



**ACCOUNTING GUIDANCE: PROVISION OF MANAGEMENT AND SUPPORT SERVICES  
THROUGH THE MEMORANDUM FOR THE PROVISION OF SERVICES (MPS)**

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## Accounting Guidance Note

### 1 PURPOSE

1.1 The purpose of this Guidance Note 001 is to describe the accounting and reporting in relation to the provision of management and support services i.e. [MPS management projects](#), including those MPS related to COVID-19.

### 2 BACKGROUND

2.1 For MPS management projects, including those for the procurement of COVID-19 health products, the modality used is a management project.

2.2 MPS does not change UNDP's model of primarily delivering development assistance through programmes and projects and is not expected to become a dominant means of delivering UNDP activities nor viewed as a route to deliver development assistance by circumventing the formulation of project documents. However, due to COVID-19, UNDP is seeing an increased number of MPS related to COVID-19 arrangements, and therefore it is important that this is accounted for correctly and consistently in UNDP's accounting records.

2.3 For MPS, including those related to COVID-19:

- The CO should create a new dedicated management project;
- Expenses therein do not count as delivery for the respective CO;
- The output cannot be mapped to the COVID marker since it is management project, rather the COVID dashboard will use [fund code 16511](#) to track COVID response through MPS.

### 3 COST RECOVERY

3.1 As with all UNDP activities, all costs incurred by the Office/Rbx/HQ unit to provide support services must be recovered. Reflecting the lower level of accountability of UNDP in providing services under an MPS arrangement, an interim minimum rate of 4% GMS (or an equivalent fixed USD amount) shall be applicable to all MPS. However, the level of costs to be recovered through the management fee must be estimated for each agreement and set at the level necessary to cover the estimated actual cost, which should also include UNDP's upfront costs/contribution towards the preparation and conclusion of the MPS agreement.

3.2 All costs that can be attributed to an MPS arrangement must be charged to that MPS arrangement through direct charges. These chargeable costs are in addition to the GMS stated above. There are two main elements in recovering costs on MPS as follows:

- All costs that UNDP incurs in providing MPS services (Policy and Support to Implementation) must be reimbursed, hence Direct Project Costing (DPC) applies. Thus, all costs that are incurred for, and can be reliably traced to, delivery of MPS should be charged to that MPS.
- In addition to direct costs, UNDP incurs corporate management costs that benefit the provision of services under MPS. As defined in UNDP corporate guidance on General Management Services (see [GMS POPP](#)), such costs may be incurred at the Country Office, the Regional Bureau, Central Services and BPPS. However, the expected amount of such costs may vary depending on the specific services to be provided for each MPS agreement.

3.3 **Note:** For requests for the procurement of COVID-19 health products, a flat fee of 4% will be charged on the value of the goods procured, to cover all of UNDP's costs. No GMS will apply. The 4% fee will be split between the Country Office (CO) and the Global Health Procurement Centre (GHPC) to cover their respective costs. The services will be specified in a Special Memorandum for Provision of Management and other Support Services Related to COVID-19 and no other services are to be provided under this special agreement. The flat fee of 4% is only applicable for MPS related to the procurement of COVID-19 health products.

#### 4 SCOPE

4.1 The following account codes are available and should be used for recording MPS arrangements:

- 54006 “MPS exchange fee”
- 54007 “MPS (principal)”

4.2 The following fund codes should be used for MPS arrangements:

- 85060 “MPS Non-UNDP”
- 85061 “MPS Non-UNDP COVID-19”
- 16510 “MPS UNDP”
- 16511 “MPS UNDP COVID-19”

#### 5 ACCOUNTING

5.1 For MPS arrangements, including those related to COVID-19, UNDP is only programmatically and financially accountable for the portion of the project that UNDP is implementing. Therefore, UNDP should only recognize UNDP revenue and expense on this portion of funds received (i.e. funds received for UNDP delivery). The funds received and expenses incurred on behalf of partners are treated as non-UNDP revenue/expense.

5.2 UNDP records its own portion of the MPS arrangement for which it is programmatically and financially accountable as revenue and expense against the fund code 16510 or 16511 as appropriate, depending on whether the MPS arrangement includes or excludes COVID19-related matters.

5.3 Actual Donor codes (i.e. DFID = 00248 as an example in the COA below) are used in all budgets and accounting entries (revenue & expense).

5.4 The contribution should be recorded against the fund codes below:

Donor type	Donor code	Fund Code	
		UNDP’s programme portion	Recipient Agencies’ portion
Programme Govt	Various	16510 or 16511	85060 or 85061
Regular 3 <sup>rd</sup> party cost sharing donor	Various (e.g. 00248 for DFID)	16510 or 16511	85060 or 85061
EU	10159	16510 or 16511	85060 or 85061

5.5 Revenues:

- When the contribution agreement is signed or the contribution is received from the donor, whichever comes first, the CO submits all supporting documentation to GSSU via DMS.
- The flat fee (akin to GMS) will be taken off-the-top upon receipt of the total contribution, to avoid the risk of the CO overspending; and not through the monthly F&A process, therefore no GMS rate should be set-up for MPS in the Grants module. This approach is also based on the assumption that the fee is immaterial to UNDP from an organization wide perspective; otherwise the revenue should be deferred until the service is delivered consistent with IPSAS (IPSAS 9).
- In consultation with the CO at year-end, GSSU will determine the amount of the actual revenue earned and any unearned portion will be reversed as necessary.

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- For example, a CO signed an agreement for the procurement of health products for COVID-19 with funding from DFID in the amount of \$1M. Revenue would be recorded via DMS in the Contract Module by GSSU:

Account	OU	Fund	Dept	Project	Impl.Agent	Donor	Amount (US\$)	Remarks
54006	xxx	16511	xxx	00YYYYYY	00xxx	00248	(40,000)	4% fee only – agency portion
54007	xxx	85061	xxx	00YYYYYY	00xxx	00248	(960,000)	Prog. Fund – principal portion (excludes 4% fee)
Cash (11xxx) OR AR (14xxx)						00248	1,000,000	Contribution received from donor,  OR  Contribution agreement signed

### 5.6 Expenses:

5.7 Expenses against UNDP's portion of funds are charged against the same fund codes where the funds received were recorded:

Account	OU	Fund	Dept	Project	Impl.Agent	Donor	Amount (US\$)
Related Expense account (7xxxx)	xxx	16511	xxx	00YYYYYY	001981	00248	xxx
Cash (11xxx) OR AP (21005)							(xxx)

- For the non-UNDP portion, the expenses are recorded as below:

Account	OU	Fund	Dept	Project	Impl.Agent	Donor	Amount
Related Expense account (7xxxx)	xxx	85061	xxx	00YYYYYY	00xxx	00248	xxx
Cash (11xxx) OR AP (21005)							(xxx)



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### 6 REPORTING

- 6.1 An annual final financial report shall be submitted to the funding partner (provided it is not the programme government) and the programme government, in accordance with the format provided in Appendix IV on Final Financial Statement of the [MPS Agreement Template](#).
- 6.2 If special circumstances warrant, UNDP may provide more frequent reporting at the expense of the funding partner. The nature and frequency of this reporting shall be detailed in an annex to the MPS, and the cost of which incorporated as a direct cost within the budget.
- 6.3 If the services provided through an MPS arrangement have a significant contribution to outcome level progress, then the results to which the services contribute should be reported in the Results Oriented Annual Report (ROAR), as relevant.

### 7 FINANCIAL STATEMENT DISCLOSURE REQUIREMENTS

- 7.1 The revenue earned from MPS will be classified as exchange revenue following the requirements of IPSAS 9. As UNDP is merely implementing these projects in the capacity of an Agent i.e. procurement on behalf of a counterparty, only the fee will be recognised as revenue in UNDP's financial statements. All other funds received and expenses incurred will be excluded from UNDP's financial statements (recorded in non-UNDP fund codes).
- 7.2 UNDP is required to comply with the disclosure requirements of IPSAS 9 (para.39).
- 7.3 Accounting policy disclosure if/when MPS revenues and expenses are significant to UNDP's overall accounts:

*“Fees for procurement, training, administrative, custodial and other services rendered to Governments Partners for the provision of Management and Support Services (MPS) are recognized when the service is performed and/or training takes place.”*

### 8 RELATED UNDP GUIDANCE IN RELATION TO MPS

- 8.1 [Provision of Management and Support Services through the Memorandum for the Provision of Services \(MPS\)](#)
- 8.2 [Cost Recovery from Other Resources - GMS](#)
- 8.3 [COVID19 Fund Mapping for global circulation version 6 May 2020](#)