JOINT INFORMAL BRIEFING TO THE UNDP/UNFPA and UNICEF EXECUTIVE BOARDS

ROADMAP TO AN INTEGRATED BUDGET

Cost Classification

Results-Based Budgeting

23 August 2010
Background on Road Map to an Integrated Budget

Sep 2009/Jan 2010: EBs request more harmonization and single integrated budget as of 2014

Jan 2010: Road Map presented to EBs

June 2010: First informal briefing

July 2010: Joint report for September sessions

August 2010: Second informal briefing

September 2010: EB formal discussion
I. Principles of Cost Classification

(a) Support strategic decision-making

(b) Provide basis for reasonable comparison between UNICEF, UNFPA and UNDP

(c) Practical, transparent and simple model

(d) Align Cost Classification with business models and strategic plans

(e) Facilitate measurement of organizational efficiency
UNDP
2010-2011

Development Activities
- Programmes
  - Development Effectiveness
- United Nations Development Coordination Activities
- Management Activities
  - Management activities
- Special Purpose Activities
  - Capital Investments
  - Non-UNDP Operations Administered by UNDP
  - General Assembly specially mandated Activities

UNFPA/UNICEF
2010-2011

Development Activities
- Programmes
  - Development Effectiveness
- United Nations Development Coordination Activities
- Management Activities
  - Management activities
- Special Purpose Activities
  - Capital Investments
  - Non-Agency specific Operations
  - General Assembly specially mandated Activities

Support Budget
- Programme Support
- Management

No change

Change
Proposed Cost Classifications

• Development activities
  • Programmes
  • Development effectiveness

• Management

• Special purpose

• UN development coordination
Proposed Definitions: Development

Development activities:
costs associated with ‘programmes’ and ‘development effectiveness’ activities which contribute to the effective delivery of development results
Proposed Definitions: Development (cont)

– **Programmes**: costs traced to specific programmes or projects, which contribute to delivery of development results contained in country, regional and/or global programme documents or other programming arrangements;

– **Development effectiveness**: costs of a policy-advisory, technical and implementation nature essential to deliver development results, and are not included in specific programme or projects documents.
Proposed Definitions: Management

Management: Activities and associated costs whose primary function is the promotion of the identity, direction and well-being of an organization.

These include executive direction, representation, external relations and partnerships, corporate communications, legal, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources.
Proposed Definitions: Special Purpose and UN Development Coordination

• **Special purpose.** Activity costs of a cross-cutting nature that
  
  a) are specially mandated by the GA;
  
  b) involve material capital investments; or
  
  c) do not represent a cost related to the management activities of the organization.

• **UN development coordination.** Costs supporting the coordination of development activities of the UN system.
Benefits of the proposed cost classification

• reflect the objective of an integrated budget
• facilitate strategic decision-making
• practical and transparent
• aligned to reflect clearer linkages with the respective results to which they contribute
• ‘management’ element better reflects the management and administration costs of the organizations
• Harmonization -> serves as an input in measuring the operational efficiency of the organizations
II. Results-Based Budgeting

EBs requested:

A. Improved linkages with the management results of the strategic plan

B. Improved linkages between budget resources and results
A. Improved linkages with management results of the Strategic Plans (SPs)

Challenges/Issues

• BSB results and SP results not fully aligned
  – Different timing and synchronization of SP and BSB results frameworks
  – Lack of integration and alignment of separate results frameworks

• Some donors request performance frameworks separate from BSB/SP results, leading to separate discussions and approvals

Proposals

• SPs will be the single, overarching results framework
• Upcoming mid-term review of the SPs (UNDP & UNFPA) provides opportunity to align results and improve performance indicators
• Integrated budget fully linked with Strategic Plan results framework
B. Improved linkages between resources and results

Observations drawn from Comparative Results-Based Budgeting practices survey:

• There is no widely recognized benchmark for linking management results to resources
• Resources allocated globally to cost categories based on previous budgets, expenditure patterns or organizational strategic priorities, not on the costing of detailed results/outputs
Today

**Strategic Plan**

SP Management / Institutional Result Framework
- Results
- Indicators
- Targets

Biennial Support Budget 2010-2011

- BSB functions and associated budgets
- BSB results
- BSB indicators of performance (out of which some from SP)

Proposal for 2012-2013 period

**Strategic Plan**

SP Management / Institutional Result Framework
- Results
- Indicators
- Targets

**Full Alignment of the Results Framework**

<table>
<thead>
<tr>
<th>Management</th>
<th>Total $XXX,XXX,XXX</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP Result 1</td>
<td>Indicator Target</td>
</tr>
<tr>
<td>SP Result 2</td>
<td>Indicator Target</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Special Purpose</th>
<th>Total $XXX,XXX,XXX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special purpose project 1</td>
<td>$ XXX, XXX</td>
</tr>
<tr>
<td>Special purpose project 2</td>
<td>$ XXX, XXX</td>
</tr>
</tbody>
</table>
C. Proposed vision for an integrated framework in 2014

**Strategic Plan 2014-2017**

- Development results
  - Results
  - Indicators
  - Targets

- UN Development Management and Special Purpose results
  - Results
  - Indicators
  - Targets

**Integrated Budget starting 2014**

- Development Resources
- Management Resources
- Special Purpose Resources
- UN Development Coordination Resources

*Note: not drawn to scale*
Recommendation to EBs

- **Endorse the cost definitions and classification of activities and associated costs for application effective in the 2012-2013 biennium:**
  - Development activities: (a) Programmes; (b) Development effectiveness;
  - UN Development Coordination;
  - Management;
  - Special purpose;

- **Endorse the proposed approach to the biennial budget, 2012-2013**, as follows:
  - Budgets will align with results in the strategic plans;
  - Budgets will link management resources, including strategic initiatives and ‘special purpose’ projects, to the selected strategic plan outputs and will thus no longer be apportioned according to 16 functions.