



United Nations Entity for Gender Equality
and the Empowerment of Women

Cost recovery presentation for Executive Board session

1 September, 2016

Executive Board decision 2013/2:

Paragraph 3: **Approves** the harmonized methodology for calculating cost-recovery rates presented in document DP-FPA/2012/1-E/ICEF/2012/AB/L.6,2 which is further developed in document DP-FPA/2013/1-E/ICEF/2013/8, and welcomes the increased transparency and proportionality in the new harmonized framework

Paragraph 4: **Endorses** a general harmonized cost-recovery rate of 8 per cent for non-core contributions that will be reviewed in 2016, with the possibility of increasing the rate if it is not consistent with the principle of full cost recovery, proportionally from core and non-core funding sources, as mandated by the quadrennial comprehensive policy review of operational activities for development of the United Nations system, and decides that the review of the cost-recovery rate will take place after the analysis and independent assessment of the reports mentioned in paragraphs 15 and 17 of the present decision

Executive Board decision 2013/2:

Paragraph 15: **Requests** UN-Women, in collaboration with UNDP, UNFPA and UNICEF, to include, in the **midterm review of their integrated budgets**, information on the implementation of the approved cost-recovery rates, including the approved **underlying calculation methodology** and the inclusion of each cost category; their actual cost-recovery rates for the two previous financial years; and an analysis of compliance with the principle of full cost recovery, funded proportionally from core and non-core resources, as mandated in General Assembly resolution 67/226

Paragraph 17: Requests that an **independent and external assessment** be performed in 2016 on the consistency and alignment of the new cost-recovery methodology with the provisions of General Assembly resolution 67/226

Actuals (use of resources per Financial Statements 2014 and 2015)	2014	2015
Regular resources	143	149
Other resources (gross)	131	169
Total	274	318
Proportionate share RR	52%	47%
Proportionate share OR	48%	53%

1. Calculate the sum of management and comparable Special Purpose costs [and remove costs related to critical, cross-cutting functions]

	2014	2015
Institutional Budget	73.0	82.5
Less		
Development Effectiveness Activities	(21.3)	(23.4)
Non-Comparable Special purpose Activities		
UN Development Coordination Activities	(10.4)	(12.4)
Critical cross-cutting functions based on standard costs	(18.5)	(21.0)

2. Take the amount calculated in step (i) and split it proportionally according to the levels of total planned core and non-core expenditures

Total Institutional Budget (actuals) subject to cost recovery	22.8	25.7
Regular Resources Proportional share of iB actuals	11.9	12.0
Other Resources Proportional Share of IB actuals	10.9	13.7
Cost recovery actually earned	10.3	11.5
Notional cost recovery rate	8.3%	8.1%

Year	Collected Revenue (other resources) A	Support cost Recorded B	Effective rate B divided by A
2013	123,943,170.03	8,043,760.93	6.49%
2014	146,110,705.37	10,367,460.42	7.10%
2015	165,030,949.79	11,529,076.89	6.99%

Description	Number of cases		Differential vs. standard rate		
	2014	2015	2014	2015	Total
Waivers	1	1	27,614	2,154	29,768
Legacy agreements	104	80	322,440	285,227	607,667
Total	105	81	350,054	287,381	637,435

- Cost recovery policy issued in 2015
- Budget template developed to ensure offices include direct and indirect costs in submissions for project proposals
- Webinars, internal communications and guidance, etc

Direct costs are broadly defined as all costs that are incurred for, and can be traced in full, to UN Women's activities and programmes in fulfillment of its mandate. Included are the costs of programme staff, personnel, programme premises, travel and any other input necessary to achieve the results and objectives set out in the programmes.

Indirect costs are broadly defined as costs incurred by UN Women as a function of and in support of its activities and programmes that cannot be traced unequivocally to specific activities and programmes. Indirect costs are in addition to and separate from direct costs and must be budgeted for and reflected separately.

- Cost recovery rate of 8% allows is adequate for the recovery of costs proportionately from core and non core resources
- The effective rate of 7% takes into account legacy agreements, umbrella agreements
- Financial impact of waivers is immaterial
- Number of legacy agreements is declining over time
- Regular policy guidance has been provided and continues to be provided to offices. However, charging of direct costs remains challenging, causing cross-subsidization
- UN Women will work with other agencies to develop a roadmap and engage with the Executive Board