**Cost Recovery from Other Resources - General Management Support (GMS)**

1. UNDP distinguishes between two types of costs in the implementation of its activities. These are:

1. **Direct costs** of programme, administrative and operational support activities, that are part of the project input; and
2. **Costs that are in addition to direct project costs,** representing the costs to the organization that are not directly attributable to specific projects or services, but are necessary to fund the corporate structures, management and oversight costs of the organization. These costs are recovered by charging a cost recovery rate, known as General Management Support (GMS) fee.

1. Regardless of the type of implementation costs, UNDP is required to recover the full costs of activities funded by other resources in support of UNDP programmes or services provided.

1. Costs to UNDP that are in addition to direct project costs associated with managing the implementation of programmes are levied through the application of the **General Management Support** (GMS) fee.

1. The GMS fee encompasses costs incurred in providing general management and oversight functions of the organization as a whole.These costs are incurred in support of its activities, projects and programmes, and services provided, that cannot be traced unequivocally to specific activities, project or programmes. Furthermore, these costs are incurred throughout and at all levels of the organization.

1. All efforts must be made to recover fully the costs incurred by UNDP in providing services to programmes and projects (as well as to other UN entities - see [Agency Reimbursable Services Section](https://popp.undp.org/node/11671) in the Resource Planning chapter of the Policies and Procedures) so that UNDP’s Integrated Budget (regular resources) do not subsidize the management of other resources. A successful and consistent application of the cost recovery policy is a measure of the organization’s ability to plan, and one geared towards attaining proper cost classification and ensuring cost attribution to the right funding source.

1. The harmonized conceptual framework for defining and attributing programme costs and organizational costs [(**DP-FPA/2012/1**)](https://popp.undp.org/node/2211)**,** and the harmonized methodology for calculating cost recovery rates [(**DP-FPA/2013/1**](https://popp.undp.org/node/2226) [; **DP/2013/9**,](https://popp.undp.org/node/556) [**DP-FPA-ICEF-UNW/2020/1**](https://popp.undp.org/node/2971))[,](https://popp.undp.org/node/556)have a direct impact on the cost recovery rates and the activities for which the cost recovery income can be utilized.

1. The **GMS cost recovery rates, effective 1 January 2014, are**:
2. The cost recovery rate (GMS percent) for third-party cost sharing and trust fund contributions is a minimum of 8 percent for newly signed agreements;
3. 1 per cent reduction will be applied for un-earmarked thematic contributions at the global, regional and country level (8 percent – 1 percent = 7 percent).
4. A GMS rate, a minimum of 3%–5%, will continue to be applied to Government Cost Sharing contributions. The same rates applied to Government Cost Sharing apply for South-South contributions.
5. Any GMS rates that are negotiated centrally will remain at current levels until such time as they are renegotiated corporately.

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| **Funding Type** | **GMS as of**  **01/01/2014** | **Comments** |
| Third Party Contributions  (cost sharing and Trust Funds) | 8% | Exceptions are rare and must be approved by OFM as waivers that are reported to the Executive Board. |
| Government Cost Sharing | minimum of 3% | While the minimum of 3% is still valid, it is only sufficient when applied to very large volume cost sharing contributions. Most Country Offices now apply Government cost sharing GMS rates of a minimum of 5%.  Note: the ‘government cost sharing’ cost recovery rate **does not apply for situations** where UNDP provides support services to the government in its capacity as a Global Fund grant recipient.  In such cases, the Global Fund rates apply at 7%. |
| South-South Contributions | same as Govt Cost Sharing rate | GMS rates are maintained for government cost sharing and South-South Contributions. In other words, programme countries shall use the rate that applies to them for government cost sharing even when they contribute to results in another country through South-South Cooperation. |
| Thematic Contributions at  Country, Regional and Global Levels | 7% | A 1 % reduction for thematic contributions at the global, regional and country level applies (8%-1%). This rate is applicable for contributions that are non-earmarked or lightly earmarked for UNDP programmes and not tied to a specific project, output or activity. Refer to paragraph 8, below. |
| European Commission | 7% | Based on the existing FAFA agreement, EC remains at 7% |
| European Investment Bank (EIB) | 7%  Or 5%\* | \*7% GMS is applicable, aligned with the EC.  A preferential rate of 5% GMS applies if the criteria below for the IFIs are met by EIB. |
| International Financial Institutions (IFI) | 8%  Or 5%\* | \*8% GMS is applicable. A preferential rate of 5% GMS applies when both of the following criteria apply:   * 1. UNDP anticipates to sign financing agreements of $50m or more in a year with funding provided by the IFI, including through respective national governments; and   2. The financing agreement is predominantly to support the government’s implementation of sovereign loan or credit guarantees   Where the financing agreement provides grant funding for implementation directly by UNDP, the GMS rate of 8% applies.  Refer to the Guidance Note on GMS for IFIs [here](https://popp.undp.org/node/2871). |
| [Engagement Facility](https://popp.undp.org/node/10706) | 8%  or  same as Govt Cost Sharing rate | The third-party contributions, and transfers from the 11888 account – 8%  The government cost-sharing contributions – a preferential rate of a 3% |
| Global Fund to Fight AIDS, Tuberculosis and Malaria (GF) | 7% | Based on the current agreement between GF and UNDP, GF remains at 7% when UNDP is the Principal Recipient (PR) of a GF grant or when UNDP provides support services to a Global Fund grant recipient (e. g. government). |
| UN to UN Agency Contribution | 8%\* | Note: Regarding agencies’ contribution to RCO activities, GMS should be applied in line with the corporate cost recovery policy, since the 2016 Advisory note for the UNDG Cost Sharing Funds for the RC system no longer applies and is hereby revoked as of 1 January 2019.  \*Minimum 7% for UN Secretariat Offices/Departments as shown in yellow section of the [UN System Chart](https://popp.undp.org/node/2961) |
| Global Environment Facility (GEF) Managed Funds  *(GEF Trust Fund, Special Climate* *Change Fund, Least Developed* *Countries Fund, Nagoya Protocol*  *Implementation Fund)*  Adaptation Fund | 9.0% -  9.5%  8.5% | Contributions over $10m GMS is 9.0%;  Contributions below $10m GMS is 9.5%. |
| GEF Cost Sharing | 9.5% | In principle, the 8% GMS applies, however UNDP-GEF is required to negotiate higher rates to pay for the specialized technical skills and support architecture provided by the UNDP-GEF Unit. The approach of the Unit is to apply the same cost recovery amount as that which is agreed under the GEF (i.e. 9.5%). |
| Green Climate Fund (GCF) | 4%-8.5% | The GCF interim fee policy was replaced by the revised policy on fees effective 16 March 2018.    As per the GCF Board decision B19/09, [GCF B.19 29](https://www.greenclimate.fund/documents/20182/953917/GCF_B.19_29_-_Policy_on_fees_for_accredited_entities_and_delivery_partners.pdf/11f35fd8-ce50-4688-9b48-591c28a28009), the accredited entity fee is up to 8.5% for Micro-size projects (<$10m); up to 7% for Small-size projects ($10m-50m); and up to 5% for Medium-size projects ($50m-250m). As was the case with the interim fee policy, the revised policy on fees continues to institute a fee cap up to a certain fixed percentage based on the total size of the project/program (i.e.  the total of GCF funding and co-finance). However as was the case with the interim policy the fee % is applied only to the GCF grant portion.  All GCF grants approved up to or before March 16, 2018 have applied the interim fee policy and in those cases the respective rates agreed to in their funding activity agreements will apply. For more details, please refer page 9-10 and page 48 - Annex VIII – Policy on fees [**here**](https://intranet.undp.org/unit/ofrm/_layouts/15/WopiFrame.aspx?sourcedoc=/unit/ofrm/Financial%20Resource%20Management%20Policies/Communication/Cost%20recovery%20%E2%80%93%20GCF%20Board%20decision%20B.19.43%20%E2%80%93%20Accredited%20Entity%20Fee%20-%2026%20Feb%20-%201%20Mar%202018.pdf&action=default) |
| Montreal Protocol (MP) Trust Fund | 7%-9% | 7% for projects above $250,000; 9% for projects below $250,000  Note: on a case by case basis a 6.5% fee is charged for projects in the production sector. |
| Individuals (i. e. private citizens) | 5% |  |
| **Interagency Pooled Funding** |  |  |
| a. UN Secretariat  Administered Funds: CERF, ERF,  UNTF for Human Security  (UNTFHS) | 7% |  |
| b. MPTF office  Administered MDTFs | 7% | In addition to the GMS, when  UNDP/MPTF is the AA a 1% fee applies |
| c. Joint Programmes (Pass Through) administered  by a variety of UN organizations | 7% | In addition to the GMS, when  UNDP/MPTF is the AA a 1% fee applies |
| d. Funds provided by DPKO through assessed contributions | 7% | Unless otherwise agreed, a 7% GMS applies. |

1. The intent of the 1 per cent reduction for thematic contributions is to incentivize the provision of non-earmarked or lightly earmarked funding for UNDP programmes, at the global regional or country levels. As such the 1% reduction may be granted for funding received that is un-earmarked; and for funding received at the global, regional or country office levels for a given programme outcome, but not specific to a project or sub-national geographic area, and can therefore be programmed at UNDP’s discretion. This would include UNDP Funding Windows and Thematic Trust Fund contributions (excluding Country/Regional/Global windows as these are project specific).
2. The standard GMS rates set out above should be used in all donor agreements. Any exceptions must be approved by the BMS Director prior to any negotiation with the donors. All exceptionally approved GMS cases are reported as waivers to the Executive Board through annual reports such as Annual Review of Financial Situation.
3. Where an exceptionally approved GMS rate was granted by the BMS Director, offices may be required to have negotiated with the donors to apply additional DPC to the cost of activities. In those cases, the additional DPC recovered from the projects should be posted with the account 74597 as an expense to the projects while reducing the expenses in management funds.
4. The aim is for the cost recovery income generated from the GMS fee (Extra-budgetary Fund code 11300) to be utilized to fund personnel costs and related general operating expenses and other strategic investment costs in support of management activities, as defined under **category 4** of the harmonized cost classification framework. GMS can be used to fund management activities in all Units, including those that exist in Units broadly defined as providing DE services.

1. For *Country Offices*, management activities (cost classification category 4) are defined as follows:
   1. **Management activities** are activities and costs whose primary function is the promotion of the identity, executive direction, representation, accountability and well-being of the UNDP Country Office. These activities are grouped into three sub-clusters applicable to Country Office staff:
   2. Activities related to leading and defining the vision of the Country Office, as well as representing UNDP in advancing its core mandate and major programme goals with governments, donors and other third parties.
   3. **Programme Direction and Accountability:** Activities related to overall managerial responsibility and accountability for achieving UNDP’s role in supporting programme countries in achieving development results; ensuring continuous and simultaneous alignment (or re-alignment) of Country Programme results with national planning goals and UNDP Strategic Plan results, including responding to emerging needs mid-cycle; UNDP leadership role(s) in the UNCT programming processes and UNCT strategic meetings; strategic partnership management; and overall partnering and positioning of the programmatic work of the organization within the country.
   4. **Operations Management & Administration:** Activities related to overall staff/office management and the provision of workplace and support services (ICT, Finance, OHR, UNDP security, travel, assets and general services) which permit UNDP to carry out the mission of the organization (but excluding direct project implementation support). Activities related to the harmonization and simplification of UN operational processes and business practices should also be included here.

1. For *Headquarters*, cost recovery income generated from GMS earned throughout UNDP shall be utilized in support of the following management functional activity clusters:

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| **Functional/Activity Cluster** | **Offices** |
| Leadership and corporate direction | Executive Office  Regional Bureaus |
| Corporate oversight and assurance | Office of Audit and Investigation |
| Corporate financial, ICT and administrative management | Bureau for Management Services  OFM/OIMT/LSO/PSO |
| Corporate human resource management | Bureau for Management Services/OHR |
| Corporate external relations and  partnerships, communications and resource mobilization | Bureau for External & Relations Advocacy |
| Corporate Staff and premises security | Bureau for Management Services/Security |

1. For activities funded by the cost recovery income that do not fall within the activities defined in the paragraphs 12 and 13 above, the aim was to phase them out during 2014-2015 and by 2016, they are fully charged to the correct funding sources. By 2017, activities not covered under the management category, such as development effectiveness activities, should be funded from regular and other resources and directly charged to projects and programmes where applicable per the Direct Project Costs policy and guidelines ([Planning and Paying for Delivery Enabling Services to Projects](https://popp.undp.org/node/11271)).

1. UNDP staff must understand, and convey consistently to all partners the policy on cost recovery, in order to ensure their full and correct understanding. In particular, the following need to be highlighted:
   1. The provision of **quality** general management support services to Other Resources-funded programmes is costly and requires constant investment by the Organization.
   2. The Organization’s Regular Resources budget cannot subsidize the management of Other Resources-funded programmes.
   3. Cost recovery fees are not just ‘overheads’. Income from cost recovery is invested by UNDP to sustain the corporate structures – both locally and at headquarters – designated to provide general management support to Other Resources-funded programmes. Without these corporate structures, the Other Resources-funded programmes could not be performed.
   4. The cost recovery policy applies to all Other Resources contributions, without exceptions (projects funded from Regular Resources are not subject to a GMS fee as the Integrated Budget covers the provision of management support costs to these projects).
   5. The application of this cost recovery policy more equitably shares the cost of management activities between regular and other resources. By funding qualified development effectiveness activities, where appropriate, directly from programmes and projects (applying Direct Project Costing methodologies), GMS cost recovery resources presently will fund management activities that were previously financed from regular resources. These regular resources shall then be re-allocated to finance programme activities - a major benefit of the cost recovery framework. In addition, this ensures that organizational costs are aligned to appropriate results frameworks and funding streams and that UNDP can more sustainably finance the requisite organizational structures and capacities to successfully deliver on programme results.
   6. This approach to funding costs ensures that costs are not funded twice, by separating clearly those costs to be funded through direct charges to projects, those costs funded by regular resources for regular resource funded project activities, and those management costs funded through GMS income.
2. Prior to 2017, the cost recovery income generated from the GMS fee was distributed among the units providing general management support. GMS internal distributions except those from the vertical funds have been discontinued effective 1 January 2017 based on the corporate decision to consolidate the extra-budgetary funds and GMS income. The GMS distribution for vertical funds (GF, GEF and MP) can be found [here](https://popp.undp.org/node/3126).
3. Major costs that are funded directly by projects and GMS are summarized in the charts on the following page.

**Major costs that are funded directly by projects and GMS**

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| **DIRECT COSTS**  **Programme Resources (i.e., funded from Projects)** | **INDIRECT COSTS**  **Institutional Resources (i.e., funded from Core IB and GMS)** |
| **Costs that can be directly linked to a particular project and traced to it in a reasonable and economically feasible way. In case of personnel, such costs should be costed fully, i.e. including:** staff salary, benefits and entitlements, centrally managed costs, including payroll reserves for learning, ICT, JFA, MAIP, ASHI, EOS etc., office rent, utilities, communications, supplies, and office security.  Personnel may be directly contracted under a project, or a project may receive services from other UNDP personnel.  **Direct costs include the following functions/activities, in addition to specific project activities described in the project document:**   * Project management * Project communications, advocacy, and funding partner visibility * Independent Audit and Evaluation * Quality Assurance (QA) services * Monitoring and evaluation of projects * Project briefings and technical guidance for project stakeholders * Project meetings, progress, and final reporting * Donor-specific reporting * Support to implementing and responsible parties * HACT assessments and all assurance activities   **The following functions/activities typically require sharing of personnel, including on staff contracts, to be paid by the project as Delivery Enabling Services under specific project activities\*:**   * **Project Supervision and Coordination** * **Programme Coordination** * **Policy advice and Quality Assurance** * **Risk Management** * **Activities leading to project closure (checklist)** * **Administrative, Operational, and Other Shared Services** such as: * Creation of documents relating to revenue processing, budget, expenses, payments, vendor and project level reporting, requisitions, purchase orders, vouchers, payroll processing * Procurement of goods and services * Human resources (HR) services: recruitment and management of project personnel (recurrent personnel management, security and general administration briefings, trainings and learning tools) * Logistics services for office premises * Logistics support services such as travel and event management * Communication support for project personnel and activities * Equipment and asset management services, including information technology (IT) equipment, maintenance, licenses, and support for the project team and activities * **Contingency** | **Organizational costs that are not directly attributable to specific projects or services, but are necessary to fund the corporate structures, management and oversight costs of the organization**   * Corporate executive management functions * Corporate resource mobilization functions * Corporate communications advocacy functions * Senior management functions of CO, regional offices, and HQ * Corporate and regional offices, oversight functions (finance, HR, administration, etc.) * Accounting and financial management of staff at HQ and regional offices * Independent corporate oversight functions at HQ * Institutional legal support functions at HQ * HR management of UNDP office staff * Corporate policy guidance functions on procurement and logistics support for HQ and country or regional offices * Office management, office resource and financial management, HR management (learning, training, recruitment, performance management) * Programme and policy advisory services provided by UNDP personnel\* for Programme and Portfolio Management * Direction and oversight of overall project implementation/delivery * Design, formulation, and presentation of project documents with substantive workplans and fully costed budgets * Development of performance targets, QA indicators, and assessments * Approval of project transactions (advances and expenses) and budget revisions as per internal control framework, project closures   **Operational and administrative support services to UNDP offices for performing the following tasks/functions:**   * Financial services (annual work-planning, budgeting, disbursing, spending, and office management budgets and positions monitoring) * Procurement services for property (lease), plant and equipment for the office * HR services: recruitment and management of office personnel including HR, security and general administration briefings, trainings and learning tools * Logistics support services such as travel and office event management * Equipment and asset management services, including IT equipment, maintenance, licenses, and office support * Corporate equipment and related maintenance and depreciation * Corporate shared resources not directly attributable to the project, such as corporate IT platforms and security, corporate planning, budgeting, reporting and risk management tools |
| *\*The services can be provided by UNDP personnel in different geographical locations. Please note:*  ***- For UNDP personnel above the P5 level on positions fully funded by core IB and GMS by nature of its functions,*** *reimbursement from project budgets is not allowed irrespective of services provided to projects. Such services generally fall under the indirect cost category.*  *-* ***For UNDP personnel at the P5 level or below****, his/her activities that are directly linked to a particular project may be charged as direct project costs. However, such activities should be charged judiciously, noting its leadership function, and may not exceed 40% of the person’s cost.*  *Note: As per the Board document (DP/2013/41) and associated Board decision (DP/2014/2), effective 1 January 2014, all P5 level positions and below can be multi-funded.* | |