# Operational Directive Ref. OD.EO.2018.01
# Value Proposition and Cost Recovery Model

**Authority:**

This Operational Directive (OD) is promulgated by the Deputy Executive Director, on the basis of a delegation of authority from the Executive Director.

**Purpose:**

The purpose of this OD is to define UNOPS value proposition and cost recovery model.

**Effective Date:**

This OI shall become effective immediately.

**Promulgation Date:**

15 Mar 2018

**Consequential changes:**

This OD shall supersede and replace OD 22 (rev.3) – Client Pricing Policy of 23rd May 2016 as of the effective date of this OD.

[signature redacted]

Vitaly Vanshelboim
Deputy Executive Director

# 1. Introduction:

**1.1** As a self-financed entity, UNOPS delivers services on a full cost recovery basis.

**1.2** The purpose of this OD is to define UNOPS value proposition and cost recovery model.

# 2. UNOPS Value Proposition:

**2.1** UNOPS value proposition resides in the way it supports partners in achieving their goals and is articulated in its contribution goals as approved by the Executive Board:

a. Through its operational excellence, UNOPS provides reliable, timely, efficient, and partner centric management support for financial, human resources, procurement, and other related services as mandated in support of its partners to enable them to deliver more, faster for less

b. Through its technical expertise applied in accordance with international norms and standards, UNOPS provides impartial, agile, and accountable advisory and implementation services for infrastructure, procurement, project management, and other services as mandated to all its partners to enable them to achieve outcomes and build capacity and in particular in challenging contexts and locations.

c. Through its experience and impartial role, UNOPS can act as a broker between countries, governments, donors, IFIs (international financial institutions) and investors to expand the pool and effectiveness of resources available to achieve the 2030 Agenda.

**2.2** UNOPS tailors its services to the needs of its partners and offers these under the following service lines:

a. **Infrastructure**, including but not limited to planning, design, construction, operation and/or maintenance of physical infrastructure assets,

b. **Procurement**, including but not limited to procurement of goods and/or services, logistics, contract and/or supply chain management,

c. **Project management**, including but not limited to all services that require expertise in project/ programme/portfolio management,

d. **Human resources management**, including but not limited to selection of personnel and/or administration of personnel contracts,

e. **Financial management**, including but not limited to receipt, disbursement and/or management of funds or grants, advising on financial constructs and soliciting funding,

f. **Other management service** that are not covered by the above service lines.

**2.3** The above services are provided by UNOPS in the form of the following service types:

a. **Transactional services** are generic support services often pertaining to activities related to human resources, procurement and financial management, whether produced and delivered locally, as global shared services or through secretariat services for international initiatives. Transactional services are delivered as stand-alone offerings or as integral components of implementation services. When

providing transactional services, UNOPS typically is liable for timely, efficient and correct delivery of services and goods.

b. **Advisory services** is the provision of specialized expertise – grounded for example in core competencies in infrastructure, procurement, human resources, financial and project management – to partners in conducting their operations and projects. These services also entail the imparting and development of knowledge to expand the capacity of partners, people and systems in countries of operation. They span functional technical expertise; the integration of sustainable approaches; and the embedding of United Nations norms and standards in integrated, context specific service offerings. Advisory services are delivered as stand-alone offerings or as integral components of implementation services. When providing advisory services, UNOPS typically is liable for timely, professional and correct advice.

c. **Implementation services** comprise project management on behalf of partners designed in response to their needs in pursuit of benefits in the form of an expected output and/or outcome or impact. They include design, construction, contract management of physical infrastructure, civil works, etc. Implementation services often involve a blend of transactional and advisory services tailored to achieve context-specific outcomes. When providing implementation services, UNOPS typically is liable for outcomes and functionalities.

**2.4** In order to provide strategic solutions to partners, the above service lines can be combined as appropriate, creating solutions such as secretariat services to unincorporated multi-stakeholder initiatives.

**2.5**. The Chief Financial Officer (CFO) establishes operational instructions (OIs) and guidance under this OD, to guide the management of service lines, service types and secretariat services, including establishing the methodology to define outputs for these service lines, service types.

# 3. UNOPS Cost Recovery Model:

**3.1.** In line with the principle of full cost recovery, each engagement agreement UNOPS enters into, should cover direct and indirect costs incurred by UNOPS in relation to the execution of the engagement.

**3.2.** Costs pertaining to the execution and delivery of the engagement are to be determined as accurately as possible, ensuring that the effort and cost of determining and recovering these costs are reasonable.

**3.3.** Direct costs should be clearly documented, identifiable, and directly pertain to the activities carried out to deliver the benefits to a particular engagement agreement or client(s). Direct costs should be determined using activity based costing principles and charged as absolute amounts.

**3.4.** Indirect costs are incurred by the management and administration of UNOPS activities and policies. Indirect costs will be determined as a reflection of the complexity, size and risk associated with an engagement agreement. They are to be recovered as management fee from engagements and be charged as absolute amounts and/or fee percentage.

**3.5**. Shared services should be established for processes that can be pooled on a local, regional or global level. Cost of such shared services are to be recovered as absolute amounts per appropriate cost driver from engagement agreements and internal projects.

**3.6.** Agreements that deviate from established policies/practices in regards to financial matters should be provided to the CFO or her/his delegate for recommendations to the final approval authority.

**3.7.** The CFO establishes OIs and guidance under this OD to define the methodology and parameters for calculating and recovering direct cost as well as for how to calculate UNOPS indirect costs and determine the appropriate management fee.