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United Nations Office for  
Project Services**

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**UNOPS: Financial, budgetary and administrative matters**

## **United Nations Office for Project Services budget estimates for the biennium 2022-2023**

*Summary*

The budget estimates for the 2022-2023 biennium are rooted in the UNOPS strategic plan, 2022-2025, 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 considers the impact of single large engagements with limited duration in its revenue projections, and expects to remain stable in terms of the underlying revenue for the 2022-2023 biennium compared to 2020-2021 projections. Available management resources are targeted to achieve UNOPS ambitions for the next biennium. The vital internal priorities are: gender parity at all senior leadership levels; adopting new technologies to improve operational capabilities; responsible management of UNOPS net assets; gender mainstreaming across UNOPS operations; and enhanced focus on health and safety.

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 these budget estimates, UNOPS continues to safeguard its financial stability as a demand-driven, self-financing organization. To reassure partners that UNOPS can deliver on its commitments, the minimum operational reserve requirements have been reviewed with an external consultant considering the risks related to its increasingly complex engagement portfolio. To reassure partners about the multi-year funding framework of the Sustainable Investments in Infrastructure and Innovation ('S3I') initiative, a separate reserve is established for valuation of the underlying assets. UNOPS targets zero net revenue for the 2022-2023 biennium and proposes a new formula for calculating its minimum operational reserve requirements.

The \$181.3 million budget estimates for 2022-2023 amount to \$42.8 million in real growth of management resources compared to the budget estimates for the previous biennium. The revenue target for the 2022-2023 biennium is set at \$200.5 million, a decrease from the \$258.4 million projection for 2020-2021. 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 will establish plausible contingencies to prepare for future risks. In line with its focus on added value and quality, UNOPS will continue to upgrade the quality of its processes and the competencies of its personnel.



*Elements of a decision*

The Executive Board may wish to (a) take note of the UNOPS budget estimates 2022-2023 (DP/OPS/2021/6) and its annexes, and approve the net revenue target; (b) endorse the two-year aspiration of UNOPS with respect to its management results and the targeting of resources to support its contribution goals; (c) approve the change of the minimum requirement for the operational reserve of UNOPS to be set at 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other service lines, and 33 per cent of administrative cost, with a weight of 50 per cent for current year, 30 per cent for previous year, and 20 per cent for the year prior (see annex II); and (d) approve the change in UNOPS financial regulations and rules, regulation 22.02 (see annex II), to include “a S3I reserve for funding and recording the valuation of investments under the Sustainable Investments in Infrastructure and Innovation initiative, reviewed annually by the Executive Director. The Executive Director may increase the level of funding through the excess operational reserves not allocated to the growth and innovation reserve”.

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## I. Why we are: UNOPS goals for 2022-2023

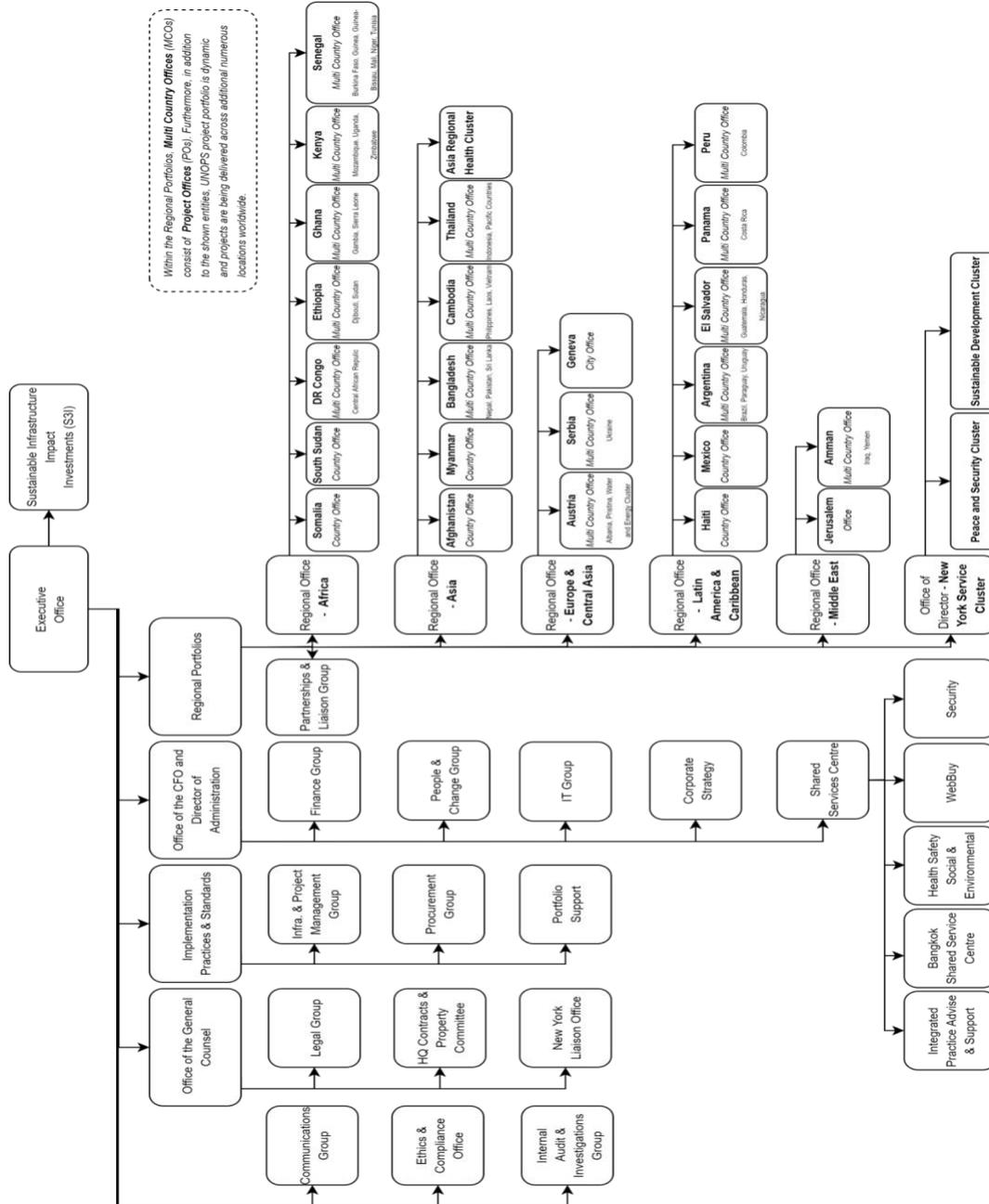
1. Through General Assembly resolutions and Executive Board decisions,<sup>1</sup> Member States have mandated that UNOPS expand its implementation capacity by partnering with programme and donor country governments and the United Nations system, among others.
2. The Executive Board has welcomed the UNOPS vision and mission.<sup>2</sup>
  - (a) We have a vision of 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.
  - (b) We share a mission to help people build better lives and countries achieve peace and sustainable development.
3. UNOPS can expand implementation capacity for countries' achievement of the Sustainable Development Goals by applying its technical expertise for capacity development in areas of its mandate and by managing implementation on behalf of partners. UNOPS project services span expertise in infrastructure, procurement and project management, including human resources and financial management.
4. The strategic plan, 2022-2025, sets out the UNOPS results framework, which includes the strategic goals and provides focus for our operational and management ambitions.
5. Three contribution goals express the overall value proposition of the UNOPS mandate:
  - (a) *Support countries* in developing capacity and their resource base;
  - (b) *Help people in need* through effective specialized expertise; and
  - (c) *Enable partners* through efficient project services.
6. Four management goals guide our internal management practices: (a) *partner value*; (b) *people excellence*; (c) *process excellence*; and (d) *financial stewardship*.
7. The UNOPS contribution goals express our ambition to help build a better future by expanding the capacity of countries to achieve the Sustainable Development Goals; targeting our technical expertise to help people in need; and remaining agile and responsive to the needs of partners. Over the biennium UNOPS will explore potential benefits of digitization, including through drawing operational and management lessons from its COVID-19 experiences.
8. UNOPS can expand implementation capacity across the full development spectrum and across the three pillars of the United Nations Charter. Thus, its contribution goals are not directed towards particular operational contexts, development sectors or Sustainable Development Goals.
9. The budget estimates, 2022-2023, outline how management resources will be allocated to support strategy implementation over the next biennium. This chapter provides a summary of what UNOPS, guided by its contribution goals, sets out to do. 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 how UNOPS, guided by its management goals, will drive its internal management practices to remain fit for purpose in a repositioned United Nations development system. Chapter IV articulates the budget estimates, 2022-2023, in detail.

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<sup>1</sup> General Assembly resolution 65/176; Executive Board decisions 2009/25, 2010/21, 2012/5, 2013/23, 2015/12, 2016/12, 2016/19, 2017/16, 2017/26, 2019/12 and 2020/20

<sup>2</sup> Decision 2016/19

Figure 1. UNOPS global structure



**A. Support countries**

10. UNOPS has an ambition to *support countries* in developing capacity and their resource base for the Sustainable Development Goals.

11. UNOPS recognizes that programme countries' achievement of the Sustainable Development Goals will require financing well beyond official development assistance. The

COVID-19 crisis has exacerbated this due to anticipated setbacks in progress and effect on the gross world product.

12. UNOPS believes that programme countries can expand the resource base available for their achievement of Sustainable Development Goals by: (a) developing capacity for efficient and effective deployment of available resources; and (b) bringing in more and different sources of financing.

13. UNOPS has built its technical expertise in infrastructure and procurement through more than 25 years of operational experience. With a mandate for capacity development in both, rather than a normative programmatic mandate, it seeks to document, develop and disseminate knowledge in support of optimizing practice and increasing effect.

14. UNOPS will continue to develop its technical expertise in the quality infrastructure and public procurement at the heart of its mandate, contributing to the thought leadership demanded by programme and donor countries alike. In parallel with these efforts it will support countries in attracting new sources of financing through sustainable investments in infrastructure and innovation.

## **B. Help people in need**

15. UNOPS has the ambition of helping people in need through effective specialized expertise grounded in international norms and standards.

16. UNOPS recognizes that the 17 Sustainable Development Goals and 169 targets are universal, mutually reinforcing and interdependent. Countries achieve and report on them, and the United Nations system provides support based on mandates, expertise and comparative advantage.

17. UNOPS aspires to support countries in accelerating achievement of the Goals and recovery from the COVID-19 crisis, while targeting the effects of climate emergency. With its non-programmatic implementation mandate it can, in principle, make contributions towards achievement of all the Goals. It engages in projects based on partners' demand and its ability to contribute to expanding their implementation capacity.

18. UNOPS directs its expertise towards cross-cutting issues, based on international norms and standards. It frames its commitment to a sustainable, resilient and inclusive future through sustainable implementation approaches. These guide implementation projects and enable overall assessment of the effects of mainstreaming social and environmental safeguards to help people in need.

19. UNOPS first set its ambition to address cross-cutting operational issues through the lens of sustainability in 2012.<sup>3</sup> It has continued to refine its sustainable implementation approaches based on Member State guidance and lessons learned over time. The approaches are reflected in a related framework comprising three mutually reinforcing dimensions: (a) equitable economic growth; (b) social justice and inclusion; and (c) environmental respect. Annex I provides details, including indicators for each of the three dimensions.

## **C. Enable partners**

20. UNOPS has the ambition of enabling partners to 'do more with less' through efficient project services, delivered locally or as global shared services.

21. UNOPS delivers infrastructure, procurement and project management services for a sustainable world. Its ambition to be a resource for project services that expand partners' implementation capacity goes back more than 25 years. This was one reason UNOPS became a

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<sup>3</sup> DP/OPS/2012/7

separate identifiable entity in 1995, and remains an essential feature of the UNOPS value proposition, identity and operational role.

22. UNOPS project services are the bedrock of the integrated offerings and specialized solutions through which it enables partners to achieve their goals. It continues to strive to be an efficient and service-oriented strategic partner to all relevant stakeholders. It aspires to provide long-term value for money through integrated service offerings, enabling partners to do more, better, with less effort, including through its global shared services.

23. With its mandate for implementation, UNOPS can enable partners across the development spectrum to strengthen the pillars of the United Nations Charter, including peace and security, sustainable development and humanitarian efforts. UNOPS will continue to support partners in responding to the special challenges facing people in countries in special and fragile situations.

24. The UNOPS ‘fee-for-service’ value proposition is grounded in its five flexible and modular project service lines: infrastructure, procurement, project management, human resources, and financial management. It typically combines two or more service lines in a project, and its support ranges from upstream advice to downstream execution. Its ability to flexibly combine its services to find solutions makes it a valued implementation partner.

25. UNOPS recognizes that efficient use of finite resources will be essential in fulfilling the 2030 Agenda. Over the years, the Executive Board has encouraged other entities in the United Nations system to take advantage of its project services. This has also been true of a number of external studies, including a Joint Inspection Unit review of management and administration in UNOPS.<sup>4</sup> A Multilateral Organization Performance Assessment Network review completed in mid-2021 recognized the comparative advantages of the non-programmatic implementation mandate and the demand-driven and self-financing business model.

## **II. How UNOPS is performing: Financial context**

### **A. Viability of the UNOPS self-financing business model**

26. The viability of UNOPS as a self-financing United Nations entity requires that its revenue cover management costs and operational risks.<sup>5</sup> Its current cost-recovery model was implemented, with Executive Board approval, in 2013.<sup>6</sup> While its activity-based costing principles are 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<sup>7</sup> and is fully aligned with the principles presented in the joint preliminary comprehensive proposal on the cost recovery policy.<sup>8</sup>

27. 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 has aligned its costing and pricing principles more closely with its service lines. Partners are supported through an increased focus on meeting partner-specific needs and linking the budget presentation to the financial reporting. This further enhances UNOPS transparency with respect to the cost recovered during project delivery.

<sup>4</sup> See DP/OPS/2020/5, paragraphs 72-74

<sup>5</sup> 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 to absorb plausible future risks.

<sup>6</sup> Decision 2013/33

<sup>7</sup> A/RES/71/243

<sup>8</sup> DP/FPA-ICEF-UNW/2020/CRP.1

28. UNOPS has aligned its cost recovery processes to ensure that its funding responsibility under General Assembly resolution 72/279 on the repositioning of the United Nations development system is fully met. Since 2019 the organization has paid its recently doubled share of the cost-shared funding and will meet its obligations for the 2022-2023 biennium to ensure adequate funding for the resident coordinator network. Starting in 2020 UNOPS has overseen the collection of the coordination levy pursuant to the decision of the United Nations Controller.

### **B. Projections reflect continued actual revenue growth trend**

29. Based on the audited financial statement for 2020 and the approved 2021 budget, projections for the 2020-2021 biennium show that UNOPS will likely exceed its revenue targets. Revenue is expected to reach \$258.4 million, which is 42.8 per cent above the target of \$181.0 million. That would exceed the actual revenue of the 2018-2019 biennium of \$182.9 million by 41.3 per cent, continuing the growth trend in UNOPS revenue.

30. As reflected in its financial statements, 2020, at the mid-point of the biennium UNOPS was well positioned to achieve its target of keeping management expenses low. The \$130.0 million management expense projection is below the \$138.5 million target for the biennium.

31. The increase in revenue for 2020-2021 resulted from increased delivery. It reflects the growing demand for value-adding UNOPS services. Provisions for the current biennium are projected to exceed the budget (\$33.4 million, compared to the \$22.5 million set aside for provisions and liabilities).

32. As a consequence of increasing revenue, stable management expense, increased provisions and the requirement to invest additional funds in its delivery platform, UNOPS expects to end the 2019-2020 biennium with \$82.5 million net revenue on a budget basis. With accounting-related adjustments, UNOPS expects that by the end of the 2020-2021 biennium net assets will reach \$344.7 million, \$39 million of which represent the non-earmarked accumulated surpluses (table 4, below).

33. Within its net assets,<sup>9</sup> accumulated surpluses have constituted a safeguard against portfolio risks. In the 2020-2021 biennium UNOPS proposed, based on external review and in line with the Executive Board decision 2020/8, to change the minimum requirement for the operational reserve to be fit for purpose in facing the risks pertaining to the UNOPS implementation portfolio (annex II and table 4).

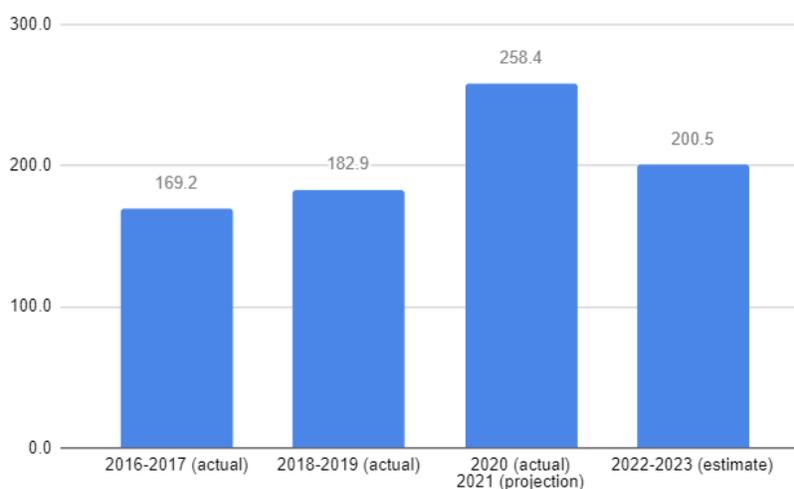
### **C. Estimates for 2022-2023 indicate a sufficient resource base**

34. The revenue target for the 2022-2023 biennium is set at \$200.5 million, representing a decrease from the \$258.4 million projection for the 2020-2021 biennium. While the average projected management fee recovery rate shows a decline, the underlying growth remains almost stable when normalized for fluctuation caused by large time bound engagements. Figure 2 illustrates how the projections compare with past performance. The figure shows revenue for 2020-2021 as a combination of 2020 actuals and 2021 projection; 2022-2023 data are estimates, while data for 2016-2017, 2018-2019 are actual financial results.

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<sup>9</sup> See DP/OPS/2020/CRP.1, UNOPS net assets, structure and allocation

**Figure 2. Revenue trends**  
(in millions of dollars)



35. UNOPS signed a record number of new engagements in 2020. The ‘order-book’ (the overall delivery UNOPS has to implement pursuant to signed agreements) indicates that it can meet the estimated revenue target. For the 2022-2023 biennium, UNOPS is including budget lines dedicated to meeting potential write-offs, provisions and contingencies. As recommended by the Board of Auditors, the formerly separately budgeted strategic investments from surplus have been integrated into management resources, resulting in an increase in those resources.

36. In its budget estimates, 2022-2023, UNOPS is targeting zero net revenue, which means that the minimum operational reserve will remain above the newly proposed minimum level 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 minimum operational reserve in line with intended use, in accordance with financial regulation 22.02.

### **III. How UNOPS will pursue its goals: Results for 2022-2023**

37. In its strategic plan, 2022-2025, UNOPS supports the strategic ambitions expressed in its three contribution goals with four management goals. They frame its management ambitions across the four perspectives of its balanced scorecard: partners, people, process and finance.

38. The ambitions of the management goals ensure that UNOPS is fit for purpose, guiding its internal management practices and pursuit of organizational excellence. 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.<sup>10</sup>

<sup>10</sup> For the mapping of UNOPS global functions to harmonized functional clusters, see annex I.

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

39. Each of the four UNOPS management goals is associated with three drivers that enable UNOPS to pursue and communicate its strategic ambitions. In the 2022-2023 biennium, their implementation will be supported by focused performance indicators and related targets.

### **Goal A. Partner value**

40. As a self-financing, demand-driven organization, the ability of UNOPS to meet and exceed partners' expectations is crucial. Focused on *partner value*, UNOPS aims to deliver high-quality services and value-adding solutions, recognized by partners, in accordance with international standards and best practices.

#### *Driver A1. Manage partner value*

41. The 2020-2021 biennium maintained the trend of increasing demand for UNOPS services by partners. 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.

42. UNOPS continues to develop relationships with a broad range of partners – including other United Nations organizations – at local, regional and global levels. In line with its partnership management approach, UNOPS will continue to utilize its liaison offices in key locations to support engagements signed with global partners.

43. UNOPS will continue to act on partner feedback. The UNOPS Client Board, composed of partners from the United Nations, international financing institutions, governments and beyond, will provide advice to the Executive Director on operational opportunities, challenges and potential risks. Based on a comprehensive partner survey, UNOPS will implement concerted actions across the organization to maintain high levels of partner satisfaction.

#### *Driver A2. Partner for knowledge and effect*

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

45. With its mandate and technical expertise in public procurement, UNOPS supports governments in tackling corruption, ensuring fair competition, and building efficient and sustainable supply chains. In support of the 2030 Agenda, UNOPS continues to sharpen its focus on resilient and sustainable infrastructure, delivering high-quality and inclusive solutions for the benefit of entire communities. UNOPS will seek to expand delivery with partners, particularly to support public procurement and quality infrastructure.

46. UNOPS is focusing its efforts – early and high 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 partnerships, enabling UNOPS to provide creative solutions to development challenges.

#### *Driver A3. Communicate contribution of value*

47. Reflecting its commitment to transparency, UNOPS publishes live data about all ongoing projects on its data site. In 2020, UNOPS was again in full compliance with the International Aid Transparency Initiative standard; it will maintain that track record. UNOPS will also maintain its adherence to Global Reporting Initiative standards to capture comprehensive reporting on sustainability results (see annex I).

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

49. In response to feedback from the 2019 partner survey, UNOPS aims to improve the quality, timeliness and relevance of partner reports. Through new system functionalities and partner-specific templates aligned with global framework agreements, UNOPS will further tailor and automate financial reporting to partners. In the 2022-2023 biennium, UNOPS will strengthen its reporting on its contribution of value to partners and beneficiaries.

### **Goal B. People excellence**

50. In pursuit of *people excellence*, UNOPS empowers 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*

51. UNOPS is committed to enhancing its gender and geographic balance, and will focus on diversity and inclusion across its outreach, recruitment and talent management activities. In line with the United Nations Disability Inclusion Strategy and Gender Equality Strategy, UNOPS will strengthen its focus on the intersectional inclusion of women, people with disabilities, and other underrepresented groups. Targeting gender parity in its workforce and senior positions, UNOPS will drive inclusive leadership and workplace practices to support a diverse workforce.

52. UNOPS is firmly committed to the Secretary-General's zero-tolerance policy on sexual exploitation and abuse. It will continue to take deliberate measures to instil a 'speak-up' culture, including to ensure that its workplaces are free from discrimination and harassment of any kind.

53. The vast majority of the UNOPS workforce 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.

#### *Driver B2. Attract, recognize and develop talent*

54. Global initiatives to recruit, develop and recognize talent are priorities for UNOPS. UNOPS will create an enabling environment for career development through development conversations and access to learning opportunities. Building on the integration of its competency framework in recruitment and performance management, UNOPS will further strengthen its management of people and talent resources.

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

56. Recognizing that an engaged workforce is key to talent retention and organizational performance, UNOPS benchmarks 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*

57. Based on the 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.

58. UNOPS will continue to increase the share of women in senior positions to enable 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 practices of a diverse and gender-balanced leadership cadre.

59. UNOPS is committed to its duty of care responsibility. In the 2022-2023 biennium UNOPS will deepen its focus on the well-being and engagement of personnel through inclusive and empathetic leadership. Leveraging experiences from the COVID-19 pandemic, UNOPS will continue to offer flexible working arrangements.

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

### **Goal C. Process excellence**

61. In pursuit of *process excellence*, UNOPS is improving the quality, efficiency and reliability of operations by streamlining and innovating processes through digitization.

#### *Driver C1. Manage efficiency and consistency*

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

63. Building on the foundation of its enterprise resource planning system, 'oneUNOPS ERP', UNOPS continues to improve its delivery platform. The enterprise portfolio and project management system, 'oneUNOPS Projects', will use location-specific reporting to further improve project scheduling, monitoring of project progress, tracking of risks and lessons learned, and health and safety activities.

#### *Driver C2. Benchmark performance*

64. UNOPS benchmarking activities extend to performance analysis of both payroll and personnel administration. In 2019, the Board of Auditors noted of the increase in productivity in these areas, with more service lines and transactions being handled by the UNOPS Shared Service Centre. During the 2020-2021 biennium, the Shared Service Centre expanded its line of services by providing treasury management system services, centralizing bank reconciliation and the disbursement of payments from UNOPS integrated accounts. UNOPS will explore additional lines of transactional services for administration by the Centre.

65. Through its supplier sustainability programme ('DRiVE' – Delivering Responsibility in Vendor Engagement), UNOPS will continue to ensure that its vendors operate in accordance with high standards of integrity, focusing particularly on human rights, labour standards, equal opportunity, code of conduct, health and safety, quality management, and environmental management. UNOPS will verify supplier self-assessments, conduct on-site inspection visits, and prepare corrective action plans for inspected suppliers indicating areas for voluntary improvement.

66. 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. UNOPS will maintain its 'Goal Zero' campaign, reinforcing a culture of safety in its operations. Through training, knowledge-sharing and awareness-raising initiatives, UNOPS will continue to focus on timely reporting of incidents, the effectiveness of mandatory inspections, and the implementation of mitigating measures in response to identified risks and hazards.

#### *Driver C3. Innovate services and delivery platform*

67. UNOPS increasingly reaps the benefits of the collaborative tools and cloud-based solutions rolled out in the 2020-2021 biennium. In the 2022-2023 biennium, UNOPS will further strengthen its data governance, embedding ownership of data with policy owners and empowering its personnel with access to tailored data. UNOPS will drive further digitization of

its processes and will leverage integrated tools – including project forecasting – to support project implementation.

68. 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 will further enhance its eSourcing system – which is integrated with the United Nations Global Marketplace – and its other eProcurement tools, to improve efficiency, risk management and transparency in its procurement processes.

69. UNOPS works to build the capacity of micro, small and medium-sized enterprises and women- and youth-owned businesses, improving their access to the Global Marketplace through its supplier diversity programme ‘UNOPS Possibilities’, its online course ‘Doing Business with UNOPS’, and other initiatives.

70. 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**

71. To ensure *financial stewardship*, UNOPS safeguards its demand-driven, self-financing business model by balancing risks and opportunities and investing in innovation for the benefit of countries and people in need.

##### *Driver D1. Manage growth and delivery*

72. 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 set-up and context.

73. UNOPS intends to expand its operations in support of the United Nations and other partners, reaching more people in need. By maintaining a healthy balance between the value of project implementation and the value of signed partner agreements, UNOPS strives to deliver on its commitments to partners while ensuring the growth of the portfolio and the financial viability of the organization.

##### *Driver D2. Attribute costs to value*

74. Answering the call of the quadrennial comprehensive policy review to enhance cost recovery models and avoid cross-subsidization, UNOPS will continue to focus on linking its recovery modality with its service lines. This will be combined with sustained efforts to shift budgeting for project costs towards an output-based approach.

75. 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 agreements. In the 2022-2023 biennium, UNOPS will enhance its costing and pricing model through budget templates tailored to key partners’ needs and terminology.

##### *Driver D3. Invest in knowledge and innovation*

76. UNOPS makes investment funds available for knowledge and innovation, including for service offerings, strategic solutions and thought leadership. In the 2022-2023 biennium, UNOPS will further strengthen accountability for the financial and non-financial results of its internal investment projects, focusing on timely reporting of results for finalized projects and monitoring the progress of ongoing projects through the quarterly business reviews.

77. The UNOPS knowledge management approach 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

78. The four management goals articulated in the strategic plan, 2022-2025, 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 is a core internal management tool driving performance across UNOPS business units.

79. The management results framework forms the results-based element of the UNOPS budget estimates, 2022-2023. The framework focuses on strategic and institutional priorities through key performance indicators, and integrates different elements of UNOPS performance management by incorporating measures from internal management processes and tools.

80. The management results framework is coupled with the designated UNOPS framework for monitoring and reporting on sustainable implementation approaches (see annex I). This embeds 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 2020	Targets 2022-2023
A. Partner value	A1. Manage partner value	Overall partner satisfaction	78%	80%
	A2. Partner for knowledge and effect	Increase in partner agreement value to support public procurement and quality infrastructure	\$704 million (2019-2020 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	46%	47%-53%
	B2. Attract, recognize and develop talent	Overall personnel engagement	4.16 (2019)	4.10
	B3. Reinforce leadership	Women in senior positions	41%	47%-53% <sup>11</sup>
C. Process excellence	C1. Manage efficiency and consistency	Timely completion of projects	81%	85%
	C2. Benchmark performance	Implementation rate of accumulated internal audit recommendations	96%	90%
	C3. Innovate services and delivery platform	Timely forecasting of project expenditure	n/a	95%
D. Financial stewardship	D1. Manage growth and delivery	Ratio of annual delivery to value of partner agreements	74% (2019-2020 average) <sup>12</sup>	75-85%
	D2. Attribute costs to value	Partner agreements in compliance with cost recovery policy	99%	95%
	D3. Invest in knowledge and innovation	Internal investment projects reporting on results	71%	100%

<sup>11</sup> For ICSC 11 and above, the target date for achieving 47%-53% representation is end-2026.

<sup>12</sup> Excluding the partner agreement signed with the Government of Mexico in 2020

### C. Resources targeted and organization aligned to achieve results

81. UNOPS has aligned its budget for the biennium 2022-2023 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-financing business model of UNOPS, two years is seen as the most relevant planning horizon in terms of revenue and costs.

82. The UNOPS organizational structure allows efficiency and effectiveness in service delivery to partners and defines global functions, authorities and accountabilities. The results and budget framework for the 2022-2023 biennium is aligned with the UNOPS global structure (figure 1, above; global functions described in annex I).

83. 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 2020	Target 2022-2023	Management resources 2022-2023 (in \$ millions)
Leadership and corporate direction	Women in senior positions	41%	47%-53%	41.0
	Internal investment projects reporting on results	71%	100%	
Corporate external relations and partnerships, communications and resource mobilization	Overall partner satisfaction	78%	80%	45.8
	Increase in partner agreement value to support public procurement and quality infrastructure	\$704 million (2019-2020 average)	>10%	
Country office oversight, management and operations support	Timely completion of projects	81%	85%	30.6
	Timely forecasting of project expenditure	n/a	95%	
Corporate human resources management	Women in workforce	46%	47%-53%	11.1
	Overall personnel engagement	4.16 (2019)	4.10	
Staff and premises security	Not applicable*	n/a	n/a	1.1
Corporate financial, information and communications technology	Partner agreements in compliance with cost recovery policy	99%	95%	34.0

and administrative management	Ratio of annual delivery to value of partner agreements	74% (19/20 average)	75%-85%	
Corporate oversight and assurance	Implementation rate of accumulated internal audit recommendations	96%	90%	17.7
	Uphold international transparency standards for results	100%	100%	
<b>Total</b>				181.3

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

### ***Leadership and corporate direction***

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

85. *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, 2022-2025. 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 support for organization-wide integration of UNOPS values and ethics.

86. *Accountability and funding level.* Strategic management and leadership are funded in all entities of the global structure. Accountability lies with the Executive Director, the Senior Leadership Team, and global leadership across the organization. The estimated funding level is increased by \$23.0 million, to \$41.0 million, with \$20 million allocated – following the Board of Auditors recommendation – as a strategic investment in the harmonized functional cluster.

### ***Corporate external relations and partnerships, communications and resource mobilization***

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

88. *Issues and narrative.* As UNOPS continues to mature in managing its external relations, the Partnerships and Liaison Group incorporates liaison offices located in proximity to partners and integrated into regional portfolios. UNOPS has increased its partnership development capabilities in the regions to ensure sufficient resource mobilization and improve the quality of engagements. The Communications Group has been strengthened with additional resources to increase the visibility of UNOPS to target audiences. This reflects increased funding for 2022-2023 biennium.

89. *Accountability and funding level.* Accountability is shared among the Partnerships and Liaison Group, UNOPS liaison offices, the Communications Group, and management across UNOPS regions. Estimated funding has increased, by \$5.8 million, to \$45.8 million.

### ***Field/country office oversight, management and operations support***

90. *Definition.* The ‘field/country office oversight, management and operations support’ harmonized functional cluster comprises three global UNOPS functions: regional oversight, implementation practices and standards, and integrated advice and support.

91. *Issues and narrative.* Acknowledging the interdependence between UNOPS service lines, implementation practices and standards include project management, infrastructure and procurement. UNOPS is strengthening its delivery mechanism by increasing technical advisory

capacity at the regional level. This reflects its ambition to continue increasing technical expertise to support partners in its mandated areas.

92. UNOPS governance, risk and compliance framework enables it to 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.

93. *Accountability and funding level.* Accountability lies with management across UNOPS regional entities, the Infrastructure and Project Management Group, the Procurement Group, the Shared Service 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. The estimated funding level has increased by \$0.2 million, to \$30.6 million.

#### ***Corporate human resources management***

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

95. *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 enables it to contribute effectively to the Secretary-General’s reform agenda.

96. 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 resource functions to the organization and beyond.

97. *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 remains stable at \$11.1 million.

#### ***Staff and premises security***

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

99. *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.<sup>13</sup> UNOPS has continued to build up the function with additional resources.

100. *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 and the Shared Services Centre, with its health, safety, and social and environmental function. On behalf of the Executive Director, the UNOPS Chief of Security monitors UNOPS compliance with United Nations management policies and adopted standards. The estimated funding level from the management budget has increased, by \$0.1 million, to a total of \$1.1 million.

<sup>13</sup> ISO-14001 and OHSAS-18001

***Corporate financial, information and communications technology, and administrative management***

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

102. *Issues and narrative.* With its information technology function consolidated under the Chief Information Officer, UNOPS continues to improve the functionality of its global enterprise resource planning system, ‘oneUNOPS’, and the related information technology products. UNOPS is moving to cloud-based solutions to collaborate and share knowledge using information technology. The management and development-related costs will be funded through indirect cost, while the support functions continue to be recovered as direct cost. The Chief Information Security Officer, in the Risk Unit, implements the information security controls.

103. The UNOPS Finance Group has transferred the transactional process to the Shared Service Centre for global implementation, including the automated and centralized treasury and cash management system and processes. This is enhancing financial planning, adding transparency to UNOPS operations and bringing efficiency and effectiveness to the management of financial risks.

104. Through 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.

105. *Accountability and funding level.* Accountability lies with the Information Technology Group, the Finance Group and the Shared Service Centre. The estimated funding level is increased by \$6.4 million, to \$34.0 million.

***Corporate oversight and assurance***

106. *Definition.* The ‘corporate oversight and assurance’ harmonized functional cluster comprises the following global functions: corporate oversight and risk management; legal; audit and investigations; and ethics and compliance.

107. *Issues and narrative.* The global corporate oversight function comprises the contract and property review function 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 recently established Risk Unit.

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

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

110. The Internal Audit and Investigations Group assists UNOPS management in assessing and improving the adequacy, efficiency and effectiveness of 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.

111. *Accountability and funding level.* Accountability lies with the Internal Audit and Investigations Group, the Ethics and Compliance Office, the Executive Chief Procurement Officer, the Headquarters Contracts and Property Committee, the Legal Group, the Infrastructure and Project Management Group, and the Risk Unit. This functional cluster includes costs associated with external oversight provided by the Board of Auditors and the

Joint Inspection Unit. The estimated funding level has increased, by \$7.2 million, to \$17.7 million.

#### **IV. How UNOPS will manage: Budget estimates 2022-2023**

112. As a self-financing organization, the viability of UNOPS requires that its revenue match its use of resources. The \$200.5 million biennial revenue target serves as a frame for the UNOPS management budget, 2022-2023.

113. UNOPS seeks to increase its management resources in real terms for the biennium 2022-2023 compared to the budget estimates for 2020-2021, to strengthen global functions as the organization continues to mature. The \$200.5 million budget estimates comprise \$181.3 million in management resources and \$19.2 million earmarked for provisions, liabilities and contingencies. As recommended by the Board of Auditors, strategic investments have been integrated into management resources. By comparison, in its 2020-2021 budget estimates UNOPS budgeted for \$138.5 million in management resources and earmarked \$22.5 million for contingencies and \$20 million for strategic investments from its surplus.

##### **A. Increased management resources focused on quality and added value**

114. Efficiencies achieved by investing in information technology and redesigning global processes, as well as recovering direct costs through appropriate cost drivers, have enabled UNOPS to increase delivery while controlling its management budget.

115. While optimizing global processes and refining its cost recovery model, UNOPS continues to use 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.

116. Management resources are expected to grow as the budget is adjusted in response to Board of Auditors recommendations and to ensure the sufficient capacity in global functions as UNOPS continues to grow. The effect of inflation for the next biennium is estimated at 2.49 per cent for 2022 and 2.43 per cent for 2023, reflecting the combined impact of the annual inflation rate on all UNOPS locations.

117. UNOPS will allocate resources as a contingency to mitigate potential financial risks that may have to be absorbed by its own resources.

##### **B. Flexible workforce aligned with strategy**

118. Table 3, below, represents an overview of UNOPS management expense-funded staff posts for the 2022-2023 budget estimates.

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

120. The estimated number of staff in the budget estimates, 2022-2023, reflects the status as of 2021, with estimated changes in a limited number of business critical roles during the biennium. As the organization grows and evolves, UNOPS assesses business needs and adapts the staff position accordingly, in line with financial rules and regulations (regulation 14.02).

**Table 3. Staff posts funded by management budget, by category and location**<sup>14</sup>

	2020-21 Budget estimates			2022-23 Budget estimates			Change vs 2020-21		
	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	6	5	11	4	5	9	-2	0	-2
D-1	5	9	14	9	12	21	4	3	7
Other international professionals	38	44	82	39	52	91	1	8	9
All other	5	14	19	2	3	5	-3	-11	-14
<b>Total</b>	<b>56</b>	<b>72</b>	<b>128</b>	<b>56</b>	<b>72</b>	<b>128</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

### C. Allocating resources to address risks

121. Since 2009, the UNOPS operational reserve has remained above the minimum set by the Executive Board. Solid net assets ensure that management expenses can be met. Beyond the minimum requirement, the accumulated surpluses has assured partners that UNOPS can deliver on its commitments as a self-financing United Nations organization without core funding support or access to external funding. As requested by the Executive Board,<sup>15</sup> and based on an independent review, in the 2022-2023 biennium UNOPS proposes to align the required minimum level of its operational reserve with the risks in its portfolio (see annex II).

122. As UNOPS seeks to increase delivery with partners, particularly to support public procurement and quality infrastructure, its portfolio of engagements increases in complexity and risk profile. As a trusted partner for operations in fragile states and challenging environments, UNOPS meets partner demands, at the same time safeguarding its operations through the operational reserve. This will reassure partners that UNOPS can deliver on its commitments should risk materialize. Total net assets are expected to reach \$344.7 million, an estimated \$179.8 million of which is allocated to the operational reserve, with unrestricted accumulated surpluses reduced to \$22.0 million (table 4, below).

123. There is residual risk as UNOPS works to mitigate its risk exposure through process improvements, training and other internal measures. Focusing on internal controls, the governance, risk and compliance framework mitigates risk exposure, while the recently established Risk Unit improves institutional risk management. 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.

124. Quantifying risk exposure and worst-case scenarios is important for ensuring that sufficient funds are set aside in the operational reserve, and that each engagement recovers a sufficient amount to fund risk mitigation measures.

<sup>14</sup> The number of staff posts funded by direct and indirect costs has remained stable at approximately 754 since mid-2019, 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 to attribute direct costs to appropriate cost drivers. By expanding its ability to identify functions and processes to be directly recovered from projects, the cost of posts previously recovered as indirect, now budgeted as shared services, is largely recovered from direct costs.

<sup>15</sup> Executive Board decision 2020/8

125. In the 2022-2023 biennium, UNOPS will earmark \$19.2 million as contingency for potential write-offs and provisions to address plausible risks not covered through direct cost. This constitutes approximately 9.6 per cent of estimated revenue for the biennium.

#### **D. Investments to support UNOPS ambitions**

126. As part of its management resources, UNOPS will allocate funds to meet evolving partner demand in the light of the 2030 Agenda. In the 2022-2023 biennium, UNOPS will set aside \$30 million for strategic internal investments, integrated in the management resources. In line with its strategic plan, 2022-2025, UNOPS will target internal investments in support of its operational and management priorities.

127. 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 internal investments in line with management goals.

128. Through its Sustainable Investments in Infrastructure and Innovation initiative, with its office established in Helsinki, with support from the Government of Finland, in 2020, UNOPS invests in developing innovative solutions to help Member States deliver on the global goals. To avoid a stop-and-go approach resulting from valuation of the underlying assets and avoid undermining the credibility of the initiative, a separate 'S3I' reserve is proposed as of 2021 (table 4, below, and annex II).<sup>16</sup>

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<sup>16</sup> Requires change to UNOPS Financial Regulations and Rules, regulation 22.02

**Table 4. Resource plan**  
(in millions of dollars)

Resources	2020-2021	2020 (actuals) and 2021 (projection)	2022-2023
	Budget estimates		Budget estimates
<b>Net assets at beginning of period*</b>	<b>192.9</b>	<b>252.0</b>	<b>344.7</b>
Total revenue on budget basis	181.0	258.4	200.5
<b>Net assets after the impact of revenue on budget basis</b>	<b>373.9</b>	<b>510.5</b>	<b>545.2</b>
<b>Use of resources</b>			
Management resources	138.5	130.0	181.3
Provisions, liabilities and contingencies	22.5	33.4	19.2
Strategic investments from surplus	20.0	12.5	0
<b>Total use of resources</b>	<b>181.0</b>	<b>175.9</b>	<b>200.5</b>
<b>Balance of resources</b>			
Net revenue on budget basis	0.0	82.5	0
Net financial income	0.0	11.0	0
IPSAS basis difference	0.0	4.4	0
Actuarial gains/losses for the period	0.0	-7.2	0
Increase in fair value reserve	0.0	1.9	0
Budget basis to IPSAS reconciliation	0.0	-0.9	0
<b>Change to the Net assets on IPSAS** basis</b>	<b>0.0</b>	<b>92.6</b>	<b>0.0</b>
<b>Net assets at end of period</b>	<b>192.9</b>	<b>344.7</b>	<b>344.7</b>
<b>UNOPS net assets composition</b>			
Actuarial gains/losses	12.3	4.8	4.8
Fair value of available for sale financial assets	-3.0	11.1	11.1
Minimum operational reserve	21.7	145.8	179.8
Growth and innovation reserve	0.0	39.0	22.0
S3I reserve	0.0	104.9	104.9
Accumulated surpluses	162.0	39.0	22.0
<b>Net assets at end of period</b>	<b>192.9</b>	<b>344.7</b>	<b>344.7</b>

\* UNOPS net assets are restricted in their use based on the composition presented in the table under 'UNOPS net assets composition'. During the financial period, accumulated surpluses are available to absorb any deficit incurred.

\*\*IPSAS=International Public Sector Accounting Standards

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

	Expense category	2020-2021 budget estimates	Change		2022-2023 budget estimates
			Amount in dollars	Percentage (%)	
<b>Management expenses</b>	Posts	27.1	4.2	15.5	31.3
	Common staff costs <sup>(16)</sup>	20.4	2.7	13.2	23.1
	Travel	8.7	0.0	0.0	8.7
	Consultants <sup>(17)</sup>	66.4	34.6	52.1	101.0
	Operating expenses <sup>(18)</sup>	12.9	0.1	0.8	13.0
	Furniture and equipment <sup>(19)</sup>	1.0	0.4	40.0	1.4
	Reimbursements	2.0	0.8	40.0	2.8
	<b>Total management expenses</b>	<b>138.5</b>	<b>42.8</b>	<b>30.9</b>	<b>181.3</b>

<sup>16</sup> Includes allowances, insurances, learning and staff administration costs

<sup>17</sup> Includes 'individual contractor agreements', local and international consultants, contractual services and company contracts

<sup>18</sup> Includes general operating expenses, hospitality, rental, utility, maintenance and miscellaneous expenses

<sup>19</sup> Includes furniture, equipment and intangible assets