Information note

UNDP / UNFPA / UNOPS joint update on enterprise risk management and critical risks of strategic importance

First Regular Session 2026

This joint information note on enterprise risk management and critical risks of strategic importance has been prepared in response to decisions 2024/1and 2025/3 of the Executive Board.

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United Nations Development Programme (UNDP)

1. Introduction/Context

This note is submitted to the Board in accordance with decisions 2025/3 and 2024/1, providing a comprehensive update on UNDP's Enterprise Risk Management (ERM) system and improvements made in 2025, as well as a discussion on principal risks facing the organization. A self-assessment of UNDP's maturity against the HLCM Risk Maturity Model is presented, also at the request of the Executive Board. This note follows a common structure for comparability across UNDP, UNFPA and UNOPS.

Effective risk management enables the organization to anticipate, mitigate, and plan for future potential events that could derail or accelerate achieving its goals. ERM is a core management function critical to delivering successive Strategic Plans, including the 2026-2029 Strategic Plan, in order to have the best possible outcome. This paper highlights how ERM in UNDP enables effective management of risks in complex operating environments, ensuring that risk profiles are continuously reviewed and adapted. Through this approach, ERM remains integral to advancing organizational objectives and strengthening resilience and preparedness in the face of evolving challenges.

2. Enterprise Risk Management (ERM), Risk Appetite and Maturity

2.1 ERM Elements

UNDP has a robust ERM Framework that adheres to the International Organization for Standardization (ISO) 31000:2018, visualized in figure 1 below.
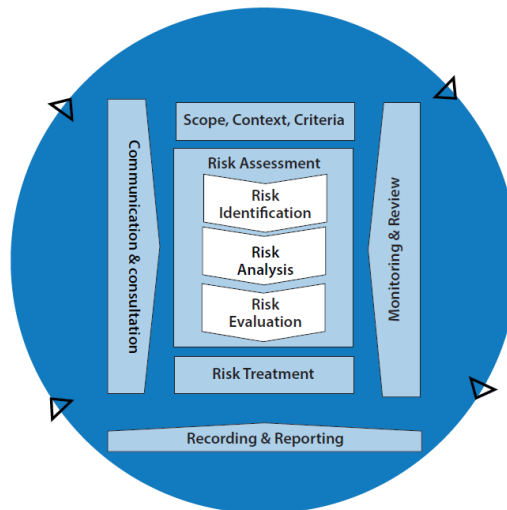

Figure 1: UNDP ERM Framework

This framework is applied at all levels - project/portfolio, country office/unit, bureau/regional and corporate levels. Ultimately, effective risk management is about having open and honest conversations between stakeholders about what could happen

(positive or negative) that is likely to affect what UNDP is trying to achieve together, and what decisions should be made to help ensure the best possible outcome if the risk is realized. At each level, risk owners are clearly defined, and risks are recorded in risk registers in UNDP's Quantum and Quantum+ digital platforms. These registers are integrated to facilitate effective and timely risk escalation.

Risk management is integral to UNDP's Accountability System, including the financial rules and regulations, Internal Control Framework and delegations of authority. A number of risk assessment tools are applied to projects and their implementing partners, including the partner capacity assessment, HACT, Anti-Money Laundering and Countering the Financing of Terrorism (AML-CFT), Social and Environmental Screening Procedure, and project quality assurance. Oversight is applied at each level to ensure compliance through structured performance conversations designed to identify risks and discuss mitigation measures. See figure 2.
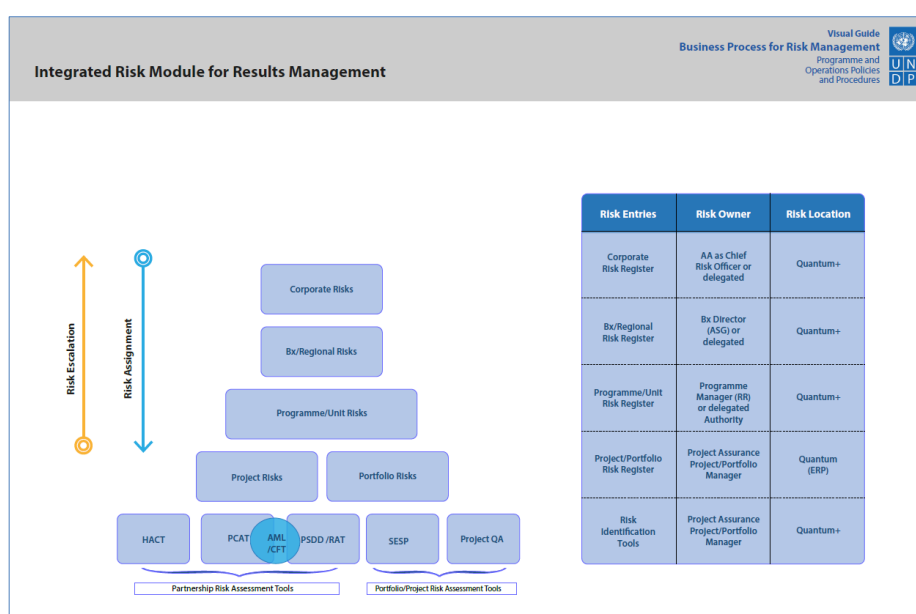

Figure 2

A more detailed description of UNDP's ERM processes to identify, assess and monitor risks according to organizational levels can be found in UNDP's ERM policy and visual guide, which are publicly accessible on UNDP's POPP platform for prescriptive content.

Ensuring Compliance
UNDP ensures compliance with ERM across the organization through a range of tools and is guided by the Accountability Framework. Compliance is ensured through the second line of ERM – management oversight. As seen above in figure 2, Country Offices/Programme Units provide oversight over projects, including ensuring risks are assessed and well managed and mitigation plans are in place. Regional Bureaus provide oversight over Country Offices through a series of tools and performance conversations. The Administrator and Associate Administrator provide oversight over Bureaus through Executive Compacts as well as management forums including the EG, OPG and Risk Committee. Compliance is also ensured through the third line, namely the work done by UNDP's independent offices through audits and evaluations.

One of the primary tools that facilitate compliance at the project level is through the PowerBI Projects Risk Dashboard (figure 3), which draws data from UNDP's ERP system Quantum. This dashboard enables colleagues with a project oversight role to see which projects are fully compliant, and which require follow-up and action. This includes projects with a national implementing partner.
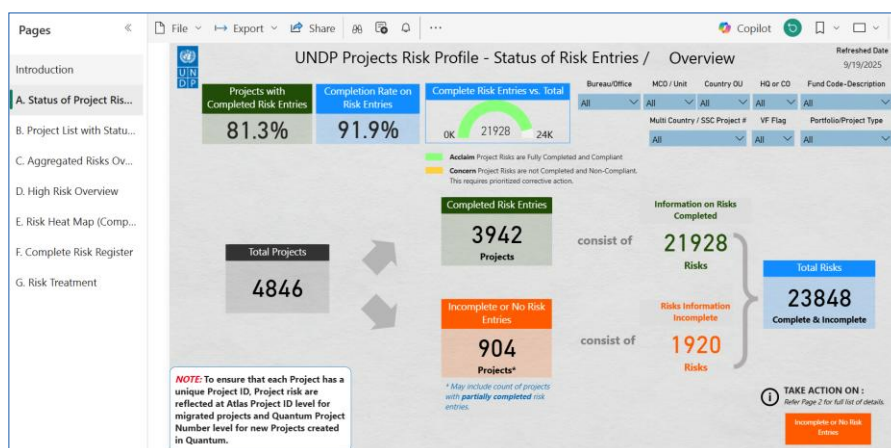

Figure 3

A similar dashboard is also available for risks at the country and regional levels, drawing on risk register data from the Corporate Planning System, Quantum+.

2.2 Risk Appetite and Contextual Factors

UNDP's Risk Appetite Statement was approved in 2021 and is publicly accessible on UNDP's POPP platform for prescriptive content. The Risk Appetite Statement establishes UNDP's internal preference regarding the level of risk to take in any situation across eight categories:

Category	Risk Appetite
Social and Environmental	Cautious
Financial	Minimal to Cautious
Operational	Exploratory to Open
Organizational	Exploratory to Open
Reputational	Cautious
Regulatory	Cautious
Strategic	Open to Seeking
Safety and Security	Cautious

The Risk Appetite Statement also reflects UNDP's risk culture and the risk attitudes of key external stakeholders and partners.

UNDP works in a range of high-risk contexts, and risks are regularly identified that exceed the stated risk appetite. In such cases, managers are instructed to either mitigate the risk through further controls, terminate the risk by doing something different while still delivering the programme's overall objectives, or transfer/share the

risk with others. Managers can also decide to tolerate the risk if the development benefits warrant it and there is no other way to mitigate or share the risk. In all cases, a deliberate and documented discussion needs to take place with key stakeholders and within appropriate governance arrangements to inform decisions on what actions need to be taken to manage the risks, including treating them with identified actions to affect the likelihood that they will occur or their impact on organizational objectives should they occur.

Risk Management in Action: Afghanistan

Advanced risk management strategies allow UNDP Afghanistan to safely operate in a highly fragile and high-risk environment and implements large scale development initiatives with high procurement volume and cash-based elements. Partnering with entities like U.S. Congress-mandated Oversight Office for Afghanistan Aid (SIGAR), the Financial Integrity Unit (FIU), and the Financial Transaction and Report Analysis Center for Afghanistan (FinTRACA), allowed UNDP to prevent fraud and verify ownership, resulting in the prevention of $22 million in fraudulent awards and $10.8 million fraud exposure. Anticipatory planning, performed by a risk team with specialists in finance, audit, OSINT, AML/CFT, and forensics, enables the detection of shell companies, hidden ownership, and forged documentation, and informs the design of new mitigation strategies to address evolving risks, such as restrictions on women staff and internet blackouts.

2.3 Improvements in 2025

UNDP has made a number of enhancements to the ERM system in 2025, which are summarized below.

ERM Framework and Policy

2025 Achievements

- Update of ERM policy: UNDP has launched its updated ERM Policy, fully aligned with the Institute of Internal Auditors' Three Lines Model (see figure 4 below) and UNDP's accountability framework, and made it available in English, French, and Spanish to strengthen governance, oversight, and risk management practices organization- wide.
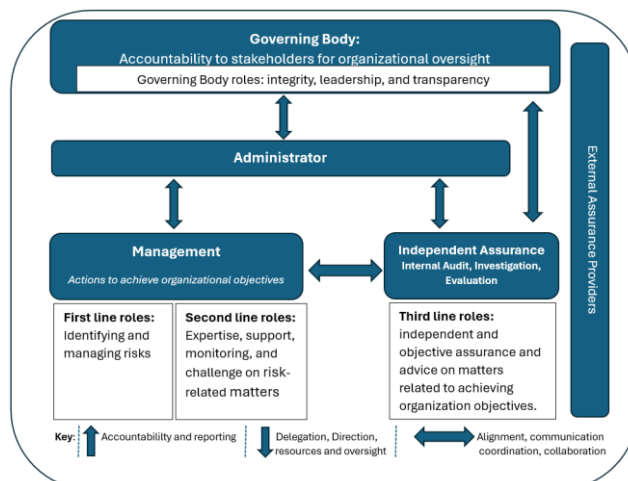
Figure 4

- <u>Key Risk Indicators</u>*:* UNDP has developed Key Risk Indicators (KRIs) to provide early warning signals when risks approach levels beyond the organization's defined risk appetite, as set in the Risk Appetite Statement (RAS). KRIs are established across all eight risk categories, at minimum acceptable thresholds for key risks, serving as alarms to trigger timely corrective actions to avoid, mitigate, or reduce risk exposure. UNDP's risk appetite is also articulated across the eight key programmatic and operational risk areas, each with clearly defined parameters and corresponding KRIs. To strengthen oversight, a KRI dashboard will be integrated into the Performance App, enabling the Chief Risk Officer (CRO) and senior management across all bureaus and offices to review and monitor risk exposure in real time.

- <u>Results Based Management Strategy</u>: UNDP's Results-Based Management (RBM) Strategy, launched in April 2025, recognizes that effective risk management is central to achieving credible and impactful development results. The strategy responds to the increasing complexity and volatility of the development landscape, where anticipating future risks and opportunities, and adapting programming in response, are critical for effective programme delivery. The newly established RBM Hub serves as the corporate platform to operationalize the RBM Strategy, embedding risk-informed approaches across UNDP's programme cycle. The RBM Strategy explicitly references and aligns with the Enterprise Risk Management (ERM) Policy and associated tools, ensuring coherence between results delivery and risk management.

- <u>Accountability Framework Update</u>: UNDP's Accountability System policy, including the Accountability Framework and Oversight Policy, was updated in 2025 to better embed risk management as a principal management function used to uphold accountability. This includes introducing the three lines model into the Accountability Framework. The updated policy was shared with the Executive Board during the 2025 Annual Session.

Governance and Organizational Structure
2025 Achievements
- <u>Strengthening the Corporate Risk Committee</u>: The Chief Risk Officer has been strengthening the identification of corporate risks by introducing pro-active evidence-based risk assessments as part of Risk Committee meetings. Bureaus are asked to work together to triangulate evidence on risks facing the organization to help management think through the most pressing issues and identify treatment measures to best manage the risk across the organization.

Process and Integration
2025 Achievements
- <u>Strengthened SRM</u>: In 2025, UNDP significantly strengthened its Stakeholder Response Mechanism (SRM) as a key avenue for stakeholders to engage with the organization and seek resolution to concerns raised through formal

complaints. Central to this enhancement was the recruitment of an SRM Lead Advisor, whose role has been instrumental in advancing UNDP's capacity for collaborative problem solving and mediation. This strategic investment has not only improved the responsiveness and effectiveness of the SRM but also contributed to stronger institutional outcomes by addressing project-level concerns in a timely and constructive manner. The Advisor's expertise has reinforced UNDP's commitment to transparency, accountability, and stakeholder engagement, ensuring that the SRM continues to serve as a trusted mechanism for dialogue and resolution.

- High Priority Projects for Risk Mitigation initiative: UNDP has identified criteria for high priority projects for risk mitigation and corporate support. These include projects with large scale infrastructure, cash transfers to individuals (like cash for work), high social and environmental risks, very large budgets ($100M+) and partners in the extractives or security sectors. These projects have been identified and linked with corporate expertise to provide effective risk management support. They are also being reviewed more frequently by Bureaus and the Risk Committee to ensure adequacy of risk treatment measures.

- Update Business Continuity Planning templates, related annexes and guides: Following the update of the Business Continuity Management (BCM) Policy in 2024, UNDP has strengthened the framework by updating its templates, and guidelines—now available in English, French, and Spanish. These updates align with the revised BCM policy and aim to streamline processes, reduce duplication, and ensure continuity of critical functions during major disruptions.

- Risk-Informed Programming: The launch of the RBM Hub in 2025 by the Bureau for Policy and Programme Support (BPPS) supports country offices to identify and assess risks early in the planning and design state, integrate mitigation measures into theories of change, budgets and implementation plans, and adaptively manage as contexts shift. Additionally, the Crisis Bureau assists country offices experiencing crises by facilitating comprehensive contextual risk analyses and scenario planning to guide programmatic and operational decision making for anticipatory preparedness, prevention and response.

Systems and Tools
2025 Achievements
- Launch of Performance App for integrated performance and risk management as part of Accountability Framework implementation and monitoring. The Performance App enables monitoring at the global, regional and country levels, with project views to be added in 2026.

- Launched the 'Integrated Risk Module for Results Management' Phase 3 with the integrated Quantum+ Risk Tools linked with the Quantum Project Risk Register. UNDP has significantly strengthened its risk monitoring capabilities through enhancements to its project and programme dashboards. These updates enable

dynamic tracking and timely management of risks, supporting more agile and informed decision-making across the organization.

The dashboards (see figure 5) now include risk mapping against UNDP's Risk Appetite Statement (RAS), allowing offices to benchmark identified risks against approved thresholds. They also provide summaries of escalated risks, providing visibility into high-level risk exposures that may require senior management attention.
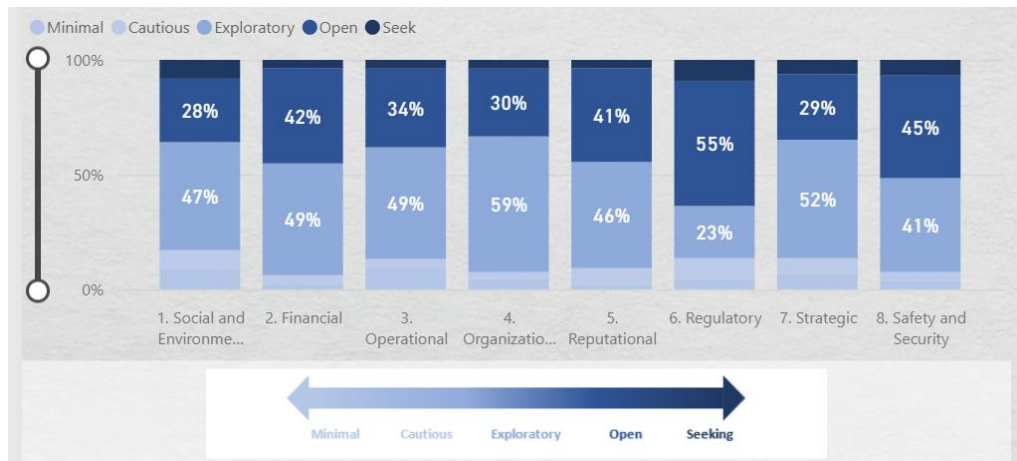

Figure 5

These improvements align with UNDP's broader Enterprise Risk Management (ERM) framework and reflect a commitment to data-driven risk governance and organizational resilience.

- Launch the 'Integrated Risk Module for Results Management' Phase 2 – with SESP, PQA, PSDD and PCAT, which introduces significant enhancements to UNDP's risk management architecture, including:
  - o the updated and digitized Private Sector Due Diligence (PSDD) aligned with the revised policy and complemented by the digitized Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Standard Vetting tool.
  - o the newly developed digitized Partner Capacity Assessment Tool (PCAT), which is integrated with both the AML/CFT Standard Vetting tool and the Protection from Sexual Exploitation, Abuse, and Harassment (PSEAH) Capacity Assessment module.
  - o Project Quality Assurance (PQA) assessments

These enhancements aim to streamline partner due diligence processes, strengthen risk-informed decision making, and further embed risk management practices across programming and operational activities.

Risk Culture & Capabilities
2025 Achievements
- ERM training for personnel at all levels: UNDP continues to advance risk-informed programming and operational resilience and agility through targeted

training and digital innovation. In 2025, a new Business Continuity Management (BCM) course was launched in English, French, and Spanish, equipping personnel with key skills to collaborate effectively and deliver results in response to any crises or major disruption and reinforcing UNDP's commitment to embedding risk management into daily operations. Also, a dedicated virtual training session focused on Business Continuity Planning (BCP) testing and exercises further strengthened preparedness among focal points across bureaus and offices.

Complementing these efforts, enterprise-wide training was delivered to introduce key updates to the Enterprise Risk Management (ERM) policy, including risk escalation protocols, the Risk Appetite Statement (RAS), and enhancements to project and programme dashboards. These updates support risk -informed programming and decision-making across all regions.

Risk Management in Action: PAPP

The Programme of Assistance to the Palestinian People (PAPP) integrates rigorous risk management into its procurement, cash-based programming, and across programmatic portfolios to maintain transparency and accountability in a volatile context. Through enhanced due diligence and vendor vetting, within the framework of financial integrity and inter-agency oversight mechanisms, PAPP prevents fraud and strengthens compliance. The office's Risk Specialist deploys tools in the due diligence framework to identify potential risks related to ownership structures and fraudulent practices, while continuously updating mitigation measures to counter evolving threats, including security, restrictions on access, and digital vulnerabilities. In addition, the Special Representative plays a pivotal role in managing strategic risks across the entire programme, coordinating closely with other UN agencies on the ground to create synchronized risk reduction plans and unified emergency response systems and operational stability protocols for the challenging and highly complex settings. This proactive approach fosters a culture of risk-informed decision-making and enables PAPP to deliver critical development initiatives with resilience and integrity while ensuring donor confidence.

The process of designing the Strategic Plan 2026-2029 began with a comprehensive landscape analysis identifying threats and opportunities shaping global development over the Plan period and beyond. The Strategic Plan 2026-2029 Landscape Paper synthesized insights from three complementary sources:

a) UNDP's Future Trends and Signals System, which continuously captures signals of change and assesses their implications for UNDP's work;

b) AI-enabled scanning of external trends and risk reports to complement and stress-test internal assessments; and

c) Survey of International Science Council (ISC) members evaluating trends by their potential development impact and imminence.

Scenario-based risk analysis

UNDP developed scenarios of the future over the next 10 years to identify recurring threats, novel risk exposures, and emerging vulnerabilities for the organisation; and evaluated their potential impacts on organizational capacity and mandate delivery. Each scenario tested whether current measures remain adequate and defined what was needed for the organization to be better prepared and agile. Strategic choices were subsequently stress-tested across multiple scenarios to validate their resilience.

Contingency planning and risk response

Given heightened global volatility, UNDP used foresight-informed rapid scenarios and contingency planning to help the organization prepare for major disruptions and examine risks to UNDP's Strategic Plan implementation. Distinct response strategies were surfaced, reflecting different risk profiles and assumptions about global change. The Risk Committee reviewed the findings, including major risks, uncertainties, and mitigation measures.

2.4 HLCM Risk Maturity Model Self-Assessment

This section summarizes the results of UNDP's self-assessment of maturity against the HLCM's Risk Maturity Model.

Dimension 1: ERM Framework and Policy

UNDP self-assessment – ERM Framework and Policy				
INITIAL	DEVELOPING	ESTABLISHED	**ADVANCED**	LEADING
			●	

✓ UNDP has a robust ERM framework since 2007, which is updated regularly.

✓ Risk is a core part of UNDP's results-based management guidance and process, as reflected in UNDP's new RBM Hub.

✓ The ERM framework includes a risk escalation process and risk treatment criteria and tolerance guidance, and integrated risk ratings are in place in risk registers at all levels (HQ, bureau, country, project).

✓ UNDP's risk appetite was approved in 2021 and establishes guidance on the organization's preference regarding the level of risk in a given situation.

✓ ERM is integrated into strategic planning, as well as programmatic planning, monitoring and decision making at all levels.

✓ Feedback from stakeholders is regularly sought, including through UNDP's risk focal points.

Opportunities for Improvement and Maturity Pathways

- Improvement of risk escalation: UNDP has advanced operationalization of the Risk Appetite Statement (RAS) and risk escalation protocols by enhancing its digital platforms to benchmark identified risks against approved RAS thresholds and their operationalization in the respective UNDP policies. These systems are supported by interactive dashboards that enable timely monitoring, including the review of

escalated risks. As part of the organization's efforts to advance risk maturity, a survey and trend analysis will be conducted in 2026 to assess the effectiveness of RAS and its current thresholds and risk criteria and gather feedback from offices. The survey findings will inform the review and update of the RAS and risk escalation, ensuring they are fit-for- purpose to support the implementation and delivery of UNDP's new strategic plan.

Dimension 2: Governance and Organizational Structure

UNDP self-assessment – Governance and Organizational Structure				
INITIAL	DEVELOPING	ESTABLISHED	**ADVANCED**	LEADING
			●	

✓ UNDP's ERM governance structure is integrated across HQ, bureau/regional, country offices, and projects/portfolios. This includes the Risk Committee at the corporate level, Programme Boards at the country level and Project Boards at the project level.
✓ The Risk Committee is responsible for overseeing the organization's risk appetite and risk criteria in line with the risk-based delegation of authority of managers as outlined in the ERM policy.
✓ The Chief Risk Officer is the UNDP Associate Administrator, whose role and responsibility regarding ERM is integrated with strategy setting and anchored with management across the organization, including through the risk escalation process.

Opportunities for Improvement and Maturity Pathways

- Continued governance improvement and innovation: UNDP's corporate Risk Committee prioritizes robust evidence-based and pro-active risk analysis and action. It invites risk experts from across the organization to brief senior managers on evidence relating to principal risks, often in partnership with two or more Bureaus to promote triangulation. This will continue to be prioritized to surface key risks facing the organization and building capacity and good practices in effective risk management through learning by doing.

Dimension 3: Process and Integration

UNDP self-assessment – Process & Integration				
INITIAL	DEVELOPING	**ESTABLISHED**	**ADVANCED**	LEADING
			●	

UNDP self-assessment – Process & Integration				
INITIAL	DEVELOPING	**ESTABLISHED**	**ADVANCED**	LEADING

✓ UNDP has an established process and methodology for identifying, assessing, monitoring, escalating and reporting risk.

✓ Links are recognized between effective internal controls and risk management.

✓ Controls for all core processes are documented in the organization's policies and procedures (i.e., the POPP), with ownership assigned for each policy and regular assessment and updates.

✓ Risks are identified at the time of results-based planning at all levels, including mitigation of risks.

Opportunities for Improvement and Maturity Pathways

- Deeper Integration of Risks and Results: UNDP will further embed ERM principles into all RBM guidance, including corporate programming instruments, tools, and reporting processes, as part of the implementation of the Strategic Plan 2026-2029. Targeted training and technical support will be provided through the RBM Hub, enhancing staff capacity to anticipate, mitigate, and manage risk in programme and project delivery. Building on advances in AI-driven analytics, digital monitoring, and anticipatory planning, UNDP will continue to strengthen the organisation's ability to adapt programming to emerging risks, ensuring greater resilience and stronger development outcomes.

- Supporting high risk projects: Drawing on learning from audit, UNDP identified criteria for priority projects that would benefit from additional support to help treat their risks to more effectively meet their objectives. Starting in 2026, priority projects from a risk management perspective will receive additional support and guidance to help manage the risks.

Dimension 4: Systems and Tools

UNDP self-assessment – Systems and Tools				
INITIAL	DEVELOPING	ESTABLISHED	**ADVANCED**	LEADING
			●	

✓ UNDP has advanced dashboards to identify, monitor and report on risks, including risk registers in Quantum and Quantum+, risk dashboards at the project and programme levels, futures modeling, crisis risk dashboard, the Performance App and more.

✓ These platforms are available across the organization (HQ, Bureau, Country, Project levels) and data is linked from where it is captured to automated dashboards through UNDP's data warehouse, PowerBI and other digital tools.

Opportunities for Improvement and Maturity Pathways

- Integration of Key Risk Indicators into Performance App: Key Risk Indicators will be incorporated into the UNDP Performance App in 2026, to enable real time monitoring at the corporate, bureau, country and project levels.

- <u>Introduce more dynamic risk identification and forecasting tools:</u> UNDP's risk management systems and tools will continue to be reviewed and enhanced to ensure timely alignment with policy updates, a revised Risk Appetite Statement (RAS), and Key Risk Indicators (KRIs). This ongoing refinement supports informed decision-making and strengthens risk governance across the organization.

  UNDP is currently exploring the use of Artificial Intelligence (AI) to strengthen risk management by assisting in a risk identification and assessment at the project and programme levels. This includes leveraging data from CPDs, country contexts, and similar projects across Country Offices, as well as the various digital risk assessment tools.

  AI is also being piloted to analyze risk dashboard data to identify common trends, and flag high-risk areas requiring escalation to support more proactive, data-driven decision-making across the organization.

Dimension 5: Risk Capabilities

UNDP self-assessment – Risk Capabilities				
INITIAL	DEVELOPING	**ESTABLISHED**	ADVANCED	LEADING
		●		

✓ Risk management is recognized as a cross-functional business management competency and training courses on risk management are in place as part of a wider ERM staff development plan.

✓ The organization is able to identify and take on viable opportunities based on an assessment of risk and a decision on if it can take on residual risk levels within the organization's risk appetite.

✓ Timely and accurate risk management information reports are available to all staff, including through established dashboards, and presented to senior management, including through the Performance App.

Opportunities for Improvement and Maturity Pathways
- Dynamic risk information reports are accessible to senior management and all staff (as appropriate) across the organisation's operations (including HQ, field, programme, project), highlighting areas of risk that require attention

Dimension 6: Risk Culture

UNDP self-assessment – Risk Culture				
INITIAL	DEVELOPING	**ESTABLISHED**	ADVANCED	LEADING
		●		

UNDP self-assessment – Risk Culture				
INITIAL	DEVELOPING	**ESTABLISHED**	ADVANCED	LEADING

✓ Senior management leads by example by integrating risk management into its strategic activities, including through the EG and Risk Committee.

✓ Risk information and systematically collected through its corporate systems and dashboards and communicated up and down the hierarchy (including HQ, field, programme and project) through the Performance App, where the Key Risk Indicators will be monitored, and other systems.

✓ The overall attitude towards risk is well understood and communicated, included though the tone from the top, and communications are based on timely and accurate information.

✓ Appropriate risk taking is part of staff accountabilities and is assessed accordingly.

Opportunities for Improvement and Maturity Pathways

- Staff accountabilities for managing risk are mapped and performance targets are included in PMDs. Risk is central to most performance conversations in an enabling way, referring to managing risk effectively to achieve UNDP's objectives. Continuing to improve the risk culture will take time and reinforcement, with examples continuing to be set by senior managers.

3. Principal Risks

For the purpose of this note, UNDP understands the term 'principal risks' to be interchangeable with 'critical risks of strategic importance' as defined in the January 2025 joint update to the Executive Board on the same matter.

a. *Risk:* **UNDP is requested to assume expanded operational responsibilities under the UN80 reform agenda without commensurate political endorsement, mandate clarity or financial resourcing.**

Impact: The premature or under-resourced delegation of responsibilities to UNDP could undermine reform credibility, compromise service quality across the UN development system, and expose UNDP to reputational and fiduciary risk. It may also strain credibility among Member States and partners in the UN's ability to deliver coherent, cost-effective solutions at-scale.

Cause: Political momentum around the UN80 reforms may accelerate expectations for UNDP to absorb or lead major reform elements (e.g., consolidated operations or delivery platforms) without formal endorsement by Member States or governing bodies, or without costed resource transfers.

Treatment, including Mitigation Measures:
UNDP's Risk Appetite for organizational risks is exploratory-to-open. UNDP takes an agile approach to stay relevant and takes informed risks to ensure organizational effectiveness, agility, learning and resilience. UNDP ensures compliance with corporate

governance rules and policies and its ethical standards, while continuously exploring new and innovative ways of doing business to be a fit-for purpose organization, including to respond effectively to UN Reform decisions and expectations at all levels (HQ, regional, country).

Treating this risk includes securing upfront political endorsement from governing bodies for any expanded roles for UNDP along with advocating for a sequenced, mandate-driven reform approach anchored in Member State guidance. Any expanded role will be governed by inter-agency agreements that are fully costed and cost recovered and based on structured risk and capacity assessments. EOSG and relevant UN inter-agency mechanisms will be engaged to ensure shared ownership and resource alignment for any system-wide operational transformation.

Internally, a dedicated team is established to track developments, analyze implications for UNDP, and develop contingency plans for multiple scenarios with clear organizational responses. Regular transparent communication with staff on the change management process will be ensured to maintain morale, wellbeing and performance during uncertainty and change. UNDP will continue to prioritize operational excellence and accountability to strengthen institutional credibility and demonstrate effective stewardship during reform.

b. _Risk:_ **Financial sustainability of UNDP over the medium term is under pressure**

Impact: Decreased organizational agility, responsiveness and a loss of human resources including the ability to fund UNDP's continued universal presence.

Cause: Country level resource mobilization risks are surfacing in risk registers and point to a constrained fiscal space, which may impede individual country offices' ability to meet resource mobilization, programme delivery and IB resource generation targets, and put pressure on overall UNDP-wide financial sustainability over the medium term. Additionally, persistent tightening in contributions from all funding partners and a continued shift from unearmarked (core) to earmarked resources could put downward pressure on the funding outlook set out in UNDP's integrated resources plan and integrated budget 2026-2029. Decreasing core resources, especially in the absence of mobilizing sufficient non-core programme resources to generate adequate income to cover its optimal institutional costs, may jeopardize UNDP's ability to deliver on its Strategic Plan. The absence of new funding instruments and mechanisms may inhibit UNDP from entering into new partnerships, potentially losing opportunities for expanding its fee base for development services.

Treatment, including Mitigation Measures:
UNDP's Risk Appetite for operational risks is Exploratory to Open. As in previous quadrennia, if UNDP receives less resources than planned, it is adept at managing within the available resource envelope. The Integrated Resources Plan and Integrated Budget, 2026-2029 (DP/2025/23) incorporates additional flexibilities to facilitate agility should resources decrease further.

If external demand grows or system-wide mandates evolve materially, UNDP will revert to the Executive Board – at the mid-term review, or earlier, if necessary – to seek guidance on upward revisions to the integrated resources plan and integrated budget estimates. Continued investment in the implementation of the UNDP business model review recommendations will sustain and enhance organizational agility and efficiency, ensuring that every dollar yields optimal country-level results. Should deterioration persist, UNDP may need to recalibrate programme scale and modalities, in close consultation with the Executive Board.

UNDP encourages variance in operational delivery and quality to explore innovative approaches, new funding instruments and mechanisms and work with new partners, provided this does not jeopardize stakeholder trust. If and as needed, UNDP will come to the Executive Board to propose required changes in its policies and regulations to enable organizational agility in an ever-changing context. Quality programming that inspires confidence and investment will be developed and delivered, and crisis partnerships and media engagement will be targeted for Country Offices in fragile and crisis-affected settings.

UNDP will deliver the resource mobilization action plan to strengthen visibility and communications with partners. Funding windows are promoted for flexible thematic funding. Member States and the Executive Board will be engaged through Structured Funding Dialogues, the Funding Compact and inter-agency forums.

Projects will recover full costs in accordance with the cost recovery policy. The cost structure will be reviewed to ensure it reflects the market value of provided services. New agency services and clients will be cultivated on a full cost recovery basis. The Institutional Budget resources, including GMS and service fees, are monitored at regional and HQ levels for early warning and to inform management decision making.

c. _**Risk:**_ **Realization of significant reputational harm that affects the trust of our partners as well as violates our core organizational values**
Includes incidents around:
- fraud and diversion of resources
- sexual exploitation & abuse
- employee misconduct
- non-compliance with regulations
- social and environmental safeguards
- incidents calling into question UNDP's independence and impartiality due to public expressions or political activities of our personnel

Impact:
If risks are realized, it can lead to harm to people or the environment, loss of resources, loss of development results, damage to UNDP's credibility and reputation, negative media coverage, and erosion of political and financial support.

Cause:
Relatively high staff turnover in some duty stations, lack of adequate training in policies and procedures, events that undermine trust in UNDP as an institution, implementing

partners are not universally aware of their responsibilities or do not have sufficient capacity, time lag between when an issue is flagged and the outcome of a resulting investigation (delaying corrective action and exacerbating reputational impacts).

Treatment, including Mitigation Measures:
UNDP's Risk Appetite in areas related to fraud, social and environmental safeguards, PSEAH and reputational risks is Minimal to Cautious. UNDP seeks to manage its financial resources effectively in order to deliver its objectives in a timely fashion while maintaining organizational sustainability and stability, minimizing fraud, and ensuring protection of assets. It allows some financial flexibility in pursuit of its objectives and when undertaking activities under development funds, but never in a way that threatens its core business activities, always aiming to deliver on the goals of the strategic plan. UNDP is transparent in all it does and safeguards its funds from the risk of fraud.

UNDP has robust Financial Regulations and Rules, Internal Control Framework, and corporate policies and procedures and systems to mitigate risks of fraud, misconduct and social and environmental harm. Financial control mechanisms are built into our ERP platform, Quantum. Risk assessments are used to identify and analyze different types of risks, from the potential for fraud to PSEAH and social and environmental standards, and multiple systems dashboards are in use to monitor and facilitate oversight of performance across all areas at the country, regional and HQ levels. This includes the new Performance App, which monitors key areas across the UNDP Accountability Framework to identify risks that can be addressed by units. Independent evaluation, audit, investigation and ethics functions provide the critical third line of defense essential to effectively managing these risks.

Further, UNDP plans all of its programming activities at country, regional and HQ levels to safeguard those who are affected by them and to do no harm, socially or environmentally, with a view to behaving in an ethical fashion. The organization takes positive steps to engage with disadvantaged groups and does not tolerate any form of discrimination or harassment.

UNDP mitigates these risks by ensuring that its personnel and partners are aware of the controls that need to be implemented to safeguard people and the environment, and to protect from fraud and other forms of misconduct, including sexual exploitation and abuse and sexual harassment. These controls are enshrined in UNDP's Accountability Framework and include a range of systems, tools, controls, policies, procedures, performance management and other mechanisms. The UNDP Ethics Office also conducts outreach and sustained awareness-raising regarding critical role of our ethical culture in maintaining UNDP's credibility and reputation, as well as the independent advisory support that is available to address individual queries.

d. *Risk:* **Escalating frequency and severity of crises and climate disasters**

Impact:
Increasing incidents and severity of crises and climate disasters without sufficient resources for security and risk treatment measures can lead to difficulty in maintaining

UNDP's universal presence. It also affects UNDP's ability to timely and safely deliver programmes and projects in difficult contexts where we are needed most. This risk also leads to increased costs for security and challenges in maintaining timely business continuity.

Cause:
The overlap and interaction of several threats including political instability, climate change and resource scarcity have adversely influenced the security environment, increasing the intensity and spread of security incidents.

Treatment, including Mitigation Measures:
UNDP's Risk Appetite for security risks is Cautious. UNDP puts in place effective measures to reduce its exposure to security and safety risks affecting personnel, premises, assets and operations in order to enable the delivery of activities. Even in situations of significant risks, UNDP's critical programmatic activities will deliver under appropriate and agreed mitigations and controls. UNDP will take necessary risks, including decisions at the appropriate level of delegated authority after all has been done to reduce risks to acceptable levels in accordance with the UNSMS Policy on Security Risk Management.

In terms of treatment, adequate and sustainable resources are provided to ensure the security and safety of UNDP personnel, assets, and operations. Additional resources are proactively allocated in crisis settings. Business Continuity Plans are in place, updated regularly, tested and functional with challenges for implementation identified and flagged. UN Security Risk Management (SRM) process and its results are implemented by all units. BMS/SO provides technical support and guidance in mainstreaming security considerations, conducts frequent field missions, train UNDP personnel, and provides surge support during emergencies.

e. *Risk:* **Increasing technological threats - including cyber security breaches and AI-driven misinformation**

Impact, including Mitigation Measures:
Cybersecurity attacks can lead to unauthorized access, modification or disclosure of internal UNDP information (including but not limited to personally identifiable information), leading to loss of trust in effectiveness of UNDP operations and programmatic activities by partners. It can also lead to technological disruption, data breaches of sensitive information, and the spread of false information. Some types of cybersecurity incidents might have considerable financial impact in the form of stolen/diverted UNDP funds or other relevant financial liabilities.

Cause:
Increased cyber threats due to technological, economic, political or social shifts combined with reduced funding result in cybersecurity controls being inadequate or absent in UNDP IT platforms, programmatic activities and operational business processes.

Treatment, including Mitigation Measures:
UNDP's Risk Appetite on cybersecurity is Cautious. UNDP's Data Protection and Privacy Policy outlines the necessary controls, monitoring procedures, primary roles and responsibilities, as well as data breach incident resolution and escalation processes to guarantee the protection of personal data and the preservation of privacy. The Information Classification and Handling policy provides guidance for handling data during project and program implementation, ensuring the highest ethical standards for data protection and privacy are maintained throughout the data lifecycle. Risks of the highest level are brought before the Data Governance Group on a quarterly basis. The UNDP information security policy has been updated with new security controls based on international best practices from ISO 27701, specifically for protecting PII data. Data Guiderails, available on UNAll Platform provides comprehensive guidance on the entire data lifecycle. They also act as Level 1 support for data projects by providing guidance on data collection, ingestion, storage, access, processing, sharing, archiving and destruction. Incident escalation communications protocol has been outlined for Country Offices to follow in case of a breach. Implementation of the Data Protection Impact Assessment is to continue across the organization. Training and SOPs are being developed to further mitigate this risk at all levels.

f. *Risk:* **Waning interest in multilateralism threatens the UN's legitimacy and influence**

Impact:
Waning interest in multilateralism leads to reduced engagement and funding for UNDP, exacerbating competition for limited resources. It can also lead to diminished convening power and relevance, as well as an erosion of shared values such as equality, inclusion, human rights, gender equality and democracy.

Cause:
Political shifts in several countries are fueling skepticism toward multilateral systems, including global trade and cooperation. Geopolitical tensions and the perceived inability of international decision-making bodies to deliver solutions further erode trust. These dynamics are reshaping foreign policy, leading to reduced global commitments, withdrawal from multilateral engagements, and continued pressure on levels of Official Development Assistance and broader development finance. This is manifesting as continued downward pressure on unearmarked contributions across the wider UN development system. UNDP already faces challenges like a shift from core to earmarked funding, prioritization of humanitarian over development aid, and changes in sectoral or agency focus.

Treatment, including Mitigation Measures:
UNDP's Risk Appetite for strategic risks is Open to Seeking. As such, the organization prioritizes demonstrating tangible value and results and enhancing visibility to core donors while maintaining the highest transparency standards to rebuild trust with skeptical member states. Implementing business model enhancements enable the organization to adapt to shifting priorities of member states. At the same time, UNDP intensifies strategic engagement with both traditional and emerging donors to address

the specific concerns and priorities of decision-makers, including skeptical voices, to ensure broad public understanding and buy-in for the value of international cooperation and sustainable development.

Keeping abreast of political and policy shifts is critical, along with running different scenarios to better understand implications and taking mitigation measures that position the UNDP to work effectively across different scenarios.

Risks Identified from Audits

Declining Financial Resources
- Heavy reliance on voluntary contributions exposes UNDP to unpredictable funding streams and shifting donor priorities. Risk of misaligned resource allocation or reduced capacity to sustain long-term programmes in various Countries.

Programme Delivery in Fragile and High-Risk Contexts
- UNDP's work in conflict zones, fragile states, and complex humanitarian settings increases risks of fraud, corruption, diversion of resources, and non-compliance. In addition, there is an increasing urgency to establish quick responsive processes which employ risk based operating mechanisms aligned with proportionate levels of internal controls.

Technological, Digital, Data and Cybersecurity Risks
- The increasing use of digital, data, and AI tools brings benefits but also risks such as privacy, security, inequitable access (digital divides), data bias, misuse or corruption of digital platforms. UNDP must maintain credible, real-time monitoring and transparency which would require investment in tools, systems, capacities, and robust risk management embedded in operations.

Risk of Erosion of UNDP's Mandate / Relevance
- As funding declines, pressure rises among UN Agencies to revisit its mandates and explore greater synergies of their mandates and possibly reduce duplication which may drive UNDP to reassess its role in the developmental institutional space. UNDP may need to demonstrate and defend its unique niche which should be aligned with evolving needs and donor priorities.

Sexual Exploitation, Abuse, and Harassment (SEAH) risk
- SEAH continues to feature as a significant risk which if not addressed adequately may lead to harm to individuals, loss of trust, reputational damage, and weakened ability to deliver programmes.

UNDP must maintain strong focus on addressing audit findings at the country office level. The 2025 audits highlighted the need for greater attention to project and programme monitoring, oversight, and the consistent application of risk management best practices.

Additional Risks Identified from Evaluation
- **IEO evaluations highlighted that the impact of less common risks should not be underestimated.** Although regulatory and political risks - such as changes in domestic legislation, sanctions, or instability - were mentioned less often, they tended to be highly

disruptive. Safety and security risks also had direct consequences for UNDP's ability to remain operational, with implications for cost, continuity, and staff well-being.

- **The prominence of risks also depended on the level of analysis**. At the project level, operational and security risks were more frequent and often the most disruptive. Political risks also carried considerable weight, as shifting priorities or regulatory changes affected implementation, diverted resources, or limited beneficiary reach. Socio-cultural risks emerged particularly in projects involving participation and inclusion, where they affected sustainability and stakeholder engagement. Environmental risks, meanwhile, were most pronounced in climate and conservation initiatives, but less critical in governance or infrastructure projects.

- **Risks rarely occurred in isolation and were often interconnected.** What appeared as "delivery" or "positioning" challenges for UNDP typically reflected deeper issues related to internal systems, partner capacity, and resource structures. For instance, execution problems were often rooted in upstream design and leadership gaps rather than last-mile execution. Evaluations recommended UNDP to focus on stronger programme design, greater use of evidence in decision-making, and early integration of environmental and social safeguards to mitigate risks and avoid costly setbacks.

- **Evaluations pointed to technological threats as an emerging and cross-cutting area of concern.** While not always treated as a separate category, vulnerabilities related to cybersecurity, data privacy, and AI-driven misinformation were increasingly mentioned. These posed operational, organizational, and strategic risks, ranging from delivery disruptions to erosion of partner trust. Safeguarding data integrity and ensuring robust cyber-resilience would be critical to sustaining UNDP's credibility and results.

- **UNDP mitigated risks by collaborating more closely with partners, while adjusting its approaches to fit local restrictions**. It focused on area-based work with communities, improved internal communication and team structures, and strengthened monitoring and staff capacity. Hotlines and awareness efforts helped address sensitive issues, while better planning and clear exit strategies supported local ownership. Where successful, diversifying donors and mobilizing resources made UNDP's work more financially stable and sustainable.

UNDP's Response to Risks Surfaced by Audit and Evaluation

Risks identified by audit and evaluation are highly aligned with UNDP's corporate risk register. UNDP management regularly uses evidence from audit and evaluation to inform decision making and risk treatment. Risks identified by audits and evaluations conducted at the country and project level are treated at that level, through management plans and risks treatment measures reflected in risk registers at the programme and project levels, where relevant. Corporate risks are reflected on by senior leadership and are part of actions taken to address risks and issues across the organization, including treatment to cyber security risks and operating in fragile and high-risk contexts.

4. Looking Ahead

UNDP remains committed to continue its ERM maturity pathway, including regularly reviewing and updating ERM policies, systems, tools and practices on an ongoing basis to remain effective. This includes assessing cultural levers and taking deliberate management action to improve organizational culture to be more open to discussing and treating risks.

Key areas of focus for improvement in 2026 and beyond include:

- Implementation and monitoring of Key Risk Indicators, to inform management decision making
- Improvement in the practice of risk escalation, leveraging the tools and mechanisms UNDP has in place and building capacity to more effectively identify and formally escalate risks where required
- Employ use of AI-driven analytics and tools to help identify risks
- Support high priority projects for risk management
- Continued focus on improving UNDP's risk culture and capacities, with a focus on strengthening the quality of discussions around risk and decisions taken to effectively manage risk across the organization.

UNDP's senior management continues to focus on treating principal risks that may affect the organization from achieving its objectives, including the delivery of the 2026-2029 UNDP Strategic Plan. This includes addressing risks associated with operationalizing UN80 reform decisions, and taking advantage of opportunities to ensure UNDP remains a partner of choice for sustainable development over the medium to long term.

United Nations Population Fund (UNFPA)

1. Introduction/Context

1. In line with Executive Board decision 2025/3, and further to decision 2024/1 which established this recurring joint agenda item, UNDP, UNFPA, and UNOPS present this joint information note on enterprise risk management (ERM) and the principal risks of strategic importance. In direct response to the Board's request for increased transparency and comparability, this note has been prepared on the basis of a common structure and scope. While the structure is harmonized, each agency retains the flexibility to reflect its unique mandate and institutional circumstances, ensuring both comparability and relevance.

2. Enterprise risk management is integral to the organizations' ability to deliver on their strategic plans for 2026-2029. ERM strengthens the connection between strategy and operations by enabling risk-informed planning, prioritization, and decision-making at all levels. Through the structured cycle of risk identification, analysis, treatment, and monitoring—as codified in each agency's ERM Policy—risks that may affect mandate delivery are systematically managed, mitigated, and reported. In this way, ERM contributes to resilience, accountability, and foresight, reinforcing the organizations' ability to sustain results in volatile and complex environments.

3. For UNFPA, ERM underpins delivery across the four interlinked outcomes of the Strategic Plan, 2026–2029: (a) meeting the unmet need for family planning; (b) ending preventable maternal deaths; (c) eliminating gender-based violence and harmful practices; and (d) supporting adaptation to demographic change. A risk-informed approach ensures that these outcomes are pursued with due regard to contextual uncertainties and resource constraints. ERM also reinforces UNFPA's unique comparative advantage within the United Nations development system—including (but not limited to) its normative, technical and operational leadership on sexual and reproductive health and rights, its role as the global lead agency on population data and demographic foresight, and its work on gender-based violence prevention and response in both development and humanitarian contexts. These functions carry inherent risks, and ERM provides the mechanisms to ensure accountability and safeguard resources.

4. Safeguarding this mandate requires vigilant oversight of the principal risks that could impede the achievement of these outcomes. The highest enterprise risks facing the organization—including sustained underfunding, strategic uncertainty from system-wide reforms, and adverse political environments—are subject to continuous review by senior management and relevant governance bodies. This ensures that the organization's residual risk exposure is regularly assessed and that mitigation strategies are robust and effective.

5. Beyond technical processes, ERM also reflects the organizational culture. Embedding a culture of accountability, transparency, one in which colleagues feel free to speak up and can engage in ethical conduct is central to effective risk management, a principle emphasized in the updated UNFPA accountability framework, presented to the Board in

2025. Zero tolerance for wrongdoing, culture, leadership, and values drive how risks are identified and addressed in practice, ensuring that risk management is not only procedural but also behavioural and values-driven.

6. The operating environment remains highly dynamic and uncertain, requiring that risk profiles are continuously reviewed. This ongoing process captures both external risks and those arising from internal transformation. Among the most prominent external drivers are: funding volatility and increasing earmarking constraints and conditions, as detailed in the High-Level Committee on Management (HLCM) briefing note on the funding crisis; geopolitical conflict and humanitarian crises that result in increased needs in a constrained funding environment; a concerted political pushback on issues related to UNFPA's mandate; the impacts of climate change; and cybersecurity, data protection, and reputational risks, including those caused by allegations of wrongdoing and fueled by mis- and disinformation campaigns.

7. In parallel, risk reviews must account for reform processes underway. This includes the Secretary-General's system-wide UN80 initiative, which contains a proposal to assess a potential merger of UNFPA and UN-Women. UNFPA is actively engaging at the highest levels to contribute to this assessment, ensuring that it looks both at the benefits and risks of any merger while underscoring the unique and integrated nature of its mandate and robust operational capacities across development and humanitarian settings. Risks to be assessed in any potential merger include governance risks that may impact UNFPA's mandate (especially when it comes to its work on sexual and reproductive health and rights) and normative framework; legal and operational risks that may impact its ability to carry out its programmes, especially at the country level, even temporarily; as well as those that may impact UNFPA's ability to mobilize resources and attract talent, both in the short term while there is organizational uncertainty and under any new institutional setup that may materialize.

8. The SG report also calls, as a subsequent step, for consideration of options to "optimize normative functions on population statistics and related activities, including those currently undertaken by DESA". It will likewise be important that during this next step risks also be taken into account, including those in relation to legal and governance, operational delivery, as well as those impacting the integrity of UNFPA's mandate, which covers the interconnected and mutually reinforcing public health, population and rights work related to sexual and reproductive health, gender and demographic activities.

9. This dual pressure from external and internal forces necessitates a more sophisticated, forward-looking approach. Foresight and scenario planning are being increasingly embedded in UNFPA's ERM processes to anticipate emerging risks and prepare for multiple possible futures. This ensures that ERM remains a dynamic and strategic tool for resilience and renewal, enabling UNFPA to protect its mandate and deliver on its new Strategic Plan and the 2030 Agenda.
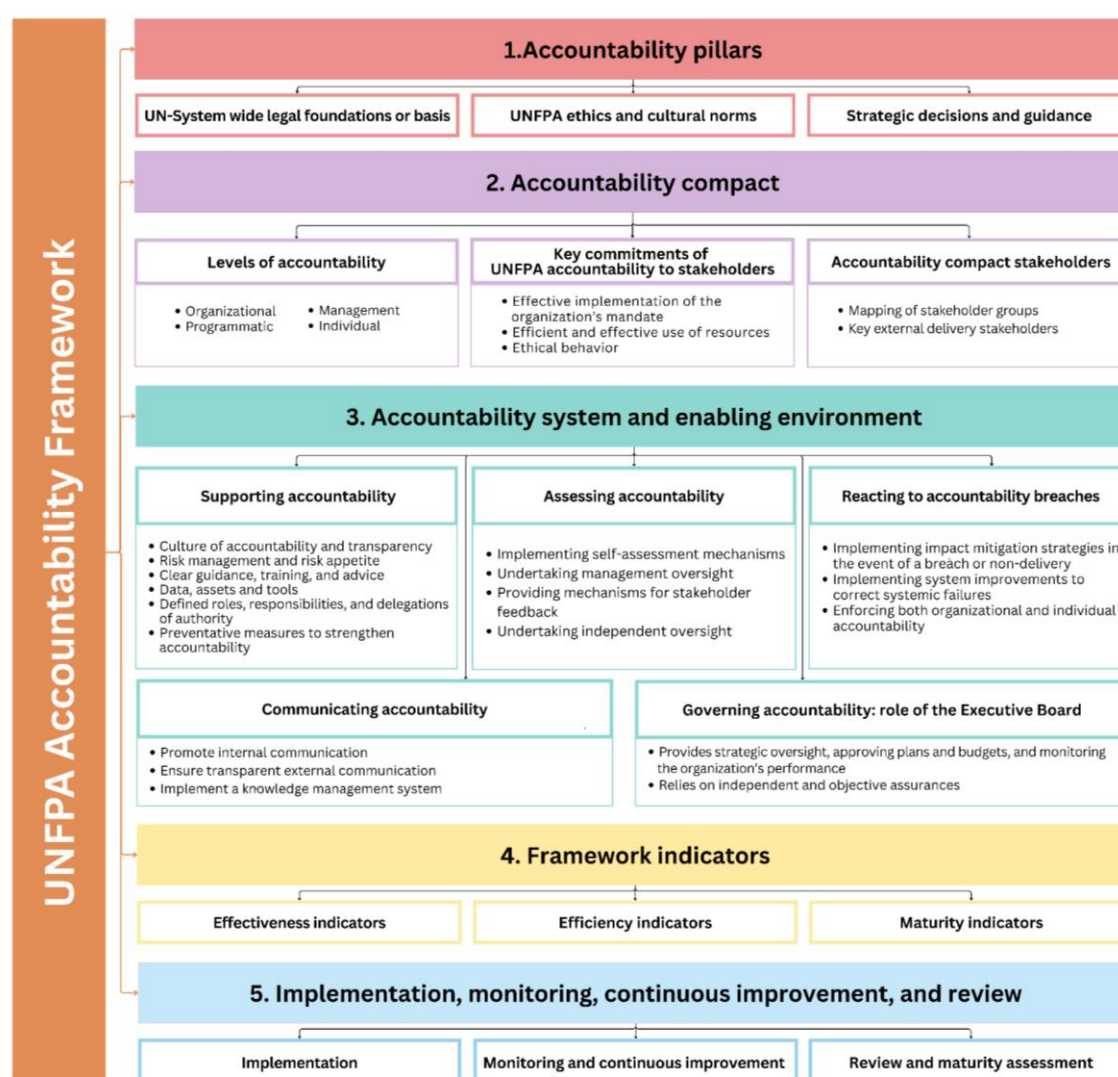
2. Enterprise Risk Management (ERM), Risk Appetite and Maturity

2.1 ERM Elements

A robust framework grounded in policy and accountability

10. UNFPA's approach to enterprise risk management (ERM) is built upon a formal and integrated foundation, designed to ensure that risk considerations are woven into the fabric of all organizational activities. The cornerstone of this approach is the UNFPA ERM Policy, which establishes the official methodology, processes, governance structure, roles, and terminology for managing risk across the organization. This policy is not an isolated document; it is fully integrated with and serves as a key pillar of the overarching **U**NFPA accountability framework 2025 (See figure 1) and it is strictly interlinked with the UNFPA internal control framework. In particular, UNFPA's internal control framework is based on the internationally recognized COSO framework and its five components (control environment, risk assessment, control activities, information and communication, monitoring activities) and it is integrated in the policy framework. Key controls are systematically documented in each policy and their operating effectiveness is monitored through policy compliance oversight This strategic integration of enterprise risk management and internal controls is a core component of our commitment to governance, performance management, and delivering on our mandate.

Figure 1. UNFPA accountability framework 2025

11. The governance of enterprise risk management and internal controls at UNFPA is structured around the internationally recognized **"three-lines model"** (See figure 2), which establishes clear and distinct roles and responsibilities to ensure a comprehensive system of checks and balances:

    a. *The first line:* This comprises the business units, country and regional offices, and programme managers who own and manage risks as part of their day-to-day responsibilities. They are responsible for identifying, assessing, and responding to the risks inherent in their operations, implementing controls effectively, and setting the "tone at the middle" to embed a risk-aware culture within their teams.

    b. *The second line:* This line provides essential oversight, expertise, standard-setting, and challenge functions to support the first line. It is anchored by the ERM Function, which designs and coordinates the overall process, and the formal governance bodies—the Headquarters Risk Committee (HRC) and six Regional Risk Committees (RRCs).

    c. *The third line:* This consists of independent oversight bodies, most notably the Office of Audit and Investigation Services (OAIS) and the Independent Evaluation Office (IEO), which provide independent and objective assurance to the Executive Director and the Executive Board on the effectiveness of the ERM framework and internal controls.

Figure 2. The three lines model
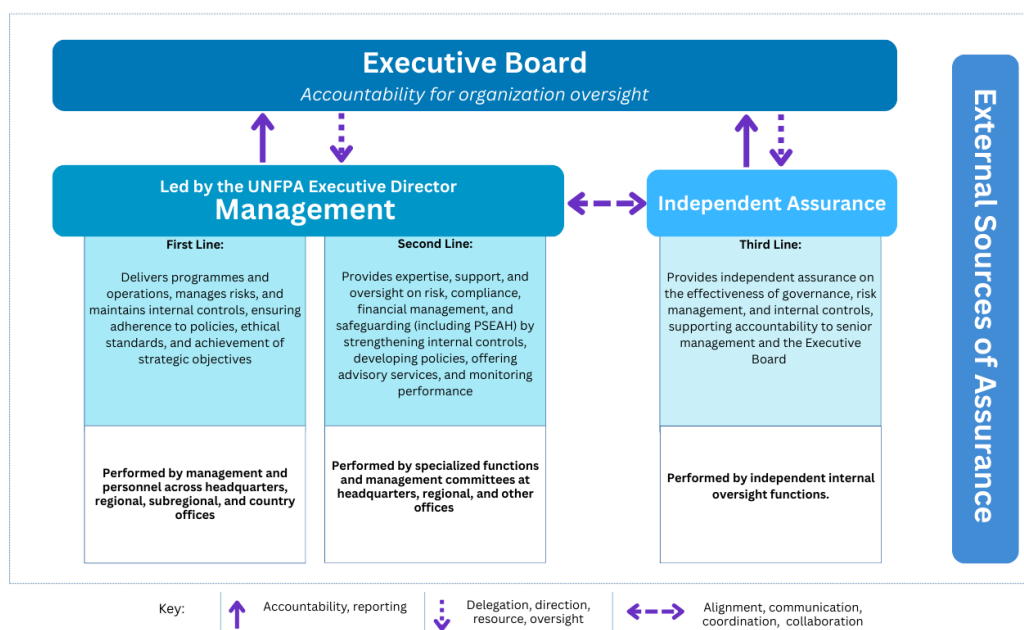
Strengthening governance through dedicated risk committees

12. A key element of UNFPA's second-line function is its network of dedicated risk committees. The Headquarters Risk Committee (HRC), chaired by the Chief Risk Officer, provides advice and support for risk management processes at the corporate level, covering headquarters divisions, regional offices, and cross-cutting issues. The six regional risk committees (RRCs), chaired by their respective regional directors, perform the same function for the country offices within their regions. As detailed in their formal

terms of reference, the primary objective of these committees is to support the implementation of the ERM policy by providing a rigorous review and validation of the risk assessments and proposed risk response designs submitted by the business units under their purview.

13. This validation process is particularly crucial for risks that are assessed as operating outside of UNFPA's established risk appetite levels. The committees are composed of subject-matter experts from across programmatic, technical, and operational functions. They ensure that risk responses are appropriate, that resources for mitigation are considered, and that high-risk or escalated issues receive the necessary level of senior management attention. This formal structure is intended to ensure a robust, consistent, and well-documented oversight process is applied across the entire organization.

Modernizing systems and tools for a data-driven approach

14. To support this comprehensive framework, UNFPA is undertaking a modernization of its digital ERM ecosystem. The legacy 'myRisk' system is being replaced by a new ERM application, a strategic investment designed to enhance the efficiency and effectiveness of our risk management processes.

15. A primary objective of this new tool is to enable deep integration with the QuantumPlus environment, particularly the **r**esults and resource planning (RRP). This integration is an important enhancement that will allow, for the first time, the direct mapping of identified risks to the specific Strategic Plan outcomes and outputs they may affect. Furthermore, the system will integrate key risk indicators (KRIs) from corporate data sources, objective data to challenge and validate subjective assessments. This will empower risk owners and committees with evidence, leading to enhanced, data-informed decision-making and a significant reduction in assessment cycle time.

Ensuring systematic implementation and compliance

16. The implementation of the ERM policy is a systematic, organization-wide process, not an ad-hoc or discretionary activity. The ERM Function defines and communicates and mandates the regular/periodic risk assessment process for all business units. This ensures a predictable and structured rhythm for risk management activities throughout the year. The process is also designed to be dynamic; the new ERM application will allow for ad-hoc or partial re-assessments to be triggered in response to significant external events or breaches of key risk indicator thresholds, ensuring the system is responsive to a changing environment.

17. As outlined in the working modalities of the HRC and RRCs, the implementation cycle includes a formal process of virtual pre-reviews of draft assessments, the provision of consolidated, actionable feedback to business units in validation meetings to approve the final assessments and risk response design plans. The outcomes of these meetings are formally documented, and follow-up actions are tracked by the ERM function, creating a closed-loop system of accountability.

Extending risk management to implementing partners

18. UNFPA manages the risks of implementing through partners through a robust, risk-based IP assurance framework under the harmonized approach to cash transfers to

implementing partners(HACT), which is further adapted and detailed in the Implementing Partner Risk Management and Assurance Guide. This framework is the primary control mechanism for managing the fiduciary, operational, and reputational risks associated with our downstream partners.

19. The implementing partner risk model is the central tool for this process. It calculates a composite "adjusted risk rating" for each partner by systematically combining three key data points: (1) the partner's institutional capacity, as determined by a formal capacity assessment (micro-assessment); (2) the external risk of the operating context, using the independent INFORM index; and (3) office judgment, a critical feature that allows country offices to incorporate local knowledge and a partner's performance history into the final rating.

20. This adjusted risk rating, in combination with predefined expenditure thresholds and serious findings from past assurance, determines the mandatory assurance activities required for each partner each year. For example, partners with a high or significant risk rating spending over $500,000 are subject to an annual audit, while others may require on-site spot checks of financial records. These assurance processes, which were previously managed in a separate, legacy system, are now being fully integrated into QuantumPlus providing key operational improvements that streamlines workflows, enhances data integrity, and provides a single, authoritative and holistic view of partner-related risks.

2.2 Risk Appetite and Contextual Factors

21. UNFPA's risk-informed approach to decision-making is guided by its official Risk Appetite Statement, a document approved by the Executive Committee and shared with the Executive Board. The full statement is available **here**. The Statement articulates the level of risk the organization is prepared to accept in pursuit of its mandate and the objectives of the Strategic Plan. It provides a clear and consistent framework for all personnel, enabling them to assess risks and make decisions with confidence. The risk appetite is defined across six core categories, which are aligned with the Integrated Risk Framework, as depicted in Figure 3 below:

Figure 3. UNFPA risk appetite levels

Risk category	Appetite level
External	High
Delivery	High
Operational	Low
Fiduciary	Low
Reputational	Low

Risk category	Appetite level
Safeguarding	Zero

22. This differentiated appetite is a deliberate strategic choice, reflecting the nature of the organization's mandate and the environments in which it operates. UNFPA intentionally accepts a high level of external and delivery risk to fulfill the promise of the Strategic Plan to serve the most marginalized populations and "leave no one behind." Our mandate requires us to be present and effective in the world's most complex and fragile contexts. Achieving our transformative results—necessitates engagement in environments characterized by political instability, weak infrastructure, humanitarian crises, and social opposition. To retreat from these contexts would be to abandon those most in need. Therefore, accepting a high level of risk in these areas is fundamental to achieving our programmatic goals.

23. This high appetite for programmatic risk is carefully and necessarily counterbalanced by a low appetite for internal operational, fiduciary, and reputational risks. This reflects UNFPA's unwavering commitment to the highest standards of stewardship over the resources entrusted to it and to protecting its organizational integrity and credibility. In an increasingly challenging funding environment, maintaining robust internal controls, ensuring value-for-money through efficient operations, and safeguarding our reputation are paramount. This low-risk posture for internal functions is the bedrock that enables us to take calculated risks in our programming, as it ensures we maintain the trust of our donors, partners, and the communities we serve.

24. The Risk Appetite Statement establishes two non-negotiable principles that anchor our work. First, there is a zero tolerance for fraud and other proscribed practices. Second, and most critically, UNFPA has a zero appetite for safeguarding risks. This signifies an absolute and unwavering commitment to the principle of "do no harm." UNFPA will not undertake any programme or activity, regardless of the context, that is likely to cause physical, emotional, or sexual harm to its staff, partners, beneficiaries, or the environment. This commitment to protection from sexual exploitation, abuse, and harassment is the bedrock of our duty of care and is paramount in all organizational activities.

25. The Risk Appetite Statement is not a rigid set of rules but a dynamic framework that allows for adaptation based on specific and compelling contextual factors. The most significant of these is the humanitarian context. In life-saving emergency response situations, the risk of *inaction*—which could result in preventable deaths and suffering—is often the greatest risk of all. In such circumstances, UNFPA may accept a higher level of operational and fiduciary risk to ensure the timely and effective delivery of essential services. This flexibility is conditional on the application of all possible controls to mitigate and recognises that there are residual risks the organisation cannot avoid. It is a conscious, documented, and time-bound decision made through a formal risk escalation process defined in the ERM Policy. Such decisions require higher-level approval and a clear rationale demonstrating that the

potential benefits of intervention are judged to outweigh the associated operational risks.

26. Other contexts also inform the application of our risk appetite. The pursuit of innovation, a core principle of the organization, may require accepting a higher degree of initial programmatic risk to pilot and scale up new solutions that can accelerate progress towards the transformative results. Similarly, the internal transformation driven by the business model review and the system-wide changes under UN80 are contextual factors that require the careful management of transitional risks—such as temporary (or longer) disruptions to operations, normative frameworks, processes, staff morale, as well as donor funding decisions.

27. In all such cases, risk acceptance decisions are made transparently and with a clear rationale. This nuanced, context-aware application of the Risk Appetite Statement ensures that it remains a dynamic and effective strategic tool, enabling UNFPA to be both bold in its programmatic ambition and prudent in its operational management.

28. The practical application of this risk-informed and context-aware approach is best demonstrated through concrete examples of how UNFPA manages complex challenges, as illustrated in Box 1 below.

Box 1: Enterprise risk management in action

UNFPA's enterprise risk management framework is not a theoretical construct but a practical tool applied to navigate complex challenges. The following examples illustrate how risk management is embedded in strategic decision-making, humanitarian response, and reputational oversight.

1. **Managing strategic transformation:** the HQ optimization initiative. The successful merger of the Programme and Technical Divisions and their relocation to Nairobi was a major strategic initiative managed with a robust risk-based approach from its inception. A dedicated risk register was established and monitored by a high-level project reference group.
   - Key risks Identified: The primary risks included (a) **h**uman resources risks, such as staff attrition and the loss of institutional knowledge; (b) **r**eputational and stakeholder risks, from the potential negative perception of the move by Member States and partners; and (c) **o**perational risks, such as workflow disruptions and project delays.
   - Risk-managed response**:** Proactive mitigation measures were implemented for each risk. These included frontloading human resources activities to give staff a two-year window for decisions, implementing a comprehensive change management and psychosocial support plan, holding dedicated informal sessions with the Executive Board to ensure full transparency and pursuing a phased transition to guarantee business continuity.
   - Result: This proactive risk management was instrumental in ensuring the initiative remained on schedule and on budget. The associated reputational risks were successfully reduced, and the move has been praised by the Secretary-General as an example of United Nations reform.

> 2. **Protecting reputation in a complex media landscape:** the SHIELD Protocol**.** To manage the principal risk of reputational damage, UNFPA has developed the SHIELD Protocol. It is a specialized component of the broader ERM framework, designed to provide a coherent and adaptable approach to proactively manage threats to UNFPA's brand, organizational, and reputation.
>
> **3. Enabling principled humanitarian action: the "no regrets" approach.** UNFPA's new Policy and Procedures for Emergency Response (EPPs) are built on a "no regrets" principle, empowering country offices to take swift, decisive, and life-saving action in the early stages of a crisis, even before all information is available. This approach requires a higher acceptance of operational and fiduciary risk to prioritize the needs of affected populations. This flexibility is balanced with clear accountability through a direct link to the ERM framework. The EPPs explicitly state that any "ad hoc 'no regrets' decision" that may cause the organization to operate outside its established risk appetite must be escalated through the formal ERM governance process for review and approval by the relevant risk committee. This ensures that even in the most urgent crises, risk-taking is a conscious, documented, and properly governed decision.

2.3 Improvements in 2025

29. In line with the commitment to continuous improvement and in response to the Board's request for regular updates, UNFPA has made significant and tangible progress in strengthening its Enterprise Risk Management framework since the 2025 report. Key enhancements have focused on three strategic areas: modernizing the digital ecosystem to enable data-driven oversight; embedding risk management more deeply into the core programming cycle; and reinforcing a culture of accountability and proactive risk management across the organization and with its partners.

Modernizing digital tools for enhanced oversight

30. The single most significant investment in strengthening ERM has been the development of a new, modern ERM application. A critical project is now fully approved and underway. Its development is on a timeline to be completed by the end of 2025, ensuring its rollout is fully aligned with the launch of the new Strategic Plan, 2026-2029. This new system is not merely an upgrade but a strategic recalibration of our risk management and internal controls infrastructure.

31. Key upgrades to Quantum elements include but are not limited to enhanced reporting capabilities, approval workflows, planned real time transaction monitoring using the Oracle Risk Cloud together with UNDP and UN-Women, and hard controls for system access and segregation of duties to improve hard controls for efficient division of labour and reduced risk of fraud or unintentional errors.

32. Furthermore, the new system is designed to be data-driven. It will integrate key risk indicators from corporate data sources (such as finance, human resources, and programme monitoring systems) and display them in dashboards. This will provide objective, evidence-based context during risk assessments, empowering risk owners and committees to challenge and validate subjective ratings.

Embedding risk management into the core programming cycle

33. A major area of improvement in 2025 has been the explicit and systematic integration of ERM into the core business of the organization, as codified in the newly consolidated UNFPA Programme Manual. This ensures that risk management is no longer a parallel process but an indispensable component of the entire programming lifecycle, from initial design to final evaluation.

34. The Programme Manual now mandates the consideration of risk at every critical phase:
    a. In Phase 1 (country programme design, development and approval), the manual incorporates a key lesson learned: that a "systematic and robust elaboration of risk" is a critical determinant of the quality of a Country Programme Document (CPD).
    b. In Phase 2 (programme implementation and management), the manual requires that the development of annual workplans must "incorporate risk management aspects, identifying potential challenges and mitigation strategies early on." This process must draw on the Integrated Risk Framework and remain aligned with UNFPA's official Risk Appetite Statement.
    c. In Phase 3 (programme monitoring, reporting and closure), the manual reinforces the dynamic nature of risk management. It stipulates that programme staff must "regularly review the status of key risks by monitoring their associated risk indicators" and that any significant changes in the implementation context—such as delays, bottlenecks, or safeguarding concerns—must "trigger a reassessment of risk levels."

Strengthening accountability

35. This integrated system operationalizes the principles outlined in the new UNFPA accountability framework, which emphasizes the shared and reciprocal accountabilities of implementing partners. The framework for managing these downstream risks is systematic and data-driven. It begins with a comprehensive protection from sexual exploitation and abuse (PSEA) assessment for all potential partners, followed by a capacity assessment that, combined with the external country context and office judgment, produces a composite "adjusted risk rating." This rating is then used to determine the required assurance activities, such as spot checks and audits, ensuring that the level of oversight is proportional to the identified risk.

Investing in people and a risk-aware culture

36. These improvements in systems and processes are underpinned by a continued investment in people and culture. The systematic nature of the annual risk assessment cycle serves as a powerful cultural tool, engaging over 130 business units in a structured dialogue about risk. The high completion rate—with 91.5 per cent (119 out of 130) of all business units having completed and validated their 2025 assessments as of November 2025—demonstrates a strong and widespread commitment to the process.

37. Furthermore, there is a clear, growing culture of accountability for following through on mitigation actions. Of the 119 business units with validated assessments, 79 have already reported the completion of their risk response plans, with the remainder being actively monitored. This commitment to managing risk is reinforced from the highest levels of the organization, as evidenced by senior management's proactive and

transparent communications regarding the business model review and the UN80 reform process.

2.4 HLCM Risk Maturity Model Self-Assessment Update

38. In November 2024, UNFPA conducted a comprehensive baseline self-assessment of its ERM framework against the six dimensions of the High-Level Committee on Management (HLCM) maturity model, the results of which were presented to the Executive Board in its first regular session of 2025. This established a clear benchmark of the organization's capabilities. While the Board's decision 2025/3 did not explicitly request a new assessment from UNFPA, the organization is providing this progress update to ensure full transparency and to report on the tangible progress made against the maturity pathways committed to last year. This update, reflecting the state of ERM, as of October 2025, demonstrates a dynamic and continuously improving system, moving beyond framework establishment to focus on functional integration and strategic impact.

Dimension 1: ERM Framework and Policy

Dimension 1: ERM Framework and Policy	
November 2024	October 2025
Established (Level 3)	Established to Advanced (Level 3.5)
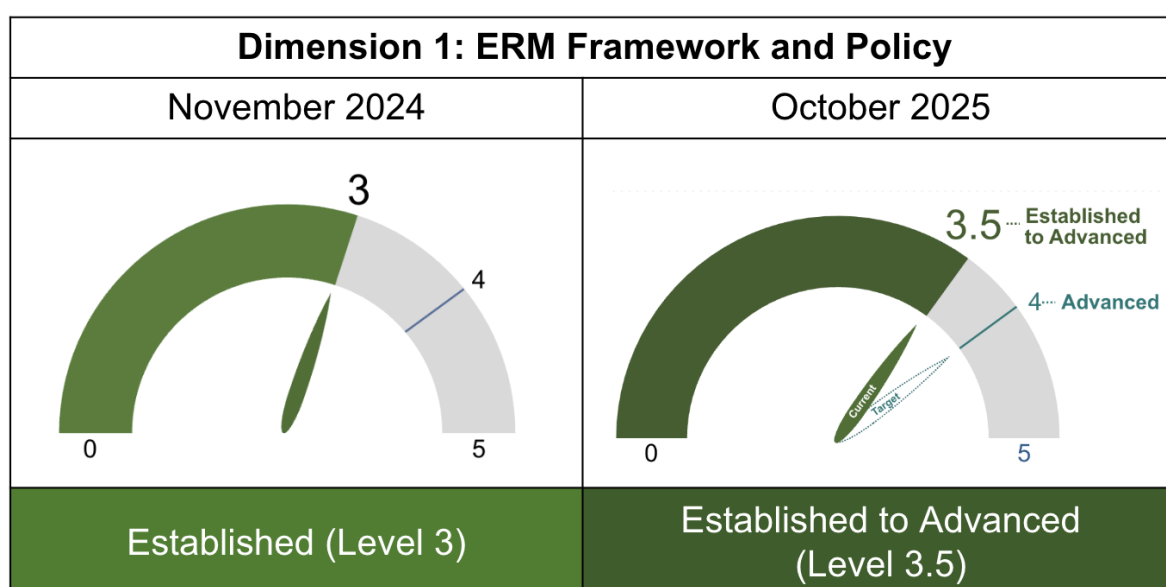
39. In its November 2024 self-assessment, UNFPA's maturity in the ERM Framework and Policy dimension was rated as 'Established'. This was based on having a Board-approved ERM Policy and a defined Risk Appetite Statement, which met the criteria for the "framework components and coverage" sub-dimension. The key maturity pathway identified was to improve the "Framework implementation and appetite" sub-dimension by moving beyond documentation towards deeper, standardized implementation across all organizational processes.

40. Over the past year, UNFPA has made significant progress on this pathway. The explicit integration of ERM and risk appetite considerations into the new, consolidated UNFPA Programme Manual ensures a standardized application of the framework in the core business of the organization. This procedural integration moves risk management from

a separate corporate requirement to an essential, non-negotiable step in the programming cycle, thereby fully operationalizing the risk appetite.

41. This deep embedding of the framework into core business processes has solidified the existing maturity level. Therefore, for its October 2025 assessment, UNFPA's maturity in this dimension is reaffirmed as 'established', with clear progress made towards the 'advanced' level by demonstrating stronger evidence of embedding.

Dimension 2: Governance and Organizational Structure

| Dimension 2: Governance and Organisational Structure	
November 2024	October 2025
4 ... 0 ... 5	4 ... 0 ... 5
Advanced (Level 4)	**Advanced (Level 4)**
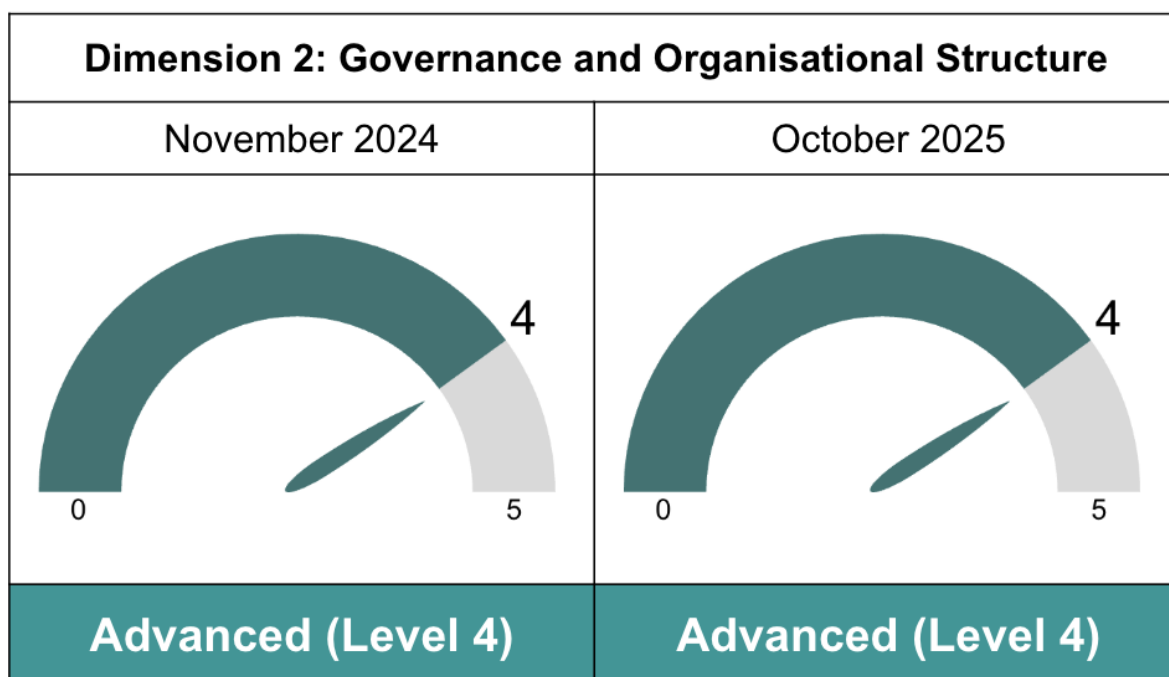
42. In November 2024, UNFPA's maturity in the Governance and Organizational Structure dimension was rated as 'advanced'. This high rating was justified by a well-defined "governance structure" based on the three-lines model, clear "delegation of authority," and the ERM function. The stated maturity pathway was to further strengthen the roles and responsibilities of the risk committees to enhance the effectiveness of the second-line function.

43. This pathway has been fully realized in 2025. The roles of the Headquarters Risk Committee (HRC) and the six regional risk committees (RRCs) have been significantly strengthened through the formalization of new, detailed terms of reference (TOR). These TORs clarify their validation and oversight mandates and link their roles to performance assessments, directly strengthening the "delegation of authority" sub-dimension. The full operationalization of these committees during the 2025 risk assessment cycle demonstrates that the "function" is not just designed but fully active.

44. By delivering on this commitment, UNFPA has solidified its high level of maturity in this area. Therefore, for its October 2025 assessment, UNFPA's maturity in this dimension remains at an 'advanced' level.

Dimension 3: Process and Integration

Dimension 3: Process and Integration	
November 2024	October 2025
Established (Level 3)	Established to Advanced (Level 3.5)
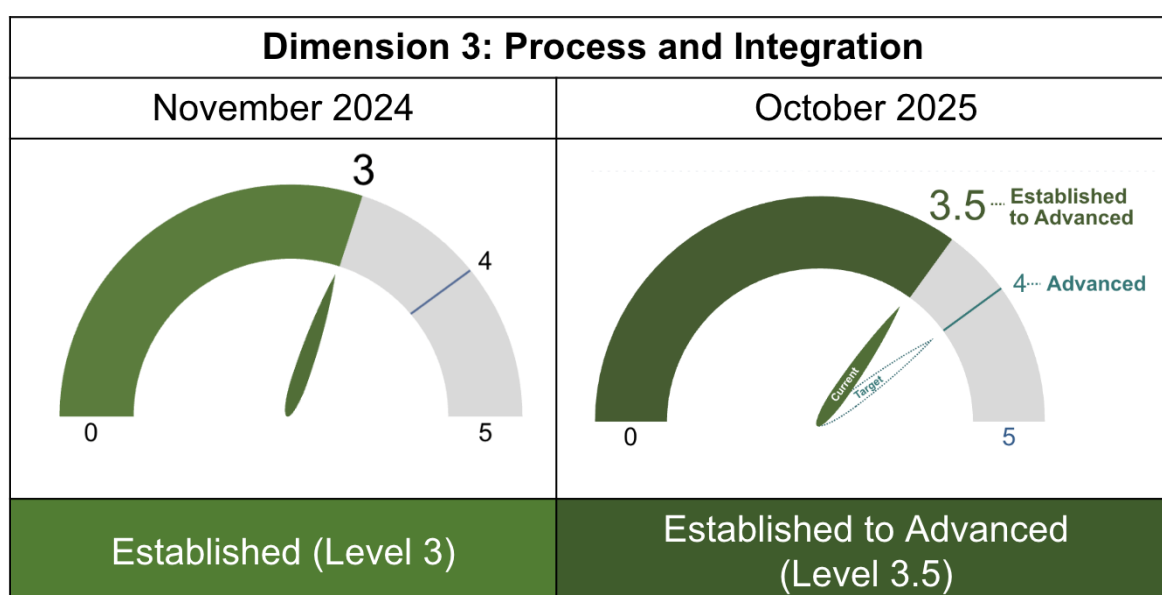
45. In November 2024, maturity in the Process and Integration dimension was assessed as 'established'. This reflected standardized processes for risk identification and assessment ("process" sub-dimension), but with identified gaps in the "integration with planning" sub-dimension. The key maturity pathway was to standardize and deepen the connections between the ERM process and the organization's strategic planning and results frameworks.

46. Significant progress has been made on this pathway through two major initiatives. First, the integration of ERM into all phases of the programming cycle via the new Programme Manual ensures that risk considerations are a mandatory part of the planning process. Second, the design of the new ERM application to include deep integration with the results and resource framework will create a direct, systemic link between risks and strategic objectives, representing a major step forward in the "integration with planning" sub-dimension.

47. These actions directly address the previously identified integration gap and represent a clear shift towards a more strategically aligned ERM process. Therefore, for its October 2025 self-assessment, UNFPA's maturity in this dimension has advanced and is now assessed as moving firmly from 'established' towards 'advanced'.

Dimension 4: Systems and Tools

| Dimension 4: Systems and Tools	
November 2024	October 2025
Developing to Established (Level 2.5)	Established to Advanced (Level 3.5)
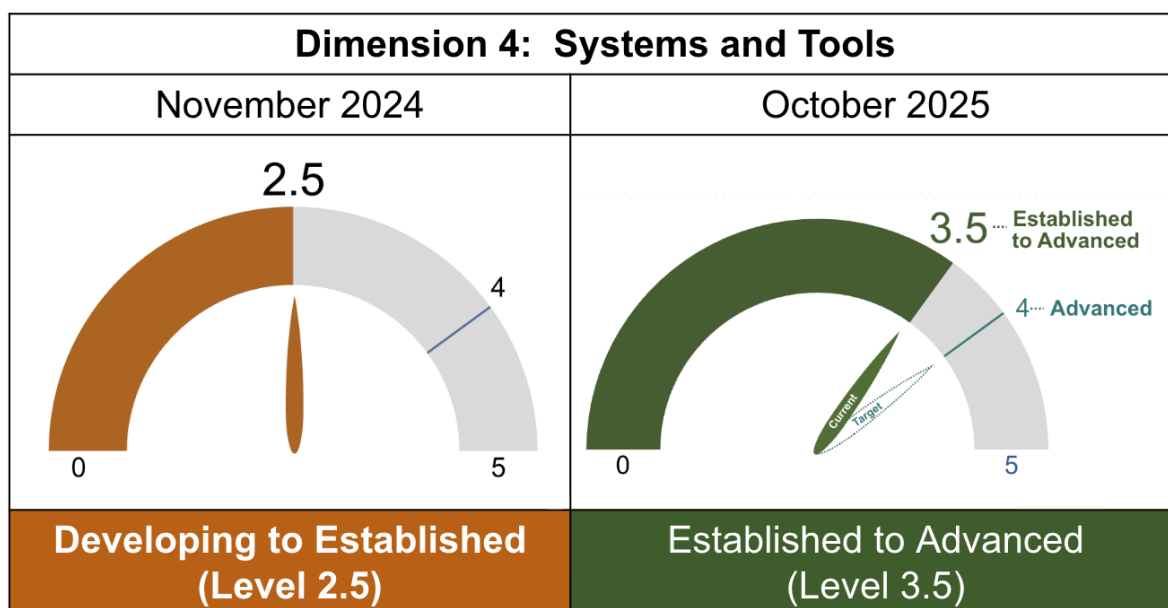
48. In its November 2024 self-assessment, UNFPA's maturity in the Systems and Tools dimension was rated as 'developing to established'. This assessment was based on an analysis of its two sub-dimensions: "platforms, systems, and tools" and "links to other systems." The rating reflected that while functional platforms existed, they lacked the deep integration and automated data flows characteristic of a fully 'established' system, with the key gap being in the "links to other systems" sub-dimension.

49. Over the past year, UNFPA has made an important investment in this area. The approval and initiation of the new, modern ERM application directly advances maturity in both sub-dimensions. For "platforms, systems, and tools," it represents a significant upgrade in functionality and usability. For "links to other systems," it delivers a step-change in capability by introducing deep, systemic integration with the RRP and the capacity for real-time KRI monitoring.

50. These enhancements directly address the previously identified gaps, moving beyond basic data collection to data-driven oversight and strategic alignment. Therefore, for its October 2025 assessment, UNFPA's maturity in this dimension has decisively advanced to 'established'.

Dimension 5: Risk Capabilities

Dimension 5: Risk Capabilities	
November 2024	October 2025
Established (Level 3)	Established to Advanced (Level 3.5)
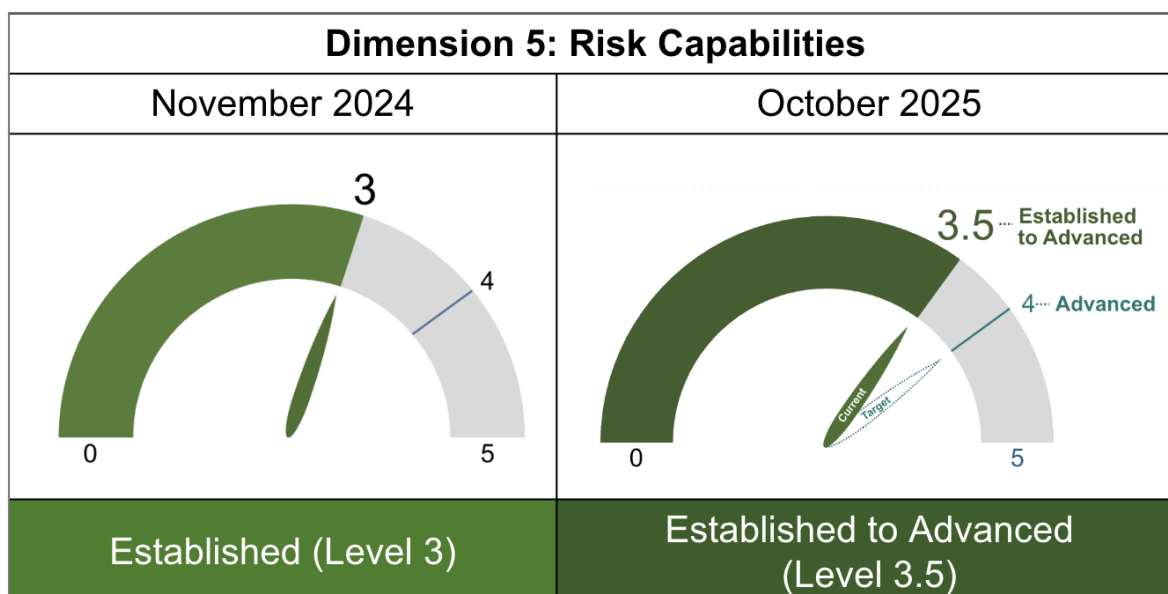
51. In November 2024, the Risk Capabilities dimension was assessed as 'established', reflecting strong "competencies" (supported by extensive training resources) and "reporting" mechanisms. The maturity pathway was to expand these capabilities and enhance reporting functionalities.

52. In 2025, a significant strengthening of the "Capacity" sub-dimension has been achieved through the full operationalization of the Headquarters and Regional Risk Committees. The hands-on process of reviewing and challenging risk assessments has served as a powerful, real-time capacity-building exercise for senior staff. This "learning by doing" at the governance level has been complemented by the rollout of the integrated IP assurance module in QuantumPlus, which has built the practical, role-based skills of staff in managing downstream risk.

53. These actions have strengthened the practical application of risk management skills across the organization. Therefore, for its October 2025 assessment, UNFPA's maturity in this dimension is reaffirmed as 'established'.

Dimension 6: Risk Culture

Dimension 6: Risk Culture	
November 2024	October 2025

Established (Level 3)	Established to Advanced (Level 3.5)
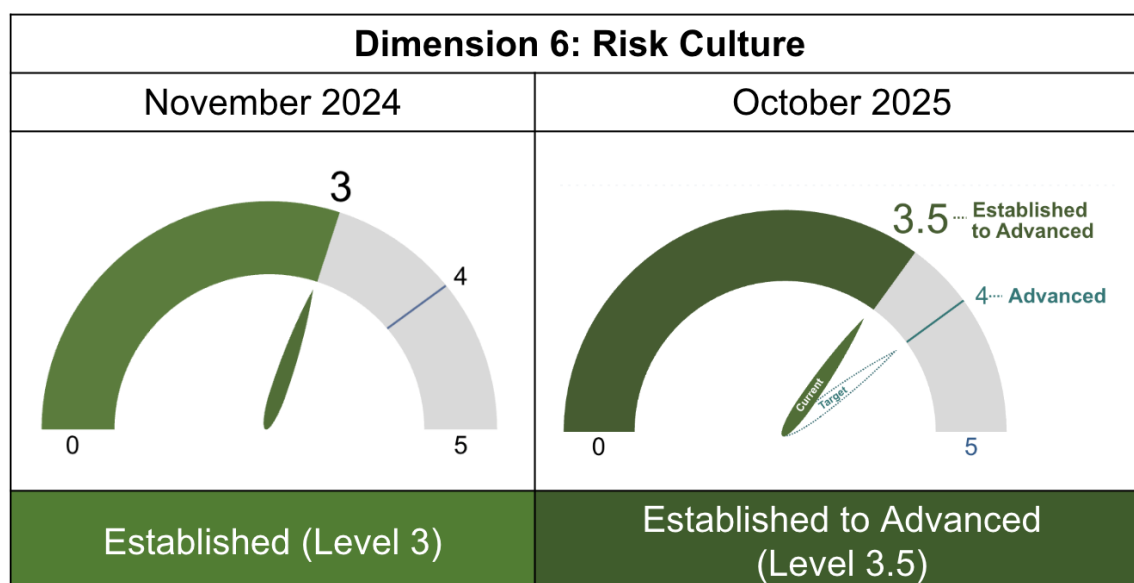
54. The Risk Culture dimension was rated as 'established' in November 2024, supported by a strong "tone at the top" and clear "application of accountabilities and ownership." The maturity pathway was to further embed "risk-informed decision-making" across all levels of the organization.

55. Progress in maturing the risk culture is evident across several sub-dimensions. A culture of accountability is demonstrated by the 91.5 per cent completion and validation rate for the 2025 annual risk assessment cycle. The "tone at the top" has been powerfully reinforced by senior management's proactive and transparent communications on the business model review and UN80 reforms, modeling the behavior of a mature, risk-aware organization. This directly contributes to strengthening "risk-informed decision-making" at the strategic level.

56. This demonstrates a clear progression from a culture of compliance to one of active risk engagement. Therefore, for its October 2025 assessment, UNFPA's maturity in this dimension is reaffirmed as 'established', with clear evidence of advancement towards the 'advanced' level.

3. Principal Risks

57. For the purpose of this note, UNFPA understands the term 'principal risks' to be interchangeable with 'critical risks of strategic importance' as defined in the January 2025 joint update to the Executive Board on the same matter.

Risk 1: Sustained underfunding and financial instability

58. Aligned risk statement: Potential shortfall in securing adequate, predictable, and sustainable financial resources, which could impact the achievement of UNFPA's strategic objectives as outlined in the Strategic Plan, 2026-2029 and its theory of change.

59. Brief context / elaboration: This risk is the most immediate threat to UNFPA's operational continuity and programmatic reach. The funding environment is driven by a confluence

of factors, including the withdrawal of funding from a historically significant donor, a broader decline in official development assistance (ODA),competing crises and donors' priorities and interests, and increased competition for humanitarian and development aid and increasingly complex and costly funding conditions and restrictions. As noted in the United Nations system-wide HLCM briefing note, such funding shortfalls and restrictions risk diminished programme impact, jeopardize development gains, and can lead to non-strategic budget cuts that weaken the entire organization.

60. **Key management approaches / mitigation measures:** To manage this risk, UNFPA is implementing a multi-pronged strategy focused on financial resilience and efficiency:
    a. Diversifying the donor base: Actively broadening the donor base beyond traditional sources to include emerging donors, middle-income countries, International Financial Institutions (IFIs), and the private sector.
    b. Strengthening domestic financing: Enhancing technical support for programme countries to prioritize SRHR in national budgets and leverage domestic resources, as demonstrated by the UNFPA Supplies Partnership, which has mobilized record levels of domestic expenditure for family planning.
    c. Developing innovative finance**:** Piloting and scaling up innovative financing mechanisms, including blended finance and results-based financing, to leverage additional resources.
    d. Driving internal efficiencies**:** Undertaking a comprehensive business model review (BMR) aimed at identifying savings and ensuring the organization can best deliver on the Strategic Plan in a changing funding environment. This follows the adverse revenue scenario planning exercise, which UNFPA undertook at the end of 2024 to prepare for an expected decline in core resources, in particular
    e. Advocating for core funding: Continuing to articulate the value and impact of flexible, predictable core resources, which remain central to UNFPA's ability to plan, maintain a global presence, and respond to crises effectively. Highlighting the costs and risks of funding restrictions and conditions
    f. Advocating for an increased number of joint programmes, especially where UNFPA is both Convening and Administrative Agent to promote the 'One UN' approach, align with the Funding Compact 2.0, UN80 initiative but also leverage UNFPA's expertise at the programmatic and fund management levels.
    g. Strengthening oversight and assurance: The risk is subject to continuous monitoring by senior management and regular review by senior management committees to ensure mitigation strategies are effective.

61. Through these comprehensive measures, the residual risk is being actively managed, though it is expected to remain significant for the foreseeable future.

62. Link to strategic plan / mandate: The effective management of this financial risk is a prerequisite for the successful implementation of the entire Strategic Plan. Without predictable and adequate resources, UNFPA's ability to sustain life-saving services, maintain its normative and operational leadership, and make progress on all four strategic outcomes would be severely constrained, undermining decades of development gains.

Risk 2: Strategic uncertainty from United Nations system reform aligned risk statement: risk of operational disruption and erosion of mandate clarity as a result of ongoing United Nations reforms

63. Brief context / elaboration: Internally, the business model review is assessing how best to configure country, regional and headquarters structures to enhance efficiency. As with any change process, this is associated with risks related to staff morale and programme delivery. Externally, the Secretary-General's UN80 report, "Shifting Paradigms," includes a proposal to assess the benefits of a merger of UNFPA and UN-Women. This too can create anxiety among staff and partners, including in relation to (especially multi-year) funding decisions. The process may also impact the organization's ability to attract talent while there is uncertainty about what may happen next, while any risks to mandate (and the integrity of UNFPA's mandate that links SRHR, gender and population activities) and operations in any merger will need to be carefully assessed and then subsequently considered by Member States.

64. Key management approaches / mitigation measures: UNFPA's approach is one of proactive engagement and strategic management of change:
    a. Active engagement in UN80: Senior leadership is actively engaging at the highest levels to contribute to and shape the UN80 process, so that ensure UNFPA's unique mandate ,normative role and operational activities as a public health, population and rights agency is understood, protected, and remains intact. This includes contributing not only to the merger assessment, but also many other workstreams that impact UNFPA, including those on human rights, humanitarian, funding, data, supply chains, business efficiencies and knowledge management.
    b. Comprehensive change management: For the business model review, a comprehensive change management strategy is being developed, including clear milestones, targeted communication campaigns to address staff concerns, and support mechanisms for affected personnel.
    c. Transparent stakeholder engagement: Maintaining a consistent and transparent dialogue with Member States, the Executive Board, and other partners to clarify the rationale and benefits of the BMR, while reaffirming UNFPA's steadfast commitment to its mandate.
    d. Strengthening internal governance: Establishing a high-level Project Reference Group to oversee the business model review implementation, ensuring continuity of governance and clear decision-making during the transition period.
    e. Strengthening oversight and assurance: The process is managed under the direct oversight of the UNFPA Executive Committee, with regular updates provided to the Executive Board to ensure full transparency and alignment.

65. With these proactive engagement and management strategies in place, the residual risk is considered moderate and actively managed.

66. Link to strategic plan / mandate: Managing this risk is fundamental to ensuring UNFPA remains a stable, focused, and effective organization capable of delivering the Strategic Plan, 2026-2029. It is about safeguarding the very mandate and institutional integrity that form the foundation of the Plan's ambition.

Risk 3: Adverse political, social and policy environments

67. Aligned risk statement: There is a well-coordinated and funded pushback against the advancement of gender equality, sexual and reproductive health and rights (SRHR).

68. Brief context / elaboration: This risk, often referred to as "pushback," is a persistent challenge to UNFPA's mandate. It manifests as organized misinformation and disinformation campaigns targeting SRHR (potentially enhanced by AI tools) as well as restrictive national laws and policies. These pressures can erode hard-won gains, limit access to essential services for women and girls, and directly challenge the rights-based principles of the ICPD Programme of Action.This is an inherent external risk for which UNFPA maintains a high appetite, and current exposure is assessed as being within that appetite.

69. **Key management approaches / mitigation measures:**
   a. Evidence-based advocacy: Implementing context-specific and date-driven advocacy and strategic communication to counter misinformation, build broad-based support for SRHR, and highlight its critical role in sustainable development.
   b. Building diverse alliances: Cultivating and maintaining robust partnerships with a wide range of allies, including governments, parliamentarians, women- and youth-led civil society organizations, community and religious leaders, and other United Nations partners.
   c. Providing technical support: Offering technical support to national partners to help them develop, implement, and monitor rights-based policies and legal frameworks that are aligned with international human rights standards.
   d. Empowering communities: Investing in programmes that empower women, girls, and young people to understand their rights, voice their needs, and participate actively in decision-making processes that affect their lives.
   e. Strengthening oversight and assurance: The risk is monitored at the country level through regular stakeholder mapping and political analysis, with significant threats escalated for review by the relevant regional and corporate-level risk committees.

70. Through these context-specific measures, the residual risk is managed to an acceptable level, though it remains high in several operating environments.

71. Link to strategic plan / mandate: The mitigation of this risk is central to the achievement of all four outcomes of the Strategic Plan. It is about creating and preserving the enabling environment—the legal, social, and political space—within which progress on family planning, maternal health, gender-based violence, and rights-based demographic policies is possible.

Risk 4: Suboptimal programme delivery due to weaknesses in national systems

72. Aligned risk statement: Inability to ensure the consistent delivery of high-quality, accessible, acceptable and continuous sexual and reproductive health and rights (SRHR) and gender-based violence (GBV) services, leading to a failure to achieve desired health outcomes and a diminishing of trust among beneficiaries.

73. Brief context / elaboration: Even with adequate funding and a supportive political environment, the effectiveness of UNFPA's programmes hinges on the capacity of the systems through which services are delivered. In many of the contexts where UNFPA works, national systems are weak. This risk is driven by factors such as inadequate physical health infrastructure, persistent shortages of skilled health personnel (especially midwives), weak supply chain management, and financial or discriminatory barriers that prevent marginalized populations from accessing care. These factors can prevent vulnerable individuals from receiving timely, appropriate, and respectful services, thereby undermining the impact of our interventions. The exposure from this risk is assessed as being within the organization's high appetite for delivery risk, as operating in such contexts is core to UNFPA's mandate.

74. **Key management approaches / mitigation measures:**
    a. Health system strengthening: Investing in strengthening national health systems, including infrastructure, supply chain management for essential commodities, and capacity building for health providers.
    b. Promoting people-centered care: Advocating for and supporting care models that are respectful, non-discriminatory, confidential, and responsive to the specific needs of women, adolescents, and marginalized groups.
    c. Enhancing preparedness: Strengthening contingency planning and pre-positioning of life-saving supplies to ensure the continuity of essential SRHR/GBV services during humanitarian crises and public health emergencies.
    d. Supporting community-based platforms: Investing in community-based service delivery and referral mechanisms to reach underserved and remote populations.
    e. Strengthening oversight and assurance: Assurance is provided through regular programme monitoring, third-party monitoring in insecure areas, and the robust IP assurance framework which includes spot checks and audits of partners.

75. These mitigation measures help to manage the residual risk to a moderate level, though significant challenges remain in the most fragile settings.

76. Link to strategic plan / mandate: This risk directly impacts the core service delivery outcomes of the Strategic Plan (outcomes 1, 2 and 3). Effectively managing this risk is fundamental to translating the Plan's goals into tangible improvements in the health and well-being of women and girls on the ground.

Risk 5: Damage to organizational reputation and erosion of stakeholder trust

77. Aligned risk statement: The occurrence of events or actions that negatively impact UNFPA's image, credibility, and stakeholder confidence, potentially undermining partnerships, resource mobilization, and overall mandate implementation.

78. Brief context / elaboration: UNFPA's reputation as a principled, effective, and accountable organization is one of its most critical assets. This reputation can be threatened by a range of events, including operational failures or programmatic shortcomings, incidents of financial mismanagement or fraud, ethical or safeguarding breaches by personnel or partners (particularly PSEA), and cybersecurity incidents. Even the *perception* of a lack of transparency or unilateral decision-making during periods of change can damage trust with key stakeholders, including donors,

governments, and civil society partners. The loss of this trust can significantly impair all aspects of our work. The exposure from this risk is assessed as being within the organization's low appetite, requiring constant vigilance and robust controls.

79. **Key management approaches / mitigation measures:**
    a. Robust internal controls: Maintaining and enforcing strong systems of internal control, accountability, and oversight across all operations and programmes.
    b. Comprehensive safeguarding: Implementing and enforcing a zero tolerance policy with comprehensive safeguarding policies and mechanisms (PSEA, child safeguarding) with clear, accessible reporting and response protocols.
    c. Strengthened cybersecurity: Continuously strengthening cybersecurity measures and data protection protocols to prevent and manage breaches, building on UNFPA's ISO/IEC 27001 certification and robust information security management system (ISMS).
    d. Proactive communication: Developing and implementing proactive strategic communication and stakeholder engagement strategies to build and maintain trust and to effectively manage reputational crises if they arise.
    e. Ensure financial transparency and accountability through different transparency tools such as the Administrative Agent portal, the Transparency portal and submissions to IATI and donor visibility pages.
    f. Strengthening oversight and assurance: Assurance is provided through the integrated internal control framework, the work of the various oversight bodies and specialised offices, and specialized protocols such as SHIELD for proactive reputational risk management.

80. Through these integrated controls and protocols, the residual risk is maintained at a low level.

81. Link to strategic plan / mandate: A strong and trusted reputation is the foundation upon which the entire Strategic Plan is built. It is essential for securing the financial resources, building the partnerships, and gaining the access required to deliver on our mandate. Managing this risk is therefore a cross-cutting imperative that supports all four strategic outcomes.

Risk 6: Failure to address structural inequalities, limiting equitable impact

82. Aligned risk statement: Failure to effectively address pervasive structural inequalities and multi-faceted discrimination, thereby undermining UNFPA's objective to achieve universal access to SRHR, equitable outcomes, and its commitment to "leaving no one behind."

83. Brief context / elaboration: The achievement of UNFPA's transformative results is fundamentally constrained by deep-rooted, systemic inequalities. Barriers related to gender, age, ethnicity, disability, socio-economic status, and sexual orientation prevent marginalized populations from accessing essential information and services. If UNFPA's programming fails to explicitly identify and address these intersecting forms of discrimination, disparities in SRHR outcomes will persist, and the goals of the Strategic Plan will not be equitably achieved. This risk is amplified in contexts where data systems are weak, making it difficult to identify and target the most vulnerable groups effectively.

The exposure from this risk is assessed as being within the organization's high appetite for delivery risk, as tackling these deep-rooted challenges is central to our mandate.

84. **Key management approaches / mitigation measures:**
    a. Equity-focused programme design: Systematically integrating equity-focused, rights-based approaches into all stages of the programme cycle—from design and implementation to monitoring and evaluation—using disaggregated data to identify and target the most vulnerable groups.
    b. Targeted interventions: Implementing targeted programmes and interventions that address the specific needs and barriers faced by marginalized communities, such as persons with disabilities, indigenous populations, and those in remote areas.
    c. Advocacy for legal and policy reform: Advocating for and supporting the reform of discriminatory laws, policies, and practices that impede access to SRHR and perpetuate inequality.
    d. Partnerships with marginalized groups: Strengthening partnerships with organizations representing marginalized groups to ensure their voices and perspectives directly inform programme strategies and service delivery.
    e. Strengthening oversight and assurance: Assurance is provided through the programme monitoring and evaluation framework, which includes specific indicators to track progress for marginalized groups, and through thematic evaluations.

85. While the residual risk remains high due to the systemic nature of the challenge, these measures ensure the organization's programming is actively working to reduce it.

86. Link to strategic plan / mandate: This risk cuts across all four outcomes of the Strategic Plan and is directly linked to the core United Nations principle of "leaving no one behind." Effectively managing this risk is essential to ensuring that the progress we achieve is not only aggregate but also equitable, reaching the populations who are most in need of support.

Risk 7: Ineffective or unsustainable partnerships limiting coordinated action

87. Aligned risk statement: Failure to establish, maintain, and leverage effective multi-sectoral partnerships and coordination mechanisms, thereby limiting UNFPA's ability to address the complex determinants of SRHR and achieve broader development outcomes.

88. Brief context / elaboration: The complex challenges UNFPA addresses cannot be solved by one agency alone. The theory of change for the Strategic Plan emphasizes the necessity of multisectoral collaboration. This risk arises from challenges inherent in partnership management, such as differing partner priorities, weak inter-agency coordination mechanisms, insufficient investment in building and maintaining relationships, or a lack of trust. Ineffective partnerships can lead to fragmented efforts, duplication of work, and missed opportunities to address the complex, interlinked drivers of poor SRHR outcomes. The exposure from this risk is assessed as being within the organization's high appetite for delivery risk, as effective partnerships are a core means of implementation for the Strategic Plan.

89. **Key management approaches / mitigation measures:**
    a. Strategic partnership engagement: Developing and implementing a clear strategy for partnership engagement, identifying key strategic partners at the global, regional, and national levels.
    b. Investing in relationships: Proactively investing in building and maintaining strong relationships with a diverse range of partners—including governments, other United Nations agencies, civil society organizations, the private sector, and academia—based on shared objectives and mutual accountability.
    c. Strengthening coordination platforms: Actively participating in and strengthening coordination mechanisms and platforms for joint planning, implementation, and monitoring of programmes with partners, at different levels (global, regional and country levels)
    d. Clarity of roles and responsibilities: Ensuring absolute clarity in the roles, responsibilities, and resource-sharing arrangements within partnerships to foster trust and efficiency.
    e. Proactive engagement during change: Implementing a proactive engagement plan to underscore UNFPA's commitment to remain engaged throughout the UN80 discussions.
    f. Strengthening oversight and assurance: Assurance is provided through the formal review of partnership agreements, regular monitoring of programmes, and evaluations that assess the effectiveness of partnership modalities.

90. Through these measures, the residual risk is managed to a moderate level, though it requires continuous attention and investment in relationship management.

91. Link to Strategic plan / mandate: Effective partnerships are a core "means of implementation" for the entire Strategic Plan. Managing this risk is crucial for leveraging the collective expertise and resources of the wider development community, ensuring a more coherent and impactful response, and achieving sustainable, at-scale results.

4. Looking Ahead

92. UNFPA is committed to ensuring that its enterprise risk management framework is not a static system, but a dynamic and evolving capability that enhances organizational resilience and supports the delivery of results. In an era of increasing complexity, the UNFPA approach to risk management must be forward-looking and continuously improving. Looking ahead, the organization's efforts will be concentrated on deepening the maturity and effectiveness of its ERM practices through four key commitments that will guide UNFPA work through the next Strategic Plan period (2026-2029).

93. First, UNFPA reaffirms its commitment to the regular and rigorous review and updating of its core ERM documents. The ERM Policy, the Risk Appetite Statement, and their supporting guidance are the foundational pillars of our risk management architecture. To ensure these remain effective and fit-for-purpose, they will be subject to a formal review cycle. This process will go beyond simple updates, incorporating lessons learned from implementation, feedback from oversight bodies and the Executive Board, and evolving international standards and best practices from across the United

Nations system. This commitment directly addresses the Board's emphasis on maintaining ERM as an effective tool for adapting to the external impacts on the United Nations development work.

94. Second, UNFPA will focus on more deeply embedding organizational culture as a formal and measurable component of its risk assessment process. We recognize that a strong risk culture is our most effective control and that internal factors can be significant drivers of risk. Moving forward, we will work to operationalize this understanding by developing a specific methodology and framework to assess the impact of our internal culture on our risk profile. This will involve identifying specific cultural indicators and incorporating targeted questions into our risk assessment templates and guidance. This initiative will ensure that our understanding of risk becomes more holistic, enabling us to design mitigation strategies that address not just the symptoms of risk, but also their underlying behavioral and cultural root causes.

95. Third, there will be a continued and sharpened focus on principal risks as part of the organization's forward-looking monitoring. The principal risks identified in this note represent the most significant threats to the UNFPA mandate and will be the subject of active and continuous oversight by senior management and the relevant risk committees. The organization's ability to monitor and mitigate these risks will be significantly enhanced by the full deployment of the new ERM application. The system's capacity to integrate and display real-time key risk indicators on dynamic dashboards will be a critical improvement. This technology will allow us to shift from a reliance on periodic, manual reviews to a more continuous, data-driven monitoring of the organization's most critical risks and their underlying drivers. This will enable more agile and proactive decision-making, allowing UNFPA to anticipate shifts in the risk landscape and adjust strategies accordingly.

96. Finally, all of these efforts to strengthen ERM will be undertaken in full alignment with broader United Nations reforms. The evolution of the UNFPA risk management framework is a direct contribution to the goals of system-wide coherence, effectiveness and accountability. As the United Nations system moves towards greater integration and efficiency, a mature and sophisticated risk management capability is essential. By enhancing its own resilience, strengthening foresight capabilities and promoting a culture of accountability, UNFPA is not only safeguarding its own mandate but also contributing to the development of a stronger, more agile, and more risk-informed United Nations development system, ready to meet the challenges of the future.

United Nations Office of Project Services (UNOPS)

1. Introduction/Context

The purpose of this document is to update the Executive Board on various aspects of risk management at UNOPS, as requested in decision 2025/3.

Risk management at all levels is paramount to UNOPS delivery and requires long-term action. This was a key conclusion from the third-party review of the Comprehensive Response Plan (CRP), which emphasized improvement of UNOPS risk management capacity. Efforts in this area thus continue across the organization beyond the CRP.

In August, the Executive Board endorsed UNOPS Strategic Plan for 2026-2029, reaffirming the organization's intention to scale up and speed up delivery. The pursuit of this ambition can unlock avenues for UNOPS to have a more impactful role in bridging the *implementation gap.* Hence, per the commitment made in the Strategic Plan, it is essential for UNOPS to continue enhancing its capacity for robust risk management.

2. Enterprise Risk Management (ERM), Risk Appetite and Maturity

UNOPS has adopted a contextual, dynamic and principled approach to risk management, supported by internal controls with dedicated functions and evidence-based protocols, that enable the organization to deliver on its mandate without stifling its capacity to operate in high-risk settings. The organization's ERM is designed to de-risk engagements in complex and high-exposure environments, so that risks and opportunities are systematically managed across all levels (see Figure 1).

2.1 ERM Elements

ERM at UNOPS continues to evolve in response to the organization's mandate, decentralized delivery model, and diverse risk landscape.

Framework
The framework - first established in 2017 - is anchored in UNOPS core legislative instruments, including the Risk Management Operational Directive and the updated Operational Instruction. Together, these instruments define the organization's risk management principles, structures, and accountabilities. UNOPS ERM applies across the entire engagement delivery cycle, embedding risk considerations into project, programme and portfolio management; strategic planning; financial management; transformation initiatives; and other core management practices.
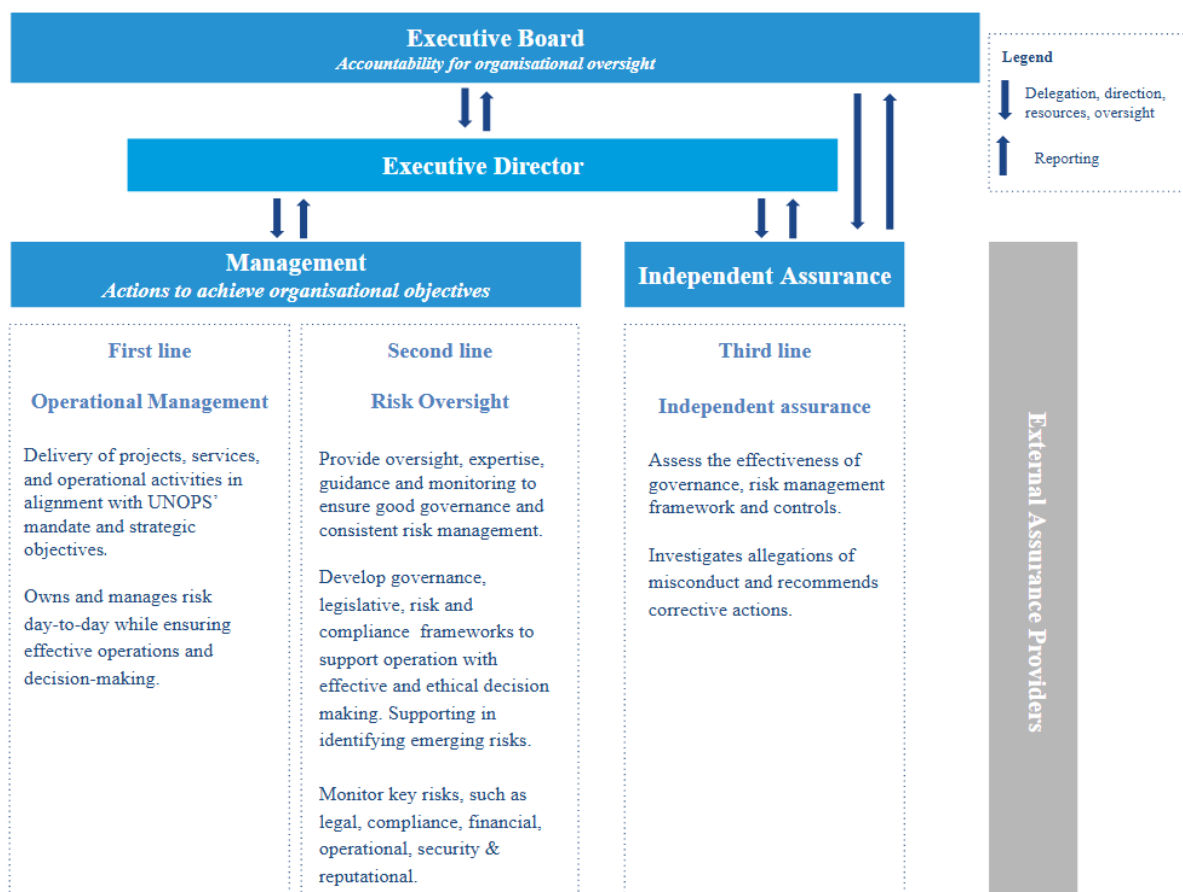
Figure 1. UNOPS ERM Framework

Risk governance

Recent governance reforms - including the enhanced <u>Accountability Framework (AF)</u>, the Portfolio Oversight Committee (POC), the Strategic Portfolio Committee (SPC) and a new legislative framework (currently being released) - contribute to strengthening UNOPS risk governance.[1]

The enhanced AF reinforces the delivery of UNOPS mandate, promotes ethical conduct, and ensures responsible decision-making at all levels of the organization. Similar to other UN organisations, UNOPS adheres to the three lines model promulgated by the Institute of Internal Auditors as a key structure to support oversight and accountability across operations and assurance levels, with clear roles and responsibilities (see Figure 2).

The first-line (operational management) is responsible for day to day delivery of projects, services and operational activities; owning and managing risks; and applying control processes. The second-line (risk oversight) provides oversight, expertise, guidance and monitoring to ensure good governance and effective, systematic and consistent risk management. The third-line (independent oversight) - performed by the Internal Audit and Investigations Group and the Ethics Office - provides the Executive Board and UNOPS management with independent, risk-based, and objective assurance and investigation.

Figure 2. UNOPS Three Lines Model

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[1] The Portfolio Oversight Committee (POC) provides senior-level oversight of major engagements and supports risk-informed decision-making across the engagement life cycle. The Strategic Portfolio Committee (SPC) provides corporate oversight of overall portfolio composition, positioning and diversification.

Executive Board
Accountability for organisational oversight

Executive Director

Management
Actions to achieve organisational objectives

Independent Assurance

Legend
Delegation, direction, resources, oversight

Reporting

First line

Operational Management

Delivery of projects, services, and operational activities in alignment with UNOPS' mandate and strategic objectives.

Owns and manages risk day-to-day while ensuring effective operations and decision-making.

Second line

Risk Oversight

Provide oversight, expertise, guidance and monitoring to ensure good governance and consistent risk management.

Develop governance, legislative, risk and compliance frameworks to support operation with effective and ethical decision making. Supporting in identifying emerging risks.

Monitor key risks, such as legal, compliance, financial, operational, security & reputational.

Third line

Independent assurance

Assess the effectiveness of governance, risk management framework and controls.

Investigates allegations of misconduct and recommends corrective actions.

External Assurance Providers

Operational implementation and tools

The ERM framework has been an inherent and foundational element in UNOPS project management approach and system since 2018. A standard risk management process and associated taxonomies (i.e., standard risk scales and common risk areas) are available for recording risks, issues and lessons learned from projects across geographical entities (see Figure 3). Relevant risk management and assurance requirements are embedded within standards for engagement acceptance, project implementation and closure.

Figure 3. UNOPS standard risk management process and associated taxonomies
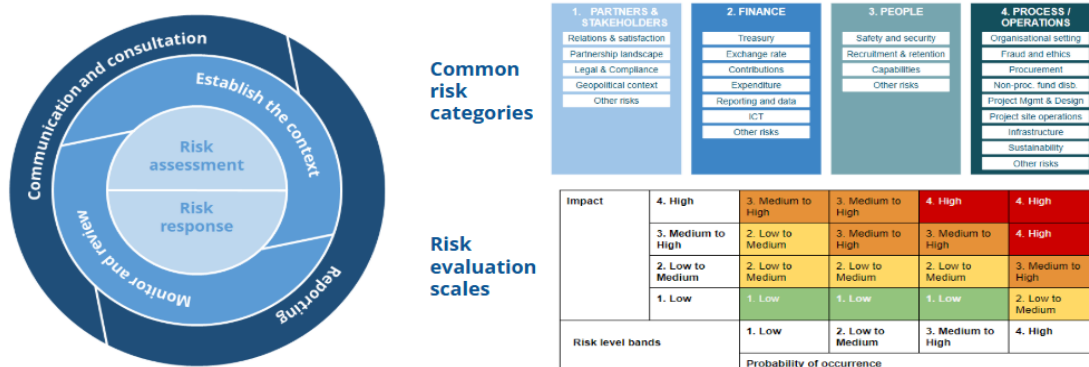
Several risk management tools are available for UNOPS personnel to leverage. These include online training; a risks, issues and lessons library with more than 50.000 entries globally; and a portfolio monitoring dashboard that helps ensure compliance with the ERM framework and associated requirements.

Corporate risk integration and strategy

Risk management also shapes how UNOPS plans and manages performance at the corporate level, systematically informing strategic planning, annual budgeting and corporate performance reviews. Additionally, risk-based data, trends and analyses are regularly discussed by senior management during the Quarterly Management Review (QMR) meetings. These corporate risk management foundations promote alignment between risk, results and resource management, with the aim of identifying responses that can then yield multiplier effects to de-risk UNOPS delivery globally.

In the broader context of risk-transfer, UNOPS performs regular reviews of its insurance arrangements and contractual obligations when transferring risk to other parties. These reviews aim to ensure the adequacy of risk-transfer solutions considering project complexity, liability profiles, and market conditions, as well as the sufficiency of insurance limits and deductibles, and the consistency between UNOPS contractual obligations and its corporate insurance arrangements.

An inherent part of ERM, UNOPS risk appetite is being institutionalized by integrating structural elements that govern decision-making, guiding principles for assessing different areas and levels of exposure, and professional judgement to support a context-based and mandate-enabling approach to risk management. More detail is provided in section 2.2 of this report.

2.2 Risk Appetite and Contextual Factors

UNOPS is a crucial de-risking mechanism for partners that rely on the organization's capacity, expertise and experience to cost-effectively implement their projects in the most complex settings; where financial, operational or regulatory risks are highest. At the same time, due to its ample operational range and global presence, risk management at UNOPS is fundamental to enable impactful delivery in volatile and rapidly changing contexts such as fragile and conflict-affected settings, humanitarian crises and emergencies, and strategic or time-critical situations.

UN principles, UNOPS mandate, and internally established boundaries and roles have functionally guided the organisation's risk appetite; shaping engagement decisions, escalation protocols and portfolio management. Formalizing UNOPS institutional risk appetite further ensures that risk-taking is responsible and supportive of the organization's mandate. To that end, UNOPS is developing principled and contextual risk appetite guidance to support decisions on exposure from engagements with varying complexity and uncertainty, rather than seeking to uniformly govern specific risks independent of the context or objectives of an engagement. A key principle in this guidance is to align prudency with operational readiness - always upholding high standards of accountability, integrity, stewardship of resources and technical expertise - while ensuring full compliance with UN and UNOPS values, policies, ethical standards and fiduciary obligations.

UNOPS risk appetite is also dynamic. It may evolve in response to changing operational realities, emerging partner needs, strategic decisions or the continued enhancement of the organization's capacity to mitigate different types and levels of exposure.

2.2.1 UNOPS institutional risk appetite model

Risk appetite and engagement risk profiles

UNOPS is modeling its institutional engagement risk appetite recognizing that exposure varies across type of engagements, locations and the delivery cycle. This contextual and dynamic approach better supports UNOPS mandate because the model adapts to various levels of exposure, contextual factors, and expected impact objectives for each type of engagement (see Table 1).[2]

The model integrates key ERM framework elements (see section 2.1), observed practices, lessons learned, internal controls, a streamlined escalation architecture, and existing policies for specific activities or services. Within its mandate, distinct boundaries govern risk appetite according to different types and magnitudes of exposure. Some boundaries are determined by inter-agency frameworks - like the UN Security Management System and Human Rights Due Diligence policies - while others are specific to UNOPS - such as its mandate, legislative framework and Strategic Plan. These boundaries define UNOPS 'red lines', as well as areas where risk acceptance is determined through escalation with clearly delineated decision authorities.

UNOPS has established standard controls that allow the organization to comfortably accept low-risk transactional engagements where exposure is minimal. By nature of its mandate, UNOPS is also willing to accept greater levels of exposure in more difficult engagements that deliver higher strategic or development impact. In these cases, UNOPS accompanies implementation with robust mitigation and oversight mechanisms, as well as additional measures tailored to the engagement's operating context and objectives to manage residual exposure.

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[2] This approach is considered by the UN's High Level Committee on Management Risk Management Forum's (HLCM-RMF) Risk Appetite Statement Guidelines for organisations where 'the departments or divisions are very distinct with significant autonomy and delegated authority'.

Table 1. Common characteristics of UNOPS engagements by level of exposure

Engagement risk profile	Expected impact	Typical exposure	Relative risk appetite
Low risk Transactional engagements and/or business as usual.	Low to moderate value add. Primarily transactional services anchored in operational efficiency.	Low	UNOPS is comfortable engaging in low-risk, business-as-usual contexts, where exposure is minimal and standard controls are well established.
Medium risk Engagements requiring bespoke risk management.	Moderate to high strategic impact and/or value-added. Require tailored implementation.	Moderate	Inclined to assume greater risks based on the context, with proportionate mitigation measures and partner engagement.
High risk Complex engagements that require escalation above the regional authority.	Demonstrate UNOPS value-added in enabling delivery in high-risk contexts.	High	The decision on whether high residual risk is acceptable rests with the DED M&P. For high-stake engagements, a decision is made by the Chair of the POC in consultation with Committee members, after considering the available de-risking measures. The final approval of the engagement rests with the DED D&P.
Unacceptable Engagements outside of UNOPS mandate and/or beyond set boundaries.	None or not relevant.	Extreme	Exposure exceeds the organization's appetite and is thus rejected.

Approach to specific risk areas

In addition to its institutional engagement risk appetite, UNOPS wishes to update the Board on how specific areas of risk across its portfolio are managed in practice. The organization maintains a prudent yet enabling stance: zero tolerance for inaction against risks that could compromise the organization's ethical standards, fiduciary integrity or the safety of its personnel; with greater willingness to accept operational and contextual residual risks when these are necessary to achieve results in challenging environments. UNOPS accepts higher levels of exposure when justified by partner demands, development impact or humanitarian imperatives - typically in challenging or volatile environments - while ensuring that exceptional mitigation, monitoring and oversight mechanisms are in place.

UNOPS seeks to minimise residual exposure to misconduct, fraud, corruption, or sexual exploitation, abuse and harassment (SEAH). These are risk areas where prevention and corrective action are immediate and non-negotiable. The same applies to personnel safety and duty of care, which are governed by UN security, health and safety frameworks. Reputational risks are also managed conservatively, with an emphasis on

transparency, ethical conduct and clear communication to preserve the trust of partners and stakeholders.

In the areas of compliance, finance and procurement, UNOPS accepts low to moderate levels of exposure. The organization adheres to its legislative framework and international standards, allowing limited residual financial or legal exposure in line with fiduciary obligations. Procurement processes are governed by robust policy and oversight controls, with exceptions permitted only under specific and well-defined circumstances, such as emergencies. Likewise, when engagements include an infrastructure component, UNOPS seeks to limit deviations from infrastructure quality - governed by stringent design reviews, technical assurance and quality control mechanisms, to ensure the durability, safety and sustainability of works delivered.

Finally, UNOPS is willing to accept moderate to high levels of exposure in the interest of developing new methods or tools that strengthen operational readiness in complex high-risk contexts. The organization encourages controlled experimentation that seeks more efficient, sustainable or scalable delivery; provided that clear governance requirements are met.

2.2.2 Contextual factors where higher risks may be accepted

UNOPS accepts higher levels of exposure when the expected humanitarian or development impact clearly outweighs the potential negative consequences for the organization. This principle recognizes UNOPS capacity to take calculated risks, for the sake of benefiting communities, by favoring the establishment of bespoke robust mitigation and oversight measures over risk avoidance. In certain contexts - particularly those involving fragility or crises - more adaptive procedures are necessary to enable UNOPS to exercise its mandate and manage operational risks like slow resource mobilization, decision bottlenecks, and weaknesses in scheduling and forecasting. This was confirmed through recent risk-based performance assessment missions in Jordan, Mozambique, Myanmar and Ukraine.

In fragile and conflict-affected settings, UNOPS often operates where traditional delivery mechanisms are no longer viable. In such environments, for example, the organization may need to engage with de facto authorities in the absence of a functioning government, use cash transfers where banking systems are inoperative, or rely on pre-selected vendors when market access is severely restricted. Under stringent human rights due diligence and monitoring criteria, UNOPS may support national security institutions by providing non-lethal assistance. Each of these situations require robust mitigation and oversight measures to ensure that residual exposure remains within acceptable levels for the organization.

In humanitarian crises and emergencies, higher exposure acceptance is driven by the imperative for speed and impact. Emergencies are defined as situations in which events imminently threaten lives or livelihoods and produce disruption on an exceptional scale. These may include sudden natural disasters - such as earthquakes, floods or locust infestations - human-made crises, economic shocks, and disease outbreaks; all of which cause displacement or humanitarian distress and undermine community resilience.

UNOPS recognizes that adaptive implementation models are needed in such contexts to promote operational responsiveness.

UNOPS may exceptionally operate beyond certain strategic boundaries when doing so is essential to sustain life-saving operations. Recently, for instance, UNOPS delivered critical fuel or fuel-powered generators in Gaza and Ukraine, despite the organization's commitment to reducing greenhouse gas emissions. As stated in UNOPS Strategic Plan 2026-2029, the organization only recurs to emissions-intensive solutions when there are no workable net-zero alternatives.

In these contexts, the Emergency Procurement Procedure (EPP) provides a pre-approved mechanism for accelerated procurement and recruitment within a controlled and accountable framework. UNOPS applied these procedures globally during the COVID-19 pandemic, where emergency procurement was used to source and deliver respiratory medical devices and protective equipment at scale and speed. UNOPS has also applied EPP locally in response to earthquakes, conflicts and floods.[3]

Finally, UNOPS may accept a calculated level of higher exposure in operational development initiatives, particularly where piloting new methods or tools may lead to long-term efficiency, sustainability or scalability gains that in turn improve humanitarian, development or peacebuilding outcomes. For example, in partnership with a small app-based platform, the organization piloted a mobile phone tool to monitor construction sites in remote locations. This experiment generated valuable lessons and led to the development of a more robust corporate monitoring system. Such initiatives are pursued within a controlled environment, with strengthened governance and continuous monitoring to ensure that innovation does not compromise accountability, quality or compliance.

Throughout these different contexts, UNOPS emphasizes a zero tolerance for inaction against fraud, corruption, and SEAH; a low appetite for reputational exposure; and a prudent acceptance of higher operational and contextual exposure where justified by mandate, after robust measures have been introduced to mitigate the identified risks.

2.3 Improvements in 2025

The reforms completed under the CRP yielded positive outcomes for risk management that have been consolidated and embedded into permanent structures across UNOPS. Furthermore, the 2026-2029 Strategic Plan commits the organization to long-term action for enhancing its robust risk management capacity, which has moved along its maturity journey from remedial actions to continuous improvement.

Corporate risk management

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[3] The EPP is currently undergoing a policy revision, that is in the drafting stage, to improve its application when required. The review was undertaken to address observations raised in past UNBOA audits regarding the use of the EPP. A previous audit recommendation emphasized the need for prudent application and adherence to the EPP's scope and purpose in future procurement activities. The related audit recommendation has since been closed based on the results of the comprehensive review conducted by the designated task force.

From a corporate risk management framework perspective, the following improvements were introduced in 2025:

- **Risk appetite model**: as described in section 2.2 of this note, UNOPS is in the process of modeling its risk appetite to institutionalize principles for evaluating exposure from engagements throughout their life cycle. The model provides more clarity on the organization's boundaries and escalation thresholds, and ensures that operations remain within mandate.
- **Corporate risk management mechanism**: a formal process was introduced to review UNOPS corporate risks, identify emerging areas of exposure, rate their criticality, and evaluate response options. This mechanism is key for optimizing the organization's risk management capacity by ensuring sufficient attention is afforded to critical areas of corporate exposure, and by facilitating information sharing among corporate practices for an enhanced and shared understanding of corporate exposure. The mechanism yielded the principal risks and their implications described in section 3 of this note.
- **Quarterly corporate performance reviews**: UNOPS quarterly performance reports now feature several KPIs to enable the early identification of warning signs and emerging trends of concern, a data-based analysis of risk interconnections to uncover systemic or underlying areas of exposure affecting the entire organization, and a dedicated section on cyber security.
- **Transformation risk management strategy**: UNOPS established a dedicated process to identify risks affecting the organization's transformation initiatives, and integrate risk management into their planning and reporting to ensure continuous and holistic attention to risks. This dedicated process is supported by an Objectives at Risk Tool, which acts as a risk register, to help track transformation risks systematically and transparently.

Portfolio risk management

UNOPS has continued to strengthen its portfolio risk management capabilities by introducing targeted portfolio reviews - focusing on specific service lines, regions and partnerships - and implementing key actions to enhance strategic oversight and responsiveness across the organisation's delivery portfolio (see Box 1).

Box 1. Risk Management in Action

In **volatile environments and emergency contexts** - such as Ukraine and Gaza - risk management supports the continuity of essential humanitarian delivery. The humanitarian imperative often requires acceptance of higher residual risks, which are then managed continuously to meet urgent needs while safeguarding resources and personnel through dedicated risk management task forces and contingency planning.

In **large-scale and complex works** - such as the construction of major health facilities and transport assets - risk management underpins the integrity and safety of infrastructure. Mandatory design review, quality assurance, contract management, and the application of international standards, are key de-risking mechanisms that promote delivery quality.

In **mine-action and peace and security operations** - for example in the Central African Republic, Yemen, Gaza or Somalia - advanced risk management practices are central to enabling safe and effective delivery. Operating in high-hazard environments, especially where conflicts are still ongoing, requires rigorous safety protocols, continuous risk monitoring, and close coordination with national authorities and security partners. This approach allows the organization to manage the exposure while contributing to the restoration of stability, safe access and community resilience in conflict and post-conflict settings.

In **multi-year humanitarian, development and peace (HDP) nexus programmes -** such as in Myanmar - risk management strengthens governance, planning and adaptive operations, enabling delivery to vulnerable people and alignment with partner expectations. Context-specific tools and processes reinforce due diligence and support ongoing risk management efforts, helping maintain operations while safeguarding public funds.

In middle-income contexts, UNOPS covers implementation capacity gaps and supports capacity-building through technical assistance - for example, with the PROERI programme in Costa Rica. In such contexts, the organization provides risk management advisory support that helps strengthen decision-making and institutionality, while also maintaining clear lines of accountability, effective multi-stakeholder coordination and national ownership of development efforts.

From a risk governance perspective, UNOPS achieved four key milestones in 2025:

- The **establishment of the Portfolio Oversight Committee** (POC) - chaired by the Deputy Executive Director for Management & Policy (DED M&P) - to strengthen risk-informed decision-making across the end-to-end life cycle of UNOPS engagements.
- The **establishment of the Strategic Portfolio Committee** (SPC) - chaired by the Deputy Executive Director for Delivery & Partnership (DED D&P) - to enhance strategic oversight over portfolio positioning and diversification.
- The ongoing **introduction of a new legislative framework** to simplify, risk-inform and streamline policies.
- The **enhanced Accountability Framework (AF),** which supports ethical decision-making, appropriate risk management, responsible financial stewardship, and consistent performance evaluation; fostering a culture of accountability across the organization.

Risk management is embedded in these initiatives, with the Risk and Compliance Group (RCG) actively supporting risk-informed decision preparation for POC and SPC deliberations, supporting risk-based policy reviews, and the implementation of the enhanced AF. The RCG Director is a standing member of the POC, the SPC and the

Policy Development Committee (PDC), which promotes a consistent and integrated risk perspective among these bodies.

Furthermore, the new project, programme and portfolio management (P3M) service delivery framework - currently being implemented - aims to strengthen risk management through systemic integration and decentralized control.[4] By emphasizing early and risk-informed decision-making, empowering personnel, streamlining requirements and front-loading expertise, P3M seeks to ensure risk management is embedded across operations rather than layered on.

Risk transfer

UNOPS continues to ensure that risk-transfer and insurance mechanisms remain aligned with organizational needs, risk appetite, and operational realities. Building on established practices, efforts have focused on enhancing organisational awareness and capacity to apply risk-transfer principles effectively during engagement development and implementation. Updated guidance materials, targeted training, and clearer identification of liability exposure and insurance requirements contribute to informed decision-making and improved management of residual risk.

2.4 HLCM Risk Maturity Model Self-Assessment (Update)

As requested by the Executive Board, UNOPS assessed its ERM against the *High-Level Committee on Management (HLCM) Risk Management Maturity Model (RMM)*. While organizational maturity can vary across risk management dimensions, as highlighted in the HLCM RMM guidance, UNOPS is currently positioned as **fully established and moving towards a more advanced level.**

Details on the current maturity for each of the six key dimensions of the HLCM RMM are provided in this section, outlining the following elements:
- **Self-assessment rating and rationale:** as informed by established benchmarks and the conclusions from the third-party review of the implementation of the CRP.
- **Achievements:** progress made per dimension in strengthening ERM at UNOPS.
- **Ongoing and planned improvements:** actions underway or planned per dimension to advance the organization's ERM towards an advanced maturity.

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[4] P3M is the strategic initiative transforming UNOPS operating model by implementing a new Service Delivery Framework. It integrates people, policy, process, and systems into a unified architecture to drive efficiency and maximize partner impact.

Dimension 1: ERM Framework and Policy

UNOPS self-assessment: Framework and policy				
INITIAL	DEVELOPING	**ESTABLISHED**	**ADVANCED**	LEADING
			●	

✓ ERM framework formally established since 2017, with policies, guidance and processes that support implementation across the organization. Namely, the foundational Risk Management Operational Directive (OD.FG.2018.03) and corresponding Operational Instruction (REF. OI.RCG.2025.01) updated in 2025.

✓ Risk management principles embedded in the broader legislative framework related to accountability, anti-bribery and corruption, due diligence, investment management, financial regulations and rules, and acceptance of engagements.

✓ Risk taxonomies in place and applied within the context of project management.

✓ Establishment of a formal process to identify, assess, prioritize, register and monitor UNOPS corporate risks.

While the ERM framework reflects a comprehensive and well-established foundation, efforts are ongoing to further institutionalize and systematize ERM practices to reach an *advanced* maturity level. UNOPS is updating its risk management policy for release in 2026. The inclusion of the RCG Director in the Policy Development Committee (PDC), and RCG's dedicated role in the policy review teams, are expected to more strongly embed risk management principles across the legislative framework. A risk appetite model is being developed to institutionalize principles for evaluating engagements in different contexts, clarify and support escalation mechanisms, more optimally manage high levels of exposure, and ensure UNOPS portfolio remains within mandate.

Dimension 2: Governance and Organizational Structure

UNOPS self-assessment: Governance and organizational structure				
INITIAL	DEVELOPING	**ESTABLISHED**	ADVANCED	LEADING
		●		

✓ Enhanced Accountability Framework (AF) - aligned with JIU benchmarks and best practices - underpinned by supporting frameworks, such as Delegation of Authority (DoA), Internal Controls, and Compliance.

✓ The Three Lines Model - central to the AF - delineates the roles of operational functions (first line), oversight and compliance functions (second line), and independent assurance functions (third line).

✓ RCG established to strengthen key second line functions. The Group provides oversight and advisory support to enable effective risk management and compliance across all levels of the organization.

✓ Segregated Executive Office responsibilities for policy management, and for partnerships and delivery.

✓ Establishment of the Portfolio Oversight Committee (POC) to strengthen risk-informed decision-making across the end-to-end life cycle of UNOPS engagements.

✓ Establishment of the Strategic Portfolio Committee (SPC) to enhance strategic oversight over portfolio positioning and diversification.

✓ Release of a new legislative framework to simplify, risk-inform and streamline policies (ongoing).

✓ Revised terms of reference for the Audit Advisory Committee (AAC), ensuring independent advice to the Executive Board and the Executive Director, on the functioning of oversight arrangements.

These elements reflect a systematic approach to governance and signal substantive progress in this dimension. Continued operationalisation of the enhanced AF and the new legislative framework will be essential to embed these improvements across the organization and move towards an *advanced* maturity. Additionally, after a year in operation the POC will be reviewed in 2026 to capture lessons learned and, if necessary, adjust its terms of reference. In parallel, enhancements to the DoA framework are planned to further decentralize decision-making while maintaining robust checks and balances.

Dimension 3: Process and Integration

UNOPS self-assessment: Process and integration				
INITIAL	DEVELOPING	**ESTABLISHED**	**ADVANCED**	LEADING
			●	

✓ Risk management is integrated into strategic planning - including the mid-term review of the 2022–2025 Strategic Plan and the development of the 2026–2029 strategy - high-risk engagement approvals, annual budgeting, target-setting and quarterly performance discussions.

✓ The Quarterly Management Review (QMR) - facilitated by the RCG - has evolved into a strategic forum for senior management to engage in risk-informed, forward-looking and data-driven discussions on emerging areas of exposure, trends of concern, organisational performance and strategic priorities.

✓ UNOPS has significantly strengthened its portfolio risk management through a combination of internal assessments, external analysis, targeted reviews and management-reporting facilitated by the RCG.

✓ POC implementation supported by streamlined escalation mechanisms, and enhanced risk management guidance in existing project management standards.

✓ The RCG supports decision preparation and escalation for complex decisions requiring senior management attention.

The third-party review of the Comprehensive Response Plan implementation confirmed that UNOPS has systematically strengthened the role of risk management in key decision-making processes and reporting. The ongoing P3M programme is a key driver of advancement in this maturity dimension.

Dimension 4: Systems and Tools

UNOPS self-assessment: Systems and tools				
INITIAL	DEVELOPING	**ESTABLISHED**	ADVANCED	LEADING
		●		

✓ ERM has been a foundational element inherent in UNOPS project management process and system since 2018 (called oneUNOPS Projects).

✓ A standard risk management process and associated taxonomies (i.e., risk scales and risk areas) are available for recording risks, issues and lessons learned across projects and geographical entities.

✓ Relevant risk management and assurance requirements are embedded within standards for engagement acceptance, project implementation and closure.

✓ Risk management tools are available for UNOPS personnel to use. These include online training and a risks, issues and lessons library with over 50.000 entries globally.

Risk management is a core perspective in the organization's project management system, supported by common tools and taxonomies. Updates and enhanced tools are required to ensure that system capabilities remain fit for purpose, improve usability and decision relevance, and strengthen integration with core P3M processes. This includes moving beyond a one-size-fits-all approach to better reflect diverse operational needs.

In this dimension, UNOPS is advancing the integration of the risk management system and process into opportunity acceptance and project delivery through P3M. Other key efforts include simplifying and strengthening risk taxonomies, enhancing system-based escalation mechanisms, and embedding risk thinking more deeply into project planning, monitoring and delivery. These efforts aim to enable more realistic target setting, better profile the risks from opportunities, and strengthen assurance throughout the project life cycle.

In high-risk or fragile environments, UNOPS continues to explore alternative or bespoke risk-transfer options, recognising that traditional insurance markets may not always offer adequate or feasible coverage. These include context-specific coverage arrangements and tailored solutions for unique operational risks. Such measures aim to ensure continuity of operations and maintain appropriate financial protection where conventional mechanisms are insufficient.

Dimension 5: Risk Capabilities

UNOPS self-assessment: Risk capabilities				
INITIAL	DEVELOPING	**ESTABLISHED**	ADVANCED	LEADING
		●		

✓ Risk management competencies strengthened with the establishment of a dedicated Risk Unit within the RCG, and the creation of a senior risk management retainer pool available to support key operations.

✓ Risk management accountabilities and competencies formally integrated into key job descriptions, including Regional Directors, Multi-Country Office Directors, Country Directors, Heads of Programme, Heads of Support Services, and Country Managers.

✓ Learning partner positions have been established across regional offices to help identify (among others) risk management learning needs, guide resource allocation, and promote the design of coherent and synergistic training opportunities.

✓ An integrated risk management training offering has also been introduced to include ERM foundations, strategic decision-making, foresight, risk transfer, and specialised risk domains.

✓ Dynamic risk information reporting via a global library and a portfolio monitoring dashboard that are accessible to all personnel; featuring risks, issues and lessons learned recorded across the organization's portfolio, and clustering information by geography, type of partners, or outputs.

✓ Customized portfolio risk analyses - for example, on technical advisory services and specific regions - to improve risk visibility, oversight, and data-driven decision-making at the portfolio level.

Significant investments to strengthen risk management competencies demonstrate UNOPS commitment to advancing its capability to operate in high-risk environments. Continued efforts are required to transition from newly established structures to a fully embedded and business-as-usual risk management capability model. This includes scaling up training through global learning providers, fully leveraging the role of learning partners, and expanding the existing risk management retainer pool into a comprehensive governance, risk and compliance advisory roster.

Dimension 6: Risk Culture

UNOPS self-assessment: Risk culture				
INITIAL	DEVELOPING	**ESTABLISHED**	ADVANCED	LEADING
		●		

✓ UNOPS leadership and the Executive Board provide a clear and consistent tone at the top, demonstrating strong commitment to effective risk management; a key driver of the organisation's renewed and strengthened risk culture.

✓ The role and organizational positioning of the RCG are evidence of a renewed risk culture; with the group leading the QMR exercise, overseeing and supporting high-stake engagement escalation, and enabling risk-informed decision-making.

✓ The RCG holds formal roles in key governance bodies, including PDC, POC, SPC, and the PID Board.

✓ The ambitious reforms completed under the CRP, and beyond, have been sustained through continued resourcing of second-line functions.

✓ Annual risk updates to the Executive Board strengthen transparency and enable more effective oversight.

A newly defined Reshaping UNOPS Organizational Culture workplan and Integrated People Strategy are informing the organization's cultural transformation journey, while promoting an open and transparent risk culture that encourages proactive reporting and cross-functional collaboration. The ongoing operationalisation of the new AF and the institutionalization of UNOPS risk appetite are expected to keep fostering cultural change and support decision making. Progress is still needed to advance risk culture maturity - nurturing openness, transparency and accountability - with a greater emphasis on results over processes, cross-functional collaboration, and timely escalation of risks and issues.

3. Principal Risks

For the purpose of this note, UNOPS understands the term *principal risks* to be interchangeable with *critical risks of strategic importance* as defined in the January 2025 joint update to the Executive Board on the same matter.

3.1. Global context

UNOPS external context has changed since the organization last reported its principal risks to the Executive Board.

Even if global economic conditions have slightly improved, the world economy remains in a downward growth trajectory. Ceasefires herald a journey towards reconstruction and recovery in some conflicts, but conflicts elsewhere have

aggravated. Ten years after the Paris Agreement was signed, global temperature is still forecasted to rise above the 1.5°C threshold, worsening already dire humanitarian crises because of more frequent and severe natural disasters.

UNOPS is tracking these megatrends and other emerging global risks which may affect the organization's strategy, operations and, most importantly, its delivery. Supply chain disruptions, for example, may complicate access and increase the cost of sourcing goods for procurement or infrastructure activities. Political polarization may increase exposure to negative public opinion and obstruct engagement with local communities. A weakening of multilateralism may shrink global implementation capacity. Towards the longer-term, UNOPS is also monitoring the 'most important' global risks identified in the United Nations' Global Risks Report, published in July by the Executive Office of the Secretary-General (see table 2).

Table 2. Top 10 most important global risks according to the UN Global Risks Report

Rank	Risk	Importance*
1	Climate Change Inaction	37.2
2	Large-Scale Pollution	36.0
3	Mis- and Disinformation	35.4
4	Natural Hazard Risks	35.0
5	Rise in Inequalities	34.7
6	Biodiversity Decline	34.6
7	Geopolitical Tensions	34.5
8	Natural Resource Shortages	34.3
9	Mass Movement of People	33.2
10	Large-Scale War	32.6

Risk importance is a compound measure that combines respondents' perceptions of the likelihood and severity of a risk.

To be better prepared to respond to these global risks, and as stated in the 2026-2029 Strategic Plan, UNOPS will collaborate and manage for impact based on knowledge and learning from eight mutually reinforcing non-programmatic missions. These are internal 'practice areas' for knowledge and learning, leveraging the diverse knowledge, experience and expertise from across the organization to envision innovative ways to enhance delivery, and to anticipate future implementation needs.[5] Moreover, UNOPS has taken steps to develop an internal strategic foresight capacity to identify emerging trends, conduct research and analysis, and disseminate insights to inform strategic decision-making. Foresight has also been introduced in targeted risk management training for regional offices.

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[5] The non-programmatic missions cover: 1) triple planetary crisis, 2) energy transition, 3) small island developing states (SIDS) resilience and sustainability, 4) quality healthcare, 5) just digital transformation, 6) social protection, equality, education and jobs, 7) humanitarian, development and peace nexus, and 8) food systems transformation.

3.2. Methodology

Amid this global context, UNOPS has remained vigilant of the principal risks communicated to the Executive Board in January of 2025, while assessing other areas of exposure to identify emerging risks, explore their implications, and evaluate mitigation measures. This assessment was supported by a dedicated mechanism established in 2025 to advance UNOPS corporate risk management (see section 2.3), involving senior management responsible for key areas of exposure - such as financial, legal, operational, people, reputational and technological.

UNOPS defines a principal risk as one that may significantly undermine the organization's capacity to achieve its management goals due to its high probability, high impact or both. UNOPS management goals are stated in UNOPS Strategic Plan 2026-2029: a) **people culture** accountable to UN values, b) **partner value** through scalable solutions for impact, c) **process excellence** for cost-effective management, and d) **financial stewardship** as the foundation for partner trust.

Throughout 2025, UNOPS compiled a set of risks that could meet the above criteria, including those previously reported to the Executive Board. These risks were mapped leveraging multiple sources of information, including the UN Global Risks Report, insights from the HLCM Risk Management Forum, inter-agency consultations, and internal intelligence. The risks were then discussed, revised and rated by criticality through the corporate risk management mechanism, yielding the list of risks and implications described below.

3.3. Areas of exposure for UNOPS management objectives

3.3.1. People culture

Risk: financial and structural uncertainty may affect UNOPS workplace culture, potentially impacting personnel's performance and the organization's reputation.

Potential implications: UNOPS financial position is stable in part due to a diversified partnership base, full cost recovery model and cost reduction measures deployed preemptively throughout 2025. However, human resource management measures that may become necessary going forward - such as relocation of personnel to lower-cost duty stations, restructuring teams or workforce adjustments - combined with uncertainty about the outcomes of the UN reform process, could weigh on personnel's morale, well-being and performance. At the field level, while UNOPS has zero tolerance for inaction against SEAH, in locations where this is a high risk per the [SEARO Index](), a more uncertain work outlook may be exploited by potential perpetrators against vulnerable personnel under temporary or renewable contracts who are concerned with their continued employment. Reduced donor funding for local victim support may also make it harder for potential victims to access services and protective measures.

Mitigation measures: the following actions aim to enable performance and delivery through the continued cultivation of a supportive work environment that protects the well-being of both personnel and beneficiaries; in turn upholding UNOPS reputation.

- Non-intrusive, confidential, one-on-one sessions with a dedicated workplace counsellor are available to all personnel upon request; creating a psychologically safe space for exploring potential well-being concerns.
- Where aligned with the organization's business needs and policy, while considering individual circumstances and preferences, personnel are being relocated to defined duty stations or moved to a home-based modality; instead of other measures to reduce costs across the organization.
- New People, Planning and Performance Philosophy to foster a culture of regular and constructive feedback across all levels; as well as to cultivate accountability for values-driven actions and measurable results.
- A culture-related objective has been included for all personnel in the performance management system to strengthen alignment with UNOPS culture statement, thereby setting targets for diversity, equity and inclusion; health, safety, social and environmental standards; and prevention of SEAH.
- Continuous analysis of internal and external SEAH data to identify potential gaps in awareness, reporting or victim protection that may be increasing the risk of SEAH, coupled with a renewed focus on prevention measures at the country level.
- Leveraging its position with the private sector on infrastructure and procurement, UNOPS co-chairs an inter-agency group that is working on integrating SEAH prevention measures in the UN system's engagement with commercial partners. The group has proposed a first-of-its-kind UN-wide approach to operationalize minimum standards for preventing and responding to sexual misconduct involving commercial partners, as well as to assess and build their prevention capacity. The aim is to establish a unified baseline applicable to all commercial partners, while enabling UN entities to strengthen, tailor and expand these standards according to their operational contexts and risk profiles.

3.3.2. Partner value

Risk: UNOPS reputation, and efforts to expand its service offering, may be undermined by heightened political and economic vulnerability affecting the international development ecosystem.

Potential implications: UNOPS reputation is in good standing, enabling the organization to expand its partnership base. However, growing skepticism about the effectiveness of multilateralism may spillover to UNOPS and complicate partnership development. Although partners outside of the UN system and International Financial Institutions account for nearly 60% of UNOPS delivery, their engagement could fray too because of shifting spending priorities and/or reduced funding from donor countries. At the same time, uncertainty among current and potential partners regarding the outcomes of the UN reform process may lead some of them to take a more cautious position towards signing new engagements.

<u>Mitigation measures</u>: to offset potential declines in engagement, UNOPS is pursuing new areas of growth while leveraging its unique value proposition to reassure partners that the organization's delivery capacity remains robust.

- Implementation of a revised partner strategy focused on two core areas to strengthen partnership development and, in consequence, delivery: 1) emphasize partner diversity at the senior management level during Quarterly Management Reviews (QMRs); and 2) strategically position UNOPS with non-traditional donor partners while broadening engagement with Multilateral Development Banks (MDBs).
- Shift focus from delivery of outputs to outcomes for people and planet to strengthen UNOPS value proposition and better position the organization as a key partner in helping meet global development needs; including closing the *implementation gap*.
- Leverage UNOPS demand-driven and non-programmatic implementation mandate to minimize the organization's exposure to political volatility (i.e., focus on solutions).
- UNOPS continues to be actively engaged with, and supportive of, UN80 reform processes. Key messages have been developed for UNOPS personnel, including for how to communicate with partners to allay any short-term concerns they may have.

3.3.3. Process excellence

<u>Risk</u>: significant shifts in demand for the organization's services and/or uncertainty about the UN reform process may put pressure on UNOPS operational capacity, disrupting efforts to scale up and speed up delivery.

<u>Potential implications</u>: as a result of the UN80 reform process, UNOPS may see increased demand for its cost-saving services from the UN system - including contract management, hosting services or procurement. This would require UNOPS to re-optimize operational capacity to preserve efficiency, timeliness and quality across its existing and emerging portfolio. This also includes risk management resources to manage more risk transferred from partners and growing exposure from new activities. For instance, third-party exposure could increase from working with new types of suppliers or supply chains; putting pressure on the organization's project management capacity. Similarly, managing more financial, physical and digital assets on behalf of partners could make UNOPS a bigger target for cyber crime.

<u>Mitigation measures</u>: UNOPS is preemptively identifying services and locations where its delivery capacity may come under pressure, or where exposure may be increasing, to re-optimize its resources accordingly.

- Leverage UNOPS engagement in the Business Innovation Group (BIG) to proactively identify emerging needs for operational efficiencies and innovation across the UN system. This positions UNOPS to deploy its expertise and capabilities to coordinate and deliver services in support of reform efforts; particularly in business operations, global shared services and back-office efficiencies.

- Stronger portfolio-level risk management; supported by the recently established Portfolio Oversight Committee (POC) for high-stake engagements, and the Strategic Portfolio Committee (SPC) for promoting diversification and strategic alignment across UNOPS overall engagement portfolio.
- Introduction of a set of corporate KPIs in the QMR exercise, which are reviewed by senior management every quarter, to enable an early identification of deviations from business as usual, analyze the root causes of these deviations, and plan responses accordingly. QMR also includes a dedicated review of each region's key delivery risks and opportunities, enabling senior management to have a thorough understanding of UNOPS operational risks and foster collective responses accordingly.
- UNOPS cybersecurity and data protection capabilities now include: (1) an adequately staffed Cybersecurity Operations Center (CSOC) that monitors internal perimeters (i.e., IT and business systems) and external perimeters (i.e., dark and deep web, social media); (2) an organization-wide cybersecurity awareness and training program with periodic testing to ensure personnel remain vigilant at all times; and (3) technical advice and business support for engagement and project reviews with integration of cybersecurity considerations into technology procurement and delivery where relevant.

3.3.4. Financial stewardship

Risk: Growing budgetary pressures, compounded by narrow financial maneuverability, may limit UNOPS capacity to meet its partners' emerging needs.

Potential implications: While UNOPS has seen progress in diversifying its partnership base, UN organizations and International Financial Institutions remain the two main sources of funding; accounting for over 40% of delivery. This means UNOPS is also exposed to funding challenges affecting the global multilateral system. At the same time, UNOPS is limited in its capacity to accumulate reserves against market fluctuations, as well as for allocating resources to key strategic investments needed to meet partners' future implementation needs. These include the Process Innovation and Digitalization programme (PID), talent attraction and retention, business development activities or climate-proofing its operations.

Mitigation measures: UNOPS has implemented several actions to remediate financial pressures while nurturing UNOPS talent in order to meet future implementation challenges.
- Throughout 2025, UNOPS preemptively implemented several cost containment measures to offset the impact of the adverse financial outlook affecting the UN system and the broader multilateral development ecosystem. These include more stringent criteria for the justification of air travel, a reduction of the organization's budget for consulting services, relocation of personnel or conversion to a home-based modality in lower-cost duty stations, and a zero-growth budget rule for 2026.
- The Talent+ digital recruitment and onboarding platform was launched in November to enhance the efficiency and effectiveness of talent acquisition, across UNOPS and for partners. To maximize this capability for external

stakeholders, several teams across the organization are working on refining UNOPS HR services product, specifically focusing on how to strategically leverage Talent+ to develop tailored packaged service offerings that sustainably and effectively meet partners' emerging recruitment needs.

- New talent acquisition and performance management policies are planned for issuance in 2026. These policies align with the Integrated People Strategy's (IPS) objectives of nurturing leaders, setting personnel up for success, and building tomorrow's workforce.

4. Looking Ahead

UNOPS will continue strengthening its ERM as an integrated framework that supports the organization in navigating its complex and high-risk environment. Building on the reforms implemented so far, and the progress achieved across multiple dimensions of risk maturity, UNOPS is now focused on fully embedding and transitioning several of the newly established risk management practices into business-as-usual advanced capabilities. The full realization of benefits will be enabled by the implementation of the updated legislative framework, the new digitalized P3M processes, and other ongoing transformation initiatives.

Below are some key areas UNOPS will focus on to advance and sustain ERM maturity:

- Finalize the update of risk-related policies under the new legislative framework and institutionalize engagement risk appetite guidance into decision-making processes, ensuring systematized and organization-wide application.
- Continue operationalizing the enhanced AF, refine the POC's terms of reference through a planned review, and enhance DoA mechanisms to support risk-informed decision decentralization.
- Optimize risk management resource utilization by refining the newly established corporate risk management mechanism, and promoting joint risk mitigation with other UN agencies through enhanced communication of the mechanism's findings.
- Accelerate the design, testing and review of a corporate Key Risk Indicators (KRIs) framework for operationalization in 2026. The corporate KRI framework is being designed to establish an early warning system linked to UNOPS principal risks, including those reported in this note (see section 3) and emerging ones.
- Strengthen the integration of process and system capabilities by simplifying taxonomies, improving usability, and ensuring effective deployment of P3M risk management functionalities.
- Scale up training through the deployment of global learning providers - leveraging the role of learning partners - and operationalize the governance, risk and compliance advisory roster to embed risk capabilities more widely across UNOPS.
- Uplift cybersecurity practices by identifying and confirming UNOPS critical assets, conducting an assessment of potential threats that could affect these assets, and adopting a more structured cyber risk appetite and approach to cybersecurity to ensure sufficient assurance is provided where needed the most.
- Promote a transparent and accountable risk culture through the ongoing cultural transformation and a sustained tone at the top.