

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:
 - a. **Direct costs** of programme, administrative and operational support activities, that are part of the project input; and
 - b. **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.
2. 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.
3. 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**.
4. 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 & 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.
5. 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 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.
6. The harmonized conceptual framework for defining and attributing programme costs and organizational costs (**DP-FPA/2012/1**), and the harmonized methodology for calculating cost recovery rates (**DP-FPA/2013/1; DP/2013/9**), have a direct impact on the cost recovery rates and the activities for which the cost recovery income can be utilized.
7. The **GMS cost recovery rates, effective 1 January 2014, are:**
 - The cost recovery rate (GMS percent) for third-party cost sharing and trust fund contributions increased from a minimum of 7 percent to a minimum of 8 percent for newly signed agreements;
 - 1 per cent reduction will be applied for thematic contributions at the global, regional and country level (8 percent – 1 percent = 7 percent).
 - A GMS rate 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.
 - Any GMS rates that are negotiated centrally will remain at current levels until such time as they are renegotiated corporately.

SUMMARY OF GMS RATES Effective 1 January 2014 per EB decision 2013/9

Funding Type	GMS prior to 2013	GMS as of 01/01/2014	Comments
Third Party Contributions (cost sharing and Trust Funds)	7%	8%	Exceptions are rare and must be approved by OFRM as waivers that are reported to the Executive Board.
Government Cost Sharing	minimum of 3%	no change	While the minimum of 3% is still valid, it is only sufficient when applied to very large volume cost sharing contributions. Most Country Offices apply Government cost sharing GMS rates between 4-5%.
South South Contributions	N/A	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 SouthSouth Cooperation.
Thematic Contributions at Country, Regional and Global Levels	7%	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- or lightly earmarked for UNDP programmes and not tied to a specific project, output or activity. Refer to paragraph 2.8, below.
European Commission	7%	7%	Based on the existing FAFA agreement, EC remains 7%
GFATM	7%	7%	Based on the October 2014 agreement between GFATM and UNDP, GFATM remains at 7% for a two year period.
UN to UN Agency Contribution	7%	8%	Note: If the UN is contributing towards local RCO activities, no GMS is charged in the spirit of the RC burden sharing exercise.

Funding Type	GMS prior to 2013	GMS as of 01/01/2014	Comments
a. GEF Managed Funds (GEF Trust Fund, Special Climate Change Fund, Least Developed Countries Fund, Nagoya Protocol Implementation Fund)	9.0% 9.5% 8.5%	9.0% -9.5% 8.5%	Contributions over \$10.0m GMS is 9.0%; contributions below \$10.0m GMS is 9.5%.
b. Adaptation Fund			
GEF Cost Sharing	9.5%	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%).
Montreal Protocol Trust Fund		7%-9%	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.
MP			
Interagency Pooled Funding			
a. UN Secretariat Administered Funds, CERF, UNTF for Human Security (UNTFHS)		7%	7%
b. MPTF office Administered MDTFs		7%	7%
c. Joint Programmes (Pass Through) administered by a variety of UN organizations		7%	7%
			In addition to the GMS, when UNDP/MPTF is the AA a 1% fee applies
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d. ERF, UNMAS, UNAMI	7%	8%	8% GMS applies to contributions under the umbrella agreement of the UN Secretariat and the UN office in Geneva as communicated per UNICEF, UNDP, UNW, UNFPA joint letter to the UN dated 6 January 2014.	

8. 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 Thematic Trust Fund contributions (excluding Country/Regional/Global windows as these are project specific).
9. The aim is for the cost recovery income generated from the GMS fee (Extra-budgetary Atlas Fund code 11300), effective 1 January 2014 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.
10. For **Country Offices**, management activities (cost classification category 4) are defined as follows:
- **4- 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:
 - **4a-** 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.
 - **4b- 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.
 - **4c- 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.

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

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

12. For activities funded by the cost recovery income that do not fall within the activities defined in items 2.10 and 2.11 above, the aim is that these are phased out during the 2014-2015 period and by 2016 are fully charged to the correct funding sources. By 2016, 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 (POPP Direct Project Costs (DPC)).
13. 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:
- The provision of **quality** general management support services to Other Resources funded programmes is costly and requires constant investment by the Organization.
 - The Organization's Regular Resources budget cannot subsidize the management of Other Resources-funded programmes.
 - 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.
 - 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).
 - 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.

- 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.

14. Compliance with the cost recovery policy requires offices to set up the project budget in Atlas, including a separate budget line for the GMS component, and reflect the GMS rate and the method of the GMS income collection as 'earn as you go' (Atlas terminology is 'F&A'). The 'earn-as-you-go' method charges the GMS fee on a transactional basis as expenses are incurred, and automatically credits the office Extra-budgetary accounts, based on the GMS methodology and the department distributions that therefore apply.
15. Any exceptions to 'earn as you go' must be supported by a sound business case and be approved by the Comptroller. These exceptions will only be considered for transition purposes and will be for a limited time frame.
16. The cost recovery income generated from the GMS fee is distributed among the units providing general management support. New GMS distribution rates were approved by the EG in January 2015. There are benefits in maintaining a standard and consistent approach to GMS distribution. Any proposed changes to these distributions must first receive the approval of the Office of Financial Resources Management (bom.ofa.riskmanagement@undp.org).