

## Annex III.

### **Annual update on 2021 Cost Recovery: Waivers and differentiated cost-recovery rates**

#### **Overview**

1. 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”.
2. 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.
3. The Executive Board in the decision 2018/6 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”.
4. The Executive Board in the decision 2020/8 approved the joint comprehensive cost-recovery policy (DP/FPA-ICEFUNW/2020/1), which includes cost-classification categories, methodology and rates, effective 1 January 2022 and decided ‘that agreements signed prior to 1 January 2022 will be honored using the existing cost-recovery rates (per Executive Board decision 2013/2) and that new agreements as well as revisions of existing agreements that result in additional/new contributions signed after 1 January 2022, will comply with the rates in the cost-recovery policy as approved in this decision’.
5. In the same 2020/8 decision, the Executive Board requested ‘UN-Women, in collaboration with UNDP, UNFPA and UNICEF, to provide harmonized annual reporting on the progress of implementation of the cost recovery policy as an annex to their respective existing reporting, including the presentation of the financial impact of the harmonized differentiated rates and waivers granted, and to continue including, in line with the policy, inter alia an itemization of each waiver/discount listing the donor name, total contribution, programme name, cost-recovery rate and United States dollar value of the waiver/discount, as well as the resulting effective cost-recovery rates and cost-recovery amounts realized.’
6. UN-Women is committed to complying with the Executive Board decision (2013/2) to recover all additional organizational costs incurred in managing programmes funded from non-core resources and will continue to report on the implementation of the cost recovery policy. Whilst infrequent, cost recovery waivers continue to be requested by funding partners. UN Women considers these carefully

and agrees only in exceptional cases where the project funding would otherwise be at risk, negatively impacting UN Women’s ability to support programme countries to achieve development results.

### Cost Recovery Waivers

7. In 2021 UN-Women has approved one (1) cost recovery waiver with an insignificant financial impact of \$0.009 million. The details are provided in the below Table 1:

**Table 1**

Donor	Programme Country	Programme/ Project Description	Total Contribution	Reduced Cost Recovery rate	Financial impact of cost recovery waiver	Justification
UNDP	Nigeria	Support to COVID-19 Response Project	\$530,606	6%	\$9,558	UNDP negotiated a bilateral agreement with the European Union, including pass-through funding to UN Women for implementation. UNDP requested UN Women to reduce the standard European Union 7% to a 6% recovery cost to enable UNDP to retain 1% as their administrative agent fee.

8. There are no waivers continuing from prior years.

### Summary of Cost Recovery Waivers: 2018-2021

9. A summary of cost recovery waivers for the 2018-2021 period and associated financial impact is provided in the below Table 2:

**Table 2**

	2018	2019	2020	2021	Total 2018-2020
Number of GMS waivers granted	0	1	3	1	5

Impact of cost recovery waivers which were granted in the year	\$0	\$1,359	\$25,213	\$9,558	<b>\$36,130</b>
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10. As evident from the extremely low number of exceptional waivers, UN-Women is committed to complying with the EB decision and only grants waivers where there are existing framework agreements and engagements that promote joint activities within the UN entities. Furthermore, waivers are approved when the only other alternative would be to forego the contributions which result in missed opportunities for UN-Women in advancing gender equality.

### **Financial impact of the differentiated cost-recovery rates: 2018-2021**

11. In addition to the cost recovery waivers there are existing framework agreements with multilateral funding where the agreed cost recovery rates are below the 8 percent rate. These framework agreements are those of a legacy arrangement such as the European Commission, Joint Programmes, Multi-Partner Trust Fund Office (MPTF) administered Multi Donor Trust Funds and funds received from other UN agencies as applicable.
12. Per the joint comprehensive cost-recovery policy (DP/FPA-ICEFUNW/2020/1), UN-Women, along with UNDP, UNICEF and UNFPA has reported on the financial impact of these differentiated rates compared to the 8 per cent broken down by financial impact in the following categories, where applicable, as (a) thematic funding; b) framework/umbrella agreements and c) programme government preferential rates as well as the impact of waivers for the 2018-2021 period.
13. The below Table 3 reflects the financial impact of preferential rates and waivers applied for the year 2021. The biggest impact for the 2018-2021, representing 95% per cent of the total impact, are due to contributions that are subject to preferential rates such as voluntary contributions received from the European Union, Joint Programmes and Multi Partner Trust Funds. The remaining 5% per cent relates to contributions from Programme Governments, legacy agreements and waivers.

**Table 3**

*In Millions of United States Dollars*

<b>Financial Impact by Category</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total (2018-2020)</b>	<b>% of total</b>
Framework/Umbrella Agreements	0.4	1.1	1.5	1.29	4.32	95%
Programme Government	0.0	0.0	0.0	0.13	0.20	4%
Legacy Agreements	0.1	0.0	0.0		0.01	0%
Waivers	0.0	0.0	0.0	0.01	0.03	1%
<b>Total Impact</b>	<b>0.4</b>	<b>1.1</b>	<b>1.6</b>	<b>1.43</b>	<b>4.57</b>	<b>100%</b>

**Cost Recovery effective rate**

14. UN-Women remains compliant with the Executive Board approved cost recovery policy. Table 4 below summarizes the effective cost recovery rate based on actual financial performance for the 2018-2021 period. The effective rate represents the actual cost recovery rate realized, after including the effect of differentiated rates and waivers.

**Table 4: Effective average indirect cost-recovery rate, 2018–2021**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2018-2021 (average)</b>
Effective Average Cost Recovery Rate	7.00%	6.85%	6.90%	6.90%	6.91%