Frequently Asked Questions

What is real project cost budgeting?

All new projects that are being designed must have a full-cost budget that includes all inputs that are required by the project, including those provided by UNDP staff. This is the rationale for UNDP’s policy on Direct Project Costs (DPC) – that is, that UNDP must ensure that the direct cost of delivering development results is charged to programmes and projects. Costs that are eligible for direct project charge include: development effectiveness including policy advisory and quality assurance; and programme implementation and implementation support including: finance, procurement, human resources, administration, security, travel, assets and information and communications technology. These costs should be included in and charged directly to project budgets, and reported as costs of delivering development results, regardless of from where the services are sourced - locally, regionally, or centrally from HQ.

What is the difference between DPC and GMS?

Direct Project Costs (DPC) are costs that are directly linked to the implementation of programmes and projects. They should be included in and charged directly to project budgets. General Management Support (GMS) charges cover 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.

What do the Central Bureau DPC targets for 2016 mean?

Targets for direct project costs (DPC) for BPPS (30% of Regional Hub programme policy advisory costs), BERA (5%), CRU (15%) and BMS (5%) have been specified in the 2016 internal resource allocation formula. These targets are part of our macro-level budget planning. They do not imply that each Regional Cost Centre must meet 30% of the cost of, for example, each individual policy and programme support staff. It is expected that the acceleration of real project cost budgeting, particularly its application in all new projects in 2016, will, when aggregated, combine over the course of 2016, to cover the identified target DPC revenues. DPC targets will increase in 2017 as UNDP continues to ensure that the direct costs of delivering development results are charged to programmes and projects.

Does each policy adviser in the Regional Hub need to recover the costs of their salary through services to development projects?

No. DPC targets are not intended to be implemented at individual level. Programme advisory staff based in the regions are not expected to recover the full cost of his/her salary through the provision of services to development projects. The principles of real cost budgeting are applied at the project level, with all aspects of project implementation to be fully costed, including for policy and programme support provided by UNDP staff. It is also recognized that policy and programme support staff based in the regional hubs, in addition to their programme advisory support functions, also undertake corporate functions such as contributing to knowledge management and policy development.
Are COs expected to pay for all Regional Hub or HQ services in 2016?

Not necessarily. The introduction of the service management tool as part of the IWP process for 2016 provides a platform for the organization to track service demands. Pro-forma costs for advisory services have also been developed to capture the costs of providing services internally and to support the costing of advisory inputs for project budgets. The focus for 2016 is on meeting the DPC targets established in the internal resource allocation framework (e.g. 30% of Regional Hub based policy and programme support advisory services) through real cost budgeting for all new projects. Each Regional Bureau will have their own programme for charging costs to existing projects.

What about the GEF and Montreal Protocol (MP) regional technical advisors – aren’t their costs already covered?

Yes. GEF and Montreal Protocol regional technical advisers are currently covered by the fees UNDP collects from the Vertical Funds to cover the costs of project cycle activities in relation to GEF and MP projects. If, however, the services of a GEF or MP regional technical adviser are required to provide inputs for other environmental projects, their costs should be charged to the relevant project budget. This approach ensures transparency and accountability in UNDP’s use of its policy advisory resources in relation to Vertical Fund Programmes.

What is COSMOS?

COSMOS is the Country Office Service Management Operating System, and is the new global service tool that has been rolled out in 2016. It replaces existing, decentralised service trackers to provide a holistic view across the organization to better manage and improve delivered services. It is important to recognize that COSMOS is not a new stand-alone tool, and it is not a billing system. It is an integral part of the planning system. Country Offices have entered requests for advisory support as part of preparing their IWP which are now being considered by country support teams in the Regional Hubs. COSMOS will provide better information to the Regional Hubs to undertake demand and costing analysis, and enable managers to better track how services are being delivered, and how costs are being covered. All Country Offices should register their requirements for advisory services into this tool through the IWP system.

Are COs being taxed to support Regional Hub and HQ costs?

Real project cost budgeting (or capturing all direct project costs - DPC) is about accurate classification of UNDP’s costs that are incurred in managing and delivering a development project. It is not a tax on COs, but rather ensuring that each project budget reflects the real costs of delivering. As an organization, UNDP needs to be able to assess and report to the Executive Board the true costs of delivering development results, as well as report that our core institutional and GMS resources no longer cross-subsidize programme activities.

Are programme managers expected to renegotiate existing project budgets with donors?

Where possible, full project costs should be included in ongoing projects. It is recognised, however, that the retrospective renegotiation of budgets may be politically difficult, and COs should use judgement if there is scope to pursue this. If there is a natural opportunity arising, (for example a new phase of an
ongoing programme or project), COs should ensure that the budget developed for the next phase of the project includes all project costs, including those provided by UNDP staff.

The focus going forward must be to ensure that all new projects include full cost budgets. The targets for DPC introduced as part of the 2016 internal resource allocation therefore provide a phased approach to ensure that over the next two years, UNDP is able to achieve the goal that all programme implementation and support costs are charged, as appropriate, to development projects.

What guidance should COs follow for charging policy and other advisory services to projects?

For all new projects being developed, country office managers should ensure that a real cost budget is developed, that includes all costs relevant to project implementation. Country offices should take note of the strengthened resource planning requirements of the new project document (link). All project inputs, including those provided by UNDP staff, are to be fully budgeted and included in the multi-year work plan. The pro-forma staffing costs for advisory services are available here (link). Further guidance will be available shortly on the mechanisms for charging UNDP project inputs provided from the Regional Hub or HQ, and updated POPP tools will be available.

How can advisory services to help design a project be charged?

It is recognized that country office demand for policy and programme support is typically high when developing new projects or service lines, yet no project vehicle may exist to charge services for. A modality for enabling project costs at design phase to be recognized and then charged back to projects is under development and will be available shortly.

Does DPC apply in NCC programmes?

There are two aspects to this:

For the Country Office – as the partner government covers the cost of the Country Office apart from the RC position – relevant costs should be reclassified from the Institutional Budget (IB) to project costs.

For project implementation services provided from the regional hub or HQ, these should be built into the project budget in the usual manner and transparently costed.

Are UNDP costs for policy and programme support competitive with external providers?

The cost structure for advisory services is based on pro-forma costs by level and location, including 20% for general operating expenses (GOE). This is the real cost to the organisation. In comparing internal and external services providers, COs need to assess the full cost of alternate service providers, including quality and timeliness of services, anticipated time for delivery, and management overhead required for quality assurance of deliverables. While cheaper services may be available, UNDP has a strong professional cadre of advisory staff that bring a UNDP perspective and value-added to programmes. This contributes to knowledge management which is to the benefit of the entire organisation, including other country offices.

Are Country Offices required to use UNDP policy and programme support services?

Country Offices and other programme managers should make an informed assessment of inputs required for successful project delivery. While services should be sourced internally if possible, it is
recognised that not all identified advisory inputs may be available in HQ or the Regional Hub. And while cost is one factor, UNDP has a strong professional cadre of advisory staff that bring a UNDP perspective and value-added to programme delivery, with an institutionalised mechanism for quality assurance. Whether project inputs are sourced externally or internally from UNDP staff, the full cost must be planned for and included in project budgets.

**How can Country Offices and Bureaux monitor DPC implementation?**

A system for tracking DPC will be developed, and is expected to be available by mid-year.

**What should COs and other programme managers do if donors do not agree to all UNDP costs being included in project budgets?**

The difficulty many COs face in negotiating budgets with donors is appreciated. And some donors, such as the vertical Funds and the EC heavily regulate expenses. Nonetheless, the cost recovery framework has been approved by the Board, and COs should continue to emphasise this in their engagement with donor partners. An updated toolkit will include talking points for COs on this issue, and will be available shortly. If issues arise in relation to particular donors/projects, COs should elevate this to Regional Bureaux management for additional support.