

Joint comprehensive proposal on the cost-recovery policy

**Joint Consultation with the UNDP/UNFPA, UNICEF &
UN-Women Executive Boards**

17 August 2020

Contents

- Cost-recovery: **basic principles**
- Cost-recovery: **cost-classification categories**
- Cost-recovery: **rates**
- Cost-recovery: **waivers**
- **Elements of a decision**

Cost-recovery: basic principles

Components of costs



Cost recovery refers to the requirement for an organization to ensure that regular resources are not used to subsidize the implementation of programmes funded from other resources.

Indirect costs • Costs that are indirectly linked to the delivery of development results are recovered through the cost recovery rate

Direct costs • Costs that are directly linked to the delivery of development results are directly funded from regular resources or other resources, depending on where the cost originates

Significant progress has been made in harmonizing cost recovery policy:

- Continue a harmonized approach across the agencies
- Maximize allocation of regular resources to programmatic activities
- Minimize cross subsidization between regular and other resources
- Continue to be cost-effective and competitive within the overall development cooperation system

Cost-recovery: cost-classification categories

- Development activities comprising:
 - programmes
 - development effectiveness
- United Nations development coordination activities
- Management activities comprising:
 - recurring
 - non-recurring
- Independent oversight and assurance activities
- Special-purpose activities

Cost-recovery: rates

- The updated cost-recovery policy retains the schema of differentiated rates at current levels

<i>Contribution type</i>	<i>UNDP</i>	<i>UNFPA</i>	<i>UN-Women</i>	<i>UNICEF</i>
Non-thematic contributions	8%	8%	8%	8%
Thematic contributions	7%	7%	7%	7%
Various umbrella agreements (formal existing inter-institutional agreements)	Based on the respective umbrella agreement			
National Committee ^a and programme country (private sector) contributions	5% ^b	No preferential rate ^c		5%
Programme Government cost-sharing contributions	Minimum of 3%	5%	5%	5%
South-South contributions	3%–5%	5%	5%	5%

^a National Committees are independent non-governmental organizations, unique to UNICEF, which mobilize resources and advocate on the organization's behalf. The 5 per cent rate is applicable only to thematic contributions raised by the National Committees.

^b For UNDP, the 5 per cent rate relates to contributions from individuals (i.e., private citizens).

^c UNFPA and UN-Women apply the rate of the respective contribution type for both public and private sector contributions. For UN-Women, this also includes funds mobilized by the National Committees on behalf of the organization.

Cost-recovery: waivers

- Waivers are discouraged and should be kept to a minimum
- Will be agreed only in exceptional cases, where programme funding otherwise at risk
- Can be granted by the Executive Director/Administrator
- Each waiver will be reported transparently to the Executive Board on an annual basis
- Number of waivers has declined considerably over the past years

Cost-recovery: elements of a decision

- Take note of the joint comprehensive cost-recovery policy [DP/FPA/ICEF-UNW/2020/1]
- Approve the cost-classification categories, and their definitions outlined in the policy, effective 1 January 2022
- Approve the cost-recovery policy, including the methodology and rates as outlined in the policy
- Resolve that the comprehensive cost-recovery policy as outlined in document DP/FPA/ICEF-UNW/2020/1 supersedes the previous cost-recovery policy and rates

Questions

**Joint Consultation with the UNDP/UNFPA, UNICEF &
UN-Women Executive Boards
17 August 2020**