



Annex III

Update on 2019 Cost Recovery Waivers

The Executive Board in its decision 2013/2 endorsed “a general, harmonized cost recovery rate of 8 per cent for non-core contributions,” and further endorsed the following differentiated cost recovery rate structure: “(a) a harmonized 1 per cent reduction for the thematic contributions at the global, regional and country level in UNDP, UNFPA and UNICEF (8 per cent - 1 per cent = 7 per cent), with the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) maintaining the 8 per cent as a temporary arrangement; and (b) maintaining the existing preferential rates for government cost-sharing, South-South contributions and private-sector contributions” and decided that existing agreements will be honored using cost recovery rates and that new or renewed agreements will comply with the present decision”.

In the same decision, the Executive Board also decided that on an exceptional basis and when the urgency of the circumstances requires, the Under-Secretary-General/Executive Director of UN-Women may consider granting a waiver of the cost-recovery rates on a case-by-case basis, taking into account specific priorities, modalities that incur lower management costs, and harmonization goals, and that the Executive Board will be informed of these waivers in the annual financial reports;

In the decision 2018/6 the Executive Board requested “UN-Women, together with UNDP, UNFPA, and UNICEF, to reduce the granting of waivers lowering the agreed cost-recovery rates and to provide an update on the steps taken in this regard, including on the application of waivers across their organizations, to the Executive Board at its annual session in 2019”.

UN-Women is committed to ensuring compliance with the Executive Board decision (2013/2) to recover all additional organizational costs incurred in managing programmes funded from non-core resources. To enable this UN-Women has instituted an online internal control framework for review of requests for cost recovery waivers.

The information of cost recovery waivers is presented in the following two segments:

- i. Cost recovery exceptional case by case waivers issued in 2019; and
- ii. Cost recovery exceptional case by case waivers issued prior to 2018 for activities on-going in 2019.

In addition to the information on cost recovery waivers, information on the framework agreements with multilateral funding partners where the cost recovery rates were agreed below the current standard cost recovery rate of 8 percent is also provided.

i. Cost Recovery Waivers issued in 2019

In 2019, only one waiver was exceptionally granted, as listed below with a negligible financial impact of \$0.001 million compared to the overall level of cost recovery income of \$24.6 million on total provisional non-core revenue of \$357.4 million in 2019.

- A reduced (7 per cent) fee for a contribution to project "Women, Peace and Global Security"

The financial impact of this one waiver is reflected in the below table:

Project	Cost Recovery rate	Funding partner	Financial impact of cost recovery waived	Justification
"Women, Peace and Global Security" (project ID #116355)	7%	UN Counter-Terrorism Centre	\$1,359 (0.01% of total cost recovery income of \$24.6m)	Project is part of the greater Global Facility II Programme Document and UNCT caps the support cost at 7%

ii. Cost Recovery waivers issued prior to 2018 for activities on-going in 2019

In addition to the one waiver granted in 2019, there is also one continuing project where a waiver was granted in prior years, so the exceptional rate applies to the entire project duration. The expected project end date project is 31/12/2021.

The financial impact of the one continuing waiver in 2019 is reflected in the below table.

Project	Cost Recovery	Funding partner	Financial impact of Cost Recovery waived
"From Resolutions to Accountabilities" (project ID #92044)	7%	UN Counter-Terrorism Centre	\$3,080

Summary of 2017-2019 Cost Recovery Waivers

A summary of cost recovery waivers for the 2014-2019 period and the associated financial impact is provided in the below table:

	2017	2018	2019
¹ Number of Cost Recovery Waivers granted	1	0	1
Impact of cost recovery waivers which were granted in the year	\$662	\$0	\$1,359

¹ Prior to 2019, waivers were not reported on separately per above breakdown but as one total amount. For 2018, while the number of reported waivers in the 2018 Executive Director's Annual Report was ten, all ten were due to waivers falling under existing framework agreements for contributions received from UN agencies with a lower rate than 8%, thus there were zero exceptional case-by-case waivers. For 2017, out of the total five reported waivers, only one was an exceptional case by case waiver and the remaining four were for contributions received from UN agencies under umbrella agreements.

Effective with the current Executive Director’s Annual Report for 2019, UN-Women shall separately reflect waivers as follows:

- a) exceptional case-by-case waivers *and*
2. b) those waivers under the framework agreements with multilateral funding partners where the cost recovery rates were agreed below the current 8% cost recovery rate

As evident from the extremely low number of exceptional case-by-case waivers, UN-Women is committed to complying with the EB decision and only grants waivers where there are existing framework agreements and where engagement promotes joint activities among the UN entities.

Existing Framework agreements with multilateral funding partners

In addition to the cost recovery waivers provided above, there are existing framework agreements with multilateral funding where the agreed cost recovery rates are below the 8 percent rate, summarized in the below table. These framework agreements are those with legacy arrangements, such as with the European Commission, Joint Programmes, MPTF-administered Multi Donor Trust Funds and funds received from other UN agencies as applicable.

The total 2019 impact of these umbrella agreements is \$1.081 million, as reflected in the summary table below. The biggest impact, representing 50 percent of the total, are due to European Commission contributions, 40 percent from MDTFs, and the remaining 10 percent from legacy and UN agency or other agreements.

UN-Women, along with UNDP, UNICEF and UNFPA, has reported on the financial impact of these umbrella agreements for the 2014-2018 period in the harmonized Joint Preliminary Comprehensive Proposal on the Cost Recovery Policy 2018, DP/FPA-ICEF-UNW/2020/CRP.1.

Funding Partners	Cost Recovery Rate applied	Financial impact of the reduced cost recovery rate in 2019
European Commission	7%	\$503,029
MPTF Administered MDTFs (CHF, PBF, CERF)	7%	\$410,393
Joint Programmes	7%	\$95,553
Funds received from other UN Agencies with lower than 8% cost recovery	7%	\$64,545
Legacy Agreements	7%	\$7,064
Funds received from other non-UN Agencies with lower than 8% cost recovery	7%	\$251
Total Impact		\$1,080,835