Key Takeaways from the Network Organization’s Meeting on Partner Personnel Costs

20 June 2014

Participants revisited the principles developed at the May 2014 Rome workshops to guide any change in UNHCR’s current policy on partner personnel cost. These include: fairness, transparency, predictability and consistency, accountability, providing a reasonable contribution towards partner personnel costs, understanding UNHCR’s budgetary restrictions, recognizing that partner selection is based on a “best fit approach” (rather than on lowest cost), treating expatriate personnel equally (regardless of whether they are employed by an INGO or NNGO), and treating national personnel equally (regardless of whether they are employed by an INGO or NNGO).

UNHCR reaffirmed that it is has neither the policy nor the intention to “cap the salary” of partners’ personnel, as partners are independent entities. Like UNICEF, UNHCR does not “cap” salaries. Unlike UNICEF, UNHCR sets contributions towards international expatriates, currently up to USD 6,000/month, whereas its contributions towards national personnel costs depend on a survey of the market of peers in the country of operation. A copy of UNHCR’s policy was shared and attached.

A donor matrix was presented by InterAction/IMC showing the practice of UNICEF, OCHA, UNDP, WFP, EuropeAid, ECHO and DfID (also attached).

Then three schools of thought were discussed:

1: No limits to contributions

Donors such as DfID and BPRM do not place any limits on grants provided towards personnel and administrative costs. According to UNHCR, like other UN agencies the option exercised by such donors (since UNHCR is not a donor but provides funding to implement specific projects with partners) is not possible due to UNHCR’s budget constraints.

2: Peg contributions towards personnel costs to an index

A credible index (like InsideNGO) could be jointly selected by UNHCR and partners to determine the maximum contribution UNHCR will provide for partner personnel costs.

Elements

• The approach should be simple and consistent.
• Flexibility should be exercised in emergencies and extreme economic circumstances, though operations should strive to follow the index when conditions allow.
• Where possible, the surveys/indexes (carried out by UNHCR and partners jointly) should look at humanitarian peers, and should include the real costs of all expenses covered by the contribution (like housing, insurance, food allowances, educational allowances, R&R, etc.) [Note: Otherwise those non-salaried expenses should be considered a direct cost.]

• A global international index would be used to determine international staff compensation, and a national index will be used in each country to determine national staff compensation. [Note: Regionalization for the national index might be also considered].

3: Follow the model of UN agencies

The practice used by some UN agencies (UNICEF, WFP) where no limitations of contribution towards partner personnel costs are placed:

   a) **WFP’s practice**: WFP’s practice was found as disadvantageous for partners as payments are based on the metric units of food delivered. Additionally, the WFP model requires reimbursing partners’ expenses after service has been actually delivered instead of advancing the funds as pre-financing done by UNHCR.

   b) **UNICEF’s model**: UNICEF places no limitations of its contributions towards partner personnel. Each contribution is negotiated as part of the budget individually and separately with each partner. But support costs are regulated through capping administrative costs. Direct programme implementation costs constitute 75% of the budget, while support costs attributable to management and administration of the programme are capped at 25% of the amount transferred by UNICEF (net of the indirect programme charge). UNICEF may also agree to exceptions beyond this 25% cap in crisis circumstances where costs (e.g. logistical, security) are extreme. Some personnel costs are budgeted under administrative and others under programmatic costs.

Elements:
• To adopt an approach similar to UNICEF’s, we would need to separate admin- and program-related costs, including staffing.
• UNHCR’s overall current budgeting system is built differently, as all funds that are provided to partners are considered programme-related.
• UNHCR support for “administrative costs” to partners is based on needs without a pre-determined capping level.
• Some partners, particularly small partners, find the “UNICEF model” not suitable to their needs.
**Next Steps**

- To further explore options 2 and 3, participants will collect surveys and indexes that are available and credible as well as study UNICEF’s model further.

- Some asked for further clarification on what is included as “partner personnel costs.” Article 10.41 of the Partner Project Agreement mentions salaries, social security, overtime, taxes, allowances, travel costs, daily subsistence allowances, termination costs, and retrenchment costs. It was proposed that UNHCR provide support for travel costs for the initial deployment and departure after service travel as additional costs and not part of the monthly personnel costs.

- The Network Organization’s group will reconvene in September.