

STANDARD OPERATING PROCEDURES
for COUNTRIES ADOPTING the
“DELIVERING AS ONE” APPROACH

August 2014



GUIDE TO THE **COMMON BUDGETARY FRAMEWORK**



**UNITED NATIONS
DEVELOPMENT GROUP**



- ⚙️ **The Common Budgetary Framework**, with all planned and costed UN programme activities presented transparently in one place, provides a shared view of the UN's contribution as a whole to the country;
- ⚙️ **The One Programme** unifies the UN system under one national development strategy/plan, and is underpinned by integrated policy positions and services, and real-time monitoring through joint work plans;
- ⚙️ **The One Fund (optional)** provides performance-based support to the UN's integrated policy approaches;
- ⚙️ **The One Leader** and the UN Country Team (UNCT) leadership, is based on mutual accountability, with an enhanced co-ordination function led by the Resident Coordinator, involving all of the UNCT in team leadership, to carry responsibility for the role and results of the UN in the country;
- ⚙️ **Operating as One** provides options to build ever more cost-effective common operations and service support; and
- ⚙️ **Communicating as One** facilitates coherent messaging and advocacy on normative and operational matters, and a consistent and teamed-up strategic dialogue with host countries.

The United Nations Development Group (UNDG) is an instrument for UN reform created by the Secretary-General in 1997 to improve the effectiveness of UN development work at the country level. Bringing together the operational agencies working on development, the undg is chaired by the Administrator of the United Nations Development Programme on behalf of the Secretary-General.

The undg develops policies and procedures that allow the UN system to work together and analyse country issues, plan support strategies, implement programmes, monitor results and advocate for change. These initiatives increase UN impact in helping countries to achieve the Millenium Development Goals.

UN Development Operations Coordination Office
One UN Plaza, DC1-1600, New York, NY 10017
Tel.: 212-906-5053
www.undg.org

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INTRODUCTION



This document outlines the main processes for preparing and managing a Common Budgetary Framework (CBF) in the context of a One Programme in a “Delivering as one” country. It is based on the 2010 UNDAF Action Plan Guidance Note on the Common Budgetary Framework. It sets out the definition, objectives and expected benefits of a Common Budgetary Framework; the different funding streams in a Common Budgetary Framework; and the processes and formats for developing and managing a Common Budgetary Framework for a One Programme.

This Advisory Note is being issued on an interim basis and is expected to be updated in the coming 12 months. This interim document focuses mainly on the steps required to set up a CBF in support of One Programme in a “Delivering as one” context.

1. BACKGROUND TO THE COMMON BUDGETARY FRAMEWORK



1.1 DEFINITIONS

A medium-term Common Budgetary Framework (or UNDAF Common Budgetary Framework)

in the “Delivering as one” approach is a consolidated financial framework that reflects the agreed, costed results of the One Programme, including operations and communications. It provides an overall picture of financial resources required, available, and projected to be available and to be mobilized for the delivery of development results by the UN system at country level. The medium-term CBF is an integral part of the United Nations Development Assistance Framework (UNDAF) and therefore is not a separate document.

The consolidated framework is based on: (a) the best estimates of the funding required by each United Nations organization for delivering the outcomes¹ described in the One Programme/ UNDAF;² (b) a breakdown of the funding available and expected to be available from each United Nations organization, disaggregated by source; and (c) any funding gaps that require resource mobilization.

An annual Common Budgetary Framework is an annualized version of the medium-term CBF, with more details, based on the consolidated Joint Work Plans³ developed by the Results Groups. It is a picture of annual financial resources required, available and projected to be available and mobilized for delivery of outputs (and activities, when applicable) defined in the JWPs, including operations and communications. The annual CBF is part and parcel of the consolidated JWPs.

The annual and medium-term CBF complement each other. The medium-term CBF costs the UNDAF in as realistic a way as possible at the time of the One Programme formulation, while the annual CBF contains a more accurate projection of annual financial resource requirements, funding availability and funding gaps, based on

the most up-to-date financial information from UN organizations and progress in resource mobilization of the UN system. Ideally, the medium-term CBF should be updated annually based on the data in the finalized annual CBF to ensure there is a consistent and up-to-date picture of resources throughout the programme cycle.

1.2 OBJECTIVE

The CBF is designed as a financial planning and management tool at the disposal of the UNCT and other stakeholders, including the government. The main objective of a CBF is to provide a comprehensive, consolidated overview of indicative, results-based projections of funding requirements and funding gaps for the programme period.

Its focus is on the funding needs for implementation of the One Programme (UNDAF and JWPs) rather than just tracking funds available and expected to be available. In facilitating financial resource planning by the UNCT, it helps set priorities among UNDAF outcomes, and match UNDAF priorities (together with associated programmatic initiatives) with funding allocations from resources obtained through agency-specific, coordinated and joint resource mobilization.

¹ When a United Nations Country Team chooses to include outputs in the UNDAF, the Common Budgetary Framework may reflect financial estimates for delivery of both outcomes and outputs of the UNDAF.

² The One Programme is comprised of the UNDAF (as the basis of the One Programme) and the Joint Work Plans, together with their respective Common Budgetary Frameworks.

³ Only in exceptional cases should the Annual Common Budgetary Framework be based on agency-specific annual work plans.

It also provides an entry point for prioritization of the UNCT's resource mobilization efforts. The medium-term CBF renders a prospective outlook of financial resources for three to five years, therefore serving as the basis for creating a medium-term joint resource mobilization strategy.⁴

Lastly, the CBF provides a tool for doing a reality check to ensure that the UNCT has a reasonable chance of mobilizing the resources required to produce the outcomes defined in the UNDAF results matrix. If, after an analysis of the external funding environment and the matching of potential financing sources to unfunded or underfunded UNDAF outcomes, the UNCT comes to the conclusion that the CBF funding gap is not realistic, it may decide to review the targets in the UNDAF results matrix.

1.3 EXPECTED BENEFITS

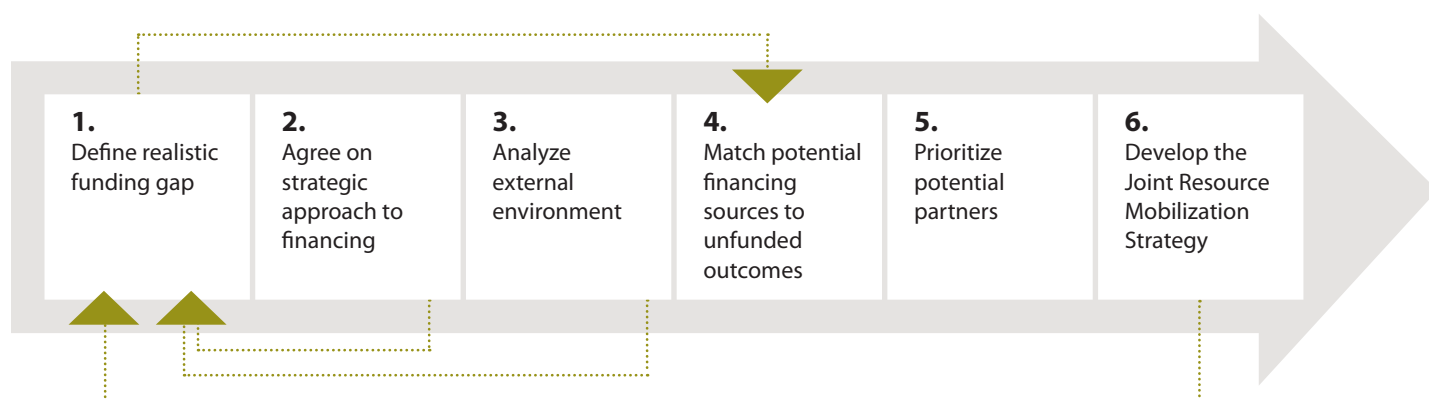
Generally, CBFs are expected to bring significant benefits at strategic and operational levels to UNCTs, governments and donors because they support:

- Increased transparency by providing the government, donors and other stakeholders with a simplified single reference document and an overview of the funding situation of the UNDAF and JWPs at any point of time during the programming cycle;
- A rational and reasonable budget structure for the programme based on realistic costing of programmatic initiatives, aligned against a prospective source of financing;

- Potential for the UNCT to adopt a coordinated and/or joint approach to resource mobilization by identifying and monitoring the funding gap, and identifying appropriate joint resource mobilization instruments, such as Joint Programmes and/or a One Fund;⁵
- Increased coherence of the UN system and reduced overlap, especially in the field, in mobilizing and managing resources for implementation of agreed costed results areas of the One Programme; and
- More effective implementation of the One Programme through better planning, prioritization and monitoring of resources.

Process-wise, an additional benefit is that the medium-term CBF is built within the UNDAF results matrix, while the annual CBF is embedded in the consolidated JWPs. Hence, they do not require any separate process for endorsement or signature by UN agencies and the government.

At the same time, experience shows that benefits of using these frameworks do not materialize automatically. Analysis of the 2011 data found that contributions to the One Funds in more than half of the "Delivering as one" countries were less than 25 percent of the yearly funding gap, and only five countries were able to cover more than half of their identified funding needs using the One Fund mechanism.⁶ Also, it has notably been a challenge to ensure a realistic costing of the One Programme, taking into account the potential financing sources to cover unfunded outcomes.



⁴ Please see the next section for advice on Joint Resource Mobilization.

⁵ Country experiences with setting up One Funds and Country Funds can be accessed through the undg Toolkit at www.undg.org.

⁶ For more details, see the Guidelines on Thresholds for Multi-Donor Trust Funds, including One Funds.

2. LEVEL OF DISAGGREGATION: OUTCOMES, OUTPUTS AND ACTIVITIES



The UNDAF defines outcomes to be achieved by the UN and partners over the course of three to five years, and includes a results matrix for the outcome level. The medium-term CBF, therefore, should depict estimated financial resources at the outcome level.

THE ANNUAL
CBF SHOULD
CONTAIN
ANTICIPATED
RESOURCE
REQUIREMENTS
AND FUNDING
GAPS AT OUTPUT
LEVEL

If the UNCT and the government opt to also add outputs to the UNDAF results matrix,⁷ the medium-term CBF may also be disaggregated to the output level. However, keeping the medium-term CBF at outcome level allows for a light and efficient budgeting process for a strategic programme framework like the UNDAF.

The JWPs translate the UNDAF outcomes into concrete, measurable and time-bound outputs, and specific key activities. The annual CBF,

therefore, should contain anticipated resource requirements and funding gaps at output level. Disaggregation of the annual CBF to activity level is not mandatory. Nonetheless, delineation to the activity level may help UN organizations to realistically cost the material and human resource inputs required for producing the expected results.

⁷ For more details, see the One Programme section.

3. FUNDING STREAMS (RESOURCE CATEGORIES)



For purposes of the CBF within the One Programme, the resource categories are defined as below. These relate to funds, programmes, specialized agencies, and resident and non-resident agencies.

Core/regular/assessed funding are those resources that are allocated without restrictions. Their use and application are directly linked to the UN entities' multilateral mandates and strategic plans that are approved by the respective governing bodies as part of an established intergovernmental process.

Non-core/other/extra-budgetary resources are mostly earmarked and thus restricted in their use and application. They are normally earmarked to a specific theme or geographical area, or to a specific project. These resources can originate

from the country level or be allocated from headquarters or regional levels and include resources received from global funds and vertical funds.

To be mobilized (funding gap): This is the difference between resources already secured and firmly committed and the required resources to implement the One Programme. A realistic funding gap forms the basis for joint or coordinated resource mobilization efforts.

4. DEVELOPING THE MEDIUM-TERM COMMON BUDGETARY FRAMEWORK



Starting point: At the beginning of the process, the UNCT should ensure that certain preconditions are in place to enable the CBF to serve as a useful financial planning and management tool. These include, but are not limited to, the following:

- Well-articulated programme results included in the UNDAF;
- All UN agencies represented in the UNCT are able and willing to share in a timely manner the minimum set of specific financial information required for the CBF;⁸
- The governance structure for the UNDAF is delineated to the level of technical groups (e.g., Results Groups) that carry out resource requirement/projection exercises; and
- The UNDAF outcomes are disaggregated into outputs (and possibly into key activities) through Joint Work Plans to provide a practical basis for a budgetary exercise.

The process: The process of formulating the medium-term CBF is part of the development process of the UNDAF results and resources framework. Budget data put in the medium-term CBF are indicative. If, after the completion of the initial CBF, the UNCT comes to the conclusion that the CBF funding gap is not realistic, it may decide to review the targets in the UNDAF results matrix to match the planned UNDAF results with the resources that the UNCT expects, with a reasonable chance, to be able to mobilize.

When to do it: The medium-term CBF is developed after the results chain of the UNDAF is defined (normally after a UNDAF Strategic Planning Retreat). The proposed CBF within the UNDAF will be updated just before the UNDAF

document is signed, based on the most up-to-date financial figures provided by the agencies.

How to do it: The medium-term CBF is developed as an integral part of the UNDAF. The costing and required budget projection should be developed by the same technical groups. The UN agencies should designate staff from their respective programme, operations and communications teams to work together with staff from budget/finance sections, under the mechanisms of the Results Groups, Operations Management Team (OMT) and the Country Communications Group (CCG), respectively, to prepare the CBF. The Resident Coordinator's Office will put together estimates from all Results Groups, OMT, and CCG into the medium-term CBF.

The estimation of funding requirements for outcomes can be based on different budgeting approaches. The simplest approach is traditional budgeting (or incremental budgeting). This budgeting approach uses historical data (e.g., past expenditures, delivery rates) and adjusts for incremental changes. These incremental changes can be based on analyses of the scope of the outcomes and the operational environment and some critical assumptions (e.g., inflation rates, exchange rates, etc.). The key disadvantage of this approach is that by using historical data as the base, it assumes that the past data represents effective and realistic costing already (which is not always the case).

⁸ Refer to the [UNDG Guidance on UNCT Conduct and Working Arrangements](#), in which United Nations Country Team members are asked to "provide regular information on contributions to the Resident Coordinator."

Alternatively, a priority-based budgeting approach can be used, in which the UNDAF outcomes are put in priority order and a budget for each outcome is set according to that order. The total budget envelop for the UNDAF can be derived from the estimated available and committed resources from agencies (core and non-core) and the realistic resource mobilization target (which can be projected through consultations with donors and partners early on in the UNDAF results formulation process).

The descriptive part of the overall resource requirement, indicative resource commitment by different UUN agencies and the funding gap are presented in the UNDAF results matrix. The more realistic the resource projection is, the more effective the CBF is as a tool for supporting the planning, implementation and management of UNDAF results. It is important to note that the resource commitments reflected in the UNDAF results matrix by all agencies is indicative, but some offer more predictability than others for planning purposes. This is because the budgeting cycle of UN agencies differ both in length and start-up timing, as well as nature of budgetary commitment.

Monitoring and reporting:⁹ The monitoring requirements of the medium-term CBF are carefully built into the monitoring mechanism of the UNDAF. The following is the suggested process:

- Results Groups are responsible for monitoring UNDAF implementation progress in terms of both results and financial delivery. They, together with the OMT and CCG, will compile the periodic and annual financial updates as part of their overall update of the UNDAF results matrix (including medium-term CBF) based on available information. The medium-term CBF format (with some modifications, as required by the UNCT) may be used for monitoring and tracking purposes; and
- All individual UN agencies will keep track of the resource situation including available resources, actual expenditure, potential new resource commitments and the funding gap related to the projects/programmes they are managing/executing; and provide updated financial data to the Results Groups for the compilation exercise.

THE RESOURCE
COMMITMENTS
REFLECTED
IN THE UNDAF
RESULTS
MATRIX BY ALL
AGENCIES ARE
INDICATIVE

⁹ Options for reducing the transaction costs related to the monitoring of and reporting on the Common Budgetary Fund will be considered as part of the review process of these interim guidelines.

5. DEVELOPING THE ANNUAL COMMON BUDGETARY FRAMEWORK



The process: The annual CBF is developed as part of the process of preparing Joint Work Plans by Results Groups.¹⁰ It is integral to the consolidated Joint Work Plans.

When to do it: The annual CBF for the first year of the UNDAF will be developed once JWPs are finalized. Preparation of the subsequent annual CBF would start during the UNDAF and JWPs annual review exercise, and will help project resource availability, allocations and gaps with better approximation for the following year.

How to do it: The annual CBF is prepared based on JWPs formulated by Results Groups and the annual work plans of the OMT and CCG. The Results Groups, OMT, and CCG—along with finance and budget staff of UN agencies—are responsible for elaborating the more specific detailed projection for each of the outputs and then outcomes in the UNDAF using the annual CBF format. The Resident Coordinator's Office will consolidate information drawn from the JWPs and work plans of the OMT and CCG to come up with the annual CBF. It is important that the data consolidated in the annual CBF is verified by agencies and made available for review and consideration by the UNCT.

Detailed estimates at the activity level do not need to be reflected in the annual CBF. However, preparing a realistic budget estimate per output level may require information drawn from work

plans at the activity level and the costing of inputs and services based on agency standard costs (activity-based, bottom-up budgeting approach). These data, subsequently summarized at the output and outcome levels, are important for ensuring that the annual CBF is based on well-informed and transparent estimations. At the same time, the Results Group should be cognisant of and weigh the cost of gathering the information for the annual CBF.

Monitoring and reporting: The annual CBF is a living tool that helps monitor the funding gap vis-a-vis implementation of UNDAF outcomes and outputs through the Joint Work Plans. It feeds into the updating of the medium-term CBF. The Resident Coordinator's Office is in charge of tracking the progress of the annual CBF and compiling biannual and annual financial reports and/or periodic financial updates as part of UNDAF implementation updates or progress reports. The Results Groups are responsible for monitoring the implementation of their respective JWPs and their parts of the annual CBF. UN agencies are responsible for tracking their agencies' annual resource situation.

¹⁰ When Joint Work Plans are not developed, the annual Common Budgetary Framework is prepared based on agency-specific annual work plans and annual work plans of the Operations Management Team and the Country Communications Group. Agencies should share their annual work plans with the Resident Coordinator's Office for consolidating the annual Common Budgetary Framework.

6. COMMON BUDGETARY FRAMEWORK FORMATS



6.1 MEDIUM-TERM COMMON BUDGETARY FRAMEWORK FORMAT

The medium-term CBF is an integral part of the UNDAF results matrix as shown below. The shaded part in the results matrix is the CBF.

UNDAF RESULTS MATRIX

National Development Priorities or Goals:											
	UN agency	Indicators, baselines, targets	Means of verification	Risks and assumptions	Role of partners	Common Budgetary Framework: indicative resources				Monitoring process	Monitoring mechanism
						Total	Core/regular/assessed	Non-core/other/extra-budgetary	To be mobilized (funding gap)		
UNDAF Outcome 1											
UNDAF Outcome 2											
UNDAF Outcome 3											
Operations budget	OMT										
Communication budget	CCG										
TOTAL											

The UNDAF Outcome rows should include an outcome statement, rather than just listing them as “Outcome 1”, “Outcome 2” (as in this sample format). If there is more than one agency contributing to an outcome, the UNCT can choose to: (a) list all agencies involved in that outcome under the ‘UN agency’ column and put in a total budget for that outcome; or (b) put in separate budget lines for each agency contributing to that outcome.

It is advisable for the UNCT to consider integrating the operations and communications budgets underneath the different UNDAF outcomes as part of the resources required for delivering such outcomes (rather than making them separate budget lines, as is seen in the above matrix). Operations and Communications can be listed as output(s) in terms of development effectiveness or operational efficiency in the UNDAF results matrix. This will help facilitate resource mobilization for operations and communications as part of the total resources needed for development results.

6.2 ANNUAL COMMON BUDGETARY FRAMEWORK FORMAT

The annual CBF is prepared on the basis of JWPs and as part of the annual review and planning exercises. The below format of the annual CBF should be used by the UNCT to summarize the financial requirements for each UNDAF priority area for each year of the programme cycle. Each agency's contribution should be shown in both the 'core/regular/assessed' resources column and the 'non-core/other/extra-budgetary' resources column, and indicate any funding gap.

The annual CBF format (below), provided that the core elements remain unchanged, may be modified to suit the needs of the specific UNCT. The UNCT may decide to streamline the matrix if agreement is reached on some basic categories that help consolidate activities so that the information is provided at the same level of detail across agencies. This table will be prepared annually. There is no requirement for the annual CBF to be signed.

FORMAT FOR THE ANNUAL CBF TO BE UPDATED ON THE BASIS OF JOINT WORK PLANS

	UN agency	Annual resource requirements			
		Total	Core/regular/ assessed	Non-core/ other/ extra-budgetary	To be mobilized (funding gap)
UNDAF outcome 1					
<i>Output 1.1</i>					
<i>Output 1.2 ...</i>					
UNDAF outcome 2					
<i>Output 2.1</i>					
<i>Output 2.2...</i>					
Operations*					
Communications*					
TOTAL					

(*): Same advice as above: Consider integrating operations and communications as output(s) under outcome(s) and reflect this in the annual resource requirements.



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