STANDARD OPERATING PROCEDURES
for COUNTRIES ADOPTING the
"DELIVERING AS ONE" APPROACH

August 2014

ONE UN FUND
PERFORMANCE-BASED ALLOCATION CRITERIA FOR ONE FUNDS

UNITED NATIONS
DEVELOPMENT GROUP

The One Fund (optional) provides performance-based support to the UN's integrated policy approaches;

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 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 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.

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INTRODUCTION

The United Nations Development Group (UNDG) has developed *Standard Operating Procedures (SOPs) for countries wishing to adopt the Delivering as One approach*. The SOPs highlight a number of key elements to be taken into account when adopting the Delivering as One (DaO) approach. One of them is performance-based allocation criteria for the One Fund.

A Common Budgetary Framework and One Fund are one of the key pillars of the DaO approach. Section 3 of the SOPs provides general guidance on this pillar, including operationalization and management of joint funding approaches. However, recognizing the need for more detailed advice and guidance on management of Multi-donor Trust Funds (MDTFs) and One Funds, this Technical Note is prepared to supplement the existing Guidance on Establishing, management of MDTFs including One Funds, and as part of SOPs package.

This document offers advice on establishment and application of One Fund allocation criteria to prioritize resources and, ultimately, to help improve the results of a One Programme. The information herein is based on experience and lessons learned from a number of DaO countries. This guidance complements the UNDG Guidance Note on Establishing, Managing, and Closing Multi Donor Trust Funds (December 2011).

The Technical Note consists of five sections: (i) objectives and principles of setting performance-based allocation criteria in managing a One Fund; (ii) governance structures necessary for the development and application of the criteria; (iii) the process of setting up prioritization and allocation criteria; (iv) application of the criteria in allocation processes; (v) review and revision of criteria, and (vi) full country examples.

This Note aims to assist UN teams in formulating allocation criteria when preparing concept notes and terms of references for One Funds, and applying such criteria when managing those One Funds after their establishment.

The Note will be reviewed periodically and revised accordingly to keep current with changes in the global context and implementation experience in the field.

THIS NOTE AIMS TO ASSIST UN TEAMS IN **FORMULATING** ALLOCATION **CRITERIA** WHEN PREPARING CONCEPT NOTES AND **TERMS OF REFERENCE** FOR ONE FUNDS, AND APPLYING **SUCH CRITERIA** WHEN **MANAGING** ONE FUNDS.

1. OBJECTIVES AND PRINCIPLES OF ONE FUND ALLOCATION CRITERIA

1.1 BASIC CONCEPTS

The allocation of resources generally follows three main principles below.

1. Performance (or effectiveness): This means the quality of results achieved from utilizing the resources, or in other word, the effectiveness of resource utilization. Resources should be allocated in a way that effectively contributes to achieving the intended results or goals.

2. Needs: This means the requirement of resources to be made available to attain the intended results. Resources should be allocated in a way that takes into account the recipient's need for the resource. This is when prioritization and equity come into play. Often, resources are not sufficient to cover all needs and hence have to be allocated in priority order. Therefore, needs must be reviewed and prioritized. In prioritizing needs, equity (or fairness and impartiality) among resource recipients must be taken into account.

3. Transparency: This means the resource allocation regulations and processes should be clear and made available to all relevant parties.

Many development institutions and international organizations have been using **performance-based allocation (PBA) system** (vs. need-based allocation) for more effective resource allocation, especially when resources are limited. PBA systems place an emphasis on the link between performance and allocation. Central to any PBA system are allocation criteria which specify how performance is weighed in the allocation decision.

In the context of One Funds, all DaO pilot countries and some self-starter countries have developed a PBA system to allocate jointly mobilized funds for the One Programme. The systems and criteria in different countries evolve over time. Although not identical across programme countries, the systems and allocation criteria in these countries share many similarities.

1.2 OBJECTIVES OF SETTING ONE FUND PERFORMANCE-BASED ALLOCATION CRITERIA

> One Fund allocation processes should be agreed, which are harmonized and performance-based, with the latter supporting accountability of agencies for producing results with the resources allocated. Harmonized performance criteria will improve the results focus and transparent allocation of resources.
>
> *Standard Operating Procedures, p. 23.*

Objectives of setting One Fund performance-based allocation criteria normally include:

- maximizing the effectiveness of the One Programme implementation to deliver expected results;
- incentivizing good performance;
- facilitating the prioritization of limited financial resources among competing funding needs and requests;
- ensuring that funding is channeled to support strategic priorities defined by the programme governments and the UN; and
- ensuring transparency and fairness in allocation of resources.

Hints/Tips:

Do!

- Objectives should be set and agreed up-front at the establishment of a One Fund among all relevant stakeholders.
- Objectives should take country specific situation into consideration.
- Objectives should be used as the fundamental guide for development and selection of allocation criteria.

Don't!

- Do not set either too vague or too lengthy objectives.
- Do not set too many objectives.

Apart from the above objectives, in a number of programme countries, the performance-based allocation criteria also aim to promote joint programming and collective resource mobilization through including specific criteria on joint programming and collective resource mobilization efforts with by giving them notable weights in the overall criteria system.

1.3 PRINCIPLES UNDERPINNING THE DEVELOPMENT AND APPLICATION OF PERFORMANCE-BASED ALLOCATION CRITERIA

The definition, development and application of One Fund PBA criteria in programme countries are guided by a number of principles which are determined by the Joint National/UN Steering Committee at the time of setting up the One Fund.

Depending on the situation in each country, the Joint National/UN Steering Committee can define different principles. The Steering Committee may adopt (but are not limited to) the following common key principles:

- *The One Fund is open to all UN agencies signatory to the One Programme, but it is not an entitlement fund.* All agencies participating in the One Programme can request for fund allocated from the One Fund. The One Fund, however, will be strategically allocated to support the effective implementation of the One Programme. The Fund can be used to incentivize joint programming and effective programme implementation.
- *One Fund allocations respect national strategic priorities.* Allocations from the One Fund are driven by national strategic priorities under the leadership of the UNCT (and, where applicable, the host country government, depending on country context). In addition to supporting the already known national priorities and strategies, the One Fund should also be allocated to respond to emerging national issues and priorities.
- *One Fund allocations reflect a focus on results.* The One Fund allocation criteria emphasize performance and results (e.g., achievement of annual deliverables and targets, contributions to the attainment of One Programme outcomes and national development strategies).
- *One Fund allocations encourage UN 'jointness'.* The One Fund allocation criteria prioritize joint programming, joint resource mobilization and joint implementation efforts.
- *One Fund allocations encourages strengthened linkages between normative and operational work* of the UN system within the One Programme

and supports integration of UN programming principles and cross cutting issues, such as human rights-based approaches, gender equality and environmental sustainability.

- *One Fund allocations ensure objectivity and fairness.* The One Fund allocation criteria should be developed in a way that is not biased to any recipient. The criteria should be applied in a consistent manner throughout the allocation process.

Hints/Tips:

Do!

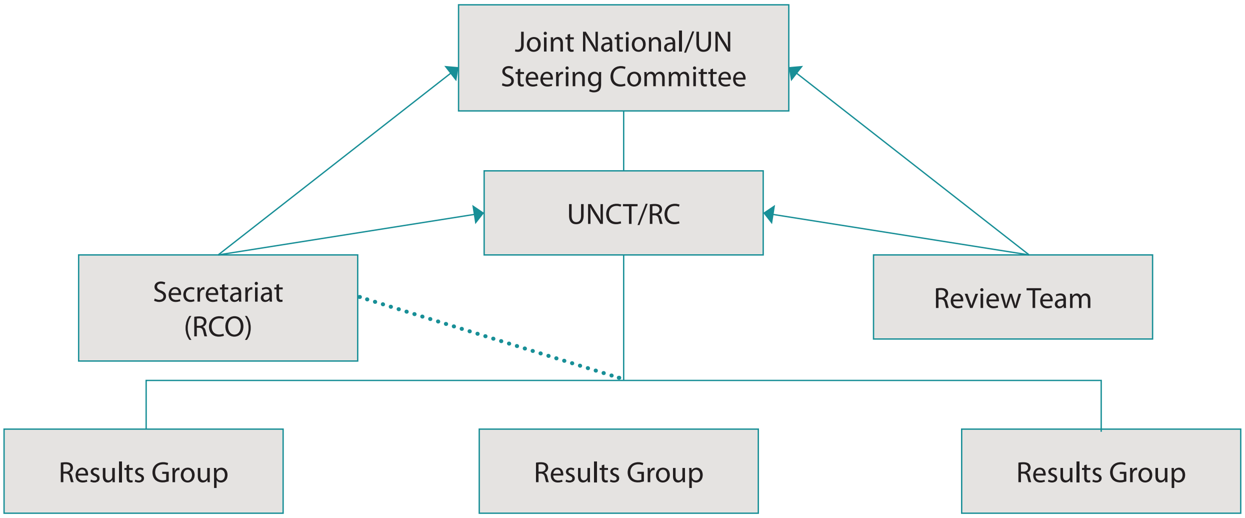
- Principles should ideally be set together with objectives, with agreement of all relevant stakeholders.
- Principles should be clear and succinct.

Don't!

- Do not confuse the principles of setting One Fund allocation criteria with those of managing the One Fund.

2. GOVERNANCE ARRANGEMENTS FOR ONE FUND ALLOCATION

> Within the UNCT, agreement must be reached on the government's role in the strategic direction of the One Fund as well as in the allocation processes through the Joint National/UN Steering Committee, and duly communicated to the government.
>
> *Standard Operating Procedures, p. 23.*



- The **Joint National/UN Steering Committee** is established at the strategic level under the leadership of the host country government and the UN Resident Coordinator. One of the principal roles of the Committee is to provide strategic oversight and direction with regard to management of the One Fund.

When preparing the Terms of Reference (TOR) for the Joint National/UN Steering Committee, the UN Country Team should discuss and agree on the government's role in the strategic direction of the One Fund, , then consult with and duly communicate to the government, and reflect it in the TOR.. (See Annex 2 of the *One Programme Tools and Materials* for a generic template for the TOR of the Joint National/UN Steering Committee).

The UNCT may wish to engage the government beyond establishing a strategic direction for the One Fund to include them also in setting funding priorities and/or making allocation decisions. In this case, the UNCT needs to bring this into the discussion with the government to reach mutual agreement then include it in the TOR for the Steering Committee.

The Joint National/UN Steering Committee, for the purpose of managing the One Fund, may include representatives from donors as deemed appropriate in the country context.

- The **UNCT** must reach consensus on strategic directions and issues in meetings of the Joint National/UN Steering Committee. The UNCT also takes charge of guiding the fund application and allocation processes. In cases when the UNCT wishes to engage the government in allocation decision making, the UNCT should obtain consensus among its members on One Fund allocation recommendations prior to the meetings of the Joint National/UN Steering Committee. In cases when the government is involved in setting the strategic direction of the One Fund but is not involved in deciding on specific allocations, the UNCT is responsible for making decisions on detailed funding allocations. If there are non-resident agencies which are signatories to the One Programme/UNDAF, the UNCT must involve them in the discussion and obtain their consensus.
- The **UN Resident Coordinator** is responsible for managing the One Fund. In rare cases (following a process of dialogue and consultation with the UNCT on the decision) when consensus is not reached on allocations from the One Fund, the UN Resident Coordinator holds the ultimate authority for decisions on fund allocation, keeping in mind the capacities and the comparative advantages of the agencies in the country as well as the performance of each individual agency in implementing Results Groups' work plans.
- The **Results Groups** are responsible for consolidating information on resources required, funding gaps, possible sources of resource mobilization and coordinating funding requests from participating UN organizations (PUNOs) under respective One Programme outcomes. In some cases, depending on country context, the Results Groups may take charge of pre-screening funding proposals submitted from PUNOs against allocation criteria and submitting funding allocation recommendations to the UNCT and Joint National/UN Steering Committee.
- A **Review Team** may be set up by the Joint National/UN Steering Committee or by the UNCT to support the Committee or the UNCT in reviewing and assessing funding proposals against the allocation criteria and recommending fund allocation. This is especially helpful when the size of the One Fund is significant, the allocation criteria are relatively complicated and the number of proposals is large.

There is no "one size fits all" for the configuration of the Review Team. The Joint National/UN Steering Committee or UNCT should exercise good judgment in setting up a Review Team. Ideally, the Review Team should include an independent member to ensure objectivity in the review process. The independent member may be a consultant, a UNDG Regional Team member or a government official having no conflict of interest, depending on the country context. The Review Team may consist of only UN members, as the Steering Committee or UNCT sees fit. (Box 1 below provides some examples of Review Teams in several countries).

The Review Team should embrace objectivity, fairness and transparency in assessing funding proposals and recommending fund allocation.

- The Secretariat role to the Joint National/UN Steering Committee is usually assumed by the **Resident Coordinator's Office (RCO)**. RCO provides support by, inter alia, organizing meetings on One Fund allocation, compiling funding requests, updating the One Fund situation, preparing reports, documenting the allocation process and decisions, and communicating with the Administrative Agent.

  When the One Fund is relatively small and the complexity level of the allocation criteria and proposal submissions is relatively low, the Joint National/UN Steering Committee or the UNCT may request RCO to take responsibility for reviewing and assessing funding proposals against the allocation criteria to ensure cost effectiveness and business efficiency. However, attention should be paid to the delineation of the roles performed by RCO to avoid conflict of interest as RCO can also receive funds for joint UN activities from the One Fund.

THE REVIEW TEAM SHOULD EMBRACE **OBJECTIVITY, FAIRNESS** AND **TRANSPARENCY** IN ASSESSING **FUNDING** PROPOSALS AND **RECOMMENDING** FUND **ALLOCATION**

BOX 1: EXAMPLES OF REVIEW TEAMS IN VARIOUS COUNTRIES

VIET NAM

An Independent Review Panel consisting of three members (two international and one national) was set up to assess proposals against criteria. The members were external to the UN system in Viet Nam.

TANZANIA

Inter-Agency Performance Assessment Team(s) (IPAT) were set up to undertake performance assessment on proposals.

Under the Joint Programmes, IPAT was drawn from the Inter-Agency Programme Committee (comprised of Agency deputies or Heads of Programmes and the RCO) to carry out performance assessment which was subsequently reviewed by the Country Management Team then the Joint Steering Committee.

Under the UNDAP, the Chairs of the Inter-Agency Programme Committee (subsequently reconfigured as the Programme and Operations Management Team) and the Operations Management Team, plus the leads of the Planning M&E Working Group, Inter-Agency Gender Group and Human Rights Working Group formed the IPAT to review and assess proposals.

ALBANIA

RBM Advisory Committee (consisting of UN members) was assigned to review the compilation of requests or proposals (and related self-assessment scorings) made by the RCO and prepare advice on fund allocation to UN Country Team.

PAPUA NEW GUINEA (PNG)

UN Budgetary Committee (comprising of UN members) was tasked with advising the Joint National/UN Steering Committee on resource allocation and governance arrangement of the One Fund (e.g. annual revision of allocation criteria). The Budgetary Committee was responsible for reviewing and analyzing funding requests against criteria.

3. SETTING PERFORMANCE-BASED ALLOCATION CRITERIA

There are four types of criteria which can be set for One Fund allocations:

1. Eligibility criteria;

2. Performance criteria;

3. Prioritization criteria; and

4. Operational efficiency criteria.

The specific allocation criteria for One Fund should be formulated upon establishment of the One Fund and included in the Concept Note and the Terms of Reference. At the beginning of each allocation cycle, all the criteria set in the One Fund TOR should be reviewed by the UNCT or, when the government is involved in setting funding priorities and making allocation decisions, the Joint National/UN Steering Committee.

Allocation criteria should be designed to give equal opportunities to all UN entities. In setting, reviewing and revising allocation criteria, the Joint National/UN Steering Committee may base decisions on consultations with UN agencies and recommendations made by RCO or Review Team (if there is a Review Team). Once endorsed by the Steering Committee, the allocation criteria are officially announced to all relevant stakeholders.

3.1 ELIGIBILITY CRITERIA

Eligibility criteria are the minimum requirements for a funding proposal to be eligible for consideration for One Fund allocation. Normally, these requirements relate to the validity, format and essential content of the submitted proposals, including adherence to UN normative programming principles. They also refer to alignment requirements with existing national and UN strategies, capacity of UN agencies in 'absorbing' the fund and delivering results, quality of the result framework, etc.

BOX 2: EXAMPLES OF ELIGIBILITY CRITERIA

ALBANIA

Eligibility criteria (Y/N)

1. Essential conditions adhered to (signed Programme of Cooperation; signed MoU with Administrative Agent)
2. Signed substantiating Annual Work Plan
3. Deliverables directly support output(s) in the Programme of Cooperation 2012-2016
4. The total amount requested by agencies supporting this output will not be higher than double the amount that these same agencies jointly contribute to the entire outcome
5. Narrative has described how gender concerns are being addressed

TANZANIA

Eligibility criteria under Joint Programmes (JP)

Each JP has to reflect national priorities, and adhere to the principles of national ownership and alignment to the Tanzania Joint Assistance Strategy. Demonstrated capacity to deliver (UN and Implementing Partners) plus detailed work plans and budgets were also incorporated.

Eligibility criteria under UNDAP

Eligibility requires each Working Group to submit a detailed Annual Work Plan and budget which is aligned to UNDAP results, targets and cross cutting considerations. Each must demonstrate capacity to deliver, include a quarterly cash disbursement plan (for government fiscal planning), and risk mitigation activities.

PAPUA NEW GUINEA

Eligibility criteria

1. *National developments & international commitments*: "The Request for Funds supports deliverables that are explicitly tied to national development priorities as outlined in the national development strategies the MDGs or other international treaty obligations and clearly identifies the manner in which the UN plans to support these priorities"
   - (i) The Joint Annual Work Plan for which the Request for Funding is submitted links the proposed deliverables directly to priorities identified in national development strategies and the MDGs or other international treaty obligations
   - (ii) The Joint Annual Work Plan for which the Request for Funding is submitted clearly outlines the UNs role supporting the government to realize the development priorities
2. *Quality of analysis and programming:* "The Joint Annual Work Plan for which the Request for Funding is submitted supports results that are part of the 5 Year Strategic Plan and are based on sound analysis"
   - (i) 5 Year Strategic Plan approved by relevant Task Team leader
   - (ii) 5 Year Strategic Plan includes a results framework
   - (iii) All results in the 5 year results framework (intermediate outcome and outputs) have a set of indicators identified which all have a baseline, a source of data, a set of annual targets as well as risks and assumptions identified
3. *Capacity:* "UN agencies and the Implementing Partner responsible for the achievement of outputs have the capacity to deliver on the funds"
   - (i) Not more than 75% of the requested funds are used for additional staff costs
   - (ii) Implementing Partner has approved the Joint Annual Work Plan for which the Request for Funding is submitted

3.2 PERFORMANCE CRITERIA

Performance criteria link performance (or effectiveness in fund utilization and delivery of results) to allocation. These criteria are designed to prioritize allocation of fund to a set of inter-related activities (or "project" or "intervention" or "output" or "activity", depending on different terms used by different UN agencies) under programmatic areas in the One Programme within the scope of the One Fund, that have shown good progress toward achieving expected deliverables defined in the TOR of the One Fund. The formulation and assessment of these criteria must link closely to the results monitoring framework of the programmatic areas covered under the scope of the One Fund.

Performance criteria should normally carry the highest weights or points (*vis-à-vis* other criteria) as overall allocation of the One Fund emphasizes performance.

Performance criteria are normally not used for allocation of the One Fund at the beginning of a programme cycle, but will be used for subsequent allocations.

For the **initial allocation** of the One Fund, a specific set of criteria may be defined and reflected in the One Fund TOR. In many cases, these criteria are the same as prioritization criteria (see below).

For **subsequent allocations** of the One Fund, performance criteria mainly relate to quality and quantity of delivery of results and resource utilization. Emphasis should be placed on the quality of the results delivered. Therefore, it is recommended to attach a high weight or score to the quality of results delivery.

BOX 3: EXAMPLES OF PERFORMANCE CRITERIA FOR ONE FUND ALLOCATIONS

ALBANIA

Performance criteria
(Y/N plus actual value)

- 70% of deliverables in previous year have been implemented
- 50% of the indicators met their annual target in previous year
- Balance of Coherence Fund resources per agency, for this output, on 1 January of the current year

VIET NAM

Performance criteria

1. Development results delivery rate for previous year
   What is the estimated 2012 *results delivery rate* (i.e. the percentage of the annual planned results of all projects/ programmes of the Agency that was actually achieved according to the Agency results performance system) for all projects/ programmes of the Agency for the period 1 January - 31 December 2012?
2. Financial delivery rate of One Fund for previous year
   What is the estimated 2012 *One Fund financial delivery rate* for all projects/ programmes?

BHUTAN AND MALAWI

Performance criteria

Implementing partners and Participating UN Organizations' absorption capacity

Previous track record:
(i) Results
(ii) Actual expenditure rate and financial management
(iii) Reporting – timeliness and quality of reporting

PAPUA NEW GUINEA

Performance criteria

1. *Financial resource:* Delivery rates of previous programme cycle
   - Previous year 4th quarter report and annual report indicate a delivery rate in the past year with >75% of the available annual work plan budget delivered by end of December
   - In the past year, the Task Teams financial disbursements in the context of the Joint AWP have been timely, jointly and qualitatively reported upon, each quarter and at the end of the year
2. *Annual Deliverables*
   Previous year 4th quarter report and annual report indicate at least 70% of the annual deliverables have been completed by the end of the annual programme cycle.

3.3 PRIORITIZATION CRITERIA

Prioritization criteria establish a link between programmatic priorities and One Fund allocations. Prioritization criteria aim to ensure that the One Fund helps prioritize development results which explicitly support:

- national strategic priorities;
- core UN development priorities, including priorities derived from the UNDAF normative programming principles - human right-based approach, gender equality and environmental sustainability;
- priorities set by the Joint National/UN Steering Committee,
- priorities which would otherwise not be funded; and,
- in many cases the UN 'jointness' concept (for example, UN joint programming, joint resource mobilization, mutual accountability in mobilizing fund and delivering results, etc.).

The UN agencies and the governments should make a strategic agreement on the national priorities that will be addressed when establishing the One Fund. These agreed priorities guide the development of One Fund prioritization criteria.

Prioritization criteria may either carry weight against other criteria to be factored into the overall assessment of funding proposals, or they may provide a prioritized sequence for reviewing funding proposals.

To promote UN agencies to "Deliver as One", it is advisable to develop criteria which incentivize collaboration and cooperation among UN agencies in terms of programming, budgeting, financing and delivering results.

BOX 4: EXAMPLES OF PRIORITY CRITERIA

MONTENEGRO

Allocation priority sequence

(a) projects and Joint Programmes within the Integrated UN Programme that have funding gaps which are prioritized in the UN Annual Work Plan should be considered first;

(b) other projects and Joint Programmes within the Integrated UN Programme that have funding gaps which are prioritized in the Pillar Annual Work Plans should be considered second; and,

(c) other agency-specific projects within the Integrated UN Programme that have funding gaps should be considered third, but the requesting PUNO, and its proposed implementing partners, should have the demonstrated expertise and capacity to deliver the anticipated results in a timely manner.

VIET NAM

Programme priorities criteria (with weights/points assigned to each criterion)

1. Alignment and support to national development priorities

   To what extent does the Intervention Unit (IU) support key priorities identified in national development strategies (including sub-national and sectoral plans), the MDGs, or other international treaty obligations, which are currently not being fully addressed by government and donors?

2. Key contribution to national policy dialogue and policy development

   To what extent does the IU contribute to policy dialogue and policy development to address key development issues?

3. Key contribution to national capacity development

   To what extent does the IU contribute to capacity development and sustainability?

4. Readiness for implementation

   To what extent is the IU ready to be implemented with an adequate implementation structure in place (IU -projects/programme/activities that are ongoing or about to start will be most prioritized.)

5. UN joint programming and implementation

   To what extent does the IU clearly articulate joint programming and other forms of collaboration with other UN Agencies, including, where applicable, a technical division of labour.

URUGUAY

Priority criteria (without weights/points)

1. The joint project or programme should contribute to the achievement of at least one of the Millennium Development Goals in Uruguay, according to the established objectives for the country.
2. The joint project or programme should be related with one of the Outcomes of the Priority Areas in the UNDAF 2011-2015.
3. The joint project or programme should identify and be integrated in the national policies and initiatives that it supports demonstrating its added value.
4. The joint project or programme should ensure the adequate participation of key stakeholders of the national counterparts and the United Nations system agencies (at least two).
5. The joint project and programme will complement its activities and resources with other initiatives being or to be implemented financed by the government and/or other UN System Agencies.

Human Right Based Approach

6. Applied in a fund allocation context, the human rights based approach prioritizes allocations to programmes supporting States to realize international human rights obligations and benefitting those people exposed to the most abject forms of poverty, marginalization or vulnerability.

3.4 OPERATIONAL EFFICIENCY CRITERIA

In managing a One Fund, it is very important to ensure operational efficiency. This means that the benefits gained by PUNOs and the UNCT through access to the One Fund should outweigh the transaction costs associated with establishing, managing and closing the One Fund, and the money in the One Fund is used as much as possible for delivering programmatic development results.

The One Fund should be allocated in a way which is cost-effective for all stakeholders involved, especially in the context of financial resource constraints. Too many small amounts of funding allocated, and hence transferred, to PUNOs may create disproportionally high transaction costs compared to the development results generated from that amount. Too many rounds of allocation in a year will significantly increase the transaction costs to various stakeholders (e.g., more time spent by the Joint National/UN Steering Committee members on allocation meetings, more time and efforts by Results Groups' members (including PUNOs) and RCO staff in preparation for each allocation rounds, more time required for PUNO finance staff on financial transactions, higher total bank fees, etc.). Too many PUNOs' interventions[1] to which One Fund is allocated and transferred also make transactional costs soar (e.g., more time required for allocating, transferring, monitoring and reporting on the funds, more time spent on closing funded interventions in Enterprise Resource Planning systems, etc.)

Therefore, it is necessary that the Joint National/UN Steering Committee sets some specific operational efficiency criteria in allocating One Fund resources. These criteria aim to keep the transactional costs for fund allocation, and hence disbursement, monitoring and reporting, to the minimum level. Operational efficiency criteria can normally focus on the amount of funding requested and allocated to each PUNO in each allocation round, the number of PUNO interventions under a Results Group for which funding is requested and allocated, and the ratio between the PUNO's own available resources and the gap amount requested from the One Fund for a particular PUNO intervention.

The Joint National/United Nations Steering Committee should refer to the *Technical Note on Financial Thresholds for MDTFs including One Funds* and may consult with the designated Administrative Agent when setting operational efficiency criteria. Observations on operational efficiency from previous allocation rounds should also inform the development of operational efficiency criteria in future rounds.

The operational efficiency criteria can be used by Results Groups to screen proposals from PUNOs before compiling and preparing the funding proposal of the Results Group.

[1] A PUNO 'intervention' can be understood as a project or a set of inter-linked activities which aim at achieving one or more stated objectives and are implemented in a specified geographical location, within a given timeframe and with identified resources.

BOX 5: SUGGESTIONS ON OPERATIONAL EFFICIENCY CRITERIA

No DaO pilot and self-starter countries have officially set One Fund allocation criteria specifically relating to operational efficiency. The following suggested criteria are based on observations and analyses of data collected from MPTF Office and DOCO.

1. **Minimum amount of fund requested by and allocated to a specific PUNO intervention under a Results Group in a given allocation round**

   These criteria are set to ensure that the amount of fund finally transferred to PUNOs is not too small. In many cases, the amount of fund requested by PUNOs cannot be fully met due to limited financial resources mobilized. Therefore, the requested amount and allocated amount can be different.

Example of criteria:

- Total minimum amount of fund requested by a PUNO for a given PUNO intervention under a Results Group: US$100,000
- Minimum amount of fund allocated to a PUNO for a given PUNO intervention under a Results Group: $100,000[2]

2. **Maximum number of allocations to a given PUNO intervention under a Results Group within a given year from One Fund**

   This criterion aims to help keep the number of transactions and the amount of fund per transaction at an optimal level.

   It is absolutely up to the programmatic needs and expected results to define what and how many PUNO interventions to be included under an Outcome/Results Group. However, the consideration and choice of PUNO interventions to put forward for funding allocation from One Fund should take into consideration transaction cost and efficiency. This criterion can guide PUNOs and Results Groups when developing the Common Budgetary Framework (i.e. where funding gaps are expected to be covered from the One Fund), and the funding proposals for One Fund allocation.

Example of criteria:

- Number of allocation rounds per year: ideally one or two
- Number of PUNO interventions requested for One Fund allocation under a Results Group: ideally three to four

3. **Ratio between PUNO's own available resource and amount requested from One Fund for a particular PUNO intervention**

   This criterion aims to provide a sensible balance between resource available and resource to be mobilized and allocated (from One Fund) for a PUNO intervention to be implemented effectively and to ensure the amount of fund transferred is not too small.

Example of criteria:

- Ratio between available resource and fund requested from One Fund for an intervention: 50:50

NOTE: *All the above criteria are applicable to an un-earmarked One Fund. In situations in which contributions to the One Fund are not totally un-earmarked, the donor earmarks to a specific sector or thematic area become an additional criterion to be taken into account. Please refer to the guidance on earmarking in the Guidance Note on Establishing, Managing, and Closing Multi-Donor Trust Funds.*

[2] In exceptional situations, when an allocation of less than $ 100,000 to a PUNO can still make a good business case for the PUNO's intervention, the Joint National/United Nations Steering Committee or UNCT may make a decision on such an allocation and refer to the Technical Note on Thresholds for MDTFs, including One Funds on the UNDG website for further guidance.

Hints/Tips:

Do!

- Criteria should be clear, specific, and mesurable
- The eligible, priority, and performance criteria should be clearly distinct from each other.
- Any uncommon or potentially ambiguous terms in criteria should be defined or explained clearly to ensure uniform understanding among relevant stakeholders.
- When setting criteria, it's useful to anticipate and consider different scenarios of fund mobilized (e.g. amount of fund mobilized, soft earmark from donors, etc.)
- The performance criteria should be set in a way to strike a balance between financial delivery rate and result delivery to avoid the situtation where UN agencies focus on exhausting their allocated fund with compromise on result quality.
- The performance criterion on financial delivery rate should set the ratio between actual expenditure and mobilized (instead of planned) fund/.
- The allocation criteria system should allow for flexibility to ensure unexpected issues arising can be addressed quickly.
- When developing the allocation criteria system, the implementation accountability of UN agencies within the framework of One Programme and One Fund should be taken into account, espeically if One Fund is allocated primarily to One Programme intermediate outcome level instead of to UN agencies.

Don't!

- Do not make criteria over-complicated
- Do not set criteria which cannot be easily or quickly assessed (e.g. criteria which take time to review or collect data, or criteria whose means of verification are not readily available)
- Do not set too many criteria to avoid spending too much time on reviewing funding proposals
- Caution should be taken when setting criteria which link the allocated resource as a proportion of the funding gap submitted to avoid UN agencies' inflating amount of funding shortage in the funding proposals in order to get more fund

4. APPLICATION OF ALLOCATION CRITERIA

The process of applying allocation criteria normally consists of five main steps.

Announcement of available fund, and call for proposals	Submission of proposals from Results Groups	Compilation and review of submitted proposals	Review of recommended fund allocation	Decision on fund allocation

(1) Announcement of funding amount available for allocation (including earmarking, if any) and call for funding proposals.

(2) Submission of funding proposals from Results Groups.

(3) Compilation and review of submitted funding proposals against agreed performance-based allocation criteria.

(4) Review of recommended funding allocation within the UNCT.

(5) Decision on One Fund allocation by the UNCT (when the government is not involved in specific allocations) or by the Joint National/UN Steering Committee (when the government is engaged in making allocation decisions).

Step 1 - Announcement of available funding and call for proposals

The Resident Coordinator or RCO, as delegated by the Joint National/UN Steering Committee, announces the amount of funding available for allocation under the One Fund to all Results Groups and PUNOs, including information on earmarked funds, and calls for funding proposals from Results Groups. The allocation criteria and funding proposal template should be included in the communication to the Results Groups and PUNOs. The proposal template normally contains a self-assessment of the proposal against the established allocation criteria. The proposal template should be as simple and user-friendly as possible to ensure efficient completion and review.

Step 2 - Submission of funding proposals

Funding proposals are prepared by Results Groups (based on submissions from PUNOs), following the proposal template required by the UNCT. Results Groups coordinate the process of proposal preparation among PUNOs. The completed funding proposals will be submitted by the Results Groups to the Resident Coordinator's Office.

It is recommended that the funding proposal template require Results Groups to prioritize their interventions so that in case the amount of funding which can be allocated to a Results Group is lower than the amount requested[3] the UNCT or Joint National/UN Steering Committee can make decisions on allocating fund to interventions in the order of priority set the by the Results Group.

[3] In 2011, the amount of resources received as contributions to the One Funds covered on average only 20 percent of the 2011 funding gap in the Common Budgetary Frameworks.

Step 3 - Compilation and review of submitted proposals

RCO compiles funding proposals submitted and sets up a (simple) database to track and monitor proposal submission.

Depending on country context, RCO may review and assess proposals submitted against established criteria or facilitate the establishment and operation of a Review Team to assess funding proposals.

Allocation criteria may be applied in the following order: first eligibility criteria, then performance criteria and prioritization criteria. However, UNCTs can decide on a different order, as appropriate.

RCO or the Review Team prepares an analysis report of the funding proposals submitted against established criteria and recommendations on One Fund allocation to submit to the UNCT.

Step 4 - Review of recommended One Fund allocation

The UNCT meets to review the recommendations on One Fund allocation prepared by the RCO or the Review Team and reaches consensus on One Fund allocation, ensuring that the thresholds for the minimum size of transfers are fully adhered to.

RCO documents the discussions and agreements in UNCT meetings on One Fund allocations.

Step 5 - Review and decision on One Fund allocation

When the government is not involved in specific funding allocations, after the UNCT's review, RCO or the Review Team finalizes the minutes of UNCT meetings which reflect the UNCT's final agreement on fund allocation, and then submits the minutes to the Resident Coordinator to issue an allocation decision.

When the government is engaged in making funding allocation decisions, after the UNCT's review, RCO or the Review Team finalizes the recommendations on fund allocation and submits to the Joint National/UN Steering Committee. The Joint National/UN Steering Committee meets to review the final recommendations on the One Fund allocation and makes a decision on the One Fund allocation.

RCO records the One Fund allocation decision in the Joint National/UN Steering Committee meeting minutes and sends the minutes to relevant stakeholders for further steps.

Hints/Tips:

Do!

- Criteria application process should be set up together with the development of performance-based allocation criteria
- Performance-based allocation criteria need to be applied consistently in the review and assessment of funding proposals, within a firmly structured and transparent process
- Allocation criteria should ideally be applied annually (once a year) for One Fund disbursement thereafter to avoid fragmentation of fund allocated to programme/project implementation
- It's highly recommended to set up a Review Team to assess funding proposals , especially in countries where the size of the One Fund is significant and the number of participating UN agencies in the One Fund and One Programme is more than seven. The Review Team should include at least one member external to the UN system in the country to ensure objectivity.
- All discussions and decisions made in the allocation process should be fully documented and shared with relevant stakeholders.

Don't!

- Do not change allocation criteria during the application process, unless absolutely necessary.
- Agencies should not "inflate" figures of the budget gap in order to get more resources allocated.

5. REVIEW AND REVISION OF ALLOCATION CRITERIA AND APPLICATION PROCESSES

Performance-based allocation criteria evolve over time. They should be reviewed regularly to adapt to changes in the context and/or new requirements of the host country government and the UN system and to facilitate an effective process of One Fund allocation.

It is suggested that allocation criteria are reviewed and revised annually, after each round of allocation. However, if there are several rounds in a year, the Joint National/UN Steering Committee may decide to review the allocation criteria either after every round or at the end of the year.

The efficiency aspects of the allocation process should be closely monitored to draw lessons learned for future rounds.

The review, revision and monitoring process should be led by the UNCT or the Joint National/UN Steering Committee, depending on country context, with support from RCO and/or the Review Team (if it exists). The review and revision process can be done through collecting feedback and comments from PUNOs, Results Groups and Review Teams, as well as consolidating observations of the UNCT and RCO throughout the process. RCO, as Secretariat to the Joint Steering Committee, should document experience, good practices and lessons learned throughout the allocation process to serve the review and revision exercise.

BOX 6: EXAMPLES OF THE REVIEW PROCESS IN DELIVERING AS ONE COUNTRIES

Quite a few Delivering as One countries have gone through several rounds of revision of performance-based allocation criteria. For example, Albania simplified the fund allocation process and revised the allocation criteria in 2012 to include allocation scenarios based on available resources and to strengthen allocation criteria to take into account how allocations are managed over time.

Tanzania also rigorously reviewed their allocation criteria and process. As a result, three changes were instituted in 2013, namely: (i) assessment of financial delivery over mobilized rather than planned funds; (ii) reversion to single application of allocation criteria in a year (hence, single tranche disbursement); and (iii) addition of an external member to the Review Team.

6. EXAMPLES FROM DAO PILOT AND SELF-STARTER COUNTRIES

The One Fund was established in many DaO pilot countries from 2008 - 2009. Performance-based allocation criteria have also been developed and remarkably evolved since then. Some DaO self-starter countries have also followed the pilots closely.

A number of DaO countries now have a sophisticated PBA system which provides good reference sources for other countries. Particular among those include Viet Nam, Tanzania, Papua New Guinea, and Albania. Malawi, Uruguay, Bhutan, and Montenegro, also offer some good lessons to learn from. Examples from these countries are available at this link:

BOX 7: EXAMPLES FROM DELIVERING AS ONE AND SELF-STARTER COUNTRIES

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For more information: **UNDG.org**

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