



**Executive Board of the  
United Nations Development Programme,  
the United Nations Population Fund and  
the United Nations Office for Project Services**

Distr.: General  
12 June 2024

Original: English

**Executive Board of the  
United Nations Children's Fund  
Executive Board of the  
United Nations Entity for Gender Equality  
and the Empowerment of Women**

Executive Board of UNDP, UNFPA and UNOPS  
**Second regular session 2024**  
XX -- YY, New York  
Item X of the provisional agenda

Executive Board of UNICEF  
**Second regular session 2024**  
XX -- YY, New York  
Item X of the provisional agenda

Executive Board of UN-Women  
**Second regular session 2024**  
XX -- YY, New York  
Item X of the provisional agenda

## **Comprehensive review of the joint cost-recovery policy**

### *Summary*

In 2020, the Executive Boards of UNDP, UNFPA, UNICEF and UN-Women approved the joint cost-recovery policy (DP/FPA-ICEF-UNW/2020/1) including cost-classification categories, methodology and rates. The Executive Boards requested the agencies present a comprehensive review of the cost-recovery policy and its implementation for decision at the 2024 second regular session.

This report responds to the comprehensive review requested by the Executive Boards. It includes a review of past trends for each agency with regard to the implementation of the cost recovery policy, finding that the joint cost-recovery policy has been helpful in enabling full cost recovery and driving harmonization among the agencies. It proposes to maintain the joint comprehensive approach to cost recovery including harmonized cost-classification categories, methodology and rates. This report also outlines additional improvements to further enable full cost recovery and enhance transparency among all agencies. Full recovery of direct and indirect costs remains the backbone of organizational financial sustainability.

Elements of a decision for consideration by the Boards are contained in section VIII.

## Contents

<b>I. Introduction</b> .....	<b>2</b>
<b>II. Context</b> .....	<b>2</b>
<b>III. Cost recovery: basis and principles</b> .....	<b>3</b>
<b>IV. Cost recovery: review of past trends</b> .....	<b>4</b>
<b>V. Cost recovery: cost-classification categories</b> .....	<b>7</b>
<b>VI. Cost recovery: methodology</b> .....	<b>8</b>
<b>VII. Cost recovery: rates</b> .....	<b>9</b>
<b>VIII. Elements of a decision</b> .....	<b>10</b>
<b>Annex I: Details of the cost-classification categories at the granular level</b> .....	<b>12</b>
<b>Annex II: Detailed calculations of the notional cost-recovery rates</b> .....	<b>19</b>

## **I. Introduction**

1. In decision 2020/12 of the Executive Board of the United Nations Development Programme (UNDP)/United Nations Population Fund (UNFPA), decision 2020/24 of the Executive Board of the United Nations Children’s Fund (UNICEF) and decision 2020/8 of the Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the Executive Boards approved the joint comprehensive cost-recovery policy including cost-classification categories, methodology and rates.

2. In the same decision, the boards also requested the agencies to present a comprehensive review of the cost-recovery policy and its implementation for decision at the second regular session 2024.

3. Following engagements with members of the Executive Boards during three informal sessions in 2023 and 2024, this report sets out the comprehensive review requested by the Executive Boards. It contains a review of past trends for each agency with regard to the implementation of the cost recovery policy, finding that the joint cost-recovery policy has supported collaboration between the agencies and enhanced cost recovery.

4. On the basis of this review, the report proposes to maintain the joint comprehensive approach with harmonized cost-classification categories, methodology and rates. It describes some modifications proposed to the harmonized approach, and also outlines additional improvements to the cost recovery implementation to enable full cost recovery and financial sustainability among all agencies.

## **II. Context**

5. Cost recovery is crucial to ensuring that the agencies’ budgets are fully financed so that they can fulfil their respective mandates as stated in their strategic plans. Stable funding is critical for the institutional backbone and normative work of the United Nations organizations and is vital to deliver projects and results in line with country programmes and strategic plan outcomes. Costs of enabling functions need to be covered by all donors proportionally, and cost recovery is the integral framework which makes this possible, while further stimulating inter-agency collaboration, as envisioned by the Secretary-General’s reform agenda, and transparently demonstrating that partnering with the United Nations offers considerable value for money.

6. The role of cost recovery is further guided by General Assembly resolution 71/243 of 21 December 2016 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR), which emphasized two critical concepts that guide any cost-recovery policy and form the basis for the current proposals. These concepts are: (a) regular resources form a bedrock of United Nations operational activities for development owing to their untied nature; and (b) regular resources should not subsidize other resources.

7. The role of regular resources includes support to Member States in the establishment and implementation of United Nations norms or standards to implement the strategic plans. This differs from the mandate of a project implementation agency, particularly given the growth of contributions to other resources. Nonetheless, the harmonized policy remains guided by the QCPR.

8. As a result of these factors, the cost-recovery policy, while rooted in technical financial and budgetary methodologies, has considerable implications for institutional transparency, politics, resource mobilization and inter-agency cooperation.

### **III. Cost recovery: basis and principles**

9. Cost recovery refers to the requirement of an organization to recover all costs. This ensures that regular resources are not used to subsidize the implementation of programmes funded from other resources, and that all direct costs of programmes funded by other resources are recovered from the correct funding source. The cost-recovery methodology recognizes that certain functions integral to the existence and advancement of an organization's mandate must be carried out regardless of the volume of programme implementation. Therefore, funding for these critical functions must be assured from regular resources.

10. The overarching principles that guides the cost-recovery approach discussed in this paper include: (a) continuing a harmonized approach across all four entities, mindful of the wider United Nations reform; (b) maximizing the allocation of regular resources to programmatic activities; (c) minimizing cross-subsidization between regular resources and other resources; (d) recovering the direct cost of all programmes from the correct funding source; and (e) continuing to be efficient, transparent and competitive within the overall development cooperation context.

11. A harmonized approach to cost recovery may include elements of harmonization related to the cost-recovery methodology, cost classifications and cost-recovery rates. This cost-recovery policy encompasses elements of these three, while also continuing to align the application of cost classifications to agency specific mandates, business and funding models and economies of scale. Harmonized approaches to cost recovery aim to reduce competition among agencies based on rates and to lower thresholds for collaboration among United Nations agencies in line with the Secretary-General's funding compact.

12. Full cost recovery includes both direct and indirect costs. Costs are categorized as direct (directly linked and traceable to a programme or project and to benefits derived by programme/project beneficiaries) or as indirect (not directly linked or traceable to a programme/project). The full recovery of direct and indirect costs is the backbone of organizational financial sustainability and ability to deliver on development and humanitarian results in a systematic manner.

13. Direct costs are recovered from regular resources or other resources depending on the funding source of the programme or project. Direct costs include personnel and non personnel costs that can be attributed and allocated to a programme or project activities related to programme, administrative and operational support activities. Full recovery of direct project costs is critical to the organizational budgeting, resource mobilization practices and implementation of the cost recovery policy. Examples of direct costs relating to programmes and projects include, but are not limited to, the following:

- (a) Programmatic activities (as listed in the project document, including goods and services)
- (b) Programme coordination, management, programme / project quality assurance, policy advice and supervision, performance management and planning services
- (c) Programme/project communications, advocacy, and funding partner visibility, communication support for programme/project personnel and activities
- (d) Independent audit, monitoring and evaluation of activities linked to a specific programme or project
- (e) Project briefings and technical guidance for project stakeholders, as well as project meetings, progress, and final reporting including donor-specific reporting (excluding annual certified financial reports)
- (f) Partner capacity assessments and all assurance activities
- (g) Equipment, including information technology equipment, maintenance, licences and support for the programme/project
- (h) Costs of missions and travel incurred specifically to carry out or support programme/project activities
- (i) Full cost of personnel, including all costs related to post occupancy such as rent and premises maintenance, utilities, communications, supplies, office related security and safety costs, etc.
- (j) Operational support and services directly linked to programme or project implementation, such as security and safety, procurement, budget, finance, human resources, information technology, risk management and administration at both, local country, regional and/or global level. This includes the allocable cost of processing project/programme implementation transactional services pertaining to finance, budget, administration, procurement, human resources, logistics, etc.

14. Indirect costs are associated with the organizational structure and services necessary to support implementation of development programmes and projects (the costs of running the organization). Indirect costs are allocated to programmes/projects and are recovered through application of indirect cost-recovery rates as a percentage fee on direct costs. Indirect costs are included in the organizations' institutional budgets; thus, the indirect cost-recovery model is designed to recover the designated costs of the institutional budget. Examples of indirect costs of an organization's activities include *corporate* activities such as:

- (a) Executive leadership
- (b) Resource mobilization, partnership relations and advocacy and communications;
- (c) Accounting, financial and budget management ;
- (d) Legal support;
- (e) Human resources management;
- (f) Management;
- (g) Internal audit and investigation
- (h) Evaluation
- (i) Strategic planning and results management
- (j) Risk management

#### **IV. Cost recovery: review of past trends**

15. This section reviews quantitative and qualitative evidence regarding trends in cost recovery implementation by the four agencies. It highlights developments in waivers and effective rates, as well as the evolution of the impacts of differentiated rates on cost recovery. This is complemented by a qualitative assessment of how the joint approach has performed and can be strengthened further.

16. Table 1 below summarizes the number of waivers granted by agency. Note that the number of waivers granted remains at a low level and is limited to exceptional cases at the

discretion of each agency's senior management. All agencies report annually on waivers to their Executive Boards.

17. Waivers to the Executive Boards-approved rates continue to be discouraged and should be kept to a minimum. Agencies will not volunteer waivers. The agencies will carefully review all waiver requests by funding partners and will agree to such requests only in exceptional cases, where the programme funding would otherwise be at risk, negatively impacting the agency's ability to help programme countries to achieve results.

Table 1  
Waivers granted, by agency, 2014–2023

<i>Number of waivers</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	<i>Total 2020-2023</i>
UNDP	24	9	12	6	5	3	1	0	3	1	5
UNFPA	4	4	4	7	10	3	3	3	3	6	15
UNICEF	1	9	0	2	5	8	9	3	4	6	22
UN-Women	1	1	6	1	0	1	3	1	1	0	5

<sup>a</sup> For 2018 and prior years, the number also includes the multilateral agreements with inherited reduced indirect cost rate, thus artificially increasing the number of real waivers. Starting in 2019 they are disclosed separately; details are available in DP/FPA/2020/4 (Part1/Add1).

18. Since the Executive Boards approved the joint approach to cost-recovery, the agencies have remained compliant with its requirements.<sup>1</sup> Table 2 below summarizes the effective cost recovery rate based on actual financial performance for each agency. The effective rate represents the actual cost-recovery rate realized after taking into account the effect of differentiated rates and waivers granted each year. An inspection of the values in Table 2 shows that the effective average indirect cost-recovery rate has risen or remained stable for all agencies over the past four years.

Table 2  
Effective average indirect cost-recovery rate for each agency, 2014–2013

<i>Effective average indirect cost-recovery rates</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	<i>Average 2020-2023</i>
UNDP	6.10%	6.30%	6.40%	6.12%	6.16%	6.38%	6.17%	6.01%	6.33%	6.23%	6.19%
UNFPA	7.07%	7.1%	7.27%	7.33%	7.26%	7.25%	7.22%	7.25%	7.32%	7.37%	7.29%
UNICEF	6.30%	6.50%	6.60%	6.50%	6.30%	7.00%	7.10%	6.90%	6.80%	6.80%	6.90%
UN-Women	7.12%	7.0%	7.14%	7.25%	7.0%	6.85%	6.90%	6.90%	7.18%	7.06%	7.01%

19. Table 3 below indicates the financial impact of differentiated rates compared to the 8 per cent rate, 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. In addition, the financial impact of the waivers is also presented.

20. Overall, the financial impact of differentiated rates has slightly increased over the past years, commensurate with overall growth in other resources contributions. That said, the agencies assess that these differentiated rates have been helpful in attracting less tightly

<sup>1</sup> For UNDP, this includes Executive Board-approved transitional measures of \$199 million during 2014–2017 per Executive Board decision 2013/28.

earmarked thematic contributions and contributions from programme governments. Against the backdrop of a continued decrease in the share of regular resources affecting all agencies, the importance of quality, loosely-earmarked funding continues to rise. This is the subject of analysis and discussions between agencies and Member States in the recurring structured funding dialogues.

Table 3  
**Financial impact of the differentiated cost-recovery rates, by agency, 2014–2023**

(In millions of United States dollars)

<i>Financial impact by agency and category</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	<i>Average 2020-2023</i>
<b>UNDP</b>											
Thematic contributions	1.1	1.0	0.5	0.3	0.4	0.3	0.8	1.3	2.7	1.4	1.5
Agreements with multilateral partners	9.1	7.9	6.8	9.3	6.5	6.7	6.9	6.9	9.8	11.0	8.6
Preferential rates (programme country)	32.9	33.9	30.4	37.6	40.2	32.7	38.7	51.1	43.5	48.2	45.4
Waivers	21.7	18.9	20.6	29.2	19.4	23.5	22.2	15.4	7.4	8.1	13.3
<b>Total impact</b>	<b>64.8</b>	<b>61.7</b>	<b>58.3</b>	<b>76.4</b>	<b>66.5</b>	<b>63.2</b>	<b>68.6</b>	<b>74.7</b>	<b>63.4</b>	<b>68.7</b>	<b>68.8</b>
<b>UNFPA</b>											
Thematic trust funds	1.90	1.51	1.31	1.24	1.40	1.51	1.89	1.67	1.84	2.17	1.89
Umbrella agreements	1.00	1.20	1.30	1.14	1.33	2.04	2.32	2.49	2.27	2.18	2.32
Preferential rates (programme government and South-South)	0.45	0.68	0.53	0.83	1.71	1.28	1.46	1.51	1.88	1.95	1.70
Legacy agreements	0.90	0.65	0.28	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Multilateral agreements with inherited reduced indirect cost rate						0.18	0.29	0.12	0.06	0.06	0.13
Waivers	0.12	0.18	0.07	0.18	0.36	0.37	0.27	0.28	0.05	0.09	0.17
<b>Total impact</b>	<b>4.37</b>	<b>4.22</b>	<b>3.49</b>	<b>3.50</b>	<b>4.80</b>	<b>5.38</b>	<b>6.23</b>	<b>6.07</b>	<b>6.10</b>	<b>6.46</b>	<b>6.22</b>
<b>UNICEF</b>											
Thematic funding	11.19	8.49	7.67	8.17	8.59	6.10	6.22	9.04	20.60	11.26	11.78
Umbrella agreements	7.21	7.77	7.23	6.71	6.98	7.98	9.14	8.14	10.84	11.52	9.91
Preferential rates (programme government and private sector, South-South contributions)	5.70	8.72	9.45	8.75	13.09	14.15	12.14	11.69	13.90	15.74	13.37
Waivers	0.01	1.60	0.00	18.40	0.90	13.90	13.79	14.14	27.12	31.00	21.51
<b>Total impact</b>	<b>24.11</b>	<b>26.58</b>	<b>24.35</b>	<b>42.03</b>	<b>29.56</b>	<b>42.13</b>	<b>41.29</b>	<b>43.01</b>	<b>72.46</b>	<b>69.52</b>	<b>56.57</b>
<b>UN-Women</b>											
Various umbrella agreements	0.25	0.28	0.24	0.49	0.41	1.10	1.52	1.29	1.14	1.64	1.4
Programme Government preferential rates	0.02	0.02	0.00	0.02	0.02	0.04	0.01	0.13	0.14	0.33	0.15

<i>Financial impact by agency and category</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	<i>Average 2020-2023</i>
Legacy agreements	0.27	0.23	0.02	0.02	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Waivers	0.00	0.03	0.02	0.00	0.00	0.00	0.03	0.01	0.00	0.00	0.01
<b>Total impact</b>	<b>0.54</b>	<b>0.56</b>	<b>0.28</b>	<b>0.53</b>	<b>0.44</b>	<b>1.14</b>	<b>1.60</b>	<b>1.43</b>	<b>1.28</b>	<b>1.96</b>	<b>1.56</b>

21. Overall, agencies assess that the joint approach to cost-recovery has been successful in driving harmonization, creating a level-playing field and encouraging collaboration within and beyond the United Nations system over the past four years.

22. That said, one ongoing challenge in practice is the systematic acceptance in funding proposals and agreements of all direct costs related to the implementation of a programme or project. All agencies have undertaken efforts to further institutionalize this important requirement, and are actively working towards making further progress in this area. Key parameters to the implementation of full cost recovery include the willingness of donors to include all direct costs, personnel and non-personnel, including the operational support and services that are direct costs, in donor agreements.

23. In this effort, continuing support and collaboration from funding partners and Member States remains vital to ensuring direct costs and indirect costs are fully recovered and all agencies remain on sustainable financial footing.

## V. Cost recovery: cost-classification categories

24. Cost recovery requires the organizations to classify costs following a commonly approved definition to ensure that similar elements are appropriately grouped to enable further harmonization, transparency and comparability across agencies as well as their contribution to the results, while recognizing differences in specific agency structures and business models.

25. Compared to the policy previously approved by the Executive Boards, the cost classifications broadly remain the same. However, two sets of modifications are implemented.

26. First, three cost classifications (management, independent oversight and assurance, and special-purpose) are grouped under a new common heading of “enabling functions” to permit further harmonization within the United Nations system. The grouping is aligned with the definition of enabling functions endorsed by the Finance and Budget Network (FBN) in CEB/2022/HLCM/FBN/7 for application within the context of financial reporting. Agencies will continue to report at the level of the three cost classifications under this heading, thus ensuring full transparency.

27. Second, “Development activities” are renamed “Development/humanitarian activities” to reflect the substantial contribution that agencies are making to humanitarian programming.

28. Costs are then classified and defined as per below:

(a) **Development/humanitarian activities:** costs associated with programmes and development effectiveness activities which contribute to and are essential for the realization of effective development and humanitarian results, as follows:

(i) **Programmes:** activities and associated costs traced to specific programme components or projects, which contribute to delivery of development and

humanitarian results contained in country/regional/global programme documents or other programming arrangements;

(ii) **Development effectiveness activities:** costs of activities of a policy-advisory, technical and implementation nature that are needed to achieve the objectives of programmes and projects in the focus areas of the organizations. These inputs are essential to the delivery of development and humanitarian results and are not included in specific programme components or projects in country, regional or global programme documents;

(b) **United Nations development coordination activities:** activities and associated costs supporting the coordination of development activities of the United Nations system;

(c) **Enabling functions:** services and associated costs which are typically provided corporately to promote the identity, direction and well-being of an organization to collectively enable the organization to deliver its mandated programmes and normative agendas. These indirect functions and associated costs cannot be readily or easily traced to specific 'programmes'. It contains the following sub-categories:

(i) **Management activities:** activities and costs associated with executive direction, representation, external relations and partnerships, corporate communications, legal, information technology, finance, administration, security and human resources. Management costs can be classified as recurrent or non-recurrent;

(ii) **Independent oversight and assurance activities:** activities and associated costs supporting the independent audit and investigations and corporate evaluation functions;

(iii) **Special-purpose activities:** activities and associated costs of (1) capital investments, and (2) services for other United Nations organizations.

29. As in the current policy, organizations will remain broadly harmonized at the overall level of development/humanitarian activities. The development effectiveness subcategory is used by the respective agencies only where material. More details for each of the agencies are provided in annex I.

## VI. Cost recovery: methodology

30. The cost-recovery methodology ensures equitable funding of organizational costs based on the fundamental principle that organizational costs that are eligible for cost recovery should be proportionally funded from regular resources and other resources. This methodology is substantively unchanged from the methodology previously approved by the Executive Boards.

31. Costs that are considered eligible for indirect cost recovery are those that are indirectly linked to the delivery of development and humanitarian results. Costs directly linked to the delivery of development or humanitarian results will be directly funded from regular resources or other resources, depending on the funding source of the respective programmes.

32. The methodology starts by identifying functions integral to the mandate of the organization. Where appropriate, these are covered from regular resources as part of the organizations' institutional budgets. Some of these functions may also be directly funded from other resources:

(a) Development effectiveness activities;



- (b) United Nations development coordination;<sup>2</sup>
  - (c) Critical cross-cutting management functions;
  - (d) Critical cross-cutting independent oversight and assurance functions;
  - (e) Non-comparable special-purpose activities.
33. The remaining balance of the institutional budget is covered by the indirect cost-recovery rate, proportionally between regular and other resources.
34. The methodology to calculate the notional cost-recovery rate is as follows:
- (a) Calculate the proportionate percentage share of regular resources and other resources per the planned use of resources in the organizations' integrated budgets;
  - (b) Calculate the sum of the institutional budget costs that are to be funded from regular resources only and the balance to be funded proportionally from regular and other resources, and remove costs related to the mandate of the organization to be solely funded from regular resources. The starting point will always be the institutional budget;
  - (c) Take the balance of the institutional budget amount calculated in step (b) to be recovered from regular and other resources and apply the percentages calculated in step (a);
  - (d) Take the amount to be recovered from other resources in step (c) and calculate it as a percentage of total planned other resources;
  - (e) The amount in step (d) equals the notional cost-recovery rate to be recovered from other resources.
35. The forward-looking financial implications of applying this cost-recovery methodology to the Executive Board-approved integrated budgets for the 2022–2025 or 2024–2025 period for each agency are shown in table 4 below. The detailed derivation of each notional rate is provided in Annex II.

Table 4

**Overview of notional indirect cost-recovery rates calculated on 2022–2025 integrated resources plans and integrated budgets**

	<i>UNDP</i>	<i>UNICEF</i>	<i>UNFPA</i>	<i>UN-Women</i>
Indirect cost-recovery rate	6.5%	5.6%	8.7%	8.8%

36. For UNDP and UNICEF, the notional indirect cost-recovery rates are 6.5 per cent and 5.6 per cent respectively, which is below the standard rate of 8 per cent. For UNFPA and UN-Women, the opposite is true: the notional cost-recovery rates are above the standard rate, at 8.7 per cent and 8.8 per cent respectively.

## VII. Cost recovery: rates

37. The current model with differentiated rates continues to support the harmonized approach to cost recovery, in particular to the application of a general, harmonized cost recovery rate of 8 per cent for non-core contributions.

<sup>2</sup> The UNDP Executive Board has, in approving the IRP/IB also approved a Core Programme Budget allocation framework. The framework was approved in 2017 per the UNDP Executive Board's decision 2017/31 Integrated Resources Plan and Integrated Budget (IRP/IB) 2018-2022 and the utilization of the framework was included in the IRP/IB 2022-2025 which was approved per the Executive Board's decision 2021/15. The framework included tiering for use of the Core and specifically provides for the United Nations Development Cooperation funding to be allocated by the framework.

38. The differentiated rates continue to broadly serve their purpose in terms of contributing to incentives, in particular for more support from programme countries with the application of a 3 percent to 5 percent indirect cost recovery rate. The 7 per cent charge for thematic contributions has helped UNDP, UNFPA and UNICEF to make the case for thematic funding in certain instances. However, thematic funding for these agencies as a whole has not dramatically increased.

39. The below updated Table 5 reflects the current differentiated rates for non core contributions, which are proposed to continue.

Table 5

### Overview of the differentiated cost-recovery rates, by agency

<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 <sup>a</sup> and programme country (private sector) contributions	5% <sup>b</sup>	Not applicable <sup>c</sup>		5%
Programme Government cost-sharing contributions	Minimum of 3% <sup>d</sup>	5%	5%	5%
South-South contributions	3%-5%	5%	5%	5%

<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.

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

<sup>c</sup> 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.

<sup>d</sup> UNDP's 2023 average indirect cost recovery for government cost sharing was 4%. With the support of programme countries, UNDP continues to move towards 5% as older programmes come to a close. South-South contributions follow the same pattern.

## VIII. Elements of a decision

37. The Executive Boards may wish to:

(a) *Take note* of the comprehensive review of the joint cost-recovery policy [DP/FPA/ICEF-UNW/202X/1];

(b) *Approve* the cost-classification categories, and their definitions outlined in the policy, effective 1 January 2025, as follows:

- (i) Development/humanitarian activities, with subcategories:
  - (1) programmes
  - (2) development effectiveness activities;
- (ii) United Nations development coordination activities;
- (iii) Enabling functions, with subcategories:
  - (1) Management activities;

(2) Independent oversight and assurance activities;

(3) Special-purpose activities;

(c) *Approve* the cost-recovery policy, including the methodology and rates as outlined in the policy, as follows:

**Overview of the differentiated cost-recovery rates, by agency**

<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 and programme country (private sector) contributions	5%	Not applicable		5%
Programme Government cost-sharing contributions	Minimum of 3%	5%	5%	5%
South-South contributions	3%-5%	5%	5%	5%

(d) *Resolve* that the comprehensive cost-recovery policy as outlined in document DP/FPA/ICEF-UNW/2024/1 supersedes the previous cost-recovery policy.

(e) *Acknowledge* the criticality of ensuring the recovery of all direct costs to programmes and projects

## Annex I: Details of the cost-classification categories at the granular level

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
<b>I. Development/humanitarian activities</b>				
<b>Programme activities</b>	<p><b>At country level:</b>            Programme/project policy and advocacy, technical expertise and support; Programme/project monitoring and evaluation; Programme/project procurement and logistics; Direct programme/project planning; Programme/project communications; Direct programme/project administrative and operations support;            Formulation/management of programme pipeline/new business development; Programme policy-advisory services; In-country development effectiveness support for programming; Operational/ administrative support services dedicated to projects: financial services, Procurement services, HR, Logistics support, Field security, Equipment and Asset management, including ICT equipment.</p> <p><b>At regional level:</b>            Programme/project policy, advocacy, technical expertise, coordination and support for regional projects and regional intergovernmental processes; Audit, evaluation and quality assurance services for regional projects; Direct regional</p>	<p><b>At country level:</b>            Programme/project policy and advocacy, technical expertise and support; Direct humanitarian response; Programme/project monitoring and evaluation; Programme/project procurement and logistics; Direct programme/project planning; Programme/project communications and partnerships; All programme/project administrative and operations support</p> <p><b>At regional level:</b>            Advocacy and policy dialogue with regional and subregional entities and in multi-country settings; Regional inter-agency collaboration and coordination; Provision of technical advisory support to country programmes and intergovernmental regional processes; Direct</p>	<p><b>At country level:</b>            Programme/project policy and advocacy, technical expertise and support; Direct humanitarian response; Programme/project monitoring and evaluation; Programme/project procurement and logistics; Direct programme/project planning; Programme/project communications; Direct programme/project administrative and operations support</p> <p>Creation and dissemination of global and regional public goods, including monitoring and analysing the situation of children for global accountability; Contribution to and strengthening relevant global and regional policy and coordination systems; Contribution to the relevant global evidence base and normative guidelines.</p>	<p><b>At country level:</b>            Programme/project policy and advocacy, technical expertise and support; Direct humanitarian response; Programme/ project monitoring and evaluation; Direct programme/project administrative and operations support.</p> <p><b>At regional level:</b>            Empowering and supporting country-level capacities and processes; Overseeing country and region-based delivery across normative, policy, advocacy and United Nations coordination roles; Leveraging regional United Nations coordination</p>

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
	programme/project administrative and operations support; Direct programmatic support and oversight of country offices and programmes; Cross-country capacity-building and knowledge-sharing.	programmatic support and oversight of country offices and programmes; Cross-country capacity-building and knowledge-sharing; Regional programme coordination and implementation, including knowledge management; Direct programme/ project administrative and operations support; Direct programme/ project communication and media functions.		mechanisms and liaising closely with other regional bodies; Cross-country capacity-building and knowledge-sharing; Regional programme coordination and implementation, including knowledge management; Direct programme/ project administrative and operations support; Direct programme/ project communication and media functions.
	<b>At global/interregional levels:</b> Human Development Report, including support to preparation of national human development reports; Programme/project policy and advocacy, technical expertise and support to global projects; Programme/project monitoring and evaluation of global projects; Audit and quality assurance services for global projects; Direct global programme/project administrative and operations support..	<b>At headquarters level:</b> Generation, promotion, utilization of state-of-the-art technical knowledge; Promotion of international norms and standards; Building global technical partnerships; Humanitarian response and coordination; Coordination and management of prevention/response to sexual and gender-based violence; Strengthening/expansion of surge capacity; Global intergovernmental policy dialogue for International Conference on Population and Development and Sustainable Development Goal follow- up and review; Global outreach with parliamentarians and civil society; Complementary field support in areas not available at regional level undertaken by: Programme Division, Division for External Relations, Humanitarian Response Division, Technical Division; Humanitarian Office.	Global and regional programme resources are implemented by each of the seven UNICEF regional offices as well as relevant headquarters divisions and offices, including: Programme; Data, Research and Policy; Supply; Evaluation; Emergency Programmes; and Communication.	<b>At headquarters level:</b> Programme and project guidance; Strategic programme direction and oversight; Programme/project and operational support; Support to inter-agency coordination and normative processes; Crisis and humanitarian response; Development of global reports; Management of global projects for (a) global norms and standard; (b) political participation, governance and data; (c) women's economic empowerment; (d) ending violence against women and girls; (e) peace and security, humanitarian response.
Development effectiveness activities	<b>At country level:</b> Country office presence focusing on strategic country programming (CPD formulation and participation in UNDAF process); Programme quality assurance.	<b>At country level:</b> No development effectiveness functions at country level	<b>At country level:</b> Deputy Representatives performing an overall programme development, oversight and guidance role; Communication officers; select monitoring and evaluation officers.	<b>At country level:</b> Deputy Representatives (or national equivalents, assistant representative) performing an overall programme development, oversight and guidance role; Programme/project posts

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
	<p><b>At regional level:</b> Deputy Regional Directors performing overall programme development and guidance; Overall programme development, oversight and guidance role; Technical advisers; Regional development effectiveness support for South-South cooperation programme.</p> <p><b>At global/interregional levels:</b> bureaux and offices responsible for programme and technical policy formulation and guidance: Bureau for Policy and Programme Support; Crisis Bureau; United Nations Office for South-South Cooperation, and the Procurement Support Office; Corporate HACT-related activities.</p>	<p><b>At regional level:</b> Deputy Regional Directors performing an overall programme development, oversight and guidance role; Overall programme support to country offices, including monitoring and evaluation.</p> <p><b>At headquarters level:</b> Programme Division, except personnel whose work contributes directly to strategic plan development outcomes; Humanitarian Response Division (leadership and operations support); Quality Management Unit in the Division for Management Services, which is primarily dealing with HACT to implementing partners and partner implementation.</p>	<p><b>At regional level:</b> Deputy Regional Directors performing an overall programme development, oversight and guidance role; Technical advisers.</p> <p><b>At headquarters level:</b> Programme Division; Division of Data, Research and Policy; Field Results Group; Office of Emergency Programmes; Supply Division; Office of Innovation; Office of Research.</p>	<p>performing an overall programme oversight and guidance role.</p> <p><b>At regional level:</b> Deputy Regional Directors performing an overall programme development, oversight and guidance role; Technical advisers; Overall programme support to country offices.</p> <p><b>At headquarters level:</b> Programme Division; Policy Division; Humanitarian Office; Civil Society, Procurement Unit</p>
<b>II. United Nations development coordination</b>				
	Contribution to the resident coordinator system.	Contribution to the resident coordinator system.	Contribution to the resident coordinator system; Office of Emergency Programmes: coordination of partners for the humanitarian clusters for water, sanitation and hygiene, nutrition and education, along with the area of responsibility at the global level in child protection.	Contribution to the resident coordinator system United Nations System Coordination Division (headquarters); Regional office directors and drivers (50 per cent cost); Country office representatives/heads of office and drivers (50 per cent cost); Regional office United Nations coordination specialists.
<b>III. Management activities</b>				
Executive Leadership and corporate direction	Executive Office; Ethics Office; Office of the Secretary of the Executive Board, excluding fully reimbursable Executive Board	Office of the Executive Director; Ethics Office; Legal Office.	Office of the Executive Director, including Ethics Office and Legal Office.	HQ leadership posts in management and administration and resource mobilization and strategic partnerships.

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
Corporate financial, ICT and administrative management	secretariat services provided to other United Nations agencies. Bureau of Management Services (BMS), including Office of Financial Resources Management, unallocable costs of Global Shared Services Centre, Procurement Oversight Office; Office of Operations; Centrally managed costs relating to finance, ICT and administration; Office of Information Management Technology; Legal Support Office; Excludes costs relating to provision of fully reimbursable services provided to other United Nations agencies, which fall under the special-purpose activities classification.	Division for Management Services (excluding Quality Management Unit), IT Solutions Office.	Division of Financial and Administrative Management; Division of Information and Communications Technology.	Division of Management and Administration including ICT, legal, finance, facilities; Budget Management Unit Centrally managed costs related to finance, IT and administration.
Corporate human resources management	Cost of Office of Human Resources in relation to the UNDP corporate human resources management function, excluding the fully reimbursable human resources support provided to other United Nations agencies (covered under special-purpose activities); Centrally managed human resources costs related to staff, learning costs; contribution from UNDP to International Civil Service Commission.	Division for Human Resources.	Division of Human Resources.	Division of Human Resources.
Corporate external relations and partnerships, communications and resources mobilization	Bureau for External Relations and Advocacy.	Division for External Relations; Executive Board Branch; UNFPA Representation Offices (except programmatic activities).	Division of Communication; Public Partnerships Division; Private Fundraising and Partnerships Division: (resources supporting specific National Committee and country office fundraising activities are included under special-purpose); Office of the Secretary of the Executive Board	Strategic Partnership, Advocacy and Communications and Resource Mobilization; Office of the Secretary of the Executive Board.
Staff and premises security	Security Office	Office of Security Coordinator	Office of Emergency Programmes in close collaboration with the United	Security Office

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
Field/country office oversight, management and operations support	<p><b>At country level:</b> Country office leadership, representation and management functions to UNDP. This includes the full-time Resident Representative function, following the delinking of the resident coordinator role; The costs of country offices' support functions to UNDP referred above exclude costs relating to provision of fully reimbursable services provided to the United Nations agencies, which fall under the special-purpose activities classification.</p> <p><b>At the regional and headquarters levels:</b> Regional bureaux and regional hub leadership, including representation and management functions including regional operations support functions not directly linked to programme support.</p>	<p><b>At country level:</b> Full cost of Representatives</p> <p><b>At regional level:</b> full cost of: Regional Directors, personal and special assistant to the Director; Resource mobilization, communications, security and human resources functions; Office operations support functions not directly linked to programme support (e.g., international operations manager, finance/administrative support posts, ICT, etc.).</p>	<p>Nations Department of Safety and Security and other United Nations security management entities.</p> <p><b>At country level:</b> full cost of: Representatives and Assistant to the Representative Office operations support functions that are not directly linked to programme support (e.g., operations manager/ international operations manager, finance/ administrative, IT and human resources support posts).</p> <p><b>At regional level:</b> full cost of: Senior leaders in each Regional Office (e.g., Regional Director, Regional Chief of Operations) and operations teams</p> <p><b>At headquarters level:</b> full cost of: Senior leaders at the Global Shared Services Centre.</p>	<p><b>At country level:</b> Representatives/ Heads of Office and driver posts (50 per cent); Full cost of: operations management functions not directly linked to project/programme support (e.g., operations manager/international operations manager, finance/administrative, IT and human resources support posts);</p> <p><b>At regional level:</b> Regional Directors and driver posts (50 per cent) Full cost of: Operations management functions not directly linked to programme/project support</p>
Non-recurring costs	<p><b>At country and headquarters levels:</b> strategic investments to support accelerated programme delivery by improving: (1) business model performance: (a) project delivery and cost recovery; (b) cost effectiveness and efficiency; and (c) operational service arrangements for the United Nations system; (2) business model innovation, e.g., fee-for service consultancies in country offices, clustering of services.</p>	N/A	N/A	N/A



	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
<b>IV. Independent oversight and assurance activities</b>				
Corporate oversight and assurance	Office of Audit and Investigations; Independent Evaluation Office; Ombudsman; Board of Auditors, Joint Inspection Unit.	Office of Audit and Investigations Services; Independent Evaluation Office; Board of Auditors, Joint Inspection Unit.	Office of Internal Audit and Investigation; Evaluation Office.	Independent Evaluation and Audit Services Office; Audit Coordination, Board of Auditors, OIOS investigation services
<b>V. Special-purpose activities</b>				
Capital investments	Security Risk Management measures (SRMM) compliance.	ICT transformation, Security investments including SRMM, one-time costs specific to a particular cycle	Technology-supported organizational solutions; Allocations to offices to support compliance with SRMM; Eco-efficiency initiatives and capital expenditure linked to premises management.	ICT transformation, SRMM Compliance
Private sector fundraising		Individual giving programme	Includes activities and estimated resource requirements of Private Fundraising and Partnerships Division to support specific private sector fundraising initiatives of the National Committees and UNICEF country offices. The activities related to implementation of the UNICEF Private Fundraising and Partnerships Plan, 2018–2021 and the appropriation for the related resource requirements will be presented to the Executive Board for approval on an annual basis.	
Other, including procurement services			Supply Division administers procurement services on behalf of Governments and other partners to complement UNICEF programmes. These services provide partners with economical access to selected products, which allows them to leverage programmatic results.	

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
Non-agency specific operations	<p><b>Support to other United Nations agencies:</b> institutional budget support to UNV, UNCDF; Direct services for United Nations partner agencies under universal price list, local price list, service level agreement arrangements: Ad hoc, payroll, security, payments, Junior Professional Officer-related, procurement, training, benefits management, travel;</p> <p><b>At country level:</b> Fully reimbursable country office support to other United Nations agencies; excludes country offices' leadership, representation and management functions to UNDP, which covers the full-time Resident Representative function, following the delinking of the resident coordinator role.</p> <p><b>At headquarter level:</b> Fully reimbursable headquarters-level support to other United Nations agencies; excludes cost of the Bureau of Management Services (BMS) to UNDP relating to the BMS Directorate, Office of Financial Resources Management, Global Shared Services Unit, Office of Information Management Technology, Legal Support Office, Procurement Oversight Office; Office of Operations; Centrally managed costs relating to finance, ICT and administration. Excludes corporate HACT-related activities.</p>			

## Annex II: Detailed calculations of the notional cost-recovery rates

(In thousands of United States dollars)

		UNDP	UNFPA	UNICEF	UN-Women
	Use of resources	2022-2025	2022-2025	2022-2025	2024-2025
A1	Regular resources (RR)	3 241.4	1 799.0	5 554.6	800.0
A2	Other resources (OR)	20 757.7	4 307.8	30 043.6	1,260.0
	Total	23 999.1	6 106.8	35 598.2	2 060.0
<b>1. Calculate the proportionate percentage share of RR and OR in the planned use of resources</b>					
B1	Proportionate share of RR	<b>14%</b>	<b>29%</b>	<b>16%</b>	<b>39%</b>
B2	Proportionate share of OR	<b>86%</b>	<b>71%</b>	<b>84%</b>	<b>61%</b>
<b>2. Calculate the sum of management and comparable special-purpose costs (and remove costs related to critical, cross-cutting functions)</b>					
C	Institutional budget	2 650.1	631.7	2 762.3	408.8
	<i>Less</i>				
C1	Development effectiveness activities	(534.6)	(0.0)	(626.6)	(106.4)
C2	Non-comparable special-purpose activities	(321.5)	(18.0)		(12.4)
C3	United Nations development coordination activities		(17.1)	(40.1)	(75.2)
C4	Critical cross-cutting management functions	(287.1)	(109.0)	(208.3)	(46.0)
C5	Critical cross-cutting oversight and assurance functions	(52.1)	(0.0)	(0.0)	(2.0)
	<b>Total - institutional budget (IB) subject to cost recovery</b>	<b>1 454.8</b>	<b>487.5</b>	<b>1 887.3</b>	<b>166.8</b>
<b>3. Take the amount calculated in step 2 and split it proportionally according to the levels of total planned use of regular and other resources</b>					
D=C-(C1:C4)	IB subject to cost recovery based on approved methodology	1 454.8	487.5	1 887.3	166.8
E1=B1*D	RR proportional share of IB	196.5	143.6	302.07	64.8
E2=B2*D	OR proportional share of IB	1 258.3	343.9	1 585.3	102.2
F=E2/(A2-E2)	<b>Notional rate</b>	<b>6.5%</b>	<b>8.7%</b>	<b>5.6%</b>	<b>8.8%</b>

Note: The numbers reflected are per the UN Women Integrated Budget 2024-2025 doubled for comparability as UN Women maintains a two year and not a four year integrated budget period.