

Cost Recovery

Joint UNDP, UNICEF, UNFPA and UN Women Executive Boards briefing
26 April 2017

Outline

1. Recap on EB bureau feedback on cost recovery
2. Role of core
3. Cost recovery models
 - a. 'LEGO' (building block) approach for cost recovery modeling
 - b. High level overview
 - c. Cost recovery rates by agency based on 'LEGO' approach
4. Harmonization
5. EBs guidance and next steps
6. Q & A

Supporting information in Annexes

Recap – 28 March EBs feedback on the “*Note for the proposed way forward on cost recovery*”

Approach

- A consideration of the need for an update of the Executive Board-document on the Road map to an integrated budget (DP-FPA/2010/1-E/ICEF/2010/AB/L.10 of July 19, 2010); a revision or confirmation of the list of critical cross cutting functions (that can be deducted from the cost recovery amounts); and a revision of the exceptions to the 8% ‘normal’ rate.
- An assessment of the current cross-subsidy amounts and future trends with different funding scenarios (core / non-core trends) and its consequences on the cost recovery set-up and rates.
- Development of different options for cost recovery, for example have the General Management Support (GMS) rate depend on the volume of the donation. An assessment whether government cost sharing arrangements (having low rates) cover the expenses they generate.
- An assessment of the adequacy of cost recovery rates and proposed future options (or updates) for these rates.
- Prepare an (updated) proposal for a cost recovery system to be presented to the board for decision, valid for the period 2018-2021, either identical across agencies or adjusted to the different agencies.

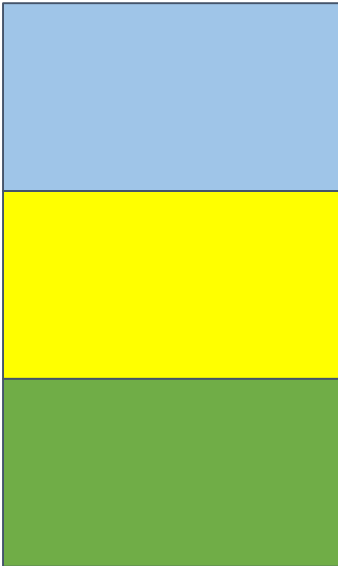
Process

- The joint briefings with the Executive boards planned for late May 2017 should include a presentation of and discussion on the proposed cost recovery system
- The planned timeline should include proposed timing for a decision on the approach to the cost recovery system for the period 2018 – 2021.

Role of Regular (core) Resources

- **The QCPR emphasizes two critical concepts:**
 - Core (regular) resources form the bedrock of UN operational activities for development, owing to their untied nature.
 - Regular resources should not subsidize other resources (need for full proportional cost recovery)
- **These concepts guide the current methodology and the options presented.**
- **There is a difference in the role of core and non-core.** The role of core includes support to Member States in the establishment and implementation of UN norms and standards, as opposed to a project implementation agency.
- **There is a need to ensure that a minimum level of specific essential functions be funded from the core. These functions would thus not be subject to cost recovery, and would include:**
 - functions mandated to benefit the broader UN development system; and
 - functions related to establishing and implementing UN norms and standards across programmatic and institutional areas of work of each agency
- **Subsequently, core resources will be used for funding of programmatic activities and the proportional share of the institutional budget, noting its synergistic and complementary nature to the programme activities.**

A modular approach to cost recovery models – (the ‘LEGO’ approach)



- The cost recovery model is designed to recover the designated costs of the Institutional Budget - thus the starting point is the total Institutional Budget
- From this starting point, “blocks” are presented to provide a spectrum of what can be considered as a minimum level of specific, essential functions to be funded from core resources. These “blocks” would then be excluded from cost recovery
- The modular “Lego” approach for cost recovery allows for consideration of various options, in line with request of the EBs

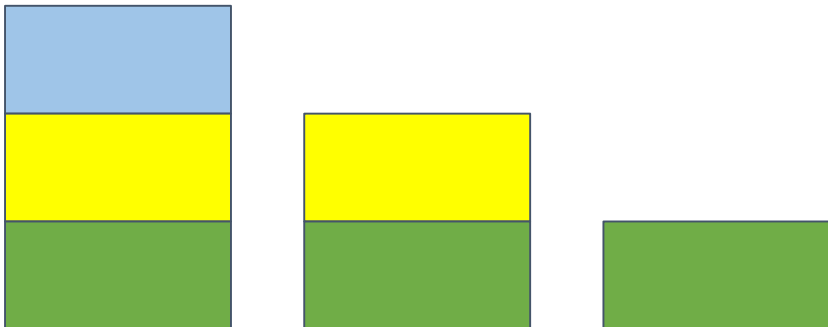
The 'LEGO' approach for activities funded from core: three blocks

Block	Description
Executive leadership, Country Office leadership, Independent Assurance	<ul style="list-style-type: none"> • Executive Office, Ethics and Ombudsman • Independent corporate oversight and assurance <ul style="list-style-type: none"> • Internal and external audit and investigation • Evaluation • Posts of Representative and Deputy Representative (or national equivalent) • Support to UN Development Coordination
Directing advocacy, resource stewardship and technical leadership	<p>Leadership of management and development effectiveness functions at HQ and RO levels:</p> <ul style="list-style-type: none"> • Fiduciary, IT, Human Resources, Partnerships and Security management functions • Technical leadership, programmatic policy and support for norm setting functions
Integrating professional standards, norms and quality assurance	<p>Remaining development effectiveness functions:</p> <ul style="list-style-type: none"> • Integration of professional standards and quality assurance • Programme-policy advisory functions

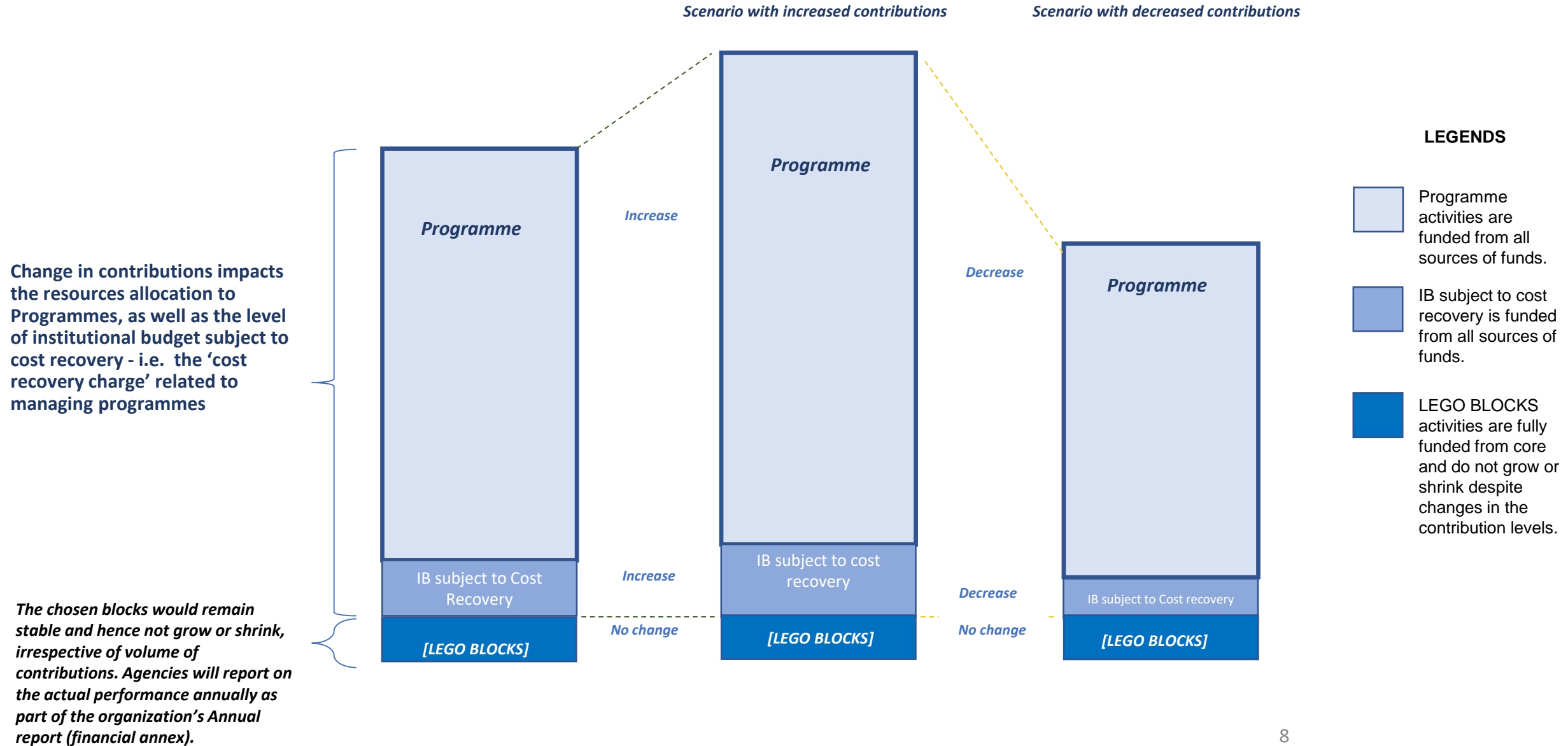
1 is the minimum. Moving from 1 to 3, the amount funded from core increases

Why the “LEGO” approach?

- Opportunity for EB members to provide direction on what they see as a critical role of core resources
- LEGO approach - blocks are independent of each other so the final model can be adjusted based on the EB members’ priorities, noting the logical connections among them
- Thus the indicative rates presented later on, reflect cumulative combinations of the building blocks
- They are for illustration / guidance and are subject to change depending on the final combination chosen



Financial implication of the cost recovery model [core + non core]



Overview of costs covered by core vs. cost recovery

	<i>Starting point</i>	<i>Current Model (per decision 2013/9)</i>	Executive leadership, C.O. leadership, Independent Assurance	Previous <i>plus</i> Directing advocacy, resource stewardship and technical leadership	Previous <i>plus</i> Integrating UN norms & standards; and quality assurance
			Green	Green + Yellow	Green + Yellow + Blue
Core covers	<i>Programmes</i>	Programmes <i>Coordination activities; Development Effectiveness activities; Critical cross-cutting management functions</i>	Programmes Coordination activities; Executive & CO leadership, Independent assurance;	Programmes Coordination activities; Executive & CO leadership, Independent assurance; Directing advocacy, resource stewardship and technical leadership	Programmes Coordination activities; Executive & CO leadership, Independent assurance; Directing advocacy and resource stewardship; Professional standards, Quality assurance, normative work & thought leadership
Institutional Budget subject to Cost Recovery covers	<i>Full Institutional Budget</i>	<i>Management activities except:</i> <ul style="list-style-type: none"> <i>critical cross cutting management functions</i> 	Management and development effectiveness activities, except <ul style="list-style-type: none"> Executive leadership; Country Office leadership, Independent Assurance 	Management and development effectiveness activities, except: <ul style="list-style-type: none"> Executive & CO leadership; Independent Assurance; Directing advocacy, resource stewardship and technical leadership 	Management activities, except: <ul style="list-style-type: none"> Executive & CO leadership, Independent Assurance; Directing advocacy & resource stewardship

Cost recovery rates by agency based on LEGO approach

Agency	Starting point	Current Model (per decision 2013/9)	Protected: Executive leadership, Country office leadership, Independent assurance	Protected: Previous <i>plus</i> Directing advocacy, resource stewardship and technical leadership	Protected: Previous <i>plus</i> integrating UN norms and professional standards, quality assurance
			<i>Green</i>	<i>Green + Yellow</i>	<i>Green + Yellow + Blue</i>
UNFPA	19.3%	9.7%	10.1%	8.2%	7.3%
UNDP	13.9%	7.3%	9.5%	8.6%	7.0%
UNICEF	13.6%	7.8%	10.2%	9.6%	7.0%
UN Women*	29.6%	8.5%	16.5%	12.6%	8.4%

Rates shown cumulatively, for illustration. Final rates will depend on the combination chosen.

The lower the cost recovery rate (due to higher level of protected functions), the greater the draw on core resources.

*UN Women executive leadership and much of its normative intergovernmental support is funded from assessed contributions which raises the percentage of the cost recovery rate – see Annex V 10

Harmonization - implications

- Due to different mandates, business models and economies of scale, the calculation of a single notional cost recovery rate for the four agencies will be very challenging.
- Where the harmonized standard rate is lower than the required cost recovery rate, the shortfall would be funded from regular (core) resources (or, in the case of UN WOMEN, also from assessed contributions).
- Nevertheless, agencies agree that it is much more beneficial to continue to have a harmonized rate for comparable activities. Key benefits are presented in the next slide

Harmonization – implications (cont.)

The case for harmonization

- A harmonized rate is an integral dimension to **UN coherence**, particularly at the country level
- Provides the right incentives for **Delivering as One** and **Joint programming**
- This becomes increasingly essential in the context of the the call for agencies to work even closer together to help achieve SDGs
- Eliminates or reduces the competition among the UN agencies
- Simplifies negotiation and reduces the transaction costs

Timing of the EBs' decision on cost recovery vs. the Organizations' Integrated Budgets 2018-2021 (*)

- Two options exist for EB decision on cost recovery (if made in 2017):
 - Annual session 2017 (June); or
 - Second regular session 2017 (September)
- Challenge to integrate cost recovery decision into the Integrated Budget:
 - Agencies would need time to incorporate the implications of any change in the decision on cost recovery in their Integrated Budget documents
 - Budget documents must be ready latest by mid-June, in order to present institutional component of Integrated Budget to ACABQ so that ACABQ can give guidance to the Executive Board in time for the September formal discussion and decision on the Integrated Budget

Timing of the EBs' decision on cost recovery vs. the Organizations' Integrated Budgets 2018-2021 (*)

- The preparation of the 2018-2021 integrated budget for September 2017 would be done based on the currently approved cost recovery methodology & rates.
- Adjustment of the Integrated Budget to reflect implementation of a new cost recovery decision could be done using one of the following options:
 - Present ad-hoc budget revision in September 2018 for the 2019-2021 period, reflecting implementation of cost recovery decision effective 1.1.2019; or
 - Present ad-hoc budget revision in September 2019 for the 2020-2021 period, reflecting implementation of cost recovery decision effective 1.1.2020

(*) 2018-2019 for UN Women

Executive Boards' guidance sought

- Executive Boards to give guidance on:
 - The role of core, including which LEGO blocks are to be considered to be funded from core
 - Continued use of harmonized rates, based on the presented options, noting the implications on core resources
- Against the backdrop of GA resolution 71/243 on the QCPR and guidance of the Executive Boards:
 - Proposed timeline for cost recovery decision, June or September 2017
 - Preparation of Integrated Budgets, 2018-2021 / 2018-2019

Next steps

Based on the guidance provided today:

- Discuss impact of the differentiated rates on the cost recovery due to different governing mechanisms of multi-lateral and non-governmental donors; develop options on differentiated rates for EXB consideration
- Discuss impact of the volumes on cost recovery (i.e. premium rates for lower volume, discounted rates for higher volume); develop options on volume for EXB consideration

Agencies will also:

- Continue to monitor and report on actual cost recovery on an annual basis
- Continue to strongly advocate for inclusion of eligible direct costs in programmes/projects

Q & A

Supporting information

Annex I – Recap of the current cost recovery model

Annex II – Summary of historical cost recovery information based on 2014-2016 financial data

Annex III - VI - Agency Specific Detail

Annex I

Recap of the current cost recovery model

CURRENT Executive Board approved model cost recovery – step by step

Illustrative Example:

Proportionate percentage share of RR and OR in the planned use of resources



Other resources: \$60
Regular resources: \$40

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



Inst. Budget: \$12.6
Development Effectiveness: (\$2)
Non-comparable Special Purpose: (\$1)
UN Dev. Coordination: (\$1)
Critical cross-cutting: (\$1)

***IB Subject to cost recovery:* \$7.6**

Step 2: Take the amount calculated in step (1) and split it proportionally according to the levels of total planned core and non-core expenditures



*IB proportion OR (7.6*60%) = \$4.56*
*IB proportion RR (7.6*40%) = \$3.04*

Step 3: Take the amount calculated in step (2) to be recovered from non-core resources and calculate it as a percent of total planned non-core development expenditures



IB proportion OR: \$4.56 / (\$60-\$4.56) = 8.2%
IB proportion RR: \$3.04 / (\$40-\$3.04) = 8.2%

Step 4: The amount in step (3) equals the notional cost-recovery rate on non-core resources



Result of step 4 = 8.2% established cost recovery rate

Annex II

Summary of historical cost recovery information based on 2014-2016 financial data

- **Cost recovery Waivers**
- **Notional cost recovery rates per the Current model**
- **Effective average cost recovery rates.**

Number of Waivers – 2014, 2015 and 2016

Number of waivers	2014	2015	2016
UNDP	24	9	12
UNFPA	3	6	8
UNICEF	1	9	0
UN Women	1	1	6

- Per EB decision, “*on an exceptional basis (...) the Administrator (...) and the Executive Director (...) may consider granting a waiver of the cost-recovery rates on a case-by-case basis, (...) and that the Executive Board will be informed of these waivers in the annual financial reports*”
- Total financial impact of the cost recovery waivers in response to partner requests is immaterial (but should continue to be given very exceptionally)
- The waivers granted are reported in the respective agency annual reports

Effective cost recovery rates 2014 -2016 by agency

The effective rate represents the rate that was realized based on the actual cost recovery vs. the actual OR spending*. These rates were also reported in the independent external consultants' report.

Agency	2014	2015	2016
UNDP	6.1%	6.3%	6.4%
UNFPA	7.07%	7.10%	7.27%
UNICEF	6.3%	6.5%	6.7%
UN Women	7.12%	7.00%	7.14%

*For UN Women, based on collected revenue

** UNFPA revised the 2014 and 2015 effective rates to only reflect the other resources that are subject of cost recovery credit to the Institutional Budget

Details for each Agency are presented in the Annexes at the end of this presentation

Executive Board approved model – calculation of notional rate using 2014, 2015 and 2016 actuals

The rates below result from applying the Executive Board approved methodology to 2014 , 2015 and 2016 actuals:

Agency	2014	2015	2016
UNDP	7.9%	7.0%	7.0%
UNFPA	7.8%	8.1%	8.3%
UNICEF	6.2%	6.0%	5.9%
UN Women	8.3%	8.1%	6.6%

Details for each Agency are presented in the following Annexes

Annex III

UNFPA specific details

UNFPA: Comparison current vs. potential adjusted methodology based on 2014-2017 MTR (annex I) (in US\$ Million)

Use of resources		Starting point	Current Model (per decision 2013/9)	Executive leadership, Country Office leadership, Independent Assurance	Directing advocacy, resource stewardship and technical leadership	Integrating professional standards, norms and quality assurance
A1	Regular resources (RR)	1,639.1	1,639.1	1,639.1	1,639.1	1,639.1
A2	Other resources (OR), gross (A)	2,291.1	2,291.1	2,291.1	2,291.1	2,291.1
	Total	3,930.2	3,930.2	3,930.2	3,930.2	3,930.2
1. Calculate the proportionate percentage share of RR and OR in the planned use of resources						
B1	Proportionate share RR	42%	42%	42%	42%	42%
B2	Proportionate share OR (B)	58%	58%	58%	58%	58%
2. Calculate the sum of management and comparable Special Purpose costs [and remove costs related to critical, cross-cutting functions]						
C	Institutional Budget	636.1	636.1	636.1	636.1	636.1
	Less					
C1	Development Effectiveness Activities		(127.6)			
C2	Non-Comparable Special purpose Activities					
C3	UN Development Coordination Activities		(8.5)			
C4	Critical cross-cutting management functions based on standard costs		(150.9)			
C5	Agency specific areas (RC system support, support to other agencies)			(8.5)	(8.5)	(8.5)
	Country Office leadership			(201.0)	(201.0)	(201.0)
	Executive leadership			(26.1)	(26.1)	(26.1)
	Independent Assurance			(38.4)	(38.4)	(38.4)
C6	Directing advocacy, resource stewardship and technical leadership				(64.4)	(64.4)
C7	Integrating professional standards, norms and quality assurance					(29.0)
3. Take the amount calculated in step 2. and split it proportionally according to the levels of total planned core and non-core use of resources						
D=C-(C1:C7)	Institutional Budget Subject to Cost Recovery based on approved methodology	636.1	349.0	362.1	297.7	268.7
E1=B1*D	Regular Resources Proportional Share of IB	265.3	145.6	151.0	124.1	112.1
E2=B2*D	Other Resources Proportional Share of IB	370.8	203.5	211.1	173.5	156.6
F=E2/(A2-E2)	Notional Rate	19.3%	9.7%	10.1%	8.2%	7.3%

UNFPA Calculation of rate in line with approved formula in documents DP-FPA/2013/1–E/ICEF/2013/8

		Calculation of Rate based on Approved Methodology 2014-2016 (in US\$ Million) - UNFPA		
		Actual Expenses		
Use of resources		2014	2015	2016
A1	Regular resources (RR)	445.0	420.3	361
A2	Other resources (OR), gross (A) (expenditures subject to cost recovery)	512.2	502.2	508
	Total	957.1	922.6	868.8
	1. Calculate the proportionate percentage share of RR and OR in the planned use of resources			
B1	Proportionate share RR	46%	46%	42%
B2	Proportionate share OR (B)	54%	54%	58%
	2. Calculate the sum of management and comparable Special Purpose costs (and remove costs related to critical, cross-cutting functions)			
C	Institutional Budget	139.5	140.3	136.8
	Less			
C1	Development Effectiveness Activities	(30.4)	(31.1)	(30.7)
C2	Non-Comparable Special purpose Activities			
C3	UN Development Coordination Activities	(2.0)	(2.1)	(2.2)
C4	Critical cross-cutting management functions based on standard costs	(38.3)	(37.9)	(37.1)
	3. Take the amount calculated in step 2. and split it proportionally according to the levels of total planned core and non-core use of resources			
D=C-(C1:C4)	Institutional Budget Subject to Cost Recovery based on approved methodology	68.9	69.2	66.7
E1=B1*D	Regular Resources Proportional Share of IB	32.0	31.5	27.7
E2=B2*D	Other Resources Proportional Share of IB	36.9	37.7	39.0
F=E2/(A2-E2)	Notional Rate	7.76%	8.11%	8.32%
G	Cost Recovery actually earned	38.8	33.3	34.4
H=G/(A2-G)	Effective Rate	7.07%	7.10%	7.27%

UNFPA – impact of differentiated rates, legacy and waivers vs. the standard rate

IC category	Effective rates			Variance vs. standard 8% rate		
	2014	2015	2016	2014	2015	2016
IC waiver approved	5.20%	5.19%	6.71%	123,685	180,210	74,270
Legacy agreements	7%	7%	7%	901,586	646,242	279,870
Programme Country	5%	5%	5%	452,914	682,321	534,167
Standard (8% IC)	8%	8%	8%	-	-	-
Thematic Trust Funds	7%	7%	7%	1,898,992	1,505,532	1,305,214
Various umbrella agreements - EC, UN Pooled / Harmonized	7%	7%	7%	999,231	1,204,582	1,303,275
Total	7.07%	7.10%	7.27%	4,378,422	4,220,902	3,498,812

Note: Variance vs. the standard rate represents the difference between the effective cost recovery received and the cost recovery that would have been earned using the standard approved rate (8%). Thus the amount is not exactly the same when comparing the effective cost recovery received to the notional rate derived by applying the approved methodology.

Please note a minor change in numbers versus the presentation made to the Executive Board in February, where the difference was calculated versus the respective approved differentiated cost recovery rate as opposed to standard rate.

The calculations exclude any cost recovery that is not credited to the Institutional Budget.

Annex IV

UNICEF specific details

UNICEF: Comparison current vs. potential adjusted methodology based on 2014-2017 IB) (in US\$ Million)

	Use of resources	Starting point	Current Model (per decision 2013/9)	Executive leadership, Country Office leadership, Independent Assurance	Directing advocacy, resource stewardship and technical leadership	Integrating professional standards, norms and quality assurance
A1	Regular resources (RR)	5,874.2	5,874.2	5,874.2	5,874.2	5,874.2
A2	Other resources (OR), gross (A)	11,653.0	11,653.0	11,653.0	11,653.0	11,653.0
	Total	17,527.2	17,527.2	17,527.2	17,527.2	17,527.2
1. Calculate the proportionate percentage share of RR and OR in the planned use of resources						
B1	Proportionate share RR	34%	34%	34%	34%	34%
B2	Proportionate share OR (B)	66%	66%	66%	66%	66%
2. Calculate the sum of management and comparable Special Purpose costs [and remove costs related to critical, cross-cutting functions]						
C	Institutional Budget	2,094.5	2,094.5	2,094.5	2,094.5	2,094.5
	Less					
C1	Development Effectiveness Activities (incl OR)		(567.5)			
C2	Non-Comparable Special purpose Activities		-			
C3	UN Development Coordination Activities		(36.6)	-		
C4	Critical cross-cutting management functions based on standard costs		(220.0)			
C5	Agency specific areas (RC system support)			(36.6)	(36.6)	(36.6)
	Country Level Leadership			(343.3)	(343.3)	(343.3)
	Corporate Leadership and Direction			(57.0)	(57.0)	(57.0)
	Corporate Oversight Assurance and Evaluation			(38.9)	(38.9)	(38.9)
C6	HQ and RO leadership for harmonized management functional clusters: Corporate HR, External Relations & Partnership; Security; Finance/ICT; Field Oversight, Management and Support				(48.2)	(48.2)
C7	Leadership at HQ and RO level for DE functions				(31.7)	(31.7)
C8	Remaining Development Effectiveness Activities					(389.8)
C9	Full remaining CO level IB					
3. Take the amount calculated in step 2. and split it proportionally according to the levels of total planned core and non-core use of resources						
D	Institutional Budget Subject to Cost Recovey	2,094.5	1,270.4	1,618.7	1,538.7	1,148.9
E1=B1*D	Regular Resources Proportional Share of IB	702.0	425.8	542.5	515.7	385.1
E2=B2*D	Other Resources Proportional Share of IB	1,392.5	844.6	1,076.2	1,023.0	763.9
F=E2/(A2-E2)	Notional Rate	13.6%	7.8%	10.2%	9.6%	7.0%

UNICEF Calculation of rate in line with approved formula in documents DP-FPA/2013/1–E/ICEF/2013/8

		2014	2015	2016
	Use of resources			
A1	Regular Resources (RR)	1,124	1,085	1,087
A2	Other Resources (OR)	3,680	4,193	4,373
	Total	4,804	5,277	5,460

1. Calculate the proportionate percentage share of RR and OR in the planned use of resources

B1	Proportionate share of RR	23%	21%	20%
B2	Proportionate share of OR	77%	79%	80%

2. Calculate the sum of management and comparable special purpose costs (and remove costs related to critical, cross-cutting functions)

C	Institutional Budget	441.50	469.09	484.1
	Less			
C1	Development Effectiveness	(113)	(129)	(135)
C2	Special Purpose Activities	-	-	-
C3	UN Development Coordination	(8)	(6)	(7)
C4	Critical cross-cutting functions based on standard costs	(38)	(35)	(35)
	Net	282	299	306

3. Take the amount calculated in step2. and split it proportionally acc to te levels of total planned core and non-core use of resources

D=C-(C1:C4)	IB subject to Cost Recovery based on approved methodology	282	299	306
E1=B1*D	RR proportional share of IB	66	61	61
E2=B2*D	OR proportional share of IB	216	237	245
F=E2/(A2-E2)	Notional Rate	6.2%	6.0%	5.9%
G	Cost Recovery Actually Earned	220	257	275
H=G/(A2-G)	Effective Rate	6.3%	6.5%	6.7%

Annex V

UN Women specific details

UN WOMEN

UN Women has a formal normative mandate as established by its founding resolution 64/289. Normative leadership positions are funded from Assessed contributions and thus not included in the Institutional Budget unlike the other sister entities. These leadership positions include Executive Director (USG\ED), one of the two Deputy Executive Directors (ASG), Chief of Staff (D2). This alters the basis for comparison (where leadership is paid for by IB by other agencies), leading to a much higher rate for UN Women than other agencies

UN Women: Comparison current vs. potential adjusted methodology (based on 2018-2019 IB) (in US\$ Million)

	Starting point (no subsidization)	2018-2019 Current Model (some subsidization)	2018-2019 1	2018-2019 2	2018-2019 3
Regular resources (RR)	400.0	400.0	400.0	400.0	400.0
Other resources (OR), gross (A)	480.0	480.0	480.0	480.0	480.0
Total	880.0	880.0	880.0	880.0	880.0
1. Calculate the proportionate percentage share of RR and OR in the planned use of resources					
Proportionate share RR	45%	45%	45%	45%	45%
Proportionate share OR (B)	55%	55%	55%	55%	55%
2. Calculate the sum of management and comparable Special Purpose costs [and remove costs related to critical, cross-cutting functions]					
Institutional Budget	200.8	200.8	200.8	200.8	200.8
Less					
Development Effectiveness Activities		(52.9)			
Non-Comparable Special purpose Activities					
UN Development Coordination Activities		(28.2)			
Critical cross-cutting management functions based on standard costs		(44.7)			
Agency specific areas (RC system support, support to other agencies)			(28.2)	(28.2)	(28.2)
CO leadership			(38.6)	(38.6)	(38.6)
Corp leadership & direction			(9.7)	(9.7)	(9.7)
Corp oversight & assurance					
Directing advocacy, resource stewardship and technical leadership				(14.6)	(14.6)
Integrating professional standards, norms and quality assurance				(12.0)	(12.0)
Remaining Development Effectiveness					(29.5)
3. Take the amount calculated in step 2. and split it proportionally according to the levels of total planned core and non-core use of resources					
Institutional Budget Subject to Cost Recovery based on approved methodology	200.80	75.00	124.34	97.73	68.25
Regular Resources Proportional Share of IB	91.3	34.1	56.5	44.4	31.0
Other Resources Proportional Share of IB	109.5	40.9	67.8	53.3	37.2
Notional Rate	29.6%	8.5%	16.5%	12.5%	8.4%

UN Women Calculation of rate in line with approved formula in documents DP-FPA/2013/1–E/ICEF/2013/8

UN WOMEN

21-Jun-16

Actuals (use of resources per Financial Statements 2014 and 2015)

	2014	2015	2016
Regular resources	143	149	142
Other resources (gross)	131	169	202
Total	274	318	344
Proportionate share RR	52%	47%	41%
Proportionate share OR	48%	53%	59%

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

	2014	2015	2016
Institutional Budget	73.0	82.5	78.5
Less			
Development Effectiveness Activities	(21.3)	(23.4)	(21.2)
Non-Comparable Special purpose Activities			
UN Development Coordination Activities	(10.4)	(12.4)	(12.2)
Critical cross-cutting functions based on standard costs	(18.5)	(21.0)	(22.4)

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	22.8
Regular Resources Proportional share of iB actuals	11.9	12.0	9.4
Other Resources Proportional Share of IB actuals	10.9	13.7	13.4
Cost recovery actually earned	10.3	11.5	12.6
Notional cost recovery rate	8.3%	8.1%	6.6%
Effective Rate	7.1%	7.0%	7.1%

UN Women Effective indirect cost recovery rates 2014, 2015 & 2016

Year	Collected Revenue (A)	Support cost Recorded (B)	Effective Rate (B/A)
2014	146,110,705.37	10,367,460.42	7.10%
2015	165,030,949.79	11,529,076.89	6.99%
2016	176,633,568.90	12,603,540.34	7.14%

Annex VI

UNDP specific details

BACKGROUND SCENARIO - Comparison current vs. potential adjusted methodology(in US\$ Million) - UNDP - based on 2014-2016
Use of resources

		Starting point	Current Model (per decision 2013/9)	Executive direction & leadership; CO leadership; Independent	Previous + Directing Advocacy, Resource stewardship and technical leadership	Previous +integrating norms and professional standards, quality assurance
A1	Regular resources (RR)	2,170	2,170	2,170	2,170	2,170
A2	Other resources (OR), gross (A)	12,465	12,465	12,465	12,465	12,465
	Total	14,635	14,635	14,635	14,635	14,635
	1. Calculate the proportionate percentage share of RR and OR in the planned use of resources					
B1	Proportionate share RR	15%	15%	15%	15%	15%
B2	Proportionate share OR (B)	85%	85%	85%	85%	85%
	2. Calculate the sum of management and comparable Special Purpose costs [and remove costs related to critical, cross-cutting functions]					
C	Institutional Budget	1,963	1,963	1,963	1,963	1,963
	Less					
C1	Development Effectiveness		(404)			
C2 - a	Non-Comparable Special purpose Activities (core funded)		(34)			
C2 - b	Non-Comparable Special purpose Activities (other un agency / external party reimbursable services)	(180)	(180)			
C3	UN Development Coordination Activities		(226)			
C4	Critical cross-cutting management functions based on standard costs		(122)			
	Agency specific area: RC system support			(226)	(226)	(226)
	Agency specific area: reimbursable support to other UN agencies			(180)	(180)	(180)
C5	Agency specific areas: support to UNV/UNCDF			(34)	(34)	(34)
	CO leadership (excluding RC which is embedden above)			(165)	(165)	(165)
	Executive leadership			(25)	(25)	(25)
	Independent assurance			(64)	(64)	(64)
C6	Directing advocacy, resource stewardship and technical leadership				(113)	(113)
C7	Integration professional standards, norms and quality assurance					(203)
	3. Take the amount calculated in step 2. and split it proportionally according to the levels of total planned core and non-core use of resources					
D = C - [C1-C8]	Institutional Budget Subject to Cost Recovey based on approved methodology	1,782	997	1,268	1,155	952
E1 = B1 * D	Regular Resources Proportional Share of IB	264	148	188	171	141
E2 = B2 * D	Other Resources Proportional Share of IB	1,518	849	1,080	984	811
F = E2/[A2-E2]	Notional Rate	13.9%	7.3%	9.5%	8.6%	38 7.0%

UNDP Calculation of rate in line with approved formula in documents DP-FPA/2013/1-E/ICEF/2013/8

Use of resources		2014	2015	2016	2014-2016
A1	Regular resources (RR)	835.0	714.0	621.3	2,170.3
A2	Other resources (OR), gross (A)	4,191.0	4,258.0	4,015.9	12,464.9
	Total	5,026.0	4,972.0	4,637.2	14,635.2
1. Calculate the proportionate percentage share of RR and OR in the planned use of resources					
B1	Proportionate share RR	17%	14%	13%	15%
B2	Proportionate share OR (B)	83%	86%	87%	85%
2. Calculate the sum of management and comparable Special Purpose costs [and remove costs related to critical, cross-cutting functions]					
C	Institutional Budget	670	659	634	1,963
	Less				
C1	Development Effectiveness Activities	(122)	(148)	(134)	(404)
C2 - a	Non-Comparable Special purpose Activities (core funded)	(14)	(11)	(9)	(34)
C2 - b	Non-Comparable Special purpose Activities (agency services + UNV programme funded)	(53)	(59)	(68)	(180)
C3	UN Development Coordination Activities	(73)	(76)	(77)	(226)
C4	Critical cross-cutting management functions based on standard costs	(40)	(41)	(41)	(122)
3. Take the amount calculated in step 2. and split it proportionally according to the levels of total planned core and non-core use of resources					
D=C-(C1:C4)	Institutional Budget Subject to Cost Recovery based on approved methodology	368.0	324.0	304.8	996.8
E1=B1*D	Regular Resources Proportional Share of IB	61.1	46.5	40.8	147.8
E2=B2*D	Other Resources Proportional Share of IB	306.9	277.5	264.0	849.0
F=E2/(A2-E2)	Notional Rate	7.9%	7.0%	7.0%	7.3%

(*) Based on data reported in UNDP ARFS for 2014 and 2015 in annexes 1&2, net of GLOC and in-kind contributions

UNDP - Effective average cost recovery rate calculation

with amounts by funding stream in US\$ million dollars

Effective average cost recovery rate: **2014**

2015

2016

6.1%

6.3%

6.4%

Funding stream	2014		2015		2016	
	Non-core programme expenses	Cost recovery revenue	Non-core programme expenses	Cost recovery revenue	Non-core programme expenses	Cost recovery revenue
Third party Contributions	1,293.40	77.6	1,296.50	82.6	1,200.5	78.5
European Union	254.7	16.4	347.4	20.8	241.1	15.1
Programme Country government Cost Sharing	907.1	35	918	35.5	798.8	29.3
South-South Contributions	3.1	0.2	2.6	0.2	2.7	0.1
Thematic Trust Funds	114.7	6.8	107.8	4.4	60.3	4.1
GEF	350.8	37.1	374.2	41.7	397.0	36.1
GFATM	474	31.2	423.2	28.6	395.5	25.9
Montreal Protocol	38	2.5	37.4	2.4	31.1	1.9
LOTFA	382.7	14.7	247.4	9.5	319.4	12.3
Other Trust Funds	64.1	3.7	51.1	3.6	58.4	4.2
Grand Total	3,882.80	225.2	3,805.50	229.3	3,504.9	207.4

The effective average cost recovery rate is calculated as follows:

Total Cost recovery revenue

(Total non-core programme expenses less Total Cost recovery revenue)

Planning assumption for implementing cost-recovery rate of 8% was that 75 per cent of 3rd party agreements would be in compliance with the cost recovery policy by the end of 2016. However, UNDP exceeded that initially envisaged level by achieving **89** per cent rate of the compliance by the end of 2016.

Notes:

1. All amounts from Atlas GL in line with UNDP audited Financial Statements for 2014 and 2015 and unaudited Financial Statements for 2016.

2. Note that in calculation of the effective average cost recovery rate, the denominator is adjusted for \$34.3m for 2014, \$38.5m for 2015 and for \$45.4m to take into account GEF/Montreal Protocol related accounting.

3. Programme country governments also contribute to offset local office costs through cash as well as in-kind contributions.

UNDP - impact of differentiated rates vs. the standard (8%) cost recovery rate in 2014-2016
in US\$ millions

Funding stream	GMS rates (*)		
	2014	2015	2016
Third party cost sharing	6.23%	6.80%	7.39%
EC	6.40%	6.37%	7.11%
Government cost sharing	4.06%	4.02%	3.90%
South-South contributions	6.06%	6.56%	3.99%
Thematic contributions	7.01%	4.24%	7.37%
GEF	9.5% on <\$10m; 9.0% on >\$10m	9.5% for <\$10m; 9.0% for >10m	9.5% for <\$10m; 9.0% for >10m
GFATM	6.69%	7.26%	7.01%
Montreal Protocol	7.80%	7.00%	6.64%
LOTFA	4.00%	4.00%	4.01%
Other trust funds	4.50%	7.73%	8.05%
Grand Total	6.1% effective average rate	6.3% effective average rate	6.4% effective average rate

Variance vs standard rate		
2014	2015	2016
26	15	11
3	5	3
35	35	32
0	0	0
2	4	0
-10	-13	-7
4	3	4
0	0	0
15	10	12
1	0	0
75	58	56

- GMS cost recovery rates are in line with rates reported in UNDP's annual report of the administrator for 2014 and 2015 (2016 rates are from draft report).