



## Cost Recovery Good Practice Checklist

Below, you'll find a helpful checklist with statements on your current approach and practice in cost recovery. You can use this checklist purely to assess how well you manage cost recovery in your organization and to help you prioritize areas in which you are succeeding, areas you need improve, and to track your progress over time.

<b>A. STRATEGY AND POLICY</b>	
1. We have a clearly defined policy for cost recovery and it is distributed in the organization	
2. We have policies for the allocation and management of unrestricted income	
3. We have policies for the allocation and management of restricted income	
4. We have a risk management process which analyses financial risks at a project, country and organizational level and it informs our decision making	
<b>B. SYSTEMS, TOOLS AND PROCESSES</b>	
5. Our costs are clearly categorized including analysis of direct, support and indirect costs	
6. We have tools and guidance which assist in budgeting for the total cost of projects and identifying levels of direct and indirect cost recovery	
7. We have a system to calculate full staff costs including all benefits and staff overheads for charging to projects and externally	
8. Approval of each project includes an understanding of cost recovery, the level of surplus or deficit and the financial risks involved	
9. We have a system for the allocation of shared direct costs to projects and for apportionment of indirect overhead pools to projects and cost centers	
<b>C. PEOPLE AND CAPABILITIES</b>	
10. All managers and budget holders understand the importance of cost recovery and can analyze the financial information they are given for decision making on cost recovery, projects and grants	
11. All our staff who need to know about cost recovery are trained to understand what they need to do to charge costs to projects	
12. Our finance teams can produce the necessary information on cost allocation & recovery	
<b>D. MANAGEMENT AND CULTURE</b>	
13. We have a system for establishing targets for cost recovery (KPIs) at an organizational as well as local (operational) level, and monitoring recovery of direct and indirect costs as part of regular management reporting	
14. We have established clear roles and responsibilities for cost recovery which are part of job descriptions, annual objectives, accountability and performance management	
<b>E. DONOR RELATIONSHIPS</b>	
15. We have the information we need and the confidence to negotiate with donors about direct and indirect cost recovery	
16. We are satisfied with the level of indirect cost recovery from our donors and it covers our organizational overheads	