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OF
ACTION

Business Operations Strategy (BOS 2.0)

Supplemental guidance for BOS 2.0 Annual Review 2023

2023

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Background

In December 2017 report to the General Assembly, the UN Secretary-General (SG) called for scaling the roll-out of the Business Operations Strategy (BOS), mandating all 131 UNCTs to ensure compliance with an improved BOS by 2021. In 2019, the UNSDG/BIG developed and endorsed the BOS 2.0 guidance, supported by the BOS 2.0 online platform for global roll-out.

Development of the BOS in 131 UNCTs and its implementation in 2021 and annual review in 2022 demonstrated several lessons learned and the need for corrections and revisions in the guidance to further enhance the inter-entity collaborations at the country level. Key lessons learned focused on assuring data quality and accuracy and reporting efficiencies. Over time, feedback and lessons learned shared by the UNSDG entities warranted a review of the BOS guidance in the short, medium to long term.

In September 2022, the United Nations Representatives of Internal Audit Services (UNRIAS) planned an assessment of the BOS roll-out and implementation, sampling ten countries. The UNSDG task team for BOS/CBO also planned a global independent evaluation of BOS 2.0 in 2023 to validate the lessons learned and feedback received and to further inform the entities on what revisions and enhancements will be necessary for the BOS 2.0 guidance in medium to long term. The result of the UNRAIS assessment and independent BOS evaluation is expected in the second quarter of 2023.

Efficiencies projected and realized from the inter-entity collaboration through the BOS are reported to the ECOSOC annually in the UN Secretary-General's report. Given that this report will be prepared in April, the UNCTs are expected to review their BOS, update the country-level collaborations and efficiency projections, and report the efficiencies realized from collaboration within the UN System between January to March.

Lessons learned in 2021 and 2022 have indicated that the cost-benefit analysis methodology for the common services is extensively leveraged on benchmarked rates, such as universal price lists. Therefore, it does not accurately reflect all entities' costs.

Given the above, although a comprehensive BOS 2.0 guidance is planned upon recommendation from the UNRIAS and the BOS independent evaluation, there is an immediate need for supplemental guidance for critical revisions to happen immediately and guide the country offices in Q1 2023 during the BOS annual review.

Enforcement clause

This supplemental guidance is prepared by the BOS/CBO Task Team and complements the UNSDG-endorsed BOS 2.0 guidance. The revisions presented in this document supersede the provisions in the BOS 2.0 2019 guidance. This supplemental guidance will be in effect for the annual review of BOS 2.0 in 2023. Its contents will then be integrated into the BOS guidance update planned for Q3/2023. After which this supplemental guidance will be annulled.

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Guidance with immediate effect for the attention of entities.

1. Cost Benefit Analysis

a. Data entry

Cost-benefit data is a crucial part of the BOS 2.0 framework to decide on and prioritize collaboration on services and determine the efficiency projections. The rights to enter data for each entity are restricted to the users of the specific entity. For data integrity, the Entities must ensure that data entered in the BOS platform are accurate, originated and quality assured by the entity's respective members. *The BOS platform restricts data entry in CBA to the email address of the individual entity. A workaround such as an external BOS consultant inputting an entity's data, sharing a user/password, or granting one entity user access to enter data on behalf of another entity is strictly prohibited.*

b. Calculating labor and monetary cost:

To calculate labor and monetary cost, the BOS guidance provides two options¹.

- a. **Based on benchmarks** such as UPL and commercial rates also referred to **estimate Approach**)
- b. **Based on a time-motion study, business process mapping**, for labor cost or exact cost entities pay for services, also referred to **exact Approach**)

When conducting CBA, entities are encouraged to use option b, their entity costs (both monetary or labor) using available means such as business process mapping, time-motion studies for labor, or actual cost entities pay for services in a scenario of 'with' and 'without' collaboration. In cases where the entities consider feasible and practical, the entities may refer to the Universal Price List (UPL) or the Local Price List (LPL) as a reference tool for calculating labor costs. The UPL or LPL is purely to facilitate the calculation of labor costs. It reduces the time investment in determining labor costs, but the entities should note that UPL/LPL may not accurately represent their entity's precise labor cost.

During the annual review of the BOS. entities, at their discretion or the direction of their headquarters, can revise existing costs in the BOS platform to reflect the corrections needed in CBA. The entities are no longer required to use a single approach for calculating the labor and monetary cost associated with a common service.

c. One-off corrections in 2023 for the past data for projections and realized efficiencies

Given point b., the BOS platform data fields for the CBA will be open for a one-off correction/adjustment in 2023 during the annual review of 2022. The entities may, upon necessity, adjust past and future estimates or realized efficiency data from 2019 onward. *Adjustment in the data for the previous year's estimates and realized efficiencies is an optional exercise at the discretion of the entities or subject to direction from their entity headquarters.* Where adjustments in the cost vary by $\approx 15\%$ or more, the entity may maintain record² to clarify the rationale for the adjustments.

¹ Reference BOS 2.0 guidance 2019, annex 4

² Entity will be responsible to maintain such record and provide if requested for

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d. Length of projection

To the extent practical, the entities should estimate CBA data (cost and volume) for up to 5 years. In the instances where a five-year projection is unavailable, the Entities may replicate the second coming year's data toward future years—noting that such data can be adjusted in the following annual reviews. Efforts will be made so that the BOS platform automatically reflects the second-year estimate toward future years to ease data entry, allowing users to edit the data if needed.

e. Calculation/quantification of current cost (cost without collaboration) for legacy common service (common services initiated before 2019)

Several common services existed in the UN system before BOS 2.0 was introduced. These common services are captured in the BOS 2.0 stock-take exercise with their implementation start date noted. The common services that remain active and continue to provide benefits have cost-benefit information recorded to quantify their financial benefits in future years. Lessons learned in the past years indicate that quantification of the current cost (cost without collaboration) for the legacy common services is challenging. Thus, in instances where the OMT cannot quantify the cost of services without collaboration (current cost) based on extended past years, the Entities may benchmark 'current cost' based on the cost for the entity in 2019 without collaboration.

Corrections for such quantification of legacy common services cost are optional and at the discretion of the Entities or subject to direction from their entity headquarters.

f. Calculation of realized efficiencies

Entities are expected to report 'realized' efficiencies for the previous year that has just concluded. The realized efficiencies should be reported only for the past year (s) and not for future years. Reporting realized efficiencies are subject to if the common service was active and the entity utilized the common service. Entities can adjust their volume and cost of the services as deemed practical to the reality of the utilization of the services, discounts, or cost reductions attained from the collaborations.

In instances where the entity did not utilize the common service, the realized efficiencies should reflect the cost of the service incurred by the entity without collaboration to ultimately result in a \$0 benefit.³

2. Corporate-level data validation and quality assurance by entities

Upon completion of the CBA step, the data entered in the BOS platform is considered quality assured by the entity at the country level. Entities, at their discretion, may set up corporate quality assurance and data validation for their entities' data. The entities are ultimately responsible for ensuring the validity of the data. Thus, a quality assurance and data validation step 'by entity' is added to the BOS review steps before the BOS is submitted for sign-off by the UNCT.

This step is introduced to enhance data accuracy and entity ownership of the data but is not mandatory. Entities wishing to utilize or not utilize this step must inform DCO in January 2023.

³ Refer to annex with guiding examples for CBA

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3. Revision to BOS annual review guidance

The current BOS Annual review has proven to be time-consuming and complex. A revised focused approach is recommended to simplify the BOS annual review for future years.

a. Light BOS review

Annual review to only focus on reporting realized efficiencies for the past year, adjusting, where needed, projections for the future years, and **updating the activities in the planning framework**. *Q1/2023 annual review will follow a yearly simplified review focusing on data accuracy, quality assurance, and validation.*

b. Detailed BOS review

BOS reviews every **three years** to look at a more significant potential for new common services, develop service level agreements to scale up service quality, and report on realized efficiencies.

c. Timelines

1 January	DCO triggered the Annual Review and opened the BOS platform for edits
15 January	DCO initiate five global webinars on BOS annual review with a focus on CBA and new revisions from 15 January onward and twice a week 1 hour ask anything on BOS' webinars for each region in their time zone, for the entire duration of the Q1
16 January to 17 February	Entities and OMT working groups to convene and update BOS
20 February to 20 March.	Entities to complete the CBA, Reporting (entity data only), and Planning (activities) of BOS
22 March	OMT Chair to submit the reviewed BOS for QA
23 March – 31 March	Quality assurance period (to save time, entities may consider to QA data with entities during the Feb 20-March 20)
6 April	UNCTs receive quality assured BOS for endorsement and presentation from the OMT chair
14 April	RC signs off on behalf of the UNCT, upon UNCT endorsement.

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4. The clarity in the definition of key BOS terminologies

a. **Common services**

Common services are services managed or provided by one UN entity for one or more UN agencies (clients), inclusive of joint procurement activity and management of long-term agreements (LTAs).

b. **Bilateral services (collaborations based on Global Shared Services)**

BOS framework should only record common services that are 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, such as the provision of services by one agency on behalf of another agency (such as UNDP processing pay cycle for UN Women) should not be included in the BOS framework as a common service.

c. **Current cost**, cost of service without collaborating with any other entity.

'current costs' are calculated by summing the total monetary and labor costs of an entity implementing a service in a given defined area without collaborating with any other entity. If an entity is using the LTA of another entity, the cost of the services utilized through an LTA of another entity is not a current cost but a future cost or cost with collaboration.

d. **Future cost**, cost of service after collaborating with one or more entities.

Future costs are calculated by summing the monetary and labor costs of establishing and collaboratively implementing that service, with one UN entity taking the lead in implementing the common service on behalf of other UN entities. The future cost of an agency is determined from the current cost minus the reduction expected after collaboration. The future cost is determined as an 'estimate,' and after the implementation of the service, the 'realized' benefit is reported.

Estimate Approach (based on benchmarks such as UPL and commercial rates)

Exact Approach (based on a time-motion study or business process mapping for labor cost or exact cost entities pay for services)

5. Examples of CBA calculation in different scenarios

To follow, based on the experience of the entities