Joint Inspection Unit
of the United Nations System

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Review Highlights JIU/REP/2025/4
JIU/REP/2025/4 [Expanded report]
November 2025

REVIEW OF POLICIES AND PRACTICES FOR DETERMINING RATES OF PROGRAMME SUPPORT COSTS IN ORGANIZATIONS OF THE UNITED NATIONS SYSTEM (COMPARATIVE ANALYSIS)

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Background

This review 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, including the review of budgeting in the United Nations system (JIU/REP/2024/3 (Part I) and JIU/REP/2024/3 (Part II)).

Two JIU outputs were produced from this review: (a) a report (JIU/REP/2025/4), 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) comparative tables (JIU/REP/2025/4 [Expanded report]), which is a compilation of inputs from the JIU participating organizations and is intended as a reference document for delegates and other stakeholders on this topic, available in English only.

Objectives & Purpose

This system-wide review covering all 28 JIU participating organizations aims to provide legislative organs, governing bodies and executive heads of the participating organizations with an overview and assessment of how programme support cost rates are established, along with comparative information across organizations. It seeks to enhance understanding, transparency, efficiency and coherence across the system.

What the JIU found

1. There is no common definition of programme support costs across the United Nations system.

While definitions vary due to differences in business models, funding structures, budget frameworks and operational requirements, almost all refer to a charge levied on programme costs for services that cannot be easily (unequivocally or directly) attributed to a specific activity funded through voluntary non-core (earmarked) contributions.

2. Policies and methodologies differ across organizations.

Organizations share the objective of ensuring the financial sustainability without diverting assessed or regular resources to implement activities or projects funded by voluntary non-core (earmarked) contributions. However, specific policies and methodologies applied to determine the rates of programme support costs reflect organizational contexts and therefore differ across the system.

Most organizations have adopted stand-alone policy documents on programme support costs and/or cost-recovery, which enhances transparency and communication within secretariats and with governing bodies and donors. Those organizations without stand-alone policies should consider adopting one by the end of 2028 **(Recommendation 1)**.

In terms of models used, most organizations apply full cost recovery, while some use incremental cost recovery, or a blended approach. Baselines also vary: most apply programme support costs rates to direct costs, while others apply to total voluntary contributions. The Inspectors encourage organizations to fully identify and recover direct costs during planning, negotiation and implementation of projects.

The determination of programme support cost rates often reflects negotiation pressures with donors rather than actual indirect costs. Donor reluctance to fund programme support costs is frequently linked to: comparisons with lower rates applied by other entities, misunderstandings about what programme support costs cover, legal or regulatory constraints on the donor side, and donor preferences for direct programme spending.

The Inspectors encourage strengthened outreach and communication with donors to improve understanding, transparency and acceptance of programme support cost arrangements. In this regard, executive heads are encouraged to make their programme support cost or cost-recovery policy documents publicly available on their websites by the end of 2027 **(Recommendation 2)**.

Many organizations benchmark their programme support cost rates against those of other organizations, although benchmarking practices differ in scope and methodology.

The Inspectors note that full alignment across the system is unlikely, but recommend enhancing coherence and consistency in definitions, policies and practices by incorporating the following elements into their programme support cost and/or cost-recovery policies:

- a clear definition of direct and indirect costs, including detailed descriptions of the components under each category
- explicit reference to the relevant provisions of the financial regulations and rules, and
- where applicable, inclusion of any established preferential, reduced or discounted rates **(Recommendation 3)**.

3. Programme support cost rates vary across the United Nations system.

Nominal (standard or official) rates range from approximately 5 to 13 per cent, depending on type of cost recovery, baseline to which rates are applied, business models and donor arrangements. Actual (effective) rates are often lower, ranging from about 3 to 13.5 per cent in individual years between 2019 and 2023. This reflects multiple factors, including the type of funding, nature of activities carried out, project size, donor-specific agreements, as well as the application of waivers and exceptions. Organizations with a higher share of voluntary contributions tend to apply lower rates, influenced by economies of scale and low-cost business models.

The Inspectors note that a single programme support cost rate across the system is neither realistic nor justified. However, they encourage greater coherence and comparability among groups of organizations sharing similar size, funding sources and operational models, as demonstrated by the coordinated approaches of New York-based funds and programmes (i.e. UNDP, UNFPA, UNICEF and UN-Women) and the comparable rates applied by humanitarian agencies such as UNHCR and WFP.

4. Organizations budget programme support revenue and expenditure differently but manage available resources prudently.

In approximately half of the participating organizations, programme support cost resources constitute part of the regular budget (or equivalent), while in the others, programme support revenue is presented separately. The Inspectors consider that, whatever budgeting method is applied, governing bodies and executive heads should periodically satisfy themselves that they have adequate visibility, ownership and oversight of the process.

In most cases, actual programme support cost revenue exceeded related expenditures between 2019 and 2023, with several organizations using special accounts, funds or reserves to stabilize the multi-year provision of programme support services. The Inspectors suggest that a prudent and cautious approach to managing expenditures related to programme support costs be continued to ensure that organizations remain within existing resources.

On a related issue, the Inspectors express a view that the cash-upfront collection of voluntary contributions is a prudent practice, particularly in the current context of increased financial challenges, and suggest that it be followed.

5. Governance and oversight arrangements vary.

Roles of governing bodies and executive management differ across organizations. In some organizations, governing bodies establish overarching frameworks for programme support costs, while in others, executive management holds primary responsibility. Most organizations have mechanisms for reporting on waivers and exceptions, which enhances transparency. Good practices include systematic tracking and reporting of such waivers and exceptions to ensure transparency and accountability. The Inspectors suggest that governing bodies periodically confirm that the information they receive related to programme support costs is adequate.

6. Further efforts are expected to enhance inter-agency cooperation.

The Inspectors recall their views that the CEB Finance and Budget Network should intensify its efforts to make its final products more publicly accessible and suggest that this approach be followed with respect to products related to programme support costs.

7. Potential future topics and review cycles were suggested during this review.

Participating organizations expressed interest in potential follow-up studies addressing current fiscal and operational challenges, particularly financial resilience, adaptability to funding constraints, harmonization of budgeting and financial practices, performance measurement and liquidity management. They also supported a 10-year cycle for comparative system-wide analyses of programme support cost policies and practices, with flexibility to adjust the timing in response to major reforms or funding shifts.

Approach & Methodology

In accordance with JIU internal standards and working procedures, the review was conducted by means of a range of qualitative and quantitative data-collection methods, 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**
- **25 interviews conducted with 86 stakeholders**

What the JIU recommends

(formal recommendations)

The present report contains 2 formal recommendations to the legislative organs and governing bodies and 1 to the executive heads of the participating organizations, complemented by 7 informal recommendations.

The legislative and/or governing bodies of United Nations system organizations are called on to:

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.

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.

The executive heads of United Nations system organizations are called on to:

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.

2024-2025 JIU Reports and Notes

Reports:

JIU/REP/2025/3 & **JIU/REP/2025/3** [Expanded report], Review of donor-led assessments of United Nations system organizations and other oversight-related requests from donors in the context of funding agreements and the United Nations single audit principle

JIU/REP/2025/2 & **JIU/REP/2025/2** [Expanded report], Review of policies and practices to prevent and respond to sexual exploitation and abuse in the United Nations system organizations

JIU/REP/2025/1 & **JIU/REP/2025/1** [Expanded report], Review of management and administration in the United Nations Environment Programme

JIU/REP/2024/4, Review of the implementation of the principle of mutual recognition within the United Nations system

JIU/REP/2024/3, Budgeting in organizations of the United Nations system Part I (Comparative analysis)

JIU/REP/2024/3, Budgeting in organizations of the United Nations system Part II (Reference tables)

JIU/REP/2024/2, Review of consideration of and action taken on the reports and recommendations of the Joint Inspection Unit by United Nations system organizations

JIU/REP/2024/1, Review of management and administration in the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)

For all reports visit: https://www.unjiu.org/content/reports

Notes:

JIU/NOTE/2024/2, Note to the International Telecommunication Union from the review of the quality, effectiveness, efficiency and sustainability of health insurance schemes in the United Nations system organizations

JIU/NOTE/2024/1, Note to the United Nations High Commissioner for Refugees from the review of quality, effectiveness, efficiency and sustainability of health insurance schemes in the United Nations system organizations

For all notes visit: https://www.unjiu.org/content/notes

The Joint Inspection Unit is the only independent external oversight body of the United Nations system mandated to conduct evaluations, inspections and investigations system-wide.
Visit the JIU website for more information at www.unjiu.org or please contact jiucommunications@un.org

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