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United Nations Development
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Population Fund and United Nations
Office for Project Services**

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United Nations Office for Project Services

United Nations Office for Project Services budget estimates for the biennium 2012-2013

Summary

The budget estimates of the United Nations Office for Project Services (UNOPS) for the biennium 2012-2013 total \$148.7 million. The resources are geared towards implementing the UNOPS 2010-2013 strategic plan (DP/2009/36). Recognizing the significant uncertainties associated with the revenue projections, UNOPS continues to be prudent in its budgeting and therefore targets zero real growth in management resources for the biennium. This reflects UNOPS focus on cost-effectiveness.

For UNOPS, at its current stage of organizational maturity, a fully replenished operational reserve represents a significant measure of the organization's financial sustainability and the viability of its business model as a fully self-financing service provider in the United Nations.

The transition to International Public Sector Accounting Standards (IPSAS) in 2012 adds to the challenges associated with the preparation of this budget. It is estimated that introduction of IPSAS will affect actual net revenue for 2012-2013 by approximately \$13 million, owing mainly to delayed revenue recognition.

With these budget estimates, UNOPS is targeting the highly ambitious goal of generating sufficient margins that the operational reserves will remain above the minimum requirement at the end of 2013 in spite of the effect on actual results of IPSAS-related accounting treatments. This translates into a target of zero net revenue for the upcoming biennium after accounting for IPSAS implications and regular provisions.

The format of the UNOPS budget aligns with the harmonized results-based budget approach of UNDP, UNFPA and UNICEF. The presentation is centered on the UNOPS management results framework aimed at enhancing and sustaining UNOPS contributions to the United Nations and its partners as outlined in UNOPS strategic plan.

The budget estimates support key priorities aimed at increasing UNOPS efficiency and effectiveness. UNOPS management and implementation support practices were developed in response to partner demand in certain areas and their continued strengthening remains a priority. Efforts to enhance the quality of UNOPS deliverables through continuous improvement, as well as enhanced transparency and accountability, are demonstrated through further adoption of international best practice standards. Resources are also directed to improving UNOPS ability to help develop partners' implementation capacity in areas of the UNOPS mandate and core competencies.

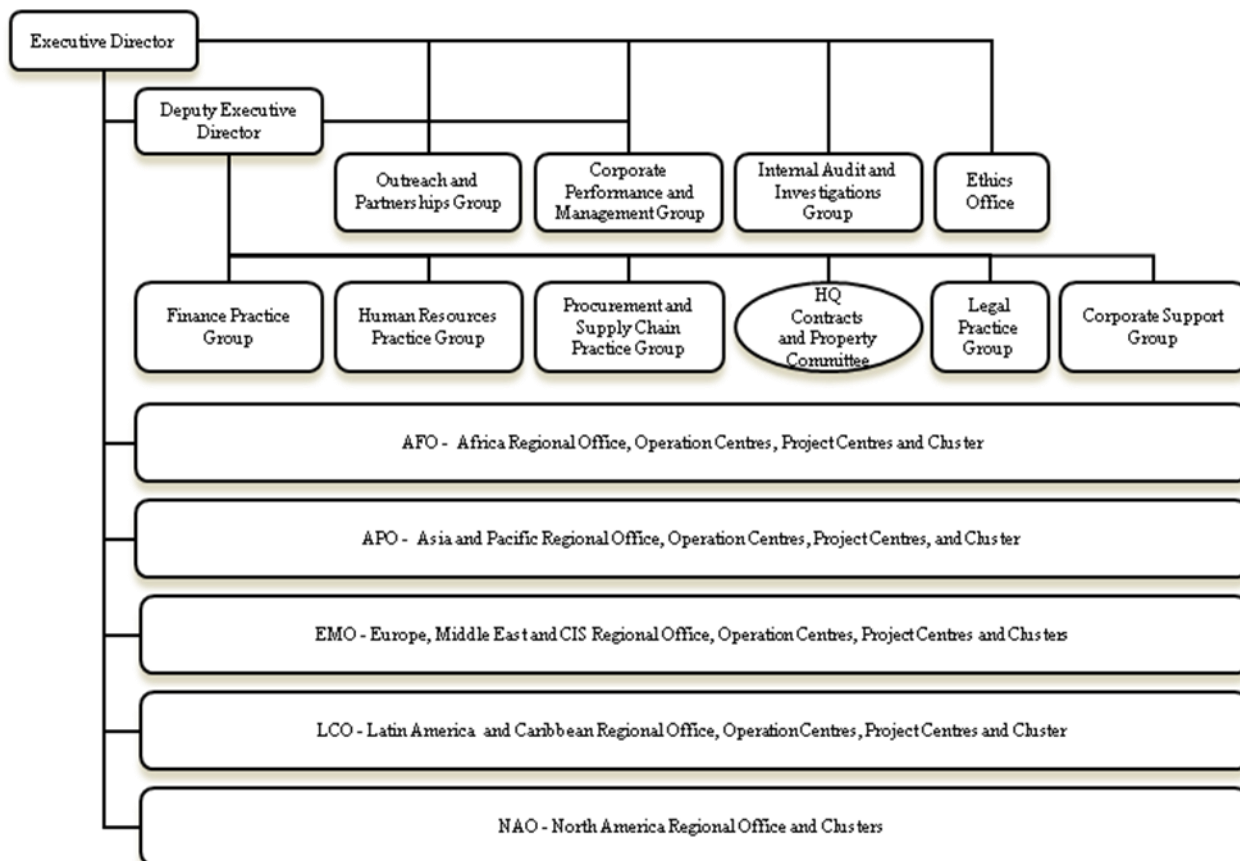
Elements of a decision

The Executive Board may wish to: (a) approve the net revenue target, recognizing the accounting effects of transition to IPSAS; and (b) endorse the refined management results and the associated targeting of resources.

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Figure I.
UNOPS global structure



I. Strategic context

1. Central to UNOPS are its commitment to United Nations coherence objectives and contribution to its partners' results aimed at improving people's lives, the path towards which is chartered in the Millennium Development Goals and other internationally agreed goals.

UNOPS mandate reaffirmed by the Executive Board and the General Assembly

2. UNOPS contributes by expanding the capacity of the United Nations system and its partners to implement peacebuilding, development and humanitarian operations that matter for people in need. In doing so, UNOPS is guided by the triennial comprehensive policy review and subsequent policy reviews performed by the General Assembly. UNOPS mandate was clarified by recent Executive Board decisions 2009/25 and 2010/21.

3. The General Assembly in its resolution 65/176 reaffirmed UNOPS mandate as contained in Executive Board decision 2009/25, which states, inter alia, "UNOPS acts as a service provider to United Nations system agencies, funds and programmes, international and regional financial institutions, intergovernmental organizations, donor and recipient Governments, non-governmental organizations, foundations and private sector organizations... UNOPS is a central resource for the United Nations system in procurement and contracts management as well as in civil works and physical infrastructure development, including the related capacity development activities."

Operational results define the areas where UNOPS contributes to partners' results

4. The UNOPS strategic plan 2010-2013 (DP/2009/36) was endorsed in 2009, aligning the planning period with key United Nations partners. The strategic plan presents UNOPS operational results framework comprising four contribution goals, defining the areas where UNOPS contributes to partners' results; and three cross-cutting concerns for UNOPS operations.

(a) UNOPS contribution goals:

1. Rebuilding peace and stability after conflict
2. Early recovery of communities affected by natural disasters
3. Ability of people to develop economies and obtain social services
4. Environmental sustainability and adaptation to climate change

(b) Cross-cutting operational concerns:

1. Gender equality and the empowerment of women
2. National capacity development
3. Environmental sustainability

The strategic plan presents the steps that UNOPS is taking in pursuit of its vision: "to always satisfy partners with management services that meet world

class standards of quality, speed and cost-effectiveness". An important related feature of the strategic plan is to focus the work of UNOPS where it can contribute the most to the results of partners, which in turn will help build operational excellence in these areas. The thrust of the vision was further confirmed by the General Assembly, which recognized in its resolution 65/176 "the potential for value-adding contributions that United Nations Office for Project Services can make in providing efficient, cost-effective services to partners in the areas of project management, human resources, financial management and common/shared services".

5. The strategic plan builds upon the lessons learned in the implementation of the UNOPS business strategy 2007-2009, which focused on rebuilding financial stability through improved client satisfaction, the introduction of world class business practices and performance, and enhanced workforce competence and motivation.

6. Much has been achieved: UNOPS is already an active and more appreciated member of United Nations country teams; financial viability has been proven for five consecutive years; and there is greater accountability and transparency, as well as enhanced management of risks, internal controls and oversight. UNOPS received an unqualified external audit for the period 2008-2009 and achieved the operational reserves minimum requirement at the end of 2009, two years ahead of the target set out in the 2010-2011 budget estimates. With that, UNOPS took significant steps towards completing the financial clean-up of the organization that has been in process since 2006. Outstanding issues pertain to historic liabilities and UNOPS is working systematically with the involved parties to resolve these issues.

Management results sustain and enhance contributions to the United Nations and other partners

7. Building on these achievements, the 2010-2011 budget estimates prioritize certain strategic initiatives aimed at increasing UNOPS efficiency and effectiveness and contributions to partners' results. These include continued improvement of business practices in line with world-class standards, preparations to implement IPSAS, and other measures to further enhance transparency and accountability. Priority is also attached to strengthening project management as a practice area offering policy guidance, tools, and training to personnel worldwide, as well as strengthening knowledge management in UNOPS focus areas, and UNOPS ability to help build national implementation capacity within its mandate areas.

8. In line with the ambition stated in the strategic plan, UNOPS set out to achieve external certification of core management functions, business processes and personnel. In June 2011, this work resulted in UNOPS gaining the prestigious ISO 9001 quality management system certification. UNOPS is the first United Nations organization to have its global management systems certified to ISO 9001. As part of the process, UNOPS documented core business practices in its Practice and Quality Management System. During a series of ISO assessments in 2011 the organization demonstrated that it consistently follows and refines these processes at all levels.

9. During 2011, UNOPS was officially awarded the Chartered Institute of Purchasing and Supply Certification in Procurement Policies and Procedures.

This is a major achievement and UNOPS currently is the only United Nations body to have this recognition. This certification demonstrates that UNOPS has sound procurement policies, processes and procedures, verified and monitored by an independent body.

10. The above-mentioned certifications illustrate how UNOPS partners benefit from business practices which reflect leading international standards. UNOPS will continue to prioritize such efforts to enhance and demonstrate the quality, speed and cost-effectiveness of the way it works. These efforts are expected to continue to yield benefits with regard to the quality of UNOPS deliverables, as well as both revenue and expenditure patterns in the current and future budget estimates.

11. UNOPS management results framework, as articulated in the strategic plan 2010-2013, reflects the results that UNOPS as a self-financed organization must strive towards in order to sustain and enhance its ability to contribute to the United Nations and its partners. The presentation of the budget estimates is centred on this framework, which has been updated to enable effective implementation and communication of UNOPS management strategy. With a view to improving the methodology, UNOPS will continue examining lessons learned from its own implementation of results-based budgeting and management, and by studying experiences in UNDP, UNFPA and UNICEF, among others.

12. In this context, as part of its annual report on 2011, UNOPS is planning to include an assessment of its strategic plan. This will be an opportunity to further explore how UNOPS will create greater value for partners and simultaneously a strategic positioning of the organization that will keep it relevant for many years to come.

II. Financial context

13. This section first provides a summary of the interim financial results and projections for the biennium 2010-2011. It then outlines the main budget-related implications of the transition to IPSAS in 2012, before describing the process followed for the preparation of these budget estimates. This leads to a presentation of projections for the biennium 2012-2013, as well as status and expected development in the operational reserve.

Projections for the biennium 2010-2011 indicate achievement of net revenue target

14. As reflected in the financial highlights presented in the annual report for 2010, at the mid-point of the biennium UNOPS is well positioned to achieve its net revenue target for 2010-2011. UNOPS achieved significant growth in gross revenue in 2010 while maintaining management expenditure at the same level as in 2009, a tribute to UNOPS consistent focus on cost-effectiveness.

15. Through its management information systems, UNOPS monitors results on an ongoing basis and financial performance against targets in real time. In the first months of 2011, UNOPS has experienced a reduction in business acquisitions and delivery that may be caused by the financial crisis affecting partners' budgets. UNOPS will continue its prudent management practices, ensuring continued financial sustainability even in the event of a potential reduction in the revenue trend. The outcome of accounting provisions are particularly difficult to estimate in advance, as in many cases this requires agreements with partner organizations, arbitration settlements with contractors, or financial commitments by donors.

16. 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 is reasonably confident that it will meet, or exceed, the net revenue target set for the 2010 – 2011 biennium.

17. The actual financial performance of UNOPS in 2010-2011, to be reflected in the certified financial statement for the biennium, will depend on revenue generated and expenditures incurred until the last day of 2011. It will also be influenced by determinations of write-offs or bad debt provisions for historic liabilities. The actual result, and any impact on future planning, will be reported to the Executive Board in 2012.

Transition to IPSAS delays revenue recognition and changes treatment of assets

18. The accounting impact of the introduction of IPSAS in 2012 is difficult to assess and therefore needs to be closely monitored and carefully managed. It is currently estimated that the transition from UN System Accounting Standards (UNSAS) to IPSAS will affect actual net revenue for 2012-2013 by approximately \$13 million, owing mainly to delayed recognition of revenue under IPSAS and different treatment of assets.

19. By comparing the accounting practices currently applied by UNOPS – UNSAS, with those that will be applied under IPSAS, it becomes clear that some of the revenue that under UNSAS would have been accounted for in the 2012-

2013 biennium now will be accounted for in the following biennium. The negative effect on revenue for 2012-2013 is estimated to be \$12 million – a one-off effect that will not affect the results of bienniums after 2013.

20. Under IPSAS, UNOPS administrative assets will no longer be fully expensed on acquisition but will instead be capitalized and depreciated over the useful life. The net effect of this change in accounting practices is estimated to be \$1 million in additional cost over the biennium 2012-2013.

Budget preparation and implementation reflect realities on the ground

21. In order to ensure ownership and reflect realities ‘on the ground’, all UNOPS regions were involved in developing the budget estimates. The revenue projections were prepared through a two-pronged process: At the corporate level, the projections were based on analysis of past performance, combined with assumptions provided by senior management. This analysis was complemented by a bottom-up exercise where regions were asked to provide projections for the areas contributing most significantly to revenue, as well as areas where significant change may be expected. The fact that these two scenarios on aggregate gave virtually the same results provides assurance that the estimates represent the best possible prediction at the current point in time.

22. In line with the organizational structure, implementation of the budget will be decentralized to regional offices, operations centres, project centres and clusters, which will be held accountable for reaching annual target agreements. The status of various entities in the organizational structure will also be revised based on the annual target-setting exercise, and reviews and adjustments during implementation.

23. Monitoring of, and reporting on, budget implementation is an integral part of UNOPS comprehensive performance management system. Data are collected and analysed to allow results to be reported at different levels, including core activity and corporate function, for the whole organization, by region and by entity.

24. To allow the flexibility required to meet changing demands for UNOPS services by its partners, financial regulation 14.02 grants the Executive Director authority 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 the net revenue target for the biennium established by the Executive Board is met.

Projections for the biennium 2012-13 indicate reduction of fees and stable gross revenue

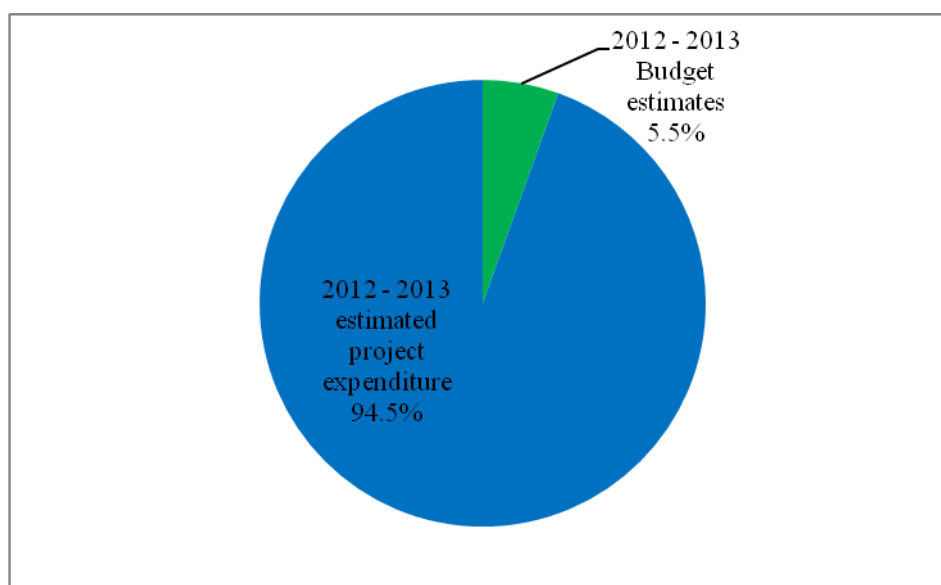
25. The nature of UNOPS, as a fully self-financing service provider, causes significant uncertainty in predictions of delivery and, accordingly, revenue, which will finance the UNOPS budget. At the time of preparing the 2012-2013 budget estimates, most of UNOPS partners faced funding constraints. In view of this, UNOPS is conservative in its budgeting.

26. In UNOPS every engagement must cover its full costs, including direct charges, contributions to corporate overheads covering all corporate functions contained in this budget proposal and to the operational reserves as a buffer for management of financial risks and liabilities. If the operational reserves continue

to be fully replenished and once all historic liabilities are met, UNOPS may reduce the fees for its implementation services from the current levels of a minimum of 4 per cent for transactional services, such as standard procurement, and a minimum of 7 per cent for project implementation services. Recent times have seen a gradual reduction in the average fees to an estimated level of 5.61 per cent in 2010, compared to 5.68 in 2009. For the upcoming biennium, it is expected that the average fee will continue to be reduced, to 5.5 per cent, slightly below the average of 2009 and 2010 actuals. The actual fee rate will depend on the volume and composition of services actually delivered in the budget period.

Figure II

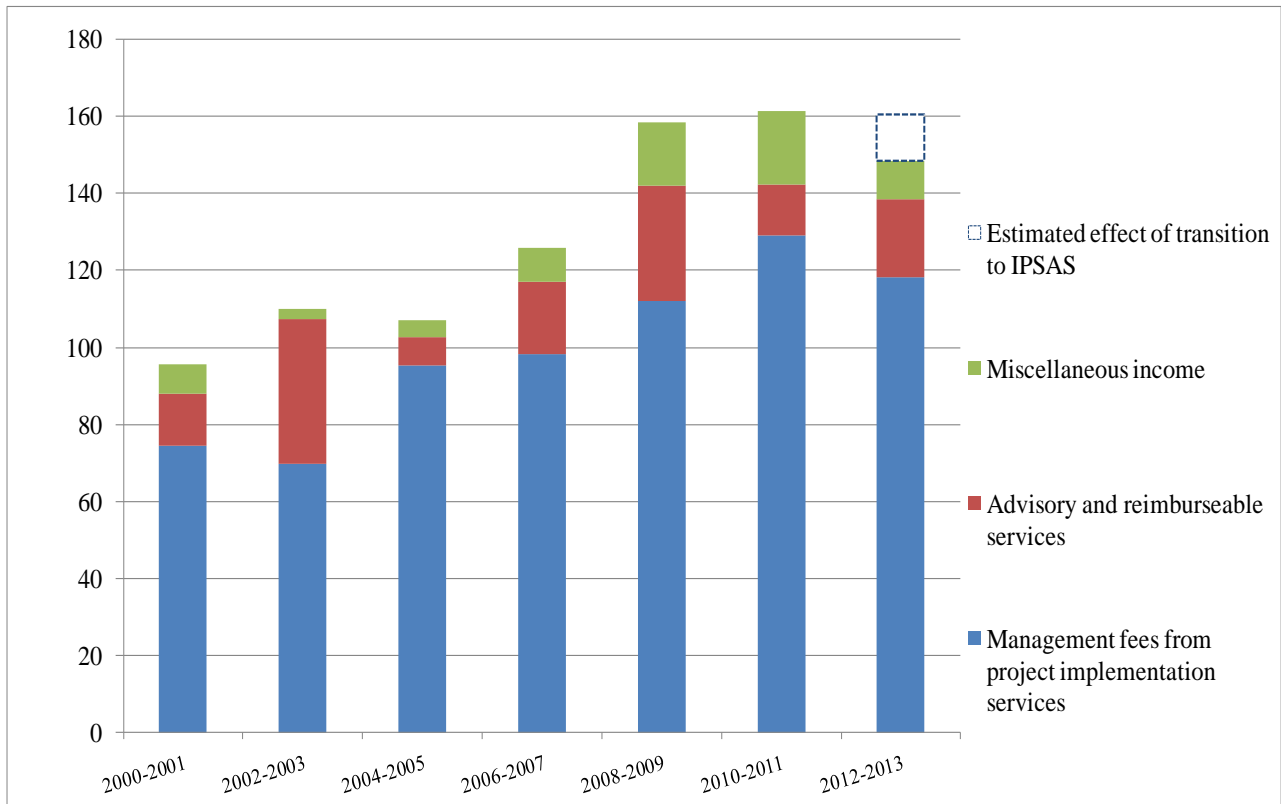
Budget estimates as share of total expenditure 2012-2013



27. For the biennium 2012-2013, the total gross revenue target is set at \$148.7 million. This revenue is composed of \$118.5 million in estimated revenue from project implementation services, \$20.2 million from advisory and transactional services and \$10.0 million in miscellaneous income. The estimated revenue from project implementation services was determined after considering the estimated \$12 million in delayed revenue recognition for the biennium under IPSAS. Figure III illustrates how these projections compare with past performance. Notably, in the figure, revenue for 2010-2011 are a combination of 2010 actuals and 2011 estimates; 2012-2013 data are the budget estimates; while data for previous years are actuals.

28. Considering the significant expected accounting effects of the transition to IPSAS in 2012, adding up to a total negative effect of \$13 million, UNOPS plans for a net zero contribution to the operational reserves over the biennium. According to estimates, the operational reserves will remain above the target determined by the Executive Board at the end of the biennium. Section IV elaborates on the cost estimates for the 2012-2013 management budget.

Figure III
Gross revenue trends, by source of revenue
 (In millions of United States dollars)



Operational reserve at minimum requirement, with a cushion for uncertain future

29. As a fully self-financed organization, it is important for UNOPS that the operational reserve remains above the minimum requirement in order to provide a security cushion against uncertainties associated with revenue predictions and consequences of the IPSAS implementation; and for future investments beyond this budget period, such as the eventual replacement of the organization's enterprise resource management system.

30. The operational reserve minimum requirement is based on 4 per cent of the rolling average of the combined management budget and project expenditures for the last three years of operations. UNOPS achieved the operational reserve requirement at the end of 2009, two years ahead of the target set out in the budget estimates for the biennium 2010-2011. Accordingly, the opening balance for the operational reserve for the period 2010-2011 was \$42.7 million, \$0.6 million above the minimum requirement.

31. As reflected in the interim financial results presented as part of the annual report, at the end of 2010 the operational reserve was \$56.7 million. It is currently estimated that the closing balance at the end of the biennium 2010-2011 will be of the magnitude of \$57 million or \$10 million above the estimated minimum reserve requirement at that time. Notably, there is still significant uncertainty related to the financial results for 2011 and actuals reflected are expected to differ from estimates made at this time.

32. With these budget estimates, UNOPS is targeting the highly ambitious goal of accumulating sufficient margins in 2010-2011 and 2012-2013 such that the operational reserves, in spite of the significant effect of IPSAS-related accounting treatments, at the end of 2013 will remain above the minimum requirement as mandated by the Executive Board. In the light of potential fluctuations in delivery and revenue over the coming years, achievement of this objective will require careful financial management.

33. Throughout the budget period, UNOPS will carefully monitor revenue and expenditure patterns, and, in line with financial regulation 14.02, make upwards or downwards adjustments to the budget as necessary to align management expenditure with evolving realities. If, for this or other reasons, the net revenue target is not achieved, UNOPS will reduce the operational reserve in accordance with their intended use according to UNOPS financial regulation 22.02.

34. In this context, UNOPS in 2012 is planning to perform a review of the operational reserve and the mandated minimum requirement, among others, owing to the transition to IPSAS. More information on the operational reserve and its intended use, is contained in the technical note provided in annex II to the present document.

III. Management results and budget framework

35. UNOPS management results framework, as articulated in the strategic plan 2010-2013, establishes the management results towards which UNOPS as a self-financed organization must strive in order to sustain and enhance its ability to contribute to the United Nations and its partners.

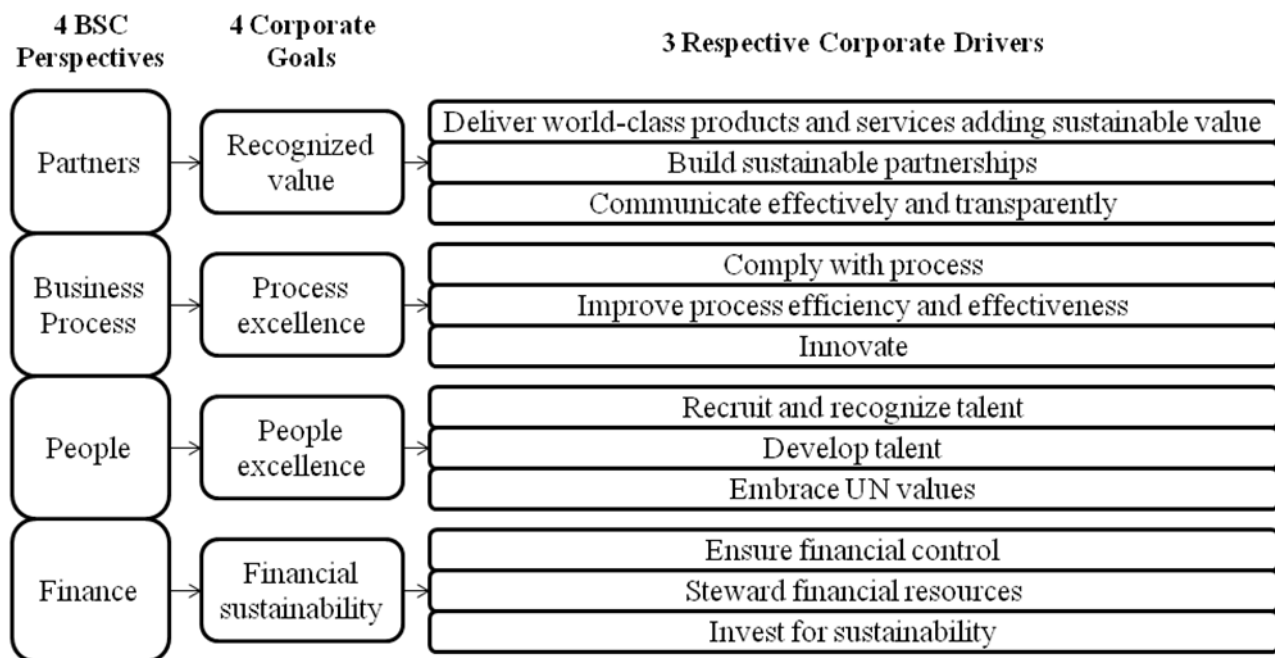
Corporate goals drive performance throughout the organization

36. In UNOPS the Balanced Scorecard (BSC) is the central management tool used to drive improved performance and organizational maturity at all levels of the organization. Accordingly, the management results framework of the 2010-2013 strategic plan is structured around the four perspectives of UNOPS BSC: Partner, Business Process, People and Finance.

37. The management results framework was refined as part of the budget preparation and comprises four corporate goals, one for each BSC perspective. Each corporate goal is operationalized by three action-oriented corporate drivers, providing direction for how the goal is achieved. Each corporate driver is in turn further operationalized by performance measures (indicators), which are used to ascertain progress towards achieving the corporate goal. The management results framework is expressed in direct and action-oriented language, still in generic terms, which makes it dynamic and applicable in all of UNOPS functional areas, and the entities in which they are performed.

Figure IV

Management results framework



38. The four corporate goals and their respective corporate drivers will facilitate more effective implementation and communication of UNOPS management results framework and management strategy, the execution of which will enable UNOPS to enhance and sustain its contributions to the United Nations and its partners.

39. A set of indicators associated with corporate goals and corporate drivers will enable UNOPS to monitor performance against its corporate goals. More elaborate descriptions of each corporate goal and corporate driver, including related performance measures, are contained in annex I to the present document.

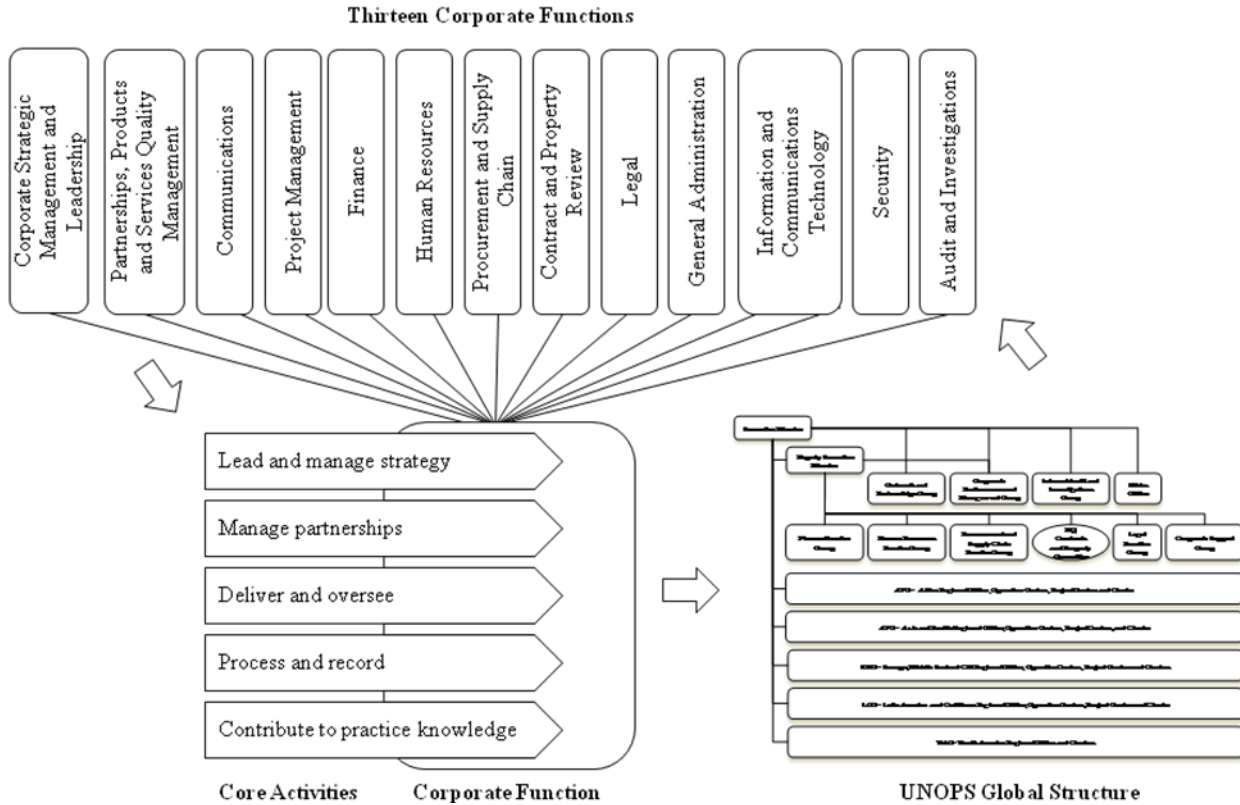
Management results and budget aligned with UNOPS global structure

40. UNOPS organizational structure aims at driving efficiency and effectiveness in the delivery of services to partners and clearly defines corporate functions, authorities and accountabilities. The results and budget framework for the biennium 2012-2013 is directly aligned with the UNOPS global structure, and is intended to enable more coordinated decision-making and integrate key functional roles within and around management practices and implementation support practices.

41. UNOPS management budget framework is structured according to 13 corporate functions, which describe the functional areas of the organization. The framework further identifies five core activities which describe the types of work that UNOPS personnel engage in, across the organization. Each of the five core activities are in turn linked to one or more of the above-mentioned 12 corporate drivers and their respective performance measures, all of which are founded on the four perspectives of the UNOPS BSC.

Figure V

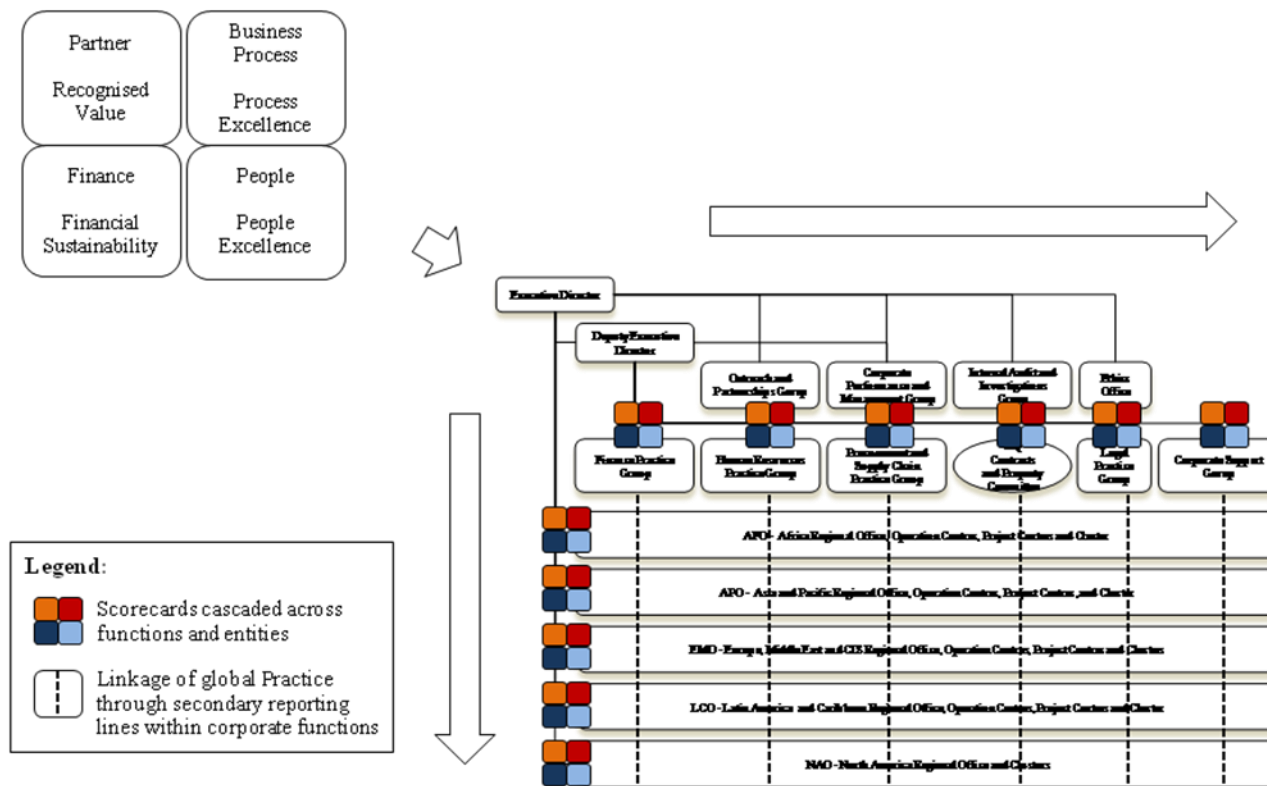
Aligning the organization’s core activities and corporate functions



42. This set-up and alignment of UNOPS management results and budget framework reflect the strong linkages and dependencies among and across UNOPS functional and geographical areas. It recognizes that in all organizational entities management and other personnel, regardless of their primary functional area, engage in activities for the purpose of achieving results associated with the four perspectives of the UNOPS BSC. They interact with and service partners; engage in business processes; and interact with their peers and managers, and all activities have financial implications.

Figure VI

Cascading the Balanced Scorecard across corporate functions and entities in the global structure



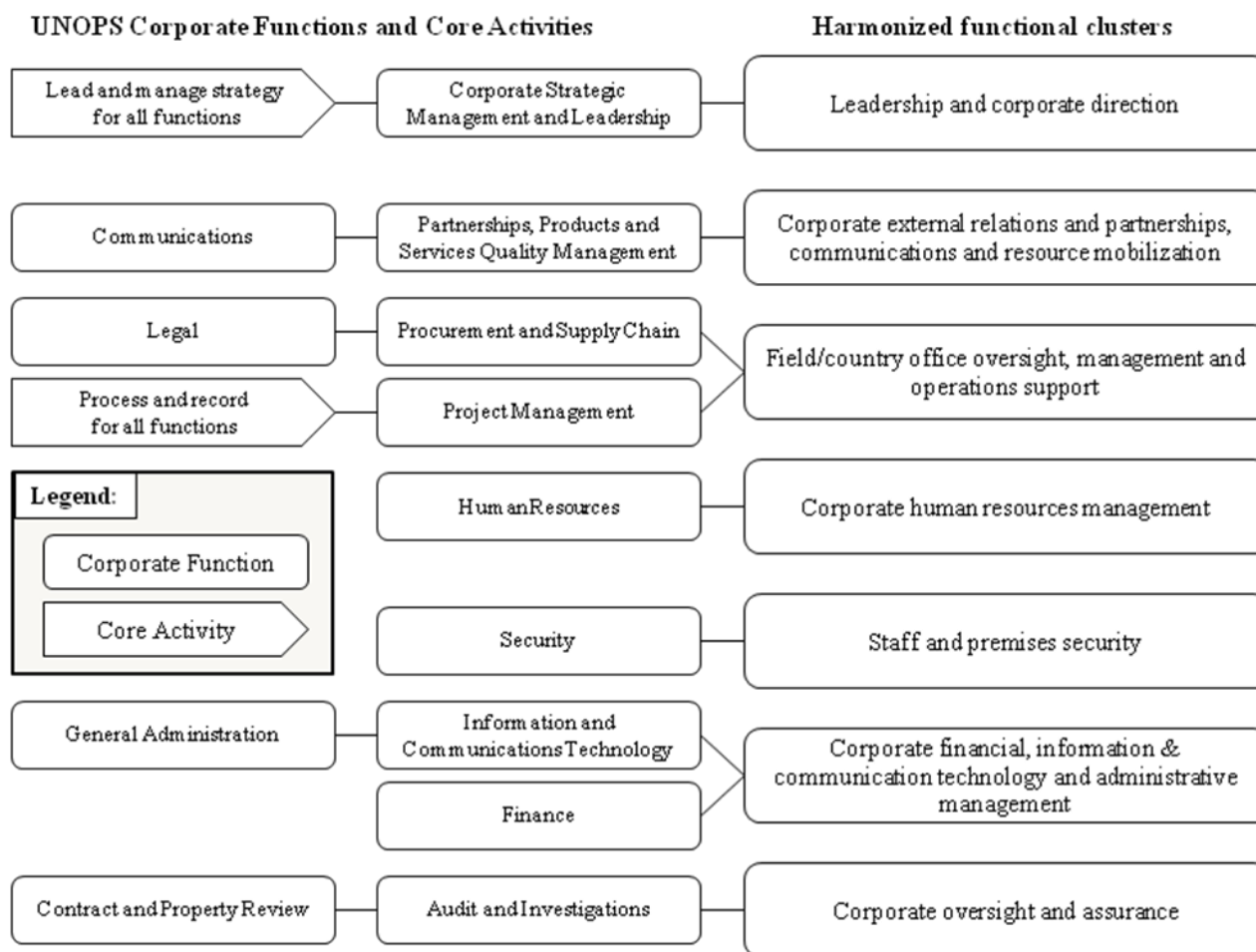
43. The management results and budget framework presented will further enhance UNOPS ability to manage and monitor progress towards corporate goals within its functions and entities, and for the organization as a whole. At the same time, the framework will be an important means of identifying and prioritizing areas for improvement. The linkage of core activities and corporate drivers in turn provides an opportunity for further aligning the organization for effective implementation of strategy, across all corporate functions and geographical entities, down to the smallest, yet most important component in creating value for partners: UNOPS individual personnel.

UNOPS management results and budget in harmonized functional clusters

44. UNOPS management results and budget framework maps to the seven harmonized clusters of the common management resources budget framework as illustrated in figure VII. The overall relationship of the harmonized functional clusters and UNOPS corporate functions and core activities is illustrated in figure VII. Annex I to the present document contains a detailed description of UNOPS management results and budget framework, including the organization’s corporate goals, corporate drivers, core activities and corporate functions.

Figure VII

Harmonized functional clusters and UNOPS corporate functions and core activities



45. UNOPS has developed its budget for the biennium 2012-2013 in alignment with the harmonized approach adopted by UNDP, UNFPA and UNICEF based on decisions 2010/32 and 2011/10, in which the Executive Board approved the harmonized approaches for cost-classification and results-based budgeting. For the purposes of the UNOPS budget, the key feature of the common framework is the structuring of management resources by seven functional clusters.

46. In preparing the budget, UNOPS has significantly enhanced the linkages between management results, corporate functions and core activities, and associated performance indicators. UNOPS will continue to align its performance management and organizational structure behind the framework used in reporting to the Executive Board.

47. This section describes UNOPS managements results and budget framework, through the lens of the seven harmonized functional clusters. Table 1 provides a summary of performance indicators and resources per functional cluster.

Table 1. Resources for management results by functional cluster

Harmonized functional cluster	Performance indicator	Baseline	Target 2012	Target 2013	2012-2013 management resources
Leadership and corporate direction	UNOPS contributions to United Nations Development Assistance Frameworks	New measure	75%	75%	\$20,956,681
	Timely implementation of improvement initiatives agreed through UNOPS Quality Management Review process	New measure	90%	90%	
	Achievement of net revenue target approved by the Executive Board	\$5 million	Biennial target	\$0 million	
	Achievement of minimum operational reserves requirement	100%	Biennial target	100%	
Corporate external relations and partnerships, communications and resource mobilization	Total business acquisition	\$1.5 billion	\$1.53 billion	\$1.58 billion	\$15,572,524
	Average number of monthly visits to UNOPS public website	70,000	71,500	73,000	
	Percentage of regional entities' websites compliant with corporate standards	New measure	85%	90%	
	Percentage of personnel satisfied with UNOPS intranet	79%	80%	80%	
Field/country office oversight, management and operations support	Share of global portfolio of projects delivering on track (on schedule, within budget)	New measure	TBD*	TBD*	\$68,373,522
	Average duration of procurement through formal solicitation (number of days)	88	87	85	
	Implementation rate of accumulated internal audit recommendation	71%	76%	80%	
Corporate human resources management	Average duration of staff recruitment (number of days)	New measure	100	80	\$6,795,842
	Performance appraisal completion rate	60%	85%	90%	
	Gender distribution of incumbents of posts funded through the management budget (percentage of female incumbents)	42%	44%	45%	
	Performance on UNOPS personnel attitude index	78%	79%	80%	
Staff and premises security	Percentage of UNOPS personnel satisfied with overall access to UN/UNOPS safety and security information	77%	78%	80%	\$1,129,321
	Percentage of regional entities meeting minimum security assurance measures	New measure	71%	82%	
	Percentage of regional entities meeting Business Continuity and Disaster Recovery Planning requirements	80%	91%	97%	
Corporate financial, information and communications technology and administrative management	Timely recurrent corporate financial closure	New measure	75%	100%	\$23,063,711
	Rate of implementation of prior biennia United Nations Board of Auditors recommendations	90%	82%	90%	
	Percentage of entities meeting financial data quality standards	95%	96%	97%	
Corporate oversight and assurance	Headquarters Contracts and Property Committee average processing time for procurement cases (number of days)	8	8	8	\$3,845,104

	Level of implementation of risk-based internal audit plan for Internal Audit and Investigations Group internal audits	70%	75%	80%	
	Share of required personnel filing of financial disclosure	95%	98%	99%	

* To be determined.

Leadership and corporate direction

48. *Definition.* The harmonized functional cluster “Leadership and corporate direction” spans the corporate function, Corporate Strategic Management and Leadership and the core activity, Lead and Manage Strategy. This association emphasizes that UNOPS as a global organization with real time connectivity must ensure that responsibility for leadership and strategic management is assumed at headquarters as well as by key positions throughout the regional structure and functional areas.

49. *Issues and narrative.* This harmonized functional cluster articulates the accountabilities of the Executive Director to the Executive Board for implementing the 2010-2013 strategic plan and relevant targets set in the biennial budget and UNOPS corporate BSC. It enables the Executive Director to hold managers throughout the organization accountable for their contributions to these results. Adoption of UNOPS core values throughout the organization continues to be of special importance as well as further strengthening of corporate performance management tools and frameworks to monitor and drive achievement of operational and management results. Furthermore, emphasis will be placed on enhancing transparency and accountability measures.

50. UNOPS management will investigate opportunities for implementing additional relevant external certifications of UNOPS processes and people, while maintaining existing certifications in the areas of project management, human resources and finance, as well as internal certification schemes.

51. *Accountability and funding level.* Strategic management and leadership must take place and is funded within all entities of the global structure as well as within all functional areas. Thus, accountability lies with the Executive Office, as well as management across the organization’s practices and regional entities. In addition, the Corporate Performance and Management Group is dedicated to this function. The estimated funding level is \$20.9 million.

Corporate goal	Corporate driver	Performance indicator	Baseline	Target 2012	Target 2013
Recognized value	Build sustainable partnerships	UNOPS contributions to United Nations Development Assistance Frameworks	New measure	75%	75%
Process excellence	Innovate	Timely implementation of improvement initiatives agreed through UNOPS Quality Management Review process	New measure	90%	90%
Financial sustainability	Steward financial resources	Achievement of net revenue target approved by the Executive Board	\$5 million	Biennial target	\$0 million
	Invest for sustainability	Achievement of operational reserve requirement	100%	Biennial target	100%

Corporate external relations and partnerships, communications and resource mobilization

52. *Definition.* The harmonized functional cluster “Corporate external relations and partnerships, communications and resource mobilization” comprises two of UNOPS corporate functions: Partnerships, Products and Service Quality Management; and Communications.

53. *Issues and narrative.* While partner relations are primarily decentralized to the country level, ways to leverage country knowledge and experience across regions will be explored in order to enhance existing and new engagements’ value added to partners. These efforts will be focused on the areas of UNOPS implementation support practices and will, in turn, facilitate sharing of knowledge and skills throughout the regions. UNOPS will focus its portfolio in order to target opportunities where it can enhance its value to partners. In developing products and services, special priority will be given to service Member States’ call to help build national implementation capacity within UNOPS mandate areas. Communication efforts will be made to obtain additional knowledge of partner needs and convey how UNOPS can address those needs.

54. *Accountability and funding level.* Accountability lies with the Outreach and Partnerships Group and management across the organization’s regional entities. The estimated funding level is \$15.6 million.

Corporate goal	Corporate driver	Performance indicator	Baseline	Target 2012	Target 2013
Recognized value	Build sustainable partnerships	Total business acquisition	\$1.5 billion	\$1.53 billion	\$1.58 billion
	Communicate efficiently and transparently	Average number of monthly visits to UNOPS public website	70,000	71,500	73,000
		Percentage of regional entities’ websites compliant with corporate standards	New measure	85%	90%
		Percentage of personnel satisfied with UNOPS Intranet	79%	80%	80%

Field/country office oversight, management and operations support

55. *Definition.* The harmonized functional cluster “Field/country office oversight, management and operations support” comprises three of UNOPS corporate functions: Project Management; Procurement and Supply Chain; and Legal. In addition, the core activity Process and Record is part of this functional cluster.

56. *Issues and narrative.* Project management continues to be the UNOPS primary modality for delivering value both externally and internally. Having established Prince2 as the project management methodology of the organization, UNOPS focuses on strengthening key aspects of its project management practice; skills development and experience-sharing to make practices more consistent, clearer career paths for practitioners, tools to facilitate and support development of engagements and project delivery, and more efficient and effective controls.

57. As mentioned above, in 2011 UNOPS was awarded ISO 9001 certification for quality management. While this is a major milestone, it also sets a base for

continuing improvement. UNOPS will also seek to enhance its engagement in relevant United Nations working groups related to good business practices, particularly in the context of the High-Level Committee on Management.

58. UNOPS will ensure that there are adequate resources dedicated to the provision of advice and development of guidance on implementation of UNOPS policies, particularly for the organization's management practices: project management, finance, human resources, and procurement and supply chain. This will serve to mitigate risk for the organization and its partners, as well as transparency of process and accountability.

59. As part of the drive for process excellence UNOPS will further harness its ability to provide efficient and effective operational capacity through transactional or support services, internally as well as externally.

60. *Accountability and funding level.* Accountability lies with management across the organization's regional entities, the Project Management Practice, the Procurement and Supply Chain Practice Group, the Legal Practice Group and all practices enabling transactional services, process support and records maintenance in support of operations. The estimated funding level is \$68.4 million.

Corporate goal	Corporate driver	Performance indicator	Baseline	Target 2012	Target 2013
Recognized value	Deliver world-class products and services adding sustainable value	Share of global portfolio of projects delivering on track (on schedule, within budget)	New measure	TBD*	TBD*
Process excellence	Comply with process	Implementation rate of accumulated internal audit recommendation	71%	76%	80%
	Improve process efficiency and effectiveness	Average duration of procurement through formal solicitation (number of days)	88	87	85

* To be determined.

Corporate human resources management

61. *Definition.* The harmonized functional cluster "Corporate human resources management" covers the UNOPS corporate function Human Resources.

62. *Issues and narrative.* UNOPS will continue its work on harmonizing post levels with the United Nations, and align functional titles and job descriptions within the organization. In addition, UNOPS will seek to improve career development opportunities and modalities for UNOPS personnel. In this connection, UNOPS will strengthen personnel performance management and monitoring and, if necessary, adjust the recent implementation of the UNOPS recognition, rewards and sanctions policy. UNOPS will also continue its work on a talent roster, which will facilitate attraction of talent and career development of personnel.

63. *Accountability and funding level.* Accountability lies with the Human Resource Practice Group. The estimated funding level is \$6.8 million.

Corporate goal	Corporate driver	Performance indicator	Baseline	Target 2012	Target 2013
Process excellence	Improve process efficiency and effectiveness	Average duration of staff recruitment (number of days)	New measure	100	80
People excellence	Recruit and recognize talent	Performance on UNOPS personnel attitude index	78%	79%	80%
	Develop talent	Performance appraisal completion rate	60%	85%	90%
	Embrace United Nations values	Gender distribution of incumbents of posts funded through the management budget (percentage of female incumbents)	42%	44%	45%

Staff and premises security

64. *Definition.* The harmonized functional cluster “Staff and premises security” covers UNOPS corporate function, Security.

65. *Issues and narrative.* Security is vital for UNOPS. It sets the ground parameters within which UNOPS personnel can plan and implement operations in order to contribute to the United Nations and other partners. As a consequence, UNOPS made a significant investment in its security function in the past biennium. This investment will enable further coordinated and structured distribution of information on safety and security as well as assessment of adherence to minimum security standards. Importantly, the majority of UNOPS security costs are covered directly in the relevant project budgets.

66. *Accountability and funding level.* Accountability lies with UNOPS Safety and Security in the Corporate Support Group. The estimated funding level is \$1.1 million.

Corporate goal	Corporate driver	Performance indicator	Baseline	Target 2012	Target 2013
Process excellence	Improve process efficiency and effectiveness	Percentage of regional entities meeting minimum security assurance measures	New measure	71%	82%
		Percentage of regional entities meeting Business Continuity and Disaster Recovery Planning requirements	80%	91%	97%
People excellence	Recruit and recognize talent	Percentage of UNOPS personnel satisfied with overall access to United Nations/UNOPS safety and security information	77%	78%	80%

Corporate financial, information and communications technology and administrative management

67. *Definition.* The harmonized functional cluster “Corporate financial, information and communications technology and administrative management” comprises three of UNOPS corporate functions: finance; information and communications technology; and general administration.

68. *Issues and narrative.* Building on its demonstrated financial stability, UNOPS will continue to work on strengthening financial risk management, internal controls and oversight. Implementation of IPSAS will provide enhanced transparency and UNOPS will closely monitor the implementation, continuously reviewing its impact on cost and revenue for the organization. In addition, UNOPS will review its pricing principles and strategic investments in order to ensure the sustainability of the organization.

69. While supporting and maintaining existing systems and infrastructure, UNOPS will carry on exploring and developing more efficient and effective ways of supporting its operations worldwide. This includes automating workflows and making tools for transactional services available as a basis for real-time information management in addition to identifying cost-effective approaches to expand information and communications technology development capacity.

70. UNOPS will continue strengthening articulation and implementation of administrative policies and procedures. At UNOPS headquarters in Copenhagen, time and resources will be dedicated to coordinate and facilitate UNOPS move from its current headquarters premises to the UN City premises, which UNOPS will share with the other United Nations organizations present in Denmark.

71. *Accountability and funding level.* Accountability lies with the Finance Practice Group and the Corporate Support Group. The proposed funding level is \$23.1 million.

Corporate goal	Corporate driver	Performance indicator	Baseline	Target 2012	Target 2013
Process excellence	Improve process efficiency and effectiveness	Timely recurrent corporate financial closure	New measure	75%	100%
Financial sustainability	Ensure financial control	Rate of implementation of United Nations Board of Auditors recommendations for prior bienniums	90%	82%	90%
		Percentage of entities meeting financial data quality standards	95%	96%	97%

Corporate oversight and assurance

72. *Definition.* The harmonized functional cluster “Corporate oversight and assurance” comprises UNOPS corporate functions: Internal Audit and Investigations, Contract and Property Review, and Ethics.

73. *Issues and narrative.* The Internal Audit and Investigations Group will continue to assist UNOPS management to assess and improve the adequacy, efficiency and effectiveness of UNOPS control systems, business practices and use of resources to achieve results. The Group provides the Executive Director and UNOPS governing bodies with reasonable assurance on UNOPS governance and risk management processes, and internal controls of its performance in supporting the accountability framework. Their reports are vital for the continuous improvement of the organization. Furthermore, the Group plays an important role in enabling and assuring the quality of project audits funded directly through the contracts with partners.

74. UNOPS will continue exercising assurance on UNOPS procurement function. The assurance function will be made more efficient through establishment of additional Local Contract and Property Committees based in the Regional Offices.

75. *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 Officer. This functional cluster also includes costs associated with external oversight provided by the United Nations Board of Auditors; and costs of services which may be

rendered by the Investigation Division of the Office of Internal Oversight Services on a fee basis. The estimated funding level is \$3.8 million.

Corporate goal	Corporate driver	Performance indicator	Baseline	Target 2012	Target 2013
Process excellence	Improve process efficiency and effectiveness	Headquarters Contract and Property Committee average processing time for procurement cases (number of days)	8	8	8
Financial sustainability	Ensure financial control	Level of implementation of risk-based internal audit plan for the Internal Audit and Investigations Group internal audits	70%	75%	80%
		Share of required personnel filing of financial disclosure	95%	98%	99%

IV. Budget estimates for the biennium 2012-2013

76. The budget estimates of \$148.7 million for the biennium 2012-2013 consist of \$139.7 million in management resources, \$1.0 million in estimated additional one-off expenditure due to the transition to IPSAS and an earmarking for potential provisions in the amount of \$8.0 million. For comparison, in its 2010-2011 budget estimates UNOPS budgeted for \$130.2 million in management resources and \$5.0 million earmarked for potential provisions.

Zero real growth in management resources

77. The full, average effect of inflation for 2012-2013 is estimated at 3.6 per cent per year, reflecting the combined impact of a 3.0 per cent annual inflation rate at headquarters in Copenhagen, and a 3.9 per cent average annual inflation rate for all other locations. The inflation rates are derived from the United Nations Secretariat for New York and Geneva, from the Danish Statistical Agency for Copenhagen and other reliable, public sources for other locations.

78. The zero real growth in management resources reflects UNOPS efforts to continuously curtail costs through increased efficiency and effectiveness, offsetting the increase otherwise required. In line with these efforts, the number of posts in the budget has been kept stable compared to the 2011, reflecting the outcome of the reclassification exercise initiated in 2009.

79. In preparing these budget estimates, UNOPS performed a thorough review of actual expenditure in various cost categories over the last years. The outcome of this review, adjustments of the staffing table and other priorities set for the biennium 2012-2013, formed the basis on which biennial costs were estimated.

Staff costs reflect consolidation of core capacity

80. The 2012-2013 budget reflects a consolidation of core capacity; the number of posts has been kept to what is in place in 2011 and vacancy rates are expected to be somewhat lower. Altogether this explains the \$3.4 million in volume increases associated with posts and staff costs as reflected in summary table 3.

81. Table 2 provides an overview of UNOPS posts, comparing the 2010-2011 and 2012-2013 budget estimates. The addition of net 21 posts in the table primarily reflects completion of the UNOPS reclassification exercise initiated in 2009 in line with Executive Board decision 2009/5. The reclassification exercise further aligned UNOPS staffing with the overall organizational structure, and resulted in UNOPS grade levels comparable with those of other United Nations organizations, as well as conversion of some individual contractor agreements to posts in the core structure funded by the management budget. The upgrades of three D-1 level posts for Operations Centre Directors have already been implemented under the authority of the Executive Director owing to the increased size of the operations in those countries.

82. The proposed upgrade of the Executive Director position from the Assistant Secretary-General (ASG) to the Under-Secretary-General (USG) level is in recognition of the enhanced accountability and responsibility of the position. The accountability arrangements for the organization changed significantly with the implementation of Executive Board decision 2008/35 regarding the governance

structure of UNOPS whereby the Executive Director reports to the Executive Board and the Secretary-General directly (instead of through the former Management Coordination Committee). UNOPS mandate was clarified by recent Executive Board decisions 2009/25 and 2010/21. General Assembly resolution 65/176, "Renaming of the Executive Board of the United Nations Development Programme and the United Nations Population Fund to include the United Nations Office for Project Services" confirmed the above Executive Board decisions. Furthermore, the substantial growth of UNOPS in recent years has increased the responsibilities associated with the position.

Table 2. Posts by category and location, 2010-2011 and 2012-2013

	2010 -2011 budget			2012-2013 budget			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	3	5	8	3	5	8	0	0	0
D-1	7	12	19	7	15	22	0	3	3
Other international professionals	51	96	147	57	95	152	6	-1	5
All other	53	116	169	55	127	182	2	11	13
Total	116	229	345	124	242	366	8	13	21

Non-staff costs reflect curtailment of costs

83. As reflected in summary table 3, the budget for consultants has been reduced significantly, by \$2.1 million, or 9 per cent, in real terms. While UNOPS plans to continue to leverage the flexibility offered by consultant contracts, alongside the strengthening of its core capacity it plans to reduce the overall level of international consultants, local consultants and contractual services funded by the management budget.

84. In line with the ambition of UNOPS to aggressively curtail costs, it plans for an 11 per cent reduction in operating expenses in real terms. In anticipation of the scheduled move of UNOPS headquarters to the new UN City in Copenhagen, costs in the expenditure category for furniture and equipment have been increased. Finally, costs for reimbursements have been slightly increased, inter alia in anticipation of one-off costs associated with making Atlas support IPSAS – a cost to be shared among the Atlas partner agencies.

Provisions for potential liabilities and future risks

85. The budget for the biennium 2012-2013 includes an earmarking for potential provisions in the amount of \$8 million, compared with \$5 million in the 2010-2011 budget. This increase is based on an assessment of historic liabilities, write-offs made over the last few years and the desire to make adequate provisions for such potential liabilities and future risks. The provisions for 2012-2013 also provide for potential merit rewards associated with UNOPS three-year performance management pilot 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.

Summary tables

Summary table 1. Resource plan

	2010-2011	2010 (actuals) - 2011 (estimates)	2012-2013
	Budget estimates		Budget estimates
1. Resources available			
Operational reserve beginning of period	42.7	42.7	57.0
Management fees	125.3	129.2	118.5
Advisory and reimbursable services income	6.3	13.2	20.2
Miscellaneous income	8.5	19.0	10.0
Total income	140.2	161.4	148.7
Total available	182.9	204.1	205.7
2. Use of resources			
Management resources	130.2	131.1	139.7
Provisions	5.0	16.0	8.0
Implications of IPSAS	n/a	n/a	1.0
Total use of resources	135.2	147.1	148.7
3. Balance of resources			
Net revenue	5.0	14.3	0.0
Operational reserve end of period	47.7	57.0	57.0

Summary table 2. Proposed changes in senior posts

	USG/ASG	D-2	D-1	Total
2010 – 2011 posts	2	8	19	29
A. Increases and decreases				
Headquarters	0	0	0	0
Field	0	0	3	3
Total increases and decreases	0	0	3	3
B. Reclassifications				
Total changes (net)	0	0	0	0
2012 – 2013 posts	2	8	22	32

Summary table 3. Budget estimates by expenditure category
(in millions of dollars)

Expenditure category	2010 (actuals)	Volume increase		Cost increase amount \$	2012 -20 13 budget estimates
	2011 (estimates)	Amount \$	Percentage		
Posts a/	45.4	2.2	4.8%	3.3	50.9
Common staff costs	26.7	1.3	4.8%	2.0	30.0
Travel	7.2	-0.1	-1.5%	0.5	7.6
Consultants b/	23.4	-2.1	-9.0%	1.7	23.0
Operating expenses c/	24.8	-2.7	-11.1%	1.8	23.8
Furniture and equipment	0.7	0.2	34.7%	0.1	1.0
Reimbursements	2.8	0.3	11.5%	0.2	3.4
Total expenditure	131.1	-0.9	-0.7%	9.6	139.7

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

b/ Includes international consultants, local 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.