

UNDAF ACTION PLAN GUIDANCE NOTE

Annex 3

COMMON BUDGETARY FRAMEWORK

October 2010



**UNITED NATIONS
DEVELOPMENT GROUP**

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I. Common Budgetary Framework

Following the Report of the Secretary-General “Triennial comprehensive policy review of operational activities of the United Nations development system: conclusions and recommendations”¹, the United Nations Development Group (UNDG) analyzed the experiences and lessons learnt from the use of common budgetary frameworks (CBF) and translated the good practices into a practical guidance for wider application across the countries. The CBF is an integral part of the UNDAF Action Plan and ensures that there is a comprehensive and results-based projection of financial resource requirements and identified funding gap for the entire programme period. In addition, to reflect the available funding and resources to be mobilized, an Annual CBF is prepared on the basis of annual workplans (the suggested format of the Annual CBF is provided in Section VIII).

With the introduction of UNDAF process in 1997, a number of well-developed tools and instruments evolved and were introduced to help country teams in conceptualizing the UNDAF and making it operational. However, the part of UNDAF results framework containing the information on requirement of resources, projected core/ regular/ assessed and non-core/ extra-budgetary resources and resource mobilization targets were not well articulated and needed more clarity and delineation based on experience of application. The CBF will realistically cost the UNDAF, while the Annual CBF will help to better manage funding gaps.

In the Delivering as One pilot countries and a number of other countries, voluntarily deciding to follow the Delivering as One approach, this process also resulted in the establishment of a One Fund². Experience from these countries suggests that the CBF helps to coordinate diversity of funding sources and instruments, to reduce overlap, to ensure that the costs of programmatic initiatives are reflected on a rational basis and aligned against a prospective source of financing.

This Annex to the UNDAF Action Plan Guidance Note provides guidance on the formulation of the CBF as an integral part of the UNDAF Action Plan results matrix. It will assist UN Country Teams, as they formulate the UNDAF Action Plan, to project financial dimension of the programme based on a rational estimation of resources required for the implementation of the outcomes and outputs. In addition, through the Annual CBF based on key activities drawn from AWP, it will help to indicate annual available or pledged resources against outcomes and outputs coming from a variety of sources.

II. Introduction

This Annex to the UNDAF Action Plan Guidance Note outlines the main contents of and the process for preparing a Common Budgetary Framework (CBF). The CBF is an integral part of the UNDAF Action Plan results matrix and therefore is not a separate document. An Annual CBF should be prepared on the basis of the consolidated Annual Work Plans, especially for the purpose of allocations from the Country Fund/One Fund. The descriptive content of CBF is included in the [Section V of the UNDAF Action Plan](#). Experience from the Delivering as One pilot countries and other UNCTs shows that certain conditions are required to be met in order for the CBF to be a useful management tool. UNCTs should be satisfied that conditions are in place to support the

¹ Report of the Secretary-General “Triennial comprehensive policy review of operational activities of the United Nations development system: conclusions and recommendations” (A/62/253), para. 15(e) “Request the Secretary-General to report to the Economic and Social Council on an annual basis on progress made and lessons learned with new budgetary framework models tested in the “Delivering as one United Nations” pilot countries and provide a comprehensive report to the General Assembly in 2010 on experiences with new integrated budgetary framework models and their benefits in terms of results-based management, budgeting and reporting”

² Countries’ experience in setting up a One Fund or Country Fund can be accessed through the UNDG Toolkit at www.undg.org

approach and it is worth assessing the following conditions:

- Are there well articulated programme results included in the UNDAF Action Plan?
- Is the UNCT ready and willing to share specific information required for the CBF?
- Is there a governance structure for the UNDAF Action Plan delineated to the level of technical groups to carry out a resource requirement/projection exercise?
- Are the UNDAF outcomes disaggregated into outputs and subsequently key activities through Annual Work Plans to provide a practical basis for a budgetary exercise?

As the CBF is built within the UNDAF Action Plan results matrix, it does not require any separate process for endorsement or signature by UN Agencies and the Government – the process undertaken for the UNDAF Action Plan will also apply to the CBF.

This Annex sets out in the sections below the purpose and objectives of CBF; the benefits it is expected to bring; and the process and format for developing both CBF and Annual CBF.

III. Definition, Objective and Expected Benefits

The CBF is the consolidated financial framework that reflects the agreed costed results of the UNDAF Action Plan. It shows the best financial estimates required for the delivery of the outputs – as described in the UNDAF Action Plan – of each participating UN organization. The planned financial inputs of the participating UN organizations together with the funding sources will be reflected in Annual CBFs prepared on the basis of AWP. The CBF also reflects the areas which are not funded and require mobilization of funding. It is therefore the financial expression of the total resource picture of the UNDAF Action Plan including:

- Regular/ core or assessed resources of UN organizations.
- Non-core or extra-budgetary/ earmarked and un-earmarked from all sources – bilateral, multilateral, and private, received/ pledged.
Resources of all pipeline project proposals which may still be under negotiation by UN organizations and any other potential resource contributions from other resources (regional/ sub regional projects of UN agencies) as long as they are included in the UNDAF Action Plan.
- The funding gap between existing resources and the total cost of the UNDAF Action Plan.

The CBF helps to ensure that within the UNDAF Action Plan there is a comprehensive and results-based indicative projection of financial resource requirements and identified funding gap for the entire programme period.

The CBF is designed as a planning and management tool at the disposal of the UNCT. Its focus is on needs for implementation of the UNDAF Action Plan versus tracking funds available and expected. As such, it facilitates an overview by the UNCT to ensure that the programmatic initiatives and priorities of the UNDAF Action Plan are matched with allocations from existing resources or with resources to be mobilized. The main objective is to develop a framework, which provides comprehensive information on projected funding, at the same time preserving each UN organization's control over their resources.

The Annual CBF is available to UNCT as a ready source of financial information on available resources or resources to be mobilized through One Funds/ Country Funds, where such modalities are in place; hence, it also facilitates the preparation of the UNDAF progress report.

Experience from countries shows that there are significant benefits to developing a CBF/ Annual CBF for UNCTs, governments and the donors. They support:

- More effective implementation of the UNDAF Action Plan through better planning, prioritization, and monitoring of resources;
- A rational budget structure for the programme based on realistic costing of results;
- Increased transparency by providing the governments, donors and other stakeholders with a simplified single reference document and an overview of the funding situation of the UNDAF Action Plan at any point of time during the programming cycle; and
- Potential for the UNCT to adopt a coordinated approach to resource mobilization by identifying and monitoring the funding gap.

IV. Level of Disaggregation in Budgeting and Programme Results

The UNDAF Action Plan sets out how the UN organizations will work with national partners and with each other to achieve the results identified in the UNDAF. It, therefore, focuses on details of accountabilities, indicative resource requirements, governance structures, management and implementation strategies, and monitoring and evaluation. From an analysis of many UNDAF results frameworks, it is observed that the resource content is rather notional and does not render a solid basis for planning and management of the UNDAF Action Plan.

The Common Budgetary Framework is developed for the entire programming period reflecting indicative resource requirements for the UNDAF Action Plan, while the Annual CBF is prepared each year to reflect the available funding and resources to be mobilized, as well as to facilitate planning of resources. It is recommended that the Annual CBF is prepared on the basis of AWP using the annual CBF format. AWP delineate specific tasks and activities to be implemented at the agency level during the year. This delineation at the activity level helps the UN organizations to realistically cost the material and human resource inputs required for their activities. But more importantly, the AWP allocate resources on the basis of actual available financial resources, either core funds or extra-budgetary resources, since participating UN organizations operate with approved annual budgets to support their respective programmes.

V. Funding Streams (Resource Categories)

For purposes of the Common Budgetary Framework within the UNDAF Action Plan, the resource categories are defined as below. These relate to Funds & Programmes and Specialized Agencies, Resident and Non-Resident Agencies.

Core/ Regular/ Assessed:

Core/ Regular funding is the funding stream that comes from a more predictable annual/biannual pledging or assessed contributions from member countries (especially, in case of Funds and Programmes, whose core budget envelopes are decided upon for the whole programming cycle by their governing

bodies). Because of its established nature and predictable frequency (although amounts may vary from time to time) this can be indicated with greater degree of predictability over the whole programming cycle.

Assessed funding from the different Specialized Agencies follows different budgetary cycles and their availability is dictated by the respective appropriation mechanisms. Indications in these cases are tentative at best.

Non-core/ Other/ Extra Budgetary:

Earmarked non-core/ extra budgetary resources are less predictable and depend on resource mobilization efforts both at global and country levels. However, these types of earmarked resources (at global level, these are sometimes referred to as “thematic” funds) do not offer any flexibility to UN organizations or UNCT to deploy the resources elsewhere.

Resources from cost sharing agreements with governments or donors for projects (not included in above categories) will also be included in the projection

To be mobilized (funding gap):

The CBF projection takes into account resources which are already secured, as well as resources which are firmly pledged and/or in the hard pipeline. The areas for which mobilization effort will be launched collectively will be included in the CBF/ Annual CBF as the funding gap. The development of the Annual CBF will capture the actual receipt of funds and any change of status in pledges of specific result areas. The Annual CBF will also capture the divergence between the timing of receipt of core/ assessed and non-core/ extra budgetary funds against what was articulated at the planning stage of the CBF. In case of situations where funding gap arises due to non-receipt of the anticipated funds, UNCT could establish a resource mobilization strategy to meet the gaps or use its own discretion to allocate resources from alternative sources like donor trust funds.

VI. Developing the Common Budgetary Framework

The process: The process of formulating the results matrix of the UNDAF Action Plan and the CBF is one and the same exercise. It is important to note that the main rationale and descriptive content of the CBF is reflected in Section 5 of the UNDAF Action Plan (see Annex 1 of the UNDAF Action Plan Guidance Note).

When to do: The UNDAF Action Plan is finalised towards the end of year 5 taking note of the Governing Body approval of resources for the country programmes of many UN agencies. This approval of country programmes enables some agencies (Funds and Programmes) to provide the resource projection on a firmer basis. The UNDAF Action Plan will normally be signed by all participating UN Agencies, both resident and non-resident, subsequently towards the end of year 5 of the current cycle. The proposed CBF within the UNDAF Action Plan will be updated at this time based on the latest financial figures provided by the agencies.

It is important to note that the resource commitments reflected in the UNDAF Action Plan results matrix by all

agencies is indicative, but some offer more predictability than others for planning purposes. This is because of the fact that the budgeting cycle of Specialized Agencies differ both in length and start-up timing, as well as in nature of budgetary commitment. For those agencies working to a two year programming cycle, indicative commitments are included in the UNDAF itself.

The UNDAF Action Plan results matrix finalized at the end of year 5 of the current cycle is a results-based financial projection for the entire five year period covering the new programming cycle or the country programme. The Annual CBF for the first year of the UNDAF Action Plan will be developed once AWP's are finalized. Preparation of the subsequent Annual CBFs would start during the UNDAF annual review exercise and will help project resource availability, allocation and gaps with better approximation for the immediate next year.

The funding gap defined in the CBF as part of the UNDAF Action Plan results matrix helps to set up resource mobilization targets and calls for a strong resource mobilization strategy by the UNCT led by the RC including the option of setting up of a One Fund/ Country Fund. The lessons from the pilots on One Fund offer a spectrum of choices and arrangements. The Annual CBF is a living tool that helps monitor the funding gap required for the implementation of UNDAF outcomes and outputs through AWP's.

How to do it: The CBF is developed as an integral part of the UNDAF Action Plan. The participating UN agencies could designate professionals from their respective programme and financial /budget sections to work together on both programmatic and budgeting sides. The descriptive part of the overall resource requirement, indicative resource commitment by different UN agencies, and the funding gap are presented in the 'Resource and Resource Mobilization' section of the UNDAF Action Plan. It is important to make resource projection as realistic as possible.

The CBF is a financial framework to be used for planning, implementation and management of the UNDAF Action Plan. The costing and required budget projection should be developed by the same groups. Thereafter, the financial projections related to the outputs and outcomes are reflected in the UNDAF Action Plan results matrix.

Preparing a realistic budget estimate per output level generally requires information drawn from AWP's at the activity level and the costing of inputs and services based on agency standard cost. Interagency groups for UNDAF and M&E, with the respective finance/ budget specialists, are responsible for elaborating the more specific detailed estimates required for each of the outputs and outcomes in the UNDAF Action Plan using the Annual CBF format, which consolidates information drawn from AWP's. The Annual CBF will also show what each Agency will be delivering through its own programme during the current year.

Monitoring and reporting: The monitoring requirements of CBF are carefully built into the monitoring mechanism of the UNDAF Action Plan. The suggested process is as follows:

- Responsible UNCT agencies will keep track of the resource situation including available resources, actual and projected expenditure, potential new resource commitments and the funding gap related to the projects/programmes they are managing/executing; the CBF format (with some modifications, as required by the country team) may be used for monitoring and tracking purposes;
- The interagency groups for UNDAF and M&E will compile the mid-year or periodic financial updates as part of their overall update of the UNDAF Action Plan results matrix (as agreed in the M&E Plan by UNCT) based on available information.
- The Annual CBF (using the Annual CBF format) will be developed following the annual review exercise

and as part of the process of preparing the AWP. The Annual CBF is produced and maintained separately and will be available to the UNCT for their use in preparation of the UNDAF progress report.

VII. Common Budgetary Framework format

The CBF is an integral part of the UNDAF Action Plan results matrix as shown below. The shaded part in the results matrix is the CBF. The CBF will provide indicative resource requirements for the entire programming cycle.

UNDAF Action Plan 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 | | | | | | | | | | | |
| <i>Output 1.1</i> <small>13</small> | | | | | | | | | | | |
| UNDAF outcome 2 | | | | | | | | | | | |
| <i>Output 2.1</i> | | | | | | | | | | | |
| <i>Output 2.2</i> | | | | | | | | | | | |

The Annual CBF will then be prepared on the basis of AWP and as part of the annual review/planning exercises. The below format of the Annual CBF should be used by the country teams to summarize the financial requirements for each UNDAF priority area for each year of the programme cycle, showing each agency's contribution in both core/regular/assessed resources and non-core/other/extra-budgetary resources and indicating any shortfall.

Format for the Annual Common Budgetary Framework to be updated on the basis of AWP

| | 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> | | | | | |

| | | | | | |
|----------------------------|--|--|--|--|--|
| UNDAF outcome 2 | | | | | |
| <i>Output 2.1</i> | | | | | |
| <i>Output 2.2</i> | | | | | |

The annual available funding and resource requirements in the Annual CBF should be defined on the basis of key activities drawn and consolidated from the AWP. This information, subsequently summarized at the output and outcome levels, is important for ensuring that the Annual CBF is as realistic as possible, as well as fully transparent. It is also critically important that this summarized information is certified by agencies and supported by their AWP, which should be made available for review and consideration by the UNCT to maintain robustness of allocation processes.

The Annual CBF format (above), provided that the core elements remain unchanged, may be modified to suit the needs of the specific UNCT context. The length of this matrix will depend on the complexity of the programmes. 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 as the status of funding changes, which will most probably be decided within the annual review exercise for the UNDAF Action Plan. There is no requirement for the Annual CBF to be signed.