan, 2018-2021, provide direction as to how UNOPS ensures the viability of its self-financing business model, and reflect the four perspectives (partners, people, process, and finance) of the UNOPS balanced scorecard. The scorecard remains a core internal management tool driving performance across UNOPS business units.

65. The management results framework forms the results-based element of the UNOPS budget estimates, 2020-2021. The framework for next biennium aims to strengthen the

¹¹ A/RES/71/243

organizational focus on strategic and/or corporate priorities through a select number of key performance indicators. This will enable the management results framework to drive organizational change in key areas through a targeted and streamlined approach. The new framework further integrates different elements of UNOPS performance management by incorporating key measures from internal management processes and tools, such as quarterly business reviews and target agreements.

66. The renewed focus of the management results framework will be coupled with the development of a designated framework for monitoring and reporting on UNOPS sustainable implementation approaches, pursuant to the strategic plan, 2018-2021 (see annex 1). This will embed key standards of the Global Reporting Initiative into a separate reporting framework with a view to driving and promoting these approaches.

Table 1. UNOPS management results framework

Management goals	Drivers	Performance indicators	Baseline 2018	Targets 2020-2021
A. Partner value	A1. Manage partner value	Overall partner satisfaction	76%	80%
	A2. Partner for knowledge and effect	Increase in partner agreement value to support public procurement and quality infrastructure	\$563 million (17/18 average)	>10%
	A3. Communicate contribution of value	Uphold international transparency standards for results	100%	100%
B. People excellence	B1. Embrace a culture founded in United Nations values and principles	Women in workforce	39%	50%
	B2. Attract, recognize and develop talent	Overall personnel engagement	4.18 (2017)	4.10
	B3. Reinforce leadership	Women in senior positions	31%	>37%
C. Process excellence	C1. Manage efficiency and consistency	Timely completion of projects	n/a	80%
	C2. Benchmark performance	Implementation rate of accumulated internal audit recommendations	96%	90%
	C3. Innovate services and delivery platform	Projects managed according to project and enterprise risk management requirements	n/a	100%
D. Financial stewardship	D1. Manage growth and delivery	Ratio of annual delivery to value of partner agreements	81% (17/18 average)	75-85%
	D2. Attribute costs to value	Partner agreements in compliance with cost recovery policy	98%	95%
	D3. Invest in knowledge and innovation	Share of investment budget spent on knowledge and innovation	37%	40%

C. Resources targeted and organization aligned to achieve results

67. UNOPS has aligned its budget for the biennium 2020-2021 with the harmonized presentation adopted by UNDP, UNFPA and the United Nations Children's Fund, based

on decisions 2010/32, 2011/10, 2012/27 and 2013/9, in which the Executive Board approved harmonized approaches for cost-classification, results-based budgeting and budget presentation. Due to the self-financed business model of UNOPS, two years is seen as the most relevant planning horizon in terms of revenue and costs.

68. The UNOPS organizational structure allows efficiency and effectiveness in service delivery to partners and clearly defines global functions, authorities and accountabilities. The results and budget framework for the 2020-2021 biennium is directly aligned with the UNOPS global structure (figure 1, above).

69. This chapter examines the management results and budget framework through the lens of the seven harmonized functional clusters. Table 2, below, provides key performance indicators, with associated baselines and targets, and resources, by functional cluster.

Table 2. Targets and resources for management results, by functional cluster

Harmonized functional cluster	Performance indicator	Baseline 2018	Target 2020-2021	Management resources 2020-2021
Leadership and corporate direction	Ratio of annual delivery to value of partner agreements	81% (17/18 average)	75%-85%	\$18.0 million
	Women in senior positions	31%	>37%	
Corporate external relations and partnerships, communications and resource mobilization	Overall partner satisfaction	76%	80%	\$40.0 million
	Increase in partner agreement value to support public procurement and quality infrastructure	\$563 million (17/18 average)	>10%	
Country office oversight, management and operations support	Timely completion of projects	n/a	80%	\$30.4 million
	Projects managed according to project and enterprise risk management requirements	n/a	100%	
Corporate human resources management	Women in workforce	39%	50%	\$11.0 million
	Overall personnel engagement	4.18 (2017)	4.10	
Staff and premises security	Not applicable*	n/a	n/a	\$1.0 million
Corporate financial, information and communications technology and administrative management	Partner agreements in compliance with cost recovery policy	98%	95%	\$27.6 million
	Share of investment budget spent on capacity building, knowledge management and innovation	37%	40%	

Corporate oversight and assurance	Implementation rate of accumulated internal audit recommendations	96%	90%	\$10.5 million
	Uphold international transparency standards for results	100%	100%	
Total				\$138.5 million

*No performance indicators set for harmonized functional clusters representing less than 1% of management resources

Leadership and corporate direction

70. *Definition.* The ‘leadership and corporate direction’ harmonized functional cluster corresponds to the UNOPS ‘strategic management and leadership’ global function, handled by the global leadership team.

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

72. *Accountability and funding level.* Strategic management and leadership are funded in all entities of the global structure. Accountability lies with the Executive Office and with senior management across the organization. The estimated funding level is increased by \$1.6 million, to \$18.0 million.

Corporate external relations and partnerships, communications and resource mobilization

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

74. *Issues and narrative.* As UNOPS matures in managing its external relations, the headquarters-based Partnership Group has been extended by additional liaison offices located in proximity to partners, and the Management Support Centre has been established to provide additional support. UNOPS has increased its business development capabilities in the regions to ensure sufficient resource mobilization and improve the quality of engagements signed. The Communications Group has been strengthened with additional resources to increase the visibility of UNOPS to target audiences. This sharper focus is reflected in increased funding for 2020-2021.

75. *Accountability and funding level.* Accountability is shared among the Partnerships Group, UNOPS liaison offices, the Communications Group, the Management Support Centre, and management across UNOPS regional entities. Estimated funding has increased by \$9.6 million, to \$40.0 million.

Field/country office oversight, management and operations support

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

77. *Issues and narrative.* Acknowledging the interdependence between two UNOPS service lines – support for infrastructure and project management activities – are consolidated in the Infrastructure and Project Management Group. UNOPS is strengthening its delivery mechanism by increasing technical advisory capacity at the regional level. This reflects its ambition to continue growing technical expertise to support partners in its mandated areas.

78. Implementation of the UNOPS governance, risk and compliance framework enables it to better distinguish between transactional processes and policy-setting and oversight activities. By further delineating these roles for field support functions, UNOPS will be able to leverage its resources to improve solutions and promote innovation in support of partners.

79. *Accountability and funding level.* Accountability lies with management across UNOPS regional entities, the Infrastructure and Project Management Group, the Procurement Group, the Legal Group, the Shared Services Centre with its integrated practice advice and support function, and all functions involved with transactional services, process support and records maintenance in support of operations. As UNOPS improves the efficiency of its operations support functions, the estimated funding level has decreased by \$4.0 million, to \$30.4 million.

Corporate human resources management

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

81. *Issues and narrative.* The existing, well-established and cost effective UNOPS Shared Service Centre allows the delivery of high-quality global human resources support for both advisory and transactional tasks. UNOPS is thus able to increase the scope, types and share of services delivered to partners. This allows UNOPS to contribute effectively to the Secretary-General’s reform agenda and take on more work should that be required.

82. The separation of advisory and transactional functions to the Shared Service Centre and the integrated practice advice and support function allows the People and Change Group to focus on strategic and institutional priorities, a more cost-effective way of delivering specialized human resources functions to the organization and beyond.

83. *Accountability and funding level.* Accountability for policy lies with the People and Change Group, whereas operational implementation is shared with the Shared Service Centre and the integrated practice advice and support function. The estimated funding level is increased by \$1.9 million, to \$11.0 million.

Staff and premises security

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

85. *Issues and narrative.* Security is a critical component in the implementation of UNOPS projects worldwide, and the bulk of those costs are covered directly by relevant projects. In addition to the security of personnel and assets, UNOPS is implementing internationally recognized health, safety and environmental standards.¹² UNOPS has continued to build up the function with additional resources.

86. *Accountability and funding level.* Accountability lies with UNOPS personnel at the headquarters and field levels, in accordance with the accountability framework of the United Nations security management system. On behalf of the Executive Director, the UNOPS Chief of Security will monitor UNOPS compliance with United Nations management policies and adopted standards. The estimated funding level from the management budget has increased by \$0.3 million, to a total of \$1.0 million.

¹² ISO-14001 and OHSAS-18001

Corporate financial, information and communications technology, and administrative management

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

88. *Issues and narrative.* Following the consolidation of its information and communications technology function under the Chief Information Officer in the Finance Group, UNOPS continues to improve the functionality of its global enterprise resource planning system, ‘oneUNOPS’. At the same time UNOPS has embarked on innovations including a move towards cloud-based solutions and reimagining the way the organization collaborates and shares knowledge using information and communications technology. The entire support function is recovered as direct cost, allowing for further reductions in the cost of services provided through the management budget. Additional funds have been allocated to establish the function of Chief Information Security Officer, in the Internal Audits and Investigations Group, to enhance information security controls.

89. The UNOPS Finance Group has completed a review for alignment with the governance, risk and compliance framework, leading to the transfer of a number of processes to the Shared Services Centre for global implementation. The review led to savings in management budget resources as functions were moved to be recovered as direct cost for shared services.

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

91. *Accountability and funding level.* Accountability lies with the Finance Group and the Shared Services Centre. The estimated funding level is reduced by \$4.9 million, to \$27.6 million.

Corporate oversight and assurance

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

93. *Issues and narrative.* The global corporate oversight function comprises the recently established Quality Monitoring Unit, the contract and property review function, the Ethics Office, and the Audit Advisory Committee. Oversight of engagement-related activities and related risk is performed by the Infrastructure and Project Management Group, and corporate risk oversight by the Finance Group.

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

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

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

97. *Accountability and funding level.* Accountability lies with the Internal Audit and Investigations Group, the Quality Monitoring Unit, the Executive Chief Procurement Officer, the Headquarters Contracts and Property Committee, the Ethics Office, the Infrastructure and Project Management Group, and the Finance Group. This functional

cluster includes costs associated with external oversight provided by the United Nations Board of Auditors and the Joint Inspection Unit. The estimated funding level has increased, by \$1.2 million, to \$10.5 million.

IV. How UNOPS will manage: Budget estimates 2020-2021

98. As a self-financed organization, the viability of UNOPS requires that its revenue match its use of resources. The \$181.0 million biennial revenue target serves as a frame for the UNOPS management budget, 2020-2021.

99. UNOPS targets stable management resources in real terms for the biennium 2020-2021 compared to the budget estimates for 2018-2019. The \$181.0 million budget estimates comprise \$138.5 million in management resources, an earmarking of \$22.5 million for provisions and further liabilities, and \$20 million for strategic investments from its surplus. By comparison, in its 2018-2019 budget estimates UNOPS budgeted for \$132.7 million in management resources, and earmarked \$26.6 million for potential provisions and liabilities, and \$20 million for strategic investments from its surplus.

A. Stable management resources focused on quality and added value

100. Prior to 2018, UNOPS achieved a reduction in management resources as a share of delivery. Efficiencies achieved by insourcing processes, investing in information technology and redesigning processes, as well as recovering direct costs through appropriate cost drivers, have enabled UNOPS to increase delivery while maintaining a stable management budget.

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

102. Management resources are expected to grow with inflation in the next biennium, remaining stable in real terms compared to the 2018-2019 budget estimates. The effect of inflation for the next biennium is estimated at 2.84 per cent for 2020 and 2.86 per cent for 2021, reflecting the combined impact of the annual inflation rate at headquarters and all other locations.

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

B. Flexible personnel force aligned with strategy

104. Table 3, below, represents an overview of UNOPS management expense-funded staff posts for the 2020-2021 budget estimates.

Table 3. Staff posts funded by management budget, by category and location¹³

	2018-19 Budget Estimates			2020-21 Budget Estimates			Change		
	Head-quarters	Regions	Total	Head-quarters	Regions	Total	Head-quarters	Regions	Total
USG/ASG	2	0	2	2	0	2	0	0	0
D-2	7	2	9	6	5	11	-1	3	2
D-1	5	12	17	5	9	14	0	-3	-3
Other international professionals	43	47	90	38	44	82	-5	-3	-8
All other	10	18	28	5	14	19	-5	-4	-9
Total	67	79	146	56	72	128	-11	-7	-18

Note: USG=Under-Secretary-General; ASG=Assistant Secretary-General

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

106. The estimated number of staff in the budget estimates, 2020-2021, reflects the status as of mid-2019. The decrease in the number of staff funded by the management budget reflects continued UNOPS efforts to attribute direct costs to appropriate cost drivers. The changes in senior staff reflect realignment of regional portfolios.

C. Allocating resources to address risks

107. Since 2009, the UNOPS operational reserve has remained above the minimum set by the Executive Board. A solid reserve ensures that management expenses can be met. Beyond that minimum requirement, the reserve plays a key role in assuring partners that UNOPS can deliver on its commitments as a self-financed United Nations organization without core funding support. In the next biennium, the operational reserve is estimated to hold its \$192.9 million level as of end 2018. This constitutes less than 1 per cent of annual UNOPS delivery.

108. As the UNOPS mandate has evolved over time, so has the complexity of its portfolio. The number of infrastructure assignments has increased, and UNOPS is a trusted partner for operations in fragile states and challenging environments. The mandate to support the mobilization of private sector funds for development objectives has added to the complexity and risk exposure of UNOPS work.

109. There is an inherent residual risk as UNOPS works to mitigate its risk exposure through process improvements, training and other internal measures. The recently

¹³ The total number of staff posts funded by direct and indirect costs has remained stable at approximately 750 since mid-2017, when the previous budget estimates were presented. In line with the General Assembly request reflected in the quadrennial comprehensive policy review (A/RES/67/226) and reaffirmed in the quadrennial comprehensive policy review of operational activities for development of the United Nations system (A/RES/71/243), UNOPS continues its efforts to attribute direct costs to appropriate cost drivers. By expanding its ability to identify functions and processes that should be directly recovered from projects, the cost of posts previously recovered as indirect has now been budgeted as shared services and is largely recovered from direct costs. This explains the reduction of 18 staff posts funded by the management budget in the UNOPS budget estimates, 2020-2021.

implemented revised governance, risk and compliance framework is a key step towards mitigating risk exposure and better quantifying risk profile. In the coming biennium, UNOPS will enhance its assessment of engagement risk by considering the context, the nature of the services rendered, and the role it assumes.

110. Quantifying risk exposure is important for UNOPS to ensure that sufficient funds are set aside and that each engagement recovers a sufficient amount to fund risk mitigation measures.

111. UNOPS is committed to allocating sufficient funding to address risks. In the 2020-2021 biennium, UNOPS will earmark \$22.5 million for potential write-offs, provisions, and a contingency surplus to address plausible risks that would not be covered through direct cost. This constitutes approximately 12 per cent of estimated revenue for the biennium.

D. Investments to support UNOPS ambitions

112. Beyond the core functions funded by management resources, UNOPS will allocate funds to equip it to meet evolving partner demand in the light of the 2030 Agenda. In the 2020-2021 biennium, UNOPS will set aside \$20 million for strategic investments. In line with its strategic plan, 2018-2021, UNOPS will target investments that enhance the quality of its processes and the competencies of its personnel.

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

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

115. UNOPS will invest in developing innovative solutions to help Member States deliver on the global goals. In line with its mandate to mobilize private sector funds for development objectives, UNOPS will continue to deliver social impact investment projects and explore innovative solutions for resource mobilization. Investments into 'S3I' projects are made from UNOPS reserves¹⁴.

¹⁴ UNOPS Financial Regulations and Rules, regulation 22.02

Table 4. Resource plan
(in millions of dollars)

	2018-2019	2018 (actuals) and 2019 (projection)	2020-2021
	Budget estimates		Budget estimates
Resources available			
Operational reserve beginning of period	131.6	158.6	192.9
Total revenue on budget basis	179.3	173.4	181.0
Total available	310.9	332.0	373.9
Use of resources			
Management resources	132.7	121.9	138.5
Provisions/Liabilities	26.6	11.3	22.5
Strategic investments from surplus	20.0	14.1	20.0
Total use of resources	179.3	147.3	181.0
Balance of resources			
Net revenue on budget basis	0.0	26.1	0.0
Net Financial Income	0.0	19.6	0.0
<i>IPSAS basis difference</i>	0.0	-7.3	0.0
<i>Actuarial gains/losses for the period</i>	0.0	2.4	0.0
<i>Increase in fair value reserve</i>	0.0	-6.6	0.0
Budget basis to IPSAS reconciliation	0.0	-11.5	0.0
Change to the operational reserve on IPSAS basis	0.0	34.3	0.0
Operational reserve at end of period	131.6	192.9	192.9

Note: IPSAS=International Public Sector Accounting Standards

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

	Expense category	2018-19 budget estimates	Volume increase		Cost increase amount \$	2020-2021 budget estimates
			Amount in dollars	Percentage		
Management Expenses	Posts	25.5	-	-	1.6	27.1
	Common staff costs ¹⁵	18.4	-	-	2.0	20.4
	Travel	8.0	-	-	0.7	8.7
	Consultants ¹⁶	61.9	-	-	4.6	66.4
	Operating expenses ¹⁷	15.0	-	-	2.1	12.9
	Furniture and equipment	1.7	-	-	0.7	1.0
	Reimbursements	2.4	-	-	0.4	2.0
	Total management expenses	132.7	0.0	-	5.8	138.5

¹⁵ Includes allowances, insurances, learning and staff administration costs

¹⁶ Includes 'individual contractor agreements', local and international consultants, contractual services and company contracts

¹⁷ Includes general operation expenses, hospitality, rental, utility, maintenance and miscellaneous expenses