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Review of the policies and practices for determining the rates of programme support costs in organizations of the United Nations system (comparative analysis)

Report of the Joint Inspection Unit

Prepared by Pavel Chernikov and Carolina Fernández Opazo

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Contents

Abbreviations and acronyms

CEB	United Nations System Chief Executives Board for Coordination
FAO	Food and Agriculture Organization of the United Nations
IAEA	International Atomic Energy Agency
IASC	Inter-Agency Standing Committee
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
ILO	International Labour Organization
IMO	International Maritime Organization
ITC	International Trade Centre
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
n/a	Not applicable
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UN Tourism	World Tourism Organization
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. Introduction

1. The review of the policies and practices for determining the rates of programme support costs in organizations of the United Nations system is part of the 2025 programme of work of the Joint Inspection Unit (JIU). It was initiated by the Unit as a follow-up to related reviews undertaken in the past,[1] including the review of budgeting in the United Nations system (JIU/REP/2024/3 (Part I) and JIU/REP/2024/3 (Part II)).

A. Purpose and objectives

2. The purpose of the present system-wide review is to provide legislative organs, governing bodies and executive heads of JIU participating organizations with an overview and assessment of existing policies and practices for determining programme support cost rates, along with comparative information across organizations.

3. The intended impact of the review is to promote understanding and the promulgation of good practices with respect to programme support costs, with the aim of enhancing the effectiveness and efficiency of, as well as transparency, coherence and harmonization across the participating organizations.

4. The objective of the review is to examine the factors that contribute to the determination of programme support cost rates and to illustrate the differences among each participating organization's approach by:

(a) Examining the practices of determining the programme support cost rates charged by the participating organizations through a mapping exercise;

(b) Conducting a cross-organizational analysis of relevant policies, techniques, methods and practices in order to identify major challenges, lessons learned, and good practices of the participating organizations.

B. Methodology

5. A mix of qualitative and quantitative data collection methods was employed in the review, including a desk review of relevant documents, a questionnaire, to which 27 JIU participating organizations covered by the review that have stand-alone budgets responded, and 25 interviews conducted with 86 stakeholders.

6. The system-wide review was conducted in accordance with the statute and internal working procedures of the Unit. Due consideration was given to safeguarding the confidentiality of stakeholders who responded to the questionnaires and/or participated in interviews. In fulfilling its professional and ethical obligations, the review team was not subject to any external influence that could have compromised its independence, fairness, neutrality or professional integrity during the planning, execution and drafting phases of the report.

7. For quality assurance purposes, and in accordance with article 11.2 of the statute of the Unit, the draft report underwent an internal peer review to assess the recommendations against the collective wisdom of the Unit. The revised draft was subsequently circulated to the JIU participating organizations for the correction of any factual inaccuracies and to solicit comments on the findings, conclusions and recommendations. All comments received were duly considered in finalizing the report; however, the final responsibility for the content rests solely with the authors.

[1] JIU/REP/69/2, JIU/REP/74/7, JIU/NOTE/78/1, JIU/REP/90/3, JIU/REP/2002/3 and JIU/REP/2010/7.

8. The review comprises two outputs: (a) the present report, containing a cross-organizational analysis of existing policies and practices regarding the determination and structure of programme support cost rates, available in the six official languages of the United Nations; and (b) the comparative tables, issued under the symbol JIU/REP/2025/4 [Expanded report], which is a compilation of inputs from participating organizations and is intended as a reference document for delegates and other stakeholders on this topic, available in English only.

9. The present report contains three formal recommendations, two of which are addressed to the legislative organs and governing bodies and the other to the executive heads of the participating organizations. The formal recommendations are complemented by seven informal recommendations.

10. Given the considerable diversity of policies and practices across the organizations, the Inspectors selected only the key elements for comparison across the organizations. Comparative data as received from organizations are provided in the expanded report (comparative tables), with reference to the content in the foreword. The Inspectors wish to express their appreciation to all those who contributed to the review.

II. Definitions, policies and methodology for determining programme support cost rates

A. Definitions and policies

11. As in the most recent JIU review of budgeting in organizations of the United Nations system,[2] the Inspectors observed very diverse policies and practices among the organizations of the United Nations system. The diversity has grown over the years (especially from the times when a programme support cost rate of 13 per cent[3] was applied nearly universally), which is a reflection of various factors, first and foremost being the differences in business models and funding sources.

12. Several organizations of the United Nations system use similar terminology when discussing programme support costs. Common terms like "cost recovery", "indirect costs" and "administrative charges" are often applied. Despite the similarities in terminology, there is no common definition of programme support costs accepted across the United Nations system. Each organization interprets and applies the concept on the basis of its own budgetary practice, financial rules and regulations and operational needs.

13. Although the definition of programme support costs varies among organizations, almost all include a reference to the concept of a charge levied on programme costs for services that cannot be easily (unequivocally or directly) associated with or attributed to a specific activity to be funded by voluntary contributions.

14. In essence, programme support costs act as a mechanism to ensure that an organization's regular budget resources used for providing programme support to activities funded through voluntary non-core (earmarked) contributions are reimbursed. Consequently, programme support costs facilitate the appropriate and fair allocation of costs between different sources of funding and across projects and donors for services provided. While the exact way in which programme support costs are calculated and applied may differ among organizations, depending on funding models, donor agreements and internal policies, the driving principle is the same: to ensure the sustainability of the organization without diverting resources from assessed contributions (or regular resources for those organizations that do not receive assessed contributions) to implement activities or projects funded by donors.

15. The topic of programme support costs is usually governed by each organization's financial regulations and rules, but many organizations[4] also have stand-alone policy documents regulating programme support costs (and/or cost recovery in general). Some of these policy documents are even used across several organizations, for example, the "Joint comprehensive proposal on the cost recovery policy" (DP/FPA-ICEF-UNW/2020/1), harmonized between the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) (reviewed in document DP/FPA-ICEF-UNW/2024/1), and United Nations Secretariat administrative instruction ST/AI/286 on programme support accounts, supplemented by guidelines dated 7 April 2025. In several cases, there are also legislative and supplementary frameworks, such as resolutions, administrative instructions and explanatory notes, supporting the policy documents.

[2] JIU/REP/2024/3 (Part I), paras. 29 and 30.

[3] Approved first by the UNDP Governing Council in its decision 80/44 of 27 June 1980 and then – on the recommendation of the Advisory Committee on Administrative and Budgetary Questions – by the General Assembly of the United Nations in its resolution 35/217 of 17 December 1980.

[4] Including the United Nations, FAO, IAEA, ICAO, IMO, UNAIDS, UNDP, UNEP, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UNODC, UN-Women and WMO.

16. The Inspectors share the opinion of several organizations, expressed during the review, that having a dedicated policy enhances transparency and facilitates smoother communication within the secretariats and with governing bodies and donors, by providing a clear, consistent basis for the determination of programme support cost rates and related cost-recovery practices.

17. The following recommendation is intended to promote the dissemination of good/best practices.

Recommendation 1

The legislative organs and governing bodies of the JIU participating organizations that have not yet done so should, by the end of 2028, consider the adoption of a stand-alone policy document regulating programme support costs and/or cost recovery and request the executive heads to submit proposals for this purpose.

18. When planning financial strategies and budgets, organizations often choose between two main cost-recovery models: full cost recovery, and incremental cost recovery. Each method has its own implications, advantages and challenges depending on organizational structure, funding sources and strategic goals.

19. To understand the implications, it is necessary to comprehend the meaning of each approach. Under full cost recovery, the charges cover all costs associated with delivering a service or project. They include both direct costs, such as staff time and materials, and indirect costs, for example, administrative overheads, rent and information technology support. The full cost recovery approach helps organizations to avoid subsidizing one project with another's resources. Its key benefits include long-term financial sustainability, fair distribution of overheads, increased transparency and accountability, and improved donor understanding of service delivery costs.

20. Incremental cost recovery is based on additional or marginal costs incurred by launching a new activity. It assumes that existing operations and infrastructure can absorb the basic overheads. This model is useful for short-term decisions or evaluating one-off opportunities, offering a simpler and faster calculation process. It does, however, have risks, foremost among them being the underfunding of core operations and potential cross-subsidization between funding sources, if used regularly. Furthermore, it does not fully reflect the broader financial impact that a new activity may have on the organization.

21. The fundamental distinction between the two models is that full cost recovery addresses the total scope of expenses and supports strategic planning and sustainability, whereas incremental cost recovery targets only marginal costs and suits agile, short-term decisions. The choice between the two models depends on organizational priorities, the nature of donor contributions and the level of financial details required.

22. As seen from the information contained in table 1 of the expanded report (comparative tables), most JIU participating organizations[5] apply a full cost-recovery model, while some others[6] practice an incremental cost recovery model, with at least one[7] using a combination of both approaches.

[5] The United Nations and affiliated entities, FAO, IAEA, ICAO, IMO, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UNOPS, UN-Women, WFP, WHO and WIPO.

[6] UNAIDS, UNRWA, UN Tourism, UPU and WMO.

[7] ILO.

23. An illustration of the diversity of basic policies governing programme support costs is provided in table 1.

Table 1
Overview of funding models, proportion of voluntary non-core (earmarked) contributions and programme support cost arrangements

Organization	*Established funding model*	*Percentage of voluntary non-core (earmarked) contributions in total revenue (2023)*[a]	*Primary activity associated with programme support costs*	*Cost-recovery model (full or incremental)*[b]	*Existence of stand-alone programme support cost or cost-recovery policy*[c]
United Nations, including peacekeeping	Assessed contributions	23	Programme delivery	Full	Yes
FAO	Assessed contributions	76	Development/technical cooperation	Full	Yes
IAEA	Assessed contributions	40	Development/technical cooperation	Full	Yes
ICAO	Assessed contributions	52	Development/technical cooperation	Full	Yes
ILO	Assessed contributions	43	Development/technical cooperation	Full and incremental	No
IMO	Assessed contributions	21	Development/technical cooperation	Full	Yes
ITC	Assessed contributions	68	Programme delivery	Full	n/a[d]
ITU	Assessed contributions	10	Development/technical cooperation	n/a	No
UNAIDS	Voluntary contributions	27	Development/technical cooperation	Incremental	Yes
UNCTAD	Assessed contributions	n/a	Programme delivery	Full	n/a[d]
UNDP	Voluntary contributions	81	Development/technical cooperation	Full	Yes
UNEP	Voluntary contributions	59	Development/technical cooperation	Full	Yes
UNESCO	Assessed contributions	38	Development/technical cooperation	Full	Yes
UNFPA	Voluntary contributions	65	Development/technical cooperation	Full	Yes
UN-Habitat	Voluntary contributions	75	Development/technical cooperation	Full	n/a[d]
UNHCR	Voluntary contributions	84	Humanitarian	Full	Yes

Organization	*Established funding model*	*Percentage of voluntary non-core (earmarked) contributions in total revenue (2023)*[a]	*Primary activity associated with programme support costs*	*Cost-recovery model (full or incremental)*[b]	*Existence of stand-alone programme support cost or cost-recovery policy*[c]
UNICEF	Voluntary contributions	80	Development/technical cooperation	Full	Yes
UNIDO	Assessed contributions	70	Development/technical cooperation	Full	Yes
UNODC	Assessed contributions	79	Development/technical cooperation	Full	Yes
UNOPS	Fees	–	Development/technical cooperation	Full	Yes
UNRWA	Voluntary contributions	48	Humanitarian	Incremental	Yes
UN Tourism	Assessed contributions	35	Development/technical cooperation	Incremental	No
UN-Women	Voluntary contributions	77	Development/technical cooperation	Full	Yes
UPU	Assessed contributions	35	Development/technical cooperation	Incremental	No
WFP	Voluntary contributions	89	Humanitarian	Full	No
WHO	Assessed contributions	77	Development/technical cooperation	Full	Yes
WIPO	Assessed contributions and fees	2	Development/technical cooperation	Full	Yes
WMO	Assessed contributions	26	Development/technical cooperation	Incremental	Yes

Source: Prepared by JIU (2025).

[a] Calculated on the basis of the data contained in the note by the Secretary-General on the budgetary and financial situation of the organizations of the United Nations system (see A/79/494, table 2).

[b] See JIU/REP/2025/4 [Expanded report], table 1, column 1.5.

[c] Ibid., table 1, column 1.4.

[d] United Nations policy is applied.

24. Observations of the Inspectors with respect to the link between sources of funding and the size of the programme support cost rates are contained in chapter III, section A below.

B. Methodology for determining programme support cost rates, including the baseline

25. As presented in tables 2, 3 and 4 of the expanded report (comparative tables), the programme support cost charge is levied in a form of a fixed percentage applied to the relevant baseline.

26. For most organizations,[8] the baseline is represented by the direct costs, or direct expenditures under trust funds, including commitments. Several others[9] use the total voluntary contributions as the baseline, while one organization has moved to a direct cost approach under a revised cost-recovery policy but retains some residual practice from previous years, in which a percentage was charged on voluntary contributions.[10]

27. According to the information contained in table 2 of the expanded report (comparative tables), during the period 2019–2023, the baseline – that is, the absolute amount to which programme support cost rates were applied – increased in approximately half of the organizations,[11] while in several others[12] the baseline fluctuated around approximately the same amount; the baseline thus generally followed the dynamics of voluntary contributions and/or of their non-core (earmarked) part.[13]

28. From published materials[14] and interviews, the Inspectors note that the difference between direct and indirect costs is determined by individual organizations taking into account their respective business model and accounting practices. Components included in calculations of programme support costs generally cover a wide range of indirect costs, such as those relating to administrative support, financial management, information technology infrastructure, legal services, procurement and oversight functions.

29. Some of the variations in existing practices are reflected in table 2.

[8] United Nations, ILO, IMO, UNAIDS, UNDP, UNEP, UNESCO, UNFPA, UNHCR, UNODC, UNOPS, UNRWA, WHO and WMO.

[9] UNICEF, UNIDO, UN Tourism, UN-Women, UPU and WFP.

[10] ICAO, whose revised cost-recovery policy was approved in November 2023.

[11] United Nations, ICAO, ILO, ITC, UNAIDS, UNDP, UNEP, UNESCO, UNFPA, UNIDO, UNODC, UPU and WHO.

[12] IAEA, UNHCR, UNICEF, UNOPS, UNRWA, UN-Women, WIPO and WMO.

[13] See, for example, JIU/REP/2024/3 (Part I), para. 95.

[14] See, for example, Eduardo Missoni and Daniele Alesani, *Management of International Institutions and NGOs: Insights for Global Leaders*, 2nd ed. (New York, Routledge, 2024), sect. 7.4.4, p. 182.

Table 2
Support functions or services covered by programme support costs

Organization	*Executive direction and management/ strategic planning*	*Human resources*	*Accounting, finance and budget*	*Facilities management*	*Information and communications technology*	*Legal*	*Procurement*	*Oversight/audit, investigation and evaluation*	*Outreach/external relations/resource mobilization*	*Others (as specified)*
United Nations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
FAO	Yes							Yes		
IAEA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
ICAO		Yes	Yes		Yes	Yes	Yes		Yes	
ILO		Yes	Yes		Yes		Yes	Yes		
IMO		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
ITC						See United Nations				
ITU		Yes	Yes		Yes	Yes	Yes	Yes	Yes	
UNAIDS						Not provided				
UNCTAD						See United Nations				
UNDP	Yes	Yes	Yes		Yes	Yes		Yes	Yes	Security
UNEP						See United Nations				
UNESCO	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes (resource mobilization)	Ethics
UNFPA	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Security
UN-Habitat						See United Nations				
UNHCR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
UNICEF	Yes	Yes	Yes		Yes	Yes		Yes	Yes	Security
UNIDO	Yes						Yes	Yes		
UNODC		Yes	Yes	Yes	Yes	Yes	Yes			
UNOPS[a]	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	All other costs[b]

Organization	*Executive direction and management/ strategic planning*	*Human resources*	*Accounting, finance and budget*	*Facilities management*	*Information and communications technology*	*Legal*	*Procurement*	*Oversight/audit, investigation and evaluation*	*Outreach/external relations/resource mobilization*	*Others (as specified)*
UNRWA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
UN Tourism		Yes	Yes			Yes				Any other functions as considered by management
UN-Women					Yes			Yes		Security
UPU		Yes	Yes		Yes	Yes			Yes	
WFP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
WHO	Yes		Yes	Yes				Yes	Yes	
WIPO		Yes	Yes	Yes	Yes		Yes			
WMO	Yes	Yes	Yes	Yes	Yes	Yes	Yes		Yes	

Source: JIU, from information contained in the expanded report (comparative tables), table 1, column 1.1.

[a] Charged as a fee.

[b] In accordance with the indirect cost definition of the Finance and Budget Network of CEB, including security.

30. The Inspectors note that one positive impact of the growth of voluntary funding lies in the fact that it allows for better identification of direct costs chargeable to donors (see also paras. 56 and 57 below).[15]

31. The Inspectors also recall two opinions – in favour of and against – the wider application of direct charging, reflected, inter alia, in the 2010 JIU report on trust funds,[16] and the same being echoed in several interviews during the current review. For example, the approach in favour detailed, inter alia, in the harmonized policy of New York-headquartered funds and programmes[17] was reaffirmed by representatives of the executive management of the relevant organizations. UNDP confirmed that its policy encourages maximum direct charging where appropriate, and UNICEF explained that the more granular and accurate the identification of direct costs, the more fairly the indirect cost rates can be applied. On the other hand, at least one organization, the United Nations Industrial Development Organization (UNIDO), argued that the transparency in cost-recovery arrangements should discourage low rates with the trade-off of "hidden" direct costs.

32. The Inspectors also note that organizations apply different techniques of "directization" of costs, including service charges for specific administrative services, based on standard costing (e.g. of hiring a staff member), and bundled charges, calculated on the basis of generic cost drivers expressive of the intensity of effort dedicated to the extrabudgetary activity (generally applied to costs of human resources, information technology, security,[18] etc., related to post occupancy).[19]

33. In this regard, the Inspectors recall an observation made at the thirty-first session of the Finance and Budget Network of the United Nations System Chief Executives Board for Coordination (CEB), where the Network took note of the approach of the Food and Agriculture Organization of the United Nations (FAO) to building support costs into project budgets at the unit price level. It was observed that the approach could be particularly relevant for organizations with relatively small extrabudgetary programmes, as percentage-based recoveries on small budgets might not be sufficient to fully cover support costs.[20]

34. **With the current challenges relating to the funding of organizations of the United Nations system in mind, the Inspectors see an additional argument in favour of the full recovery of direct costs. In this regard, the Inspectors suggest that at every stage, from planning and negotiation with donors to project implementation and reporting, direct costs be fully identified and reimbursed.**

35. As shown in table 3 and other tables of the expanded report (comparative tables), only some of the JIU participating organizations[21] have a single, flat nominal programme support cost rate, while others use multiple regularized differentiated rates, usually referred to as preferential, reduced or discounted.

36. The latter rates are based on various criteria, including the type of activity (such as South-South cooperation), the type of partner (for example, the transfer of resources from one United Nations entity to another, or pooled funds) and the type of donor (such as the Financial and Administrative Framework Agreement with the European Union ("FAFA"), international financial institutions and vertical funds). Taking into account additional waivers or exceptions (see chap. IV, sect. A below),

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[15] Missoni and Alesani, *Management of International Institutions and NGOs*, sect. 7.4.2, p. 178.
[16] JIU/REP/2010/7, para. 61.
[17] DP/FPA-ICEF-UNW/2024/1, paras. 9, 22 and 23.
[18] Referred to in table 2 above.
[19] Missoni and Alesani, *Management of International Institutions and NGOs*, sect. 7.4.4, pp. 182 and 183.
[20] See conclusions of the thirty-first meeting of the Finance and Budget Network, August 2018 (CEB/2018/HLCM/FB/5), para. 76.
[21] For example, ITU.

actual rates of programme support costs normally tend to be lower than nominal. For more detail regarding the diversity of rates, see chapter III, section A below.

37. The Inspectors observed that the determination of programme support cost rates in many organizations is not based on actual costs, which are periodically claimed to be higher than the rates of reimbursement and are estimated by, inter alia, using “time-clocking”, also referred to as “time attribution” or “time sheet recording” (of how much time is spent on tasks). The main reason for not using actual costs, as mentioned during interviews, is the excessive additional workload. The Inspectors understand that the whole process of determining programme support cost rates is to a great extent “market driven” and highly dependent on negotiations with donors.

38. Several common concerns were cited by organizations as reasons for donor reluctance to fund programme support costs (see expanded report (comparative tables), table 3.2, column 3.5). The most frequently mentioned issue, reported by 11 participating organizations,[22] was the comparison with lower programme support cost rates applied by other United Nations entities or external stakeholders, often coupled with a general desire by donors to negotiate lower rates or request discounts. This situation reflects the ongoing pressure on organizations to align their programme support cost rates with perceived benchmarks, even when their cost structures, service delivery models or mandates differ.

39. Another frequently cited issue, identified by seven organizations,[23] relates to persistent misunderstandings or lack of awareness among donors regarding the nature and function of programme support costs. These misunderstandings include confusion between direct and indirect costs, perceptions of double charging when both are applied and limited awareness of what programme support costs actually cover. Some donors have also expressed concerns about transparency and accountability, requesting detailed justifications or cost breakdowns prior to agreeing to fund such costs. These concerns are often compounded by a lack of perceived benefit in covering programme support costs, with some donors suggesting that such expenditures should be absorbed by the organization’s regular budget or institutional capacity.

40. In addition, eight organizations[24] reported that legal or regulatory constraints – such as national legislation, internal governance rules or donor-specific policies – can limit the ability of donors to fully fund programme support costs. Five organizations[25] also noted a general donor preference for maximizing direct programme expenditures, with an implicit view that administrative or support costs should be minimized.

41. The Inspectors note a good practice of outreach to donors, with the purpose of improving communication and building trust. Examples are the cost-recovery policy booklet for donors developed by FAO, and the two-page note by the United Nations Office for Project Services (UNOPS) on its fee-setting approach.

42. The Inspectors propose the following recommendation to enhance transparency and accountability.

Recommendation 2

The executive heads of the JIU participating organizations that have not yet done so should, by the end of 2027, make policy documents relating to programme support costs (and/or cost recovery in general) publicly accessible on their websites.

[22] United Nations, UNDP, UNESCO, UNFPA, UNHCR, UNODC, UNRWA, UN Tourism, WFP, WHO and WMO.
[23] ITU, UNESCO, UNFPA, UNHCR, UNIDO, UN Tourism and UN-Women.
[24] United Nations, UNDP, UNFPA, UNHCR, UNODC, UNRWA, WHO and WMO.
[25] IMO, UNDP, UN-Women, UPU and WMO.

43. Table 3.4 of the expanded report (comparative tables) presents information related to costs charged on in-kind contributions, and pass-through arrangements. Most organizations do not apply programme support costs to in-kind contributions. The main reason is that in-kind contributions typically do not create additional administrative or operational costs. When costs do arise, they are usually treated as direct expenses and are managed in coordination with partners. The exception to this is that UNICEF, UN-Women and the World Food Programme (WFP) do apply programme support costs to in-kind contributions. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the International Civil Aviation Organization (ICAO) take a more selective approach, applying programme support costs depending on the nature of the contribution and the level of administrative effort required. UNOPS and UNIDO also indicated that programme support costs may be charged if indirect costs are incurred or if deemed appropriate.

44. When it comes to pass-through arrangements – where an organization transfers funds without directly implementing activities – the policies vary more widely. Many entities, including the United Nations Secretariat, the United Nations Office on Drugs and Crime (UNODC), UNFPA, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Office of the United Nations High Commissioner for Refugees (UNHCR), WFP and the World Health Organization (WHO), apply a small administrative fee to cover the costs of financial oversight and reporting, which is in line with the administrative fee approved by the United Nations Sustainable Development Group for pass-through arrangements. In contrast, UNDP and FAO generally do not charge programme support costs for pass-through arrangements, especially when they involve other United Nations system organizations.

45. Some organizations, like the Universal Postal Union (UPU) and UNOPS, apply programme support costs selectively based on whether additional services are provided beyond fund transfer. UNRWA also adjusts its programme support costs on the basis of the level of administrative involvement, with the possibility of waivers or reductions when minimal effort is required. Meanwhile, entities such as the Joint United Nations Programme on HIV/AIDS (UNAIDS), the International Atomic Energy Agency (IAEA) and the United Nations Environment Programme (UNEP) either do not engage in pass-through arrangements or do not apply programme support costs to them.

46. While there is broad consensus among organizations on exempting in-kind contributions from programme support costs, the application of programme support costs to pass-through arrangements is more nuanced. Organizations aim to strike a balance between recovering costs and maintaining fairness and transparency, tailoring their policies to the nature of the contribution and the services provided.

47. Many United Nations system organizations benchmark their programme support cost rates against other United Nations entities and, in some cases, non-United Nations organizations. This benchmarking is conducted through a variety of formal and informal mechanisms, reflecting the diversity of mandates, operational models and funding structures across the system. However, not all organizations compare their programme support cost rates, alluding to differing operational models, inefficiencies in comparison and the complexity of aligning diverse financial frameworks.

48. In summary, although benchmarking practices vary in scope and methodology, there is a trend among many United Nations organizations towards harmonization and alignment of programme support cost rates, driven by both internal policy reviews and external stakeholder expectations.

49. The Inspectors acknowledge that complete alignment of programme support costs and cost-recovery policies may not be possible across the system, considering

the differences in core functions and/or types of activity, as well as in the methodologies applied; however, coherence and harmonization of definitions, policies and practices could be strengthened. The Inspectors propose the following recommendation to achieve this.

Recommendation 3

The legislative organs and governing bodies of the JIU participating organizations that have not yet done so should request the executive heads to submit proposals by the end of 2028 to incorporate into their programme support cost and/or cost-recovery policies a clear definition of direct and indirect costs (including a detailed description of the components comprising each category); explicit reference to the provisions outlined in the financial regulations and rules; and, where applicable, the inclusion of any established preferential, reduced or discounted rates.

III. Programme support cost rates, projected and actual income and expenditure, level of cost recovery, realistic budgeting of income and expenditure, and use of reserves

A. Programme support cost rates

50. The differences in policies and practices among organizations of the United Nations system result in a diversity in the programme support cost rates that are applied by each organization (which is best seen in table 4 of the expanded report (comparative tables)).

51. Regarding nominal (i.e. standard or official) programme support cost rates, a 13 per cent figure continues to be applied by the United Nations and another 10 JIU participating organizations.[26] For the United Nations, the 13 per cent figure is a gross value, representing the total cumulative programme support costs charged, inclusive of the indirect costs of the implementing partners. The rates used by other organizations are as follows:

- 5–13 per cent in the International Maritime Organization (IMO)
- 11 per cent in UNRWA
- 7–10 per cent in ICAO
- 7–9 per cent in UNESCO
- 8 per cent in UNDP, UNFPA, UNICEF and UN-Women
- 7 per cent in FAO, IAEA, the International Telecommunication Union (ITU) and the World Tourism Organization (UN Tourism)
- 6.5 per cent in UNHCR and WFP
- The equivalent of a 5.1 per cent rate in UNOPS, which charges for its services.

52. With respect to regularized preferential, reduced or discounted rates, the Inspectors noted, on the basis of the information contained in tables 3 and 4 of the expanded report (comparative tables), that a 7 per cent rate is commonly used. It is applied in cases involving the transfer of resources from one United Nations entity to another and in arrangements with the European Union, multi-partner trust funds, the Global Fund to Fight AIDS, Tuberculosis and Malaria and similar partners.

53. Actual programme support cost rates (which reflect what is effectively reimbursed) differ from nominal rates. For example, according to the information contained in table 4 of the expanded report (comparative tables), weighted average rates (based on the amounts of revenue) for individual years during the period 2019–2023 were as follows:

- 4.2–13.5 per cent in UN Tourism
- 12.0–12.2 per cent in the World Intellectual Property Organization (WIPO)
- 12.0 per cent in the World Meteorological Organization (WMO)
- 9.0–10.0 per cent in the United Nations, the International Labour Organization (ILO), the International Trade Centre (ITC), UNEP and UNIDO
- 6.8–9.3 per cent in UNODC

[26] ILO, ITC, ITU, UNCTAD, UNIDO, UNODC, UPU, WHO, WIPO (with some rates lower) and WMO (for technical cooperation/capacity development activities).

- 6.0–9.3 per cent in UNAIDS
- 8.0 or 9.0 per cent in the United Nations Human Settlements Programme (UN-Habitat)
- 6.9–8.8 per cent in UN-Women
- 7.2–8.5 per cent in WHO
- 7.2–7.4 per cent in UNFPA
- 6.8–7.1 per cent in UNICEF
- 7.0 per cent in IMO
- 6.3–7.0 per cent in FAO
- 6.1–6.4 per cent in WFP
- 6.0–6.4 per cent in UNDP
- 4.0–6.4 per cent in IAEA
- 6.0–6.3 per cent in UNHCR
- 3.0–6.0 per cent in ITU
- The equivalent of 3.6–4.8 per cent in UNOPS.

54. There are numerous factors determining and explaining this variety of actual rates. In addition to differences in the baseline in the implementation of full cost recovery and donor limitations (referred to in chap. II above), there are other factors that contribute to the diversity, including the type of funding (share of voluntary non-core (earmarked) contributions); the type of activity (for example, development vis-à-vis humanitarian assistance); the size of the contribution; waivers and exceptions; and differences in enterprise resource planning systems and in stages of introduction of programme support cost policies (or changes to them).

55. Regarding the type of funding, according to the CEB statistics for 2023[27] already referred to above (see table 1), the share of voluntary non-core (earmarked) contributions in total revenue varied as follows:

- 0 per cent in UNOPS
- 2 per cent in WIPO
- 10 per cent in ITU
- 21 per cent in IMO
- 23 per cent in the United Nations
- 26 per cent in WMO
- 27 per cent in UNAIDS
- 35 per cent in UN Tourism and UPU
- 38 per cent in UNESCO
- 43 per cent in ILO
- 48 per cent in UNRWA
- 52 per cent in ICAO

[27] A/79/494, table 2.

- 59 per cent in UNEP
- 65 per cent in UNFPA
- 68 per cent in ITC
- 70 per cent in UNIDO
- 71 per cent in WHO[28]
- 75 per cent in UN-Habitat
- 76 per cent in FAO
- 77 per cent in UN-Women
- 80 per cent in UNICEF
- 81 per cent in UNDP
- 84 per cent in UNHCR
- 89 per cent in WFP.

56. From a comparison of data contained in paragraphs 51, 53 and 55 above, the Inspectors note that organizations with a low share of voluntary non-core (earmarked) contributions in total revenue may exercise flexibility regarding the level of rates they charge. The Inspectors also observe that organizations that have a higher proportion of voluntary non-core (earmarked) contributions in their total revenue generally have lower programme support cost rates.

57. In the view of the Inspectors, this may be explained by several factors. They include lower actual programme support expenditure because of low-cost business models (such as cash assistance in WFP and UNHCR), and economies of scale on sizeable projects allowing, for example, UNDP to provide decreased programme support cost rates on projects with budgets of at least $50 million a year, and FAO for projects with total budgets of $100 million and above.

58. In contrast, with respect to the size of the projects, there are precedents of some of the smallest projects being charged at low or even zero rates.[29] There are also some examples when rates reflect the complexity of the projects.[30]

59. Most of the organizations do not have programme support cost rates differentiated by different high-level types of activities, such as standard-setting or technical assistance. This, in the view of the Inspectors, may be explained by the fact that the “main” nominal rate incorporates an average compensation for a particular mix of functions. There are, however, other precedents: for example, UNICEF generally applies 8 per cent for development and reduced rates for humanitarian projects (emergency contributions), and UN-Women and WHO also offer reduced rates for emergency activities/humanitarian funds.

[28] According to the audited financial statements for the year ended 31 December 2023 (WHO document A77/20), pp. 14 and 15.

[29] For example, IAEA does not charge programme support costs on extrabudgetary contributions of €10,000 or less. UNESCO has a policy that allows small contributions – primarily those below $250,000 – to be received without charging programme support costs, where no narrative or financial reports are requested by the donor. UNDP applies a 4 per cent rate to small grants ranging from $5,000 to $50,000 under the Global Environment Facility Small Grants Programme.

[30] For example, in ICAO, a capacity-building and implementation support projects administrative fee is charged as a pre-agreed percentage with the contributing party based on the complexity and size of the project. UNOPS has a fee-setting algorithm that allows rates to be set on the basis of the size and the complexity of an agreement. The WMO rates are based on United Nations system practice as well as the expected complexity of project implementation.

60. The Inspectors recall a previous JIU recommendation requesting revitalization of the inter-agency work on the harmonization of the cost-recovery policy, which "should include an unambiguous rule on the programme support cost rate and the categories of costs to be charged directly to the programmes".[31]

61. Although it appears – taking into account the experience over the years – not very realistic and not very justified to aim for a single programme support cost rate for the United Nations system (because of the numerous differences listed above, starting with different types of baselines to which the rates are applied), the Inspectors share the views expressed during the review by representatives of the executive management of some of the participating organizations that increased cooperation is possible and achievable in several domains.

62. The Inspectors suggest that, like in budgeting,[32] more can be done in terms of agreeing to both mutually understandable and/or interchangeable terminology, and even to a more common classification of costs. They also suggest that an increased exchange of good practices could be useful, especially for those organizations that may have limitations in terms of size and capacity. Last but not least, in the view of the Inspectors, the harmonization of policies and practices, including levels of programme support cost rates, may be feasible for groups of similar organizations in terms of size, business models and sources of funding. **In this regard, the Inspectors suggest following the good examples of coordination of policies between New York-headquartered funds and programmes and also of similar programme support cost rates apparently charged by such humanitarian agencies as UNHCR and WFP.**

63. More information on inter-agency cooperation is provided in chapter IV, section B below.

B. Projected or budgeted programme support income and expenditure

64. According to the information contained in table 5 of the expanded report (comparative tables), in most of voluntary-funded developmental and humanitarian organizations (UNDP, UNFPA, UNHCR, UNICEF, UNRWA, UN-Women and WFP) as well as in some specialized agencies, such as FAO, ITU, UNIDO, UPU and WIPO, programme support resources constitute part of the regular budget (or equivalent). In the United Nations and some other organizations,[33] the programme support revenue is shown separately. The latter practice is also frequently linked to the use of programme support costs-related special accounts, funds or reserves (see sect. F below).

65. **The Inspectors suggest that whatever method is chosen for the budgeting of revenue and expenditure related to programme support costs, the legislative organs and/or governing bodies, as well as executive heads, should periodically satisfy themselves that they have visibility, ownership and oversight of this process.**

66. Regarding presentation, the Inspectors recall that the Advisory Committee on Administrative and Budgetary Questions recommended to the General Assembly, in the context of the programme budget of the United Nations, to request the Secretary-General to present the projected cost-recovery information, by type and service, separately from extrabudgetary contributions, along with consolidated overall figures, while also disaggregating the information, including the programme support costs, by budget section, level of posts/positions and funding sources, as well as the

[31] JIU/REP/2010/7, recommendation 6.

[32] See, for example, JIU/REP/2024/3 (Part I), recommendations 1 and 2.

[33] Such as IMO, UNAIDS, UNEP, UNESCO, UN-Habitat, UNODC, UN Tourism, WHO and WMO.

investments projected in the supplementary information of future budget submissions.[34]

67. Programme support income is collected up front (before project implementation) in seven organizations[35] and afterwards (after implementation) in another 18 entities.[36] The Inspectors also note that the financial regulations and rules allow, and in many cases require, an advance provision of cash from donors before the start of projects funded through voluntary contributions (and especially through non-core (earmarked) ones). **The Inspectors consider the practice of cash up front to be a prudent one, especially in the current period of increased financial challenges, and suggest that it be followed.**

68. Following the growth of the baseline (referred to above), projected or budgeted revenue and expenditure related to programme support costs generally increased in the period 2019–2023, although the situation in individual organizations differed significantly.

69. On the one hand, UNDP, UNFPA, UNICEF and UN-Women, as well as FAO, which applied one figure for both income and revenue indicators,[37] estimated steady growth for this period. For example, in the case of UNDP, projected income increased from $240.7 million to $274.2 million. WFP forecasted an increase in income from $409 million to $630 million and expenditure from $454.4 million to $626.7 million. WHO estimated growth in the relevant revenue from $180 million to $198 million and expenditure from $210 million to $347 million. The United Nations projected or budgeted for an increase in programme support cost income from $113.9 million to $163.1 million and expenditure from $110.7 million to $152.1 million.

70. On the other hand, organizations such as IAEA, ICAO, ILO, ITC, ITU, UNEP, UN-Habitat, UNIDO, UNODC and UNRWA projected fluctuations of income and expenditure between individual years.

71. The accuracy of projections of the programme support revenue and expenditure is referred to in section E below.

C. Actual programme support income and expenditure

72. According to the information contained in table 6 of the expanded report (comparative tables), between 2019 and 2023 both programme support income and expenditure had a general tendency to increase, although the situation differed considerably between organizations.

73. Steady growth in actual programme support income was witnessed in UNICEF (from $311.8 million to $496.6 million), WHO (from $183 million to $274.6 million), UNDP (from $240 million to $259 million), UNFPA (from $52.3 million to $74.9 million), ILO (from $30.3 million to $51.6 million), UNAIDS (from $3.2 million to $4.9 million) and WMO (from SwF 2.1 million to SwF 2.7 million). In all other organizations, annual figures of the programme support income fluctuated.

74. On the side of actual expenditure under programme support costs, the situation in the period 2019–2023 was even more diverse, with a trend of steady growth only in UNDP (from $256 million to $386 million), the United Nations (from

[34] A/79/7, para. 78.
[35] UNEP, UNHCR, UNICEF, UN-Women, UPU, WFP and WIPO.
[36] United Nations, FAO, IAEA, ICAO, ILO, IMO, ITC, ITU, UNDP, UNAIDS, UNESCO, UNFPA, UN-Habitat, UNODC, UNRWA, UN Tourism, WHO and WMO.
[37] Like IAEA, UNESCO, UNOPS, UPU and WIPO.

$107.1 million to $136.9 million), UNFPA (from $52.8 million to $74.9 million) and ITC (from $3.6 million to $9.7 million).

75. The Inspectors understand that dynamics of absolute amounts of programme support revenue (and of the related expense) are sometimes not precisely predictable, since they depend on different factors, starting with the size of earmarked (or non-core) contributions. On the other hand, the Inspectors also consider that there is further possibility for strengthening the fundraising functions, including that of budgets; ensuring realistic budgeting and ownership by the membership over activities and finances; and more predictable voluntary funding through multi-year contributions.

D. Level of cost recovery

76. As mentioned above, most, if not all, organizations do not measure the actual cost of programme support services. Instead, some organizations use different proxies, for example, to periodically assess the level of cross-subsidization between different sources of funding.[38]

77. For the present review, the Inspectors analysed the level of cost recovery by comparing programme support cost income (or revenue) with expenditures funded by it.

78. The data for the period 2019–2023 contained in table 7 of the expanded report (comparative tables) demonstrate that in most of the years both actual and projected (or budgeted) expenditure was lower than actual and projected (or budgeted) income (or revenue). When the situation differed in individual years, it was, in some instances, as a result of the use of special accounts, funds or reserves.

79. The Inspectors recall different recommendations regarding prudent and cautious approaches in the management of the programme support cost resources.[39] **The Inspectors suggest that organizations continue to exercise a prudent and cautious approach in the management of expenditures related to the programme support costs, allowing them to remain within existing resources.**

E. Realistic budgeting of programme support income and expenditure

80. From the data for the period 2019–2023 provided in table 8 of the expanded report (comparative tables), the Inspectors observe two interrelated general trends or patterns:

(a) Relatively more conservative budgeting of income in comparison with expenditure;

(b) Actual expenditure being closer to budgeted or projected expenditure in comparison with income (or revenue).

81. These general trends – which do not raise much of a concern – appear to be a result of different factors, including financial prudency both in planning and spending, additional fundraising efforts, limitations on accurate predictions of income from voluntary contributions together with the possibility of controlling expenditure, and the impact of programme support costs-related special accounts, funds or reserves.

[38] In the case of WHO see, for example, document EB154/33 Add.3 Rev.1, table 5, entitled "Amount of cross subsidization between assessed contributions and voluntary contributions (annual average for the period 2020–2022 in US$ million)".

[39] See, for example, E/CN.7/2009/14-E/CN.15/2009/24, para. 10.

F. Use of programme support costs-related special accounts, funds or reserves

82. From the information contained in table 6.3 of the expanded report (comparative tables), the Inspectors note that 12 organizations[40] use some kind of programme support costs-related special account, fund or reserve, where assets are accumulated to ensure the stable multi-year provision of programme support services. While in some of the agencies (such as IAEA and ICAO), opening and closing balances of assets appeared to fluctuate during the period 2019–2023 (which includes the coronavirus disease (COVID-19) pandemic), in the remaining 10 organizations these reserves generally grew. As a result of the annual programme support cost revenue being higher than the relevant annual expense, net programme support assets increased between the end of the year before the start of the 2019–2023 period (2018) and the end of 2023 in the following proportions:

- WHO: from $449.7 million to $874.7 million
- WFP: from $247.1 million to $401.5 million
- United Nations: from $125.8 million to $263.1 million
- ILO: from $80.3 million to $165.6 million[41]
- UNODC: from $59.9 million to $110.5 million
- UNESCO: from $38.1 million to $56.5 million
- UNEP: from $16.1 million to $39.9 million
- UN-Habitat: from $14.9 million to $18.6 million
- UN Tourism: from €590,900 to €837,800
- WMO: from SwF 3.8 million to SwF 8.9 million.

83. On a related issue, the Inspectors note that the Advisory Committee on Administrative and Budgetary Questions indicated in its report on the financial performance report on the programme budget for 2023 of the United Nations that the 10RCR (cost recovery) fund has an accumulated balance of $489,246,000, the majority of which, according to the Secretariat, is maintained as an operational reserve.[42]

84. While fully and consistently supporting the financial sustainability of the United Nations system, the Inspectors also recall previous JIU comments with respect to the noteworthy views of the CEB Working Group on Operational Reserves regarding the need for a dedicated policy document on reserves and for a regular review of any established reserve.[43]

85. For the sake of fairness, the Inspectors would also like to note that after the period 2019–2023 (which was taken as a base five-year period for practically all statistics used across the current review), dynamics of programme support revenues, expenses and carry-overs of unspent balances have been continuously changing, with upward trends sometimes replaced with downward figures for individual years. On a more general subject, one may note that the most recent challenges to funding of the

[40] United Nations, IAEA, ICAO, ILO, UNEP, UNESCO, UN-Habitat, UNODC, UN Tourism, WFP, WHO and WMO.

[41] See ILO financial reports and audited consolidated financial statements, appendix, additional unaudited information.

[42] A/79/312, para. 15.

[43] See JIU/REP/2024/3 (Part I), para. 113 (as well as other documents, such as A/79/312, para. 57).

organizations of the United Nations system are reflected in topics for potential follow-up studies, which are described below, in chapter IV, section C (para. 101).

86. On a separate issue, the Inspectors also recall that as part of prudent financial management of voluntary contributions activities and to prevent cross-subsidy by assessed funding, the special accounts for programme support costs have been either used or proposed to be used for funding of the share of the extrabudgetary operations in future large-scale corporate capital investment projects, such as the enterprise resource planning system of the United Nations (Umoja) or the global service delivery model,[44] as well as underfunded short- and long-term liabilities associated with operations funded from programme support costs and in extrabudgetary operations at large.

[44] See, for example, A/71/666, para. 24.

IV. Roles of different bodies, inter-agency cooperation and follow-up to the present review

A. Roles of different bodies

87. According to the information contained in table 9 of the expanded report (comparative tables), participating organizations demonstrate a range of governance models regarding the roles of governing bodies and executive management in the establishment, oversight and implementation of programme support cost policies.

88. Regarding the establishment and ownership of the programme support cost policies, either as stand-alone policies or as part of their financial regulations, arrangements across organizations within the United Nations system vary depending on each entity's governance structure and internal financial management frameworks.

89. In many organizations, governing bodies or legislative organs play a central role in establishing the overarching policy.[45] In other cases, executive leadership assumes ownership,[46] while several organizations delegate this responsibility to financial or administrative units.[47]

90. Beyond their role in policy establishment, governing bodies act as custodians of strategic direction and institutional accountability for programme support cost and cost-recovery frameworks. They endorse overarching regulations and/or policies, approve significant amendments and review programme budgets, including programme support cost components,[48] to ensure alignment with organizational goals.

91. Governing bodies also provide strategic oversight through regular reviews of financial performance, policy compliance and the effectiveness of cost-recovery mechanisms.[49] Transparency and accountability are upheld through mechanisms such as annual reports and performance reviews, enabling the membership to assess executive actions and verify that cost-recovery practices are implemented with integrity and fairness. In many organizations, this oversight extends to the monitoring and reporting of exceptions and waivers, as outlined below.

92. The responsibility for implementation of the policies rests with the executive management or relevant offices, depending on the organizational structure.

[45] For instance, the General Assembly of the United Nations set the foundation for the United Nations programme support cost policy through its resolution 35/217, with the Department of Management Strategy, Policy and Compliance responsible for its administration. Similarly, the governing bodies of FAO, the ICAO Council, the Executive Board and General Conference of UNESCO, the UPU Council of Administration and the WMO Executive Council are key actors in policy approval.

[46] The executive head is the policy owner in organizations such as IAEA, IMO, UNHCR and UNIDO.

[47] For example, the UNDP Bureau for Management Services, the UNICEF Strategic Resource Management Section and the UNFPA Division for Management Services are tasked with developing and overseeing the programme support cost policy. In the WFP framework, the Chief Financial Officer holds full ownership of the policy and is responsible for oversight of compliance.

[48] For example, the governing body of UNEP approves the programme of work and budget, including the funds for programme support costs.

[49] For example, the Executive Board of UNFPA provides strategic oversight and approves key financial frameworks, including the integrated budget and the joint cost-recovery policy harmonized among UNDP, UNFPA, UNICEF and UN-Women. It ensures alignment with organizational mandates, approves resource allocation systems and reviews financial performance, including waivers and cost-recovery rates, to maintain transparency and accountability. In WFP, the Executive Board sets the requirement to achieve full cost recovery and determines the specific policy on full cost recovery in relation to contributions.

This responsibility in most cases includes authorizing exceptions and waivers in line with approval policies.

93. Organizations also typically have mechanisms for reporting exceptions and waivers. For example, WFP reports the use of exceptions to its Executive Board on an annual basis; UNDP, UNFPA, UNICEF and UN-Women include waiver information in their annual reporting to governing bodies; and FAO has incorporated all exceptions into its published policy, thereby reducing the need for case-by-case reporting. In the United Nations, waiver approvals are tracked systematically in its enterprise resource planning system (Umoja) and are included in its financial reporting. Similarly, UNESCO ensures that exceptions are reflected in its annual programme implementation report presented to the Executive Board. These practices also contribute to strengthened transparency and accountability, despite differences in governance structures across organizations.

94. **Acknowledging the diversity in the ways that implementation of policies and practices related to the programme support costs are reported in different JIU participating organizations, the Inspectors suggest that the legislative organs and governing bodies periodically satisfy themselves that the information received is adequate.**

B. Inter-agency cooperation

95. Regarding inter-agency cooperation, a number of organizations expressed interest in enhancing comparability across the United Nations system as a whole, as well as in fostering closer coordination and possible alignment among organizations with similar mandates and business models, in particular in areas such as cost classification, rate-setting methodologies and reporting practices.

96. The harmonization efforts among UNDP, UNFPA, UNICEF and UN-Women were assessed positively. According to the relevant organizations, they have contributed to greater consistency and transparency across the four funds and programmes in cost classification, cost-recovery methodologies and rates, helping to streamline practices and reduce competition over cost-recovery arrangements. Further actions are already under way, including the presentation of a joint report on the implementation of the cost-recovery policy, covering the financial impact of differentiated rates and waivers.

97. According to UNFPA, as indicated in the expanded report (table 9.3, column 9.7 of the comparative tables), transparent, data-driven calculations, supported by regular policy reviews, help to ensure that rates remain effective and relevant. Similarly, UNICEF and UN-Women highlighted several good practices in determining cost-recovery rates, including clear definitions of indirect costs and their scope of recovery; a transparent, easily understood calculation methodology; regular rate reviews; benchmarking within the same sector; and active engagement with governing bodies and donors. They also noted that comparability should take into account not only recovery rates but also organizational size, complexity, funding structures, business models and mandates. These harmonized practices improve comparability, standardize reporting formats and foster collaboration, while also reducing competition for funding and promoting acceptance of common approaches.

98. There was also demand for the continuation or reactivation of information-sharing through the Finance and Budget Network of CEB. In this regard, some of the previous outputs of the Network were mentioned, including the 2022 definition of "enabling functions" for application in system-wide financial data standards for

financial reporting,[50] and the 2015 proposal for a harmonized cost-recovery rate for United Nations inter-agency pooled funds.[51]

99. **The Inspectors recall their view that the Finance and Budget Network should intensify efforts to make its final products more publicly accessible, so as to better serve member States (and other stakeholders, such as the social partners in ILO)[52] and suggest that this approach also be followed with respect to products related to programme support costs.**

100. The Inspectors also note a view expressed during the interviews that the Fiduciary Management Oversight Group (a standing subsidiary body of the United Nations Sustainable Development Group which provides fiduciary oversight on funding and management issues from legal, financial and operational perspectives, particularly in the context of pooled funding and inter-agency cooperation)[53] could serve as a forum for United Nations entities to discuss and share experiences aimed at harmonizing programme support cost policies and procedures. The Inspectors were also informed that the Finance and Budget Network has historically been the platform to discuss harmonizing programme support cost policies and procedures and is expected to continue to keep the issue of programme support cost policies on the Network's agenda, as and when required.

C. Follow-up to the present review

101. During the interviews, the JIU participating organizations were invited to share their views on potential follow-up studies to the present review, as well as to the review of budgeting in organizations of the United Nations system. Topics related to current fiscal and operational challenges emerged as the foremost area of interest. These included financial resilience; adaptability to funding constraints; harmonization of budgeting and financial practices, particularly in light of evolving funding landscapes; performance measurement; and liquidity management.

102. Regarding the periodicity of comprehensive reviews of the present topic, the Inspectors note that most participating organizations expressed a preference for a review cycle of approximately 10 years. The Inspectors also recall their view that such a cycle may provide the additional benefit of ensuring that each review is conducted by new authors.[54] Several organizations emphasized the importance of maintaining flexibility in the review cycle, suggesting that future reviews be scheduled in response to major reforms, shifts in funding models or emerging financial and operational challenges.

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[50] See CEB/2022/HLCM/FBN/7, paras. 142–150.

[51] See CEB/2015/HLCM/FB/16, paras. 15–19.

[52] JIU/REP/2024/3 (Part I), para. 185.

[53] United Nations Sustainable Development Group, *Management and Accountability Framework of the UN Development and Resident Coordinator System* (2021).

[54] JIU/REP/2024/3 (Part I), para. 188.

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Annex

Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit

			Participating organizations of the Joint Inspection Unit																										
ty		*Intended impact*	*United Nations*[a]	*UNAIDS*	*UNCTAD*	*ITC*	*UNDP*	*UNEP*	*UNFPA*	*UN-Habitat*	*UNHCR*	*UNICEF*	*UNODC*	*UNOPS*	*UNRWA*	*UN-Women*	*WFP*	*FAO*	*IAEA*	*ICAO*	*ILO*	*IMO*	*ITU*	*UNESCO*	*UNIDO*	*UN Tourism*	*UPU*	*WHO*	*WIPO*	*WMO*
Report	**For action**		☒	☒	☐	☐	☒	☒	☒	☒	☒	☒	☒	☐	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
	For information		☐	☐	☒	☒	☐	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 1		**b**															**L**				**L**		**L**			**L**	**L**			
Recommendation 2		**a**	**E**	**E**				**E**		**E**	**E**		**E**		**E**		**E**		**E**	**E**	**E**	**E**	**E**	**E**	**E**	**E**	**E**	**E**	**E**	**E**
Recommendation 3		**d**	**L**	**L**			**L**	**L**	**L**	**L**	**L**	**L**	**L**		**L**	**L**	**L**	**L**	**L**	**L**	**L**	**L**	**L**	**L**	**L**	**L**	**L**	**L**	**L**	**L**

Legend:
- **L**: Recommendation for decision by the legislative organ
- **E**: Recommendation for action by the executive head
- ▒ Recommendation does not require action by this organization

Intended impact:
a: Enhanced transparency and accountability; **b**: Dissemination of good/best practices; **c**: Enhanced coordination and cooperation; **d**: Strengthened coherence and harmonization; **e**: Enhanced control and compliance; **f**: Enhanced effectiveness; **g**: Significant financial savings; **h**: Enhanced efficiency; **i**: Other.

[a] As listed in ST/SGB/2015/3.