

Prepare Fully Costed Budgets for Projects

Project Activities and Inputs

1. To develop a results-based budget, UNDP must plan and cost all activities and inputs to deliver the project output(s). Major activities and functions that must be accounted for within a project budget include both direct and indirect costs, as listed below and further detailed in [Annex 1](#):

Direct Costs - Direct costs of programme, administrative and operational support activities, that are part of the project input¹:

- Programmatic activities (as listed in the project document, including goods and services)
- Project management
- Project communications, advocacy, and funding partner visibility
- Independent audit and [Evaluation](#)
- [Quality Assurance](#) (QA) services
- Monitoring, baseline data collection, surveys and evaluation of projects
- Project briefings and technical guidance for project stakeholders
- Project meetings, progress, and final reporting
- Donor-specific reporting
- Support to implementing and responsible parties
- HACT assessments and all assurance activities
- Project supervision and coordination (Page 5, #10 a. refers)
- Programme coordination (Page 5, #10 b. refers)
- Policy advice and Quality Assurance (Page 5, #10 c. refers)
- Risk management
- Activities leading to project closure (checklist)
- Administrative, operational, and other shared services
- Contingency

Indirect Cost – Costs that are additional to direct project costs, representing costs to the organization that are not directly attributable to specific projects or services, but necessary to fund the corporate structures, management and oversight costs of the organization. These are recovered by charging a cost recovery rate, known as General Management Support (GMS) fee.

¹ Within each applicable project activity/function, all necessary inputs such as personnel, delivery enabling services, equipment, travel, communication, and operating expenses should be budgeted.

2. While not all activities are applicable to all projects, for each of the above activities, all inputs must be budgeted in US dollars. Inputs must be based on internally available standard costs, such as pro forma rates, daily subsistence allowances, prevailing internal or market prices, and historical trends and events. Costs within a multi-year budget should be adjusted to reflect a reasonable estimate of anticipated inflation for the specific activities. Definitions of major budget inputs, such as personnel and operational costs are provided [here](#).
3. UNDP utilizes the ability of personnel to create, obtain and apply knowledge to deliver development results in its programmes and projects. For the purposes of this guide, personnel will be referred to as all individuals contracted through staff and non-staff type contracts. Personnel represent significant input to programmes and projects, and feature prominently in programme and project budgets.
4. UNDP programmes and projects may draw upon personnel through different means, including contracting new personnel, receiving services from existing UNDP staff when full-time contracting within the project is not required, or sharing services of independent contractors when this is deemed more efficient. Project inputs likely include many such sources of personnel to achieve project results.

Budgeting for Personnel Costs

5. When planning personnel inputs, it is necessary to consider whether the function/activity needed to deliver the project requires personnel on a staff contract. Generally, there is a significant cost-differential between personnel on staff contracts versus other contractual modalities. Use of appropriate contractual modality should not be compromised solely to lower the required budget. Some functions require staff, while others can be conducted by non-staff personnel (such as consultants) for successful project delivery.
6. Personnel on a staff contract must be budgeted when the following are deemed necessary requirements for delivery: UNDP control functions; institutional knowledge of UNDP and the context in which it operates; strategic programme priorities that drive the project; organizational policies and procedures; consistency with UNDP position and quality assurance standards; exchange of UNDP knowledge and experience; and organizational risk management. Unless the project is large and long-term enough to justify contracting full-time staff, these services can typically be rendered by existing office staff, or staff in other cost centers.
7. Non-staff personnel should generally be contracted directly under the project. However, for certain common and shared costs (see detailed definitions of major budget inputs [here](#)), it may prove more efficient to share available office or other cost center resources. In this case, a reasonable estimate of the anticipated share borne by the project must be discussed with the relevant operational teams. Note that

budgeting of shared costs must be inclusive of personnel-related overhead, such as rent, communication, IT services, etc.

8. At the design stage, UNDP must transparently discuss each type of personnel requirement internally, as well as with donors and partners, and disclose the total budget for successful project implementation, in line with UNDP's financial, recruitment, procurement, and cost recovery policies.

Delivery enabling services

9. As mentioned in paragraph 6-8 above, when a project activity entails functions which require UNDP staff or other personnel for execution, but full-time contracting is not warranted, the project may source UNDP personnel indirectly employed for the project, who are located in the Country Office or any other UNDP location. Such service requirements, referred to as "delivery enabling services", must be budgeted within each applicable project activity or function (as described in paragraph 1 above).
10. Major activities performed by staff that may not be required full-time are listed below:
 - a. **Project Supervision and Coordination** – Every project must have a project manager, who may be contracted using any appropriate contractual modality. However, for UNDP-implemented projects (DIM or full CO support to NIM), overall supervision and coordination accountability is executed by staff only. For smaller projects, UNDP may recruit staff to supervise multiple projects, in which case each project must budget its share of delivery enabling services.
 - b. **Programme Coordination** – This function is provided by UNDP staff across multiple projects. Therefore, each project's share of the delivery enabling services must be included in the budget.
 - c. **Policy Advice and Quality Assurance** – These services may be procured within the project through individual consultants unless any of the criteria listed in paragraph 6 above apply. If staff support is necessary, but full-time contracting under the project is not warranted, this should be considered as delivery enabling services to be sourced from existing UNDP staff and budgeted accordingly.
 - d. **Administrative, Operational, and Other Shared Services** – Every project must have the staff capacity to provide project operational support, with control functions executed by staff only. In most cases, a central support mechanism for multiple projects may prove most cost effective. Services from regional or HQ staff may also become necessary for complex project procurement, recruitment, or IT needs. Again, if full-time contracting under the project is not warranted, this should be considered as delivery enabling services to be sourced from existing UNDP staff and budgeted accordingly.

- e. **Project Communications, Advocacy and Funding Partner Visibility** – These services may be procured within the project through individual consultants or external companies, with a targeted and deliverable-based terms of reference. However, if a full-time project personnel is not warranted under the project, these services may be sourced from existing UNDP staff as delivery enabling services and budgeted accordingly.
- 11. A comprehensive project/portfolio planning exercise must be conducted annually to assess the magnitude of delivery enabling services required for the upcoming year across all projects within a Country Office. The relevant service-providing entities must be informed in order to pre-position relevant capacities. Further guidance on Planning and Paying for Delivery Enabling Services to Projects is provided [here](#).
- 12. The budget for delivery enabling services can be estimated using the proforma costs plus related operating expenses and calculated based on the amount of staff/other personnel time the project anticipates will be required for implementation. The actual cost charged should be based on the actual amount of time personnel spend supporting the project.
- 13. Personnel who provide delivery enabling services to projects may use a high-level timesheet when the donor requires detailed documentation. Offices can modify this [template](#) to suit funding partners' needs and requirements.
- 14. UNDP must discuss the project budget with funding partners in advance in order to ensure transparency and a common understanding of what functions will be performed and why they are necessary, including the delivery enabling services. These deliberations are essential, especially when an individual staff not recruited directly for the project, is estimated to exceed 40 percent (e.g. 4.8 months) of his/her annual workload on the project.
- 15. As mentioned in paragraph 10 above, **under no circumstances should the cost of delivery enabling services be entered in a single project budget line**. They must transparently reflect in the project budget related to the activities they support.
- 16. Where recruitment of full-time staff/personnel under the project is not warranted or cost-effective, the project must reimburse the cost of services based on the percentage of staff time allocated directly to the project. The mechanisms for managing such reimbursement is provided in [Planning and Paying for Delivery Enabling Services to Projects](#).

Budgeting for Indirect Costs – General Management Support (GMS)

- 17. Indirect or GMS costs are necessary to run the organization and support corporate structures which provide the platform for delivering programmes and projects. Indirect costs are costs and services that cannot be traced unequivocally and cost-

effectively to specific activities, projects, or programmes. These costs are recovered by charging a cost recovery rate, known as a GMS fee, on all non-core resources. GMS fees are inapplicable² to TRAC and other programme resources allocated from UNDP core programme funds.

18. GMS should be budgeted in accordance with UNDP's cost recovery policy using the minimum standard GMS rates. Detailed policies on GMS and allowable rates are provided in the [POPP Resource Planning and Cost Recovery](#).

19. Refer to POPP sections for budgeting and costing requirements of the following funding partners:

- Costing and Budgeting of projects funded by the EU is found [here](#).
- Costing and Budgeting of projects funded by GEF is found [here](#).
- Costing and Budgeting of projects funded by GF is found [here](#).

² GMS fees are inapplicable to 'Special Volunteers Fund'