



Indirect costs for local and national partners

A mapping of the current policies and practices of
UN agencies and INGOs

June 2023

There is widespread agreement that local and national humanitarian actors should be provided with indirect costs or overheads. Members of the [Grand Bargain caucus on the role of intermediaries have committed to allocating overheads](#) to local and national partners and [the Inter Agency Standing Committee has developed Guidance on the issue](#), based [on research conducted by Development Initiatives \(DI\) in partnership with UNICEF and Oxfam](#) through the IASC. DI has also published a [discussion paper based on interviews with donors](#), which outlines current donor approaches and proposes ways forward.







These tables summarise the current policies and practices of several UN agencies, international non-governmental organisations (INGOs) and Red Cross Red Crescent organisations around the provision of overheads or indirect costs for local and national partners. This is an [update to a similar mapping](#) completed in 2022. The purpose of this mapping is to act as both a **reference document** and an **accountability tool** to document progress made on the issue of overhead allocation to local and national partners since 2022.




This updated mapping shows some positive developments. Since last year, six organisations have developed new internal policies which ensure that local partner NGOs have access to overhead funding and a further 10 organisations are in the process of developing a policy.

The list of organisations included in this mapping is not exhaustive. Please [contact Development Initiatives](#) with any updates and additions. This mapping will be periodically updated on a six-monthly basis to monitor progress made.




Note: There is no standard term or definition for 'indirect costs' or 'overheads'. Broadly they refer to the costs outside normal programme implementation costs that an organisation needs to deliver its mission as a whole. They are calculated as a proportion of direct project expenditure. This summary uses the terms 'overheads', 'indirect costs' and 'indirect cost recovery (ICR)' interchangeably.
















UN agencies













Organisation	Is there a policy or guidance?	What is the policy or current practice?	What are the conditions?	Grand Bargain signatory?
FAO	No	FAO does not provide overheads. When direct costs incurred in connection with implementation of the project cannot be easily quantified, FAO accepts a portion charged as a percentage of total operating costs.		
IOM	Yes	Up to 7% provided. Overhead-related expenses are provided where they are in-line with the partner's established policy or "required for the successful implementation of the project to cover administrative support or management costs that are linked to the activities, but not otherwise covered by the budget".	Must be used to cover indirect costs linked to project implementation. No audit requirements except to ensure there is not duplication in cost charges.	
OCHA CBPFs	Yes	Up to 7% 'Programme Support Costs' provided for both national and international recipients. Where sub-granting occurs, it is required that the overhead is fairly distributed in a manner that is proportionate to the project budget and the activities undertaken by each party.	Unrestricted contribution to partners' overhead costs. Does not need to be reported against.	
UN Women	Yes	Provides up to 8% 'support costs'. The rate is dependent on agreement with the donor.	Unrestricted contribution to partners' overhead costs. Subject to annual independent audit.	
UNFPA	Yes	Provides a 'support cost' rate between 0% and 12% to cover overheads . For partners who sub-contract, an overhead is also allowed to be charged according to first-level recipients' overhead policies.	Unrestricted contribution to partners' overhead costs. Does not need to be reported against.	
UNHCR	Yes	Provides 4% indirect costs (7% for international partners) known as the Partner Integrity Capacity and Support Cost.	Unrestricted contribution to partners' overhead costs. Does not need to be reported against.	
















Organisation	Is there a policy or guidance?	What is the policy or current practice?	What are the conditions?	Grand Bargain signatory?
UNICEF	Yes – new	Provides 7% indirect costs for ‘organisational capacity strengthening’.	Contribution to costs incurred by the partner for organisational capacity strengthening and/or capacity maintenance which cannot be attributed to a specific activity. These support costs must be recorded and submitted to UNICEF.	
WFP	Yes	Provides 7% indirect support costs.	Unrestricted contribution to partners’ overhead costs. Does not need to be reported against, is not audited and does not need to be spent within the project time period.	
WHO	In development	WHO does not provide overheads or indirect costs to L/NNGOs as a rule. Unrestricted indirect costs of around 5-7% are allowed in certain cases; where this is not the case, partners may reflect their overheads as a direct cost. This should never exceed 10%. An internal discussion is underway to develop this position. The WHO Localisation Strategy will be finalised by the end of 2023 and emphasises the importance of having a standardised policy.		










International NGOs

Organisation	Is there a policy or guidance?	What is the policy or current practice?	What are the conditions?	Grand Bargain signatory?	Charter 4 Change signatory?	Pledge for Change signatory?
CAFOD	Yes	Shares 50% of the allowable ICR with partners for donor-funded projects. If there is more than one partner: proportional sharing of 50%. For CAFOD-funded projects, an overhead rate is calculated based on need, which does not usually exceed 7%.	Unrestricted contribution to partners’ overhead costs. Does not need to be reported against.			


Organisation	Is there a policy or guidance?	What is the policy or current practice?	What are the conditions?	Grand Bargain signatory?	Charter 4 Change signatory?	Pledge for Change signatory?
Christian Aid	Yes	Shares 50% of the allowable ICR with partners for donor-funded projects. If there is more than one partner: the split is negotiated. Provides 10% for Christian Aid supporter-funded projects.	Unrestricted contribution to partners' overhead costs. Does not need to be reported against.			
Concern	In development	Concern does not have a policy or guidelines on ICR sharing, though this is being developed. Concern is currently finalising its Global Partnership Strategy and has made the issue of sharing overhead costs and related indicators with partners a key priority.				
Cordaid	In development	Cordaid shares ICR with partners for humanitarian programming. However, this is not yet organisational policy and is decided on a case-by-case basis. A policy is currently being developed.				
CRS	In development	For US-funded projects provides up to 10% to partners (the de minimus rate). CRS also allocates resources to support local organisations in developing their own ICR policies so they can access ICR directly from donors. A new policy on ICR provision is being developed for non-US funded projects and CRS-funded projects which will include a new mechanism to track funding to partners including ICR. This is anticipated to be rolled out by the end of 2023.				
DanChurchAid	Yes – new	Limited to projects fully funded by funding or grants where the overhead (called the 'unspecified administrative fee') is not a share of DCA's overhead i.e., the Danida Frame-agreement and DCA-funded projects. DCA provides up to a maximum 7% overhead. ICR is only shared in projects funded by other donors if this is specifically required by the donor. If no ICR is provided, funding for overhead related costs are sometimes included in the direct programme budget. The policy is in a test period of 18 months.	The overhead must be justified and based on DCA's knowledge and assessment of the local implementing partner's indirect costs at the time of budgeting.			

Organisation	Is there a policy or guidance?	What is the policy or current practice?	What are the conditions?	Grand Bargain signatory?	Charter 4 Change signatory?	Pledge for Change signatory?
DRC	In development	DRC does not have a policy on ICR sharing and overheads are generally not provided if this comes at the expense of DRC's own overhead allocation, except in cases where the donor specifically allows for additional overheads for sub-granted partners when it is strongly encouraged. There are examples of ICR sharing on a case-by-case basis and approval of reduction in DRC's overhead can be sought where a DRC country or regional office wants to provide overhead to the local partner despite the current general position. This position is currently being revised and is expected to be finalised in 2023.				
Dutch Relief Alliance	Yes – new	The Netherlands provides 8% overhead to DRA members and 6% or more must be proportionately shared with local partners. In addition, 5% of the total project budget is available for capacity strengthening initiatives; local partners are managing this for at least 5% of their own project budget. DRA members who partner with local and national NGOs can include up to 4% of the partner costs as a budget line to support costs associated with being the intermediary role.	Unrestricted contribution to partners' overhead costs. Does not need to be reported against.			
IRC	Yes – new	Provides 7% ICR. For US-funded projects provides up to 10% (the de minimus rate).	Unrestricted contribution to partners' overhead costs. Partners must have systems, policies and processes in place to distinguish between direct and indirect costs. Partners must submit written descriptions of the types of costs and services to be recovered by the ICR to ensure the costs are not double counted.			
Islamic Relief	In development	Currently do not have a specific policy but this is under discussion in an internal localisation task force. Partner overheads are sometimes included in the direct programme budget.				

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Kindernothilfe	Yes	Up to 10% provided, though in some contexts this is 15%. A budget showing planned use is required if the project budget exceeds €25,000.	<p>Provided as an unrestricted contribution to partners' overhead costs.</p> <p>Locally audited financial statements must be submitted including overheads, though overheads are not verified by KNH beyond comparison of the budget and actual expenditure.</p>			
Medecins du Monde	In development	Currently do not provide overheads though cover some partner core costs in the direct budget. A policy is in development and is anticipated to be completed by the end of 2023.				
Mercy Corps	No	Indirect costs are allowed if the donor specifically provides for the overhead costs of the sub-awarded partner. This rate is variable dependent on the donor. Partners must have a methodology for classifying expenditure as direct or indirect and an accounting system to verify consistent use of this methodology. If this is not possible, indirect costs can be charged directly.				
NRC	Yes – new	Provides 4% indirect costs, or the rate specified by the donor if the donor allows for an additional overhead percentage for local partners.	<p>Unrestricted contribution to partners' overhead costs.</p> <p>Does not need to be reported against and is not subject to audit.</p>			
Oxfam	In development	The Oxfam confederation is finalising an ICR sharing policy, which is anticipated to be completed by July 2023. This will be then operationalised by Oxfam affiliates. Some affiliates and country offices are already providing local actors with overhead costs, including Oxfam in Myanmar and Oxfam Great Britain.				

Organisation	Is there a policy or guidance?	What is the policy or current practice?	What are the conditions?	Grand Bargain signatory?	Charter 4 signatory?	Pledge for Change signatory?
Save the Children	In development	<p>Localisation policy states Save the Children will strive to provide 10% additional resourcing beyond direct project costs to partners, composed of 7% indirect costs and 3% capacity strengthening costs. However, this is not currently standard practice. When overheads are provided, the rate depends on donor policy or the partner's established ICR policy. Auditing requirements are dependent on donor requirements.</p> <p>This position is currently being revised and will include a common, consistent policy and protocol for how ICR is shared with partners and a new mechanism to track funding to partners including ICR and capacity strengthening activities. This is anticipated to be implemented by the first half of 2024.</p>				
Trócaire	Yes – new	<p>Shares 50% of the allowable ICR with partners on funding opportunities secured at country level; HQ-managed grants handled on case-by-case basis in line with this precedent. If there is more than one partner, the ICR is proportionately shared. The ICR retained by Trócaire is shared equally between HQ and the Trócaire Country Office.</p> <p>If ICR is not provided by the donor, Trócaire will aim to cover partners' overhead costs as direct budget cost allocations.</p>	Unrestricted contribution to partners' overhead costs. Does not need to be reported against.			
World Vision	In development	A new global policy is in development. Currently there is no standardised approach to the provision of ICR. Partner indirect costs are sometimes included in the programme budget and overheads are sometimes provided out of World Vision's own private income.				

Red Cross Red Crescent organisations

Organisation	Is there a policy or guidance?	What is the policy or current practice?	Grand Bargain signatory
IFRC	No	<p>IFRC does not provide overheads. All funding IFRC passes to partners is considered as a direct cost. Partners can claim all costs relevant to the implementation of the project as direct costs, including administrative budget lines, but funding for non-project specific expenditure is not provided.</p> <p>In 2022, IFRC signed a funding agreement with one of its donors for a pilot programmatic partnership, and as part of its operationalisation established a mechanism to share part of the remuneration from the donor with its implementing partners (i.e., National Red Cross and Red Crescent Societies) to cover support costs.</p>	

Acronyms

CAFOD	Catholic Agency for Overseas Development
CRS	Catholic Relief Services
DRC	Danish Refugee Council
FAO	Food and Agriculture Organization
IASC	Inter-Agency Standing Committee
ICR	Indirect cost recovery
IFRC	International Federation of Red Cross and Red Crescent Societies
INGO	International non-governmental organisation
IOM	International Organization for Migration
IRC	International Rescue Committee
L/NGO	Local or national non-governmental organisation
NICRA	Negotiated Indirect Cost Rate Agreement
NRC	Norwegian Refugee Council
UNFPA	UN Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees

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