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ACTION

# Business Operations Strategy (BOS 2.0)

Cost  
Benefit Analysis  
and Reporting  
Scenario  
Examples

2023

# Business Operations Strategy (BOS 2.0)

## Cost Benefit Analysis and Reporting Scenario Examples

### 5. Examples of CBA calculation in different scenarios

The following examples (anecdotal) are prepared by the BOS task team as a reference for OMTs and are based on experience and feedback shared by WFP, FAO, UN Secretariat, UNDP, UNFPA, UNHCR, UNICEF, UNOPS, and WHO).

#### 5.1. Estimate Approach vs. Exact Approach – or Use of UPL vs. Agency Cost<sup>1</sup>

As provided for in the supplemental guidance, during the 2023 annual review of the BOS, entities, at their discretion or the direction of their HQs, may revise their existing costs in the BOS platform to reflect any correction(s) needed in CBA. This is a one-off optional exercise, and the entities are no longer required to use a single approach for calculating the labor and monetary cost.

In the past, many entities used an 'Estimate Approach' [such as the use of the Universal Price List (UPL) or Local Price List (LPL)] to estimate labor costs<sup>2</sup>. Going forward, if an entity determines that the UPL/LPL may not accurately represent their entity's labor cost, there is a choice for the entity to calculate the entity cost differently, such as using a time-motion study, business process mapping or any entity-specific methodology for calculation of labour costs. A similar approach also applies to determining the monetary cost.

Below is an example provided by WFP on the calculation of labour cost before collaboration (current cost) and after collaboration (future cost). This example illustrates a scenario if WFP manages the common service on behalf of other entities.

To establish a contract, there are **three activities that need to be conducted by different people**. Each activity requires **a different amount of time**, and each **person completing the step has a different salary**

		Before collaboration					After collaboration				
Estimate (Projection)	In 2021 WFP ran the procurement process independently and identified the associated activities										
	Activities	Time	Level	Rate	Cost	Activities	Time	Level	Rate	Cost	
	Identify suppliers	2hr	G3	\$25	\$50	Aggregate demand	2hr	G3	\$25	\$50	
	Raise PR	3hr	G6	\$45	\$135	Identify suppliers	4hr	G3	\$25	\$100	
	Approve PR	0.5hr	P3	\$90	\$45	Raise PR	3hr	G6	\$45	\$135	
	Total				\$230	Approve PR	0.5hr	P4	\$100	\$50	
Actuals (Realized)	As WFP did not develop a contract run the procurement process independently, the actual costs are the same as the estimates for before collaboration										
	Activities	Time	Level	Rate	Cost	Activities	Time	Level	Rate	Cost	
	Identify suppliers	2hr	G3	\$25	\$50	Aggregate demand	4hr	G2	\$25	\$100	
	Raise PR	3hr	G6	\$45	\$135	Identify suppliers	8hr	G3	\$25	\$200	
	Approve PR	0.5hr	P3	\$90	\$45	Raise PR	2hr	G6	\$45	\$90	
	Total				\$230	Approve PR	0.5hr	P3	\$100	\$50	
					Total				\$335		
The activities WFP thought they would do were done, thought WFP spent more time aggregating demand than expected, & different people did the activities											

<sup>1</sup> For definition refer to BOS supplemental guidance

<sup>2</sup> Based on the BOS guidance with the aim to reduce the time investment in determining labor costs

# Business Operations Strategy (BOS 2.0)

## Cost Benefit Analysis and Reporting Scenario Examples

### 5.2. Difference between estimate (projection) and realized benefits

As a strategic framework, the BOS requires that the OMT perform a cost-benefit analysis and estimate (project) the benefits of the agreed common services for a period of 5 (five) years. The BOS also requires reporting realized benefits from using common services effectively.

To decide on the collaboration, at the CBA step, for each of the cost categories applicable (one-time costs, recurring costs, and/or labour costs), entities are expected to provide their estimated costs and volume (a forecasting exercise) to determine the cost & benefit of a common service. It applies to both current costs (which is the cost without collaboration) and future costs (cost with collaboration).

During the BOS annual review, the entities are expected to report on the realized benefits for the past completed year (s) for a common service agreed upon in the BOS.

The estimated and realized benefits are calculated by the entity at the country office level. The below charts are examples of how WFP is calculating recurring monetary costs and labour costs as a reference:

#### Monetary Cost (Recurring costs):

A Good / service cost = Unit type x Quantity / unit x Price / unit					
Types of units		Quantity of units (items, square meters, etc.)		Price per unit	
		Before Collab (Current)	After Collab (Future)	Before Collab (Current)	After Collab (Future)
Estimated (Projected)	The different types of goods/services procured (levels of security guards, types of trainings, styles of pens. etc.)	Forecasted quantity <i>Update future years' projections each year during the Annual Review</i>		What you paid before collaboration <i>Adjusting for inflation</i>	What you think you will pay each year after collaboration <i>Update future years' estimations each year during the AR</i>
Actual (Realized)		True utilized quantity		What you actually paid for that year after collaboration	

A scenario based on this methodology could be as such:

Good / service cost = Unit type x Quantity / unit x Price / unit					
Types of units		Quantity of units (items, square meters, etc.)		Price per unit	
		Before Collab (Current)	After Collab (Future)	Before Collab (Current)	After Collab (Future)
Estimated (Projected)	Laptops	Forecasted quantity 15		What you paid before collaboration \$1,500	What you think you will pay each year after collaboration 1,200
Actual (Realized)		True utilized quantity 16		What you actually paid for that year after collaboration 1,150	

# Business Operations Strategy (BOS 2.0)

## Cost Benefit Analysis and Reporting Scenario Examples

This scenario would be represented on the platform as follows:

Opportunity Description

Service Line

Common ICT services

Location

Service Recommended

Procurement of ICT and network hardware

Implementation start date

Select a year

LTA CBA

WFP

Opportunity analysis

Participating Agencies

Cost Benefit Analysis

Quality Analysis

Way forward

\*Note: Currency allowed in the CBA is USD only

Agencies

One Time Costs

Recurring costs

Labor Costs

CBA Documents

Current Cost

2019

2020

2021

2022

2023

Total annual spend on category without LTA

Estimate

22,500

0

0

0

0

Realized

24,000

0

0

0

0

Delete

Future Cost

2019

2020

2021

2022

2023

Total annual spend on category with LTA

Estimate

18,000

0

0

0

0

Realized

18,400

0

0

0

0

Delete

Current estimated costs

22,500

Future estimated costs

18,000

Estimated benefit

4,500

Current realized costs

24,000

Future realized costs

18,400

Realized benefit

5,600

Difference

-1,100

Save

Exit

Labor costs:

<div> <div>B</div> <div> <div>Process cost</div> <div>=</div> <div>Activities</div> <div>x</div> <div>Number of hours / activity</div> <div>x</div> <div>Salary per hour</div> </div> </div>					
Activities		Number of hours		Salary per hour	
		Before Collab (Current)	After Collab (Future)	Before Collab (Current)	After Collab (Future)
Estimated (Projected)	Activities required to complete the process pre-collab	Time spent on activities pre-collab <i>Update future years' projections each year during the Annual Review</i>	Forecasted time for activities post-collab <i>Update future years' projections each year during the Annual Review</i>	Salary per hour of essential staff assumed to be involved in the activity before collaboration <i>Adjusting for re-grading over the years</i>	Salary per hour of essential staff assumed to be involved in the activity after collaboration
Actual (Realized)			True amount of time spent on activities post-collab		Salary per hour of essential staff actually involved in the activity after collaboration

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## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

A scenario based on this methodology could be the following:

Process cost = Activities x Number of hours / activity x Salary per hour					
Activities		Number of hours		Salary per hour	
	Before Collab (Current)	After Collab (Future)		Before Collab (Current)	After Collab (Future)
Estimated (Projected)			Estimated (Projected)		
	- Identify suppliers - Raise PR - Approve PR	- Raise PR - Approve PR			- Raise PR: G5; \$45/hour - Approve PR: P4; \$100/hour
Actual (Realized)			Actual (Realized)		
				- Identify suppliers: G3; \$25/hour - Raise PR: G5; \$45/hour - Approve PR: P4; \$100/hour	- Raise PR: G5; \$45/hour - Approve PR: P4; \$100/hour

This is how the scenario would be represented on the platform:

Opportunity analysis | Participating Agencies | **Cost Benefit Analysis** | Quality Analysis | Way forward

\*Note : Currency allowed in the CBA is USD only

Agencies | One Time Costs | Recurring costs | **Labor Costs** | CBA Documents

Current Cost		Process Cost	2019	2020	2021	2022	2023	Total
Total Labour Process	Esti.	220	1	0	0	0	0	220
Delete	Real	220	1	0	0	0	0	220

Future Cost		Process Cost	2019	2020	2021	2022	2023	Total
Total Labour Process	Esti.	140	1	0	0	0	0	140
Delete	Real	140	1	0	0	0	0	140

Current estimated costs 220

Current realized costs 220

Future estimated costs 140

Future realized costs 140

Estimated benefit 80

Realized benefit 80

Difference 0

SaveExit

# Business Operations Strategy (BOS 2.0)

## Cost Benefit Analysis and Reporting Scenario Examples

### 5.3. Data entry for past and future years at the platform

In 2023, all CBA fields will be open to allow adjustment of both estimate and realized costs if needed (optional exercise). Although it is possible to adjust the estimate for future years, the realized costs are restricted to the past years (up to 2022):

Opportunity Description

Service LineCommon ICT services

Service RecommendedInternet connectivity and VSAT services

LocationCapital City

Implementation start date2019

Detailed CBA

UN

Opportunity analysisParticipating AgenciesCost Benefit AnalysisQuality AnalysisWay forward

Note: Currency allowed in the CBA is USD only

AgenciesOne Time CostsRecurring costsLabor CostsCBA Documents

		2019	2020	2021	2022	2023			2019	2020	2021	2022	2023
Total Recurring Cost	Estimate	1,500	1,650	1,700	1,750	1,800	Total Recurring Cost	Estimate	1,200	1,350	1,400	1,450	1,500
	Realized	1,500	1,650	1,700	1,750	0		Realized	1,200	1,350	1,400	1,450	0

Current estimated costs8,400

Future estimated costs6,900

Estimated benefit1,500

Current realized costs6,600

Future realized costs5,400

Realized benefit1,200

Difference300

Save

Exit

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

#### 5.4. Five (5) years projection in CBA

To the extent possible, entities may estimate cost and volume for the period of 5 years shown in the platform. Having said that, it is not always possible to predict in advance the cost and volume due to varying factors, such as inflation, unstable currency rates, country context, etc. In those cases, entities shall estimate cost and volume for a minimum of two years, and the projection for the second coming year can be extrapolated for the other years and adjusted in the future annual review where needed:

Service Line

Common Administration services and including comm

Service Recommended

Travel services

LTA CBA

Location

Implementation start date

2021

UNDP

Opportunity analysis

Participating Agencies

Cost Benefit Analysis

Quality Analysis

Way forward

Agencies

One Time Costs

Recurring costs

Labor Costs

CBA Documents

Current Cost

	2021	2022	2023	2024	2025
Total annual procurement	Estimate 150,000	165,000	165,000	165,000	165,000
	Realized 150,000	165,000	0	0	0
Total annual spend on category without LTA	Estimate 0	0	0	0	0
	Realized 0	0	0	0	0

Future Cost

	2021	2022	2023	2024	2025
Total annual procurement	Estimate 0	0	0	0	0
	Realized 0	0	0	0	0
Total annual spend on category with LTA	Estimate 130,000	145,000	145,000	145,000	145,000
	Realized 150,000	165,000	0	0	0

Current estimated costs

810,000

Future estimated costs

710,000

Estimated benefit

100,000

Current realized costs

315,000

Future realized costs

315,000

Realized benefit

0

Difference

100,000

Save

Exit

#### 5.5 How to conduct CBA and report benefits from an existing individual LTA signed by Entity A and shared with other entities at the country level (piggyback)

Sharing individual long-term agreements (LTAs) can be an easy way to start collaboration at the country level<sup>3</sup>. There are two options for utilizing an existing LTA:

1. Managing entity share their LTA with other entities to piggyback without re-tendering/re-negotiating the LTA prices with the service provider: The managing entity may not realize benefits from collaboration given the LTA is based on single (managing entity volume) and workload for the establishment of the LTA remains the same and no economies of scale. However, other entities that utilize the LTA will benefit from labour costs and, in some instances, monetary costs.
2. **Managing Entity consolidate volume of other participating entities and re-tender or re-negotiate<sup>4</sup>** the LTA: OMT should ideally establish interagency LTAs, allowing all participating entities to benefit from economies of scale of negotiated rates based on the aggregate volumes of the entities. In this scenario, even if an entity has an existing LTA, re-tendering or re-negotiating the LTA may yield monetary cost benefits by acquiring reduced prices from service providers.

<sup>3</sup> In view of mutual recognition statement, entities may share existing LTA with each other to enable collaboration, without incurring additional cost to participating entities.

<sup>4</sup> Procurement procedures may allow the entity to negotiate services costs based on additional volume. Exception 'interest of organization' where UN System collaborate to avoid duplication, leverage bargaining power and economies of scale



## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

The following scenarios, provided by WFP, indicate the impact of the use of LTAs for both managing and participating entities:

1. External contractual agreements			
LTA CBA			
	One-time	Recurring	Labour
i. Managing	N.A.	Decreased price resulting from negotiated reduced rates from increased volumes through a joint contract	No change on time or little increase resulting from management the joint process
			ii. Participating
Decreased time due to LTA <b>establ. &amp; renewal</b> consolidation			
Decreased time due to simpler <b>purchase process</b>			



## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

#### 5.6 Changes in volumes

Operational requirements at the country level and guided by the programme delivery requirements can have an impact on the operational volumes. A change in the UNSCDF, the country context, or even the market may impact the efficiencies projected by the entities during BOS development or review.

In such cases, reduction or increment in volumes in recurring costs/labor costs (when applicable) shall be reflected in both current costs and future costs fields.

In the example below, the entity estimated an average of 10 consultants recruited every year but already knew that in 2023 an additional number would be needed, as an important event is being organized at the Capital City in 2023:

**Opportunity Description**

Service Line  
Common Human Resources services

Service Recommended  
Recruitment process (consultants and interns)

**Simplified CBA**

Location  
Capital City

Implementation start date  
2022

UNEP

Opportunity analysis

Participating Agencies

**Cost Benefit Analysis**

Quality Analysis

Way forward

Agencies

One Time Costs

Recurring costs

**Labor Costs**

CBA Documents

Current Cost

Process Cost

2022

2023

2024

2025

2026

Total

Consultant Recruitment without Roster in Place

Esti.

400

10

15

10

10

10

22,000

Real

400

0

0

0

0

0

0

Future Cost

Process Cost

2022

2023

2024

2025

2026

Total

Consultant Recruitment with Roster in Place

Esti.

320

10

15

10

10

10

17,600

Real

320

0

0

0

0

0

0

Current estimated costs 22,000

Future estimated costs 17,600

Estimated benefit 4,400

Current realized costs 0

Future realized costs 0

Realized benefit 0

Difference 4,400

Save

Exit

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

However, a natural disaster happened in the country in 2022, and instead of 10 consultants, the entity had to recruit 25 consultants, to support the governmental response to the hazard. This variance in the number of consultants must be reflected in realized fields for both current and future costs:

Opportunity Description

Service Line

Common Human Resources services

Service Recommended

Recruitment process (consultants and interns)

Simplified CBA

Location

Capital City

Implementation start date

2022

UNEP

Opportunity analysis

Participating Agencies

Cost Benefit Analysis

Quality Analysis

Way forward

Agencies

One Time Costs

Recurring costs

Labor Costs

CBA Documents

Current Cost

Process Cost

2022

2023

2024

2025

2026

Total

Future Cost

Process Cost

2022

2023

2024

2025

2026

Total

Consultant Recruitment without Roster in Place

Esti.

400

10

15

10

10

10

22,000

Consultant Recruitment with Roster in Place

Esti.

320

10

15

10

10

10

17,600

Current estimated costs

22,000

Future estimated costs

17,600

Estimated benefit

4,400

Current realized costs

10,000

Future realized costs

8,000

Realized benefit

2,000

Difference

2,400

Save

Exit

The approach also applies to recurring costs. The following scenario, provided by WFP, gives an example of the calculation of the recurrent costs for security services (outsourced):

The OMT is establishing a joint security contract. In the contract, there are 3 different types of security guards: day guards, night guards, and managers. The OMT needs a different number of each type of guard and the external provider charges a different price for each type

Estimate (Projection)	Before collaboration				After collaboration			
	Based on the independent 2021 contract, WFP forecasted the quantity of guards needed & identified the price list				Based on conversations with the OMT, WFP is expecting the price for each will match UNDPs rates; Quantity will not change			
	Unit type	Quant	Price	Cost	Unit type	Quant	Price	Cost
	Day	8	\$50	\$400	Day	8	\$45	\$360
	Night	6	\$45	\$270	Night	6	\$45	\$270
	Manager	1	\$100	\$100	Manager	1	\$90	\$90
	Total			\$770	Total			\$720
Actuals (Realized)	In 2022, WFP needed more guards than they expected. The price is not changing from estimates				After the negotiations, prices were slightly different than expected and WFP recorded the number of guards used			
	Unit type	Quant	Price	Cost	Unit type	Quant	Price	Cost
	Day	10	\$50	\$500	Day	10	\$45	\$450
	Night	8	\$45	\$360	Night	8	\$40	\$320
	Manager	1	\$100	\$100	Manager	1	\$90	\$90
	Total			\$960	Total			\$860

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

Based on the calculation above, the WFP country office included the estimates for 2022 as such:

Service Line

Common Administration services and including comm

Service Recommended

Security Services (outsourced)

Location

Implementation start date

2021

LTA CBA

WFP

Opportunity analysis

Participating Agencies

Cost Benefit Analysis

Quality Analysis

Way forward

Agencies

One Time Costs

Recurring costs

Labor Costs

CBA Documents

Current Cost

		2021	2022	2023	2024	2025
Total annual procurement	Estimate	770	770	770	770	770
	Realized	770	0	0	0	0
Total annual spend on category without LTA	Estimate	0	0	0	0	0
	Realized	0	0	0	0	0

Future Cost

		2021	2022	2023	2024	2025
Total annual procurement	Estimate	720	720	720	720	720
	Realized	720	0	0	0	0
Total annual spend on category with LTA	Estimate	0	0	0	0	0
	Realized	0	0	0	0	0

Current estimated costs

3,850

Future estimated costs

3,600

Estimated benefit

250

Current realized costs

770

Future realized costs

720

Realized benefit

50

Difference

200

Save

Exit

When reporting in 2023, considering that there was a need to increase the number of guards from 15 to 19, as detailed in the scenario, the recurrent costs are expected to be adjusted both at the current and future costs:

Service Line

Common Administration services and including comm

Service Recommended

Security Services (outsourced)

Location

Implementation start date

2021

LTA CBA

WFP

Opportunity analysis

Participating Agencies

Cost Benefit Analysis

Quality Analysis

Way forward

Agencies

One Time Costs

Recurring costs

Labor Costs

CBA Documents

Current Cost

		2021	2022	2023	2024	2025
Total annual procurement	Estimate	770	770	770	770	770
	Realized	770	960	0	0	0
Total annual spend on category without LTA	Estimate	0	0	0	0	0
	Realized	0	0	0	0	0

Future Cost

		2021	2022	2023	2024	2025
Total annual procurement	Estimate	720	720	720	720	720
	Realized	720	860	0	0	0
Total annual spend on category with LTA	Estimate	0	0	0	0	0
	Realized	0	0	0	0	0

Current estimated costs

3,850

Future estimated costs

3,600

Estimated benefit

250

Current realized costs

1,730

Future realized costs

1,580

Realized benefit

150

Difference

100

Save

Exit

A similar approach is to be used in the case that the volumes decrease from the estimate in one year to the realized in the coming year.

## Business Operations Strategy (BOS 2.0)

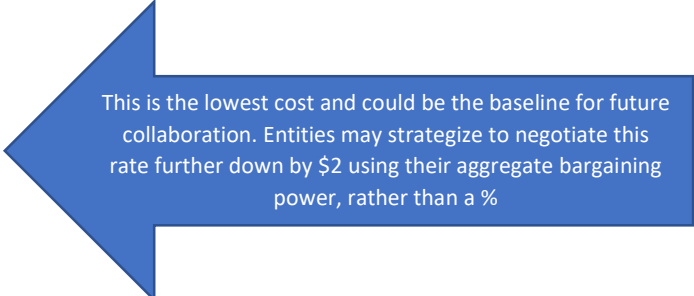
### Cost Benefit Analysis and Reporting Scenario Examples

#### 5.7 Calculating Future Discounts (standard rate than percentage)

When planning a common service and calculating the future cost (i.e., a situation where entities are collaborating on a common service and expecting a lower cost), the participating entities shall agree on a fixed discounted rate target as an outcome of their negotiation or joint initiative, rather than a percentage. It is important as a percentage discount in future costs may result in a different value for each entity. For example, three entities acquire travel services from various service providers, each charging the entity a different cost (ref below table). The entities aggregate their volume and aim to re-tender for a joint LTA to reduce the service cost by another \$5. The entity's baseline cost to reduce is the cheapest transaction cost from the current providers.

##### Entities current cost (Cost without collaboration)

Entity	Service Provider	Unit Cost per transaction
Agency A	Service provider A	\$20
Agency B	Service provider B	\$22
Agency C	Service Provider C	\$18



This is the lowest cost and could be the baseline for future collaboration. Entities may strategize to negotiate this rate further down by \$2 using their aggregate bargaining power, rather than a %

**In this scenario – the future cost for all entities may be \$16, and their benefit is ‘current cost’ minus \$16). This scenario is with an understanding that after a common service is established, the entities will be able to know the exact transaction cost of the new LTA and adjust the cost when reporting realized efficiency.**

Entity	Unit Cost per transaction without collaboration	Unit Cost per transaction without collaboration	Estimate benefit per transaction
Agency A	\$20	\$16	\$4
Agency B	\$22	\$16	\$6
Agency C	\$18	\$16	\$2

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

#### 5.8 How to record and report realized efficiency if a common service is not established at the agreed “Implementation Start Date.”

When planning a common service, the OMT will need to agree on an “Implementation Start Date” by indicating the year when the common service will be established and ready for use. The BOS platform indicates the year in the “Implementation start date” field in the Opportunity Analysis tab. This field cannot be changed for common services already included in the BOS platform during the development of the BOS or during the 2022 annual review. If a common service was not established timely and entities did not utilize it, in this case, all participating entities may reflect a \$0 benefit, as the entities incurred costs without collaboration.

Opportunity Description

Service Line

Common Administration services and including comm

Service Recommended

Travel services

LTA CBA

UN

Location

Implementation start date

2019

Opportunity analysis

Participating Agencies

Cost Benefit Analysis

Quality Analysis

Way forward

Agencies

One Time Costs

Recurring costs

Labor Costs

CBA Documents

Current Cost

	2019	2020	2021	2022	2023	
Total annual procurement	Estimate	0	0	0	0	0
	Realized	0	0	0	0	0
Total annual spend on category without LTA	Estimate	15,000	16,500	17,000	17,500	18,000
	Realized	15,000	16,500	17,000	17,500	0

Future Cost

	2019	2020	2021	2022	2023	
Total annual procurement	Estimate	0	0	0	0	0
	Realized	0	0	0	0	0
Total annual spend on category with LTA	Estimate	12,000	13,500	14,000	14,500	15,000
	Realized	15,000	16,500	17,000	17,500	0

Current estimated costs

84,000

Future estimated costs

69,000

Estimated benefit

15,000

Current realized costs

66,000

Future realized costs

66,000

Realized benefit

0

Difference

15,000

Save

Exit

In such a case, it is important that the OMT Working Group reflects on the Planning Framework, the actual timeline for the implementation of the services, identifying what are the activities that are delayed, also agreeing on the necessary measures – and correspondent activities – to be implemented in the coming year to make a common service available.

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

#### 5.9 How to record and report on realized figures when the common service was made available and entity A, although a participating entity, did not use the common service

The reported benefits of the BOS platform correspond to the effective use of the common service. In the case that the common service was made available by the managing entity but was not used by the participating entity, the participating entity shall report a \$0 benefit. In the CBA tab, the realized efficiencies should reflect the service cost incurred by the entity without collaboration in current and future costs.

This understanding applies to both recurring costs and labour costs.

Opportunity Description

Service Line

Common Administration services and including comm

Service Recommended

Travel services

LTA CBA

Location

Implementation start date

2021

UNDP

Opportunity analysis

Participating Agencies

Cost Benefit Analysis

Quality Analysis

Way forward

Agencies

One Time Costs

Recurring costs

Labor Costs

CBA Documents

Current Cost

		2021	2022	2023	2024	2025
Total annual procurement	Estimate	150,000	165,000	165,000	165,000	165,000
	Realized	150,000	165,000	0	0	0
Total annual spend on category without LTA	Estimate	0	0	0	0	0
	Realized	0	0	0	0	0

Future Cost

		2021	2022	2023	2024	2025
Total annual procurement	Estimate	0	0	0	0	0
	Realized	0	0	0	0	0
Total annual spend on category with LTA	Estimate	130,000	145,000	145,000	145,000	145,000
	Realized	150,000	165,000	0	0	0

Current estimated costs

810,000

Future estimated costs

710,000

Estimated benefit

100,000

Current realized costs

315,000

Future realized costs

315,000

Realized benefit

0

Difference

100,000

Save

Exit

#### 5.10 Global Shared Services / Bilateral services agreed corporately should not be recorded nor reported in the BOS

As a local framework, the BOS shall not include services agreed at the global level (if they are active and in use as a global shared service) nor bilateral agreements signed between entities HQs. Global Shared Services refer to *location-independent* services provided globally across the UN system irrespective of geographical location. Global shared services may be agreed upon at the corporate level based on bilateral agreements signed at the entity HQ level as global solutions. It may be that some global solutions are agreed upon globally but implemented at the country level.

BOS framework should only record common services established locally between two or more participating entities. Bilateral services, based on agreements signed at the entity HQ level as global solutions and implemented at the country level, should not be included in the BOS framework as a common service. During the 2023 annual review, as all data fields will be available for adjustments, it is possible for the entities to exclude from the BOS platform services that are classified for the entity as GSS or bilateral services– such as the global MoU of the RC system with UNDP for the provision of specific services.

Services that are agreed upon at the country level – out of the scope of the global Memorandum of Understanding – shall still be recorded and reported on the BOS platform.

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

It is possible that service – for example, travel services – has a local component (domestic travel) and a global component (international travel, managed from HQ under a global arrangement). In this case, if the global agreement does not cover the local travel services and the entity collaborates under the BOS on travel common services, the local component of the service may be captured and reported.

For services that were originally local arrangements but moved to a global arrangement, such as the Humanitarian Booking Hub (provided that the entity has signed an agreement with WFP at HQ level). The entity shall discontinue participating in those services in the BOS, as the entity will report efficiency corporately. This action is possible by changing the service provision at the BOS platform and removing the entity from the collaboration, as indicated below:

The screenshot shows the 'Opportunity Description' page in the BOS platform. The 'Service Line' is 'Common ICT services' and the 'Location' is 'Egypt'. The 'Service Recommended' is 'Mobile phone services including scratch cards' and the 'Implementation start date' is '2020'. The 'LTA CBA' button is visible. The 'Participating Agencies' section is active, showing a list of agencies. The 'Remove from collaboration' link for 'UN WOMEN' is circled in red. Other agencies listed include FAO, ICAO, IFAD, ITU, UNDP, UNESCO, UNFPA, UNRWA, UNS - OCHA, and UNS - UN Habitat. The 'Remove from collaboration' link is also present for all other agencies.

The BOS platform will then request the user to inform the reason why the entity is being removed from the collaboration (moved to GSS) and since when:

The dialog box titled 'Remove from collaboration?' contains the following fields and options:

- Reason:** Radio buttons for 'Moved to GSS' (selected), 'Moved to CBO', and 'Other'.
- Year:** A dropdown menu with 'Select' as the current value.
- Comments:** A text area for additional information.
- Buttons:** 'Yes' and 'No' buttons at the bottom.



## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

This feature will allow your past collaboration, at the country level, to be still captured at the BOS platform but will not record any new realized efficiencies or estimate benefits beyond the year when the entity moved from a local arrangement to a global service.

The same approach can be applied to cases when the service provision was moved to an entity-specific global service center / global service unit, such as UNICEF's GSSC (Budapest), UNDP's GSSC (Malaysia), FAO SSC (Budapest), UNHCR Global Service Center (Budapest), among others.

If the entity leaves the common service for any other reason, the option "Other" shall be used, and the rationale for leaving the collaboration shall be documented in the comments.

#### 5.11 Impact of inflation/currency fluctuation on the estimates

Estimates are projected at least one year before the actual usage of the common service. Therefore, some countries can have situations where the country's inflation and/or currency fluctuation can significantly impact the estimates, making them unrealistic compared to the actual realized costs.

In this case, the necessary adjustments of the impact of inflation and/or currency fluctuation on recurrent costs can be made, bearing in mind that it should be applied similarly to both estimates and realized costs, at both current and future scenarios. As an example, let's use the figures below as a reference. In a given country, the VSAT services were pretty stable, and the collaborating entities were getting a 10% discount on the rates charged by the telecommunication company. Based on that, the estimates were made last annual review considering stable costs for the coming years, as shown below:

Opportunity Description

Service Line  
Common ICT services

Service Recommended  
Internet connectivity and VSAT services

Location  
Capital City

Implementation start date  
2019

Detailed CBA  
IMO

Opportunity analysis

Participating Agencies

Cost Benefit Analysis

Quality Analysis

Way forward

Agencies

One Time Costs

Recurring costs

Labor Costs

CBA Documents

Current Cost

2019

2020

2021

2022

2023

Total Recurring Cost

Estimate

10,000

10,000

10,000

10,000

10,000

Realized

10,000

10,000

10,000

0

0

Future Cost

2019

2020

2021

2022

2023

Total Recurring Cost

Estimate

9,000

9,000

9,000

9,000

9,000

Realized

9,000

9,000

9,000

0

0

Current estimated costs

50,000

Future estimated costs

45,000

Estimated benefit

5,000

Current realized costs

30,000

Future realized costs

27,000

Realized benefit

3,000

Difference

2,000

Save

Exit

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

However, in 2022 the country was severely impacted by economic factors, and inflation increased the rates by 20%. In order to reflect the actual costs and the effect of the collaboration, both estimates and realized costs can be adjusted to the same proportion when reporting 2022 benefits:

The screenshot displays the 'Opportunity Description' section of the CBA interface. It includes fields for 'Service Line' (Common ICT services), 'Service Recommended' (Internet connectivity and VSAT services), 'Location' (Capital City), and 'Implementation start date' (2019). A 'Detailed CBA' button is visible in the top right corner.

Below the description, there are tabs for 'Opportunity analysis', 'Participating Agencies', 'Cost Benefit Analysis' (selected), 'Quality Analysis', and 'Way forward'. A note states: '\*Note : Currency allowed in the CBA is USD only'.

The 'Cost Benefit Analysis' tab shows two main sections: 'Current Cost' and 'Future Cost'. Each section has a table with columns for years (2019, 2020, 2021, 2022, 2023) and rows for 'Estimate' and 'Realized' values. A 'Delete' button is present next to each row.

Current Cost		2019	2020	2021	2022	2023
Total Recurring Cost	Estimate	10,000	10,000	10,000	12,000	13,200
	Realized	10,000	10,000	10,000	12,000	0

Future Cost		2019	2020	2021	2022	2023
Total Recurring Cost	Estimate	9,000	9,000	9,000	10,800	11,880
	Realized	9,000	9,000	9,000	10,800	0

At the bottom, there are summary values:

Category	Value
Current estimated costs	55,200
Current realized costs	42,000
Future estimated costs	49,680
Future realized costs	37,800
Estimated benefit	5,520
Realized benefit	4,200
Difference	1,320

'Save' and 'Exit' buttons are at the bottom right.

Estimates for the coming years can also be adjusted if there is sufficient forecast on the expected inflation for the future years – in the case of the example above, the estimate for 2023 foresees inflation of 10%.

The calculation of the percentage to be applied for this adjustment shall be agreed upon at the country level, taking into consideration the context of the country, the actual cost of the service during the year reported, and the UN Operational Rates of Exchange, among others. It is advisable that the rationale used for this adjustment is added to the CBA documents:

This screenshot shows the 'Opportunity Description' section, which is identical to the previous one. The 'Cost Benefit Analysis' tab is still selected, but the 'CBA Documents' sub-tab is active. A red circle highlights the 'Add new document' button in the bottom right corner of the document list area.

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

#### 5.12 Realized benefits higher than the estimated benefits

In a scenario provided by the UN Secretariat, a common service for internet service envisages additional discount rates based on bandwidth usage. The scenario below demonstrates how to indicate that, in this scenario, in 2022, an additional discount of 5% was obtained by the entity based on a higher usage of bandwidth than estimated:

Opportunity Description

Service Line

Common ICT services

Service Recommended

Internet connectivity and VSAT services

Detailed CBA

Location

Capital City

Implementation start date

2019

UN

Opportunity analysis

Participating Agencies

Cost Benefit Analysis

Quality Analysis

Way forward

Agencies

One Time Costs

Recurring costs

Labor Costs

CBA Documents

Current Cost

2019

2020

2021

2022

2023

Total Recurring Cost

Estimate

1,500

1,650

1,700

1,750

1,800

Delete

Realized

1,500

1,650

1,700

1,750

0

Future Cost

2019

2020

2021

2022

2023

Total Recurring Cost

Estimate

1,200

1,350

1,400

1,450

1,500

Delete

Realized

1,200

1,350

1,400

1,377

0

Current estimated costs

8,400

Future estimated costs

6,900

Estimated benefit

1,500

Current realized costs

6,600

Future realized costs

5,327

Realized benefit

1,273

Difference

227

Save

Exit

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

#### 5.13 How to record a Common Service that yields zero (\$0) or negative benefit

The cost-benefit analysis (CBA) helps OMT decide whether a potential common business operation would be cost-effective and informs the common service implementation prioritization. The outcome of cost-benefit analysis either results in cost efficiency and/or enhanced quality.

When comparing the cost of a service undertaken by one single entity versus the cost of a common service, there might be cases where the result of this comparison is \$0 or even negative cost efficiency. Suppose the collaboration is with the intention of cost efficiency. In that case, the entities may exclude the service with zero or negative benefit from the BOS unless participating entities decide to implement the common service with a \$0 or negative efficiency, given other aspects justifying the collaboration, such as increased visibility for the UN, governmental restrictions, service quality enhancements, etc. In those cases, the OMT working groups are requested to capture the reasons for collaboration at the Opportunity Statement:

The screenshot displays the 'Opportunity Description' form. At the top, there are fields for 'Service Line' (Common Finance services), 'Service Recommended' (Cash Disbursement and Transfers), 'Location', and 'Implementation start date' (2023). A 'Detailed CBA' button is visible. Below these fields is a tabbed interface with 'Opportunity analysis' selected. The 'Opportunity analysis' tab contains three sub-sections: 'Common Service Description', 'Opportunity Statement', and 'Expected Quality Improvements / Cost Avoidance'. The 'Common Service Description' section contains the text: 'Use of non-traditional payment modalities, such as pre-paid cards, for events outside of the Capital City'. The 'Opportunity Statement' section contains two paragraphs: 'The approved UNSDCF will demand a series of capacity development activities, especially in remote areas, outside the capital city, targeting individuals from vulnerable communities, with no access to bank services.' and 'Entities are currently using their personnel to travel with cash to these areas, with significant risk to the personal security of UN colleagues.' The 'Expected Quality Improvements / Cost Avoidance' section contains two paragraphs: 'The use of non-traditional payment modalities, such as pre-paid cards, will increase the nominal cost of the service, as demonstrated by the cost-benefit analysis.' and 'However, it will provide for a more effective payment method, that can be easily and immediately used by the beneficiaries, in addition to reduce the security concerns related to colleagues traveling with cash to remote areas or cashing funds whenever there.' At the bottom of the form are 'Save' and 'Exit' buttons.

#### 5.14 Legacy Common Services (common services initiated before 2019)

Common Services or initiatives in place since before 2019 should be recorded in Stock-take with an implementation start date and participating entities reflected. If the service continues beyond 2019 and the participating entities continue to benefit from the collaboration, the efficiency should be recorded by monitoring its cost and quality KPIs. To reflect the cost-benefit, the entities may utilize their 2019 cost as the baseline for cost without collaboration.

#### 5.15 Common Premises initiatives (rent of premises)

The BOS should not record common premises efficiency such as rent. For example, if a UN House was created in 2015, the potential savings from the rent reduction compared to the situation before the UN House must not be reported. Neither should there be a comparison between official market rates and the rental cost of the UN House to create hypothetical cost benefits. Having said that, the BOS should record and report efficiencies created from the utilization of common premises, such as collaboration in cheaper cleaning services, security services, management of common premises, etc.

# Business Operations Strategy (BOS 2.0)

## Cost Benefit Analysis and Reporting Scenario Examples

### 5.16 “Not to do.”

Efficiencies should never be calculated in comparison to a market rate. For example, a hotel is booked for a meeting based on a procurement process, and the hotel offers a cheaper rate than they usually do. Any potential savings from this procurement process do not qualify for efficiency savings as we simply chose the best value for money. Realized efficiency gains could, however, be claimed for not having to do the procurement process if an LTA of a sister entity was used to book the hotel. These efficiencies would, however not extend to room rate savings compared to the regular market rate of the hotel.

### 5.17 No CBA services

The BOS platform has four methodologies for calculating the CBA: detailed CBA, simplified CBA, LTA CBA, and no CBA services. While some common services have a high potential for cost avoidance, others benefit country offices from a quality perspective by being delivered better and faster. Those services are pre-loaded as they do not require a CBA.

As the BOS light review is focused on the reporting of the efficiencies achieved from the collaboration, for the common services with no CBA, quality improvement of the services should be reported for the past and be projected for the future years:

The screenshot displays the 'Opportunity Description' form in the BOS platform. The 'Service Line' is 'Common Human Resources services', 'Service Recommended' is 'Staff on-boarding', and 'Implementation start date' is '2021'. A red button labeled 'No CBA' and 'FAO' is visible. The 'Quality Analysis' tab is selected, showing a table for 'Quality KPI Data' with columns for years 2021 to 2025. The indicator is 'Average rating of the common service quality and reliability through staff survey' with a scale of 1 to 5. The table shows ratings of 3 for 2021, 4 for 2022, 4 for 2023, 5 for 2024, and 5 for 2025. A 'Save' button and an 'Exit' button are at the bottom.

Indicator	2021	2022	2023	2024	2025
Average rating of the common service quality and reliability through staff survey	3	4	4	5	5

## Business Operations Strategy (BOS 2.0)

### Cost Benefit Analysis and Reporting Scenario Examples

In case any narrative report or evaluation survey is available, it can be uploaded to the BOS documents at the Kick-off page (optional):

The screenshot displays the BOS Review UAT Site interface. The top navigation bar includes links for Kick-off, Stock Take, Opportunity Analysis, Planning Framework, Sign-off, Configuration, and Admin. The main content area is divided into three columns: Kick-off info, Participating Agencies, and Accountability Framework. The Kick-off info section contains fields for Country, Initiator, BOS Start date, Initial Sign-Off Date, BOS Review Start Date, Next BOS Review Date, and Executive Summary. The Participating Agencies section has a dropdown menu and a link to add agencies. The Accountability Framework section includes a table with columns for Title, Name, Agency, and Status. A modal window titled 'Add document to BOS' is open, showing fields for Type, Description, and Upload. A red arrow points to the 'Upload New' button under the 'BOS Documents' section.

Country:  Initiator:

BOS Start date:  Initial Sign-Off Date:

BOS Review Start Date:  Next BOS Review Date:

Executive Summary:

The OMT on-chain are expected to prepare this high level narrative before BOS is submitted for Quality Assurance. The narrative should focus on outcomes of the BOS at the national level, provide a short summary of BOS outcomes, and BOS's overall impact on cost avoidance and quality improvements. The narrative should refer to resources contributed by the UNCT both financial (BOS Budget) and human resources (staff time).

Save

BOS Documents **Upload New** Kick Off Material

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