# Joint comprehensive proposal on the cost-recovery policy

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

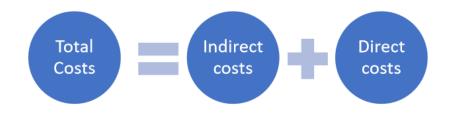
**17 August 2020** 

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## **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.

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

<u>Direct costs</u> • 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

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

<sup>&</sup>lt;sup>a</sup> 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.

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

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

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