



UNHCR

United Nations High Commissioner for Refugees
Haut Commissariat des Nations Unies pour les réfugiés

Implementing Partnership Management Guidance Note No. 3 (Rev. 1)

UNHCR's Contribution towards Project Headquarters Support Costs March 2015 (revised)

Subject:	Project Headquarters Support Costs
Reference Documents	– Chapter 4 of the UNHCR Manual – Enhanced UNHCR Framework for Implementing with Partners
Reference No.	Policy : UNHCR/HCP/2014/6 Guidance Note: 03/FP/S2-2
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This Guidance Note informs Partners of UNHCR procedures and provisions related to UNHCR's policy and procedures of its contribution and support to Partners towards [Project Headquarters Support Costs](#).

This Policy requires:

- UNHCR Offices to share with the relevant Partners this section of this policy and its procedures on UNHCR's Contribution towards [Project Headquarters Support Costs](#).
- UNHCR Offices and Partners must fully understand the policy and its correct application before entering into a [Project Partnership Agreement](#) and comply with its requirements.

UNHCR Policy and Procedures on UNHCR's Contribution towards Project Headquarters Support Costs

A. Purpose

1. This Guidance Note informs about UNHCR's policy and procedures on its contribution towards **Project Headquarters Support Costs** for International Partners that implement UNHCR-funded projects in a country outside of where their headquarters are located, for bearing additional costs at their headquarters for overseeing and administration of UNHCR-funded field projects under Project Partnership Agreement (PPA).

B. Overall Requirements

2. UNHCR and the Partner must sign a relevant PPA for undertaking a Project within UNHCR's Operational Plan.

3. The payment of UNHCR's contribution towards Project Headquarters Support Costs to various Partner organizations must be stipulated in the Project Budget of the signed PPA. The rate must be applied in accordance with this policy.

4. The required financial resources, including approved Operating Level (OL) and spending authority by UNHCR, must be available before entering into a PPA and committing UNHCR to bear such support costs.

C. Eligibility

5. A Partner requesting a UNHCR contribution towards its Project Headquarters Support Costs must meet the following criteria:

- a) Enter into a Project Partnership Agreement and comply with its terms and provisions;
- b) Be an International Partner, such as an International Non-governmental Organization, a United Nations system organization, an Intergovernmental or other International Not-for-Profit Partner that implements projects in a country outside of where its headquarters are located; and
- c) Commit to use the resources for humanitarian purposes to achieve the overall goals of the PPA.

6. A resource contribution by the Partner itself to the Project is no longer a pre-condition for receiving a UNHCR contribution for the Project Headquarters Support Costs (a change from the previous policy).

D. Disbursement of Allocation

7. The financial allocation for the Project Headquarters Support Costs must be included in the Project Budget (Annex B) of the PPA, according to the calculation methodology which is detailed in paragraph 14 below.

8. UNHCR must disburse the allocation for the Project Headquarters Support Costs as part of each installment transferred to the Partner's bank account specified in the PPA.

9. The amount disbursed for Project Headquarters Support Costs must be proportionate to each installment transferred. If the Project Budget is revised upwards or downwards, the Project Headquarters Support Costs must be amended accordingly.

10. UNHCR's contribution towards Project Headquarters Support Costs must be transferred in the same currency as the Project Budget. If the Project Budget has two currencies, the allocation for the Project Headquarters Support Costs will also be in the same two currencies proportionately.

E. Use and Report by the Partner

11. The Partner receives the allocation for the Project Headquarters Support Costs as a single budget line, as a contribution towards the overall expenditures incurred by the Partner's headquarters for overseeing and supporting the implementation of field projects.

12. The expenditure of the Project Headquarters Support Costs is reported in the Project Financial Report (PFR) submitted by the Partner, and is treated as a single budget line without requiring a detailed breakdown and reporting at an itemized level.

13. When verifying such expenditure on the use of the allocation for Project Headquarters Support Costs, the PFR submitted by the Partner is sufficient. Auditors may opt to conduct random checks to obtain assurance at a detailed level that such funds are spent for the intended purpose.

F. Calculation Methodology

14. UNHCR's contribution towards Project Headquarters Support Costs undertaken by various International Partners is calculated as below, with the caveat stipulated in paragraph 15. Examples are provided in Annex B to this Guidance Note:

- a) **For Projects undertaken by the International Organization for Migration (IOM):** the current rate is **7 per cent** of the direct cost of the approved Project Budget.¹

¹ [IOM/063/2006 – FOM/063/2006](#), *Agreement on Operational Issues between UNHCR and the International Organization for Migration (IOM)* dated 3 August 2006 (and its updates as issued in future). UNHCR's Controller gave special approval for the calculation of UNHCR's contribution towards Project Headquarters Support Costs for IOM, as stipulated in the standard UNHCR-IOM PPA, effective 1 January 2015.

- b) **For Projects undertaken by UN Partners:** subject to an agreed percentage based on the cost-recovery rate for non-core contributions. The harmonized cost-recovery rate for UN inter-agency pooled funding mechanisms is **7 percent**² of the direct cost of the approved Project Budget. The current applicable rate to UNDP, UNICEF, and UN Women is **8 per cent** of the overall approved Project Budget.³
- c) **For Projects undertaken by the United Nations Volunteers (UNV) Programme:** subject to the Memorandum of Understanding between UNHCR and UNDP/UNV Programme.⁴ The current rate is **10 per cent** of total expenditure covered by the direct cost of the approved Project Budget, excluding security-related additional costs.
- d) **For Projects undertaken by United Nations Office for Project Services (UNOPS) relating to:**
- i) **the affiliated workforce:** subject to the General Operation Agreement and related Exchange of Letters.⁵ The current rate is **9 per cent**, consisting of 7 per cent for Management Fees and 2 per cent for Locally Managed Direct Costs; and
 - ii) **other programmatic related Project Partnership Agreements:** subject to the **7 per cent** rate for UN inter-agency Projects.
- e) **For Projects undertaken by International Non-governmental and other Not-for-Profit Partners:** **7 per cent** of the direct cost of the approved Project Budget. The exclusion of 30 per cent of local procurement before applying Project Headquarters Support Costs, whenever the cumulative local procurement exceeded 30 per cent of the overall Project Budget, is replaced by the provisions in paragraph 15 (a change from the previous policy).

15. The calculation of UNHCR's contribution towards Project Headquarters Support Costs of the above-mentioned categories (paragraph 14 a), b), c), d) and e)) should exclude any allocations in the Project Budget of the following items:

- *Cash/voucher assistance for persons of concern*
- *Microfinance/Micro-credit assistance for persons of concern*
- *Bulk Procurement (international and/or local) of Goods and/or Services⁶, where "Bulk" is a single budget line of the Project Budget, above USD 100,000 at the account level; and*

² The harmonized cost recovery rate was approved by the undg in the second half of 2008.

³ The Executive Boards of UNDP, UNFPA, UNICEF and UN Women took a decision on a harmonized cost-recovery rate of 8 per cent for non-core contributions to take effect as of 1 January 2014. The request of these UN partners to adjust UNHCR's contribution accordingly was approved by UNHCR's Controller effective 1 May 2014.

⁴ [IOM/071/2005 – FOM/070/2005](#), *A New Memorandum of Understanding between UNHCR and UNDP/UNV Programme* dated 18 October 2005 (and its updates as issued in future).

⁵ [IOM/054/1998 – FOM/058/1998](#), *General Operational Agreement with UNOPS* dated 20 July 1998 and its related Exchange of Letters (and its updates as issued in future).

⁶ Bulk Procurement is the procurement of goods and services, such as non-food, core relief items, fuel, spare parts, food, rental of warehouse, construction of buildings material, and sub-contracting for commercial

- Any delivery items of large volume and bulks, which would result in a similar impact on the Project cost as the above items.

16. Any diversion from the rates established above in paragraph 14 and 15 must be approved by the Controller or the delegated official in writing before the PPA may be signed.

G. Allocation Account

17. The allocation for UNHCR's contribution towards the Project Headquarters Support Costs must be budgeted as a single budget line under the Project Budget of the PPA against the following MSRP chart fields:

- Objective: 811 – Operations Management, Coordination and Support Strengthened and Optimised
- Output: 811AH – General project management service provided
- Account: 611000 – **International Partner – Project Headquarters Support Cost**

H. Examples

18. Examples of the calculation and reporting of Project Headquarters Support Costs are provided in **Annex B** to this Guidance Note. The revised version of March 2015 includes the annex in Excel format, to increase user-friendliness for end-users (UNHCR and Partners).

I. Terms and Definitions

19. For the purpose of this policy, the following definitions, listed in alphabetical order, apply:

Bulk Procurement: procurement (international and/or local) of goods and services from commercial entities, (e.g. food, non-food items, Core Relief Items, shelter materials, medicine, construction of buildings, etc.) where the value of procurement is above USD 100,000 per a single budget line of the Project Budget under the Project Partnership Agreement (PPA). The Budget line referred here is at account level.

Cash/voucher Assistance: type of assistance and cash based interventions to address the needs of persons affected by a crisis (refugees and persons of concern). Cash/voucher assistance can be used to meet all types of basic needs, livelihood, self-reliance and durable solutions objectives and can target the most economically vulnerable (e.g. cash grants, cash/vouchers for work, , and repatriation grant).

services. The cost of office rental by the Partner, personnel costs, purchase of office supplies or travel costs are not considered bulk procurement and are thus not excludable from the budget for the calculation of the Project Headquarters Support Costs. For details, see examples in the Annex to this Guidance Note.

Core Relief Items: food and non-food items most widely used in UNHCR and humanitarian operations around the world to satisfy specific needs of refugees, internally displaced persons and other persons of concern to the organization (see: UNHCR Supply Catalogue).

DFAM: UNHCR's Division of Financial and Administrative Management.

DPSM: UNHCR's Division of Programme Support and Management.

Field: UNHCR operations outside of Headquarters including at country and regional level.

Head of Office: UNHCR Representative/Chief of Mission or the Head of Office/Division/Unit or delegated person (either in the field or at Headquarters) that is responsible for an operation and has been delegated with the authority to sign agreements with Implementing Partners.

Instalment: cash requirement of the Project that is transferred to the Partner in accordance with the Project Budget (Annex B) under a PPA.

International Partner: United Nations, Inter-governmental, Non-governmental or other Not-for-Profit Partner that enters into a PPA with UNHCR and implements UNHCR-funded projects in countries outside of where its headquarters is located.

INGO: International Non-governmental Organization partner that operates in countries outside of where its headquarters is located.

IPMS: Implementing Partnership Management Service in UNHCR/DFAM.

Microfinance/Micro-credit assistance: provision of financial assistance such as savings, credit, cash transfers and micro insurance to economically active poor and low-income persons of concern. These services are generally meant to support productive purposes and are characterized by a focus on the entrepreneurial poor, client-appropriate lending and securing of voluntary savings for improved livelihood.

Operating Level (OL): authorized budgetary envelope, and available funds allocated to each operation (Area of Budgetary Control) for prioritized interventions/results to meet the needs identified in the comprehensive needs assessment.

Partner: non-profit entity named in this policy as the implementing partner to which UNHCR entrusts to undertake the implementation of Projects specified in a signed document (PPA), along with the assumption of full responsibility and accountability for the effective use of resources and the delivery of outputs as set forth in such a document. The entity could be a governmental, intergovernmental or non-governmental body, a United Nations organization, or another non-profit organization.⁷

⁷ See: Article 1.6, Financial rules for voluntary funds administered by the High Commissioner for Refugees, A/AC.96/503/Rev.10.

Population of Concern: population(s) or sub-population(s) of refugees and persons of concerns indicated in the Project Description (Annex A) of a PPA whose needs the Project strives to address.

Project: endeavour designed to provide services or achieve expected result(s) and delivery of specific outputs within a defined timeframe and the allocated resources undertaken to meet unique goals and objectives under a PPA. Project in this document refers to a project fully or partially funded by UNHCR.

Project Budget: part of the PPA (Annex B) that stipulates the financial resources foreseen for undertaking the Project.

Project Partnership Agreement: legal and binding agreement entered into by UNHCR and a Partner whereby UNHCR entrusts the Partner with responsibility for the implementation of Projects with financial participation from UNHCR. The agreement stipulates the common goals, guiding principles, the terms and provisions, and obligations of all involved parties. It concludes the agreed understanding of all previous discussions and negotiations of all involved parties.

Project Headquarters Support Costs: mean UNHCR support and contributions provided to an international partner that enters into a PPA to implement a Project in countries other than where its headquarters is located in order to assist with headquarters costs related to overseeing and supporting the Project under a PPA.

UNHCR's Operations Plan: plan providing the full overview of a UNHCR operation, detailing the context and situation of persons of concern and specifying the comprehensive needs and strategies the office intends to implement, including steps to be taken to reduce the gaps and achieve desired results. The UNHCR's Operations Plan also integrates a prioritization of needs in line with available resources.

Annex A: Main Changes

The following table provides a summary of the main changes relating to UNHCR’s policy on contributions towards Project Headquarters Support Costs for International Partners.

Changes reflected in the new Policy	Previous/superseded provisions (Chapter 4)	Current Reference (Guidance Note No. 3 / Rev. 1)
Terminology		
Term: Project Headquarters Support Costs	Headquarters Overhead Costs	Throughout the document
Eligibility: Conditions for UNHCR’s Contribution towards Project Headquarters Costs Support		
Partner contribution is desired but it is <u>no longer pre-requisite</u> for receiving UNHCR’s contribution for Project Headquarters Costs Support	Precondition of Partner contribution of Resources towards the Project needs	Paragraph 6
Calculation of the Allocation		
<p>For international NGOs set <u>at 7%</u> of the direct cost of the approved Project Budget, excluding the below:</p> <ul style="list-style-type: none"> • Bulk Procurement of Goods and/or Services through commercial contracts (local and international) of <u>above USD 100,000</u> of a single budget line at account level • Voucher/cash assistance • Micro-credit assistance • Any delivery items of large volume and bulks, which would result in a similar impact on the Project cost as the above items. 	<p><u>Up to 7%</u> of the direct cost of the approved Project Budget, excluding the below:</p> <ul style="list-style-type: none"> • 30% of local procurement • No clarity of the meaning of procurement • No clear distinction between local and non-local procurement 	Paragraph 15 (e)